



September 18, 2009

By Email: <http://www.iasb.org/>

Re: Exposure Draft: Management Commentary (ED/2009/6)

Dear Sir/Madam:

The Certified General Accountants Association of Canada (CGA-Canada) welcomes the opportunity to comment on the Exposure Draft: **Management Commentary (ED/2009/6)**. We consider Management Commentary an important tool to convey decision useful information to the users of the financial statements and endorse the Board's initiative to develop a guidance document on the subject.

### **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?

### **Comments**

CGA-Canada agrees with the Board's decision to develop a guidance document for the preparation and presentation of management commentary as we believe that an IFRS remains more appropriate for the information conveyed through financial statements. Recognizing that management commentary is intended to supplement and to complement financial statement information, we acknowledge also that it is not a substitute to financial statement information nor should it be restricted to some conventional or static template. Given also that each entity possesses some uniqueness in respect of its business model, capital structure, management structure and operating environment, alternate models, styles, and characterizations will lend themselves more effectively to some than to others. Importantly, the contents of a management commentary should permit fluidity which will vary among entities and also across reporting periods. In short, the development of a comprehensive IFRS to cover all possible contents of a management commentary would be extremely complex, somewhat subjective, and perhaps not the best use of the IASB's resources. Proposed guidance can nevertheless serve to promote the best practices in financial reporting.

### **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?

## **Comments**

CGA-Canada agrees that all of the content elements described in paragraphs 24-39 are necessary for the preparation of a decision-useful management commentary. We believe however, that a Corporate Sustainability Report (CSR) might also form part of Management Commentary. Such explicit inclusion will highlight the impacts that the entity's environmental footprint can have on its long-term business prospects. This information has assumed increasing critical importance for the entity's capital providers and can only expect to deepen as the globe grapples with environmental and social issues. In this spirit, we posit that the framework for Corporate Sustainability Reporting as developed by the Global Reporting Initiative<sup>1</sup> might be consulted. And although we generally endorse generic and principles based guidance, in the case of forward-looking information, we propose that the guidance be more specific and more prescriptive. Please also refer to our comment on Question 3 below.

## **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?

## **Comments**

We are not unequivocally convinced that such inclusion will be misinterpreted either as a floor (minimum requirements) or ceiling (only requirements). Our interpretation is that the Board's intention is to issue only a guidance document and not an IFRS. If the development of such application guidance and illustrative examples were left to other organisations, there would be inconsistency and confusion – diminishing the usefulness of information conveyed by Management Commentary. We endorse the views expressed by one of the dissenting Board members. Specifically, that the proposals in the exposure draft related to forward-looking information cannot be put into operation without application guidance and that the omission of application guidance for forward-looking information could result in management commentary information that is misleading and thus not helpful to the users of financial reports (AV5). We note that while releasing the Discussion Paper: Preliminary Views on Financial Statement Presentation, the Board did include illustrative examples. Accordingly, we believe that the final guidance on Management Commentary should include appropriate application guidance and illustrative examples for entities operating in the financial, manufacturing, and service sectors.

Should you wish to discuss the contents of this comment paper or require further elaboration on any of the items presented herein, please do not hesitate to contact Kamallesh Gosalia at [kgosalia@cga-canada.org](mailto:kgosalia@cga-canada.org) or alternatively the undersigned at [rlefevre@cga-canada.org](mailto:rlefevre@cga-canada.org).

Sincerely,  
[Original signed by:]

Rock Lefebvre, MBA, CFE, FCIS, FCGA  
Vice-President, Research & Standards

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<sup>1</sup> <http://www.globalreporting.org>