MAKING MATERIALITY JUDGMENTS: IPSAS FINANCIAL REPORTING PRACTICE STATEMENT: DASHBOARD

Topic	Past Meetings	Mar 2026	Dec 2026
Plan and Approach	✓		
Review and Approve Project Brief	✓		
Review and Approve the Exposure Draft		📄	
Review and Approve the Final Pronouncement			📄
Adaptation of Practice Statement 2 Guidance			
• Introduction			
• Objective			
• Scope			
• General Characteristics of Materiality			
• Interaction with Laws and Regulations			
• Making Materiality Judgments (Four Step Process)			
• Specific Topics			
○ Prior-Period Information			
○ Errors			
○ Information about Covenants			
○ Materiality Judgments for Interim Reporting	✓		
○ Information about Accounting Policies	✓		
• Application Date			
• Basis for Conclusions and Appendix			
Type of Document			

Legend	
✓	Task Completed
	Planned IPSASB Discussion
📄	Page-by-page Review

Supporting Document 1—Process to Develop ED [draft] XX and Adapt Private Sector Guidance (Adaptation and Concurrence Tables)

1. This supporting document outlines the detailed process to develop non-mandatory guidance on making materiality judgments when preparing financial statements in accordance with IPSAS Standards.

Approach

2. The development of non-authoritative guidance on making materiality judgments when preparing financial statements in accordance with IPSAS Standards will apply the definition of material as per the *Definition of Material* (Amendments to IPSAS 1, IPSAS 3, and the Conceptual Framework):

   (a) 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.

3. Consistent with the *Making Materiality Judgments* project brief, the adaptation of Practice Statement 2 to the public sector context will follow the Process for Reviewing and Adapting IASB Documents (Adaptation Process). IFRS® Practice Statement 2: *Making Materiality Judgements* (PS2) provides guidance on applying materiality to existing principles in the IASB's Conceptual Framework for Financial Reporting and IFRS Standards. Therefore, public sector adaptations are needed to ensure the objectives of public sector financial reporting[1] and the qualitative characteristics or constraints for public sector financial reporting[2] are adequately met.

4. Similar to PS2, the aligned IPSASB guidance aims to provide guidance that helps entities apply materiality to existing principles in the *Conceptual Framework* and IPSAS Standards. Therefore, the development of non-authoritative guidance on making materiality judgments for the public sector will consider consistency with:

   (a) The Conceptual Framework; and

   (b) IPSAS Standards.

5. Considering paragraphs 3 and 4, staff reviewed PS2[3] and identified adaptations based on the level of amendments needed:

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1 See paragraph 15 in IPSAS 1, *Presentation of Financial Statements* and Chapter 2: *Objectives and Users of General Purpose Financial Reporting* of the Conceptual Framework of the Conceptual Framework.

2 See Chapter 3: *Qualitative Characteristics* of the Conceptual Framework.

3 Source: The IASB issued IFRS Practice Statement 2: *Making Materiality Judgements* in September 2017. Since then, it has been amended by other pronouncements. The last pronouncement to amend it was IFRS 18 Presentation of Financial Statements issued by the IASB in April 2024. The amendments do not change the guidance in Practice Statement 2; instead, the amendments update references to IFRS Standards , for example, a reference to IAS 1 Presentation of Financial Statements was updated to IFRS 18, as IFRS 18 superseded IAS 1. Considering IPSAS 1 is based primarily on IAS 1 and the IPSASB has an active project on the Presentation of Financial Statements, the development of aligned guidance in Phase 2 will utilize Practice Statement 2, as included in the IFRS Standards 2024 (Red Book), rather than IFRS Standards 2025.

(a) **Editorial**. The revisions may include changes to public sector terminology and replacing the IFRS Standard with the aligned IPSAS Standard.

(b) **Adaptation**. The revisions include the editorial changes noted above, as well as changes for consistency with public sector-specific guidance in IPSAS Standards and the Conceptual Framework. For example, paragraph 5 in Practice Statement 2 includes the definition of material, as defined in IAS 1 *Presentation of Financial Statements*, which differs from the definition in IPSAS 1. Thus, this paragraphs has been adapted for consistency with IPSAS 1.

(c) **Deletion.** This is guidance in PS2 that lacks aligned guidance in the IPSAS Standard should. For example, PS2 has a section on applying materiality to principles in IAS 34 *Interim Financial Reporting,* for which there is no aligned IPSAS Standard.

6. When evaluating adaptations to PS2 to develop guidance on making materiality judgments when preparing financial statements in accordance with IPSAS Standards, staff reviewed and leveraged from National Standard Setters (NSS) adapted PS2. Staff notes that:

(a) Consistent with the IPSASB approach, NSS adapted PS2 guidance for consistency with their Conceptual Framework and Accounting Standards.

