

Compliance with Fair Value Disclosure Requirements under Ind AS 113: Evidence from Listed Information Technology Companies in India

Lokesh S P¹, Dr. B. Mahadevappa²

¹Research Scholar, Department of Studies in Commerce, University of Mysore, P G Centre, Hemagangothri, Hassan 573226 Karnataka, India

²Former Senior Professor, Department of Studies in Commerce, University of Mysore, P G Centre, Hemagangothri, Hassan 573226 Karnataka, India

Abstract

Information is essential in business; without it, no one can make any decisions. Especially, business information plays a vital role in stakeholders' decisions. Annual Financial statements are the primary source of information; all stakeholders review them, particularly the balance sheets and income statements. If that information needs to be accurate, one must use the best valuation method to value assets and liabilities. Therefore, fair value became the standard for valuing assets and liabilities, necessitating the disclosure of all information related to the fair value valuation process, including the inputs used and sensitivity analysis. The study examines compliance with the fair value disclosure requirements set out in Ind AS 113. The research used an Index and a binary scoring methodology (0 and 1) to assess compliance. The study found that not all fair value disclosure requirements are complied with by the sample companies; there is variation in compliance levels, with an average of 69% compliance among information technology companies. The research concludes that the compliance level of fair value disclosure depends on a company's accounting policy, the types of assets and liabilities, and market availability.

Keywords: Fair Value, Compliance, Ind AS 113, IT Companies

1. Introduction

After the 1991 new economy policy, the Indian business environment opened to global business stakeholders, overseas investments migrated to India, and trade activity across countries grew. Global stakeholders actively participate in the Indian business environment; hence, they need to obtain business information from companies' annual financial statements. Furthermore, the financial information must be trustworthy, relevant, easy to understand, and comparable; so, India converged IFRS as an Ind AS to meet the needs of global stakeholders. The primary focus of stakeholders in annual financial reports is the income statement and the balance sheet, specifically assets. If these statements are reliable, companies need to adopt the

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best valuation method to value the assets, liabilities, and equity; the best valuation method is fair value measurement.

Ind AS 113 deals with fair value measurement; it provides a clear framework for valuing the assets, liabilities, and equity. When companies apply the fair value method, it reflects the present worth of assets and liabilities. Ind AS 113 defines “fair value” as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.” Ind AS 113 never deals with when to measure fair value; it only deals with how to measure fair value, and it also provides disclosure of fair value. Based on disclosure requirements, all listed companies must disclose various information so stakeholders know the valuation methods, procedures, and inputs used, which provides confidence.

Therefore, all disclosure requirements outlined in Ind AS 113 must be met by information technology companies; only then will these companies achieve quality disclosures, ensuring that stakeholders receive complete information. This study focuses on the extent of compliance with fair value disclosure requirements among listed Indian information technology companies and examines any differences between them.

2. Literature Review:

Elizabeth A. Eccher, (1996) This paper analyses the significance of fair value information disclosed under SFAS 107 by banks for the years 1992 and 1993. The research indicates that disparities between fair and book values of financial instruments correlate with market-to-book ratios. Fair value disclosures for financial instruments, excluding equities, are beneficial only in specific circumstances. Furthermore, fair value variables linked to market-to-book ratios emerged solely in 1992, following the integration of existing historical cost data.

Claessen (2021) This study examines the usefulness of Level 3 fair value disclosures to equity analysts, particularly after the adoption of IFRS 13. Based on interviews and an examination of real estate firms, it concludes that analysts predominantly rely on cash flow data rather than Level 3 fair value assessments. The findings indicate that Level 3 disclosures possess restricted direct significance in valuation determinations. But they do provide value by making people more sure that management is trustworthy. The study finds that forward-looking disclosures and predictions are more valuable than thorough valuation methods or sensitivity analyses.

Aondoaseer et al. (2026) The study examines the extent to which fair value accounting influences earnings stability and the quality of accruals among publicly traded Nigerian deposit money institutions. Using a random-effects regression model, it finds that fair-value assets substantially improve earnings smoothness, though they do not significantly improve accrual quality. Fair value liabilities improve accruals but don't really change earnings smoothness. The size of a bank has a beneficial effect on both profit smoothness and accrual quality, but changes in interest rates have little effect. The study finds that fair value accounting can improve reporting, especially for larger institutions, and suggests that fair value measurement processes should be improved.

