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Our ref : AdK
Direct dial: Tel.: (+31) 20 301 0391 / Fax: (+31) 20 301 0279
Date : Amsterdam, 1 July 2010
Re : Comment on your draft comment letter on the Exposure Draft Conceptual
Framework for Financial Reporting: The Reporting Entity

Dear members of the EFRAG Technical Expert Group,

The Dutch Accounting Standards Board (DASB) appreciates the opportunity to respond to your draft comment letter regarding your opinion on the Exposure Draft Conceptual Framework for Financial Reporting: The Reporting Entity.

We have serious concerns about the ED and as a consequence do not agree with your draft comment letter.

We do not agree with the Exposure Drafts proposal that the Conceptual Framework should contain a description of a reporting entity. Local law determines reporting requirements by entities and we are not sure whether the IASB's proposal will result in conflicts as a result thereof. We believe that a reference to the reporting entity could just as easily be incorporated in for instance IAS 1 Presentation of Financial Statements.

In addition, the proposal contains a new definition of control and this may unintentionally change current practice. The ED does not explain if and why a new definition is necessary.

Although the DASB agrees that in theory a legal entity can consist of several reporting entities, it may not always be feasible to make this split. If it will be mandatory to divide one entity into separate reporting entities and it will be mandatory that these reporting entities also draft IFRS financial statements, there inevitably will be an increase in the cost of preparing financial statements. We are not convinced this increase in costs will also increase the benefits for a broad range of users. Furthermore, it seems difficult, if not impossible, to determine if a portion of the entity has the potential to be useful. For instance, it will probably be impossible for the entity to find out if a potential equity investor is considering a purchase of a branch or division of the entity.

The DASB does not agree with the development of the reporting entity concept independent of the development of the standards on consolidation. These projects are intertwined and should not be developed separately, at least both projects should be given the same effective date. We believe it to be premature to address issues that may well fundamentally change as the work on the new standards on consolidation reaches completion.

Yours sincerely,

A handwritten signature in black ink, consisting of a vertical line on the left, a loop at the bottom left, and a long horizontal stroke extending to the right that ends in a small hook.

Hans de Munnik
Chairman Dutch Accounting Standards Board