

AASB Exposure Draft

ED 243
June 2013

Withdrawal of AASB 1031 *Materiality*

Comments to the AASB by 23 August 2013



Australian Government

**Australian Accounting
Standards Board**

Commenting on this AASB Exposure Draft

Comments on this Exposure Draft are requested by 23 August 2013.
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All submissions on possible, proposed or existing financial reporting requirements, or on the standard-setting process, will be placed on the public record unless the Chairman of the AASB agrees to submissions being treated as confidential. The latter will occur only if the public interest warrants such treatment.

Obtaining a Copy of this AASB Exposure Draft

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STANDARDS TO WITHDRAW AASB 1031 MATERIALITY AND
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[Draft] Australian Accounting Standard AASB 2013-X *Amendments to Australian Accounting Standards to Withdraw AASB 1031 Materiality and Make Consequential Amendments* is set out in paragraphs 1 – 36 and Appendix A. All the paragraphs have equal authority.

PREFACE

Introduction

Australian Accounting Standards

The Australian Accounting Standards Board (AASB) makes Australian Accounting Standards, including Interpretations, to be applied by:

- (a) entities required by the *Corporations Act 2001* to prepare financial reports;
- (b) governments in preparing financial statements for the whole of government and the General Government Sector (GGS); and
- (c) entities in the private or public for-profit or not-for-profit sectors that are reporting entities or that prepare general purpose financial statements.

Exposure Drafts

The publication of an Exposure Draft is part of the due process that the AASB follows before making a new Australian Accounting Standard or Interpretation, or amending or withdrawing an existing one. Exposure Drafts are designed to seek public comment on the AASB's proposals for new Australian Accounting Standards or Interpretations, or amendments to or withdrawal of existing Standards.

Reasons for Issuing this Exposure Draft

As noted in the Preface to AASB 1031 *Materiality* (July 2004), at the time AASB 1031 was issued, the *Framework for the Preparation and Presentation of Financial Statements* contained limited guidance on materiality in comparison to AASB 1031. Accordingly, as part of the AASB's implementation of the Financial Reporting Council's policy of adopting the Standards of the International Accounting Standards Board (IASB) for application to reporting periods beginning on or after 1 January 2005, the AASB decided to retain AASB 1031, in a revised format, to ensure that the meaning of materiality remained well explained.

The AASB is issuing this Exposure Draft to propose withdrawing AASB 1031 and making consequential amendments in other Accounting Standards and Interpretations in light of the guidance on materiality available in existing Australian Accounting Standards, the revised IASB *Conceptual*

*Framework for Financial Reporting*¹ and the AASB's policy of not providing unnecessary local guidance on matters covered by IFRSs. The AASB is cognisant of the IASB's intentions to begin a project on materiality shortly with a view to developing application guidance or educational material on materiality (as indicated on pages 14 and 16 of the IASB Feedback Statement *Discussion Forum – Financial Reporting Disclosure* issued in May 2013). The withdrawal of AASB 1031 will facilitate the incorporation of any authoritative guidance into the Australian Accounting Standards eventuating from this IASB initiative.

Main Features of this Exposure Draft

This Exposure Draft proposes the withdrawal of AASB 1031 by amending AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* to supersede AASB 1031, and to make consequential amendments, including the deletion of references to that Standard, in other Accounting Standards and Interpretations.

Application Date

It is proposed that this Standard be applicable to annual reporting periods beginning on or after 1 January 2014 with early adoption permitted for periods beginning on or after 1 January 2005, except for the amendments to AASB 124 *Related Party Disclosures*. The amendments to AASB 124 may be applied to annual reporting periods beginning on or after 1 July 2013 but before 1 January 2014.

Request for Comments

Comments are invited on any of the proposals in this Exposure Draft by 23 August 2013. Submissions play an important role in the decisions that the AASB will make in regard to a Standard. The AASB would prefer that respondents express a clear overall opinion on whether the proposals, as a whole, are supported and that this opinion be supplemented by detailed comments, whether supportive or critical, on the major issues. The AASB regards supportive and critical comments as essential to a balanced review of the issues and will consider all submissions, whether they address all specific matters, additional issues or only one issue.

¹ A revised AASB *Conceptual Framework for Financial Reporting*, incorporating the two new chapters of the revised IASB *Conceptual Framework for Financial Reporting* for application by for-profit entities and retaining, on a pro tem basis, the text of the current AASB framework for application by not-for-profit entities, is expected to be issued in the near future. The consequential amendments to IFRSs arising from the issue of the revised IASB *Conceptual Framework* will similarly be incorporated into the Australian Accounting Standards at or around the same time.

Specific Matters for Comment

The AASB would particularly value comments on the following:

- 1 whether the proposal to withdraw AASB 1031 is supported;
- 2 whether the proposals in this Exposure Draft would result in a change from current practice, including whether the proposal to permit early adoption would result in the omission of disclosures that might otherwise be made, and, if so, why;
- 3 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;
- 4 whether, overall, the proposals would result in financial statements that would be useful to users;
- 5 whether the proposals are in the best interests of the Australian economy; and
- 6 unless already provided in response to specific matters for comment 1 – 5 above, the costs and benefits of the proposals relative to the current requirements, whether quantitative (financial or non-financial) or qualitative.

ACCOUNTING STANDARD AASB 2013-X
AMENDMENTS TO AUSTRALIAN ACCOUNTING
STANDARDS TO WITHDRAW AASB 1031
MATERIALITY AND MAKE CONSEQUENTIAL
AMENDMENTS

Objective

- 1 The objective of this Standard is to make amendments to Australian Accounting Standards (including Interpretations) to effect the withdrawal of AASB 1031 *Materiality* and to make the consequential amendments arising from that withdrawal.
- 2 A list of the Accounting Standards and Interpretations amended by this Standard is included in Appendix A.

Application

- 3 **Subject to paragraphs 4-21, this Standard applies to:**
 - (a) **each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act and that is a reporting entity;**
 - (b) **general purpose financial statements of each other reporting entity; and**
 - (c) **financial statements that are, or are held out to be, general purpose financial statements.**
- 4 **In respect of AASB 8, this Standard applies to:**
 - (a) **each for-profit entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act and that is a reporting entity;**
 - (b) **general purpose financial statements of each other for-profit reporting entity other than for-profit government departments; and**
 - (c) **financial statements of a for-profit entity other than for-profit government departments that are, or are held out to be, general purpose financial statements;**

in respect of:

- (d) the separate or individual financial statements of an entity:
 - (i) whose debt or equity instruments are traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets); or
 - (ii) that files, or is in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market; and
- (e) the consolidated financial statements of a group with a parent:
 - (i) whose debt or equity instruments are traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets); or
 - (ii) that files, or is in the process of filing, the consolidated financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market.

