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Approval by the Board of *Definition of Material* (Amendments to IAS 1 and IAS 8) issued in October 2018

Definition of Material (Amendments to IAS 1 and IAS 8) was approved for issue by the fourteen members of the International Accounting Standards Board.

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Darrel Scott	
Thomas Scott	
Chungwoo Suh	
Ann Tarca	
Mary Tokar	

Amendments to the Basis for Conclusions on IAS 1 *Presentation of Financial Statements*

Paragraphs BC13A–BC13T and their related headings are added.

Definition of Material (paragraph 7)

Background

BC13A The Board was informed at the *Discussion Forum on Financial Reporting Disclosure* it hosted in January 2013,[1] through feedback on the amendments to IAS 1 in the 2014 Exposure Draft *Disclosure Initiative*, the 2017 Discussion Paper *Disclosure Initiative—Principles of Disclosure*, and from other sources, that entities experience difficulties in making materiality judgements when preparing financial statements.

BC13B The feedback indicated that difficulties in making materiality judgements are generally behavioural rather than related to the definition of material. That feedback indicated that some entities apply the disclosure requirements in IFRS Standards mechanically, using them as a checklist for disclosures in their financial statements, rather than applying their judgement to determine what information is material. Some entities have said that it is easier to use a checklist approach than to apply judgement because of management resource constraints, and because following a mechanical approach means that their judgement is less likely to be challenged by auditors, regulators or users of their financial statements. Similarly, some entities say that they prefer to be cautious when deciding whether to omit disclosures to avoid the risk of being challenged by these parties.

BC13C The Board concluded that these behavioural difficulties could best be addressed by providing guidance to help entities make materiality judgements, rather than by making substantive changes to the definition of material. Consequently, in September 2017 the Board issued IFRS Practice Statement 2 *Making Materiality Judgements* (Materiality Practice Statement).

BC13D Although many stakeholders agreed that substantive changes to the definition of material were unnecessary, the Board received some feedback that the definition of material might encourage entities to disclose immaterial information in their financial statements. Feedback suggested that the Board should address the following points:

(a) the phrase 'could influence decisions of users', to describe the threshold for deciding whether information is material, may be understood as requiring too much information to be provided, because almost anything 'could' influence the decisions of some users of the financial statements, even if such a possibility were remote;

(b) the phrase 'information is material if omitting it or misstating it' focuses only on information that cannot be omitted (material information) and does not also consider the effect of including immaterial information; and

(c) the definition refers to 'users' but does not specify their characteristics, which is interpreted by some as implying that an entity is required to consider all possible users of its financial statements when deciding what information to disclose.

BC13E The Board also observed that the wording of the definition of material in the *Conceptual Framework for Financial Reporting* (*Conceptual Framework*) differed from the wording used in IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The Board believes that the substance of the definitions is the same because these definitions all cover the omission or misstatement of information that could influence the decisions of users of financial statements. Nevertheless, the existence of more than one definition of material could be confusing and could imply that the Board intended these definitions to have different meanings and be applied differently in practice.

1 A Feedback Statement summarising the feedback from that forum and from the Board's related survey on financial reporting disclosure is available on the IFRS Foundation website at http://www.ifrs.org/-/media/project/disclosure-initative/feedback-statement-discussion-forum-financial-reporting-disclosure-may-2013.pdf.

BC13F Consequently, the Board decided to propose refinements to the definition of material and to align the definition across IFRS Standards and other publications. The Board observed that these refinements were intended to make the definition easier to understand and were not intended to alter the concept of materiality in IFRS Standards.

Refinements to the definition of material

BC13G In September 2017 the Board published the Exposure Draft *Definition of Material* (Proposed amendments to IAS 1 and IAS 8) which proposed a revised definition.

BC13H The Board developed this definition by:

(a) replacing the description of the threshold 'could influence' with 'could reasonably be expected to influence' to incorporate the existing clarification in paragraph 7 of IAS 1 which states: 'Therefore, the assessment needs to take into account how users with such attributes *could reasonably be expected to be influenced* in making economic decisions' [emphasis added]. This wording helps to address concerns raised by some parties that the threshold 'could influence' in the existing definition of material is too low and might be applied too broadly (see paragraph BC13D(a)).

