The measurement of money standard ceases to be efficient when the value of money is changing. Therefore, the Financial Reports should be adjusted for the effects of changes in the value of money. Such adjustment is needed to provide more accurate basis for assessing the value of a shareholder's investment in a company; to enable more meaningful comparisons to be made between the reported results of the successive years, and to make the inter-company comparisons.

The unsatisfactory nature of historical cost as a basis of financial reporting is reflected in the fact that companies have been increasingly incorporating partial adjustments for inflation in their reported values. The revaluation of fixed assets by firms in England, and the adoption of LIFO by companies in the United States are examples of this phenomenon.

Current Purchasing Power Accounting allows adjusted historical costs to be matched against current revenues. It computes losses arising through holding monetary items during periods of inflation. In India, the Inflation Accounting has not received fig so far whereas the same Accounting method has been emerging as an important methods in U.K., U.S.A., France, Brazil, Argentina, Canada and South Africa since 70s.
The present study was conducted on Inflation Accounting in Indian context. In order to study the present position of Inflation Accounting in India, and to explore the avenues of its application, a questionnaire was prepared and administered to the respondents having knowledge of I.A. and seeming relevance in their profession.

The study was carried on a sample of 150 respondents (50 Academicians, 50 Professionals, and 50 Chartered Accountants). Moreover, the cases of two companies (named as Company-A and Company-B) were taken-up to see the impact of price-level-adjustments on financial statements.

The main findings of the present study are given as follows:

1. All the respondents were having the knowledge of Inflation Accounting and its application. It was observed from the content analysis that legal bindings, incorrect indices, expertise and adherence to traditional methods were the main obstacles in the applications of Inflation Accounting in India.

2. The maximum number of Professionals (92 percent) were of the opinion that the Inflation Accounting
had not good scope for its limitations in their organisations and concerned institutions.

3. Current Cost Accounting (CCA) method of Inflation Accounting was recommended as the best method by the respondents of all the three categories: (i.e. 86.67 percent). They gave three reasons in favour of C.C.A. - easy to use, easy availability of index number and expertise.

4. Thirty nine percent respondents were of the belief that all the assets and liabilities should be adjusted according to changes in prices.

5. 85.33 percent respondents said that price-level adjustments through C.A.A. would give more accurate picture of capital maintenance. Further, 86 percent experts were of the opinion that C.C.A. profits were more closer to real profits.

6. The maximum organisations, where Inflation Accounting statement are disclosed, use the current Cost Accounting methods.

7. The standard rate of conversion should be developed so that the adjustments may be made conveniently. According to the maximum number of respondents that
I.C.A.I. should take pain to develop the standard rate for conversion.

8. It was suggested that the amendments should be made in Income Tax Act to make the Inflation Accounting more popular (according to 82% Academicians, 86% Professionals and 68% Chartered Accountants). These proposed changes are regarding tax on adjusted profits, capital gains and depreciation.

9. The General Price Index (GPI) was observed as the most suitable conversion factor because 79.33 percent people showed their preference for it. Only 16 percent respondents were interested in using the wholesale-price-index for conversion.

10. The price indices should be published either by Central Statistical Organisation (CSO) or by Reserve Bank of India (26% respondents in favour of CSO and 25% recommended RBI). However, 87.33 percent respondents said that the government should do this job through any of its organisation.

11. On an average, 73.33 percent people emphasised that the change in financial statements and their
analysis should be used for dividend, bonus and investment decisions. However, 32 percent Chartered Accountants recommended that the adjusted financial statements should only be used for investment decisions.

12. The maximum number of respondents (i.e. 68%) spoke favourably about the reconciliation of Historical Cost Accounts with Accounts of Price-level changes. The Chartered Accountants were more interested in reconciliation as compared to Academicians and Professionals (Academicians, 60%; Professionals, 68%; and Chartered Accountants, 76%, given in Table-12 of the thesis).

