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Determinants of Financial Reporting Quality in IT organizations: A Structural Equation Modelling Approach with respect to IND AS 115

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Abstract

Satisfactory financial reporting is critical in promoting transparency, accountability, and sound decision-making by the stakeholders especially in highly integrated industries like the information technology (IT) industry. Changes in the financial reporting practice triggered by the convergence of the Indian Accounting Standards (Ind AS) with International Financial Reporting Standards particularly with Ind AS 115 have made the financial reporting practices much more focused on the principles of revenue recognition and improved disclosures. This paper will focus on the factors that determine the financial reporting quality in organisations that deal with IT and the contribution of transparency, accountability, comparability and efficiency. The study took a quantitative, cross-sectional research design and primary data collected comprised of 127 employees of the finance department who work in IT companies. The research instrument was a structured questionnaire, and the data were analyzed with Structural Equation Modelling (SEM) with SPSS and AMOS. The reliability, validity, and model fit were evaluated stringently with the help of Exploratory and Confirmatory Factor Analysis. The findings indicate that the four determinants have a strong positive impact on financial reporting quality with accountability being the most influential factor, transparency, efficiency, and comparability coming next. The model was found to have good goodness-of-fit indices, which have confirmed that it is robust. The results are applicable to the current literature as they offer sector-specific empirical data that takes place in the Indian IT sector and includes practical implications to the policymakers, standard-setters, and practitioners to improve the quality of financial reporting in accordance with Ind AS 115.

Keywords: *Financial Reporting Quality, Ind AS 115, Transparency, Accountability, Structural Equation Modelling, IT Organizations*

1 Introduction

Quality financial reporting is core to making good decisions by investors, regulators and other stakeholders as it results to transparency, minimizing information asymmetries and building confidence in financial reporting. In a more globalized and technology oriented business world, organizations have to embrace accounting standards that guarantee consistency, comparability and reliability of financial information. Indian Accounting Standards (Ind AS) converging with International Financial Reporting Standards (IFRS) is a major regulatory change that helps in enhancing the quality of reporting of finances in India, especially in sectors that have international exposure like the information technology (IT) industry (Johri, 2024; Gomes and Costa, 2025).

The Indian economy depends on IT sector significantly which is booming and cross-border and complicated with revenue recognition mechanisms. Ind AS 115 Revenue from Contracts with Customers has brought a principle approach with an underlying concept of transparency, consistency, and improved disclosure requirements. In the previous research, it is asserted that such standards can have a great impact on the quality of financial reporting by enhancing qualitative attributes like relevancy, faithful representation, comparability, and understandability (Barth et al., 2008; Rashmi and Chougule, 2025). The degree at which these improvements are achieved however, is influenced by organizational factors, pathways of governance, and the adequacy of the implementation.

The available literature lists a number of determinants that affect the quality of financial reporting such as transparency, accountability, comparability, and operational efficiency (Abed et al., 2022; Mos, 2024; Yusran, 2023). Enhanced disclosures increase the level of transparency thereby minimizing the information asymmetry and enhancing stakeholder trust, whereas accountability promotes responsible use of accounting policies and impartial reporting (Bushman and Smith, 2003; Abed et al., 2022). Comparability allows significant analysis between time and between entities that is especially important in multinational and IT companies in different regulatory jurisdictions (De Franco et al., 2011). Efficiency, in turn, indicators of the standardized reporting structures to deal with the information costs and enhance the reporting mechanisms (Lambert et al., 2012).

Although the literature on financial reporting quality is increasing, there are still a number of gaps. The majority of literatures concentrate on manufacturing, banking, or textile industry with there being little empirical evidence on the Indian context of the IT industry (Shayf et al., 2025). Further, the research studies that have been conducted before tend to consider determinants individually and not in a holistic empirical framework. The research, which would involve capturing the perceptions of finance professionals directly engaged in financial reporting under Ind AS 115, with the help of sophisticated analytical tools, such as Structural Equation Modelling (SEM), is also lacking.

