



Tel: +44 (0)20 7486 5888  
Fax: +44 (0)20 7487 3686  
DX 9025 West End W1  
www.bdo.co.uk

55 Baker Street  
London W1U 7EU

John Conway  
Corporate Frameworks, Accountability & Governance Team  
Department for Business, Innovation and Skills  
3rd Floor, Spur 2  
1 Victoria Street  
London SW1H 0ET

17 December 2015

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

Dear John,

**De-regulatory changes for Limited Liability Partnerships (LLPs) and Qualifying Partnerships**

We are pleased to have the opportunity to comment on "De-regulatory changes for Limited Liability Partnerships (LLPs) and Qualifying Partnerships" (the Consultation).

In summary, we agree with the proposals set out in the Consultation. We can see no good reason for having different accounting and audit regulatory frameworks for businesses that are identical other than in respect of the legal form of the limited liability entity in which they are included.

In our view, the main benefit of updating the regulatory frameworks for LLPs is to increase consistency between the requirements that apply to them compared with companies. Doing this will avoid possible confusion on the part of both preparers and users of the financial statements, a factor particularly relevant to groups that contain both LLPs and companies, as well as improving the comparability of the financial statements prepared by similar sized businesses. Consequently, we consider that the changes should be made as soon as possible and be available for early adoption.

Our detailed responses to the questions raised in the Consultation are set out in the attached response form.

Yours sincerely,

BDO LLP  
Nicole Kissun  
Partner  
For and on behalf of BDO LLP





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: Nicole Kissun

Organisation (if applicable): BDO LLP

Address: 55 Baker Street, London, W1U 7EU

Please return completed forms to:

John Conway  
Department for Business, Innovation and Skills  
3rd Floor, Spur 2  
1 Victoria Street  
London SW1H 0ET  
Tel: 020 7215 6402  
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
<b>x</b>	Limited Liability Partnership
	Qualifying Partnership
	Central government
	Charity or social enterprise
	Individual
<b>x</b>	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
<b>x</b>	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; 3,170
- b. Annual turnover; and £373.6m
- c. Balance sheet total £92.8m

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?

<b>x</b>	Accounts prepared internally
	Use an external accountant
	Use a bookkeeper
	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.

*We can see no good reason for having different accounting and audit regulatory frameworks for businesses that are identical other than in respect of the legal form of the limited liability entity in which they are included.*

*This will avoid possible confusion on the part of both preparers and users of the financial statements, as well as improving the comparability of the financial statements prepared by similar sized businesses.*

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.

*We do not consider there to be any specific challenges presented as a result of maintaining the reporting alignment. Balances with members, a key line item in an LLP balance sheet, is identified with an arabic number so would continue to be presented in the balance sheet of abridged accounts.*



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.

*In our view the changes should be made as soon as possible and be available for early adoption.*

*In particular, permitting early adoption would avoid the potential for newly incorporated LLPs and qualifying partnerships with an accounting period beginning before 1 January 2016 being required to change their accounting framework after the first year and aligns with the initial adoption of FRS 102.*

### **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.

*We can see no good reason for having different accounting and audit regulatory frameworks for businesses that are identical other than in respect of the legal form of the limited liability entity in which they are included.*

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.

*We can see no good reason for having different accounting and audit regulatory frameworks for Qualifying Partnerships compared to LLPs and companies.*

### **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.

*In our view, any LLP that has transferable securities which are admitted to trading on an EEA regulated market should be subject to audit. We believe there will always be sufficient stakeholder group interest to warrant this.*

## 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.

*We can see no reason why the costs arising from these proposed changes would differ significantly to those previously incurred by companies. Some experience efficiencies will also arise in groups that include companies that have already been through this process. Keeping up to date with legislation is a continuing process and therefore should not add significantly to the already large burden for finance teams.*

*In our view the main benefit of updating the regulatory frameworks for LLPs is to increase consistency between the requirements that apply to them compared with companies. Doing this will avoid possible confusion on the part of both preparers and users of the financial statements, a factor particularly relevant to groups that contain both LLPs and companies, as well as improving the comparability of the financial statements prepared by similar sized businesses.*

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).

*As both preparers of LLP financial statements, and advisors to LLPs and Qualifying Partnerships, our organisation has produced its own training material which has been made available to both client-facing and the internal finance teams. Initial training has comprised both e-learning and classroom based sessions. All relevant partners and staff are expected to keep up to date through the reading of relevant articles and attending seminars, either external or internal. The firm also has a team of technical experts who support client teams and, when necessary, can assist the internal finance function.*



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.

*None as we are not a small LLP.*

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 would not be eligible to prepare abridged accounts.*

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.

*We can see no reason why the costs arising from these proposed changes would differ significantly to those previously incurred by companies. Some experience efficiencies will also arise in groups that include companies that have already been through this process.*

*In our view the main benefit of a micro-entity accounting regime for LLPs and Qualifying Partnerships would be the consistency between the regimes for limited companies, and LLPs and Qualifying Partnerships.*

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.

*No comment*

**BIS/15/631/RF**