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Application of Environmental Management Accounting (EMA) for crepe rubber manufacturing industry in Sri Lanka

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Environmental management accounting is a cost effective tool used for identifying the environmental costs incurred at factories which are not normally recorded under conventional accounting systems. In the absence of EMA, most of the environmental costs incurred by factories are usually allocated to overhead accounts. In the absence of actual environmental costs incurred at the industry, industrialists are always failing to apply pollution prevention strategies for their industrial premises. Therefore the objective of this study is to calculate the environmental costs of three different crepe rubber factories.

The selected crepe rubber factories were Millewa, Dartonfield and Kiriporuwa. In order to identify the environmental costs, secondary data sources such as company annual accounting records as well as other type of data collected by material balance were used as primary data. Conventional environmental costs were calculated without using EMA and then actual environmental costs were calculated using EMA.

When comparing the annual environmental costs per unit product, the environmental costs obtained with EMA were appeared to be relatively higher than those costs obtained using conventional accounting system. For example, the annual per unit costs at Dartonfield which is of Rs. 6.46 kg⁻¹ was increased up to Rs. 8.85 kg⁻¹ under EMA.

After applying EMA for factories, the environmental costs of all three crepe rubber factories were higher than those costs obtained before applying EMA. It implies that the tool of EMA provide means of identifying and investigate those costs which are hidden in general accounts where normally not investigated with the use of conventional accounting. Therefore, EMA is a more appropriate tool for calculating environmental costs of industries.

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