

Inflation Accounting and Corporate Earnings Quality in Nigeria

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Abstract

Persistent inflation poses significant challenges to financial reporting in emerging economies, particularly in Nigeria, where macroeconomic instability distorts corporate earnings. This study examines the relationship between inflation accounting and corporate earnings quality among Nigerian non-financial listed firms, with corporate governance as a moderating factor. Adopting an ex-post facto research design, the study utilizes panel data from 30 firms over the period 2014–2024, yielding 300 firm-year observations. Secondary data were sourced from annual reports, the Central Bank of Nigeria, and the Nigerian Exchange Group. Earnings quality was proxied by accrual quality, inflation accounting by the ratio of revalued assets to total assets, and corporate governance by a composite index of board independence, audit committee effectiveness, and meeting frequency. Panel regression, supported by correlation and diagnostic tests, was employed for analysis. The findings reveal that inflation negatively affects earnings quality ($\beta = -0.342$, $p < 0.01$), confirming that historical cost accounting distorts financial reporting under inflationary conditions. In contrast, inflation accounting significantly improves earnings quality ($\beta = 0.421$, $p < 0.01$), while corporate governance strengthens this relationship ($\beta = 0.365$, $p < 0.01$) by enhancing transparency and limiting opportunistic reporting. Firm size shows a positive effect, whereas leverage negatively influences earnings quality. The study concludes that adopting inflation-adjusted accounting practices alongside strong governance mechanisms is essential for improving financial reporting reliability in inflationary environments. These findings offer important implications for regulators, firms, and investors seeking to enhance earnings credibility in emerging markets.

Keywords: Inflation Accounting, Earnings Quality, Corporate Governance, Nigeria, Panel Regression, Financial Reporting Transparency

Introduction

Macroeconomic instability has remained one of the most persistent structural challenges confronting emerging economies, particularly in sub-Saharan Africa. Nigeria, as the largest economy in Africa, has experienced sustained inflationary pressures over the past decade due to a combination of exchange rate volatility, fiscal imbalances, supply chain disruptions, and structural inefficiencies in domestic production. Inflation in Nigeria reached historically high levels in recent years, exceeding 28 percent in 2024 according to the Central Bank of Nigeria (CBN, 2024). Such persistent increases in the general price level significantly influence corporate financial reporting and the reliability of accounting information.

Inflation affects the purchasing power of money and consequently distorts financial statements prepared under historical cost accounting. Traditional accounting systems assume price stability and therefore record assets, liabilities, revenues, and expenses based on their historical acquisition costs. However, when inflation persists, historical cost accounting fails to reflect the current economic value of financial statement elements, thereby reducing the usefulness of accounting information for decision-making (Iyoha & Faboyede, 2021). In such circumstances,

reported profits may be overstated because revenues are measured at current prices while costs such as depreciation and inventory expenses are recorded at outdated historical values.

The challenge becomes particularly critical when examining corporate earnings quality. Earnings quality refers to the extent to which reported profits faithfully represent a firm's underlying economic performance and provide reliable information for forecasting future cash flows (Dechow, Ge, & Schrand, 2010). High-quality earnings are characterized by persistence, predictability, and minimal managerial manipulation. Conversely, low-quality earnings often arise from accounting distortions, discretionary accrual manipulation, and weak corporate governance structures.

Inflationary environments create significant incentives for earnings management. Managers may exploit accounting discretion to smooth earnings, conceal declining profitability, or maintain investor confidence. Studies in emerging markets have shown that macroeconomic instability increases the likelihood of opportunistic financial reporting practices (Francis et al., 2021). In Nigeria, the interaction between inflation and financial reporting practices has attracted growing attention among accounting scholars. Inflation accounting has therefore been proposed as a mechanism for improving the reliability of financial reporting during inflationary periods. Inflation accounting involves adjusting financial statements to reflect changes in purchasing power, thereby providing a more accurate representation of corporate financial performance (Nobes & Parker, 2022). By adjusting asset values, depreciation expenses, and inventory costs to current price levels, inflation accounting helps mitigate the distortions associated with historical cost accounting.

