

PRESS RELEASE

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For immediate release

IASB publishes draft guidance to help management apply the concept of materiality

The International Accounting Standards Board (IASB) today published draft guidance to help company management determine whether information is material. The guidance is part of the IASB's wider initiative to improve disclosures.

The concept of materiality acts as a filter through which management sifts information to ensure that financial statements include all the financial information that could influence users' investment decisions. It also enables management to present material information in a clear and effective way, excluding information that is not material.

The draft guidance, in the form of a draft Practice Statement, has been developed in response to concerns that management are often uncertain about how to apply the concept of materiality and therefore use the disclosure requirements in the Standards as a checklist. This can result in excessive disclosure of immaterial information that can obscure useful information and also make financial statements cluttered and less understandable. It can also lead to useful information being left out.

Whether information is material or not depends on a range of factors and entity-specific circumstances, and is a matter of judgement. Determining what information is material also requires an understanding of the users of the financial statements and the decisions that they make based on those financial statements.

Hans Hoogervorst, IASB Chairman, commented:

"Financial statements are meant to be a means of communication, and should not be viewed as a mere compliance exercise. Management needs to take a step back and consider whether they are providing the right level of information in the financial statement and whether it is useful.

The Practice Statement should help guide management's judgement, encouraging them to remove repetitive and uninformative wording and improve the overall quality of financial statements."

Improving the quality and quantity of disclosures requires joint efforts by auditors, regulators, companies and standard-setters. The IASB has therefore consulted with the International Auditing and Assurance Standards Board (IAASB) and the International Organization of Securities Commissions (IOSCO) during the development of the draft Practice Statement.

The draft guidance on materiality complements an amendment made to IAS 1 *Presentation of Financial Statements* by the IASB in 2014, which clarified that companies do not need to apply the specific disclosure requirements in Standards if the related information is not material. It also specified that a company should consider whether to provide additional disclosures when compliance with the specific requirements would be insufficient in disclosing material information.

The deadline for submitting comments on the draft Practice Statement is 26 February 2016.

End

Notes to editors:

- A Practice Statement is non-mandatory guidance, consisting of a series of examples and explanations to help management. The development of a Practice Statement follows the IASB's full due process procedures, which means it is consulted on publicly before it is finalised.
- Further information about the Draft Practice Statement *Application of materiality to financial statements* can be found [here](#).
- A 'Snapshot' providing a high-level summary of the Draft Practice Statement *Application of materiality to financial statements* can be found [here](#).
- Further information about the IASB's *Disclosure Initiative* can be found [here](#).
- Information about the amendment to IAS 1 *Presentation of Financial Statements* can be found [here](#).
- Information on the IASB's due process can be found [here](#).

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About the IFRS Foundation, IASB and IFRS

The IFRS Foundation is an independent, not-for-profit organisation, overseen by a Monitoring Board of public authorities. Its vision of a single set of global accounting standards is supported by G20 leaders and other international organisations with responsibility for the global financial system.

The mission of the IFRS Foundation is to develop International Financial Reporting Standards (IFRS Standards) that bring transparency, accountability and efficiency to financial markets around the world, fostering trust, growth and long-term financial stability. The International Accounting Standards Board (IASB) is the standard-setting body of the IFRS Foundation, made up of independent experts from diverse professional and geographical backgrounds. IFRS Standards are adopted by more than 100 countries globally.

For detailed information on the organisation's structure, the standard-setting process and the spread of IFRS Standards, visit www.ifrs.org.