13. As per content analysis given in Table-12B of the thesis, it was observed that the reconciliation of the conventional and inflation-adjusted accounts should be made for the following purposes.

   i) To know the difference in profits.
   ii) To know the overall impact of adjustments on financial statements;
   iii) To find out the real amount of depreciation to be charged on the asset affected by price-changes;
   iv) To know the gearing-effect after making the adjustments; and
   v) To see the impact on Working-Capital.
76 percent Academicians, 68 percent Professionals and 62 percent Chartered Accountants were of the opinion that the reconciliation should be done intensively. Some people also said that heading-wise reconciliation should be made.

14. The Academicians, Professionals and Chartered Accountants (i.e. 82%, 84% and 86% respectively) were highly interested in charging the depreciation on the adjusted cost/value of the assets. The difference in percentages was not significant statistically.

15. It was obtained from the analysis that maximum persons of all the three categories were in favour of allocation of Profits to Reserves and Surplus Account after doing the price-level adjustments (79.33 percent persons favoured). 20.67 Percent were found reluctant of such adjustment and allocation.

16. Only 26.67 percent respondents were of the view that the Inflation-Accounting Violates the 'Cost-Concept' of accounting. Rest of the persons (i.e. 73.33%) said that by Inflation-Accounting does not violate the Cost-Concept. The maximum
number of Chartered Accounts (i.e. 82%) gave their opinion that non-concept is adversely affected by such-accounting.

17. An interesting result was found pertaining to the reporting of 'Adjusted Financial Statements.' The result was interested in the sense that almost all the respondents (i.e. Academicians-98%, Professional-Cent-Percent, and Chartered Accountants-98%) recommended the disclosure of conventional as well as 'price-level adjusted' financial-statements in the Annual Reports.

18. The respondents of all the categories supported their above mentioned recommendation by giving certain points. These points are:
   i) The comparison and reconciliation is made for the rational-use of financial-data.
   ii) Shareholders can assess the worth of their investment at both the prices.
   iii) The comparison of two companies become more meaningful and useful.
   iv) Profits are divided in 'Holding-gains' and 'Operating-gains.'
19. The choice of indices was also revealed by the individuals. 54 percent Academicians, 82 percent Professionals and 80 percent Chartered Accountants were of the view that the price-indices generated by the external-resources viz. RBI, CSO and Department of Economic-Survey etc., were more useful. 26 percent of the overall respondents exhibited their interest in internally generated indices for conversion process. 66 percent respondents favoured the externally generated indices by saying that these were more-reliable. 9.33% people said that both types of indices are reliable.

20. "The performan-appraisal of the organisation could be made more meaningful by adopting the Inflation-Accounting method in the preparation of financial-statements." This opinion was given by 56% Academicians, 46% Professionals and 58% Chartered Accountants.

21. According to eighty-seven percent respondents, the Inflation-Accounting Statement helps the management to know the amount of "holding-gains" and the real-operating-profits.
22. The depreciation charged on the adjusted values/prices would provide the sufficient provision of amount at the time of replacement of the concerned asset. Only 10.67 percent respondents (i.e. 10% Academicians, 12% Professionals, and 10% Chartered Accountants), on an average, were found reluctant to charge-depreciation on the revised-value of the assets.

23. The suggestions regarding the creation of a 'Accounting-Standard' for price-level-changes, research work, use of 'Inflation-Accounting' and amendment in concerned Acts etc. were given by the experts. (These suggestions have been tabulated in the Thesis in Table-21 and 22).

**SUGGESTIONS**

The following guidelines may be given, on the basis of findings of the study, for the development of "Inflation-Accounting" in the Indian business organisations:

1. First of all the 'Inflation-Accounting' should be made a compulsory topic in the curriculum of 'Accountancy at all the levels of education. Its contents should be made step-wise for the successive, both academic and
professional, courses offered by the Universities and other institutions. 'Accounting for price-level changes was not taught at undergraduate-level in any University of the Country till the end of 80s. Now, it is being introduced in the syllabus of 'Financial Accounting' or 'Management Accounting.' The Universities and Colleges should arrange the lectures, seminars and short-period training programmes in association with the Institute of Chartered Accountants of India so that this field of accounting may be learnt by the commerce students who are future Accountants/Accounts Executives/Finance-Executives.