However, the effectiveness of inflation accounting in improving corporate earnings quality depends largely on corporate governance mechanisms. Strong governance frameworks, including independent boards, effective audit committees, and regulatory oversight, play a critical role in ensuring the credibility of financial reporting practices (OECD, 2023). In Nigeria, corporate governance reforms introduced by the Securities and Exchange Commission and the Financial Reporting Council aim to strengthen transparency and accountability in corporate reporting. Despite the growing literature on financial reporting quality in emerging markets, empirical evidence on the relationship between inflation accounting and earnings quality in Nigeria remains relatively limited. Most existing studies focus primarily on earnings management or firm performance without adequately examining the role of inflation adjustments in financial reporting.

This study therefore investigates the relationship between inflation accounting and corporate earnings quality among Nigerian listed firms. The study integrates macroeconomic realities with corporate governance considerations in order to provide a comprehensive understanding of financial reporting dynamics in an inflationary economy. The findings are expected to contribute to policy discussions on financial reporting reforms and corporate governance improvements in Nigeria.

Research Questions

The following research questions guided the study

- i. What is the effect of inflation on corporate earnings quality in Nigeria?
- ii. How does inflation accounting influence earnings management practices among Nigerian firms?

- iii. What role does corporate governance play in moderating the relationship between inflation accounting and earnings quality?

Literature Review

Inflation accounting has long been recognized as a critical adjustment mechanism in financial reporting for economies experiencing sustained price level changes. Traditional historical cost accounting, which records transactions at original acquisition prices, assumes monetary stability and thus often fails to reflect the true economic value of assets, liabilities, revenues, and expenses in inflationary contexts (Akintoye & Tashie, 2022). In Nigeria, inflation has been persistent over the past decade, with annual rates frequently exceeding 20 percent and reaching as high as 28 percent in 2024 (Central Bank of Nigeria, 2024). Under such conditions, historical cost measures significantly understate the value of assets, distort depreciation and inventory costs, and consequently overstate reported profits (Iyoha & Faboyede, 2021).

This mismatch reduces the decision-usefulness of financial statements, misguides investors, and undermines the predictive power of reported earnings. To address these challenges, accounting scholars have advocated for the adoption of inflation accounting approaches such as General Price Level Accounting (GPLA), Current Cost Accounting (CCA), and Replacement Cost Accounting (Nobes & Parker, 2022). These methods adjust financial statements to reflect changes in general price levels or current replacement costs, thereby providing a more realistic measure of a firm's financial position and performance. Despite their theoretical relevance, evidence suggests that Nigerian firms largely underutilize these methods, with the adoption rates varying widely across sectors and firms of different sizes. This limited implementation underscores the ongoing relevance of examining inflation accounting practices within the Nigerian corporate reporting environment.

Corporate earnings quality, defined as the degree to which reported profits accurately reflect underlying economic performance, is a key measure of financial reporting reliability (Dechow, Ge, & Schrand, 2010). High-quality earnings are persistent, predictable, and minimally influenced by managerial discretion, whereas low-quality earnings often arise from discretionary accruals, earnings smoothing, or opportunistic accounting practices (Francis et al., 2021). Empirical studies in emerging markets demonstrate that macroeconomic instability, particularly inflation, negatively impacts earnings quality by increasing the scope for discretionary reporting (Fajuyagbe, 2023; Umobong & Wobo, 2025). In Nigeria, rising inflation has been linked to both reduced accrual quality and increased earnings management, particularly in firms with weaker internal controls or governance structures (Isiaka, Kighir, & Yusuf, 2025; Efezino, 2025). The resulting information asymmetry between managers and external stakeholders can compromise firm valuation and capital allocation, highlighting the critical role of reliable financial reporting in sustaining investor confidence.

Corporate governance mechanisms serve as important moderators in the relationship between accounting practices and earnings quality. Effective governance—characterized by independent boards, functional audit committees, regular board meetings, and stringent disclosure requirements—enhances the credibility of financial statements and mitigates managerial opportunism (OECD, 2023; Bappah, Saad, Adamu, & Hassan, 2024). Studies in Nigeria indicate that firms with strong governance structures are more likely to adopt transparent reporting practices, including adjustments for inflation, and exhibit higher accrual quality (Fajuyagbe, 2023; Umobong & Wobo, 2025). Governance mechanisms thus play a dual role: they improve earnings quality directly by curbing opportunistic behavior and indirectly by ensuring that

inflation accounting adjustments are applied consistently and objectively (Akintoye & Tashie, 2022; Iyoha & Faboyede, 2021).

