
Inflation is a challenge to traditional accounting

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Abstract: "Inflation", since inflation refers to a sustained rise in the price level, the process of how to measure the price level is an important issue, in simple terms, is a lot of money chasing a small amount of goods, cause commodity prices to rise, the purchasing power of money decrease. Inflation is the inevitable phenomenon of rapid economic development, traditional accounting should be adapted to the needs of the development of market economy, improve the unreasonable system, make the accounting system in line with the flexibility, applicability and practicality, the accounting work to better service for the society.

Keywords: - *inflation; traditional accounting; the price level; the challenge*

I. WHAT IS INFLATION

"Inflation", simply put, is a lot of money chasing a small amount of goods, caused by rising commodity prices, lower purchasing power. Since inflation refers to the process of rising prices, is how to measure the level of prices is a major problem. Most countries around the world take the following one or more than one price index:

(1) The consumer price index. Are compiled based on the typical household consumption expenditure price index, it includes all consumer goods and services (including durable consumer goods). China began from 1984 consumer price index, can be directly from the statistical yearbook Chad. Many countries according to characteristics of different income levels of consumer spending, further develop the different classes of consumer price index. The advantage of this index is more easy to collect data, publishing frequency rapidly and therefore able to quickly reflect the trend of prices directly affect the people's livelihood, defect is a narrow range.

(2) The wholesale price index. The index is according to the wholesale price of the finished goods and raw materials. Benefits is sensitive to the business cycle, because all kinds of services are not included, the scope of the consumer price index is more narrow.

(3) The GDP deflator. The definition of the index with a wider scope, it is calculated at current prices of gross national product (GNP) and the fixed price calculation of the ratio of the gross national product. Advantage is more extensive, the disadvantage is that information is more difficult to collect.

All three of these index to consumer price index and the GDP deflator is relatively appropriate, so it is the most widely used to measure the scale of inflation[1].

In today's world, inflation has become the world common economic phenomenon, is everyone's major economic problems. In the context of its causes, often pushed by the cost or demand-pull trigger, can also be caused by the irrational economic structure structural inflation, but no matter which kind of inflation, once formed, will bring social and economic shocks.

II. INFLATION HAS IMPACT ON THE SOCIAL ECONOMY

(1) The overall price level rises, strengthen people's investment value concept, as a result of the stock investment earnings forecast is always higher than the general bank savings, and bank deposit income in the period of

inflation is not inflation loss, so as long as inflation is malignant cases, often can cause the stock market crash.

(2) Increase the price with all kinds of raw materials, commodities, real estate, but gains are not consistent, inflation once happened, could change the company's cost and profit levels, which affects the economic growth of the whole society.

(3) The influence on the government, the government will from objectively make the necessary adjustment, such as tightening monetary, cut investment and so on, the government policy and the expected effect of this policy, and will affect the development of the company [2].

III. COUNTRIES AROUND THE WORLD HAVE GREAT CONCERN ON INFLATION

(1) As the U.S. inflation, salary raise, the U.S. toy prices always are hugely increased, afford to buy toys children parents, grandparents, or even oneself buy toys, are much more planning budget a little toys. According to the U.S. toy trade union, the United States in 1993 toy inflation increased 2.7%, the lowest in recent 7 years, and the economist estimates that inflation will rise to about 3% this year.

(2) Canada's central bank on March 11, 1935 opening, the central bank does not accept personal account, also not chartered Banks compete for commercial banking. Major concern to the central bank is to maintain a low inflation rate. When consumption grow too fast, economic overheating and inflation was likely to rise. The central usually adopt the means of raising interest rates, increase the cost of consumption, so as to curb consumption, to prevent the inflation rate to rise. On the other hand, as the economy too slowly, the willingness to spend downturn, the central bank cut interest rates, in order to reduce the cost of investment to stimulate production and consumption, thus stimulating the development of the economy.

