



Greetings!!!

Businesses have become progressively more aware of the environmental implications of their operations, products and services. Environmental risks cannot be ignored, they are now as much a part of running a successful business as product design, marketing, and sound financial management. Poor environmental behaviour may have a real adverse impact on the business and its finances. Punishment includes fines, increased liability to environmental taxes, loss in value of land, destruction of brand values, loss of sales, consumer boycotts, inability to secure finance, loss of insurance cover, contingent liabilities, law suits, and damage to corporate image. Nearly, all aspects of business are affected by environmental pressures, including accounting. From an accounting perspective, the initial pressures were felt in external reporting, including environmental disclosures in financial reports and/or the production of separate environmental accounts. However, environmental issues cannot be dealt with solely through external reporting. Environmental issues need to be managed before they can be reported on, and this requires changes to management accounting systems.

Companies and organizations must assess, mitigate, and monitor certain risks involved with their daily operations. A specific area of risk that must be identified is that on the local and global environment. Accidents, natural events, and deliberate assaults are all possible ways for an enterprise to cause pollution or other risks. In order to limit, and hopefully prevent these situations, environmental risk management places a strong emphasis on targeting the problems that could arise and implements a system of metrics that help with prevention. This practice is used by both public and private sectors of the economy. An organization must establish procedures that manage the uncertainty of its operations, which involves following certain protocol and implementing tools that will ensure conformance to those procedures. These procedures must be applied to day-to-day activities that may be a threat to environmental well-being, as well as overall infrastructure assessment, to lower or eliminate damage to the environment caused by the organization.

Environmental auditing is a management tool which simply inspects the environmental management activities performed by the industries or organizations and makes them aware of new cleaner technology. For the impact of industries and their product on natural resources

and environmental quality it is necessary to have “Environmental Audit” to ensure sustainable industrial developments.

Environmental Management Accounting:

EMA is the generation and analysis of both financial and non-financial information in order to support internal environmental management processes. It is complementary to the conventional financial management accounting approach, with the aim to develop appropriate mechanisms that assist in the identification and allocation of environment-related costs. The major areas for the application for EMA are:

- ✧ product pricing
- ✧ budgeting
- ✧ investment appraisal
- ✧ calculating costs and
- ✧ savings of environmental projects, or setting quantified performance targets

Environmental and other sustainability issues can affect business in several ways. Stringent environmental legislation and regulation has imposed an additional compliance burden and a need to monitor activities and outputs more closely for the stakeholders including auditors. Increasing shortages of natural resources including increasing energy costs are reflected directly in market prices, which is encouraging organizations to review their products and processes to recognize and respond to changing cost structures and risks. The need for organizations to report on their environmental performance is globally accepted. The purpose of environmental accounting and reporting is to provide information to stakeholders for decision-making purpose. Environmental reporting is a component of triple-bottom-line or sustainability reporting, addressing economic, environmental and social performance. Here CMAs, with their multi-disciplinary and techno-commercial skills are the apt professionals to conduct Green Audit to ensure Compliance of Environmental Laws, effective assessment of Environment Cost, Environment Impact Assessment and Carbon Credit.

This issue presents a good number of articles on the cover story theme ‘Environmental Management Accounting’ by distinguished experts and authors. We look forward to constructive feedback from our readers on the articles and overall development of the journal. Please send your mails at editor@icmai.in. We thank all the contributors to this important issue and hope our readers enjoy the articles.