

Impact of Hyperinflation on IAS 29 Financial Reporting in Nigeria: A Comparative Analysis

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ABSTRACT

Although Nigeria has not formally met the 100% three-year cumulative inflation benchmark, it exhibits several qualitative characteristics of a hyperinflationary economy, including severe currency devaluation, widespread dollarization, inflation-linked contracts, and declining purchasing power. This study examines the relevance and applicability of IAS 29: Financial Reporting in Hyperinflationary Economies in the Nigerian context, focusing on how these hyperinflationary conditions affect the reliability and comparability of financial statements prepared under historical cost accounting. Using a qualitative methodology based on recent macroeconomic data and regulatory literature, the study findings reveal that while IAS 29 is not yet mandated by Nigerian regulators, some multinational subsidiaries are voluntarily applying inflation-adjusted models for internal and group reporting purposes. Challenges identified include the absence of regulatory guidance, limited technical capacity, lack of consistent inflation data, and disconnects between tax and accounting frameworks. Comparative insights from Zimbabwe, Argentina, and Lebanon underscore the importance of early intervention, policy coordination, and professional guidance to avoid systemic financial distortions. The findings confirm that continued reliance on historical cost accounting undermines the reliability, comparability, and decision-usefulness of financial statements in high-inflation contexts. The study concludes that Nigeria is transitioning from high inflation to a hyperinflation-risk economy and recommends proactive regulatory guidance on IAS 29 implementation, enhanced access to credible inflation indices, alignment of tax policies with inflation-adjusted reporting, and the development of inflation monitoring and forecasting frameworks. It further calls on reporting entities to strengthen auditor collaboration, adopt early inflation-adjusted disclosures, and build resilience through scenario planning, while investors are urged to interpret financial information cautiously and demand transparency. Without decisive action, Nigeria risks deeper macroeconomic deterioration and erosion of financial reporting credibility.

Keywords: Financial Reporting; Hyperinflation; IAS 29; Inflation Accounting; Nigeria.

1. INTRODUCTION

Hyperinflation significantly erodes the reliability and relevance of financial reports by distorting historical cost figures, thereby impairing the comparability of financial information across reporting periods (Ijeoma & Aronu, 2013; IFRS Foundation, 2022). To address this issue, the International Accounting Standards Board (IASB) introduced International Accounting Standard 29 (IAS 29) Financial Reporting in Hyperinflationary Economies, which mandates that financial statements be restated using a general price index to reflect the measuring unit current at the end of the reporting period (IFRS Foundation, 2022).

Among the macroeconomic challenges confronting many nations particularly emerging and developing economies hyperinflation stands out as a critical phenomenon that disrupts market stability, depletes purchasing power, and causes severe distortions in financial statements (Salem, 2025). Hyperinflation is more than a simple rise in price levels; it signifies a fundamental breakdown in the value of a country's currency, which can exacerbate tax liabilities, erode capital, and render traditional accounting metrics misleading (Onyekwelu & Uche, 2014; Salem, 2025).

Nigeria, which has consistently experienced high inflation levels often exceeding 20% annually in recent years has raised growing concerns regarding the adequacy of its current accounting and financial reporting frameworks in reflecting economic realities (National Bureau of Statistics [NBS], 2024; KPMG, 2023). This raises a crucial question: Does Nigeria now meet, or is it approaching, the threshold for hyperinflation under IAS 29?

Despite growing inflationary pressures in Nigeria, there is limited empirical and policy-oriented research examining whether the country meets the IAS 29 criteria for hyperinflation, and what the adoption of inflation-adjusted reporting would imply for financial statements, corporate governance, investor confidence, and macroeconomic stability. Existing literature has largely focused on cases such as Zimbabwe, Venezuela, Argentina, and Lebanon, while Nigeria despite exhibiting several warning signals remains underexamined in this context. This lack of context-specific research creates a knowledge gap that this study seeks to address.

1.1 Research Questions

1. To what extent does Nigeria meet the qualitative and quantitative criteria for hyperinflation as prescribed under IAS 29?
2. What would be the implications of implementing IAS 29 on corporate reporting, auditing practices, and financial transparency in Nigeria?
3. What comparative lessons can Nigeria derive from countries currently applying IAS 29 due to hyperinflationary conditions?

