



# Conceptual Framework for Financial Reporting: The Reporting Entity

April 2010

**COMMENTS MUST BE RECEIVED BY  
JULY 16, 2010**

This Exposure Draft of proposed accounting framework reflects proposals made by the IASB that the AcSB intends to adopt as Canadian generally accepted principles.

Individuals and organizations are invited to send written comments on the Exposure Draft proposals. Comments are requested from those who agree with the Exposure Draft as well as from those who do not.

Comments are most helpful if they are related to a specific paragraph or group of paragraphs, and, when expressing disagreement with the Exposure Draft, they clearly explain the problem, and include a suggested alternative supported by specific reasoning. All comments received will be available on its website at [www.acsbcanada.org](http://www.acsbcanada.org) 10 days after the comment deadline, unless confidentiality is requested.

To be considered, comments to the AcSB must be received by July 16, 2010, addressed to:

Peter Martin, CA  
Director, Accounting Standards  
Accounting Standards Board  
277 Wellington Street West  
Toronto, Ontario M5V 3H2

A PDF [response form](#) has been posted with this document to assist you in submitting your comments. Alternatively, you may send comments by e-mail (in Word format), to: [ed.accounting@cica.ca](mailto:ed.accounting@cica.ca)

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## Highlights

The Accounting Standards Board (AcSB) proposes, subject to comments received following exposure, to incorporate into Part I of the CICA Handbook – Accounting, the proposals in the International Accounting Standards Board (IASB) Exposure Draft, “Conceptual Framework for Financial Reporting: The Reporting Entity.”

### Background

As part of a joint project, the IASB and the Financial Accounting Standards Board (FASB) are developing an improved common conceptual framework that provides a sound foundation for developing future accounting standards.

The IASB’s *Framework for the Preparation and Presentation of Financial Statements* defines a reporting entity; however, the FASB’s *Statements of Financial Accounting Concepts* does not. These proposals develop a reporting entity concept based on existing practice.

### IASB Exposure Draft

The IASB’s Exposure Draft, “[Conceptual Framework for Financial Reporting: The Reporting Entity](http://www.iasb.org)” (the ED), is available on the IASB website at [www.iasb.org](http://www.iasb.org).

### Main features

The ED states that the proposed reporting entity concept is to further the objective of general purpose financial reporting. That objective is “to provide financial information about the reporting entity that is useful 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.”

A reporting entity is defined as “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 management and the governing board of that entity have made efficient and effective use of the resources provided.”

The ED proposes that if an entity controls one or more entities and prepares financial reports, the entity should present consolidated financial statements. An entity has control of another entity when it has the power to direct the activities of that other entity to generate benefits for (or limit losses to) itself. The ED states that consolidated financial statements are most likely to provide useful information to the greatest number of users.

The ED also proposes to permit reporting “parent-only” financial statements if they are presented together with consolidated financial statements, or combined financial statements about controlled entities as a group, because they could provide useful information.

## **Timing of adoption**

The IASB has not yet proposed an effective date. The IASB currently expects to issue the reporting entity concept in final form in the fourth quarter of 2010.

The AcSB will incorporate this concept into Part I of the Handbook shortly after it is issued by the IASB.

## **Other material**

The IASB has also published a Basis for Conclusions to accompany its ED. Although the document is not part of the AcSB's Exposure Draft, stakeholders are encouraged to refer to it.

## **Comments requested**

The AcSB encourages Canadian stakeholders to respond to the IASB on its ED. The Invitation to Comment in the ED lists specific questions on which the IASB would like input. The AcSB requests that comment letters be sent directly to the IASB with a copy to the AcSB.

The AcSB would like input from Canadian respondents on the following additional question regarding the proposed concepts.

The proposed concept has been developed by the IASB for application by entities around the world. Assuming the ED proposal is approved by the IASB, do you believe that there are aspects of the proposed concept that would make some or all of it inappropriate for Canadian entities, even though it is appropriate for entities in the rest of the world? If so, please specify which aspects and what circumstances make the concept proposed in the ED inappropriate for Canadian entities.

Responses to this additional question should be sent directly to the AcSB.

For your convenience, a PDF response form has been posted with this document that can be downloaded [here](#). You can save the form both during and after its completion for future reference. Alternatively, written comments may be submitted by e-mail (Word format preferred) to: [ed.accounting@cica.ca](mailto:ed.accounting@cica.ca)

The deadline for commenting to the IASB on its ED and the AcSB on the additional question set out above is July 16, 2010.