



At a glance

From the Audit & Attest Standards Team

New description of materiality

What happened?

In December 2019, the AICPA Auditing Standards Board (ASB) issued Statement on Auditing Standards (SAS) No. 138, *Amendments to the Description of the Concept of Materiality*, and Statement on Standards for Attestation Engagements (SSAE) No. 20 of the same title to respectively amend various AU-C and AT-C sections in AICPA *Professional Standards*.

What has changed?

The description of the concept of materiality has changed. The ASB's current description of the concept of materiality is consistent with the definition of materiality used by the International Accounting Standards Board (IASB) and the International Auditing and Assurance Standards Board (IAASB). SAS No. 138 and SSAE No. 20 align the materiality concepts discussed in AICPA *Professional Standards* with the description of materiality used by the U.S. judicial system, the auditing standards of the Public Company Accounting Oversight Board (PCAOB), the U.S. Securities and Exchange Commission (SEC), and the Financial Accounting Standards Board (FASB).

The ASB believes it is in the public interest to eliminate inconsistencies between the AICPA *Professional Standards* and the description of materiality used by the U.S. judicial system and other U.S. standard setters and regulators.

The ASB believes that, because the revised definition is aligned with the FASB, the revised description is substantially consistent with current U.S. firm practices with respect to determining and applying materiality in an audit or attest engagement and, accordingly, the amendments are neither expected nor intended to change U.S. practice.

The revised description of materiality is as follows:

Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



The amendments are neither expected nor intended to change U.S. firm practice.

Next steps?

The SAS and SSAE become effective for periods ending, or for practitioners' examination or review reports dated, on or after December 15, 2020, respectively.

SAS No. 138 and SSAE No. 20 can be viewed on the AICPA's website under [recently issued standards](#).

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