



10 December 2013

Our ref: ICAEW Rep 173/13

Sharon Grant  
The Consultative Committee of Accountancy Bodies  
Moorgate Place  
London  
EC2P 2BJ

Dear Sharon

**Draft Statement of Recommended Practice – Accounting by Limited Liability Partnerships**

ICAEW is pleased to respond to your request for comments on the exposure draft of revised LLPs SORP.

Please contact me should you wish to discuss any of the points raised in the attached response.

Yours sincerely

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## ICAEW REPRESENTATION

### DRAFT STATEMENT OF RECOMMENDED PRACTICE – ACCOUNTING BY LIMITED LIABILITY PARTNERSHIPS

Memorandum of comment submitted in December 2013 by ICAEW, in response to CCAB's draft *Statement of Recommended Practice – Accounting by Limited Liability Partnerships* published in October 2013.

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## INTRODUCTION

1. ICAEW welcomes the opportunity to comment on the draft *Statement of Recommended Practice – Accounting by Limited Liability Partnerships* published by the CCAB on 7 October 2013, a copy of which is available from this [link](#).

## WHO WE ARE

2. ICAEW is a world-leading professional accountancy body. We operate under a Royal Charter which obliges us to work in the public interest. ICAEW's regulation of its members, in particular its responsibilities in respect of auditors, is overseen by the UK Financial Reporting Council. We provide leadership and practical support to over 140,000 member chartered accountants in more than 160 countries, working with governments, regulators and industry in order to ensure that the highest standards are maintained.
3. ICAEW members operate across a wide range of areas in business, practice and the public sector. They provide financial expertise and guidance based on the highest professional, technical and ethical standards. They are trained to provide clarity and apply rigour, and so help create long-term sustainable economic value.
4. The Financial Reporting Faculty is recognised internationally as a leading authority on financial reporting. The Faculty's Financial Reporting Committee is responsible for formulating ICAEW policy on financial reporting issues, and makes submissions to standard setters and other external bodies. The faculty also provides an extensive range of services to its members, providing practical assistance in dealing with common financial reporting problems.

## MAJOR POINTS

### We believe that the revised SORP adequately reflects the requirements of FRS 102

5. We are generally happy with the draft SORP and agree that it adequately reflects the requirements of FRS 102. We do, however, have some detailed comments which are set out below.

### A members' report should not be mandated

6. Although it has nothing to do with the introduction of FRS 102, there is one other change to the SORP that we would like CCAB to consider.
7. Paragraph 25 of the SORP requires LLPs to include a members' report as part of their annual report, while paragraphs 30 and 69 set out a handful of disclosures that should be included in it. In doing so the SORP requires LLPs to produce an additional report that is not mandated by statute.
8. We do not believe that a separate members' report is necessary as these disclosures could easily be included elsewhere in the financial statements. We therefore recommend that the SORP is amended to remove the requirement to produce a separate members' report. We do not, however, suggest removing the requirement for any of the actual disclosures. Moreover, we suggest that the SORP continues to require LLPs to include them in the members' report if one is produced.

## **RESPONSES TO SPECIFIC QUESTIONS**

### **Question 1**

**Do you agree that the guidance provided in this draft SORP is helpful in applying the requirements in FRS 102? If not, how do you think it could be improved?**

- 9.** We are generally happy with the draft SORP and agree that it adequately reflects the requirements of FRS 102. Our only suggested improvement to the body of the SORP is addressed in our response to question 4 below.
- 10.** We feel that the basis for conclusions – and in particular paragraph BC43 – could be usefully expanded to explain not only the nature of the changes to the previous version of the SORP but also their implications.

### **Question 2**

**Do you agree that changes to current UK GAAP have been adequately reflected in this draft SORP?**

- 11.** Yes.

### **Question 3**

**The guidance on business combinations and group accounts in paragraphs 102-119 has been updated to reflect the fact that FRS 102 only allows merger accounting to be used for group reconstructions. Is the revised guidance clear? Does it adequately reflect FRS 102's new requirements? If not, why not?**

- 12.** Yes.

### **Question 4**

**The guidance on contractual or constructive obligations (paragraph 76) and annuities (paragraph 80) has been updated to reflect the fact that FRS 102's requirements relating to financial liabilities differ from current UK GAAP requirements. Is the revised guidance clear? Does it adequately reflect FRS 102's new requirements? If not, why not?**

- 13.** We feel that the requirements relating to contractual or constructive obligations are potentially confusing. It is not entirely satisfactory that such obligations – which will, of course, include retirement benefit obligations – could be accounted for in four different ways. However, we agree that the analysis follows the requirements of FRS 102 and is therefore technically correct. We would not want CCAB to override the requirements of the standards as this is not within its remit as a SORP making body. Further illustrative examples could, however, be included to show which types of obligations would typically fall into each of the four possible categories.

## Question 5

Although it does not relate to the introduction of FRS 102, it was felt appropriate to update the guidance on analysing puttable instruments to reflect the fact that many of the issues associated with the introduction of FRS 25 and the subsequent 'puttables amendment' are now behind us. The basic accounting remains unchanged. As part of this process, the flowcharts in appendix 3 of the SORP have been removed. Is the revised guidance clear? Do you agree with the removal of the flowcharts? If not, why not?

14. We believe that the guidance is clear and that it was appropriate at this stage to remove the flowcharts that previously appeared in appendix 3.

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