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Diese Unterlage wurde von einem Mitarbeiter des DRSC für die DSR-Sitzung erstellt.

## DSR – öffentliche SITZUNGSUNTERLAGE

<b>DSR-Sitzung:</b>	<b>140. / 01.02.2010 / 13:15 – 15:15 Uhr</b>
<b>TOP:</b>	<b>04 – IASB ED Management Commentary</b>
<b>Thema:</b>	<b>IASB ED Management Commentary – Diskussion des Stellungnahmeentwurfs</b>
<b>Papier:</b>	<b>140_04b_Stellungnahmeentwurf MC_DSR an IASB</b>

- 1 Der Stellungnahmeentwurf des DSR zum ED MC wurde nicht vorab von dem **DSR diskutiert oder beschlossen**. Die Vorschläge wurden vor dem Hintergrund der Beurteilung des gleichnamigen Discussion Papers in der DSR-Stellungnahme vom April 2006 formuliert.



**Opinions laid out in this draft CL were not yet discussed or decided on by GASB**

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Sir David Tweedie  
Chairman of the  
International Accounting Standards Board  
30 Cannon Street  
London EC4M 6XH  
United Kingdom

Berlin, 18. Januar 2010

Dear David,

**Exposure Draft ED/2009/6 Management Commentary**

On behalf of the German Accounting Standards Board (GASB) I am writing to comment on the Exposure Draft ED/2009/6 Management Commentary (ED MC). We appreciate the opportunity to comment on this Exposure Draft.

We support the IASB's decision to view the management commentary (MC) as an integral part of financial reporting and to develop a document on this topic. Furthermore, we concur with most of the requirements laid out in the principle based document developed by the IASB. We are not convinced, however, that a non-mandatory guidance document published by the IASB is the most effective way to establish MC provisions that will be applicable worldwide. To our understanding, a standard on MC could more effectively contribute to the harmonization and improvement of financial reporting in an international environment.

Please find our comments to the questions raised in the invitation to comment in the appendix attached to this letter. If you would like to discuss our comments further, please do not hesitate to contact me.

Yours sincerely,

Liesel Knorr  
President



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## Appendix

### Question 1 – guidance document

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?

- 2 The Discussion Paper Management Commentary (DP MC) proposed the development of a standard. In the light of the benefits of a standard the GASB supported this approach in its comment letter of April 2006.
- 3 We believe that a management commentary is an important reporting instrument. It can significantly contribute to meet the increasing demand of future and value oriented information. Therefore, we support the IASB's notion of the management commentary being an integral part of financial reporting.
- 4 Considering the importance of a management commentary the international harmonization of related requirements is essential. Management commentaries can contribute to aligning information provided for international capital markets and thereby making them more decision-useful for the users.
- 5 However, it seems that the possibilities of international MC requirements cannot be fully exploited when developing non-mandatory guidance on MC instead of a standard.
- 6 Numerous existing voluntary frameworks have failed to harmonize and enhance MC information worldwide. Instead national legislators, regulators, and standard setters – in absence of an international standard to refer to – have continued to develop and refine their requirements.
- 7 In our opinion only a standard provides sufficient potential for legislators, regulators, or standard setters worldwide to consider these IASB requirements instead of their own provisions. This could, for example, result in multiple filings due to multi-



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jurisdictional MC requirements becoming obsolete. Moreover, some IFRS-disclosures are likely to be considered MC information instead of a part of the notes to financial statements. If an MC standard was to be developed overlaps between required note disclosure on the one hand and national MC disclosure on the other hand could be avoided.

- 8 For the reasons laid out above the GASB disagrees with the IASB's decision to develop a guidance document. Instead we prefer the publication of a standard.

**Frage 1 an den DSR:**

- Vertritt der DSR weiterhin die im April 2006 vertretene Auffassung, dass keine unverbindliche Leitlinie sondern ein Standard entwickelt werden soll? Oder sprechen die jetzt vom IASB vorgebrachten Argumente (siehe Sitzungsunterlage 04a\_Praesentation, Folie 5) für eine Leitlinie?
- Sofern dem Stellungnahmevorschlag grundsätzlich zugestimmt wird, welche weiteren Anmerkungen gibt es zu den Ausführungen?

**Question 2 – content elements**

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?

- 9 The GASB generally agrees with the content elements described in the ED MC. We especially appreciate that the ED is more explicit on the requirements regarding the orientation towards the future. Also, we find it helpful that risk reporting requirements are more detailed now and include for example other categories of risk besides financial risk (i.e. strategic, commercial and operations risk). In addition, we appreciate that the ED MC includes reporting about “positive risks”, i.e. opportunities.