5 In respect of AASB 101, AASB 107, AASB 108, AASB 1048 and AASB 1054, this Standard applies to:

- (a) each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act;
- (b) general purpose financial statements of each reporting entity; and
- (c) financial statements that are, or are held out to be, general purpose financial statements.

6 In respect of AASB 120 and Interpretation 110, this Standard applies to:

- (a) each for-profit entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act and that is a reporting entity;

- (b) **general purpose financial statements of each other for-profit reporting entity; and**
 - (c) **financial statements of a for-profit entity that are, or are held out to be, general purpose financial statements.**
- 7 In respect of AASB 133, this Standard applies to each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act and that is:**
 - (a) **a reporting entity whose ordinary shares or potential ordinary shares are publicly traded; or**
 - (b) **a reporting entity that is in the process of issuing ordinary shares or potential ordinary shares in public markets; or**
 - (c) **an entity that discloses earnings per share.**
- 8 In respect of AASB 134, this Standard applies to:**
 - (a) **each disclosing entity required to prepare half-year financial reports in accordance with Part 2M.3 of the Corporations Act;**
 - (b) **interim financial reports that are general purpose financial statements of each other reporting entity; and**
 - (c) **interim financial reports that are, or are held out to be, general purpose financial statements.**
- 9 In respect of AASB 1004, this Standard applies to:**
 - (a) **each not-for-profit entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act and that is a reporting entity;**
 - (b) **general purpose financial statements of each other not-for-profit entity that is a reporting entity;**
 - (c) **financial statements of not-for-profit entities that are, or are held out to be, general purpose financial statements; and**
 - (d) **financial statements of General Government Sectors (GGSS) prepared in accordance with AASB 1049.**

- 10 In respect of AASB 1038, this Standard applies to each entity that is:**
- (a) a life insurer; or**
 - (b) the parent in a group that includes a life insurer;**
- when the entity:**
- (c) is a reporting entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act;**
 - (d) is an other reporting entity and prepares general purpose financial statements; or**
 - (e) prepares financial statements that are, or are held out to be, general purpose financial statements.**
- 11 In respect of AASB 1039, this Standard applies to a concise financial report prepared by an entity in accordance with paragraph 314(2)(a) in Part 2M.3 of the Corporations Act.**
- 12 In respect of AASB 1049, this Standard applies to each government's whole of government general purpose financial statements and GGS financial statements.**
- 13 In respect of AASB 1050, this Standard applies to general purpose financial statements of government departments.**
- 14 In respect of AASB 1051, this Standard applies to general purpose financial statements of local governments, government departments and whole of governments, and financial statements of GGSs.**
- 15 In respect of AASB 1052, this Standard applies to general purpose financial statements of local governments and government departments.**
- 16 In respect of AASB 1053, this Standard applies to:**
- (a) each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act;**
 - (b) general purpose financial statements of each reporting entity;**

- (c) **financial statements that are, or are held out to be, general purpose financial statements; and**
 - (d) **financial statements of GGSs prepared in accordance with AASB 1049.**
- 17 In respect of AASB 1055, this Standard applies to:**
- (a) **whole of government general purpose financial statements of each government;**
 - (b) **financial statements of each government's GGS;**
 - (c) **general purpose financial statements of each not-for-profit reporting entity within the GGS; and**
 - (d) **financial statements of each not-for-profit entity within the GGS that are, or are held out to be, general purpose financial statements.**
- 18 In respect of AAS 25, this Standard applies to general purpose financial reports of each superannuation plan in the private or public sector that is a reporting entity.**
- 19 In respect of Interpretation 1019, this Standard applies to superannuation plans when AASB 137 applies.**
- 20 In respect of Interpretation 1038, this Standard applies to public sector entities as follows:**
- (a) **each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act and that is a reporting entity;**
 - (b) **general purpose financial statements of each other reporting entity; and**
 - (c) **financial statements that are, or are held out to be, general purpose financial statements.**
- 21 In respect of Interpretation 1047, this Standard applies to entities that are or include medical defence organisations as follows:**
- (a) **each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act 2001 and that is a reporting entity;**

- (b) general purpose financial statements of each other reporting entity; and
 - (c) financial statements that are, or are held out to be, general purpose financial statements.
- 22 This Standard applies to annual reporting periods beginning on or after 1 January 2014.
- 23 Subject to paragraph 24, this Standard may be applied to annual reporting periods beginning on or after 1 January 2005 but before 1 January 2014. When an entity applies this Standard to such an annual reporting period it shall disclose that fact.
- 24 The amendments to AASB 124 may be applied to annual reporting periods beginning on or after 1 July 2013 but before 1 January 2014. When an entity applies this Standard to such an annual reporting period it shall disclose that fact.
- 25 This Standard uses underlining, striking out and other typographical material to identify some of the amendments to a Standard or an Interpretation, in order to make the amendments more understandable. However, the amendments made by this Standard do not include that underlining, striking out or other typographical material.

Withdrawal of AASB 1031

- 26 Paragraph Aus2.5 of AASB 108 is amended as follows (new text is underlined and deleted text is struck through):
- Aus2.5** When applicable, this Standard supersedes:
- (a) AASB 1001 *Accounting Policies* as notified in the Commonwealth of Australia Gazette No S 130, 26 March 1999; and
 - (b) AAS 6 *Accounting Policies* as issued in March 1999; and
 - (c) AASB 1031 *Materiality* (July 2004, as amended).
- 27 Paragraph Aus2.6 is amended as follows (new text is underlined and deleted text is struck through):

Aus2.6 AASB 1001, ~~and AAS 6~~ and AASB 1031 remain applicable until superseded by this Standard.

