From:	jyflum@gmail.com on behalf of Jonathan Lum
To:	Director - FASB
Subject:	"Conceptual Framework for Financial Reporting"
Date:	Friday, April 02, 2010 9:12:24 PM

Dear Director,

I agree with the exposure draft of the "Conceptual Framework for Financial Reporting" and that a reporting entity is important for financial reporting. The three reporting entity features are to provide user with financial information to make economic decisions. However, I disagree with the exposure draft that these features are not always sufficient to identify a reporting entity. These three features are the backbone of identifying a reporting entity because without the features the users of financial statements would not invest in companies because they wouldn't know if the entity is using the resources provided to them correctly. A reporting entity is can be considered a parent or a subsidiary. However, these entities are considered to be one entity. Under the basic environmental assumption of accounting information a separate entity is considered a firm that is separate from its owners and from other firms. If owners such as equity investors, lenders, and other creditors co mingle their own finances with the firm's finances there will be no basis for objectively and the reporting entity would not have accurate financial information. Providing relevant information is necessary if you want potential investors investing in your company. Sometimes investors can invest millions in an entity or a part of an entity. If you don't provide quality information the investor could possibly lose all their money.

With consolidated financial statements it provides a means for presenting information about the total resources of the economic entity. However, information is lost whenever data is aggregated and ratios may not be meaningful and accounts of the different entities in the consolidate group may not be comparable. I agree that if one entity controls another entity financial reporting should be consolidated because if there is too much information it might be less accurate. In my opinion if the parent entity owns more than 50% of the subsidiary then you must eliminate all the inter-company balances and transactions while consolidating financial statements. This will help prevent double reporting of financial statements to make firms look like they are earning more when they are actually not.

The other types of financial statements are parent-only financial statements and combined financial statements. Parent-only financial statement should be presented together with consolidated financial statements because of the full disclosure rule of accounting. The parent-only entity should show everything they own in the financial statements even though it is non-material ownership. The economic resources and claims to those resources should also be disclosed in financial reporting so that accountants and investors can know what an entity should report.

There are some items that I agree with more or less of the items mention on "The Reporting Entity." Some of the items they mentioned should be changed to meet the definitions of the conceptual framework. If the items I've mentioned above are changed then the Conceptual Framework can be more transparent for all users.

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