

## **Comments on Exposure Draft on Accounting Standards for Limited Liability Partnerships (LLPs)**

### **A. General comments:**

#### **1. Applicability and Classification of LLPs**

**Observation:** The classification of Small and Medium-sized LLPs (SMLLPs) based on turnover (₹250 crore) and borrowings (₹50 crore) appears reasonable. However, a system of periodic reviews should be mandated to incorporate economic changes.

**Suggestion:** In the Text of “**Accounting Standards for Limited Liability Partnerships**”, **ASB may** introduce a suitable review mechanism , say every 3 years to reassess these classification limits based on the latest legal and regulatory guidance

2. A detailed Disclosure Checklist for applicable Standards for LLP s may be included in the Appendix to the body of Standards
3. **QRH : Quick Referencer Handbook on AS for LLP :** For ease of Members and practitioners, a Quick Reference Handbook ( QRH) may be appended within the Standards

#### **B. 1. Chart of Differences between Company-specific AS and LLP AS ( for better clarity and ease of use by Practising Members )**

**Suggestion:** ASB may kindly include a comparative summary of differences between LLP Accounting Standards and Company-specific AS

**2. Illustrative Formats of Financial Statements** for LLP s may be included for ready reference of Practitioners ( excel file, for example) in Appendix to the Standards

#### **C. Removing exemption on Cash Flow Statement ( AS 3) and introducing a simplified Statement of Cash Flow to enhance transparency and introducing a trail of cash flows**

**Observation:** As per the ED , SMLLPs are exempt from preparing Cash Flow Statements (AS 3), reducing compliance burden. The ED , however , mentions that SMLLP s are encouraged to follow AS 3

**Suggestion:** Instead of granting an outright full exemption, ASB may consider requiring SMLLP s to comply with a simplified cash Flow statement , including basic line items , maybe, using the direct method only, which is simpler to comprehend.

#### **D. Valuation of Inventories (AS 2)**

**Suggestion:** ASB may please include detailed guidance on the following for better clarity :

- 1. inventory obsolescence, including illustrations and practical examples of the accounting treatment.

- 2. treatment of write-downs arising due to market dynamics , economic volatility, technological advancements or regulatory changes and establish a general framework for dealing with such exceptional inventory valuation cases.

#### **E. Revenue Recognition (AS 9)**

- 1. ASB is requested to incorporate technical guidance on revenue recognition for bundled products and services, explaining, through illustrations, allocation principles and timing of recognition. Such Accounting treatment is included in Ind AS 115
- 2. In respect of various Start-ups and their business models, particularly in case of the evolving nature of digital businesses, the Standards may throw light on the accounting treatment in case of subscription-based revenue models (e.g., SaaS, digital content etc ), and through suitable illustrations, provide explicit criteria for revenue recognition in such cases.

#### **F. Segment Reporting (AS 17)**

- The existing ED may incorporate disclosure requirements to include segment-wise liabilities in addition to segment revenue, results, and assets. This is expected to enhance financial clarity and uniformity thus raising the bar regarding transparency of financial reporting for LLPs which are operating in multiple business reportable segments.

#### **G. Page 12 , para 6**

Text as appearing = as to partners dividend

Suggested text = as to partners' dividend

#### **H. Page 48 para 10**

Text as appearing = Such Companies entities are however encouraged...

Suggested text = Such entities, however, are encouraged...

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