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IMPLEMENTING AN INFLATION  
ACCOUNTING SYSTEM:  
A CASE STUDY

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## IMPLEMENTING AN INFLATION ACCOUNTING SYSTEM

- A Case Study -

### Abstract

(This article describes and analyses the experience of a large multiproduct and multiunit company in implementing a system of inflation accounting. Based on this analysis, suggestions for a company planning to implement a system of inflation accounting are developed. It is argued that in this non-statutory exercise the Corporate Office has to play a dominant and leading role. It is advisable to have an implementation plan detailing the timing of initiating the exercise, allocation of key tasks between Corporate Office and the Units, and a scheme for monitoring the progress of implementation).

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Though the literature on the theory and methods of inflation accounting is mounting, there is dearth of discussion on the problems faced and experience gained by companies that have attempted to implement one of the methods suggested in the literature. With this gap in mind we set out to document the experience of a large multidivisional company in implementing a system of inflation accounting.\* An attempt will be made to analyse this experience

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\*The author was employed in the Corporate Planning Division of this company between 1976-1981. He was associated with the various stages of implementing this system. He thanks the executives of this company for the opportunity given to him.

and develop a set of suggestions for similar companies contemplating to introduce inflation accounting.

The focus of this case study is on the process of implementation and not on the mechanics of inflation accounting. We have spanned the process from conception to implementation. The questions that we have attempted to answer are,

- \* Having chosen a method how did this company go about implementing it?
- \* What were the key tasks in the various phases of implementation?
- \* What were the problems faced by this company? How were they solved?
- \* Based on this experience what can we suggest to similar companies contemplating to implement a system of inflation accounting?

This paper is divided into four sections. In the first section, we present a background of the company, its organisation structure and the organisation of Finance and Accounts Division. The process of preparation of annual accounts is described briefly to throw light on the nature of interaction between the Corporate Office and the units. In the second section we present the experience of the company. The motivation for introducing inflation accounting is discussed. This is followed up by a chronological account of the implementation process. This experience is analysed in the third section with a view to identifying the various phases in implementation and determinants of success. Based on this analysis, the

last section develops a set of suggestions for implementing the inflation accounting system effectively.

### Section - I

#### Background of Company and Its Structure:

Diversified Manufacturing Company (DMCL)\*, is a large multi-product multiunit corporation in India producing a wide range of industrial goods and consumer durables. It has fifteen manufacturing units spread out in eight different locations of the country. Its exports constitute 15% of its total sales. DMC (International), a fully owned subsidiary manages its international operations.

It has a divisionalised structure centred around the products produced by this company. There are four such Business Groups. The head of each Business Group is responsible for Production, Marketing, Personnel, Finance and R&D operations of his business lines. This divisionalised structure was introduced in October 1978. Before this, the company was organised on functional lines.

In keeping with the divisionalised structure, the Finance and Accounts function of the company is organised as in Figure 1.

Director Finance at the Corporate Office is responsible for providing overall guidance. His office formulates the accounting policies, provides guidance to the accounts chiefs at the units and Business groups in carrying out their function. He is assisted by General Manager (Finance) and General Manager (Audit and Budgets). Management of short and long term funds is centralised and is looked

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\* A disguised name.

after by the General Manager, Finance (GMF). Functions like preparation of the Annual Budget and Accounts, interacting with the auditors and carrying out internal audit are delegated to the General Manager, Audit and Budget (GMD).

#### Consolidation and Preparation of Annual Accounts

Though there is not anything special about the process of consolidation and preparation of annual accounts in this company, it is worth adding a word about it in this description as this will enable us to appreciate the problems faced by the company in implementing the inflation accounting system.

