

Open drainage system was introduced in 1980 to reduce the water pollution. Presently the underground drainage system has been introduced to reduce the water pollution. Seventeen overhead tank and one ground level supply reservoir (GLSR) have been constructed for drinking water supply in Thanjavur town. Even then the requirement of drinking water and the disposal of waste water have not been satisfied.

The successful use of waste water for irrigation, have a long history in India. In a developing country like India, where the water for irrigation is in short supply, the use of waste water for irrigation may have a great emphasis on irrigation.



**CORPORATE ENVIRONMENTAL
ACCOUNTING & REPORTING CHALLENGES**

The basic objective of business enterprise was once the profit maximization. Later the concept of profit maximization was withdrawn in favour of wealth maximization to the shareholders (owners). Again the concept of wealth maximization to shareholders has been replaced by the concept of maximization of the wealth to corporate stakeholders - shareholder, Govt, employees, creditors etc. Hence the current focus to business activity is shifted to not only the shareholders, but also other groups of persons included in the concept of stakeholders.

One cannot deny the fact that a corporate enterprise is essentially a part of the society as whole and hence it cannot function in isolation. Now-a-days the concept of sustainable development gains significance. Accordingly, an enterprise while seeking to use natural resources must keep in

M.SELVAM & S.VANITHA
Bharathidasan University, Trichy - 620 024.

mind not only its own interest, but also the interest of future generation. It should strive to return something to the society in terms of gains to various sections of the society as well as minimizing the adverse impact of the use of scarce resources, atleast as much as it tries to gain.

It is imperative, therefore for corporate management to accept that their economic performance cannot be judged without considering the environment matters. Now there is a change world over in disclosure pattern of accounting information by corporate sector. They try to include and evaluate their economic performance taking into account the environmental performance.

Environmental Accounting and Reporting

In India, there is no specific and concrete definition for environmental accounting and reporting. From the available literature, one could understand little about them. The process of identification, measurement, allocation of environmental costs and their integration into business decision is Environmental Accounting. The subsequent communication of these information to the company's stakeholders is called as Environmental Accounting and Reporting. Identification includes a broad examination of the impact of products, services and activities of corporate sector. After identifying the impact it is necessary to measure those impacts & benefits (costs and benefits) as precisely as possible. This is required to permit informed decision - making by the stakeholders. The measurement might be quantified in physical units or monitored equivalents. In other words the trading and non-trading concerns are required to adopt a reporting system to disclose to the community at large information about their environmental policies, objectives, programmes undertaken and the costs and benefits related to these policies, objectives and programmes. Further, they are required to disclose and provide for environmental risks.

The environmental issues are long term in nature affecting future generations. There is a need for the corporate entities to develop and adopt appropriate environmental accounting and reporting system mainly

- to identify the environmental costs (those costs have been formerly concealed in overhead accounts)
- to incorporate the environmental costs and performance of processes and products leading to more accurate costing and pricing of products.

- D to help managers to make decisions that will curtail or eliminate their environmental costs
- D to widen and do better the investment analysis and evaluation process to encompass likely environmental impacts and
- D to aid the evolution and operation of an overall Environmental Management System (EMS).

In the absence of an appropriate environmental accounting and reporting system, Indian corporate sector faces many challenges in practice that are to be managed with appropriate measures taken by Government and its agencies.

Challenges Before Indian Corporate Sector

The following are some of the challenges faced by Indian corporate sector in respect of environmental accounting and reporting.

a) Formulation of Long-Term Environmental Accounting Goals

Corporate sectors may develop and adopt long-term accounting goals for incorporating environmental performance in environmental accounts that reflect the full of production even when monetary values cannot be assigned.

b) Identification of Relevant Environmental Factors

These are some environmental factors, which influence the investment decisions. An accountant needs to find ways to account for quantifiable and tangible environmental factors in investment decision. Otherwise, good proposals that are economically sound in the long term may be rejected. Alternatively, omission of significant environmental costs might cause the company to accept environmentally unsound proposals.

c) Identification of Concealed Overhead

Environmental related costs are often concealed into overheads accounts. These practices must be removed and appropriate heads of accounts to incorporate environmental matters must be created and applied in order to help the company to understand better its environmental costs and their causes.

d) Lack of Support of Management

For developing and implementing new cost accounting, a system to incorporate environmental matters in an organization requires the support of senior management as well as formal implementation plan. An implementation plan should anticipate requirements such as employee training, assignment of responsibility for providing input into the system and the likely effects of the new information on current operation.

e) Lack of Cost Accounting System

A cost accounting system must be developed to incorporate environmental related matters. The present cost accounting system suffers due to lack of necessary provisions. Therefore, conversion of cost accounting system to include environmental related issues must be shown to be cost-effective as with any other investment.

f) Absence of Capital Appraisal System

Whether capital appraisal system is based on standard or unconventional accounting information systems or not, it co-operate to the stakeholders in providing adequate information about environmental costs and risks. The capital appraisal system need to be developed for full fledged environmental accounting and reporting.

g) Lack of Long-term Planning / Forecasting System

Long-term planning/forecasting system is needed to incorporate and achieve environmental improvement targets/goals and their financial implications. Accountants must assess the need for new and / or modified information and financial systems suitable to incorporate environmental related goals / targets.

Measures to be taken to Face Challenges

In India there are no appropriate guidelines, in respect of environmental matters to be followed by corporate sectors. The appropriate guidelines will go long way in giving an impetus to the environmental accounting and reporting among the Indian corporate sectors. The following measures may be taken as suggested below.

A) It is felt that the standard setters such as Accounting Standard Board of the Institute of Chartered Accountants of India (ICAI) have to come out with

an appropriate pronouncement on the environmental accounting and reporting thereof.

B) The Government of India should also bring appropriate amendments in Indian Companies Act (may amend section 217(1)(e) of the Companies Act, 1956 and Companies disclosure of particulars in the report of Board of Directors Rules, 1988). These changes in companies Act must be mandatory for proper environmental accounting and reporting thereof.

C) The SEBI should make it obligatory to incorporate the environmental impacts on the financial projections by companies whenever they attempt to tap the capital market.

D) The stock exchanges should include the environmental reporting requirements in the listing agreements.

E) Eco-concern should become a part of the business. Hence Indian corporate sectors should be committed to conserve the bio-resources for the future generations.

F) Environmental audit should be carried out by a multi-disciplinary team having expertise in general environmental matters as well as specific environmental matters.

All these coordinated efforts will create an atmosphere wherein the companies have to adopt environmental accounting and reporting without fail.

Conclusion

The corporate environmental reporting practice is in nascent in stage in India. The corporate environmental accounting is misleading in the absence of an appropriate guidelines issued by International and Indian Accounting Standards Boards on this subject. The misleading is more true in the absence of appropriate system of recognition of environmental liabilities and assets and their treatment. Hence, the issues recognizing environmental costs and liabilities must be resolved soon in right perspective and an effective corporate environmental reporting system is to be installed.



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