Consolidation Exception

Proposed amendments to the IFRS for SMEs Accounting Standard

Exposure draft issued by the IASB in May 2026

Comments from ACCA
14 August 2026
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THINK AHEAD

GENERAL COMMENTS

ACCA welcomes the opportunity to provide views in response to the IASB's exposure draft (ED) proposing amendments to the *IFRS for SMEs* Accounting Standard (Standard). We hope that our comments, which include feedback from our Global Forum for Corporate Reporting, are a helpful contribution to this process.

Allowing eligible SMEs to be exempted from producing consolidated financial statements may reduce their reporting burden where such information is not demanded by users of their financial statements. Importantly, the criteria for eligible SMEs are specified and this exception permits but does not prohibit eligible SMEs from presenting consolidated financial statements if management determines that presenting consolidated financial statements is necessary to provide useful financial information about the SME and its subsidiaries as a group to existing and potential investors, lenders and other creditors. We believe the proposed consolidation exception is a reasonable accounting policy choice for eligible SMEs.

We also support aligning the effective dates so that SMEs may apply the proposed amendment at the same time as they apply the third edition of the Standard.

Our detailed responses to the specific questions asked are set out below. We have provided our comments on areas which we consider most important or where we have perspectives to add.

RESPONSES TO SPECIFIC QUESTIONS RAISED

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.

ACCA response

We support the proposed amendment to paragraph 9.3 of the Standard as the proposed consolidation exception is a reasonable accounting policy choice for eligible SMEs.

Importantly, the proposed exception permits but does not prohibit eligible SMEs from presenting consolidated financial statements if management determines that presenting consolidated financial statements is necessary to provide useful financial information about the SME and its subsidiaries as a group (the 'SME group') to existing and potential investors, lenders and other creditors ('users').

We are unsure about whether the proposed consolidation exception will result in significant loss of information to users of SME financial statements. This ED is extending the scope of an existing consolidation exception to more eligible SMEs rather than creating an entirely new exception. Therefore, the concern about consequential loss of information from applying the consolidation exception is not new to SMEs. Management of parents that are eligible to apply the existing consolidation exception in the extant paragraph 9.3 should already make this judgement by evaluating the significance of the SME group to its ultimate (or intermediate) parent, and thus, the prominence of the related information in the latter's consolidated financial statements. This relates to whether users will be able to obtain relevant financial information about the SME group in the consolidated financial statements of its ultimate (or intermediate) parent. Management of eligible SMEs should make similar evaluations when deciding whether to apply the consolidation exception.

We echo the IASB's observation in paragraph BC14 of this ED that the application of this exception may be limited given the existence of jurisdiction-level requirements specifying the circumstances in which SMEs are required to present consolidated financial statements. One example came to our attention; the ultimate Malaysian parent applying the Malaysian Private Entities Reporting Standard is required to produce consolidated financial statements.[1]

[1] Paragraph 9.3AA of Malaysian Private Entities Reporting Standard.

In light of paragraph BC9 of this ED and considering that the IASB has already issued this ED, we do not believe that the proposed amendment should be deferred to the next periodic review of the Standard. The proposed amendment is consistent with the *simplicity* principle that was used during the second comprehensive review of the Standard.

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.

ACCA response

We support aligning the effective dates so that SMEs may apply the amendment at the same time as they apply the third edition of the Standard. We echo the observation in paragraph BC10 of this ED that aligning the effective dates will potentially minimise disruption and ease implementation.