
IASB meeting

Date	October 2026
Project	Consolidation Exception—Amendments to the <i>IFRS for SMEs</i> Accounting Standard
Topic	Due process
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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[®] Accounting Standards. The IASB's technical decisions are made in public and are reported in the IASB[®] *Update*.

Purpose of this paper

1. The purpose of this paper is to:
 - (a) explain the steps in the IFRS Foundation's [*Due Process Handbook*](#) (the *Due Process Handbook*) that the International Accounting Standards Board (IASB) has taken in finalising the proposed amendments in the Exposure Draft *Consolidation Exception—Amendments to the IFRS for SMEs Accounting Standard* (Exposure Draft);
 - (b) ask the IASB's permission to begin the balloting process for the amendments to the *IFRS for SMEs* Accounting Standard (Standard);
 - (c) ask if any IASB member plans to dissent from the amendments to the Standard.
2. At this meeting, subject to discussions on the other agenda papers, the IASB will complete its redeliberations of the proposed amendments in the Exposure Draft.

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3. Paragraph 6.26 of the *Due Process Handbook* requires that after the IASB has made decisions on the technical matters in the project and has assessed the likely effects of a new Standard or an amendment to an IFRS Accounting Standard, the staff presents a paper to the IASB:
- (a) summarising the steps that the IASB has taken in developing the Standard, including a summary of when the IASB discussed this project in public meetings, public hearings, outreach activities and meetings of consultative groups;
 - (b) summarising the steps taken to consider possible interactions with the International Sustainability Standards Board's IFRS Sustainability Disclosure Standards and to meet the objective to develop Standards that are compatible, and avoid inconsistencies and conflicts, with ISSB Sustainability Disclosure Standards;
 - (c) reaffirming, if applicable, why the IASB has decided that it was not necessary to create a consultative group or to conduct fieldwork; and
 - (d) assessing whether the proposals can be finalised or whether there is a need for re-exposure.

Structure of this paper

4. This paper includes:
- (a) background to the project (paragraphs 5–10);
 - (b) due process and permission to ballot (paragraphs 11–17);
 - (c) staff conclusion and questions for the IASB (paragraphs 18–19); and
 - (d) Appendix—Extracts from the IFRS Foundation's *Due Process Handbook*.

Background to the project

5. Early in 2026, the SME Implementation Group (SMEIG) received an application question on the third edition of the Standard. The question related 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.
6. SMEIG recommended the IASB propose an amendment to add to the Standard the exception that is available in IFRS 10 *Consolidated Financial Statements*. The IASB accepted the SMEIG recommendation after discussing it in its March 2026 meeting, and the Exposure Draft was published in May 2026 with a 120-day comment period.

Feedback on the proposed amendments

7. Most respondents supported the proposals, many of whom requested the IASB consider introducing additional disclosure requirements for entities making use of the proposed exception. The staff recommendations in respect of additional disclosures are included in Agenda Paper 30A for this meeting and the IASB are expected to have made decisions relating to this paper.
8. Feedback from comment letters and outreach conversations was presented to SMEIG members in a meeting in October 2026; the feedback paper is reproduced as Agenda Paper 30B of this meeting.
9. A stakeholder has expressed concern about whether it is acceptable for the IASB to reopen the Standard outside its periodic review process. This question was addressed in the Exposure Draft, and the first question in the Invitation to Comment asked respondents whether they thought that instead, the proposed amendment should be considered as part of the next periodic review. Paragraphs BC7–BC10 of the Basis for Conclusions on the Exposure Draft explained the IASB’s reasoning in proposing this amendment outside the normal cycle, in particular:

- (a) delaying the proposed amendments to the next review cycle would mean affected SMEs would need to prepare consolidated financial statements for several more years, continuing the situation where requirements for them are more onerous in this respect than they would be if applying full IFRS Accounting Standards; and
 - (b) the timing of the question to SMEIG and subsequent consultation is exceptional in that it allows an amendment to be made before the effective date of the third edition of the Standard, so this amendment is of a different nature from those that might arise between periodic reviews.
10. In the staff's view, the arguments supporting making the amendments outside the periodic cycle still hold, and were well explained in the consultation process.

Due process and permission to ballot

11. The *Due Process Handbook* outlines the following mandatory and optional due process steps prior to issuing an IFRS Standard (see paragraphs 3.45–3.47 of the *Due Process Handbook* or the Appendix of this paper). The relevant mandatory and optional due process steps are summarised in Tables 1 and 2 below.

