

Name: Sounder Rajan SP

Place: Chennai

Mail: sounderrajansubramanian2709@gmail.com

M No: 237299

Subject: Comments on Exposure Draft and comment letters Management Commentary

- 1) I welcome the opportunity provided for sending comments on Exposure Draft and comment letters Management Commentary
- 2) My view

Question 1—The financial statements to which management commentary relates Paragraph 2.2 proposes that management commentary identify the financial statements to which it relates. That paragraph further proposes that, if the related financial statements are not prepared in accordance with IFRS Standards, the management commentary would disclose the basis on which the financial statements are prepared.

The Exposure Draft does not propose any restrictions on the basis of preparation of the related financial statements (for example, it does not propose a requirement that financial statements be prepared applying concepts similar to those underpinning IFRS Standards).

Paragraphs BC34–BC38 explain the Board’s reasoning for these proposals.

(a) Do you agree that entities should be permitted to state compliance with the revised Practice Statement even if their financial statements are not prepared in accordance with IFRS Standards? Why or why not?

(b) Do you agree that no restrictions should be set on the basis of preparation of such financial statements? Why or why not? If you disagree, what restrictions do you suggest, and why?

My view for Question 1:-

- a) If the entity don't prepare as per IFRS which is acceptable as per requirements of legislation of the country in which they are situated or as per stock exchanges, then such a statement is not required. As this would lead to confusion among the users of the financial statement and management should give reconciliation or possible impact if IFRS has been followed, which will not be appropriate, as there is no mandatory necessity to adopt IFRS
- b) **Restrictions are not required.** The management is required to adopt an acceptable financial reporting framework, basis which preparation of financial statements are required to be carried out. Accordingly, I agree that no restrictions are required. As some of the global economies are still following the standards different from IFRS or converged standards which has carve in and carve outs. So, it will not be appropriate to put restrictions which will force the management to give reconciliation or possible impact if IFRS has been followed, which will not be appropriate, as there is no mandatory necessity to adopt IFRS

Question 2—Statement of compliance

(a) Paragraph 2.5 proposes that management commentary that complies with all of the requirements of the Practice Statement include an explicit and unqualified statement of compliance.

Paragraphs BC30–BC32 explain the Board’s reasoning for this proposal.

Do you agree? Why or why not?

(b) Paragraph 2.6 proposes that management commentary that complies with some, but not all, of the requirements of the Practice Statement may include a statement of compliance. However, that statement would be qualified, identifying the departures from the requirements of the Practice Statement and giving the reasons for those departures.

Paragraph BC33 explains the Board’s reasoning for this proposal.

Do you agree? Why or why not?

My view Question -2

- a) Yes I agree this is fundamental, it should be the ones related to financial reporting framework adopted by the Company and **any departure reasons with impact analysis are required.**
- b) Yes I agree

Question 3—Objective of management commentary

Paragraph 3.1 proposes that an entity’s management commentary provide information that:

(a) enhances investors and creditors’ understanding of the entity’s financial performance and financial position reported in its financial statements; and

(b) provides insight into factors that could affect the entity’s ability to create value and generate cash flows across all time horizons, including in the long term.

Paragraph 3.2 proposes that the information required by paragraph 3.1 be provided if it is material. Paragraph 3.2 states that, in the context of management commentary, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that investors and creditors make on the basis of that management commentary and of the related financial statements.

Paragraphs 3.5–3.19 explain aspects of the objective, including the meaning of ‘ability to create value’.

Paragraphs BC42–BC61 explain the Board’s reasoning for these proposals.

Do you agree with the proposed objective of management commentary? Why or why not? If you disagree, what do you suggest instead, and why?

