
IASB meeting

Date	October 2026
Project	Consolidation Exception—Amendments to the <i>IFRS for SMEs</i> Accounting Standard
Topic	Disclosure requirements
Contacts	Helen Lloyd (hlloyd@ifrs.org) Michelle Sansom (msansom@ifrs.org)

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Purpose of this paper

1. This paper provides an overview of the feedback from comment letters on the Exposure Draft *Consolidation Exception* ([Exposure Draft](#)). The Exposure Draft proposed limited scope amendments to the *IFRS for SMEs* Accounting Standard (Standard).
2. The paper also sets out the feedback from members the SME Implementation Group (SMEIG), following a meeting of members of the SMEIG held on 5 October 2026. At that meeting the SMEIG members discussed the feedback from comment letters summarised in Agenda Paper 30B of this meeting.
3. The IASB is asked whether it agrees with the staff recommendation to:
 - (a) proceed with the proposals in the Exposure Draft; and
 - (b) add limited disclosure requirements, in response to feedback on the Exposure Draft.

Structure of the paper

4. The paper is structured as follows:
- (a) project background (paragraphs 5–6);
 - (b) overview of feedback presented to SMEIG members (paragraphs 7–9);
 - (c) comments from SMEIG members (paragraphs 10–13);
 - (d) potential additional disclosure requirements (paragraphs 14–36);
 - (e) next steps (paragraph 37);
 - (f) question for the IASB; and
 - (g) Appendix—Existing and proposed consolidation exceptions.

Project background

5. Early in 2026, the SMEIG received an application question on the Standard, relating to the requirement to prepare consolidated financial statements and the situation where some SMEs would face more onerous requirements applying the Standard than they would if they prepared financial statements applying full IFRS Accounting Standards. The situation could arise because IFRS 10 *Consolidated Financial Statements* does not require a parent to prepare consolidated financial statements if its ultimate or any intermediate parent produces consolidated financial statements that are available for public use and comply with full IFRS Accounting Standards, in which the subsidiary is consolidated or are measured at fair value through profit and loss in accordance with IFRS 10. The Standard currently does not include the exception for parent entities that measure their investments in subsidiaries at fair value through profit and loss.
6. SMEIG recommended the IASB propose an amendment to add the IFRS 10 exception to the Standard. The IASB accepted the SMEIG recommendation, and the Exposure Draft was published in May 2026 with a 120 day comment period. The Exposure Draft proposed adding the exception that an SME need not present consolidated financial statements if its ultimate (or intermediate) parent produced

general purpose financial statements that comply with full IFRS Accounting Standards, in which subsidiaries are measured at fair value through profit or loss, in accordance with IFRS 10.

Overview of feedback presented to SMEIG members

7. The summary of feedback on the Exposure Draft presented to SMEIG members is included as Agenda Paper 30B.
8. Most respondents supported the proposed amendment, although nearly half suggested some additional disclosures to address the issue of potential information loss to users of SMEs financial statements.
9. The staff did not discuss with SMEIG comments from respondents related to IFRS 19 *Subsidiaries without Public Accountability: Disclosures*. Some respondents suggested that a similar amendment to that proposed in the Exposure Draft is also required for IFRS 19. IFRS 19 is not in the scope of the SMEIG's work, and comments on its scope of application we think would be better addressed as part of the Post-implementation Review of IFRS 19.

Comments from SMEIG members

10. SMEIG members expressed support for proceeding with the proposals in the Exposure Draft.
11. In relation to the feedback from comment letters on potential additional disclosure requirements (see paragraphs 14–36 of this paper) several SMEIG members said they would prefer not to see additional disclosure requirements introduced, because this would involve additional costs for preparers and, in their view, the value (the usefulness of the information provided to users of SMEs financial statements) of the disclosures would not justify the additional costs.
12. One SMEIG member observed that if new disclosure requirements were introduced for SMEs using the new consolidation exception, they would need to

be applicable also to those using the existing exception (that is, an SME that is a parent need not present consolidated financial statements if its ultimate (or intermediate parent) produced consolidated general purpose financial statements that comply with the Standard or full IFRS Accounting Standards).¹

Consequently, for SMEs using the existing consolidation exception, there would be a cost increase even though we have not heard calls to improve disclosures for these SMEs.

13. SMEIG members who supported adding some disclosures only supported some of those disclosures suggested in paragraph 14, since these were viewed as not incurring significant additional cost and as being comparable with the disclosures already required for SMEs using the existing consolidation exception.

