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1 November 2016

Dear Mrs Grant

## **Draft SORP Accounting by Limited Liability Partnerships**

Deloitte LLP is pleased to respond to the consultation paper on the proposed revisions to the SORP Accounting by Limited Liability Partnerships. We have set out our detailed responses to the consultation questions in Appendix 1 to this letter.

Overall, we believe that the proposed revisions are appropriate.

We set out some comments on drafting in Appendix 2.

We would be happy to discuss our letter and the draft proposals with you. If you have any questions, please contact Ken Rigelsford (020 7007 0752 or [krigelsford@deloitte.co.uk](mailto:krigelsford@deloitte.co.uk)).

Yours sincerely



### **Veronica Poole**

National Head of Accounting and Corporate Reporting  
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## Appendix 1

### Responses to detailed questions

#### Question 1 Micro-LLPs

**FRS 105 is available to qualifying LLPs choosing to apply the micro-entities regime. The significant differences between FRS 105 and FRS 102 – the standard upon which this SORP is based – lead CCAB to conclude that LLPs applying the former standard should be scoped out of this draft SORP. Instead, such LLPs should simply follow the relevant requirements of FRS 105.**

**Do you agree with these proposals? If not, why not?**

Yes.

One of the principal areas in which the SORP provides guidance is the distinction between liabilities and equity which poses issues that are specific to LLPs. We are aware of views being expressed that the SORP should clarify that micro-LLPs may find this guidance helpful even though they are not explicitly required to comply with it. However, we also note that the requirements of FRS 105 in this respect are substantially simplified compared with those of FRS 102. It cannot therefore automatically be assumed that the same conclusions will be reached in all cases. We have therefore concluded that, while micro-LLPs may in practice find some of the guidance in the SORP useful, the SORP itself should remain silent on this issue.

#### Question 2 Small LLPs

**Small LLPs qualifying for and choosing to apply the small entities regime are required to comply with the recognition and measurement requirements of FRS 102 and of this draft SORP. However, small LLPs are only required to comply with the disclosure requirements of Section 1A Small Entities of FRS 102 rather than the disclosure requirements of this draft SORP.**

**The accounts of such LLPs must, however, give a true and fair view. Judgement will therefore be needed when considering whether further disclosures over and above those required by Section 1A of FRS 102 will be needed in order to ensure that the accounts give a true and fair view. Depending on the individual facts and circumstances, some or all of the disclosures included in this draft SORP may be needed in order to ensure that the accounts give a true and fair view.**

**CCAB believes that the disclosures about how loans and other debts due to members rank in relation to other unsecured creditors as required by paragraphs 63 and 64 of this draft SORP are necessary in order to ensure that the accounts give a true and fair view. See question 3 below for more details. This draft therefore requires small LLPs to make such disclosures.**

**The reconciliation of the movement in members' other interests detailed in paragraph 59 of this draft SORP may be necessary in some instances in order to ensure a true and fair view. CCAB does not, however, believe that it is necessary to require all small LLPs to include such a reconciliation. This is consistent with requirements for small companies, which are not required to produce a statement of changes in equity. This draft SORP does, however, encourage small LLPs to include this reconciliation. This draft SORP does not require small LLPs to make any other disclosures over and above those required by Section 1A of FRS 102.**

**Do you agree with these proposals? If not, why not? Do you think that it is necessary for small LLPs always to include a reconciliation of the movement in members' other interests in order to give a true and fair view? Are there any other specific disclosures that you think should be required for small LLPs?**

Yes. We do not believe that it will always be necessary for small LLPs to include a reconciliation of the movement in members' other interests in order to give a true and fair view. This should be left to judgement. There are no other specific disclosures that we think should be required for small LLPs except as discussed in question 3 below.

