

## STAFF PAPER

7 – 8 December 2015

## Accounting Standards Advisory Forum

Project	Disclosure Initiative		
Paper topic	Draft Practice Statement on the application of materiality to financial statements		
CONTACT(S)	Kristy Robinson	<a href="mailto:krobinson@ifrs.org">krobinson@ifrs.org</a>	+44 (0)20 7246 6933
	Michelle Fisher	<a href="mailto:mfisher@ifrs.org">mfisher@ifrs.org</a>	+44 (0)20 7246 6918
	Aisling Carney	<a href="mailto:acarney@ifrs.org">acarney@ifrs.org</a>	+44 (0)20 7246 6480

This paper has been prepared for discussion at a public meeting of the Accounting Standards Advisory Forum and does not represent the views of the IASB or any individual member of the IASB. Comments on the application of IFRSs do not purport to set out acceptable or unacceptable application of IFRSs. Technical decisions are made in public and reported in IASB *Update*.

**Purpose of this meeting**

1. At this meeting the staff will ask ASAF members for feedback on the Exposure Draft of the IFRS Practice Statement *Application of materiality to financial statements* (the Draft Practice Statement).

**Background information**

2. The IASB was informed at the Discussion Forum on Financial Reporting Disclosure in January 2013, in its related survey and by other sources, that there are difficulties applying the concept of materiality in practice when preparing the financial statements. Some interested parties are of the view that these difficulties contribute to a disclosure problem, namely, that there is both too much irrelevant information and not enough relevant information in financial statements. A number of factors have been identified for why materiality is not being applied well in practice. One of these is that there is limited guidance on materiality in IFRS, particularly how it should be applied to disclosures in the notes to the financial statements. In light of this feedback, the IASB decided to undertake a project on materiality.

3. At its November 2014 meeting, the IASB discussed the next steps for the project and tentatively decided:
  - (a) to change the current definition of materiality in IFRS only to align the definitions in IAS 1 Presentation of Financial Statements, IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and the Conceptual Framework for Financial Reporting with each other. However the *Principles of Disclosure* Discussion Paper will describe the rationale for retaining the current definition of materiality, and will ask for feedback on this issue;
  - (b) to insert a paragraph in IAS 1 clarifying the key characteristics of materiality. This will also be included for discussion in the *Principles of Disclosure* Discussion Paper; and
  - (c) to provide guidance on the application of materiality, which will take the form of a Practice Statement.
4. In response to the decision in paragraph **Error! Reference source not found.**, the Draft Practice Statement was issued on 28 October 2015, and is attached as Agenda Paper 2B. There is a comment period of 120 days, ending on 26 February 2016.
5. We discussed materiality in March 2015 with ASAF when developing the Draft Practice Statement.
6. In today's session will ask for feedback on the Draft Practice Statement and also ask members if they have any plans for implementing the Practice Statement in their regions.

### Questions for ASAF members on the guidance in the ED

#### Questions:

- 1) Do you have any comments on the Draft Practice Statement (please refer to page 5-7 of the Exposure Draft for further questions)?
- 2) Do you currently have any plans or concerns about implementing the Practice Statement in your region?

