APPENDIX 1

TABLE 1: COMMENTS RECEIVED FROM BOARD/STAFF MEMBERS

Note: this table excludes minor drafting/editorial comments.

Para No.	Comment	Who by*	Staff response	Action proposed
P4 to P19	Hasn't this been covered in Chapter One? Should not rephrase. [Also see similar comments below.]	LFS	Yes, most of this material comes from the earlier discussion paper. Included again here as did not seem reasonable to expect constituents to remember what was said in earlier discussion paper, and there might be people commenting on this one who did not read the earlier one. However, could look at shortening, and perhaps replacing some parts with some cross-references to earlier DP.	Revise to shorten and refer back to earlier DP.
Preface	These paras are relevant to the whole framework rather than specifically to the reporting entity. Are we going to repeat such paras for each phase?	GG	See above staff response to similar comment.	See above.
Preface	The preface is very similar but still different from Phase A – why? I would have thought we would have standardised this.	JL	The Phase A document was formatted as a draft chapter for the revised framework, including a Preface and Introduction sections. This document is drafted as a discussion paper, so it didn't work to have the same format. Staff took material from Phase A document, to get across the same ideas. Agree that should not use different wording. However, based on other comments above, this section is to be shortened, with references back to Phase A DP, which should resolve the problem. Where text retained, staff will use same phrasing. [Check to see if any wording to be changed in Phase A ED.]	Revise Preface and use consistent wording.
P5	Second sentence: overstatement – we have been for years. Consider toning down.	LFS, LWS, SB	Text based on Phase A DP, para IN2. But may not need this para when this section revised (see above staff response).	Consider when section revised.
P6	Since CF is created by Boards of people, what's to prevent future Boards changing the CF when composition of Boards changes?	LWS	True. Text based on Phase A DP, para IN 3. But may not need this para when this section revised (see above).	Consider when section revised.

* The list at the end of Table 1 sets out board/staff members' names.

Para No.	Comment	Who by*	Staff response	Action proposed
P17	Second sentence seems inconsistent with first sentence of P15.	LFS	Although it's not actually inconsistent, staff agree that it could appear that way. Easiest way to resolve this is to delete the reference to the existing frameworks in the first sentence of P15.	Reference to existing frameworks removed from P15.
P17	Suggest explaining why the FASB concepts statements are where they are in the hierarchy; eg emphasise their role as tool for use by the Board.	SB	Agree, will add explanation.	Revise to add explanation.
P19	Add some more explanation on why future phases will amend earlier bits, eg that changes will ensure cohesiveness of the resulting framework and communicate the idea that the expected changes are not expected to be significant.	SB	Will add point about cohesiveness. However, staff are reluctant to say that the expected changes are not expected to be significant, because (a) this may not be true when we get to Phase G on application to not-for-profit entities, and (b) it may give the impression that NFP issues will not be properly considered.	Add point about future changes are to ensure cohesiveness.
Q1 to Q8	Suggest move questions to end of paper – it's hard to follow the questions before reading the body of the document.	GB, LWS	Agree.	Move questions to end. Include note about this in the Invitation to comment.
Q1	Should we drop "other users" of GPEFR – primary users are described in para 8 and the drafting almost puts other users on the same level as primary users; also, using "others" without defining them is not helpful.	DY	Agree.	Revise document to remove "others"
Q2	Delete question 2. We have no authority to require or even encourage. What if respondents say "you should require these types of entities to prepare GPFR"? We can't, so I do not understand why we are asking this question.	MB	Some think that the CF should provide conceptual guidance on which entities should prepare GPFR, which links in with the objective of financial reporting - regulators or legislators could use this concept as the basis for establishing financial reporting requirements (see paras 30 and 33 of pre-ballot draft). However, the revised Section 1 should address this concern (see para 37 of revised Section 1).	Revise section 1 and remove question.
Q5	A very critical aspect of control is that we are re-defining it to include an element of benefits, which is a critical improvement. Discussing control [in Q3 and Q4] without defining it is backwards. The control discussion in section 2 is OK	DY	Point noted. Resolve by re-ordering the questions, so that Q5 comes before Q3.	Re-order questions.
Q5 (and other places)	The phrase 'definition of control should contain both a power element and a control element together with a link between the two' is used several times. However, the document doesn't seem to really describe what the link is. Should it?	SB	Agree that the link is not clearly described, apart from in the discussion of the meaning of control and the working definition. Rather than broadly refer to "a link between the two", perhaps some more explicit wording should be used.	Revise to clarify.

Para No.	Comment	Who by*	Staff response	Action proposed
Q7(c)	There are two separate questions here (the usefulness of parent-only F/S and the usefulness of disclosing information about a particular subsidiary) which are not completely unrelated, but could also be taken in isolation from each other. It would be clearer to ask the questions separately.	PD	Agree. Will revise to separate.	Revise questions to separate.
Q8	Move question if re-order paper (see comments below on para 169-181)	RH	Will move question, see comments on para 169-181 below.	Move Q
S2	This para is troubling. Last sentence would say a “reporting entity”- is that different than “an entity for financial reporting purposes is…” If an entity has no requirement for GPEFR, they are not a reporting entity? Or “not an entity for…” I think they would/could be – this is confusing.	JL	Summary comes from Section 1 board decisions. The boards did not want to draw a distinction between an “entity” and a “reporting entity”, because they did not want to limit which entities could be the subject of GPEFR. However, other comments indicate this is inconsistent with Section 2. Refer to staff memo, paras 9 to 13.	This point to be discussed with boards.
S4	Revise wording here and other places to reflect redeliberations in Phase A re description of objective of financial reporting.	RH	Depends on timing of publication of document – can’t use new wording until discussed in board meetings and decisions reached.	TBD
S7(b) and S9	The “parent company approach” is not really an approach and should be excluded. S9 is not a good reason to include.	JL	Points noted. However, the boards agreed to cover this approach. This section of the paper will be shortened as a result of other comments received.	See staff response.
S9	Second sentence about conceptual inconsistencies is provocative, without explanation. Save for text.	LFS	Agree, sentence should be deleted.	Delete sentence.
1-6	Consider if the document needs to explain why the boards decided to accelerate this project phase – it’s not clear why it was important to accelerate the phase and consider with Phase A.	SB	Staff recollection is that the boards wanted to accelerate the project phase because this might help with standards-level projects, rather than because of links with Phase A.	None proposed.
1	Shouldn’t the document begin by saying that the objective is to identify a circumscribed area of economic interest (define it). Then the rest of this is trying to figure out how to do that.	MB	This gets into issues discussed in Section 1, so staff thinks it’s too early to mention this.	None proposed.
2	First part of last sentence – presumably because those practices were considered informative/useful.	LFS	Yes, added this clarification.	Text added to clarify.

Para No.	Comment	Who by*	Staff response	Action proposed
3	The IASB has a standards level project on consolidations. Because paragraph 3 notes that this phase will serve as a useful tool for standards level projects, consider whether this document should acknowledge that other project, explain the relationship between the two, and explain differences in decisions reached, if any. Otherwise, a reader might wonder whether completion of the standard will depend on completing this phase of the concepts project.	SB	Staff considered this idea and concluded that this point is best dealt with in the standards-level project rather than in the concepts project, especially as the same point will arise in other phases of the concepts project, such as Phase B - the concepts project is linked to many standards-level projects, and it would be very time-consuming – and a moving target – to explain all the links, any differences in decisions reached (which might relate to standards-level issues not conceptual-level issues), etc. In the context of Phase D, the staff will passed on this comment to IASB consolidations staff to consider.	Refer comment to IASB consolidations staff.
4	Paragraph 4 discusses the issue of the extent of guidance to be provided at the conceptual level. The paper doesn't include a question on whether the conceptual foundation goes far enough. Should it?	SB	Agree. In fact, it would be good to ask the question in both directions – does it go far enough or does it go too far (eg some might regard some or all of the control issues in section 3 as standards-level issues). Drawing the line between concepts and standards has been problematic, so it would be helpful to ask respondents about this issue.	Add question.
11 (and elsewhere)	This paragraph discusses the concept of a reporting entity being separate from its owner, even in the case of a sole proprietorship. What seems to be missing, however, is a concept an entity that would be the basis of determining which assets are the entity's versus the owner – the boundary between the owner (proprietor) and the entity. Should the framework provide such a concept? The definition of a business in the business combinations project might be one way to do that – distinguish the business elements from the owner elements. Paragraph 44 talks about segments, how does one define the boundary of a segment?	SB	Agree that more explanation is needed. Revised version of section 1 should address this point.	Revise section 1.
12	The "other issues" are the subject of this document although I am not sure about the parent company approach?	JL	See earlier staff response on comment on S7(b) and S9	See staff response.

