

ASC

ACCOUNTING STANDARDS COUNCIL
SINGAPORE

26 January 2018

Mr Hans Hoogervorst
Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

(By online submission)

Dear Hans

RESPONSE TO EXPOSURE DRAFT ON DEFINITION OF MATERIAL (PROPOSED AMENDMENTS TO IAS 1 AND IAS 8)

The Singapore Accounting Standards Council appreciates the opportunity to comment on the Exposure Draft on Definition of Material (Proposed amendments to IAS 1 and IAS 8) (the ED) issued by the International Accounting Standards Board (the IASB) in September 2017.

We appreciate the IASB addressing stakeholders' feedback that the existing definition of material in IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* might encourage entities to disclose immaterial information in their financial statements.

Subject to our comments below, we are generally supportive of the proposed amendments to IAS 1 and IAS 8 on the basis of the IASB's rationale as described in the Basis for Conclusions on the ED. The proposed amendments, together with IFRS Practice Statement 2 *Making Materiality Judgements*, would potentially improve entities' understanding of the concept of materiality and confidence in making materiality judgements.

In addition, we agree with the IASB that the proposed amendments are not substantive changes to the underlying concept of materiality in IFRS Standards. Consistent with the foregoing, we have not identified substantive consequential amendments that should be made to IFRS Practice Statement 2 *Making Materiality Judgements* or the forthcoming revised *Conceptual Framework for Financial Reporting* (the *Conceptual Framework*).

Definition of material

We believe that the definition of material would be clearer, if it does not make references to 'omitting, misstating or obscuring'. We do not consider such references to be necessary because material information, in and of itself, could reasonably be expected to influence decisions that primary users make on the basis of an entity's financial statements. In addition,

there is a risk of such references being interpreted to be exhaustive, which could have unintended consequences. For example, paragraph 30A of IAS 1 distinguishes obscuring material information from aggregating material items of different natures or functions. We consider the notion of aggregation to be as relevant as those references, on the basis that inappropriate aggregation of material information likewise could reasonably be expected to influence the decisions of primary users.

Therefore, we recommend that the IASB should remove references to ‘omitting, misstating or obscuring’ from the definition of material. Instead, the accompanying explanation could illustrate the notions of omitting, misstating, obscuring or aggregating material information to further elaborate the definition of material. On this note, any explanation of the notions of omitting, misstating, obscuring or aggregating material information should provide guidance beyond repeating the definition of material (for example, the proposal to clarify how the definition applies to misstatements).

Accompanying explanation

We consider it debatable whether the proposal to re-produce the characteristics of primary users from the *Conceptual Framework* is really necessary.

Although the *Conceptual Framework* is not an IFRS Standard, IFRS Standards should be read in the context of the *Conceptual Framework*. On this note, we observe that IFRS Standards include other terms for which the *Conceptual Framework* has set out the underlying concepts, but those concepts have not been re-produced in IFRS Standards.

If the IASB decides to proceed with this proposal, we suggest that the IASB should similarly include, in the accompanying explanation, a description of the decisions made by primary users on the basis of financial statements. The notion of decisions is fundamental to the concept of materiality and the objective of financial statements in the *Conceptual Framework*. Moreover, the proposal to amend ‘economic decisions’ could result in the revised term ‘decisions’ being interpreted too widely and the disclosure of immaterial information in financial statements.

We hope that our comments will contribute to the IASB’s deliberation on the ED. Should you require any further clarification, please contact our project manager Siok Mun Leong at Leong_Siok_Mun@asc.gov.sg.

Yours faithfully

Suat Cheng Goh
Technical Director
Singapore Accounting Standards Council