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Navigating Hyperinflation: The Role of Accounting Information in Enhancing Value Relevance in Emerging Economies

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Abstract

This research explores the unique challenges and financial reporting practices in hyperinflationary settings, focusing on Lester Quality Products as a case study. The study defines hyperinflation, evaluates the role of International Accounting Standard (IAS) 29 Financial Reporting in Hyperinflationary Economies *in enhancing the quality of financial reporting, and highlights the need for manufacturing firms to adapt their financial statements. Using a mixed-methods approach, data was collected through questionnaires and interviews with key stakeholders. The findings reveal that hyperinflation distorts valuations of money and assets, complicating the assessment of LQP's actual performance and stability. As a remedy, financial statements require restatement to reflect the rapid erosion of purchasing power, employing techniques such as the Current Purchasing Power method and General Price Level Accounting. This study underscores the urgency of investing in accounting training programs to alleviate the shortage of qualified professionals, while emphasizing the need for robust regulatory oversight to ensure financial statement integrity. By addressing these critical issues, the research provides valuable insights for policymakers, practitioners, and academics worldwide, enhancing the relevance and precision of financial reporting in hyperinflationary economies.*

Keywords: hyperinflation, financial reporting, IAS 29, Current Purchasing Power, General Price Level Accounting, regulatory oversight

JEL classification: E31, M41, M49, Q56

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1. Introduction of the study

In recent years, hyperinflation has come forth as a pressing issue, particularly in several emerging economies where the rapid devaluation of currency poses significant challenges for financial reporting and corporate performance measurement. The case of Lester Quality Products (LQP) illustrates just how critical it is to adapt financial accounting practices to this demanding environment. Previous studies, such as those by Zoromé (2022) and Albu and Albu (2023), have underscored the difficulties that hyperinflationary contexts create for traditional accounting frameworks. Our research aims to fill a gap in the existing literature by closely examining the implications of adopting International Accounting Standard (IAS) 29 for enhancing the value relevance of financial statements in hyperinflationary settings. Key research questions driving this investigation include: What role does IAS 29 play in enhancing the quality of financial reporting during hyperinflation? How must manufacturing firms like LQP modify their financial statements to accurately reflect their performance amidst extreme price volatility?

This study employs a mixed methods approach that combines quantitative data collected through questionnaires with qualitative insights from interviews with key stakeholders. By utilizing the Current Purchasing Power (CPP) method and General Price Level Accounting (GPLA), we explore the necessary adjustments needed in financial reporting to counter the skewed valuations that hyperinflation brings. Additionally, the research highlights the ongoing challenge of limited qualified accounting personnel in hyperinflationary regions, underscoring the need for tailored training programs to improve the overall quality of financial reporting. The findings aim to provide actionable insights not only for LQP but also for other firms grappling with similar challenges in emerging economies.

The subsequent sections of this paper are structured to provide clarity and coherence to the reader. Following this introduction, the literature review and background section will delve into the theoretical frameworks and existing studies relevant to hyperinflation and accounting standards. Next, we will detail the methodology employed in this study, including the instruments used for data collection and analysis. We will then present our results and engage in a thorough discussion to interpret the findings in the context of existing literature. Finally, the conclusion will encapsulate the significance of our research and its contributions to the broader understanding of accounting practices under hyperinflationary conditions.

1.1. Background of the study

As indicated in the introduction, this research explores the value relevance of accounting metrics aligned with International Accounting Standards amid Zimbabwe's ongoing struggle with hyperinflation. Emphasizing the critical periods before, during, and after the economic turmoil, this study particularly highlights IAS 29 *Financial Reporting in Hyperinflationary Economies*, which established guidelines for financial reporting in hyperinflationary contexts when it became effective on January 1, 1990. In the last few decades, the integrity of financial reporting in Zimbabwe has been severely compromised due to rampant hyperinflation beginning in the late 1990s, which has led to extreme economic volatility and instability.

