

Exposure Draft 93
May 2025
Comments due: July 14, 2025

IPSAS®

Proposed International Public Sector Accounting Standard®

Definition of Material (Amendments
to IPSAS 1, IPSAS 3, and the
Conceptual Framework)

IPSASB

International Public
Sector Accounting
Standards Board®

This document was developed and approved by the International Public Sector Accounting Standards Board® (IPSASB®).

The objective of the IPSASB is to serve the public interest by setting high-quality public sector accounting and sustainability reporting standards and by facilitating the adoption and implementation of these, thereby enhancing the quality and consistency of practice throughout the world and strengthening the transparency and accountability of public sector finances and sustainable development.

In meeting this objective, the IPSASB sets International Public Sector Accounting Standards™ (IPSAS®), IPSASB Sustainability Reporting Standards™ (IPSASB SRS™) and Recommended Practice Guidelines™ (RPG™) for use by public sector entities, including national, regional, and local governments, and related governmental agencies.

IPSAS Accounting Standards relate to the general purpose financial statements (financial statements) and are authoritative. IPSASB SRS Standards relate to sustainability disclosures and are authoritative. RPG Guidelines are pronouncements that provide guidance on good practice in preparing general purpose financial reports (GPFRs) that are not financial statements. Unlike IPSAS Accounting Standards and IPSASB SRS Standards, RPG Guidelines do not establish requirements. IPSASB SRS Standards and RPG Guidelines do not provide guidance on the level of assurance (if any) to which information should be subjected.

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REQUEST FOR COMMENTS

This Exposure Draft (ED) 93, *Definition of Material* (Amendments to IPSAS 1, IPSAS 3, and the Conceptual Framework) was developed and approved by the International Public Sector Accounting Standards Board® (IPSASB®).

The proposals in this Exposure Draft may be modified in light of comments received before being issued in final form.

Comments are requested by July 14, 2025.

Respondents are asked to submit their comments electronically through the IPSASB website, using the “[Submit a Comment](#)” link. Please submit comments in both a PDF and Word file. Also, please note that first-time users must register to use this feature. All comments will be considered a matter of public record and will ultimately be posted on the website. This publication may be downloaded from the IPSASB website: www.ipsasb.org. The approved text is published in the English language.

IPSASB’s Making Materiality Judgements Project

This project aims to address the difficulties in making materiality judgments when preparing general purposes financial reports. These difficulties can contribute to a disclosure problem, in which entities provide too much irrelevant information and not enough relevant information in their financial statements.

This project will be undertaken in three distinct phases:

- **Phase 1**—Enhance consistency of the definition of ‘material’ between the *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* (Conceptual Framework) and IPSAS Standards and clarify that decisions about materiality are intended to reflect the information needs of the primary users of financial statements.
- **Phase 2**—Develop non-authoritative guidance on making materiality judgements when preparing financial statements in accordance with IPSAS Standards.

The IPSASB expects to adapt IFRS® Practice Statement 2 *Making Materiality Judgments*, to the public sector context. One of the public sector factors to be addressed in Phase 2 is the broader scope of the term ‘primary users’ in the IPSAS Standards compared to IFRS® Accounting Standards.

- **Phase 3**—Develop guidance on making materiality judgments when preparing sustainability reports in accordance with IPSASB SRS Standards, subject to the finalization and approval of IPSASB SRS ED 1, *Climate-related Disclosures*.

This ED proposes changes to the definition of material in line with the scope of Phase 1 of the project. The aim is to achieve a consistent definition of material across the Conceptual Framework and IPSAS Standards before developing non-authoritative guidance in Phase 2 to assist entities in applying this definition.

The proposals in this ED consider consistency between existing guidance in the Conceptual Framework and IPSAS Standards and do not consider responses received on the concept of materiality proposed in IPSASB SRS ED 1, *Climate-related Disclosures*.

Objective of the ED

The objective of this ED is to propose amendments to:

- (a) Clarify that decisions about materiality are intended to reflect the needs of the primary users of general purpose financial reports; and
- (b) Align materiality guidance across the IPSAS Standards with the Conceptual Framework.