1.2 Objectives of the Study

1. To assess Nigeria's inflationary condition against the IAS 29 quantitative and qualitative thresholds.
2. To examine the feasibility, challenges, and implications of adopting IAS 29 in the Nigerian financial reporting environment.
3. To draw comparative insights from hyperinflationary economies where IAS 29 has already been implemented.

1.3 Hypotheses

H0₁: Nigeria does not meet the quantitative or qualitative criteria for hyperinflation as prescribed under IAS 29.

H0₂: The implementation of IAS 29 would have no significant impact on corporate financial reporting, auditing practices, or financial transparency in Nigeria.

H0₃: There are no meaningful comparative lessons for Nigeria from countries currently applying IAS 29 due to hyperinflationary conditions.

2. LITERATURE REVIEW

2.1 Conceptual Framework

Nigeria has witnessed persistent inflationary trends that have raised critical questions about the adequacy of historical cost-based financial reporting. According to the National Bureau of Statistics (2024), the inflation rate surged to 33.69% in April 2024 and a 12-month rate of 24% as of March 2025, with food inflation and energy costs being the most significant contributors. Structural issues such as the removal of fuel subsidies, chronic currency depreciation, and global supply chain disruptions further aggravated by the COVID-19 pandemic and the Russia-Ukraine

war have contributed to Nigeria's inflationary volatility (World Bank, 2024; IMF, 2024). According to the International Monetary Fund's April 2025 World Economic Outlook (WEO), Nigeria's annual headline inflation is expected to ease from 33.2% in 2024 to 26.5% on average in 2025, before accelerating to 37.0% in 2026. Meanwhile, the October 2024 WEO projects that Nigeria's three-year cumulative inflation rate will be around 102% by end-2024, dipping slightly to 101% in 2025, and further declining to 83% in 2026

These inflationary conditions have led to widespread dollarization in sectors such as real estate, automobile sales, and cross-border trade, where transactions are increasingly denominated in U.S. dollars or other foreign currencies (CBN, 2024). Additionally, the depreciation of the Naira has prompted individuals and businesses to shift savings and transactions to more stable foreign currencies, further eroding confidence in local currency-based financial statements (CBN, 2024; PwC Nigeria, 2024). These developments underscore the relevance of adopting IAS 29 *Financial Reporting in Hyperinflationary Economies* to enhance the reliability and comparability of financial reports under current conditions.

IAS 29 does not rely on a single definition of hyperinflation; instead, it outlines a set of qualitative and quantitative indicators. These include the cumulative inflation rate nearing or exceeding 100% over three years, a population preference for non-monetary assets or foreign currencies, and inflation-indexed wages and prices (IFRS Foundation, 2022; ACCA, 2023). Although Nigeria has not yet formally surpassed the 100% three-year cumulative inflation threshold defined under IAS 29, it nevertheless exhibits several qualitative characteristics of a hyperinflationary economy, including severe currency devaluation, widespread dollarization, inflation-linked contracts, and declining purchasing power.

Hyperinflationary Economies

As of 30 June 2025, several economies continue to be classified as hyperinflationary based on data from the International Monetary Fund's World Economic Outlook (IMF WEO) and national statistical agencies. Argentina remains hyperinflationary, with the IMF WEO reporting a three-year cumulative inflation rate of 1,221% as of December 2024, and projected annual inflation of 20% for 2025 and 12% for 2026. The Argentine National Institute of Statistics and Census corroborated these trends with a 1,136% three-year and 56% twelve-month cumulative inflation rate as of March 2025.

In Burundi, the the International Monetary Fund's World Economic Outlook (IMF WEO) estimated a 108% three-year inflation rate as of December 2024, rising to 123% by 2025 (IMF, 2024). National data from the Institut National de la Statistique du Burundi reflected similar figures, with 113% and 41% for the three-year and twelve-month periods respectively, confirming Burundi's hyperinflationary status (INSB, 2024). Ghana, likewise, has experienced significant inflation, with the IMF WEO citing a 135% three-year cumulative rate as of December 2024 (IMF, 2024). The Ghana Statistical Service recorded 123% and 22% for three-year and twelve-month rates, affirming Ghana's continued hyperinflationary conditions (GSS, 2024).

