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Sir David Tweedie
Chairman of the
International Accounting Standards Board
30 Cannon Street

London EC4M 6XH
United Kingdom

Düsseldorf, 12 January 2010

540/542/590

Dear Sir David

Re.: Exposure Draft 2009/6: "Management Commentary"

We appreciate the opportunity to comment on the exposure draft mentioned above and would like to submit our comments as follows:

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?

We do not agree with the Board's decision to develop only a guidance document for the preparation and presentation of management commentary instead of an IFRS. A non-authoritative guidance that constituents could choose to follow or to ignore would not result in improvements in financial reporting.

The information conveyed by management commentary is important to the users of financial reporting. In our opinion, to achieve a greater degree of harmonisation between the varying requirements in individual jurisdictions and to promote comparability across entities, the Board should develop a mandatory standard for management commentary, at least for entities whose equity or debt securities are publicly traded, including entities in the process of issuing equity or debt securities in a public securities market. This standard for management

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page 2/4 to the comment letter ED Management Commentary dated 12.01.2010 to Sir David Tweedie

commentary should be included within the explicit and unreserved statement of compliance with IFRSs for listed entities.

In many jurisdictions, entities are accustomed to preparing management commentary required by local legislation, regulation etc. Even for these countries that presently have no such requirements, the adoption hurdle is unlikely to be very high since management commentary has to be prepared "through the eyes of management".

We believe that, since the proposals will not result in an IFRS, following the same due process as is required for the development of an IFRS is not an effective use of either IASB resources or the resources of constituents who prepare comment letters.

Finally, if one shares the opinion that management commentary is an important part of an entity's financial reporting, it seems natural to suggest that management commentary be required not only for annual financial statements but also for interim financial reports. If an entity publishes a set of condensed financial statements in its interim financial report (IAS 34.8), it should, likewise, be required to include a "condensed" management commentary.

The requirements for management commentary for interim financial statements should be narrower than those for annual financial statement management commentary. They should be limited to information representing a major change to either the information conveyed in the last annual or interim management commentary, i.e., important changes in the key elements of management commentary that have a material effect on the performance and future development of the entity.

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?

In principle, we agree with the essential content elements as set out in paragraph 24 et seqq. of the exposure draft. They delineate a structure and a rough outline of the content for management commentary that is suitable for achieving the purpose of management commentary. We appreciate the proposed inclusion of a more detailed description of the "nature of the business", taking up our previous proposals in this respect, for example the suggestion to discuss the

page 3/4 to the comment letter ED Management Commentary dated 12.01.2010 to Sir David Tweedie

primary markets and the competitive position, the main products and services, as well as the significant legal and economic features affecting the group. Furthermore, we welcome the fact that in comparison with the discussion paper the exposure draft is far more explicit in respect of risks. The latter was one of our main concerns expressed in our comment letter on the discussion paper, dated 24 March 2006.

However, we would like to submit the following suggestions for an improvement of the final document:

- In our opinion, it is not sufficient to define a disclosure framework for management commentary. If management commentary is an integral part of financial reporting and has to fulfil the outlined principles and qualitative characteristics, it is both necessary and possible to define the essential content of management commentary not only in terms of broad headings, but also by establishing more detailed requirements. We refer to our comment letter on the discussion paper.

With regard to the headings proposed in paragraph 24 of the exposure draft we suggest integrating the elements in paragraph 24 (e) into paragraph 24 (d) because the results of operations and prospects are interrelated with performance measures and indicators.

According to paragraph 39 of the exposure draft, if information from the financial statements has been adjusted for inclusion in management commentary, that fact should be disclosed. Furthermore, if financial performance measures that are not required or defined by IFRSs are included within management commentary, those measures should be defined and explained and, when possible, reconciled to measures presented in the financial statements. In our view, such a reconciliation should be required without any exception, since it is necessary for users to understand the connection between financial statements and management commentary. Moreover, paragraph 23 of the exposure draft states that management commentary should be consistent with its related financial statements. The condition for a reconciliation (“when possible”) is therefore inappropriate and should be deleted.

The final document should permit management to omit specific elements of the entity’s strategy if such communication could result in a serious competitive disadvantage. For example, if management has planned a hostile takeover in order to become market leader in a specified market segment, this would undoubtedly be of great importance to the development of the entity; however, communicating this fact too early would have a severe negative impact, since it would jeopardise the entity’s strategy.

page 4/4 to the comment letter ED Management Commentary dated 12.01.2010 to Sir David Tweedie

Furthermore, we would appreciate if the final document requires information about research and development activities and significant changes therein. Research and development are, in general, essential for the future of the reporting entity. As management commentary has an "orientation to the future", information on research and development should be accentuated.

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?

As already mentioned in our answer to question 2, in our view, an eventual standard on management commentary should comprise more detailed requirements than those proposed in the exposure draft. If this is the case, no additional application guidance and illustrative examples would be needed.

Other Remarks

Concerning the relation to the Conceptual Framework we support the focus on existing and potential capital providers as primary users of management commentary. Pertaining to the applicability of the qualitative characteristics of financial statements to management commentary we refer to our comment letter on the discussion paper. We agree with the Board that this topic needs to be reconsidered in respect of the management commentary, as stated in paragraph BC 33 of the exposure draft. This problem should be solved during the finalisation of Chapter 1 of the Conceptual Framework project.

We would be pleased to answer any questions that you may have or discuss any aspect of this letter.

Yours sincerely

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Accounting and Auditing

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