Zareef and Khan (2025) The research highlights the difficulties associated with the Level 3 fair value hierarchy, given its reliance on unobservable inputs and managerial assumptions. The study found that companies with more Level 3 assets tend to experience larger changes in their audit results, indicating they face greater risks in their estimates. The study found that when companies follow strong corporate governance mechanisms, specifically board independence, they reduce aggressive valuation practices.

Gupta (2018) The study analyses the need for convergence to bring the harmonisation to financial reporting. India began to converge on IFRS and Ind AS in 2016–17. fair value adoption seeks to improve the financial statement transparency and reduce the difference between book value and market value. The study found that fair value measurement harmonises reporting with the principle of substance over form and curtails superficial enhancements.

Das (2023) The study examines the shift from historical cost accounting to fair value accounting, addressing the limitations of the conventional accounting system in a market-oriented economy. Hence, from April 2016, selected Indian companies were required to prepare and publish their fair value information in accordance with Ind AS 113 and other relevant requirements. The study examines the fair value reporting practices of 25 publicly traded Indian companies. The results show that the average level of compliance with fair value-based reporting is moderate.

Banerjee and Paul (2024) This study investigates the increasing significance of fair value measurement in improving the precision, reliability, and comparability of financial reporting. It specifically explores the impact of fair value measurement on the financial performance of leading National Stock Exchange (NSE)-listed firms within India's automobile and metal industries, concentrating on Ind AS 113. The results suggest that the implementation of fair value measurement has not consistently yielded positive outcomes for these companies. Conversely, the analysis reveals an enhancement in reporting quality, characterised by more transparent disclosures and the adoption of standardised financial statement formats.

3. Objective of the Study

To examine the extent of compliance with fair value disclosure requirements among listed Indian information technology companies

4. Hypotheses of the Study

H₀: There is no significant difference in the level of compliance of Fair Value disclosure requirements under Ind AS 113 among Indian Information Technology (IT) companies.

H₁: There is a significant difference in the level of compliance of Fair Value disclosure requirements under Ind AS 113 among Indian Information Technology (IT) companies.

5. Research Methodology

5.1 Population of the Study

The study population consists of all publicly traded IT companies in India. The financial statements of these publicly traded companies adhere to Ind AS. They are a valuable place to

examine fair value disclosures because they operate in a highly dynamic, globally connected field. Consequently, the study regards the entire listed IT sector as the study's population.

5.2 Sample of the Study

As of March 31, 2025, a total of 77 information technology companies were classified in the BSE Sensex Information Technology Companies Index. Only 51 of these companies continuously published annual reports and remained listed throughout the study period.

The study employs percentile threshold stratification to categorize companies by group size (total assets): large, medium, and small IT companies. The following thresholds were used:

- Large IT Companies: Companies above the 75th percentile of total assets
- Medium IT Companies: Companies between the 25th and 75th percentile
- Small IT Companies: Companies below the 25th percentile

The list of sample companies is presented below.

Table -1: Large Information Technology Companies

Sl no	Companies	Asset size (in crores)
1	Tata Consultancy Services Limited	1,59,629
2	Infosys Limited	1,48,903
3	Wipro Limited	1,28,652
4	HCL Technologies Limited	1,05,544
5	Tech Mahindra Limited	44,494.50
6	LTIMindtree Limited	30,630.00
7	Mphasis Limited	14,906.63
8	Coforge Limited	12,490.70
9	L&T Technology Services Limited	9,643.50
10	Persistent Systems Limited	8,736.60
11	Cyient Limited	7,694.60
12	Zensar Technologies Limited	5,172.90
13	KPIT Technologies Limited	5,032.96

5.3 Data Collection Methods:

The research is entirely based on secondary data sources. The data were obtained from the annual financial reports published by sample companies in 2024 - 25. The annual financial

statements were accessed from the Bombay Stock Exchange (BSE).

5.4 Compliance Measurement Framework

A Fair Value Disclosure Compliance Index was developed based on the mandatory disclosure requirements of Ind AS 113 (paras 91–99).

