

Management Commentary

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Abstract: *Management Commentary (MC) is an important medium of disclosing corporate information to the users. This paper has two objectives. It first analyzes some conceptual issues regarding the MC. In Bangladesh, there is no requirement for MC. A report by the Board of Directors or the Directors' Report (DR) is required to be presented to the shareholders. The DR may be considered the equivalent of MC. This paper provides a brief overview of the legal requirements regarding disclosure in the DR and provides case evidence on the content of the DR. The paper concludes with some observations and recommendations.*

Keywords: *Management Commentary, Directors' Report, Financial Reporting.*

Introduction

This paper has two objectives. First, it examines some conceptual issues regarding Management Commentary (MC). Second, it examines Bangladesh scenario.

A discussion paper (DP) of the International Accounting Standards Board (IASB), issued in October 2005, uses the term 'MC' (Teixeira et al. 2005). MC is the generic term. It is called by different names in different jurisdictions. For example, it is called Management's Discussion and Analysis (MD&A) in the U. S. A. and Canada, Operating and Financial Review (OFR) in the United Kingdom, and Management Reporting in Germany. MC fits well 'other financial reporting' as defined by the IASB (2002: para 7). In Bangladesh, no MC is required to be presented to the investors though the report by the Board of Directors or the Directors' Report (the DR) required to be presented under the Companies Act 1994 may be considered as the equivalent of MC.

The DP defines MC as information that accompanies financial statements as part of an entity's financial reporting (Teixeira et al. 2005: para 19). It should explain the main trends and factors underlying the development, performance and position of entity's business during the period covered by financial statements. It should also explain the main trends and factors affecting the future development, performance and position of the entity's business (Teixeira et al. 2005: para 19). The *Reporting Statement: Operating and Financial Review* defines OFR in similar terms (ASB 2006: para 3).

Different standards setters and regulators recognize the importance of MC. For example, the IASB Framework recognizes that financial statements alone cannot meet the objectives of

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