Summary of Proposed Changes in ED 93

The amendments to the following pronouncements clarify that decisions about materiality are intended to reflect the information needs of the primary users of general purpose financial reports, introduce new guidance to help entities make materiality judgements and align the definition of material in IPSASB's literature:

- (a) Chapter 2: Objectives and Users of General Purpose Financial Reporting Contents and Chapter 3: Qualitative Characteristics of the Conceptual Framework (Part 1);
- (b) IPSAS 1, *Presentation of Financial Statements* (Part 2);
- (c) IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors* (Part 3); and

Consequential amendments (Part 4) are made to:

- (a) IPSAS 14, *Events After the Reporting Date*;
- (b) IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*;
- (c) IPSAS 42, *Social Benefits*; and
- (d) IPSAS 45, *Property, Plant, and Equipment*.

The final pronouncement is expected to include amendments to specific IPSAS standards, as discussed in this ED.

Guide for Respondents

The IPSASB welcomes comments on all the matters discussed in this ED. Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, contain a clear rationale and, where applicable, provide a suggestion for alternative wording. Comments must be submitted in English.

EXPOSURE DRAFT 93, DEFINITION OF MATERIAL (AMENDMENTS TO IPSAS 1, IPSAS 3, AND CONCEPTUAL FRAMEWORK)

CONTENTS

	Page
Amendment: Part 1 – Amendments to the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities.....	4
Amendment: Part 2 – Amendments to IPSAS 1, Presentation of Financial Statements	6
Amendment: Part 3 – Amendments to IPSAS 3, Accounting Policies, Changes in Accounting Estimates and Errors	9
Amendment: Part 4 – Amendments to Other IPSAS Standards	10

AMENDMENT: PART 1 – AMENDMENTS TO THE CONCEPTUAL FRAMEWORK FOR GENERAL PURPOSE FINANCIAL REPORTING BY PUBLIC SECTOR ENTITIES

Amendments to the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities

Paragraphs 2.4 (footnote is added) and 3.32 are amended. New text is underlined and deleted text is struck through.

...

Chapter 2: Objectives and Users of General Purpose Financial Reporting

...

Users of General Purpose Financial Reports

...

- 2.4 Consequently, GPFRs of public sector entities are developed primarily to respond to the information needs of service recipients and resource providers who do not possess the authority to require a public sector entity to disclose the information they need for accountability and decision-making purposes. The legislature (or similar body) and members of parliament (or a similar representative body) are also primary users of GPFRs, and make extensive and ongoing use of GPFRs when acting in their capacity as representatives of the interests of service recipients and resource providers. Therefore, for the purposes of the Conceptual Framework, the primary users of GPFRs are service recipients and their representatives and resource providers and their representatives (hereafter referred to as “service recipients and resource providers”, unless identified otherwise).¹

...

Chapter 3: Qualitative Characteristics

...

Constraints on Information Included in General Purpose Financial Reports

Materiality

...

- 3.32. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the discharge of accountability by the entity, or the decisions that primary users make on the basis of the entity's GPFRs prepared for that reporting period. Materiality depends on both the nature and amount of the item judged in the particular circumstances of each entity.

...

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, the Conceptual Framework.

...

¹ Throughout the Conceptual Framework, the terms ‘primary users’ and ‘users’ refer to those service recipients and their representatives and resource providers and their representatives who must rely on general purpose financial reports for much of the financial information they need.

Constraints on Information Included in General Purpose Financial Reports

Materiality

...

Revision in 2025

- BC3.32I In December 2024, the IPSASB decided to review the consistency of the description of materiality in the Conceptual Framework to enhance the clarity of application. The IPSASB noted that the description of materiality refers to users. This term could be interpreted broader than the scope of financial reporting, which is the information needs of primary users, as described in paragraph 1.7 of the Conceptual Framework. For consistency purposes, the IPSASB decided to clarify that the users referred to in the description of materiality are the primary users of GPFRs, as opposed to other users.
- BC3.32J The revision to add 'primary' ahead of 'users' in the description of materiality in paragraph 3.32 emphasizes that the decisions about materiality are intended to reflect the information needs of primary users and not of other users. This is consistent with paragraphs 2.4 and 2.6 of the Conceptual Framework, which describes that other users may benefit from the information in GPFRs; however, these are explicitly prepared to respond to the information needs of primary users.
- BC3.32K The IPSASB also added a footnote to paragraph 2.4 explaining that throughout the Conceptual Framework, the terms 'primary users' and 'users' refer to those service recipients and their representatives and resource providers and their representatives who rely on GPFRs for much of the financial information they need. The footnote avoids the need to change every single instance of the term 'users' to 'primary users' throughout the Conceptual Framework.

...

