April 1, 2010

Technical Director
File Reference No. 1770-100
Financial Accounting Standard Board
401 Merritt 7,
P.O.Box 5116
Norwalk, CT 06856-5116

## Dear Director:

I appreciate the opportunity to comment on the "Exposure Draft of a proposed Statement of Financial Accounting Concepts – Conceptual Framework for Financial Reporting: The Reporting Entity". As we know, the IASB and FASB are putting tremendous efforts on the development of a common conceptual framework that could improve the existing framework.

I do agree with most of the conclusions reached in the Exposure Draft:

- 1). I agree with the definition of the reporting entity expressed in paragraph RE1, RE 2 and RE5 that the reporting entity should differentiate between the legal entity and emphasize that the financial information will be useful in decision making for "potential investors, lenders, and other creditors who cannot directly obtain the information". However, I would like to include the investment professionals as the users of financial information. For example, the financial analysts are not necessary financially involved with the reporting entity, but the financial information is the primary tool for them to evaluate the reporting entity.
- 2). I support the view that paragraph BC23 concluded that "if an entity that controls one or more entities prepares financial reports, it should present consolidate financial statements". The concepts of "control" versus "significant influence" emphasize the substantial relationships among entities in the business combination, rather than just equity ownership and voting rights. According to paragraph RE 7, the power to direct and the ability to generate benefits or limit losses constitute the elements of "control".
- 3). I agree with the conclusion in paragraph BC 27 that "the reporting entity concept should not be delayed until the common standards on consolidation have been issued". The framework provides the fundamentals for setting accounting standards and assists the development of future accounting standards. Therefore, I believe that the reporting entity concept will aid the development of common standards on consolidations.

However, I have a concern regarding the view expressed in paragraph RE6 that "a portion of an entity could qualify as a reporting entity". In my view, there should be some limitations or criteria to qualify the portion of an entity as a reporting entity rather than any portion of an entity as long as "it has the potential to be useful in making decisions". Those limitations and criteria can prevent the alternative accounting methods that can be manipulated by management in order to achieve favorable financial results, such as unethical internal transactions.

## Recommendations:

- 1). As I mentioned above, the framework substantiates the setting of accounting standards. Paragraph P12 describes that FASB is reconsidering the authoritative status of the FASB Concepts Statements. I believe that the framework could serve as the foundation of accounting principles. Therefore, the framework should be used to determine the appropriate accounting (methods?). The FASB and IASB should re-establish authoritative status for the Conceptual Framework.
- 2). I have noticed the Framework is mainly focused on financial information for the public companies. With the increasing demands of special accounting treatments for private companies, in my personal view, we should put private companies into the consideration in the Conceptual Framework project in order to promote the harmonization of accounting standards for both public and private companies.

Sincerely,

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