

Materiality – Basic principles

June 2024





Disclaimer

The views and opinions expressed in this presentation are those of the individual. Official positions of the ASB on accounting matters are determined only after extensive due process and deliberation.





Who is responsible to assess materiality?

- Principles in Standards of GRAP ensure that financial statements include relevant, credible and consistent information
- Management responsible:
 - to prepare financial statements
 - assessing materiality in preparing financial statements
- Management **should** discuss materiality with other oversight structures





Who is responsible to assess materiality?



Document materiality considerations

Guideline on the *Application of Materiality to Financial Statements* (issued April 2019) provides guidance on process to consider when applying materiality





When should management consider materiality?

- Materiality is pervasive to preparation of financial statements
- Consider materiality throughout reporting period **and** at reporting date
- Developing accounting policies for immaterial items not required → develop an alternative accounting treatment





When should management consider materiality?

Materiality is considered when:

- accounting policies are developed
- deciding on information to be disclosed and how it should be presented
- assessing effect of omissions



What factors should management consider when assessing materiality?

- Always use **all available** information at assessment date → past, present and future
- Quantitative and qualitative materiality is assessed for items individually and collectively



Materiality is entity-specific → requires management's judgement

Assessment of materiality by entity versus auditors

- Materiality assessments made by auditors are different to that of management

Assessment by management (entity)	Assessment by auditor
Consider in deciding information to be included in financial statements that is relevant to users	Based on assurance that management has fairly presented the entity's affairs to express an opinion

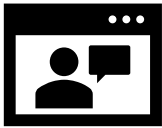




Guidance on materiality

- Guideline on the *Application of Materiality to Financial Statements* – issued by the Board in April 2019 ([Guideline on the Application of Materiality to Financial Statements \(asb.co.za\)](#))
- Fact Sheet on *Applying Materiality* – issued by Secretariat of the ASB in September 2021 ([Fact-Sheet-on-Materiality-September-2021.pdf \(asb.co.za\)](#))
- Frequently Asked Questions (FAQ) 1.3 on *What is the role of materiality in the reporting of info in the financial statements* – FAQs on the Standards of GRAP updated in March 2024 ([Frequently Asked Questions \(asb.co.za\)](#))

Access the content



Recordings on
ASB YouTube
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Slides on ASB
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<https://www.asb.co.za/enhancing-the-application-of-standards-of-grap/>

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