To fill these gaps, the current research study seeks to investigate the determinants of financial reporting quality in IT organizations to incorporate transparency, accountability, comparability, and efficiency in a Structural Equation Modelling framework. The study utilizes primary data that was collected among workers in the finance department of IT companies to give an empirical data on the overall effect of these factors on financial reporting quality. The results are likely to be added to the existing literature with sector-specific observations and practical suggestions to the policymaker, standard-setters, and practitioners to enhance financial reporting practices in the IT sector.

2 Review of Literature

2.1 Literature Method

The current literature review is systematic and thematic in its nature to review past research on the factors that determine the quality of financial reporting. The academic databases with reputed peer-reviewed journal articles were searched and covered the period of 2022 to 2025, with the inclusion of empirical and review-based studies and those related to the sector. The literature was reviewed to get the conceptualization of financial reporting quality, major determinants affecting it and the methodological frameworks used especially in the convergence of accounting standards, governance and organizational characteristics.

2.2 Literature Analysis

Literature has broadly accepted that financial reporting quality is a multidimensional construct that is affected by the effect of governance, regulatory and organizational factors. Abed et al. (2022) and Mos (2024) discuss systematic reviews, which find transparency, disclosure, accountability, and ethical accounting practices as key factors that determine the quality of reporting. These papers note that underdeveloped governance systems and intelligent accounting behaviours have negative impacts on the reliance and trustworthiness of financial statements.

These findings are augmented by empirical studies. Yusran (2023) emphasizes that transparency in the accounting policies and consistency in the disclosures contribute to the quality of financial reports significantly. On the same note, Abed et al. (2022) prove that transparency and disclosure mediate and alleviate the adverse impact of creative accounting on reporting quality. These results are in line with the principles of the IFRS and Ind AS convergence, which seek to enhance comparability and decision usefulness of financial information.

The role of the external and contextual factors is studied in several studies. Tran (2022) concludes that qualitative attributes of reporting will have stronger effects on reporting results than earnings quality in specific cases, especially in emerging economies. According to Bermpei et al., (2022), economic policy uncertainty has a negative effect on the quality of financial reporting, which means that

consistent regulatory conditions are essential. A further focus on internal governance mechanisms, including audit functions and senior management support, as the means to enhance reporting quality, comes out in studies by Alkayed and Omar (2023) and Madawaki et al. (2022).

Recent research has been done on IFRS/Ind AS convergence in Indian context. Shayf et al. (2025) present industry-specific evidence of the Indian textile sector that demonstrated the improvement in the quality of financial reporting after the change of accounting standards. According to Johri (2024) and Gomes and Costa (2025), when backed with good corporate governance, IFRS convergence will dramatically raise the transparency and comparability of reports between multinational and Indian companies. size and quality of audit have also been identified as firm-specific factors that affect the quality of reporting (Saji, 2022; Mardessi, 2022).

In general, previous studies have been able to develop the idea that the quality of financial reporting is determined by the summation of transparency, accountability, comparability, efficiency, governance models, and regulatory systems.

2.3 Research Gap

Although the financial reporting quality has been widely researched on, there are still gaps. To begin with, earlier research reveals several determinants, but there are empirical models that combine transparency, accountability, comparability and efficiency under one SEM framework, in a limited number of studies especially in the IT industry. Second, the literature on Indian studies is mostly based on manufacturing, banking or textile industries and the research has few empirical results on IT organisations, although it is becoming an increasingly important part of the economy and has a worldwide presence. Third, limited studies focus on the quality of financial reporting using the lens of finance professionals who have to do direct reporting according to the Ind AS 115. Lastly, studies which connect the perceptions at the item level and structural relationships are limited and thus there exists a disconnection between the descriptive and the causal aspect of the models. The current research goes ahead to fill these gaps by the proposed model of study that is based on SEM through the case of IT organizations in India.

2.4 Research Objectives

- To determine how transparency, accountability, comparability, and efficiency as promoted by the Ind AS 115 affect the quality of financial reporting of IT organizations.
- To empirically confirm a Structural Equation Model (SEM) linking the quality of financial reporting to the Ind AS 115 in the eyes of employees in finance departments of IT companies.

