

Comments on IASB Exposure Draft ED10

The Law Society's Insolvency Law Committee provides comments on "the control definition" proposed in the ED and the accompanying guidance on how to apply that definition, provides clearer guidance for determining when one entity controls another" as follows:

1. Use of the word "returns"

We note the word "returns" has replaced the "benefits" as it connotes both positive and negative returns.

There does not appear to be any legal definition of the word "returns" therefore use of this word would probably be more controversial and could lead to litigation. We suggest the definition of "control" be rephrased as follows:-

*"A reporting entity controls another entity when the reporting entity has the power to direct the activities of that other entity to **generate benefits and/or to incur liabilities** for the reporting entity."*

We suggest the replacement of the word "returns" with "generate benefits and or to incur liabilities" provides clarity as there are ample legal interpretations of "benefits" and "liabilities".

The Law Society of Hong Kong
Insolvency Law Committee
27 February 2009

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