Despite these insights, the literature presents several notable gaps. First, while prior research has examined the general effects of inflation on earnings management or firm performance (Umobong & Wobo, 2025; Efezino, 2025), few studies have systematically investigated the role of inflation accounting in enhancing corporate earnings quality within Nigeria. Most existing studies focus narrowly on either inflation or discretionary accruals, without integrating the effect of accounting adjustments designed to mitigate inflationary distortions (Nobes & Parker, 2022; Francis, LaFond, Olsson, & Schipper, 2021). Second, there is limited empirical evidence on how corporate governance interacts with inflation accounting to influence earnings quality. While governance is recognized as a critical determinant of reporting reliability, studies often treat it as an independent factor rather than as a moderating mechanism that can strengthen or weaken the effectiveness of inflation-adjusted reporting (Bappah et al., 2024; OECD, 2023). Finally, most studies rely on cross-sectional or single-sector analyses, neglecting the longitudinal dynamics of inflation accounting adoption and earnings quality over extended periods (Fajuyagbe, 2023; Isiaka, Kighir, & Yusuf, 2025).

This study seeks to address these gaps by empirically examining the interplay between inflation, inflation accounting adjustments, and corporate governance in shaping earnings quality among Nigerian listed firms. By integrating macroeconomic realities with firm-level governance considerations, this research provides a more comprehensive understanding of financial reporting dynamics in inflationary emerging markets. The study is particularly justified given the Nigerian economy's persistent inflationary pressures, the limited adoption of inflation accounting techniques, and the growing policy interest in improving financial reporting reliability and corporate governance standards. This contribution is not only timely for academic literature but also relevant for regulators, practitioners, and investors seeking to enhance transparency and decision-usefulness of corporate financial statements.

Methodology

This study adopts an ex-post facto research design to examine the relationship between inflation accounting and corporate earnings quality among listed firms in Nigeria. The ex-post facto design is appropriate because the study relies on historical financial data without manipulating the variables under investigation (Saunders, Lewis, & Thornhill, 2023). Consistent with prior financial reporting studies, the research employs a quantitative panel data approach, which combines cross-sectional observations of firms with time-series data over multiple periods to improve estimation efficiency and control for unobserved heterogeneity (Baltagi, 2021).

The population comprises all non-financial firms listed on the Nigerian Exchange Group (NGX) as at the 2024 financial year. Financial institutions were excluded due to their unique regulatory frameworks and accounting standards. Using a purposive sampling technique, firms with complete financial data for the study period were selected. The final sample consists of 30 non-financial listed firms drawn from sectors such as manufacturing, consumer goods, industrial goods, and oil and gas. The study covers a ten-year period (2014–2024), generating 300 firm-year observations. This sample size is considered adequate for panel data estimation and is consistent with prior studies on earnings quality in emerging markets (Fajuyagbe, 2023; Umobong & Wobo, 2025).

To examine the relationship between inflation accounting and corporate earnings quality, the following panel regression model is specified:

$$EQ_{it} = \beta_0 + \beta_1 INF_{it} + \beta_2 ACC_{it} + \beta_3 CG_{it} + \beta_4 FS_{it} + \beta_5 LEV_{it} + \varepsilon_{it}$$

Where: EQ = Earnings quality, INF = Inflation rate, ACC = Inflation accounting adjustment, CG = Corporate governance index, FS = Firm size, LEV = Leverage, ε = Error term and i represents firm and t represents time.

The study employs panel regression analysis using both Fixed Effects (FE) and Random Effects (RE) estimators. Panel regression is appropriate because it accounts for both cross-sectional and time-series variations in the data (Baltagi, 2021). To determine the most appropriate model specification, the Hausman specification test is conducted. The Hausman test evaluates whether the fixed effects estimator is preferable to the random effects estimator. The study also conducts the following diagnostic tests: Multicollinearity test using Variance Inflation Factor (VIF), Heteroskedasticity test to ensure constant variance of residuals and Autocorrelation test to detect serial correlation in panel data. All analyses were conducted using econometric software such as STATA/EViews, and statistical significance was evaluated at the 5 percent level.

Result of the Findings

Before estimating the regression models for the research questions, preliminary statistical analyses were conducted to examine the distributional properties of the variables and ensure that the dataset satisfies the assumptions of panel regression estimation. These analyses include descriptive statistics, correlation analysis, and diagnostic tests such as multicollinearity, heteroskedasticity, and autocorrelation tests.

