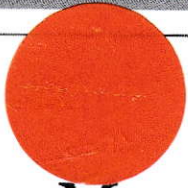


December 2010

IFRS, 2010

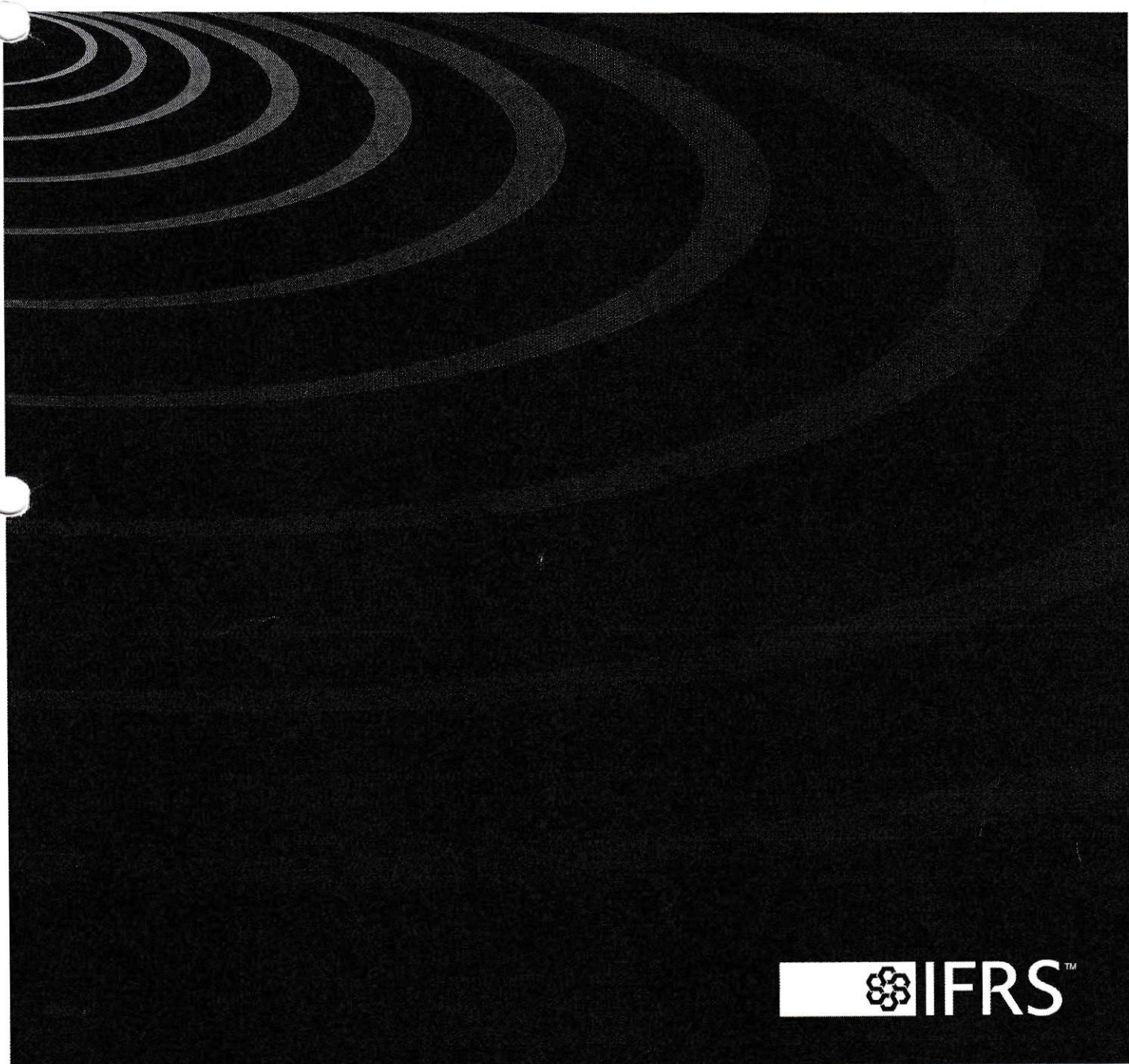
IFRS Practice Statement

(IFRS, 2010)



# Management Commentary

A framework for presentation



**IFRS Practice Statement**  
**Management Commentary**  
**A framework for presentation**

This IFRS Practice Statement *Management Commentary* is issued by the International Accounting Standards Board (IASB).

30 Cannon Street, London EC4M 6XH, United Kingdom.

Tel: +44 (0)20 7246 6410 Fax: +44 (0)20 7246 6411

Email: [iasb@ifrs.org](mailto:iasb@ifrs.org) Web: [www.ifrs.org](http://www.ifrs.org)

ISBN: 978-1-907026-56-0

Copyright © 2010 IFRS Foundation®

The IASB, the IFRS Foundation, the authors and the publishers do not accept responsibility for loss caused to any person who acts or refrains from acting in reliance on the material in this publication, whether such loss is caused by negligence or otherwise.

