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

This summary provides an overview of the *Definition of Material* (Amendments to IPSAS 1, IPSAS 3, and the Conceptual Framework)

Project Objective: The objective of the project is to align the definition of material between the Conceptual Framework and IPSAS® Accounting Standards.

Approved: The International Public Sector Accounting Standards Board® (IPSASB®) approved the *Definition of Material* (Amendments to IPSAS 1, IPSAS 3, and the Conceptual Framework) in September 2025. It was issued in October 2025.

Project History: In December 2024, the IPSASB initiated the *Making Materiality Judgments* project to develop guidance on applying judgment when determining what information is material in preparing general purpose financial reports in accordance with IPSAS and IPSASB SRS Standards.

Based on its analysis, the IPSASB issued ED 93, *Definition of Material* (Amendments to IPSAS 1, IPSAS 3, and the Conceptual Framework) in May 2025.

Responses to ED 93 were considered in developing the final pronouncement *Definition of Material* (Amendments to IPSAS 1, IPSAS 3, and the Conceptual Framework).

Project Overview

The purpose of the *Making Materiality Judgments* project is to develop guidance on making materiality judgments when preparing general purpose financial reports in accordance with IPSAS and IPSASB SRS Standards.

Why the IPSASB Undertook this Project

The IPSASB received feedback on its 2021 Mid-Period Work Program Consultation, highlighting that some entities have difficulties making materiality judgments and use disclosure requirements in IPSAS Standards as a checklist instead of applying judgment on what information is material and should be included in the general-purpose financial statements (GPFS).

The project will be undertaken in three distinct phases, each with its unique scope:

Phase 1—Enhance consistency of the definition of 'material'

- Enhance consistency between the definition of 'material' in the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities and IPSAS Standards.

Phase 2—Materiality in IPSAS Standards

- Develop of non-authoritative guidance aligned with IFRS® Practice Statement 2 *Making Materiality Judgements*.

Phase 3—Materiality in IPSASB SRS Standards

- Develop guidance on making materiality judgments when preparing broader public sector reports in accordance with IPSASB SRS Standards.

Phase 1 – Consistent Definition of Material

Phase 1 of the project clarifies that GPRFs are prepared to meet the information needs of primary users and aligns the definition of material in IPSAS 1 with the Conceptual Framework.

Clarification of the concept of materiality in Chapter 3 of the Conceptual Framework

This pronouncement clarifies that general-purpose financial reports are prepared to meet the information needs of primary users for accountability and decision-making purposes. To achieve this, the pronouncement updates the concept of materiality, as described in paragraph 3.32 in the Conceptual Framework, by adding ‘primary’ before ‘users’.

Amendments to the definition of material in IPSAS 1

This pronouncement aligns the definition of material in IPSAS 1 with the concept of materiality in paragraph 3.32 of the Conceptual Framework. Specifically, this pronouncement:

- Adds ‘primary’ ahead of ‘users’, as financial statements need to meet the information needs of primary users instead of other users;
- Clarifies the materiality threshold from ‘could influence’ to ‘could reasonably be expected to influence’; and
- Adds obscuring information as a materiality factor, as providing too much information can obscure material information.

This pronouncement clarifies 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.

Effective Date and Project History

The effective date of the amendments to IPSAS Standards is January 1, 2027, with the Conceptual Framework becoming effective upon publication of this pronouncement.

Effective Date

The effective date of the amendments to IPSAS Standards, presented in *Definition of Material* (IPSAS 1, IPSAS 3, and the Conceptual Framework) is January 1, 2027, with earlier application permitted.

The IPSASB selected this effective date because:

(a) It is broadly consistent with the implementation period offered with respect to *Improvements to IPSAS* pronouncements; and

(b) Enables public sector entities time to prepare for the implementation of the amendments.

The amendments to the Conceptual Framework are effective upon publication of this pronouncement.

Project History

To learn more about the project history, and to view the consultation documents and responses, please visit:

Making Materiality Judgments - Phase 1 | IPSASB