



Grupo Latinoamericano
de Emisores de Normas
de Información Financiera

Group of Latin American
Accounting Standard Setters

December 14, 2017

International Accounting Standards Board

30 Cannon Street
London EC4M 6XH
United Kingdom

RE: Exposure Draft ED/2017/6 – Definition of Material: Proposed amendments to IAS 1 and IAS 8

Dear Board Members:

The “Group of Latin American Accounting Standard Setters” – GLASS¹ welcomes the opportunity to comment on the Exposure Draft ED/2017/6 – Definition of Material: Proposed amendments to IAS 1 and IAS 8 (the “ED”), issued in September 2017.

Due process

The discussions regarding the ED were held within a specified Technical Working Group (TWG) created in October 2017. All GLASS country-members had the opportunity to appoint at least one member to participate in this TWG. Each standard setter represented in the TWG has undertaken different tasks in their respective countries (e.g. surveys, internal working groups). All results were summarized, and this summary was the platform for the TWG discussion process.

The TWG discussed the different points of view included in the summary during several conference calls. In those calls the TWG developed a final document on the basis of the agreed-upon responses and the technical points of view of its members. Finally, the TWG document was submitted to and approved by the GLASS Board.

Overall comments

We agree with the new definition of materiality, since it more precisely focuses on “decisions based on the financial statements”, rather than just “economic decisions”, which is more generic. As explained in our responses to the questions, we believe that certain terms, such as *omitting, misstating or obscuring* should be clearly explained directly in IAS 1. As also indicated in the specific comments, reference should be made to the Practice Statement N°. 2, *Making Materiality Judgements*, as how to take into account the quantitative and qualitative factors when making a materiality judgment.

Specific comments

Attached please find our specific responses to the questions presented in the ED.

Contact

If you have any questions about our comments, please contact glenif@glenif.org.

¹ The overall objective of the Group of Latin American Accounting Standard Setters (GLASS) is to present technical contributions with respect to all Exposure Drafts issued by the IASB. Therefore, GLASS aims to have a single regional voice before the IASB. GLASS is constituted by: Argentina (Vice Chairman), Bolivia, Brazil (Chairman), Chile (Board), Colombia (Board), Costa Rica (Board), Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico (Board), Panama, Paraguay, Peru (Board), Uruguay (Board) and Venezuela (Board).



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Sincerely yours,

A handwritten signature in black ink, appearing to be 'Eduardo Pocetti', with a long horizontal stroke extending to the right.

Eduardo Pocetti

Chairman

Group of Latin American Accounting Standard Setters (GLASS)



GLASS Comment Letter on the IASB Exposure Draft – Definition of Material:

Proposed amendments to IAS 1 and IAS 8

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 believe that the new definition is more precise as it indicates “Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of a specific reporting entity’s general purpose financial statements make on the basis of those financial statements” and no longer refers to “economic decisions”, but to decisions based on the financial statements. Also, it does not indicate it “could influence” but rather “could reasonably be expected to influence” decisions, which could and should be taken into account. Finally, it refers to decisions of the “primary users” and not of any user, and the primary users are supposed to have an adequate understanding of business and how the financial information is prepared.

We believe that an expanded explanation of the terms omitted, misstated and obscured might be warranted in IAS 1, *Presentation of Financial Statements*, so that what the IASB is pretending to communicate for each of them may be well understood. The term that requires the most explanation is “obscuring”, since in the explanatory paragraphs of the definition it is said that obscuring is tantamount to providing too much immaterial information so that it obscures the material information and makes it less visible. There are other situations that could lead to obscuring information, such as excessive aggregation or disaggregation, using a language that is excessively technical and unclear, or putting the information in an obscure place. Also, the explanatory paragraphs should clearly indicate what is meant by omitting or by misstating.

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 believe it is important that the newly issued Materiality Practice Statement, as well as the new *Conceptual Framework* to be issued in early 2018, be consistent with respect to this new definition and its use.



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We believe that in IAS 1, where it is indicated that: "Materiality depends on the nature or magnitude of information or both", that reference be made to Practice Statement 2, *Making Materiality Judgements* (Materiality Practice Statement), so that the reader knows that in such document he can find additional literature in this regard.

In the explanation that follows the definition in IAS 1, it is indicated that materiality is dependent on the nature or magnitude of information, or both. We believe it would be convenient to make reference to the materiality judgment presented in the Materiality Practice Statement, which in its paragraphs 44 to 51 describe how the quantitative and qualitative factors should be taken into account when making a materiality judgment. This could be done in a footnote indicating what is included in the Materiality Practice Statement.

Question 3

Do you have any other comments about the proposals in this Exposure Draft?
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We noted that both IAS 1 and the Materiality Practice Statement use indistinctly the terms "immaterial" and "not material" to designate the same concept. We suggest that only one of the terms be used, to avoid the possibility of thinking that these two terms have a different meaning, when the intention is that they have the same meaning.