

CH 2 - Accounting for Limited Liability Partnership

CS CHARUL PATEL

SYBCOM

SEM IV

AFM IV

Introduction & Key features

1. Governed by LLP Act 2008 introduced by notification dated 31.3.2009 and LLP Rules 2009
2. LLP agreement
3. Minimum 2 members , maximum NO LIMIT
4. Limited liability for members
5. Separate legal entity – legal suits possible
6. Natural person or artificial person can be a partner.
i.e. resident/non resident individuals,
Company/LLP incorporated in India or outside India
7. Foreign nationals can also be partners s.t. FEMA
8. Partner as an agent of LLP but not of other partners

Introduction & Key features

9. Partners' right to participate in Functioning and management of LLP
10. Partners' remuneration subject to LLP agreement
11. Share of profits as per LLP agreement
12. Partners bound by LLP agreement and LLP Act
- 13. Partner's liability limited to the extent of his contribution**
- 14. Partners not personally liable for obligation of LLP**
- 15. Partner solely liable for acts done without authority**
- 16. Unlimited liability of partner for fraudulent transactions**

Introduction & Key features

17. Requirement of a Designated partners (DP)– at least 2 DPs (individuals only) and one of them India Resident
18. If no partner is designated or only one partner is designated – all partners deemed to be DPs
17. DP's role similar to the role of Director of a Company
18. Responsibilities and duties of DP
19. Registration of LLP – Designated partner Identification Number (DPIN) for DPs, Digital Signature Certificate (DSC) , LLP name , LLP agreement
20. Annual filing with ROC – Statement of accounts & solvency within 6 months and Annual return within 60 days from end of FY

LLP Agreement - requirements

- 1) Written agreement between partners
- 2) If no agreement then Sch I of LLP Act, 2008 will apply
- 3) Name , registered office address and nature of business
- 4) Share of partners in capital and profit/loss
- 5) Remuneration and interest on capital or loan accounts
- 6) Rights & liabilities of partners
- 7) Admission & cessation of partners
- 8) Bank account operations
- 9) Maintenance of books of accounts
- 10) Procedure for obtaining loans , acquiring or disposing of assets, authority to sign documents etc
- 11) Dispute resolution

Schedule - I of LLP Act - Provisions

- i. All partners of a LLP are entitled to share equally in the capital, profit and/or losses of the LLP.
- ii. The LLP shall indemnify each partner with respect to payments made and personal liabilities incurred by him:
 - a) During the ordinary and proper conduct of the LLP business
or
 - b) During a necessary act to preserve Business property of LLP.
- iii. Every partner may take part in the management of the LLP.
- iv. No person may be introduced as a partner without the consent of all the existing partners.
- v. No change may be made in the nature of business of the LLP without the consent of all the partners.

- vi. Every LLP shall ensure that decisions taken by it are recorded in the minutes within 30 days of taking such decisions and are kept and maintained at the registered office of the LLP.
- vii. Each partner shall render true accounts and full information to any partner or his/her legal representatives, regarding any or all things affecting the LLP.
- viii. No majority of partners can expel any partner unless a power to do so has been conferred by an express agreement between the partners.
- ix. All disputes between the parties arising out of the LLP Agreement which cannot be resolved in terms of such agreement shall be referred to for arbitration as per the provisions of the Arbitration and Conciliation Act, 1996.

Accounts & Audit of LLP

- Statement of solvency to be signed by DP
- LLP is combination of Company & Partnership firm. LLP is required to maintain its annual books of account.
- LLP Statutory Audit is applicable for Every LLP if its contribution exceeds Rs.25 lakhs or turnover exceeds Rs.40 lakhs
- Tax Audit. Every LLP whose **turnover exceeds INR 1 Cr.** in case of a business or INR 50 Lakh in case of a profession, is required to get its books of accounts tax audited under section 44AB of the Income-tax Act. Such audit will have to be completed and filed by 30th September.
- Statement of Assets & Liabilities (Similar to Balance Sheet)
- Statement of Income & Expenditure (Similar to Profit & Loss A/C)
- For format of LLP Accounts refer to - [LLP formats.pdf](#)