Table 1: Descriptive Statistics

Variable	Mean	Std Dev	Minimum	Maximum
Earnings Quality (EQ)	0.064	0.087	-0.21	0.32
Inflation Rate (INF)	17.83	4.65	9.01	28.92
Inflation Accounting (ACC)	0.142	0.093	0.01	0.41
Corporate Governance (CG)	0.63	0.11	0.39	0.84
Firm Size (FS)	15.72	1.22	12.84	18.64
Leverage (LEV)	0.47	0.19	0.12	0.86

The descriptive statistics in Table 1 indicate that the average earnings quality (EQ) among Nigerian listed firms during the study period is 0.064, suggesting moderate levels of accrual-based earnings management. The relatively wide range between the minimum (-0.21) and maximum (0.32) values indicates considerable variation in earnings quality across firms. The inflation rate (INF) averaged 17.83 percent, reflecting the persistent inflationary pressures experienced in the Nigerian economy during the study period. Nigeria has experienced sustained macroeconomic instability characterized by exchange rate depreciation, rising consumer prices, and structural inflationary pressures. Such conditions have important implications for financial reporting because inflation erodes the purchasing power of money and distorts the measurement of corporate income under historical cost accounting. The mean value of inflation accounting (ACC) is 0.142, indicating that only a moderate proportion of firms incorporate inflation-related adjustments in their financial reporting practices. This finding suggests that the adoption of

inflation-adjusted accounting techniques remains relatively limited among Nigerian firms. The average corporate governance score (CG) of 0.63 indicates moderate compliance with governance best practices such as board independence, audit committee effectiveness, and disclosure transparency. Strong governance mechanisms are expected to enhance financial reporting quality and reduce managerial opportunism. Overall, the descriptive statistics confirm that the variables exhibit sufficient variability across firms and time periods, thereby supporting the suitability of panel regression analysis. The correlation analysis was conducted to examine the degree of association among the variables and to identify potential multicollinearity problems prior to regression estimation.

Table 2: Correlation Matrix

Variable	EQ	INF	ACC	CG	FS	LEV
EQ	1.000					
INF	-0.412	1.000				
ACC	0.365	-0.221	1.000			
CG	0.428	-0.304	0.332	1.000		
FS	0.257	0.117	0.298	0.243	1.000	
LEV	-0.283	0.208	-0.102	-0.121	0.315	1.000

The correlation results in Table 2 indicate that inflation has a negative correlation (-0.412) with earnings quality, suggesting that rising inflation tends to reduce the reliability and credibility of corporate financial reports. This finding is consistent with the theoretical argument that inflation distorts financial statements when firms rely primarily on historical cost accounting. Inflation accounting adjustments exhibit a positive correlation with earnings quality (0.365); implying that firms implementing inflation-adjusted reporting practices tend to produce more reliable financial statements. Corporate governance shows the strongest positive correlation with earnings quality (0.428), indicating that stronger governance frameworks may enhance transparency and reduce opportunistic financial reporting behavior. Importantly, none of the correlation coefficients exceed 0.80, which suggests that multicollinearity is unlikely to be a serious problem in the regression models. Prior to regression estimation, several diagnostic tests were conducted to ensure the robustness and reliability of the econometric model.

Table 3: Diagnostic Test and Variance Inflation Factor

Breusch-Pagan Test	Chi-square = 2.94	Prob = 0.087
Wooldridge Test	F-statistic = 1.73	Prob = 0.194
VIF	Inflation	1.72
	Inflation Accounting	1.54
	Corporate Governance	1.63
	Firm Size	1.88
	Leverage	1.47

From Table 3, the VIF values range between 1.47 and 1.88, which are well below the critical threshold of 10. This indicates that multicollinearity is not present among the explanatory variables, thereby confirming the reliability of the regression estimates. To determine whether the variance of the residuals remains constant across observations, the Breusch–Pagan

heteroskedasticity test was conducted. The probability value of 0.087 exceeds the 5 percent significance level, indicating that the null hypothesis of homoskedasticity cannot be rejected. Therefore, the regression model does not suffer from heteroskedasticity. Serial correlation in the panel data was examined using the Wooldridge test for autocorrelation. The probability value of 0.194 indicates that serial correlation is not present in the panel dataset. Consequently, the regression estimates are not biased by autocorrelation problems.

Research Question 1: What is the effect of inflation on corporate earnings quality?

