3 October 2008

Sir David Tweedie
Chairman of the
International Accounting Standards Board
30 Cannon Street

London EC4M 6XH
United Kingdom

RE: Discussion Paper Preliminary Views on an improved Conceptual Framework for Financial Reporting: The Reporting Entity.

Dear Sir David,

The Polish Accounting Standard Committee presents its position on the Discussion Paper Preliminary Views on an improved Conceptual Framework for Financial Reporting: The Reporting Entity.

Question 1
Do you agree that constitutes a reporting entity should not be limited to business activities that are structured as legal entities? If not, why?

We agree that what constitutes reporting entity should not be limited to business activities that are structured as legal entities because not all businesses are operated through legal entities.

Question 2
Do you agree that the conceptual framework should broadly describe (rather than precisely define) a reporting entity entity as a circumscribed area of business activity of interest to present and potential equity investors, lenders and other capital providers? If not, why? For example, do you believe that the conceptual framework should establish a precise definition of a reporting entity? If so, how would you define the term? Do you disagree with including reference to equity investors, lenders and other capital providers in the description (or definition) of a reporting entity? If so, why?

We think that the conceptual framework should broadly describe a reporting entity as a circumscribed area if business activity of interest to present and potential equity investors, lenders and other capital providers. We agree with the inclusion of a reference to equity investors, lenders and other capital providers in the description of a reporting entity.

Question 3
Do you agree that the risk and rewards model does not provide a conceptually robust basis for determining the composition of a group reporting entity and that, except to the extent that it overlaps with controlling entity model (as discussed in paragraphs 102 and 103), the risks and rewards model should not be considered further in the reporting entity phase of the conceptual framework project? If not, why?

We think that the controlling entity model be considered in conjunction with the risk and rewards approach to determine the composition of a group reporting entity.

Question 4
Assuming that control is used as the basis determining the composition of a group reporting entity, do you agree that:
a) **control should be defined at the conceptual level?**
b) **the definition of control should refer to both power and benefits?**
If not, why? For example, do you have an alternative proposed definition of control?

We think that there should be a basic definition of control defined at the conceptual level and that it should refer to both power and benefits. The Framework should contain a clear direction on the definition of control.

Question 5
Do you agree that the composition of a group reporting entity should be based on control? If not, why? For example, if you consider that another basis should be used, which basis do you propose and why?

We agree that the composition of a group reporting entity should be based on control.

Question 6
Assuming that control is used as the basis for determining the composition of a group reporting entity, do you agree that the controlling entity model should be used as the primary basis for determining the composition of a group entity? If not, why?

We do not agree that it should be assumed that control is used as the basis for determining the composition of a group reporting entity (see our response to Question 3).

Question 7
Do you agree that the common control model should be used in some circumstance only? If not, why? For example, would you limit the composition of a group reporting entity to the controlling entity model only? Or would you widen the use of the common control model? If you support the use of the common control model, at least in some circumstances, do you regard it as an exception to (or substitute for) the controlling entity model in those circumstances, or is it a distinct approach in its own right? Please provide reasons for your responses.

We agree that the common control model should be used in some circumstances only.

Question 8
Do you agree that consolidated financial statements should be presented from the perspective of the group reporting entity, not from the perspective of the parent company's shareholders? If not, why?

We think that full debate is needed on the perspective from which financial statements should be prepared, before a conclusion can be reached at this stage of the Framework project.

Question 9
Do you that consolidated financial statements provide useful information to equity investors, lenders and other capital providers? If not, why?

We agree that consolidated financial statements provide useful information to the primary users of financial statements.

Question 10
Do you agree that conceptual framework should not preclude the presentation of parent-only financial statements, provided that they are included in the same financial report as consolidated financial statements? If not, why?

We agree that the conceptual framework should not preclude the presentation of parent – only financial statements, provided that they are included in the same financial report as consolidated financial statements.

Question 11
With regard to the concept of control, in the context of one entity having control over another, do you agree that:

a) **establishing whether control exists involves assessing all the existing facts and circumstances and, therefore, there are no single facts or circumstances that one entity has control over another entity in all cases, nor should any particular fact or circumstances – such as ownership of a majority voting interest – be a necessary condition for control to exist? If not, why?**
b) **the concept of control should include situations in which control exists but might be temporary? If not, why?**
c) **the control concept should not be limited to circumstances in which the entity has sufficient voting rights or other legal rights to direct financial and operating policies of another entity, but rather should be a broad concept that encompansses economically similar circumstances? If not, why?**
d) **in the absence of other facts and circumstances, the fact that an entity holds enough options over voting rights that, if and when exercised, would place it in control over another entity is not sufficient, in itself, to establish that the entity currently controls that other entity? If not, why?**
e) **to satisfy the power element of the definitions of control, power must be held by one entity only? In other words, do you agree that the power is not satisfied if an entity must obtain the agreement of others to direct the financing and operating policies of another entity? If not, why?**
f) **having "significant influence" over another entity's financial operating policy decisions is not sufficient to establish the existence of control of that other entity? If not, why?**

We agree with the statement in (a), (b), (c), (d), (e) and (f).

Question 12
Should any of the above control issues be addressed at the standards – level rather that at the concepts level? If do, which issues and why?

We think that all the above control issues should be addressed at the standards – level rather that at the concepts level.

Question 13
Are there any other conceptual issues, relating either to the control concept or to some other aspect of the reporting entity concept, that are not addressed in this discussion paper and should be addressed at the concepts level? If so, which issues and why?

We do not notice any further conceptual issues that should be addressed in the DP.

Yours sincerely,
Joanna Dadacz Chairman of Polish Accounting Standards Committee

cc: Stig Enevoldsen, Chairman of EFRAG TEG