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Mr Hans Hoogervorst, Chairman
International Accounting Standards Board (IASB)
30 Cannon Street
London EC4M 6XH
United Kingdom

15 January 2018

Dear Mr Hoogervorst,

on behalf of the Austrian Financial Reporting and Auditing Committee (AFRAC), the privately organised standard-setting body for financial reporting and auditing standards in Austria, we appreciate the opportunity to comment on the *Exposure Draft ED/2017/6 Definition of Material – Proposed amendments to IAS 1 and IAS 8*, issued by the IASB on 14 September 2017 (the 'ED').

Principal authors of this comment letter were Max Eibensteiner, Christian Höllerschmid, Erich Kandler, Roland Nessmann, and Robert Reiter. In order to assure a balanced Austrian view on the EP, the professional background of these authors is diverse.

Our detailed comments and responses to the three questions raised in the DP are set out below.

If you would like to discuss our comments further, please do not hesitate to contact us.

Kind regards,

Romuald Bertl,
Chairman

EXPOSURE DRAFT ED/2017/6 DEFINITION OF MATERIAL – PROPOSED AMENDMENTS TO IAS 1 AND IAS 8

GENERAL COMMENTS

AFRAC is of the opinion that the revised definition of material or materiality is an improvement and provides useful additional guidance to preparers and other interested parties. However, we want to draw the Board's attention to the obvious fact that the new definition of materiality is made in the middle of the work on the conceptual framework. Once finalized, the conceptual framework may result in the need to make further changes to the definition of material or materiality and a revision of this fundamental concept at this point in time could be seen as premature.

SPECIFIC COMMENTS

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?**

We principally agree and support the Board's approach to provide a more precise definition of material. Especially the introduction of the phrase "...could reasonably be expected to influence decisions..." helps to exclude a too broad interpretation about which facts might have an impact on the behavior of the primary users of financial statements. Basically, it prohibits the approach that almost any fact (no matter, if related to specific economic facts and circumstances of the reporting entity or not) could trigger a decision and, accordingly, should be in the focus of the preparers' attention. Moreover, the clear focus on the primary user (with the assumed – at least basic – "reasonable knowledge" of the economic environment of the company by the primary user) narrows the potential frame of information that is deemed to be material.

However, we propose further clarification of the term "obscuring", as it is currently not clear, if it is related to a "data overflow" triggered by the uncontrolled disclosure of decision-irrelevant facts or e.g. "imprecise wording", i.e. that specific facts are described intentionally in a way that misleads the reader.

- (b) Would any wording or terminology introduced in the proposed amendments be difficult to understand or to translate?**

We do not expect any difficulties in understanding or translating the terms used.

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 support the Board's intention to harmonize the meaning of the term "material" and/or "materiality" throughout all IFRSs. In addition to that, it might be worth aligning the definition of other terms that have been adjusted such as the "primary user" which also appear in other standards like IAS 1.

Question 3

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

We have no further comments.