

April 1, 2010

Dear Sirs:

As a graduate student studying accounting, I appreciate the opportunity to comment on the Proposed Statement of Financial Accounting Concepts (SFAC), *Conceptual Framework for Financial Reporting: The Reporting Entity*. Although I support the proposed SFAC, I believe that certain provisions should be reviewed further as discussed below in my responses to two of the questions directed towards respondents in the proposed SFAC.

- 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 the governing board of that entity have made efficient and effective use of the resources provided? (RE2 and BC4-BC7). If not, why?

I agree with general description of a reporting entity as seen in RE2. However, the usage of the term “circumscribed area” can be vague and unclear. I understand that the phrase needs to convey the idea that the economic activities are limited to a certain boundary which is the realm of the reporting entity. In my opinion, using a phrase such as: “organization or set (or portion) of an organization” would be more understandable and clear. Other than the wording of this phrase, I fully support RE2 as an appropriate basic meaning.

- Question 2 – The FASB and the IASB 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? (BC27). If not, why?

I do not agree that the completion of the reporting concept should not be delayed until the common standards on consolidation have been issued. I concur with the respondents mentioned in BC27 who feel that the Boards should complete the standards-level projects on consolidation before working on the reporting entity concept. Since the main purpose of the conceptual framework is to help in developing standards, the concepts should come before the standards. BC27 states that “the reporting entity concept is stated in general terms and is not likely to conflict with any conclusions that the Board has reached to date in standards-level projects.” The phrase “not likely” leaves an opportunity open that there is still a chance for a difference (however small it might be). If the completion is delayed, it would get rid of any further complaints you may in the future receive; and the Boards will be following the logical order of developing concepts and standards.

Thank you for giving me the chance to voice my opinion on these matters.

Sincerely,

Kimberly Kojima
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