Ind AS 113 Fair Value Measurement:
It's Implications for Corporate Financial Reporting

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Abstract

Fair value is the mantra of today in financial reporting across the borders. In India also the Institute of Chartered Accountants of India (ICAI) has converged its accounting standards with IFRSs and accordingly corporate financial statements beginning accounting year 2016-17 have started disclosing financial figures based on fair value measurement. One of the purposes of Fair Value Measurement is to narrow the gap between balance sheet value and market value of a company. Fair value measurement aims at fair recording of a business transaction so that the financial statements are able to show a true and fair view of the profitability and financial position. Fair value measurement can be applied to different elements of financial statements. The study put this measurement basis to test through a case with reference to fair value mechanism applicable to purchase of current investments and their holding on the balance sheet date. The results have clearly supported the stated claim of the accounting standard setters. To sum up, the FV measurement does away from window dressing, makes the financial statements more transparent, closer to real market value, less volatile and more predictable in accordance with the principle of substance over form which is becoming all pervasive now.

Key Words: Block deal, Historical cost, Fair value, Financial reporting, IFRS, Ind AS, Measurement bases.

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