

17 November 2017

Ms. Kris Peach
Chair
Australian Accounting Standards Board
PO Box 204
Collins St West Victoria 8007
AUSTRALIA

By email: standard@asb.gov.au

Dear Kris

Exposure Draft 282 – Definition of Material (Proposed amendments to AASB 101 and AASB 108)

The Australasian Council of Auditors-General (ACAG) welcomes the opportunity to comment on the exposure draft. The views expressed in this submission represent those of all Australian members of ACAG.

ACAG supports the International Accounting Standards Board's (IASB) work to amend or refine the definition of material, and improve the understanding of existing requirements. ACAG expects positive benefits from clarifying the definition of material to focus more on the primary users' value of information presented and disclosed.

ACAG previously commented on '*Discussion Paper DP/2017/1 Disclosure Initiative – Principles of Disclosure*', noting overall that preparers could improve financial reporting by changing their disclosures behaviour, particularly in how they apply materiality in making their assessments about the information disclosed in the financial statements. ACAG believes that while substantive changes to the materiality definition are not proposed in the exposure draft, the accompanying guidance could assist in changing this process of improving preparers' disclosures behaviour.

We trust you find the attached comments useful.

Yours sincerely



Andrew Greaves
Chairman
ACAG Financial Reporting and Accounting Committee

Specific Matters for Comment

The AASB would particularly value comments on the following:

1. **whether there are any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals, particularly any issues relating to:**
 - a. **not-for-profit entities; and**
 - b. **public sector entities, including GAAP/GFS implications;**

ACAG notes the *Framework for the Preparation and Presentation of Financial Statements*, paragraphs AusOB2.1 and AusOB3.1 provide guidance for not-for-profit entities on users and their needs. As this represents a broader user group than the primary users of general purpose financial statements of for-profit entities, ACAG recommends the AASB provide guidance on who are to be considered primary users of not-for-profit financial statements.

ACAG supports the Board's decision to undertake additional work on the IASB Materiality Practice Statement to include references to Australian-specific regulations and to extend the examples to address not-for-profit issues.

2. **whether, overall, the proposals would result in financial statements that would be useful to users**

Yes. ACAG believes that the proposed amendments will contribute to further improvements in the usefulness of financial statements. However, ACAG agrees with the feedback received by the IASB that the difficulties in making materiality judgements are generally behavioural, which are discussed in paragraphs BC1 and BC2 of the exposure draft.

3. **whether the proposals are in the best interests of the Australian economy**

Yes. ACAG is of the view that the proposed amendments to the definition of material would be of benefit to users of financial statements and in the best interests of the Australian economy.

4. **unless already provided in response to specific matters for comment 1 – 3 above, the costs and benefits of the proposals relative to the current requirements, whether quantitative (financial or non-financial) or qualitative. In relation to quantitative financial costs, the AASB is particularly seeking to know the nature(s) and estimated amount(s) of any expected incremental costs, or cost savings, of the proposals relative to the existing requirements.**

ACAG does not expect significant additional costs in implementing the proposals. The benefits are expected to be more qualitative in nature.