Table 2: Fair Value Disclosure requirements

Sl. No.	Mandatory Disclosure Requirement	Para No.
D1	The company discloses the valuation methods used and the key inputs applied for measuring fair value.	91
D2	The impact of Level 3 fair value measurements on Profit & Loss or Other Comprehensive Income (OCI) is disclosed.	91
D3	Minimum fair value disclosures are provided separately for each class of assets and liabilities measured at fair value.	93
D4	Fair value at the end of the reporting period is disclosed, and reasons for non-recurring measurements are explained, if any.	93(a)
D5	Fair value measurements are classified into Level 1, Level 2, or Level 3 under the fair value hierarchy.	93(b)
D6	Reasons for transfers between Level 1 and Level 2 of the fair value hierarchy are disclosed.	93(c)
D7	Valuation techniques and inputs used for Level 2 and Level 3 fair value measurements are explained.	93(d)
D8	Any changes in valuation techniques during the year and the reasons for such changes are disclosed.	93(e)
D9	Significant unobservable inputs used in Level 3 fair value measurements are disclosed.	93(f)
D10	A reconciliation between opening and closing balances of Level 3 fair value measurements is provided.	93(g)
D11	Gains or losses related to Level 3 measurements recognised in Profit & Loss are separately disclosed.	93(g)(i)
D12	Gains or losses related to Level 3 measurements recognised in OCI are separately disclosed.	93(g)(ii)
D13	Purchases, sales, issues, and settlements related to Level 3 measurements are disclosed in the reconciliation.	93(g)(iii)

D14	Transfers into or out of Level 3 fair value measurements and the reasons for such transfers are disclosed.	93(h)
D15	Unrealised gains or losses on Level 3 measurements included in Profit & Loss are disclosed.	93(h)(i)
D16	The valuation process followed by the company for Level 3 fair value measurements is described.	93(h)(ii)
D17	A narrative sensitivity analysis explaining the effect of changes in unobservable inputs on fair value is disclosed for Level 3.	93(i)
D18	Reasonably possible alternative assumptions and their impact on fair value of financial assets or liabilities are disclosed.	93(i)(i)
D19	Reasons for fair value measurements differing from “highest and best use” are disclosed for recurring or non-recurring measurements.	93(i)(ii)
D20	Assets and liabilities are properly classified based on their nature, characteristics, and risk profile.	94
D21	The company discloses its policy for determining transfers between fair value hierarchy levels and applies it consistently.	95
D22	Disclosure is made regarding the use of the net asset value (NAV) exception under Para 48 for unquoted investments, if applicable.	96
D23	For items not measured at fair value but disclosed, relevant disclosure requirements of Paras 93(b)–93(d) are complied with.	97
D24	For liabilities with inseparable third-party credit enhancement, the treatment of credit risk is disclosed.	98
D25	Fair value disclosures are presented in a tabular format, unless another format provides more useful information	99

(Source: Ind AS 113, MCA)

5.5 Compliance Score

The study uses a binary scoring system to assess compliance with the fair value disclosure requirements under Ind AS 113. A score of one (1) is assigned when a company complies with the specified requirement, while a score of zero (0) is assigned when the company does not comply.

5.6 Tools and Techniques

The study used descriptive statistics, including mean, standard deviations, and charts, to assess compliance levels and variations across companies. Additionally, the study employed a one-way ANOVA to determine the differences among the companies.

Results and Discussion

This section presents the compliance status of 13 large BSE-listed IT companies with 25 mandatory fair value disclosure requirements (D1–D25) under Ind AS 113. The data shows several disclosure requirements achieve 100% compliances level such as D1, D3, D5, D7, D20, D21, D23 and D25.

Table-3: Fair Value disclosure Compliance Score of Indian Information Technology Companies with Ind AS 113

