

# 12

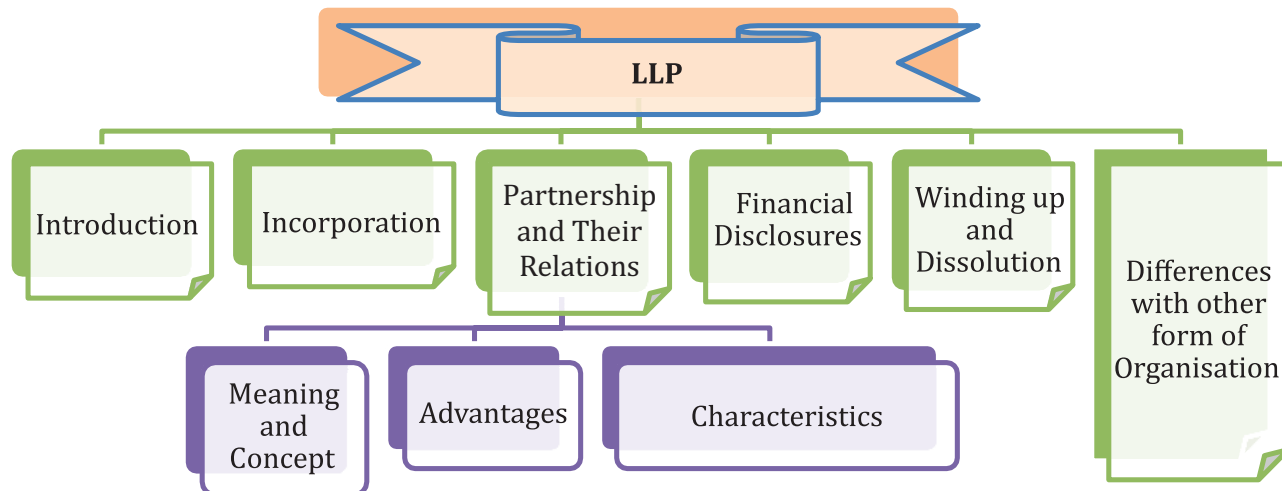
## CHAPTER

# The Limited Liability Partnership Act, 2008

| S. No. | Table of Contents for the Chapter  |
|--------|--|
| 01.    | Introduction   |
| 02.    | Need of New Form of Limited Liability Partnership  |
| 03.    | Meaning and Concept  |
| 04.    | Advantages of LLP Form   |
| 05.    | Important Definitions  |
| 06.    | Section 5: Partners  |
| 07.    | Section 6: Minimum Number of Partners  |
| 08.    | Section 7 to 10: Designated Partners   |
| 09.    | Some Other Definitions   |
| 10.    | Differences with other Forms of Organisation   |
| 11.    | Characteristic of LLP  |
| 12.    | Incorporation of LLP   |
| 13.    | Section 11 Incorporation   |
| 14.    | Section 12 Incorporation by Registration   |
| 15.    | Section 13 Registered Office of LLP and Change Therein   |
| 16.    | Section 14 Effect of Registration  |
| 17.    | Section 15 Name  |
| 18.    | Section 16 Reservation of Name   |
| 19.    | Section 17 Change of Name of LLP   |
| 20.    | Partners And Their Relations <ul style="list-style-type: none"><li><input type="checkbox"/> Section 22 Eligibility To Be Partners</li><li><input type="checkbox"/> Section 23 Relationship of Partners</li><li><input type="checkbox"/> Section 24 Cessation of Partnership Interest</li><li><input type="checkbox"/> Section 25 Registration of Changes In Partners</li></ul> |

|     |   |
|-----|---|
| 21. | Extent And Limitation of Liability of LLP and Partner<br><input type="checkbox"/> Section 26 Partner as Agent<br><input type="checkbox"/> Section 27 Extent of Liability of LLP<br><input type="checkbox"/> Section 28 Extent of Liability of Partner |
| 22. | Section 29 – Holding Out  |
| 23. | Section 30 – Unlimited Liability in Case of Fraud   |
| 24. | Section 31 – Whistle Blowing  |
| 25. | Section 32 and 33 – Contributions   |
| 26. | Section 34 to 37 – Financial Disclosures  |
| 27. | Section 38 – Power of Registrar to Obtain Information   |
| 28. | Section 39 – Compounding of Offences  |
| 29. | Section 42 – Partner’s Transferable Interest  |
| 30. | Section 55 To 58 – Conversion into LLP  |
| 31. | Section 59 – Foreign Limited Liability Partnerships   |
| 32. | Section 60 To 65 – Compromise, Arrangement Or Reconstruction Of Llp   |
| 33. | Section 66 To 70 – Miscellaneous  |
| 34. | List of LLP Forms   |

## ■ INTRODUCTION



- ❑ The Limited Liability Partnership Act, 2008 **under MCA:**
  - The President of India has assented to the Bill on **7<sup>th</sup> January 2009** and
  - It was notified in **OG on 9<sup>th</sup> January 2009** (misprinted in the module as 2007)
  - It **came into force** by MCA on **31<sup>st</sup> March 2009**
  - The LLP (Amendment) Act, **2021**
- ❑ This Act is for formation and regulation of LLPs and matters connected therewith or incidental thereto.
- ❑ The LLP Act, 2008 has **81 sections and 4 schedules**.
  - The First Schedule =
    - Mutual rights and duties of partners and
    - Between limited liability partnership and its partners where there is absence of formal agreement with respect to them.
  - The Second Schedule - Conversion of a Firm into LLP.
  - The Third Schedule - Conversion of a Private company into LLP.
  - The Fourth Schedule - Conversion of an Unlisted public company into LLP.
    - Administration of the Act:

### **The Ministry of Corporate Affairs (MCA) + the Registrar of Companies (ROC)**

The Companies Act, 2013 → **Registrar of Companies**

The Indian Partnership Act, 1932 → **Registrar of Firms**

The Limited Liability Partnership Act, 2008 → **Registrar of Companies**

#### **Note:**

- ❑ Framing of the rules, amendments in Official Gazette with regards to the Act will be done by the Central Government.
- ❑ Section 4 - Non-applicability of the Indian Partnership Act, 1932 Save as otherwise provided, the provisions of the Indian Partnership Act, 1932 shall not apply to a LLP.