The challenges surrounding financial reporting have resulted in substantial difficulties for businesses and organizations attempting to maintain accurate and reliable financial records. The ongoing hyperinflation has rendered many accounting practices ineffective, diminishing the relevance of financial information and making it difficult for auditors to conduct unbiased evaluations due to limited access to accurate data. Consequently, investors face significant hurdles in making informed decisions concerning their investments, ultimately threatening the overall economic stability both in the short and long term. "Although the government has initiated reforms to enhance the financial reporting framework, substantial work remains to achieve meaningful improvements." (Chivige & Sheefeni, 2022)

Inflationary pressures extensively affect financial reporting practices across various nations, leading to profound structural economic challenges. Should these issues remain unaddressed, they threaten to perpetuate cycles of instability within the economy. It is crucial to adapt financial statements to factors like inflation, as traditional historical cost accounting fails to present reliable and comparable financial information when faced with high inflation rates. "Rising inflation can lead to numerous detrimental effects on an economy, such as price distortions, diminished savings, reduced investment, capital flight, impeded growth, and increased socio-political tensions." (Mavangira *et al.*, 2021) Even modest inflation can have a considerable impact on the operational and financial standing of businesses.

During the period from 2000 to 2005, Zimbabwe witnessed a dramatic economic decline, largely attributed to hyperinflation and soaring inflation rates, which reached an astonishing estimated 598.7% by December 31, 2003 (He *et al.*, 2021). In an effort to stabilize the economy, the Ministry of Finance adopted a dollarized framework on January 9, 2009, which provided a temporary respite, as GDP grew impressively at rates of 6.0% in 2009, 11.4% in 2010, and 11.9% in 2011. However, by the end of 2013, this growth had dwindled to 4.5% (ZimStat, 2013). The need for sound financial statements not only aids stakeholders, including the government, investors, and lending institutions, but it is vital for fostering a transparent economic environment. The reliance on historical cost accounting under inflation raises concerns about the true representation of a company's financial condition, as accounting profits and currency value may become misleading. By addressing these facets, this study aims to provide clear research objectives and hypotheses that reflect the need to understand the implications of hyperinflation.

2. Literature review

2.1. Current theory of Purchasing Power Parity (PPP)

"Financial statement users often rely on documents such as the statement of financial position to guide their decision-making." (Mbambo and May, 2020) However, the presence of inflation can significantly distort the information in these financial statements, leading to potentially poor decisions. Inflation erodes the purchasing power of currency over time, causing it to acquire fewer goods and services. According to Mbambo and May (2020), modifying the inventory cost to reflect current valuations can assist in re-evaluating assets in an inflationary background.

"Zimbabwe exemplifies a nation that has faced extreme inflation rates, resulting in drastic currency devaluation, and in 2009, the country replaced its local currency with the US dollar as its official currency in response to hyperinflation." (Quist-Arcton, 2016) "Nevertheless, in 2016, the government reintroduced a new currency known as the bond note, intended to maintain parity with the US dollar. Unfortunately, a US dollar shortage led to a rapid decline in the bond note's value, wresulting in soaring inflation rates." (BBC, 2019)

2.2. Empirical review

This section examines studies focused on the effects of inflation on financial statement preparation within Zimbabwe's manufacturing sector, particularly considering the case of Lester Quality Products from 2019 to 2022.

- ***Understanding inflation in economic backgrounds***

Inflation can be conceptualized from both a financial and an economic perspective. From a financial standpoint, it refers to the uptick in total consumer demand exceeding total supply, which leads to persistent price increases and a decline in monetary value (Mugozhi *et al.*, 2020). Economically, it manifests as a surplus of consumer demand over supply, resulting in continuous price hikes and diminished money value, as stipulated by IAS 29. "Causes of inflation can be monetary or structural, with the monetarist viewpoint asserting that an excess supply of money generates rising aggregate demand, subsequently triggering inflation, especially when the economy is at or approaching full employment." (Nyoni, 2018)

Factors contributing to Zimbabwe's hyperinflation include foreign currency shortages, low productivity, significant fiscal deficits, and monetary policies, like treasury bill issuance, that inflate the money supply (He, *et al.*, 2021). Production cost increases can increase product prices. However, manufacturers may still achieve profits that cover necessary expenses. Broadly, inflation signifies a price level increase, while deflation represents a decrease, occurring when inflation rates dip below 0%. Hyperinflation, characterized by price increases surpassing 50% per month, leads to drastic price rises and is particularly detrimental, rendering money nearly worthless

(Nyoni, 2018). Commonly witnessed in developing countries, hyperinflation often arises when ambitious development plans exceed available financial resources, promoting excessive monetary issuance that inflates demand for production factors and elevates production costs.