Deletion of References to AASB 1031

- 28 The statement in each Accounting Standard or Interpretation that the requirements of the Standard or Interpretation apply where information resulting from their application is material in accordance with AASB 1031 is deleted from the Accounting Standard or Interpretation as listed in the table below:

Australian Accounting Standards (including Interpretations)	Paragraphs deleted
AASB 1 <i>First-time Adoption of Australian Accounting Standards</i>	Aus1.4
AASB 2 <i>Share-based Payment</i>	Aus1.4
AASB 3 <i>Business Combinations</i>	Aus1.4
AASB 4 <i>Insurance Contracts</i>	Aus1.4
AASB 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	Aus1.4
AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i>	Aus2.4
AASB 7 <i>Financial Instruments: Disclosures</i>	Aus2.4
AASB 8 <i>Operating Segments</i>	Aus2.4
AASB 9 <i>Financial Instruments</i> (December 2009)	Aus1.5
AASB 9 <i>Financial Instruments</i> (December 2010)	Aus1.6
AASB 10 <i>Consolidated Financial Statements</i>	Aus3.4
AASB 11 <i>Joint Arrangements</i>	Aus2.4
AASB 12 <i>Disclosure of Interests in Other Entities</i>	Aus4.5
AASB 13 <i>Fair Value Measurement</i>	Aus4.4

Australian Accounting Standards (including Interpretations)	Paragraphs deleted
AASB 101 <i>Presentation of Financial Statements</i>	Aus1.4
AASB 102 <i>Inventories</i>	Aus1.4
AASB 107 <i>Statement of Cash Flows</i>	Aus1.4
AASB 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	Aus2.4
AASB 110 <i>Events after the Reporting Period</i>	Aus1.4
AASB 111 <i>Construction Contracts</i>	Aus1.4
AASB 112 <i>Income Taxes</i>	Aus1.4
AASB 116 <i>Property, Plant and Equipment</i>	Aus1.4
AASB 117 <i>Leases</i>	Aus1.4
AASB 118 <i>Revenue</i>	Aus1.4
AASB 119 <i>Employee Benefits</i>	Aus1.4
AASB 120 <i>Accounting for Government Grants and Disclosure of Government Assistance</i>	Aus1.4
AASB 121 <i>The Effects of Changes in Foreign Exchange Rates</i>	Aus2.4
AASB 123 <i>Borrowing Costs</i>	Aus1.4
AASB 124 <i>Related Party Disclosures</i>	Aus1.8
AASB 127 <i>Separate Financial Statements</i>	Aus1.4
AASB 128 <i>Investments in Associates and Joint Ventures</i>	Aus1.4
AASB 129 <i>Financial Reporting in Hyperinflationary Economies</i>	Aus1.4
AASB 132 <i>Financial Instruments: Presentation</i>	Aus3.4

Australian Accounting Standards (including Interpretations)	Paragraphs deleted
AASB 133 <i>Earnings per Share</i>	Aus1.4
AASB 134 <i>Interim Financial Reporting</i>	Aus1.6
AASB 136 <i>Impairment of Assets</i>	Aus1.4
AASB 137 <i>Provisions, Contingent Liabilities and Contingent Assets</i>	Aus1.4
AASB 138 <i>Intangible Assets</i>	Aus1.4
AASB 139 <i>Financial Instruments: Recognition and Measurement</i>	Aus1.4
AASB 140 <i>Investment Property</i>	Aus1.4
AASB 141 <i>Agriculture</i>	Aus1.4
AASB 1004 <i>Contributions</i>	9
AASB 1023 <i>General Insurance Contracts</i>	1.4
AASB 1038 <i>Life Insurance Contracts</i>	1.4
AASB 1039 <i>Concise Financial Reports</i>	5
AASB 1048 <i>Interpretation of Standards</i>	5
AASB 1049 <i>Whole of Government and General Government Sector Financial Reporting</i>	5
AASB 1050 <i>Administered Items</i>	5
AASB 1051 <i>Land Under Roads</i>	5
AASB 1052 <i>Disaggregated Disclosures</i>	9
AASB 1053 <i>Application of Tiers of Australian Accounting Standards</i>	6
AASB 1054 <i>Australian Additional Disclosures</i>	5

Australian Accounting Standards (including Interpretations)	Paragraphs deleted
AASB 1055 <i>Budgetary Reporting</i>	5
Interpretation 1 <i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i>	Aus8.4
Interpretation 2 <i>Members' Shares in Co-operative Entities and Similar Instruments</i>	Aus13.4
Interpretation 4 <i>Determining whether an Arrangement contains a Lease</i>	Aus15.4
Interpretation 5 <i>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</i>	Aus13.4
Interpretation 6 <i>Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment</i>	Aus9.4
Interpretation 7 <i>Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies</i>	Aus5.4
Interpretation 9 <i>Reassessment of Embedded Derivatives</i>	Aus8.4
Interpretation 10 <i>Interim Financial Reporting and Impairment</i>	Aus9.4
Interpretation 12 <i>Service Concession Arrangements</i>	Aus27.4
Interpretation 13 <i>Customer Loyalty Programmes</i>	Aus9.4
Interpretation 14 <i>AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>	Aus26.4
Interpretation 15 <i>Agreements for the Construction of Real Estate</i>	Aus23.4
Interpretation 16 <i>Hedges of a Net Investment in a Foreign Operation</i>	Aus17.4

Australian Accounting Standards (including Interpretations)	Paragraphs deleted
Interpretation 17 <i>Distributions of Non-cash Assets to Owners</i>	Aus17.4
Interpretation 18 <i>Transfers of Assets from Customers</i>	Aus21.5
Interpretation 19 <i>Extinguishing Financial Liabilities with Equity Instruments</i>	Aus11.4
Interpretation 20 <i>Stripping Costs in the Production Phase of a Surface Mine</i>	Aus16.4
Interpretation 107 <i>Introduction of the Euro</i>	Aus4.4
Interpretation 110 <i>Government Assistance – No Specific Relation to Operating Activities</i>	Aus3.4
Interpretation 115 <i>Operating Leases – Incentives</i>	Aus6.4
Interpretation 125 <i>Income Taxes – Changes in the Tax Status of an Entity or its Shareholders</i>	Aus4.4
Interpretation 127 <i>Evaluating the Substance of Transactions Involving the Legal Form of a Lease</i>	Aus11.4
Interpretation 129 <i>Service Concession Arrangements: Disclosures</i>	Aus7.4
Interpretation 131 <i>Revenue – Barter Transactions Involving Advertising Services</i>	Aus5.4
Interpretation 132 <i>Intangible Assets – Web Site Costs</i>	Aus10.4
Interpretation 1003 <i>Australian Petroleum Resource Rent Tax</i>	13
Interpretation 1019 <i>The Superannuation Contributions Surcharge</i>	14
Interpretation 1030 <i>Depreciation of Long-Lived Physical Assets: Condition-Based Depreciation and Related Methods</i>	12