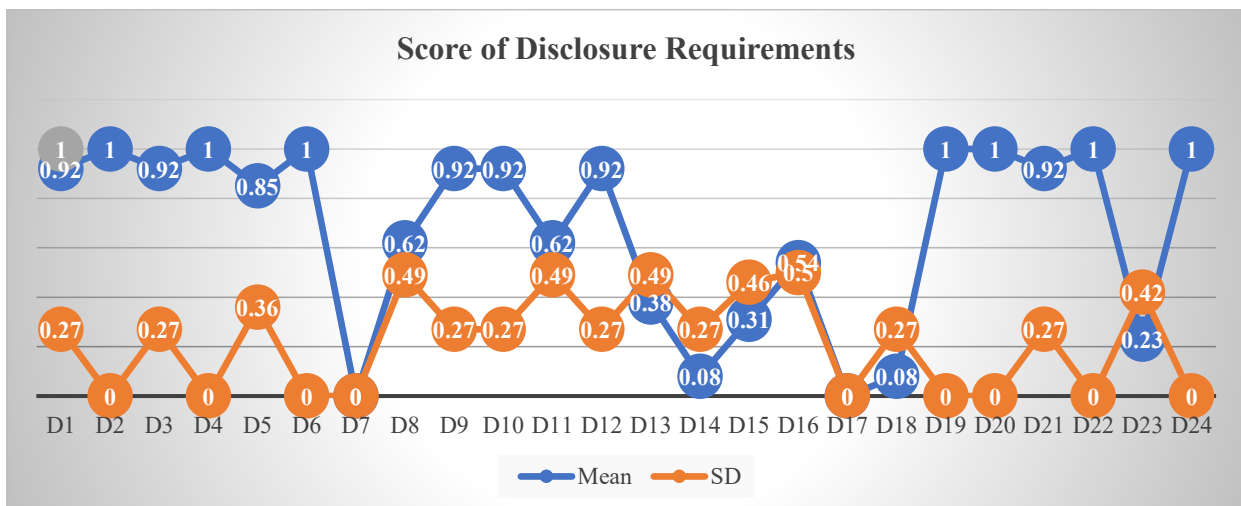
Disclosure Requirement	Tes	Infy	Wipro	Heltech	Techm	Ltim	Mphasis	Coforge	Ltts	Persistent	Cyient	Zensartech	Kpittech	Mean	Sd
D1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0
D2	1	0	1	1	1	0	0	1	1	1	1	1	1	0.92	0.27
D3	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0
D4	1	1	1	1	1	0	0	1	1	1	1	1	1	0.92	0.27
D5	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0
D6	0	1	1	1	1	0	0	1	1	0	1	1	1	0.85	0.36
D7	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0
D8	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
D9	0	0	0	0	0	0	0	1	0	1	1	1	1	0.62	0.49
D10	1	0	1	1	1	1	1	0	1	1	1	1	1	0.92	0.27
D11	1	0	1	1	1	1	1	0	1	1	1	1	1	0.92	0.27
D12	0	0	1	0	0	1	1	0	0	0	1	1	1	0.62	0.49
D13	1	0	1	1	1	1	1	0	1	1	1	1	1	0.92	0.27
D14	0	0	1	0	0	0	0	1	0	0	0	1	0	0.38	0.49
D15	0	0	0	0	0	0	0	0	0	1	0	0	0	0.08	0.27
D16	0	0	0	0	0	0	0	0	0	0	0	1	1	0.31	0.46
D17	0	1	0	0	0	0	0	1	0	0	1	1	1	0.54	0.50
D18	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
D19	0	0	0	0	0	0	0	0	0	0	0	0	1	0.08	0.27
D20	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0

D21	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0
D22	0	0	1	0	1	1	1	1	1	1	1	1	1	0.92	0.27
D23	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0
D24	0	0	0	0	0	0	0	0	0	0	1	0	0.23	0.42	
D25	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0
Mean	0.84	0.72	0.68	0.56	0.6	0.84	0.52	0.6	0.6	0.64	0.72	0.84	0.8	0.69	0.21

(Source: Author Calculation)

These disclosures mainly relate to core area of fair value mainly fair value hierarchy classification, valuation techniques, and tabular presentation. However, several disclosures show very low compliance. Notably, D8 (changes in valuation techniques) and D18 (alternative assumptions impact) show 0% compliance, Similarly, D15 (unrealised gains/losses in P&L) and D19 (highest and best use disclosure) show extremely poor compliance (mean = 0.08). This reflects that companies tend to avoid disclosures requiring deeper judgement, sensitivity analysis, and estimation-related transparency. Several advanced and critical disclosures show very low compliance.

