



To:	AASB Members	Date:	24 May 2013
From:	Evelyn Ling and Robert Keys	Agenda Item:	5.2 (M131)
Subject:	Proposed withdrawal of AASB 1031 <i>Materiality</i>	File:	

BACKGROUND

Staff are in the process of implementing the Board's decision to propose the withdrawal of AASB 1031. The following issue has arisen that the staff thought opportune to raise with the Board as an 'emerging issue' rather than as part of a pre-ballot draft ED.

ISSUE: SCOPE OF THE EXPOSURE DRAFT

A question arises about the scope of the ED that will propose the withdrawal of AASB 1031 because the Basis of Conclusions to AASB 1055 *Budgetary Reporting* states:

The Board also noted that some question the suitability of referring to 'major' variances, given the role materiality plays in standards. The Board decided to retain the reference, given it was used in AASB 1049 without insurmountable practice issues being identified. However, the Board decided that it would reconsider the matter in due course as part of a broader consideration of terminology associated with 'materiality' used in a range of standards. [AASB 1055.BC26]

The question is whether, in making this comment in AASB 1055, the Board intended for the consideration of terminology associated with materiality to be actioned as part of the withdrawal of AASB 1031.

DISCUSSION

The terminology 'major' is used in a number of IFRSs in addition to domestic Standards, for example:

AASB 107 *Statement of Cash Flows*

An entity shall report cash flows from operating activities using either:

- (a) the direct method, whereby **major** classes of gross cash receipts and gross cash payments are disclosed; or [AASB 107.18]

AASB 3 Business Combinations

... the acquirer shall disclose the following information for each business combination that occurs during the reporting period: ...

- (f) the acquisition-date fair value of the total consideration transferred and the acquisition-date fair value of each **major** class of consideration, such as: ...
- (h) ... The disclosures shall be provided by **major** class of receivable, such as loans, direct finance leases and any other class of receivables. ...
- (i) the amounts recognised as of the acquisition date for each **major** class of assets acquired and liabilities assumed. ... [AASB 3.B64]

AASB 1004 Contributions

The complete set of financial statements of a government department shall disclose separately:

- (a) a summary of the recurrent, capital or other **major** categories of appropriations, disclosing separately:
 - (i) the original amounts appropriated for the reporting period; and
 - (ii) the total amounts appropriated for the reporting period; ... [AASB 1004.64]

AASB 1055 Budgetary Reporting

... the entity shall disclose for the reporting period:

- (e) that original budgeted financial statement presented to parliament ...; and
- (f) explanations of **major** variances between the actual amounts presented in the financial statements and the corresponding original budget amounts. [AASB 1055.6]

Other terminology that may be regarded as associated with ‘materiality’ in the Australian Accounting Standards, including those that incorporate IFRSs, include ‘significant’, ‘key’ and ‘main’.

Staff View

The consideration of terminology associated with ‘materiality’ is a matter for IASB consideration before the Board undertakes a project on this. If it were taken on as part of the proposal to withdraw AASB 1031, it would unduly delay the project. Accordingly, the staff view is that this ED should not include consideration of terminology associated with materiality.

QUESTION FOR THE BOARD:

Do you agree that the Exposure Draft proposing the withdrawal of AASB 1031 *Materiality* should not address the consideration of terminology associated with materiality?