The accounting year for the company is from 1st April to 31st March. With 4 Business Groups and fifteen manufacturing units, the exercise in consolidation and preparation of annual accounts assumes a significance of its own because it is done manually. Plans are afoot to computerise it. With the approaching of the last day of the accounting year all the attention of the Audits and Budgets Department at the corporate office is devoted to this activity. Its staff keeps in touch constantly with the units and business groups for clarifying doubts and sorting out problems. Within a week of closing the accounts, information on key performance indicators of each unit and business group such as sales, profit and return on investment is telexed to the Corporate Office. This is consolidated to obtain the total picture. The provisional figures are presented to the Chairman and Managing Director. The

audited accounts of the units are sent within 2-3 months. The consolidation begins after the receipt of all the audited accounts from the units by making the necessary adjustments.

This process does not go on as smoothly as is described in the above paragraphs. At times the whole exercise is held up for want of accounts of one unit. There would be desperate exchanges of telex and telephone messages - the units asking for some more time because of some audit queries and the corporate office insisting on quick submission. There have been situations when the officers of the Corporate Office had to fly down to the unit to expedite the process.

## Section - II

### Description of the Process

With this background we describe the implementation process, chronologically, to have an idea of the time element in the process.

### 1977-78 - Motivation and Initiation

It started with a meeting Director Finance (DFN) had with Controller of Finance and Accounts (CFA)<sup>1</sup>, General Manager Corporate Planning (GCP), and the Econometrician (ECN) of the company. DFN who had expressed his concern over the impact of inflation on the operations of the company made the following points.

\*Most of the assets of the company are more than twenty five year old. It is imperative to estimate the replacement cost of these assets and the additional financial resources needed to replace them.

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<sup>1</sup> Before the divisionalisation, CFA was in charge of both finance and accounting functions.



\* Above computations could be used to set the ROI targets for the coming years.

\* The recommendations of the Sandilands Committee for developing a system of Current Cost Accounting would be helpful in carrying out the exercise.

GCP mentioned that the primary task in this connection would be the compilation of relevant price indices for revaluing the assets acquired since the year of inception of the company, i.e. 1953. It was suggested that a ready reckoner be prepared to enable the accountants to compute the replacement cost of an asset. ECN was asked to compile the indices and send the same to DFN.

CFA suggested that the recommendations of the Sandiland's Committee along with a note on the indices could be circulated in the ensuing Accounts Executives conference to be attended by the Controllers and Deputy Controllers of Accounts of all the units to be held at the Corporate Office in the beginning of 1978.

DFN agreed and asked CFA to put inflation accounts as a point on the agenda of the conference.

The meeting concluded as follows:

- \* ECN would report back with a note on indices.
- \* CFA would arrange to circulate the recommendations of Sandiland's Committee and discuss the same in the conference.

#### Collection of Data

ECN spent a month to collect the data on price indices from the back issues of Reserve Bank of India Bulletins and Weekly Bulletin of wholesale prices published by Reserve Bank of India and office

of the Economic Advisor, Ministry of Industry, Government of India, respectively. In the absence of one to one correspondence between the asset classification of the company and that of these sources, appropriate proxies were developed. Based on this information, a ready reckoner giving the replacement cost of an item worth Rs.100/- purchased in a given year was prepared. A note on indices explaining the use and limitations of the indices was prepared.

#### Accounts Executives Conference

In the Accounts Executives Conference the discussion of the inflation Accounting System was scheduled towards the end. In the discussion a general agreement to implement the system was reached. It was told to the Controllers of Accounts of the units that the Inflation Accounts be sent to the Corporate Office along with Historical Annual Accounts.

The Controllers and Deputy Controllers of Accounts went back to their respective units. Only two units sent the Inflation Accounts along with the Annual Historical accounts. As the days passed people at the corporate office got busy with consolidation and audit. There was no follow up on inflation accounts.

That year the company did not succeed in developing the inflation accounts.

## 1978-79 - Some Success

### Two Developments

Two developments took place. On the literature front, the working party of the U.K. Accounting Standards Committee under the Chairmanship of Mr. Bill Hyde published interim guidelines on inflation accounting pending publication of a full standard. The guidelines were simple and adaptable.