Australian Accounting Standards (including Interpretations)	Paragraphs deleted
Interpretation 1031 <i>Accounting for the Goods and Services Tax (GST)</i>	16
Interpretation 1038 <i>Contributions by Owners Made to Wholly-Owned Public Sector Entities</i>	16
Interpretation 1042 <i>Subscriber Acquisition Costs in the Telecommunications Industry</i>	11
Interpretation 1047 <i>Professional Indemnity Claims Liabilities in Medical Defence Organisations</i>	13
Interpretation 1052 <i>Tax Consolidation Accounting</i>	20
Interpretation 1055 <i>Accounting for Road Earthworks</i>	12

- 29 Except in relation to Interpretations 1, 6, 7, 9, 10, 12, 13, 14, 16, 19, 20, 107, 110 and 125, a note is added against the paragraph number of each paragraph deleted as specified in paragraph 28, as follows:

[Deleted by the AASB]

Amendments to AASB 134

- 30 Paragraph 24 is amended as follows (new text is underlined and deleted text is struck through):
- 24 ~~In deciding whether an item is material, its nature and amount usually need to be evaluated together. AASB 1031 *Materiality* provides guidance on the role of materiality in making judgements in the preparation and presentation of financial statements. AASB 101 and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* define an item as material if its omission or misstatement could influence the economic decisions of users of the financial statements. AASB 101 requires separate disclosure of material items, including (for example) discontinued operations, and AASB 108 requires disclosure of changes in accounting estimates, errors, and changes in accounting policies. The two Standards do not contain quantified guidance as to materiality.~~

Amendments to AASB 1023

31 Paragraph 1.4.1 is deleted and a note added as follows:

1.4.1 [Deleted by the AASB]

The full text of the paragraph proposed to be deleted is as follows:

1.4.1 The requirements specified in this Standard apply to the financial statements where information resulting from their application is material, in accordance with AASB 1031. An example of the application of materiality is that disclosures about *general insurance contracts* in the context of a group that includes a *general insurer* are required where the general insurance business is material in the context of the group.

Amendments to AASB 1038

32 Paragraph 1.4.1 is deleted and a note added as follows:

1.4.1 [Deleted by the AASB]

The full text of the paragraph proposed to be deleted is as follows:

1.4.1 The requirements specified in this Standard apply to the financial statements where information resulting from their application is material, in accordance with AASB 1031. An example of the application of materiality is that disclosures about *life insurance contracts* in the context of a group that includes a life insurer are required where the *life insurance business* is material in the context of the group.

Amendment to AASB 1039

33 Paragraph 30 is amended as follows (deleted text is struck through):

30 The following items for the period shall be disclosed even if the amounts are zero (~~since these items are material by their nature~~):

(a) ...

Amendments to AASB 1052

- 34 Paragraph 20 is amended as follows (new text is underlined and deleted text is struck through):
- 20 Judgement is required to identify those activities of a government department that warrant separate disclosure in the complete set of financial statements. Exercising this judgement involves a consideration of the following: ...
- (d) the concept of materiality ~~as set out in the *Framework for the Preparation and Presentation of Financial Statements* and AASB 1034. *AASB 101 Presentation of Financial Statements* and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* define an item as~~ material if its omission or misstatement could influence the economic decisions of users of the financial statements.

Amendments to AAS 25

- 35 Paragraphs 8 and 9, and the heading “Application of Materiality”, are deleted. A note concerning each paragraph is added as follows:
- 8 [Deleted by the AASB]
- 9 [Deleted by the AASB]
- 36 Paragraph 38 is amended as follows (deleted text is struck through):
- 38 ... In establishing net market values of assets it may be necessary to exercise judgement in respect of determining such matters as:
- (a) the costs expected to be incurred in realising the proceeds of any disposals (~~consistent with the provisions of Australian Accounting Standard AAS 5 “Materiality in Financial Statements”,~~ where such costs are not expected to be material, assets can be measured at gross market value. In addition, as a practical measure, the expected cost of disposal may be estimated by application of an average rate over all assets); ...

APPENDIX A
**LIST OF AMENDED ACCOUNTING
STANDARDS AND INTERPRETATIONS**

This appendix is an integral part of AASB 2013-X.

AASB 2013-X makes amendments to:

AASB 1 First-time Adoption of Australian Accounting Standards;

AASB 2 Share-based Payment;

AASB 3 Business Combinations;

AASB 4 Insurance Contracts;

AASB 5 Non-current Assets Held for Sale and Discontinued Operations;

AASB 6 Exploration for and Evaluation of Mineral Resources;

AASB 7 Financial Instruments: Disclosures;

AASB 8 Operating Segments;

AASB 9 Financial Instruments (December 2009);

AASB 9 Financial Instruments (December 2010);

AASB 10 Consolidated Financial Statements;

AASB 11 Joint Arrangements;

AASB 12 Disclosure of Interests in Other Entities;

AASB 13 Fair Value Measurement;

AASB 101 Presentation of Financial Statements;

AASB 102 Inventories;

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AASB 133 *Earnings per Share*;
AASB 134 *Interim Financial Reporting*;
AASB 136 *Impairment of Assets*;
AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*;
AASB 138 *Intangible Assets*;
AASB 139 *Financial Instruments: Recognition and Measurement*;
AASB 140 *Investment Property*;
AASB 141 *Agriculture*;

AASB 1004 *Contributions*;

AASB 1023 *General Insurance Contracts*;

AASB 1038 *Life Insurance Contracts*;

AASB 1039 *Concise Financial Reports*;

AASB 1048 *Interpretation of Standards*;

AASB 1049 *Whole of Government and General Government Sector Financial Reporting*;

AASB 1050 *Administered Items*;

AASB 1051 *Land Under Roads*;

AASB 1052 *Disaggregated Disclosures*;

AASB 1053 *Application of Tiers of Australian Accounting Standards*;

AASB 1054 *Australian Additional Disclosures*;

AASB 1055 *Budgetary Reporting*;

AAS 25 *Financial Reporting by Superannuation Plans*;

Interpretation 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*;

Interpretation 2 *Members' Shares in Co-operative Entities and Similar Instruments*;

Interpretation 4 *Determining whether an Arrangement contains a Lease*;

Interpretation 5 *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*;

Interpretation 6 *Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment*;

Interpretation 7 *Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies*;

Interpretation 9 *Reassessment of Embedded Derivatives*;

Interpretation 10 *Interim Financial Reporting and Impairment*;

