

COMMENTS/SUGGESTION FOR ACCOUNTING STANDARDS FOR LLPs

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To:Comments ASB - ICAI <commentsasb@icai.in>

Dear Sir/Ma'am,

Greetings of the day!!

Hope you and your family doing well

It's my pleasure to share my suggestion with you on the Accounting standards applicable to the LLPs:

1. Firstly I would like to recommend my views on the AS-29 (Provisions, Contingent assets and Contingent Liabilities) to be applicable on the LLPs that A provision represents Funds set aside for future expenses or other losses such as provision for Doubtful Debts, Provision for Expenses;

So, it says funds aside for future expenses that means unbilled expenses at the end of Financial year (expenses for which invoices have not been raised till 31st March) such as Tax audit fees as it is conducted in the month of september for the past financial year but it is expense for the past financial year and invoice is issued after provision of service as per CGST Act which may result into misunderstandings of liability to the stakeholders of the financial statements; I understand how? Expense is booked on the provision basis as a matter of prudence in past financial year and shown under the head other provisions in the liability head, stakeholder may understood it as that it is a provision not a real liability to be on organisation while it is an actual expense that is to be paid on predetermined basis, we can say unavoidable liability. So, I recommend to the Institute that provision for expenses should be made on the expenses which are not predetermined or we can say the expenses for which agreement is not done between organisation and party; which can be changed and those expenses which are predetermined and which are fixed; can not vary after agreement will be shown under other payables and later transferred to trade payables once invoice has been issued by party to be shown according to its ageing.

2. Secondly, I would like to recommend on Basis of Accounting, it should be on accrual basis as Cash basis of accounting could lead to manipulation in financial statements; it could mislead operating results by recording revenue and expenses on cash basis; can results in overstatement and understatement of Financial Statement items and if organization's nature of business is trading in goods then there can be reconciliation error in GST liabilities which can increase complexities in Indirect taxation for an organisation.

Thankyou for giving us an opportunity to comment and give recommendations on this insightful topic.

Warm Regards,

CA. Rishabh Jain

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