The second development was the restructuring of the office of the Director of Finance. The function of consolidation and preparation of the Annual Accounts was delegated to the newly created Audit and Budgets Department, headed by General Manager, Audit and Budgets (GMD). Before joining the Corporate Office, GMD was the Controller of Accounts of one of the largest manufacturing units of the company.

### Meeting of DFN and GMD

In a meeting with GMD, DFN discussed the Hyde guidelines and told that it was his responsibility that year to oversee the implementation of the Inflation Accounting System using Hyde guidelines. He emphasised that absolute precision was not called for. All that was wanted was a reasonable attempt to produce an answer which was meaningful to the problem of inflation accounting.

GMD sent copies of Hyde guidelines along with the updated indices to the units in January 1978. The indices were available upto December 1978. The indices for the remaining three months from January 1979 to March 1979 were forecast using the trend method.

The units were requested to send the inflation accounts after making the three adjustments, namely, cost of sales, depreciation and gearing, using Hyde guidelines.

The accounts executives conference was not held in this year.

#### Response

This time, the response of the units was better. More number of units sent the information along with the historical accounts. Reminders were sent to other units who had not sent the Inflation Accounts. A follow-up by the Audit and Budgets Department helped to obtain the information from all the units. Since the primary concern of the department was consolidation of regular accounts, consolidation of inflation accounts received from the units was taken up only after the consolidation of regular accounts was over. Till this time the information obtained from the units was stacked in files.

#### A Scrutiny

Problems surfaced when the information sent by the units was scrutinised. The guidelines were interpreted differently by different units. The use of the indices was not uniform across the manufacturing units. Different units had used different indices for revaluing the same asset. Some units had used only one index to revalue all the assets. The ready reckoner created more problems. Since the current value equivalent of Rs.100 was given for different years, these figures were confused to be the indices and some of the units reconverted them to arrive at a revaluation factor.

Faced with such heterogeneity, the audit and budget department considered three alternatives:

- \* Give up the exercise.
- \* Develop the inflation accounts at the aggregate level using company level information.
- \* Give detailed instructions to the units and ask them to rework the whole thing and send the inflation accounts later.

When DFN was consulted, he rejected the first alternative because the company needed some information on the impact of inflation on the company's Balance Sheet and Profit and Loss Account. The third alternative was also rejected because there was no time to make the units rework the computations.

In recommending the second alternative DFN reiterated that what was needed was a reasonable attempt to produce a meaningful solution.

Having decided to compute the various adjustments at the aggregate level, the Audits and Budgets wing compiled the required data for the past 25 years. To avoid confusion and facilitate easy computation, the current value equivalent of one rupee worth of an asset bought in a given year was calculated. Based on this a revaluation table was compiled. In this exercise the active involvement of ECN was sought. Earlier, his role was limited to providing the indices only.

It was noted that the averaging method recommended by Mr. Hyde for computing cost of sales adjustment was not applicable to the company because the assumption regarding the age distribution did not hold true. Hyde guidelines assumed that the opening stock

consisted of items purchased in the previous year only and the closing stock consisted of items purchased in the current year only. Case of the company both opening stock and closing stock consisted of items purchased in different years. Hence the first step was to identify the proportions of inventory belonging to different years. Information on this was not available in the Corporate Office. So the department relied on the judgement of GMD. Based on this, the inflation accounts for 1978-79 were prepared and published in the Annual Accounts as a separate note.

#### Internal Review

After the publication of the Annual Accounts, GMD and his staff reviewed the experience and noted the following:

- \* Uniformity of presentation across units could not be ensured because the Corporate Office had not issued clear instructions and formats.

- \* A team should be formed at the corporate office to guide and oversee the implementation by the units. Similarly, the accounts division of each unit should nominate an accounts officer with whom the team could interact.

- \* There was a need to visit the units and sort out their problems.