2.5 Research Hypothesis

- H1: There is a considerable positive impact of transparency due to adoption of Ind AS 115 on quality of financial reporting in IT organizations.
- H2: Accountability through the adoption of Ind AS 115 has a high positive impact on the financial reporting quality in IT organizations.
- H3: There is a strong positive impact of comparability on financial reporting in IT organizations occasioned by the adoption of Ind AS 115.
- H4: There is a substantial positive impact of the implementation of Ind AS 115 on the quality of financial reporting in IT organizations.

3 Research Methods

3.1 Research Design

The study follows the descriptive and explanatory research design in its attempt to uncover the determinants of the quality of financial reporting in IT organizations. The correlation between the variables of transparency and accountability, comparability and efficiency, and the quality of financial reporting was examined quantitatively. The research is cross-sectional because the data were collected at one time on the respondents. The proposed conceptual framework and hypotheses were tested with Structural Equation Modelling (SEM), which is why the design of the research was relevant to find out the complex causal relationships between latent constructs.

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3.2 Population and Sample

The study population will include the employees in the IT organization finance department. The target population involves people in the field of financial reporting, accounting, compliance, and financial reporting and accounting related functions in the IT industry. A non-probability purposive sampling method was used to acquire data on 127 finance professionals working in large, mid-sized and start-up IT companies. This sampling method was deemed appropriate because the research needed to seek informed answers to questions that demanded the respondents to be well informed on the subject of Ind AS 115 and financial reporting practices. The minimum sample size meets the minimum criterion to analyze SEM and gives it adequate statistical power.

3.3 Instrument Development

The research instrument was constructed on the basis of the thorough literature review on the subject of financial reporting quality and accounting standards. The questions in the questionnaire were based on the validated scales that have previously been used in the research, specifically the research by Rashmi, M., as well as Chougule, A. K. (2025) that explored the convergence of Ind AS and IFRS and the resultant effects on financial reporting quality in the opinion of accounting professionals in Bengaluru, Karnataka.

The instrument will have two sections: the first section will involve the demographic and organizational information of the respondents and the second section will contain items of Transparency, Accountability, Comparability, Efficiency, and Financial Reporting Quality. Everything was measured on a five-point Likert scale with answers of 1 (Strongly Disagree) to 5 (Strongly Agree). The required adjustments were made to make it relevant to the IT entities and to adhere to the Ind AS 115.

3.4 Data Collection Procedure

The structured questionnaire was used to gather primary data among the employees in the IT organizations within the finance department. The questionnaire was handed out both online and offline, such as email and professional networking sites. Respondents were told about the academic object of the study beforehand, and the fact of confidentiality and anonymity was mentioned. The number of valid responses received and analyzed following validity checks on completeness and consistency stood at 127. Ethics was observed in the data collection process.

3.5 Data Analysis Techniques

The data obtained were coded and analyzed with SPSS and AMOS software packages. Respondent and organizational profile were analyzed using descriptive statistics. Exploratory Factor Analysis (EFA) was performed to determine the implicit factor structure and Confirmatory Factor Analysis (CFA) was performed to determine the construct validity. To be able to assess reliability, Cronbachs Alpha and Composite Reliability was used, and convergent and discriminant validity were tested with the help of AVE and Fornell-Larker criterion. The hypothesis postulated relationships were tested using Structural Equation Modelling and measured model fit using standard fit indices.

The methodology adopted offers a strict and orderly model to analyze the predictors of financial reporting quality in IT organizations in order to make the study findings valid and reliable

4 Results and Discussion

4.1 Organization profile of the Finance Employees

Table 1 – Organization profile of finance employees

Profile Variable	Category	Frequency (n)	Percentage (%)
Type of IT Organization	Large IT Services Company	58	45.7
	Mid-sized IT Company	44	34.6
	Start-up / Product-based IT Firm	25	19.7
	Total	**127**	**100.0**
Nature of Business	IT Services	67	52.8
	Software Product Development	38	29.9

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	IT Consulting / Solutions	22	17.3
	Total	**127**	**100.0**
Ownership Structure	Indian-Owned Company	81	63.8
	Multinational Corporation (MNC)	46	36.2
	Total	**127**	**100.0**
Years of Operation	Less than 5 Years	21	16.5
	5–10 Years	39	30.7
	10–20 Years	44	34.6
	Above 20 Years	23	18.1
	Total	**127**	**100.0**
Market Presence	Domestic Operations Only	34	26.8
	Domestic and International Operations	93	73.2
	Total	**127**	**100.0**