(b) Two[4] of the three NSS retained the structure and nature of content consistent with PS2.

(c) One[5] NSS developed guidance that is overall consistent with PS2, but presented in a different structure and with a broader scope than PS2. For example, it provides specific examples on potential benchmarks an entity can use when applying the concept of materiality. While PS2 doesn't include this, it does include examples illustrating the application of materiality through the use of relevant benchmarks to the entity discussed in the example (Example I of PS2).

7. The following tables discuss the level of adaptation proposed in developing guidance aligned with PS2 for the public sector context:

(a) **Table A.** Proposed level of adaptations to guidance, excludes examples.

(b) **Table B.** Proposed level of adaptations to examples.

(c) **Table C.** Style changes to maintain consistency with IPSASB's literature.

Table A – Proposed Level of Adaptations to Paragraphs

Sections	Paragraphs		Type of Amendments
	[draft] ED XX	PS2	
Introduction	IN1-IN2	IN1-IN2	***Adaptation.***
	IN3-IN7	IN3-IN7	***Editorial.***
Objective	1-2	1-2	***Editorial.***
Scope	3	3	***Adaptation.***
	4	4	***Editorial.***

[4] Australian Accounting Standard Board and Singapore Statutory Board Financial Reporting Standard.

[5] The South African Accounting Standard Board.

Sections	Paragraphs		Type of Amendments
	[draft] ED XX	PS2	
General Characteristics of Materiality	5-12	5-12	
Definition of material	5-7	5-7	***Adaptation.***
Materiality judgments are pervasive	8-10	8-10	***Editorial.***
	11	11	***Adaptation.***
	12	12	***Retained*** – procedural in nature or aligned guidance[6].
Primary Users and their Information Needs	13,14,16-20, 22-24	13,15,17-19, 21-23	***Adaptation.***
	-	14	***Deletion.*** This paragraph discusses how excluding potential primary users would be inappropriate. Primary users of the public sector do not consider potential primary users.
	15	16	***Retained*** – procedural in nature or aligned guidance.
	21	20	***Editorial.***
Impact of Publicly Available Information	25-26	24-25	***Adaptation.***
	27	26	***Retained*** – procedural in nature or aligned guidance.
Interaction with Local Laws and Regulations	28-29	27-28	***Editorial.***
Making Materiality Judgments	30-66	29-65	
Overview of the materiality process	30, and 32-33	29, and 31-32	***Editorial.***
	31	30	***Adaptation.***
A four-step materiality process	34, 38, 42, 46-48, 54, 57-58, and 63-64	33, 37, 41, 45-47, 53, 56-57, and 62-63	***Editorial.***
	36, 39, 41, 44-45, 50, 52, and 55-56	35, 38, 40, 43-44, 49, 51, and 54-55	***Adaptation.***

[6] The guidance is aligned with guidance in IPSAS Standards. This footnote applies across Appendix A for 'N/A – procedural in nature or aligned guidance.'

Sections	Paragraphs		Type of Amendments
	[draft] ED XX	PS2	
	35, 37, 41, 43, 49, 51, 53, 59-60, 61-62, and 65-66	34, 36[7], 39, 42, 48, 50, 52, 58-59, 60-61, 64-65	***Retained*** – procedural in nature or aligned guidance.
Specific Topics	67-72	66-71	
Prior-period information	67, 69, and 72	66, 68, and 71	***Editorial*** – terminology or footnote reference
	68	67	***Adaptation and Deletion.*** This paragraph contains a sentence re: the minimum comparative information proposed for deletion. These amendments to IAS 1 are from '*Improvements to* IFRS' issued by the IASB in May 2012. The IPSASB did not incorporate such guidance as it was not considered a minor change (See IPSAS 1.BC13). The IPSASB has an active project on *Presentation of Financial Statements* that will consider the IASB's amendments to the minimum comparative information.
	70	69	***Adaptation.***
	71	70	***Retained*** – procedural in nature or aligned guidance.
Errors	73 and 76	72 and 75	***Adaptation.***
	74-75, and 79-80	73-74, and 78-79	***Editorial.***
	77-78, and 80	76-77, and 80	***Retained*** – procedural in nature or aligned guidance.
Information about Covenants	82-84	81-83	***Adaptation.***
Materiality Judgments for Interim Reporting	-	84-88	***Deletion.*** The guidance is from IAS 34 *Interim Financial Reporting*. There is no IPSAS Standard aligned with IAS 34.

[7] The last sentence in this paragraph is proposed to be deleted because it is not included in the Conceptual Framework. The sentence in the IASB's Conceptual Framework reads 'The Board, in developing Standards, will seek to provide the information set that will meet the needs of the maximum number of primary users.'