(b) using the wording of the definition of material in the *Conceptual Framework*.[2] The Board concluded that this wording was clearer than the definition in IAS 1 and IAS 8. However, the Board decided to refer to 'financial statements' rather than 'financial reports' in the amendments to IAS 1 to be consistent with the scope of that Standard.[3] The *Conceptual Framework* definition also clarifies that the users to whom the definition refers are the primary users of an entity's financial reports or statements. Referring to the primary users in the definition of material in IAS 1 helps to respond to concerns that the term 'users' may be interpreted too widely (see paragraph BC13D(c)).

(c) including 'obscuring' in the definition of material to incorporate the existing concept in paragraph 30A of IAS 1 which states: 'An entity shall not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating items that have different natures or functions.' Referring to 'obscuring' in the definition of material is intended to respond to concerns that the effect of including immaterial information should also be considered in addition to 'misstating' and 'omitting' (see paragraphs BC13D(a) and (b)).

(d) relocating wording that explains rather than defines material from the definition itself to its explanatory paragraphs. This reorganisation clarifies which requirements are part of the definition and which paragraphs explain the definition.

BC13I Some parties said that the Board should raise the threshold at which information becomes material by replacing 'could' with 'would' in the definition. However, the Board did not do this because it concluded that using 'would' would be a substantive change that might have unintended consequences. For example, 'would influence decisions' might be interpreted as a presumption that information is not material unless it can be proved otherwise, ie for information to be seen as material it would be necessary to prove that the information would influence the decisions of users of the financial statements.

Obscuring information

BC13J Responses to the Exposure Draft *Definition of Material* (Proposed amendments to IAS 1 and IAS 8) indicated strong support for the definition of material to be aligned across the *Conceptual Framework* and IFRS Standards. However, many respondents had some concerns—in particular about including the existing concept of 'obscuring' (as set out in paragraph 30A of IAS 1) in the definition of material in the way proposed in the Exposure Draft. Many respondents thought that if the Board were to include this concept in the definition, then 'obscuring information' would need to be more precisely defined or explained than it was in the Exposure Draft.

BC13K The Board agreed with respondents that the concept of 'obscuring information' is inherently more judgemental than 'omitting' or 'misstating' information and considered removing the concept from the

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2 The wording in paragraph 2.11 of the *Conceptual Framework* is: 'Information is material if omitting it or misstating it could influence decisions that the primary users of general purpose financial reports make on the basis of those reports, which provide financial information about a specific reporting entity'.

3 Financial statements are a type of financial report.

definition of material and its explanatory paragraphs altogether. However, the Board decided that the benefit of including 'obscuring' in the definition of material outweighed these concerns. Including this concept emphasises that obscuring information can affect the decisions of primary users just as omitting or misstating that information can. In particular, including 'obscuring' in the definition of material addresses concerns that the former definition could be perceived by stakeholders as focusing only on information that cannot be omitted (material information) and not also on why it may be unhelpful to include immaterial information.

BC13L The Board did not intend to be prescriptive by including the word 'obscuring' in the definition of material and by further clarifying it—the Board is not prohibiting entities from disclosing immaterial information or introducing a required quality of explanations and information included in the financial statements. For example, the Board did not intend the addition of the word 'obscure' to prevent entities from providing information required by local regulators or prescribe how an entity organises and communicates information in the financial statements. Rather, the Board's intention is to:

(a) support the existing requirements in paragraph 30A of IAS 1 which state that 'An entity shall not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions'; and

(b) help entities and other stakeholders avoid instances in which material information may be obscured by immaterial information to the extent that it has a similar effect on the primary users of financial statements to omitting or misstating that information.

Other amendments

BC13M While the revised definition of material in IAS 1 has been based on the definition of material in the *Conceptual Framework*, some adjustments were made to the *Conceptual Framework* definition to improve clarity and consistency between the *Conceptual Framework* and the IFRS Standards. The definition in the *Conceptual Framework*, however, continues to refer to 'financial reports' rather than 'financial statements'.

BC13N The Board also made amendments to the Materiality Practice Statement to align it with the revised definition of material. The Materiality Practice Statement continues to refer to both 'immaterial' and 'not material' as the Board concluded that these terms have the same meaning.

