



Department for Business, Innovation & Skills

## De-regulatory changes for Limited Liability Partnerships (LLPs) and Qualifying Partnerships – response form

The Department may, in accordance with the Code of Practice on Access to Government Information, make available, on public request, individual responses.

The closing date for this consultation is 21 December 2015.

Name: *Peter Manser*

Organisation (if applicable): *Kreston Reeves LLP*

Address: *37 St Margaret's Street, Canterbury, Kent CT1 2TU*

Please return completed forms to:

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E-mail: [john.conway@bis.gsi.gov.uk](mailto:john.conway@bis.gsi.gov.uk)

Please indicate which of the following best represents the group you or the organisation you represent belongs to:

	Business representative organisation/trade body
X	Limited Liability Partnership
	Qualifying Partnership
	Central government
	Charity or social enterprise
	Individual
	Large company (over 250 staff)
	Legal representative
	Local Government
	Medium company (50 to 250 staff)
	Small company (10 to 49 staff)
	Micro company (up to 9 staff)
	Trade union or staff association
	Other (please describe)

If you are an LLP or Qualifying Partnership, are you an individual entity, part of a group or the parent of a group of entities?

	Individual entity
	Part of a group but not a parent
X	Parent of a group
	Not sure

If you are an LLP or Qualifying Partnership in the latest year of accounts you have available, what is your:

- a. Number of employees;      298
- b. Annual turnover; and      £21.88m
- c. Balance sheet total      £13.00m

If you are an LLP or Qualifying Partnership, do you currently prepare your own accounts or use an external accountant or book-keeper to prepare them?

<input checked="" type="checkbox"/>	Accounts prepared internally
<input type="checkbox"/>	Use an external accountant
<input type="checkbox"/>	Use a bookkeeper
<input type="checkbox"/>	Not sure

## The Government's Approach to Implementation

Question 1: Do you agree that the Government should maintain the alignment between the accounting and audit regulatory frameworks for LLPs and limited companies as implemented by the 2015 Regulations?

☒ Yes

☐ No

☐ Not sure

Please provide information in support of your answer.

*Having an aligned accounting and audit regulatory framework for both limited companies and LLPs will reduce the burden on businesses and reduce the likelihood of users of the accounts being confused by different reporting requirements.*

Question 2: What opportunities or challenges do you feel maintaining the reporting alignment between LLPs and limited companies will present for preparers and users of accounts? For example, you may wish to comment on any line items that should be retained if small LLPs have the choice of preparing an abridged balance sheet and profit and loss account where this has been agreed by all members of the LLP.

Please provide information in support of your answer.

*Retaining symmetry between the reporting requirements of LLPs and limited companies wherever possible should ensure that any inconsistencies are kept to a minimum.*

*The format of financial statements is best addressed by sector-specific accounting standards (such as the LLP SORP) rather than by Regulations.*

Question 3: It is anticipated that the regulations will come into force in the summer of 2016. Would LLPs and Qualifying Partnerships find it helpful if the regulations permitted early adoption of the revised framework for financial years commencing on or after 1 January 2015 where these had not been agreed prior to the regulations coming into force?

☐ Yes

☒ No

☐ Not sure

Please provide information in support of your answer.

*Early access to the revised framework is only likely to increase confusion as to the appropriate accounting treatment to be followed, particularly for entities falling between the old and proposed new thresholds. It would be helpful if there was parity of timing for both companies and LLPs in terms of the availability of the revised framework.*

### **The Proposals:**

Question 4: Do you agree that the Government should introduce a micro-entity regime for LLPs which will allow LLPs that meet the eligibility criteria to access a less burdensome regulatory and administrative regime than the small LLPs?

☒ Yes

☐ No

☐ Not sure

Please provide information in support of your answer.

*A micro-entity regime for LLPs that avoids the complexity of the recognition and measurement requirements contained within FRS 102 would be a welcome addition for eligible entities.*

Question 5: Do you agree that the Government should introduce a micro-entity regime for Qualifying Partnerships which will allow Qualifying Partnerships that meet the eligibility criteria to access a less burdensome regulatory and administrative regime than small Qualifying Partnerships?

☒ Yes

☐ No

☐ Not sure

Please provide information in support of your answer.

*A common approach for both LLPs and Qualifying Partnerships would be appreciated.*

### **Implications for the UK's Approach to Statutory Audit:**

Question 6: Do you agree that all LLPs that have transferable securities admitted to trading on a regulated market in an EEA State should be required to file an audit report in respect of their accounts?

