COUNCIL GUIDELINES FOR CONVERSION OF CA FIRMS INTO LLPS

(Guidelines No.1-CA (7)/03/2011, dated 4th November, 2011)

In terms of the Council decision dated 14 July, 2011, following guidelines for conversion of CA firms into LLPs and constitution of separate LLPs by the practicing Chartered Accountants have been finalized which are applicable for conversion of CA firms into LLPs or formation of new LLPs by the members in practice of the Institute subject to the provisions of the Limited Liability Partnership (LLP) Act, 2008 and Rules & Regulations framed there under:-

(A) Conversion of CA firms into LLPs

1. All existing CA firms who want to convert themselves into LLPs are required to follow the provisions of Chapter-X of the Limited Liability Partnership Act, 2008 read with Second Schedule to the said Act containing provisions of conversion from existing firms into LLP.

2. In terms of Rule 18(2) (xvi) of LLP Rules- 2009, if the proposed name of LLP includes the words `Chartered Accountant' or chartered Accountants, as the case may be, as part of the proposed name, the same shall be referred to the Institute of Chartered Accountants of India (ICAI) by the Registrar of LLP and it shall be allowed by the Registrar only if the Secretary, ICAI approves it.

3. If the proposed name of LLP of CA firm resemble with any other non-CA entity as per the naming Guidelines under LLP Act and its Rules, the proposed name of LLP of CA firms may include the word `Chartered Accountant' or `Chartered Accountants', as the case may be in the name of the LLP itself and the Registrar, LLP may allow the same name, subject to compliance to Rule 18(2) (xvi) of LLP Rules as referred above.

4. For the purpose of registration of LLP with ICAI under regulation 190 of the Chartered Accountants Regulations, 1988, the partners of the firm shall apply in ICAI Form No. '117' and the ICAI Form No. '18' along with copy of name registration received from the Registrar of LLP and submit the same with the concerned Regional office of the ICAI. These Forms shall contain all details of the officers and other particulars as called for together with the signatures of all partners or authorized partner of the proposed LLP.

5. The names of the CA firms registered with the ICAI shall remain reserved for the partners as one of the options for LLP names subject to the provisions of LLP Act, Rules and Regulations framed there under.

6. The following guidelines relating to seniority and other criteria shall be followed for registration of LLP with ICAI.
   (i) Where two similar or identical or nearly similar firm names (whether the partners of such firms are same or not) have been registered by ICAI, under the purposed LLP, only one such firm name shall be approved and remaining firm registered with ICAI, either desires to convert into LLP or not, a change in the firm name shall be required.
   (ii) The name of the LLP may be like `X & Co. LLP' or `X & Associates LLP' and no other suffix shall be approved and registered by ICAI.
   (iii) The newly converted CA LLPs registered with ICAI shall be allowed to work only in terms of Section 2(2) of the Chartered Accountants Act, 1949 and the object of LLP to be incorporated in Form-2 and Form 17 of the LLP rules, 2009 or in LLP agreement, shall be in the nature of Professional Services allowed under Section 2(2) of the Chartered Accountants Act, 1949. LLP shall be subject to the same regulations, as if they were in partnership firm. Mere conversion into LLP does not give any privileges, which were not earlier with the CA firms.
   (iv) Inter-se seniority among the firms shall be given to LLP as per existing policy of ICAI. In other words, LLPs shall carry the same seniority, as the firm shall otherwise have under the existing policy of ICAI. In case of merger of 2 LLPs, same rules as applicable to firms merging shall apply.
   (v) The non converted firms shall also remain on the same position of seniority in relation to converted LLPs as the converted LLPs shall have the same inter-se seniority as the firms had earlier to conversion.

7. These guidelines of conversion of CA firms into LLP shall also be applicable to the conversion of proprietary firm into LLP subject to the provisions of LLP Act, Rules and Regulations framed there

under. The conversion of proprietary firm shall be by way of incorporation of new LLPs.

8. The registration number (with minimum 6 numbers) of LLP with ICAI, shall remain the same Firm Registration Number (FRN) allotted to the firm before the conversion by ICAI with the Regional Code like `W' for Western, `E' for Eastern, `S' for Southern, `N' for Northern and `C' for Central Region as under:-
Region Code

FRN	W	1	2	3	4	5	6
FRN	S	2	0	0	0	0	0
FRN	E	3	0	0	0	0	0
FRN	C	4	0	0	0	0	0
FRN	N	5	0	0	0	0	0

9. Introduction of LLP, shall not affect the existing regulations in force as regards the name allotment to chartered accountants firms.

10. In case there is a merger of a firm and conversion with LLP and vice-versa, seniority may be provided to the surviving entity as per policy as per **Annexure 'A'*** attached herewith.

11. The provisions of CA Act, 1949, Chartered Accountants Regulations, 1988 and Code of Ethics issued by ICAI shall be applicable to all partners of the converted CA firms into LLP jointly and severally.

12. The following Guidelines are subject to the clarification from Ministry of Corporate Affiars (MCA), Govt. of India, New Delhi:

(i) Wherever the existing partnership firm have been appointed as statutory auditor of any company after following the due procedure under the Companies Act, 1956 and the said firm with the same partners is converted/formed into LLP, then the same FRN will continue and the Board of Directors of the Company may take on record the conversion/ formation of the CA firms into LLP and the new LLP shall be deemed to be an Auditor of the said company for the said financial year in terms of Section 58(4) of the LLP Act, 2008.

