



IASB  
International Accounting Standards Board  
30 Cannon Street  
London, EC4M 6XH  
United Kingdom

14 July 2010

Dear Sir/Madam,

RE: ED ON REPORTING ENTITY

BUSINESSEUROPE has some significant concerns on the above Exposure Draft. Crucial is its intended relevance, in particular its relationship with the coming consolidation standard. In most jurisdictions the local regulator will determine what entity is to report in what manner, so the concept of the reporting entity spelled out here would be irrelevant. Furthermore, it appears to us that the consolidation standard would duplicate the guidance. Hence we question the point of the proposed Conceptual Framework change in this sense. We are also very unclear on the relationship of the proposed principles with jointly controlled entities, operations and assets.

In our comment letter on the Discussion Paper dated September 24, 2008, we disagreed with dropping the risks and rewards model without a proper analysis having been done. In the ED, together with the accompanying BC, we cannot discern that such a proper analysis has indeed been carried out in the meantime. When we consider the crucial importance of the principle of economic substance taking precedence over legal form together with the recent history of failures of the more legalistic, control-based approach in US GAAP, we find it quite astonishing that the Board has decided to go this route without undertaking a much more rigorous analysis and offering much more convincing arguments for the superiority of a control model unmodified by risk and reward considerations.

Also, we find that the conclusion in BC 15 that the risks and rewards concept is not conceptually robust is unsustainable given the fact that the provisions of SIC 12 appear to have proved much more robust in recent years than equivalent US GAAP arrangements. We urge the Board to explicitly include risks and rewards as one of the indicators of control. Any new control-based approach must at the very least be based on a deeper analysis of the two notions of control and risks and rewards in terms of the economic-substance-over-legal-form principle.

Furthermore, the concept of control seems to be becoming all-pervasive in IFRS at the level of individual standards, and we believe that a generic approach to the concept and its applicability, at an even higher level in the Conceptual Framework than just in the chapter on Reporting Entity, should be seriously deliberated. This naturally has implications for the consolidation standard, to which you refer in question 4 on the ED: we believe that a more thorough analysis of the applicability of the control concept must be carried out before we could feel comfortable with any solution on consolidation.

Should you wish to comment on the above further, please do not hesitate to contact us.

Yours sincerely,



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Director  
Legal Affairs Department  
Internal Market Department