

## **ENVIRONMENTAL ACCOUNTING AND REPORTING IN BALRAMPUR CHINI MILLS LIMITED GONDA (U.P), INDIA**

**Dr. Gunjan Gupta**

Assistant Professor, Department of Commerce, Daulat Ram College,  
Delhi University, Delhi, India  
Email: gungupta2009@gmail.com

### **ABSTRACT**

*Environmental Accounting is a very new concept of the accounting system. It is a fruitful attempt to identify and bring to the light the resources exhausted and cost rendered reciprocally to the environment by the business houses.*

*Environmental accounting is a method for improving business decision making in recognition of the increasing environmental challenges and opportunities facing business today. It does this by identifying hidden or misallocated internal and external costs and allocating them to particular products or processes.*

*Economic efficiency and Environmental management policies are complementary to each other. Experience has proved that the industrial output could be increased several times with reduced wastes. The key to sustainable growth is not to produce less but to produce efficiently, with the help of adopting proper Environmental Accounting System. The accounting and disclosure practices in respect of environmental issues have become mandatory in some countries but in India, it is not mandatory. BCML does not prepare separate account for environmental cost but they show it in the existing overhead. These companies do submit Environmental Statement under the Environmental Protection Act 1986 annually.*

*In this paper attempt has been made to analyse the application of Environmental Accounting and reporting in Balrampur Chini Mills Ltd. Gonda (U.P).*

**Keywords:** Environmental Accounting

### **INTRODUCTION**

The term “Environment” refers to the surroundings that someone has to encounter. A person might be surrounded by the natural environment, psychological conditions, social and cultural principles and many more known and unknown factors.

Environmental Accounting is a very new concept of the accounting system. It is a fruitful attempt to identify and bring to the light the resources exhausted and cost rendered reciprocally to the environment by the business houses.

According to Federation des Experts compatibles Europeans (1995) “Environmental accounting concerns the treatment of environmental issues within the financial statement and within environmental evaluations”.

Gray, Bebbington and water (1993) observed “Environmental Accounting can be taken covering all areas of accounting that may be affected by the business response to environmental issues, including new areas of eco-accounting.”

“Environmental Reporting” is the term now commonly used for environmentally related data, verified (audited) or not, regarding environmental risks, environmental impacts & policies.

Corporate environmental protection should include environmental reporting initiatives taken by the enterprise, the adverse impact of its production process and products on the environment both in quantitative and qualitative terms and its initiatives in process and product innovations in order to achieve sustainable growth.

Assistant professor in commerce department, Daulat Ram College, Delhi university, Delhi Generally following information are disclosed by the companies in its annual report about environmental accounting and reporting

- Present and future costs for products as well as processes redesign.
- Present and future capital expenditures for pollution and control.
- Physical data related to the reduction of toxicity and waste.
- Estimates of future environmental costs and benefits.
- Accumulation of current environmental costs from current as well as past activities and products.

Environmental accounting involves the establishment of environmental management systems within organizations so that environmental issues can be addressed within conventional practice.

Environmental accounting is a method for improving business decision making in recognition of the increasing environmental challenges and opportunities facing business today. It does this by identifying hidden or misallocated internal and external costs and allocating them to particular products or processes.

Further the environmental management systems within organizations need to be transformed into the reporting of environmental information, primarily in the corporate annual reports. This will make the firm accountable for its environmental performance in addition to its financial results.

### **Application of Environmental Accounting and reporting in Balrampur Chini Mills Ltd. Gonda (U.P)**

Balrampur chini Mills Ltd. Was incorporated in 1975. It is one of the largest private limited company in the Indian sugar industry. It has 10 units and each unit is not interlinked with each other. They work independently each unit has to submit its financial report to the head office for the final compilation of the report. The head office is situated in Calcutta at Bose road.

The allied business of the company comprises distillery operations, cogeneration of power and manufacturing of bio-compost. The sole responsibility of the company is to manufacture sugar in Balrampur.

