Commission Regulation (EU) 2019/2104 of 29 November 2019 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Accounting Standards 1 and 8 (Text with EEA relevance)

COMMISSION REGULATION (EU) 2019/2104

of 29 November 2019

amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Accounting Standards 1 and 8

(Text with EEA relevance)

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards[(1)], and in particular Article 3(1) thereof,

Whereas:

(1) By Commission Regulation (EC) No 1126/2008[(2)] certain international standards and interpretations that were in existence at 15 October 2008 were adopted.

(2) In the framework of its *Better Communication in Financial Reporting* project which aims at improving the way financial information is communicated to users of the financial statements, the International Accounting Standards Board published on 31 October 2018*Definition of Material (Amendments to IAS 1 and IAS 8)* to clarify the definition of 'material' to make it easier for companies to make materiality judgements and to enhance the relevance of the disclosures in the notes to the financial statements.

(3) Following the consultation with the European Financial Reporting Advisory Group, the Commission concludes that the amendments to International Accounting Standard (IAS) 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* meet the criteria for adoption set out in Article 3(2) of Regulation (EC) No 1606/2002.

(4) Amendments to IAS 1 and IAS 8 imply, by way of consequence, amendments to IAS 10 *Events after the Reporting Period*, IAS 34 *Interim Financial Reporting* and IAS 37 *Provisions, Contingent Liabilities and Contingent Assets.*

(5) Regulation (EC) No 1126/2008 should therefore be amended accordingly.

(6) The measures provided for in this Regulation are in accordance with the opinion of the Accounting Regulatory Committee,

HAS ADOPTED THIS REGULATION:

Changes to legislation: *There are outstanding changes not yet made to Commission Regulation (EU) 2019/2104. Any changes that have already been made to the legislation appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes*

Article 1

The Annex to Regulation (EC) No 1126/2008 is amended as follows:

(a) IAS 1 *Presentation of Financial Statements* is amended as set out in the Annex to this Regulation;

(b) IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* is amended as set out in the Annex to this Regulation;

(c) IAS 10 *Events after the Reporting Period* is amended as set out in the Annex to this Regulation;

(d) IAS 34 *Interim Financial Reporting* is amended as set out in the Annex to this Regulation;

(e) IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* is amended as set out in the Annex to this Regulation.

Article 2

Each company shall apply the amendments referred to in Article 1, at the latest, as from the commencement date of its first financial year starting on or after 1 January 2020.

Article 3

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 29 November 2019.

For the Commission

The President

Jean-Claude JUNCKER

***Changes to legislation:** There are outstanding changes not yet made to Commission Regulation (EU) 2019/2104. Any changes that have already been made to the legislation appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes*

ANNEX

Definition of Material

Amendments to IAS 1 and IAS 8

Amendments to IAS 1 *Presentation of Financial Statements*

Paragraph 7 is amended for an entity that has adopted the 2018 *Amendments to References to the Conceptual Framework in IFRS Standards*, and paragraph 139T is added.

DEFINITIONS

7. ...

***Material*:**

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 could reasonably be expected to influence decisions made by the primary users of a specific reporting entity's general purpose financial statements requires an entity to consider 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 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.

...

EFFECTIVE DATE

Changes to legislation: *There are outstanding changes not yet made to Commission Regulation (EU) 2019/2104. Any changes that have already been made to the legislation appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes*

...

139T *Definition of Material* (Amendments to IAS 1 and IAS 8), issued in October 2018, amended paragraph 7 of IAS 1 and paragraph 5 of IAS 8, and deleted paragraph 6 of IAS 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 IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*

Paragraph 5 is amended for an entity that has adopted the 2018 *Amendments to References to the Conceptual Framework in IFRS Standards*. Paragraph 6 is deleted and paragraph 54H is added.

DEFINITIONS

5. ...

***Material* is defined in paragraph 7 of IAS 1 and is used in this Standard with the same meaning.**

...

6. [Deleted]

...

EFFECTIVE DATE

...

54H *Definition of Material* (Amendments to IAS 1 and IAS 8), issued in October 2018, amended paragraph 7 of IAS 1 and paragraph 5 of IAS 8, and deleted paragraph 6 of IAS 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 IAS 10 *Events after the Reporting Period*

Paragraph 21 is amended and paragraph 23C is added.

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 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.**

...

EFFECTIVE DATE

...

23C *Definition of Material* (Amendments to IAS 1 and IAS 8), issued in October 2018, 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