

Conceptual Framework for Financial Reporting: The Reporting Entity

Appendix 1

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? If not, why?

Yes. However we share EFRAG's concerns about current wording which refers to "management and governing board of that entity", because this could imply that reporting entity has to have a form of management in place.

This could be problematic when some parts of existing companies are carved out and a set of financial statements is prepared for these parts. We are also convinced that IASB should clarify how the feature objectively in the phrase "...economic activities can be objectively distinguished from these other activities..." is to be applied in practice.

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?

Yes. We think that the definition of control has to be included in the reporting entity chapter, notwithstanding the possibility that this definition could be developed earlier in other chapter of the framework.

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? If not, why?

Yes.

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 chapter of the Conceptual Framework should not be delayed until those standards have been issued? If not, why?

Yes.

Other comments:

- We agree with EFRAG that the Conceptual Framework is not the right place to deal with issues concerning the timing and issuance of “parent-only financial statements”
- The Conceptual Framework would be deficient if it does not clearly address the perspective from which the financial statements are presented – the entity perspective or the proprietary perspective?

Lisbon, 16th June 2010