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Technical Director
File Reference No. 1770-100
Financial Accounting Standards Board
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File Reference No. 1770-100
Proposed Statement of Financial Accounting Concepts
Conceptual Framework for Financial Reporting: The Reporting Entity

The Accounting Principles and Auditing Standards Committee (the “AP&AS Committee”) of the California Society of Certified Public Accountants (“CALCPA”) is pleased to provide our comments to the Financial Accounting Standards Board (“FASB”) on this exposure draft.

The AP&AS Committee is the senior technical committee of CALCPA. CALCPA has approximately 32,000 members. The Committee is comprised of 50 members, of whom 67 percent are from local or regional firms, 23 percent are sole practitioners in public practice, 5 percent are in industry and 5 percent are in academia.

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?

Yes. However, we believe paragraphs S1 and RE2 and related references should be worded as follows:

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 **users who seek** the information they need in making decisions about providing resources to the entity and in assessing whether management and the governing board of that entity have made efficient and effective use of the resources provided.

We believe the definition should refer to all other users, not just other creditors, and that the definition of the reporting entity should not be affected by whether the users can directly obtain information.

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?

Yes. We agree with the basic concept and with the Board's decision that the details of what might be considered control are better left to be specified at the standards level.

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?

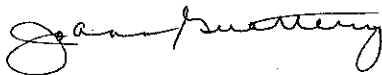
Yes. We agree that a portion of an entity could qualify as a reporting entity.

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?

Yes. We agree for the reasons stated at BC27.

We thank you for the opportunity to comment on this matter. We would be glad to discuss our opinions with you further should you have any questions or require additional information.

Very truly yours,



JoAnn Guattery, Chair
Accounting Principles and Auditing Standards Committee
California Society of Certified Public Accountants