- \* The units should be given adequate time to understand and implement the guidelines.

1979-80

GMD discussed the experience of his department with DFN and DFN also agreed that a team would have to be constituted and the team should visit the units.

Accordingly, a three member team comprising GMD, ECN and an Accounts Officer from the Audit and Budgets Department was constituted to develop the formats and explanatory notes based on Hyde guidelines. This team developed the formats and explanatory notes and discussed them with DFN. It was decided that the units should compute only the depreciation and cost of sales adjustment. The gearing adjustment would be worked out at the Corporate Office.

Visit to the Units

The formats and notes approved by DFN were sent to the units along with the tour plan of the team. The team carried with them a recording and slides prepared by the Institute of Cost and Management Accountants, U.K. The audio-visual explained, with simple examples, the computation of the three adjustments. During their visit, the team members addressed a gathering of not only the accounts executives but also of the chief of the unit and other executives whose cooperation was required in furnishing the necessary information. The team members sat with the accounts officer who was entrusted with the responsibility of compiling and furnishing the necessary information according to the format, explained the guidelines in detail and worked out a sample computation. The doubts were clarified on the spot.

### Arrival of Inflation Accounts

As the accounts for 1979-80 reached the Corporate Office, the team found the formats filled correctly. Only minor modifications had to be made. The information was consolidated to arrive at the cost of sales and depreciation adjustments for the company as a whole. The gearing adjustment was worked out by the team. The association of ECN not connected with the regular consolidation exercise, helped the team to scrutinise the information sent by the units as and when they reached the corporate office and seek clarification from the units without loss of time.

The inflation accounts for 1979-80 were published in the Annual Report for 1979-80.

After the exercise was over, feed back on the performance of each unit was sent to the respective controllers and deputy controllers.

### An Internal Review

The team and DFN were satisfied with the achievement. The accomplishments of the exercise were considered to be the following:

- \*It enabled the company to develop a data base for making further improvements.

- \* It taught the corporate office valuable lessons in introducing a new system, where the participation of both the corporate office and units was involved.



\*It brought about an awareness of inflation accounting among the executives of the company.

\*An estimate of the replacement cost of the Fixed Assets and the resource gap for replacing them was obtained the dividend decision was based on this.

\*The ROI target for the subsequent years could be based on the resource requirement.

Having created a data-base, the following improvements were thought of.

\* Constructing separate indices for each of the product groups of the company using internal price data. This would be helpful in revaluing the finished stock.

\* Constructing separate indices for revaluing imported assets. Such an index would take into account the inflation in the country of import, exchange rate fluctuations and changes in import duties.

\* Development of local cost indices for revaluing local assets like buildings, etc.

\* Computerising the various computations.

#### 1980-81

Inflation accounting became an integral part of the process of finalisation of accounts. The revaluation factors were sent by corporate office well in advance. The units computed the cost of sales and depreciation adjustments without any difficulty. The consolidation of the information was easier.

The inflation accounting system based on Hyde guidelines was fully implemented.

### Section - III

#### An Analysis of the Experience

At the outset, it may be noted that, this company implemented the inflation accounting system by trial and error. It muddled through the various phases of implementation. As it learnt the lessons by doing, the gap between conception and effective implementation was four years. This cost the company extra time and resources spent on the extended period of learning. A well thought out implementation plan could have avoided this. What is commendable, however, is the perseverance of the company. It did not give up the exercise after the failure in the first attempt.

For the purpose of developing a set of suggestions, we analyse the experience described above with respect to the following.

- Key Phases and Tasks
- Allocation of Tasks between Corporate Office and extent of achievement
- Determinants of Achievement
- Role of DFN
- Behaviour of subordinate staff
- Timing of initiation
- Mode of communication

#### Key Phases and Tasks

Based on the experience of this company, the process of implementing the inflation accounting system can be divided into the following four phases:

\* Preparatory phase - where the company chooses a method of accounting, creates a data base and gets ready to implement the system.