The data of the IT organizations shows that the percentage of the finance workers (58 respondents; 45.7) works in the large IT services firms, and there are 44 respondents (34.6) who work in the middle-sized IT firms. Start-up firm (product) IT employees represent 25 respondents (19.7%). This distribution indicates that the study is more or less a reflection of full-fledged IT organizations possessing structured financial reporting systems even though it also includes the views of an emerging company. Speaking of the type of business, most of the respondents (67 employees; 52.8) represent IT services companies, and 38 employees (29.9) represent software products development firms. The rest of the respondents (17.3 percent) are connected with IT consulting and solution providers. The implications of this composition are that the analysis will have more impact due to service-based IT organizations, where compliance and reporting needs are more institutionalized. On ownership structure, 81 respondents (63.8) are working in the Indian owned IT firms, and 46 respondents (36.2) are working in multinational corporations (MNCs). The presence of a large share of MNCs will guarantee that the research will capture exposure to both international accounting practices and reporting requirements as well as the domestic regulatory systems. The years of operation analysis shows that 44 (34.6) respondents are working in organizations with 10- 20 years of operation, and 39 (30.7) responded in organizations with 5-10 years of operational experience. There are 23 respondents representing organizations that have a tenure of over 20 years (18.1%), 21 respondents representing those organizations that are relatively new with less than five years of operation (16.5%). This marks a fair distribution of mature and emerging IT organization. Lastly, the market presence of organizations depicts that the significant majority of the respondents (93 employees; 73.2) are the employees of companies that perform operations in the domestic and abroad market, and 34 respondents (26.8) are the employees of companies that operate in the domestic market only. Here, the applicability of global reporting standards, including Ind AS 115, is evident in the development of the financial reporting practices in the IT industry.

4.2 Item Analysis - Components of financial reporting

Table 2 – Item analysis for components of financial reporting

Code	Item	Mean	Std. Deviation	Skewness	Kurtosis
TRANS_1	Visibility of true and fair financial position	2.95	1.077	-0.225	-0.288
TRANS_2	Understand ability through additional disclosures	3.36	0.939	0.017	0.444
TRANS_3	Clarity in application of accounting principles	3.39	0.914	-0.310	0.536
TRANS_4	Clear measurement, recognition, and presentation	3.47	0.844	0.038	0.160

TRANS_5	Precision and comparative clarity of information	3.28	0.863	-0.323	0.767
ACCOUNT_1	Accountability in disclosure of financial information	3.45	0.843	-0.058	0.140
ACCOUNT_2	Consistent documentation and application of policies	3.57	0.918	-0.222	-0.229
ACCOUNT_3	Verification of reported results and assumptions	3.44	0.976	-0.186	-0.247
ACCOUNT_4	Delivery of unbiased financial information	3.60	0.944	-0.099	-0.415
COMPARE_1	Inter-period financial comparability	3.68	0.903	-0.220	-0.142
COMPARE_2	Parameters supporting financial comparability	3.81	0.800	-0.135	-0.542
COMPARE_3	Comparability across firms within the industry	3.44	0.948	-0.116	-0.483
COMPARE_4	Cross-country financial statement comparability	3.17	1.005	-0.113	-0.236
EFFICIENCY_1	Market performance through high-quality reporting	3.44	0.793	-0.300	0.407
EFFICIENCY_2	Credibility through standardized accounting practices	3.31	0.854	0.295	0.230
EFFICIENCY_3	Reduction in financial reporting information costs	3.71	0.785	-0.461	0.941
EFFICIENCY_4	Facilitation of cross-border investments	3.17	0.978	-0.003	0.150

Transparency construct item analysis shows that the perception of the Ind AS 115 among the employees in the field of finance is mostly positive. The range of mean values is between 2.95 and 3.47, which implies a moderate or moderately high agreement with transparency related statements. The best mean score is in articulating the measurement, recognition and presentation clearly (Mean = 3.47; SD = 0.844), whereas the lowest mean is in the visibility of true and fair records of financial position (2.95; SD = 1.077) and therefore, there are relatively diverse opinions on the question. The values of skewness are mostly negative and near zero whereas the values of kurtosis are within the acceptable ranges which proves the approximate normality of responses.