2. An appropriate method is required to be developed for the conversion-process of the different items of the financial statements. As the C.C.A. method was recommended by the maximum respondents during the survey. The government may take the pain of developing the most appropriate Current Cost Accounting method by taking the help of experts from different fields. The University teachers in 'Accounting Theory' Senior-Accounts-Executives of the bodies, organisations where Current Cost accounts are prepared and the well-experienced Practising Chartered-Accountant should be given charge of developing some standard for price level-changes accounting. It is possible by constituting a 'National Accounting Association' for
Inflation-Accounting. Some experts from U.K. and U.S.A. may be invited to lead their expertise for the creation of "Inflation-Accounting Standard."

3. Further, a clear-cut classification should be made for the items of Financial-Statements - which item should be adjusted at what price index on a particular date. Alongwith such classification, the indices should be prepared and published by Reserve Bank of India or by Central Statistical Organisation, or by both from time to time. And it should include the instructions or application of different indices for different items as well. The result of the present study clearly shows that the maximum people recommended General Price Indices for the conversion of financial data at latest prices. Since it will be difficult for Corporate Accountants to different purchasing power indices at different times, the focus should be on one index for one category of items all the time.

4. Developing Inflation-Accounting without amending Laws pertaining to Taxation and Reporting/Disclosure will be futile as indicated by the respondents of the present-study. Initially, a commission may be set-up to look into the matters of amendments. For this purpose Fourth Directive of the European Commission may be
consulted. As the capital and industries market is dominated by the private-sector in our country, their representatives should also be the members of the Commission. The Federation of Indian Chamber of Commerce (FICCI), moreover, is one of the best bodies to deal with the amendments in Company Law and Income Tax Act. The Govt., Fiscal Authorities, Institute of Chartered Accountants, Academicians and Professionals should be represented while discussing and making the amendments in favour of Inflation-Accounting.

5. The further research in the field may be done regarding its scope, limitations and practicability. A team of Academicians, Professionals and Chartered Accountants should be made for the purpose of such research. Concludingly, it may be suggested that "National School of Research" for the development of the techniques of Contemporary-Accounting may be constituted as an autonomous body.

##########
Respected Sir,

I request your kind honour to spare some fractions of your valuable time to fill up the questionnaire annexed herewith. This questionnaire is for the purpose of research-project leading to Ph.D. degree. So, I, again, humbly request you to reply the questions as trully as you can.

Personal Information

1. Designation________________ 2. Salary ____________________
3. Educational Qualifications______________________________
4. Experience  a) Total________________________________________
   b) In the present organisation___________________________
   c) In the present capacity______________________________
5. Age______________ 6. Field of Specialisation_______

QUESTIONNAIRE

1. Do you know the application of Inflation Accounting techniques?            Yes/No
2. Will you go for inflation accounting in your organisation?               Yes/No
3. How many methods do you know of adjusting the financial data according to inflationary rate? Please name the methods?
   1.
   2.
   3.
4. Which method do you think is the most appropriate in Indian situation?
   1. CCA
   2. CPP
   3. O T-i X. U
5. Give at least two or three reasons the method you opt., any method?
   1. Easy to use, or
   2. Index Nos are easily available, or
   3. The expertise is available for this method, or
   4. All the above.

6. According to your view items should be adjusted to the latest price?
   1. Fixed Assets only
   2. Current assets only
   3. Fixed and current assets
   4. All assets and Capital Items.
   5. All assets as well as all liabilities
   6. All balance sheet items and P&L A/c items

7. Do you think that CCA is better than CPP method? if so, please give at least two reasons in favour of your reply.
   1.
   2.

