

Comments for Exposure Draft of Accounting Standards for Limited Liability Partnerships

VII. Criteria for classification of Limited Liability Partnerships

Comment 1

The criteria specifies *All LLPs engaged in commercial, industrial or business activities*

As per Section 11(1) of the Limited Liability Partnership Act, 2008, for a limited liability partnership to be incorporated,- (a) two or more persons associated for **carrying on a lawful business** with a view to profit shall subscribe their names to an incorporation document;

Since the LLP Act permits incorporation of LLP only with the object of carrying on lawful business, it is not required to specify about LLPs engaged in commercial, industrial or business activities, unlike companies where Section 8 companies are there. Hence the classification criteria can be simply mentioned as All LLPs....

Comment 2

Turnover and Borrowings have been considered for determining the criteria for classification of LLPs in different levels.

Criteria of capital contribution can also be provided in deciding the classification.

Many times partners are providing contributions through current account also. Whether that will be considered as capital or borrowings needs to be clarified.

Note 2(D)

AS 21 Consolidated Financial Statements, AS 23 Accounting for Investments in Associates in Consolidated Financial Statements, AS 27 Financial Reporting of Interests in Joint Ventures (to the extent of requirements relating to Consolidated Financial Statements) and AS 25 Interim Financial Reporting do not require a Limited Liability Partnership to present consolidated financial statements and interim financial report, respectively. Relevant AS is applicable only if a Limited Liability Partnership is required or elects to prepare and present consolidated financial statements or interim financial report.

Comment 3

No provision in the LLP Act to consolidate the financial statements of LLPs. If any company has LLP as a subsidiary or associate, it needs to consolidate the financial statements as per the provisions of Companies Act, 2013 read with relevant accounting standards.

However there is no such provision in the LLP Act, 2008 to consolidate the financial statements of the LLP where it has a Company or LLP as a subsidiary or associate.

So AS-21 or 23 should not be applicable to LLPs