Sections	Paragraphs		Type of Amendments
	[draft] ED XX	PS2	
Information about Accounting Policies	-	88A-88G	***Deletion.*** The guidance pertains to principles outlined in the Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) (Consequential Amendments), issued by the IASB in February 2021. The IPSASB has an active project on *Presentation of Financial Statements* that will consider this IASB pronouncement.
Application Date	85	88	***Editorial.***
Appendix (includes excerpts of relevant guidance referenced)	-	-	***Adaptation***.

Table B – Proposed Level of Adaptations to Examples

8. In addition to the considerations noted in paragraphs 3 and 4, the IPSASB's Adaptation Process notes that additional public sector examples may need to be added, and clearly inappropriate or inapplicable examples to the public sector should be deleted when adapting an IASB document.

#	Examples	PS2	Factors	Type of Amendments
1	Example A—Quantitative Materiality Judgments on the Application of Accounting Policies.	Yes – Example A	Quantitative	***Editorial.***
2	Example B—Qualitative Materiality Judgments on the Application of Accounting Policies	No	Qualitative	***New.*** An example was added to illustrate the decision to capitalize an item of property, plant, and equipment based on a qualitative rather than a quantitative factor.
3	Example C—Materiality Judgments on the Application of Accounting Policies	No	Quantitative	***New.*** An example was added to illustrate the application of materiality to measurement principles in IPSAS Standards. Specifically, when an alternative accounting method is used to those required in IPSAS Standards, such as simple interest instead of effective interest rate as required in IPSAS 41, *Financial Instruments*.

#	Examples	PS2	Factors	Type of Amendments
4	Example D—Materiality Judgments on Disclosures Specified by IPSAS Standards.	Yes – Example B	Quantitative and Qualitative	***Editorial.***
5	Example E—Materiality Judgments on Presentation Specified by IPSAS Standards.	No	Quantitative and Qualitative	***New.*** An example was added to illustrate the decision to present an item separately in the financial statements based on a qualitative rather than a quantitative factor.
6	Example F—Materiality Judgments that Lead to the Disclosure of Information in Addition to the Specific Disclosure Requirements in IPSAS Standards.	Yes – Example C	Qualitative	***Adaptation.***
7	Example G—Identification of Primary Users.	No	Qualitative	***New.*** An example was added to illustrate that making materiality judgments requires an entity to identify its primary users. Staff leveraged from Example AusD.2—primary users in the public sector of the Australian Accounting Standard Board Practice Statement 2: Making Materiality Judgements
8	Example H—Primary Users' Unique or Individual Information Requests.	Yes – Example E	Qualitative	***Adaptation.*** Staff leveraged from the adaptations to example E of PS2 in the Australian Accounting Standard Board Practice Statement 2: Making Materiality Judgements, Example AusE.1—primary users' unique or individual information requests.

#	Examples	PS2	Factors	Type of Amendments
9	Example I—Impact of an Entity's Press Release on Materiality Judgments.	Yes – Example F	Quantitative	***Editorial.***
10	Example J—Information that is Immaterial According to IPSAS Standards Required by Laws and Regulations.	Yes – Example G	Qualitative	***Adaptation.***
11	Example K—Information that is Material According to IPSAS Standards not Required by Laws and Regulations.	Yes – Example H	Qualitative	***Adaptation.*** Staff leveraged from the adaptations to example H of PS2 in ASB Guidelines on The Application of Materiality to Financial Statements, Example 9 - Information that is material according to Standards of GRAP but is not required by laws and regulations
12	Example L—Information about a Related Party Transaction Assessed as Material.	Yes – Example I	Quantitative and Qualitative	***Adaptation.***
13	Example M—Information about a Related Party Transaction Assessed as Immaterial.	Yes – Example J	Quantitative and Qualitative	***Adaptation.***
14	Example N—Influence of External Qualitative Factors on Materiality Judgments.	Yes – Example K	Quantitative and Qualitative	***Adaptation.***

#	Examples	PS2	Factors	Type of Amendments
15	Example O—Prior-Period Information not Previously Provided.	Yes – Example L	Quantitative	***Editorial.***
16	Example P—Summarizing Prior-Period Information.	Yes – Example M	Quantitative and Qualitative	***Editorial.***
17	Example Q—Individual and Collective Assessment of Errors.	Yes – Example N	Quantitative and Qualitative	***Adaptation.***
18	Example R—Current-Period Assessment of Cumulative Errors.	Yes – Example O	Quantitative	***Adaptation.***
19	Example S—Assessing Whether Information about Covenants is Material.	Yes – Example P	Quantitative	***Adaptation.***

Note: The following example is not proposed to be retained in [draft] ED XX because:

- The example illustrates that an entity should consider the information needs of its potential primary users, potential resource providers, and service recipients are not discussed in the CF.
    - Example D—existing and potential investors, lenders, and other creditors

Note: The following examples were deleted from [draft] ED XX, as per IPSASB's December 2025 decision to remove such sections under 'Specific Topics' because:

- The examples illustrate the application of the definition of material to principles in IAS 34 *Interim Financial Reporting* for which there is no aligned IPSAS Standard.
    - Example Q—information that is expected to be material to the annual financial statements.
    - Example R—information that is only material to the interim financial report.
- The Examples illustrate guidance in IAS 1 for which there is no aligned guidance in IPSAS 1.
    - Example S—making materiality judgments and focusing on entity-specific information while avoiding standardized (boilerplate) accounting policy information
    - Example T—making materiality judgments on accounting policy information that only duplicates requirements in IFRS Standards.