My view question -3

- a) I agree but there should a basic minimum required information which every entity should be disclose, is required to be mandated to achieve the objective
- b) **Ability to create value becomes very subjective and cannot be defined.** I don’t agree. Also long term is not clear, anything beyond 12 months from reporting date has lot of assumptions, estimates and risk involved

Question 4—Overall approach

The Exposure Draft proposes an objectives-based approach that:

- (a) specifies an objective for management commentary (see Chapter 3);
- (b) specifies six areas of content for management commentary and, for each area of content, disclosure objectives that information provided in management commentary is required to meet (see Chapters 5–10);
- (c) gives examples of information that management commentary might need to provide to meet the disclosure objectives (see Chapter 15); but
- (d) does not provide a detailed and prescriptive list of information that management commentary must provide.

Paragraphs BC69–BC71 explain the Board's reasoning for proposing this approach.

Do you expect that the Board's proposed approach would be:

- (a) capable of being operationalised—providing a suitable and sufficient basis for management to identify information that investors and creditors need; and
- (b) enforceable—providing a suitable and sufficient basis for auditors and regulators to determine whether an entity has complied with the requirements of the Practice Statement?

If not, what approach do you suggest and why?

My view question 4

- a) Objective should be aligned to legal requirements and industry of the Company. Also objective should meet requirements of not only Investors & creditors, it should include requirements of bankers, customers, employees, authorities who are basic important strength of an entity.
 - b) Format and content to be included is to be standardised and guidance note for implementation and input methodology is required
 - d) List of information to be provided with detailing of content is mandatory to achieve uniformity
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- a) Yes, apart from suitable and sufficient the proposal is also required to reasonable, covering transparent information of the entity, which would allow the users of financials to make informed decisions making.
 - b) Audit requirements to be detailed and scope to be defined along with reporting requirements for operational information if any to be opined by auditors, as those becomes critical for auditors to design the planning, execution and conclusion of an audit

Question 5—Design of disclosure objectives

The proposed disclosure objectives for the areas of content comprise three components—a headline objective, assessment objectives and specific objectives. Paragraph 4.3 explains the role of each component. Paragraphs 4.4–4.5 set out a process for identifying the information needed to meet the disclosure objectives for the areas of content and to meet the objective of management commentary.

Paragraphs BC72–BC76 explain the Board’s reasoning for these proposals.

(a) Do you agree with the proposed design of the disclosure objectives? Why or why not? If you disagree, what do you suggest instead, and why?

(b) Do you have general comments on the proposed disclosure objectives that are not covered in your answers to Question 6?

My view Question 5

- a) Proposed disclosure focuses on key matters and not on all information which are required for understanding the financial statements
- b) Risk of other industries affecting the business is required, as many businesses today are interlinked to other industries like banking, transportation etc., Those are fundamental to understand the economic impact on the entity

Question 6—Disclosure objectives for the areas of content

Chapters 5–10 propose disclosure objectives for six areas of content. Do you agree with the proposed disclosure objectives for information about:

- (a) the entity’s business model;
- (b) management’s strategy for sustaining and developing that business model;
- (c) the entity’s resources and relationships;
- (d) risks to which the entity is exposed;
- (e) the entity’s external environment; and
- (f) the entity’s financial performance and financial position?

Why or why not? If you disagree, what do you suggest instead, and why?

My view Question -6

Agreed

Question 7—Key matters

Paragraphs 4.7–4.14 explain proposed requirements for management commentary to focus on key matters. Those paragraphs also propose guidance on identifying key matters. Chapters 5–10 propose examples of key matters for each area of content and examples of metrics that management might use to monitor key matters and to measure progress in managing those matters.

Paragraphs BC77–BC79 explain the Board’s reasoning for these proposals.

- (a) Do you agree that the Practice Statement should require management commentary to focus on key matters? Why or why not? If you disagree, what do you suggest instead, and why?
- (b) Do you expect that the proposed guidance on identifying key matters, including the examples of key matters, would provide a suitable and sufficient basis for management to identify the key matters on which management commentary should focus? If not, what alternative or additional guidance do you suggest?
- (c) Do you have any other comments on the proposed guidance?

