

# Accounting Standards Board

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[www.frc.org.uk/asb](http://www.frc.org.uk/asb)

Stig Enevoldsen  
Chairman  
European Financial Reporting Advisory Group  
Avenue des Arts 13-14  
1210 Brussels  
Belgium

9 February 2006

Dear Stig

## **IASB Discussion Paper ‘Management Commentary’**

This letter sets out the ASB’s comments on EFRAG’s draft comment letter on the Discussion Paper ‘Management Commentary: A paper prepared for the IASB by the staff of its partner standard-setters and others’.

Like EFRAG, the ASB welcomes the publication of the Discussion Paper and we also broadly support the proposals set out in it. The ASB is submitting its response to the IASB in parallel with this letter and I attach a copy.

The draft comment letter seeks the views of constituents on two particular issues. On the first, we support EFRAG’s tentative conclusion that the IASB should add to its agenda a project on management commentary. However, given the issues raised by the project team in Section 6 of the Discussion Paper - at least in the short term - any standard should not be made mandatory to assert compliance with FRS financial statements.

The second issue concerns the comment that the proposals for an MC standard set out in Appendix A of the Discussion Paper appear to be “overly prescriptive”. As you know, David Loweth and Janice Lingwood were part of the project team that developed the proposals, and they have confirmed that it was certainly not the team’s intention to make the proposals prescriptive. The proposals are consistent with the ASB’s Reporting Standard on the Operating and Financial Review (now withdrawn and converted to a statement of best practice following legislative developments in the UK). We do not believe that the proposals are prescriptive, but if EFRAG can provide specific examples of what you believe to be prescription in responding to the IASB, that would be very helpful to the project team.

I have one other observation on the EFRAG draft. The draft comment letter refers to “concerns” about the placement criteria set out in the Discussion paper and suggests “reconsidering and specifying” them. The proposed answer to question 9 of the IASB Invitation to Comment includes the comment that: “MC information might also be necessary for an understanding of the results and outcomes of the financial statements by providing contextual and strategic information, eg a report on the developments of the financial year under report”. In our view, that is covered by placement criterion (a) in the Discussion Paper, but if you think it is not, it would be helpful to suggest drafting as to how the placement criteria might be clarified.

Yours sincerely

A handwritten signature in cursive script, appearing to read 'Ian Mackintosh', written in dark ink on a light background.

**Ian Mackintosh**

Chairman