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Subject: Comments on Exposure draft on Guidance Note on Financial Statements of Limited Liability Partnerships

1) I welcome the opportunity provided for sending comments on Exposure draft on Guidance Note on Financial Statements of Limited Liability Partnerships

2) My view

<b>Relevant extract of the Draft Guidance note</b>	<b>My views</b>
<p>Applicability of accounting standards</p> <p>Accounting Standards apply in respect of any entity engaged in commercial, industrial or business activities. Exclusion of an entity from the applicability of the Accounting Standards is permissible only if no part of the activity of such entity is commercial, industrial or business in nature. Even if where a very small proportion of the activities of an entity were considered to be commercial, industrial or business in nature, the Accounting Standards would apply to all its activities including those, which are not commercial, industrial or business in nature.</p>	<p>It would be appropriate if commercial, industrial or business activities are defined</p> <p>Also, what does very small proportion means, proportion to what is not clear</p> <p>Also, proportion quantification looks contradiction to wordings given for exclusion where it says "no part of the activity of such entity is commercial, industrial or business in nature"</p>
<p>Compliance with the accounting standards</p> <p>"6.1 The Accounting Standards will be mandatory from the respective date(s) mentioned in the Accounting Standard(s). The mandatory status of an Accounting Standard implies that while discharging their attest functions, it will be the duty of the members of the Institute to examine whether the Accounting Standard is complied with in the presentation of financial statements covered by their audit. In the event of any deviation from the Accounting Standard, it will be their duty to make adequate disclosures in their audit reports so that the users of financial statements may be aware of such deviation.</p>	<p>It only talks about examination and also only about presentation</p> <p>The Accounting Standards will be mandatory from the respective date(s) mentioned in the Accounting Standard(s). The mandatory status of an Accounting Standard implies that while discharging their attest functions, it will be the duty of the members of the Institute to <del>examine</del><b>ensure</b> whether the Accounting Standards <del>is</del> <b>are</b> complied with in the presentation of financial statements, <b>recognition &amp; measurement of transactions recorded/disclosed</b> in the financial statements covered by their audit. In the event of any deviation from the Accounting Standard, it will be their duty to make adequate disclosures in their audit reports so that the users of financial statements may be aware of such deviation. <b>Also, it will be their duty to quantify the impact in the financial position, financial performance and cash flow of that entity for the relevant period &amp; in future as well if any impact which will be there in future period.</b></p>

	<p>Mandatory status of accounting standards should require management who are preparing the financial statement to ensure compliances with the relevant accounting standards and notes to be given for deviation if any with the impact in the financial position, financial performance and cash flow of that entity for the relevant period &amp; in future as well if any impact which will be there in future period.</p>
<p>Chapter VI</p> <p>Para 4</p> <p>Depending upon the Total Income of the Non-Corporate entity, the figures appearing in the Financial Statements may be rounded off as given</p>	<p>Agreed</p>
<p>Chapter VI</p> <p>Para 6</p> <p>For the purpose of this format, the terms used herein shall be as per the applicable Accounting Standards. Note: —</p> <p>This part recommends the minimum requirements for disclosure on the face of the Balance Sheet, and the Statement of Profit and Loss (hereinafter referred to as “Financial Statements” for the purpose of the Format) and Notes. Line items, sub-line items and sub-totals shall be presented as an addition or substitution on the face of the Financial Statements when such presentation is relevant to an understanding of the Limited Liability Partnership’s financial position or performance or to cater to industry/sector-specific disclosure requirements or when required for compliance with the amendments to the LLP Act or under the Accounting Standards.</p>	<p>Agreed</p> <p>Once guidance note becomes effective presentation as per guidance note <b>should be</b> minimum <b>complied</b> along with additional requirements when such presentation is relevant to an understanding of the non-corporate entity’s financial position or performance or to cater to industry/sector-specific disclosure requirements or when required for compliance with the amendments to the to the LLP Act or under the Accounting Standards.</p>
<p>Effective Date</p> <p>This Guidance Note shall be effective immediately from the date of its issuance. The Technical Guide on Financial Statements of Non-Corporate Entities shall be superseded by this Guidance Note.</p>	<p>Request for effective implementation from the beginning of a particular financial year</p> <p>Also, clarity is required whether non corporate entity can follow financial year different from April to March</p>
<p>In June 2022, the Accounting Standards Board of ICAI has issued the Technical Guide on Financial Statements of Non-corporate Entities to deal with applicability of Accounting Standards to the non-corporate entities and recommending formats of the financial statements for the non-corporate entities.</p>	<p>Clarity is required whether format as per this Guidance note is mandatory or recommendatory</p> <p>If silent I presume it is recommendatory as this is only guidance note and I presume this will be recommendatory as ICAI cannot directly mandate entities through guidance note unlike accounting standards. This will lead to conflict between management &amp; auditors and audit reports might get modified which will have impact on borrowings etc.,</p>

	<p>“Guidance Notes are primarily designed to provide guidance to members on matters which may arise in the course of their professional work and on which they may desire assistance in resolving issues which may pose difficulty. Guidance Notes are recommendatory in nature. A member should ordinarily follow recommendations in a Guidance Note relating to an auditing matter except where he is satisfied that in the circumstances of the case, it may not be necessary to do so. Similarly, while discharging his attest function, a member should examine whether the recommendations in a Guidance Note relating to an accounting matter have been followed or not. If the same have not been followed, the members should consider, keeping in view the circumstances of the case, a disclosure in his report necessary.”</p>
Partners current and capital account	<p>Reconciliation of movement from opening to be closing should be given separately for current and capital account</p> <p>Also retained earnings should be tracked separately, withdrawal should be disclosed like an appropriate from retained earnings to track clearly how partners have used the fund as liability is limited in LLP</p> <p>Also if losses are incurred more than current and capital account balances, detailed note on revival plan to be given including basis of preparation like companies as liability is limited like Companies</p>

I concur that views stated above are my individual opinion and not of any organization where I am working or not of any committee or organization I am connected with.

Regards

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