

International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
UK

Oslo, 9 July 2010

Dear Sir/Madam

ED/2010/2: Conceptual Framework for Financial Reporting – The Reporting Entity

Norsk RegnskapsStiftelse (the Norwegian Accounting Standards Board) is pleased to comment on the Exposure Draft on *Conceptual Framework for Financial Reporting – The Reporting Entity*.

We support the Boards' effort to develop a single set of high quality and globally accepted accounting standards through convergence. Furthermore, we believe a common conceptual framework shared by the IASB and the FASB is a viable foundation of developing a single set of high quality accounting standards. The Framework should deal with concepts and principles, while the Boards should apply these concepts and principles in the development of standards. Thus, we believe the concept statement on reporting entity should define the reporting entity, but not regulate whether for example consolidated financial statements should be prepared or not. We find that the Boards have not been quite clear on this distinction throughout the ED, as exemplified by RE8.

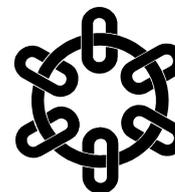
We agree that the control concept should be defined in the Framework, but we are not convinced that it should be given a separate definition for the purpose of identifying reporting entities. That is, the concept of control may play a role in defining assets as under the current Framework, as well as for other recognition purposes, as the case is for instance in the exposure draft on revenue recognition. We believe the Boards should address the concept of control on a general basis, before applying it in the context of reporting entities, assets, revenue recognition etc.

Our detailed comments to the questions in the order suggested by you are set out in the appendix to this letter.

Please do not hesitate to contact us if you would like to discuss any specific issues addressed in our response, or related issues, further.

Yours faithfully,
Norsk RegnskapsStiftelse

Erlend Kvaal
Chairman of the Technical Committee on IFRS of Norsk RegnskapsStiftelse



Appendix - Detailed comments on ED 2010/2

Specific questions

Question 1

Do you agree that a reporting entity is a circumscribed area of economic activities whose financial information has the potential to be useful to existing and potential equity investors, lenders and other creditors who cannot directly obtain the information they need in making decisions about providing resources to the entity and in assessing whether the management and the governing board of that entity have made efficient and effective use of the resources provided? (See paragraphs RE2 and BC4–BC7.) If not, why?

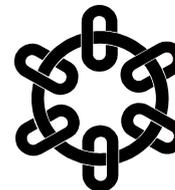
We agree that the conceptual framework should broadly describe a reporting entity. We also welcome the re-writing of the definition proposed in the discussion paper to replace the term “business activities” with “economic activities” as we find the latter term less restrictive and thereby reducing the risk of excluding the useful reporting of economic activities not qualifying as business activities. However, we are concerned that the reference to existing and potential equity investors, lenders and other creditors might unintentionally omit other existing and potential stakeholders as well as entities with no creditors and all owners represented in the governing board. Hence, we propose the following rewording of paragraph RE 2: “...has the potential to be useful to existing and potential stakeholders who cannot directly obtain the information they need...”.

We acknowledge the need for a boundary in order to distinguish economic activities comprised by a reporting entity from economic activities of other entities and from the economic environment in which the entity exist. In RE 3 the Boards propose the term “objectively distinguished” for determining this boundary. It is unclear to us how this term should be understood and we believe the Boards should clarify the term “objectively distinguished” within the conceptual framework.

Question 2

Do you agree that if an entity that controls one or more entities prepares financial reports, it should present consolidated financial statements? Do you agree with the definition of control of an entity? (See paragraphs RE7, RE8 and BC18–BC23.) If not, why?

We agree that if an entity that controls one or more entities prepares financial reports, this controlling entity should present consolidated financial statements. We also agree with the definition of control in paragraph RE 7. However, as explained in our cover letter we do not believe the Framework should address when the preparation of financial statements are required. Such a requirement should be set in a standard. Furthermore, also commented on in our cover letter, we believe the concept of control should be addressed on a more general



basis, acknowledging that the concept may play a role in for example recognition, before it is applied in the context of reporting entities.

Question 3

Do you agree that a portion of an entity could qualify as a reporting entity if the economic activities of that portion can be distinguished from the rest of the entity and financial information about that portion of the entity has the potential to be useful in making decisions about providing resources to that portion of the entity? (See paragraphs RE6 and BC10.) If not, why?

We agree that a portion of an entity could qualify as a reporting entity provided that the portion meets the description and features of a reporting entity as proposed in paragraphs RE 2 to RE 5.

Question 4

The IASB and the FASB are working together to develop common standards on consolidation that would apply to all types of entities. Do you agree that completion of the reporting entity concept should not be delayed until those standards have been issued? (See paragraph BC27.) If not, why?

As explained previously, we believe the Framework is a tool to be applied by the Boards in setting standards. Thus, the standards on consolidation should be developed on the basis of the Framework, including the reporting entity concept. In other words, we believe the reporting entity concept has to be completed before the standards on consolidation can be finalized.