ICAEW
REPRESENTATION 49/26

CONSOLIDATION EXCEPTION - PROPOSED AMENDMENTS TO THE IFRS FOR SMES ACCOUNTING STANDARD

Issued 23 July 2026

ICAEW welcomes the opportunity to comment on *Consolidation Exception* - Proposed amendments to the *IFRS for SMEs Accounting Standard* published by the International Accounting Standards Board (IASB) on 12 May 2026, a copy of which is available from this link.

ICAEW strongly agrees with the proposed amendments to the IFRS for SMEs Accounting Standard to introduce a consolidation exemption for a parent whose ultimate (or intermediate) parent produces financial statements, in which subsidiaries are measured at fair value through profit or loss in accordance with IFRS 10 *Consolidated Financial Statements*.

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This response of 23 July 2026 has been prepared by the ICAEW Corporate Reporting Faculty. Recognised internationally as a leading authority on corporate reporting, the faculty, through its Financial Reporting Committee, is responsible for formulating ICAEW policy on financial and non-financial reporting issues and makes submissions to standard setters and other external bodies on behalf of ICAEW. The faculty provides an extensive range of services to its members including providing practical assistance with common corporate reporting problems.

Chartered accountants are talented, ethical and committed professionals. ICAEW represents more than 211,600 members and students around the world. 81 of the top 100 global brands employ ICAEW Chartered Accountants. 82% of FTSE 100 companies have an ICAEW member on their board. Founded in 1880, ICAEW has a long history of serving the public interest and we continue to work with governments, regulators and business leaders globally. And, as a world-leading improvement regulator, we supervise and monitor more than 11,500 firms, holding them, and all ICAEW members and students, to the highest standards of professional competency and conduct.

ANSWERS TO SPECIFIC QUESTIONS

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.

1. ICAEW strongly agrees with the proposal to introduce a consolidation exemption for a parent whose ultimate (or intermediate) parent produces financial statements, in which subsidiaries are measured at fair value through profit or loss in accordance with IFRS 10 *Consolidated Financial Statements*.
2. This amendment addresses a divergence from full IFRS Accounting Standards, where such an exemption is already available. There is a clear and obvious argument for removing this inconsistency and to ensure that SMEs are not subject to unnecessary cost burdens.

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.

3. ICAEW supports the proposal for an entity to apply the amendments at the same time and on the same basis as it applies the third edition of the Standard. Aligning the effective date with the broader package of changes should help support consistent application.
4. We also support the use of the same transition requirements as for the third edition of the Standard. In particular, the option for early adoption, subject to appropriate disclosure, is helpful and provides flexibility for entities that wish to realise the benefits of the amendment sooner.