- Applicability of the Companies Act, 2013: Words and expressions used and not defined in this Act but defined in the Companies Act, 2013 shall have the meanings respectively assigned to them in that Act. [Section 2(2)]

### MULTIPLE CHOICE QUESTIONS (MCQ)

1. Which of the following statement is not true for an LLP?

- (a) An LLP is a body corporate
- (b) An LLP is an artificial legal person
- (c) Any change in the partners of an LLP shall not affect the existence, rights or liabilities of the LLP.
- (d) Indian Partnership Act, 1932 apply to LLP.**

#### ■ NEED OF NEW FORM OF LIMITED LIABILITY PARTNERSHIP

- A need has been felt for a new corporate form that would provide:
  - an alternative to the traditional partnership with unlimited personal liability on the one hand and
  - the statute-based governance structure of the limited liability company on the other hand.
- Owing to flexibility in its structure and operation -
- The LLP is a suitable vehicle for **small enterprises and for investment by venture capital.**

#### ■ MEANING AND CONCEPT

- A LLP is a **new form of legal business** entity
- with limited liability.**
- It is an alternative corporate business vehicle that not only
- gives the **benefits of limited liability** at **low compliance** cost but
- allows its **partners** the **flexibility** of organizing their **internal structure** as a traditional partnership.
- The LLP is a **separate legal entity** and,
- while the LLP itself will be liable for the full extent of its assets,
- the liability of the partners will be limited.
- It gives benefits of limited liability of a company and the flexibility of a partnership.**
- Since LLP contains elements of both 'a **corporate structure**' as well as 'a **partnership firm structure**' LLP is called a **hybrid** between a company and a partnership.

| New form → Alternative Corporate business Vehicle → LLP is a HYBRID system   |   |
|--|---|
| <b>Benefit of Company</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> Body Corporate</li> <li><input type="checkbox"/> Limited Liability</li> <li><input type="checkbox"/> Perpetual Succession</li> <li><input type="checkbox"/> Separate Legal Entity</li> <li><input type="checkbox"/> Artificial Legal person</li> </ul> | <b>Benefits of Partnership Firm</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> Flexibility</li> <li><input type="checkbox"/> Agreement</li> <li><input type="checkbox"/> Easy to create</li> <li><input type="checkbox"/> Easy to dissolve</li> <li><input type="checkbox"/> Compliances are less</li> </ul> |
| <b>LLP has taken advantages of both the form of organization</b>   |   |

## ■ ADVANTAGES OF LLP FORM

LLP form is a form of business model which:

### AF-Easy-LL-Low

1. Agreement
2. Flexibility
3. Easy to form
4. Easy to Dissolve
5. Limited liability
6. Low compliances

is organized and operates on the basis of an agreement

provides flexibility without imposing detailed legal and procedural requirements.

Easy to form

All partners enjoy limited liability

Flexible capital structure

Easy to dissolve

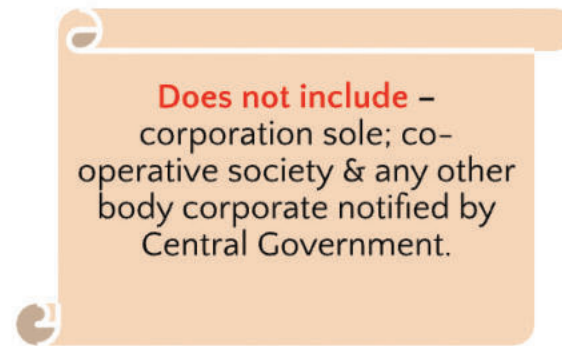
## ■ IMPORTANT DEFINITIONS

### 1. Body Corporate Section 2(1)(d):

A BODY CORPORATE CAN BECOME A PARTNER IN LLP. SO, WE NEED TO UNDERSTAND WHAT IS A BODY CORPORATE?

It means a company as defined in section 3 of the Act and includes:

- (a) LLP registered under this Act;
- (b) a LLP incorporated outside India; and
- (c) a company incorporated outside India, but does not include
  - (a) a corporation sole;
  - (b) a co-operative society registered under any law for the time being in force; and
  - (c) any other body corporate (not being a company as defined in section 3 of the Companies Act, 1956 or a limited liability partnership as defined in this Act), which the Central Government may, by notification in the Official Gazette, specify in this behalf.



**2. Business [Section 2(1)(e)]:**

Business” includes every trade, profession, service and occupation.

LLP can't be formed for **CHARITABLE PURPOSE. ONLY PROFIT.**

**3. Designated Partner [Section 2(j)]:**

Designated partner means any partner designated as such pursuant to Sec. 7

**4. Financial Year [Section 2(1)(l)]:**

The period from:

**REGULAR Case:** the 1st April to 31st March of the following year.

**SPECIAL Case:** LLP incorporated after the 30th September of a year - the financial year may end on 31st March of the year next following that year.

**Example:** If a LLP has been incorporated on 15th October, 2022, then its financial year may be from 15th October, 2022 to 31st March, 2024. However, the LLP can always maintain its first accounts from 15th October, 2022 to 31st March, 2023 i.e. for a period of less than 12 months. The period for which the first accounts of LLP are prepared shall not exceed 18 months.

The Income Tax department has prescribed uniform financial year from 1st April to 31st March of next year. In keeping with the Income tax law, the financial year for LLP should always be from 1st April to 31st March each year.

**MULTIPLE CHOICE QUESTIONS (MCQ)**

**2. Which of the following is not included in definition of body corporate as per LLP Act?**

- (a) **Co-operative Society registered under any law**
- (b) LLP incorporated outside India
- (c) Company incorporated outside India
- (d) Company incorporated in India

**5. Foreign LLP [Section 2(1)(m)]:**

- (a) It means a LLP formed, incorporated or registered outside India
- (b) which establishes a place of business within India.

| Formed/Incor./Reg.   | POB          | Foreign LLP ?          |
|----------------------|--------------|------------------------|
| <b>In India</b>      | Within India | <b>NO (Normal LLP)</b> |
| <b>Outside India</b> | Within India | <b>YES</b>             |

|                      |               |                        |
|----------------------|---------------|------------------------|
| <b>Outside India</b> | Outside India | <b>NO</b>              |
| <b>In India</b>      | Outside India | <b>NO (Normal LLP)</b> |

**6. Limited Liability partnership agreement Section 2(1)(o)**

- (a) It means any written agreement between the partners of the LLP or
- (b) Between the LLP and its partners  
which determines the mutual rights and duties of the partners and their rights and duties in relation to that LLP.

