Epicsense Insights
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Audit exemption for groups

Does goodwill count towards total assets? The small group test



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A client asked us a question recently that many growing groups run into. When a group assesses whether it is small enough to be exempt from audit, should goodwill from buying a subsidiary be left out of total assets? And if that goodwill has been impaired, which figure should be used? The short answer is that goodwill counts, and it counts at its carrying amount after impairment.

01

The small group test in brief

Under section 205C and the Thirteenth Schedule of the Companies Act 1967, a private company is exempt from audit if it is a small company. A company qualifies if it meets at least two of these three criteria for the immediate past two consecutive financial years:

- total annual revenue of not more than S$10 million;
- total assets of not more than S$10 million; and
- not more than 50 employees.

In plain terms

A company that belongs to a group can only skip the audit if the whole group is small, not just the company itself.

If the company belongs to a group, passing the test on its own is not enough. The whole group must also be a small group, which means the group must meet at least two of the same three criteria on a consolidated basis. Foreign members of the group are included.

The small company and small group criteria

Criterion	Limit	Applied to a group
Total annual revenue	Not more than S$10 million	Consolidated revenue of the whole group
Total assets	Not more than S$10 million	Consolidated total assets of the whole group
Number of employees	Not more than 50	All employees of the group, including overseas members

At least two of the three criteria must be met for each of the immediate past two consecutive financial years.

02

Goodwill is part of the group's total assets



In plain terms

If goodwill is on the group balance sheet, it is part of total assets for this test.

When the parent prepares consolidated financial statements, the group's total assets are taken from the consolidated statement of financial position, prepared under the applicable accounting standards. Goodwill arising on the acquisition of a subsidiary is recognised as an asset in that statement under FRS 103 Business Combinations. The Companies Act does not provide any carve-out for goodwill or for other intangible assets.

Goodwill therefore cannot be left out of the total assets figure, even though it is not a physical asset and cannot be sold separately. Leaving it out would understate total assets and could result in a group claiming an exemption it is not entitled to.

Where the parent does not prepare consolidated financial statements, the group's total assets are found by adding up the total assets of each member of the group. In that case there is no goodwill line as such, but the parent's investment in the subsidiary, usually carried at cost, is included in the total instead.

03

Use the net figure after impairment

FRS 36 Impairment of Assets requires goodwill to be tested for impairment at least once a year. When the recoverable amount of the cash-generating unit is lower than its carrying amount, an impairment loss is recognised and goodwill is written down.

The total assets threshold is assessed on the figures in the financial statements at the end of the financial year. Those figures already reflect the impairment, so the test is based on the net carrying amount of goodwill after impairment.

In plain terms

The test uses the year-end balance sheet, so an impairment that has been properly recognised reduces total assets.

An impairment loss on goodwill can never be reversed in a later year (FRS 36 paragraph 124).

04

A simple illustration

A group has consolidated total assets of S$10.6 million at year end, including goodwill of S$1.2 million. Its impairment test shows that the acquired business is worth less than expected, and an impairment loss of S$0.8 million is recognised.

S$ million	Before impairment	After impairment
Goodwill	1.2	0.4
Other assets	9.4	9.4
Consolidated total assets	**10.6**	**9.8**
Within the S$10 million threshold?	**No**	**Yes**

For that year, the group meets the total assets criterion, based on S$9.8 million. It would not have been correct to reach the same answer by simply leaving out the S$1.2 million of goodwill.

05

Points to watch

The impairment must be genuine

It has to be supported by a proper impairment assessment under FRS 36, with reasonable cash flow forecasts and discount rates. An impairment recorded mainly to bring the group below the threshold is unlikely to stand up to review, and the directors remain responsible for the financial statements.

Look at both years

The criteria are applied to the immediate past two consecutive financial years, so one year below the threshold may not be enough on its own.

Revenue and employees still matter

A group only needs to meet two of the three criteria. A group that is well within the revenue and employee limits may qualify whatever the goodwill figure.

The thresholds may change

ACRA began a review of the audit exemption framework in 2026, including higher revenue and total assets thresholds. Please check the current position with ACRA before relying on the S$10 million figures.

Sources. Companies Act 1967, section 205C and the Thirteenth Schedule. ACRA: Audit exemptions, small company concept; Reducing compliance costs for small companies: review of the audit exemption framework (February 2026). FRS 103 Business Combinations and FRS 36 Impairment of Assets.

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Not sure if you qualify?

Whether or not you are an existing client, we would be glad to help you assess whether your company or group qualifies for audit exemption, or to review a goodwill impairment assessment. Please contact any of our audit partners and directors.



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