8. Which method is used in your organisation? (if the inflation accounting is in use).
   1. CPP, or
   2. CCA, or
   3. Both, or
   4. Any other

9. Do you think that any standard should be created to change the financial items according to any standard rate. Yes/No
10. As per your view, who should take this pain to set-up the standard.
   1. I.C.A.I. or 2. I.C.W.A.I. or
   3. Any separate organisation, or 4. Any other

11. Do you think that there should be change in Income Tax provisions for Inflation accounting? Yes/No, if yes, please tell the type of change.

12. Do you think that Income Tax should be levied after adjusting the financial statements as per latest price Index? Yes/No

13. Which price Index would you like to use for changing the financial data?
   1. General Price Index, or
   2. Wholesale Price Index
   3. Retail Price Index

14. Do you think that the Govt. should publish the Price Index for changing the items of financial statements? Yes/No, if no, then who should provide this information.

15. If 'yes' for Q.No.14, which type of organisation or department should be deferred this responsibility. Please name that.................

16. Do you think that the financial statement based on inflation-accounting should be used for?
   a) Dividend Policy
   b) Bonus
   c) Investment decision
   d) All above
17. Do you think that the reconciliation of Historical and Current Cost Income statements should be reconciled. If yes, how? Please give your view.

18. According to your view should the depreciation be charged-
   a) On historical cost, or
   b) On current cost, or
   c) On Current purchase price.

19. Do you think that the amount of reserve and surplus should be allocated after adjusting the price level changing? Yes/No, lease write a few lines in support of your view.

20. Do you think that Inflation-Accounting violates the cost concept and destroys the objectivity. Yes/No. If yes, how (Please give in 3 or 4 lines).

21. Do you think that Index for changing the items should be self-made or official? (Please tick).
   a) Self made
   b) Official

22. In your opinion, the profits and losses emerging after price-level adjustment should be treated as-
   a) Capital profits or losses Yes/No
   b) Revenue profits or losses Yes/No
   c) Otherwise Yes/No. If yes, then how?
23. It is said that Inflation-Accounting may lead to revision of cost of production, thereby any lead to increase in prices may be a further doze of inflation. 

24. Do you think that Inflation-Accounting, if used, will give the correct and real profits and losses of the organisation? 

25. Do you think that in reporting the financial statements, the Management should give both the Historical cost accounting data and inflation data or both. 

26. If your organisation is not using "Inflation Accounting," please give reasons behind that. 

27. If your organisation is using the "Inflation Accounting," Please tell whether the preparation for such accounts are helped/prepared by-  
1. Outside experts, or  
2. Internal experts, or  
3. Prepared by some outside agency. 

28. Do you think that the "Inflation Accounting" should be made legally compulsory for the company organisation? 

29. Please tell some advantages and disadvantages of "Inflation-Accounting" as far as your opinion is concerned. 
Advantages - 
Disadvantages-
30. Anything beyond the above points you want to tell. Kindly write in a paragraph.

31. Which indices would be used according to your view-
   1. Internally Generated, based on actual purchasing experience, or
   2. Derived from external sources.

32. Which one is the most reliable and satisfactory out of the above two? Name that

33. The meaningful appraisal is not possible if financial statements are drawn up in the traditional manner though there has been a great increase in prices. Do you agree this? Yes/No

34. According to your view which principle of accounting is violated by Inflation-Accounting?

35. Do you think that Inflation-Accounting helps in clearly differentiating the operating profits from holding gains? Yes/No

36. Do you think that depreciation charged on inflated prices would provide sufficient amount of money to buy/replace the old asset? Yes/No

37. Do you think that revaluation of the asset should be regular dealing with specific price changing of the individual item in the financial statement of your company. Yes/No. If yes, what should be the time interval?
   1. One Month  2. Six Month  3. One Year  4. Any other

38. Do you think that separate price Index should be used for different items (i.e. different for fixed assets-cum-liabilities).

39. Please write some lines regarding inflation-accounting