Potential additional disclosure requirements

14. As described in the feedback paper to the SMEIG reproduced as Agenda Paper 30B of this meeting, most respondents supported the proposals, but almost half of these gave their support subject to the inclusion of some disclosure requirements. The most frequent requests for additional disclosures that SMEs using the new exception should be required to make are:
 - (a) the fact that they have used the consolidation exception;
 - (b) the name of the parent entity preparing financial statements in which the investment in the SME is measured at fair value;
 - (c) the location where the parent's financial statements can be accessed, if they can be accessed; and
 - (d) information about subsidiaries of the SME, which because of the use of the exception are not being consolidated.

¹ The exceptions as they appear in the *IFRS for SMEs Accounting Standard* and *IFRS 10 Consolidated Financial Statements* and as proposed in the Exposure Draft are reproduced in the Appendix to this paper.

Fact that the consolidation exception has been used

15. SMEs applying the Standard are required by Section 8 *Notes to the Financial Statements* to disclose material accounting policy information. Using the exception is an accounting policy choice that can have a significant effect on the reported results and position, so it would arguably be implicitly required already.
16. That said, use of the consolidation exception is so important, and could have such a significant effect on the financial statements, that in the staff's view it would be reasonable to make the requirement explicit. The staff therefore recommend adding this disclosure requirement to the Standard, along with clarifying that the same disclosure requirement applies to SMEs using the existing exception from consolidation on the grounds that they have a parent that produces consolidated financial statements prepared applying the Standard or full IFRS Accounting Standards.

Name of the parent

17. SMEs using the existing consolidation exception (because their parent prepares consolidated financial statements applying the Standard or full IFRS Accounting Standards) are required to disclose the name of that parent. Respondents suggested that this requirement be extended to include SMEs making use of the new exception.
18. The staff recommend that this requirement is added to the Standard for consistency with the requirements around the existing consolidation exception.

How to obtain the parent's financial statements

19. Some respondents asked that financial statements of SMEs using the new exception be required to specify the address of the relevant parent company, from which financial statements could be obtained.
20. There are two difficulties with this suggestion: first, there is no requirement in the Standard for the parent's financial statements to be publicly available, so in many cases there will be no meaningful disclosure to make; second, this disclosure is not currently required of SMEs using the existing consolidation exception.
21. The IASB's intention in proposing the amendments in the Exposure Draft was to remove a situation in which SMEs applying the Standard were subject to a more onerous requirement than entities applying full IFRS Accounting Standards. Adding a new disclosure requirement for SMEs using the existing exception would penalise these SMEs (and would go beyond the proposals in the Exposure Draft); adding the requirement only for those using the new exception would lead to an unacceptable inconsistency. The requirement is also not included in IFRS 19 for eligible subsidiaries applying the reduced disclosure framework.
22. Therefore, the staff's recommendation, for the reasons set out in paragraph 21, is that the IASB does not amend the Standard to include a requirement to disclose an address from where the parent company's financial statements can be obtained.

Details of subsidiaries

23. In full IFRS Accounting Standards, an entity that has subsidiaries can use the IFRS 10 exception from presenting consolidated financial statements if it is an investment entity. In its financial statements it measures its investments in subsidiaries at fair value through profit or loss. If the entity uses this exception, then paragraph 19B of IFRS 12 *Disclosure of Interests in Other Entities* requires the entity to disclose, for each of its unconsolidated subsidiaries:
 - (a) the name of the subsidiary;

- (b) the subsidiary's principal place of business; and
 - (c) the proportion of ownership interest held.
24. Similar requirements apply in full IFRS Accounting Standards to entities using the consolidation exception that relies on a parent that prepares consolidated financial statements, although paragraph 16(b) of IAS 27 only applies to significant investments in subsidiaries, joint ventures and associates, rather than all investments.
25. When the IASB developed the Standard, it decided not to include those requirements from IAS 27 for an SME in its separate financial statements, and the requirements were also not included in IFRS 19 for eligible subsidiaries.
26. As above, it would be inconsistent to introduce such a disclosure requirement for SMEs making use of the new exception if it were not also to be introduced for those making use of the existing exception.
27. The benefits to users of this information are also not clear: the information about subsidiaries does not include financial position or performance, and these subsidiaries might not have publicly available financial statements. When the IASB issued the first edition of the Standard, it decided not to include the requirement for SMEs using the consolidation exception; reviewing the requirement against the reduced disclosure principles also does not give a clear reason for supporting it.
28. The staff recommends that the IASB does not include in the Standard a requirement for an SME using the consolidation exception to disclose a list of its subsidiaries, because the benefits are unclear and do not appear to justify the costs.