- ***The importance of IAS 29 in financial reporting quality***

"Financial reporting standardization is largely dictated by IAS/IFRS accounting frameworks, which address specific issues crucial to financial statements' integrity and IAS 1 outlines the primary aim of financial statements: to relay significant information about a company's financial status, performance, and cash flows – vital for diverse users making informed economic decisions." (Bryman & Bell, 2015) "Such statements should encompass details regarding assets, liabilities, equity, income, expenses, gains, losses, contributions, distributions, and cash flows and while some regions fully adopt IAS/IFRS standards, others amalgamate or adapt them to local regulations, requiring that users still evaluate the relevance of these standards based on their context." (Takkunen & Kalso, 1987)

The standard's premise revolves around the ineffectiveness of reporting financial transactions in local currency without restatement amid hyperinflation, as the currency's purchasing power erodes quickly. "Initially introduced by the International Accounting Standards Committee (IASC) in 1989, IAS 29 became operational for annual reporting periods beginning on or after January 1, 1990, in jurisdictions that embraced IAS/IFRS standards." (Wadesango *et al.*, 2023)

- ***The need for hyperinflation adjustments in manufacturing sector financial statements***

Hyperinflation substantially influences financial statements, resulting in distortions and inaccuracies in reported data. Nyoni (2018) notes that hyperinflation diminishes currency purchasing power and causes significant price hikes, complicating companies' abilities to gauge their financial performance accurately. "Extensive research underscores the necessity of adjusting financial statements for hyperinflation, with various studies investigating its repercussions on financial reporting in different contexts." (Kramarova, 2021) Kramarova (2021) posits that "inflation is a global concern, and inflation-adjusted financial reporting provides investors with a more accurate foundation for making enlightened decisions". Often classified as real financial reporting, this approach corrects financial statements as regards the effects of inflation, thereby delivering a clearer perspective of a company's operational results – ultimately aiding investor understanding and enhancing decision-making. Such reporting practices enable companies to manage their inflation risk exposure effectively by yielding a more accurate evaluation of financial performance.

✓ *Inflation accounting*

Nyoni (2018) outlines that inflation accounting pertains to modifying a company's financial statements to accurately reflect current financial realities during inflationary periods. Price indices help determine how financial positions should be represented in these statements, aiming to capture the consequent rising costs. However, changes in a currency's purchasing power can adversely affect the costs associated with refinancing valuable assets, highlighting key challenges related to historical cost accounting during inflationary times.

✓ *Recommendations for improving financial statement preparation*

Financial statements serve as critical tools for communicating financial performance to stakeholders, including shareholders, investors, and creditors. Therefore, producing these statements accurately is essential to reflect the organization's financial standing comprehensively. Past instances of misstated financial documents have led to loss of investor trust and various legal ramifications.

■ ***The relevance of historical cost-based accounting***

In the 1970s, numerous industrialized nations contended with ongoing inflation, leading to significant reliance on historical cost accounting principles. This methodology remains a cornerstone for many established accounting practices underlying financial reporting today. One of its primary advantages lies in its simplicity and straightforwardness. Weetman (2019) argues that "historical cost accounting offers a reliable method for valuing assets and liabilities due to its objective and verifiable nature". Not only is it user-friendly, but it also allows for consistent calculations of historical depreciation, which are crucial for assessing current asset values.

✓ *Accounting procedures considerations*

There may be discrepancies between the financial statements themselves and the underlying accounting methods employed to derive the figures within the income statement and balance sheet. A consistent application of accounting practices within a given industry is critical. According to Dewi *et al.* (2019), vital accounting procedures, including accurate financial reporting and reliable analytical tools, are essential for providing stakeholders with timely, relevant, and dependable information. Similarly, Dillard and Vinnari (2019) indicate that traditional accountability rooted solely in accounting practices is insufficient to guarantee accurate financial reporting. They advocate for an accountability-based accounting model, emphasizing stakeholder engagement for enhanced transparency and reliability in financial reporting.

