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A Study of Fair Value Measurement Practices Under Ind AS 113: An Empirical Evidence from Indian IT Companies

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Abstract
Fair value measurement is a basic idea in financial reporting that shows how much assets, liabilities, and equity are worth right now. Ind-AS 113 sets up a way to figure out fair value. This study aims to evaluate the extent of compliance. This study evaluates the compliance of Indian Information Technology (IT) firms listed on the Bombay Stock Exchange with the fair value measuring standard established in Ind AS 113. With a mean of 0.64, the results demonstrate a high level of compliance, indicating successful application of the fair value principles. There is a lot of compliance in important areas like financial instruments, valuation methods, observable inputs, and the fair value hierarchy. Significant waywardness exists in the more complex disclosure-oriented components of one's own credit risk, transaction costs, portfolio exceptions, and the concept of valuing non-financial assets. "The research concludes that although the Indian IT sector is broadly in line with the purport of Ind AS 113, there is a requirement for enhanced transparency and disclosures for measurements to enable full compliance and thereby increase the decision-usefulness of the financial statements.

Keywords: Fair value measurement, financial statements, compliance

1. Introduction

Historically, financial statements were viewed primarily as a company's "progress report"—a tool used solely by management to track profits and balance sheets. However, in today's interconnected business world, accounting has transformed into a sophisticated Information System. With the rise of global trade, the pool of stakeholders has expanded far beyond company boardrooms to include international investors, creditors, and regulators who demand reliable, relevant data to make high-stakes decisions.

The Role of Ind AS and Fair Value

To meet this demand for transparency, Indian companies have adopted the Indian Accounting Standards (Ind AS). These Ind AS standards ensure that financial information is not just reported in statements, but presented fairly and accurately in annual reports.

A cornerstone of this framework is Ind AS 113: Fair Value Measurement. Before this standard existed, guidance on valuation was scattered across various rules, leading to inconsistency. Ind AS 113 changed

the game by providing a single, dedicated framework for accounting. It's essential to note its specific purpose: it doesn't dictate when a company should measure fair value; instead, it explains how to do so.
Under Ind AS 113, Fair Value is defined 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."
In simpler terms, it represents a "real-world" exit price—what an item is worth in an open, competitive market right now.

Challenges and the IT Revolution

Transitioning to fair value isn't without its hurdles. In India, many business sectors lack "active markets" (places where assets are traded frequently enough to have a clear price). Because of this, fair value isn't used for everything. However, it is mandatory for specific, complex areas such as:

- Financial Instruments (stocks, bonds)
- Business Combinations (mergers and acquisitions)
- Derivatives

This shift toward global standards was majorly accelerated by the 1991 LPG (Liberalisation, Privatisation, and Globalisation) policies. This period boosted the speedy growth of India's Information Technology (IT) sector. As IT firms started to serve clients and effectively attract investors from every corner of the globe, adopting rigorous standards like Ind AS 113 became essential to speaking the "universal language" of global finance.

2. Literature Review:

Elizabeth A Eccher K. Ramesh, (1995) This study examined the disclosure of fair value under SFAS 107 by bank holding companies and the implications of those disclosures for financial reporting. It found that most banks report estimated fair values above book values, especially for securities and loans. It also identified that the impact of assets on fair value equity is roughly five times the impact of deposits. History is bound to repeat itself: roughly 48% of the variation in the market-to-book ratio stems from historical cost, while fair value disclosures add about 13% of explanatory power, underscoring their importance for incremental value. Fair value data is tricky to use when interpreting hedging behaviour, with significant relationships emerging only when net loans' fair values are excluded. In general, the study provides empirical support for the notion that fair value disclosures enhance the decision usefulness of financial statements.

Chea, (2011) The researcher starts this paper by developing a Statement of Financial Accounting Standards and its effect on fair value accounting. The study focuses on existing literature and significant issues in fair value accounting and reporting. Finally, the study recommends using fair value accounting information for various users and analyses the implications for users of financial statements.

Enrico Laghi (2012). The ongoing debate on fair value accounting has generated extensive discussion among academics, practitioners, and institutions over the past 20 years. Recently, the IASB and FASB issued new standards that apply fair value principles to financial instruments, property, and other investments. This study analyses how various accounting standards enhance disclosure and the usefulness of data for investors by considering the transparency and utility of the fair value hierarchy introduced in IFRS 7. The current research is an empirical study carried out on domestic as well as foreign banks that abide by the guidelines of SFAS 157 and IFRS 7 to analyse whether the application of the fair value

hierarchy increases the transparency level of the annual reports or is employed as an instrument for managing earnings.

Gláserová (2012). The current research is an empirical study carried out on domestic as well as foreign banks that abide by the guidelines of SFAS 157 and IFRS 7 to analyse whether the application of the fair value hierarchy increases the transparency level of the annual reports or is employed as an instrument for managing earnings. While Czech accounting law (the Czech Accounting Act) formally incorporates fair value, aligning with IAS/IFRS definitions, the paper questions its practical ability to reflect economic reality. Gláserová investigates how different types of Czech business entities apply fair value and examines the methodological procedures for recording changes in asset valuation, detailing their impact on financial statements. The work also provides a historical context for asset valuation under IAS/IFRS and its role within European accounting law.

Artemyeva,(2016) The study explains the conceptual background of IFRS 13 and convergence at the global Level. The study primarily focuses on the differences between IFRS and Finnish Accounting Principles. The study examines the fair value hierarchy levels and disclosure requirements for financial and non-financial assets and liabilities. The study utilised data from annual reports to identify reliability challenges in the Level 3 fair value hierarchy.

