

IMPACT OF FAIR VALUE DISCLOSURE OF FINANCIAL INSTRUMENTS IN A BANK FOR THE FAIR PRESENTATION

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Abstract

This research is based on the study of the impact of fair value disclosure of financial instruments in a bank for the fair presentation. Study whether it affects to the decision makers. For many years, users of financial statements have sought relevant and timely information about financial instruments and offbalance sheet items and activities. It is believe that fair value measurements and recognition of these values in the financial statements, along with adequate disclosures, will provide necessary information to evaluate properly an enterprise's exposures to financial risks, as well as rewards (Anonymous, 2002).It is mandatory requirement by IFRS 7, firms to disclose fair value estimates of financial instruments.

This paper contributes to assess the accounting practices of disclosure requirements of fair value of financial instruments in Sri Lankan banks. Whether fair value reporting reflects the economic reality by showing the volatility inherent in the values of financial instruments given changes in market conditions and operations of the enterprise (Anonymous, 2007). There are some important conceptual and practical issues relating to the reliable determination of fair value, it is better to first require full fair value disclosures before contemplating a shift to full fair value recognition in financial statements. That would enable investors, creditor, preparer, auditors, and regulators to learn from experience (Chea, 2011).

This research is based on the secondary data. Secondary data will be collected by analysing the financial statements of 25 banks in Sri Lanka for the period of 5 years and referring research studies, empirical reports, and articles.

Key words: fair value disclosure; financial instruments; financial statements; fair presentation