✓ *The need for training and capacity building*

Trivedi (2018) asserts that "training and capacity building are fundamental for enhancing the accuracy of financial statement preparation and they suggest that providing accounting professionals with adequate training on financial reporting principles is essential to ensuring they possess the capabilities to develop compliant financial statements". In Zimbabwe, the lack of qualified accounting professionals poses a considerable challenge to effective financial reporting. Furthermore, Hanke (2022) emphasizes the importance of instituting training programs for accountants in Zimbabwe to boost reporting quality. Investing in such professional development initiatives will help ensure an adequate supply of skilled professionals capable of accurate financial statement preparation in Zimbabwe.

3. Research methodology

The research utilized structured questionnaires complemented by semi-structured interviews to gather comprehensive insights from participants. The target population comprised 26 employees and managers from LQP. To facilitate data collection, the research team conducted site visits to LQP's Harare headquarters, engaging with the human resources department to ascertain the total number of employees. Focusing on the head office was strategic due to its pivotal role in the formulation of financial statements, which are critical in the evaluation of accounting value relevance, especially within the unique background of Zimbabwe's hyperinflationary economy. The aim was to include all members of the target population, thereby ensuring a robust representation that would bolster the reliability of the findings. Table 1 provides an overview of the population details.

3.1. Questionnaire design and sampling technique

The questionnaire was deliberately designed to encompass various dimensions of accounting value relevance, focusing on the most pertinent issues of Zimbabwe's economic climate. It was crafted through a rigorous process involving a review of existing literature, expert consultations, and iterative revisions to ensure clarity and relevance. The questionnaire underwent a pre-testing phase with a select group of non-target participants to identify ambiguities and assess the clarity of questions. The reliability of the instrument was evaluated using Cronbach's alpha, yielding a satisfactory coefficient above the acceptable threshold of 0.7, demonstrating internal consistency among the items. The sampling technique employed was a census method, where all individuals within the predetermined target population were invited to participate. This approach justified the chosen sample size, as it allowed for complete representation and minimized sampling bias.

3.2. Data analysis methods

Data collected from the questionnaires were analyzed quantitatively. NVivo software was used for qualitative data analysis from interviews, enabling thematic analysis to identify patterns and insights related to the perceptions of accounting relevance amid economic challenges. These methods were chosen to provide a comprehensive understanding of both numeric data and the nuanced views of participants, ensuring a richer analysis of the implications of accounting practices.

3.3. Limitations and future research directions

The small sample size, while representing the target population, may affect the generalizability of the findings across the broader industry. Additionally, reliance on self-reported data could introduce subjective biases, potentially skewing results. Furthermore, the cross-sectional nature of the study precludes analysis of trends over time, which is particularly relevant in a hyperinflationary environment. Future research could expand the scope by including longitudinal studies and a larger, more diverse sample, as well as incorporating comparative analyses with organizations in different sectors or regions.

The population included in the census is detailed in Table 1.

Table 1. Population, sample, and sample size

Departments	Target population	Sample	Sample (%)	Questionnaires
Finance	6	6	100	4
Stores & Warehouse	5	5	100	4
Sales & Marketing	8	8	100	8
Human resource	1	1	100	1
Production	3	3	100	3
Administration	1	1	100	1
Quality	2	2	100	2
Total	**26**	**26**	**100**	**23**

Source: Survey, 2023.

4. Data presentation and analysis

4.1. Worked in a hyperinflationary economy

According to Figure 1, a significant portion of the survey participants (68%) reported having experience in a hyperinflationary economy, whereas 32% stated they lacked such experience. This data is crucial, as it sheds light on the perspectives of those who have operated within these economic conditions and their impact on financial reporting practices (Ismail *et al.*, 2019). Participants with backgrounds in hyperinflationary settings are likely to possess important knowledge and insights regarding the creation of financial statements in times of inflation. Consequently, their contributions could be particularly valuable for this study, which focuses on financial reporting practices amid hyperinflation.