**7. Partner [Section 2(q)]:**

- (a) Partner, in relation to a LLP, means any person
- (b) who becomes a partner in the LLP
- (c) in accordance with the LLP agreement.**

**8. Small LLP [Section 2(1)(ta)]:**

It means a limited liability partnership (Satisfy both the conditions)

- (a) Contribution of which does not exceed 25 lacs rupees or Max. not exceeding 5 crores (CG has power to increase it till this figure) as may be described

**AND**

- (b) Turnover of which:
  - (i) as per the statement of Accounts and Solvency for the
  - (ii) immediately preceding financial year
  - (iii) does not exceed 40 Lacs rupees or max. 50 crores (CG has power to increase it till this figure) as may be described

**OR**

Which meets such other requirements as may be prescribed and fulfils such terms and conditions as may be prescribed.

**MULTIPLE CHOICE QUESTIONS (MCQ)**

**3. Small LLP means an LLP which satisfies the following criteria:**

- (a) the contribution of which, does not exceed INR 25 lakh or such higher amount, not exceeding INR 5 crore, as may be prescribed:
- (b) the turnover of which, as per the Statement of Accounts and Solvency for the immediately preceding financial year, does not exceed INR 40 lakh or such higher amount, not exceeding INR 50 crore, as may be prescribed:
- (c) Either (a) or (b)
- (d) Both (a) and (b)**

**SECTION 5 - PARTNERS**

Any individual or body corporate may be a partner in a LLP.

**It means** the following can become a partner in an LLP :

- Individuals (Resident Indians, including Non-Resident Indians & Overseas Citizens of India as well as foreign nationals)
- Limited Liability Partnerships
- Companies (including foreign companies)
- Foreign Limited Liability Partnerships
- Limited Liability Partnerships incorporated outside India
- Foreign Companies.

### Who can't become a partner in an LLP?

- Co-operative societies and corporations sole can't become partner
- However, an individual shall not be capable of becoming a partner of a LLP, if -
  - he has been found to be of **unsound mind** by a Court of competent jurisdiction and the finding is in force;
  - he is an **undischarged insolvent**; or
  - he has applied to be **adjudicated as an insolvent** and his application is **pending**.

### ■ SECTION 6: MINIMUM NUMBER OF PARTNERS

1. Every LLP shall have **at least two partners**.
2. If at any time the number of partners of a LLP is reduced below two and
  - (a) the LLP carries on business for more than six months while the number is so reduced
  - (b) the person, who is the only partner of the LLP during the time that it so carries on business after those six months and
  - (c) has the knowledge of the fact that it is carrying on business with him alone,
  - (d) shall be liable personally for the obligations of the LLP incurred during that period.

### MULTIPLE CHOICE QUESTIONS (MCQ)

- |  |  |
|--|--|
| <p>4. What is the maximum time an LLP can continue with less than 2 partners?</p> <p>(a) 3 months</p> <p>(b) 9 months</p> <p><b>(c) 6 months</b></p> <p>(d) 1 year</p> | <p>5. LLP shall have at least Partners.</p> <p><b>(a) 2</b></p> <p>(b) 4</p> <p>(c) 3</p> <p>(d) 5</p> |
|--|--|

### ■ SECTION 7 TO 10: DESIGNATED PARTNERS

1. Every LLP shall have **at least two designated partners**
  - (a) who are individuals and
  - (b) at least **one of them shall be a resident in India (ROI)**.
2. If in LLP - ALL THE PARTNERS ARE BODY CORPORATE or in which one or more partners are individuals and bodies corporate (COMBINATION)
 

At least two individuals who are partners of such LLP or nominees of such bodies corporate shall act as designated partners.

Resident in India: A person who has stayed in India for a period of not less than 120 days during the financial year.

**Example:** A LLP has three partners, one individual i.e. Mr. X and two bodies corporates viz. M/s XYZ Ltd and M/s ABC Ltd. In this case Mr. X and one nominee of any body's corporate shall be designated partners.

**Example:** A LLP by the name SMY LLP has three partners namely

1. SI Limited,
2. MIS Limited,
3. YI Private Limited.

As there is no individual as partner in LLP, nominees of any two said body corporates shall act as designated partners.

**Example:** There is an LLP by the name Indian Helicopters LLP having 5 partners, namely -

Mr. A (Non-Resident),

Mr. B (Non-Resident)

Ms. C (Resident),

Ms. D (Resident) and

Ms. E (Resident).

In this case, at least 2 should be named as Designated Partner out of which 1 should be resident. Hence, if Mr. A and Mr. B are designated then it will not serve the purpose. One of the designated partners should be there out of Ms. C, Ms. D and Ms. E.

3. Some other important points related to Designated Partner:

#### **Who is a Designated Partner and How Appointed:**

- If the Incorporation Document:
  - ✦ Mentions specific names → those individuals will be designated partners at incorporation.
  - ✦ States all partners shall be designated → then every partner is a designated partner at some point of time (ROTATION of DPs)
  - ✦ A partner can become or cease to be a designated partner as per the LLP Agreement

#### **Consent and Filing Requirements:**

- An individual must give prior written consent to act as a designated partner - (DP will give his consent to the LLP in Form 9)
- The LLP must file the details of such individual with the Registrar within 30 days of appointment, in the prescribed format.

#### **Eligibility & DPIN:**

- The individual must meet prescribed conditions to become a designated partner.
- Every designated partner must obtain a DPIN (Designated Partner Identification Number) from the Central Government
- Sections 153 to 159 of the Companies Act, 2013 related to Director Identification Numbers apply mutatis mutandis (i.e., with necessary changes) to DPIN (DIN is also sufficient)

