March 2015

International Financial Reporting Standards



Agenda Paper 4B Accounting Standards Advisory Forum 26-27 March 2015

> Materiality: project update

36. Sitzung IFRS-FA am 05.03.2015 36_07b1_IFRS-FA_ASAF_DI_Materiality



- To update you on the current status of the Materiality project.
- To solicit your opinions on the content of the draft Practice Statement.
- To ask whether you think any other topics should be added to the Practice Statement.



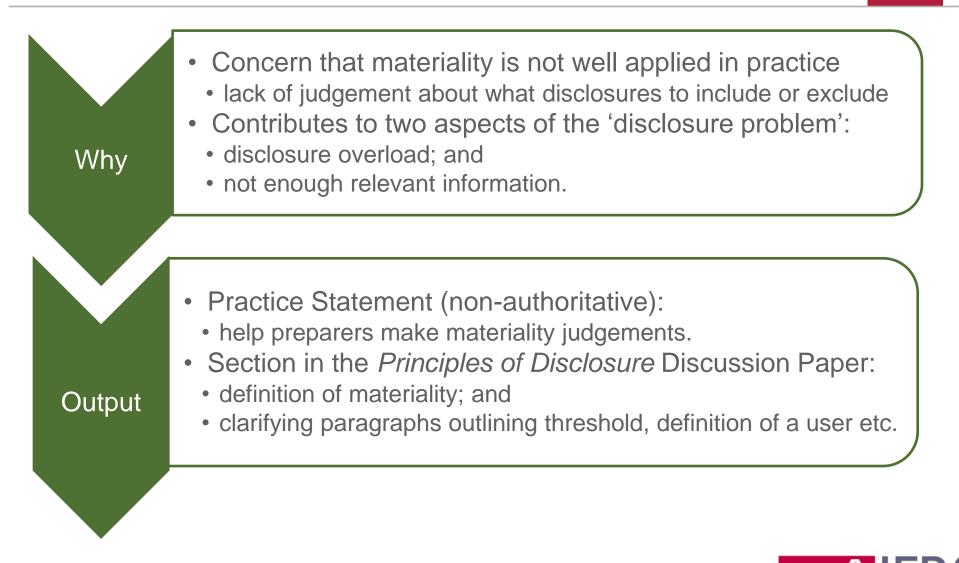
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Current status



Materiality project







Specific issues						
Non-IFRS information	Disclosure objectives	Consistency/comparability of disclosures	Cross- referencing	Accounting policies	Proportionality	

Wider issues					
Disclosure of changes policies and estimates (IAS 8)	Implications on existing Standards	Digital reporting			



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Proposed Practice Statement



- To highlight the importance of materiality.
- To clarify common areas of misunderstanding; in particular that materiality is a qualitative concept and not solely quantitative.
- To encourage preparers to exercise judgement.
- To combine and build on some of the existing guidance published by standard-setters and regulators worldwide, and to make it relevant to a IFRS setting.

- Flexibility-It is not a Standard or mandatory, however, jurisdictions can choose to mandate it.
- It will be exposed in accordance with normal due process:

 it will require public consultation, which will encourage transparency, as well as promoting buy in from preparers; and
 - it will provide uniformity across IFRS jurisdictions.
- It allows greater use of illustrative examples.

- The guidance in the Practice Statement will not aim to provide a comprehensive list of considerations when making judgements about materiality in preparing the financial statements.
- Instead, it will aim to illustrate the sorts of factors an entity should take into consideration.
- The Practice Statement will apply to the preparation of financial statements in accordance with IFRS. However, entities may find the Practice Statement helpful when preparing other types of financial information



Content

- What is materiality?
 - expansion on the definition.
- Who are the primary users?
- What are the key characteristics of materiality:
 - it is a pervasive concept;
 - it requires the use of judgement; and
 - it involves a qualitative assessment.
- The types of considerations when applying materiality:
 - the characteristics of the primary users;
 - the type of decisions being made by the primary users and their information needs; and
 - the appropriate context for assessing materiality.



Content cont...

- Materiality on the face vs in the notes vs in the financial statements as a whole.
- Dealing with immaterial information.
- Aggregation of information.
- How to deal with identified errors, omissions or misstatements:
 - types of misstatements, eg mistakes vs intentional;
 - make a collective assessment; and
 - consider unadjusted prior period misstatements.
- The differences with materiality in the context of IFRS and the materiality thresholds used by auditors.



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Questions



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- Do you think other topics should be addressed in the Practice Statement?
- Do you have any other comments on the proposed content of the Practice Statement?





14