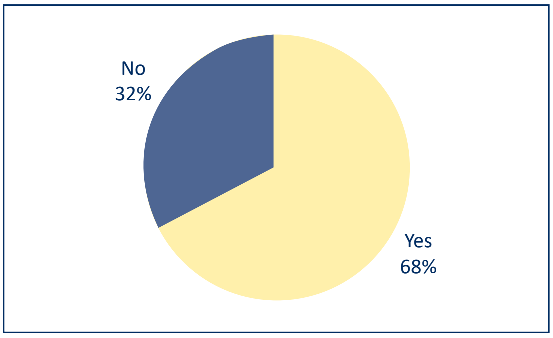

Figure 1. Worked in a hyperinflationary economy

■ *Descriptive statistics*

This section presents descriptive statistics, specifically mean and standard deviation, for the various constructs. Data was gathered using a five-point Likert scale that includes response options: 1 – strongly disagree, 2 – disagree, 3 – neutral, 4 – agree, and 5 – strongly agree.

Descriptive statistics aimed at defining an inflationary economy are illustrated in Table 2.

Table 2. Descriptive statistics

Questions	Mean	Standard deviation	N
Inflation is defined as a prolonged rise in the overall price level within a specified timeframe.	4.13636	0.921132	22
An economy is deemed to be experiencing inflation when prices, interest rates, and wages are linked to a price index, and the total inflation rate over a three-year period reaches around 100 percent or higher.	4.22727	0.81251	22
In the context of inflation, it is essential for financial statements, along with any comparative data, to be presented in the units of functional currency that reflect the conditions at the conclusion of the reporting period.	4.09091	0.653376	22
A company is required to reveal that the financial statements have been amended, to specify the price index used for the adjustments, and to indicate whether the financial statements are created using historical costs or current costs.	4.36364	0.657952	22

Source: Survey, 2023.

Overall mean = 4.193; Standard deviation = 0.785

Table 2 indicates that the mean rating recorded was 4.091, which had a standard deviation of 0.653, marking it as the lowest rating observed, while the highest mean rating was 4.364 with a standard deviation of 0.658. The descriptive statistics for the inflationary context demonstrated an average mean of 4.193 and a standard deviation of 0.785. The responses suggest that respondents generally concurred that an inflationary economy can be characterized by several indicators, including prices, interest rates, and wages that correlate with a price index, along with cumulative inflation reaching 100 percent or more over a span of three years. Additionally, "in accordance with IAS 21, restatement of financial statements permits their conversion into any currency by adjusting the financial results and positions", as highlighted by Tipedze *et al.* (2020).

4.2. The impact to the financial statement preparation in an inflationary economy

Table 3. The impact to the financial statement preparation in an inflationary economy

Questions	Mean	Standard deviation	N
Lower rates of inflation can affect financial statements.	2.818182	1.2587357	22
When an economy exits hyperinflation and an organization stops preparing and presenting financial statements following IAS 29, it must use the values expressed in the measuring unit current at the conclusion of the last reporting period as the foundation for the carrying amounts in its future financial statements. (IAS 29 paragraph 38)	4.181818	0.7950061	22
Commodity prices will be changed hence expenses fluctuates.	4.272727	0.7025002	22
Minor inflationary increases that build up over time can lead to significant distortions in a company's financial statements and operational outcomes.	4.454545	0.5096472	22

Source: Survey, 2023.

Overall mean = 3.931; Standard deviation = 1.080

Table 3 displays the findings, showing a minimum average score of 2.818 and a maximum of 4.455, along with a standard deviation of 0.510. The mean rating for the influence of financial statement preparation in an inflationary economy is 3.931, accompanied by an average deviation of 1.080. According to most respondents, an inflationary environment can have a substantial impact on how financial statements are prepared, particularly in relation to expense variability and the risk of misrepresenting a company's financial status and operational outcomes over time.

4.3. Hyperinflation affects financial reporting and accounting practices in a company

As shown in Figure 2 below, Zimbabwe experienced an inflation rate of 98% in May, 2019, which rose significantly to 176% by June, 2019. "This escalating inflation led the PAAB to announce that businesses in Zimbabwe must adopt IAS 29 for their financial reporting, effective July 1, 2019." (BBC, 2019)

