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INSIGHTS

ACCOUNTING & TECHNOLOGY

IFRS 10 consolidation in Cambodia: control, NCI and eliminations

How CIFRS IFRS 10 and CIFRS for SMEs Section 9 define control, consolidate subsidiaries, measure non-controlling interests and eliminate intragroup balances — and what the Cambodian group audit and tax filings need.



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WHEN MUST A CAMBODIAN GROUP CONSOLIDATE UNDER IFRS 10, AND HOW DOES CIFRS FOR SMES SECTION 9 DIFFER?

Under CIFRS (IFRS 10 Consolidated Financial Statements) a parent consolidates every investee it controls, where control requires power over the investee, exposure or rights to variable returns and the ability to use that power to affect those returns; consolidation combines the parent and subsidiaries line by line, eliminates intragroup balances and transactions, and presents non-controlling interests separately in equity and profit or loss. CIFRS for SMEs Section 9 applies the same control principle with simpler consolidation and disclosure requirements. In Cambodia, the ACAR filing is made by the reporting entity, while a consolidated group is usually an additional set for the parent, lender or investor; the group audit under ISA 600 and the tax filings of each Cambodian entity are separate exercises.

IN SHORT

- Control is power plus variable returns plus the link between them; ownership above 50% is common but not the only test.
- Consolidation is line-by-line: combine like items, apply uniform policies, eliminate intragroup balances, transactions and profits, and present NCI separately.
- A change in ownership without loss of control is an equity transaction; a loss of control triggers deconsolidation, remeasurement and a gain or loss.
- CIFRS for SMEs Section 9 uses the same control principle with simpler procedures and disclosures.
- In Cambodia, the ACAR filing is entity-level and the tax returns are prepared entity by entity; the consolidated group is an additional accounting set, not a tax consolidation.

Control: power, returns and the link

IFRS 10 defines control as the power to direct the relevant activities of an investee, exposure or rights to variable returns from the investment, and the ability to use the power to affect those returns. All three elements must be present. A shareholder with more than half the voting rights usually has power, but a 45% holder can control if the remaining shares are widely dispersed and the holder can direct the relevant activities. A 60% holder can fail the control test if a shareholder agreement or a regulator gives another party the decisive rights.

Relevant activities are the activities that significantly affect the investee's returns: selling goods, managing assets, selecting management, approving budgets or deciding the capital structure. Potential voting rights, such as options or convertible instruments that are currently exercisable, are considered in the assessment. A structured entity with little equity may be controlled through contractual arrangements rather than votes.

The principal-versus-agent assessment matters for fund managers, trustees and shared-service entities. A decision-maker that acts primarily for the benefit of another party is an agent, not a principal, and does not control the investee. The assessment considers the decision-maker's rights, the rights held by others, the remuneration and the exposure to variable returns.

THE THREE ELEMENTS OF CONTROL UNDER IFRS 10

Element	Question	Evidence
Power	Who directs the relevant activities?	Voting rights, shareholders' agreement, board control, contractual rights
Returns	Is the investor exposed to variable returns?	Dividends, fees, residual interests, guarantees, tax benefits
Link	Can the investor use the power to affect the returns?	Decision rights, removal rights, principal-versus-agent analysis

What consolidation actually does

Consolidation combines the parent and its subsidiaries as a single economic entity. The parent's and subsidiaries' assets, liabilities, income and expenses are combined line by line, and intragroup balances, transactions, income and expenses are eliminated in full. Intragroup profits in inventory or assets still held by the group are eliminated; a loss is eliminated only to the extent it is not an impairment.

Uniform accounting policies are applied across the group. If a subsidiary uses a different policy, its financial statements are adjusted before consolidation. The consolidation process also eliminates the parent's investment in each subsidiary against the parent's share of the subsidiary's equity, recognises goodwill or a bargain purchase under IFRS 3, and presents non-controlling interests separately in equity and in profit or loss.

The consolidation is not a spreadsheet addition. It needs a group reporting pack, a chart of accounts mapped to the group, intercompany reconciliations, uniform policies and a consolidation journal. The group auditor tests the consolidation process, not only the individual entities, under ISA 600.

Control is not the same as ownership

A 50% shareholder does not automatically control, and a 45% shareholder can. Read the shareholders' agreement, the board composition and the decision rights before deciding the consolidation population.

Loss of control and changes in ownership

When a parent loses control of a subsidiary, it derecognises the subsidiary's assets and liabilities, the carrying amount of any non-controlling interest and the parent's investment. It recognises any consideration received, any retained investment at fair value, and any gain or loss in profit or loss. The retained interest is then accounted for under the relevant standard, such as IFRS 9, IAS 28 or IFRS 11.

