



Te Kāwai Ārahi Pūrongo Mōwaho  
EXTERNAL REPORTING BOARD

# Material Disclosure Judgements

## *Learnings from New Zealand research by Massey University on disclosure materiality*

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# Objectives of the study

**Massey University research study on NZ entities – to ascertain what effects the IASB documents had on materiality judgements:**

1. Do entities have a better understanding of how to make disclosure materiality judgements?
2. Have they made changes to their disclosures as a result of the guidance?



## IASB Materiality Guidance

*(IASB documents)*

- *Definition of Material* (Amendments to IAS 1 and IAS 8); 1
- IFRS Practice Statement 2 — *Making Materiality Judgements*; and
- Disclosure Initiative Case Studies: *Better Communication in Financial Reporting — Making disclosures more meaningful.*

# Approach to the study

## NZ Stakeholders interviewed

- Ten CFOs and audit committee chairs
- Representatives from four regulators

## Analysis of disclosure

Revenue disclosure of 40 New Zealand Stock Exchange listed companies from 2018 to 2021



## Evidence gathered on

- The use of the IASB documents in making materiality judgements
- How entities make materiality judgements
- Changes to disclosure practices when the IASB documents were published
- How standard setters can further dissuade immaterial disclosures

# Key findings

## Use of the IASB documents for materiality judgements



### Guidance used

Preparers have knowledge of the IASB documents but prefer using national regulator guidance documents

## How entities make materiality judgements



### Understanding

Preparers have a good understanding of the concept of materiality



### Auditors

Preparers take guidance from auditors on material disclosures



### Regulators

Examine what is not disclosed, emphasizing possibility of relevance to users

# Key findings

## Changes to disclosure practices



### 2018 vs 2021

- Increase rather than decreased disclosure
- Due to new Standards and events



### Monitoring

- Initial disclosure decisions remain consistent.
- Preparers perceive “decluttering” practices to be costly

# Recommended actions for Standard Setters

## Materiality messaging

- Reinvigorate the message on importance of good quality and ‘decluttering’
- Prominent website communication to give prominence to the IASB documents

## New or amended Standards

- During development, be cognisant of reporting requirements burden
- Close to the effective date, increase communication on the benefits of the new requirements

## Holistic financial and non-financial disclosures

- Continuously working with regulators, users and preparers to create reporting Framework that provides information that is meaningful and useful but not increasingly voluminous and disconnected



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# Questions?





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