| BASIS   | Partners   | Designated Partners   |
|---|--|---|
| <b>MIN</b>  | 2 (Special case of 6 months)   | 2   |
| <b>MAX</b>  | No limit   | No limit  |
| <b>WHO?</b>   | Individual (Anyone) & Body Corporate   | Only Individual and one ROI (Nominee or Representative in case of body-corporate)           |
| <b>WHAT?</b><br><b>Section 8</b>                              | Business   | Compliances like filing, return, statement and like reports. He is liable to all penalties. |
| Designated Partners - Section 8 to 10                         |  |   |
| Section   | Explanation  |   |
| <b>Section 8</b><br><b>Liabilities of Designated Partners</b> | <ul style="list-style-type: none"> <li><input type="checkbox"/> A designated partner shall be responsible for all acts and matters required to be done by the LLP regarding compliance with the provisions of this Act,</li> <li><input type="checkbox"/> Including filing of any document, return, statement, and other reports, as specified in the LLP Agreement.</li> <li><input type="checkbox"/> He shall also be liable to all penalties imposed on the LLP for contravention of such provisions.</li> </ul>  |   |
| <b>Section 9</b><br><b>Changes in Designated Partners</b>     | <ul style="list-style-type: none"> <li><input type="checkbox"/> A limited liability partnership must appoint a new designated partner within 30 days of any vacancy.</li> <li><input type="checkbox"/> Any kind of change/appointment/consent of partners or DPs in Form 4.</li> <li><input type="checkbox"/> The provisions of sub-section (4) and (5) of section 7 will apply to the new designated partner.</li> <li><input type="checkbox"/> If no new designated partner is appointed, or there is only one designated partner at any time, then all the partners shall be deemed to be designated partners.</li> </ul> |   |
| <b>Section 10(a)</b><br><b>Contravention of Section 7(1)</b>  | <ul style="list-style-type: none"> <li><input type="checkbox"/> If the LLP fails to have at least two designated partners or no designated partner is resident in India,</li> <li><input type="checkbox"/> The LLP and every partner shall be liable to a penalty of ₹10,000 and,</li> <li><input type="checkbox"/> In case of a continuing contravention, to a further penalty of ₹100 per day, subject to a maximum of ₹1,00,000 for the LLP and ₹50,000 for every partner.</li> </ul>   |   |
| <b>Section 10(b)</b><br><b>Contravention of Section 7(4)</b>  | <ul style="list-style-type: none"> <li><input type="checkbox"/> If the LLP fails to file the consent of a designated partner within 30 days of his appointment,</li> <li><input type="checkbox"/> The LLP and every designated partner shall be liable to a penalty of ₹5,000 and,</li> <li><input type="checkbox"/> In case of a continuing contravention, to a further penalty of ₹100 per day, subject to a maximum of ₹50,000 for the LLP and ₹25,000 for each designated partner.</li> </ul>  |   |

**Section 10(c)  
Contravention of  
Section 7(5) or 9**

- If the LLP contravenes the provisions of section 7(5) or section 9,
- It shall be liable along with every partner to a penalty of ₹10,000 and,
- In case of a continuing contravention, to a further penalty of ₹100 per day, subject to a maximum of ₹1,00,000 for the LLP and ₹50,000 for every partner.

**MULTIPLE CHOICE QUESTIONS (MCQ)**

6. Which of the following statement is not true about designated partner of an LLP?
- (a) Every LLP should have atleast 2 Designated partners
  - (b) Designated partners should be individual
  - (c) Atleast 1 Designated partner should have stayed in India for a period of not less than 182 days during the financial year.**
  - (d) Atleast 1 Designated partner should have stayed in India for a period of not less than 120 days during the financial year.
7. What is the time limit to file consent to act as a Designated partner?
- (a) 15 days from appointment
  - (b) 30 days from appointment**
  - (c) 60 days from appointment
  - (d) 90 days from appointment
8. For the purpose of LLP, a Resident in India means:
- (a) A person who has stayed in India for a period of not less than 182 days during the current year.
  - (b) Person who has stayed in India for a period of not less than 180 days during the immediately preceding one year.
  - (c) Person who has stayed in India for a period of not less than 181 days during the immediately preceding one year.
  - (d) A person who has stayed in India for a period of not less than 120 days during the financial year.**
9. What is the time limit to fill vacancy in office of a Designated partner?
- (a) 15 days
  - (b) 30 days**
  - (c) 45 days
  - (d) 60 days
10. XYZ LLP failed to file the particulars of appointment of Mr. Z as designated partner within 30 days of his appointment. What is the penalty applicable on the LLP?
- (a) INR 20,000
  - (b) INR 10,000
  - (c) INR 5,000**
  - (d) INR 50,000
11. Which of the following statement is not true about designated partner of an LLP?
- (a) Every LLP should have atleast 2 Designated partners
  - (b) Designated partners should be individual
  - (c) Atleast 1 Designated partner should have stayed in India for a period of not less than 182 days during the financial year.**
  - (d) Atleast 1 Designated partner should have stayed in India for a period of not less than 120 days during the financial year.
12. What is the time limit to file consent to act as a Designated partner?
- (a) 15 days from appointment
  - (b) 30 days from appointment**
  - (c) 60 days from appointment
  - (d) 90 days from appointment
13. For the purpose of LLP, a Resident in India means:
- (a) A person who has stayed in India for a period of not less than 182 days during the current year.

- (b) Person who has stayed in India for a period of not less than 180 days during the immediately preceding one year.
- (c) Person who has stayed in India for a period of not less than 181 days

during the immediately preceding one year.

- (d) A person who has stayed in India for a period of not less than 120 days during the financial year.**

## ■ SOME OTHER DEFINITIONS

| Definition                                       | Description  |
|--|--|
| <b>Address</b><br>[Section 2(1)(a)]              | For an individual: their usual home address.<br>For a body corporate: its registered office address.   |
| <b>Chartered Accountant</b><br>[Section 2(1)(f)] | A CA as per the Chartered Accountants Act, 1949 who also holds a certificate of practice under that Act.   |
| <b>Entity</b><br>[Section 2(1)(k)]               | Any body-corporate. For specific sections (18, 46–50, 52, 53), it also includes a partnership firm under the Indian Partnership Act, 1932.                   |
| <b>LLP Agreement</b><br>[Section 2(1)(o)]        | A written agreement between partners or between LLP and partners that sets their mutual rights and duties. First Schedule applies where no agreement exists. |
| <b>Name</b><br>[Section 2(1)(p)]                 | For an individual: includes first, middle, and last name.<br>For a body corporate: its registered name.  |
| <b>Regional Director</b><br>[Section 2(1)(ra)]   | An official appointed by the Central Government under this Act or the Companies Act, 2013.   |
| <b>Registrar</b><br>[Section 2(1)(s)]            | A person appointed by the Central Government (Registrar, Joint Registrar, etc.) under this Act or the Companies Act, 2013.                                   |
| <b>Tribunal</b><br>[Section 2(1)(u)]             | Refers to the National Company Law Tribunal (NCLT) set up under Section 408 of the Companies Act, 2013.  |

