

STAFF PAPER

July 2019

IASB® Meeting

Project	Management Commentary		
Paper topic	Cover paper		
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Purpose of this paper

1. This paper:
 - (a) provides background information on the Management Commentary project to date (paragraphs 2–5);
 - (b) introduces the Agenda Papers to be discussed at this month’s meeting (paragraphs 6–8); and
 - (c) discusses next steps (paragraphs 9–10).

Background to the project

2. In November 2017, the International Accounting Standard Board (Board) added to its agenda a project to update IFRS Practice Statement 1 *Management Commentary* (Practice Statement).
3. In July 2018, the Board established the Management Commentary Consultative Group (Consultative Group). The Consultative Group has met three times and discussed the staff’s thinking on all main topics for the revised guidance on preparing management commentary. The staff also sought input on particular topics from the Accounting Standards Advisory Forum, Capital Markets Advisory Committee and Global Preparers Forum.

4. To date, the Board discussed the following topics:
 - (a) the objective of management commentary (November 2018); and
 - (b) the staff's approach to revising the Practice Statement (May 2019).
5. A summary of the Board's discussions and decisions related to the above topics is included in the appendix to this paper.

Papers for this meeting

6. At this month's meeting the staff will present the following Agenda Papers:
 - (a) Agenda Paper 15A *Approach to guidance on qualitative characteristics* (paragraph 7); and
 - (b) Agenda Paper 15B *Making materiality and relevance judgements* (paragraph 8).

Agenda Paper 15A Approach to guidance on qualitative characteristics

7. Agenda Paper 15A provides an overview of the staff's approach to developing guidance on considering the qualitative characteristics of useful financial information in preparing management commentary. It does not ask the Board for decisions but invites any comments the Board may have on the proposed approach.

Agenda Paper 15B Making materiality and relevance judgements

8. Agenda Paper 15B discusses what guidance should be included in the revised Practice Statement on considering the fundamental qualitative characteristic of relevance, and specifically on making materiality judgements, in preparing management commentary and asks the Board for decisions.

Next steps

9. Next, the staff plan to discuss with the Board guidance on the fundamental qualitative characteristic of faithful representation and the enhancing qualitative characteristics.

10. The staff note that the fourth Consultative Group meeting has been confirmed for December 2019 in addition to the three meetings originally planned. To allow time for processing the input from this meeting and from other meetings that have already taken place, and for discussions with the Board, the staff now expect that the planned Exposure Draft will be published in early H2 2020, rather than H1 2020.

Appendix— Summary of previous discussions with the Board

Topic and discussion date	Board's tentative decision	Follow-up steps (if any)
<p>Approach to revising the Practice Statement (May 2019)</p>	<p>The Board noted that the revision of the Practice Statement is intended to promote preparation of management commentaries that better meet the information needs of the primary users of financial reports. The revised Practice Statement will provide guidance that:</p> <ul style="list-style-type: none"> (a) consolidates innovations in narrative reporting; (b) addresses gaps in reporting practice; and (c) remains principles-based but contains sufficient detail to support rigorous application. <p>The Board was not asked to make any decisions.</p>	<p>n/a</p>
<p>The objective of management commentary (November 2018)</p>	<p>The staff recommended that the objective of management commentary should be to give context for the financial statements by providing primary users with historical financial and operational information and analysis that is useful in assessing the prospects for the entity's future net cash inflows, and its management's stewardship of the entity's economic resources.</p> <p>The Board did not formally vote at this meeting but agreed in broad terms with that objective, and with the staff's recommendations for guidance to support it.</p>	<p>The Board asked the staff to consider whether it is possible to provide further clarity on:</p> <ul style="list-style-type: none"> (a) the roles that historical information and forward-looking information play in management commentary; and (b) the difference between the objective of management commentary and the objective of financial statements.