

Entity _____

Period ended _____

Objective: To document preliminary decisions on materiality for the purpose of planning the engagement and any revisions required.

Use this form to determine materiality in the context of the financial statements taken as a whole.

1. Identify the principal users of the financial statements

Users	Comments
a)	
b)	
c)	
d)	

2. Describe nature and impact of qualitative considerations
(i.e., profitability trends, regulations, particular sensitivities, compliance with loan covenants, user expectations, etc.)

Nature	Impact
a)	
b)	
c)	
d)	

3. Gather information for determining materiality in the context of the financial statements taken as a whole

Planning data	This period anticipated	Last period (current period minus one)	Preceding period (current period minus two)
Sales/revenues			
Gross margin			
Other expenses			
Income after tax			
Adjustments (after tax) for non-recurring items, discontinued operations and misstatements brought forward			
Adjusted income from continuing operations (after tax)			
Total assets			
Previous materiality			

4. Determine quantitative materiality

Type of entity	Basis	Typical percentages	Percentage applied	Possible materiality
Profit-oriented	Income from continuing operations	5%		\$
	Gross revenues	1/2 to 2%		
	Other (describe)			
Not-for-profit	Total revenues or expenses	1/2 to 2%		
	Other (describe)			
Specialized industries				

Based on the above considerations and professional judgment, the materiality for planning purposes is: \$_____

Provide reasoning below:

Note: When a significantly lower materiality level is used than in previous engagements, consider the level of misstatement that may exist in opening balances.

	Name	Date
Prepared by		
Reviewed by		

5. UPDATED MATERIALITY (after completion of field work)

	W/P ref.
<p>1. Has additional information come to our attention that indicates the preliminary decisions on materiality (outlined above) are no longer appropriate? YES <input type="checkbox"/> NO <input type="checkbox"/></p> <p>If yes, explain the revisions required:</p>	
<p>2. Where planning materiality has been revised, explain the impact on the nature, extent and timing of planned procedures.</p>	

Materiality

Updated materiality (if different from planning materiality in step 4 above): \$ _____

	Name	Date
Prepared by		
Reviewed by		