Interpretation 12 *Service Concession Arrangements*;

Interpretation 13 *Customer Loyalty Programmes*;

Interpretation 14 *AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*;

Interpretation 15 *Agreements for the Construction of Real Estate*;

Interpretation 16 *Hedges of a Net Investment in a Foreign Operation*;

Interpretation 17 *Distributions of Non-cash Assets to Owners*;

Interpretation 18 *Transfers of Assets from Customers*;

Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments*;

Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*;

Interpretation 107 *Introduction of the Euro*;

Interpretation 110 *Government Assistance – No Specific Relation to Operating Activities*;

Interpretation 115 *Operating Leases – Incentives*;

Interpretation 125 *Income Taxes – Changes in the Tax Status of an Entity or its Shareholders*;

Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*;

Interpretation 129 *Service Concession Arrangements: Disclosures*;

Interpretation 131 *Revenue – Barter Transactions Involving Advertising Services*;

Interpretation 132 *Intangible Assets – Web Site Costs*;

Interpretation 1003 *Australian Petroleum Resource Rent Tax*;

Interpretation 1019 *The Superannuation Contributions Surcharge*;

Interpretation 1030 *Depreciation of Long-Lived Physical Assets: Condition-Based Depreciation and Related Methods*;

Interpretation 1031 *Accounting for the Goods and Services Tax (GST)*;

Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*;

Interpretation 1042 *Subscriber Acquisition Costs in the Telecommunications Industry*;

Interpretation 1047 *Professional Indemnity Claims Liabilities in Medical Defence Organisations*;

Interpretation 1052 *Tax Consolidation Accounting*; and

Interpretation 1055 *Accounting for Road Earthworks*.

BASIS FOR CONCLUSIONS

This Basis for Conclusions accompanies, but is not part of, AASB 2013-X.

Background

- BC1 This Basis for Conclusions and the accompanying attachment 'Comparison of AASB 1031 *Materiality* and IFRSs' summarises the Australian Accounting Standards Board's considerations in reaching the conclusions in the Exposure Draft. Individual Board members gave greater weight to some factors than to others.
- BC2 Prior to adopting International Financial Reporting Standards (IFRSs) in 2005, the AASB had on issue AASB 1031 *Materiality* (July 2004). At the time IFRSs were first incorporated into the Australian Accounting Standards (including Interpretations), the Board decided to retain a revised version of AASB 1031 to help ensure that the meaning of materiality remained well explained, as the *Framework for the Preparation and Presentation of Financial Statements* on issue at that time included only limited guidance on materiality in comparison to AASB 1031.
- BC3 In September 2010, the IASB issued a revised *Conceptual Framework on Financial Reporting*. The revised IASB *Conceptual Framework* contains updated guidance on materiality in Chapter 3 *Qualitative Characteristics of Useful Financial Information*.
- BC4 At its February 2012 meeting, the Board considered whether AASB 1031 remained necessary in light of the guidance on materiality available in existing Accounting Standards and in the revised IASB *Conceptual Framework*¹. The Board also considered whether retaining AASB 1031 was consistent with the AASB's strategies and policies.
- BC5 The Board decided to propose the withdrawal of AASB 1031 to achieve consistency with its policy of not providing unnecessary local guidance on matters covered by IFRSs. This decision is consistent with the Board's view that the principle-based guidance on

¹ A revised AASB *Conceptual Framework for Financial Reporting*, incorporating the two new chapters of the revised IASB *Conceptual Framework for Financial Reporting* for application by for-profit entities and retaining, on a pro tem basis, the text of the current AASB framework for application by not-for-profit entities, is expected to be issued in the near future. The consequential amendments to IFRSs arising from the issue of the revised IASB *Conceptual Framework* will similarly be incorporated into the Australian Accounting Standards at or around the same time.

materiality in Australian Accounting Standards (that incorporate IFRSs) and the IASB *Conceptual Framework* would be adequate.

Scope of the Amendments

- BC6 This Exposure Draft proposes the withdrawal of AASB 1031 by amending AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* to supersede AASB 1031, and to make consequential amendments, including the deletion of references to AASB 1031, in other Accounting Standards and Interpretations.
- BC7 In making its decision to propose the withdrawal of AASB 1031, the Board noted that it would not expect the withdrawal to change practice regarding the application of materiality in financial reporting. In particular, the proposed amendments do not change the level of disclosure presently specified by the accounting standards.
- BC8 This Exposure Draft:
- (a) does not include a broader consideration of terminology associated with ‘materiality’ used in a range of standards; and
 - (b) retains much of the existing guidance on materiality included in AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*.
- BC9 In relation to paragraph BC8(a), paragraph BC26 of AASB 1055 *Budgetary Reporting* notes that the Board decided it would reconsider the suitability of referring to ‘major’ variances, given the role materiality plays in standards, in due course as part of a broader consideration of terminology associated with ‘materiality’ used in a range of standards. The term ‘major’ is used in various Australian Accounting Standards, including those that incorporate IFRSs, along with other related terms such as ‘significant’, ‘key’ and ‘main’. The Board noted that the use of synonyms appears to have contributed to the confusion around the application of materiality. However, the Board decided to not reassess terminology associated with materiality as part of the proposal to withdraw AASB 1031 so as not to unduly delay the withdrawal and noting that concerns about terminology are not restricted to Australian specific issues in Australian Accounting Standards as similar terms are used in IFRSs.
- BC10 In relation to paragraph BC8(b), AASB 4 *Insurance Contracts* (which incorporates IFRS 4 of the same name) requires limited improvements to accounting by insurers for insurance contracts and disclosure that identifies and explains the amounts in an insurer’s

financial statements arising from insurance contracts and that helps users of those financial statements understand the amount, timing and uncertainty of future cash flows from insurance contracts. AASB 4 is acknowledged by the AASB to be an interim standard (as IFRS 4 is by the IASB) and is not comprehensive. The Standard permits existing accounting policies for insurance contracts to be changed only where the change makes the financial statements more relevant to the economic decision-making needs of users and no less reliable, or more reliable and less relevant to those needs.

- BC11 The Board's policy is to limit amendments to AASB 1023 and AASB 1038 until Phase 2 of the IASB's insurance contracts project is complete. As references to materiality in paragraphs 5.1.2 and 17.1.2 of AASB 1023 and in paragraphs 8.1.4 and 14.1.4 of AASB 1038 are similar to references occasionally made in IFRSs² as to what might or might not be material, the Board concluded that these references should be retained unrevised at present.