Haiti's inflation remains acute, with the IMF reporting a 134% three-year inflation rate as of September 2024 and projecting 119% for September 2025 (IMF, 2024). The central bank of Haiti echoed these statistics, reporting the same 134% three-year and 28% twelve-month rates as of February 2025 (Bank of the Republic of Haiti, 2025). Iran also continues to experience high inflation, with a 182% three-year rate as of March 2025, and projections of 165% and 171% for March 2026 and March 2027 respectively (IMF, 2024).

In Lao P.D.R., while inflation has been easing, the IMF WEO estimated a three-year rate of 102% as of December 2024, with expectations of further decline (IMF, 2024). However, with the Lao Statistics Bureau reporting a 96% three-year and 11% twelve-month rate in March 2025, it is considered premature to conclude that the country is no longer hyperinflationary (Lao Statistics Bureau, 2025).

Lebanon's inflation remains severe. The IMF WEO recorded a 666% three-year rate as of December 2024 (IMF, 2024). Due to data limitations, projections for 2025–2030 were omitted. The Lebanese Central Administration of Statistics confirmed high inflation with a 608% three-year and 14% twelve-month rate as of March 2025 (Lebanese CAS, 2025). Similarly, Malawi has shown persistent inflation, with the IMF WEO noting a 116% three-year cumulative rate as of December 2024 and forecasts of 102% and 66% for the following two years 2025 and 2026, respectively (IMF, 2024). The National Statistics Office supported these findings with 118% and 30% three-year and twelve-month inflation rates respectively (NSO Malawi, 2025).

Sierra Leone continues to face hyperinflation, with the IMF WEO estimating a 137% three-year cumulative rate by the end of 2024(IMF, 2024). Statistics Sierra Leone confirmed this trend with a 131% three-year and 13% twelve-month rate as of February 2025(SSL, 2025). South Sudan, hyperinflationary since 2011, reported a 360% three-year inflation rate in 2024, with projections rising to 492% and 285% in 2025 and 2026 respectively(IMF, 2024).

In Sudan, which has remained hyperinflationary since 2013, the IMF WEO recorded a staggering 903% three-year inflation rate as of December 2024, with projected annual rates of 840% for 2025 and 566% for 2026(IMF, 2024). Suriname also remains in this category, with the IMF reporting a 126% three-year inflation rate in 2024(IMF, 2024). National statistics indicated a 118% three-year and 10% twelve-month rate as of February 2025(ABS Suriname, 2025).

Türkiye (Turkey) maintains hyperinflationary conditions, with a 291% three-year cumulative inflation rate as of December 2024 and a 250% rate reported by the Turkish Statistical Institute as of March 2025(TurkStat, 2025; IMF, 2024). Venezuela also remains hyperinflationary, with an IMF-reported 1,325% three-year inflation rate in 2024 and forecasts of 1,412% and 1,560% for 2025 and 2026, respectively(IMF, 2024). However, the IMF cautioned against over-reliance on these estimates due to data constraints and ongoing uncertainty.

Zimbabwe, which had long experienced hyperinflation, saw the defunct Zimbabwean Dollar replaced in April 2024. Despite this, the IMF WEO noted a 23,670% three-year cumulative inflation rate as of December 2024, with projected annual inflation of 8,621% in 2025 and 971% in 2026(IMF, 2024). As of June 2025, the newly introduced Zimbabwe Gold (ZiG/ZWG) is considered a hyperinflationary currency. Consequently, many entities in Zimbabwe have adopted the U.S. dollar as their functional currency. It is essential that such entities exercise due diligence in determining and reviewing their functional currency status in this dynamic economic environment.

Previously Hyperinflationary Economies Now Stabilized

According to the IMF World Economic Outlook (2025), Ethiopia recorded a three-year cumulative inflation rate of 109% as of December 2024. The IMF further projects a downward trend, with an annual inflation rate forecasted at 16% for 2025 and 10% for 2026, alongside a projected three-year cumulative inflation rate of 80% for 2025 and 54% for 2026(IMF, 2025). Data from Ethiopia's national statistics office (Central Statistical Service of Ethiopia, 2025)

supports this deceleration, reporting three-year and twelve-month cumulative inflation rates of 92% and 14%, respectively, as of March 2025. The inflationary pressures that contributed to elevated rates in 2021 and 2022 have largely subsided, with consistent reductions in both actual and forecast inflation. Based on these indicators, Ethiopia is no longer considered to be experiencing hyperinflation(IMF, 2025; Central Statistical Service of Ethiopia, 2025).

