

## **Consequences to Financial Reporting by Implementing Sri Lanka Financial Reporting Standard 13 on Measuring the Fair Value of Financial Instruments: Evidence from Three Sri Lankan Organizations**

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**Abstract :** The demand for the high quality internationally comparable financial information has been increased than ever with the expansion of economic activities beyond its national boundaries. Thus, the necessity of converging accounting practices across the world is now continuously discussed with greater emphasis. The global convergence to International Financial Reporting Standards has been one of the main objectives of the International Accounting Standards Setting Board (IASB) since its establishment in 2001. Accordingly, Sri Lanka has adopted IFRSs in 2012. Among the other standards as a newly introduced standard by the IASB, IFRS 13 plays a pivotal role as it deals with the Fair Value Accounting (FVA). Therefore, it is valuable to obtain knowledge about the consequences of implementing IFRS 13 in Sri Lanka and compare results across nations. According to the IFRS Jurisdictional provision of Sri Lanka, Institute of Chartered Accountants of Sri Lanka has taken official steps to adopt IFRS 13 by introducing SLFRS 13 with de jure convergence. Then this study was identified the de facto convergence of the SLFRS 13 in measuring the Fair Value of Financial Instruments in the Sri Lankan context. Accordingly, the objective of this study is to explore the consequences to financial reporting by implementing SLFRS 13 on measuring the financial instruments. In order to achieve the objective of the study expert interview and in-depth interviews with the interviewees from the selected three case studies and their independent auditor were carried out using customized three different interview guides. These three cases were selected from three different industries; Banking, Manufacturing and Finance. NVivo version 10 was used to analyze the data collected through in-depth interviews. Then the content analysis was carried out and conclusions were derived based on the findings. Contribution to the knowledge by this study can be identified in different aspects. Findings of this study facilitate accounting practitioners to get an overall picture of application of fair value standard in measuring the financial instruments and to identify the challenges and barriers to the adoption process. Further, assist auditors in carrying out their audit procedures to check the level of compliance to the fair value standard in measuring the financial instruments. Moreover, this would enable foreign investors in assessing the reliability of the financial statements of their target investments as a result of SLFRS 13 in measuring the FVs of the FIs. The findings of the study could be used to open new avenues of thinking for policy formulators to provide the necessary infrastructure to eliminate disparities exists among different regulatory bodies to facilitate full convergence and thereby growth of the economy. Further, this provides insights to the dynamics of FVA implementation that are also relevant for other developing countries.

**Keywords :** convergence, fair value, financial instruments, IFRS 13

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