Para No.	Comment	Who by*	Staff response	Action proposed
16-35 section 1	The labelling of Section 1 as "Individual RE" perpetuates miscommunication issues. That section applies whether we are talking about an individual company or a group. Groups have additional issues – such as control definition - that also need to be considered. But they are in addition to the issues in Section 1 – they are not separate issues. If managers of groups only read Section 2, thinking that Section 1 does not apply to them, they may miss key issues in this project. Suggest remove "individual" from Section 1 title.	MB	Section re-labelled. Staff agree that section 1 deals with general issues, that relate to both individual entities and to group entities, as noted in para 16 of the pre-ballot draft. However, those general issues are considered in the context of an individual entity. Also, some of the discussion in Section 1 relates to individual entities only, in particular, the discussion about components of a legal entity. The label was intended to capture the focus on individual entities, and signal that issues relating to a group entity are dealt with section 2. However, since it seems confusing, the section will be re-labelled.	Section re-labelled.
16-35 section 1	Section 1 is titled individual reporting entity, which suggests that group entities are a different category of entity, but this section applies equally to groups.	RG	See staff response to similar comment above.	Section re-labelled
16-35 section 1	Section 1 leaves the reader with a sense that an entity is anything you want it to be. Except when it can't be distinguished from the wider legal entity. Does that mean that legal form assumes greater importance than a defined area of economic interest? Must an entity be part of something with legal form? This has implications for other chapters.	RG	It is correct that the boards did not want to be prescriptive. Legal form is not more important than a circumscribed area of economic interest – the section is trying to say that a reporting entity is not limited to something that has legal existence. The discussion starts with legal entities (or something that has a legal existence), because putting legal boundaries around something makes it easier to identify the "thing" that is the subject of the financial reports. For example, an owner/operator business could be run as a sole proprietorship or as a corporation. When it's a corporation, there are legal boundaries around the business, whereas in a sole proprietorship, there are no legal boundaries, so we need to separate the business activities of the sole proprietor from his/her personal activities, in order to identify the business "entity". Perhaps this sort of explanation will help explain why section 1 talks about legal entities. Revised section 1 should address this point.	Revise section 1.
21	But when should these financial reports be considered special purpose rather than general purpose?	TL	The discussion is about general purpose not special purpose – text revised to clarify – so the boards concluded that a sole proprietor and branch could be the subject of GPEFR.	Text revised to clarify. No action proposed re disagreement with board conclusion.
24	Should the document describe the basis for the conclusion that legal existence is a sufficient condition for being a reporting entity?	SB	See staff response to similar point below.	See below.

Para No.	Comment	Who by*	Staff response	Action proposed
25	The analysis establishes why legal existence is not necessary, but not why it is sufficient. Please rectify or delete reference to sufficient.	TL	Agree it's not explained. Also could be seen as inconsistent, given the section 2 discussion, when legal boundaries are disregarded if one legal entity controls another legally separate entity. Revised section 1 no longer refers to "sufficient".	Discuss revision of section 1 with the boards.
25	The document seems to emphasize the notion of describing rather than defining the term entity, asking whether constituents agree with the decision to "describe not define." To help respondents in evaluating that issue, should the document describe the implications of describing rather than defining the term entity? I find myself wondering about the significance of the label. How would a definition differ from what is labeled a description (or is the description in fact a definition?).	SB	Agree that further explanation would help. The idea is that a description helps to explain what an entity is, but without being too prescriptive – the boards thought that a definition would introduce too much specificity. The revised Section 1 addresses this point.	Revise section 1 to clarify.
27	Disagree with this paragraph, reports required by these persons/bodies may be special purpose and hence not addressed in this document; if the person/body has the ability to demand the report be provided, by definition it is not a general purpose user.	TL	Perhaps true in some cases (eg the lender and investor examples noted in brackets) but, in the case of a regulator or legislator, these requirements to report are established to protect the investing public – because individual investors (ie the users) do *not* have the power to demand the information they require, the legislator or regulator establishes a requirement for the entity to prepare GPEFR. Revised section 1 does not contain this paragraph.	Revised section 1 to be discussed with boards.
28	Last sentence in brackets - what are the characteristics that define whether it is possible to circumscribe the area of interest?	TL	Staff think this is a practical issue, too specific to be addressed at concepts level. However, the revised section 1 does not contain this paragraph. Instead, it explains more fully why a component of a legal entity can be a reporting entity.	Dealt with as part of revision to section 1.
28	Reference to natural person: concern expressed by Private Company Financial Reporting Committee that inclusion of a natural person could lead to a requirement to include personal assets in the FS of a sole proprietorship (even though that isn't what the Board decided). After rereading the draft, I think it is clear the business can be separated from the individual, but what is not clear is why we've included a natural person in the entity description. I suggest you expand on that to make the point clear to this audience	SB	A natural person is an entity, as is a sole proprietorship. In essence, a sole proprietorship is a *business* entity, which is a component of a larger entity (the natural person). The framework is focusing on business entities, so perhaps the inclusion of natural person is unnecessary, ie the examples given could be limited to business entities. The revised version of section 1 should address this point.	See staff response.
28 and various other paras	Second sentence contains circular definition of an entity, even though we say we don't want to define it – the problem is mentioning GPEFR in the sentence. This wording also occurs in other places.	GB	Agree.	Delete reference to GPEFR.

Para No.	Comment	Who by*	Staff response	Action proposed
30	Absolutely yes, it should be identified, otherwise this document is inconsistent with Chapter 1 of the revised framework.	TL	Staff originally recommended this approach, but both boards disagreed, for the reasons in para 31. However, in effect we ended up doing so in section 2. The revised section 1 addresses this point. This point is also raised in staff memo, para 11.	Discuss revised Section 1 with boards.
29-32	I disagree with these paras – we should define what reports are general purpose; the act of reporting does not make them so; I will dissent over this issue.	TL	Defining GPEFR is not part of Phase D – it's part of Phase A. However, this comment indicates that the DP is not clear. Also, this comment relates to other comments on section 1, including consistency with section 2.	Discuss section 1 revision with boards.
31	Paragraph 31 raises a question in my mind about what we mean by "general purpose" financial reports. That is, just because an entity chooses to report, and chooses GAAP as the basis for that reporting, does it make the report "general purpose"… Similarly, just because someone who can command whatever information they want chooses GAAP as the basis for the reporting, does that make the report a general purpose report or is it a special purpose report that would also be suitable for use as a general purpose report…	SB	See staff response to similar comment above.	Discuss section 1 revision with boards
32	Precludes a reporting entity if the entity chooses not to report – seems silly to me – it's the same entity whether or not it reports – so a reporting entity is an entity that reports – not helpful. We need to refocus on what must be included in the entity if GPEFR were to be prepared.	JL	See earlier comments on S2. This point is raised in the staff memo.	Discuss with boards, as part of discussion on revised Section 1.
36-119 section 2	Section 2 introduces a group entity as two or more legally separate entities that are regarded as a single economic unit. This conflicts with section 1, which does not require an entity to be legally separate, although the notion of an economic unit does give some hint of what an entity might be.	RG	Agree that an entity does not need to be legally separate, as per section 1. Section 1 talks about various types of organisational structures, of which some could be legal entities, and some might not be. Section 2 then focuses on a particular category of entities – those that are legally separate, but the relationship between them is such that they are regarded as a single economic unit. However, it is clear from this comment and other comments that the relationship between sections 1 and 2 is not clear.	Revised section 1 to be discussed with boards.

Para No.	Comment	Who by*	Staff response	Action proposed
Section 1 and 2	I am unsure of the need to define two categories of entity. To illustrate, a parent and subsidiaries have international operations that are to be discontinued. Those operations are contained as part of the global subsidiaries. The group has another substantial operation that will continue. I define the entity (section 1) as the continuing operations only – that part that is of economic interest to investors. But section 2 leads me to requiring everything within the parent legal entity to be included, so discontinued operations would be part of the group entity. The tension arises when the area of economic interest coincides with a legal entity that has (controlling) interests in other legal entities. And particularly when the laws of a country require the legal entity to comply with IFRS.	RG	The general point here is about being clearer about the relationship between sections 1 and 2, as discussed in earlier responses above. Staff disagree with the conclusions reached in the example of discontinued operations. The argument assumes that investors and creditors are not interested in information about the discontinued operations. It's true they may want the revenues, expenses, assets and liabilities of discontinued operations separated from continuing operations, but they would still want information about discontinued operations. For example, they would want information about the net assets to be disposed of (which presumably will result in cash inflows). They might also want information about the performance of the discontinued operations, to help assess whether management made the right decision to discontinue those operations. Agree with last 2 comments – this is why section 2 talks about when the legal boundary between two legally separately entities should be disregarded (see paras 43 and 44) and section 3 talks about parent only financial statements.	See above.
38	In continental Europe, consolidated financial statements started being common in the 1970's and really general in the 1980's. So the date of 1940 in inaccurate.	GG	Noted, will revise.	Revise to correct.
42	It could be said but, if argued, it won't be effective.	JL	Point noted. Following paragraphs refutes argument.	None proposed,
43	Last 2 sentences: same issue arises in previous section when separately reporting on parts of a legal entity; document needs to be consistent in approaches.	TL	See staff response to comment on para 25. Agree that further clarification needed as could be seen as confusing/inconsistent.	Discuss with boards.
43	Last 8 words are unnecessary – I also don't care who is interested – and would emphasise "activity" *not* "interest".	JL	Changed "interest" to "activity". Reference to investors and creditors is included for consistency with section 2 and with Phase A discussion of objective. This point raised in staff memo, paras 9 to 13.	Discuss with boards.
45	Last 10 words are unnecessary and redundant, but again, "activity" not "interest".	JL	See above.	See above.
45	If this is the case, why was this not done in the previous section? We need similar analysis or the previous section is incomplete and leaves open whether the concepts in this section can be applied in the prior section.	TL	See staff response to comments on paras 25 and 43.	Discuss with boards.

