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## IASB<sup>®</sup> meeting

Date	<b>March 2026</b>
Project	<b><i>IFRS for SMEs</i><sup>®</sup> Accounting Standard</b>
Topic	<b>Due process and permission to begin the balloting process</b>
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This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (IASB). This paper does not represent the views of the IASB or any individual IASB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS<sup>®</sup> Accounting Standards or the *IFRS for SMEs*<sup>®</sup> Accounting Standard. The IASB's technical decisions are made in public and are reported in the IASB<sup>®</sup> *Update*.

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## Introduction

1. Agenda Paper 30A for this meeting includes our recommendation for the International Accounting Standard Board (IASB):
  - (a) to add a narrow-scope standard-setting project to its workplan to introduce a consolidation exemption for intermediate parents with an investment entity parent (or ultimate parent) that do not produce consolidated financial statements; and
  - (b) to start the project immediately by publishing an exposure draft.
2. This paper discusses the steps that the IASB must address before we prepare the exposure draft for balloting.
3. In this paper, the term SMEs refers to small and medium-sized entities that are eligible to apply the Standard.

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## Purpose of this paper

4. The paper:
  - (a) provides our analysis about the transition and effective date of the proposed amendment;
  - (b) explains the steps in the [IFRS Foundation Due Process Handbook](#) (*Due Process Handbook*) that the IASB has taken in developing the potential amendment;
  - (c) seeks the IASB's permission to begin the process for balloting an exposure draft; and
  - (d) asks whether any IASB member intends to dissent from the proposals in the exposure draft.

## Structure of this paper

5. This paper is structured as follows:
  - (a) transition and effective date (see paragraphs 6–10);
  - (b) due process steps for publication of an exposure draft (see paragraphs 11–26);
  - (c) questions for the IASB; and
  - (d) Appendix—Due process steps taken.

## Transition and effective date

6. The third edition of the Standard is effective for reporting periods beginning on or after 1 January 2027.
7. As explained in paragraphs 60–64 of Agenda Paper 30A of this meeting, we think aligning the effective date of the consolidation exemption with the third edition of the Standard would make the exemption easier to implement and cause less

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disruption for SMEs. We also think it would avoid additional complexity and costs for SMEs with subsidiaries that prepare individual financial statements that comply with a local GAAP. Therefore, we recommend that SMEs apply the exemption at the same time and using the same transition requirements as the third edition.

### ***Interaction between effective date and date of issue***

8. It is rare for amendments to IFRS Accounting Standards to be effective immediately on issue. If the IASB was unable to issue the amendment before 1 January 2027 (see paragraph 14 of this paper), it may need to consider a later effective date. However, this scenario would be considered later in the project if expected to arise.

### ***Early application***

9. SMEs are permitted to apply the third edition of the Standard to earlier periods.<sup>1</sup> However, if an SME chooses to apply the third edition early, it is required to apply all the amended and revised sections early. Therefore, SMEs are unable to apply specific amendments early in isolation.
10. If SMEs apply the exemption using the same transition requirements as the third edition of the Standard, SMEs will be unable to apply the exemption to earlier reporting periods unless they also apply the third edition to those periods. We think this is appropriate because, if the exemption had been included as part of the third edition, the same transition provisions would have applied.

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<sup>1</sup> Paragraph A1 of the *IFRS for SMEs* Accounting Standard.

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## Due process steps for publication of an exposure draft

### *Due process requirements*

11. Paragraphs 6.4–6.5 of the *Due Process Handbook* explain that:
  - (a) the development of an exposure draft takes place in public meetings;
  - (b) the technical staff prepares agenda papers containing research and recommendations on matters to be addressed and considered by the IASB;  
and
  - (c) the IASB also considers the comments received on any discussion paper, research paper or request for information, suggestions made by consultative groups and accounting standard-setters, and suggestions arising from consultation with other stakeholders.
  