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- 10 However, we would like to suggest including more information about the kind of resources the management should report on. The IASB mentions that financial and non-financial resources should be discussed in MC. Nevertheless another distinction seems helpful in order to guide entities in reporting on resources: tangible and intangible resources. Many intangible resources are not included in the financial statements, e.g. human resources or intellectual capital. Nonetheless information about these resources is essential for the understanding of an entity's position. We would therefore suggest including an explicit remark on the importance of reporting on intangible assets.
- 11 A final remark relates to the management's objectives and strategies for meeting those objectives. The GASB is of the opinion that information about the management's objectives and strategies for meeting those objectives are essential for a meaningful MC. They allow evaluating management's judgement about trends and markets and management's decisions.
- 12 Nevertheless we were wondering how information on executive remuneration (par. 27 of the ED MC) contributes to the understanding of management's objectives and strategies. As a matter of fact both the European and German legislator require information on managements' remuneration. So it is not a matter of a general rejection to publish such information. All the same, we do not believe executives' remuneration is relevant for the objectives and strategies of a company.

**Frage 2 an den DSR:**

- Stimmt der DSR dem Vorschlag für die Ausführungen in der Stellungnahme zu?
- Welche weiteren Aspekte in Bezug auf die inhaltlichen Anforderungen an MC sollten ausgeführt werden?



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**Question 3 – application guidance and illustrative examples**

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?

- 13 The GASB supports the principle based approach the IASB chose in developing the MC requirements. We believe that detailed and explicit MC requirements would not reflect the specific character of MC information, substantially providing the management's view for a particular entity. Therefore, MC requirements need to leave room for entity specific information.
- 14 However, it is important that the companies can develop a similar understanding of the requirements. For this purpose non-authoritative application guidance and illustrative examples seem necessary. To our understanding the DP MC contains many useful illustrations of the principles and content requirements. Nevertheless it will be important to avoid boilerplate language. An example of – what seems to us like – boilerplate language is the example provided on objectives and strategies in the Discussion Paper (DP MC, page 40).
- 15 Furthermore, we do not find the IASB's reasoning with regard to application guidance and examples convincing. In question 2 and ED MC.BC48 the IASB states that it believes that the development of application guidance or illustrative examples "is best left to other organizations". To our understanding this undermines the objective of the MC project: a self-contained, sufficient frame for MC reporting, which allows for harmonization of MC requirements worldwide. If "other organizations" were to develop the details for the framework provided by the IASB, national legislators, regulators, or standard setters would – as before – have to develop their own view on the details of MC requirements. This would most likely result in diverse guidance and examples.

**Frage 3 an den DSR:**

Welche Auffassung vertritt der DSR zur Frage 3?



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**Further aspects not specifically addressed in the invitation to comment**

**Qualitative characteristics**

- 16 The GASB generally supports the approach to view MC as an integral part of financial reporting which results in MC being within the scope of the IASB's framework. Like the IASB we believe that MC is directed at the same users and MC is to address the same user needs as financial statements. However, due to the specific features of MC it cannot meet all the qualitative characteristics defined in the framework project (phase A, chapter 2).
- 17 This refers, for example, to forward-looking information and strategic information from a management's perspective. Due to this specific information requirements such as comparability and reliability (faithful representation) are challenged. Therefore, the GASB believes that some qualitative characteristics of the financial statements should be amended for MC purposes according to the future-oriented and subjective character of MC information.
- 18 In ED MC.BC32 the IASB states that (within the framework project) it decided that it would be inconsistent to develop qualitative characteristics that are specific to management commentary. However, the paragraph goes on saying that questions about the applicability of the qualitative characteristics to management commentary should be resolved in Phase A of the conceptual framework project, not in the management commentary framework. Irrespective of the project in which these questions are going to be resolved, the GASB recommends further discussion and evaluation of the qualitative characteristics in the light of the specific features of MC information.

**Frage 4 an den DSR:**

Ist der DSR der Auffassung, dass die Frage der Ausgestaltung der qualitativen Merkmale der Finanzberichterstattung / der MC zusätzlich in die Stellungnahme aufgenommen werden sollte?

**Frage 5 an den DSR:**



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Welche weiteren Aspekte sollten in die Stellungnahme aufgenommen werden?  
Denkbar wären beispielsweise Ausführungen zu:

- Placement Criteria (MC vs. Notes): ED MC.23 (b) states that management should avoid duplicating in MC the disclosures made in the notes to its financial statements. However, the IASB (ED MC.BC45) also defers that discussion to Phase E of the conceptual framework project. It seems inconsistent to require “to avoid duplication” without providing the necessary guidance on how to achieve this objective.
- Segmentation: ED MC.23 (a) states that MC should be consistent with its related financial statements. Undoubtedly this is essential for the MC to provide decision useful information. However, the paragraph goes on saying that MC should reflect the segmentation which is included in the financial statements. It seems sufficient to provide MC information on a group level and only require segment information in case of differences in the evaluation of the segments with regard to the MC content (e.g. risks).