
AMENDMENTS TO STATUTORY BOARD FINANCIAL REPORTING STANDARDS

Definition of Material

(Amendments to SB-FRS 1 and SB-FRS 8)

The amendments apply for annual reporting periods beginning on or after 1 January 2020.
Earlier application is permitted.

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Amendments to SB-FRS 1 *Presentation of Financial Statements*

Two versions of amendments to the definition of material in SB-FRS 1 have been issued to allow early adoption of this amendment independent of the adoption of the Amendments to References to the SB-FRS Conceptual Framework in SB-FRS Standards.

Paragraph 7 is amended for an entity that has not adopted the 2019 *Amendments to References to the SB-FRS Conceptual Framework in SB-FRS Standards*, and paragraph 139T is added. New text is underlined and deleted text is struck through.

Definitions

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Material:

~~Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature 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 decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Materiality depends on the nature or magnitude of information, or both. 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.

Assessing whether information an omission or misstatement could reasonably be expected to influence economic decisions of made by the 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.

AMENDMENTS TO SB-FRS 1 AND SB-FRS 8: DEFINITION OF MATERIAL

Many existing and potential investors, lenders and other creditors 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 business and economic activities and who review and analyse 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.

~~The *Framework for the Preparation and Presentation of Financial Statements* states in paragraph 21 that 'users are assumed to have a reasonable knowledge of business 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 economic decisions.~~

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Effective date

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139T *Definition of Material* (Amendments to SB-FRS 1 and SB-FRS 8), issued in March 2019, amended paragraph 7 of SB-FRS 1 and paragraph 5 of SB-FRS 8, and deleted paragraph 6 of SB-FRS 8. An entity shall apply those amendments prospectively for annual periods beginning on or after 1 January 2020. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.

Paragraph 7 is amended for an entity that has adopted the 2019 *Amendments to References to the SB-FRS Conceptual Framework in SB-FRS Standards*, and paragraph 139T is added. New text is underlined and deleted text is struck through.

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Many existing and potential investors, lenders and other creditors 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 business and economic activities and who review and analyse the information diligently. At times, even well-informed and diligent

AMENDMENTS TO SB-FRS 1 AND SB-FRS 8: DEFINITION OF MATERIAL

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Effective date

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Amendments to SB-FRS 8 Accounting Policies, Changes in Accounting Estimates and Errors

Two versions of amendments to the definition of material in SB-FRS 8 have been issued to allow early adoption of this amendment independent of the adoption of the Amendments to References to the SB-FRS Conceptual Framework in SB-FRS Standards.

Paragraph 5 is amended for an entity that has not adopted the 2019 *Amendments to References to the SB-FRS Conceptual Framework in SB-FRS Standards*. Paragraph 6 is deleted and paragraph 54H is added. New text is underlined and deleted text is struck through.

Definitions

- 5 ...
- ~~**Material Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.**~~ is defined in paragraph 7 of SB-FRS 1 and is used in this Standard with the same meaning.
- ...
- 6 ~~Assessing whether an omission or misstatement could influence economic decisions of users, and so be material, requires consideration of the characteristics of those users. The *Framework for the Preparation and Presentation of Financial Statements* states in paragraph 21 that ‘users are assumed to have a reasonable knowledge of business 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 economic decisions. [Deleted]~~
- ...

Effective date

- ...
- 54H *Definition of Material* (Amendments to SB-FRS 1 and SB-FRS 8), issued in March 2019, amended paragraph 7 of SB-FRS 1 and paragraph 5 of SB-FRS 8, and deleted paragraph 6 of SB-FRS 8. An entity shall apply those amendments prospectively for annual periods beginning on or after 1 January 2020. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.

Paragraph 5 is amended for an entity that has adopted the 2019 *Amendments to References to the SB-FRS Conceptual Framework in SB-FRS Standards*. Paragraph 6 is deleted and paragraph 54H is added. New text is underlined and deleted text is struck through.

