Our economy in recent years has experienced steadily rising prices. There is every expectation that price increases will continue. But maintenance of Financial books and records under historic cost accounting system based on constant rupee value has been continuing for many reasons. Inflation is a powerful agent of evil, and our efforts will not offset it entirely. Still a partial cure is better than none. We shall have to congratulate ourselves if we at least get out of the fire and back in to the frying pain.

Financial reporting is one of the areas most affected by continuing inflation. Inflation accounting or accounting for price level changes (APLC) frequently used as a generic expression is to initiate conscious action to project the effects of inflation and report to the shareholders as to how the company has fared in an inflationary period. It also attempts to give better information - which would be a base for decisions by investors. Inflation accounting itself cannot solve the problem of inflation. But it will certainly bring the impact of inflation in to focus.

The present research work makes an attempt to project the major approaches recommended such as replacement cost accounting, current cost accounting, general purchasing power accounting present value accounting and other methods advocated for
depicting effects of changing prices on financial accounts. Special emphasis has been given on the General Purchasing Power Accounting (GPPA) and detailed analysis has been made with the help of annual reports of selected companies.

The problem of inflation accounting has been advocated more widely than any other accounting problem, and the volume of literature that has appeared in print particularly in the U.K., the U.S.A, Australia etc is staggering. It is only of late that this problem has engaged some attention in our country and now serious discussions on its fundamentals finds a place in the professional journals and text books. The present work has many social as well as pragmatic relevance, not only to accountants in general, but to tax officials, financial experts, investors, regulating agencies, financial analysts, academics and other interested groups.

Prevalence of perpetual inflation has affected more or less all the nations and the corporate entities working within them. Several studies have been done mostly at the institutional level in several countries on accounting for Price Level Changes; several research studies have been done in respect of accounting for price level changes in Indian enterprises. But there is still scope for conducting research investigation pertaining to measuring the impact of inflation on the variables contained in financial statements. The said potentiality coupled with the thought and inspiration of my guide Dr. Sujit Sikidar have proliferated in to present study.
The present work has been coached into eight chapters. The first chapter deals with the concept of accounting for price level changes, difference between historical cost financial statements and inflation adjusted financial statements, techniques for measurement of inflation, justification for the present study and a broad outline of the work. The second chapter has been devoted to trace the origin and evolution of inflation accounting in several countries, impact of inflation on taxation, on fiscal deficits and on corporate entities. Chapter three concerned with various method and techniques of inflation adjustment in accounting while chapter four has been devised to examine the recommendations of various committees appointed for the purpose in different countries from time to time. Chapter five highlights the mechanism of conversion of historical cost financial statements into price level adjusted financial statements through general purchasing power accounting method in respect of the selected companies. Chapter six and seven have been developed to project the result of analysis done over the selected companies inflicted by inflation and its impact on reporting through financial statements. Chapter eight contains epilogue and recommendations.

The work has been performed on hypotheses that (i) In the absence of inflation adjustment the historical cost figures failed to depict the current monetary cost of assets and operating items.
(ii) The difference between historical cost figures and the inflation adjusted figures is significant. and (iii) Statement of financial health of the enterprises based on historical cost data has been eroded by inflation.

The methodology adopted comprises of field study, collection of data and materials from different Universities and organisations such as Bombay stock Exchange, Delhi school _of economics (D.U), National Institute of Public Finance and Policy (NIPFP), Institute of Chartered Accountants of India (ICAI), Indian Institute of Public Administration (IIPA) New Delhi and Calcutta University (C.U), National Library, Institute of Costs and Works Accountants of India (ICWAI), Vidyasagar University (V.U) at Calcutta, K.K. Handique Library, Gauhati University, Gauhati Stock Exchange. This is also well supported by the outcome of personal contact with Government officials, executives and academics. statistical treatment and tests have been conducted over the data collected, in order to establish the factual position with statistical analysis having relation to price level changes.