\* Communication phase - here the choice of the method and necessary guidelines are communicated to those responsible for implementing the system.

\* Computation phase - the required computation are made.

\* Consolidation and publication phase - the accounts received from the various units are consolidated.

The key tasks associated with these phases are given below.

<u>Phase</u>	<u>Key Tasks</u>
Preparatory Phase	<ol style="list-style-type: none"> <li>1. Identification and Training of Personnel.</li> <li>2. Choice of a method</li> <li>3. Modification in the method if required.</li> <li>4. Translating the method into a set of guidelines and formats for collecting, processing and presenting the information.</li> <li>5. Creating the data base by collecting Data on Indices and modifying the indices to suit the asset classification of the company, if required.</li> </ol>
Communication Phase	<ol style="list-style-type: none"> <li>1. Communication of the Method, operational guidelines and the formats.</li> <li>2. Clarifying Doubts.</li> </ol>
Compilation Phase	<ol style="list-style-type: none"> <li>1. Collection of Data as per formats</li> <li>2. Computation of adjustments</li> <li>3. Scrutiny, follow-up and sorting problems and clarify doubts.</li> </ol>
Consolidation and Publication Phase	<ol style="list-style-type: none"> <li>1. Collection of Information from all units.</li> <li>2. Aggregation of Information</li> <li>3. Publication</li> <li>4. Review</li> </ol>

Since these tasks are self-explanatory, we proceed to examine how these tasks were allocated between the Corporate Office and Units in different years and what were the results.

Allocation of Tasks and Extent of Achievement

<u>1977-78</u>	<u>Allocated Task</u>	Whether completed ( ) or Not (X)
	<u>Corporate Office</u>	
*	Identification of Personnel	✓
*	Choice of a method	✓
*	Collection of data on indices	✓
*	Communication of data on indices	✓
*	Scrutiny and follow-up	X
*	Consolidation	X
*	Publication	X
*	Review and Feedback	X
	<u>Units</u>	
*	Identification of Personnel	✓
*	Modifying the indices to suit the asset classification of the company	X
*	Collection of Data	X
*	Computation of adjustment	X
*	Sending the information to the Corporate Office	X
	<u>1978-79</u>	
	<u>Corporate Office</u>	
*	Identification of Personnel	✓
*	Choice of a Method	✓
*	Collection of Indices	✓

- |                               |   |
|-------------------------------|---|
| * Communication of the method | ✓   |
| * Scrutiny and follow-up      | ✓   |
| * Feedback                    | X   |
| * Publication                 | Publication of Accounts<br>Based on Aggregate Information |

\* Review

✓

Units

- |   |    |
|---|----|
| * Identification of Personnel                     | ✓  |
| * Modification of Indices                         | X  |
| * Collection of Data                              | ✓  |
| * Computation of Adjustments                      | ** |
| * Sending the Information to the Corporate Office | ✓  |

(\* The interpretation of guidelines was not uniform. The information could not be used)

1979-80

Corporate Office

- |   |   |
|---|---|
| * Identification of Personnel   | ✓ |
| * Choice of method  | ✓ |
| * Modification of the method  | ✓ |
| * Translating the method into a set of Operational guidelines           | ✓ |
| * Collection of Indices   | ✓ |
| * Modifying the indices to suit the asset classification of the company | ✓ |
| * Communication of the guidelines                                       | ✓ |
| * Scrutiny and feedback   | ✓ |
| * Feedback to the Units   | ✓ |
| * Consolidation   | ✓ |
| * Publication   | ✓ |
| * Review  | ✓ |

### Units

- \* Discussing the problems with the Corporate Office
- \* Collection of Data as per formats
- \* Computation of only two adjustments
- \* Sending the information

It may be noted that over the years the corporate office took on more tasks.