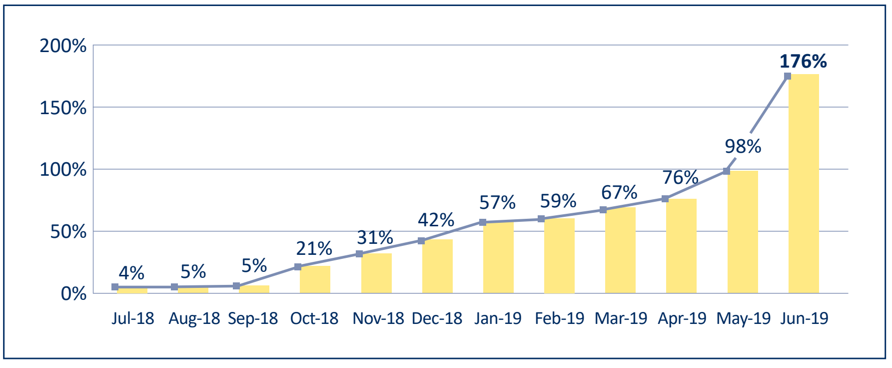

Figure 2. Zimbabwe inflation increase

Source: Zimbabwe National Statistical Agency and UNICEF, 2019.

Drawing from insights obtained during the five interviews, it is evident that hyperinflation has a profound and intricate effect on financial reporting and accounting methods within companies (Chamisa *et al.* 2018). All participants concurred that hyperinflation influences both reporting and accounting practices. This observation is supported by Tamimi and Orbán (2020), who note that hyperinflation can markedly impact a firm's financial outcomes. "They point out the need for revising financial statements, such as adjusting the historical costs of assets to their current values due to inflationary pressures."

4.4. Overview of Punchbowl Quality Products and financial reporting practices used by the company in the hyperinflation economy of Zimbabwe

"Lester Quality Products, similar to various other firms in Zimbabwe, has had to modify its financial reporting strategies to align with local accounting and taxation regulations within a hyperinflationary background." (Rapu *et al.*, 2016) The company issued its financial statements in Zimbabwean dollars, which have experienced considerable inflation in recent years. To address this challenge, the company implemented several strategies aimed at diminishing the effects of hyperinflation on its financial reporting.

- ***Highlighting the impact of inflation***

Punchbowl Quality Products also provides detailed disclosures within its financial statements to keep stakeholders informed about how hyperinflation affects its financial performance and condition.

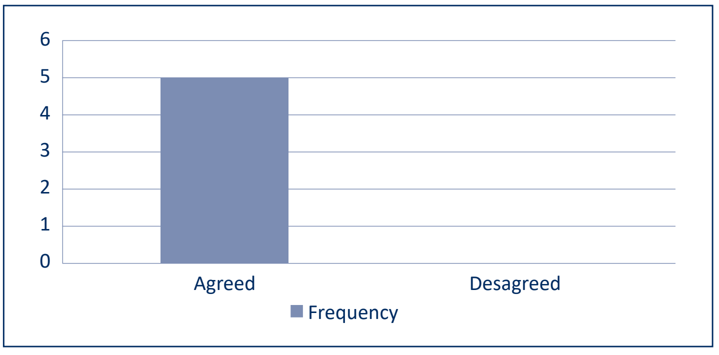

Figure 3. Agreement with analysis

Source: Survey, 2023.

4.5. Interviews results

Drawing from the insights gathered during five interviews, it can be concluded that there is significant consensus regarding the analysis presented. The following summarizes the essential findings from these discussions:

Table 4. Quotes from each interviewee

Interviewee	Response
Interviewee 1	"Financial reporting is crucial for Punchbowl Quality Products, as it provides stakeholders with important information about the company's financial performance and position. Accurate and transparent financial reporting helps to build trust and credibility with stakeholders, which can enhance the company's reputation and improve access to capital."
Interviewee 2	"Financial reporting plays an important role in regulatory compliance, as companies such as Punchbowl Quality Products must comply with local accounting and tax laws, as well as International Financial Reporting Standards. Failure to comply with these requirements can result in legal penalties and damage to the company's reputation."

Interviewee	Response
Interviewee 3	"Financial reporting is essential for investors and creditors considering investing in or lending to Punchbowl Quality Products. It enables them to make informed decisions about the company, such as whether to buy or sell shares, extend credit or invest in new projects."
Interviewee 4	"While financial reporting is important for Punchbowl Quality Products, it is important to strike a balance between providing enough information and not overwhelming stakeholders with too much detail. The key is to provide relevant and concise information that enables stakeholders to make informed decisions."
Interviewee 5	"Financial reporting is important, but it's just one aspect of a company's overall performance. It's important to consider other factors such as market trends, industry competition, and management strategy when evaluating a company's potential for success."

