

STAFF PAPER

September 2014

Project	Disclosure Initiative		
Paper topic	Materiality: Cover Paper		
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This paper has been prepared by staff of the IFRS Foundation. The views expressed in this paper reflect the individual views of the author[s] and not those of the IASB or the IFRS Foundation. Comments on the application of IFRSs do not purport to set out acceptable or unacceptable application of IFRSs.

1. At its September meeting, the IASB will be discussing three papers on materiality:
 - (a) Agenda Paper 11A(a)—Disclosure Initiative: materiality – responses from national standard-setters;
 - (b) Agenda Paper 11A(b)—Disclosure Initiative: materiality – issues and observations;
 - (c) Agenda Paper 11A(c)—Disclosure Initiative: materiality – accounting policy disclosures.
2. Agenda Papers 11A(a) and 11A(b) are for an education session.

Agenda Paper 11A(a)—Disclosure Initiative: materiality – overview of responses from national standard-setters**Agenda Paper 11A(b)—Disclosure Initiative: materiality – issues and observations****Objective**

3. These papers summarise the responses from national standard-setters following our request for help in understanding the application of materiality in different jurisdictions. They highlight the various problems associated with the concept of

materiality and offer further insight into its application. The staff would like to hear the IASB's initial views on the results of the materiality research.

Background

4. In March 2014 the IASB made the following tentative decisions about the project on materiality:
 - (a) the objective of the project should be to help preparers, auditors and regulators use judgement when applying the concept of materiality in order to make financial reports more meaningful.
 - (b) the scope of the project should be the application of materiality across the whole of the financial statements. However, the focus would be on applying the concept of materiality to the notes.
 - (c) the project should consider the following areas:
 - (i) the lack of understanding of what is meant by the concept 'materiality';
 - (ii) the lack of clarity in applying the concept of materiality, in particular with regard to disclosures in the notes to the financial statements; and
 - (iii) how disclosure requirements are written, ie the use of unclear language used to describe disclosure objectives and other disclosure guidance in IFRS.
 - (d) to undertake work to consider whether additional guidance could be developed that assists entities to determine what a significant accounting policy is.

Further research

5. As well as the responses presented in these papers, the staff has researched case law, local GAAPs, local securities law, practice guides and academic literature. We have also spoken with academics and professionals, including informal discussions with International Organisation of Securities Commission and International Auditing and

Assurance Standards Board. This research will be used when developing staff recommendations for October, and will influence any subsequent work.

Next steps

6. The staff will consider the next steps for the materiality research project after the IASB's hearing the IASB's preliminary opinions in September. The staff expects to bring a further paper in October.

Agenda paper 11A(c)—Disclosure Initiative: materiality – accounting policy disclosures

7. This paper discusses accounting policy disclosures in financial statements. It outlines the problems the staff have heard with current accounting policy disclosures and the staff's analysis on accounting policy disclosures. The paper seeks the IASB's opinion on two questions.