

ZAMBIA INSTITUTE OF CHARTERED ACCOUNTANTS

24 Joseph Mwilwa Road Rhodes Park P.O. Box 32005 Lusaka ZAMBIA

Telephone: + 260 21 1 222773, Fax + 260 21 1 236593 E-mail: <u>techzica@coppernet.zm</u> <u>zica@coppernet.zm</u>

16th July 2010

International Accounting Standards Board 30 Cannon Street London EC4M 6XH United Kingdom

E-mail: commentletters@iasb.org

Dear Sir

Comments on Exposure Draft - Conceptual Framework for Financial Reporting

The Zambia Institute of Chartered Accountants welcomes the opportunity to comment on the International Accounting Standards Board (IASB)'s Exposure Draft – Conceptual Framework for Financial Reporting.

Our comments on the questions on the exposure draft are as follows:

Question 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 governing board of that entity have made efficient and effective use of the resources provided? If not, why?

Comment

We do agree with the description of a reporting entity as has been said, it will make it consistent with the objective of financial reporting.

Question 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? If not, why?

Comment

We do agree with the requirement that if an entity that controls one or more entities prepares financial reports, it should present consolidated financial statements. This is because consolidated financial statements present information about the controlling entity and all the entities it controls which is useful to equity investors, lenders and other creditors.

We also do agree with the definition of control of an entity.

However, there is a view that if the activity of the controlled entity is different from the activity of the controlling entity consolidated accounts may be inappropriate and an alternative procedure should be available. A possible alternative would be to append the latest available financial statements of the controlled entity to the financial statements of the controlling entity referenced to the investment appearing in the statement of financial position. This may be particularly appropriate where the year-ends are different and the cost of preparing additional financial statements of the controlled entity to the year-end of the parent would by far exceed any benefit.

Question 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? If not, why?

Comment

We have no objection to the requirement 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

Question 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 that completion of the reporting entity concept should not be delayed until those standards have been issued? If not, why?

Comment

We do agree that the completion of the reporting entity concept should not be delayed. The reporting entity concept would be useful to both boards as they develop common standards on consolidation.

The Institute will be ready to respond to any matters arising from above comments.

Yours faithfully

Modest Hamalabbi
Technical and Standards Manager