## ■ DIFFERENCES WITH OTHER FORMS OF ORGANISATION

### Distinction between LLP and Partnership Firm

| S. No | Basis                        | LLP   | Partnership Firm  |
|-------|------------------------------|---|---|
| 1.    | <b>Regulating Act</b>        | The Limited Liability Partnership Act, 2008.    | The Indian Partnership Act, 1932.                       |
| 2.    | <b>Body corporate</b>        | It is a body corporate                          | It is not a body corporate.                             |
| 3.    | <b>Separate legal entity</b> | It is a legal entity separate from its members. | It is a group of persons with no separate legal entity. |

|     |                                |   |   |
|-----|--------------------------------|---|---|
| 4.  | <b>Creation</b>                | It is created by a legal process called registration under the LLP Act, 2008.   | It is created by an agreement between the partners.   |
| 5.  | <b>Registration</b>            | Registration is mandatory. LLP can sue and be sued in its own name.   | Registration is voluntary. Only the registered partnership firm can sue the third parties.                |
| 6.  | <b>Perpetual succession</b>    | The death, insanity, retirement or insolvency of the partner(s)   | The death, insanity, retirement or insolvency of the partner(s)   |
| 7.  | <b>Legal compliances</b>       | Only designated partners are responsible for all the compliances and penalties under this Act.  | All partners are responsible for all the compliances and penalties under the Act.                         |
| 8.  | <b>Annual filing documents</b> | LLP is required to file:<br>(i) Annual statement accounts<br>(ii) Statement of solvency<br>(iii) Annual return with the registration of LLP every year. | Partnership firm is not required to file any annual document with the registrar of firms.                 |
| 9.  | <b>Foreign partnership</b>     | Foreign nationals can become a partner in a LLP   | Foreign become nationals a cannot partner in partnership firm.  |
| 10. | <b>Minor as partner</b>        | Minor cannot be admitted to the benefits of LLP.  | Minor can be admitted to the benefits of the partnership with the prior consent of the existing partners. |
| 11. | <b>Mutual agency</b>           | Each partner can bind the LLP by his own acts but not the other partners.   | Each partner can bind the firm as well as other partners by his own acts                                  |
| 12. | <b>Designated partners</b>     | At least two designated partners and atleast one of them shall be resident in India.  | There is no provision for such partners under the Partnership Act, 1932.                                  |
| 13. | <b>Common seal</b>             | It may have its common seal as its official signatures.   | There is no such concept in partnership.  |

### Distinction between LLP and LLC

| S. No | Basis                        | LLP   | Limited Liability Company  |
|-------|------------------------------|---|--|
| 1.    | <b>Regulating Act</b>        | The LLP Act, 2008   | The Companies Act, 2013  |
| 2.    | <b>Members/<br/>Partners</b> | The persons who contribute to LLP are known as partners of the LLP. | The persons who invest the money in the shares are known as members of the company |

|    |   |  |   |
|----|---|--|---|
| 3. | <b>Internal governance structure</b>                    | The internal governance structure of an LLP is governed by contract agreement between the partners.  | The internal governance structure of a company is regulated by statute (i.e., Companies Act, 2013).   |
| 4. | <b>Name</b>   | Name of the LLP to contain the word "Limited Liability partnership" or "LLP" as suffix.  | Name of the public company to contain the word "limited" and Pvt. Co. to contain the word "Private limited" as suffix.  |
| 5. | <b>No. Of members/ partners</b>                         | Minimum - 2 partners<br>Maximum No such limit on the partners in the Act. The partners of the LLP can be individuals/or body corporate through the nominees. | Private company:<br>Minimum - 2 members<br>Maximum 200 members<br>Public company:<br>Minimum - 7 members<br>Maximum No such limit on the members. Members can be organizations, trusts, another business form or individuals. |
| 6. | <b>Liability of members/ partners</b>                   | Liability of a partners is limited to the extent of agreed contribution except in case of willful fraud.   | Liability of a member is limited to the amount unpaid on the shares held by them.   |
| 7. | <b>Management</b>                                       | The business of the company is managed by the partners including the designated partners authorized in the agreement.  | The affairs of the company are managed by board of directors elected by the shareholders.   |
| 8. | <b>Minimum number of directors/ designated partners</b> | Minimum 2 designated partners.   | Pvt. Co. - 2 directors<br>Public co. - 3 directors  |

### ■ CHARACTERISTIC OF LLP

| S. No.   | Characteristics                |                      |
|--|--------------------------------|----------------------|
| 1.   | <b>LLP is a Body Corporate</b> |                      |
| <b>From the Company's Angle - T.O.P .C.L.A.S.S</b> |                                |                      |
| 2.   | <b>P</b>                       | Perpetual Succession |
| 3.   | <b>C</b>                       | Common Seal          |
| 4.   | <b>L</b>                       | Limited liability    |

|  |                    |   |
|--|--------------------|---|
| 5.   | <b>A</b>           | Artificial Legal Person   |
| 6.   | <b>S</b>           | Separate Legal Entity   |
| 7.   | <b>S</b>           | Separate Property and Suing power   |
| <b>Characteristics - From the Partnership Firm's Angle</b> |                    |   |
| 8.   | <b>Flexibility</b> | LLP Agreement   |
| <b>Other Characteristics</b>                               |                    |   |
| 9.   | <b>Agency</b>      | Mutual Agency   |
| 10.  | <b>Partners</b>    | Minimum and Maximum partners  |
| 11.  | <b>Purpose</b>     | Only for Business - Profit Purpose  |
| 12.  | <b>Foreign LLP</b> | LLP could be incorporated outside India   |
| 13.  | <b>Management</b>  | Designated Partners   |
| 14.  | <b>Conversion</b>  | Partnership firm, Private and Unlisted Public company can be converted into LLP |

#### 1. LLP is a Body Corporate:

- Section 3 of LLP Act provides that a LLP is a body corporate formed and incorporated under this Act and
- **is a legal entity separate from that of its partners.**

#### 2. Perpetual Succession:

- The LLP can continue its existence irrespective of changes in partners.
- **Death, insanity, retirement or insolvency of partners has no impact on the existence of LLP.**
- It is capable of entering into contracts and holding property in its own name.

