



'A' GRADE
NAAC Re-accredited
(3rd Cycle)

N.E.S RATNAM COLLEGE OF ARTS, SCIENCE & COMMERCE



MIRAGE

ROAD AHEAD FOR ACCOUNTING

M.COM
AY: 2022 -23

INFLATION ACCOUNTING





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FROM EDITOR'S DESK

We the team of editors feel very happy to bring out 5th Edition M.Com Magazine "MIRAGE" for Post Graduate Department of commerce in academic year 2022-23 on the Theme

"Inflation Accounting" topped off with lots of information and endurance.

Inflation Accounting is an indicator towards increasing trend in general price level i.e A state in which purchasing power of money goes down.

Thanks to our Co-ordinator Mr. Rajiv Mishra for having faith on us in bringing the Magazine for M.Com Department. We hope you will enjoy every bit of "MIRAGE"

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About Us

Established in the 1983 the National Education Society's Ratnam College of Arts, Science and Commerce has evolved as an institution which believes that along with academic excellence, formal education must ideally seek and include programmes & processes aimed at character & personality building. So, at Ratnam we go beyond the confines of class room teaching /learning and endeavor to make each and every Ratnamite well-honed and confident to face the challenges of the outside world. The institution has an array of co-curricular& extra-curricular activities to give opportunities to building talented students to ex- press themselves.

The college has been the proud recipient of ISO 9001:2000 Certificate on April 14, 2002 - first of its kind in Maharashtra for any education institution for conforming to world standard in education.Our Institution was the recipient of the best College Award in the Urban Area by the University of Mumbai for the Academic Year 2013-14.

The National Assessment and Accreditation council (NAAC) an autonomous body established by the University Grant Commission (UGC) of India to assess and accredit institutions of higher education in the country certified us with an "A" Grade in 2004, reaffirmed the status in 2011 and in July 2017.



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INTRODUCTION TO INFLATION ACCOUNTING



inflation accounting is the practice of adjusting financial statements according to price indexes. Numbers are restated to reflect current values in hyperinflationary business environments.

In January 1974 during the discussion period of ED-8, the government set up the Independent Committee of Inquiry into Inflation Accounting to look into all aspects of the problems of accounting for price changes.

This model by Sweeney was used by The American Institute of Certified Public Accountants for their 1963 research study (ARS6) Reporting the Financial Effects of Price-Level Changes, and later used by the Accounting Principles Board (USA), the Financial Standards Board (USA), and the Accounting Standards Steering .

Inflation accounting, also known as "corrective" or "current cost" accounting, is a method of accounting that takes into account the effects of inflation on a company's financial statements. Some of the key features of inflation accounting include.

The following are the features of inflation accounting: Eliminates financial statements distortions that occurred when using the historical cost. Improves the income and expenses measurement in the face of money's constantly changing purchasing power. It helps to improve the decision-making process.

Inflation accounting is used during times of increasing or plummeting prices in certain areas of the world, usually with respect to multinational corporations and their financial reporting. Most often, it is seen in countries with high inflation. As a result, some accounting standards boards and countries permit or require the companies to restate their financial statements.

Inflation or deflation can cause a significant impact on an organization's historical information and financial reports. Due to the relative change in value from inflation/deflation, the financial data ceases to be relevant and, as a result, provides very little use or value to the individuals using them.

Inflationary accounting uses index prices to create a more realistic picture of how companies and their financial positions are doing in inflationary settings. It provides more information than basic cost accounting can supply. It allows the business income and expenses to be representative and comparable with other companies and historical information.

Depending on the location, accounting standards boards (IFRS, GAAP, etc.) allow or require adjustments of financial statements in specific situations. Depending on the company and the particular standards that apply to them, they may be required to restate their financial statements periodically in order to provide reliable and valuable information about the company.

Inflation Accounting Methods:

There are two main methods used as inflationary accounting methods. The first is current purchasing power (CCP), and the second, being current cost accounting (CCA).

The current purchasing power method involves adjusting the financial statements and associated numbers to the current price. For non-monetary items, this is done by taking the historical figures and applying a specific conversion rate based on a price index.