12. Paragraph 6.6 of the *Due Process Handbook* states:

When the [IASB] has reached general agreement on the technical matters in the project and has considered the likely effects of the proposals (see paragraphs 3.76–3.81 [of the *Due Process Handbook*]), the technical staff presents a paper to the [IASB]:

  - (a) summarising the steps that the [IASB] has taken in developing the proposals, including a summary of when the [IASB] discussed the project in public meetings, public hearings held, outreach activities and meetings of consultative groups;
  - (b) ...; and
  - (c) recommending a comment period for the exposure draft.

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***Due process steps taken***

13. The appendix to this paper sets out the required due process steps in developing and publishing an exposure draft together with the current status of, and any planned action for, these steps.

***Proposed timetable for balloting, publication and comment period***

14. Paragraph 6.7 of the *Due Process Handbook* states:

The [IASB] normally allows a minimum period of 120 days for comment on an exposure draft. If the matter is narrow in scope and urgent the [IASB] may set a comment period of less than 120 days but no less than 30 days after consulting and obtaining approval from the DPOC.

15. As explained in paragraph 7 of this paper, we recommend the amendment is effective for reporting periods beginning on or after 1 January 2027.
16. We think it would be possible to publish an exposure draft in May 2026 with a 120-day comment period and, subject to comments received, issue the final amendment in the fourth quarter of 2026. By setting a comment period of 120 days, the amendment would be issued shortly before we recommend it is effective. This would mean:
- (a) SMEs would have limited time to prepare for implementing the amended requirements (see paragraphs 17–19 of this paper); and
  - (b) jurisdictions would have limited time to incorporate the amended requirements into their legal systems (see paragraphs 20–21 of this paper).

***Implementation by SMEs***

17. SMEs often have later reporting deadlines than entities applying full IFRS Accounting Standards. Because of these later deadlines, SMEs often begin to

prepare their financial statements later than larger listed entities. Therefore, because SMEs begin preparing their financial statements later, the amount of time they need between a change in accounting standards being issued and becoming effective is less than an entity preparing financial statements in accordance with full IFRS Accounting Standards.

18. Additionally, the proposed amendment introduces an exemption that removes the requirement to prepare consolidated financial statements. Therefore, SMEs would be expected to need less time to implement this change compared with a change that creates a new reporting requirement. However, SMEs would still be expected to need some time to consider and communicate the change to stakeholders—especially their subsidiaries. Subsidiaries will no longer need to submit information for the purpose of preparing consolidated financial statements that is aligned with the accounting policies used in those statements. As a consequence, the subsidiaries might choose to prepare individual financial statements that comply with a local GAAP instead of the *IFRS for SMEs* Accounting Standard (see paragraph 38 of Agenda Paper 30A of this meeting).
19. Given the nature of the change, and the time SMEs would be expected to need to prepare for it, we think the recommended timetable with a 120-day comment period is appropriate.

#### *Adoption by jurisdictions*

20. Some jurisdictions that use the Standard do not endorse it for use in their jurisdiction and therefore do not have formal endorsement processes. Instead, they incorporate the Standard by reference, whereby the application of the current Standard is automatically required under local law or regulation. In these jurisdictions, no time will be needed to incorporate the amended requirements. However, time might be needed to translate the amendment into other languages. Based on the time needed to translate previous narrow-scope amendments, we think the amendment could be translated before SMEs prepare to implement it.

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21. Other jurisdictions that use the Standard formally adopt it, involving a process that requires national standard-setting bodies to take specific actions. Again, although national standard-setters need time to carry out this process, we think it could be completed before SMEs prepare to implement the amended requirements.
  22. Given the way that the Standard is adopted in jurisdictions that apply it, we think the recommended timetable with a 120-day comment period is appropriate.

### *Engagement from stakeholders*

23. We think a 120-day comment period is necessary to ensure a strong level of stakeholder engagement in the exposure draft. This is particularly relevant because the IASB would be:
  - (a) amending the Standard outside of the periodic review process used to maintain the Standard; and
  - (b) consulting during a period where SMEs are expected to be focusing on implementing the third edition of the Standard (see paragraph 73 of Agenda Paper 30A of this meeting).

