

# Disclosure Initiative— Definition of Material

Accounting Standards Advisory Forum meeting  
December 2017

ASAF agenda paper 3

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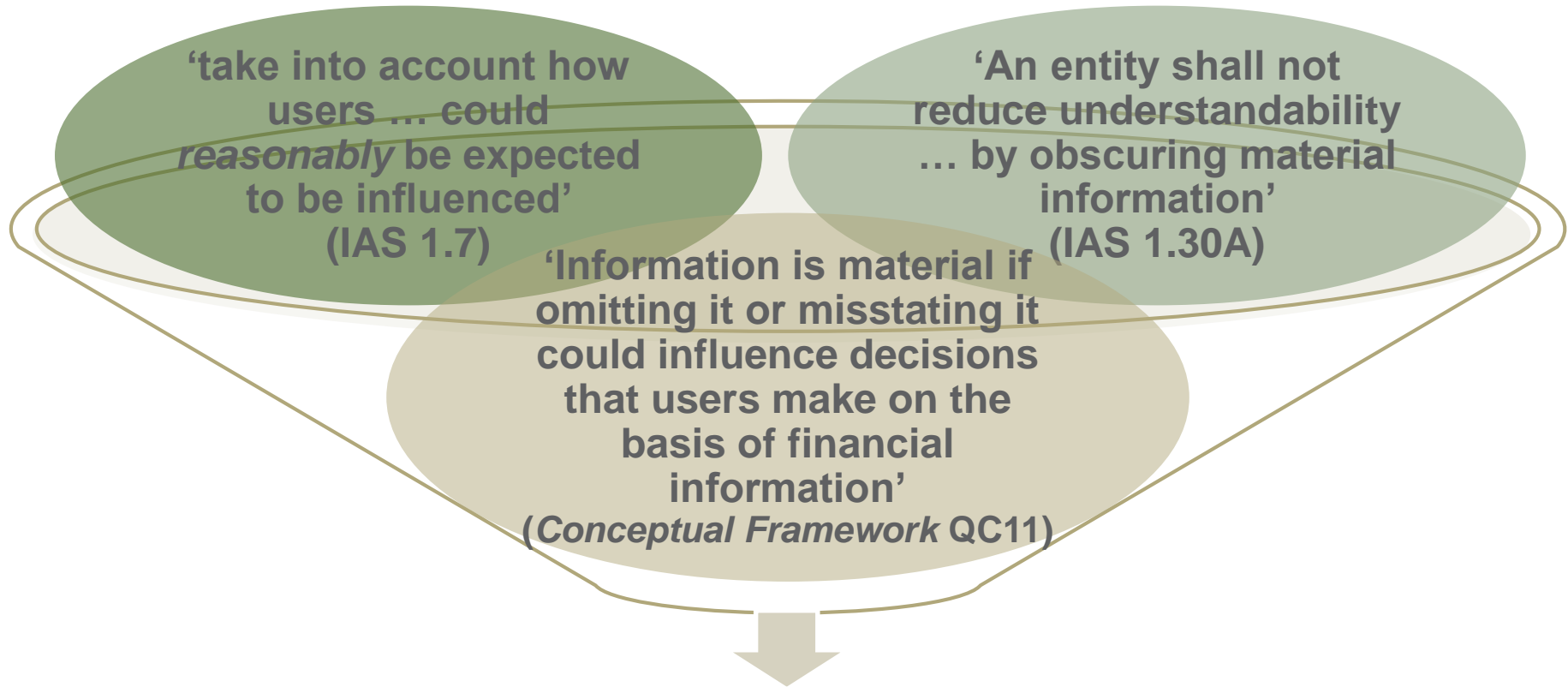
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# Agenda

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- Overview of the proposals
- Expected project timetable
- Questions for ASAF members
- Appendix: proposed amendments in IFRS

# Overview—Definition of ‘material’ in ED



Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of a specific reporting entity’s general purpose financial statements make on the basis of those financial statements

# Expected project timetable

**14 September 2017**  
Exposure Draft published

**15 January 2018**  
Comments due

**2018**  
Board redeliberations

# Questions for ASAF members

- 1) What are your views on the proposed clarification of the definition of material proposed in the Exposure Draft?
- 2) Would any wording or terminology introduced in the proposed amendments be difficult to understand or to translate?—see proposed amendments in the Appendix<sup>(1)</sup>.

(1): The appendix includes only the amendments to IAS 1 *Presentation of Financial Statements*. The Exposure Draft proposes equivalent amendments to the definition of material in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

# Appendix

# Appendix—Proposed amendments

## [Draft] Amendments to IAS 1 *Presentation of Financial Statements*

Paragraph 7 is amended, and paragraph 139R is added. New text is underlined, and deleted text is struck through.

### Definitions

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#### **Material:**

Information is~~Omissions or misstatements of items~~ are material if omitting, misstating or obscuring it they could reasonably be expected to, individually or collectively, influence the economic decisions that the primary users of a specific reporting entity's general purpose financial statements make on the basis of those the financial statements.



# Appendix—Proposed amendments

## *continued*

Materiality depends on the size and nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements. 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. Material information might be obscured if it is not communicated clearly—for example, if it is obscured by immaterial information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

Assessing whether information an omission or misstatement could reasonably be expected to influence economic decisions of the primary users of general purpose financial statements, and so be material, requires consideration of the characteristics of those users judged in the entity's circumstances.

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. Consequently, they are the primary users to whom general purpose financial statements are directed. Financial statements are prepared for users

# Appendix—Proposed amendments

## *continued*

who have a reasonable knowledge of business and economic activities and who review and analyse the information diligently. At times, even well-informed and diligent users may need to seek the aid of an adviser to understand information about complex economic phenomena.<sup>2</sup>

~~The *Framework for the Preparation and Presentation of Financial Statements* states in paragraph 25<sup>2</sup> 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.~~

<sup>2</sup> ~~In September 2010 the IASB replaced the *Framework* with the *Conceptual Framework for Financial Reporting*. Paragraph 25 was superseded by Chapter 3 of the *Conceptual Framework*. This paragraph is based on paragraphs OB5 and QC32 of the *Conceptual Framework for Financial Reporting (2010)*.~~

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