

18 June 2010

Sir David Tweedie
Chairman
The International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear David

EXPOSURE DRAFT ED/2010/2 *Conceptual Framework for Financial Reporting: The Reporting Entity*

The Financial Reporting Standards Board (FRSB) of the New Zealand Institute of Chartered Accountants is pleased to submit its comments on the Exposure Draft ED/2010/2 *Conceptual Framework for Financial Reporting: The Reporting Entity*.

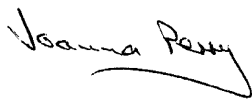
The FRSB agrees that the conceptual framework should broadly describe, rather than precisely define, a reporting entity. The FRSB does not consider that the conceptual framework ought to provide guidance on who is required to prepare general purpose financial statements or provide guidance on the extent to which an entity can be segmented into smaller reporting entities. The FRSB is largely in agreement with the proposals in the Exposure Draft. As such, the FRSB has not provided responses to the questions for respondents raised in the IASB's Exposure Draft. The FRSB has only the following concerns with the proposals in the Exposure Draft:

- Both IAS 27 *Consolidated and Separate Financial Statements* and ED 10 *Consolidated Financial Statements* exempt a parent entity from preparing consolidated financial statements in specified circumstances. This exemption is inconsistent with the proposal in the Exposure Draft that parent-only financial statements should only be presented together with consolidated financial statements. Also, the proposal does not allow for the possibility of the law requiring the preparation of parent-only financial statements. For example, a wholly owned subsidiary may not be required to prepare consolidated financial statements incorporating the results of its subsidiaries if its parent prepares consolidated financial statements. However, the law may require the preparation of financial statements for the subsidiary alone. If the IASB proceeds with its proposal, the FRSB recommends that the resulting component of the conceptual framework identify circumstances in which parent-only financial statements would be permitted.

- Existing equity accounting requirements are incompatible with the IASB's proposed controlling entity model. The FRSB recommends that the IASB review the concept of equity accounting.

If you have any queries or require clarification of any matters in this submission, please contact Clive Brodie (clive.brodie@nzica.com) in the first instance, or me.

Yours sincerely



Joanna Perry

Chairman – Financial Reporting Standards Board

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