Source: Survey, 2023.

Drawing from the interviews, it is evident that financial reporting plays a vital role for businesses like Lester Quality Products. All participants concurred that such reporting offers stakeholders critical insights into a company's financial status and performance, which is especially pertinent for investors and creditors contemplating financial involvement with the organization.

Table 5 below presents the findings from the interviews concerning the significance of value relevance in a hyperinflationary environment.

Table 5. Value relevance of accounting amounts

Question	Number of respondents	Percentage
Q1: Do you concur with the significance of value relevance within an economy experiencing hyperinflation?	5	100
Q2: What strategies can businesses implement to maintain value relevance amidst hyperinflationary conditions?		
Restate financial statements	3	60
Revalue assets and liabilities	4	80
Use alternative accounting methods	2	40
Provide clear and transparent disclosures	5	100
Other comments or suggestions		
Respondent 1	"Companies should also consider using inflation-adjusted financial statements."	
Respondent 2	"It's important for companies to keep up with changes in inflation rates and adjust their accounting practices accordingly."	
Respondent 3	"Investors and other stakeholders need to be informed about the impact of hyperinflation on financial reporting."	
Respondent 4	"Companies should be transparent about the assumptions and estimates used in their financial reporting."	
Respondent 5	"Restating financial statements can be time-consuming and costly, but it's necessary to maintain the credibility of financial information."	

Source: Survey, 2023.

Based on the five interviews conducted, all participants concurred with the critical importance of ensuring that accounting figures are value-relevant in a hyperinflationary economy. In discussing strategies that businesses can implement to maintain value relevance in this economic climate, the respondents offered various recommendations. Suggested measures include restating financial statements, revaluing assets and liabilities, using alternative accounting approaches, and ensuring transparency through clear disclosures. This indicates that companies have several options to navigate the difficulties introduced by hyperinflation.

4.6. Reliability test results

To evaluate the effectiveness of the data collection instrument, a questionnaire focused on financial reporting within Zimbabwe's hyperinflationary environment, and the importance of accounting figures was created, specifically examining Lester Quality Products from 2019 to 2022. "The reliability of this questionnaire was assessed by applying Cronbach's alpha to determine its internal consistency and this statistical measure identifies whether each question accurately reflects the intended construct as part of its internal cohesion." (He *et al.*, 2021) The threshold for an acceptable alpha value was established at 0.7 (He *et al.*, 2021). The findings from the reliability test can be found in Table 6.

Table 6. Reliability test

	Number of items	Cronbach's alpha
Accounting methods are used to determine how inflation impacts the trustworthiness of financial reports.	22	0.8201
Using historical accounting	22	0.796
Accounting methods were employed to assess how inflation affects the reliability of financial reports.	22	0.912
Companies need to ensure uniformity in their accounting methods. However, different approaches across businesses can affect reported outcomes and lead to a misleading interpretation of a company's position in comparison to its competitors.	22	0.712

Source: Microsoft Excel, 2023.

The findings presented in Table 6 show that all Cronbach's alpha values exceeded 0.71, suggesting that the items measured distinct, unidimensional latent constructs. This aligns with the observations of He *et al.* (2021), who noted that "studies yielding such results are considered reliable, with an acceptable Cronbach's alpha range between 0.70 and 0.90".

4.7. Discussion of findings

The findings of this study reveal significant insights into the value relevance of accounting in a hyperinflationary economy, particularly within the context of Zimbabwe. The data collected demonstrate that a large percentage of respondents (68%) have experienced hyperinflation firsthand, which gives them valuable insights into how inflation impacts financial reporting practices. This aligns with previous research by Ismail *et al.* (2019), which emphasizes the experiential knowledge of individuals operating in such economic conditions. When practitioners understand how hyperinflation alters the landscape of financial reporting, they are better positioned to contribute to the development of more relevant accounting standards and practices tailored for these challenging circumstances.