Table 4: Effect of Inflation on Earnings Quality

Variable	Coefficient	Std Error	t-statistic	Probability
Constant	1.254	0.321	3.91	0.000
Inflation Rate	-0.342	0.105	-3.25	0.002
Firm Size	0.218	0.087	2.50	0.014
Leverage	-0.164	0.072	-2.28	0.025

$R^2 = 0.48$

The regression results in Table 4 show that inflation has a negative coefficient of -0.342, indicating an inverse relationship between inflation and corporate earnings quality. The t-statistic of -3.25 and probability value of 0.002 indicate that the relationship is statistically significant at the 5 percent level. This result implies that a 1 percent increase in inflation reduces earnings quality by approximately 0.34 percent, holding other variables constant. The finding suggests that inflation distorts financial reporting by reducing the reliability and predictive value of reported earnings. As inflation increases, the discrepancy between historical asset values and their current economic values becomes more pronounced. Consequently, financial statements prepared using historical cost accounting may overstate profits and misrepresent corporate performance. The positive coefficient of firm size (0.218) indicates that larger firms tend to exhibit higher earnings quality, possibly due to greater regulatory scrutiny and stronger governance structures. Conversely, leverage shows a negative relationship with earnings quality, suggesting that highly leveraged firms may engage in earnings manipulation to meet debt obligations. This finding aligns with Umobong and Wobo (2025), who reported that inflation negatively affects financial reporting quality among Nigerian manufacturing firms. Similarly, Efezino (2025) found that inflationary pressures increase the likelihood of earnings management among Nigerian listed companies.

Research Question 2: How does inflation accounting influence earnings management?

Table 5: Effect of Inflation Accounting

Variable	Coefficient	Std Error	t-statistic	Probability
Inflation Accounting	0.421	0.121	3.48	0.001
Firm Size	0.156	0.063	2.48	0.016

$R^2 = 0.42$

Table 5 shows that inflation accounting has a positive coefficient of 0.421 with a t-statistic of 3.48 and probability value of 0.001, indicating statistical significance at the 5 percent level. The positive coefficient suggests that firms adopting inflation accounting adjustments may exhibit improved transparency in financial reporting. By adjusting asset values and depreciation costs to reflect current price levels, inflation accounting helps reduce distortions associated with

historical cost accounting. However, the process of inflation adjustment involves significant managerial judgment, which may also create opportunities for discretionary reporting practices. Therefore, the effectiveness of inflation accounting largely depends on the strength of corporate governance mechanisms that monitor managerial discretion.

Research Question 3: What is the role of corporate governance in moderating the relationship between inflation accounting and earnings quality?

Table 5: Moderating Effect of Corporate Governance

Variable	Coefficient	Std Error	t-statistic	Probability
Corporate Governance	0.365	0.109	3.35	0.002
Inflation	-0.281	0.097	-2.89	0.005

$R^2 = 0.51$

Table 6 shows the regression results which indicate that corporate governance has a positive and statistically significant coefficient of 0.365 with a t-statistic of 3.35. This result suggests that strong governance structures significantly improve corporate earnings quality. Firms with independent boards, effective audit committees, and strong regulatory oversight are more likely to produce reliable financial reports. Corporate governance mechanisms also mitigate the adverse effects of inflation on financial reporting by ensuring that accounting adjustments are applied objectively and transparently. The R^2 value of 0.51 indicates that approximately 51 percent of the variation in earnings quality is explained by the explanatory variables included in the model, suggesting that governance structures play a substantial role in strengthening financial reporting integrity in inflationary environments.

Discussion of Findings

The findings of this study largely align with existing theoretical and empirical literature on inflation and financial reporting quality. The negative and significant effect of inflation on earnings quality is consistent with the theoretical predictions of historical cost accounting distortions, which posit that financial statements prepared under stable price assumptions become less reliable in inflationary environments (Akintoye & Tashie, 2022; Iyoha & Faboyede, 2021). This result also corroborates empirical evidence from Nigerian and other emerging markets, where inflation has been shown to reduce accrual quality and increase the likelihood of earnings manipulation (Umobong & Wobo, 2025; Efezino, 2025; Francis et al, 2021). The implication is that inflation introduces measurement errors and informational noise, thereby weakening the predictive and decision-usefulness properties of reported earnings, as emphasized in earnings quality theory (Dechow et al, 2010).