Definitions

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~~Assessing whether an omission or misstatement could influence economic decisions of users, and so be material, requires consideration of the characteristics of those users. Users are assumed to have a reasonable knowledge of business 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 economic decisions. [Deleted]~~

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Effective date

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54H

Definition of Material (Amendments to SB-FRS 1 and SB-FRS 8), issued in March 2019, amended paragraph 7 of SB-FRS 1 and paragraph 5 of SB-FRS 8, and deleted paragraph 6 of SB-FRS 8. An entity shall apply those amendments prospectively for annual periods beginning on or after 1 January 2020. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.

Amendments to other SB-FRS Standards and publications

Amendments to the 2019 SB-FRS *Conceptual Framework for Financial Reporting*

The following amendments are a consequence of the amendments to the definition of material in SB-FRS 1 and SB-FRS 8. These amendments are applied prospectively at the same time an entity applies the amendments to the definition of material in SB-FRS 1 and SB-FRS 8.

Paragraph 2.11 is amended. New text is underlined and deleted text is struck through.

Materiality

- 2.11 Information is material if omitting ~~it or~~ misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial reports make on the basis of those reports, which provide financial information about a specific reporting Statutory Board. In other words, materiality is a Statutory Board-specific aspect of relevance based on the nature or magnitude, or both, of the items to which the information relates in the context of an individual Statutory Board's financial report. Consequently, it is not possible to specify a uniform quantitative threshold for materiality or predetermine what could be material in a particular situation.

Amendments to SB-FRS Practice Statement 2 *Making Materiality Judgements*

The following amendments are a consequence of the amendments to the definition of material in SB-FRS 1 and SB-FRS 8. These amendments are applied prospectively at the same time an entity applies the amendments to the definition of material in SB-FRS 1 and SB-FRS 8.

Paragraphs 5, 41 and 60 are amended for an entity that has not adopted the 2019 *Amendments to References to the SB-FRS Conceptual Framework in SB-FRS Standards*. New text is underlined and deleted text is struck through.

Definition of material

- 5 The SB-FRS *Conceptual Framework for Financial Reporting* (SB-FRS *Conceptual Framework*) provides the following definition of material information (paragraph 7 of SB-FRS 1 *Presentation of Financial Statements* and SB-FRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* provide a similar definitionsdefinition¹):

Information is material if omitting, it or misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial reports make on the basis of those reports, which provide financial information about a specific reporting Statutory Board. In other words, materiality is a Statutory Board-specific aspect of relevance based on the nature or magnitude, or both, of the items to which the information relates in the context of an individual Statutory Board's financial report.²

¹ See paragraph 7 of SB-FRS 1 *Presentation of Financial Statements* and paragraph 5 of SB-FRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

² Paragraph 2.11 of the SB-FRS *Conceptual Framework for Financial Reporting* (SB-FRS *Conceptual Framework*). ~~However, the Exposure Draft ED/2017/6 *Definition of Material (Proposed amendments to IAS 1 and IAS 8)* (Definition of Material ED), published by the International Accounting Standards Board (IASB), proposes to refine the definition of material to '[i]nformation is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of a specific reporting entity's general purpose financial statements make on the basis of those financial statements'. The Definition of Material ED also identifies consequential amendments to other IFRS Standards, including amendments to the definitions of material in the *IFRS Conceptual Framework for Financial Reporting (IFRS Conceptual Framework)*, IAS 1 and IAS 8.~~

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A four-step materiality process

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Step 2—assess

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- 41 A Statutory Board might conclude that an item of information is material for various reasons. Those reasons include the item's nature or magnitude size, or a combination of both, judged in relation to the particular circumstances of the Statutory Board.²¹ Therefore, making materiality judgements involves both quantitative and qualitative considerations. It would not be appropriate for the Statutory Board to rely on purely numerical guidelines or to apply a uniform quantitative threshold for materiality (see paragraphs 52–55).

²¹ See paragraph 7 of SB-FRS 1 and paragraph 5 of SB-FRS 8.

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Step 4—review

- 60 A Statutory Board needs to assess whether information is material both individually and in combination with other information²⁵ in the context of its financial statements as a whole. Even if information is judged not to be material on its own, it might be material when considered in combination with other information in the complete set of financial statements.

²⁵ See paragraph 7 of SB-FRS 1 and paragraph 5 of SB-FRS 8.