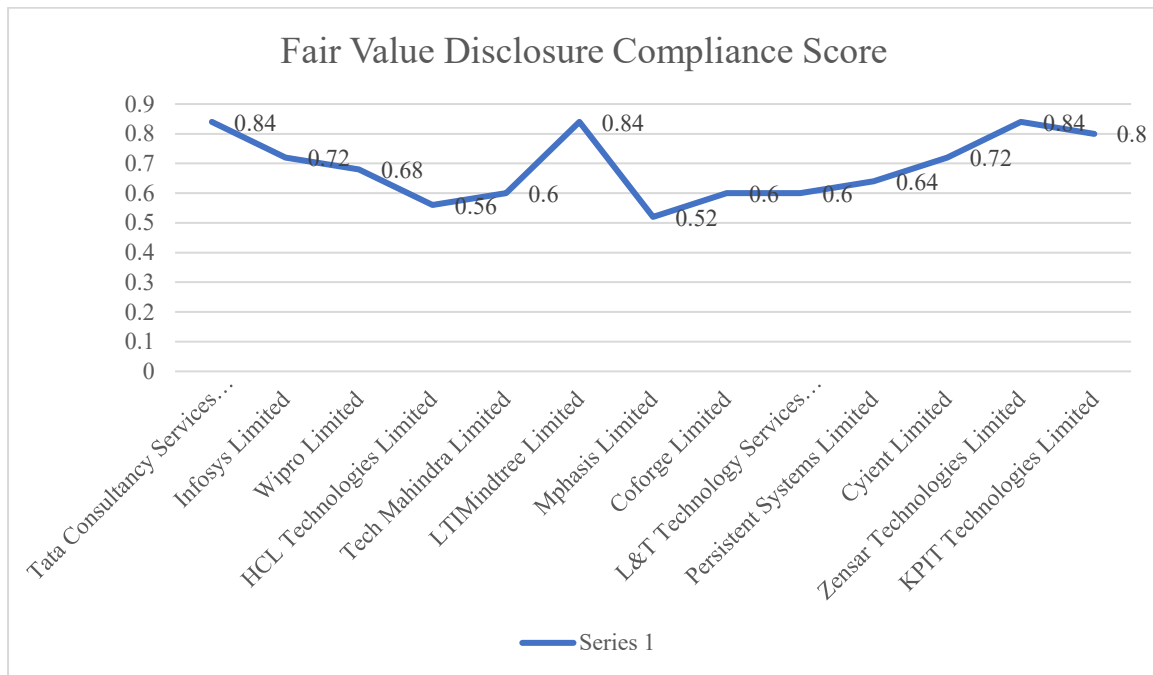
Figure-1: Fair value disclosure requirements score of IT Companies



(Source: Author Calculation)

Further, disclosure requirements such as D9 (unobservable inputs), D12 (OCI gains/losses) and D17 (sensitivity analysis) show moderate compliance with mean scores of 0.62, 0.62 and 0.54 respectively, indicating inconsistency among firms. The standard deviations for these items are relatively high, showing significant variation in disclosure practices. The overall mean compliance score is 0.69, indicating that on average companies comply with nearly 69% of disclosure requirements.

Figure-2: Fair value disclosure overall compliance score of IT Companies



(Source: Author Calculation)

Further Figure–2 depicts that range of compliance level of the sample IT companies from 52% to 84%. Companies such as TCS, LTIMindtree, and Zensar Technologies show high compliance (84%), indicating better reporting practices and stronger disclosure culture. On the other hand, Mphasis (52%) and a few other companies fall in the lower compliance category, indicating weaker disclosure reporting in fair value measurements.

H₀: There is no significant difference in the level of compliance of Fair Value disclosure requirements under Ind AS 113 among Indian Information Technology (IT) companies.

Table-4: One-way ANOVA test result for fair value disclosure compliance among the selected IT companies

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	47.538	24	1.981	20.223	.000
Within Groups	29.385	300	.098		
Total	76.923	324			

The ANOVA results show an F-value of 20.223 and a p-value of 0.000, which are significant at the 5% significance level. Hence, the null hypothesis is rejected, and it can be inferred that there are differences in fair value disclosure compliance among companies. Company-wise fair value measurement complexity, Level 3 involvement, and disclosure practices differ, leading to different compliance scores among IT firms.

The study found that disclosure of fair value information in annual financial statements is very crucial. Ind AS 113 provides 25 disclosure requirements; of these, all the sample companies

comply with 8 requirements, including D1, D3, D5, D7, D20, D21, D23, and D25. Companies fully meet some compliance requirements (D8 and D18); the rest are partially met, meaning some companies comply and some do not. The ANOVA test was performed to determine whether compliance levels differ significantly among companies, and the results indicate a significant difference, leading to the rejection of the null hypothesis. Overall the average 69% disclosure requirements compliance by Sample companies.

6. Conclusion

Accounting is more than just recording financial transactions; it also serves as an information system for stakeholders. Stakeholders need accurate and reliable financial information because they make decisions based on financial statements; specifically, the profit and assets of companies are crucial, and fair value significantly influences these variables. This study concludes that the compliance level for fair value disclosure is moderately high, at 69%. Due to company accounting policy, market availability, and asset classification, compliance levels for fair value disclosure vary. The study recommended that companies comply with the detailed requirements of Ind AS 113, the disclosure principle, to provide clarity to stakeholders and help them make appropriate decisions.

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