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Mr Hans Hoogervorst
Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom
Email: commentletters@ifrs.org

9 January 2018

Re: Exposure Draft ED/2017/6 – Definition of Material (Proposed amendments to IAS 1 and IAS 8)

Dear Mr Hoogervorst

On behalf of RSM International Limited, a worldwide network of independent audit, tax and consulting firms, we are pleased to comment on the IASB's Exposure Draft ED/2017/6 *Definition of Material (Proposed amendments to IAS 1 and IAS 8)* ('the ED').

We welcome the IASB's initiative to remove the existing inconsistencies in the definition of materiality in the *Conceptual Framework* and in IFRS Standards. Overall, we agree with the proposed amendments as they refine the definition of materiality for a better understanding and consistent application.

Our comments and detailed responses to the questions set out in the Invitation to Comment section of the ED are detailed hereafter.

We would be pleased to respond to any questions the Board or its staff may have about any of our comments.

Please do not hesitate to contact me at +44 207 601 1080.

Sincerely,



Robert Dohrer
Global Leader - Quality and Risk
RSM International

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Question 1

The Board proposes amendments to IAS 1 and IAS 8 to align the definition of material between IFRS Standards and the *Conceptual Framework*, and to include in the definition some of the existing requirements in IAS 1. The Board also proposes to clarify the explanation accompanying the definition using existing guidance in IAS 1 and the *Conceptual Framework*.

- (a) Do you agree that the definition of material and the accompanying explanation should be clarified as proposed in this Exposure Draft? If you do not agree, what changes do you suggest and why?
- (b) Would any wording or terminology introduced in the proposed amendments be difficult to understand or to translate?

We agree that it is appropriate to align the definition of materiality between IFRS Standards and the *Conceptual Framework* as proposed in the ED.

In particular, we support replacing ‘could influence’ with ‘could reasonably be expected to influence’ to describe the threshold for deciding whether information is material, thus emphasising that materiality decisions require judgement. Combined with the proposed clarification that the users to whom the definition refers are the ‘primary users of general purpose financial statements’, the proposed changes should address concerns that the use of the expression ‘could influence the decisions of users’ is too broad.

However, we are not convinced that the point regarding material information being obscured by immaterial information has been clearly made. In our view, the inclusion of immaterial information in financial statements does not automatically result in material information being obscured; as drafted, the revised definition could be read as implying that it does. We suggest the relevant sentence could be re-worded ‘*Material information might be obscured if it is not communicated clearly, or if it is for example: (i) overwhelmed by the quantity of immaterial information, (ii) aggregated or disaggregated inappropriately, (iii) misplaced in the financial statements (i.e. not easy to find), (iv) etc.*’ In addition, such important concepts of clear and effective communication as opposed to obscuring information could be further considered by the Board in the context of its *Principles of Disclosure* project.

The sentence ‘*A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users*’ seems to be simply repeating what is already in the definition in the immediately previous paragraph. If retained, we suggest the following addition (as underlined) ‘*A misstatement or omission of information is material...*’ for consistency purposes.

Question 2

The Board issued the Materiality Practice Statement in September 2017 and expects to issue a revised *Conceptual Framework* in the second half of 2017. If any changes are made to IFRS Standards as a result of the proposals in this Exposure Draft, the Board will make amendments to these two documents.

The Board believes that the guidance in both the Materiality Practice Statement and the forthcoming revised *Conceptual Framework* will not be affected by the proposed amendments in this Exposure Draft, other than to update the definition of material (see paragraphs BC22–BC24).

Do you have any comments on the proposed amendments to the Materiality Practice Statement or to the forthcoming revised *Conceptual Framework*?

We agree with the proposed consequential amendments to the recently issued Materiality Practice Statement and to the forthcoming revised *Conceptual Framework* with no further comments.

Question 3

Do you have any other comments about the proposals in this Exposure Draft?

We question the usefulness of duplicating the definition of materiality in two Standards, in addition to the *Conceptual Framework*. We believe that the IASB should concentrate the definition and guidance in a single general Standard, such as IAS 1. This would prevent any risk of possible inconsistencies arising in the future as IFRS Standards are revised.

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