A comment period of less than 120 days might impair stakeholder's' ability to respond.

24. Consequently, because of the time SMEs and jurisdictions are expected to need to prepare to adopt and implement the amendment, and the potential lack of stakeholder engagement in the exposure draft, we recommend a 120-day comment period.

### *Permission for balloting and intent to dissent*

25. This paper demonstrates that the IASB has completed all the applicable due process steps to date for balloting the exposure draft. Consequently, we request permission to begin the balloting process.

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26. In accordance with paragraph 6.9 of the *Due Process Handbook*, we also ask if any IASB member intends to dissent from the proposals in the exposure draft.

#### Questions for the IASB

1. **Comment period**—does the IASB agree with our recommendation to set a comment period of 120 days for the exposure draft?
2. **Permission to begin the process for balloting the exposure draft**—is the IASB satisfied that it has complied with the applicable due process steps and that it should begin the process for balloting the exposure draft?
3. **Dissent**—does any IASB member intend to dissent from the proposals in the exposure draft?

## Appendix—Due process steps taken

A1. The following table summarises the required due process steps taken in developing the proposed amendment. The table does not list all the optional steps.

Step	Actions
<b>IASB meetings held in public, with papers available for observers. All decisions are made in public sessions.</b>	<ul style="list-style-type: none"> <li>The IASB discussed the matter in public at this meeting.</li> <li>The SME Implementation Group (SMEIG) discussed the matter in public at its meeting in <a href="#">February 2026</a>.</li> </ul>
<b>Consultation with the Trustees and the Advisory Council</b>	<ul style="list-style-type: none"> <li>The Trustees and Advisory Council will continue to be updated on the project as part of their discussions of the IASB's technical activities.</li> </ul>
<b>Analysis of the likely effects of the proposed amendment, for example, initial costs or ongoing associated costs.</b>	<ul style="list-style-type: none"> <li>The proposed amendment will introduce a consolidation exemption for intermediate parents with an investment entity parent (or ultimate parent) that do not provide consolidated financial statements. The consolidation exemption will be optional. Therefore, the effects of the proposed amendment are:             <ul style="list-style-type: none"> <li>limited to specified SMEs instead of applying more broadly; and</li> <li>limited to SMEs that choose to apply the consolidation exemption.</li> </ul> </li> <li>The consolidation exemption could significantly reduce the ongoing costs of preparing financial statements for affected SMEs (see paragraph 37 of Agenda Paper 30A of this meeting). Because the exemption removes a reporting requirement, the initial costs of applying the exemption are expected to be minimal.</li> <li>The consolidation exemption will result in users of affected SMEs' financial statements no longer having consolidated financial information about those SMEs. Therefore, these users will have access to less information. However, in our view, the combination of information available in the SME's separate financial statements and the parent's financial statements will still provide useful information to users (see paragraphs 41–45 of Agenda Paper 30A of this meeting).</li> </ul>

Step	Actions
<b>Finalisation</b>	
<b>Due process steps reviewed by the IASB.</b>	<ul style="list-style-type: none"> <li>This paper asks the IASB to review the due process steps for this project.</li> </ul>
<b>The forthcoming exposure draft has an appropriate comment period.</b>	<ul style="list-style-type: none"> <li>This step is being met by this paper—see paragraphs 14–24 of this paper.</li> </ul>
<b>Drafting</b>	
<b>Drafting quality assurance steps are adequate.</b>	<ul style="list-style-type: none"> <li>The IASB as well as the IFRS Foundation's translations and editorial teams will review drafts during the balloting process.</li> </ul>
<b>Publication</b>	
<b>Exposure draft published.</b>	<ul style="list-style-type: none"> <li>The exposure draft will be available on the IFRS Foundation's website when published.</li> </ul>
<b>Press release to announce publication of the exposure draft.</b>	<ul style="list-style-type: none"> <li>A press release will be published on the IFRS Foundation's website with the exposure draft.</li> </ul>