### Determinants of Achievement

#### Role of the Director Finance:

The initiator of the exercise was the Chief of the Finance Division. The exercise would have been left half attempted if he had not evinced continued interest in the completion of the exercise. In the first year, his role was that of an action initiator. He drew the attention of his staff not only to the need for estimating the replacement cost of the assets but also to the recommendations of the Sandilands Committee. In the second year, he restructured his office and assigned the responsibility of overseeing the successful completion of the exercise to the Chief of the newly created audits and budgets wing. As in the previous year, he drew the attention of his staff to the recommendations of the Hyde Committee. Unlike in the previous year he followed up the exercise by an interim enquiry regarding the progress of the exercise. This enquiry made the department of audit and budgets direct its efforts towards the completion of the exercise. It conveyed that the exercise should not be given up in the middle. There was also the other factor that GMD

did not want to cut a sorry figure in his first year in the Corporate Office. It was a personal achievement for him to show results. Having set the ball rolling, DFN's role in the third year was that of a catalytic agent. He responded positively to the suggestion of GMD to constitute a team to develop the explanatory notes and formats. This expedited the process of implementing the system.

#### Role of the Subordinate Staff in Corporate Office

With a primary concern for finalising the regular accounts, that are statutorily required, the subordinate staff in the Corporate Office tended to respond compliantly to the suggestion of DFN. In the first year CFA passed on the required documents to the units without any additional effort on his part. When the information was not received, he did not follow it up. He got busy with the process of finalisation of regular account and did not worry about the inflation accounts. GMD's behaviour in the initial stages was no different. He responded with a via-media solution of developing the information at the aggregate level. After the success of this exercise he was quick to respond by a review and suggestion for constituting a team.

The real learning came when the corporate office itself went through the exercise.

#### Response of Unit level Executives

The officials at the units developed a wait and see attitude. The absence of a follow-up from the corporate office was read as a signal of no commitment at the corporate office and hence they

relegated the exercise to a corner. It was only after an intense interaction between the Corporate Office and units' personnel, that the units responded favourably to the guidelines and formats.

Therefore, not only the continued commitment of the Corporate Office but also the transmission of the right signals are important in achieving success.

#### Timing of Initiation

The timing of initiating the exercise was not right. In the first year, combining the learning process for inflation accounting with the regular accounts finalisation exercise hindered the implementation of the system. The accounts executives needed extra time to understand the recommendations of the Sandiland's Committee, explain the same to their subordinates, who were to do the figure work and compile the necessary historical data. Since they were hard pressed for time, they could not allocate the time required for this exercise. Given the time constraint, the Units attended to tasks that were less demanding.

Similarly the corporate office was also hard pressed for time. Once the regular accounts were consolidated, the other associated tasks such as getting audit clearance got priority over following up the exercise at the unit level. Perhaps DFN did not desire to disturb this prioritisation, as his primary concern was also to bring out the Annual Report on time.



The inflation accounting exercise which was in the nature of voluntary compliance was given a back seat.

It seems that neither the Corporate Office nor the units estimated the time required for learning and completing the exercise for the first time.

#### Mode of Communication

The method of communicating the guidelines in the first year was bureaucratic. The Corporate Office was content with passing on written information to the units. The opportunity for face to face communication provided by the accounts executives conference was not utilised properly. The subject was placed as a last item on the agenda. The time available was short and the various issues and doubts could not be clarified.

The method of communication was not different in the second year either. As the accounts executives conference was not held, there wasn't an opportunity to sort out the issues and clarify the doubts. As a result, though the information was sent to the corporate office, it could not be used. The interpretation of guidelines was different.

The written and face to face communication in the third year helped to clarify the problems and ensure uniformity of presentation. Instead of sending the Hyde guidelines as it is, an explanatory note was written. This was followed by the visit of the team to the various units and audio visual presentation on the Hyde guidelines. The target audience for this presentation was not only the accounts

executives but also those whose cooperation was needed to collect the necessary information. The face to face contact also helped the corporate office team to identify the difficulties faced by the units and the data gaps. This visit conveyed the seriousness of the assignment.