A change in ownership that does not lose control is an equity transaction. The parent adjusts the carrying amount of the non-controlling interest and the parent's equity; no gain or loss is recognised in profit or loss. A share buy-back from a minority shareholder, or a sale of shares that leaves the parent in control, is not a disposal for accounting purposes.

A subsidiary that is acquired and held for sale within one year may be excluded from consolidation under the SME standard; under full IFRS, IFRS 5 governs the presentation of a subsidiary held for sale. The classification and the consolidation conclusion should be documented before the group reporting pack is closed.

CIFRS for SMEs Section 9

CIFRS for SMEs Section 9 Consolidated and Separate Financial Statements requires a parent to present consolidated financial statements when it controls one or more subsidiaries, with limited exceptions. The consolidation procedures are the same in substance: combine like items, eliminate intragroup balances and transactions, apply uniform policies and present non-controlling interests separately. The disclosure set is lighter than full IFRS 10.

The 2025 edition of the IFRS for SMEs standard includes a narrow exception for a subsidiary acquired and held with the intention of selling it within one year, and specific separate-financial-statement requirements. The National Accounting Council's adoption determines the edition in Cambodia; confirm the edition with the auditor before relying on a paragraph number.

Cambodian group audit and tax

The ACAR filing is made by the Cambodian reporting entity. A consolidated group is usually an additional set prepared for the parent, a lender or an investor; whether the parent must file consolidated statements depends on its own framework and the filing requirement, so confirm the position for the specific structure. The audited statutory statements of each Cambodian entity and the consolidated group set should reconcile.

The group audit under ISA 600 identifies the significant components, sets component materiality and directs the component auditors. The group auditor evaluates the component work, the consolidation process and the group-level adjustments. A component auditor that audits to a different framework or a different materiality can change the group conclusion if the instructions are not clear.

The accounting consolidation is not a tax consolidation. Each Cambodian entity prepares its own Tax on Income return on its own legal entity; the consolidated accounts are an accounting document, and any group relief or intercompany pricing position must be supported separately. Transfer pricing, related-party disclosures and withholding tax on intragroup payments are separate questions.

01 Map the legal ownership, the shareholders' agreement and the board control for each entity.

02 Decide the consolidation population and document the control conclusion.

03 Align accounting policies and the group chart of accounts.

04 Reconcile intercompany balances and eliminate intragroup profits.

05 Prepare the group reporting pack and the consolidation journals.

06 Instruct component auditors under ISA 600 and review their work.

07 Reconcile the consolidated set to each entity's audited statutory accounts and tax returns.

Key facts

How this article is checked

Figures were verified against the sources listed below in November 2026 and are re-checked each January or when the rule changes. Written by Liv Bonito, Co-founder & Managing Director. General information, not advice on your situation: for that, talk to a partner.

QUESTIONS

Questions people ask

Is a 50/50 joint venture consolidated?

No. A 50/50 arrangement with joint control is a joint arrangement under IFRS 11, not a subsidiary under IFRS 10. The accounting depends on whether it is a joint operation or a joint venture. A 50/50 arrangement without joint control can still be a subsidiary if one party controls the relevant activities.

Can a 45% shareholder consolidate?

Yes, if it has power over the relevant activities, exposure to variable returns and the ability to use the power to affect those returns. Widely dispersed remaining shares, a shareholders' agreement or board control can give a 45% holder control. The assessment is facts-based, not a fixed percentage.

How are non-controlling interests measured?

Under IFRS 3, NCI is measured at fair value or at its proportionate share of the acquiree's identifiable net assets, transaction by transaction. After acquisition, NCI is adjusted for its share of profit or loss, OCI and other equity movements, and for changes in ownership that do not lose control.

Does Cambodia allow a group tax consolidation?

The Cambodian tax returns are prepared by each legal entity, and the accounting consolidation does not merge them into one tax return. Any group relief, intercompany pricing or withholding position should be confirmed with the GDT for the specific structure.

SOURCES

Where the rules come from

01 IFRS 10 Consolidated Financial Statements (https://www.ifrs.org/issued-standards/list-of-standards/ifrs-10-consolidated-financial-statements/) — IFRS Foundation

02 IFRS for SMEs Accounting Standard, Section 9 Consolidated and Separate Financial Statements (https://www.ifrs.org/issued-standards/ifrs-for-smes/) — IFRS Foundation

03 IFRS 3 Business Combinations and ISA 600 Group Audits — IFRS Foundation / KICPAA

04 Law on Accounting and Auditing (Royal Kram NS/RKM/0416/006, 11 April 2016) and ACAR filing requirements (https://www.acar.gov.kh) — Kingdom of Cambodia / Accounting and Auditing Regulator

05 Law on Taxation (Royal Kram NS/RKM/0523/004, 16 May 2023) (https://www.tax.gov.kh) — Kingdom of Cambodia / General Department of Taxation