Warsaw, 11 January 2018

Mr Hans Hoogervorst
Chairman of the
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Mr. Hoogervorst,

RE: Exposure Draft ED/2017/6 – Definition of Material

The Polish Accounting Standards Committee (PASC – Komitet Standardów Rachunkowości) is pleased to respond to the request for comments on the *Exposure draft: Definition of Material (the 'ED').*

PASC supports the IASB's efforts to revise the IAS 1 and IAS 8 (the 'Standards') and believes the proposals in the Exposure Draft improve the current guideline.

Our answers to the specific questions in the Exposure Draft are included in the Appendix.

Yours sincerely,

Joanna Dadacz
Chairman
Polish Accounting Standards Committee

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c/c EFRAG

Appendix

Question 1
The Board proposes amendments to IAS 1 and IAS 8 to align the definition of material between IFRS Standards and the Conceptual Framework, and to include in the definition some of the existing requirements in IAS 1. The Board also proposes to clarify the explanation accompanying the definition using existing guidance in IAS 1 and the Conceptual Framework. a) Do you agree that the definition of material and the accompanying explanation should be clarified as proposed in this Exposure Draft? If you do not agree, what changes do you suggest and why? b) Would any wording or terminology introduced in the proposed amendments be difficult to understand or to translate?

PASC agrees that the definition should be clarified and aligned. We support the additional guidance and clarifications in relation to decisions made by primary users.

We agree with the proposed amendments to the definition of material (IAS 1 para 7). Nevertheless, in our view, the focus on "***specific*** *reporting entity's general purpose financial statements*" is unjustified or at least undetermined in the context of the reporting entity itself. It is sufficient to use a wording *"reporting entity's general purpose financial statements".* The wording "*Material information might be obscured if it is not communicated clearly — for example,* ***if it is obscured by immaterial information****"* might be misleading in our opinion. We would suggest the phrase: *"Material information might be obscured if it is not communicated clearly — for example, if it is communicated by using too specific or too sophisticated language. Material information might be obscured* ***if it is presented together with voluminous immaterial information".***

Furthermore, as IASB replaces the phrase *"economic decisions"* (IAS 1 para 7) with "*decisions",* we would also recommend to ensure that the related amendments are introduced in other parts of the standards, e.g. IAS 1 para 9, also for example in relation to the purpose of the financial statements (Conceptual Framework OB2 and IAS 1 para 9). Moreover, IAS 1 para 7 states „*general purpose financial statements"* instead of „*general purpose financial reports*" - we find it reasonable.

In addition, we believe that the explanations regarding reasonable knowledge of business and economic activities have little to do with the concept of material. Therefore we suggest to transfer them to the Conceptual Framework and the Practice Statement.

PACS members highlight the unnecessary duplication of texts about material, i.e. in IAS 1 para 7 and IAS 8 para 5, 6 and 6A. We would suggest to add a reference in IAS 8 para 5 to the definition and explanations included in IAS 1 para 7. The duplication of the text may suggest that there are some differences between the definition and consideration of material in IAS 1 and separately in IAS 8.

Except for the above issues, PASC has not identified any difficulties in understanding the text on the material area or issues with proper translation into Polish.

Appendix

Question 2
The Board issued the Materiality Practice Statement in September 2017 and expects to issue a revised Conceptual Framework in the second half of 2017. If any changes are made to IFRS Standards as a result of the proposals in this Exposure Draft, the Board will make amendments to these two documents. The Board believes that the guidance in both the Materiality Practice Statement and the forthcoming revised Conceptual Framework will not be affected by the proposed amendments in this Exposure Draft, other than to update the definition of material (see paragraphs BC22–BC24). Do you have any comments on the proposed amendments to the Materiality Practice Statement or to the forthcoming revised Conceptual Framework?

We agree that the Conceptual Framework and the Materiality Practice Statement should be updated with the final definition of material. As noted in point 1 above, as the phrase „economic decision" was replaced with „decision", we would suggest corresponding adjustments in the indicated documents.

Question 3
Do you have any other comments about the proposals in this Exposure Draft?

With respect to the proposed amendments (para 139 R), we consider that the introduced changes should be retrospective and not prospective in situations in which the transactions described or disclosed for the first time are a consequence of or result from transactions that had their beginning in previous financial years covered by comparative data and which, due to materiality, were not presented before. In our view, it would provide useful information for the users of the financial statements.