

# EDITORIAL



Greetings!!!

Taking care of the environment has become an enormous preoccupation virtually around the world and accounting for the environment, natural resources and related issues have started gaining increasing importance and attention. Thankfully, the world is no longer willing to be a mute spectator to Mother Nature being made to pay the cost of a nation's growth and progress. Countries are exceedingly being watched and called out by the global community for environmental transgressions. Be it soil erosion, melting glaciers, the increasingly growing carbon footprint or deforestation, all these aspects are being diligently watched and documented by the competent authorities.

Mahatma Gandhi said, "Mother Earth provides enough to satisfy every man's need, but not for every man's greed." This insightful observation alone is an indication of how relevant environmental accounting is in today's context, as envisioned way back. Environmental accounting or green accounting is a concept that calculates the cost of a nation's economic impact on nature.

Environmental accounting is a broader term that encompasses the provision of environment-related information both externally and internally. It focuses on reports required for shareholders and other stakeholders, as well of the provision of management information. Environmental Management Accounting, on the other hand, is a subset of environmental accounting. It focuses on the information required for decision making within the organisation, although much of the information it generates could be used for external reporting. 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.

Environmental management accounting approach is required to improve the environmental performance of a company, proper implementation of the system can assure transparency for the company to report the environmental costs clearly and help them in accessing their corporate social responsibility initiatives as well. All this, in turn, enhances the image of the company in

the media as well as amongst its shareholders.

Nowadays, owing to rising pollution levels and climate change, the environment has been suffering in a major way. This, in turn, is now forcing nations across the world to adopt an inclusive approach towards economic development and ensure that industrial development is sustainable and in tune with the interests of the environment. At this outset, India must introduce a recharged and revamped system of environmental management accounting that takes a comprehensive view of how a nation can progress without paying huge environmental penalties. This new accounting system must be an end to end solution so that it encapsulates the common man on one side and the Gross Domestic Product on the other. In between, it should be able to link and audit natural resources ensuring that the methodology of their use reduces wastage. This, if done efficiently, can script a turnaround in how natural resources are used and promote accountability in their usage as well.

CMA's will have the opportunity to work in the context of integrated reporting and environmental and natural resource accounting as a consultant in providing the consultancy on environmental opportunities and risk management. The Cost & Management Accountants can apply certain tools and techniques like Life-Cycle Assessment, Hierarchical Cost Analysis, Activity-Based Costing, Balanced Scorecard, etc. for quantification and monetization of externalities and full environmental cost accounting for effective accounting and fair reporting. Further, CMA's with their multi-disciplinary and techno-commercial skills are the apt professionals to conduct Green or Environmental Audits to ensure necessary 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 "Environmental Management Accounting: Issues and Practices" written by distinguished experts. We look forward to constructive feedback from our readers on the articles and overall development of the Journal. Please send your emails at [editor@icmai.in](mailto:editor@icmai.in). We thank all the contributors to this important issue and hope our readers would enjoy the articles.