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Paragraphs 5, 41 and 60 are amended for an entity that has adopted the 2019 *Amendments to References to the SB-FRS Conceptual Framework in SB-FRS Standards*. New text is underlined, and deleted text is struck through.

Definition of material

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Information is material if omitting, ~~it or~~ misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial reports make on the basis of those reports, which provide financial information about a specific reporting Statutory Board. In other words, materiality is a Statutory Board-specific aspect of relevance based on the nature or magnitude, or both, of the items to which the information relates in the context of an individual Statutory Board's financial report.^{2, 3}

¹ See paragraph 7 of SB-FRS 1 *Presentation of Financial Statements* ~~and paragraph 5 of SB-FRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.~~

³ ~~However, the Exposure Draft ED/2017/6 *Definition of Material (Proposed amendments to IAS 1 and IAS 8)* (Definition of Material ED), published by the International Accounting Standards Board (IASB), proposes to refine the definition of material to '[i]nformation is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of a specific reporting entity's general purpose financial statements make on the basis of those financial statements'. The Definition of Material ED also identified consequential amendments to other IFRS Standards, including amendments to the definitions of material in the *IFRS Conceptual Framework for Financial Reporting (IFRS Conceptual Framework)*, IAS 1 and IAS 8.~~

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- 41 A Statutory Board might conclude that an item of information is material for various reasons. Those reasons include the item's nature or magnitude size, or a combination of both, judged in relation to the particular circumstances of the Statutory Board.²³ Therefore, making materiality judgements involves both quantitative and qualitative considerations. It would not be appropriate for the Statutory Board to rely on purely numerical guidelines or to apply a uniform quantitative threshold for materiality (see paragraphs 52–55).

²¹ See paragraph 7 of SB-FRS 1 ~~and paragraph 5 of SB-FRS 8.~~

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Step 4—review

60 A Statutory Board needs to assess whether information is material both individually and in combination with other information²⁵ in the context of its financial statements as a whole. Even if information is judged not to be material on its own, it might be material when considered in combination with other information in the complete set of financial statements.

²⁵ See paragraph 7 of SB-FRS 1 and ~~paragraph 5 of SB-FRS 8.~~

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Amendments to SB-FRS 10 *Events after the Reporting Period*

Paragraph 21 is amended and paragraph 23C is added. New text is underlined and deleted text is struck through.

Non-adjusting events after the reporting period

21 If non-adjusting events after the reporting period are material, non-disclosure could reasonably be expected to influence the economic decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. Accordingly, an entity shall disclose the following for each material category of non-adjusting event after the reporting period:

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

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Effective date

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23C *Definition of Material* (Amendments to SB-FRS 1 and SB-FRS 8), issued in March 2019, amended paragraph 21. An entity shall apply those amendments prospectively for annual periods beginning on or after 1 January 2020. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact. An entity shall apply those amendments when it applies the amendments to the definition of material in paragraph 7 of SB-FRS 1 and paragraphs 5 and 6 of SB-FRS 8.

Amendments to SB-FRS 34 *Interim Financial Reporting*

Paragraph 24 is amended and paragraph 59 is added. New text is underlined and deleted text is struck through.

Materiality

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- 24 ~~SB-FRS 1 and SB-FRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* define~~ defines an item as material if its omission or misstatement could influence the economic decisions of users of the financial statements. ~~SB-FRS 1 information and~~ requires separate disclosure of material items, including (for example) discontinued operations, and SB-FRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* requires disclosure of changes in accounting estimates, errors, and changes in accounting policies. The two Standards do not contain quantified guidance as to materiality.

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Effective date

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- 59 *Definition of Material* (Amendments to SB-FRS 1 and SB-FRS 8), issued in March 2019, amended paragraph 24. An entity shall apply those amendments prospectively for annual periods beginning on or after 1 January 2020. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact. An entity shall apply those amendments when it applies the amendments to the definition of material in paragraph 7 of SB-FRS 1 and paragraphs 5 and 6 of SB-FRS 8.

Amendments to SB-FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*

Paragraph 75 is amended and paragraph 104 is added. New text is underlined and deleted text is struck through.

