

Exposure Draft 93  
[Month YYYY]  
*Comments due: [Month DD, YYYY]*

IPSAS®

*Proposed International Public Sector Accounting Standard®*

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*Definition of Material* (Amendments to  
IPSAS 1, IPSAS 3, and Chapter 3 of the  
Conceptual Framework)

IPSASB

International Public  
Sector Accounting  
Standards Board®

This document was developed and approved by the International Public Sector Accounting Standards Board® (IPSASB®).

The objective of the IPSASB is to serve the public interest by setting high-quality public sector accounting and sustainability reporting standards and by facilitating the adoption and implementation of these, thereby enhancing the quality and consistency of practice throughout the world and strengthening the transparency and accountability of public sector finances and sustainable development.

In meeting this objective, the IPSASB sets International Public Sector Accounting Standards™ (IPSAS®), IPSASB Sustainability Reporting Standards™ (IPSASB SRS™) and Recommended Practice Guidelines™ (RPG™) for use by public sector entities, including national, regional, and local governments, and related governmental agencies.

IPSAS Accounting Standards relate to the general purpose financial statements (financial statements) and are authoritative. IPSASB SRS Standards relate to sustainability disclosures and are authoritative. RPG Guidelines are pronouncements that provide guidance on good practice in preparing general purpose financial reports (GPFRs) that are not financial statements. Unlike IPSAS Accounting Standards and IPSASB SRS Standards, RPG Guidelines do not establish requirements. IPSASB SRS Standards and RPG Guidelines do not provide guidance on the level of assurance (if any) to which information should be subjected.

The structures and processes that support the operations of the IPSASB are facilitated by the International Federation of Accountants® (IFAC®).

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## REQUEST FOR COMMENTS

This IPSAS Exposure Draft (ED) 93, *Definition of Material* (Amendments to IPSAS 1, IPSAS 3, and Chapter 3 of the Conceptual Framework) was developed and approved by the International Public Sector Accounting Standards Board® (IPSASB®).

The proposals in this Exposure Draft may be modified in light of comments received before being issued in final form. **Comments are requested by [Month DD, YYYY].**

Respondents are asked to submit their comments electronically through the IPSASB website, using the “[Submit a Comment](#)” link. Please submit comments in both a PDF and Word file. Comments must be received in English to be considered. Also, please note that first-time users must register to use this feature. All comments will be considered a matter of public record and will ultimately be posted on the website.

This publication may be downloaded from the IPSASB website: [www.ipsasb.org](http://www.ipsasb.org). The approved text is published in English.

### **IPSASB’s *Making Materiality Judgements* Project**

This IPSAS ED reflects Phase 1 of the *Making Materiality Judgements* Project, which proposes amending authoritative and non-authoritative guidance to achieve consistent/aligned guidance on materiality across the IPSASB’s financial reporting literature.

### **Objective of the ED**

1. The objective of IPSAS ED 93 is to propose amendments to:
  - (a) Align materiality guidance across the IPSAS Standards; and
  - (b) Clarify that decisions about materiality are intended to reflect the needs of the primary users of financial statements, as opposed to the needs of any other group.

### **Summary of Proposed Changes in ED 93**

1. The amendments introduce new guidance to help entities make materiality judgements and align the definition of material in IPSASB’s literature:
  - (a) Chapter 3: Qualitative Characteristics of the *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* (Part 1);
  - (b) IPSAS 1, *Presentation of Financial Statements* (Part 2);
  - (c) IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors* (Part 3); and
2. Consequential amendments are made to:
  - (a) IPSAS 14, *Events After the Reporting Date* (Part 4); and
  - (b) IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets* (Part 5).

The Final Pronouncement is expected to include amendments to specific IPSAS Standards, as discussed in this ED.

## **Guide for Respondents**

The IPSASB welcomes comments on all the matters discussed in this ED. Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, contain a clear rationale and, where applicable, provide a suggestion for alternative wording.

**EXPOSURE DRAFT 93, *DEFINITION OF MATERIAL* (AMENDMENTS TO IPSAS 1, IPSAS 3, AND CHAPTER 3 OF THE CONCEPTUAL FRAMEWORK)**

| CONTENTS  |    |
|---|----|
| Amendment: Part 1 –Definition of Material .....                             | 6  |
| Amendment: Part 2 –Definition of Material .....                             | 7  |
| Amendment: Part 3 – Definition of Material .....                            | 9  |
| Amendment: Part 4 – Definition of Material (Consequential Amendments) ..... | 10 |
| Amendment: Part 5 – Definition of Material (Consequential Amendments) ..... | 12 |

## **Amendment: Part 1 –Definition of Material**

### **Amendments to the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities**

...

#### **Chapter 3: Qualitative Characteristics**

...

#### **Constraints on Information Included in General Purpose Financial Reports**

##### **Materiality**

...