Descriptive statistics indicate a consensus among participants on the fundamental characteristics of an inflationary economy, with an average mean of 4.193. Notably, the elements that highlight the need for aligning financial statements with the functional currency at the conclusion of the reporting period resonate with the guidelines outlined in IAS 21 *The Effects of Changes in Foreign Exchange Rates*, as noted by Tipedze *et al.* (2020). "This compliance with International Accounting Standards underscores the essential role that regulatory frameworks play in ensuring the accuracy and relevance of financial statements amidst the volatility of hyperinflation." (Tipedze *et al.*, 2020) Furthermore, the emphasis on adjusting financial statements to current costs rather than historical costs reflects a broader trend highlighted by Chamisa *et al.* (2018), where hyperinflation requires such changes to mitigate misrepresentation within financial reporting.

The implications of hyperinflation on financial reporting extend beyond compliance and accuracy. They also influence managerial decision-making and operational strategies. Findings indicate that fluctuations in expense categories, along with distortions caused by minor inflationary increases, can lead to significant misrepresentations of a company's financial condition over time. This points to the importance of agility in financial strategies, as companies must navigate these economic realities while maintaining transparency and stakeholder trust. The responses from interviews echoed this sentiment, with participants highlighting the importance of robust internal controls, routine audits, and clear, transparent communication as vital measures for maintaining the reliability of financial reports in such an environment.

Moreover, as highlighted by the interviews, the case study of Punchbowl Quality Products serves as a practical illustration of effective responses to hyperinflationary challenges. The companies strategies are to present financial statements in constant currency and to provide detailed disclosures aligned with recognized best practices. This strategy not only enhances the accuracy of reported financial performance but also bolsters stakeholder confidence, facilitating access to capital, especially in an environment where currency instability can deter investment. Rangasamy (2017) argue that these adaptive measures are critical for businesses in hyperinflationary settings, as they allow for a more genuine representation of financial health and operational viability.

Lastly, the strong emphasis on value relevance articulated by all interview participants illustrates a collective understanding of its significance within Zimbabwe's hyperinflationary context. The unanimous agreement on maintaining value relevance certifies its essential role in ensuring that financial disclosures remain useful for decision-making. The strategies discussed, such as restating financial statements and revaluing assets, are particularly pertinent given the fast changes in the economic environment. As such, businesses operating in hyperinflationary conditions must prioritize value relevance in their accounting practices to effectively navigate the risks associated with distorted financial information.

5. Conclusion

This study significantly contributes to the literature on financial reporting practices in hyperinflationary economies, particularly within the context of Zimbabwe's challenging economic landscape. By focusing on the implications of hyperinflation for organizations like Punchbowl Quality Products, this research advances the understanding of how extreme economic conditions compel companies to adapt their accounting practices to maintain credibility and provide value-relevant financial information. The investigation into the role of IAS 29 highlights its importance in guiding firms towards a more accurate restatement of financial statements through methods like Current Purchasing Power and General Price Level Accounting. This introduction of structured methodologies is crucial for enhancing the relevance and reliability of financial reporting, as it offers a systematic approach for mitigating the adverse effects of hyperinflation on stakeholders' understanding of a firm's fiscal health. The findings reveal a significant gap in current literature regarding the practical implications of hyperinflation on financial reporting, thereby offering a new perspective that challenges existing paradigms.

Furthermore, the implications of this study extend beyond theoretical discussions, as they provide actionable insights for practitioners navigating the complexities of hyperinflation. The need for organizations to invest in training programs for accounting professionals and develop robust regulatory frameworks emerges as a critical theme in promoting better financial reporting standards and practices. With 68% of survey respondents having experience in hyperinflationary environments, their shared insights underscore the multifaceted nature of financial reporting challenges in such contexts. The recommendations put forward – such as the need for constant currency restatement, comprehensive disclosures, and the use of inflation indices – stand as best practices for companies operating in similar global economic landscapes. By addressing the urgency for adaptive strategies, this study not only improves the academic discourse surrounding hyperinflation and financial reporting but also fosters a sense of accountability among organizations, to maintain transparency and enhance stakeholder confidence. Ultimately, this research offers both a theoretical contribution and practical guidance, reinforcing the importance of resilient accounting practices in safeguarding the integrity of financial information amid extreme economic volatility.

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