Restructuring

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- 75 A management or board decision to restructure taken before the end of the reporting period does not give rise to a constructive obligation at the end of the reporting period unless the entity has, before the end of the reporting period:
- (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 period, disclosure is required under SB-FRS 10 *Events after the Reporting Period*, if the restructuring is material and non-disclosure could reasonably be expected to influence the economic decisions that the primary users of general purpose financial statements make on the basis of the those financial statements, which provide financial information about a specific reporting entity.

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Effective date

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- 104 *Definition of Material* (Amendments to SB-FRS 1 and SB-FRS 8), issued in March 2019, amended paragraph 75. An entity shall apply those amendments prospectively for annual periods beginning on or after 1 January 2020. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact. An entity shall apply those amendments when it applies the amendments to the definition of material in paragraph 7 of SB-FRS 1 and paragraphs 5 and 6 of SB-FRS 8.

Amendments to SB-FRS 102 *Share-based Payment Implementation Guidance*

The following amendments are a consequence of the amendments to the definition of material in SB-FRS 1 and SB-FRS 8. These amendments are applied prospectively at the same time an entity applies the amendments to the definition of material in SB-FRS 1 and SB-FRS 8.

Paragraph IG17 (IG Example 11) is amended. New text is underlined and deleted text is struck through.

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Application of requirements

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However, in some cases, the expense relating to an ESPP might not be material. SB-FRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* states that the accounting policies in SB-FRSs need not be applied when the effect of applying them is immaterial (SB-FRS 8, paragraph 8). ~~SB-FRS 8~~ SB-FRS 1 *Presentation of Financial Statements* also states that information an omission or misstatement of an item is material if omitting, misstating or obscuring it could, individually or collectively, reasonably be expected to influence the economic decisions that the primary users of general purpose financial statements make on the basis of those the financial statements, which provide financial information about a specific reporting entity. Materiality depends on the size and nature or magnitude of information, or both. 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 the omission or misstatement judged in the surrounding circumstances. ~~The size or nature of the item, or a combination of both, could be the determining factor (SB-FRS 8, paragraph 5(SB-FRS 1, paragraph 7).~~ Therefore, in this example, the entity should consider whether the expense of CU256,000 is material.

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Amendments to SB-FRS 104 *Insurance Contracts* Implementation Guidance

The following amendments are a consequence of the amendments to the definition of material in SB-FRS 1 and SB-FRS 8. These amendments are applied prospectively at the same time an entity applies the amendments to the definition of material in SB-FRS 1 and SB-FRS 8.

Paragraphs IG15 and IG16 are amended for an entity that has not adopted the 2019 *Amendments to References to the SB-FRS Conceptual Framework in SB-FRS Standards*. New text is underlined and deleted text is struck through.

Materiality

- IG15 SB-FRS 1 defines materiality and notes that a specific disclosure requirement in a SB-FRS need not be satisfied if the information is not material. ~~SB-FRS 1 defines materiality as follows:~~

~~Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.~~

- IG16 Paragraph 7 of SB-FRS 1 also explains the following:

Assessing whether information an omission or misstatement could reasonably be expected to influence economic decisions of made by the 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. Many existing and potential investors, lenders and other creditors 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 at whom general purpose financial statements are directed. Financial statements are prepared for users who have a reasonable level of knowledge of business and economic activities and who review and analyse the information diligently. At times, even well-informed and diligent users may seek the aid of an adviser to understand information about complex economic phenomena. The *Framework for the Preparation and Presentation of Financial Statements* states in paragraph 21 that 'users are assumed to have a reasonable knowledge of business 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 economic decisions.

Paragraphs IG15 and IG16 are amended for an entity that has adopted the 2019 *Amendments to References to the SB-FRS Conceptual Framework in SB-FRS Standards*. New text is underlined and deleted text is struck through.

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- IG16 Paragraph 7 of SB-FRS 1 also explains the following:

Assessing whether information an omission or misstatement could reasonably be expected to influence economic decisions of made by the 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 business 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 economic decisions. Many existing and potential investors, lenders and other creditors 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 at whom general purpose financial statements are directed. Financial statements are prepared for users who have a reasonable level of knowledge of business and economic activities and who review and analyse the information diligently. At times, even well-informed and diligent users may seek the aid of an adviser to understand information about complex economic phenomena.