THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

2 February 2010

Our ref: ICAEW Rep 14/10

Mr Stig Enevoldsen
Chairman
European Financial Reporting Advisory Group
35 Square de Meeûs
B-1000 Brussels

By email: commentletter@efrag.org

Dear Stig

IASB ED *MANAGEMENT COMMENTARY*

The Institute of Chartered Accountants in England and Wales (the Institute) welcomes the opportunity to comment on EFRAG's draft response to the IASB on its ED Management Commentary.

The Institute operates under a Royal Charter, working in the public interest. Its regulation of its members, in particular its responsibilities in respect of auditors, is overseen by the Financial Reporting Council. As a world leading professional accountancy body, the Institute provides leadership and practical support to over 132,000 members in more than 160 countries, working with governments, regulators and industry in order to ensure the highest standards are maintained. The Institute is a founding member of the Global Accounting Alliance with over 775,000 members worldwide.

We are pleased to support the broad thrust of EFRAG's draft response and in particular its response to the three questions asked by IASB. We support this project, even though it is probably not IASB's highest priority at present. The project promotes convergence and will be particularly helpful in jurisdictions without developed management commentary requirements and we do not believe that the project has no value simply because the guidance proposed is not mandatory.

We agree that the guidance should be non-mandatory, high-level and principles-based, and we agree with the decision not to provide illustrative examples. We share EFRAG's concerns about the deferral of work on placement principles to phase E of the project and about the qualitative characteristic of verifiability. We also acknowledge the concerns about the characteristics of neutrality and comparability.

We have reviewed EFRAG's draft comments on paragraphs 9 to 11 of the ED on the objectives of management commentary and its users, and while the comments do not appear incorrect, the concerns seem overplayed. Firstly, paragraph 11 makes it very clear that the purpose of management commentary is to put the financial information into context and we do not think it conflicts with paragraph 10 which describes content, nor do we think

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it warrants repetition. Perhaps the two paragraphs should be reversed if the matter is a question of emphasis. Secondly, we agree that the standard should admit to the possibility of users of management commentary extending beyond existing and potential capital providers, but the needs of such providers are paramount when management is considering what information to include in management commentary, and we believe that paragraphs 9 and 11 capture the required balance.

Please contact me should you wish to discuss any of the points raised in this response.

Yours sincerely

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