Zvarevashe, (2019) The study focused on fair value measurements for financial liabilities in the South African banking sector, specifically investigating the extent of fair value measurements and their compliance with IFRS disclosure requirements. The study analysed the financial statements of all banks listed on the Johannesburg Stock Exchange. The findings revealed that financial liabilities comprise a significant portion of banks' liabilities, with fair value measurements accounting for 14% of total financial liabilities. However, the study found a high level of compliance with disclosure requirements outlined in IFRS 13 and IFRS 7. Compliance with IFRS 7 requirements, which focus on the disclosure of financial instruments, was generally high.

Alkababji, (2016). The article examines the compliance level of Palestinian corporations listed on the Palestine Exchange (PEX) in 2014 with respect to the disclosure requirements for fair value measurement. The study develops a Fair Value Disclosure Index (FVDI) to measure the extent of fair value disclosure in corporate annual reports. The authors examine the relationship between fair value measurement disclosure requirements and factors such as firm size and auditor type. The findings indicate there is a connection between fair value disclosure requirements and firm size and auditor type in relation to variations in levels of disclosure across various economic sectors. Instead, there is no significant connection between levels of disclosure of fair value disclosure requirements and firm profitability.

Ciocan (2021). The study examines the importance of an accurate and fair view of fair value information, as the core objective of financial reporting and how all accounting principles are supported to achieve this view, potentially creating conflicts. To address these issues, various interpretations are needed to clarify and solve the conflicts related to accounting practice. The study highlights a fair view of companies' transactions and minimises information hiding.

Amaury José Rezendea (2022). The study critically investigates the relevance of fair value (FV) measurement for biological assets by detailing a comparison of perceptions between market professionals and accounting academics using experimental scenarios with Brazilian data. Both camps perceived fair value to be a relevant valuation approach for biological assets such as cattle and the forest. They often regarded it as relatively more relevant than the historical cost, regardless of whether it is a gain or a loss, liquidity, or management intent. On a statistical basis, market practitioners regarded fair value to be

relatively more suitable for a forest than for cattle. At the same time, academics saw greater relevance for FV when assets were available for sale or when trading decisions were involved. Academics also assigned higher relevance scores to fewer liquid assets (forests) than to liquid ones (cattle). Significantly, the study evaluates the perceptions of Fair values of relevance, which were consistently stronger than perceptions of its reliability or faithful representation, especially for "Level 3" (model-based) valuations. The study raises serious concerns over the subjectivity and reliability of Fair Value, particularly in the absence of active markets. The authors caution against overgeneralising these findings but see them as applicable for standard-setters, especially as standards evolve for bearer plants and other biological assets.

Das, (2023). This study assesses compliance among listed Indian companies regarding the mandatory fair value disclosure requirements outlined in Ind AS 113. The study found that a higher proportion of level-1 inputs enhances reliability; thus, Indian companies prioritise fair value in their valuation process, and most companies use level-1 inputs. The study concludes that in sample companies, more than 60% of categorisation is level-1 inputs. The study suggests a need to enhance the level 3 fair value hierarchy in the measurement process.

Devdeep Banerjee (2024). The paper will examine the increased use of fair value measures in recent years and their implications for transparency, accuracy, and the comparability of financial reporting. With ever-increasing stakeholder demands, the need for transparent reporting has risen significantly. In the Indian context, the accounting standard of Ind AS 113 governs the use of fair value measurements in financial reporting, subsequently influencing the financial reporting of companies listed on the NSE. This study examines the impact of fair value measurements on the financial reporting of 12 companies in the automotive and metal industries, and will also discuss this impact. Applying the concept of the Fair Value Index (FVI), content analysis will be used in the research design of the paper, as the use of secondary data makes it an exploratory study. The results indicate no relationship between the disclosure level of fair value measurements and poor financial reporting; on the contrary, companies are improving their disclosure levels and reporting better financial information.

3. Objective of the Study:

To assess the extent of compliance with fair value measurement requirements under Ind AS 113 among Indian Information Technology (IT) companies.

4. Hypotheses of the Study

Hypothesis: 1

H_0: There is no significant difference in the level of compliance of Fair Value Measurement requirements under Ind AS 113 among Indian Information Technology (IT) companies.

H_1: There is a significant difference in the level of compliance of Fair Value Measurement requirements under Ind AS 113 among Indian Information Technology (IT) companies.

Hypothesis: 2

H_0: There is no significant difference in the gap scores of Ind AS 113 fair value measurement requirements among IT companies.

H_1: There is a significant difference in the gap scores of Ind AS 113 fair value measurement requirements among IT companies.

5. Research Methodology

5.1 Sample of the Study

The study employed a sample of Information Technology companies in that were listed on the Bombay Stock Exchange (BSE) as of April 1, 2025. The companies chosen had to have published their annual reports in 2025. The selected companies must report their annual financial statements in accordance with the Indian Accounting Standards (Ind AS) to support fair value measurement.

5.1.1 Selection Criteria

The study employed a sample of Information Technology companies that were listed on the Bombay Stock Exchange (BSE) as of April 1, 2025. The companies chosen had to have published their annual reports in 2025. The selected companies must report their annual financial statements in accordance with the Indian Accounting Standards (Ind AS) to support fair value measurement.

5.1.2 Sample Size

Based on the above criteria, a sample of ten (10) leading BSE-listed IT companies was selected. Sample companies were selected based on criteria of their market capitalisation, disclosure availability, and industry representativeness.