### **Question 3 Ranking of loans and other debts**

**When we last consulted on changes to the SORP, some respondents said that they felt the disclosures about how loans and other debts due to members rank in relation to other unsecured creditors as required by paragraphs 63 and 64 of this SORP were onerous and overly burdensome in comparison to financial reporting by other types of entities.**

**However, as LLPs do not have any of the capital maintenance provisions that apply to companies, CCAB believes that these disclosures are necessary in order to ensure a true and fair view, regardless of the size of the LLP. They have therefore been retained in this draft SORP. Moreover, as noted above, they are the only additional disclosures over and above those required by Section 1A of FRS 102 that this draft SORP mandates for LLPs qualifying for and choosing to apply the small entities regime.**

**Do you agree with these proposals? If not, why not?**

Yes.

### **Question 4 Statement of changes in equity**

**Unlike previous editions of the SORP, this draft SORP states explicitly that a statement of changes in equity does not need to be prepared if an LLP has no equity. In such circumstances, a statement should be made either on the face of one of the other primary statements or in the notes to the accounts that the LLP has no equity and consequently a statement of changes in equity is not given.**

**Do you agree with these proposals? If not, why not?**

Yes.

## Appendix 2

### Drafting comments

1. The draft SORP makes several references to "The Limited Liability Partnerships (Accounts and Audit) Regulations 2016". The correct name for these regulations is "The Limited Liability Partnerships, Partnerships and Groups (Accounts and Audit) Regulations 2016".
2. The final sentence of paragraph 1 of the draft SORP suggests that the requirements of SI 2008/1911 and SI 2008/1912 do not apply to LLPs that adopt IFRSs. This is not entirely true because some parts of those Regulations apply to both IAS accounts and non-IAS accounts. In particular, the requirements relating to disclosure of related undertakings apply to IAS accounts.
3. Footnote 3 on page 9 of the draft SORP states that the changes concerning the information LLPs disclose in their accounts on related undertakings apply for annual accounts approved on or after 1 July 2016. This date applies only to the requirement to give the complete listing in the accounts following the removal of the exemption which permitted the full listing to be filed with the annual return. Other changes made to the disclosure requirements for related undertakings apply from the normal effective date of the Regulations.
4. The cross reference in paragraph 3A of the draft SORP should be to paragraphs 27 and 28 rather than 27 to 29 because paragraph 29 has been deleted.
5. We note that the proposed redrafting of paragraph 21 of the draft SORP is explained in paragraph BC53 as being due to the Reinhard v Ondra case. The drafting appears to assume that although a member may not also be an employee of an LLP, it is possible for a member to have a contract "which may be referred to as a contract of employment" to provide services to the LLP. We are not familiar with the details of this case but assume that such an arrangement is not contrary to the law.
6. It might be clearer (and more future proof) if paragraph 26B (referring to the possibility of adapting the formats) referred to the 2008 Regulations "as amended by SI 2016/575" rather than saying "SI 2016/575 ... provides".
7. We do not disagree in principle with the amendments made to paragraph 48 of the draft SORP and paragraph 3A of Appendix 2 to the draft SORP. However, the first sentence of paragraph 3A suggests that the term "allocated" is synonymous with "divided". The first sentence of the added text in paragraph 3A therefore seems confusing when it refers to the "actual allocation" at a later date than when the profits are "divided". It may be clearer to say "... but **the basis upon which those profits are shared** between individual members is not determined until after the balance sheet date". If this is agreed, a similar amendment to paragraph 48 in the main body of the SORP should also be made.
8. At the end of paragraph 53 of the draft SORP, the cross reference should be to paragraph 26C rather than 26B.
9. We agree with the proposed clarification in paragraph 59A of the draft SORP that a statement of changes in equity does not need to be prepared if the LLP has no equity. Although this might be seen as a statement of the obvious, the draft SORP goes further and requires an explanation of why the statement has not been presented. However, we do not see why it is necessary to make an exception for when the reconciliation of members' interests is provided as a primary statement in accordance with paragraph 60A because this is itself an option rather than a requirement in the SORP.
10. It is unclear why the word "generally" has been deleted from the third bullet point in paragraph 76A of the draft SORP in relation to the requirement of Section 12 of FRS 102 to measure liabilities at fair value. Several exceptions are set out in paragraph 12.8 of FRS 102. This is of particular relevance to LLPs because it may conflict with the law to measure certain profit related annuities payable to members of an LLP at fair value through profit or loss.