UNIT - V

Inflation Accounting :

Meaning :

Accounting that tax in to account the Price level charge is Popularly known as Inflation accounting. thus it is a system of Maintaining accounts in the terms of thier current cost as and when the section take Place and to show thier effect of changing cost and Prices on the affairs of the company during the courses of releative Accounting Period.

Method of Accounting for changing Prices :

There are 3 types

- Historical cost Accounting [HCA]
- current Purchasing Power Method [C
- current cost Accounting method (CC

Ahamed Ltd start business on 1.1.2000 with a capital of ₹ 1,00,000 was which property were after 5 years. the property was sold for ₹ 1,50,000. In the mean time the general price index has rise from 100 to 130 and the specific index has rise from 100 to 145. Indicate the profit made if the capital is to be maintain on the basis of

i) HCA ii) CPP iii) CCA Method

A B T Ltd was incorporated on 1.1.2008 with a contributed capital of ₹ 7,00,000 with a object of buying and selling cars. the dealer price of the car was ₹ 1,40,000 on 1-1-2008 and ₹ 1,50,000 on 31.12.2008. the General Price level Increased by 20% during 2008. The company purchased 5 cars on 1.1.2008 and sold 3 cars during the year at an average price of ₹ 1,70,000 Show how the financial statement will be prepare i) HCA ii) CCA iii) CPP Method

Income statement for the year ended 31.12.2008.

	Assets	HCA	CCA	CPP.
	Sales Revenue [1,70,000×3]	5,10,000	5,10,000	5,10,000
Less:- cost sale of goods.	[1,40,000 × 3]	4,20,000	-	-
CCA =	[1,50,000 × 3]		4,50,000.	
CPP =	[1,40,000 × 3 × 120/100]			5,04,000
	Operating gain	90,000	60,000	6,000.
	HCA			
	CCA [4,20,000 - 4,50,000]		30,000	
	CPP [5,04,000 - 4,20,000]			84,000
		90,000	90,000	90,000
Add:-	unrealised holding for cars. HCA	-	.	
10,000×2	[1,50,000 - 1,40,000] CCA		20,000	
28,000	[1,40,000× 20%] 1,68,000 - 1,40,000 CPP.			56,000
	Net Income	90,000	1,10,000	1,46,000