Ernst & Young Global Limited
1 More London Place
London
SE1 2AF

Tel: +44 20 7951 2000
Fax: +44 20 7951 1345
ey.com

IFRS Foundation
Columbus Building
7 Westferry Circus
Canary Wharf
London
E14 4HD

29 July 2026

Dear IASB members

Invitation to comment – Exposure Draft: IFRS for SMEs Accounting Standard - Consolidation Exception

Ernst & Young Global Limited, the central coordinating entity of the global EY organisation, welcomes the opportunity to offer its views on the International Accounting Standards Board's (IASB or the Board) *IFRS for SMEs* Accounting Standard Exposure Draft - Consolidation Exception (the ED).

We agree with the proposed amendment to extend the consolidation exemption available to SMEs to be similar to the exemption available in paragraph 4(a) of IFRS 10 *Consolidated Financial Statements*.

While the amendment may impact only a small number of entities, it is necessary, as the *IFRS for SMEs* Accounting Standard should offer at least the same, if not more simplified, accounting options to SMEs and should not be more onerous than the application of full IFRS. The proposed amendment to Section 9 of the *IFRS for SMEs* Accounting Standard resolves an outcome which would result in more onerous accounting than under full IFRS.

A summary of our response to the questions are set out in the Appendix to this letter. Should you wish to discuss the contents of this letter with us, please contact Michiel van der Lof at the above address, or on +44 (0) 20 7951 3152.

Yours faithfully

Ernst & Young Global Limited

Appendix – Detailed responses 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.

We agree with the proposal to extend the consolidation exemption available to SMEs to align more closely with the exemption available to entities applying full IFRS. As noted in BC3, the difference in outcome between applying the IFRS 10 consolidation exemption and the Section 9 exemption, as currently worded, would result in an outcome whereby the *IFRS for SMEs* Accounting Standard is more onerous than full IFRS Accounting Standards (that is, certain entities applying full IFRS would qualify for the consolidation exemption under IFRS 10, but the same entity, if applying *IFRS for SMEs*, would not qualify for the exemption under Section 9).

Despite the definition of 'Investment entity' not being included in the Standard, we still believe that it is appropriate to extend the exemption since the investment entity status is considered at the ultimate (or intermediate) parent level, and the entity is required to apply full IFRS in which the definition is included.

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.

We agree with the Board's proposal that the amendments should be effective at the same time and on the same basis as the third edition of the Standard, applying the general requirement of paragraph A2 of Appendix A, which would mean retrospective application of the amendment.