



FLORIDA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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Financial Accounting Standards Board
of the Financial Accounting Foundation
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116

Via email to director@fasb.org
File Reference No. 1770-100

Re: Exposure Draft – *Conceptual Framework for Financial Reporting: The Reporting Entity*

Dear Sirs:

The Accounting Principles and Auditing Standards Committee (the “Committee”) of the Florida Institute of Certified Public Accountants (“FICPA”) has reviewed and discussed the subject Exposure Draft, including the four questions posed in the “Questions for respondents”, and has the following comments related to the questions numbered below:

1. The Committee agrees with the definition of the reporting entity, noting that economic activities are sufficiently broad to incorporate more than the traditional legal definition.
2. The Committee is in agreement with the Board's definition of control referring to both power and benefits. Given that a controlling entity indeed has "the power to direct the activities of another entity to generate benefits for (or limit losses to) itself", we believe it is also well positioned to steer cash flows and other benefits flowing from its subsidiaries to its equity investors, lenders, and other creditors. Therefore, it is appropriate that if a controlling entity prepares financial statements, it should present consolidated financial statements.
3. We agree that a portion of an entity, such as a branch or a division, could qualify as a reporting entity if the economic activity of that section is objectively identifiable and measurable financial information has the potential to be useful in helping to assess management's ability to utilize that portion of the entity's resources efficiently and effectively.
4. The Committee believes that a conceptual framework must be in place in order to develop consistent standards. So it would stand to reason that the conceptual framework should be formulated first to lay down the foundation of the key concepts before the issuance of standards. Therefore, we agree with the Boards that the completion of the

reporting entity concept should not be delayed until the issuance of the common standards on consolidation that would apply to all types of entities.

The Committee appreciates this opportunity to respond to this Exposure Draft. Members of the Committee are available to discuss any questions or concerns raised by this response.

Respectfully submitted,

Laura Prevratil, CPA, Chair
FICPA Accounting Principles and Auditing Standards Committee

Committee members coordinating this response:

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