- 3.32. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the discharge of accountability by the entity, or the decisions that primary users make on the basis of the entity's GPFRs prepared for that reporting period. Materiality depends on both the nature and amount of the item judged in the particular circumstances of each entity.

...

##### **Basis for Conclusions**

*This Basis for Conclusions accompanies, but is not part of, the Conceptual Framework.*

...

#### **Constraints on Information Included in General Purpose Financial Reports**

##### *Materiality*

...

- BC3.32F. The IPSASB reviewed the revisions to the concept of materiality in the IPSASB's *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities*, included in the *Amendments to References to the Conceptual Framework in IFRS Standards* issued by the IASB in March 2018, and the IASB's rationale for making these amendments as set out in its *Basis for Conclusions*, and generally concurred that there was no public sector specific reason for not adopting these amendments.

...

## Amendment: Part 2 –Definition of Material

### Amendments to IPSAS 1, Presentation of Financial Statements

Paragraphs 7 and 13 are amended. Paragraphs 12A, 13A, and 153R are added. New text is underlined and deleted text is struck through.

...

#### Definitions

7. ...

~~Material: Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature and size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.~~ Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the discharge of accountability by the entity, or the decisions that primary users make on the basis of the entity's general purpose financial statements prepared for that reporting period.

...

#### Materiality

- 12A. Materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole. Information is obscured if it is communicated in a way that would have a similar effect for primary users of financial statements to omitting or misstating that information. The following are examples of circumstances that may result in material information being obscured:
- (a) Information regarding a material item, transaction or other event is disclosed in the financial statements but the language used is vague or unclear;
  - (b) Information regarding a material item, transaction or other event is scattered throughout the financial statements;
  - (c) Dissimilar items, transactions or other events are inappropriately aggregated;
  - (d) Similar items, transactions or other events are inappropriately disaggregated; and
  - (e) The understandability of the financial statements is reduced as a result of material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.
13. ~~Assessing whether information an omission or misstatement could reasonably be expected to influence decisions of made by primary users of a specific reporting entity's general purpose financial statements, and so be material, requires an entity to consider consideration of the characteristics of those users while also considering the entity's own circumstances. Users are assumed to have a reasonable knowledge of the public sector and economic activities and accounting, and a willingness to study the information with reasonable diligence. Therefore, the~~

~~assessment needs to take into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.~~

- 13A. Many existing and potential service recipients and resource providers cannot require reporting entities to provide information directly to them and must rely on general purpose financial statements for much of the financial information they need. Consequently, they are the primary users to whom general purpose financial statements are directed. Financial statements are prepared for users who have a reasonable knowledge of public sector programs and operations and who review and analyze the information diligently. At times, even well-informed and diligent users may need to seek the aid of an adviser to understand information about complex economic phenomena.

## Effective Date and Transition

### Effective Date

...

- 153R. Paragraphs 7 and 13 are amended and paragraphs 12A and 13A are added by [Draft] *Definition of Material* (Amendments to IPSAS 1, IPSAS 3, and Chapter 3 of the Conceptual Framework), issued in [Month] [Year]. An entity shall apply these amendments prospectively for annual financial statements covering periods beginning on or after January 1, [Year]. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact.

...

### Basis for Conclusions

*This Basis for Conclusions accompanies, but is not part of, IPSAS 1.*

...

### Revision of IPSAS 1 as a result of ED 93, *Definition of Material* (Amendments to IPSAS 1, IPSAS 3, and Chapter 3 of the Conceptual Framework) issued in [Month and Year]

- BC40. The IPSASB reviewed the revisions to IAS 1, *Presentation of Financial Statements*, included in *Definition of Material* (Amendments to IAS 1 and IAS 8) issued by the IASB in October 2018, and the IASB's rationale for making these amendments as set out in its Basis for Conclusions, and generally concurred that there was no public sector specific reason for not adopting these amendments.



## Amendment: Part 3 – Definition of Material

### Amendments to IPSAS 3, Accounting Policies, Changes in Accounting Estimates and Errors

Paragraph 8 is deleted and paragraph 59I is added. New text is underlined and deleted text is struck through.

...

#### Definitions

...

#### Materiality

8. ~~Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. Users are assumed to have a reasonable knowledge of the public sector and economic activities and accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment needs to take into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions. [Deleted]~~

...

#### Effective Date

...

- 59I Paragraph 8 was deleted by [draft] ED 93, *Definition of Material (Amendments to IPSAS 1, IPSAS 3, and Chapter 3 of the Conceptual Framework)*, issued in [Month] [Year]. An entity shall apply this amendment prospectively for annual financial statements covering periods beginning on or after January 1, [Year]. Earlier application is permitted

...

#### Basis for Conclusions

*This Basis for Conclusions accompanies, but is not part of, IPSAS 3.*

...

