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From:	European Commission
date of receipt:	2 August 2019
To:	General Secretariat of the Council
No. Cion doc.:	D062934/02
Subject:	Annex to COMMISSION REGULATION (EU) .../... of XXX amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Accounting Standards 1 and 8

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Delegations will find attached Annex to document D062934/02.

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Encl.: Annex to document D062934/02

**EN**

**D062934/2**

**ANNEX**

**Definition of Material**

Amendments to IAS 1 and IAS 8

## Amendments to IAS 1 *Presentation of Financial Statements*

Paragraph 7 is amended for an entity that has adopted the 2018 *Amendments to References to the Conceptual Framework in IFRS Standards*, and paragraph 139T is added.

### Definitions

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***Material:***

**Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.**

Materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole.

Information is obscured if it is communicated in a way that would have a similar effect for primary users of financial statements to omitting or misstating that information. The following are examples of circumstances that may result in material information being obscured:

- (a) information regarding a material item, transaction or other event is disclosed in the financial statements but the language used is vague or unclear;
- (b) information regarding a material item, transaction or other event is scattered throughout the financial statements;
- (c) dissimilar items, transactions or other events are inappropriately aggregated;
- (d) similar items, transactions or other events are inappropriately disaggregated; and
- (e) the understandability of the financial statements is reduced as a result of material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.

Assessing whether information could reasonably be expected to influence decisions made by the primary users of a specific reporting entity's general purpose financial statements requires an entity to consider the characteristics of those users while also considering the entity's own circumstances.

Many existing and potential investors, lenders and other creditors cannot require reporting entities to provide information directly to them and must rely on general purpose financial statements for much of the financial information they need. Consequently, they are the primary users to whom general purpose financial statements are directed. Financial statements are prepared for users who have a reasonable knowledge of business and economic activities and who review and analyse the information diligently. At times, even well-informed and diligent users may need to seek the aid of an adviser to understand information about complex economic phenomena.

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### Effective date

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139T *Definition of Material* (Amendments to IAS 1 and IAS 8), issued in October 2018, amended paragraph 7 of IAS 1 and paragraph 5 of IAS 8, and deleted paragraph 6 of IAS 8. An entity shall apply those amendments

prospectively for annual periods beginning on or after 1 January 2020. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.

## Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*

Paragraph 5 is amended for an entity that has adopted the 2018 *Amendments to References to the Conceptual Framework in IFRS Standards*. Paragraph 6 is deleted and paragraph 54H is added.

### Definitions

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- 5        ...  
          ***Material* is defined in paragraph 7 of IAS 1 and is used in this Standard with the same meaning.**  
          ...
- 6        [Deleted]  
          ...

### Effective date

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- 54H     ...  
          ***Definition of Material*** (Amendments to IAS 1 and IAS 8), issued in October 2018, amended paragraph 7 of IAS 1 and paragraph 5 of IAS 8, and deleted paragraph 6 of IAS 8. An entity shall apply those amendments prospectively for annual periods beginning on or after 1 January 2020. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.

## Amendments to other IFRS Standards and publications

### Amendments to IAS 10 *Events after the Reporting Period*

Paragraph 21 is amended and paragraph 23C is added.

#### Non-adjusting events after the reporting period

- 21 If non-adjusting events after the reporting period are material, non-disclosure could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. Accordingly, an entity shall disclose the following for each material category of non-adjusting event after the reporting period:
- (a) the nature of the event; and
  - (b) an estimate of its financial effect, or a statement that such an estimate cannot be made.
- ...

#### Effective date

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- ...
- 23C *Definition of Material* (Amendments to IAS 1 and IAS 8), issued in October 2018, amended paragraph 21. An entity shall apply those amendments prospectively for annual periods beginning on or after 1 January 2020. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact. An entity shall apply those amendments when it applies the amendments to the definition of material in paragraph 7 of IAS 1 and paragraphs 5 and 6 of IAS 8.

## Amendments to IAS 34 *Interim Financial Reporting*

Paragraph 24 is amended and paragraph 58 is added.

### Materiality

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- 24 IAS 1 defines material information and requires separate disclosure of material items, including (for example) discontinued operations, and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* requires disclosure of changes in accounting estimates, errors, and changes in accounting policies. The two Standards do not contain quantified guidance as to materiality.
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### Effective date

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- ...
- 58 *Definition of Material* (Amendments to IAS 1 and IAS 8), issued in October 2018, amended paragraph 24. An entity shall apply those amendments prospectively for annual periods beginning on or after 1 January 2020. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact. An entity shall apply those amendments when it applies the amendments to the definition of material in paragraph 7 of IAS 1 and paragraphs 5 and 6 of IAS 8.

## Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*

Paragraph 75 is amended and paragraph 104 is added.

### Restructuring

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75 A management or board decision to restructure taken before the end of the reporting period does not give rise to a constructive obligation at the end of the reporting period unless the entity has, before the end of the reporting period:

- (a) started to implement the restructuring plan; or
- (b) announced the main features of the restructuring plan to those affected by it in a sufficiently specific manner to raise a valid expectation in them that the entity will carry out the restructuring.

If an entity starts to implement a restructuring plan, or announces its main features to those affected, only after the reporting period, disclosure is required under IAS 10 *Events after the Reporting Period*, if the restructuring is material and non-disclosure could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

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### Effective date

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104 *Definition of Material* (Amendments to IAS 1 and IAS 8), issued in October 2018, amended paragraph 75. An entity shall apply those amendments prospectively for annual periods beginning on or after 1 January 2020. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact. An entity shall apply those amendments when it applies the amendments to the definition of material in paragraph 7 of IAS 1 and paragraphs 5 and 6 of IAS 8