BC13O As explained in paragraph BC13H, the amendments incorporate existing guidance from the *Conceptual Framework* and IAS 1 and are not substantive changes to the existing requirements in IFRS Standards. For this reason, the Board concluded that the guidance in the Materiality Practice Statement and the *Conceptual Framework* would not be affected by these amendments.

BC13P Because the amendments are based on existing guidance, they are not considered to be substantive changes. The Board consequently concluded that amendments to other requirements in IFRS Standards are unnecessary, other than to update the definition of material where it is quoted or referred to directly.

BC13Q The Board also decided that it was unnecessary to change all instances of 'economic decisions' to 'decisions', and all instances of 'users' to 'the primary users of financial statements' in IFRS Standards. In its Conceptual Framework project, the Board clarified that:

(a) the terms 'primary users' and 'users' are intended to be interpreted the same way and both refer to existing and potential investors, lenders and other creditors who must rely on general purpose financial reports for much of the financial information they need (see the footnote to paragraph 1.5 of the *Conceptual Framework*); and

(b) the terms 'decisions' and 'economic decisions' are intended to be interpreted the same way.

Likely effects of the amendments to IFRS Standards

BC13R In the Board's view, the amendments will improve understanding of the definition of material by:

(a) aligning the wording of the definition in IFRS Standards and the *Conceptual Framework* to avoid the potential for confusion arising from different definitions;

(b) incorporating supporting requirements in IAS 1 into the definition to give them more prominence and clarify their applicability; and

(c) providing existing guidance on the definition of material in one place, together with the definition.

BC13S The Board concluded that the amendments do not change existing requirements substantively because:

(a) the refinements to the definition of material:

(i) are based on wording in the *Conceptual Framework* that is similar to but clearer than the existing definition in IAS 1 and IAS 8 (see paragraphs BC13E and BC13H(b)); and

(ii) incorporate wording that already exists in IAS 1 (see paragraphs BC13H(a), (c) and (d)).

(b) the clarification that 'users' are the primary users and the description of their characteristics have been taken from the *Conceptual Framework*.

(c) the inclusion of 'obscuring information' reflects the existing requirement, as set out in paragraph 30A of IAS 1, that an entity shall not reduce the understandability of its financial statements by obscuring material information. This amendment is not expected to substantively change an entity's decisions about whether information is material—in no circumstances would obscuring information influence the decisions of users, if omitting or misstating the same information would have no influence on those decisions.

Consequently, the Board expects that the effect of the revised definition will be to help entities to make better materiality judgements.

Effective date of the amendments

BC13T Because the amendments do not substantively change existing requirements, the Board decided that:

(a) prospective application is appropriate;

(b) a long implementation period is unnecessary; and

(c) early adoption of the amendments should be permitted.

Amendments to the Basis for Conclusions on IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*

Paragraph BC21A is added.

BC21A As a consequence of the *Definition of Material* (Amendments to IAS 1 and IAS 8), issued in October 2018, the definition of material and the accompanying explanatory paragraphs have been replaced with a reference to the definition of material and explanatory paragraphs in IAS 1.[3A] The Board made this change to avoid the duplication of the definition of material in the Standards.

[3A] Refer to paragraphs BC13A–BC13T of the Basis for Conclusions on IAS 1.

Amendments to other IFRS Standards and publications

Amendments to IFRS Practice Statement 2 *Making Materiality Judgements*

The following amendments are a consequence of the amendments to the definition of material in IAS 1 and IAS 8. These amendments are applied prospectively at the same time an entity applies the amendments to the definition of material in IAS 1 and IAS 8.

Paragraphs 5, 41 and 60 are amended for an entity that has not adopted the 2018 *Amendments to References to the Conceptual Framework in IFRS Standards*. Paragraph 7 of IAS 1 and paragraph 5 of IAS 8 in the Appendix to the Practice Statement are also amended. New text is underlined and deleted text is struck through.

Definition of material

5 The *Conceptual Framework for Financial Reporting* (*Conceptual Framework*) provides the following definition of material information (paragraph 7 of IAS 1 *Presentation of Financial Statements* ~~and IAS 8~~ ~~*Accounting Policies, Changes in Accounting Estimates and Errors*~~ ~~provide~~ provides a similar ~~definitions~~definition[1]):

> Information is material if omitting~~, it or~~ misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial reports make on the basis of those reports, which provide financial information about a specific reporting entity. In other words, materiality is an entity-specific aspect of relevance based on the nature or magnitude, or both, of the items to which the information relates in the context of an individual entity's financial report.[2]

[1] See paragraph 7 of IAS 1 *Presentation of Financial Statements* ~~and paragraph 5 of IAS 8~~ ~~*Accounting Policies, Changes in Accounting Estimates and Errors*~~.