AMENDMENT: PART 2 – AMENDMENTS TO IPSAS 1, PRESENTATION OF FINANCIAL STATEMENTS

Amendments to IPSAS 1, *Presentation of Financial Statements*

Paragraphs 7 and 13 are amended. Paragraphs 12A, 13A, and 153R are added. New text is underlined and deleted text is struck through.

...

Definitions

7. ...

Material: ~~Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature and size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.~~ Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the discharge of accountability by the entity, or the decisions that primary users make on the basis of the entity's general purpose financial statements prepared for that reporting period.

...

Materiality

12A. Materiality depends on the nature and amount of the item judged in the particular circumstances of each entity. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole. Information is obscured if it is communicated in a way that would have a similar effect for primary users of financial statements to omitting or misstating that information. The following are examples of circumstances that may result in material information being obscured:

- (a) Information regarding a material item, transaction or other event is disclosed in the financial statements but the language used is vague or unclear;
- (b) Information regarding a material item, transaction or other event is scattered throughout the financial statements;
- (c) Dissimilar items, transactions or other events are inappropriately aggregated;
- (d) Similar items, transactions or other events are inappropriately disaggregated; and
- (e) The understandability of the financial statements is reduced as a result of material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.

13. Assessing whether information an omission or misstatement could reasonably be expected to influence the discharge of accountability by the entity, or decisions of made by primary users of a specific reporting entity's general purpose financial statements, and so be material, requires an entity to consider consideration of the characteristics of those users while also considering the entity's own circumstances. Users are assumed to have a reasonable knowledge of the public sector and economic activities and accounting, and a willingness to study the information with reasonable diligence. Therefore, the assessment needs to take into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

- 13A. Many existing and potential service recipients and their representatives and resource providers and their representatives cannot require reporting entities to provide information directly to them and must rely on general purpose financial statements for much of the financial information they need. Consequently, they are the primary users to whom general purpose financial statements are directed. Financial statements are prepared for users who have a reasonable knowledge of public sector programs and operations and who review and analyze the information diligently. At times, even well-informed and diligent users may need to seek the aid of an adviser to understand information about complex economic phenomena.

...

Effective Date and Transition

Effective Date

...

- 153R. Paragraphs 7 and 13 are amended and paragraphs 12A and 13A are added by [Draft] *Definition of Material (Amendments to IPSAS 1, IPSAS 3, and the Conceptual Framework)*, issued in [Month] [Year]. An entity shall apply these amendments prospectively for annual financial statements covering periods beginning on or after January 1, [Year]. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact.

...

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, IPSAS 1.

...

Revision of IPSAS 1 as a result of ED 93, Definition of Material (Amendments to IPSAS 1, IPSAS 3, and the Conceptual Framework) issued in [Month and Year]

- BC40. In December 2024, the IPSASB decided that the definition of material in IPSAS 1 should be reviewed for consistency with the Conceptual Framework. The IPSASB noted that the description of materiality in the Conceptual Framework differed from the definition of material in IPSAS 1.
- BC41. The IPSASB noted that the differences between the description of materiality in the Conceptual Framework and the definition of material in IPSAS 1 could imply that the IPSASB intended these to have different meanings and be applied differently in practice. The IPSASB discussed that the description of materiality was revised with the update of the Conceptual Framework in 2023, specifically: obscuring information was added as a materiality factor, and the materiality threshold was softened. The IPSASB agreed the updates to the Conceptual Framework should be reflected throughout IPSAS Standards.
- BC42. The IPSASB also reviewed the revisions to IAS 1, *Presentation of Financial Statements*, included in *Definition of Material (Amendments to IAS 1 and IAS 8)* issued by the IASB in October 2018, and the IASB's rationale for making these amendments as set out in its Basis for Conclusions. The IPSASB supported the alignment of the definition of material in IPSAS 1 with the IASB's definition but noted that users of GPFs in the public sector use these both for the discharge of accountability and decision-making purposes. To reflect this difference in the public sector, the definition of material in IPSAS 1, consistent with the Conceptual Framework, includes the term discharge of accountability.