#### 3. Separate Legal Entity:

- **The LLP is a separate legal entity, is liable to the full extent of its assets but**
- **liability of the partners is limited to their agreed contribution in the LLP.**
- In other words, creditors of LLP shall be the creditors of LLP alone.

#### 4. Mutual Agency:

- **No partner is liable on account of the independent or unauthorized actions of other partners,**
- **Thus individual partners are shielded from joint liability created by another partner's wrongful business decisions or misconduct.**
- In other words, all partners will be the agents of the LLP alone. No one partner can bind the other partner by his acts.

#### 5. LLP Agreement:

- **Mutual rights and duties of the partners within a LLP are governed by an agreement between the partners.**
- The LLP Act, 2008 provides flexibility to partner to devise the agreement as per their choice.

- In the absence of any such agreement, the mutual rights and duties shall be governed by the provisions of the LLP Act, 2008.

#### 6. Artificial Legal Person:

- A LLP is an artificial legal person because it is created by a legal process and is clothed with all the rights of an individual.
- It can do everything which any natural person can do,
- Except of course that, it cannot be sent to jail, cannot take an oath, cannot marry or get a divorce
- Nor can it practice a learned profession like CA or Medicine.
- **A LLP is invisible, intangible, immortal (it can be dissolved by law alone) but not fictitious because it really exists.**

#### 7. Common Seal:

- A LLP being an artificial person can act through its partners and designated partners.
- **LLP may have a common seal, if it decides to have one [Section 14(c)].**
- Thus, it is not mandatory for a LLP to have a common seal.
- It shall remain under the custody of some responsible official and it shall be affixed in the **presence of at least 2 DPs of the LLP.**

#### 8. Limited Liability: SECTION 26

- **Every partner of a LLP is, for the purpose of the business of LLP,**
- **the agent of the LLP, but not of the other partners.**

The liability of the partners will be limited to their agreed contribution in the LLP. Such contribution may be of tangible or intangible nature or both

**Example:** The professionals like Engineering consultants, Legal Advisors and Accounting Professional are afraid of entering into business due to unlimited liability.

Hence the LLP partnership Act provides an avenue for these professionals to Limited Liability Partnership firms which restricts their liability to the agreed amount. This has encouraged Professionals to form LLP.

#### 9. Management of Business:

- The partners in the LLP are entitled to manage the business of LLP. But only **the designated partners are responsible for legal compliances.**

#### 10. Minimum and Maximum number of Partners:

- Every LLP shall have **at least two partners and**
- shall also have **at least 2 individuals as designated partners,**
- of whom **at least one shall be resident in India.**
- There is **no maximum limit on the partners in LLP**

#### 11. Business for Profit Only:

- The essential requirement for forming LLP is carrying on a lawful business

- with a view to earn profit.
- Thus **LLP cannot be formed for charitable or non-economic purpose.**

#### 12. Investigation:

- The Central Government shall have powers to investigate the affairs of an LLP by appointment of competence authority for the purpose.

#### 13. Compromise or Arrangement:

- Any compromise or arrangement including merger and amalgamation of LLPs shall be in accordance with the provisions of the LLP Act, 2008.

#### 14. Conversion into LLP:

- A firm,
- private company or
- an unlisted public company would be allowed to be converted into LLP in accordance with the provisions of LLP Act, 2008.

#### 15. E-Filing of Documents:

- Every form or application of document required to be filed or delivered under the act and rules made thereunder,
- shall be filed in computer readable electronic form on
- its website [www.mca.gov.in](http://www.mca.gov.in) and
- authenticated by a partner or designated partner of LLP by the use of electronic or digital signature.

#### 16. Foreign LLPs:

- Section 2(1)(m) - A LLP formed, incorporated, or registered outside India
- which established a place of business within India.
- Foreign LLP can become a partner in an Indian LLP.

### MULTIPLE CHOICE QUESTIONS (MCQ)

#### 14. The maximum no. of Persons in an LLP is:

- (a) 50
- (b) 100
- (c) 20
- (d) No limit**

#### **(c) Extends up to proper dissolution (perpetual succession)**

- (d) None of the above

#### 15. Duration of LLP:

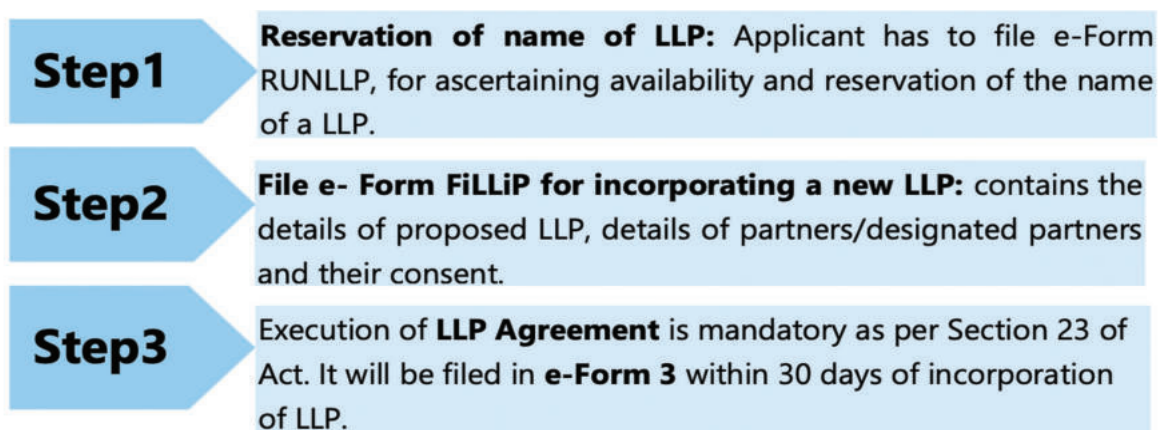
- (a) Is Limited
- (b) Depends on the Partnership Agreement

#### 16. Which of the following enjoys separate legal entity status?

- (a) Partnership Firm
- (b) LLP
- (c) Company
- (d) Both (b) and (c)**

## ■ INCORPORATION OF LLP

| Section | Description                                 |
|---------|---|
| 11      | Incorporation document                      |
| 12      | Incorporation by registration               |
| 13      | Registered office of LLP and change therein |
| 14      | Effect of registration                      |
| 15      | Name  |
| 16      | Reservation of name                         |
| 17      | Change of name of LLP                       |



## ■ (SECTION 11) INCORPORATION

The most important document need for registration is the incorporation document.

