

On significance.

I number amongst my friends someone who came second in his year's final professional examinations to become an accountant. He has always maintained that he had really bad flu when he took several of the papers and didn't do himself justice. But then he's a bit like that!

Anyway, we worked together in Switzerland for a few years, and one evening, after a couple of bottles of wine, I decided it was time to find out the Real Secrets of auditing, and asked what I believed to be the key question of accounting:

-What is materiality?

I knew that this was a really important question, because I had sat in meetings with very senior audit partners who at some point would say "*That's not material*" and all of their acolytes would suck in a breath and go on to the next question. The Great Man had pronounced The Magic Words and that was that.

Now I reckoned that anyone who had come second in his professional exams (and really should have come first apart from having flu) would be an initiate into this deep secret and that the Cabernet Sauvignon might confuse him enough to reveal it ... and so it proved.

- Well, it all depends on the time was the reply.

What? I was expecting some good GAAP¹ type response ("Not more than 2.3 per cent of the ratio of shareholders funds to accrued air miles valued at the rate given on Reuters screen ABCD on the last Tuesday of the March prior to the audit" sort of stuff).

- What do you mean, it depends on the time, you mean if it's late at night it's different?

- Well, no. It's a bit more complicated than that

- Ah, we're getting somewhere, well what sort of time then?

- It depends on how long before the end of the audit

- Pardon

- Well, say you're auditing <fill in name of, say large oil company here>, on the first day of the audit, a discrepancy of five dollars might be important – you know, compensating errors and that kind of thing

- Yes ...

- But ten minutes before the audit is closed, well fifty million probably isn't material

¹ (generally accepted accounting principle)

- Is this what they call the time value of money
- *No, stupid, (our relationship was highly professional and formal as you can see) that's got nothing to do with it.*

The real point, of course, is that what counts as financially important is not a matter of pure magnitude. It's a matter of how urgent the response is.

And so it will be with converting to the euro. At the outset there will be much discussion of rounding errors on the company payroll, by the end, those still converting will be saying 'There's not much difference between a Mark and a euro, leave the number the same, just change the currency symbol'.