[2] Paragraph QC11 of the *Conceptual Framework for Financial Reporting* (*Conceptual Framework*). ~~However, the Exposure Draft ED/2017/6~~ ~~*Definition of Material*~~ ~~(*Proposed amendments to IAS 1 and IAS 8*)~~ ~~(Definition of Material ED) proposes to refine the definition of material to '[i]nformation is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of a specific reporting entity's general purpose financial statements make on the basis of those financial statements'. The Definition of Material ED also identifies consequential amendments to other IFRS Standards, including amendments to the definitions of material in the~~ ~~*Conceptual Framework*~~~~, IAS 1 and IAS 8.~~

...

A four-step materiality process

...

Step 2—assess

...

41 An entity might conclude that an item of information is material for various reasons. Those reasons include the item's nature or magnitude ~~size~~, or a combination of both, judged in relation to the particular circumstances of the entity.[23] Therefore, making materiality judgements involves both quantitative and qualitative considerations. It would not be appropriate for the entity to rely on purely numerical guidelines or to apply a uniform quantitative threshold for materiality (see paragraphs 53–55).

[23] See paragraph 7 of IAS 1 ~~and paragraph 5 of IAS 8~~.

...

Step 4—review

60 An entity needs to assess whether information is material both individually and in combination with other information[27] in the context of its financial statements as a whole. Even if information is judged not to be material on its own, it might be material when considered in combination with other information in the complete set of financial statements.

[27] See paragraph 7 of IAS 1 ~~and paragraph 5 of IAS 8~~.

...

Appendix
References to the *Conceptual Framework for Financial Reporting* and IFRS Standards

Extracts from the *Conceptual Framework for Financial Reporting*[45]

...

Paragraph QC11

Referred to in paragraph 5 of the Practice Statement

Information is material if omitting, ~~it or~~ misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial reports make on the basis of those reports, which provide financial information about a specific reporting entity. In other words, materiality is an entity-specific aspect of relevance based on the nature or magnitude, or both, of the items to which the information relates in the context of an individual entity's financial report. Consequently, the Board cannot specify a uniform quantitative threshold for materiality or predetermine what could be material in a particular situation.

...

Extracts from IAS 1 *Presentation of Financial Statements*

Paragraph 7 ~~(and paragraph 5 of IAS 8)~~

Referred to in paragraphs 5, 41 and 60 of the Practice Statement

> ***Material***:
>
> **Information is ~~Omissions or misstatements of items are~~ material if omitting, misstating or obscuring it ~~they~~ could reasonably be expected to~~, individually or collectively,~~ influence ~~the economic~~ decisions that the primary users of general purpose financial statements make on the basis of those ~~the~~ financial statements, which provide financial information about a specific reporting entity. ~~Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.~~**
>
> Materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole.

Paragraph 7

Referred to in paragraph 6 of the Practice Statement

> Assessing whether information ~~an omission or misstatement~~ could reasonably be expected to influence ~~economic~~ decisions ~~of~~ made by the primary users of a specific reporting entity's general purpose financial statements~~, and so be material,~~ requires an entity to consider ~~consideration of~~ the characteristics of those users while also considering the entity's own circumstances. […] At times, even well informed and diligent users may need to seek the aid of an adviser to understand information about complex economic phenomena. ~~Therefore, the assessment needs to take into account how users with such attributes could reasonably be expected to be influenced in making economic decisions.~~
>
> ...

Extracts from IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*

~~**Paragraph 5 (and paragraph 7 of IAS 1)**~~

~~Referred to in paragraphs 5, 41 and 60 of the Practice Statement~~

> ~~***Material*** **Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.**~~

...

Paragraphs 5, 41 and 60 are amended for an entity that has adopted the 2018 *Amendments to References to the Conceptual Framework in IFRS Standards*. New text is underlined, and deleted text is struck through. Paragraph 7 of IAS 1 and paragraph 5 of IAS 8 in the Appendix to the Practice Statement are also amended.