The conversion rate is found by dividing the index price at the end of the period by the index price at the beginning of the period. Monetary items are subject to a net gain or loss during adjustment.

The current cost accounting method takes the **fair market value** (FMV) instead of the historical cost. With this method, all monetary and non-monetary assets must be adjusted to their current values.



Sarvesh Gupta
M.com part I

Positive and Negative Impact of

INFLATION ACCOUNTING

Pros

Provides a better reflection of the purchasing power of money

Helps companies make better decisions

Improves the quality of financial reporting

Reduces the impact of inflation on financial statements

Enhances financial statement analysis

Enhances comparability:

Observation of Fairness

Correct Depreciation

Cons

Can lead to higher taxes

May not reflect economic reality

Can lead to higher financing costs

Can be complex

May not be relevant in non-inflationary environments

Requires additional effort and cost

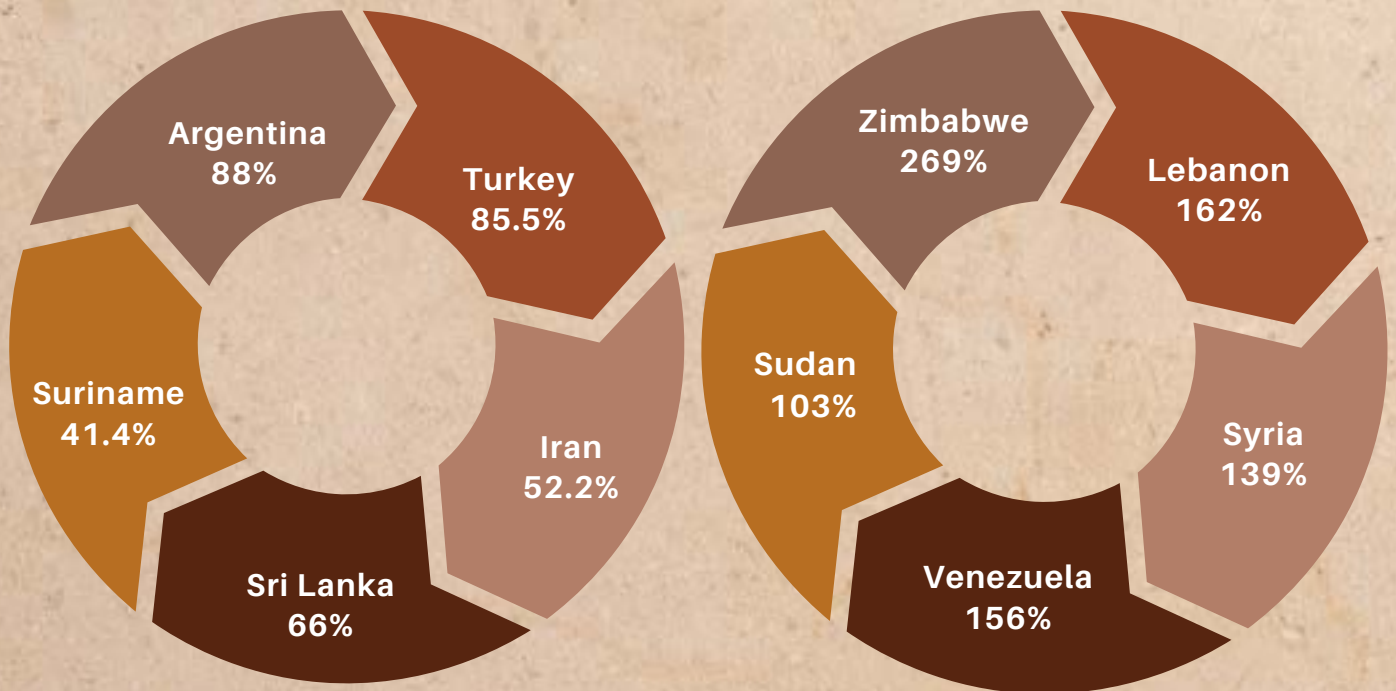
Can be subjective

Can lead to distorted financial statements



Tarannum Shahid Sheikh
M.com Part I

REASON OF INFLATION ACCOUNTING



- **High demand** : price rises when there are scarcity high for products and services . Due to which firm will boost it's price if material, labor, or shipping cost increase due to shortage companies will charge more.

