

DEFINITION OF MATERIAL
(AMENDMENTS TO CONCEPTUAL FRAMEWORKS)



NZ ACCOUNTING
STANDARDS
BOARD

Definition of Material (Amendments to Conceptual Frameworks)

Issued December 2018

This Authoritative Notice was issued on 20 December 2018 by the New Zealand Accounting Standards Board of the External Reporting Board pursuant to section 12(c) of the Financial Reporting Act 2013.

This Authoritative Notice is a disallowable instrument for the purposes of the Legislation Act 2012, and pursuant to section 27(1) of the Financial Reporting Act 2013 takes effect on 17 January 2019.

In finalising this Authoritative Notice, the New Zealand Accounting Standards Board has carried out appropriate consultation in accordance with section 22(1) of the Financial Reporting Act 2013.

This Authoritative Notice clarifies the definition of material in the New Zealand Equivalent to the IASB *Conceptual Framework for Financial Reporting 2010* and the New Zealand Equivalent to the IASB *Conceptual Framework for Financial Reporting* issued in 2018. These amendments are issued as a consequence of the International Accounting Standards Board's clarifications of the definition of material in IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Reporting entities that are subject to this Authoritative Notice are required to apply it in accordance with the effective date, which is set out in Part E.

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The following is available within New Zealand on the XRB website as additional material

APPROVAL BY THE IASB OF *DEFINITION OF MATERIAL* (AMENDMENTS TO IAS 1 AND IAS 8) ISSUED IN OCTOBER 2018

AMENDMENTS TO THE BASIS FOR CONCLUSIONS ON IAS 1 *PRESENTATION OF FINANCIAL STATEMENTS*

AMENDMENTS TO THE BASIS FOR CONCLUSIONS ON IAS 8 *ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS*

AMENDMENTS TO OTHER IFRS STANDARDS AND PUBLICATIONS

AMENDMENTS TO IFRS PRACTICE STATEMENT 2 *MAKING MATERIALITY JUDGEMENTS*

AMENDMENTS TO IFRS 2 *SHARE-BASED PAYMENT IMPLEMENTATION GUIDANCE*

AMENDMENTS TO IFRS 4 *INSURANCE CONTRACTS IMPLEMENTATION GUIDANCE*

AMENDMENTS TO THE BASES FOR CONCLUSIONS ON OTHER IFRS STANDARDS AND PUBLICATIONS

IFRS 17 *INSURANCE*

2018 *CONCEPTUAL FRAMEWORK FOR FINANCIAL REPORTING*

Part A – Introduction

This Authoritative Notice amends the description of materiality in the New Zealand Equivalent to the IASB *Conceptual Framework for Financial Reporting 2010 (NZ Framework)* and the New Zealand Equivalent to the IASB *Conceptual Framework for Financial Reporting (2018 NZ Conceptual Framework)*. The amendments are a consequence of the amendments to the definition of material in NZ IAS 1 *Presentation of Financial Statements* and NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, as set out in *Definition of Material* (Amendments to NZ IAS 1 and NZ IAS 8).

Part B – Scope

The amendments in this Authoritative Notice are made as a consequence of amendments to NZ IAS 1 and NZ IAS 8. Those standards are applied by Tier 1 and Tier 2 for-profit entities.

Part C – Amendments to the NZ Framework (2010)

The following amendments to the New Zealand Equivalent to the IASB Conceptual Framework for Financial Reporting 2010 (NZ Framework) are a consequence of the amendments to the definition of material in NZ IAS 1 and NZ IAS 8. These amendments are applied prospectively at the same time an entity applies the amendments to the definition of material in NZ IAS 1 and NZ IAS 8.

Paragraph QC11 is amended. New text is underlined and deleted text is struck through.

Materiality

QC11 Information is material if ~~omitting, it or~~ omitting, it or ~~misstating or obscuring~~ misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial reports (see paragraph OB5) 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 IASB cannot specify a uniform quantitative threshold for materiality or predetermine what could be material in a particular situation.

Part D – Amendments to the 2018 NZ Conceptual Framework

The following amendments to the New Zealand Equivalent to the IASB Conceptual Framework for Financial Reporting (2018 NZ Conceptual Framework) are a consequence of the amendments to the definition of material in NZ IAS 1 and NZ IAS 8. These amendments are applied prospectively at the same time an entity applies the amendments to the definition of material in NZ IAS 1 and NZ IAS 8.

Paragraph 2.11 is amended. New text is underlined and deleted text is struck through. Paragraph NZ SP1.5.3 is added.

Materiality

2.11 Information is material if ~~omitting, it or~~ omitting, it or ~~misstating or obscuring~~ misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial reports (see paragraph 1.5) 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

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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.

...

EFFECTIVE DATE

...

NZ SP1.5.3 *Definition of Material* (Amendments to Conceptual Frameworks), issued in December 2018, amended paragraph 2.11. An entity shall apply those amendments prospectively at the same time as it applies the amendments to the definition of material in NZ IAS 1 *Presentation of Financial Statements* and NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Part E – Effective Date

This authoritative notice is effective for annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted.