



Project	Management Commentary
Topic	Comment Letter Summary

Purpose

1. In June 2009 the Board published the exposure draft *Management Commentary*. The comment period ended on 1 March 2010. To date, we have received 102 comment letters. This paper provides a summary of comment letters received at the time of writing.
2. This paper does not provide a quantitative review of responses or attribute comments to individual respondents, nor does it address drafting suggestions received from respondents.
3. Details about the respondents are in Appendix A.

Main Messages

4. Most respondents were broadly supportive of the management commentary project. Those that support the project highlight the importance of management commentary and explain that they believe the guidance document will provide decision-useful information for users. Additionally, respondents think that a guidance document for the preparation and presentation of management commentary is a good step forward for global financial reporting.

This paper has been prepared by the technical staff of the IASCF for discussion at a public meeting of the IASB.

The views expressed in this paper are those of the staff preparing the paper. They do not purport to represent the views of any individual members of the IASB.

Comments made in relation to the application of IFRSs do not purport to be acceptable or unacceptable application of IFRSs - only the IFRIC or the IASB can make such a determination.

The tentative decisions made the IASB at its public meetings are reported in IASB Update. Official pronouncements of the IASB, including Discussion Papers, Exposure Drafts, IFRSs and Interpretations are published only after it has completed its full due process, including appropriate public consultation and formal voting procedures.

5. Although it was a minority view, those that did not support the management commentary project question whether management commentary is within the boundaries of financial reporting and therefore within the IASB's remit. Most believe that the IASB's conceptual framework project on the boundaries of financial reporting should be completed before any further work is completed on the management commentary project. Furthermore, many of those that do not support the management commentary project believe that priority should be given to other topics on the IASB's agenda that are more important in their view.

Responses to questions

6. The invitation to comment included three questions for respondents. The general topic of each question was as follows:¹
 - (a) The Board's decision to develop a guidance document.
 - (b) The recommended content elements in paragraphs 24 – 39 of the exposure draft.
 - (c) The application guidance and illustrative examples.

Should the promulgation be Guidance or an IFRS

7. Many respondents support the decision to issue a guidance document instead of an IFRS. They agree that guidance will ensure that jurisdictions and entities may be flexible in their adoption of the framework for preparing and presenting management commentary, which is important given the number of existing requirements in many jurisdictions. Some respondents indicated that they viewed the issuance of a guidance document to be only a first step, and they would like to eventually see an IFRS on management commentary.

¹ The full questions are included in Appendix B.

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Respondents believe that such an IFRS should include more of the existing jurisdictional requirements.

8. Some of the respondents that disagreed with the proposal to issue guidance would prefer that the IASB issue an IFRS for management commentary. Those that prefer an IFRS, believe that issuing a standard is the only way to ensure compliance with the management commentary framework, which they believe is critical for improving financial reporting.

Content

9. Most respondents agree that the content elements described in paragraphs 24-39 are core elements for the preparation of management commentary. Many respondents agreed that the principled, flexible approach reflected in the content section will enable a broader application for different entities. Respondents provided a variety of drafting comments in this section. Even though they agree with the proposed content elements, some respondents believe that the final document should provide some additional specific and detailed content elements including key performance indicators, financial performance measures not required or defined by IFRSs (often referred to as 'non-GAAP measures'), as well as environmental, social and governance matters.
10. Respondents that disagree with the content elements, disagree for different reasons. Some believe that the content elements were too prescriptive and would prefer if the guidance provided objectives for including information in management commentary, instead of specific items. Others thought that the elements in paragraphs 24-39 may force entity's to disclose information that is competitively harmful. Others were concerned that the content elements may be difficult to determine given that some elements of management commentary are forward looking.

Application Guidance

11. Most respondents agree that additional guidance and examples need not be included in the final document. Many respondents agree with the reasons described in the basis for conclusions that additional guidance and illustrative examples may be interpreted as either a floor or ceiling.² Some respondents cautioned that these reasons may be interpreted to apply to other IFRSs, where application guidance and examples are provided. Others also think that additional application guidance and illustrative examples could result in a ‘tick the box’ exercise that primarily results in ‘boilerplate’ disclosure that is not meaningful or helpful for users.
12. Respondents that disagree with the decision to not include more application guidance and illustrative examples explain that this information is necessary to ensure a common and consistent application of the management commentary framework. In particular, additional application guidance and illustrative examples would be helpful for preparers in jurisdictions where management commentary requirements do not currently exist.

General comments

13. Many respondents included comments on topics in addition to those included in the questions, which I have categorised as relating to:
 - (a) Qualitative characteristics;
 - (b) Users; and
 - (c) Other issues.

² Paragraph BC 48 of the June 2009 Exposure Draft *Management Commentary*.

Qualitative Characteristics

14. Although the invitation to comment did not ask a question about the application of qualitative characteristics, some respondents addressed this issue in their response. A few respondents believe that none of the qualitative characteristics in the conceptual framework can be applied to management commentary as they are only relevant for the financial statements. Other respondents believe that most of the qualitative characteristics can be applied to management commentary, but struggle to see the application of one or all of the characteristics of neutrality, verifiability and comparability. Some respondents have requested further guidance in this area and a few have suggested that different qualitative characteristics (like supportability or reasonableness) be applied to management commentary.

Users

15. Some respondents commented about the users of management commentary. A few respondents agree that the users of management commentary should be the same as those that use financial statements and thus the users identified in the guidance document should be same as those in the IASB's *Framework*. Other respondents highlighted that the users should limited to equity holders or holders of ordinary shares.

Other issues

16. A few other issues highlighted by respondents included concerns that there was an over emphasis on forward-looking information and the guidance appeared to require forecasts. Some respondents also think that the requirement for management commentary to be provided only with the financial statements was inappropriate and overly prescriptive. Other respondents think that the document should place more emphasis on the need for management to balance good news and bad.
17. In addition to the comments above regarding additional work on the boundaries of financial reporting project, some respondents highlighted a need for work on

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a project to determine appropriate placement criteria for disclosures. Some respondents think that work on placement criteria should be a precondition for the management commentary framework. Others think that it is fine to delay work on the placement criteria and the boundaries of financial reporting project, but believe it is important that this project is eventually completed because it would be very helpful for users and preparers.

Appendix A: Respondents by Geography

Respondent Type	Africa	Asia-Pacific	Europe	International	North America	South America	Grand Total
Academics		4	5				9
Accounting Firms		1		7			8
Actuary				1			1
Associations			1				1
Banks	1						1
Individuals		1	1			1	3
Preparers		2	11	3	4		20
Professional Bodies	1	4	16	2	6		29
Public Sector		1			1		2
Regulators		2	2	1		1	6
Standard Setters		7	7				14
Users			6	2			8
Grand Total	2	22	49	16	11	2	102

Appendix B : Questions in Invitation to Comment

Status of the final work product

The exposure draft proposes a framework for the preparation and presentation of management commentary. The Board believes that its proposals provide a basis for the preparation and presentation of management commentary that will be useful to the users of financial reports. However, the Board intends to publish a guidance document, not an International Financial Reporting Standard (IFRS).

Question 1

Do you agree with the Board's decision to develop a guidance document for the preparation and presentation of management commentary instead of an IFRS? If not, why?

Content elements of a decision-useful management commentary

The proposed framework for the preparation and presentation of management commentary is intentionally general. This reflects the Board's view that a flexible approach elicits more meaningful disclosure by encouraging entities that choose to prepare management commentary to discuss those matters most relevant to their individual circumstances. Consequently, the proposed framework for the preparation and presentation of management commentary sets out the principles, qualitative characteristics and content elements necessary to provide existing and potential capital providers with decision-useful information.

Question 2

Do you agree that the content elements described in paragraphs 24–39 are necessary for the preparation of a decision-useful management commentary? If not, how should those content elements be changed to provide decision-useful information to users of financial reports?

Application guidance and illustrative examples

The Board does not intend to include application guidance or illustrative examples in the final management commentary guidance document. The Board is concerned that such detailed guidance could be interpreted as either a floor (minimum requirements for content) or a ceiling (the only disclosures for inclusion in management commentary). The Board believes that the development of application guidance or illustrative examples to help management apply the proposed framework for management commentary is best left to other organisations.

Question 3

Do you agree with the Board's decision not to include detailed application guidance and illustrative examples in the final management commentary guidance document? If not, what specific guidance would you include and why?