Similarly, the positive effect of inflation accounting adjustments on earnings quality is in line with theoretical expectations derived from price-level accounting frameworks. By adjusting for changes in purchasing power, inflation accounting reduces the mismatch between revenues and costs, thereby improving the representational faithfulness of financial statements (Nobes & Parker, 2022). This finding supports prior conceptual arguments that inflation-adjusted reporting enhances transparency and reduces profit overstatement in inflationary economies (Akintoye & Tashie, 2022). However, the study extends the literature by providing empirical validation within the Nigerian context, where such evidence has been relatively scarce.

The moderating role of corporate governance also aligns with agency theory and corporate governance literature, which suggest that effective monitoring mechanisms constrain managerial

opportunism and enhance financial reporting quality (OECD, 2023; Bappah et al., 2024). The positive and significant impact of governance on earnings quality confirms that firms with stronger oversight structures are better positioned to implement inflation accounting practices objectively, thereby improving reporting credibility. This finding is consistent with studies showing that governance quality enhances transparency and reduces discretionary accrual manipulation in emerging markets (Fajuyagbe, 2023). However, the study also reveals areas of partial divergence from existing literature. While prior studies often treat inflation accounting as uniformly beneficial, the findings here suggest that its effectiveness is conditional on governance quality. In weak governance environments, the discretion involved in applying inflation adjustments may create opportunities for earnings manipulation rather than reducing it. This challenges the implicit assumption in some earlier works that technical accounting adjustments alone are sufficient to improve reporting quality (Nobes & Parker, 2022).

Additionally, while some studies report a dominant influence of firm-specific factors such as size and leverage on earnings quality, this study finds that macroeconomic variables like inflation exert a comparably strong influence, highlighting the importance of integrating macroeconomic conditions into financial reporting analysis. The study in summary both confirms and extends existing literature by demonstrating that while inflation accounting can enhance earnings quality, its effectiveness is significantly shaped by institutional factors such as corporate governance. This integrated perspective provides a more comprehensive understanding of financial reporting dynamics in inflationary emerging economies and underscores the need to consider both technical accounting frameworks and governance structures in improving earnings quality.

Conclusion

This study examined the relationship between inflation accounting and corporate earnings quality among non-financial listed firms in Nigeria within a dynamic macroeconomic environment characterized by persistent inflationary pressures. The findings provide compelling empirical evidence that inflation significantly undermines the reliability and credibility of corporate earnings, primarily by distorting financial statement values prepared under historical cost accounting. This distortion reduces the decision-usefulness of accounting information and increases the likelihood of earnings manipulation. However, the study also demonstrates that inflation accounting adjustments play a significant role in enhancing financial reporting quality by aligning accounting figures with current economic realities. Firms that adopt inflation-adjusted reporting practices exhibit improved earnings quality, suggesting that such adjustments can mitigate the adverse effects of inflation on financial statements. Furthermore, the findings highlight the critical moderating role of corporate governance, as strong governance mechanisms ensure the consistent and objective application of inflation accounting, thereby enhancing transparency and reducing managerial opportunism. The study contributes to the literature by integrating macroeconomic conditions, accounting practices, and governance structures into a unified framework for understanding earnings quality in an inflationary economy. The results underscore the importance of adopting context-specific financial reporting practices and strengthening institutional frameworks to improve the credibility of corporate financial information in Nigeria.

Recommendations

Based on the findings of this study, the following recommendations are proposed:

- i. Regulatory authorities, particularly the Financial Reporting Council of Nigeria, should develop and implement clear guidelines for inflation-adjusted financial reporting. This will standardize reporting practices and reduce inconsistencies in the application of inflation accounting methods.
- ii. Corporate organizations should adopt appropriate inflation accounting techniques, such as current cost or general price level adjustments, to enhance the accuracy and reliability of financial statements in periods of sustained inflation.
- iii. Firms should reinforce governance structures by promoting board independence, effective audit committees, and robust internal controls. Strong governance will ensure that inflation accounting adjustments are applied transparently and limit opportunistic financial reporting behavior.
- iv. Regulatory bodies should enforce stricter compliance with financial reporting standards, including periodic reviews and sanctions for non-compliance. This will improve accountability and increase investor confidence in corporate financial reports.
- v. Professional accounting bodies and regulatory agencies should invest in training programs and capacity development for accountants, auditors, and financial managers on inflation accounting practices and their application in emerging economies.

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