Table-1: List of Sample Companies

Sl. No.	Name of the Company
1	Tata Consultancy Services Ltd.
2	Infosys Ltd.
3	HCL Technologies Ltd.
4	Wipro Ltd.
5	Tech Mahindra Ltd.
6	Larsen & Toubro Infotech Ltd.
7	Mphasis Ltd.
8	Coforge Ltd.
9	Persistent Systems Ltd.
10	Tata Elxsi Ltd.

5.2 Data Collection Methods: The current research work is purely based on the secondary data. The data collected is based on the published annual reports of the shortlisted BSE-listed Information Technology companies for the period of 2024-25. The company's annual reports were accessed from its official investor relations website, and other financial information was obtained from the Bombay Stock Exchange (BSE).

5.3 Measurement Framework

5.3.1 Construction of Fair Value Measurement Checklist

A Fair Value Measurement Compliance Index was developed based on the mandatory measurement requirements of Ind AS 113 (paras 5–99).

5.3.2 Scoring Methodology

The research uses a binary scoring system to determine compliance with the fair value measurement principles under Ind AS 113. In this case, a score of one (1) is used when a firm complies, and a score of zero (0) is used when a firm fails to comply.

5.4 Tools and Techniques

The research used a combination of descriptive and inferential statistical methods to analyse the fair value measurement compliance of the chosen information technology companies in respect to Ind AS 113. The research used mean and standard deviation methods to know overall compliance level and consistency in the scores. To test whether the IT firms are fully compliant with the mandatory fair value measurement requirements, a one-sample t-test was used. Additionally, to test the differences in fair value measurement compliance among firms, a one-way Analysis of Variance (ANOVA) was used.

6. Results and Discussion

This section presents the results and discussion of the study, focusing on how the selected Indian IT companies apply fair value measurement as required by Ind AS 113.

The scoring of the fair value measurement requirements by Sample Companies is presented in Table 3 below. The mean compliance score of 0.64 in the above table reveals that, on average, 64% of the fair value measurement requirements under Ind AS 113 are being complied with by Indian Information Technology companies. This finding indicates a moderately high adoption and implementation rate of fair value measurement principles among Indian IT companies. It indicates that, while fair value measurement practices are embedded mainly, especially for financial instruments, complete compliance with the measurement requirements has yet to be achieved.

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

SL NO.	MEASUREMENT REQUIREMENT (M)	TCS	Infy	HCL	Wipro	Techm	LTM	Mphsis	Coforage	Persistent	Tata Elexi	Mean	SD
1	Fair value is defined 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 (exit price concept, not entity-specific or entry price).	1	1	1	1	1	1	1	1	1	1	1	0

2	Fair value measurement is applied only when it is required or permitted by another Indian Accounting Standard; Ind AS 113 itself does not mandate fair value measurement but provides the measurement framework.	1	1	1	1	1	1	1	1	1	1	1	0
3	All scope exceptions and exclusions (such as share-based payments under Ind AS 102, leases under Ind AS 116, and measurements similar to fair value like NRV or value-in-use) are clearly identified and disclosed by the entity.	1	1	1	1	1	1	1	1	1	1	1	0
4	Fair value measurement explicitly considers the characteristics of the asset or liability—such as condition,	1	1	1	1	1	1	1	1	1	1	1	0

	location, and restrictions—that market participants would consider when pricing the item.												
5	The unit of account used for fair value measurement is determined in accordance with the relevant Ind AS governing recognition, and not arbitrarily defined by the entity.	1	1	1	1	1	1	1	1	1	1	1	0
6	The entity identifies the principal market for the asset or liability, or in its absence, the most advantageous market, and bases fair value measurement on prices in that market.	0	0	0	0	0	0	0	0	0	0	0	0
7	Fair value measurement is based on assumptions that market participants would use in pricing the	1	1	1	1	1	1	1	1	1	1	1	0

	asset or liability, assuming rational economic behaviour and best interest.												
8	Fair value measurement reflects the exit price concept and is not influenced by the entity's intention to hold the asset or settle the liability.	1	1	1	1	1	1	1	1	1	1	1	0
9	Transaction costs are excluded from fair value measurement because fair value represents an exit price, whereas transaction costs are specific to the transaction and not a characteristic of the asset or liability; however, transport costs may be included if location is a characteristic of the asset.	1	0	0	0	0	0	0	0	0	0	0.1	0.3

10	For non-financial assets, fair value measurement applies the Highest and Best Use (HBU) concept, reflecting the use of the asset by market participants that is physically possible, legally permissible, and financially feasible.	0	0	0	0	0	0	0	0	0	0	0	0
11	The valuation premise for non-financial assets (in-use or in-exchange) is identified and disclosed, consistent with the asset's highest and best use, to ensure transparency of how fair value is determined.	0	0	0	0	0	0	0	0	0	0	0	0
12	Liabilities are measured from the perspective of a market participant that owes the obligation, assuming the	1	1	1	1	1	1	1	1	1	1	1	0

	liability is transferred to another party at the measurement date rather than settled or extinguished.												
13	The fair value of a liability reflects the price of an identical or similar liability held as an asset by another party when such observable information is available, ensuring consistency with market-based evidence.	1	1	1	1	1	1	1	1	1	1	1	0
14	When observable market prices are not available, the entity applies appropriate alternative valuation techniques (such as income or cost approaches) and discloses the technique used and key assumptions applied.	1	1	1	1	1	1	1	1	1	1	1	0

