A Meta-Analysis of Empirical Materiality Studies

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ABSTRACT

This paper builds on the work of Messier, Martinov-Bennie and Eilifsen (2005) “A Review and Integration of Empirical Research on Materiality: Two Decades Later.” That paper is an excellent qualitative summary of empirical materiality studies. However, it makes no attempt at quantitative integration.

This paper uses meta-analysis to quantitatively integrate the findings of 42 studies reporting 14,033 materiality decisions by 6,762 individuals. Materiality is broadly defined as an amount that would make a user change his or her mind about a company. Since this definition is subjective, it is no surprise that individual materiality decisions are widely dispersed. What might be surprising is that the mean threshold of materiality over 14,033 decisions was 8.52% percent of net income. The factors which contribute to variability include the interest group making the materiality decision, the accounting issue in play, study method, and the amount of detail provided to the decider.

The contributions of this study are to synthesize prior research quantitatively, to describe the application of meta-analytical techniques to accounting research, and raise questions for further research which might reduce the uncertainty in applying the concept of materiality in the future.