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Dear Sir

ED/2017/6 Definition of Material - Proposed amendments to IAS 1 and IAS 8

We are pleased to comment on the above Exposure Draft (the ED). Following consultation with the BDO network¹, this letter summarises views of member firms that provided comments on the ED.

We agree with the proposals as drafted to refine and clarify the definition of material and the accompanying explanation within IAS 1 and IAS 8; however, we believe some modifications should be made to the proposed wording or terminology.

We agree that any changes to the definition of Materiality should be carried forward and amended in the Materiality Practice Statement and the revised *Conceptual Framework* to maintain consistency. Further, we believe the reference to 'financial reports' should be changed to 'financial statements' in the revised *Conceptual Framework* in order to maintain consistency.

Our responses to the question in the ED are set out in the attached Appendix.

We hope that you will find our comments and observations helpful. If you would like to discuss any of them, please contact me at +44 (0)20 7893 3300 or by email at abuchanan@bdoifra.com.

Yours faithfully,

Andrew Buchanan

Global Head of IFRS

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Appendix

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?**

(a) We agree the definition of material and the accompanying explanation should be clarified within IAS 1 and IAS 8 and for these clarifications to amend other IFRS Standards along with the Materiality Practice Statement and revised *Conceptual Framework for Financial Reporting*.

(b) We believe the following changes should be made to the wording or terminology:

We disagree with the addition of the last sentence in the first paragraph of the explanation stating "A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users" as this wording is already included in the definition and therefore simply repeats the definition and does not provide any further explanation.

We also disagree with the inclusion of 'financial reports' rather than 'financial statements' in the explanation. Paragraph BC9(a) of this ED states the "Board proposes referring to 'financial statements' rather than 'financial reports' in the proposed amendments to IAS 1 and IAS 8, consistent with the scope of these Standards. As such, the wording in the explanation should be consistent by including 'financial statements' rather than 'financial reports'.

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 amendments to the Materiality Practice Statement and the revised *Conceptual Framework* with the exception that we believe the Board should change the reference in the revised *Conceptual Framework* from 'general purpose financial reports' to 'general purpose financial statements' to maintain consistency.

Paragraph BC24 of the ED states the “Board considers it unnecessary to delay issuance of these documents until the proposed amendments to IAS 1 and IAS 8 are finalised.” Consequently, if there are changes to the definition currently provided these changes should also be made through amendments to both the Materiality Practice Statement and the revised *Conceptual Framework*.

Question 3 - Do you have any other comments about the proposals in this Exposure Draft?

We have no other comments about the proposals in this Exposure Draft.