Table C – Proposed Style Changes

9. The following table summarizes the style changes proposed to maintain consistency with IPSASB's literature:

Practice Statement 2	**[draft] ED XX, IPSAS Practice Statement: *Making Materiality Judgments***
References to IFRS Standards and its Conceptual Framework	References to IPSAS Standards and the Conceptual Framework
British spelling	American spelling
eg / ie	e.g., / i.e.,
lower case for sub-bullets	upper case for sub-bullets
sentence case for titles	Capitalized each word

Supporting Document 2—Other December 2025 Instructions

1. The table below provides staff's analysis on the two instructions below, for which a high-level recommendation was included in Agenda Item 6.A.5. The other December 2025 IPSASB Instructions[8] were discussed in Agenda Item 6.A.2 and Agenda Item 6.A.3.

Analyze whether to add a section about the interaction of materiality with approved budgets

2. At the December 2025 meeting, an IPSASB member asked whether, similar to the section "Interaction with Local Laws and Regulations' [draft] ED XX should include a section about the interaction of materiality with approved budgets.

3. Staff notes:

   (a) **The scope of the project.** Phase 2 of the MMJ project is a narrow scope project to develop non-authoritative guidance aligned with IFRS Practice Statement 2: *Making Materiality Judgements* adapted to the public sector context.

   (b) **The proposed objective of [draft] ED XX.** [draft] ED XX provides reporting entities with non-mandatory guidance on making materiality judgments when preparing general purpose financial statements[9] in accordance with IPSAS Standards.

4. Given the project's scope and the goal of [draft] ED XX, staff note that an approved budget is not a financial statement[10]. Therefore, including guidance on this matter falls outside the project's scope. Moreover, providing guidance on how materiality interacts with the budget is beyond the IPSASB's responsibilities and could conflict with local budgetary requirements.

5. The section 'Interaction with Local Laws and Regulations' included in [draft] ED XX notes that an entity can comply with laws and regulations, provided that, in doing so, material information is not obscured and the financial statements are in compliance with IPSAS Standards. This section does not specify which laws or regulations. Legislation often defines the budget; thus, budgetary laws are included in this guidance.

Analyze whether the section 'Information about Covenants' should also discuss funding conditions

6. At the December 2025 meeting, an IPSASB member asked whether the section 'Information about Covenants' should be removed and asked if it was retained, whether it should also discuss funding conditions, which are prevalent in the public sector.

7. [draft] ED XX proposes non-mandatory guidance in making materiality judgments when preparing financial statements in accordance with IPSAS Standards in four areas:

   (a) General Characteristics of Materiality;

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8 For a full list of December 2025 IPSASB Decision and Instructions, see the project page for Making Materiality Judgements - Phase 2.

9 Paragraph 21 in IPSAS 1 notes that a complete set of financial statements comprises: the statement of financial position, statement of financial performance, statement of changes in net assets/equity, cash flow statement, when the entity makes publicly available its approved budget, a comparison of budget and actual amounts, notes, and comparative information.

10 An approved budget is not a financial statement. However, entities that make their approved budget(s) publicly available are required to comply with the requirements of IPSAS 24, *Presentation of Budget Information in Financial Statements,* and include a comparison of budget and actual amounts with their financial statements.

(b) Interaction with Local Laws and Regulations;

(c) Making Materiality Judgments (i.e., a Four-Step Materiality Process); and

(d) Specific Topics.

8. The ‘Information on Covenants’ is included under ‘Specific Topics’ and discusses that the existence of a covenant or similar contractual term could influence materiality judgments. Thus, discussing materiality judgments regarding funding conditions would not be appropriate, as these may or may not be contractual in nature, as are covenants. Additionally, developing guidance on materiality judgments on funding conditions goes beyond the narrow scope of this project, as approved in the MMJ Project Brief.

9. [draft] ED XX includes examples discussing funding conditions, and therefore, the commonality of this in the public sector is reflect in the non-mandatory guidance:

(a) Example B—Qualitative Materiality Judgments on the Application of Accounting Policies; and

(b) Example J—Information that is Immaterial According to IPSAS Standards Required by Local Laws and Regulations.