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Need of Green Accounting

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Abstract: *Responsibility towards environment has become a major area in Social Responsibility. The Conventional National Income Accounting does not fully report different types of Resource Expenditure like exhaustible resources. There is a concern for Environmental Degradation which is taking place in the form of Deforestation, soil erosion, AirPollution, Water pollution etc. Traditional indicators of Economic growth such as GDP have many flaws because GDP does not take the depletion of Environmental resources into account. No clear cut policies are made and implemented at the National level.A new measure called Green Accounting helps to overcome all these problems. Green Accounting is an Accounting that attempts to factor Environmental Costs into the financial results of Operations. It has been argued that Gross Domestic Product ignores the environment and therefore policymakers need a revised model that incorporates green Accounting. Green Accounting is also called as Environmental Accounting. The major purpose of Green Accounting is to help business understand and manage the potential quid pro quo between Traditional Economics Goals and Environmental goals.Green Accounting helps the organisations to identify the resource utilization and the incurred cost. This method records cost and benefits rendered by the ecosystem to a business concern. The term Green Accounting was first introduced by Economist Peterwood in the 1980's. The purpose of this paper is to study and analyze the available literature on Green Accounting and to find out the need of it in the Corporate world.*

***Keywords**:*
- Green Accounting
- Business Concern
- Social Responsibility
- Environmental Reporting

I. Objectives Of The Study :

1. To analyse the need of Green Accounting
2. To identify the actions AT&T has taken and the issues it has encountered in applying Environmental Accounting.

Scope Of The Study: The scope of the study is confined to understanding the concept of Green Accounting and alsoGreen Acccounting at AT&T.
Sources Of Data : The study on the topic, " Green Accounting" is based on Secondary data.

Meaning Of Green Accounting:-

The term "Green Accounting" was first brought into common usage by economist and Professor Peter Wood in the 1980's.Green accounting is a type of accounting that attempts to factor environmental costs into the financial results of operations. It has been argued that gross domestic product ignores the environment and therefore policymakers need a revised model that incorporatesgreen accounting.

Better macro economic and societal indicators are needed to reflect the contribution of biodiversity and ecosystem services to human beings. One approach that is gaining momentum across the globe is "Green Accounting" whereby national accounts are adjusted to include the value of nature's goods and services.MrJairam Ramesh , the former environment minister , advocated greening India's National accounts by 2015 and encouraged policy makers to recognize the trade-off between pursuing high growth policies against the extensive impact they could have on India's Natural capital.

The major purpose of green accounting is to help businesses understand and manage the potential quid pro quo between traditional economics goals and environmental goals. It also increases the important

information available for analyzing policy issues, especially when those vital pieces of information are often overlooked.Green accounting is said to only ensure weak sustainability, which should be considered as a step toward ultimately a strong sustainability.
of economic growth .

- Green Accounting has been classified into
  - ✓ Monetary Approach
  - ✓ Physical Approach
- They are further divided into Macro-level, Local administration level and micro level.

- Practically for developing countries like India, it is a twin problem about saving Environment and Economic Development. As the country's Economic condition is not very strong, it needs to be improved first. A study by world bank estimated that about Rs 34000 crores were lost by India due to environmental damage. Company like AT&T is implementing Green Accounting.

- Another organization that is already leading the way is GIST- Green Indian states Trust. According to their results , the loss of forest ecological services (ie, soil erosion prevention, flood control and ground water augmentation) over three years (2001-03) was due to declining dense forests.

Green Life Cycle:
The life cycle of a product, process, system or facility begins with acquisition to make it green to the decommissioning which can include toxic removal and remediation. Life cycle is a more systematic and complete assessment of a firm's long term costs.

II. Objectives Of Green Accounting:

1. Segregation and Elaboration of all Environment related Flows and Stocks of Traditional Accounts:
The segregation of all flows and stocks of assets related to environment permits the estimation of the total expenditure for the protection of the environment. A further objective of this segregation is to identify that part of the gross domestic product that reflects the costs necessary to compensate for the negative impacts of economic growth, that is, the defensive expenditures.
2. Linkage of Physical Resource Accounts with Monetary Environmental Accounts:
Physical resource accounts cover the total stock or reserves of natural resources and changes therein, even if those resources are not affected by the economic system. Thus natural resource accounts provide the physical counterpart of the monetary stock and flow accounts of SEEA. (System of Environmental Economic Accounting)
3. Assessment of Environmental Costs and Benefits:
The SEEA expands and complements the SNA (System of National Accounts) with regard to costing:
(a) The use (depletion) of natural resources in production and final demand;
(b) The changes in environmental quality, resulting from pollution and other impacts of production, consumption and natural events, on the one hand, and environmental protection, on the other.
4. Accounting for the Maintenance of Tangible Wealth:
The SEEA extends the concept of capital to cover not only human-made but also natural capital. Capital formation is correspondingly changed into a broader concept of capital accumulation allowing for the use or consumption and discovery of environmental assets.
5. Elaboration and Measurement of Indicators of Environmentally Adjusted Product and Income:
The consideration of the costs of depletion of natural resources and changes in environmental quality permits the calculation of modified macro-economic aggregates, notably an environmentally adjusted net domestic product (EDP)