Withdrawal of AASB 1031

- BC12 The Exposure Draft proposes to effect the withdrawal of AASB 1031 by amending AASB 108 in a way that the amendment supersedes AASB 1031. AASB 108 specifies requirements for the selection and application of accounting policies. Accounting policies are defined in AASB 108 as the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements. Underpinning the application of accounting policies, and consequently the preparation and presentation of the financial statements, is the concept of materiality – this is evident from the fact that an accounting policy specified by an Australian Accounting Standard need not be applied where the effect of applying it is immaterial. The concept of materiality, and definition of the term “material”, is provided in AASB 108 and therefore AASB 108 provides a logical vehicle by which to effect the withdrawal of AASB 1031. While AASB 101 *Presentation of Financial Statements* provides guidance about materiality that is similar to that in AASB 108, AASB 101 is not regarded as an appropriate vehicle by which to effect the withdrawal given its narrower focus on the presentation of the financial statements.

² For example, paragraph 17 of IAS 19 *Employee Benefits* explains when a sick leave obligation is likely to be material and paragraph 138 requires an entity to assess whether disclosures should be disaggregated to distinguish plans with materially different risks. AASB 119 *Employee Benefits* incorporates IAS 19.

Particular Amendments to Certain Australian Accounting Standards

Amendments to AASB 134 *Interim Financial Reporting*

BC13 AASB 1031 identifies quantitative thresholds and notes the context within which those thresholds may be used as guidance in considering the materiality of items in the financial statements. For consistency, at the time of making AASB 134, the AASB deleted the sentence in paragraph 24 of the corresponding IFRS that referred to the exclusion of quantitative guidance as to materiality. The deletion of that sentence is no longer necessary, and consequently, its reinstatement is proposed as part of the amendments arising from the withdrawal of AASB 1031.

Amendments to AASB 1023 and AASB 1038

BC14 As noted in paragraph BC11, the Board's policy is to limit amendments to AASB 1023 and AASB 1038 until Phase 2 of the IASB's insurance contracts project is complete. However, the applicability of the disclosure requirements of these Standards to a group with a general insurance business or a life insurance business can be deduced from the definition of materiality in AASB 101 and AASB 108 and the requirement in paragraph 31 of AASB 101 that an entity need not provide a specific disclosure required by an Australian Accounting Standard if the information is not material. Accordingly, this Exposure Draft proposes amending paragraph 1.4.1 in both AASB 1023 and AASB 1038 to remove the examples of the application of materiality in the context of AASB 1031.

Amendments to AAS 25 *Financial Reporting by Superannuation Plans*

BC15 AAS 25 *Financial Reporting by Superannuation Plans* refers to AAS 5 *Materiality in Financial Statements*. AAS 5 was superseded by AASB 1031 for annual reporting periods beginning on or after 1 January 2005. Consistent with deleting references to AASB 1031, this Exposure Draft proposes to delete the reference to AAS 5 from AAS 25.

Effective Date of the Withdrawal of AASB 1031 and Consequential Amendments

Limitation of Entities to Early Adopt the Amendments to AASB 124

BC16 AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* deleted certain 'Aus' paragraphs in AASB 124 *Related Party Disclosures* for annual reporting periods beginning on or after 1 July 2013. These paragraphs required disclosure of the compensation, equity holdings and loans and other transactions of individual key management personnel and were deemed to be material. Early adoption of the amendments was not permitted. If early adoption were permitted in respect of the AASB 124 amendments proposed by this Exposure Draft, the Board would have needed to consider whether to delete paragraph Aus1.9 in AASB 124 (which deems the individual key management personnel disclosures as material) for consistency with the Board's intentions in proposing the withdrawal of AASB 1031. However, given the short effective life of such an application clause, the Board decided to not permit early adoption of the amendments to AASB 124 until such time as the amendments to AASB 2011-4 become effective.

Interaction with the Imminent Update of the Conceptual Framework

BC17 As noted in the footnote to paragraph BC4 above, the revised IASB *Conceptual Framework* will be incorporated into a revised AASB *Conceptual Framework for Financial Reporting*, expected to be issued in the near future. The Board has decided, for the interim, that the new chapters included in the IASB *Conceptual Framework* will be incorporated only in respect of for-profit entities and the text of the existing framework retained for application by not-for-profit entities. The Board intends that any Standard resulting from this Exposure Draft will be issued to take effect subsequent to the revisions to the existing framework becoming applicable to ensure that the guidance on materiality available to Australian for-profit entities is consistent with that in IFRSs. The Board does not anticipate that a change in practice relating to the application of materiality by not-for-profit entities will arise from this decision.

BC18 The IASB has made amendments to IFRSs to acknowledge the revised IASB *Conceptual Framework* guidance pertaining to materiality. For example, a footnote has been added against the

relevant paragraph in IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to note that Chapter 3 of the IASB *Conceptual Framework* has superseded paragraph 25 of the former IASB *Framework for the Preparation and Presentation of Financial Statements*. The AASB intends making similar amendments to the Australian Accounting Standards, including Interpretations, once the AASB framework has been similarly revised to incorporate the revisions included in the IASB *Conceptual Framework* as released in September 2010.

New Australian Accounting Standards Expected to be Issued Before Finalisation of these Proposals

BC19 The AASB may issue other Australian Accounting Standards, for example an Accounting Standard resulting from Exposure Draft ED 223 *Superannuation Entities*, before the finalisation of its proposal to withdraw AASB 1031. The Board intends making amendments similar to the proposals in this Exposure Draft to those Accounting Standards or Interpretations to remove references to AASB 1031.

ATTACHMENT TO THE BASIS FOR CONCLUSIONS
COMPARISON OF AASB 1031 MATERIALITY AND IFRSs

This attachment accompanies the [draft] Basis for Conclusions. It has been included to assist constituents to form their views on the proposed withdrawal of AASB 1031 Materiality. The table below compares the requirements in AASB 1031, other than paragraphs 2-6 (which specify the application of AASB 1031), with the requirements in IFRSs (including the IASB Conceptual Framework for Financial Reporting) for their consistency.

