

**Exposure Draft**

**Accounting Standards for  
Limited Liability Partnerships**

**(Last date for the comments: November 27, 2023)**



*Issued by*  
**Accounting Standards Board**  
**The Institute of Chartered Accountants of India**

## Exposure Draft of Accounting Standards for Limited Liability Partnerships (LLPs)

In India, there are three sets of Accounting Standards in place, i.e., Companies (Accounting Standards) Rules, 2021, and Companies (Indian Accounting Standards) Rules 2015 prescribed by Central Government for companies and Accounting Standards issued by ICAI for entities other than companies. Presently, Accounting Standards issued by the ICAI and criteria prescribed by the ICAI for applicability of Accounting Standards to non-company entities are applicable to LLPs for the preparation and presentation of their financial statements. The AS issued by the ICAI are almost aligned with the Accounting Standards notified under AS Rules 2021 with very few differences.

Section 34A of the Limited Liability Partnership Act, 2008, prescribes that the Central Government may, in consultation with the National Financial Reporting Authority constituted under section 132 of the Companies Act, 2013, prescribe the standards of accounting as recommended by the Institute of Chartered Accountants of India constituted under section 3 of the Chartered Accountants Act, 1949, for a class or classes of limited liability partnerships.

The Accounting Standards Board invites comments on the below mentioned specific question as well as any aspect of this Exposure Draft:

### **Question for respondents**

The Exposure draft contains the proposals regarding Accounting Standards for LLPs. In this regard, comments are invited on the following aspects:

- Applicable Accounting Standards
- **Basis of accounting** : Applicability of Accounting Standards to LLPs following cash basis of accounting
- **Classification of LLPs and Exemptions:** Criteria for classification of LLPs for applicability of Accounting Standards and exemptions/relaxations available to LLPs
- Transitional provisions required, if any
- Any other matter(s)

Comments are most helpful if they contain a clear rationale and, where applicable, provide suggestion(s).

### **How to Comment**

Comments should be submitted using one of the following methods, so as to receive not later than **November 27, 2023**:

1. Electronically: Click on the below mentioned option to submit a comment letter or visit at the following link (Preferred method):  
<http://www.icai.org/comments/asb/>
2. Email: Comments can be sent at [commentsasb@icai.in](mailto:commentsasb@icai.in)
3. Postal: Secretary, Accounting Standards Board,  
The Institute of Chartered Accountants of India,

ICAI Bhawan, Post Box No. 7100,  
Indraprastha Marg, New Delhi – 110 002

Further clarifications on any aspect of this Exposure Draft may be sought by e-mail to [asb@icai.in](mailto:asb@icai.in).

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

- I. Accounting Standards notified under the Companies (Accounting Standards) Rules, 2021 shall be applicable to the Limited Liability Partnerships (LLPs) with exemptions/relaxations as mentioned in points II and VIII.
- II. Accounting Standards 1 to 5, 7, 9 to 19 and 21 to 29, as notified under Companies (Accounting Standards) Rules, 2021, shall be applicable to the LLPs. **AS 20 *Earning Per Share* shall be exempted to the LLPs.** Accounting Standards 1 to 5, 7, 9 to 19 and 21 to 29 can be referred at the below link:

<https://www.mca.gov.in/bin/dms/getdocument?mds=RKk43Bmg99ksfV0bUGr6XA%253D%253D&type=open>

- III. Terminology used in the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2021, shall be understood and applied in context of LLPs, e.g., terms ‘shareholder’ shall be read as ‘partners’, ‘shareholders funds’ shall be read as ‘partners funds’, ‘dividend’ shall be read as ‘distribution to partners’ etc.
- IV. A Limited Liability Partnership which is a subsidiary, joint venture or associate of another entity which is applying Ind AS notified under Companies (Indian Accounting Standards) Rules, 2015, is permitted to prepare its financial statements in accordance with Ind AS since such an LLP is already preparing financial statements under Ind AS for the purpose of consolidation. Except for such LLPs, all other LLPs shall apply Accounting Standards 1 to 5, 7, 9 to 19 and 21 to 29 notified under the Companies (Accounting Standards) Rules, 2021.
- V. **Classification of LLPs for applicability of AS** – For the purpose of applicability of Accounting Standards, LLPs shall be classified into four categories, viz., Level I, Level II, Level III and Level IV.

Level I LLPs will be Large size Limited Liability Partnerships, Level II LLPs will be Medium size Limited Liability Partnerships, Level III LLPs will be Small size Limited Liability Partnerships and Level IV LLPs will be Micro size Limited Liability Partnerships. Level IV, Level III and Level II LLPs shall be referred to as Micro, Small and Medium sized Limited Liability Partnerships (MSMLLPs).

