



Grant Thornton

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Grant Thornton International Ltd
Level 25
20 Fenchurch Street
London EC3M 3BY

International Accounting Standards Board
30 Cannon Street
London
EC4M 6XH

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ED/2017/6 Definition of Material – Proposed amendments to IAS 1 and IAS 8

Grant Thornton International Ltd is pleased to comment on the International Accounting Standards Board's Exposure Draft ED/2017/6 'Definition of Material – Proposed amendments to IAS 1 and IAS 8'.

We welcome the Board's attempt to align the various definitions of material. However, we believe that including a description of primary users unnecessarily lengthens this definition. We also encourage the Board to develop additional application guidance illustrating the appropriate response to a variety of scenarios where information is judged to have been obscured. Our detailed responses to the ED's Invitation to Comment are set out in the attached Appendix.

If you have any questions, or wish us to elaborate on our comments, please contact me by email (stephen.miller@gti.gt.com) or by telephone (+ 44 207 391 9587).

Yours sincerely,

Stephen Miller
Director, Global IFRS Team
Grant Thornton International Ltd.

Responses to Invitation to Comment questions

Question 1

The Board proposes amendments to IAS 1 and IAS 8 to align the definition of material between IFRS Standards and the Conceptual Framework, and to include in the definition some of the existing requirements in IAS 1. The Board also proposes to clarify the explanation accompanying the definition using existing guidance in IAS 1 and the Conceptual Framework.

- (a) Do you agree that the definition of material and the accompanying explanation should be clarified as proposed in this Exposure Draft? If you do not agree, what changes do you suggest and why?
- (b) Would any wording or terminology introduced in the proposed amendments be difficult to understand or to translate?

We welcome the IASB's attempt to align the different definitions of material. While 'obscuring' is highly subjective and can result from a variety of actions or inaction, its presence here seems appropriate. For when the obfuscation of information is sufficient to influence the decisions of primary users, then the information is material regardless of whether it was obscured intentionally. Having said that, we believe that the proposed amendments may cause some entities to examine the circumstances under which the obscuring of material information constitutes an error. These entities may question whether clarifying information in a subsequent year now represents the correction of an error. To avoid any unintended change in practice in this area we encourage the Board to develop additional application guidance illustrating the appropriate response to a variety of scenarios where information is judged to have been obscured.

Further, while we do support incorporating some of the existing guidance in IAS 1 into the definition of material, we believe that including the description of primary users lengthens the definition unnecessarily. While an understanding of the needs of primary users is critical to all materiality assessments, the description of a primary user is already included in the Conceptual Framework and is applicable to all IFRS Standards. We remain unconvinced of the need to re-emphasise it here. We remain similarly unconvinced of the need to duplicate the definition of material in both IAS 1 and IAS 8.

We did not identify any specific concerns on the translation of the wording or terminology into German, Swedish, Portuguese, or French.

Question 2

The Board issued the Materiality Practice Statement in September 2017 and expects to issue a revised Conceptual Framework in the second half of 2017. If any changes are made to IFRS Standards as a result of the proposals in this Exposure Draft, the Board will make amendments to these two documents.

The Board believes that the guidance in both the Materiality Practice Statement and the forthcoming revised Conceptual Framework will not be affected by the proposed amendments in this Exposure Draft, other than to update the definition of material (see paragraphs BC22–BC24).

Do you have any comments on the proposed amendments to the Materiality Practice Statement or to the forthcoming revised Conceptual Framework?

We do not have any other comments.

Question 3

Do you have any other comments about the proposals in this Exposure Draft?

We do not have any other comments.