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| **DRAFT**  Amendments to the Conceptual Framework for Financial Reporting  **Supplement the Chapter 3 "Qualitative characteristics of useful financial information", section "Fundamental qualitative characteristics" of The Conceptual framework with subsection "Materiality" as follows:**  1. Information is material if omitting it or misstating it could influence decisions that users make on the basis of financial statements about a specific reporting entity. Based on this definition of materiality, considering the interrelationship of materiality with another qualitative characteristics, as well as characteristics the users of financial statements, the application of the materiality concept requires disclosure in financial statements only that information which could influence the economic decisions of users taken on the basis of such financial statements, and excepting of information that has no influence on such decisions. Thus, the main purpose of applying the concept of materiality is to identify and disclose useful (relevant) information to users using criteria – the materiality threshold.  2. To select the materiality threshold both quantitative and qualitative aspects are applied, involving reference to material such quantitatively immaterial information (both financial and nonfinancial), which could influence the decisions of financial statements users in view of its nature or function. |

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| **DRAFT**  Amendments to IFRS (IAS) 8 "Accounting Policies, Changes in Accounting Estimates and Errors", associated with the use of the concept of materiality.  Supplement the IFRS (IAS) 8 "Accounting Policies, Changes in Accounting Estimates and Errors", Chapter "Accounting Policies", with section "Accounting policies relating to applying the concept of materiality " as follows:  Accounting policies relating to applying the concept of materiality  1 The concept of materiality affects various aspects of accounting. In most cases selection of separate elements the concept of materiality involves making decisions based on the judgment of management. Management should select specific principles, bases, conventions, rules and practices concerning separate elements of the materiality concept for their consistent application.  2 In accordance with the Framework, the main purpose the concept of materiality is to disclose in the financial statements only that information which could influence the economic decisions of users taken on the basis of such financial statements, and excepting of information that has no influence on such decisions.  3 Application the concept of materiality allows to provide disclosure in the financial statements of brief set of key indicators that determine a financial position, results of operations, cash flows and changes in equity, as well as information about the all inherent risks of an entity. In addition, applying the concept of materiality involves certain degree of accuracy of the information presented in the financial statements (for example, due to rounding procedures).  4 To implement the concept of materiality in accounting procedures management should adopt and consistently apply accounting policies relating to:  (а) selecting the forms of accounting and financial reporting;  (b) selecting the method and level of rounding for the procedures of accounting and financial reporting;  (c) procedure for recognition the objects immaterial, to which specific IFRS requirements aren't applied;  (d) complying with certain legal requirements and accounting standards, related to materiality;  (e) the use of aggregation and disaggregation;  (f) identification of quantitatively minor and complementary non-financial information that could influence the economic decisions of users of financial statements;  (g) disclosure of significant non-financial (environmental, social and managerial) information[[1]](#footnote-2);  (h) identification, classification and correction of material errors.  Disclosure  5 An entity shall disclose certain important elements of accounting policies related to the conceptof materiality, such as:  (а) the method and level of rounding of financial reporting figures;  (b) procedure for recognition the objects immaterial, to which specific IFRS requirements aren't applied;  (c) materiality threshold adopted to separate accounting objects and financial statements items.  6 Applying the certain elements of the concept of materiality results in:  (а) disclosure in the financial statements aggregated material information, and in the notes - disaggregated material information;  (b) disclosure in the notes to the financial statements quantitatively insignificant and complementary non-financial information that could influence the economic decisions of users of financial statements;  (c) disclosure of significant non-financial information 1;  (d) disclosure of information related to the correction of material errors. |

1. In the future, subject to appropriate rules [↑](#footnote-ref-2)