

# **Explanatory Statement**

## **Accounting Standard AASB 2018-7** ***Amendments to Australian Accounting Standards –*** ***Definition of Material***

**December 2018**



**Australian Government**

**Australian Accounting  
Standards Board**

# EXPLANATORY STATEMENT

## Standards Amended by AASB 2018-7

This Standard makes amendments to the following Standards:

- (a) AASB 2 *Share-based Payment* (July 2015);
- (b) AASB 101 *Presentation of Financial Statements* (July 2015);
- (c) AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* (August 2015);
- (d) AASB 110 *Events after the Reporting Period* (August 2015);
- (e) AASB 134 *Interim Financial Reporting* (August 2015); and
- (f) AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* (August 2015).

The Standard also makes amendments to:

- (g) the *Framework for the Preparation and Presentation of Financial Statements* (July 2004); and
- (h) AASB Practice Statement 2 *Making Materiality Judgements* (December 2017).

These amendments arise from the issuance of International Financial Reporting Standard *Definition of Material* (Amendments to IAS 1 and IAS 8) by the International Accounting Standards Board (IASB) in October 2018.

## Power to Make Amendments

Under subsection 33(3) of the *Acts Interpretation Act 1901*, where an Act confers a power to make, grant or issue any instrument of a legislative or administrative character (including rules, regulations or by-laws), the power shall be construed as including a power exercisable in the like manner and subject to the like conditions (if any) to repeal, rescind, revoke, amend, or vary any such instrument. Accordingly, the AASB has the power to amend the Accounting Standards that are made by the AASB as legislative instruments under the *Corporations Act 2001*.

## Main Features of AASB 2018-7

### Main Requirements

The Standard principally amends AASB 101 and AASB 108. The amendments refine the definition of material in AASB 101. The amendments clarify the definition of material and its application by improving the wording and aligning the definition across AASB Standards and other publications. The amendment also includes some supporting requirements in AASB 101 in the definition to give it more prominence and clarifies the explanation accompanying the definition of material.

### Application Date

AASB 2018-7 applies to annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted.

### References to Other AASB Standards

References in this Standard to the titles of other AASB Standards that are legislative instruments are to be construed as references to those other Standards as originally made and as amended from time to time and incorporate provisions of those Standards as in force from time to time.

## Consultation Prior to Issuing this Standard

The AASB issued Exposure Draft ED 282 *Definition of Material* in September 2017 for comment by 17 November 2017. ED 282 incorporated IASB Exposure Draft ED/2017/6 *Definition of Material*. Two submissions were received by the AASB in respect of the proposals in ED 282, generally supporting the proposed amendments to clarify the definition of material and providing some additional recommendations. The AASB did not make a submission to the IASB on ED/2017/6 as the AASB generally agreed with the proposals. Three Australian constituents made submissions to the IASB on ED/2017/6, supporting the proposed amendments overall, with some recommendations for further clarification.

The IASB analysed the feedback it received on the proposed amendments and revised the amendments in response to some of the issues and concerns raised by respondents. The IASB set an effective date of annual periods beginning on or after 1 January 2020, with earlier application permitted. The AASB considered the amendments made by the IASB and the Australian-specific comments in the submissions received in finalising AASB 2018-7 and the amendments to AASB 101, AASB 108 and the other Australian Accounting Standards and publications.

A Regulation Impact Statement (RIS) has not been prepared in connection with the issue of AASB 2018-7 as the amendments made do not have a substantial direct or indirect impact on business or competition.

# Statement of Compatibility with Human Rights

Prepared in accordance with Part 3 of the  
*Human Rights (Parliamentary Scrutiny) Act 2011*

## **Accounting Standard AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material**

### **Overview of the Accounting Standard**

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### **Human Rights Implications**

This Standard is issued by the AASB in furtherance of the objective of facilitating the Australian economy. It does not diminish or limit any of the applicable human rights or freedoms, and thus does not raise any human rights issues.

### **Conclusion**

This Standard is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.