Table 1—Mandatory steps according to paragraphs 3.45–3.46 of the *Due Process Handbook*

Mandatory due process steps (and related paragraph references in the <i>Due Process Handbook</i>)	Paragraph reference in the paper
(a) Debating any proposals at public meetings (paragraphs 3.2–3.13 and 3.46(a))	Paragraphs 7 and 9
(b) Exposing for public comment a draft of the proposed amendments with a minimum comment period (paragraph 3.46(b))	Paragraph 7
(c) Considering in a timely manner comment letters received on the proposals (paragraphs 3.46(c) and 3.68)	Paragraphs 8–9 and Agenda Paper 30A
(d) Considering whether the proposals should be re-exposed (paragraphs 3.46(d) and 6.29–6.32)	Paragraphs 12–15
(e) Consulting the ASAF and the IFRS Advisory Council paragraph 3.46(e)	SMEIG perform the equivalent function. See paragraphs 6–8

(f) Considering possible interactions with ISSB's work (paragraph 6.26(b))	Paragraphs 16–17
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Table 2—Optional steps according to paragraph 3.47 of the *Due Process Handbook*

Optional due process steps: 'comply or explain' steps (and related paragraph references in the <i>Due Process Handbook</i>)	Paragraph reference in the paper
(a) Publishing a discussion document for major projects (for example, a discussion paper) before an exposure draft is developed (paragraph 3.47(a))	Not considered necessary for a narrow scope amendment
(b) Creating consultative groups or other types of specialist advisory groups for major projects (paragraph 3.47(b))	SMEIG are the relevant consultative group. See paragraphs 6–8
(c) Holding public hearings (paragraph 3.47(c), 3.66 and 3.76–3.77)	Paragraphs 7 and 9
(d) Undertaking fieldwork (paragraph 3.47(d) and 3.71–3.76)	Not considered necessary for a narrow scope amendment

Other due process steps

Step	Staff confirmation
The IASB has analysed the likely effects of the forthcoming standard or amendments. (<i>Due Process Handbook</i> paragraphs 3.78–3.83)	Yes. The analysis of effects of the amendments will be included in the Basis for Conclusions.
The IASB set an effective date for the Standard (<i>Due Process Handbook</i> paragraphs 6.38–6.39)	Yes. Addressed in paragraphs 35–36 of Agenda Paper 30A.
Documents to undergo an internal editorial review (<i>Due Process Handbook</i> paragraph 3.30)	Yes. If the IASB gives the staff permission to ballot the amendments to the Standard, a draft plan for issuing the amendments has been agreed, including involvement of the

Step	Staff confirmation
	Editorial team throughout the drafting process to review the draft of the amendments along with the associated amendment to the Basis for Conclusions.
Documents to be sent for external editorial review (Non-mandatory) <i>(Due Process Handbook paragraphs 3.33–3.35)</i>	Not considered necessary for narrow scope amendments.
Documents to be accompanied by Press Release <i>(Due Process Handbook paragraph 6.40)</i>	Yes. This step will be completed towards the end of the project. The staff will coordinate with the Communications team of the IFRS Foundation.
Documents to be accompanied by a project summary and feedback statement (Mandatory for new Standards or major amendments only) <i>(Due Process Handbook paragraph 6.41)</i>	Not necessary because these are not major amendments.
Documents to be accompanied by other supplementary supporting materials, such as a webcast. (Non-mandatory) <i>(Due Process Handbook paragraph 6.41)</i>	Not considered necessary to have separate webcast coverage since amendments are narrow in scope. However, the quarterly SMEs Update will include an overview of the amendments. The proposed amendments in the Exposure Draft are included in the September 2026 (quarter three) SMEs Update .
Due process steps reviewed by the IASB	Yes. Evidence is provided in this paper, see paragraphs 18–19. The IASB is asked whether to provide the staff the permission to ballot.

Step	Staff confirmation
(<i>Due Process Handbook</i> paragraphs 2.8, 6.10 and 6.27)	
Due process steps reviewed by the DPOC (<i>Due Process Handbook</i> paragraph 2.8)	Yes. An update was provided to the Due Process Oversight Committee as part of the general technical update on the IASB's activities in June 2026 .

Considering re-exposure

12. Paragraph 6.29 of the *Due Process Handbook* sets out the criteria to be considered by the IASB on re-exposure of the proposals in the Exposure Draft (see Appendix F for the extract):
 - (a) identifies substantial issues that emerged during the comment period on the exposure draft that it had not previously considered;
 - (b) assesses the evidence that it has considered;
 - (c) assesses whether it has sufficiently understood the issues, implications and likely effects of the new requirements and actively sought the views of interested parties; and
 - (d) considers whether the various viewpoints were appropriately represented in the exposure draft and adequately discussed in the basis for conclusions.
13. Paragraphs 6.30–6.32 of the *Due Process Handbook* includes other considerations. These are reproduced in the Appendix to this paper.
14. The only changes made to the proposals in the Exposure Draft are, subject to IASB decisions on Agenda Paper 30A of this meeting, additional disclosure requirements comparable to those already in place for SMEs using a comparable exception.
15. In the staff's view, the changes do not warrant re-exposure; they are minor in nature and they were also requested by many respondents to the Exposure Draft and

therefore already reflect the views of many stakeholders. If the IASB agree with the staff recommendations in Agenda Paper 30A, this decision will have taken into account the views from comment letters and the advice of SMEIG members.