My view Question 7

Don’t agree, all information fundamental to the readers of the financial statement should be included not only key matters

Question 8—Long-term prospects, intangible resources and relationships and ESG matters

Requirements and guidance proposed in this Exposure Draft would apply to reporting on matters that could affect the entity’s long-term prospects, on intangible resources and relationships, and on environmental and social matters. Appendix B provides an overview of requirements and guidance that management is likely to need to consider in deciding what information it needs to provide about such matters. Appendix B also provides examples showing how management might consider the requirements and guidance in identifying which matters are key and which information is material in the fact patterns described.

Paragraphs BC82–BC84 explain the Board’s reasoning for this approach.

- (a) Do you expect that the requirements and guidance proposed in the Exposure Draft would provide a suitable and sufficient basis for management to identify material information that investors and creditors need about:
 - (i) matters that could affect the entity’s long-term prospects;
 - (ii) intangible resources and relationships; and
 - (iii) environmental and social matters?

Why or why not? If you expect that the proposed requirements and guidance would not provide a suitable or sufficient basis for management to identify that information, what alternative or additional requirements or guidance do you suggest?

- (b) Do you have any other comments on the proposed requirements and guidance that would apply to such matters?

My view question 8

Agreed except, as I have said all information critical and fundamental for readers understanding should be considered, not only material

Question 9—Interaction with the IFRS Foundation Trustees' project on sustainability reporting

Paragraphs BC13–BC14 explain that the Trustees of the IFRS Foundation have published proposals to amend the Foundation's constitution to enable the Foundation to establish a new board for setting sustainability reporting standards. In the future, entities might be able to apply standards issued by that new board to help them identify some information about environmental and social matters that is needed to comply with the Practice Statement.

Are there any matters relating to the Trustees' plans that you think the Board should consider in finalising the Practice Statement?

MY view question 9

Agreed, it should ensure standards are set not common across all sizes of Companies, standards can be set differently for Small & medium enterprises with some exemptions

Question 10—Making materiality judgements

Chapter 12 proposes guidance to help management identify material information. Paragraphs BC103–BC113 explain the Board's reasoning in developing that proposed guidance.

Do you have any comments on the proposed guidance?

My view question 10

As I have said all information critical and fundamental for readers understanding should be considered, not only material

Question 11—Completeness, balance, accuracy and other attributes

(a) Chapter 13 proposes to require information in management commentary to be complete, balanced and accurate and discusses other attributes that can make that information more useful. Chapter 13 also proposes guidance to help management ensure that information in management commentary possesses the required attributes.

Paragraphs BC97–BC102 and BC114–BC116 explain the Board's reasoning for these proposals.

Do you agree with these proposals? Why or why not? If not, what do you suggest instead and why?

(b) Paragraphs 13.19–13.21 discuss inclusion of information in management commentary by cross-reference to information in other reports published by the entity.

Paragraphs BC117–BC124 explain the Board's reasoning for these proposals.

Do you agree with these proposals? Why or why not? If not, what do you suggest instead and why?

My view question 11

Agreed

Question 12—Metrics

Chapter 14 proposes requirements that would apply to metrics included in management commentary.

Paragraphs BC125–BC134 explain the Board’s reasoning for these proposals.

Do you agree with these proposals? Why or why not? If not, what do you suggest instead and why?

My view question 12

Agreed

Question 13—Examples of information that might be material

Material information needed to meet the disclosure objectives set out in Chapters 5–10 will depend on the entity and its circumstances. Chapter 15 proposes examples of information that might be material.

Paragraphs BC80–BC81 explain the Board’s reasoning for these proposals.

Do you expect that the proposed examples would help management to identify material information that management commentary might need to provide to meet disclosure objectives for information about:

- (a) the entity’s business model;
- (b) management’s strategy for sustaining and developing that business model;
- (c) the entity’s resources and relationships;
- (d) risks to which the entity is exposed;
- (e) the entity’s external environment; and
- (f) the entity’s financial performance and financial position?

If not, what alternative or additional examples do you suggest? Do you have any other comments on the proposed examples?

My view question 13

As I have said all information critical and fundamental for readers understanding should be considered, not only material

Thanks and regards

I concur that views stated above are my individual opinion and not of any organization where I am working or not of any committee or organization I am connected with.

Regards

Sounder Rajan