

9 July 2010

International Accounting Standards Board
1st Floor 30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Sirs,

**RESPONSE TO EXPOSURE DRAFT – CONCEPTUAL FRAMEWORK FOR
FINANCIAL REPORTING, THE REPORTING ENTITY**

The Institute of Certified Public Accountants of Singapore (ICPAS) appreciates the opportunity to comment on the above exposure draft (ED) issued by the International Accounting Standards Board (IASB) in March 2010.

General comments

In Singapore, in accordance with the Singapore Companies Act, financial statements are prepared and filed with the Accounting and Corporate Regulatory Authority based on the legal entity perspective. Our local legislation requires financial statements to be prepared based on the legal entity perspective primarily to serve other purposes such as maintenance of capital and legal claims to or interests in the group of resources. Statutorily, it is the legal entity concept that prevails (with the exception of branches). Hence, the reporting entity concept as described in the ED is likely to conflict with our statutory filing requirement. Conflicts on the reporting boundaries could arise in numerous circumstances, for example:

- A legal entity may have several distinct businesses, akin to operating segments. Each segment is potentially a reporting entity while the legal entity itself may not qualify as a reporting entity.
- A legal entity may be a subsidiary set up solely to provide services to its parent and related companies. Such a subsidiary may not qualify as a reporting entity if the economic activities of the subsidiary are construed to be commingled with the economic activities of the parent and the related companies.

As the majority of the financial statements in Singapore are prepared to fulfill statutory filing requirement, we are hence concerned that the reporting entity concept as enunciated in the ED, if adopted in its current form, would render the need for a separate financial reporting framework for financial statements prepared for statutory filing purposes.

Although we agree with the reporting entity concept and we believe that the concept is particularly appropriate under circumstances where entities are preparing for public listing and when entities are engaged in mergers and acquisitions, we believe that the mainstream

accounting standards should cater to the majority of the financial statements. If the reporting entity perspective is not aligned with or reconciled with the local legislation, there may be a lack of willingness on the part of the national standards setters to adopt the final standard. We therefore recommend the IASB to work closely with the national standard setters to evaluate ways to reconcile the differences in perspective.

Our comments on the specific questions in the exposure draft are as follows:

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?

Yes, we agree (subject to the above general comments).

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 that if an entity that controls one or more entities prepares financial reports, it should present consolidated financial statements. However, we think that the exemption under certain circumstances as enunciated in IAS 27 paragraph 10, should not be removed.

We agree with the definition of control of an entity.

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?

Yes, we agree.

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?

Yes, we agree.

Should you require any further clarification, please feel free to contact Mr Andrew Chua, Technical Manager, at the Institute of Certified Public Accountants of Singapore via email at andrew.chua@icpas.org.sg.

Yours faithfully,



Janet Tan
Executive Director

Established in 1963, the ICPAS is Singapore's national accountancy body that develops, supports and enhances the integrity, status and interests of the profession. Today, ICPAS has over 21,000 members.