



**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA**  
(Set up by an Act of Parliament)

**Western India Regional Council**

WIRC/ICAI/ 11036 /2025

28 February 2025

The Secretariat  
Accounting Standards Board  
The Institute of Chartered Accountants of India  
ICAI Bhawan, P.B. No.7100, Indraprastha Marg,  
New Delhi- 110 002, India.

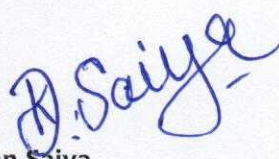
Dear Sir/Madam,

**Sub.: Exposure Draft of Accounting Standards for Limited Liability Partnerships**

Please find attached comments of Exposure Draft on Accounting Standards for Limited Liability Partnerships issued by the ASB for comments.

Kindly confirm receipt of the same.

Regards,

  
CA. Ketan Saiya  
Chairman - WIRC of ICAI







**Suggestions / Comments on Exposure Draft of Accounting Standards for Limited Liability Partnerships, for your consideration:**

**1. Comments on Accounting Standards**

**a. AS 1 (Disclosure of Accounting Policies) & Accrual Accounting**

- The LLP Act allows LLPs to maintain books on a cash basis, but AS 1 mandates accrual accounting.
- LLPs that follow cash-based accounting will face challenges in applying revenue recognition, expense matching, and liability accounting as required under AS.
- LLPs following cash basis accounting would not recognize accounts receivable, accounts payable, or provisions, making many of the standards irrelevant or difficult to apply.
- If most of the Accounting Standards become inapplicable, the intended benefits of financial reporting would be lost, such as, comparability issues.

**Recommendation:**

- If cash basis accounting is permitted, additional guidance should clarify how accounting standards apply to such cases, including disclosure requirements.
- A separate simplified framework should be introduced for LLPs following cash basis accounting to ensure practical applicability.

**b. AS 15 (Employee Benefits) – Complexity in Actuary Valuation**

- Alternative rational method allowed under AS 15 without guidance may lead to difference accounting practice.

**Recommendation:**

- Guidance should be provided to LLPs on applying the alternative rational method allowed under AS 15. Clarification may be issued to confirm that smaller LLPs do not need full actuarial valuations and can rely on reasonable estimations.

**c. AS 18 (Related Party Disclosures) – Relevance for LLPs**

- LLPs are often closely held by a few partners, making detailed related party disclosures unnecessary in many cases. Requiring extensive RPT disclosures for closely held LLPs may not provide additional value, as the partners are already aware of such transactions.
- Unlike companies, LLPs do not have complex shareholding structures that require extensive disclosure.
- The definition of related parties under AS 18 is framed from a company's perspective, considering concepts such as shareholders, directors, key managerial personnel (KMP), subsidiaries, associates, and holding companies. However, LLPs operate with a different governance and ownership structure, making the direct application of AS 18 definitions impractical without modification.





Recommendation:

- Modify definitions in AS 18 to explicitly address LLP governance structures (e.g., using "designated partners" instead of "board of directors").
  - Provide guidance on control and significant influence for LLPs based on the LLP Act, e.g., designation partners, decision making power and management influence rather than just ownership percentage.
- d. The Exposure Draft of Accounting Standards for LLPs lacks clarity and does not provide adequate guidance on:**
- When and how LLPs should apply AS 21 (CFS), AS 23 (Associates), AS 27 (Joint Ventures), and AS 25 (Interim Reporting)
  - How definitions in these standards should be framed for LLPs, considering LLPs do not have traditional parent-subsidiary shareholding structures like companies.
  - Whether LLPs within group structures, investment LLPs, or those having significant influence over other entities should apply these standards.

Recommendation:

- Given the practical difficulties in aligning these standards with LLP structures, the exposure draft should provide specific guidance on their application.
- e. AS 14 Accounting for Amalgamations**
- The LLPs may have different accounting practices and capital structures, making it difficult to maintain uniformity.
  - LLP Act, 2008 does not provide specific guidance on accounting for amalgamations. Provide guidance.
  - LLPs do not always maintain reserves separately, creating challenges in carrying them forward post-amalgamation.

Recommendation:

- Alternative to Pooling of Interests: Aligning accounting policies for pooling of interest as of transfer of control.
- Clarify Reserve Treatment: Allow adjustments or alternative presentation of reserves post-amalgamation.

**2. Consolidation Requirements – Practical Implications (also refer above).**

- LLPs that are subsidiaries or associates of companies following Ind AS are permitted to prepare financial statements under Ind AS.
- However, standalone LLPs are not required to prepare consolidated financial statements, even if they have subsidiaries.
- This creates a reporting gap, as LLPs with subsidiaries may not be required to consolidate financials unless voluntarily opted.





Recommendation:

- Clarification is needed on whether LLPs with subsidiaries should follow consolidation requirements similar to AS 21. (Also see 1(d) above)
- Consolidation procedures apply only if entity present consolidated financial statements.

**3. Transitional Provisions – Need for Clarity**

The draft does not specify how LLPs should transition from previous GAAP or existing ICAI AS framework to the new LLP-specific standards.

Practical Challenges:

- Will LLPs need to restate prior period financials for comparability?
- How will changes in accounting policies due to new LLP AS be treated?
- If an LLP moves from cash-based accounting to accrual-based, how should opening balances be adjusted?

Recommendation:

A detailed transition roadmap with practical case studies should be provided to ensure smooth adoption. Transition adjustments should be carried to transition reserves.