15	The entity's own credit risk (non-performance risk) is incorporated in the fair value measurement of a liability, reflecting the effect of credit standing on the price that market participants would require.	0	0	1	0	0	0	1	0	0	0	0.2	0.4
16	Restrictions on the transfer or use of an asset or liability that are specific to the entity are excluded from fair value measurement, unless such restrictions would transfer to market participants and are a characteristic of the asset.	0	0	0	0	0	0	0	0	0	0	0	0
17	When the portfolio exception is applied, the entity measures the fair value of a group of financial assets and financial liabilities on	0	0	1	0	1	1	1	1	1	1	0.7	0.46

	the basis of net exposure to market risks or credit risks, consistent with how market participants would manage such risks.												
18	The application of the portfolio exception is explicitly disclosed, including a clear justification that the financial assets and liabilities are managed on a net risk exposure basis and that the conditions prescribed under Ind AS 113 are satisfied.	0	0	0	0	0	0	0	0	0	0	0	0
19	The entity clearly discloses the risk management objective underlying the use of the portfolio exception, explaining how market risk or credit risk is managed at a	1	1	1	1	1	1	1	1	1	1	1	0

	portfolio level rather than on an instrument-by-instrument basis.												
20	The accounting policy adopted for applying the portfolio exception, including the method of measuring net exposure and the valuation approach used, is clearly disclosed in the notes to accounts.	0	0	0	0	0	0	0	0	0	0	0	0
21	The valuation technique used to measure fair value (market approach, income approach, or cost approach) is clearly identified for each class of assets or liabilities measured at fair value.	1	1	1	1	1	1	1	1	1	1	1	0
22	The rationale for selecting a particular valuation technique and the consistency of its application	1	1	1	1	1	1	0	1	1	0	0.8	0.4

	over time are explained, ensuring that changes are justified only when the new technique provides a measurement that is equally or more representative of fair value.												
23	Valuation models are calibrated to observed transaction prices at initial recognition, where applicable, to ensure that the model reflects market conditions and observable inputs at the transaction date.	0	0	0	0	0	0	0	0	0	0	0	0
24	Any change in valuation technique or valuation model, along with the reasons for such change and its impact on fair value measurement, is clearly disclosed to	0	0	0	0	0	0	0	0	0	0	0	0

	ensure transparency and comparability across periods.												
25	The use of observable inputs is maximised and the use of unobservable inputs is minimised in fair value measurement, consistent with the objective of reflecting market-based information whenever available.	1	1	1	1	1	1	1	1	1	1	1	0
26	The markets used to develop observable inputs (such as interest rates, yield curves, credit spreads, or quoted prices) are identified and adequately disclosed to enhance transparency and verifiability of fair value estimates.	1	1	1	1	1	1	0	1	1	0	0.8	0.4
27	When a bid–ask spread exists for an	0	0	0	0	0	0	0	0	0	0	0	0

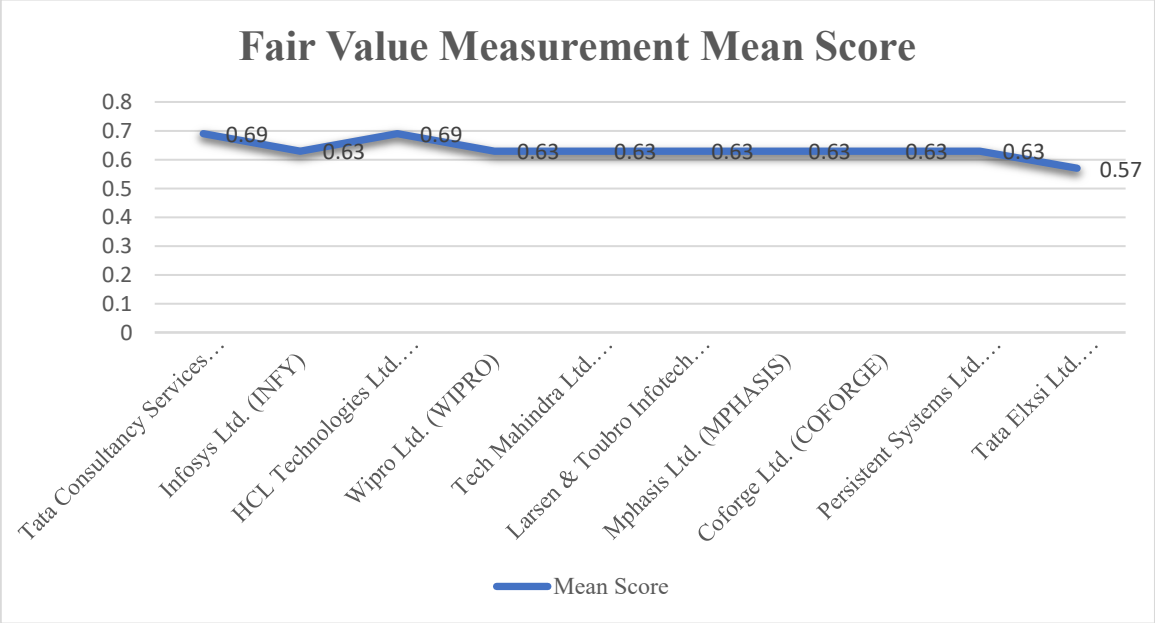
	asset or liability, the entity discloses its policy for selecting the price within the spread that is most representative of fair value in the circumstances.												
28	All assets and liabilities measured at fair value are categorised into the fair value hierarchy (Level 1, Level 2, or Level 3) based on the lowest level input that is significant to the entire measurement.	1	1	1	1	1	1	1	1	1	1	1	0
29	The basis for classifying inputs into Level 1, Level 2, or Level 3 is clearly disclosed, including explanations of how the significance of inputs is assessed in determining the hierarchy level.	1	1	1	1	1	1	1	1	1	1	1	0