- VI. In accordance with Accounting Standard 1, ‘accrual basis of accounting’ is one of the fundamental accounting assumptions and, accordingly, aforesaid Accounting Standards are based on accrual basis of accounting. However, LLP Act 2008 permits LLPs to maintain books of accounts on cash system of accounting. Therefore, if an LLP is following cash basis of accounting, it shall apply Accounting Standards (read together with the exemptions in II and VIII as may be available) to the extent applicable in the context of cash basis of accounting.

### **VII. Criteria for classification of Limited Liability Partnerships**

#### **Level I Limited Liability Partnerships**

Limited Liability Partnerships which fall in any one or more of the following categories, at the end of the relevant accounting period, are classified as Level I LLPs:

- (i) All LLPs engaged in commercial, industrial or business activities, whose turnover (excluding other income) exceeds rupees two-fifty crore in the immediately preceding accounting year.
- (ii) All LLPs engaged in commercial, industrial or business activities having borrowings in excess of rupees fifty crore at any time during the immediately preceding accounting year.
- (iii) Holding and subsidiary LLPs of any one of the above.

### **Level II Limited Liability Partnerships**

Limited Liability Partnerships which are not Level I LLPs but fall in any one or more of the following categories are classified as Level II LLPs:

- (i) All LLPs engaged in commercial, industrial or business activities, whose turnover (excluding other income) exceeds rupees fifty crore but does not exceed rupees two-fifty crore in the immediately preceding accounting year.
- (ii) All LLPs engaged in commercial, industrial or business activities having borrowings in excess of rupees ten crore but not in excess of rupees fifty crore at any time during the immediately preceding accounting year.
- (iii) Holding and subsidiary LLPs of any one of the above.

### **Level III Limited Liability Partnerships**

Limited Liability Partnerships which are not covered under Level I and Level II but fall in any one or more of the following categories are classified as Level III LLPs:

- (i) All LLPs engaged in commercial, industrial or business activities, whose turnover (excluding other income) exceeds rupees ten crore but does not exceed rupees fifty crore in the immediately preceding accounting year.
- (ii) All LLPs engaged in commercial, industrial or business activities having borrowings in excess of rupees two crore but does not exceed rupees ten crore at any time during the immediately preceding accounting year.
- (iii) Holding and subsidiary LLPs of any one of the above.

### **Level IV Limited Liability Partnerships**

Limited Liability Partnerships which are not covered under Level I, Level II and Level III are considered as Level IV LLPs.

#### **A. General Instructions**

An MSMLLP shall follow the following instructions while complying with Accounting Standards:-

- (1) An MSMLLP which avails the exemptions or relaxations given to it shall disclose (by way of a note to its financial statements) the fact that it is an MSMLLP, the Level of MSMLLP and that it has complied with the Accounting Standards insofar as they

are applicable to LLPs falling in Level II or Level III or Level IV, as the case may be.

- (2) Where an LLP, being covered in Level II or Level III or Level IV, had qualified for any exemption or relaxation previously but no longer qualifies for the relevant exemption or relaxation in the current accounting period, the relevant standards or requirements become applicable from the current period and the figures for the corresponding period of the previous accounting period need not be revised merely by reason of its having ceased to be covered in Level II or Level III or Level IV, as the case may be. The fact that the LLP was covered in Level II or Level III or Level IV, as the case may be, in the previous period and it had availed of the exemptions or relaxations available to that Level of LLPs shall be disclosed in the notes to the financial statements. The fact that previous period figures have not been revised shall also be disclosed in the notes to the financial statements.
- (3) Where an LLP has been covered in Level I and subsequently, ceases to be so covered and gets covered in Level II or Level III or Level IV, such LLP will not qualify for exemption/relaxation available to that Level, until the LLP ceases to be covered in Level I for two consecutive years. Similar is the case in respect of an LLP, which has been covered in Level II or Level III and subsequently, gets covered under Level III or Level IV.
- (4) If an LLP covered in Level II or Level III or Level IV opts not to avail of the exemptions or relaxations available to that Level of LLPs in respect of any but not all of the Accounting Standards, it shall disclose the Standard(s) in respect of which it has availed the exemption or relaxation.
- (5) If an LLP covered in Level II or Level III or Level IV opts not to avail any one or more of the exemptions or relaxations available to that Level of LLPs, it shall comply with the relevant requirements of the Accounting Standard.
- (6) An LLP covered in Level II or Level III or Level IV may opt for availing certain exemptions or relaxations from compliance with the requirements prescribed in an Accounting Standard:  
  
Provided that such a partial exemption or relaxation and disclosure shall not be permitted to mislead any person or public.
- (7) In respect of Accounting Standard (AS) 15 *Employee Benefits*, exemptions/ relaxations are available to Level II and Level III LLPs, under two sub-classifications, viz., (i) LLPs whose average number of persons employed during the year is 50 or more, and (ii) LLPs whose average number of persons employed during the year is less than 50. The requirements stated in paragraphs (1) to (6) above, mutatis mutandis, apply to these sub-classifications.

