

## Empirical Evidence on the Need for Harmonization of Audit Criteria for Small Enterprises in India

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**Abstract :** Limited Liability Partnerships (LLPs) was a concept introduced in India in 2009. Ever since then, there has been a fierce growth in the number of organizations registered as LLPs outpacing the number of registrations as private companies. Among other benefits extended to LLPs, the audit being mandated only for LLPs having a turnover of at least Rs 40 lakhs or capital contribution of Rs 25 lakhs, has been a major attraction. This has resulted in only about 10 per cent of LLPs coming under mandatory audit. Even for such companies, the accounting standards to be followed in the preparation of financial statements have not been specified. The Revised Indian Accounting Standards (Revised IndAS) which are aligned with IFRS to a great extent, may apply to LLPs only under limited conditions. Thus, the veracity of even the audited financial statements of LLPs can be questioned. If in future, these LLPs would like to list on a stock exchange to raise capital, there can be serious hurdles if investors do not find the financial statements to be reliable and consistent. LLPs are generally governed by country-specific rules in the area of accounts and audit. Thus, such rules vary across UK, EU and the USA. Some countries have adopted the IFRS for SMEs and since LLPs can be referred to as SMEs; they would come under the ambit of these IFRS provisions. Besides, as the scope of audit widens to cover qualitative information in addition to quantitative data, audit of LLPs has now acquired a new meaning and a new urgency as demands for at least limited purpose audits are arising from different stakeholders including lenders, suppliers, customers and joint venture partners.

**Keywords :** audit disclosures, audit quality, guidance for SMEs, non-audit services

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