

## STAFF PAPER

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## IASB® meeting

Project	Management Commentary		
Paper topic	Feedback summary—Effective date		
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This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (IASB). This paper does not represent the views of the IASB or any individual IASB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS® Accounting Standards. The IASB's technical decisions are made in public and are reported in the IASB® *Update*.

**Purpose of paper**

- 1 The papers for this meeting summarise feedback on the International Accounting Standards Board (IASB)'s proposals for a revised Practice Statement on management commentary (revised Practice Statement), as set out in the Exposure Draft *Management Commentary* (Exposure Draft).
- 2 This paper summarises feedback on the effective date proposed in the Exposure Draft.
- 3 This paper should be read in the context of Agenda Paper 15 *Feedback summary—Cover paper*, which explains some of the terminology used and how we have quantified feedback.
- 4 This paper does not ask the IASB to make decisions but invites IASB members' questions and comments on the feedback.

**Structure of paper**

- 5 This paper includes:
  - (a) a recap of the proposals on the effective date (paragraphs 6–7);

- (b) an overview of the key messages in the feedback (paragraphs 8–10);
- (c) summaries of the feedback on:
  - (i) effective date (paragraphs 11–17);
  - (ii) early application (paragraphs 18–20); and
  - (iii) transitional provisions (paragraphs 21–22).

### **Exposure Draft proposals**

- 6 Paragraph 1.6 of the Exposure Draft proposed that the revised Practice Statement would supersede the 2010 Practice Statement for annual reporting periods beginning on or after the date of its issue. This means that the revised Practice Statement would be effective for annual reporting periods ending at least one year after the date of its issue. The Exposure Draft proposed to permit early application.
- 7 The Exposure Draft did not propose any specific transitional provisions. Paragraph BC138 of the Basis for Conclusions explained the reason for this was that the information in management commentary is expected to be derived from information already used by management in managing the business, so an entity would not need to produce information specifically for management commentary.

### **Key messages in feedback**

- 8 Many respondents commented on the proposed effective date. Many of the respondents commenting supported the effective date proposed in the Exposure Draft. A few respondents argued that a longer transition period would be needed to implement the new objectives-based approach or to accommodate the provision of sustainability-related information. Some other respondents argued that a longer transition period could be needed depending on the status or content of the final document. Some respondents stated that the IASB should not finalise the revised Practice Statement and set the effective date until the interaction between the

Management Commentary project and the future work of the International Sustainability Standards Board (ISSB) is clarified.

- 9     Some respondents commented on the proposal to permit early application of the Practice Statement and supported the proposal.
- 10    Some respondents asked the IASB to specify transitional provisions, in particular in relation to the provision of comparative information.

### **Effective date**

- 11    Many respondents commented on the proposed effective date. Many of these respondents, including all investors commenting, supported the effective date proposed in the Exposure Draft. A few of them stated that a one-year transition period after the revised Practice Statement is issued is sufficient and a few others supported the proposed effective date because the revised Practice Statement is non-mandatory.

As the practice statement is not mandatory, jurisdictions may decide the extent to which the practice statement should be adopted, including local effective dates. *CL57 BDO*

One year appears to be long enough for companies based in jurisdictions with fairly sophisticated disclosure systems to implement the new requirements. Meanwhile, those jurisdictions where one year of preparation is not long enough for their companies do not have to adopt the revised Practice Statement 1 to meet a one-size-fit-all effective date. *CL81 Corporate Reporting Users' Forum*

- 12    A few respondents commented that they would support the proposed effective date subject to an appropriate due process over the revised Practice Statement, including field testing of the proposed objectives-based approach and necessary consultations, in particular with the ISSB (see paragraph 17).

- 13    A few respondents suggested that an effective date is not necessary or could even be confusing for stakeholders due to the non-mandatory status of the revised Practice Statement. A regulator stated a view that:

We do not see the rationale for determining an effective date for a document that is not mandatory. *CL30 Securities and Exchange Commission of Brazil*

- 14    A few respondents, mainly preparers, suggested that a longer transition period is needed:

- (a)    to enable entities to implement the new objectives-based approach set out in the Exposure Draft;
- (b)    to accommodate the provision of sustainability-related information; or
- (c)    to allow sufficient time for any local endorsement of the revised Practice Statement.

- 15    A preparer commented on the need for a longer transition period, arguing that:

... we would suggest extending the transition period effectively by one additional year. Specifically, also because of the need to get sufficiently familiar with the new objectives-based approach proposed for the management commentary (paragraph BC147 of the ED).

Specifically, in the case of the need to provide additional and even more granular information on ESG matters in the future, additional time might be necessary and very much useful to allow preparers to set up the necessary internal reporting systems and to collect the necessary data already for the comparative period.

Finally, we like to note that endorsement processes at the level of local jurisdictions might also need a considerable amount of time before a clarity for preparers is given if and starting from when the final requirements released by the IASB can or must be applied. *CL11 German Insurance Association*

- 16    Some respondents argued that a longer transition period would be needed if:

- (a) management commentary was required to be issued simultaneously with the related financial statements;
- (b) comparative information was required;
- (c) the revised Practice Statement was mandatory in a particular jurisdiction; or
- (d) the IASB issued the final document as a standard.

17 Some respondents re-iterated the view that the future work of the ISSB may affect the role of the revised Practice Statement and suggested that it is premature to finalise the revised Practice Statement and set the effective date until this interaction is clarified.

A standard-setter expressed a view that:

There are uncertainties about how the ISSB standards might affect the adoption and implementation of the revised Practice Statement, and entities may need additional time to implement potential new standards developed by the ISSB in conjunction with the revised Practice Statement. For this reason, although we broadly agree with the proposal, we suggest the effective date be reconsidered when there is clarity about the direction and work developed by the ISSB. *CL32 Australian Accounting Standards Board*

### **Early application**

18 Some respondents commented on the proposal to permit early application of the Practice Statement and supported the proposal. An accountancy body expressed a view that:

As a source of best practice guidance for preparers, entities should be encouraged to adopt the practice statement as early as possible, once it is finalised. *CL24 Association of Chartered Certified Accountants*

19 An accounting firm supported early adoption, stating that the proposals contain useful guidance for entities on applying various corporate reporting concepts.

- 20 An individual stated a view that if an entity applies the revised Practice Statement before the effective date, the management commentary should state that the revised Practice Statement has been applied.

### **Transitional provisions**

- 21 Some respondents asked the IASB to specify transitional provisions. A preparer suggested that the IASB should specify that the revised Practice Statement should be adopted prospectively.
- 22 Two accounting firms and a standard-setter asked the IASB to provide transitional provisions for comparative information.

EFRAG considers that transitional provisions would be helpful to clarify the need to provide comparative information upon the period of transition.  
*CL79 European Financial Reporting Advisory Group*

### **Question for IASB members**

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Do you have any questions or comments on the feedback reported in this paper?