Para.	AASB 1031	IFRSs	Analysis
1	The objective of this Standard is to: (a) define materiality; (b) explain the role of materiality in making judgements in the preparation and presentation of the financial statements; and (c) require the standards specified in other Australian Accounting Standards to be applied when information resulting from their application is material.	There is no single IFRS with an objective of defining materiality. Rather, materiality is defined and applied in IAS 1 <i>Presentation of Financial Statements</i> and IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> .	The requirements of AASB 1031 are not inconsistent with IFRSs.
7	Financial reporting encompasses the provision of financial statements and related financial and other information. Financial	No directly corresponding paragraph.	Although there is no directly corresponding IFRS paragraph,

Para.	AASB 1031	IFRSs	Analysis
	statements are the principal means of communicating financial information about a reporting entity to users. In order to meet the objective of general purpose financial reporting, information provided in the financial statements needs to be useful to users for making and evaluating decisions about the allocation of resources and possess the qualitative characteristics specified in the <i>Framework for the Preparation and Presentation of Financial Statements</i> .		paragraph 7 provides contextual material covered by the IASB <i>Conceptual Framework</i> and could be omitted without a loss of meaning.
8	General purpose financial reporting involves making decisions about the information to be included in general purpose financial statements and how it is presented. In making these judgements, considerations of materiality play an essential part. This is because the inclusion of information which is not material or the exclusion of information which is material may impair the usefulness of the information provided to users.	No directly corresponding paragraph.	The requirements of AASB 1031 and IFRSs are broadly consistent. Although there is no directly corresponding IFRS paragraph, paragraph 8 provides contextual material that could be omitted without a loss of meaning.
9	The standards specified in other Australian Accounting Standards apply to the financial statements when information resulting from	IAS 1 paragraph 7 and IAS 8 paragraph 5 define material as: "Omissions or	The requirements of AASB 1031 are generally

Para.	AASB 1031	IFRSs	Analysis
	<p>their application is material. Information is material if its omission, misstatement or non-disclosure has the potential, individually or collectively, to:</p> <p>(a) influence the economic decisions of users taken on the basis of the financial statements; or</p> <p>(b) affect the discharge of accountability by the management or governing body of the entity.</p>	<p>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. ...”</p> <p>The IASB <i>Conceptual Framework</i> paragraph QC11 states: “Information is material if omitting it or misstating it could influence decisions that users make on the basis of financial information about a specific reporting entity. ...”</p> <p>The IASB <i>Conceptual Framework</i> paragraph OB4 states: “To assess an entity’s prospects for future net cash inflows, existing and potential investors, lenders and other creditors need information about ... how efficiently and effectively</p>	<p>consistent with IFRSs.</p> <p>AASB 1031 refers to “non-disclosure”. This is arguably encompassed by the term “omission” in the IFRS definition.</p> <p>AASB 1031 uses the term “has the potential” while IFRSs use “could”. These two terms have the same effect.</p> <p>Paragraph 9(b) refers to affecting the discharge of accountability. As can be inferred from paragraph OB4 of the IASB <i>Conceptual Framework</i>, accountability is an aspect of economic decision making and accordingly, paragraph 9(b) could be omitted without a loss of meaning.</p>

Para.	AASB 1031	IFRSs	Analysis
		<p>the entity's management and governing board have discharged their responsibilities to use the entity's resources. ... Information about management's discharge of its responsibilities is also useful for decisions by existing investors, lenders and other creditors who have the right to vote on or otherwise influence management's actions."</p>	
10	<p>The notion of materiality influences whether an item or an aggregate of items is required to be recognised, measured or disclosed in accordance with the requirements of an Australian Accounting Standard. When an item or an aggregate of items is not material, application of the materiality notion does not mean that those items would not be recognised, measured or disclosed, but rather that the entity would not be required to recognise, measure or disclose those items</p>	<p>IAS 1 paragraph 31 states: "An entity need not provide a specific disclosure required by an IFRS if the information is not material." IAS 8 paragraph 8 states: "... Those policies need not be applied when the effect of applying them is immaterial. ..."</p>	<p>The requirements of AASB 1031 are not inconsistent with IFRSs.</p>

Para.	AASB 1031	IFRSs	Analysis
	in accordance with the requirements of an Australian Accounting Standard.		
11	In addition to guiding the application of the recognition, measurement and disclosure requirements, the notion of materiality guides the margin of error that is acceptable in the amount attributed to an item or an aggregate of items and the degree of precision required in estimating the amount of an item or an aggregate of items.	No specific equivalent paragraph.	AASB 1031 provides guidance in addition to that provided by IFRSs. However, it does not draw a user's attention to paragraph 41 of AASB 108 which states that financial statements do not comply with Australian Accounting Standards if they contain immaterial errors made intentionally to achieve a particular presentation. Paragraph 11 could be omitted without a loss of meaning.
12	In deciding whether an item or an aggregate of items is material, the size and nature of the omission or misstatement of the items usually need to be evaluated together. In particular circumstances, either the nature or the amount of an item or an aggregate of	IAS 1 paragraph 7 and IAS 8 paragraph 5 state: "... Materiality depends on the size and nature of the omission or misstatement judged in the surrounding	The principle of aggregation in AASB 1031 is consistent with IFRSs. AASB 1031 provides guidance in addition to that

Para.	AASB 1031	IFRSs	Analysis
	<p>items could be the determining factor. For example:</p> <p>(a) in the context of error corrections or adjustments for events occurring after the reporting period, materiality based on amount alone is sufficient to require a correction or an adjustment to be made; and</p> <p>(b) it may be necessary to treat as material an item or an aggregate of items which would not be judged material on the basis of the amount involved, because of their nature. This may apply when:</p> <p>(i) transactions occur between an entity and parties who have a fiduciary responsibility in relation to that entity, such as those transactions outlined in <i>AASB 124 Related Party Disclosures</i> and <i>AASB 1046 Director and Executive Disclosures by Disclosing</i></p>	<p>circumstances. The size or nature of the item, or a combination of both, could be the determining factor.”</p>	<p>provided by IFRSs that could be omitted without a loss of meaning. In addition, such guidance is unnecessary in principles-based Standards.</p>

Para.	AASB 1031	IFRSs	Analysis
	<p><i>Entities</i>; or</p> <p>(ii) restrictions on the powers and operations of the entity affect the risks and uncertainties relating to an item, for example, legal restrictions imposed by governments on assets held in foreign countries; or</p> <p>(iii) an entity expands its operations into a new segment which affects the assessment of the risks and opportunities facing the entity; or</p> <p>(iv) a change in circumstances puts the entity in danger of breaching a financial covenant.</p>		
13	<p>In determining whether the amount of an item or an aggregate of items is material:</p> <p>(a) the amount of an item or an aggregate of items relating to the statement of financial position is compared with the more appropriate of:</p>	<p>The IASB <i>Conceptual Framework</i> paragraph QC11 states: "...materiality is an entity-specific aspect of relevance based on the nature or magnitude, or both, of the items to which the</p>	<p>The principle of determining whether an amount of an item or aggregate of items is material in AASB 1031 is consistent with IFRSs.</p> <p>Paragraph 13 provides</p>