Proposed amendments to the definition of material

- BC43. The IPSASB proposes aligning the definition of material in IPSAS 1 with the description of materiality in the Conceptual Framework. The IPSASB discussed that this is appropriate, as the Conceptual Framework establishes the concepts to be applied in developing IPSAS Standards. Such proposed amendments include:
- (a) Add obscuring information as an additional materiality factor because the inclusion of immaterial disclosures can have a negative impact on primary users, rather than just being unnecessary;
 - (b) Soften the materiality threshold from 'could influence' to 'could reasonably be expected to influence' because it imposes a more realistic expectation on preparers' assessment of materiality, as almost anything 'could' influence the decision of primary users;
 - (c) Add 'discharge of accountability' because the provision of information in GPFs should enable primary users to hold the entity accountable for the resources entrusted to it for the delivery of services to constituents and others, and its compliance with legislation, regulation, or other authority that governs its service delivery and other operations; and
 - (d) Add 'primary' ahead of users because it emphasizes that the decisions about materiality are intended to reflect primary users' information needs and not all users.
- BC44. Additionally, aligning the definition of material with the Conceptual Framework will:
- (a) Ensure consistent application of materiality by entities when making materiality judgements in the preparation of financial statements in accordance with IPSAS Standards; and
 - (b) Align the definition of material with IAS 1 Presentation of Financial Statements, consistent with the IASB's Definition of Material (Amendments to IAS 1 and IAS 8) issued by the IASB in October 2018.

Proposed amendment to the clarification accompanying the definition of material

- BC45. The IPSASB reviewed the revisions to IAS 1 *Presentation of Financial Statements*, included in *Definition of Material* (Amendments to IAS 1 and IAS 8) issued by the IASB in October 2018, and the IASB's rationale for making these amendments as set out in its Basis for Conclusions, and generally concurred that there was no public sector specific reason for not adopting the amendments to the clarification accompanying the definition of material.

Proposed amendments to other IPSAS Standards

- BC46. The IPSASB thinks that it is not necessary to make amendments to change all instances of 'users' to 'primary users' in IPSAS Standards. Part 1 of this ED clarifies that these terms are intended to be interpreted in the same way and proposes adding a footnote to paragraph 2.4 of the Conceptual Framework that states that throughout the Conceptual Framework, the terms 'primary users' and 'users' are both used to refer to those service recipients and their representatives and resource providers and their representatives who must rely on general purpose financial reports for much of the financial information they need.
- BC47. The proposed amendments to the definition of material in IPSAS 1 are not considered to be substantive. Rather, these align the definition of material in IPSAS 1 with the Conceptual Framework. Therefore, the IPSASB only proposes amendments to IPSAS where the definition of material is quoted.

AMENDMENT: PART 3 – AMENDMENTS TO IPSAS 3, ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS

Amendments to IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*

Paragraph 7 is amended, paragraph 8 and its subheading are deleted, and paragraph 59I is added. New text is underlined and deleted text is struck through.

...

Definitions

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7. The following terms are used in this Standard with the meanings specified:

...

The term **Material** is defined in IPSAS 1 and is used in this Standard with the same meaning as in IPSAS 1.

Materiality [Deleted]

8. ~~Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. Users are assumed to have a reasonable knowledge of the public sector and economic activities and accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment needs to take into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions. [Deleted]~~

...

Effective Date

...

- 59I Paragraph 7 was amended, and paragraph 8 and its subheading were deleted by [draft] ED 93, *Definition of Material (Amendments to IPSAS 1, IPSAS 3, and the Conceptual Framework)*, issued in [Month] [Year]. An entity shall apply this amendment prospectively for annual financial statements covering periods beginning on or after January 1, [Year]. Earlier application is permitted.

...

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, IPSAS 3.

...

Revision of IPSAS 3 as a result of [Draft] ED 93, Definition of Material (Amendments to IPSAS 1, IPSAS 3, and the Conceptual Framework) issued in [Month and Year]

- BC22. The IPSASB proposes to delete the description of materiality from IPSAS 3 because IPSAS 1, *Presentation of Financial Statements* includes the revised definition of material and clarification guidance on this definition proposed in ED 93, *Definition of Material (Amendments to IPSAS 1, IPSAS 3, and the Conceptual Framework)*. The IPSASB decided to add an explicit cross-reference from IPSAS 3 to IPSAS 1 on the definition of material.

AMENDMENT: PART 4 – AMENDMENTS TO OTHER IPSAS STANDARDS

Amendments to IPSAS 14, *Events after the Reporting Date*

Paragraphs 5 and 30 are amended, and paragraph 32H is added. New text is underlined and deleted text is struck through.

...

Definitions

...

5. The following terms are used in this Standard with the meanings specified:

...

The term Material is defined in IPSAS 1, Presentation of Financial Statements and is used in this Standard with the same meaning as in IPSAS 1.

...

Disclosure

...