(ii) Wherever more than one partnership firms with all the partners desire to convert/ form only one LLP, in that case the name and FRN may be selected of only one of such firms for the purpose of registration with ICAI and;

(i) The other such firms shall stand dissolved.
(ii) Seniority shall be decided as per applicable rules of ICAI.
(iii) The Board of Directors of all the Companies who have appointed all the erstwhile firms as auditors, may take a declaration from the said LLP with all the partners of all the erstwhile firms on record and the appointment of auditors of all the erstwhile firms made under the Companies Act, 1956, shall be deemed to be in the name of the said LLP.

(B) Constitution of separate LLPs

13. All members of ICAI in practice who want to constitute separate LLPs are required to follow the provisions of the Limited Liability Partnership Act, 2008 read with the Rules framed there under.

14. In terms of Rule 18(2) (xvi) of LLP Rules- 2009, if the proposed name of LLP includes the words `Chartered Accountant' or chartered Accountants, as the case may be, as part of the proposed name, the same shall be referred to the ICAI by Registrar of LLP and it shall be allowed by the Registrar only if the Secretary, ICAI approves it.

15. For the purpose of registration of LLP with ICAI under regulation 190 of the Chartered Accountants Regulations, 1988, the partners of the firm shall apply in ICAI Form No. '117' and the ICAI Form No. '18' along with copy of name registration received from the Registrar of LLP and submit the same with the concerned Regional office of the ICAI. These Forms shall contain all details of the officers and other particulars as called for together with the signatures of all partners or authorized partner of the proposed LLP.

16. The following guidelines relating to seniority and other criteria shall be followed for registration of LLP with ICAI.

(i) Inter-se seniority among the firms shall be given to LLP as per existing policy of ICAI. In other words, LLPs shall carry the same seniority, as the firms shall otherwise have under the existing policy of ICAI. In case of merger of two LLPs, same rules, as applicable to firms merging, shall apply.

(ii) The name of the LLP may be like `X & Co. LLP' or `X & Associates LLP' and no other suffix shall be approved and registered by ICAI.

(For further details please visit the website of ICAI, i.e. www.icai.org)*

(iii) The newly constituted CA LLPs registered with ICAI shall be allowed to work only in terms of Section 2(2) of the Chartered Accountants Act, 1949 and the object of LLP to be incorporated in Form-2 and Form 17 of the LLP rules, 2009 or in LLP agreement, shall be in the nature of Professional Services allowed under Section 2(2) of the Chartered Accountants Act, 1949. LLP shall be subject to the same regulation, like the partnership firms. Mere conversion into LLP does not give any privileges, which were not earlier with the CA firms.

17. These guidelines of conversion of CA firms into LLP shall also be applicable to the conversion of proprietary firm into LLP subject to the provisions of LLP Act, Rules and Regulations framed there under. The conversion of proprietary firm shall be by way of incorporation of new LLPs.

18. The registration number (with minimum 6 numbers) of LLP with ICAI, shall be like the Firm Registration Number being allotted to the firms by ICAI with the Regional Code like `W' for Western, `E' for Eastern, `S' for Southern, `N' for Northern and `C' for Central Region .

19. Introduction of LLP, shall not affect the existing regulations in force as regards Name allotment to chartered accountants firms.

20. The provisions of CA Act, 1949, Chartered Accountants Regulations, 1988 and Code of Ethics issued by ICAI shall be applicable to all partners of the LLP jointly and severally.

21. In case of any dispute in respect of these guidelines, the same shall be referred to the committee of the Institute and the decision of that committee shall be final and binding on the members of the Institute.

22. For the purpose of any clarification regarding the approval and registration of proposed LLP with the ICAI, the requests can be sent at the following address:-

The Secretary
The Institute of Chartered Accountants of India
P.B No: 7100, "ICAI Bhavan", Indraprastha Marg
New Delhi – 110002

23. These Guidelines shall come into force w.e.f. 4th November, 2011. ■

Expert Advisory Committee of The Institute of Chartered Accountants of India

The fast changing and immensely competitive environment often calls upon organisations to enter into complex business deals and transactions where accounting practices and norms are not yet settled. In such situations, accounting for transactions and auditing thereof becomes a difficult task. This gives rise to the need for authoritative guidance on such matters. The Expert Advisory Committee (EAC) of the Institute of Chartered Accountants of India fits into the role of giving such authoritative guidance in the form of Opinions on matters relating to application and implementation of accounting and auditing standards and other pronouncements comprising generally accepted accounting and auditing principles under peculiar and intricate situations. Over a period of time, EAC's role has become widely acknowledged with members in practice and industry alike increasingly seeking the services of EAC to unravel wide array of issues and complex problems while discharging their duties, such as preparation and presentation of financial statements, reconciling the views of auditors, management, various stakeholders and authorities, etc.

Opinions can be obtained from the EAC on payment of nominal charges of ₹25,000/₹10,000 (₹50,000/₹20,000 proposed) as per its Advisory Service Rules which are available on the website of the ICAI, under the head 'Resources'. The Rules can also be obtained from the Institute's Head Office at New Delhi. For further information, Secretary, Expert Advisory Committee can be contacted through e-mail at eac@icai.org.

For the benefit of the members, EAC also regularly publishes Compendium of Opinions where the opinions finalised during a year are published in a volume of the Compendium. So far, EAC has released 28 volumes of the Compendium. A CD of 'Compendium of Opinions' containing more than 1000 opinions issued up to January 2009 has also been released by the Committee. All these publications of the Committee are available for sale at the Insitute's Office at New Delhi and its Regional Council Offices at Mumbai, Chennai, Kolkata and Kanpur.