## **VIII. Applicability of Accounting Standards to Limited Liability Partnerships**

### **(1) Applicability of the Accounting Standards to Level I Limited Liability Partnerships.**

Level I LLPs shall comply in full with Accounting Standards 1 to 5, 7, 9 to 19 and 21 to 29 as notified under Companies (Accounting Standards) Rules, 2021.

**(2) Applicability of the Accounting Standards 1 to 5, 7, 9 to 19 and 21 to 29 as notified under Companies (Accounting Standards) Rules, 2021 and exemptions/relaxations for Level II, Level III and Level IV Limited Liability Partnerships**

**(A) Accounting Standards applicable to Limited Liability Partnerships**

<b>AS</b>	<b>Level II LLPs</b>	<b>Level III LLPs</b>	<b>Level IV LLPs</b>
AS 1	Mandatory	Mandatory	Mandatory
AS 2	Mandatory	Mandatory	Mandatory
AS 3	Not Mandatory	Not Mandatory	Not Mandatory
AS 4	Mandatory	Mandatory	Mandatory
AS 5	Mandatory	Mandatory	Mandatory
AS 7	Mandatory	Mandatory	Mandatory
AS 9	Mandatory	Mandatory	Mandatory
AS 10	Mandatory	Mandatory with disclosures exemption	Mandatory with disclosures exemption
AS 11	Mandatory	Mandatory with disclosures exemption	Mandatory with disclosures exemption
AS 12	Mandatory	Mandatory	Mandatory
AS 13	Mandatory	Mandatory	Mandatory with disclosures exemption
AS 14	Refer note 2(C)	Refer note 2(C)	Refer note 2(C))
AS 15	Mandatory with exemptions	Mandatory with exemptions	Mandatory with exemptions
AS 16	Mandatory	Mandatory	Mandatory
AS 17	Not Mandatory	Not Mandatory	Not Mandatory
AS 18	Mandatory	Not Mandatory	Not Mandatory
AS 19	Mandatory with disclosures exemption	Mandatory with disclosures exemption	Mandatory with disclosures exemption
AS 21	Refer note 2(D)	Refer note 2(D)	Refer note 2(D)
AS 22	Mandatory	Mandatory	Mandatory only for current tax related provisions (Refer note 2(B)(vi))
AS 23	Refer note 2(D)	Refer note 2(D)	Refer note 2(D)
AS 24	Mandatory	Not Mandatory	Not Mandatory
AS 25	Refer note 2(D)	Refer note 2(D)	Refer note 2(D)
AS 26	Mandatory	Mandatory	Mandatory with disclosures exemption
AS 27	Refer notes 2(C) and 2(D)	Refer notes 2(C) and 2(D)	Refer notes 2(C) and 2(D)
AS 28	Mandatory with disclosures exemption	Mandatory with disclosures exemption	Not Mandatory
AS 29	Mandatory with disclosures exemption	Mandatory with disclosures exemption	Mandatory with disclosures exemption

**(B) Accounting Standards in respect of which relaxations/exemptions from certain requirements have been given to Level II, Level III and Level IV Limited Liability Partnerships:**

(i) Accounting Standard (AS) 10 *Property, Plant and Equipment*

Level III and Level IV Limited Liability Partnerships may not comply with paragraph 87 relating to encouraged disclosures.

(ii) AS 11 *The Effects of Changes in Foreign Exchange Rates*

Level III and Level IV Limited Liability Partnerships may not comply with paragraph 44 relating to encouraged disclosure.

(iii) AS 13 *Accounting for Investments*

Level IV Limited Liability Partnerships may not comply with paragraph 35(f) relating to disclosures.

(iv) Accounting Standard (AS) 15 *Employee Benefits*

(1) Level II and Level III Limited Liability Partnerships whose average number of persons employed during the year is 50 or more may not comply with the following paragraphs:

(a) paragraphs 11 to 16 of the standard to the extent they deal with recognition and measurement of short-term accumulating compensated absences which are non-vesting (i.e., short-term accumulating compensated absences in respect of which employees are not entitled to cash payment for unused entitlement on leaving);

(b) paragraphs 46 and 139 of the Standard which deal with discounting of amounts that fall due more than 12 months after the balance sheet date;

(c) recognition and measurement principles laid down in paragraphs 50 to 116 and presentation and disclosure requirements laid down in paragraphs 117 to 123 of the Standard in respect of accounting for defined benefit plans. However, such LLPs should actuarially determine and provide for the accrued liability in respect of defined benefit plans by using the Projected Unit Credit Method and the discount rate used should be determined by reference to market yields at the balance sheet date on government bonds as per paragraph 78 of the Standard. Such LLPs should disclose actuarial assumptions as per paragraph 120(l) of the Standard; and

(d) recognition and measurement principles laid down in paragraphs 129 to 131 of the Standard in respect of accounting for other long-term employee benefits. However, such LLPs should actuarially determine and provide for the accrued liability in respect of other long-term employee benefits by using the Projected Unit Credit Method and the discount rate used should be determined by reference to market yields at the balance sheet date on government bonds as per paragraph 78 of the Standard.