Disclosure of Non-adjusting Events after the Reporting Date

30. If non-adjusting events after the reporting date are material, non-disclosure could reasonably be expected to influence the discharge of accountability by the entity, or the economic decisions of that the primary users of general purpose financial statements taken make on the basis of the entity's general purpose financial statements prepared for that reporting entity. Accordingly, an entity shall disclose the following for each material category of non-adjusting event after the reporting date:

- (a) The nature of the event; and
- (b) An estimate of its financial effect, or a statement that such an estimate cannot be made.

...

Effective Date

32H. Paragraphs 5 and 30 were amended by [draft] ED 93, Definition of Material (Amendments to IPSAS 1, IPSAS 3, and the Conceptual Framework), issued in [Month] [Year]. An entity shall apply this amendment prospectively for annual financial statements covering periods beginning on or after January 1, [Year]. Earlier application is permitted. If an entity applies this amendment for an earlier period, it shall disclose that fact. An entity shall apply this amendment when it applies the amendments to the definition of material in paragraph 7 of IPSAS 1.

...

Amendments to IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*

Paragraphs 18, 87, and AG18 are amended, and paragraph 111Q is added. New text is underlined and deleted text is struck through.

...

Definitions

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18. The following terms are used in this Standard with the meanings specified:

...

The term **Material** is defined in IPSAS 1, *Presentation of Financial Statements* and is used in this Standard with the same meaning as in IPSAS 1.

...

Application of the Recognition and Measurement Rules

...

Restructuring

...

87. A decision by management or the governing body to restructure, taken before the reporting date, does not give rise to a constructive obligation at the reporting date unless the entity has, before the reporting date:

- (a) Started to implement the restructuring plan; or
- (b) Announced the main features of the restructuring plan to those affected by it in a sufficiently specific manner to raise a valid expectation in them that the entity will carry out the restructuring.

If an entity starts to implement a restructuring plan, or announces its main features to those affected, only after the reporting date, disclosure may be required under IPSAS 14, *Events after the Reporting Date*, if the restructuring is material and non-disclosure could reasonably be expected to influence the discharge of accountability by the entity, or the economic decisions of that the primary users of general purpose financial statements make on the basis of the entity's general purpose taken on the financial statements.

...

Effective Date

- 111Q. Paragraphs 18 and 87 were amended by [draft] ED 93, *Definition of Material (Amendments to IPSAS 1, IPSAS 3, and the Conceptual Framework)*, issued in [Month] [Year]. An entity shall apply this amendment prospectively for annual financial statements covering periods beginning on or after January 1, [Year]. Earlier application is permitted. If an entity applies this amendment for an earlier period, it shall disclose that fact. An entity shall apply this amendment when it applies the amendments to the definition of material in paragraph 7 of IPSAS 1.

...

Application Guidance

...

Collective and Individual Services

...

Presentation and Disclosures of Collective and Individual Services

- AG18. An entity shall present and disclose information about collective services and individual services in accordance with other IPSAS, including IPSAS 1, ~~*Presentation of Financial Statements*~~, IPSAS 2, *Cash Flow Statements*, and IPSAS 18, *Segment Reporting*.

...

Amendments to IPSAS 42, *Social Benefits*

Paragraph IG5 is amended. New text is underlined, and deleted text is struck through.

...

Implementation Guidance

This guidance accompanies, but is not part of, IPSAS 42.

...

Recognition and Measurement of Liabilities and Expenses in IPSAS 42

...

IG5. In considering the liability to be recognized as at the reporting date, entities may find it helpful to refer to the discussion of materiality in IPSAS 1, *Presentation of Financial Statements* ~~IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*.~~

...

Amendments to IPSAS 45, *Property, Plant, and Equipment*

Paragraphs IG12(a) and IG12(c) are amended. New text is underlined, and deleted text is struck through.

...

Implementation Guidance

This guidance accompanies, but is not part of, IPSAS 45.

...

Capitalization Threshold for Costs

What factors should be considered when choosing a capitalization threshold?

...

IG12. Factors to consider when setting capitalization thresholds include:

- (a) **Meeting the information needs of primary users:** Capitalization thresholds should result in reported information that meets the needs of external primary users of the financial statements. Capitalization thresholds should result in reported amounts for recognized assets that achieve the qualitative characteristics, including relevance and representational faithfulness.
- ...
- (c) **Cost-benefit:** When capitalization thresholds are set at appropriate levels, they reduce the cost of tracking large numbers of small-value items, while still conferring the benefits of meeting primary users' needs and capturing material values. If a capitalization threshold is set too low, this could create significant additional costs – in the form of work for staff – without any benefit.

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