

International Financial Reporting Standards



AP 6 Disclosure Initiative Materiality

CMAC meeting
27 February 2014

The views expressed in this presentation are those of the presenter, not necessarily those of the IASB or IFRS Foundation.

Disclosure Initiative

On-
going
activities

Short-term projects

Medium-term
projects

Digital
reporting
New EDs

Amendments
to IAS 1

Debt
disclosures

Materiality-
assessment
of existing
guidance

Research
project–
Principles of
Disclosure in
IFRS

Research
project–
review of
existing
Standards

Agenda

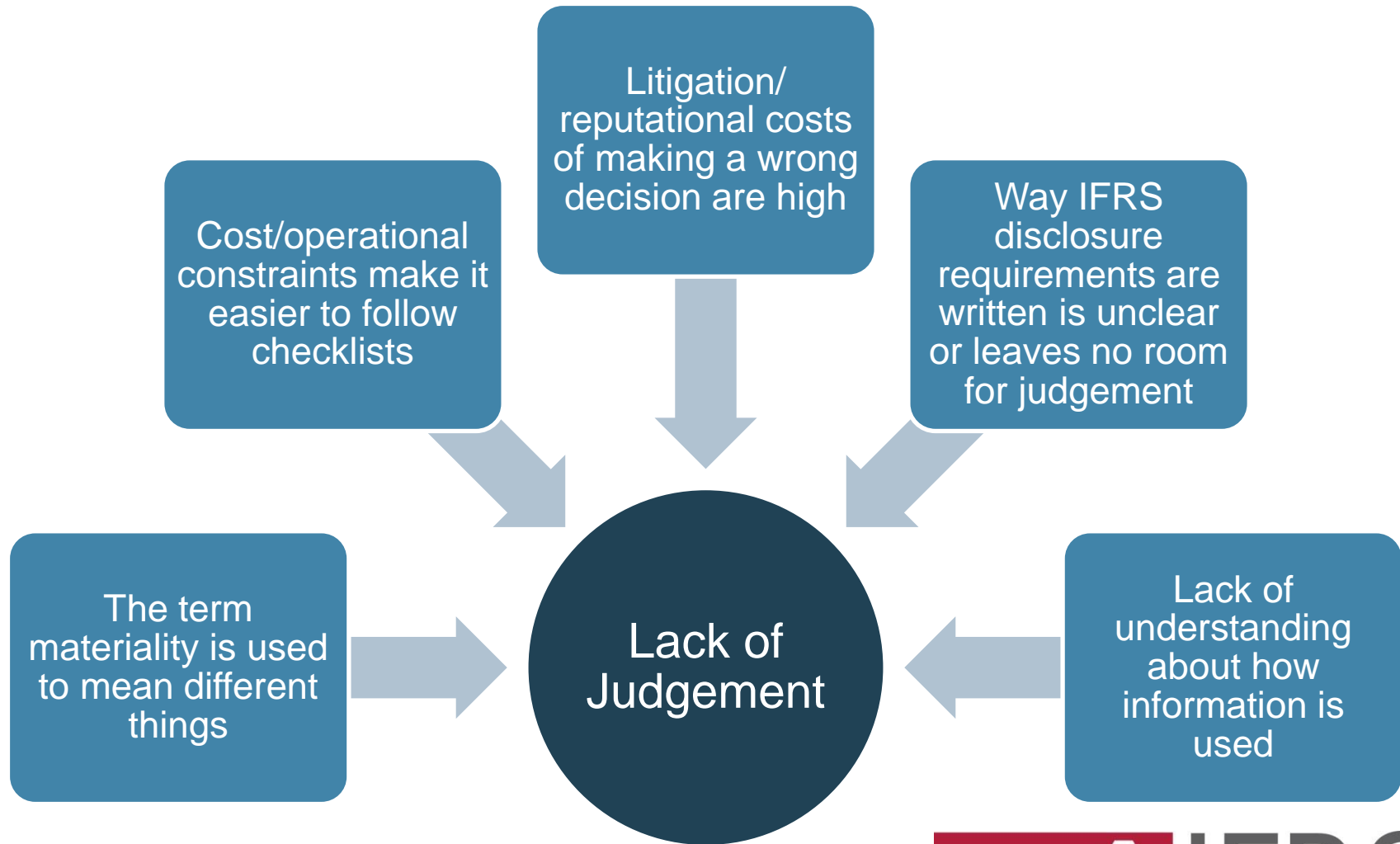
- In this meeting we will discuss a potential project on **materiality**.
- We will ask you:
 - If you think there are issues today with the application of the concept of ‘materiality’.
 - If so, to explain the issues that you encounter and how do they affect your work.
 - If so, if you agree with the proposed approach to a materiality project.
 - To consider what users could do to positively change behaviour regarding the application of materiality.