The primary product of the company is sugar; the by-products include bagasse, pressmud and molasses. The company makes good use of its by-products. Bagasse is used as the major source of fuel in the sugar manufacturing process which minimises the dependence on fossil fuels. Pressmud is used for the production of organic manure i.e. bio-fertilizer and molasses is used as the principal feedstock for the manufacture of alcohol.

### **Environmental Accounting System in BCML**

Environmental Accounting practice is at a fairly rudimentary stage in Balrampur chini Mills Ltd. BCML doesn't use environmental accounting as a mechanism for demonstrating its accountability to its shareholders in order to legitimise its operations and to improve its public image. Government tries to ensure that the company's operations are environmentally sensitive and the objectives of the company are not contradictory to its own policies on sustainable development. Therefore, BCML does not practice environmental accounting as a separate accounting system. But company takes some measures to stop environmental pollution from the production of sugar.

Mr. Kamal Nath, the then minister of Environment and Forests while inaugurating a training programme on pollution control in the distillery industry in August, 1998, had observed that: "Environmental auditing is a strong management tool and should be used by industry for their own self assessment"<sup>1</sup> Union Environment and forests Minister Suresh Prabhu (1998) viewed: "They may have to introduce environment audit for all bodies whether they work for profit or otherwise. At present 29 activities require environment impact assessment."<sup>2</sup>

The corporation carries out regular environment audit through the consultant firm Environment and Technical Research Centre, Gorakhpur. Upon the completion of the Environmental Audit, an environmental statement for the financial year ending 31<sup>st</sup> March of every year is produced and submitted to the Faizabad State Pollution Control Board on or before 30<sup>th</sup> day of September every year. On the basis of the environmental statement, corrective measures are taken to minimise adverse effects on the environment.

BCML has installed effluent treatment plant (ETP) for the protection of the environment as a part of the Environmental Management.

Therefore, the overall pollution control activities of BCML are divided into two sections, from the research point of view, which are given below:

1. Environmental Management
2. Environmental Reporting

Environmental management system of BCML is divided into two parts which are management of effluent treatment plant (ETP) and environmental cost.

1. Minister of Environmental and Forests, Mr Kamal Nath's statement published in the Hindustan Times, dated 5<sup>th</sup> August, 1998.
2. Union Environment and Forest Minister, Suresh Prabhu's statement published in the Hindustan Times, dated November 20, 1998

In BCML Environmental management plans are made by the environmental officer, who is designated as Environmental Health and safety manager. These plans are executed by the ETP (effluent treatment plant) chemist. There are two different effluent treatment plants in the BCML. Each unit of the BCML has different effluent treatment plant. As it is mentioned, BCML has four units. But the effluent treatment plant is set up in two units only. These two units are sugar and chemical/ distillery.

### **Environmental Cost Accounting**

There is a tendency to rely too heavily on the conventional accounting frame work and to disregard social and environmental issues of significance to the organization. Accountants in the BCML do not attempt to trace environment costs and incorporates them within conventional costs. Further, they indicated in the interviews that they did not take environmental risks and contingencies separately into account. They showed environmental expenditure in consolidation with the existing overhead. In addition, the interviewers stated that although they did consider environmental factors when appraising investment in projects, these were given a low priority.

The accountant's involvement is much more limited. Through conventional accounting practices they account for expenditure on capital investments attributed to environmental protection. BCML's capital expenditure in effluent treatment plant (ETP) for the period 1991-2007, totalling Rs. 1,58,36,901,01 (on the basis of original value) and Rs. 66,92,509 (on the basis WDV) and can concentrated heavily on the problem of effluent control.

Company has invested a good deal of money on pollution control measures. It incurred two types of expenditure regarding environment i.e. capital expenditure and revenue expenditure. On the basis of information given by the company, expenditure items have been categorized into two columns of the table, which is presented below in table 1.1. This table represents two columns i.e. capital expenditure and revenue expenditure. In capital expenditure column, all the items related to the installation and modifications of effluent treatment plant (ETP) are shown. In revenue expenditure column, details of two items are mentioned. These two cost items are rates and taxes and repair & maintenance of plant and machinery.