30	Level 1 inputs, being quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date, are disclosed where such inputs are used.	1	1	1	1	1	1	1	1	1	1	1	0
31	Level 2 inputs, comprising observable inputs other than quoted prices included in Level 1 (such as quoted prices for similar items or market-corroborated inputs), are disclosed along with the nature of such inputs.	1	1	1	1	1	1	1	1	1	1	1	0
32	Level 3 inputs, being significant unobservable inputs, are clearly explained along with the valuation techniques used, key assumptions applied, and the	1	1	1	1	1	1	1	1	1	1	1	0

	extent of judgement involved in the fair value measurement.												
	Average	0.69	0.63	0.69	0.63	0.63	0.63	0.63	0.63	0.63	0.57	0.64	0.03

(Source: Author Calculation)

Figure -1: Average Fair Value Measurement Compliance Score of Indian Information Technology Companies with Ind AS 113



(Source: Author Calculation)

At the company level, the results show a significant variation in the level of compliance. Tata Consultancy Services Ltd and HCL Technologies Ltd, with a mean score of 0.69, have the highest level of compliance, which reflects a relatively stronger adherence to the principles of fair value measurement.

These are followed by Infosys Ltd, Wipro Ltd, Tech Mahindra Ltd, LTIMindtree Ltd, Mphasis Ltd, Coforge Ltd, and Persistent Systems Ltd, with a mean compliance score of 0.63 each. The scores of these companies are very close to each other, and this shows that the level of fair value measurement practices is more or less the same in the IT industry. On the other hand, Tata Elxsi Ltd has a mean score of 0.57, which is relatively lower. This could be because the application of certain fair value measurement practices is less, the complexity of financial instruments is less, or the disclosures regarding the advanced concepts of Ind AS 113 are not so detailed.

On the whole, the findings from the results indicate that, although the Indian IT firms show a reasonably strong level of commitment to fair value measurement, there are still some gaps in the application of the conceptual requirements of Ind AS 113, which are not being fully met. The standard deviation of 0.03 is very low.

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

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	65.587	31	2.116	78.119	.000
Within Groups	7.800	288	.027		
Total	73.387	319			

(Source: SPSS Output)

The research uses one-way Analysis of Variance (ANOVA) to determine if there are any significant differences in the fair value measurement compliance among the chosen information technology companies. The results of the ANOVA test show that the F-value is 8.433, and the p-value is 0.000, which is significant at the 5% significance level. Therefore, the null hypothesis is rejected, and it can be inferred that there are differences in the fair value measurement compliance among companies. While the overall fair value measurement compliance is high, there are large differences in the compliance with the specific measurement requirements. Larger companies like TCS and HCL always have higher compliance, while some of the sample companies show lower compliance with the complex measurement criteria.

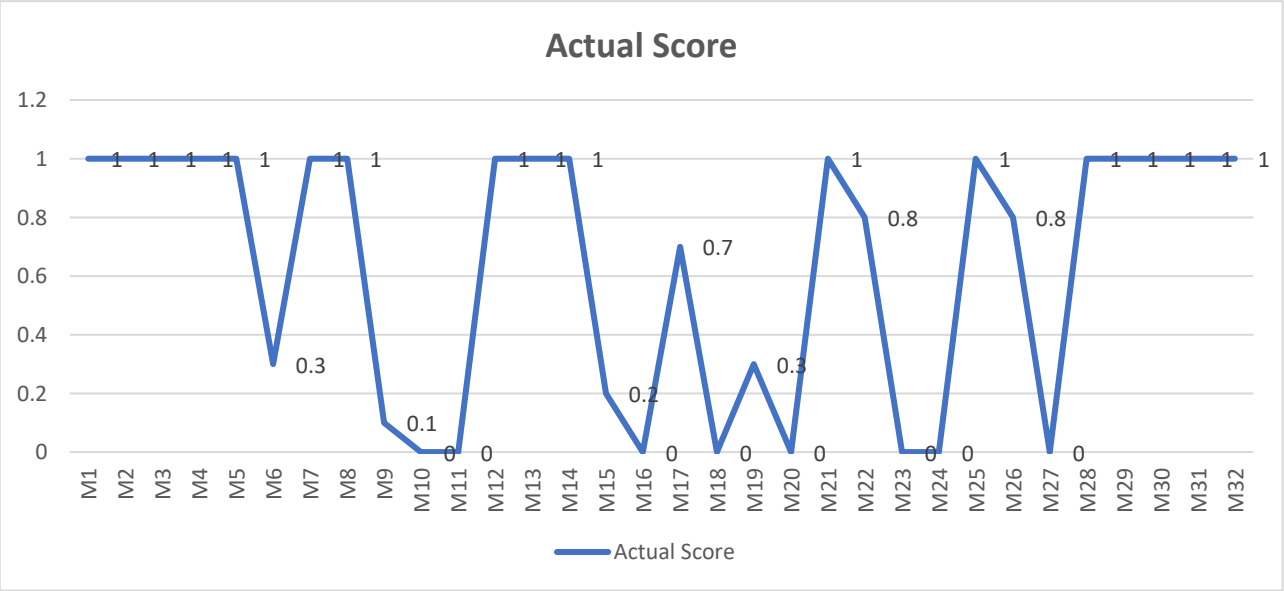
Table-5: Overall Average Compliance Score of Indian Information Technology Companies with Fair Value Measurement Requirements Prescribed under Ind AS 113