☒ Yes

☐ No

☐ Not sure

Please provide information in support of your answer.

*For market confidence we would like to see all LLPs with transferable securities admitted to trading on a regulated market in an EEA State subject to audit.*

## **Section 9. Costs and Benefits of the proposed reforms:**

Question 7: What one-off or recurring costs and benefits to LLPs, do you see arising from updating the reporting regime for LLPs? Please describe and if possible provide evidence of the scale of the identified costs and benefits.

*Cost savings are likely to be minimal. While it will take slightly less time to prepare and review a small LLP set of accounts, it is not the presentation of the accounts that takes time and money but rather the aggregation and preparation of the information following generally accepted accounting practice.*

*Certain users of the financial statements will require additional information and there will be associated costs of responding to legitimate requests.*

Question 8: How will your organisation familiarise itself with the update of the LLP reporting regime and the introduction of a micro-entity regime for LLPs and Qualifying Partnerships? Please provide details of who will be involved, how long you expect this task will take them and data on pay levels of those involved (if possible).

*The individuals likely to be involved in the update of the LLP reporting regime and its impact on the financial reporting of our organisation and clients are the Finance Partner, the Head of Audit and Assurance and the Director of Financial Reporting. The LLP will continue to be a medium-sized parent of a medium-sized group if the revised size thresholds are implemented and as such the impact of the proposed changes to the accounting requirements will be less significant than for small groups. We do however act for LLPs and qualifying partnerships that would qualify for the small and micro-entity regimes. We anticipate that there will be additional training costs for staff and software implementation costs that will be difficult to pass on to the clients affected. The relevant individuals will familiarise themselves with the Statutory Instrument that amends the Partnerships (Accounts) Regulations 2008 as well as technical releases issued by the FRC and other regulatory bodies.*

Question 9: What impact do you believe the reduction in the number of mandatory notes for small LLPs will have on your organisation? Please describe and (if possible) provide evidence of the size of this impact.

*This will have no impact on the financial reporting of our organisation itself. However, our organisation acts for a large number of small LLPs that currently prepare a full set of accounts for the members and publish abbreviated accounts. By giving small LLPs the choice about the level of detail included in their accounts having regard to the size and nature of their business (and to prepare an abridged balance sheet and profit and loss account where chosen) they will be able to further reduce the regulatory burden. This will mean that it will become even more important for us to educate and advise our clients on the continuing requirement for the accounts to present a true and fair view despite the ability to exclude certain disclosures.*

*There is the risk that the accounts of a small LLP will contain less relevant information (due to deregulation) and thus become less informative to readers of the accounts, where relying on certain disclosures within the accounts to make informed decisions. There needs to be a balance struck between cost savings versus relevance to users of the accounts.*

Question 10: If you are an LLP, do you believe your organisation would be likely to take advantage of the flexibility to prepare an abridged balance sheet and an abridged profit and loss account?

☐ Yes                      ☐ No                      ☐ Not sure                      ☒ Not applicable

Please provide information in support of your answer.

*We will not qualify for such disclosure.*

*We do not feel that the abridged balance sheet and abridged profit and loss account formats will be a particularly attractive option for most of our clients. There is also the added burden of obtaining member approval every year.*



Question 11: What one-off or recurring costs and benefits do you see arising from a micro-entity accounting regime for LLPs and Qualifying Partnerships? Please describe the costs and benefits to these entities and others, and if possible provide evidence of the size of the identified costs and benefits.

*The majority of benefits arising are likely to be non-monetary and occur due to the simplification and additional accounting framework choices conferred on micro-entities. There will be limited benefits in terms of time savings. While it will take less time to prepare and review a micro-entity set of accounts, it is not the presentation of the accounts that takes time and money but rather the aggregation and preparation of the information following generally accepted accounting practice.*

*There is the potential for a loss of transparency. Credit rating agencies and banks, for example, may need provision of additional information that could hold up credit decisions.*

Question 12: What proportion of eligible LLPs and Qualifying Partnerships would you expect to take advantage of the micro-entity regime? Please provide supporting evidence for your view.

*We would expect the majority of eligible LLPs and Qualifying Partnerships to take advantage of the micro-entity regime. Whilst the current financial reporting framework for such entities provides a less burdensome small regime, a regime for LLPs that avoids the complexity of the recognition and measurement requirements contained within FRS 102 going forward is likely to be a popular alternative for eligible entities.*