Materiality: *Conceptual Framework* definition

Information is **material** if omitting it or misstating it could influence decisions that users make on the basis of financial information about a specific reporting entity. In other words, **materiality** is an entity-specific aspect of relevance based on the nature or magnitude, or both, of the items to which the information relates in the context of an individual entity's financial report... [QC11]

IAS 1 *Presentation of Financial Statements*,
also contains materiality requirements

Materiality – a change in behaviour is needed



Materiality-potential project

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Why

- Responding to concern that materiality is not being applied well in practice

Response

- Working with auditors and regulators
- Assessing adequacy of existing guidance & propose whether additional guidance is required or not

Time

- Short-term project
- Start in second half of 2013
- First paper (scope) to IASB Q1 2014

Materiality project – views so far

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Objective

- Help preparers, auditors and regulators use judgement about what should or should not be disclosed
- Encourage better dialogue between themselves and with users
- Make disclosures more effective

Scope & Focus

- Financial statements as a whole
- Focus on disclosures in the notes

Potential topics

- Understanding materiality
- Applying the concept
- How IFRS are written

Materiality project – potential topics

Understanding ‘materiality’

- How it is applied
- Literature review
- Case law
- Local GAAP
- Across jurisdictions

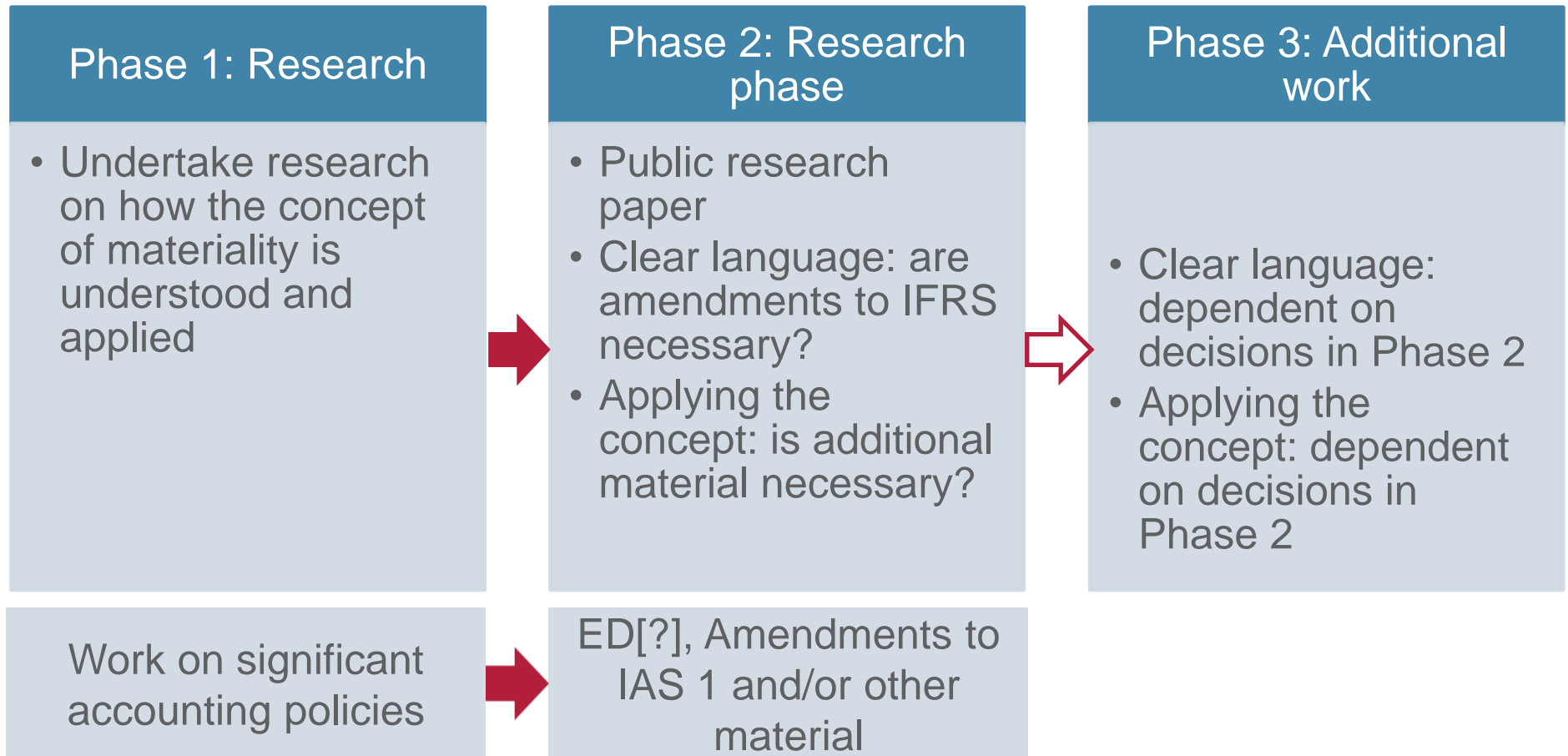
Applying the concept

- Significant accounting policies
- Other?

Way IFRS written

- Clear objective
- Examples or requirements
- Internal processes

Proposed approach



- Do you think there are issues today with the application of the concept of ‘materiality’?
 - If so, what are the issues that you encounter and how do they affect your work?
 - If so, do you agree with our proposed approach to a materiality project?
- What could users do to positively change behaviour regarding the application of materiality?

Questions

individual
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expressions
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