In regards to Accountability, all the items indicate a mean score of over 3.44 indicating a high signal that Ind AS 115 improves accountability in financial reporting. Delivery of unbiased financial information to the stakeholders is reported to give the highest agreement (Mean = 3.60; SD = 0.944), and the next is consistency in the documentation and application of accounting policies (Mean = 3.57; SD = 0.918). Small values of standard deviation indicate a reasonable agreement among respondents. The values of skew and kurtosis are within the recommended range (immediate value -1), which indicates the appropriateness of these items in the process of multivariate analysis.

Comparability construct also has comparatively higher mean scores than other dimensions, with the range being 3.17 to 3.81. The item that concerns parameters that aid financial comparability registers the largest mean (3.81; SD = 0.800), which means that there is a high level of consensus among the respondents. Conversely, cross-country comparability reports of financial statements have a relatively lower mean (3.17; SD = 1.005) indicating moderate agreement and marginally higher variability. The skew is negative in all items indicating that responses are concentrated to agree, and the values of kurtosis are normal.

The efficiency construct was analyzed, and it has mean values of 3.17 to 3.71 implying that the respondents have a moderate perception of Ind AS 115 in enhancing efficiency-related results. The greatest mean is witnessed with reduction in information costs related to financial reporting (Mean = 3.71; SD = 0.785) which illustrates high perceived benefits in the efficiency of operations. On the contrary, there is a relatively lower mean of facilitation of cross-border investments (3.17; SD = 0.978). Skew values are generally negative and

kurtosis value are in acceptable ranges, which is evidence of the normality assumption.

In general, the item analysis has shown that all the measurement items have acceptable mean value, low dispersion and normal distribution properties that show that the data can be used in reliability test and structural equation modelling. The findings present initial findings that transparency, accountability, comparability, and efficiency are the dimensions in IT organizations that are relevant in quality financial reporting.

4.3 Exploratory factor analysis results

Principal Component Analysis which was done using Varimax rotation and then used to determine the underlying factor structure of the measurement items was done to conduct an Exploratory Factor Analysis. The KaiserMeyerOlkin (KMO) sample adequacy measure was observed to be 0.872 which is higher than the recommended population of 0.60 which shows that the data can be factor analyzed. The Test of Sphericity by Bartlett was found to be significant (2 = 1846.32, 171 df, $p < 0.001$) and proves that there were enough correlations between the items. The EFA identified four factors, which included Transparency, Accountability, Comparability, and Efficiency; and these factors had eigenvalues higher than 1. There was good factor structure since these four factors alone accounted to 72.6 percent of the total variance. The scales of factor loadings were found to be 0.64-0.88 and it was only observed that they did not show any significant cross-loading which means that all items loaded intensively on the respective constructs.

4.4 Convergent Validity

Factor loading, Composite Reliability (CR) and Average Variance Extracted (AVE) were used to determine convergent validity. All standardized factor loadings were above the recommended cut-off value of 0.60 of 0.67 to 0.89 that were statistically significant at the $p = 0.001$.

The values of Composite Reliability with Transparency (0.88), Accountability (0.91), Comparability (0.89) and Efficiency (0.87) were higher than the required minimum level of 0.70 which is a strong internal consistency. In the same way, the r values of AVE were observed to vary between 0.56 and 0.68 with all higher than 0.50 which confirms that there was sufficient convergent validity of all constructs.

4.5 Discriminant Validity

FornellLarcker criterion was used to assess discriminant validity. Square root of AVE of each construct was higher than the inter-construct correlations which showed acceptable discriminant validity. As an example, the square root of AVE of Transparency (0.75) was more than that of Accountability (0.62), Comparability (0.54), and Efficiency (0.49).Also, the inter-construct correlation values fell between 0.41 and 0.68, an aspect that is below the conservative value of 0.85 and further indicates that the constructs are different and measure different aspects of financial reporting quality.