|                         |   |           |
|-------------------------|---|-----------|
| LLP's Partners          | ➔ | Registrar |
| Incorporation Documents |   |           |
| Statement               |   |           |
| Prescribed fees         |   |           |

### 1. For a LLP to be incorporated:

#### a. two or more persons associated for carrying on

- a lawful business with
- a view to profit
- shall subscribe their names to an incorporation document;

#### b. the incorporation document shall be filed

- in such manner and with such fees, as may be prescribed
- with the Registrar of the State (Incorporation documents are now processed electronically by Registrar, Central Registration Centre since 2nd October 2018)
- in which the **registered office of the LLP is to be situated;** and

#### c. Statement to be filed along with the incorporation document, a statement in the prescribed form -

- a. **Made by either an advocate, or a Company Secretary or a Chartered Accountant or a Cost Accountant**, who is engaged in the formation of the LLP and
  - b. by ANY ONE who **subscribed his name to the incorporation document**,
    - ✦ that all the requirements of this Act and the rules made thereunder have been complied with,
    - ✦ in respect of incorporation and matters precedent and incidental thereto.
2. The incorporation document shall:
- a. be **in a form** as may be prescribed;
  - b. state the **name of the LLP**;
  - c. state the **proposed business** of the LLP;
  - d. state the **address of the registered office** of the LLP;
  - e. state the **name and address of each of the persons who are to be partners of the LLP on incorporation**;
  - f. state the **name and address of the persons who are to be designated partners** of the LLP on incorporation;
  - g. contain such other information concerning the proposed LLP as may be prescribed.
3. If a person makes a statement as discussed above which he -
- a. **knows to be false**; or
  - b. does not believe to be true, shall be punishable
    - with **imprisonment for a term which may extend to 2 years** and
    - with **fine which shall not be less than Rs. 10,000 but which may extend to Rs. 5 Lakhs.**

### MULTIPLE CHOICE QUESTIONS (MCQ)

- |  |  |
|--|--|
| <p><b>17.</b> Which of the following information is not required to be stated in the incorporation document of an LLP</p> <ol style="list-style-type: none"> <li>(a) Name of the LLP</li> <li>(b) Address of registered office of LLP</li> <li>(c) Name and address of each partner</li> <li><b>(d) Liability of the partners</b></li> </ol> | <p><b>19.</b> Mr. Munna is a Cost Accountant made a false statement while filing incorporation document for an LLP. What is the punishment provided under the LLP Act for making such false statement?</p> <ol style="list-style-type: none"> <li>(a) imprisonment for a term which may extend to 2 years</li> <li>(b) fine which shall not be less than INR 10,000 but which may extend to INR 5 lakhs</li> <li><b>(c) both (a) and (b)</b></li> <li>(d) Either (a) or (b)</li> </ol> |
| <p><b>18.</b> Which form is required to be filed for incorporation of LLP?</p> <ol style="list-style-type: none"> <li>(a) Form 1</li> <li>(b) Form 2</li> <li><b>(c) Form FiLLiP</b></li> <li>(d) Form Run LLP</li> </ol>  |  |

### ■ (SECTION 12) INCORPORATION BY REGISTRATION

1. When the requirements imposed by clauses (b) and (c) of sub-section (1) of section 11 have been complied with, the Registrar shall retain the incorporation document and he shall, within a period of 14 days -
  - (a) register the incorporation document; and
  - (b) give a certificate that the LLP is incorporated by the name specified therein.

2. The Registrar may accept the statement delivered under clause (c) of sub-section (1) of section 11 as sufficient evidence that the requirement imposed by clause (a) of that sub-section has been complied with.
3. The certificate issued under clause (b) of sub-section (1) shall be signed by the Registrar and authenticated by his official seal.
4. The certificate shall be conclusive evidence that the LLP is incorporated by the name specified there- in.

### ■ (SECTION 13) REGISTERED OFFICE OF LLP AND CHANGE THEREIN

1. Every LLP shall have a registered office to which all communications and notices may be addressed and where they shall be received.
2. A document may be served on a LLP or a partner or designated partner thereof by sending it by post under a certificate of posting or by registered post or by any other manner, as may be prescribed, at the registered office and any other address specifically declared by the LLP for the purpose in such form and manner as may be prescribed.
3. A LLP may change the place of its registered office and file the notice of such change with the Registrar in such form and manner and subject to such conditions as may be prescribed and any such change shall take effect only upon such filing.
4. If the LLP contravenes any provisions of this section, the LLP and its every partner shall be punishable with fine Rs. 500 per day but which may extend up to Rs. 50,000.

### ■ (SECTION 14) EFFECT OF REGISTRATION

**On Registration, LLP shall by its name, be capable of**

1. Suing and being sued;
2. Acquiring, owning, holding and developing or disposing of property, whether movable or immovable, tangible or intangible;
3. Having a common seal, if it decides to have one; and
4. Doing and suffering other acts and things as bodies corporate may lawfully do and suffer.

### ■ (SECTION 15) NAME

1. Every limited liability partnership shall have either the words “limited liability partnership” or the acronym “LLP” as the last words of its name.
2. No LLP shall be registered by a name which, in the opinion of the Central Government is-
  - (a) undesirable; or
  - (b) identical or
  - (c) too nearly resembles to that of any other partnership firm or LLP or body corporate or a registered trade mark, or a trade mark which is the subject matter of an application for registration of any other person under the Trade Marks Act, 1999.

### MULTIPLE CHOICE QUESTIONS (MCQ)

**20. Name of LLP shall be ended by**

- |                     |  |
|---------------------|--|
| (a) Limited         | (b) Limited liability partnership or LLP |
| (c) Private Limited | (d) Foundation                           |

