

Basis for Materiality Calculation Summary

Company: ABC Corporation Ltd.
Financial Year: Ended 31 December 2023
Prepared by: Audit Manager
Date: 10 January 2024

Objective

To summarize the basis and calculation applied in arriving at the audit materiality for the financial statements of ABC Corporation Ltd. for the year ended 31 December 2023.

Bases Considered

Basis	Amount (in USD)	Typical % Range	Calculated Materiality	Remarks
Profit before tax	18,500,000	5% – 10%	1,110,000	Most relevant for trading entities
Total Revenue	124,000,000	0.5% – 1%	930,000	Alternative basis
Total Assets	212,600,000	0.5% – 1%	1,063,000	Considered for asset-based entities

Selected Materiality Amount: USD 1,000,000
Basis: 5.4% of Profit before tax (rounded for simplicity and significance)

Performance Materiality

Set at **75%** of overall materiality, i.e., **USD 750,000**, considering the assessed risk of material misstatement and the effectiveness of internal controls.

Trivial Error Threshold

Misstatements below **USD 50,000** are considered trivial and need not be accumulated for audit purposes.

Important Notes

- Materiality is a matter of professional judgement and may be revised during the audit if circumstances change.
- This document supports transparency and provides a clear audit trail for the determination of materiality.
- The basis selected should reflect factors such as the entity’s size, nature, and relevant risks.
- Performance materiality is set lower to reduce the aggregate risk of uncorrected and undetected misstatements.
- This summary should be updated annually or when significant changes in the entity or environment occur.