Dear Sir.

Thank you for giving us the opportunity to comment on your Proposed Accounting Standards Update on: Notes to Financial Statements (Topic 235); Assessing Whether Disclosures Are Material. The objective and primary focus of the disclosure framework project are to improve the effectiveness of disclosures in the notes to financial statements by facilitating clear communication of the information required by generally accepted accounting principles (GAAP) that is most important to users of each entity’s financial statements. Achieving the objective of improving the effectiveness of notes to financial statements includes:

1. The development of a framework that promotes consistent decisions by the Board about disclosure requirements
2. The appropriate exercise of discretion by reporting entities.

The amendments in this proposed Update would promote the appropriate use of discretion by reporting entities. The amendments to Topic 235 in this proposed Update would:

1. State that materiality is applied to quantitative and qualitative disclosures individually and in the aggregate in the context of the financial statements taken as a whole; therefore, some, all, or none of the requirements in a disclosure Section may be material
2. Refer to materiality as a legal concept
3. State specifically that an omission of immaterial information is not an accounting error.

I support the amendments in this proposed Update. I will first make some general comments, and then discuss some more detailed points.
What is the nature of materiality?

Materiality is related to relevance in the sense that material information is relevant to the fair presentation of the financial position of the reporting entity. Materiality can be considered a subset of relevance, or rather, a threshold which determines whether information is relevant. It is both an entity-specific consideration, and a user-specific consideration, and therefore depends on the particular reporting entity’s situation and the perceived (or stated) tolerances of users. This dual dependence does not easily permit a rules-based or uniform quantitative materiality threshold, rather a principles-based, entity- and user-specific materiality threshold.

Who should define the threshold of materiality?

Given the nature of materiality, which depends on the nature and magnitude of a particular item in relation to a particular reporting entity’s situation, it demands a principles-based, entity- and user-specific consideration in order to determine its threshold. This should only reasonably be determined by the particular individual reporting entity and its auditors before the event. It cannot be reasonably determined by standard-setters uniformly or in isolation. Should a question of materiality arise after the event, its implications and consequences will certainly depend on the process and due consideration given to materiality by the reporting entity and its auditors before the event.

Are the amendments in this proposed Update sufficient and complete?

The results of the 2013 disclosure framework field study conducted by the FASB staff indicated some confusion around the issue of materiality, and suggested that additional explanation about how to appropriately consider materiality or entity-specific relevance in deciding which information to provide in the notes could be effective in reducing or eliminating irrelevant disclosures. I accept that this is the case, and support the principles-based approach proposed in this Update.

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1 Individual users will have their own views after the event, which the reporting entity must pre-consider in its determination of the threshold.
Answers to other specific questions raised by the FASB

**Question 1:**
Would assessing materiality subject to the proposed changes to paragraphs 235-10-50-7 through 50-8 be any easier than under current GAAP? If yes, please explain why.

_This principles-based approach will require consideration and professional judgement; I am not convinced that this would be “easier”, but it would be more relevant and provide more meaningful information to users of financial statements._

**Question 2:**
Would applying the amendments in this proposed Update significantly increase or reduce costs of preparing the notes to financial statements? Why or why not?

_I would expect the costs of preparing the notes to financial statements to reduce over time as the number of immaterial disclosures reduces._

**Question 3:**
Would the amendments in this proposed Update change the information you otherwise would include in the notes to financial statements? Why or why not? If yes, how would that increase, diminish, or otherwise change the notes’ usefulness to investors, creditors, and other financial statement users?

_The notes should be more useful to users of financial statements as the disclosures would become more relevant._

**Question 5:**
How would you disclose information in comparative financial statements if your assessments of materiality differed in different years?

_If an item is disclosed then it should be disclosed for all years presented in the financial statements._

**Question 6:**
Should the Board eliminate from the Accounting Standards Codification phrases like “an entity shall at a minimum provide” and other wording that could appear to limit an entity’s discretion to omit immaterial disclosures? Are there particular Topics or Sections in which those changes should not be made? Are there additional paragraphs within the Accounting Standards Codification in which the wording is particularly restrictive and is not identified in Appendix B of this proposed Update? If so, please identify them.

_Yes, the Board should eliminate from the Accounting Standards Codification phrases like “an entity shall at a minimum provide” and other wording that could appear to limit an entity’s discretion to omit immaterial disclosures. This would increase relevance and provide more meaningful information to users of financial statements._
Question 7:
Do you agree with the proposed amendment that would explicitly state that the omission of an immaterial required disclosure is not an accounting error? Why or why not?

Yes, I agree with the proposed amendment that would explicitly state that the omission of an immaterial required disclosure is not an accounting error.

Question 8:
Are there considerations other than those discussed in this proposed Update that would apply to not-for-profit entities?

I cannot think of any such considerations.

Question 9:
Should the proposed amendments be effective upon issuance?

Yes, the proposed amendments are very important, timely and welcome.

Yours faithfully

C.R.B.

Chris Barnard