
Straight away

IFRS bulletin from PwC

9 December 2010

IASB issues non-mandatory guidance on management commentary

What is the issue?

The IASB has issued a non-mandatory practice statement to help entities present a narrative report, often referred to as 'management commentary'. This is the information that management might choose to provide users of their financial statements to explain the entity's financial position, financial performance and cash flows. It explains management's objectives and its strategies for achieving those objectives.

The focus of management commentary will be specific to each entity. The IASB's practice statement provides a broad framework of principles, qualitative characteristics and elements that might be used to provide users of the financial report with decision-useful information. Management commentary might include a description of:

- **The nature of the business.** A description of the business helps users to understand the external environment in which an entity operates. It may also include discussion of matters such as the industries in which the entity operates, its main markets and competitive position, characteristics of the legal, regulatory and macro-economic environment in which the

entity operates, the entity's structure and its economic model;

- **Management's objectives and strategies to meet those objectives,** which should help users to understand the priorities for action and the resources that must be managed to deliver results;
- **The critical financial and non-financial resources** available to the entity and how those resources are used in meeting management's objectives for the entity;
- **The principal risks,** management's plans and strategies for managing those risks, and the effectiveness of those strategies;
- **The performance and development of the entity,** to provide insights into the trends and factors affecting the business. This also helps users to understand the extent to which past performance may be indicative of future performance;
- **The performance measures** that management uses to evaluate the entity's performance against its objectives, which helps users to assess the degree to which goals and objectives are being achieved.

Am I affected?

Entities that are not currently required to provide management commentary and now elect to do so will be able to apply the new practice statement.

Entities that currently provide management commentary in accordance with local legislation or listing requirements are unlikely to be affected.

What do I need to do?

Entities that elect to apply the non-mandatory practice statement should review any existing management commentary to identify and include some or all of the features required by the practice statement.

If you have questions about this issue, please contact your PwC engagement partner. Engagement teams that have questions should contact their Global Accounting Consulting Services contact.

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