Traditional Growth Measures:
- Green Accounting is a measure of sustainable income level that can be secured without decreasing the stock of natural assets. This requires adjustment of the system of National Accounts (SNA) in terms of stocks of natural assets. In SNA, allowance is made for capital consumption or man-made capital while calculating Net Domestic Product. Net Domestic Product (NDP)= GDP- Depreciation.
- SNA has three main Defects:
  1. It neglects the depletion of natural capital such as farmland, forests, fishing stock, minerals, etc.
  2. Environmental Degradation mainly from Pollution

3. Defensive Expenditures which the society incurs in facing the external effects of Environmental Degradation.

- To Overcome these drawbacks of SNA, the statistical Division of UN has developed the system of Environmental Economic Accounting (SEFA).The SEFA focuses on :
  1. Accounting for depletion of Scarce Natural Resources
  2. Measuring the costs of environmental Degradation and its prevention.

Thus the computation of Green NDP has been replaces by a measure of National Product which includes the Economic Cost of degrading natural resources which are required to produce goods and services directly and indirectly.

SNA defines Net Domestic Product as:

NDP= Net exports(X-M) + Final Consumption (c)+ Net Capital Accumulation (I)

To arrive at Green NDP, if net capital accumulation (I) is replaced by net capital accumulation of produced and non-produced natural assets, the identity becomes

EDP= (X-M) + C + Nap. Ec + (NAnp.ec- NAnp.n)

Where, EDP= Environmental Domestic Product

(X-M) = Eports - Imports

C= Capital Accumulation

NAp.ec = Net accumulation of produced economic assets

NAn.ec = Net accumulation of non- produced economic assets

NAnp.n = Net accumulation of non –produced natural assets

Failures of traditional growth measures:

- Traditional indicators of economic growth such as GDP have many flaws because GDP does not take the depletion of environmental resources into account ; it actually increases when environmental resources are depleted.
- Also, if something does not have a market price, it is not a part of GDP. The treatment of defensive expenditures within GDP is also a large problem because GDP actually increases when capital is spent on cleaning pollution or repairing environmental damages.
- Gdp isflawe because it does not include environmental resources. For all these reasons , traditional indicators of economic growh do not reflect the sustainable use of Environmental resources.

Advantages of green accounting:

- Environmental- Centered Management system
- Sustainable development in Economy
- Pollution Control is possible through Green Accounting
- Assessing, testing and reporting performance of environmental activities become easy with the help of Green Accounting.
- Product circulation , administration form environmental prospective.

Hence the above advantages are reasons for need of Green Accounting.

Need of green accounting:

- Changes in the environment have a negative bearing on not just the environment but on the economy as a whole. And it a well-known fact that changes in the economy have a direct bearing on the changes in any business. It is also important to note that the Gross Domestic Product of a country can be affected by the environmental issues, the need for sufficient and appropriate corporate disclosures is growing all the more
- As the Gross Domestic product ignores environmental concerns, there is a need of Green Accounting.Envionmental Reporting is the need of the hour in the globe.
- Even thoughIndian Corporates and businesscomply with requirements such as Social responsibility , there are no clear cut policies to protect the environment. Hence there is a need of Green Accounting.
- There is a need for common people of India to be made aware of towards environmental safety , Environmental Accounting in business concern etc.
- Saving Environment and Economic Development are both problems of any developing country. However the economy of the country should be improved first. Thus companies like AT&T are trying to repair the environmental damage with the help of Green Accounting.