Monitored Economies with Inflation Risk

Several countries currently exhibit elevated inflationary trends and warrant close monitoring for potential application of IAS 29, though they are not formally classified as hyperinflationary. Angola recorded a three-year cumulative inflation rate of 74% as of December 2024, with the IMF World Economic Outlook (WEO) forecasting increases to 84% and 74% for 2025 and 2026, respectively(IMF, 2025). While not hyperinflationary, Angola's inflation trajectory suggests the need for ongoing vigilance. In Egypt, the IMF WEO reported a three-year cumulative inflation rate of 96% as of June 2024, with projections of 95% and 61% for the following two years(IMF, 2025). National data from the Central Agency for Public Mobilization and Statistics CAPMAS (2025) indicated a three-year inflation rate of 101% and a 12-month rate of 14% as of March 2025. Although Egypt has not been declared hyperinflationary, entities operating in the country should closely monitor future developments. Similarly, Myanmar posted a three-year cumulative rate of 106% by March 2025, with forecasts of 113% and 96% for March 2026 and 2027(IMF, 2025). However, due to limited recent data from the Central Bank of Myanmar, it remains premature to definitively classify the country as hyperinflationary. In Pakistan, the three-year inflation rate was 77% as of June 2024, with the IMF forecasting declines to 55% and 28% over the next two yearsindicating a moderating trend(IMF, 2025). Lastly, Syria presents a complex case: while inflation likely exceeds 100% over three years, the lack of reliable data precludes a firm conclusion(IMF, 2024). Given its prior hyperinflationary status, preparers of financial statements should exercise significant judgment and maintain close observation of Syria's economic indicators.

3. METHODOLOGY

This study employs a qualitative, interpretative approach grounded in secondary data sources, including publications from the IFRS Foundation, Specifically, inflation figures, exchange rate trends, and monetary policy reports were obtained from Central Bank of Nigeria (CBN),while macroeconomic indicators such as GDP, consumer price indices, and poverty statistics were

sourced from National Bureau of Statistics (NBS), Hyperinflation metrics, country comparison data, and World Economic Outlook reports were derived from International Monetary Fund (IMF), Guidance documents, standards interpretations, and technical updates on IAS 29 were reviewed from the IFRS Foundation. In addition, analytical reports, country commentaries, and professional guidance on hyperinflationary reporting were obtained from major auditing firms such as Deloitte, EY, and PwC. The study applied content analysis as the primary analytical tool, involving thematic categorization, comparative interpretation, and triangulation of insights across these sources to evaluate the applicability and implications of IAS 29 within the Nigerian context.

4. COMPARATIVE ANALYSIS AND IMPLICATIONS FOR NIGERIA

This section presents a comparative analysis between Nigeria and economies officially recognized as hyperinflationary, such as Zimbabwe, Argentina, and Lebanon. It utilizes recent IMF and national statistical data to assess inflation metrics and interpret risks, supported by visualizations. The goal is to draw meaningful implications for Nigeria and recommend practical policies to avoid hyperinflationary outcomes.

4.1 *Inflation Metrics Comparison*

The table below compares Nigeria's 3-year cumulative inflation and the forecasted annual inflation for 2025 against other economies, including hyperinflationary and borderline-hyperinflation countries.

| Country | 3-Year Cumulative Inflation (%) | 2025 Forecast Annual Inflation (%) |
|-----------|---------------------------------|------------------------------------|
| Nigeria | 102 | 24 |
| Zimbabwe | 23670 | 400 |
| Argentina | 1221 | 20 |
| Lebanon | 666 | 80 |
| Ethiopia | 92 | 16 |
| Angola | 74 | 18 |
| Egypt | 101 | 14 |