#### Section - IV

##### Some Suggestions

Based on the foregoing analysis, we suggest the following to a multi-unit company planning to introduce inflation accounting.

##### Role of the Corporate Office

Since inflation account is a non-statutory and non-routine exercise calling for voluntary compliance, we suggest that the corporate office should play a dominant and leading role in this exercise. The continued commitment and interest is a must. To avoid a trial and error method, the Corporate Office should develop an implementation plan specifying the timing of initiating the exercise, the allocation of tasks between the corporate office and units, and a scheme for monitoring the progress. The whole exercise should be treated as a project to be planned, implemented and monitored effectively.

The need for planning arises from the fact that it costs executive time and company's resources to experiment and learn from mistakes. These costs can be minimised if the relevant issues are anticipated and appropriate actions are provided for.

### Timing of Initiating the Learning Process

Like all implementation exercises, the time required to complete the first exercise is maximum. Hence the timing of initiating the learning exercise should not conflict with other time consuming exercise like the finalisation of accounts. In the first year two exercises need to be carried out. One as a ground preparing type for attaining familiarity with the method, sorting out problems, if any, and collecting the historical data. The inflation accounts for the previous year can be worked out for practice. Once the base is established the second and subsequent exercises can be carried out along with finalisation of accounts.

### Allocation of Tasks Between Corporate Office and the Units

As pointed out in the opening paragraph of this section, the corporate office has to play a dominant role in this exercise. Any allocation of tasks to the units should take into account, the time and resources available at the units. An imbalance between the two will frustrate the exercise. Faced with time and resource constraints, the units are likely to attach low priority to this exercise.

We suggest an allocation pattern similar to the one adopted by the company in 1979-80.

### Choice of a Method of Inflation Accounting

In view of the controversy over the most appropriate method the choice of the method of accounting becomes a task by itself. In choosing a method check whether it satisfies the criteria of simplicity and adaptability. It should be simple to understand and implement. In other words, it should be amenable for translation into a set of understandable instructions and formats for collecting the information.

In selecting the method, the assumptions and implied accounting policies on which the method is based should be understood. Their compatibility with the policies of the company should be checked and appropriate modifications be made in the method. It is difficult to expect the development of a tailor method to suit the accounting policies of a company by the National or International bodies.

#### Choice of Indices

Here again we should not expect that the National and International bodies would publish indices that exactly correspond to the classification of assets of the company. Therefore, the question to be asked in this context is: "What is the best use we can make of the published information?" It is worthwhile to study how these indices are compiled by the publishing agencies. Based on this, we should decide whether there is a need to develop indices compatible with the classification of assets adopted by the company.

#### Identification of Personnel

The team responsible for finalising the accounts should be assigned this exercise. This will ensure synergy. It is advisable to associate an executive not concerned with the regular accounting exercises with the team. He will be able to devote the additional time which the accounts executive may not be able to provide.

#### Communication

It is advisable to convene a conference of the accounts executive to discuss Inflation Accounting alone. The method, operational guidelines, data formats and the issues connected with implementation should be discussed in detail in this conference.

Thus the communication should be open and face to face. Mere ending of formats will not help.

#### Follow up and Scrutiny

From the experience of this company, we find that follow up and scrutiny are an essential part of the implementation exercise. We should not rest contented with the success of the communication phase. In the absence of a follow up, the unit may relegate the exercise to the background. In a multi-unit company slackness on the part of even one unit will pose serious problems at the time of consolidation. Monitoring by the corporate office is required till the system is internalised.

#### A Concluding Comment

To conclude, though the controversy over which method is the most appropriate for accounting for inflation continues, there is a real need for experience to be gained, by companies. The best way is to make a beginning by trying to make the best use of the available information. In this context, we hope that the experience of this company, presented in this article, will contribute towards the efforts in this direction.

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