



16 July 2010

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

Dear Board Members,

Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera (CINIF), the accounting standard setting body in Mexico, welcomes the opportunity to submit its comments on the ***Exposure Draft (ED/2010/2) on Conceptual Framework for Financial Reporting: The Reporting Entity***. Set forth below you will find our responses to the specific questions that are included in the Exposure Draft.

#### Questions for respondents

##### Question 1

**Do you agree that a reporting entity is a circumscribed area of economic activities whose financial information has the potential to be useful to existing and potential equity investors, lenders and other creditors who cannot directly obtain the information they need in making decisions about providing resources to the entity and in assessing whether the management and the governing board of that entity have made efficient and effective use of the resources provided? (See paragraphs RE2 and BC4–BC7.) If not, why?**

Yes. However, CINIF believes it would be better if the definition began as follows:

“A reporting entity is a circumscribed area of economic activities **and interconnected integrated resources**, whose financial information. . . .”

##### Question 2

**Do you agree that if an entity that controls one or more entities prepares financial reports, it should present consolidated financial statements?**

Yes. CINIF agrees that an entity that controls one or more entities should present consolidated financial statements that include those of the holding company and all entities it controls.

**Do you agree with the definition of control of an entity? (See paragraphs RE7, RE8 and BC18–BC23.) If not, why?**

Yes. CINIF agrees with the definition of control of an entity.

### **Question 3**

**Do you agree that a portion of an entity could qualify as a reporting entity if the economic activities of that portion can be distinguished from the rest of the entity and financial information about that portion of the entity has the potential to be useful in making decisions about providing resources to that portion of the entity? (See paragraphs RE6 and BC10.)**

**If not, why?**

Yes. CINIF agrees that a portion of an entity could qualify as a reporting entity as long as, as established in the proposed definition of a reporting entity, its financial information has the potential to be useful to existing and potential equity investors, lenders and other creditors who cannot directly obtain the information they need in making decisions.

### **Question 4**

**The IASB and the FASB are working together to develop common standards on consolidation that would apply to all types of entities. Do you agree that completion of the reporting entity concept should not be delayed until those standards have been issued? (See paragraph BC27.) If not, why?**

Yes. CINIF agrees that completion of the reporting entity concept should not be delayed until the standards on consolidation have been issued.

CINIF believes that before developing the standards on the consolidation of financial statements, an adequate definition of the reporting entity concept should be completed.

### **Additional comment**

#### ***Parent-only financial statements (Paragraph RE11)***

We agree that a holding company may present separate (parent-only) financial statements, since they are frequently required, for example for legal purposes.

Existing IAS 27, *Consolidated and Separate Financial Statements*, establishes that the valuation of permanent investments in subsidiaries, associates and joint ventures in the unconsolidated financial statements of a holding company are valued either at cost or in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*, at fair value. CINIF believes that presenting investments in subsidiaries, associates and joint ventures in the unconsolidated financial statements of a holding company without the effects derived from the use of the equity method is very risky, since such separate financial statements are used for legal purposes, particularly for making decisions regarding the distribution of equity; for example, the declaration of dividends or return of capital.

Accordingly, we wish to take this opportunity to reiterate, as we have done on previous occasions, our disagreement with the current requirement in IAS 27 with respect to the presentation of investments in subsidiaries, associates and joint ventures in the unconsolidated financial statements of a holding company either at cost or fair value. We recommend, in connection with the current review of IAS 27, the inclusion, among other items, of the reporting entity concept, as well as the reconsideration of the valuation of investments in subsidiaries, associates and joint ventures in the unconsolidated financial statements of a holding company. In our opinion, such investments should be valued using the equity method.

Should you require additional information on our comments listed above, please contact me at 00-52-55-5596 5633/26/34 or by e-mail at [fperezcervantes@cinif.org.mx](mailto:fperezcervantes@cinif.org.mx).

Sincerely,

C.P.C. Felipe Perez Cervantes  
President of the Mexican Financial Reporting Standards Board  
Consejo Mexicano para la Investigación y Desarrollo  
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