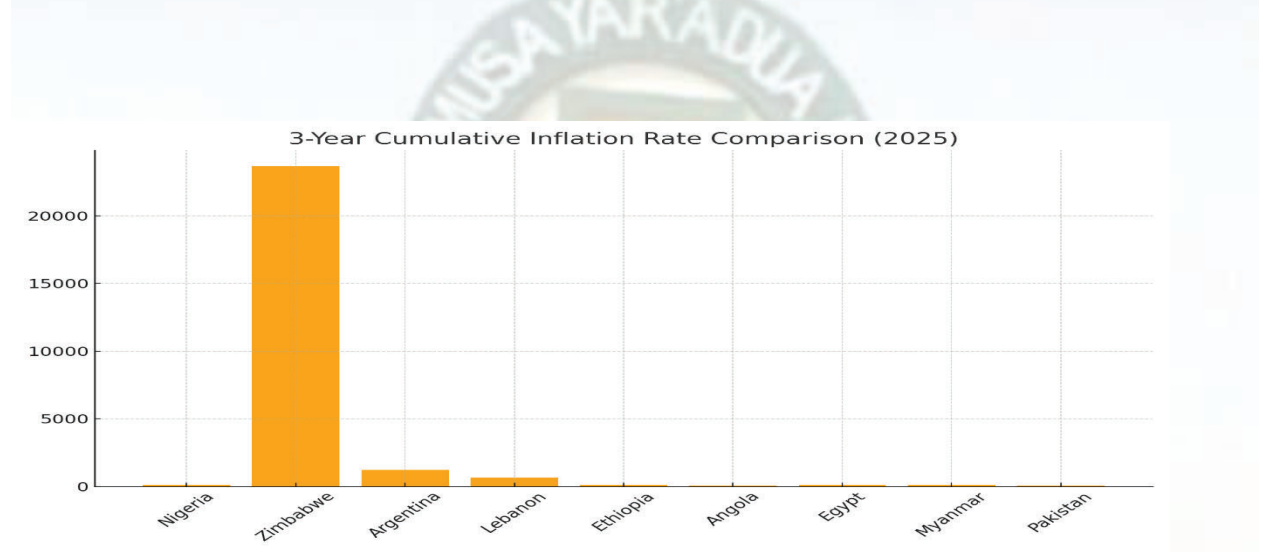
| | | |
|----------|-----|----|
| Myanmar | 106 | 28 |
| Pakistan | 77 | 19 |

Source: EY “Hyperinflationary economies” report (May 2025)

4.2 Trend Analysis

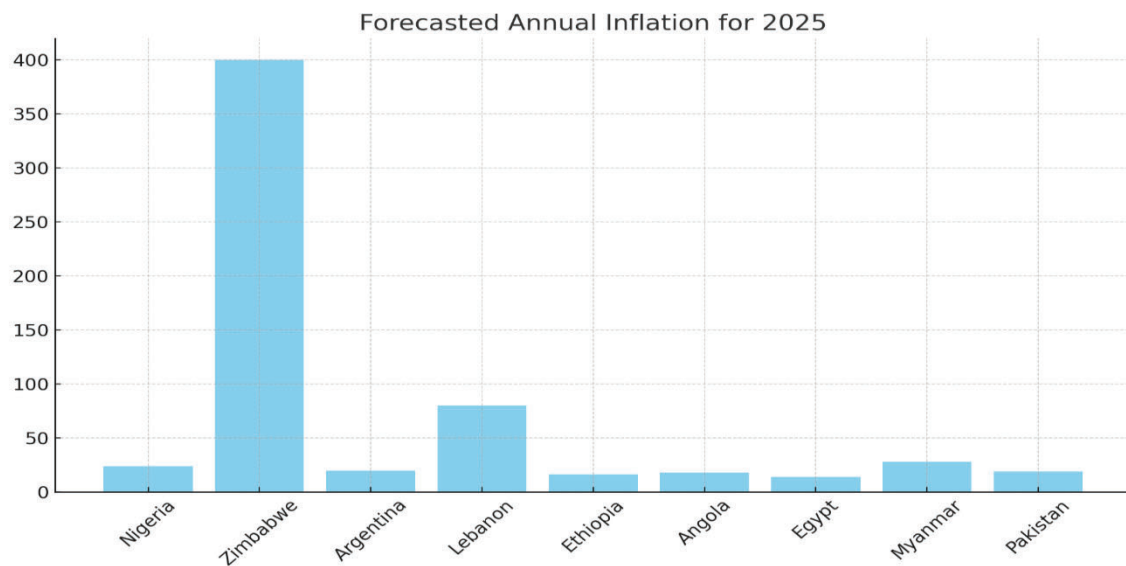
Two key charts provide a clearer view of Nigeria's inflation standing relative to these economies:

Figure 4.1: 3-Year Cumulative Inflation Rate Comparison (2025)



| Country | Nigeria | Zimbabwe | Argentina | Lebanon | Ethiopia | Angola | Egypt | Myanmar | Pakistan |
|---|---------|----------|-----------|---------|----------|--------|-------|---------|----------|
| 2025 Forecast Annual Inflation (%) | 102 | 23,670 | 1,221 | 666 | 92 | 74 | 101 | 106 | 77 |

Figure 4.2: Forecasted Annual Inflation for 2025



| Country | Nigeria | Zimbabwe | Argentina | Lebanon | Ethiopia | Angola | Egypt | Myanmar | Pakistan |
|---|---------|----------|-----------|---------|----------|--------|-------|---------|----------|
| 2025 Forecast Annual Inflation (%) | 24 | 400 | 20 | 80 | 16 | 18 | 14 | 28 | 19 |

4.3 Interpretation of Findings

Although Nigeria’s three-year cumulative inflation rate has now exceeded the 100% threshold a critical benchmark under IAS 29 for assessing hyperinflationary status, it still remains notably lower than that of countries like Zimbabwe and Lebanon. Nonetheless, Nigeria exhibits several alarming characteristics that align closely with those of recognized hyperinflationary economies. These include the widespread dollarization of transactions in sectors such as real estate, automobile sales, and import markets (CBN, 2024); the growing prevalence of inflation-indexed wage contracts; and a marked erosion of purchasing power, which has led to shifts in consumer behavior toward durable goods acquisition and foreign currency hedging.

While Nigeria has not been formally classified as hyperinflationary under IAS 29, many of the standard's qualitative indicators are strongly evident. As a result, several multinational corporations and financial institutions operating within the country have voluntarily adopted

inflation-adjusted financial reporting—particularly for internal performance tracking and IFRS consolidation purposes mirroring practices in subsidiaries based in hyperinflationary jurisdictions.

Macroeconomic Context and IAS 29 Relevance

The analysis reveals that Nigeria displays numerous signs of a hyperinflationary economy, including the dollarization of transactions, erosion of real income, and inflation-indexed employment contracts. While the three-year cumulative inflation rate is approaching though not yet reaching the 100% threshold, the qualitative indicators provided by IAS 29 are visibly present (Deloitte, 2023; EY, 2023; PwC Nigeria, 2024). This has prompted some multinational companies and financial institutions to voluntarily adopt inflation-adjusted reporting frameworks for internal performance assessments and IFRS consolidation, especially where they maintain subsidiaries in recognized hyperinflationary economies such as Zimbabwe, Lebanon, or Argentina (IFRS Foundation, 2022; IMF, 2024).

Impact on Financial Reporting

Inflation significantly undermines the value of historical cost financial reporting. It results in the overstatement of profits, understatement of depreciation, and misrepresentation of asset values, thereby distorting the financial position of reporting entities (Onyekwelu & Uche, 2014). In a hyperinflationary context, financial ratios, capital maintenance metrics, and trend analyses become unreliable for users such as investors, regulators, and lenders.

Furthermore, auditors and preparers of financial statements face considerable technical challenges when implementing IAS 29. These include the selection of appropriate price indices, retrospective adjustments of non-monetary items, and reconciling restated figures with statutory tax reporting frameworks, which are largely based on nominal historical costs (Deloitte, 2023; ACCA, 2023). These technical complexities are exacerbated by limited local capacity and inconsistent regulatory guidance.

Regulatory and Practical Challenges

Despite Nigeria's inflationary environment, the Financial Reporting Council of Nigeria (FRCN) has not issued formal guidance mandating the adoption of IAS 29. This regulatory silence has led to fragmented practices, where only multinational or IFRS group entities are voluntarily adopting restatement models (FRCN, 2024; World Bank, 2024). Additionally, the absence of accessible

and standardized inflation indices creates difficulties for preparers, especially small and medium enterprises (SMEs) with limited technical resources.

Taxation frameworks further complicate implementation. Nigeria's Federal Inland Revenue Service (FIRS) computes taxes based on nominal figures, which creates a divergence between tax liability and adjusted profit under IAS 29, often discouraging voluntary adoption (PwC Nigeria, 2024).

