

Dutch Accounting Standards Board (DASB)

Stig Enevoldsen
EFRAG European Financial Reporting Advisory Group
commentletter@efrag.org

Date : Amsterdam, 23 March 2006
Re : EFRAG's draft comment letter on the IASB Discussion Paper Management Commentary

Dear Mr. Stig Enevoldsen,

The Dutch Accounting Standards Board (DASB) appreciates the invitation to comment on the notes in the EFRAG's draft comment letter on the IASB Discussion Paper "Management Commentary".

In respect of your two conceptual questions we would like to give you our considerations.

EFRAG has tentatively decided that the most appropriate way to achieve improvements in and convergence of MC practice is for the IASB to issue a mandatory standard in the near-future. This is however an issue on which we would particularly welcome your views.

Other possible alternatives include (a) the IASB having the long-term objective of issuing a mandatory standard but not issuing such a standard initially. Instead, a best practice statement or non-mandatory standard could be issued in the short-term; and (b) the IASB simply developing some sort of non-mandatory statement on the MC. The Discussion Paper discusses the impact of different approaches in paragraphs 212-228.

We would welcome a principle based international standard for management commentary (MC), because in our view this can help to improve the quality of international financial reporting and support convergence of financial reporting standards. In our view the most appropriate way to achieve improvements in and convergence of MC practice is for the IASB to issue a principles based standard with non-mandatory guidance, if any.

Although EFRAG has tentatively decided not to comment in detail on Appendix A, it still invites comment from constituents on that appendix in order to help it decide whether to adopt a different approach in the final letter.

We would be particularly interested in hearing whether the draft standard

(a) is considered overly prescriptive or maybe not sufficient to achieve any real improvement in practice,

(b) is likely to result in companies provide standardised 'boiler plated' disclosures, and

(c) goes far enough on corporate governance, environmental issues and forward-looking information.

We support the discussion paper as a principles based guidance for MC. However, the proposal for an MC standard appears to be more prescriptive, particularly the detailed prescription of the content. We believe that improvements in MC will not be realized by highly prescriptive standards. Accordingly, we support view (a), visually that the draft standard is overly prescriptive and may be not sufficient to achieve any real improvements in practice.

We support your comments on the questions in the Discussion Paper MC in the draft comment letter, except the comment on Question 4: Do you agree with the objective suggested by the project team or, if not, how should it be changed? Is the focus on the needs of investors appropriate?

We do not agree with the focus on meeting the information needs of investors. MC should meet the information needs of a broad range of users. In our view, MC is useful to a broad range of users in making economic decisions. The groups of users can be in accordance with the Framework of IFRS, which sets out seven groups of users (investors, employees, lenders, suppliers, customers, governments and the public). MC should be an integral part of the financial report; there is no need to focus on a special class of users. User's needs for information may differ among different groups of users. In our opinion the focus on investors will lead to more detailed requirements and thus to a prescriptive rules-based standard.

As additional content, we would suggest that MC could also disclose information about corporate governance and information about sustainability (people, planet, profit) issues.

Furthermore, we would like to draw your attention to the Position Paper on Management's Analysis of the Business issued by the European Accounting Study Group (E5+2) issued in May 2000. At the time of issue of the Position Paper the membership of the E5+2 group included the five European delegations to the now superseded International Accounting Standards Committee Board (France, Germany, the Netherlands, the Nordic countries and the United Kingdom), joined by representatives of their national standard-setters, the European Commission and FEE. This Position Paper proposes a set of principles to guide the selection and presentation of management's analysis of the business. We suggest you to review this position paper as well. We would welcome that the EFRAG pays attention to this report in its letter to the IASB.

We hope that you find these comments useful. If you wish to discuss them any further, please do not hesitate to contact me.

Yours sincerely,

Prof. dr. Martin Hoogendoorn RA
Chairman DASB