



สภาวิชาชีพบัญชี ในพระบรมราชูปถัมภ์

FEDERATION OF ACCOUNTING PROFESSIONS
UNDER THE ROYAL PATRONAGE OF HIS MAJESTY THE KING

November 23, 2015

Mr. Hans Hoogervorst
Chairman
International Accounting Standards Board (IASB)
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Mr. Hoogervorst,

Comment Letter on ED/2015/8: IFRS Practice Statement: Application of Materiality to Financial Statements

The Federation of Accounting Professions of Thailand would like to show our appreciation on the opportunity to comment on *ED/2015/8: IFRS Practice Statement: Application of Materiality to Financial Statements*. Overall, we support the form and the overall contexts of the practice statement. Nevertheless, we suggest to address the process of determining materiality in the practice statement in order to help applying such concept. Moreover, the application of the materiality concept may be challenged by other laws, e.g. income tax law, in several countries. We also suggest that the timing to publish this statement should be the same as the publishing time of the principles of disclosure.

Please find our responses to the specific questions raised in *ED/2015/8: IFRS Practice Statement: Application of Materiality to Financial Statements* in an attachment. We believe that this proposed practice statement will help the practitioners in the future and that our comment letter will contribute positively to the IASB's due process. Should you need more information, please kindly contact the Federation of Accounting Professions of Thailand.

The Federation of Accounting Professions avails itself of this opportunity to the International Accounting Standards Board the assurances of its highest consideration.

Yours sincerely,

Associate Professor Dr. Vorasak Tummanond
Chair of Thai Accounting Standards Board
Federation of Accounting Professions of Thailand
Bangkok, Thailand

Copied to:

- 1) Chairman, Accounting Standard-Setting Committee of Thailand
- 2) Chairman, Subcommittee on Monitoring of International Financial Reporting Standards
- 3) President, Federation of Accounting Professions of Thailand



Exposure Draft ED/2015/8 IFRS Practice Statement: Application of Materiality to Financial Statements

Question 1—Form of the guidance

A Practice Statement is not a Standard. The IASB's reasoning for issuing guidance on applying the concept of materiality in the financial statements in the form of a non-mandatory Practice Statement is set out in paragraphs BC10–BC15.

- (a) Do you think that the guidance should be issued as non-mandatory guidance? Why or why not?
- (b) Do you think that a Practice Statement is the appropriate form for non-mandatory guidance on applying the concept of materiality? Why or why not? If not, what alternative(s) do you propose and why?

FAP :

- 1.1 We agree that the guidance should be issued as non-mandatory guidance since the Practice Statement discusses beyond the principles of financial reporting. The entity should be able to apply any appropriate methods to follow the related Standard.
- 1.2 We support the current form of a Practice Statement on applying the concept of materiality. We would like IASB to provide a list of financial reporting standards related to this Practice Statement.

Question 2—Illustrative examples

Do you find the examples helpful in the [draft] Practice Statement? Do you think any additional practical examples should be included? If so, what scenarios should the examples address? Please be as specific as possible and explain why those example(s) would be helpful to entities.

FAP : We broadly support the practical examples currently provided in the [Draft] Practice Statement. The entity can work more easily if IASB provide the additional practical examples with the real world cases addressing the concept of materiality so the entity will raise more concerns on its daily work.



Question 3—Content of the [draft] Practice Statement

The [draft] Practice Statement proposes guidance in three main areas:

- (a) characteristics of materiality;
- (b) how to apply the concept of materiality in practice when presenting and disclosing information in the financial statements; and
- (c) how to assess whether omissions and misstatements of information are material to the financial statements.

It also contains a short section on applying materiality when applying recognition and measurement requirements.

Please comment on the following and provide any suggestions you have for improving the [draft] Practice Statement:

- (a) Do you think that any additional content should be included in the Practice Statement? If so, what additional content should be included and why?
- (b) Do you think the guidance will be understandable by, and helpful to, preparers of financial statements who have a reasonable level of business/accounting knowledge and IFRS? If not, which paragraphs/sections are unclear or unhelpful and why?
- (c) Are there any paragraphs/sections with which you do not agree? If so, which paragraphs/sections are they and why?
- (d) Do you think any paragraphs/sections are unnecessary? If so, which paragraphs/sections are they and why?
- (e) Do you think any aspects of the guidance will conflict with any legal requirements related to materiality within your jurisdiction, or a jurisdiction in which you file financial statements?

FAP :

(a) We suggest that the Practice Statement provide the additional examples of determining materiality which will be helpful in implementing this practice statement.

(b)-(d) We support the current context of the [Draft] Practice Statement.

(e) Some regulators such as Bank of Thailand, the Revenue Department of Thailand and the Office of Insurance Commission require the regulated companies to prepare their financial statements based on the regulators' policies which differ from Materiality principles. For examples, the Office of Insurance Commission sets the minimum disclosure requirements. Any companies which have the required items must present them in the financial statements regardless of Materiality.



Question 4—Timing

The IASB plans to issue the Practice Statement before the finalisation of its Principles of Disclosure project.

The IASB has tentatively decided to include a discussion on the definition of materiality, and whether there is a need to change or clarify that definition within IFRS, in the Discussion Paper for its Principles of Disclosure project (expected to be issued early in 2016). Nevertheless, the IASB thinks that to address the need for guidance on the application of materiality, it is useful to develop the Practice Statement now.

The IASB does not envisage that the discussion about the definition of materiality or any other topics in its Principles of Disclosure project will significantly affect the content of the Practice Statement. Nevertheless, the IASB will consider whether any consequential amendments to the Practice Statement are necessary following the completion of the Principles of Disclosure project. Do you agree with this approach?

FAP : We would like to provide a different viewpoint. The Practice Statement on applying the concept of Materiality addresses the presentation and disclosure. The timing to publish the Practice Statement may have significant impact on presentation and disclosure. If IASB has to change the concept on applying Materiality after the completion of the Principles of Disclosure, it would be difficult to change the process of applying Materiality. We suggest the issuance of Principle of Disclosure and the draft Practice Statement be the same time.

Question 5—Any other comments

Do you have any other comments on the [draft] Practice Statement? As mentioned in Question 4, a discussion about the definition of materiality will be included in the Discussion Paper in the Principles of Disclosure project, so the IASB is not asking for comments on the definition at this time.

FAP : We agree with all other parts of the Practice Statement.