Para No.	Comment	Who by*	Staff response	Action proposed
46	Last sentence "…similar to the approach already in use (such as the controlling entity model) or have been suggested as a replacement for the current approach (such as the risks and rewards model)." – is there only one approach in use today? FIN46R uses the risks and rewards model.	TL	For profit-oriented entities, in general, some form of controlling entity model is used. There might be variations of that model (eg depending on how "control" is defined and applied), exceptions made in some cases, and perhaps some "add-ons" applied in some cases. But, broadly speaking, the controlling entity model is the approach used. Also, note later discussion on SPEs (paras 83 to 91) about how "risks and rewards" can be linked with the benefits element of the control definition, so it's not necessarily a different model being used.	None proposed. Considered including some cross-reference to later discussion of SPEs, but would be messy.
50	Should footnote that revised definition under development in elements phase may result in dropping control from the asset definition	TL	See staff response below to similar comment on para 70.	None proposed.
52	The proposed concept strays from the dictionary definition of control by adding the benefits element. While I understand why benefits is included/important, consider whether the concept would be more understandable if the definition of control excluded benefits. That is, control and benefits are both necessary elements but not sufficient on their own. Both are needed in determining the boundary. Understandability is diminished when a word that has a common meaning is redefined for accounting purposes, particularly among users and other non-accountants.	SB	Staff acknowledges the point, but thinks that if the word "control" was defined as a synonym for power, it would confuse many people in jurisdictions for whom the control definition already includes a power and benefits element. Also, we would need to think up another word to describe the "power plus benefits" concept. Introducing a new word might be more problematic than explaining what "control" means for accounting purposes.	None proposed.
50-62 and 119-141	Find some non-"Anglo-Saxon" examples to use	RH	Agree need to broaden. Staff used definitions in accounting standards, rather than legislation, and it's harder to locate information when in other languages, which is why examples ended up being from "Anglo-Saxon" countries.	Will seek examples from other countries to add in.
53 (and various other paras)	The style of using parentheses for side thoughts that should be in a footnote makes the document hard to follow.	MB	Although staff agrees, this style is used because others seem to prefer it - earlier drafts used footnotes instead of including these side comments in the body of the document in parentheses; however, some people do not like that style, on the grounds that anything worthy of inclusion in the document should be in the body of the document, with footnotes used for references only.	None proposed.
60	Paragraph 60 focuses on objectives in terms of resources, claims to them, and changes to them. Paragraph 80 refers to the objective in terms of providing information useful in assessing future cash flows. Is there are reason why we describe the objective differently in those and other places?	SB	The Phase A discussion of the objective talks about both, ie that users want information to help assess future cash flows and, to do that, they want information about the entity's resources, claims to resources, and changes to them. However, staff will consider whether the discussion can be made clearer.	Revise to clarify.

Para No.	Comment	Who by*	Staff response	Action proposed
61	This definition includes the concept of “increase, maintain or protect” the amount of benefits. However, there is no mention that an entity can use the benefits for the entity’s sake. Why? It seems to me that “increase, maintain or protect” the amount of benefits is not enough for control to exist. The entity has to have power to use benefits for its own sake.	TY	Staff thinks the idea of “using” benefits is covered by the earlier part of the definition, which refers to “accessing” the benefits.	None proposed.
63-75	Consistent with IASB consolidations project? Do we need a question on this part?	RH	Staff checking with IASB consolidations staff re any possible inconsistencies. Staff does not think a question is needed on this section.	TBD.
63-75	These are key paras in the paper. The assertion in para 67 is that the concept of a group entity has to ignore or otherwise overcome the boundaries between the legal entities and the group, otherwise the group would be recognising assets and liabilities that it does not control. Para 73 reasserts the same thing. That reasoning is correct, but only to the extent one believes that control over an entity and control over assets are either identical or sufficiently alike to be treated the same way. In other words, that direct control of an asset and indirect control of underlying assets are conceptually similar. Later in the paper (paras 154 & 155), you acknowledge that even for wholly owned subsidiaries, a parent cannot freely dispose of the assets and liabilities of its sub. There is a difference between the type of control that enables a parent to govern operating policies and the direct control of assets. We have to prove, not only assert, that direct and indirect control are only two varieties of the same basic concept.	GG	These paras talk about control in both contexts because control is currently used in both contexts. However, the point of these paras is to explain that it’s *not* the asset definition that is the driving factor – so it’s *not* direct and indirect control *of assets* that determines the boundaries of the group. The discussion in paras 66 to 69 starts with the argument about direct and indirect control of assets, but then goes on to explain that it’s the relationship between the *entities* that is paramount. Hence, in theory, we could use something other than control to determine the composition of the group, while retaining control in the asset definition. Or we could use control to determine the composition of the group, but not use control in the asset definition. Or we could keep it in both places or get rid of it in both places. In other words, these paras try to demonstrate that there doesn’t *need* to be a close relationship between the two types of control. Of course, some people think the two uses of control are, and should be, two varieties of the same concept. Their views would be accommodated by keeping control in both places. But for others who think they are two different notions, these paras try to explain that those differences are not a concern, because it’s the relationship between the entities that is paramount, not the asset definition.	Look at revising this section to make points more clearly.
70	Should the paper mention that the latest thinking on the asset definition does not include the word “control”?	GB	Seems a little early to bring this in – the asset definition is still under development. Also, it would be difficult to mention that the word might be dropped without then explaining why, which would result in bringing issues from the elements phase into the reporting entity phase.	None proposed.

Para No.	Comment	Who by*	Staff response	Action proposed
80	Please consider whether the last sentence is an overstatement. Since there is no significance test relating to benefits, is it accurate to say that the cash flows that flow from the controlled entity ‘depend significantly’ on the subsidiaries activities and parent’s actions? Moreover, it may be an overstatement to imply that the benefits always flow from the sub to the parent. Some of the benefits might be realized at the parent level directly, rather than from the sub.	SB	Agree that the parent could realise benefits directly, or in other ways, not just from the flow of cash from the sub to parent. However, staff do not consider it an overstatement to say that any cash flows from the sub to parent would depend significantly on the sub’s activities or the parent’s actions in directing those activities (eg if the sub doesn’t make profits, there is unlikely to be any cash flows).	Revise so that it is clear that the parent could derive benefits in other ways, not just from cash flows from the sub to the parent.
81	I wonder whether the concepts project should define/describe/explain what it means to prepare group financial statements. For example, a discontinued operation might consist of a consolidated subsidiary, yet the individual assets and liabilities of that consolidated sub are condensed on the face of the financial statements (reporting is much like the equity method). So what does it mean to include a sub in “group accounts” for recognition, measurement, and presentation? What distinguishes consolidation from equity method or other “one line” reporting options. Does the comment in paragraph 159 about omitting or offsetting tell us something about how to report discontinued operations or any other consolidated sub (no netting?).	SB	This relates to issues being addressed in other project phases (eg Phase B discussion of unit of account). Will pass on this comment to other CF staff.	Pass on comment to other CF staff.
93 (and elsewhere)	Should the document explain the Boards basis for wanting to exclude the controlling party from the group accounts in some cases? Is it similar to the reason for excluding the sole proprietor? …For example, paragraph 104 refers to being “managed together” as a reason for combining two commonly controlled entities. Does the common control model permit exclusion of the controlling entity only if it is not “managed together” with the other entities…	SB	The boards did not reach a consensus on exactly when the common control model should (or could) be applied, and concluded that this issue should be left to the standards-level. See para 108.	None proposed.
96	Third sentence, re the word “may”: What are these circumstances? Please describe – would the common control model use be limited to these circumstances?	TL	This paragraph is part of a discussion that outlines arguments in favour of the common control model; in this context, staff thinks it is not necessary to be more specific. However, an example of the circumstances concerned might help to explain the point.	Added example in brackets.

Para No.	Comment	Who by*	Staff response	Action proposed
97	I don't understand the use of the term stewardship here.	JL	Phrasing comes from Phase A DP, paras OB 27 & OB28, and is used in the same sense as described there. Perhaps by the time this document is finished, it might be possible to use any improved wording from Phase A re-deliberations. Or the reference to stewardship could be deleted.	TBD.
104	Why wouldn't this be the criteria [for applying the common control model] in all situations? Should discuss why Boards decided this and why it should not be applied in all instances but only perhaps in this situation. Explanation should appear at end of para 107.	TL	While the majority of board members agreed that the common control model should not be ruled out at the conceptual level, and should be applied on occasions, there was not a consensus about when those occasions arise. Some supported the approach in para 104 but some would apply the model in more limited circumstances, as described earlier in this part of the paper. As noted in para 108, the boards concluded that deciding when to apply the common control model should be left to the standards-level, hence they decided against dealing with this issue at the concepts level.	None proposed.
106	Again, should be "activity" not "interest"	JL	Changed to "activity". See response to similar comments on paras 43 & 45.	To discuss with boards.
107	Last sentence about contrast with controlling entity model: Why the difference? See comments on para 104.	TL	Explained in paras 105, 106 and 108 – the boards concluded that the arguments for controlling entity model generally apply, whereas the arguments for common control model only sometimes apply.	None proposed.
108	Clarify – are we saying that the applying the common control model would result in GPEFR?	GB	Yes – will revise to clarify.	Text added to clarify.
108	Third sentence: to support decision better, please reiterate why it is more consistent with the objective.	TL	Agree explanation would help. However, could make the discussion be repetitive - a simpler way would be to include a cross-reference back to paragraph 105.	Added cross-reference to para 105.
108	Not sure how this works, given the hierarchy. If there is not standards level guidance, is there complete freedom here?	JS	Staff thinks that the opposite is true – the idea of preparing combined F/S already exists (in some existing/proposed standards, as noted in the paper). There is nothing to rule it out being applied more broadly at the present time, as any existing/proposed standards discuss when combined F/S *may* be prepared, but do not prohibit their preparation in other circumstances. However, if there is discussion of the common control model in the framework, this actually does give some guidance when none currently exists.	None proposed.
109-117	I would also reject because I can talk about but can't quantify risks and rewards. Does risk trump reward or not…	JL	To consider – eg include in para 116, as to why the boards decided not to pursue this approach.	Consider adding to para 116.