**Table 1.** Types of Environmental costs incurred in BCML

Capital Expenditure	Revenue Expenditure
Modification of effluent treatment plant (location ETP, Cooling Tower)	Provision of water cess
ETP (capacity enhancement)	Air consent fee paid to UP pollution control Board
Add clarifier for ETP	Water Cess paid to UP pollution control Board
Pollution control equipment (Lamella clarifier tank)	Water consent free paid to UP pollution Control Board
Upgradation of aeration Tank (DO compressive)	Renewal fee of air consent
Motorized Treatment program (chemical dosing pump)	Renewal fee of water consent
Building for water treatment	Renewal fee of authorisation certificates.
Location in power plant	Amount deposited for getting out fit for drinking water sample

**Table 1.** Types of Environmental costs incurred in BCML (Contd....)

Capital Expenditure	Revenue Expenditure
Ash handling system location: IN power plant	Water sample testing fee
Air pollution Equipment Treatment Location: Power Plant	Cost items Repair & maintenance of plant and machinery Lamella Digesterno.1 Digester no.2 Tricking filter lagoons Gas holder Plate heat exchanger Spent wash ETP main panel Digestor no.3
	DM.(dimineralization) plant Cooling tower Ash handling Tube well Compressor ETP main panel R.O. Plant-1 R.O. Plant-2

**Source:** Fixed asset and depreciation register for financial year 2006-07, Balrampur Environmental Reporting

Environmental reporting in the BCML is accomplished through the medium of the separate environmental statement. This environmental statement is submitted annually to the Faizabad Pollution Control Board. This is not published publicly as the annual report of the company.

Environmental statement of BCML is submitted in form V, which has nine parts, namely part A to I.

**Part A:** contains the name and address of the last environmental audit report submitted.

**Part B:** pertains to the consumption of waste and raw materials, water consumption is to be given separately for process, cooling and domestic uses, in m<sup>3</sup>/day and also in terms of water consumption/ unit of product, for the various products. Similarly information on raw materials consumption, product-wise per unit of output is to be provided.

**Part C:** Relates to the quantities of hazardous wastes generated, separately from the process and from pollution control facilities.

**Part D:** Deals with the quantities of solid wastes generated from the process as well as pollution control facilities.

**Part E:** Deals with the quantities of solid wastes generated from the process as well as pollution control facilities and seeks to know also about the quantities recycled or reutilized.

All the parts from B to E require comparisons of the current year's performance with that of the previous year.

**Part F:** Seeks information regarding characteristics (in terms of concentration and quantum) of hazardous and solid wastes and about the practice adopted for the disposal of both these categories of wastes.

**Part G:** calls for information on the impact of pollution measure on the conservation of natural resources and consequently on the cost of production.

**Part H:** The industry is required to indicate its future proposal for investment in environmental protection, including abatement of pollution.

**Part I:** This is the last party, any other particulars, in respect of environmental protection and abatement of pollution may be given.

These nine parts of the environmental Statement describes/ mention the environmental impact of the company's operations. As we know, BCML is a manufacturing concern. Manufacturing activities almost invariably have an impact on the environment and the corporation's sugar manufacturing operation is no exception. This corporation also generate several types of pollution which include are pollution, water pollution, noise pollution, dust emissions, the disposal of hazardous chemicals used in production and the environmental risks associated with the storage of bagasse and molasses.

## CONCLUSION

At present, the world is approaching towards industrialization rapidly and it has threatened the world ecological balance seriously. It is a result, the greenhouse and other related problems are posing threat to the mankind world over. It is therefore the responsibility of the mankind to think and act accordingly for the sustainable development of the environment. Economic efficiency and Environmental management policies are complementary to each other. Experience has proved that the industrial output could be increased several times with reduced wastes. The key to sustainable growth is not to produce less but to produce efficiently, with the help of adopting proper Environmental Accounting System. the accounting and disclosure practices in respect of environmental issues have become mandatory in some countries but in India, it is not mandatory. BCML does not prepare separate account for environmental cost but they show it in the existing overhead. These companies do submit Environmental Statement under the Environmental Protection Act 1986 annually.

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