Measurement Requirements	Mandatory score	Actual Score	Gap	SD
M1	1	1	0	0
M2	1	1	0	0
M3	1	1	0	0
M4	1	1	0	0
M5	1	1	0	0
M6	1	0.3	0.7	0.46
M7	1	1	0	0
M8	1	1	0	0
M9	1	0.1	0.9	0.3
M10	1	0	1	0
M11	1	0	1	0
M12	1	1	0	0
M13	1	1	0	0
M14	1	1	0	0
M15	1	0.2	0.8	0.4
M16	1	0	1	0
M17	1	0.7	0.3	0.46
M18	1	0	1	0
M19	1	0.3	0.7	0.46

M20	1	0	1	0
M21	1	1	0	0
M22	1	0.8	0.2	0.4
M23	1	0	1	0
M24	1	0	1	0
M25	1	1	0	0
M26	1	0.8	0.2	0.4
M27	1	0	1	0
M28	1	1	0	0
M29	1	1	0	0
M30	1	1	0	0
M31	1	1	0	0
M32	1	1	0	0
Overall Average Score	**1**	**0.64**	**0.36**	**0.03**

(Source: Author Calculations)

Figure-2: Overall Average Compliance Score of Indian Information Technology Companies with Fair Value Measurement Requirements Prescribed under Ind AS 113



(Source: Author Calculation)

Complete Compliance Measurement Requirements (gap score 0, actual score 1)

Analysis of how leading Indian IT firms present Ind AS 113 fair value measurements demonstrates consistent adherence to core principles. The features that earn full marks (1) are conceptual clarity, precise boundaries, practical valuation methods, and transparent disclosures.

Conceptual and Scope-Level Compliance (M1–M3)

The analysis reveals that, overall, the IT companies in this research sample tend towards Ind AS 113 at the conceptual level. To calculate a fair value of assets and liabilities, there is a need to include a clear indication of exit price, which represents an amount available for sale from an asset or an exit cost of a

liability, referred to in paragraph 9 of Ind AS 113 (M1). This is a clear indication of a sound understanding of a fair-value principle rather than a cost-oriented one. Additionally, these companies use the fair value method only if required or permitted by other Ind AS standards, particularly Ind AS 109, for financial instruments, and simultaneously use the cost model in Ind AS 16. Ind AS 38 (M2) to value non-financial assets such as Property, Plant, and Equipment and Intangibles. This paragraph applies the principles of scope limitation in Paragraph 5. For Scope Disclosure, entities are encouraged to explain their exclusion by reference to specific Fair Value Measurements in accordance with Ind AS 113, rather than to other standards such as Ind AS 102, Ind AS 116, or Ind AS 16 (M3). This meets the guidance in Paragraphs 6-7 of Scope Disclosure.

Measurement Basis and Market Participant Perspective (M4, M5, M7, M8)

At the measurement level, entities display strong support for the market participant approach required by Ind AS 113. The valuation of financial instruments takes into consideration characteristics such as currency, term, interest rate risk, and credit risk, which are relevant to market participants (M4, Para 11(a)). These requirements make it clear that valuation is not entity-specific but is market-linked. The unit of account used in the measurement of fair value should be appropriately linked to the applicable Indian Accounting Standards (Ind AS) in respect of the asset or liability. The companies measure the value of individual financial instruments, except in cases where specific permission is granted to aggregate (M5, Para 14).

In addition, valuation approaches are based on assumptions made by market participants, and these assumptions are supported by observable market inputs whenever available, as required by Paragraph 22 (M7). The use of market prices and observable inputs ensures that the principle of exit price, and not entry price, is applied, as required by Paragraph 24 (M8).

Liability Measurement and Valuation Techniques (M12–M14)

The study also shows full compliance with the fair value measurement of liabilities. Derivative liabilities and similar liabilities are measured from the viewpoint of a market participant holding the liability, in accordance with Paragraph 34 (M12). In addition, the fair value measurement of liabilities is based on the observable prices of identical or similar instruments actively traded in markets or valuation approaches developed based on such instruments, as required by Paragraph 37 (M13).

Where quoted market prices are not available, entities clearly disclose the use of other valuation approaches, including reduced cash flow models and option estimating models (M14, Paras 38-39). This increases the credibility and transparency of fair value measurements, which are now more methodologically sound.

Risk Management and Valuation Disclosure Practices (M19, M21, M25)

One notable strength identified in the sample of companies is the full disclosure of financial risk management objectives, with a special focus on foreign exchange risk and the use of derivatives (M19). The disclosures are very much in line with portfolio-level valuation methods and meet the disclosure requirements of Paragraph 49, even if the portfolio exception is not fully utilised.

In addition, the entities have clearly identified the valuation methods used, such as the market approach, income approach, and option pricing models, while maintaining consistency in their application (M21, Paras 61-62). Furthermore, it is evident that the firms make the most of observable inputs, and the fair value measurements are categorised mainly under Levels 1 and 2, indicating significant compliance with Paragraph 67 (M25).

Fair Value Hierarchy and Input Disclosures (M28–M32)

One notable strength identified in the sample of companies is the full disclosure of financial risk management objectives, with a special focus on foreign exchange risk and the use of derivatives (M19). The disclosures are very much in line with portfolio-level valuation methods and meet the disclosure requirements of Paragraph 49, even if the portfolio exception is not fully utilised.