Para No.	Comment	Who by*	Staff response	Action proposed
109-117	After reading the risks and rewards model, and thinking about the paper in its entirety, I wondered whether the control model is simply a way of "making operational" the risks and rewards model. In other words, the risk and rewards model discussion says there are questions about how to 'narrow down the notion or define it more precisely' (paragraph 111). One might argue that the Boards did attempt to answer those questions (paragraph 112 says they did not). That is, might it be said they decided that the nature of the financial interest was a controlling one and the nature of the benefits were those derived from that control relationship? For that reason, I wonder whether the control model is a different model, or simply one type of risks and rewards approach. I agree with paragraph 115 that a risks and rewards model could be broader or narrower than a control model, and perhaps that is the question the Boards are asking in Q3 – whether control is the right way to define a risks and rewards approach.	SB	Staff thinks that there is some overlap between the control model and the risks and rewards model (as described in para 115), but does not think that the control model is a type of risks and rewards model, and doubts that most board members would see it that way either. However, perhaps the point about overlap has not received enough emphasis. Staff to consider this point.	TBD.
112	Refers to "variable" interests, which is a notion not well known outside US, not necessarily obvious to readers and not defined. Please reconsider the need for it, or give a definition in a footnote.	PD	It's not necessary to the discussion, so simplest option is to delete it.	Delete "variable".
117	Add another question for respondents: Do you view the common control model to be an exception to the controlling entity model, or a concept in its own right? Should the common control model be discussed in the conceptual framework, or only in standards?	LFS	Agree that this is a helpful question. May need to revise Q4, or look at separating it into separate questions on the controlling entity model and the common control model.	Add question and revise Q4.

Para No.	Comment	Who by*	Staff response	Action proposed
119-141	The discussion of control issues should be moved to section 2, so all the control discussion is in one place. Section 3 then becomes devoted to consolidated and parent only F/S. This section either could be positioned as to how one presents the assets and liabilities, etc, of a group, once you decide you have a group – or as a possible alternative or supplement to consol F/S when you have a group.	MB	An earlier draft of the DP (Dec 06) had all the control issues together, in the manner suggested (which is also the staff's preference). However, some board members didn't like that structure, because they found the discussion of the detailed control issues a distraction, and suggested that the paper be reorganised, so that major issues are dealt with first (ie determining the composition of a group) and minor issues are dealt with later. There are pros and cons of each structure. On balance, the staff thinks the current structure (ie with detailed control issues discussed later) should be retained, as it seems that most other board members prefer the current structure. However, section 3 on "other issues" could be divided into 2 sections, with the two consolidated/parent F/S topics together, and control issues in a new section 4. This would also address another board member's comment about moving the discussion of the parent company approach forward (see comments on paras 169-181 below).	Divide section 3 into two sections, one on consol/parent F/S issues, and one on control issues.
133	What does control mean in this context?	SB	Presumably, this question relates to control in the context of assets. Staff understands the point, but is unsure how to address it without straying into Phase B issues. To consider further.	TBD.
136 & 137	Shared control and Q6(e) seems to fit better in the earlier chapter regarding the definition of control.	SB	Staff considered doing so but noted that, if this sub-section was moved, it would also be necessary to move the following sub-section on control, joint control and significant influence, as that sub-section follows on from the previous one. Also see earlier staff response to MB comments on paras 119-141, which explains the reason for the current structure.	None proposed.
138-141	Should the paper tell us exactly what this would mean? Are associates included within the group, or is the investment simply an asset?	DT	Staff think that this is a standards-level issue, and hence should not be covered in DP.	None proposed.
138-141	Unnecessary and not on point.	JL	Point noted. However, when the Boards discussed this issue, they agreed to include in DP. Some likely to regard this commentary as helpful. Accounting methods for JVs and associates (proportionate consolidation and equity accounting) are thought as being a form of consolidation, giving the impression that control exists on a spectrum, that goes from " definitely control" to "half control" to "a little bit of control" – this section distinguishes between control and joint control/significant influence, so that it's clear that control either exists or it doesn't.	None proposed.

Para No.	Comment	Who by*	Staff response	Action proposed
142-168	I agree that the fact that the group is an entity does not negate that the legal entities within that group are also entities in their own right with stakeholders different from the group's, and even branches of these legal entities may be reporting entities. This is just as true for the parent which is an entity distinct from the group of entities which it controls. This is why I am a View A person. Being a View A person from a conceptual point of view does not preclude taking a different view a standards level when certain criteria to be identified are met. One would have to prove that in certain cases the production of separate accounts would not meet, for instance, a cost benefit test. In practice, at the standards level, View A and B might not be so different, except that for View B, one would have to prove when the production of separate accounts adds information value to users.	GG	Points noted. Some of these comments relate back to the "one entity vs. two entities" views that the boards discussed earlier, but decided not to pursue, so probably best not to add anything more to View A in that respect. Hopefully, the underlying thinking is captured in View A. Comments about View A and View B, along with the comments below in a similar vein, indicate that View A and View B are relatively similar, and both contrast with View C. This suggests that some of the View B discussion needs a little revising, to show that it's closer to View A than is indicated in the pre-ballot draft.	Some revision to View B, to show it's relatively similar to View A
142-168	I am among the Board members who believe that parent entity only F/S should generally be presented, in addition to the consolidated F/S. The way the investments in subsidiaries are accounted for in the parent company F/S is a separate issue. Hence, I support their presentation irrespective of the accounting method retained….I also believe that consolidated F/S provide better information to users, so they should always be presented together with parent-only F/S. At this point, I am unable to make a clear distinction between View A and B. It would probably depend on the facts and circumstances specific to each situation (eg the existence or not of parent's assets and liabilities other than investments, the respective parent/entity materiality, etc). But I cannot support View C.	PD	Points noted. These comments and other comments above indicate that View A and View B are relatively similar, and both contrast with View C. As noted above, This suggests that some of the View B discussion needs a little revising, to show that it's closer to View A than is indicated in the pre-ballot draft.	See above.
145	The document glosses over the individual F/S of subsidiaries – do they deserve more attention? The subsidiary can be a reporting entity, but are its F/S GPFR? Re last sentence in para 145 - Isn't this a question on which we have a preliminary view, but would like input?	MB	Agree it needs more attention. Revised section 1 more clearly explains why a component of a legal entity can be a reporting entity, and hence the subject of GPEFR. Staff will add more discussion to this section to make clear that a subsidiary entity can be a reporting entity, and hence the subject of GPEFR, in addition to the group entity of which the subsidiary is a component.	Add more explanation.

Para No.	Comment	Who by*	Staff response	Action proposed
148	Agree with this statement but is inconsistent with para 21 and 29-32. This inconsistency needs to be resolved.	TL	Boards' earlier conclusions were in the context of GPEFR, not special purpose. Comment may reflect disagreement with boards' earlier conclusions. Concern may be addressed by the revisions to Section 1.	Revised section 1 to be discussed with boards.
150-160	Why the shift to "view A and view B" style? Feels like that portion was written by someone else.	SB	The boards did not reach a preliminary view on the issue, so it became necessary to use this style to present several views, and then follow it with a summary of board members' conclusions. Perhaps some more set-up in para 149 would help, (eg to explain that the boards did not reach a common preliminary view). Staff to consider.	TBD.
153	Last sentence: In this instance are parent-only reports general purpose or special purpose? We need to resolve this issue generally in this document.	TL	Staff note that this paragraph is presenting a particular viewpoint, and is one of three viewpoints presented. Supporters of View A would respond that the reports are general purpose. The objective of GPEFR is to provide information to investors and creditors to help them make investment, credit and similar resource allocation decisions – information to help investors assess the parent company's ability to pay dividends is decision-useful information for investors.	None proposed.
153	Financial reporting standards are not concerned with the calculation of distributable profits; the last sentence is true only if the limit on dividend distribution is based on how we define profits.	MB	Points noted. Will add a qualifier to say that points assume that there is a close relationship between profits for financial reporting purposes and profits for dividend distribution purposes.	Add clarification.
154	A further argument worth including is that creditors in the subsidiary generally do not have a claim on the assets of the parent entity. The legal separation is put into place in such cases where the parent entity's stakeholders wish to be protected against the potential claims of the subsidiary's creditors. As a result, showing the parent's assets and liabilities separately from the group presentation can have a very strong informational value. This argument is the flip side of the one in para 154, and both are worth having here.	PD	Will add point.	Add this point.
154	There would need to be a mountain of related party disclosures.	MB	Point noted. Staff thinks this is a standards-level issue (ie what information should be included in parent-only F/S).	None proposed.
155	Last sentence: explain how the objective would be better met under this View.	TL	Explanation given in previous sentences and paras. Comment may reflect board member's disagreement with this View.	None proposed.
156	In what respect are consolidated financial information "more complete." In terms of recognition, measurement, or presentation?	SB	Staff think this question is answered in the penultimate sentence of para 156.	None proposed.

Para No.	Comment	Who by*	Staff response	Action proposed
156	Also View A is subject to form over substance concerns.	MB	Although some would agree (especially those that support View C), supporters of View A and some supporters of View B would disagree. Rather than include anything under View B, this point seems best dealt with as part of the discussion of View C.	Include in discussion of View C.
157	If there is a 'substantial restriction,' is the parent in control? Is the notion of consolidated financial statements being more useful stem from whether the parent benefits from the net assets/activities of the sub or the manner in which those benefits are obtained (use/disposal of the assets). Could this be read as implying there should be some form of "significance" test associated with the benefits element?	SB	There was no intention to imply that control does not exist or that a "significance" test is needed. The problem might be the use of the word "substantially", which could be removed.	Revise to clarify.
159	This might need more explanation. The question is the level of disaggregation – the investment asset or underlying assets and liabilities.	MB	Will add more explanation.	Add more explanation.
163	From third sentence to end of para: I'm not sure if the majority voted to support this exception. Please check. This view contradicts the controlling entity view in the prior section. This difference should be recognised and discussion provided to reconcile the views.	TL	Staff checked minutes: this conclusion, including the exception, is recorded as the majority view. Agree that seems to contradict earlier conclusions about controlling entity model. One possible explanation is that earlier conclusion as a *general* conclusion, and FASB members are saying here that there could be exceptions to that general conclusion. Another possible explanation is that they see this as being a presentation issue, ie whether the parent reports a net investment in the subsidiary or the underlying assets and liabilities is a question of display.	Raise in board paper as issue for FASB members to establish which explanation is correct.
163	I definitely reject this para [from third sentence onwards] - we should say that the IASB rejects it and consolidation based on management intent.	JL	This point was not discussed in detail by IASB. The para is noting an FASB decision. However, some IASB members, when told of the FASB decision, indicated that they agreed with it (as noted in para 168). Presumably, the majority of IASB members do not agree with the exception to consolidation. This point should be confirmed with IASB members and commentary added to clarify that the majority of IASB members disagree with the exception to consolidation described in para 163.	Raise in board paper as issue for IASB members to confirm the majority disagree with the exception to consolidation in para 163.
163-168	Says majority FASB conclusion – what about IASB? We seem very inconclusive, are we?	JL	Correct, there was no majority view amongst IASB members – split between all 3 Views.	None proposed.
169-172	The proprietary theory, entity theory discussion is helpful and needs to be in the document, but it seems to come from nowhere. Suggest a little more set up.	MB	Agree. Will address when discussion of parent company approach is revised. (See other comments on this part of document, set out below.)	See staff response.

