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Technical Accounting Alert

TA 2018-07

IASB issues definition of material

Introduction

The International Accounting Standards Board (IASB) has published '*Definition of Material (Amendments to IAS 1 and IAS 8)*'. The amendments are designed to make it easier for companies to define materiality judgements.

Background

The amendments are a response to findings that some companies experienced difficulties using the previous definition when judging whether information was material for inclusion in the financial statements.

Up to now, the wording of the definition of material in the Conceptual Framework for Financial Reporting differed from the wording used in IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The existence of more than one definition of material was potentially confusing, leading to questions over whether the definitions had different meanings or should be applied differently.

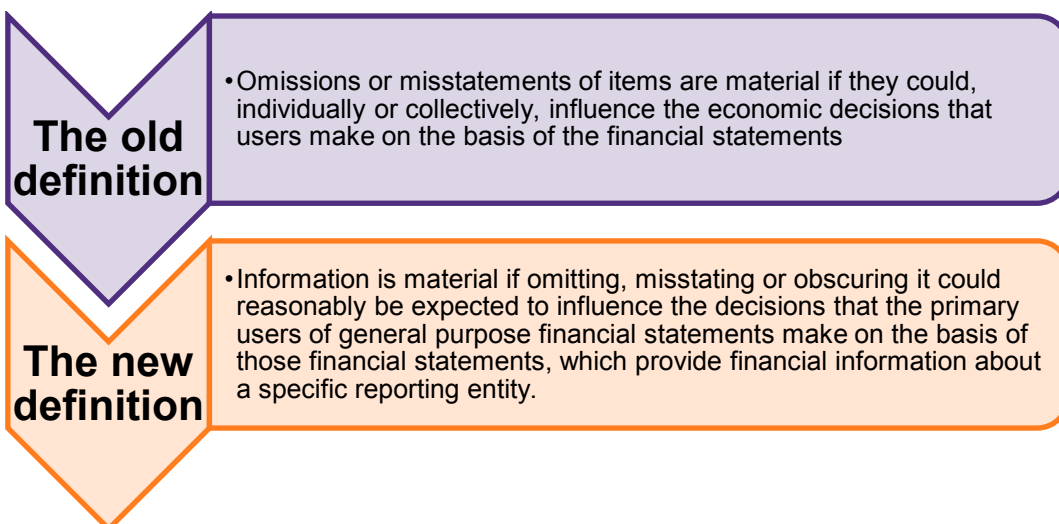
The Amendments

The amendments are designed to rectify this problem and make it easier for companies to define materiality judgements. They do this by:

- including in the definition guidance that until now has featured elsewhere in IFRS
- improving the explanations that accompany the definition
- ensuring that the definition of material is consistent across all IFRS.

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Effective date and transition

The amendments are to be applied prospectively for annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted.

If an entity applies the amendments for an earlier period, it shall disclose that fact.

Grant Thornton Comment



The amendments are intended to make the definition easier to understand and are not intended to alter the concept of materiality in IFRS. As such, we do not expect the amendments to change significantly how materiality judgements are made in practice or to significantly affect entities' financial statements. We do however expect that they will improve the understanding of this important area.

Further information paragraph below to be included in every Alert. Icons may need to be replaced in PDF version as they do not transfer well (blurry border and image).

Further information



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