IASB publications are copyright of the IFRS Foundation. The approved text of *Management Commentary* is that issued by the IASB in the English language. Copies may be obtained from the IFRS Foundation Publication Department. Please address publication and copyright matters to:

IFRS Foundation Publications Department,

1st Floor, 30 Cannon Street, London EC4M 6XH, United Kingdom.

Tel: +44 (0)20 7332 2730 Fax: +44 (0)20 7332 2749

Email: [publications@ifrs.org](mailto:publications@ifrs.org) Web: [www.ifrs.org](http://www.ifrs.org)

All rights reserved. No part of this publication may be translated, reprinted or reproduced or utilised in any form either in whole or in part or by any electronic, mechanical or other means, now known or hereafter invented, including photocopying and recording, or in any information storage and retrieval system, without prior permission in writing from the IFRS Foundation.



The IFRS Foundation logo/the IASB logo/‘Hexagon Device’, ‘IFRS Foundation’, ‘eIFRS’, ‘IAS’, ‘IASB’, ‘IASB Foundation’, ‘IASCF’, ‘IFRS for SMEs’, ‘IASs’, ‘IFRIC’, ‘IFRS’, ‘IFRSs’, ‘International Accounting Standards’, ‘International Financial Reporting Standards’ and ‘SIC’ are Trade Marks of the IFRS Foundation.

# CONTENTS

*paragraphs*

## INTRODUCTION

## **IFRS PRACTICE STATEMENT *MANAGEMENT COMMENTARY***

OBJECTIVE	1
SCOPE	2–4
IDENTIFICATION OF MANAGEMENT COMMENTARY	5–7
USERS OF MANAGEMENT COMMENTARY	8
FRAMEWORK FOR THE PRESENTATION OF MANAGEMENT COMMENTARY	9–23
Purpose	9–11
Principles	12–21
Presentation	22–23
ELEMENTS OF MANAGEMENT COMMENTARY	24–40
Nature of the business	26
Objectives and strategies	27–28
Resources, risks and relationships	29–33
Results and prospects	34–36
Performance measures and indicators	37–40
APPLICATION DATE	41
APPENDIX: Defined terms	
BASIS FOR CONCLUSIONS	

The IFRS Practice Statement *Management Commentary* is set out in paragraphs 1–41 and the Appendix. Terms defined in the Appendix are in *italics* the first time they appear in the Practice Statement. Definitions of other terms are given in the Glossary for International Financial Reporting Standards. The Practice Statement should be read in the context of its objective and the Basis for Conclusions, the *Preface to International Financial Reporting Standards* and the *Conceptual Framework for Financial Reporting*.

## Introduction

### Purpose of the Practice Statement

---

- IN1 The IFRS Practice Statement *Management Commentary* provides a broad, non-binding framework for the presentation of management commentary that relates to financial statements that have been prepared in accordance with International Financial Reporting Standards (IFRSs).
- IN2 The Practice Statement is not an IFRS. Consequently, entities applying IFRSs are not required to comply with the Practice Statement, unless specifically required by their jurisdiction. Furthermore, non-compliance with the Practice Statement will not prevent an entity's financial statements from complying with IFRSs, if they otherwise do so.

### What is management commentary?

---

- IN3 Management commentary is a narrative report that provides a context within which to interpret the financial position, financial performance and cash flows of an entity. It also provides management with an opportunity to explain its objectives and its strategies for achieving those objectives. Users routinely use the type of information provided in management commentary to help them evaluate an entity's prospects and its general risks, as well as the success of management's strategies for achieving its stated objectives. For many entities, management commentary is already an important element of their communication with the capital markets, supplementing as well as complementing the financial statements.

### How to apply the Practice Statement

---

- IN4 The Practice Statement is prepared on the basis that management commentary lies within the boundaries of financial reporting because it meets the definition of other financial reporting in paragraph 7 of the *Preface to International Financial Reporting Standards*. Therefore management commentary is within the scope of the *Conceptual Framework for Financial Reporting*. Consequently, the Statement should be read in the context of the *Conceptual Framework*.

- IN5 The Practice Statement sets out the principles, qualitative characteristics and elements of management commentary that are necessary to provide users of financial reports with useful information. However, the form and content of management commentary may vary by entity. Thus, the Statement also provides principles to enable entities to adapt the information they provide to the particular circumstances of their business, including the legal and economic circumstances of individual jurisdictions. This flexible approach will generate more meaningful disclosure by encouraging entities that choose to present management commentary to discuss those matters that are most relevant to their individual circumstances.
- IN6 The Practice Statement refers to 'management' as the persons responsible for the decision-making and oversight of the entity. They may include executive employees, key management personnel and members of a governing body.\*

---

\* See paragraphs BC31 and BC32 for additional information.