Para No.	Comment	Who by*	Staff response	Action proposed
169-181	Move discussion of parent company approach to earlier in paper, so is not at end of paper. Concern about sensitivity of topic, and current placement could imply it's not important. Suggest move to section 2, as part of discussion on group entity.	RH	Could be moved to the start of section 3, but moving into section 2 is problematic. The boards' decision was to deal with this topic, but in a way that separated it from the main part of paper, as the approach doesn't help determine the composition of the group. Section 2 deals with determining the composition of the group.	Move to start of section 3, followed by discussion of parent-only F/S, to keep "parent" type issues together. Put control issues into new section 4.
169-181	Not sure about this section – key point is that it doesn't help us identify control, seems it could be significantly shortened and be less definitive about its conceptual merit.	LFS	Agree could be shortened and softened, while still retaining the key point. Also, other boards members expressed concern about aspects of this section, so shortening and softening will help to address their concerns too.	Revise to shorten and soften
170 and 171	States: "The proprietary theory places the proprietor in <u>the central position</u> of financial reporting …" and "Under the entity theory, the entity itself is <u>the central focus</u> of financial reporting,…". I am not quite sure of the meaning of the underlined expressions. I believe that the issues related to the proprietary, the parent and the entity theories focus on from who's viewpoints the financial information should be provided. In the case of the parent company theory, the financial reporting should be provide from the viewpoints of the shareholders of the parent company. I am not sure whether you agree with me, but the meanings of the underlined parts should be clarified more clearly.	TY	The distinction between the two theories is more than that. As noted in para 170 and 171, it relates to whether the entity is regarded as existing separately from its owners (as under the entity theory) or is not (as under the proprietary theory). For example, under the proprietary theory, any transaction or event that affects the shareholders also is considered to affect the entity, in exactly the same way, as there is no distinction between the two. Under the entity theory, the accounting focuses on the effect on the entity, not its shareholders. (Although that does not preclude providing information useful to particular types of owners, as acknowledged in the Phase A DP.) So it's not really about presenting information from a particular viewpoint, but being clear about *what* those financial reports relate to. Staff will consider if more explanation of the two theories should be added.	TBD.
172	Table: I don't really think this adds anything or is particularly relevant to this paper.	LWS	The table was included as it seemed a helpful summary of the various consolidation theories. However, the revision to shorten this section should result in the table being deleted.	Delete table as part of revision of this section.
174 & 175	First part of para 174 does not seem consistent with FASB 1991 Discussion Memorandum, whereas comments in second part of para 175 (in parentheses) are consistent with DM. I would just tone this section down to be less definitive about "conceptual flaws".	LFS	The text in para 175 was included to acknowledge points made in 1991 DM. Staff will consider how to address this as part of actioning earlier comment to shorten and soften this section.	See staff response.
178	Is the first sentence referring to current practice? Second sentence is out of date with NCI standard. Definitions of elements are subject to change.	LFS	Points noted. Comments reflect the approach applied until recent changes in standards. The revision of this section probably will result in this discussion being removed or softened.	Section to be revised.

Para No.	Comment	Who by*	Staff response	Action proposed
178	Para states that treating MI as a liability is one of deficiencies of the parent theory. However, I think under the parent company theory, it is not necessary that MI should be treated as a liability. It could be part of the equity, but MI should be clearly distinguished from other part of the equity. It would be enough from the point of view of the shareholders of the parent company because MI portion is separated.	TY	Point noted. This comment and others received indicate that this discussion should be revised to shorten and soften, which should address this concern.	Section to be revised.
179	Last sentence: it's not clear to me that this is true under all possible approaches to elements definitions, eg a "most residual" approach to defining equity might make NCI a liability.	LFS	Agree, comments were in the context of the current definitions, which have existed for some time, during which time NCI were not always treated as being part of equity. However, shortening and softening this section will likely result in this point being addressed.	Section to be revised.
179	I disagree with the characterisation that the parent company approach is conceptually flawed…The minority interests do not have to be classified as liabilities. They can be classified as a separate class of equity in the consolidated F/S and this is consistent both with the framework and the partial setting aside of the boundary between parent and subsidiary….	PD	Points noted. Some other board members also disagreed with the comments in this para and/or wanted the discussion of the parent company shortened and toned down. This sub-section will be revised, which should resolve this concern.	Section to be revised.
179	I am not sure I can support the analysis in paragraph179. In particular, I am hesitant to call the parent company approach as being internally inconsistent. I believe that the parent company approach focuses on the interest of the shareholders of the parent company. From this point of view, it is consistent to me to treat MI as separate part of equity (I do not support the view that treats MI as a liability). The risks that are borne by MI is limited to those of subsidiary, as opposed to the shareholders of the parent (their risks expands to whole group)	TY	Points noted. This section to be revised – see other comments on this section.	Section to be revised.
180	In paragraph 180, the examples of cases where the parent company theory can provide some insights. I believe that "the purpose of financial reporting (Chapter 1)" should be added because Chapter 1 deals with the purpose of financial reporting, in other words, the parent and the entity theories focus on from who's viewpoints the financial information should be provided, which is the subject of Chapter 1.	TY	In Phase A, the boards decided to adopt the entity perspective, so staff do not think more is needed here.	None proposed.

Code for "Who By" column:

MB: Mary Barth
SB: Sue Beilstein
GB: George Batavick
PD: Phillipe Danjou
GG: Gilbert Gélard
RG: Bob Garnett
RH: Bob Herz
JL: Jim Leisenring
TL: Tom Linsmeier
LFS: Leslie Seidman
JS: John Smith
LWS: Larry Smith
DT: David Tweedie
DY: Don Young
TY: Tatsumi Yamada

Comments received from external reviewers

External Reviewer 1

Comment	Staff response
…this draft is far too long….some of the length stems from tackling issues which are beyond the IASB's remit and which do not, therefore, have any standard setting implications.	Revision to section 1 should explain why these issues are covered.
The draft focuses solely on requirements and practice in what some refer to as the Anglo-Saxon or G4 countries. It ignores completely the experiences of other countries which form a major part of the IASB's constituency and which have extensive experience of the issues under consideration…	Will add material from other countries. (Staff used definitions in accounting standards, rather than legislation, and it's harder to locate information when in other languages, which is why examples ended up being from "Anglo-Saxon" countries.)
The paper is further complicated by the fact that it looks at the "reporting entity" from two different perspectives: **Which entities should be required to publish general purpose financial statements? (or, put another way, is the entity a reporting entity?)** Section 1 deals with the first question. It can be reduced to one paragraph based on the first sentence of paragraph 27. Lawmakers or other regulators make these decisions. The IASB has no powers in this area….This issue recurs in paragraphs 93 to 104 which deal with the "common control model". Again it is lawmakers/regulators who decide whether some person or entity should prepare combined financial statements….The role of the IASB is to produce standards that can be applied in the general purpose financial statements of any entity that it required or allowed to use IFRS. It does not decide who uses the standards. **What is the scope of the general purpose financial statements of any entity? (or put another way, what does a reporting entity have to report?)** Section 2 and the first part of section 3 deal with one aspect of this question (the scope of a set of financial statements). The second part of section 3 deals with the other aspect of this question (legal entity[†] or consolidated financial statements). *Legal entity or consolidated financial statements* The latter part is the easiest to deal with because, again, lawmakers or other regulators decide whether an entity that has subsidiaries (however defined) should publish legal entity financial statements as well as consolidated financial statements. Furthermore, the vast majority of lawmakers/regulators do require the publication of legal entity financial statements by an entity that has subsidiaries. Many of these lawmakers/regulators require or allow the use of IFRS in such financial statements. [one notable exception, but not the only exception, is the United States but the IASB's constituency is far broader than the US]. The IASB has limited powers in this area. It has no power to	Revision to section 1 should explain why these issues are covered. The document acknowledges the legal requirements in various jurisdictions, but focuses on considering the issue conceptually, as explained in para 146. Moreover, as the reviewer acknowledges, the boards do have the power to decide the financial reporting requirements for an entity preparing GPEFR in

[†] I have used the term "legal entity" because it is clearer than separate, stand alone or (as in the EU Fourth Directive) annual financial statements. My use of this term does not limit financial reporting or the use of IFRS to particular forms of entities (that is, again, outside the power of the IASB).