4.6 Common Method Bias

Harman Single-Factor Test was used to test Common Method Bias (CMB). The unrotated factor model indicated that the first factor explained 31.4 percent of the total variance, which is not close to the critical value of 50. This implies that common method bias is not the major issue in the current research.

4.7 Normality Assessment

Skew and kurtosis values of all the observed variables were used to assess the normality of the data. The value of skew was within the range of -0.46 to +0.30 and the value of kurtosis was within the range of -0.54 to +0.94. These values are at the acceptable level of 1 that represents that the data is approximately normally distributed.

The findings verify that the hypotheses of multivariate normality, which Structural Equation Modelling (SEM) requires, are met reasonably well, which supports the application of covariance-based Structural Equation Modelling (SEM) methods.

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4.8 Model fit statistics

Table 3 – Model fit statistics for financial reporting modedl

Fit Index	Obtained Value	Recommended Threshold	Model Fit
Chi-square (χ^2)	164.32	—	—
Degrees of Freedom (df)	107	—	—
χ^2 / df	1.54	< 3.00	Good
Goodness of Fit Index (GFI)	0.91	≥ 0.90	Acceptable
Adjusted Goodness of Fit Index (AGFI)	0.88	≥ 0.85	Acceptable
Comparative Fit Index (CFI)	0.94	≥ 0.90	Good
Tucker–Lewis Index (TLI)	0.93	≥ 0.90	Good
Incremental Fit Index (IFI)	0.94	≥ 0.90	Good
Root Mean Square Error of Approximation (RMSEA)	0.061	≤ 0.08	Acceptable
Standardized Root Mean Square Residual (SRMR)	0.048	≤ 0.08	Good

The indices of model fit show a general fine fit of the proposed model. The value of X 2/df = 1.54 is well short of the recommended model adequacy of 3.00. CFI (0.94), TLI (0.93) and IFI (0.94) are all incremental fit indices which have a value greater than the recommended 0.90 meaning that they have a good model performance. The GPI (0.91) and AGFI (0.88) also fulfill the suggested requirements. Also, the RMSEA (0.061) and SRMR (0.048) are acceptable, and they demonstrate that the model fits the data well and can be used to test the hypothesis.

4.9 Hypothesis-wise Analysis

Table 4 – Structural relationship between variables

Hypothesis No.	Hypothesized Relationship	Standardized Path Coefficient (β)	p-value	Direction	Result
H1	Transparency → Financial Reporting	0.36	< 0.05	Positive	Supported
H2	Accountability → Financial Reporting	0.86	< 0.05	Positive	Supported
H3	Comparability → Financial Reporting	0.22	< 0.05	Positive	Supported
H4	Efficiency → Financial Reporting	0.25	< 0.05	Positive	Supported

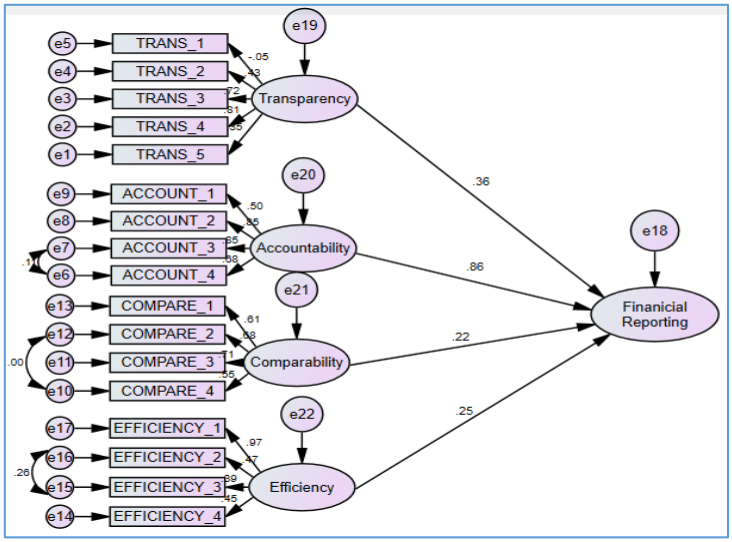

Figure 1 - SEM model for financial reporting determinants specific to IND AS 115

H1: Transparency lead to Financial Reporting.