In addition, the entities have clearly identified the valuation methods used, such as the market approach, income approach, and option pricing models, while maintaining consistency in their application (M21, Paras 61-62). Furthermore, it is evident that the firms make the most of observable inputs, and the fair value measurements are categorised mainly under Levels 1 and 2, indicating significant compliance with Paragraph 67 (M25).

Measurement Requirements with Partial Compliance (gap score > 0, actual score < 1)

Despite the high level of compliance with fair value measurement principles under Ind AS 113 among the sample of Information Technology companies, some principles show partial compliance, as indicated by average scores below 1. These scores indicate differences in the level of disclosure of fair value practices. A detailed discussion of the principles is provided below.

M22 – Rationale and Consistency of Valuation Techniques Explained (Average Score: 0.80)

Ind AS 113 (Paragraphs 62-63) states that an entity must disclose the basis for its choice of a particular valuation approach and use those approaches consistently unless an improvement in relevance or reliability results from a change in approach.

The majority of the sample companies comply with the requirement by consistently using valuation methods over time, and also provide general explanations of the suitability of the methods for different types of financial instruments. However, Mphasis and Tata Elxsi fail to provide a detailed explanation of the selection of specific valuation methods and a clear explanation of the methods' consistency over time. Thus, although the majority of the sample companies meet the overall requirement, partial compliance is achieved with an average score of 0.80.

M26 – Identification of Markets for Observable Inputs (Average Score: 0.80)

The identification and disclosure of the markets from which observable inputs are derived for fair value measurements are required in paragraph 69 of Ind AS 113. The majority of the sample companies identify active, observable markets, such as government securities, bonds, and foreign exchange markets, for the valuation of financial instruments. Mphasis and Tata Elxsi, on the other hand, do not explicitly identify the markets from which the observable inputs are derived, although they make use of the observable inputs. This results in partial compliance and an average score of 0.80 for this measurement requirement.

M17 – Demand Liabilities Measured at Amount Payable on Demand (Average Score: 0.70)

According to paragraph 47 of Ind AS 113, the fair value of demand liabilities shall not be lower than the amount payable on demand. Although seven of the ten sample companies meet the criterion by stating that short-term financial liabilities are close to fair value because of their short-term nature, TCS, Infosys, and Wipro fail to meet the minimum payable amount criterion for demand liabilities explicitly. Although the criterion is met in practice, the lack of explicit disclosure lowers the compliance score. Therefore, the average compliance score for this criterion is 0.70.

M15 – Consideration of Own Credit Risk in Liability Measurement (Average Score: 0.20)

According to Ind AS 113, paragraph 42, entities are required to include their own credit risk in the measurement of liabilities' fair value. Among the sampled companies, only HCL Technologies and

Mphasis have made specific disclosures about the inclusion of their own credit risk and counterparty credit risk in the valuation models for derivatives and financial liabilities. The other companies have not made specific disclosures about the inclusion of their own credit risk in the measurement of fair value for liabilities, although they have measured fair value. This absence of specific disclosure is a significant disclosure weakness, resulting in a very low average compliance score of 0.20.

M9 – Exclusion of Transaction Costs from Fair Value Measurement (Average Score: 0.10)

The exclusion of transaction costs from fair value measurement and their separate recognition is required by paragraph 25 of Ind AS 113. Among the sampled companies, only TCS has clearly disclosed that it excludes transaction costs from fair value measurement and recognises them separately. The other companies have not clearly stated in their annual reports that they exclude transaction costs from fair value measurement, although they do so. The lack of clear disclosure by the majority of the companies indicates very low compliance, with an average score of 0.10. This result indicates that the exclusion of transaction costs is the least disclosed principle in fair value measurement. The partial compliance evident in these measurement requirements suggests that non-compliance is more practice-related than disclosure. Most IT companies correctly follow fair value measurement principles; however, they often fail to make sufficient disclosures required by Ind AS 113. The deficiencies in disclosures reduce transparency, comparability, and interpretability of fair value disclosures, which are essential for users of financial statements and contribute to differences in compliance scores across the various measurement requirements.

Measurement Requirements with Zero Compliance (gap score 1, actual score 0)

The research showed that the average compliance with the measurement requirements across the sampled IT firms was nil, implying that in their annual reports during the period under review, either the principles of fair value were not clearly applied or disclosed.

M6 – Identification of Principal or Most Advantageous Market (Ind AS 113, Paras 16–19)

Certain Sample companies use observable market inputs for valuation purposes. However, none of the sample companies clearly identifies the principal market or, in its absence, the most advantageous market for determining fair value. Ind AS 113 mandates the explicit identification of such markets to ensure transparency and consistency in valuation. Due to the lack of transparency, this measurement requirement is treated as non-compliant across the sample.

M10 – Application of Highest and Best Use for Non-Financial Assets (Para 27)

For non-financial assets such as PPE and intangibles, all sample IT firms measure them under Ind AS 16 and Ind AS 38 using the cost model. Since fair value measurement is not applied to these assets, the concept of highest and best use, which applies purely under fair value, is not practised. Hence, this item reflects zero compliance.

M11 – Disclosure of Valuation Premise (In-Use or In-Exchange) (Paras 31–33)

Since non-financial assets are not measured at fair value, none of the sample companies disclose whether the premise of valuation is in-use or in-exchange. According to the selected methodology, this lack of disclosure results in a zero score for the disclosure items and thus indicates non-compliance with Ind AS 113.