III. Case Study Of AT&T:

AT&T Inc. is an American multinational conglomerate holding company, headquartered at Whitacre Tower in downtownDallas, Texas. AT&T is the world's largest telecommunications company. AT&T is the second largest provider of mobile telephone services and the largest provider of fixed telephone services in the United States, and also provides broadband subscription television services through DirecTV; combined with AT&T's legacy U-verse service, this also makes AT&T the largest pay television operator. AT&T is the second-largest company in Texas, behind ExxonMobil. As of February 2017, AT&T is the 12th largest company in the world (non-oil and overall) as measured by a composite of revenues, profits, assets and market valuation. AT&T is the largest telecommunications company in the world by revenue. As of 2017, it is also the 21st-largest mobile telecom operator in the world, with 138.8 million mobile customers. AT&T was ranked at #4 on the 2017 rankings of the world's most valuable brands published by Brand Finance.

AT&T Inc. began its history as Southwestern Bell Telephone Company (subsidiary of Bell Telephone Company, later AT&T Corporation) created in 1882. In 2005, SBC purchased former parent AT&T Corporation and took on its branding, with the merged entity naming itself AT&T Inc. and using the iconic AT&T Corp. logo and stock-trading symbol.The current AT&T reconstitutes much of the former Bell System and includes ten of the original 22 Bell Operating Companies, along with the original long distance division.

Driven by its expressed desire to keep a healthy balance between business interests and environmental protection, AT&T has stated that the two interests are not necessarily inconsistent.AT&T believes that investing in Environment has helped it decrease operational costs and avoid future liabilities. As a result, AT&T has set aggressive environmental goals.

- In 1993, AT&T reached its goal of eliminating emissions of Chloroflurocarbons (CFCs) and other Ozone depleting substances from its manufacturing operations.
- AT&T has also achieved significant results by reducing waste , increasing recycling and using recycled paper.
- The world's Largest telecommunication company, AT&T views Green Accounting as a major component of Total Quality Management and believes that "Quality is given in competition today" and "Environmental Quality will be given very soon."
- Using brain storming techniques, the Green Accounting team of AT&T has discussed "why does it make sense to implement Green Accounting?"

Conclusions included the following :

a. To control/ Improve process Costs
b. To trace costs to green activities
c. For investment decisions/tradeoffs
d. To assess design impacts , now and in future.
e. To prove compliance with environmental standards
f. To respond to customers and other stakeholders
g. To support sustained growth of profitability
h. To make it easier to understand AT&T's impact on the future

- To support incorporating Green Accounting into AT&T pollution preventives , the Green Accounting Team envisioned developing an environmental accounting Assessment tool that site teams could use in determining the most helpful information and in setting priorities to meet environmental objectives.
- Green Accounting in AT&T was based on ABC/ABM (Activity Based Costing) Techniques. The term defined Green Accounting as follows: " Environmental Cost Accounting/ Green Accounting is defined as identifying and measuring the costs of environmental materials and activities and using the information for environmental management decisions. The purpose is to recognize and seek to mitigate the negative environmental effects of activities and systems.
- After a lot of discussions, the team decided to develop a self-assessment tool that AT&T plants could use as an aid in establishing baselines and goals for improvement. The AT&T's self-assessment tools include status survey, Environmental activities dictionary, Activities/ resource matrix , protocol.
- AT&T's Environmental activities include Operating a pollution control equipment, Environmental media testing, Environment- Related Training, Storing waste and hazardous material, Evaluating equipment for Environmental projects, Reengineering to meet environmental objectives, Qualifying/Requalifying suppliers, Developing Environmental plans/strategies, De-ioning water for manufacturing.
- AT&T also believed that by making investments in preventive measures like waste management, Environmental testing , it can reduce the Cost of Quality.
- However given a limited amount of time the team was formed, it has covered quite a bit of ground. In the course of time, the team identified the following issues to address in future, the are as follows:

- Defining inputs, outputs and drivers for Environmental activities.
- Bring Environmental cost considerations into business case for any future plant start-ups.
- Use Green Accounting to develop a list of corporate metrics that can be used to measure and reward performance.

Criticisms Of Green Accounting:

- Green Accounting is a long term process , hence it is difficult to draw conclusion.
- It may be great theoretically but very poor practically as far as Environmental Reporting is concerned.
- The implementation of Green Accounting also becomes complicated.
- No attempt has been made to make a comparative study of factors among the Green Accounting in Corporate, National and International Level.

IV. Conclusion:

- AT&T have been using using techniques like pollution control, waste management etc, however there is still a lot of scope for its proper implementation.
- Environmental budgeting has not been focused much in the case study of AT&T.
- Regardless of criticism, green Accounting is necessary to place value on Environmental resources in business concern
- The main problem with GDP is that it only includes goods and services that are exchanged on the market and many environmental resources do not have a market price. Hence Environmental Accounting is not easy for all business concerns.
- It is theoretically possible but becomes complicated when applied in reality.

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