
SME Implementation Group meeting

Date	October 2026
Project	Consolidation Exception—Amendments to the <i>IFRS for SMEs</i> Accounting Standard
Topic	Summary of feedback on the Exposure Draft
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Purpose of this paper

1. This paper summarises the feedback from comment letters on the Exposure Draft *Consolidation Exception—Proposed amendments to the IFRS for SMEs Accounting Standard* (Exposure Draft). The Exposure Draft proposed limited scope amendments to the *IFRS for SMEs* Accounting Standard (Standard).
2. The SMEIG is asked for comments on the feedback received.

Structure of the paper

3. The paper is structured as follows:
 - (a) Project background (paragraphs 4–5);
 - (b) Terms used in analysis of feedback (paragraphs 6–9);
 - (c) Summary of feedback (paragraphs 10–30);
 - (d) Question for the SMEIG;
 - (e) Appendix—Analysis of respondents by geographical distribution and type and the number of respondents commenting on each question.

Project background

4. Early in 2026, the SMEIG received an application question on the third edition of 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.
5. 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, and the Exposure Draft was published in May 2026 with a 90-day comment period.

Terms used in the analysis of feedback

6. The IASB received 39 comment letters, and IASB members and staff participated in two conversations with users of financial statements. This paper uses the following terms to give a broad indication of the views in the comment letters:

<i>Term</i>	<i>Extent of response among respondents</i>
Almost all	all except a very small minority
Most	a large majority, with more than a few exceptions
Many	a small majority or large minority
Some	a small minority, but more than a few
A few	a very small minority

7. In determining which term to use, the staff considered not just the number of responses, but also other factors, such as whether a response reports the views of a single individual or the views of a broader group.
8. In addition, the staff assessed whether comments appeared to be concentrated in specific geographical areas or among particular types of respondents.

9. When summarising the feedback, the staff have also considered the nature of the comments and whether they are qualitatively significant irrespective of the number of respondents who shared such views.

Overall feedback

10. Almost all respondents agreed with the proposal in the Exposure Draft and expressed support for the IASB amending the Standard before the effective date of the third edition.
11. However, many of the respondents who agreed with the proposal asked the IASB to consider adding disclosure requirements for SMEs that use the proposed exception.
12. A few respondents disagreed with the proposal.
13. Analysis of respondents to the Exposure Draft by geographical distribution and type is in the appendix to this paper.

Comment letter feedback

14. The Exposure Draft asked two questions: whether respondents agreed with the proposed amendment to the Standard, and whether they agreed with the proposed effective date.

Introduction of consolidation exception

Question 1—Proposed amendments to paragraph 9.3 of the IFRS for SMEs Accounting Standard

Paragraph 9.3 of the IFRS for SMEs Accounting Standard (Standard) permits a parent not to present consolidated financial statements if its ultimate parent (or any intermediate parent) produces consolidated general purpose financial statements that comply with full IFRS Accounting Standards or the Standard.

The IASB is proposing to extend the exception from presenting consolidated financial statements. Under the proposed extension a parent need not present consolidated financial statements if its ultimate parent (or any intermediate parent) produces financial statements that comply with full IFRS Accounting Standards, in which investments in subsidiaries are measured at fair value through profit or loss in accordance with IFRS 10 Consolidated Financial Statements.

Paragraphs BC6–BC16 explain the IASB’s rationale for this proposal.

Do you agree with this proposal? Why or why not? If you disagree, please state whether you suggest the IASB consider this amendment in the next periodic review of the Standard, or not at all.

Overview of respondents’ views

15. Most respondents (36 of 39) that responded to this question supported the proposal to amend the Standard and introduce a consolidation exception similar to that in IFRS 10. However, of those that supported the proposal, almost half asked for further disclosures to compensate for the potential loss of information. These suggested disclosure requirements are discussed in paragraphs 20–23 of this paper.
16. Respondents representing a range of jurisdictions expressed an overall position but described reservations held by some of their members.
17. Of the three respondents that disagreed with the proposals, two were of the view that adding the consolidation exception would not be appropriate, and one agreed that although alignment with IFRS 10 should take place, this would be better achieved by removing the exception from IFRS 10 than by adding it to the Standard.

