A Project Work on

"An Analysis of Financial Statements through Inflation Accounting Techniques with Special Reference to Karnataka Fisheries Development Corporation Ltd, Bhatkal".

Submitted To

Karnatak University Dharwad

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

By:

Mr. Venu Manjunath Naik

Registration Number: 17C011140

Under the Supervision of

Prof. Bushra K.V.

Department of PG Studies in Commerce

ANJUMAN ARTS, SCIENCE, COMMERCE COLLEGE AND P.G CENTRE, ANJUMANABAD, BHATKAL-581320

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ಜುಮನ್ ಕಲಾ, ವಿಜ್ಞಾನ, ವಾಣಿಜ್ಯ ಮಹಾವಿದ್ಯಾಲಯ ಹಾಗೂ ಸ್ನಾತಕೋತ್ತರ ಕೇಂದ್ರ
JUMAN ARTS, SCIENCE, COMMERCE COLLEGE & P.G. CENTRE
(AFFILIATED TO THE KARNATAK UNIVERSITY, DHARWAD)
Accredited "B" Grade by NAAC

Box No. 02
umanabad, BHATKAL - 581 320 (Uttar Kannada)
08385 (O) 226443 (F) 228443 (M) 9886212692
ail : anjumancollegebkl@gmail.com
bsite : www.adc.ac.in

CERTIFICATE

Certified that the Project Work titled **"Analysis of financial statements using Inflation techniques with special reference to KFDC Ltd., Bhatkal"**, is an original record of field work done by **Mr. Venu Manjunath Naik with Register NO. 17C011140** in partial fulfillment for the award of Degree of **Master of Commerce** of the **Karnataka University, Dharward 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 her own independent work.

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

PROF:BUSHRA K.V

PROJECTGUIDE

PROF: M.K SHAIKH

PRINCIPAL

KARNATAKA FISHERIES DEVELOPMENT CORPORATION

(Government of Karnataka Undertaking)

REGD. HEAD OFFICE: HOIGE BAZAAR, MANGALORE– 575001

ADDRESS: BUNDER ROAD,
POST MAVINAKURVE,
BHATKAL,
PHONE: (08385) 226484. **DATE:**

CERTIFICATE

This is to certify that **Mr. Venu Manjunath Naik**, a student MCOM Fourth Semester from Anjuman Arts, Science and Commerce College and P.G. Centre, Bhatkal with Registration Number **17C011140** has visited our branch for data collection in respect of his project work.

We believe that this project is his own efforts and we wish him good luck in his academic endeavour.

Place: Bhatkal **Manager**

Date:

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INTRODUCTION

Indian fisheries is an important sector of food production providing nutritional security, besides livelihood support and gainful employment to more than 14 million people, and contributing to agricultural exports. With diverse resources ranging from deep seas to lakes in the mountains and more than 10% of the global biodiversity in terms of fish and shellfish species, the country has shown continuous and sustained increments in fish production since independence. The total fish production during 2017-18 is estimated to be 12.60 million metric tonnes, of which nearly 65% is from inland sector and about 50% of the total production is from culture fisheries, and constitutes about 6.3% of the global fish production.

More than 50 different types of fish and shellfish products are being exported to 75 countries around the world. Fish and fish products have presently emerged as the largest group in agricultural exports from India, with 13.77 lakh tonnes in terms of quantity and Rs. 45,106.89 crore in value. This accounts for around 10% of the total exports and nearly 20% of the agricultural exports, and contribute to about 0.91% of the GDP and 5.23% to the Ag - GVA of the country. With over 2.4 lakh fishing crafts operating along the coast, 7 major fishing harbours, 75 minor fishing harbours and 1,537 landing centres are functioning to cater to the needs of over 4.0 million fisher folk.

Karnataka State has 320 Km long coast line along with 27000 Sq. km continental shelf area, 5.65 lakh hectares of various inland water resources and has vast scope for fisheries development. The brackish water area of 8000 hectares also provides good scope for shrimp/fish culture. There are about 9.61 lakh fishermen in the state of which 3.28 lakh fishermen in marine and 6.33 lakh fishermen are in inland who are involved in various fisheries activities.

During the year 2013-14, the total fish production of the state is 5.55 lakh tonnes which contributes to 5.8% of the national fish production. Karnataka is in 6th position in marine fish production and 9th position in inland fish production when compared to fish production in the country.

INFLATION ACCOUNTING

Inflation Accounting connotes adjustment of financial statements to show a firm's real financial position in inflationary times. It aims to indicate how rising prices and lower purchasing power of the currency affect a firm's cost of refinancing its productive assets, and of its ability to maintain an adequate level of profit on the capital employed. One method is to adjust every figure in the balance sheet on the basis of a price index (such as consumer price index) which reflects the current purchasing power of the currency. Another method suggests re-valuing tangible assets at their replacement cost. In valuation of an inventory, inflation accounting treatment can affect the firm's taxable income, cash position, and reported earnings, depending on whether the firm uses FIFO or LIFO methods. FIFO method shows a higher profit, therefore higher tax burden and a decrease in net cash flow. LIFO method lowers the profit and tax burden and increases the net cash flow.

Conclusion

This analysis signifies that inflation accounting is used for adjusting the figures according to general price levels, as historical cost accounting does not take into account the changes in the rise in the value of assets and its impact on balance sheet and profit and loss statement due to inflation and does not reflect the real worth of the KFDC LTD which is necessary for effective decision making. Thus, it can be concluded that inflation accounting is essential for KFDC LTD.