

29 September 2008

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

Dear Sir David

IASB CONSULTATIVE DOCUMENTS

- **Exposure Draft: An improved Conceptual Framework for Financial Reporting**
Chapter 1: The Objective of Financial Reporting and
Chapter 2: Qualitative Characteristics and Constraints of Decision-Useful Financial Reporting Information
- **Discussion Paper: Preliminary Views on an improved Conceptual Framework for Financial Reporting: The Reporting Entity**

The Malaysian Accounting Standards Board welcomes the opportunity to provide comments to the IASB on the abovementioned consultative documents.

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

We have no objections to the proposals in the Exposure Draft to Chapter 1 and Chapter 2 of the Conceptual Framework.

We also support the Discussion Paper (DP) preliminary views on The Reporting Entity except with regards to the following:

(a) The common control model

We agree that the common control model should be used in some circumstances only. However, we believe paragraphs 88 and 89 need to be reviewed as they are contradictory and confusing, in particular:

88. In contrast, if the individual investor had other business assets, liabilities and activities, the *exclusion of the controlling entity* from the group reporting entity would *result in there being a*

difference between the business assets, liabilities and activities included in the consolidated financial statements of the individual investor and in the combined financial statements of the entities under common control.

89. ... Moreover, that exception is regarded as being appropriate only when the combined financial statements for entities under common control would provide information about the same business assets, liabilities and activities as would be included in the consolidated financial statements of the controlling entity.

...

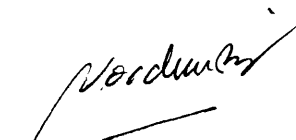
(b) Group Reporting Entity

Paragraph 63 of the DP identifies three potential approaches to determining the composition of group reporting entity for financial reporting purposes, namely the controlling entity model, the common control model and the risks and rewards model. We noted that the Board's preliminary view is that the controlling entity model should be used as the primary basis for determining the composition of a group reporting entity. The DP also discusses issues relating to the control concept, including control other than by legal rights. In other words, the control concept should not be limited to circumstance in which the entity has sufficient voting rights or other legal rights to direct the financing and operating policies of another entity, but rather should be a broad concept that encompasses economically similar circumstances.

We suggest that in determining the composition of the group reporting entity, the Board should be mindful of a franchise chain situation. The control concept should not be so broad-based that it would inevitably include all the franchisees as being part of a group reporting entity of the franchisor.

If you need further clarification, please contact the undersigned at +603 2240 9200 or email at nordin@masb.org.my.

Yours sincerely,



Dr Nordin Mohd Zain
Executive Director