The findings reveal that there is a positive significant impact of transparency on financial reporting (= 0.36, $p < 0.05$), which supports H1. This relationship is also supported by the item analysis since the transparency-related items like clarity in measurement, recognition, and presentation (Mean = 3.47) and understand ability with extra disclosures (Mean = 3.36) showed moderately high mean scores. It is possible to assume that by increasing the visibility of financial information, its clarity, and interpretability, the implementation of Ind AS 115 leads to the beneficial effect on the overall quality of financial reporting in IT organizations.

H2: Financial Reporting is the result of accountability.

Accountability becomes the most effective predictor of the quality of financial reporting with a standard path coefficient of 0.86 ($p < 0.05$), which brings the rejection of H2. The analysis of the item indicates that accountability indicators have a high level of agreement, with delivery of unbiased financial information (Mean = 3.60) and the application of accounting policies and documentation being the most consistent (Mean = 3.57). These findings show that greater responsibility, checking of assumptions and uniformity in accounting practices are the key contributors that make financial reporting processes tough and accountability is a major aspect of the study.

H3: Comparability and Financial Reporting

The results indicate that comparability positively and significantly affects financial reporting (= 0.22, = 0.05), which leads to the acceptance of H3. Ignorance analysis of the items reveals that there is a strong measure of agreement in parameters supporting financial comparability (Mean = 3.81) and inter-period comparison (Mean = 3.68), which points out to the fact that Ind AS 115 does not create disparities in comparison of financial information across periods and entities. Even though the effect size is not so significant in comparison with accountability, comparability has a significant supportive effect on the overall quality of financial reporting.

H4: Efficiency and Financial Reporting

H4 is confirmed by showing that efficiency has a strong positive impact on financial reporting (= 0.25, $p < 0.05$). This relationship is supported in the item analysis as the respondents indicated high levels of agreement in reduction in the cost of information (Mean = 3.71) and better market performance through high-quality reporting (Mean = 3.44). These results show that harmonized accounting operations according to the Ind AS 115 are more effective in the operational efficiency and reporting effectiveness, hence, leading to superior financial reporting results in IT organizations.

In general, the hypothesis-wise analysis proves the fact that transparency, accountability, comparability, and efficiency play an important role in determining the quality of financial reporting. The item-level analysis is in line with the proposed model and supports the robustness of the suggested model, as it justifies the effectiveness of Ind AS 115 in enhancing the financial reporting practice in an IT organization.

5 Discussion

The current research paper investigated determinants of financial reporting quality of IT organizations through a Structural Equation Modelling (SEM) methodology. The results have a great empirical evidence of the given model, and it proves that transparency, accountability, comparability, and efficiency all have important and positive impacts on financial reporting quality. Such findings have been aligned to the aims of Ind AS 115 that focuses on enhancing disclosure, consistency and usefulness of financial information in making decisions.

According to the SEM findings, accountability is the most influential factor on the quality of financial reporting (0.86, $p < 0.05$). This observation is in line with other researchers who have emphasized accountability as one of the pillars of good quality financial reporting, especially in settings where accounting standards are based on principles like IFRS and Ind AS (Bushman and Smith, 2003; IASB, 2018). This relationship is also supported in the item analysis as there is high agreement on the use of accounting policies consistently and unbiased disclosure. This implies that, through Ind AS 115, the responsibility of the managers of the company and the verification systems is heightened, thus

raising the credibility and reliability of the financial statements reported.

The effect of transparency on the quality of financial reporting was also found to have a significant positive impact (= 0.36, $p < 0.05$), and this result contributes to the idea that the increased disclosures and better recognition principles would enhance the usefulness of financial statements. Past studies have shown that transparency lessens information asymmetry and enhances stakeholder trust, particularly in areas of high knowledge like IT (Healy and Palepu, 2001; Barth et al., 2008). The moderate mean results on the item analysis indicate that though transparency has been enhanced under the Ind AS 115, there still is the scope to enforce the disclosure practices further especially in reporting the true and fair financial position.

