



Comment Letter on the ED/2017/6 *Definition of Material – Proposed amendments to IAS 1 and IAS 8*

Comment Letters

European Financial Reporting Advisory Group

35 Square de Meeüs

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Belgium

Dear Madam/Sir,

In the present letter ICAC gives its view on EFRAG's position presented in your draft comment letter on IASB's Exposure Draft ED/2017/6 *Definition of Material – Proposed amendments to IAS 1 and IAS 8*.

First of all, ICAC welcomes IASB's initiative aimed to align the definition of 'material' in the Conceptual Framework for Financial Reporting and in IFRS Standards.

ICAC supports replacing the threshold 'could influence' with 'could reasonably be expected to influence' so as to remark the required professional judgment to assess when information is material. In this sense, we think also that replacing 'users' with 'primary users' improves the definition since it encloses the financial information target which necessarily affects the judgments about material information.

Notwithstanding, we do not agree with the proposal in EFRAG's comment letter of removing the references to 'omitting' and 'misstating' from the definition of materiality. In the Conceptual Framework, materiality is an aspect of relevance. Definition of relevant financial information is information capable of making a difference in the decisions made by users. If the references to 'omitting' and 'misstating' are removed, we would upgrade the concept of materiality to the concept of relevance itself, losing its role of explaining and completing the relevance definition.

Regarding the introduction of the term 'obscuring', we do not have clarity on this issue. We think it could be interesting because it raises a new challenge in assessing



what is material, trying to avoid that immaterial information makes difficult to identify the relevant information in the financial statements. However, we see important difficulties in applying this new approach, with a significant degree of subjectivity in assessing what information should be eliminated, taking into account also the own nature of the Notes that allows the preparers to complete the primary financial statements with the information they regard as necessary. Besides, and from another angle, we think also that the concept behind the term 'obscuring' can be derived from the terms 'omitting' and 'misstating' and the consistent appliance of the qualitative characteristics of useful financial information contained in the Conceptual Framework, such as relevance, faithful representation, verifiability and understandability. Under this standpoint, it would be sufficient to develop the explanation accompanying the definition of material, illustrating that the obscuring of information should be avoided, without including the term in the definition.

Please don't hesitate to contact us if you would like to clarify any point of this letter.

Yours sincerely,



Enrique Rubio Herrera

Chairman of ICAC

Madrid, 4th January 2018