



Call for Research Proposals

Making materiality judgements—Investigating the effects of Definition of Material (Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*), IFRS Practice Statement 2 *Making Materiality Judgements and Better communication in Financial Disclosures— Making disclosures more meaningful*

The Australian Accounting Standards Board (AASB) together with the International Accounting Standards Board (IASB) invite academic proposals for research projects relating to the application of the IASB's requirements and guidance on materiality.

The objective of the research is to provide information to enable the IASB to assess the effects on investors, companies, auditors and regulators of these documents:

- [Definition of Material \(Amendments to IAS 1 and IAS 8\)](#);¹
- [IFRS Practice Statement 2](#);² and
- [Better Communication in Financial Disclosures—Making disclosures more meaningful](#).³

Proposals could focus on one, two or three documents. The research will contribute to the work of the IASB by providing evidence relevant to standard-setting. The required focus of the research is outlined in Section A.

The requirements for the research proposals are provided in Section B. Proposals should be submitted by email to Eric Lee (research@asb.gov.au) by **15 July 2022**.

Section A Required focus of a research proposal

A1 Objective of the research

The objective of the research is to assess whether:

- the issued documents have improved the provision of information that is useful to users of financial statements; and
- the benefits of providing the information exceed the costs of preparing and auditing it.

The evidence from the research will help the IASB decide what, if any, action it might take relating to the new requirements and guidance. The findings should provide useful input for the IASB's work.

A2 Background

The IASB was informed, through feedback on the 2014 Exposure Draft of proposed amendments to IAS 1 and from other sources, that entities experienced difficulties making materiality judgements when preparing financial statements. Some entities used disclosure requirements in IFRS Accounting

¹ <https://www.ifrs.org/projects/completed-projects/2018/definition-of-material/#final-stage>

² <https://www.ifrs.org/content/dam/ifrs/publications/amendments/english/2017/ifrs-practice-statement-2-making-materiality-judgements.pdf>

³ <https://www.ifrs.org/content/dam/ifrs/project/disclosure-initiative/better-communication-making-disclosures-more-meaningful.pdf>



Standards as if they were a checklist and provided too much irrelevant information and not enough relevant information in their financial statements.

The IASB published the revised definition of materiality, the materiality practice statement and the *Better communication in Financial Disclosures—Making disclosures more meaningful* to assist entities in making materiality judgements when preparing general purpose financial statements.

We would like to understand the practical effect of the documents on companies' assessment of materiality in preparing financial statements. As a result of the documents, do companies have a better understanding of how to determine whether information is material? Are they disclosing information that makes financial statements more useful? For example, the IASB is interested to know:

- do companies use the IASB's materiality guidance in making materiality judgements when preparing financial statements in accordance with IFRS Accounting Standards;
- do companies use disclosure requirements in IFRS Accounting Standards as checklists or disclose excessive detail or immaterial information that the application of the materiality should cause them to omit;
- have companies changed their disclosure practices and the information they disclose in the year the materiality related documents were published and afterwards (2017 onwards); and
- how can standard setters further encourage material disclosures.

Section B Requirements for research proposals

B1 Proposals should address the topic of materiality relating to one or more of the listed documents. Proposals should be written so they are understandable to academics and non-academics.

B2 Although quantitative research is welcome, qualitative or mixed method approaches may be better able to provide evidence about the way entities apply materiality judgements. Therefore, we are particularly interested in research based on qualitative methods, including, but not limited to, interviews, focus group observations, (critical) discourse analysis, and interpretative content analysis. Researchers may use any other method or combination of quantitative and qualitative methods that they consider suitable to achieve the objectives of the research project.

If required, the AASB will assist researchers to access key target groups, such as investors, financial statement preparers, audit partners and regulators. This will be subject to researchers' ability to demonstrate that they can perform the data gathering efficiently and that they appreciate the time and the resource constraints of the AASB staff and its stakeholders.

B3 Proposals must not exceed 10 pages (12-point font, 1.5-point line spacing) (excluding team member CVs and reference list) and must contain the following headings and sections:

- **Aim/objective/research question(s)**—explain the aim of the research, the research questions to be explored and why they are important.
- **Relevant prior literature**—briefly explain the prior literature relevant to the proposal.



- **Data and method**—outline the method to be used, including descriptions of sample selection, data collection and data analysis.
- **Expected outcome/contribution to IASB**—explain how the expected findings may be useful for the IASB’s standard setting projects.
- **Research team details**—include a CV for each team member (maximum 2 pages per person; include only research papers relevant to the proposal).
- **Reference list** – include a reference list (maximum 2 pages).

Successful applicants will be notified by **22 July 2022**. A meeting will be held with AASB and IASB staff to discuss the proposal and research plan. Interim progress reports will be discussed with the AASB and IASB staff periodically (see Section C). Final reports will be due on **15 September 2023**.

The AASB and IFRS Foundation will retain the copyright of the interim and final reports provided by the researchers. The researchers will be able to use the material contained in these reports in subsequent publications but the copyright of the AASB and IFRS Foundation must be acknowledged and the anonymity of the stakeholders that have participated in the research must be preserved.

Researchers will have the opportunity to present findings at the AASB Research Forum, AASB Dialogues Series or other standard-setting meetings.

Section C Proposed timeline

Timeline	Date
Due date: Call for research proposals	15 July 2022
Successful applicants to be notified	22 July 2022
Develop proposal and research plan	July – August 2022
Project commences	September 2022
1 st interim report	25 November 2022
2 nd interim report	31 March 2023
3 rd interim report	28 July 2023
Final report	15 September 2023