Comments in support of the amendments

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18. Many comments echoed the IASB's reasoning in the Basis for Conclusions on the Exposure Draft in their support for the proposals. An example of a comment that explained its support in some detail came from Grant Thornton International:

We agree with the proposed amendment to paragraph 9.3 of the IFRS for SMEs. We believe the proposed consolidation exemption is appropriate and supports the objectives of the IFRS for SMEs for several reasons.

The proposed amendment improves alignment between the IFRS for SMEs and full IFRS Accounting Standards by addressing an existing inconsistency between the two frameworks. Under the current requirements, entities operating in similar economic circumstances can arrive at different financial reporting outcomes solely because one applies IFRS for SMEs while the other applies full IFRS Accounting Standards. The amendment would promote greater consistency and comparability across the IFRS reporting framework.

The proposal is also consistent with the objectives of the IFRS for SMEs. One of the key objectives of the Standard is to reduce complexity and reporting burdens for eligible entities. Requiring an IFRS for SMEs preparer to produce consolidated financial statements in circumstances where an equivalent full IFRS preparer would qualify for an exemption appears to be inconsistent with that objective.

In addition, the amendment would reduce unnecessary compliance costs. Preparing consolidated financial statements can be both time-consuming and costly. Where another entity within the group already provides financial information that satisfies users' needs, the additional cost of preparing consolidated financial statements may outweigh any incremental benefit. Accordingly, the amendment supports the cost-benefit principle that underpins the IFRS for SMEs.

The proposed amendment would also help avoid unnecessary migration to full IFRS Accounting Standards. We are aware of practical situations in which entities have transitioned from the IFRS for SMEs to full IFRS Accounting Standards primarily to obtain consolidation relief under IFRS 10 'Consolidated Financial Statements'. By introducing a similar exemption, the proposed amendment would reduce incentives for entities to change reporting frameworks when the IFRS for SMEs would otherwise remain the most appropriate reporting basis.

We do not believe that the amendment would introduce significant complexity. The proposal extends an exemption that is already established under full IFRS Accounting Standards and is therefore expected to be straightforward for preparers to implement. Furthermore, the amendment provides relief from existing requirements rather than introducing new accounting obligations.

More broadly, the proposal provides an appropriate cost-benefit outcome. It recognises that the preparation of consolidated financial statements does not always provide sufficient additional benefit to justify the associated costs. In our view, the amendment strikes an appropriate balance between the information needs of users and the reporting burden imposed on preparers.

19. A small number of respondents commented on the question of how pervasive the issue is, in other words how often group structures exist where an SME parent is in turn controlled by an investment entity. One respondent (Omar Alberto Benítez Aníbal) wrote:

Today, it is very likely that Investment Funds frequently acquire or invest in entities that qualify as SMEs as part of their investment strategy, and this activity is growing.

For example, Funds such as Private Equity Funds could acquire a significant stake or even 100% of a company that qualifies as an SME.

Suggestions for additional disclosures

20. The respondents that suggested additional disclosures mainly described concern about loss of information to users of financial statements. As one individual expressed:

I share the concern raised in the alternative view that users of an SME's financial statements — typically lenders, suppliers, customers and employees — may have a greater need for information about the entity and its subsidiaries than fair value information reported at the level of an investment-entity parent. Information about a small subsidiary group can become diluted at the parent's reporting level, and the parent's statements may not be readily available to those local users. For this reason, I would support the amendment with one safeguard: that an SME applying the exception be required to disclose, in its separate financial statements...

21. The suggestions that recurred were to require SMEs making use of the exception to disclose:
- (a) the fact that they have chosen to use the 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.

Other suggestions from those that broadly supported the proposals

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22. A few respondents asked the IASB to consider adding to the proposed exception a requirement that the financial statements of the relevant parent company are publicly available, to reflect more closely the conditions in paragraph 4 of IFRS 10 for using the exception.
23. Others asked whether a condition could be introduced that all non-controlling shareholders be consulted and give permission for the SME to use the exception.

Reasons for disagreement

24. Respondents who did not support the proposal, or had reservations, were generally concerned with loss of information to users of financial statements, and did not accept that disclosures would compensate for this information loss.
25. One respondent described some of their reservations as follows:

The typical users of SME financial statements (lenders, suppliers, customers and employees) have informational needs that differ from those of institutional investors. These needs must be carefully balanced against the costs savings of the proposed amendment. Specifically, where the parent measures its subsidiaries at fair value through profit or loss rather than presenting line-by-line consolidated information, and separate SME financial statements are not required to be made publicly available, users may lack access to detailed information about the assets, liabilities, revenue, expenses and cash flows of the subsidiary.