Definition of material

5 The *Conceptual Framework for Financial Reporting* (*Conceptual Framework*) provides the following definition of material information (paragraph 7 of IAS 1 *Presentation of Financial Statements* ~~and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* provide~~ provides a similar ~~definitions~~definition[1]):

> Information is material if omitting~~, it or~~ misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial reports make on the basis of those reports, which provide financial information about a specific reporting entity. In other words, materiality is an entity-specific aspect of relevance based on the nature or magnitude, or both, of the items to which the information relates in the context of an individual entity's financial report.[2]

[1] See paragraph 7 of IAS 1 *Presentation of Financial Statements* ~~and paragraph 5 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*~~.

[2] Paragraph 2.11 of the *Conceptual Framework for Financial Reporting* (*Conceptual Framework*).~~However, the Exposure Draft ED/2017/6 *Definition of Material* (*Proposed amendments to IAS 1 and IAS 8*) (Definition of Material ED) proposes to refine the definition of material to '[i]nformation is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of a specific reporting entity's general purpose financial statements make on the basis of those financial statements'. The Definition of Material ED also identified consequential amendments to other IFRS Standards, including amendments to the definitions of material in the *Conceptual Framework*, IAS 1 and IAS 8.~~

...

A four-step materiality process

...

Step 2—assess

...

41 An entity might conclude that an item of information is material for various reasons. Those reasons include the item's nature or magnitude ~~size~~, or a combination of both, judged in relation to the particular circumstances of the entity.[2][3] Therefore, making materiality judgements involves both quantitative and qualitative considerations. It would not be appropriate for the entity to rely on purely numerical guidelines or to apply a uniform quantitative threshold for materiality (see paragraphs 53–55).

[2][3] See paragraph 7 of IAS 1 ~~and paragraph 5 of IAS 8~~.

...

Step 4—review

60 An entity needs to assess whether information is material both individually and in combination with other information[27] in the context of its financial statements as a whole. Even if information is judged not to be

material on its own, it might be material when considered in combination with other information in the complete set of financial statements.

[27] See paragraph 7 of IAS 1~~ and paragraph 5 of IAS 8~~.

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Appendix
References to the *Conceptual Framework for Financial Reporting* and IFRS Standards

Extracts from the Conceptual Framework for Financial Reporting~~[45]~~

Paragraph 2.11

Referred to in paragraph 5 of the Practice Statement

Information is material if omitting, ~~it or~~ misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial reports make on the basis of those reports, which provide financial information about a specific reporting entity. In other words, materiality is an entity-specific aspect of relevance based on the nature or magnitude, or both, of the items to which the information relates in the context of an individual entity's financial report. Consequently, the Board cannot specify a uniform quantitative threshold for materiality or predetermine what could be material in a particular situation.

...

~~[45] References to the *Conceptual Framework for Financial Reporting* in this Practice Statement will be updated once the revised *Conceptual Framework* is issued.~~

...

Extracts from IAS 1 *Presentation of Financial Statements*

Paragraph 7 ~~(and paragraph 5 of IAS 8)~~

Referred to in paragraphs 5, 41 and 60 of the Practice Statement

***Material*:**

Information is ~~Omissions or misstatements of items are~~ material if omitting, misstating or obscuring it ~~they~~ could reasonably be expected to~~, individually or collectively,~~ influence ~~the economic~~ decisions that the primary users of general purpose financial statements make on the basis of those ~~the~~ financial statements, which provide financial information about a specific reporting entity. ~~Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.~~

Materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole.

Paragraph 7

Referred to in paragraph 6 of the Practice Statement

> Assessing whether information ~~an omission or misstatement~~ could reasonably be expected to influence ~~economic~~ decisions ~~of~~ made by the primary users of a specific reporting entity's general purpose financial statements~~, and so be material,~~ requires an entity to consider ~~consideration of~~ the characteristics of those users while also considering the entity's own circumstances. […] At times, even well informed and diligent users may need to seek the aid of an adviser to understand information about complex economic phenomena ~~Therefore, the assessment needs to take into account how users with such attributes could reasonably be expected to be influenced in making economic decisions~~.
>
> ...