Assessing the position in overview

29. The staff recommendations for additional disclosure requirements cover the fact that the exception has been used, and the name of the parent company.
30. In the staff's view, these are sufficient disclosures to give further information to users, while avoiding onerous requirements for SMEs, and also avoiding a situation where either:
- (a) those using the new consolidation exception face more onerous disclosures than those using the existing exception; or
 - (b) those using the existing exception facing increased requirements if they are added for both exceptions.
31. Respondents suggesting other disclosure requirements might not have been aware of the requirements for SMEs using the existing consolidation exception.
32. Some respondents also asked the IASB to add a requirement that in order to use the exception, an SME must have consulted all of its non-controlling shareholders and either received their consent, or not received an objection from them. Some of these respondents also asked for a statement to this effect in the financial statements.
33. Such a proposed measure might be argued to protect users, particularly non-controlling shareholders who might have less power than majority shareholders to obtain information. However it could be a burdensome requirement for SMEs, imposing costs in contacting all shareholders and following up on non-responses; it also diminishes the potential usefulness of the exception if a single shareholder could overrule the use of the exception against all other shareholders' wishes.
34. Other respondents asked that the proposed requirement be modified so that it was only available if the parent's financial statements are publicly available. This would mirror more closely the requirements in IFRS 10, but as with other suggestions discussed here, would create a difference from the requirements

relating to the existing exception. In the staff's view, the IASB's original reasoning on not imposing a 'publicly available' condition for use of the existing exception remains valid for the new exception, and no such condition should be imposed.

Effective date

35. In the Exposure Draft, the IASB proposed that an entity would apply the Amendments at the same time and on the same basis as it applies the third edition of the Standard. Of the respondents who agreed with the proposal, only one disagreed, suggesting the changes should not be made until the next review cycle.
36. The staff recommends on this basis that the IASB proceed with the proposed effective date.

Next steps

37. Agenda paper 30C describes the due process steps that have been followed and asks for permission to begin the balloting process.

Question for the IASB

Question for the IASB

1. Do IASB members have any questions on the contents of this paper and or the summary of feedback presented to SMEIG members as set out in Agenda Paper 30B of this meeting?
2. Do IASB members agree with the staff recommendations to proceed with the proposals in the Exposure Draft, including the effective date, and:
 - (a) to add requirements to disclose use of the exception and the name of the parent company;

Question for the IASB

- (b) not to add disclosure requirements relating to where the parent's financial statements can be obtained or to providing a list of subsidiaries;
- (c) not to add a 'publicly available' requirement for the parent's financial statements; and
- (d) not to add a requirement to gain approval from non-controlling interests?

Appendix—Existing and proposed consolidation exceptions

A1 This Appendix set out the consolidation exceptions:

- (a) included in the *IFRS for SMEs Accounting Standard*;
- (b) included in IFRS 10 *Consolidated Financial Statements*; and
- (c) proposed in the Exposure Draft *Consolidation Exception*.

IFRS for SMEs Accounting Standard—Extract from Section 9

9.3 A parent need not present consolidated financial statements if both the following conditions are met:

- (a) the parent itself is a subsidiary; and
- (b) its ultimate parent (or any intermediate parent) produces consolidated **general purpose financial statements** that comply with full IFRS Accounting Standards or with this Standard.

IFRS 10—Extract

4 An entity that is a parent shall present consolidated financial statements. This IFRS applies to all entities, except as follows:

- (a) a parent need not present consolidated financial statements if it meets all the following conditions:
 - (i) it is a wholly-owned subsidiary or is a partly-owned subsidiary of another entity and all its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the parent not presenting consolidated financial statements;
 - (ii) its debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange

or an over-the-counter market, including local and regional markets);

- (iii) it did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market; and
- (iv) its ultimate or any intermediate parent produces financial statements that are available for public use and comply with IFRSs, in which subsidiaries are consolidated or are measured at fair value through profit or loss in accordance with this IFRS.

Extract from proposed paragraph in Exposure Draft

9.3 A parent need not present consolidated financial statements if both of the following conditions are met:

- (a) the parent is itself a subsidiary; and
- (b) its ultimate parent (or any intermediate parent) produces:
 - (i) consolidated **general purpose financial statements** that comply with this Standard; or
 - (ii) general purpose financial statements that comply with full IFRS Accounting Standards, in which subsidiaries are consolidated or are measured at fair value through profit or loss, in accordance with IFRS 10 *Consolidated Financial Statements*.