#### Revision of IPSAS 3 as a result of [Draft] ED 93, *Definition of Material (Amendments to IPSAS 1, IPSAS 3, and Chapter 3 of the Conceptual Framework)* issued in [Month and Year]

- BC22. The IPSASB reviewed the revisions to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, included in *Definition of Material (Amendments to IAS 1 and IAS 8)* issued by the IASB in October 2018, and the IASB's rationale for making these amendments as set out in its Basis for Conclusions, and generally concurred that there was no public sector specific reason for not adopting these amendments. IPSAS 1 includes the revised guidance on materiality that was deleted in IPSAS 3.

## **Amendment: Part 4 – Definition of Material (Consequential Amendments)**

### **Amendments to IPSAS 14, Events after the Reporting Date**

Paragraph 30 is amended and paragraph 32H is added. New text is underlined and deleted text is struck through.

...

### **Disclosure**

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#### **Disclosure of Non-adjusting Events after the Reporting Date**

30. If non-adjusting events after the reporting date are material, non-disclosure could reasonably expected to influence the economic decisions of that the primary users of general purpose financial statements taken make on the basis of the those financial statements, which provide financial information about a specific reporting entity. Accordingly, an entity shall disclose the following for each material category of non-adjusting event after the reporting date:

- (a) The nature of the event; and
- (b) An estimate of its financial effect, or a statement that such an estimate cannot be made.

...

### **Effective Date**

- 32H. Paragraph 30 was amended by [draft] ED 93, *Definition of Material* (Amendments to IPSAS 1, IPSAS 3, and Chapter 3 of the Conceptual Framework), issued in [Month] [Year]. An entity shall apply this amendment prospectively for annual financial statements covering periods beginning on or after January 1, [Year]. Earlier application is permitted. permitted. If an entity applies this amendment for an earlier period, it shall disclose that fact. An entity shall apply this amendment when it applies the amendments to the definition of material in paragraph 7 of IPSAS 1 and paragraph 8 of IPSAS 3.

...

### **Basis for Conclusions**

*This Basis for Conclusions accompanies, but is not part of, IPSAS 14.*

...

**Revision of IPSAS 14 as a result of [Draft] ED 93, Definition of Material (Amendments to IPSAS 1, IPSAS 3, and Chapter 3 of the Conceptual Framework) issued in [Month and Year]**

- BC10. The IPSASB reviewed the revisions to IAS 10, *Events after the Reporting Period*, included in *Definition of Material* (Amendments to IAS 1 and IAS 8) issued by the IASB in October 2018, and the IASB's rationale for making these amendments as set out in its Basis for Conclusions, and generally concurred that there was no public sector specific reason for not adopting these amendments.

## Amendment: Part 5 – Definition of Material (Consequential Amendments)

### Amendments to IPSAS 19, Provisions, Contingent Liabilities and Contingent Assets

Paragraph 87 is amended and paragraph 111Q is added. New text is underlined and deleted text is struck through.

...

### Application of the Recognition and Measurement Rules

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#### Restructuring

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87. A decision by management or the governing body to restructure, taken before the reporting date, does not give rise to a constructive obligation at the reporting date unless the entity has, before the reporting date:

- (a) Started to implement the restructuring plan; or
- (b) Announced the main features of the restructuring plan to those affected by it in a sufficiently specific manner to raise a valid expectation in them that the entity will carry out the restructuring.

If an entity starts to implement a restructuring plan, or announces its main features to those affected, only after the reporting date, disclosure may be required under IPSAS 14, *Events after the Reporting Date*, if the restructuring is material and non-disclosure could reasonably be expected to influence the economic decisions of that the primary users of general purpose financial statements make on the basis of those taken on the financial statements, which provide financial information about a specific reporting entity.

...

#### Effective Date

111Q. Paragraph 87 was amended by [draft] ED 93, *Definition of Material* (Amendments to IPSAS 1, IPSAS 3, and Chapter 3 of the Conceptual Framework), issued in [Month] [Year]. An entity shall apply this amendment prospectively for annual financial statements covering periods beginning on or after January 1, [Year]. Earlier application is permitted. permitted. If an entity applies this amendment for an earlier period, it shall disclose that fact. An entity shall apply this amendment when it applies the amendments to the definition of material in paragraph 7 of IPSAS 1 and paragraph 8 of IPSAS 3.

...

## Basis for Conclusions

*This Basis for Conclusions accompanies, but is not part of, IPSAS 19.*

...

### **Revision of IPSAS 19 as a result of [Draft] ED 93, *Definition of Material* (Amendments to IPSAS 1, IPSAS 3, and Chapter 3 of the Conceptual Framework) issued in [Month and Year]**

- BC10. The IPSASB reviewed the revisions to IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, included in *Definition of Material* (Amendments to IAS 1 and IAS 8) issued by the IASB in October 2018, and the IASB's rationale for making these amendments as set out in its Basis for Conclusions, and generally concurred that there was no public sector specific reason for not adopting these amendments.

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