Comment	Staff response
prohibit the publication of legal entity financial statements of an entity that has subsidiaries. It does, however, have the power to decide the financial reporting standards for such financial statements. The IASB could decide: • *not* to exercise that power - that would be rather silly; • to exercise that power and require that all such financial statements should be consolidated financial statements – this would also be very silly; or • to exercise that power and issue financial reporting standards that result in legal entity financial statements that meet the needs of the users of such financial statements – this would be sensible.	accordance with IFRSs or US GAAP.
Assuming the IASB favour's the sensible approach, much of paragraphs 142 to 168 can be deleted and question 7 can be simplified. The section does need to address the purpose of legal entity financial statements including the needs of the users of these financial statements. This is one area in which the draft is far too US-centric. As explained above, the US is one of a small number of jurisdictions that do not require (and, possibly, may not even allow) such financial statements. Therefore, its views are unimportant and irrelevant. What are important and relevant are the view of those jurisdictions that require such financial statements and require or allow the use of IFRS in those financial statements. The omission of these views is a serious omission in the paper.	The reviewer seems to be suggesting the removal of the discussion of all views that do not coincide with his own view, which would make the discussion incomplete. Also, as the discussion paper is a joint document, clearly US views are important and relevant. The paper also includes discussion of why the presentation of "legal entity" (or parent-only) financial statements meets the needs of users of financial statements, as set out in View A and View B.
The scope of financial statements Section 2 and the first part of section 3 deal with the scope of financial statements. The IASB undoubtedly has the power to decide the financial reporting standards that determine what is included in the financial statements. Again the draft can be simplified and shortened significantly by focusing on two concepts[‡]: • legal entity financial statements shall include all the assets and liabilities that are controlled by the entity[§]; and • consolidated financial statements shall include the controlling entity and all the other entities that are controlled by that entity (its subsidiaries) and shall, therefore, include all the assets and liabilities that are controlled by the controlling entity and its subsidiaries[**].	On the first bullet: the paper already discusses parent-only financial statements in section 3. Further explanation about subsidiary individual financial statements to be added. On the second bullet: the reviewer seems to assume that there is only one way to determine the composition of a group entity.
If one accepts the conclusion reached in paragraph 67 (and I do and, I sense most others will), the paper can then focus on the meaning of control – and much detail can be omitted.	Again, the reviewer seems to be suggesting the removal of the discussion of views that do not coincide with his own view.
The definition of control in the context of one entity controlling another has caused problems on the transition to IFRS in the European Union. While some aspects of this may be in the nature of "standard setting" rather than "concepts", other aspects warrant attention in this paper. It is again disappointing, therefore, that the paper deals only with the approach to control in Anglo-Saxon or G4 countries. The approach adopted in the EU Seventh Directive (and, hence, the national laws of the 27 Member States of the EU) warrants attention as it's is much broader than, say, the US approach. It raises several important issues not least *de facto* control where one party actually governs	See earlier comments on adding material from other countries. De facto control is covered in paras 126 to 128.

[‡] I haven't given enough thought about where the line should be drawn between concepts and standard setting – some aspects of these two concepts might be better dealt with in standards.

[§] [and which meet any criteria for the recognition of those assets and liabilities in the financial statements]

[**] [and which meet any criteria for the recognition of those assets and liabilities in the financial statements]

Comment	Staff response
the operating and financial policies of another without the (apparent) power or ability to do so. Paragraphs 83 to 90 slip into standards level material. It is unclear how they help define the concepts. Furthermore, the financial reporting problems arising from SPEs do not result from their "narrow and well-defined purpose" but from the desire of their promoters to ensure that they are not consolidated. Perhaps you can identify a conceptual issue. Or perhaps, as implied by paragraphs 85 and 86, they are covered by the control definition. As explained above, much of paragraphs 93 to 104 deals with issues that are the responsibility of lawmakers/regulators rather than the IASB.	SPEs were considered only to consider if the control concept is flawed conceptually. Staff agrees that some of the practical problems relate to financial structuring to circumvent standards rather than conceptual problems. Staff will consider if this point should be added. See earlier comments.

External Reviewer 2

Comments on specific paragraphs (excluding minor drafting comments)		Staff response
10	All this seems to be appropriate to address. Still para 181 takes a different position without a good explanation. A bit confusing. Not easy for respondents to understand.	Revision to this section of the paper should clarify.
27	An entity is said in para 11 above to be something existing in its own right. If that is true, should it not be a right of the entity to have a say on what it is, rather than relying on how others would define it? It is not clear to me how these views are aligned. Presently IAS 27 takes the view that the standard setter sets out what the GPEFR is, both the parent and the group, why is that so wrong?	Revisions to section 1 should clarify.
28	It seems to me that the paper suggests that it is important to establish a robust concept of a ´reporting entity ´….It goes on to say that when there is something of a legal standing, that something is an entity, para 25. Thus, if the law changes, the notion changes as well. Is this part of a robust concept? It also says that an entity is often defined by others, para 27. Finally it says that ´it was not necessary´ to define the term entity, beginning of this para. Thus the ambition of achieving a robust definition of a component of a ´reporting entity´ has faded away. In its place there are two things: (1) a legal entity and (2) what others would tell you….This is not easy to follow; it is not clear to me why the boards found it ´not necessary´ to achieve a definition….It seems to me that if the notion of reporting entity is important , then ´entity´ should be defined. This seems to be possible to do that by developing things like ´capacity to develop resources´ and ´capacity to engage in transactions with other parties.´ If the IASB is to conclude on which entity should have a set of GPEFR and why, then the term entity must be defined.	Comments similar to earlier comments – lack of clarity about the objective of the project phase – revised section 1 should clarify.
31	The IASB says it would not like to ´limit´ various things. However, what is circumscribing if not limiting??	See above.
34	I wonder if this ´have not the authority´ statement is a valid position by a global standard setter. Furthermore, it is not true as far as consolidated financial statements are concerned (which is dealt with in para 42 below); in this case the Board decides which entity, the group, is the reporting entity. And what about segments? That is something that the Board decided on in IAS 14 and the Boards decided on in IFRS 8, although one could argue that the entity decides.- ´through the eyes of management´. However, it is a Boards´ decision that this approach should be taken….	See above.

Comments on specific paragraphs (excluding minor drafting comments)		Staff response
43	As indicated above, it escapes me why this is a matter for the Boards, whereas a similar issue - on the entity - is deemed not to be an issue for the Boards. The way I understand it, both these things are matters for the Boards. If a truly conceptual approach should be achieved, the Boards should start at ground level and define an ´entity´ and then work itself up towards a ´reporting entity ´and a ´group reporting entity ´.	See above.
46	Although this is understandable from a practical point of view, it may still be hard to grasp, as the purpose of the exercise of this paper is to develop a conceptual basis. Why is something used in practice necessarily a good starting point for such an exercise?	Because we are not really starting from scratch, as explained earlier in DP – perhaps this point needs more emphasis.
47	Would it not be appropriate to clarify what is meant by ´improvement´ or why certain things are regarded as improvements? Certain criteria are probably used implicitly when making that decision. These should be spelt out, as different people may have different views on what an ´improvement ´is. What is deemed to be an improvement should probably be consistent with what comprises an entity for GPEFR	Revise to clarify – an improvement would be an approach that better serves the needs of users of GPEFR.
53	Much of the content of this para and the following paras is about how control is generally understood, not what it should mean applying a conceptual approach. Does it not mean that the paper moves away from the conceptual line of thoughts that it initially set out to follow?	As noted above, we are not starting from scratch, as we do not wish to “reinvent the wheel” – this point needs more emphasis.
54	Yes, that is true. But that is not what the dictionary definitions above say. Thus the paper moves away from the dictionary definition towards what standards setters say in their current definitions, but it is not explained why. Again the paper moves freely between a conceptual approach, the definition of control, and a view stemming from practice as it is today. Convincing??	The reason is explained in para 56, and a conceptual reason is given in para 60.
56	This is understandable. However, it is not what follows from the dictionary definition, nor what follows from most current definitions established by standard-setters. Thus the logical flow of thoughts with a conceptual flavour leading to what this para says is not clear. It would be useful to have a few explaining paragraphs, showing the conceptual reasons for making this exclusion. The consolidation project has discussed benefits as an element within the definition of control. This is not mentioned here. Why not? The fact that the IASB is running two projects in parallel with definitions that are not aligned creates a problem. What is the underlying thought on how to align?	Conceptual reason given in para 60. Staff will discuss with IASB consolidations’ staff about any possible inconsistency. Any explanation of the links between the two projects is best left to the standards-level project. The concepts project is linked to many standards-level projects, and it would be very time-consuming – and a moving target – to explain all the links, any differences in decisions reached (which might relate to standards-level issues not conceptual-level issues), etc.
57	Thus by introducing ´the primary responsibility´ the nature of control changes a little. But in other circumstances where control is used, there is no mention of the primary responsibility of the one exercising control. Why this difference? Consistency?	Staff disagrees that the nature of control changes or that there is any inconsistency. The reference to “primary responsibility” is made in the context of explaining the exercise of power by a trustee or agent. Staff sees no reason to include this in the definition of control.
58	Again there is language on what most definitions provide! It follows from this approach that, if there are problems with the current definitions, they will be maintained. Is this a good basis for development? Conceptually strong enough?	Conceptual reason given in para 60.
60	First sentence: “The boards concluded…” On what basis? Shouldn´t that be spelt out a bit more to make the conclusion easier to understand ?	Explanation is in the third sentence.

