

Sharon Grant  
CCAB  
Moorgate Place  
London  
EC2P 2BJ

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Direct line: 020 7893 2980  
Email: nicole.kissun@bdo.co.uk

Dear Sharon

**BDO LLP response to 'Draft Statement of Recommended Practice - Accounting by Limited Liability Partnerships (LLPs SORP)'**

We are pleased to have the opportunity to comment on the proposed amendments to the LLPs SORP set out in 'Draft Statement of Recommended Practice - Accounting by Limited Liability Partnerships (LLPs SORP)' (the 'Draft SORP').

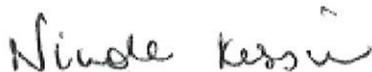
We are generally supportive of the amendments proposed in, and the approach taken by, the Draft SORP. In particular, we welcome the guidance around the net debt reconciliation disclosures and the new guidance on the revised recognition rules for intangible assets acquired in a business combination.

In our view, however, the Draft SORP could have gone further in some areas, most notably in terms of additional guidance around accounting for business combinations where the nature of the consideration is in a form specific to LLPs.

Our responses to the specific questions asked in the Draft SORP are set out in an appendix to this letter.

If you wish to discuss any of the points further, please do not hesitate in contacting me directly.

Yours sincerely,



Nicole Kissun  
Partner  
For and on behalf of BDO LLP

**Appendix: Responses to the questions asked in the Exposure Draft****Triennial Review Amendments****Question 1****Do you agree with the proposed amendments? If not, why not?**

Yes, we agree with the proposed amendments in the Draft SORP. In our view, however, the Draft SORP could have gone further in the three areas noted below:

- **Cash flow statement presentation** - The guidance and example relating to the net debt reconciliation included in paragraph 74C is helpful but we would recommend that the penultimate sentence adds more emphasis to the fact that the Draft SORP requires a subtotal for net debt before members' debt. In our view the sentence should be reworded as follows: '...with appropriate subtotals to show the changes in net debt **before members' debt** separately from debt relating to members'.
- **Business combinations and group accounts** - We support the addition of paragraphs 108A and 108B, which provide guidance on the revised recognition rules for intangible assets acquired in a business combination and emphasise the possible existence of other forms of consideration. However, in our view, the Draft SORP should have expanded further on the identification and treatment of other forms of consideration in the most common approaches taken in practice which are specific to LLPs. For example, when a partner of an acquired LLP obtains a share of the enlarged organisation in return for giving up their interest in the acquired LLP, and this share of profits does not represent an 'increased profit share' for a limited period of time after the acquisition. This might be considered future members' remuneration rather than consideration for the business acquired, leading to a counterintuitive conclusion of recognising negative goodwill. Such a transaction could be considered as an LLP-specific equivalent to a share-for-share exchange between companies.
- **Basis for conclusions** - We do not consider that paragraph BC74 adequately explains why the exemption from disclosing key management personnel compensation is not expected to be relevant to LLPs. In particular, we note that paragraph 57A of the Draft SORP states that, in the case of a small LLP, all of the members could be considered to be directors and it would therefore appear reasonable that all these members would also be considered key management personnel.

**Question 2****Are there any other areas of the SORP that you believe should be updated as a consequence of the 2017 Triennial review amendments?**

There are no significant areas of the SORP that we consider should have been updated as a consequence of the 2017 Triennial Review Amendments to FRS 102. However, we would recommend that paragraph 132 of the Draft SORP should reflect the clarification in paragraph 1.7A of FRS 102, which indicates that "when a SORP applies, an entity shall provide the disclosures required by paragraph 6 of FRS 100".

**Other considerations****Question 3**

**Are you aware of any other developments which might suggest that further guidance is needed in the SORP?**

We are not aware of any other developments which might suggest that further guidance is needed in the SORP.

**Question 4**

**Are you aware of any issues specific to LLPs that have arisen as a result of applying Section 1A Small Entities of FRS 102 and which might suggest that further guidance is needed in the SORP?**

We are not aware of, nor have we been made aware of, any issues specific to LLPs arising as a result of applying Section 1A of FRS 102 that might require further guidance.

**General****Question 5**

**Do you have any other comments on the LLP SORP?**

We have no further comments on the LLP SORP.