From: Reed, Samuel
To: Director - FASB

 Subject:
 File Reference No. 1770-100

 Date:
 Wednesday, May 19, 2010 3:51:05 PM

## Dear Sir or Ma'am:

This comment is in reference to file # 1770-100 Proposed Statement of Financial Accounting Concepts, Conceptual Framework for Financial Reporting: The Reporting Entity, paragraph RE5.

Beginning with the second sentence, RE5 reads: "Most, if not all, legal entities have the potential to be reporting entities. However, a single legal entity may not qualify as a reporting entity if, for example, its economic ...." I have two comments for your consideration:

- 1. In the Accounting Standards Codification (ASC) Notice to Constituents v 4.1, the bottom of page 23 under, "Removal of the generic qualifying terms", FASB states that generic qualifying terms were removed from the ASC because they, "add ambiguity to the Standards." I submit to you that this entire section is a general qualification and creates ambiguity. In order to be consistent, these proposed concepts should follow the same spirit of definitive, plain-English writing as the ASC.
- 2. I would agree that the general trend in accounting is moving towards streamlining entity structures, which includes eliminating unnecessary legal entities. However, in my personal experience working with companies as both an auditor and an employee, most, if not close to all legal entities should in no capacity be considered a reporting entity. This applies to both primary entity and segmented entity presentation as required under ASC topic 280. Keeping this section as is will lend support to stakeholders seeking to perpetuate legalistic, rules-based accounting, even as FASB is moving towards a topical, concepts-based system. The paragraph as is would only serve to generate revenue for enterprising audit firms seeking new areas to test.

I propose the following alternative: Strike the second sentence entirely and modify the third sentence by replacing "may: with "shall" and striking ", for example," so that paragraph RE5 begins as follows:

A single legal entity that conducts economic activities and does not control any other entity is likely to qualify as a reporting entity. However, a single legal entity shall not qualify as a reporting entity if its economic activities ...

Samuel W. Reed, CPA Financial Manager II Michael Baker Jr., Inc 4301 Dutch Ridge Road Beaver, PA 15009 724.495.4091