Comments on specific paragraphs (excluding minor drafting comments)		Staff response
63	However, as the meaning of control of an asset is not very well developed in the current Framework, this statement does not help very much.	This is a matter for Phase B, not Phase D.
65	There are many Qs that could be asked in this context. Another one would be: Does ´control´ mean the same thing, or generally the same thing, in these two contexts? Would it not be appropriate to discuss the consolidation project and its slightly different notion of control as well?	It doesn't matter if they are the same or different, as explained in the staff response to a board member's comments on paras 63 to 75 (see staff response in Table 1). Staff to discuss consolidations project with IASB staff.
68	Here control seems to imply (1) existence of rights and (2) effects of other relevant facts and circumstances - not clear which ones. However, this is not what the current definition of control says??	This paragraph is talking about using the asset definition to determine the composition of the entity, not control over another entity.
74	Again it seems that the discussion would benefit from contrasting the DP´s discussion with the similar control concept discussion in the consolidation project.	See earlier staff responses to similar points.
88	Yes, accounting standards may do this. But is not the objective here to establish some sort of principle? Furthermore, is it not just as reasonable to tentatively conclude that there is something wrong with the control model applied to SPEs if one has to go around looking for other things than what the control definitions would offer to make the whole thing work? Is there not a need for some clarifying words to put it all together?	This paragraph is explaining the issue – the explanation comes later, and that explanation links back to the control definition (see para 91).
92	I agree. But where are the arguments that convincingly show that the concept is NOT flawed? Has not the consolidation team tentatively agreed that there are flaws in the approach applied in SIC 12?	On the first question, although the discussion of SPEs is brief, adding any more explanation would get into standards-level issues. Also see staff response to comment from External Reviewer 1 on SPE discussion. Staff will discuss the second question with IASB consolidations staff.
93	Again there is a kick off in practice. Should [we not begin] by discussing the concept of ´control´?	See earlier staff response to similar point on para 46.
97	This seems to be the only place where reference is made to ´stewardship´. Does it imply that it would be out of place elsewhere in the paper?	No. Document will be revised to reflect Phase A decisions, depending on timing of those decisions and publication of the DP.
105	Although the reasons behind this tentative view are set out below, it seems to be early days to reach even a tentative conclusion, as the full debate and discussion on common control has not taken place. Shouldn´t this be indicated?	Agree that this conclusion – and all of the conclusions – should be presented as preliminary views. Document will be revised throughout for this point.
108	First sentence: Here it is ´overall ´concluded´. In paragraph 92 some doubts were expressed on control and SPEs. It may not be quite clear how these doubts have been dealt with when drawing this conclusion. Third sentence: Is this not merely an assertion: Why ´is generally´? Would it not be better summarising the arguments for and against, to see on what basis the conclusion has been made?	Para 92 may need to be revised to clarify, as that para concluded the discussion on SPEs. Para 108 is a summary based on discussion in paras 105-107; it would be repetitive to add this in again.
110	However risks and rewards are used elsewhere in IASs/IFRSs, e.g. IAS 17. Does this statement mean that risks and rewards as a notion is generally out these days? Not clear.	That question is beyond the scope of the project phase.
115(a)	But was it not suggested in paragraphs 90-91 that the benefits demonstrated power?? A bit confusing!	Revise to clarify.

Comments on specific paragraphs (excluding minor drafting comments)		Staff response
117	As the consolidation team has discussed ´risks and rewards´ at length, the reader of the DP would perhaps benefit from some of their arguments?	It may do, but those discussions were in the context of an IASB standards-level project, not the IASB/FASB joint concepts project, so could not be included in this document without discussion by both boards.
120	As ´control´ is discussed in section 2, it is hard to understand why the discussion of control in section 3 is not relocated to section 2.	See staff response to similar comment by a board member – it's to separate the more detailed control issues from the higher-level discussion in section 2.
136	In the paragraphs to follow, the line followed seems to be: (1) Control is a somewhat unclear notion, (2) Requires analysis (3) However, the paper deals very much with what standards say today (4) Thus any weaknesses available in the standards may be carried over (5) If so, what has been achieved?	As noted in other staff responses above to similar points, we are not starting from scratch, so this point needs to be emphasised. If there is guidance in standards that is helpful, then it seems a good idea to use it, rather than "reinvent the wheel".
146	Third sentence: This seems to be understandable. However, IAS 1, paragraphs 21-22 make reference to the relevant regulatory framework, which indicates that one should sometimes take into account things like national requirements.	Staff sees that as a standards-level issue, ie practicalities may result in a compromise.
155	I do not quite understand this last sentence. If only consol. FS were there, there would be no parent entity FS to care about??	Consider if the sentence can be clarified, as the point seems to have been missed.
160	I do not understand this sentence. Should it not say ´that information should be provided in the consolidated financial reports´? I.e., if only consolidated financial statements are provided, notes to them should provide the dividend information?	Staff agree is unclear. Revise to clarify.
163	This is an interesting conclusion, which I support from my understanding of a user need perspective. It is the view held by a majority of FASB members, the DP says, but not in line with the definition in para 61 and the discussion in para 80? A few words of explanation would be useful how to align the definition with the view expressed by the majority of the FASB members. The DP might be read to express also some IASB Board members´ view. If that is so, it is not in line with IAS 27, BC 16-BC 22, which the IASB concluded on not so long time ago. In a paper which suggests that it is there to build a conceptual foundation, the conclusion reached is interesting but requires some extra language ´to fly´ Or do I misunderstand the DP? It seems to me that if the Boards agree on the control concept and how it should be applied, they should also agree on how to account for investments of a venture capital investor.	Some would agree that this position is inconsistent with the controlling entity model, while others would argue that it's a matter of presentation, ie whether the parent reports a net investment in the subsidiary or the underlying assets and liabilities. Staff to check to see if the FASB members who reached this conclusion about venture capital investors would see this as being a matter of presentation. If so, staff will add this explanation. Staff also to check with IASB, to see if the majority disagree with para 163.
166	Last sentence: Which are these circumstances? Why is it not better always to provide parent-only financial statements to make sure that the information needs, what ever they are, are satisfied?	These board members agreed that the circumstances would be determined at the standards-level – this point is made in para 158, but perhaps should be added here; eg cost/benefit reasons might suggest that it's not always necessary.
181	Last sentence: Maybe, but look at para 10 above and the comment provided.	See staff response to comment on para 10.

External Reviewer 3

Comments	Staff response
As will be probably be obvious from my comments below, my overall concern with the proposed discussion paper is that it does not provide clear guidance on what the *reporting entity concept* implies. As the objective of the discussion paper is to develop a concept of the reporting entity, for inclusion in the Framework this point should be clearer. After considerable thought, I am not clear whether the purpose of the discussion document is to consider what is an entity, what **must be** a reporting entity, what **could be** a reporting entity and/or what the implication is if an entity is considered to be a reporting entity and which of the above is meant by the term 'reporting entity concept'. My comments will probably come across as being negative. I think that given the complexity of the topic and the lack of precedents, this is a good document and a useful starting point for the proposed discussion paper. It is always considerably easier to criticise and comment on a written document than to produce the document. I have attempted to allocate my comments into three different categories: • General comments relating to issues that have been addressed in the document • Comments relating to issues that I think need to be addressed, or addressed more fully in the document • Comments relating specifically to the questions that have been asked. Allocation between the first two categories was more difficult to apply than expected, and therefore the two sections should be considered collectively.	Similar to comments received from others – the objective of the project phase is not clear. Revised section 1 should help to clarify.
General comments	
The approach taken of ignoring the requirements of existing GAAP standards and considering the correct conceptual basis is appropriate i.e. that the requirements of existing accounting standards should not be seen as a constraint or as precedent setting. On the other hand, there are a number of conceptual difficulties that have been encountered in existing and proposed new standards relating in particular to the preparation of group financial statements. One would expect that the revised framework would provide the necessary background to inform the standard setters of the appropriate conceptual approach to take when developing and revising accounting standards. This should be considered when considering whether the discussion paper addresses the appropriate issues.	Points noted. Board discussions indicate that the issues addressed in the DP should help with standard-setting by (a) confirming control as the basis for the composition of a group entity (b) defining control to include both power and benefits and (c) clarifying some aspects of control.
The point is made in paragraphs 9 & 10 that the financial statements should reflect the perspective of the entity and not of the entity's owners. There is a comprehensive discussion of the difference between consolidation theories, with discussion provided on why the parent company approach is not appropriate, without any discussion on why the proprietary approach is not appropriate. Not all would agree that looking at financial statements from the entity's perspective is the same as the entity theory. For example, if one prepared financial statements from a creditor's perspective the emphasis would be on liquidity, ranking of creditors etc and would presumably only look at the legal entity's assets. Financial statements prepared from a preference shareholders' perspective could differ from those of an ordinary shareholder. Discussion should be provided on why it is appropriate to look at it from the entity's perspective as opposed to having a number of different financial statements prepared from different users'	This issue is dealt with in Phase A, ie why the boards adopted the entity perspective and that there should be a single set of GPEFR not multiple sets for different users.

Comments	Staff response
perspectives. The entity perspective is explained more fully in paragraph 11, but there is limited (if any) justification of why that is considered to be the appropriate perspective.	
The document would be more powerful if there were more focussed discussion on the difference between an entity, a reporting entity and a group reporting entity. It is not clear that if a 'circumscribed area of economic activity' does not produce financial statements, that that automatically implies that it is not an entity for financial reporting purposes. Expressed differently, is an entity for financial reporting purposes identical to a reporting entity? Consideration could be given to focussing on the definition/description of a 'reporting entity', as opposed to an 'entity' to avoid confusion. Use of a description that implies that a separate legal company that has limited liability and is a separate taxpayer is not an entity, is unlikely to be of general use. Paragraph 25 in fact makes it clear that legal existence is a sufficient condition for concluding that an entity exists – that presumably applies even where the entity is a wholly owned subsidiary of a parent entity. On the other hand, discussion on what a reporting entity is would be useful. There also needs to be clarity on whether an asset/revenue generating activity etc could be part of more than one reporting entity i.e. whether a company can be a reporting entity as well as a component of a group reporting entity, which in turn could be part of a larger group reporting entity (i.e. if there is a vertically held subsidiary (pyramid) relationship.) This point is addressed in paragraphs 71 and 73, which refers to an entity being subsumed into another entity, in which case the asset may be an asset of more than one entity. This principle needs to be given more prominence.	Staff agrees section 1 discussion needs clarifying – to be addressed by revision of section 1.
The discussion on common-control entities is to some extent circular. If the Framework is intended to inform the standard setting process, the Framework should identify the factors that could influence when the common control model may provide decision-useful information (on the assumption that decision useful information is the criteria that determines when a combination of entities should be a reporting entity.).	Staff agrees that the discussion of the common control does not provide a clear answer, as the boards did not reach a consensus on when it should be applied and preferred to leave that to the standards-level.
It is not clear why it is considered appropriate to include the detailed discussion on whether parent entity financial statements should be attached to consolidated financial statements. A debate on the relative extent of decision usefulness of the information is not necessarily relevant in the debate on what is an entity, or even a reporting entity. That debate may be better placed in a discussion on group financial statements. This document should clarify the debate on whether entities in a group are separate entities in addition to the group entity, and if so the broad principles underlying the preparation of entity results that are a component of a larger entity. If the intention is to focus on what combination of entities will provide financial statements that are the most decision useful, this point needs to be made more clearly throughout the document.	Staff agrees. When the boards began discussing this issue, it was in the context of whether the parent entity and the group entity were one and the same entity, or two different entities. So the issue was clearly related to the reporting entity phase. However, the boards concluded that they wanted to look at this issue as a presentation issue, rather than an entity issue. Arguably, the discussion belongs in Phase E rather than Phase D, but the staff suspects that constituents would be expecting to see it discussed in Phase D. At some stage during the course of the concepts project, this could be reconsidered.
This discussion document implies that it is perfectly acceptable for a subsidiary company to prepare general purpose external financial reports as it has creditors (para 145), but does not raise that issue in relation to the parent company. The discussion document appears to imply that parent companies are a pure investment company and do not have any of their own operating activities or creditors.	This comment, taken together with the previous one, implies that the reviewer sees the parent and group as two different entities. Staff does not see a way of addressing this issue, given the boards' decision to not address the "one entity vs two entities" issue.