26. Other concerns expressed in comment letters related to lack of comparability between SMEs, and to interpretive issues. Some respondents were concerned that there would be an additional burden on SMEs if they were required to assess whether their parent company's financial statements complied with full IFRS Accounting Standards, or whether the parent qualified as an investment company.

Feedback from outreach

27. A user of financial statements expressed a concern in conversation with IASB staff, stating that SMEs that use the exception could be unattractive to potential minority investors. These investors might not have the same access to information about the SME and its subsidiaries as its investment entity parent has, and they might prefer to invest in an entity that prepares consolidated financial statements.

Effective date and transition***Question 2—Effective date and transition***

The IASB is proposing that an entity apply the amendments to paragraph 9.3 of the Standard at the same time and on the same basis as it applies the third edition of the Standard.

Paragraph BC17 explains the IASB's rationale for this proposal.

Do you agree with this proposal? Why or why not? If you disagree, please explain what you would suggest instead and why.

Overview of responses

28. Of the 33 responses in comment letters to Question 2, 31 agreed with the proposed effective date. One respondent suggested that the IASB should consider deferring the amendment to the next periodic review, and one disagreed with the proposed effective date because of disagreement that the amendment should be made at all.
29. A representative response from those that supported the proposed date was from SOCPA, who wrote:

We agree with the proposed effective date and transition requirements.

Applying the amendment at the same time and on the same basis as the third edition of the Standard would allow eligible SMEs to consider the consolidation exception as part of their

transition to the third edition. This would avoid affected entities first implementing the revised requirements, including those relevant to consolidated financial statements, and then changing their reporting again when the exception becomes available. The approach should therefore reduce unnecessary cost and disruption. We also agree that earlier application should be permitted only together with early application of the third edition, as this maintains a clear and consistent transition framework.

30. One respondent suggested the IASB consider permitting early adoption of the amendment separately from the third edition of the Standard:

We note, however, that under Appendix A as drafted the relief can be obtained early only by an entity that applies the third edition of the Standard early in its entirety. Since the Board has identified the present outcome as an unintended consequence rather than a policy choice, and since the exception is permitted rather than required, we invite the Board to consider whether the amendment could be applied independently of the remainder of the third edition. Requiring the adoption of an entire edition of the Standard in order to access a narrow-scope relief is itself a proportionality question.

Question for the SMEIG

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1. Do SMEIG members have any comments or questions on the feedback received on the Exposure Draft?

Appendix—Analysis of respondents by geographical distribution and type

A1. The diagrams show the distribution of responses. Most responses were from those in the accounting profession and auditors.

Diagram 1—Analysis of comment letter respondents by type

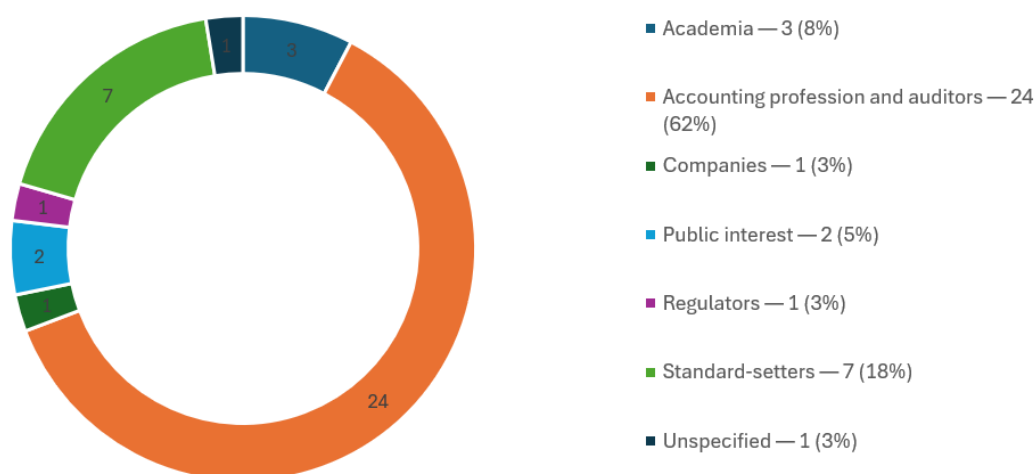


Diagram 2—Analysis of comment letter respondents by region

