

March 29, 2010

Dear Sirs:

I am commenting as a student studying both practice and theory of accounting on ED/2010/2, "Conceptual Framework for Financial Reporting". I strongly support the proposal as drafted since the draft reflects the economic realities of what constitutes an economic unit, and financial reports under said standard will benefit users of the financial statements.

I would like to focus my comments on two issues: (1) entities that control one or more entities should present consolidated financial statements (RE7), and (2) the features given regarding a reporting entity (RE3).

Firstly, I strongly agree that an entity that controls one or more other entities should present consolidated financial statements. The reality is that if an entity has control (as defined in ED/2010/2, RE7) over another entity, then the controlled entity is essentially an extension of the controlling entity. Since the controlled entity is for all intents and purposes an extension of the controlling entity, the financial statements of the controlled entity are also the financial statements of the controlling entity. Though separating the financial statements would provide some benefit, financial statement users would benefit more from the ease of use that consolidated financial statements provide. Ultimately, the financial statement users should be the measure of how adequate the standard is, and I believe that consolidated financial statements provide the most information in the most easily comprehended fashion. As such, I strongly support the requirement for consolidated financial statements if an entity controls one or more entities.

Secondly, I believe the features of a reporting entity stated (RE3) are sufficiently broad to allow accountants to use their professional judgment as to what constitutes a reporting entity, without being so broad as to provide no guidance at all. Particularly important is that section (a) also includes economic activities that *will* be conducted and does not therefore does not provide ambiguity of whether an entity constitutes a reporting is not determined by its maturity, but rather whether it is actually an economic entity.

I applaud the IASB and FASB for the work done on ED/2010/2; the work invested in it has provided an excellent conceptual and practical standard. As such, I recommend adopting the exposure draft as written.

Sincerely,

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