Comments	Staff response
Additional issues that should be considered for inclusion in the Discussion Paper	
There is no discussion on what the relevance is of being an entity (or as suggested above, a reporting entity). The usefulness of the discussion would be significantly enhanced if it was made clear what the implications and limitations were if a circumscribed area of economic interest was considered to be a reporting entity.	Staff agree – relates to other comments about the objective of the project phase not being clear. Revised section 1 should help to clarify.
The debate on what is an entity may be more complete if there were discussion on what is not an entity, and also on when an entity ceases to exist. The debate on whether something is not an entity for financial reporting purposes would provide conceptual justification on when it is appropriate to apply the 'look-through' approach i.e. to ignore the legal structure. If there were guidance on when the legal boundary should be ignored, that would justify when the underlying elements of say a trust should be recognised as opposed to the investment in the trust or other form of special purpose entity. In my opinion, this issue goes beyond the issue of when and how consolidated accounts should be prepared as it would address the issue of when the legal form must be ignored, even in separate company financial statements.	Similar to earlier point - see above response.
Discussion of when an entity ceases may also provide clarity in determining what the term 'entity' means. In a practical sense, this would provide guidance on issues such as the implication of a partner withdrawing from a partnership.	Similar to earlier point - see above response.
One issue that needs to be addressed is whether it is permissible to prepare financial statements for a component of a reporting entity. This issue is pervasive to the proposed discussion document. Paragraph .45 refers to "….when two or more legally separate entities ***should be regarded as a single economic unit***…". The question is whether the word "**should**" implies that it must be, or that it could be? On the face of it, it appears that it implies 'must be' – in which case the implication could be that it would not be permissible to prepare separate company financial statements in a group scenario.	Similar to earlier point - see above response.
Assuming it is permissible to prepare separate financial statements of components of a larger entity, guidance is also required on the extent to which the financial statements of a separate entity are required to reflect the results of what may be part of a larger reporting entity. (A practical illustration may make this issue clearer – in some jurisdictions individual company accounts are required to be prepared in terms of GAAP for each separate legal entity and are each required to be audited. The question of whether the financial statements of a parent company that does not prepare group financial statements should get a qualified report depends on the interpretation of what the entity is.)	Similar to earlier point - see above response.
Assuming that a separate legal entity in a group is permitted to prepare IFRS financial statements, guidance is required on the way in which intra-entity transactions should be recognised in the financial statements of a component of a larger entity. Specifically, if transactions between a subsidiary and a parent are transacted at a non-arms length price, should the transaction be measured at the transaction price, at an arms length price or at the cost to the group (i.e. after eliminating inter-company profit)? This issue may apply even in group financial statements where there are vertical holdings i.e. a parent is both a parent and a subsidiary and group financial statements are required for the intermediate parent company. This principle cannot be ducked on the basis that it is part of a larger controlled group as there are instances where the intermediate company is a public company and therefore has to prepare financial statements. The same principles would presumably need to be applied if a standard were to be developed for common control financial reports. This is an entity issue as the questions relating to recognition and measurement flow from the understanding of what constitutes an entity.	Much of this is beyond the scope of Phase D, as it relates to recognition and measurement. However, the revisions to section 1 may help to begin addressing these points.

Comments	Staff response
There is comprehensive debate on what constitutes control. Despite that, there is no clarity on whether control implies that the controlling party should have the ability to control operations irrespective of what other parties may choose to do – or whether control implies that in substance there is control. As this is a conceptual distinction, this issue should be addressed in the Framework. The distinction is best illustrated with reference to the contentious issue of *de facto* control – if Company A owns 49% of Company B's voting shares, with the other 51% being widely dispersed does Company A control Company B by virtue of the fact that it is virtually impossible to get all the other shareholders to vote against Company A?	This is dealt with in the discussion of de facto control (paras 126-128). Going further would get into standards-level issues.
In the context of the detailed discussion on control, the discussion of latent control and the treatment of options is not particularly helpful. It is not clear whether control is based on the ***ability to*** (which presumably implies, if one wished to) direct financing and operating decisions or on the ***exercise of that control***. Para 129 refers to the presumption that a company that has the ability to control an entity is exercising that control, raises the question of whether there is only control if control is actually being exercised. If control is dependent on the ability to direct financing and operating decisions., and if there are options that are currently exercisable (or debentures etc that are currently convertible) and exercise/conversion would give control, some would argue that there is the ability to direct financing and operating decisions. Perhaps one could take the argument further and say that if an entity owned more than half the voting instruments of another entity but chose not to vote, then there is no control? Consideration should also be given to looking at the converse side of this issue i.e. when is control lost when another party has exercisable options etc.	To consider if discussion can be clarified, as staff thinks these points have been addressed.
If an entity that is described as a reporting entity is one that is required to prepare general purpose financial statements, would that automatically imply that a company that prepares financial statements using the proposed IFRS for Small and Medium Enterprises is not a reporting entity?	No. The proposed IFRS for SMEs is standard for SMEs preparing general purpose financial statements, as is made clear in the ED.
Specific comments on questions	
Q1 does not make it clear if it is referring the description of an entity or the description of a reporting entity (assuming that to be same as an 'entity for financial reporting purposes'). Q1 asks for a proposed definition of an entity if considered appropriate and requires a list of the types of structures that may be included. That implies that the definition should be linked to different organisational structures, which may be leading	Question 1 will need to be revised anyway, because Section 1 has been revised.
Q2 is confusing as it is asking a negative question. It is not clear if the response to "If not, why not" – is referring to the conceptual framework ***not*** specifying, or if the respondent does not agree with the statement. It may be better to rephrase the question along the lines of "Do you think that the conceptual framework should specify or provide guidance on….."	Question 2 will be removed, as a result of the revision of Section 1.
The relevance of Q3 would be clearer if the discussion paper addressed more fully what the implication is of being an entity. If the composition of a group entity is based on control, would that automatically imply that associates and joint ventures could not be equity accounted or proportionately consolidated?	Revised section 1 should help address first point. How to account for associates and joint ventures is beyond the scope of the concepts project, as these are standards-level issues.
Q6, on control, could also consider asking respondents whether they feel control implies that the entity must have the ability to control operations, or in substance does have the ability to do so.	To consider.

Comments	**Staff response**
Q7 discusses what form of group financial statements should take in the case of a parent entity. For the purposes of this document, the question should focus on whether the parent company is a separate reporting entity from the group.	As noted earlier, the staff did attempt to deal with this issue in the project phase, but the boards decided against doing so and, therefore, there is no question on this point.
Concluding comments	
Many of the concerns/questions raised above would be addressed if the discussion paper focussed more on the 'reporting entity' and less on an 'entity', while providing a closer link to the objectives of financial reporting when determining what could constitute a reporting entity. More emphasis should be placed on the fact that any entity or combination of entities could be a reporting entity provided that that provided useful information to users of general purpose financial statements.	Revised section 1 should help to address this point.

External Reviewer 4

Comments (excluding minor drafting comments)	**Staff response**
General comments: I found the paper to be in exceptionally good shape, a balanced analysis that dealt with the relevant issues and alternatives….If this document is an example of the quality work coming from the joint efforts of the IASB and FASB staffs, I am impressed. Keep up the good work.	N/A
Specific comments on P18: I do not like the assumption stated in the final sentence of this paragraph. Concepts statements lack definitive guidance and provide too much support for those who do not want to follow a specific standard and can find something in the concepts statements to support the position they prefer. I have testified in a number of litigation matters where other experts cited provisions of the conceptual framework to support their view and argued that the concepts were GAAP. Their positions were contrary to the provisions of the applicable standard, and their testimony was confusing to the court.	P15 explains that the conceptual framework does not override standards and does not constitute support for departing from the requirements of particular standards. P17 explains the role of the framework in the IFRS hierarchy. Perhaps this could be addressed by adding "as explained above" to the end of the last sentence in P18.
Q1 – I agree Q2 – I agree Q3 – I agree Q4 – I agree Q5a – I agree Q5b – I agree Q6a – I agree. It seems to me that this is a crucial point. Q6b – I agree Q6c – I agree Q6d – I agree. What ifs should not override what is. Q6e – I agree Q6f – I agree	N/A

Comments (excluding minor drafting comments)	**Staff response**
Q7- I agree with 7b. The circumstances in which parent-only financial statements should be provided are a matter for consideration at the standards level. The conceptual discussion could include some of the material in paragraph 157, but the specifics should be left to the standard, as stated in paragraph 158. Q8a – I agree. Q8b – I agree with the views in paragraphs 180 and 181.	