Para.	AASB 1031	IFRSs	Analysis
	<ul style="list-style-type: none"> (i) the recorded amount of equity; and (ii) the appropriate asset or liability class total; or (b) the amount of an item or an aggregate of items relating to the statement of comprehensive income is compared with the more appropriate of the: <ul style="list-style-type: none"> (i) profit or loss and the appropriate income or expense amount for the current reporting period; and (ii) average profit or loss and the average of the appropriate income or expense amounts for a number of reporting periods (including the current reporting period); or (c) the amount of an item or an aggregate of items relating to the statement of cash flows is compared with the more appropriate of the: 	<p>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."</p>	<p>guidance in addition to that provided by IFRSs that could be omitted without a loss of meaning. In addition, such guidance is unnecessary in principles-based Standards.</p>

Para.	AASB 1031	IFRSs	Analysis
	<p>(i) net cash provided by or used in the operating, investing, financing or other activities as appropriate, for the current reporting period; and</p> <p>(ii) average net cash provided by or used in the operating, investing, financing or other activities as appropriate, for a number of reporting periods (including the current reporting period).</p>		
14	<p>As not-for-profit entities are primarily concerned with the achievement of objectives other than the generation of profit, such as service delivery, it may not be appropriate to assess materiality for statement of comprehensive income items by reference to profit or loss or average profit or loss in the manner outlined in paragraph 13(b). In these cases, the guidance set out in paragraphs 17–19 is more appropriate to consider. A not-for-profit entity is an entity whose principal objective is not the generation of profit. A not-for-profit entity can be a single entity or</p>	<p>No not-for-profit entity guidance provided.</p>	<p>Paragraph 14 is an Australian specific paragraph that relates to not-for-profit entities. It provides guidance on the application of paragraph 13 and could be omitted without a loss of meaning.</p>

Para.	AASB 1031	IFRSs	Analysis
	a group of entities comprising the parent and each of the entities that it controls.		
15	<p>Quantitative thresholds used as guidance for determining the materiality of the amount of an item or an aggregate of items shall, of necessity, be drawn at arbitrary levels. Materiality is a matter of professional judgement influenced by the characteristics of the entity and the perceptions as to who are, or are likely to be, the users of the financial statements, and their information needs. Materiality judgements can only be properly made by those who have the facts. In this context, the following quantitative thresholds may be used as guidance in considering the materiality of the amount of items included in the comparisons referred to in paragraph 13 of this Standard:</p> <p>(a) an amount which is equal to or greater than 10 per cent of the appropriate base amount may be presumed to be material unless there is evidence or convincing argument to the contrary; and</p>	<p>IAS 1 paragraph 7 and IAS 8 paragraph 6 state: “Assessing whether an omission or misstatement could influence economic decisions of users, and so be material, requires consideration of the characteristics of those users. ...”</p> <p>The IASB <i>Conceptual Framework</i> paragraph QC11 states: “... 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</p>	<p>The principle for determining whether an item is material in AASB 1031 is consistent with IFRSs.</p> <p>Paragraph 15 provides guidance in addition to that provided by IFRSs, including quantitative thresholds and the context within which those thresholds may be used as guidance in considering the materiality of items in the financial statements. It could be omitted without a loss of meaning. In addition, such guidance is unnecessary in principles-based Standards.</p>

Para.	AASB 1031	IFRSs	Analysis
	(b) an amount which is equal to or less than 5 per cent of the appropriate base amount may be presumed not to be material unless there is evidence, or convincing argument, to the contrary.	materiality or predetermine what could be material in a particular situation.”	
16	In relation to items or an aggregate of items in the statement of comprehensive income, an amount as referred to in paragraph 15 is an amount after allowing for any income tax effect when the base amount has itself been determined after allowing for any income tax effect.	No specific equivalent paragraph.	Paragraph 16 provides further guidance to the guidance in paragraph 15. The comments on paragraph 15 immediately above also apply here.
17	In practice materiality judgements are typically made on the basis described in paragraph 13. However, further indications of materiality may be evident from making assessments of the items in an absolute and a relative context. This may necessitate disclosure of information in the financial statements about items which are not considered material in amount in accordance with paragraph 13.	No specific equivalent paragraph.	IFRSs do not provide guidance on benchmarks for assessing materiality (e.g. those noted in paragraph 13 of AASB 1031). Therefore, they do not include guidance corresponding to paragraph 17 of AASB 1031. Such guidance is unnecessary in principles-based Standards.

Para.	AASB 1031	IFRSs	Analysis
18	In absolute terms, consideration is given to the financial statements as a whole. In particular, consideration is given to factors which may indicate deviations from normal activities such as the reversal of a trend, turning a profit into a loss or creating or eliminating the margin of solvency in a statement of financial position. For example, when the entity's financial position has deteriorated, and the entity has revalued items of property, plant or equipment upwards, information regarding the revaluation of those assets would be likely to be material, and thus the accounting and disclosure requirements specified in <i>AASB 116 Property, Plant and Equipment</i> would apply, even though the revaluation amount may not be material by comparison with the recorded amount of equity.	No directly corresponding paragraph.	Paragraph 18 provides guidance in addition to that provided by IFRSs that could be omitted without a loss of meaning. In addition, such guidance is unnecessary in principles-based Standards.
19	In relative terms, items are compared to any directly related items. The amount of an item may not be material when judged on the basis described in paragraph 13, but its size in relation to a related item may indicate that information about it is material. For	No directly corresponding paragraph.	Paragraph 19 provides further guidance on the guidance in paragraph 13 that could be omitted without a loss of meaning. In addition, such guidance

Para.	AASB 1031	IFRSs	Analysis
	example, the amount of interest revenue would be compared with the amount of the relevant loans. Such a comparison may indicate that information about the interest is material because its amount is much lower (or higher) than expected, having regard to the loan balance and applicable interest rates.		is unnecessary in principles-based Standards.
App- endix	<i>Material:</i> Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions of users taken 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.	IAS 1 paragraph 7 and IAS 8 paragraph 5 define material as: "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. ..."	The requirements of AASB 1031 are not inconsistent with IFRSs.