Small Company Audit Exemption: Run the Two-Year Test

Description

A company qualifies only if it is private and meets at least two of three size criteria for the immediate past two consecutive financial years: revenue at or below S$10 million, assets at or below S$10 million and 50 or fewer employees. Groups need a separate consolidated test.

ACRA audit exemption guide: ACRA sets the private-company gate, S$10 million revenue and asset thresholds, 50-employee test and two-year rules. ACRA framework review: ACRAâ??s framework review confirms that the current test remains in force and that financial statements and records are still required.

Run the private-company gate

Situation	What to do
New company in first or second year	Apply ACRAâ??s current-year treatment for newly incorporated companies
Established standalone private company	Test the immediate past two financial years
Company belongs to a group	Run both company and consolidated group tests
Exempt from audit	Still prepare financial statements and keep proper records

Put two financial years side by side

Draw a two-year grid. Place revenue, total assets and full-time employees in columns for each relevant financial year. Mark pass or fail for each criterion.

Test private status first. The numerical test cannot rescue a company that is not a private company in the relevant year. Record the status evidence.

Test the group as well as the company

Do not stop at the subsidiary. For a group member, use consolidated group revenue and assets plus the groupâ??s employee count. Foreign entities are part of that analysis.

Do not confuse audit and filing relief

Distinguish entry and exit rules. Newly incorporated companies use specific current-year treatment. A company that already qualified remains qualified until the stated loss conditions occur.

Keep obligations after exemption. Audit exemption does not eliminate accounting records, prescribed financial statements, filing duties or a shareholderâ??s statutory rights.

Worked two-of-three example

A private company records revenue of S$9.2 million, assets of S$11 million and 42 employees in each of the two test years. It passes revenue and employee criteria, so it meets two of three at company level. If it belongs to a larger group, the group test can still change the conclusion.

Evidence for the conclusion

- Confirm private-company status
- Identify the correct two years
- Record revenue and assets from compliant statements
- Record year-end full-time employees
- Run the group test
- Document the conclusion
- Continue records and filing work

Where small company audit exemption Singapore files fail

- Testing only the latest year
- Using monthly headcount averages without checking the rule
- Ignoring foreign group entities
- Confusing audit exemption with filing exemption
- Relying on a proposed framework change

Director questions

Can a company with corporate shareholders qualify?

ACRA says yes if the small-company conditions are met.

What are the three thresholds?

S$10 million revenue, S$10 million assets and 50 employees.

Does exemption remove financial statements?

No. ACRA says companies must still prepare them as required.

Document both the company and group conclusions

Build a two-column grid for the two immediately preceding financial years and enter annual revenue, total assets and year-end full-time employees from the appropriate records. Mark each threshold pass or fail, then state whether at least two of the three criteria are met in both years. Keep the private-company status test above the numbers because it is a separate gateway.

For a subsidiary, repeat the grid at consolidated group level and include foreign entities where the accounting group requires them. Do not substitute the subsidiaryâ??s own figures or omit a parent merely because the Singapore company does not file consolidated statements itself. The company-level pass and the group-level pass should appear as two separate conclusions.

An audit-exemption conclusion should name the financial year being assessed, the source statements, the headcount date and any judgment about group membership. It should also say what the conclusion does not remove: proper accounting records, required financial statements and filing obligations continue. That distinction prevents â??audit exemptâ?• from becoming an inaccurate shorthand for â??no financial reporting workâ?•.

Minute the conclusion with the board or responsible finance team and set a review trigger for a change in ownership, group structure, revenue, assets or employee count. The exemption is not a permanent company attribute. A documented annual reassessment makes it less likely that a growing group will continue relying on an old two-year grid after the underlying facts have moved.

Employee count should come from the ruleâ??s specified year-end full-time measure, not an informal average copied from payroll dashboards. Record the count date and treatment of people whose status may be unclear. Revenue and total assets should likewise trace to financial statements prepared under the applicable standards. Using consistent definitions across both years matters as much as putting the numbers below the thresholds.

A proposed reform or consultation is not the rule for the financial year until it takes legal effect. Note any live review separately from the conclusion under the current framework. Directors can then monitor change without treating an announcement as permission to skip an audit, and can brief auditors or corporate-service providers using a documented current-law analysis rather than a headline.

A lender, shareholder or constitution may require an audit even where the statutory small-company exemption is available. Add those contractual and governance requirements to the conclusion. The legal exemption answers whether the Companies Act requires the audit; it does not automatically release the company from promises made to financing parties or from an audit chosen for assurance.

Related reading: The wider sequence continues at Annual return deadlines after the financial year; readers facing the other issue can use How XBRL filing fits the reporting process.

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