

## **LLP SORP amendments (Lecture A764 – 6.17 minutes)**

In July 2021, the Consultative Committee of Accountancy Bodies (CCAB) published a consultation *Draft Statement of Recommended Practice – Accounting by Limited Liability Partnerships*. Comments on the proposals closed on 24 September 2021 and CCAB are planning that the proposed changes are to be effective for financial years beginning on or after 1 January 2022.

### **1.1 Summary of proposed changes**

The draft SORP 2022 has been updated to respond to stakeholder feedback that there is diversity in practice when interpreting whether divisions of profit are automatic or discretionary in certain situations.

To address this feedback, CCAB is proposing the following changes in the draft SORP 2022:

- Changes to the definitions included in the SORP relating to divisions of profit.
- Consequential amendments throughout the SORP to maintain consistency of terminology.
- Additional guidance to help determine when an LLP has an unconditional right to avoid delivering cash or other assets to members.
- Changes to the ordering of the SORP to ensure that the guidance on the division of profits is presented together which, in turn, will reduce duplication and improve the overall flow of the SORP.

CCAB has also identified some diversity in practice in respect of how automatic and discretionary divisions of profit are presented in the cash flow statement. Therefore, additional changes are proposed as follows:

- Provision of additional guidance which sets out the basis for alternative classification of cash flows which relate to profit distributions.
- A requirement for LLPs to disclose their accounting policy for classifying share of profits in the cash flow statement and that cash flows be consistently classified from one period to another.

During this review of the SORP, CCAB are taking the opportunity of proposing other narrow-scope amendments to the SORP. These include reflecting the requirement for large LLPs and groups to produce an energy and carbon report as part of the annual report.