

FINANCIAL PLANNING
UNDER INFLATIONARY ENVIRONMENT

A PAPER SUBMITTED TO
MARA INSTITUTE OF TECHNOLOGY
IN PARTIAL FULFILLMENT OF
THE REQUIREMENT FOR THE
ADVANCED DIPLOMA IN ACCOUNTANCY

PREPARED BY

NAME : ANUAR BIN DOLAH
ITM NO : 90628275
DATE OF SUBMISSION : 15TH APRIL 1993

TABLE OF CONTENTS

| | |
|--|----|
| ACKNOWLEDGEMENT | i |
| CHAPTER ONE | |
| INTRODUCTION | 1 |
| OBJECTIVES OF STUDY | 4 |
| METHODOLOGY | 5 |
| SCOPE AND LIMITATION | 6 |
| CHAPTER TWO | |
| LITERATURE REVIEW | 7 |
| CHAPTER THREE | |
| FINDINGS | |
| COMPARISON BETWEEN HISTORICAL COST ACCOUNTS AND CURRENT COST ACCOUNTS | 15 |
| LIMITATION OF HISTORICAL COST ACCOUNTS | 29 |
| FINANCIAL PLANNING | 33 |
| CHAPTER FOUR | |
| CONCLUSION | 43 |
| END NOTES | |
| BIBLIOGRAPHY | |
| APPENDICES | |

ACKNOWLEDGEMENT

I am indebted to those who are willing to give me the information and assisted me in completing this project paper.

Specifically I would express my gratitude to my Advisor, Puan Mahfudzah Mohamed for her guidance and comment. I would also like to thank my colleagues for their endless support and help. Without the help of those concerned, this project paper might not be completed.

CHAPTER ONE

INTRODUCTION

Every business enterprise must plan ahead to survive. Especially nowadays, plans must be made for the longer term as well as for the immediate future. Some businesses do not have an organized planning system so they have to carry out their planning and control decisions in disorganized manner. The CIMA Management Accounting Official Terminology defines planning as the establishment of objectives and the formulation, evaluation and selection of the policies, strategies, tactics and actions required to achieve these objectives.

Planning takes many forms. There are plans for products, equipments, training, market development, promotion, pensions, taxes, production, distribution and finances. However, this project paper will only emphasize on the financial planning area.

Financial planning encompasses the firm's effort to forecast the firm's financial needs and prearrange the details of any financial contracts that may be required to meet those needs. Thus financial planning entails "present action" to deal with its expectations of the future.¹ For this reason, we can think of financial planning as future oriented decision making; the need to plan for a firm's future financing requirements.

Financial planning will be based on financial forecast. Forecasting, especially over the longer term is almost impossible to do accurately because of the uncertainty about what will happen in the future. There are many problems and factors that need to be considered before planning. One of the factors which will be discussed in detail in this project paper is concerning the inflation.

Most people have become familiar with the word or the problem caused by inflation. According to the Oxford dictionary, inflation can be defined as an increase in the general price level or as a decrease in the purchasing power of money. Inflation is a feature of all economies, and it must be accommodated in financial plans.