Considering interactions with ISSB Sustainability Disclosure Standards

16. ISSB Sustainability Disclosure Standards do not include a standard specifically for SMEs. Instead there are some proportionality mechanisms and transition reliefs that might help SMEs. Thus, there is no direct comparison available between the Standard and standards issued by the ISSB, nor is there a precedent for standards that are subject only to periodic review.
17. In the staff's view, there are no interactions with ISSB Sustainability Disclosure Standards that need to be taken into account in the process of issuing the amendments.

Staff conclusion and questions for the IASB

18. In the staff's view, paragraphs 11–17 of this paper demonstrate that the IASB has undertaken sufficient activities to satisfy the mandatory due process steps set out in the *Due Process Handbook*, as well as having considered the optional due process steps. Accordingly, if the IASB agrees with the staff view it is recommended that the IASB start the balloting process for the amendments to the Standard.
19. In accordance with paragraph 6.27 of the *Due Process Handbook*, the staff would like to ask whether any IASB member intends to dissent from the issue of the amendments.

Questions for the IASB

1. Does the IASB have any comments on the paper?
2. *Due process*—Is the IASB satisfied that all the mandatory due process steps have been met in the project (paragraphs 11–17)?
3. *Dissent*—Does any IASB member intend to dissent from the issuing the amendments to the Standard? If so, on what grounds (paragraph 19)?
4. *Re-exposure*—Does the IASB agree with the staff recommendation not to re-expose the proposals in the Exposure Draft as revised by IASB's tentative decisions (paragraphs 12–15)?
5. *Permission to begin the balloting process*—Does the IASB grant staff permission to begin the balloting process for the Amendments (paragraph 18)?

Appendix—Extracts from the IFRS Foundation's *Due Process Handbook*

A1. Paragraphs 3.46–3.48 of the *Due Process Handbook* set out the mandatory and optional due process steps.

3.46 The mandatory due process steps include:

- (a) debating any proposals at public meetings;
- (b) exposing for public comment a draft of any proposed new Standard, proposed amendment to a Standard or proposed Interpretation, with a minimum comment period;
- (c) considering in a timely manner comment letters received on the proposals;
- (d) considering whether the proposals should be re-exposed;
- (e) consulting the *Accounting Standards Advisory Forum* (ASAF), the *Sustainability Standards Advisory Forum* (SSAF) and the *IFRS Advisory Council* (Advisory Council) on the work plan, major projects, proposals to add projects to the work plan and work priorities; and
- (f) deciding in a public IASB meeting whether to ratify an Interpretation.

3.47 Other steps specified in the *Constitution* are not mandatory. These steps include:

- (a) publishing a discussion document for major projects (for example, a discussion paper) before an exposure draft is developed;

- (b) creating consultative groups or other types of specialist advisory groups for major projects;
- (c) holding public hearings; and
- (d) undertaking fieldwork.

3.48 If a board decides not to undertake any of those non-mandatory steps, it informs the DPOC of its decision and reasons for not undertaking the steps.

A2. Paragraphs 6.29–6.32 of the *Due Process Handbook* set out re-exposure criteria.

6.29 When considering whether there is a need for re-exposure, a board:

- (a) identifies substantial issues that emerged during the comment period on the exposure draft that it had not previously considered;
- (b) assesses the evidence that it has considered;
- (c) assesses whether it has sufficiently understood the issues, implications and likely effects of the new requirements and actively sought the views of interested parties; and
- (d) considers whether the various viewpoints were appropriately represented in the exposure draft and adequately discussed in the basis for conclusions on the exposure draft.

6.30 A Standard or an amendment to a Standard will inevitably include changes to the proposals in the exposure draft. However, changes to the proposals by a board before the Standard or amendment is issued do not necessarily compel the board to expose revised proposals. The board assesses whether the changes it has made after

publishing the exposure draft include any fundamental changes on which respondents have not had the opportunity to comment because they were not contemplated or discussed in the exposure draft or the basis for conclusions on the exposure draft. The board also considers whether it will learn anything new by exposing revised proposals. If the board is satisfied that the changes that it has made respond to the feedback and that it is unlikely that re-exposure would reveal any new concerns, it proceeds to finalise the proposed requirements.

- 6.31 The more extensive and fundamental the changes from the exposure draft—especially if the changes from the exposure draft would require a significant change from current practice—the more likely the need for re-exposure. However, the board weighs the cost of delaying improvements to financial reporting against the relative urgency of introducing the changes and any additional steps it has taken to consult stakeholders since the exposure draft was published. Consultative groups or targeted consultation can give the board information to inform a decision to finalise the proposed requirements without re-exposure.
- 6.32 A board decides at a public meeting whether to publish revised proposals for comment. If the board decides that re-exposure is necessary, the due process followed is the same as for the first exposure draft. However, after the first exposure of a proposed Standard, a shortened comment period might be appropriate, particularly if the board is seeking comments on only aspects of the revised proposals, while recognising that respondents might not

limit their comments to these aspects. The public comment period for such documents will normally be at least 90 days. However, the board can set a comment period of less than 90 days in accordance with paragraphs 6.8–6.9.