(3) The Taiwan experts recommend use of value-added insurance against inflation. Oil prices, rising prices, in order to ensure the business of personal insurance is not relative to shrink, island life insurance expert proposal, value-added consumers to buy insurance, is one of the most effective tools for fighting inflation. Life insurers, points out that since this year, has gained 44%, oil prices hit a 10-year high. High oil prices, prices have risen, but someone with cancer every number 10 minutes, people face pressure such as disease crisis and panic at any time. Life insurers that value-added insurance goods have coverage and increase year after year, the advantages of is not affected by inflation, on the occasion of the oil price rise, the market value of a weaker, value-added insurance goods should be in a the best time to choose and buy.

(4) Inflation has a long history in our country, are faced with the problem now is not whether admit that inflation, but study the causes and governance issues. Since 1984, the city of goods circulation of growth far exceeded the growth of the gross national product (GNP), currency circulation of the average annual growth of about 23%, average gross national product (GNP) years long raised about 12%. According to the foreign experience, the growth of the goods in circulation is more than 3% of the gross national product (GNP) can cause inflation, but our country in more than 10% over the past few years, show that there has been inflation in our country.

IV. INFLATION IS A CHALLENGE TO TRADITIONAL ACCOUNTING IN OUR COUNTRY

(1) Shake currency stability "in the" city of cargo measurement accounting assumptions. The basic premise of accounting including monetary measurement, monetary measurement for currencies relatively stable condition, only the currency stable, by money value reflect the accounting information is comparable and reliability. If there is a vicious inflation, it will seriously affect the monetary measurement of the reliability of accounting information. In some countries to overcome such a situation, implementation of inflation accounting, but still USES the cargo measurement.

(2) The question "the historical cost principle. The historical cost principle is also called the historical cost principle, refers to the assets are to be in accordance with the actual cost at the time of acquisition. When prices change, except as otherwise provided by the state, shall not adjust its book value. According to the historical cost valuation can make the accounting information has the historical objectivity and verifiability. But when great changes have taken place when the objective conditions, historical cost has lost its real objective[3].

(3) Influence enterprise capital supply and demand contradiction.

(4) Affect the quality of enterprise internal management accounting work, the corresponding influence enterprise top managers understanding of the enterprise actual situation, it is difficult to make sure the enterprise production and business operation activities coordination of various departments work effectively.

(5) Affect the accuracy of the enterprise external financial accounting information disclosure. Due to the financial and accounting system in accordance with the company law, securities law directional external disclosure of financial information and accounting policy, therefore, has a certain extroversions. Under the market economic system, enterprises market-oriented production and management, the competition is very fierce, must grasp the economic information in time, to deal with rapidly changing market situation, constantly develop new products. And the enterprise information disclosure is not accurate, it is bound to affect the enterprise production and decision-making.

V. THE STRATEGY FOR INFLATION TO THE INFLUENCE OF THE TRADITIONAL ACCOUNTING

(1) According to the actual cost of inventory valuation, and change the past planned cost in practice.

(2) Raw materials adopt LIFO method Cost is closer to reality.

(3) To the physical assets depreciation preparation, inflation in the allowance for course business accounting of real asset amount is consistent with the reality, especially for some old, physical assets larger enterprises are more important.

(4) The longer project estimation of investment and income gains, want to consider the effects of inflation.

(5) Analysis of enterprise capital supply and demand, want to consider inflation factor, avoid insufficient funds losses to the enterprise, and bring the unnecessary waste of idle funds.

(6) Due to internal management accounting the unity of request is not high, the suggestion for some special industries, such as real estate industry, petrochemical industry and so on amounts big, profit period is longer, in financial analysis, to add columns inflation, cause the attention of senior policymakers to [4].

(7) Suggested that foreign information disclosure, the impact of inflation may be specified otherwise, this is not only to the enterprise itself, to other companies, are beneficial to the society as a whole.

VI. CONCLUSION

This article mainly through to the inflation pressure to analyze the influence of accounting, it is studied how inflation affects the economy, the second is the study of how countries is to focus on inflation, the third is on the impact of inflation on how the traditional accounting, four is the research on the countermeasures for the inflation. Due to the limitation of various conditions, only has carried on the preliminary analysis, and puts forward some Suggestions. But to solve the problem of influence of inflation on accounting information in this way, a lot of effort is needed.

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