M16 – Exclusion of Restrictions on Transfer from Fair Value Measurement (Para 43)

Ind AS 113 specifies that all restrictions on an Entity's ability to transfer an asset or a liability are to be excluded from the fair value calculation. An analysis of all sample companies shows no clear indication

of their exclusion from the fair value calculation. This, therefore, indicates non-compliance.

M18 – Application and Disclosure of Portfolio Exception (Paras 48–49)

The portfolio is fair-valued and to be reported on a net basis for risk-managed portfolios, but for any of the sample IT companies, this exemption does not apply. Furthermore, there is no reporting on whether they use the exemption. Thus, this reporting requirement has zero compliance.

M20 – Disclosure of Accounting Policy for Portfolio Exception (Para 49)

Disclosure of Accounting Policy on the Portfolio Exception (Para 49). Since the portfolio exception is not applied, no accounting policy is disclosed on fair value measurement through portfolios. Based on the study's binary scoring system, a zero is assigned since it is not disclosed.

M23 – Calibration of Valuation Models to Transaction Prices (Para 64)

The accounting standard AS 113 specifies that there is a need to align valuation models with transactions conducted at initial recognition, especially when a company engages in Level 3 Complex Investments. This is a form of non-compliance since there are no descriptions of such alignment in their annual reports.

M24 – Disclosure of Changes in Valuation Techniques and Reasons (Para 65)

In this analysis, no sample company shows changes in valuation methods or the reasons for those changes. In accordance with Ind AS 113, not reporting anything, even in the absence of a change, constitutes a breach of compliance. As such, this disclosure requirement receives a zero score.

M27 – Disclosure of Bid–Ask Spread Policy (Paras 70–71)

This Standard, AS 113, prescribes how the bid and ask (or the mid-price) should be used in calculating fair value. None of the companies clearly demonstrated their policy regarding the bid-ask spread. Thus, the company is rated non-compliant with respect to this agenda.

These zero-compliance measures primarily address advanced topics related to market nuances and valuation disclosures. The lack of these implies:

- The restricted applicability of concepts such as highest and best use and portfolio exceptions of advanced fair value, especially in the Indian IT Industry,
- Over-reliance on cost accounting models on non-financial assets,
- Lack of active and observable markets for valuation inputs. Significantly, a zero score does not necessarily indicate a compliance issue with Ind AS 113; rather, it usually reflects instances in which some fair value principles are not applied or not disclosed due to specific sector characteristics.

Table-6: One-sample t-test result for measurement Score

Variable name	N	Mean	Std. dev	DF	T	Sig
Measurement Score	32	.6313	.44897	31	-4.646	.000

(Source: SPSS Output)

The study employed a one -sample t-test to determine whether the mean actual compliance score (M = 0.631, SD = 0.449) differs significantly from the expected benchmark score of 1, which represents full compliance with Ind AS 113. The results t (31) = -4.646, $p<0.001$ show that there is a statistically significant difference between the actual and expected scores. Hence, the null hypothesis is rejected.

This result demonstrates that although Indian IT companies exhibit high levels of compliance, they do not fully comply with all fair value measurement requirements prescribed under Ind AS 113. The negative t-

value confirms that the actual mean compliance score is significantly lower than the ideal benchmark, highlighting systematic gaps in certain advanced measurement areas. Indian Information Technology companies have adopted mainly fair value measurement practices in accordance with Ind AS 113. While the overall compliance level is high and consistent across the sector, significant inter-company differences exist, and full compliance with all measurement requirements has not yet been achieved. The observed gaps primarily arise from the conditional applicability and complexity of specific measurement provisions rather than from deliberate non-compliance.

The results show that the extent of compliance with Ind AS 113 among Indian IT companies varies from moderate to relatively high, with an average compliance score of 0.64. This indicates that fair value measurement is applied to a large extent, though not wholly. Strengths are evident in the following core principles: fair value as an exit price; assumptions of market participants; valuation techniques; use of observable inputs; and disclosures relating to the fair value hierarchy. This indicates a good conceptual understanding, particularly in the valuation of financial instruments. There is, however, partial compliance with disclosure requirements regarding valuation techniques, observable markets, own credit risk, and the treatment of transaction costs. The measurement practices are generally appropriate, but the disclosures need to be more explicit in terms of clarity and detail. Some of the advanced requirements demonstrate nil compliance for nonfinancial assets, thereby reflecting limited relevance and also the absence of active markets in the IT sector. TCS and HCL Technologies have the highest compliance levels, while Tata Elxsi lags significantly. This study's statistical test confirms that there are significant differences between the firms, and the compliance level is well below the ideal benchmark.

7. Conclusion

Fair value is the essential measurement method to value assets, liabilities and equity of companies because it reflect actual value and reflect real market value, Hence in India application of fair value for all type of assets and all conditions its not possible due to lack of proper market, because fair value is evidence based measurement , it requires quoted prices and observable inputs, but in India its not possible to get quoted prices and observable inputs for all types of assets and in all scenario , in the absence of these information, company use present value technique in valuation process, but its always debatable of assumptions and judgments usage in valuation , and disclosure importance of measurement methods used and which are the inputs or information taken for valuation need to disclose in companies annual reports, hence this study check the compliance level of far value measurement requirements, the study revealed that moderately high level of compliance with overall average compliance score 0.64. While fair value measurement practices are already embedded in the Indian IT sector, enhanced transparency and detailed disclosure are required to align with Ind AS 113 fully.

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