Extracts from IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*

~~**Paragraph 5 (and paragraph 7 of IAS 1)**~~

~~Referred to in paragraphs 5, 41 and 60 of the Practice Statement~~

> ~~***Material*** **Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.**~~

...

Amendments to IFRS 2 *Share-based Payment Implementation Guidance*

The following amendments are a consequence of the amendments to the definition of material in IAS 1 and IAS 8. These amendments are applied prospectively at the same time an entity applies the amendments to the definition of material in IAS 1 and IAS 8.

Paragraph IG17 (IG Example 11) is amended. New text is underlined and deleted text is struck through.

...

Application of requirements

...

However, in some cases, the expense relating to an ESPP might not be material. IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* states that the accounting policies in IFRSs need not be applied when the effect of applying them is immaterial (IAS 8, paragraph 8). ~~IAS 8~~ IAS 1 *Presentation of Financial Statements* ~~also~~ states that information ~~an omission or misstatement of an item~~ is material if omitting, misstating or obscuring it could~~, individually or collectively,~~ reasonably be expected to influence ~~the economic~~ decisions that the primary users of general purpose financial statements make on the basis of those ~~the~~ financial statements, which provide financial information about a specific reporting entity. Materiality depends on the ~~size and~~ nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole ~~the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor (IAS 8, paragraph 5~~(IAS 1, paragraph 7). Therefore, in this example, the entity should consider whether the expense of CU256,000 is material.

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Amendments to IFRS 4 *Insurance Contracts Implementation Guidance*

The following amendments are a consequence of the amendments to the definition of material in IAS 1 and IAS 8. These amendments are applied prospectively at the same time an entity applies the amendments to the definition of material in IAS 1 and IAS 8.

Paragraphs IG15 and IG16 are amended. New text is underlined and deleted text is struck through.

Materiality

IG15 IAS 1 defines materiality and notes that a specific disclosure requirement in an IFRS need not be satisfied if the information is not material. ~~IAS 1 defines materiality as follows:~~

> ~~Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.~~

IG16 Paragraph 7 of IAS 1 also explains the following:

> Assessing whether information ~~an omission or misstatement~~ could reasonably be expected to influence ~~economic~~ decisions ~~of~~ made by the primary users of a specific reporting entity's general purpose financial statements~~, and so be material,~~ requires an entity to consider ~~consideration of~~ the characteristics of those users while also considering the entity's own circumstances. Many existing and potential investors, lenders and other creditors cannot require reporting entities to provide information directly to them and must rely on general purpose financial statements for much of the financial information they need. Consequently, they are the primary users at whom general purpose financial statements are directed. Financial statements are prepared for users who have a reasonable level of knowledge of business and economic activities and who review and analyse the information diligently. At times, even well-informed and diligent users may seek the aid of an adviser to understand information about complex economic phenomena. ~~The *Framework for the Preparation and Presentation of Financial Statements* states in paragraph 25[1] that 'users are assumed to have a reasonable knowledge of business and economic activities and accounting and a willingness to study the information with reasonable diligence.' Therefore, the assessment needs to take into account how users with such attributes could reasonably be expected to be influenced in making economic decisions.~~

~~[1] IASC's *Framework for the Preparation and Presentation of Financial Statements* was adopted by the IASB in 2001. In September 2010 the IASB replaced the *Framework* with the *Conceptual Framework for Financial Reporting*. Paragraph 25 was superseded by Chapter 3 of the *Conceptual Framework*.~~

Amendments to the bases for conclusions on other IFRS Standards

The following amendments to the bases for conclusions are a consequence of the amendments to the definition of material in IAS 1 and IAS 8.

IFRS 17 *Insurance*

A footnote is added to the definition of material quoted in paragraph BC79.

* Amendments to the definition of material in the *Conceptual Framework for Financial Reporting* were issued in October 2018.

2018 *Conceptual Framework for Financial Reporting*

Paragraph BC2.20A is added.

Materiality (October 2018)

BC2.20A The definition of material in the *Conceptual Framework* was amended to include a reference to 'obscuring information' and to replace the phrase 'could influence decisions' with 'could reasonably be expected to influence decisions'. Paragraphs BC13A–BC13T of the Basis for Conclusions on IAS 1 explains the reasons for those amendments.