A Project Work on

"A COMPARATIVE STUDY OF HISTORICAL COST ACCOUNTING WITH INFLATION ACCOUNTING WITH REFERENCE TO MARHABA SANITARY, BHATKAL".

Submitted To

Karnatak University Dharwad

In partial fulfillment of the Requirements for the Degree of
Master of Commerce

By:

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A.H.M.'s

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Certificate

Certified that the Project Work titled **"A Comparative Study of Historical Cost Accounting with Inflation Accounting with Reference to Marhaba Sanitary Bhatkal"** is an original record of field work done by **Mr. Mahamad Saleem Suvel Gangolli** with Registration No. **17C011112** in a partial fulfillment of the award of Degree of **Master of Commerce** of the **Karnatak University, Dharwad** during the 2018-19. The project satisfies the academic requirements in respect of project work prescribed for the Degree of Master of Commerce and is a record of his own independent work.

This project is based on the studies carried out by her has not submitted to any other University or Institution for the award of any degree or diploma.

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CERTIFICATE

This is certify that Mr. Mahamad Saleem Suvel Gangolli student of M.Com Fourth semester in Anjuman Arts, Science and Commerce College and P.G.Center, Bhatkal, with Register number 17C011112 visited our unit for data collection in respect of his project work. We belive that this is his own efforts and we whis him good luck in his academic Endeavour.

Place Bhatkal

For MARHABA SANITARY

Authorised Signatory

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CHAPTER 1

INTRODUCTION

Introduction:-

Financial statement are prepared with a view of presenting the financial position of the business on a particular date and displaying the results achieved during an accounting period of that particular organisation or firm. These statements according to existing accounting practices, are prepared on historical cost (that is original or acquisition cost) on the assumption that the purchasing power of the money remains the same. But the assumption is not valid as the purchasing power of the rupee, the basic measuring unit of accounting in India, goes on changing from time to time on account of changes – upwards or downwards – in price level. This study is based on Inflation Accounting of Marhaba Sanitary Bhatkal with the help of Current cost purchasing (CCP) Method.

Inflation accounting refers to the process of adjusting the financial statements of a company to show the real financial position of the company during inflation period. Accounting for changing prices or inflation accounting is a system of accounting which regularly records all the items in the financial statements at their current values. This system recognizes the fact that purchasing power of money is decreasing day by day during inflation and finds out profit or loss or states the financial position of the business on the basis of current prices prevailing in the economy.

Need for the study:-

The owner of Marhaba Sanitary Bhatkal is facing a problem of increasing the Profits towards the year. Where, purchasing and selling the material is increased but Profit will be decreased to year by year. That's why; the owner of Marhaba Sanitary Bhatkal will go on Inflation Accounting. Where changing in price levels of present situation.

Conclusion:-

As per the analysis inflation accounting is essential for Marhaba Sanitary. When financial statements are adjusted for general price level change as under current purchasing power matter in terms of common rupee having the same purchasing power. In the Historical Cost Accounting capital gets eroded during period to prevent such erosion from effects of inflation. It leads to overstatement of profit and the distribution of such profits results in erosion of capital, no attempt is made to the current purchasing power of their item current purchasing power accounting.

By maintaining a distribution between monetary and non monetary items the system facilitates the statement of gain or loss in purchasing power and net purchasing power will be loss in year 2015-16 and 2016-17 respectively. Due to the holding of monetary items such an analysis facilitates better working capital management.