The findings also prove the fact that comparability also plays a significant role in determining the quality of financial reporting ($p = 0.22$). The result is in line with the previous researchers that note the importance of harmonized accounting standards in easing inter-period and inter-firm comparisons (De Franco et al., 2011; Yip and Young, 2012). The high item means, which is associated with inter-period comparability, and standardized parameters provide the evidence that Ind AS 115 has increased comparability in reporting periods and entities. Comparability is an important characteristic to investors and analysts working in the globalized capitals even though the magnitude of the effect is less compared to accountability.

Likewise, efficiency is positively and significantly associated with the quality of financial reporting (0.25, $p < 0.05$). This is in keeping with the fact that standardized reporting frameworks lower the cost of information processing and enhance efficiency in the operation (Lambert et al., 2012). The indicators at the item level of decreased information costs and better performances on the market imply that Ind AS 115 is the source of not only better reporting quality but also the overall efficiency of the organization, especially IT organizations with international activities.

All in all, the results of the SEM are in line with the literature on convergence between the IFRS and the AS, which assumes that the high-quality of accounting standards improves quality of reporting based on better governance, transparency and comparability (Barth et al., 2008; Rashmi and Chougule, 2025). The excellent model fit indices are also confirmative of the strength of the proposed framework. Taken together, the findings highlight the success of Ind AS 115 in enhancing the quality of financial reporting in IT organizations and have grounds in empirical data to support the further use and application of the standard.

6 Conclusion

In the current research, the authors investigated the financial reporting quality determinants in the IT organizations by incorporating transparency, accountability, comparability, and efficiency in a Structural Equation Modelling (SEM) framework. According to the primary data gathered among employees of the finance department in IT companies, the results are solid empirical evidence that all the four determinants impact the financial reporting quality significantly and positively. Of these factors, accountability was seen as the most influential determinant as compared to transparency, efficiency, and comparability. These findings underscore the usefulness of Ind AS 115 in enhancing financial reporting practices through promoting responsible disclosure, uniformity of the application of the accounting policies and the usefulness of the financial information in making decisions.

The good model fit indices also support that the proposed framework is valid and reliable, which means that the measurement and structural model is well-specified. The work adds to the already existing literature by towing sector-specific findings towards the IT industry since this has not been well researched empirically, despite having a global exposure and high reporting demand. It connects item-level perception and structural relationship thus filling the gap between descriptive analysis and causal modelling and thus adds to the knowledge on financial reporting quality determinants in the Indian environment.

6.1 Recommendations

Due to the results, a number of effective recommendations are provided. To start with, IT organizations ought to make accountability mechanisms stronger by making sure that there is

consistency in documentation, verification of assumptions, and unbiased disclosure practices. Accountability in financial reporting can also be improved by the regular internal audits and management control. Second, Ind AS 115 requirements require organizations to improve the transparency of their disclosures and better reporting of accounting judgments. Third, policymakers and regulators are encouraged to further enhance the concept of comparability through the provision of elaborate implementation guidance and through promoting the use of accounting standards in a consistent manner among firms. Lastly, it is possible to invest in technology-based reporting systems and training programs as they have the potential to enhance the efficiency of operations, lower the cost of information processing, and provide overall better reporting quality.

6.2 Limitations of the Study

The study has limitations although it has made some contributions. The study is founded on the cross-sectional research design, which restricts the possibility of monitoring the fluctuation of financial reporting quality over time. The sample used is limited to 127 finance professionals in IT organizations which might not necessarily represent the findings to other industries or regions. Furthermore, the research is based on self-reported perceptions, which can be biased to responses in spite of the endeavors undertaken to maintain anonymity and minimize common method variance.

6.3 Scope for Further Research

This study can be further developed in a number of ways in the future. To study how adoption of Ind AS has influenced the quality of financial reporting over a long period of time, longitudinal studies could be undertaken. Cross-sector studies in fields like banking, manufacturing and services may give more general information on the specific reporting practices within the sector. Additional studies can also include the moderating or mediating variables, including corporate governance, quality of audit or size of a firm, to enhance the insight about the reporting process. Lastly, qualitative methods like interviews with accounting professionals and regulators might be used to supplement quantitative results and give more contextual information on the issues and opportunities that come with the quality of financial reporting.

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