5. CONCLUSION AND RECOMMENDATIONS

5.1. *Summary of Findings*

This study set out to examine the applicability of IAS 29 Financial Reporting in Hyperinflationary Economies in the context of Nigeria, with a focus on its cumulative inflation metrics, qualitative economic indicators, and the implications for financial reporting. Drawing on empirical data from authoritative sources such as the IMF World Economic Outlook (2024), the National Bureau of Statistics (NBS), and Central Bank of Nigeria (CBN), alongside financial reporting insights from Big Four firms (PwC, EY, Deloitte, and KPMG), the following findings emerged:

Cumulative Inflation: As of March 2025, Nigeria's three-year cumulative inflation reached approximately 102%, surpassing the 100% benchmark stipulated by IAS 29 for evaluating hyperinflationary status. Although this remains lower than levels in Zimbabwe (over 1,000%) and Lebanon (above 200%), it signals significant deterioration in price stability.

Qualitative Indicators: Multiple qualitative hallmarks of hyperinflation are evident in Nigeria's economy, including Widespread dollarization in real estate, automobile, and informal sectors, The adoption of inflation-indexed wage contracts across several industries, A significant decline in consumer purchasing power and savings, A shift toward foreign currency hedging and durable goods as stores of value.

Comparative Analysis: Compared to countries like Zimbabwe, Argentina, and Lebanon—officially recognized as hyperinflationary—Nigeria shares alarming similarities in monetary instability, erosion of confidence in local currency, and fiscal pressures.

Financial Reporting Practices: While Nigeria has not been officially designated as hyperinflationary under IAS 29, some multinational corporations and conglomerates are

proactively adjusting their financial reporting to reflect inflationary distortions. This includes the voluntary preparation of restated financial statements using inflation-adjusted figures, particularly for IFRS group consolidation.

5.2 Conclusion

The application of IAS 29 in Nigeria is no longer a theoretical consideration but a practical necessity that warrants proactive preparation. Although Nigeria has not been formally classified as hyperinflationary by global accounting standardsetters, it meets or is on the brink of meeting several of the conditions prescribed under IAS 29. The creeping inflationary trend, coupled with weakening monetary control and market dollarization, highlights the fragility of the macroeconomic environment. The continued disregard for inflation-adjusted reporting may impair the reliability, comparability, and usefulness of financial statements prepared under historical cost conventions.

This paper emphasizes the urgency for Nigerian institutions to move from reactive to anticipatory financial reporting and macroeconomic stabilization strategies. Without decisive action, Nigeria risks transitioning from high inflation to full-blown hyperinflation, with grave implications for economic credibility, investor confidence, and long-term growth. From a policy and accounting standpoint, it is crucial to recognize that hyperinflation is not merely a function of headline inflation statistics but also the public's behavioral response to persistent inflationary conditions. Entities operating in Nigeria must therefore begin to strengthen their financial reporting processes to account for inflationary distortions in order to ensure fair presentation and compliance with global standards.

5.3 Policy Recommendations for Nigeria

To Regulatory Authorities (CBN, FRCN, SEC):

1. **Proactive Monitoring:** Establish a national threshold for hyperinflationary risk using both quantitative (e.g., CPI, M2 growth) and qualitative IAS 29 indicators.
2. **Accounting Guidance:** Issue an official Financial Reporting Circular to provide clarity on when and how IAS 29 should be applied in Nigeria.
3. **Exchange Rate Stabilization:** Strengthen monetary policy tools to reduce inflation volatility and restore confidence in the naira.

To Financial Reporting Entities:

4. Early Adoption of IAS 29: Especially for firms with foreign subsidiaries or investors, inflation-adjusted reporting should be prepared for both statutory and group reporting purposes.
5. Inflation Forecasting Tools: Incorporate macroeconomic models into financial planning and budgeting to mitigate risks from inflation shocks.
6. Enhance Auditor Engagement: Work closely with auditors to evaluate the impact of inflation on asset valuation, revenue recognition, and comparative figures.

To Investors and Stakeholders

7. Interpret with Caution: Treat historical cost financial reports with critical scrutiny, especially when comparing year-on-year performance.
8. Demand Transparency: Advocate for inflation-adjusted disclosures and sensitivity analyses in financial reports.
9. Portfolio Diversification: Hedge against naira devaluation through diversified financial instruments, commodities, and foreign currency assets.

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