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Monday, 26<sup>th</sup> April, 2010

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

Attn: Technical Director:

Re: File Reference No. 1770-100

In response to the Exposure Draft, issued 11<sup>th</sup> March, 2010, please consider this letter and my comments herein.

With respect to the first question in the “Notice For Recipients” on which respondents were invited to comment, the preparers of this draft have provided a vague/ambiguous phrase, “circumscribed area of economic activity”, that hinders respondents from comprehending the proposed definition of a “reporting entity”, and prevents their adequately answering/addressing the question.

Later in the draft, at paragraph RE4, the word “boundary of economic activities” is used to refer to the “circumscribed area” referenced earlier, yet the scope of this “boundary” or “circumscribed area” still remains unspecified.

More significantly, paragraph RE4 proposes an audacious concept of a *legal entity not being sufficient or necessary in identifying a reporting entity*. This creates further perplexity about the

proposed concept of reporting entity. In light of this absence of clarity, one may resort to responding to this first question (referring to the definition of a reporting entity) as follows:

The proposed definition of a reporting entity in this exposure draft refers to financial information that is potentially useful to equity investors, lenders and creditors – users of financial information in general. Although the FASB is responsible for creating accounting standards that affect not-for-profit organizations as well as for-profit entities, the majority of Statements of Financial Accounting Standards (SFAS) influence, and are geared towards, for-profit companies. In fact, there are only two significant SFAS that are particularly specific to not-for-profit organizations, namely SFAS 116 and 117. One may infer that, with respect to users of financial information, the Board’s standards can be seen as developed primarily for for-profit companies.

The SEC requires (publicly traded) “companies with more than \$10 million in assets whose securities are held by more than 500 owners to file annual and other reports.” FASB exists at the discretion of the SEC and is funded by a tax imposed on these reporting entities. Therefore, the term “**reporting**” should be in reference to this clear mandate and a “**reporting entity**” should also be defined by this constituency.

Furthermore, the SEC’s “reporting entity” is most definitely a legal entity. Though, in some ways, one may conceptually perceive the existence of a legal entity as **insufficient** in identifying a *reporting entity* due to the existence of structures such as variable interest entities as implied in paragraph S3, for the purpose of the SEC’s and FASB’s consideration, a *reporting entity* **can only be a legal entity**. Thus, though conceptually not sufficient, a legal entity is **necessary** in identifying a *reporting entity*.

By suggesting that the legality of an entity plays no part in identifying a reporting entity, the FASB seems to desire to expand its jurisdiction beyond the *circumscribed area* that has already been determined by the SEC (to that of privately held companies). Paragraph BC4 states that the description of a reporting entity, in reference to the conceptual framework is designed to be consistent with the objective of financial reporting. Since, as reflected in its purpose and mission, the FASB is “the designated organization in the private sector for establishing standards of financial **accounting**”, and the SEC grants this designation with reference to reporting as it pertains to corporations within a well defined circumscribed area, one can question the FASB’s motives in proposing such an expansive definition of a reporting entity.

Questions two and three are more vivid and comprehensible. One can follow the practicality and logic in the examples provided in the suggested paragraphs and may find oneself in agreement with the proposed notions.

Finally, in response to question four, the reporting entity concept is already complete according to the SEC’s description. Unless the SEC desires to address this concept or instructs the FASB to proceed with such, there seems to be little need for the FASB’s involvement in redefining a reporting entity. The FASB should continue working with the International Accounting Standards Board (IASB) to develop common standards applicable to reporting entities **per the SEC’s description**.

Regards,

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