

## Accounting Standards Board of Japan (ASBJ)

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

### Comments on the Discussion Paper

“Preliminary Views on an improved Conceptual Framework for Financial Reporting:  
The Reporting Entity”

Dear Sirs/Madams,

We greatly appreciate the IASB’s efforts on the Conceptual Framework project for many years and welcome the opportunity to provide comments on the Discussion Paper Preliminary Views on *an improved Conceptual Framework for Financial Reporting: The Reporting Entity*. The comments are drafted by the Conceptual Framework Working Group of the Accounting Standards Board of Japan and approved by the Accounting Standards Board of Japan for submission.

We hope that our comments will contribute to the IASB’s future deliberation in this project.

Sincerely yours,

A handwritten signature in black ink that reads 'Katsunobu Mandai'. The signature is written in a cursive, flowing style.

Katsunobu Mandai  
Board Member of the Accounting Standard Board of Japan  
Chairman of the Conceptual Framework Working Group

## Comments on Discussion Paper “Preliminary Views on an improved Conceptual Framework for Financial Reporting: The Reporting Entity”

Q8. *Do you agree that consolidated financial statements should be prepared from the perspective of the group reporting entity, not from the perspective of the parent company’s shareholders? If not, why?*

We do not agree that consolidated financial statements should be prepared from the perspective of the group reporting entity, for the reasons described below.

(Reasons)

Chapter 1 “Objective of Financial Reporting” of the Exposure Draft of “An improved Conceptual Framework for Financial Reporting” (“the ED”) adopts the entity perspective and states that financial statements should be prepared from the perspective of the entity. The Discussion Paper applies this concept of the entity perspective to group reporting entities and takes the preliminary view that consolidated financial statements should be prepared from the group reporting entity. However, as we have mentioned in the comments on “Objective of Financial Reporting” of the ED, the adoption of the entity perspective has several problems.

Furthermore, the capital providers of a group reporting entity include the creditors and shareholders of subsidiaries, in addition to the shareholders of the parent company. The objective of financial reporting certainly includes provision of useful information to creditors and shareholders of subsidiaries in making decisions in their capacity as capital providers. However, the information they actually need in making decisions in their capacity as capital providers is the information necessary to assess the ability of the subsidiaries to generate future net cash flows, that is, the financial information about the subsidiaries. Thus, the capacity of the group reporting entity to generate future net cash flows is less relevant to their decisions.

The presentation of consolidated financial statements from the perspective of the group reporting entity means that creditors and shareholders of a subsidiary are expected to be the users of financial statements of the group reporting entity, as with the creditors and shareholders of the parent company. Expansion of the target users of financial information about the group reporting entity to include even the parties who have less need for it, without focusing on the shareholders of the parent company who truly need it, would diminish the volume of the financial information provided to the users who need it most strongly. We believe that the objective of financial reporting would be more

easily achieved by focusing on the shareholders of the parent company who bear the final risks, rather than focusing on all classes of users.