

January 15, 2018

International Accounting Standards Board  
30 Cannon Street  
London EC4M 6XH

Dear Board Members,

**RE: Exposure Draft ED/2017/6 DEFINITION OF MATERIAL – PROPOSED AMENDMENTS TO IAS 1 AND IAS 8**

The Committee on Corporate Reporting (CCR) of Financial Executives International Canada (FEI) is pleased to respond to the International Accounting Standards Board's ("IASB's") request for comment on the **exposure draft ED/2017/6 Definition of Material (Proposed amendments to IAS 1 and IAS 8) ('the Exposure Draft')**.

FEI Canada is the all-industry professional membership association for senior financial executives. With eleven chapters across Canada and more than 1,500 members, FEI Canada provides professional development, thought leadership and advocacy services to its members. The association membership, which consists of Chief Financial Officers, Audit Committee Directors and senior executives in the Finance, Controller, Treasury and Taxation functions, represents a significant number of Canada's leading and most influential corporations.

CCR is one of seven thought leadership committees of FEI Canada. CCR is devoted to improving the awareness of issues and educating FEI Canada members on the implications of the issues it addresses, and is focused on continually improving the standards and regulations impacting corporate reporting.

FEI supports the IASB's efforts to align the definition of material in IAS 1 and IAS 8 with the *Conceptual Framework*, and in general is supportive of the proposed amendments to the definition of material. However, we believe that in certain instances, additional clarification to the wording proposed in the Exposure Draft would assist financial statement preparers to apply the definition of material in the preparation of financial statements. These instances are discussed in our responses to the questions in the invitation to comment, provided in the Appendix to this letter.



Thank you for the opportunity to respond to this Exposure Draft.

Sincerely,

Susan Campbell  
Chair — Committee on Corporate Reporting

## Appendix

### 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?*

FEI in general is supportive of the definition of material and the accompanying explanation proposed in the Exposure Draft. However, we noted certain instances where additional clarification to the wording proposed in the Exposure Draft would assist financial statement preparers to apply the definition of material in the preparation of financial statements as discussed below:

- The Exposure Draft proposes that information is assessed as material “either individually or in combination with other information.” FEI believes that additional guidance, such as an illustrative example, would be helpful to understand how information that is not material on its own could become material in combination with other information in instances where materiality is determined on a qualitative rather than quantitative basis.
- The Exposure Draft suggests that assessing whether information could reasonably be expected to influence decisions of the primary financial statement users requires consideration of the characteristics of those users judged in the entity’s circumstances. FEI believes that clarification of what is meant by the phrase “judged in the entity’s circumstances” is required to provide preparers of financial statements the necessary background information to apply this guidance.
- In the Exposure Draft, the accompanying explanation to the definition of material includes the sentence “At times, even well-informed and diligent users may need to seek the aid of an advisor to understand information about complex economic phenomena.” While factually correct, FEI does not believe that this statement is appropriately included in the body of the standard and is more appropriate in the Basis of Conclusions. The immediately preceding sentence regarding the assumption that “Financial statements are prepared for users who have a reasonable knowledge of

business activities and who review and analyse the information diligently” is sufficient to apply the definition of material.

## **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?*

FEI does not have any comments on the Materiality Practice Statement or to the forthcoming revised Conceptual Framework at this time.

## **Question 3**

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

FEI notes that exposure draft ED/2017/5 Accounting Policies and Accounting Estimates (Proposed amendments to IAS 8) also impacts IAS 8. FEI strongly encourages the IASB to align the effective dates of both amendments should they proceed to final amendments.

FEI also notes that the US Financial Accounting Standards Board has taken a different approach to the definition of materiality for US GAAP as discussed in the Basis for Conclusions. Some IFRS preparers are also reporting issuers in the United States. FEI is not sure how the differences in the definitions of material will be applied in practice by these entities and encourages the IASB to work with the FASB to minimize the differences in the practical application of the concept of materiality regardless of the differences in the definitions.