

19th January 2016

International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
UK

Cc: EFRAG

Dear Sir/Madam

ED/2015/8 IFRS Practice Statement: Application of Materiality to Financial Statements

Norsk RegnskapsStiftelse (the Norwegian Accounting Standards Board – the NASB) welcomes the opportunity to submit its views on the exposure draft *IFRS Practice Statement: Application of Materiality to Financial Statements*.

Question 1—Form of the guidance

A Practice Statement is not a Standard. The IASB's reasoning for issuing guidance on applying the concept of materiality in the financial statements in the form of a non-mandatory Practice Statement is set out in paragraphs BC10–BC15.

- (a) Do you think that the guidance should be issued as non-mandatory guidance? Why or why not?
- (b) Do you think that a Practice Statement is the appropriate form for non-mandatory guidance on applying the concept of materiality? Why or why not? If not, what alternative(s) do you propose and why?

Answer: *If the IASB decides to issue a separate guidance on materiality, it should be in a non-mandatory form, like a practice statement. We are not convinced, however, that a separate document with a new and unknown status is the best choice. Given the content of the draft, we think that a more suitable alternative would be to add illustrative examples of materiality issues to IAS 1 and the new Framework.*

Question 2—Illustrative examples

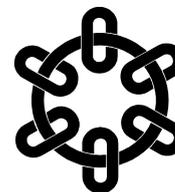
Do you find the examples helpful in the [draft] Practice Statement? Do you think any additional practical examples should be included? If so, what scenarios should the examples address? Please be as specific as possible and explain why those example(s) would be helpful to entities.

Answer: *We note that there is a number of examples throughout the document. We support the idea of providing a rich set of cases that illustrate the boundaries of materiality. However, we find that the examples are of mixt quality. Several examples are so self-evident that they do not contribute to any clarification.*

Question 3—Content of the [draft] Practice Statement

The [draft] Practice Statement proposes guidance in three main areas:

- (a) characteristics of materiality;
- (b) how to apply the concept of materiality in practice when presenting and disclosing information in the financial statements; and
- (c) how to assess whether omissions and misstatements of information are material to the financial statements.



It also contains a short section on applying materiality when applying recognition and measurement requirements.

Please comment on the following and provide any suggestions you have for improving the [draft] Practice Statement:

- (a) Do you think that any additional content should be included in the Practice Statement? If so, what additional content should be included and why?
- (b) Do you think the guidance will be understandable by, and helpful to, preparers of financial statements who have a reasonable level of business/accounting knowledge and IFRS? If not, which paragraphs/sections are unclear or unhelpful and why?
- (c) Are there any paragraphs/sections with which you do not agree? If so, which paragraphs/sections are they and why?
- (d) Do you think any paragraphs/sections are unnecessary? If so, which paragraphs/sections are they and why?
- (e) Do you think any aspects of the guidance will conflict with any legal requirements related to materiality within your jurisdiction, or a jurisdiction in which you file financial statements?

Answer: *In our view, the contribution of this draft Practice Statement with respect to clarify the content of materiality, is very limited. To a large extent the statement only quotes from the Conceptual Framework and specific standards and attaches some examples to illustrate their meaning. In this way the draft serves more like a directory of materiality statements in the existing standards than as authoritative guidance. In line with the IFRS notion of principles-based standard-setting the statement avoids anything that can resemble a numerical limit (although preparers often ask for such limits), with the result of ending up with a very meagre content. While we support that the IASB sticks to a qualitative discussion in discussing this matter, we think that the content could be strengthened by providing more real-life examples.*

Before issuing a practice statement we think that the IASB should do a better job on collecting real-world examples that illustrates border-line cases of materiality, for example in collaboration with supervisory authorities and global accounting firms.

Question 4—Timing

The IASB plans to issue the Practice Statement before the finalisation of its Principles of Disclosure project.

The IASB has tentatively decided to include a discussion on the definition of materiality, and whether there is a need to change or clarify that definition within IFRS, in the Discussion Paper for its Principles of Disclosure project (expected to be issued early in 2016). Nevertheless, the IASB thinks that to address the need for guidance on the application of materiality, it is useful to develop the Practice Statement now.

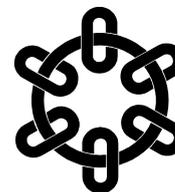
The IASB does not envisage that the discussion about the definition of materiality or any other topics in its Principles of Disclosure project will significantly affect the content of the Practice Statement. Nevertheless, the IASB will consider whether any consequential amendments to the Practice Statement are necessary following the completion of the Principles of Disclosure project. Do you agree with this approach?

Answer: *We have no view on this issue.*

Question 5—Any other comments

Do you have any other comments on the [draft] Practice Statement? As mentioned in Question 4, a discussion about the definition of materiality will be included in the Discussion Paper in the Principles of Disclosure project, so the IASB is not asking for comments on the definition at this time.

Answer: *We have no other comment.*



Please do not hesitate to contact us if you would like to discuss any specific issues addressed in our response.

Yours faithfully,

Erlend Kvaal
Chairman of the Technical Committee on IFRS of Norsk RegnskapsStiftelse

CC: EFRAG