- (2) Level II and Level III Limited Liability Partnerships whose average number of persons employed during the year is less than 50 and Level IV Limited Liability Partnerships irrespective of number of employees may not comply with the following paragraphs:
- (a) paragraphs 11 to 16 of the standard to the extent they deal with recognition and measurement of short-term accumulating compensated absences which are non-vesting (i.e., short-term accumulating compensated absences in respect of which employees are not entitled to cash payment for unused entitlement on leaving);
  - (b) paragraphs 46 and 139 of the Standard which deal with discounting of amounts that fall due more than 12 months after the balance sheet date;
  - (c) recognition and measurement principles laid down in paragraphs 50 to 116 and presentation and disclosure requirements laid down in paragraphs 117 to 123 of the Standard in respect of accounting for defined benefit plans. However, such LLPs may calculate and account for the accrued liability under the defined benefit plans by reference to some other rational method, e.g., a method based on the assumption that such benefits are payable to all employees at the end of the accounting year; and
  - (d) recognition and measurement principles laid down in paragraphs 129 to 131 of the Standard in respect of accounting for other long-term employee benefits. Such LLPs may calculate and account for the accrued liability under the other long-term employee benefits by reference to some other rational method, e.g., a method based on the assumption that such benefits are payable to all employees at the end of the accounting year.

(v) *AS 19 Leases*

- (a) Level II Limited Liability Partnerships may not comply with paragraphs 22 (c),(e) and (f); 25 (a), (b) and (e); 37 (a) and (f); and 46 (b) and (d) relating to disclosures.
- (b) Level III Limited Liability Partnerships may not comply with paragraphs 22 (c),(e) and (f); 25 (a), (b) and (e); 37 (a), (f) and (g); and 46 (b), (d) and (e) relating to disclosures.
- (c) Level IV Limited Liability Partnerships may not comply with paragraphs 22 (c),(e) and (f); 25 (a), (b) and (e); 37 (a), (f) and (g); 38; and 46 (b), (d) and (e) relating to disclosures.

(vi) *AS 22 Accounting for Taxes on Income*

- (a) Level IV Limited Liability Partnerships shall comply with the requirements of *AS 22 Accounting for Taxes on Income*, for Current tax defined in paragraph 4.4 of AS 22, with recognition as per paragraph 9, measurement as per paragraph 20 of AS 22, and presentation and disclosure as per paragraphs 27-28 of AS 22.
- (b) Transitional requirements

On the first occasion when a Limited Liability Partnership gets re-classified as Level IV LLPs (from the earlier Level I/II/III), the accumulated deferred tax asset/liability appearing in the financial statements of immediate previous accounting period, shall be adjusted against the opening revenue reserves.

(vii) AS 26 *Intangible Assets*

Level IV Limited Liability Partnerships may not comply with paragraphs 90(d)(iii); 90(d)(iv) and 98 relating to disclosures.

(viii) AS 28 *Impairment of Assets*

(a) Level II and Level III Limited Liability Partnerships are allowed to measure the 'value in use' on the basis of reasonable estimate thereof instead of computing the value in use by present value technique. Consequently, if Level II or Level III Limited Liability Partnerships chooses to measure the 'value in use' by not using the present value technique, the relevant provisions of AS 28, such as discount rate etc., would not be applicable to such an LLP. Further, such an LLP need not disclose the information required by paragraph 121(g) of the Standard.

(b) Level III Limited Liability Partnerships may not comply with paragraphs 121(c)(ii); 121(d)(i); 121(d)(ii) and 123 relating to disclosures.

(ix) AS 29 *Provisions, Contingent Liabilities and Contingent Assets*

Level II, Level III and Level IV Limited Liability Partnerships may not comply with paragraphs 66 and 67 relating to disclosures.

(C) In case of Limited Liability Partnerships, generally there are no such transactions that are covered under AS 14 *Accounting for Amalgamations*, or jointly controlled operations or jointly controlled assets covered under AS 27 *Financial Reporting of Interests in Joint Ventures*. Therefore, these standards are applicable to Limited Liability Partnerships only if there are any such transactions.

(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.