

STAFF PAPER

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Project	Disclosure Initiative: Materiality		
Paper topic	Publicly available information		
CONTACT(S)	Annamaria Frosi	afrosi@ifrs.org	+44 (0)20 7246 6907
	Michael Stewart	mstewart@ifrs.org	+44 (0)20 7246 6922

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Purpose of this paper

1. This paper considers the comments received on the Exposure Draft and should be read together with Agenda Paper 11A *Materiality - Cover paper*. It asks the Board to reconsider, in the light of the comments received, the impact of publicly available information on the materiality assessment, in the final *Practice Statement*.

Guidance proposed in the Exposure Draft

2. The Exposure Draft discussed in paragraphs 57 and 58 the impact of publicly available information on the materiality assessment.
3. In particular, the Board acknowledged that the primary users of financial statements consider information in a wider context than the financial statements, consequently
 - ... the assessment of whether and how information should be disclosed in the financial statements may depend on the availability of other information from publicly accessible sources. Nevertheless, public availability of information does not relieve the entity of the obligation to disclose information that is specifically required by IFRS in the

financial statements if that information is material.
(paragraph 57 of the Exposure Draft)

4. Furthermore, according to the Exposure Draft, financial statements are intended to be a comprehensive document that provides information about the financial position, financial performance and cash flows of an entity, consequently

... it would not be appropriate to omit information that is specifically required by IFRS about the entity from the financial statements solely because it had previously been included in a press release or other publicly available document (paragraph 58 of the Exposure Draft).

Summary of the feedback

5. Some respondents found the wording of paragraph 57 and 58 of the Exposure Draft confusing and potentially inconsistent, making it unclear whether publicly available information should affect the materiality assessment.
6. One such view was expressed by the Accounting Standards Board of Japan (ASBJ) in their comment letter (CL17¹), as well as the Asian-Oceanian Standard-Setters Group (AOSSG) (CL90):

We think that [paragraph 57] is at the least confusing, because descriptions in the paragraph seem conflicting with each other. Specifically, we do not think that the assessment of whether and how information should be disclosed in the financial statements will change on the basis of the availability of other information from publicly accessible resources, as consideration of other publicly available sources would blur the scope of responsibilities of both management and auditors for the financial statements (CL17).

7. In particular, as the Accounting Methodological Centre (AMC) explained in their comment letter (CL59),:

¹ The reference CLxx refers to the ID number assigned to the comment letter. The comment letters can be found at <http://www.ifrs.org/Current-Projects/IASB-Projects/Disclosure-Initiative/Materiality/Exposure-Draft-October-2015/Pages/Comment-letter.aspx>

... it can be concluded from the first three sentences [of paragraph 57] that the assessment of materiality depends on additional information from public sources. This means that the same information can be regarded as material or immaterial for financial statements, depending on its public availability in additional sources. But the last sentence seems to deny this conclusion. And the following paragraph 58 [of the Exposure Draft] only adds to the confusion. These paragraphs should be rewritten so that it is clear how to take additional information into account when assessing materiality for the financial statements themselves.

Staff analysis and recommendation

8. We agree with those respondents who noted that the current wording of paragraphs 57 and 58 of the Exposure Draft might be confusing and perceived as inconsistent.
9. In our view the financial statements are a comprehensive document that provides information about the financial position, financial performance and cash flows of an entity that is useful to the primary users in making decisions.
10. An entity needs to assess whether information is material to the financial statements regardless of whether it has been already made public; the materiality assessment should still be carried out according to the ‘Materiality Process’ described in Agenda Paper 11D *The Materiality Process*.
11. Material information is information that could reasonably be expected to influence primary users in making economic decisions; therefore, information should not be assessed as not material on the basis of the fact that it has already ‘had the chance’ to influence primary users’ decisions.
12. Furthermore, all *material* information should be disclosed in financial statements². Public availability of information does not relieve the entity of the obligation to

² With the sole exception being interim financial reports where material information—material to the interim period the entity is reporting on, does not need to be reproduced in the interim financial report if it

disclose in the financial statements information that is material to those financial statements.

13. We recommend that the Board removes from the final *Practice Statement* the wording currently used in paragraph 57 and 58 of the Exposure Draft. This is because these paragraphs might lead readers understand that the materiality assessment is affected by the public availability of information.
14. We also recommend that the Board clarifies, in the final *Practice Statement* that the availability of information from a publicly accessible source does not:
 - (a) affect the assessment of whether that information is material. The materiality of information should be assessed applying the Materiality Process.
 - (b) relieve the entity of the obligation to disclose material information. All material information should be disclosed in the annual financial statements.

Question for the Board

Question 1—publicly available information

Do you agree that, in the final *Practice Statement*, the Board should:

- (a) remove the wording currently used in paragraph 57 and 58 of the Exposure Draft;
- (b) specify that the public availability of information does not affect the materiality assessment; and
- (c) specify that the public availability of information does not relieve an entity of the obligation to disclose material information?

has already been disclosed in the latest annual financial statements (unless something new occurs or an update is needed). Refer to Agenda Paper 11H *Interim reporting* presented to the Board in October 2016.