April 1, 2010

Dear Sirs,

I am writing to comment on proposed SFAS, “The Reporting Entity”. I strongly disagree with the assertion made in RE 10 that significant influence one entity may have over another does not constitute control over an entity. I believe that the FASB is underestimating the value/worth of an entity having the ability to influence the activities of another entity. I understand that significant influence is a difficult measure to quantify and that influence does not always equate to control, but I have uneasiness in accepting no correlation between the two. There are certain instances where a direct correlation between significant influence and control can be formed such as with Coca Cola (KO) and Coca Cola Enterprises (CCE), the distributor. CCE relies almost exclusively on KO for products, advertising, and marketing yet because KO holds less than a 50% (~38%) stake in CCE, reporting under consolidation is not necessary. I believe it is examples like this one that make me believe that the FASB must take a closer look at RE 10 and its wording.

The ideal solution would be a case by case analysis of the relationship between or lack or relationship between entities to determine their reporting status, but this is impractical. I would suggest that a general standard be set for defining the difference between significant influence and control and the reporting for those definitions. In addition to the standard definition there be a threshold where larger companies (X amount of $) receive case by case interpretations on whether their level of significant influence over other entities should instead be classified as control.

Sincerely,

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