STAFF PAPER

IASB Meeting

Project	**Disclosure Initiative – Materiality and Principles of Disclosure**
Paper topic	Supporting Material for Agenda Papers 11B and 11C

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Introduction

1. Table 1 below illustrates how IAS 1 *Presentation of Financial Statements* would be amended if the staff recommendations in Agenda Papers 11B and 11C are adopted and shows the link between materiality and aggregation as discussed in those papers.

2. Please note that proposed paragraph numbering in Table 1 is illustrative only. We would expect this numbering to change in a new general disclosure standard.

Table 1 - Possible implications for existing guidance in IAS 1

Agenda Paper	Possible amendments to IAS 1 (Deleted text is struck through and new text is underlined)
Agenda Paper 11B (Materiality)	**Definitions** 7. The following terms are used in this Standard with the meanings specified: … ~~**7. *Material* Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.**~~ ~~Assessing whether an omission or misstatement could influence economic decisions of users, and so be material, requires consideration of the characteristics of those users. The *Framework for the Preparation and Presentation of Financial Statements* states in paragraph 25[2] that 'users are assumed to have a reasonable knowledge of business and economic activities and accounting and a willingness to study the information with reasonable diligence.' Therefore, the assessment needs to take into account how users with such attributes could reasonably be expected to be influenced in making economic decisions.~~ **Information is *material* if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial reports make on the basis of financial information about a specific reporting entity.** …

Agenda Paper	Possible amendments to IAS 1 (Deleted text is struck through and new text is underlined)
Agenda Paper 11B (Materiality)	**Materiality and aggregation** 28A. Information is *material* if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial reports make on the basis of financial information about a specific reporting entity. 28B. Many existing and potential investors, lenders and other creditors cannot require reporting entities to provide information directly to them and must rely on general purpose financial reports for much of the financial information they need for their decision-making purposes. Consequently, they are the primary users to whom general purpose financial reports are directed.[1] Furthermore, the primary users are assumed to have a reasonable knowledge of business and economic activities and accounting and a willingness to study the information with reasonable diligence. 28C. Materiality depends on the nature and magnitude of information, considered both individually and collectively with other information, judged in the light of the particular circumstances of the entity. 28D. If information is included within the financial statements without due consideration of whether it could reasonably be expected to influence decisions made by the primary users, it might obscure material information and inhibit a clear understanding of the entity's business and the issues that it faces.

[1] Paragraph OB 5 *IFRS Conceptual Framework for Financial Reporting.*

Agenda Paper	Possible amendments to IAS 1 (Deleted text is struck through and new text is underlined)
Agenda Paper 11C (Aggregation)	**29. An entity shall present separately each material class of similar items. An entity shall present separately items of a dissimilar nature or function unless they are immaterial.** 30. Financial statements result from processing large numbers of transactions or other events that are aggregated into classes according to their nature or function. The final stage in the process of aggregation and classification is the presentation of condensed and classified data, which form line items in the primary financial statements. If a line item is not individually material, it is aggregated with other items either in those statements or in the notes. An item that is not ~~sufficiently~~ material for the purposes of ~~to warrant~~ separate presentation in those statements may be material for the purposes of ~~warrant~~ separate presentation in the notes. 30X. In determining whether an item is material for the purposes of the primary financial statements or the notes, an entity considers the different roles the primary financial statements and the notes have in meeting the objective of financial statements. See paragraph [XX] for a description of the role of the primary financial statements and paragraph [XX] for a description of the role of the notes. An entity should also consider any presentation and disclosure objectives in IFRS that are applicable to that item. Finally an entity considers whether an item is material taking into consideration the financial statements as a whole. 30A. When applying this and other IFRSs an entity shall decide, taking into consideration all relevant facts and circumstances, how it aggregates and summarises information in the financial statements, which include the notes. An entity shall not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different nature of functions. 31. Some IFRSs specify information that is required to be included in the financial statements, which include the notes. An entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material. This is the case even if the IFRS contains a list of specific requirements or describes them as minimum requirements. In addition, an entity shall consider the level of detail necessary to satisfy the disclosure requirements. An entity shall also consider whether to provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.