

20 July 2010

Sir David Tweedie
Chairman
International Accounting Standards Board
30 Cannon Street
London ED 4M 6 XH
United Kingdom

Dear Sir David

**IASB EXPOSURE DRAFT – CONCEPTUAL FRAMEWORK FOR FINANCIAL
REPORTING: THE REPORTING ENTITY**

The Malaysian Accounting Standards Board welcomes the opportunity to provide comments on the IASB Exposure Draft – Conceptual Framework for Financial Reporting: The Reporting Entity.

We support the joint effort by the IASB and the US Financial Accounting Standards Board to develop an improved conceptual framework that provides a sound foundation for developing future accounting standards.

Our detailed responses are enclosed in the Appendix of this letter.

If you need further clarification, please contact Ms Tan Bee Leng at +603 2240 9200 or by email at beeleng@masb.org.my.

Thank you.

Yours sincerely,



Mohammad Faiz Azmi
Chairman

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? (See paragraphs RE2 and BC4–BC7.) If not, why?

We agree with the reporting entity definition and we believe a principle based definition is necessary at the conceptual framework level. We also agree that a reporting entity should not be limited to legal entities.

Nevertheless, we have the following comments:

- a) *As many jurisdictions have traditionally had reporting entities synonymous with only legal entities or legal groups in the context of financial statements, it would be useful to have guidance and examples of reporting entities that may be defined in other circumstances.*
- b) *The provision of financial information in general purpose financial statements should not be limited to meet the needs of existing and potential equity investors, lenders and other creditors. We are concerned such limited prominent focus could hinder the consideration of information needs of other wide range of users and we recommend that other users, particularly a broad range of users who may have a vested interest, be included in the definition, eg customers, governments and their agencies or the public.*

We note that RE3 stated that all the three features are necessary but not always sufficient to identify a reporting entity. We recommend further explanation or guidance be included on the application of this paragraph vis-à-vis the objective and definition of reporting entity in paragraphs RE1 and RE2.

Question 2

Do you agree that if an entity that controls one or more entities prepares financial reports, it should present consolidated financial statements? Do you agree with the definition of control of an entity? (See paragraphs RE7, RE8 and BC18–BC23.) If not, why?

We agree with the proposals.

Nevertheless, we note that the above control definition is limited to the application of consolidated financial statements. However it may be appropriate for the control concept to be defined at the conceptual level with the detailed guidance at the standard level, to provide a foundation upon which accounting standards are based and to avoid any conflict of application among respective accounting standards. The control definition is then applied in financial reporting standards as a basis in determining if an asset or another entity qualifies for recognition in the reporting entity's financial statements (ie in both separate and consolidated financial statements respectively).

Such an approach would be similar to the IASB's Exposure Draft on Fair Value Measurement where one of its objective is to establish a single source of guidance and improve consistency in the application of fair value measurement.

Question 3

Do you agree that a portion of an entity could qualify as a reporting entity if the economic activities of that portion can be distinguished from the rest of the entity and financial information about that portion of the entity has the potential to be useful in making decisions about providing resources to that portion of the entity? (See paragraphs RE6 and BC10.) If not, why?

We agree with the proposal.

Question 4

The IASB and the FASB 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? (See paragraph BC27.) If not, why?

We agree with the proposal. We believe it is appropriate for the reporting entity to be defined in the conceptual framework and then having the standards developed around the concept enshrined therein. It is important for standards to emanate from the conceptual framework such that the conceptual framework would form the foundation for standards as well as constitute the final determinant in interpreting and applying the standards.