- **Supply chain disruption and china,s debt trap:** Over dependence on China is having monopoly And due to monopoly price can increase and supply could be disrupted due to some other economic factors In China will affect whole world

- **Excessive Money printing:** When an economy have a fast pace in GDP then that economy hikes rates. Due to which consumer would not purchase goods and this can inflate currency of particular country in which they need to balance their currency they print excessive money . If excessive money is printed then liquidity Will be more which can be deflated. So limited money should be printed



Jiddin Rateshkumar
M.com Part II

Fact Finding's !



ZIMBABWE

National government increased the money supply in response to rising national debts

LEBANON

Due to heavy tax imposition the foreign exchange inflows dried up and currency Devalued



Venezuela

During the first year of Nicolas maduros Presidency hyperinflation hapenend heavy money printing and defecit spending

SYRIA

Syria's economy hits its lowest point since it's civil war started due to currency punge and several fuel shortages in both govt run and rebel held areas





SUDAN

The conflict has pushed the country into economic free fall with food and fuel prices Skyrocket and ever rising cost of living trade and local markets have been disrupted

ARGENTINA

Due to political crisis exacerbated price hikes driven by the government,s lack of a credible economic plan



TURKEY

The unemployment rate pass through is not different from zero Therefore based on elasticity measure Turkish inflation is driven by policy rates, exchange rate

SRI LANKA

At a glance, rising food prices can be attributed to disruptions in both global and local supply chains due to various factors that include the energy crisis, climate impacts.



Esakki yadavar
M.com Part II

Ways to tackle inflation

- 1. Monetary Policy:** Central banks use monetary policy tools, such as raising interest rates, to decrease the money supply and reduce inflation. This makes borrowing money more expensive and reduces spending, which helps to bring inflation under control.
- 2. Fiscal Policy:** Governments can use fiscal policy measures to control inflation by reducing government spending or increasing taxes to decrease demand for goods and services.
- 3. Supply-side policies:** Governments can implement policies that increase the supply of goods and services, which can reduce prices and inflation. These policies include investment in infrastructure, deregulation, and reducing barriers to entry in markets.
- 4. Wage and price controls:** Governments can impose wage and price controls, which limit the amount that companies can charge for their products and limit the amount workers can earn.
- 5. Currency pegging:** Some countries choose to peg their currency to a more stable currency such as the US dollar. This can help to reduce inflation by stabilizing the exchange rate and reducing uncertainty.
- 6. Indexation:** Some countries have implemented indexation policies, where wages, prices, and interest rates are adjusted automatically based on inflation levels. This helps to prevent inflation from getting out of control and reduces uncertainty.



Aparna Upadhyay
M.com Part I

SPECIAL ACHIEVEMENTS

Department of M.com (accountancy) achieved
100% result in the year 2021-22



"RAHUL KOTAK"

SCORED
1st Rank

In M.com Part II 2021-22
Percentile 84.12%, SGPI- 10.00, CGPI- 9.88



"Shweta Pingale"

SCORED
1st Rank

In M.com Part I 2021-22
Percentile 84.62%, SGPI- 10.00, CGPI- 9.88



CAREER CLUB

ENCOURAGE, ENHANCE & EXPLORE

GUEST LECTURE:

A session on "Practical Career option in field of Accounting and Finance" was conducted for M.Com Semester I and Semester III students in association with Institute of Computer Education on 20th August, 2022.

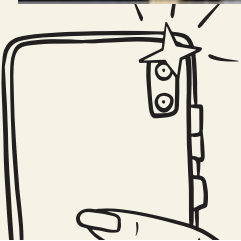
SEMINAR:

A seminar on financial awareness and accounting application in practical market was conducted for M.com semester I AND III students on 24th September 2022 in association with CASI global Newyork

COMPETITIVE SESSION:

A Competitive session on "BANK P.O EXAM" was delivered by "MR. MURLI BHATT" Director Finpluse Academy on 11th february 2023 for M.com semester II & IV students

KODAK MOMENTS



“

Inflation is not only unnecessary for economic growth. As long as it exist it is the enemy of economic growth.

”

Henry Hazlitt

