



30 October 2015

## Uncertain about Materiality? Draft guidance to help reduce disclosure overload

Preparers, auditors, regulators and other parties concerned with disclosure overload will be encouraged to see the IASB's latest initiative of providing practical examples of how to assess materiality in financial statements.

Kris Peach, Chair of the AASB said "Difficulties in applying the concept of materiality have resulted in financial statements that obscure or omit important information. The draft guidance encourages preparers to exercise their judgement and provides examples relating to common problem areas such as share-based payments and defined benefit plans. It also proposes that disclosures relevant to prior year significant transactions or events need not be repeated unless they are relevant to the current period."

Kris Peach added "Some Australian entities have already embarked on streamlining projects and they have achieved substantial reductions in the length and complexity of their financial statements. Their experience in de-cluttering financial statements will be helpful in finalising the materiality guidance."

The IASB and AASB are committed to overcoming the checklist approach to disclosures. The draft materiality guidance complements the AASB 101 *Presentation of Financial Statements* amendments in January 2015, which clarified there is no need to apply the specific disclosure requirements in Standards if the related information is not material. Further guidance will be provided as part of the Principles of Disclosure project.

The draft materiality guidance is part of a series of projects being undertaken by the IASB, collectively referred to as the Disclosure Initiative. The AASB is contributing to all of the IASB's work on the Disclosure Initiative.

The AASB strongly encourages feedback on proposals in [ED 271 IFRS Practice Statement: Application of Materiality in Financial Statements](#) from preparers, users, regulators, auditors, academics and other parties with an interest in financial reporting. Comments on ED 271 are requested to the AASB by 25 January 2016.

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