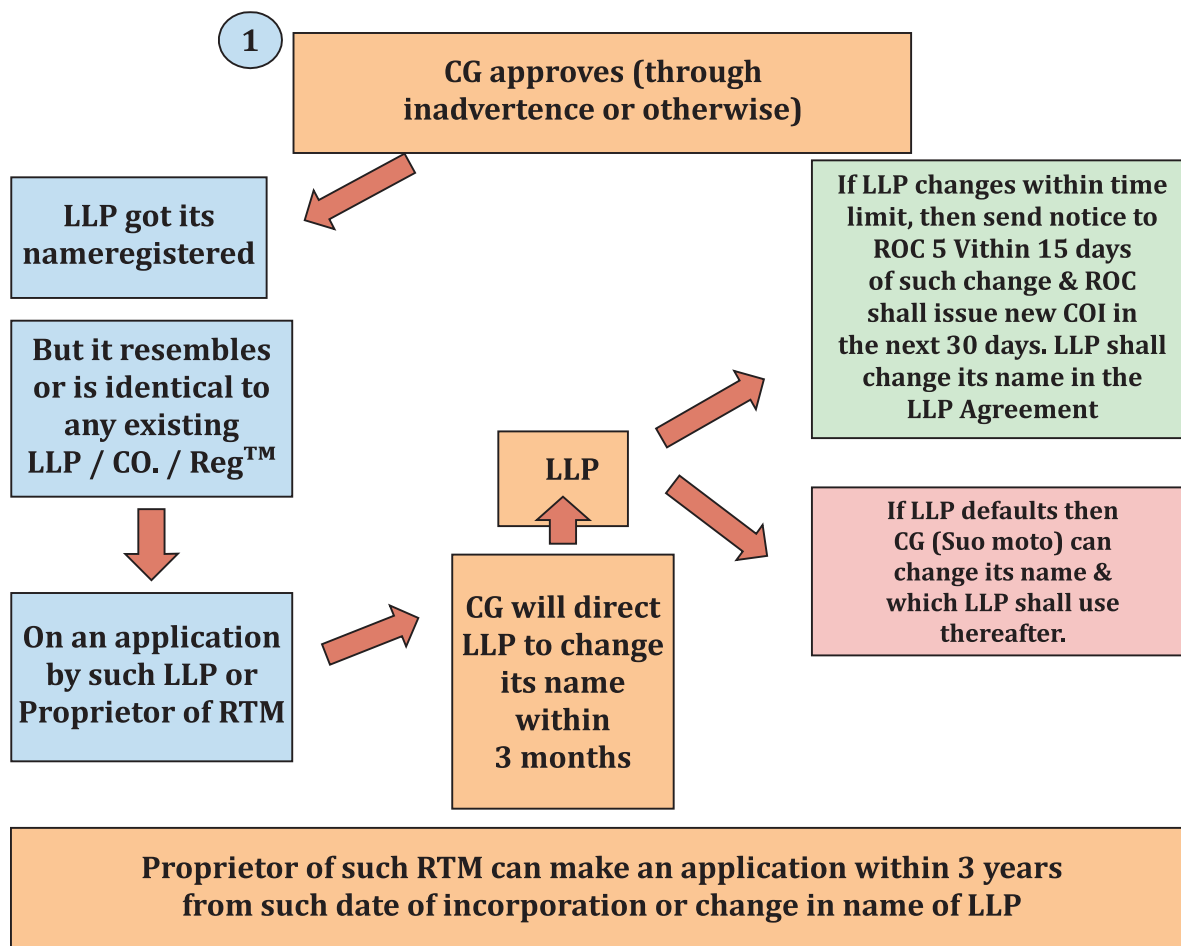
## ■ (SECTION 16) RESERVATION OF NAME

1. A person may apply in such form and manner and
2. accompanied by such fee as may be prescribed to the Registrar
3. for the reservation of a name set out in the application as -
  - (a) the name of a proposed LLP; or
  - (b) the name to which a LLP proposes to change its name.
4. Upon receipt of an application under sub-section (1) and on payment of
  - the prescribed fee,
  - the Registrar may, if he is satisfied,
  - subject to the rules prescribed by the Central Government in the matter,
  - that the name to be reserved is not one which may be rejected on
  - any ground referred to in sub-section (2) of section 15,
  - reserve the name for a period of 3 months from the date of intimation by the Registrar.

### MULTIPLE CHOICE QUESTIONS (MCQ)

- 21.** Which is the form prescribed for reservation of name of an LLP?
- (a) Form 1
  - (b) Form 16
  - (c) Form FiLLip
  - (d) Form Run LLP**
- 22.** The approved name of LLP shall be valid for a period of from the date of approval:
- (a) One month
  - (b) Two months
  - (c) Three months**
  - (d) Six Months

## ■ (SECTION 17) CHANGE OF NAME OF LLP



Notwithstanding anything contained in sections 15 and 16,

- if through inadvertence or otherwise (galti se),
- a LLP, on its first registration or
- on its registration by a new body corporate,
- its registered name, is registered by
- a name which is identical with or too nearly resembles to —
  - that of any other LLP or a company; or
  - a registered trademark of a proprietor under the Trade Marks Act, 1999, as is likely to be mistaken for it,
- then on an application of such LLP or proprietor referred to in clauses (a) and (b) respectively or a company,
- the Central Government may direct that such LLP to change its name or new name
- within a period of 3 months from the date of issue of such direction.

It is further provided that:

- an application of the proprietor of the registered trademarks shall be maintainable

- within a period of 3 years from
- the date of incorporation or registration or change of name of the LLP under this Act.
  1. Where a LLP changes its name or obtains a new name under sub-section (1) -
    - it shall within a period of 15 days
    - from the date of such change, give notice of the change to Registrar along with the order of the Central Government,
    - who shall carry out necessary changes in the certificate of incorporation and
    - within 30 days of such change in the certificate of incorporation,
    - such LLP shall change its name in the LLP agreement.
  2. If the LLP is in default in complying with any direction given under sub-section (1) -
    - the Central Government shall allot a new name to the LLP in such manner as may be prescribed and
    - the Registrar shall enter the new name in the register of LLP in place of the old name and
    - issue a fresh certificate of incorporation with new name,
    - which the LLP shall use thereafter.

Nothing contained in this subsection shall prevent a LLP from subsequently changing its name in accordance with the provisions of section 16.

|  |  |
|--|--|
| <p><b>Application for direction to change Name in certain circumstances [Sec. 18]</b><br/><b>OMITTED</b></p> | <p>(a) Any entity which already has a Name similar to the Name of a LLP which has been incorporated subsequently, may apply to the Registrar to give a direction to any LLP, on a ground referred to in Sec. 17 to change its name.</p> <p>(b) The Registrar shall not consider any application unless it is received within 24 months from the date of registration of the LLP under that name.</p> |
| <p><b>Change of Registered Name [Sec. 19]</b></p>  | <p>Any LLP may change its Name registered with the Registrar by filing with him a Notice of such change in such form and manner and on payment of such fees as may be prescribed.</p>  |
| <p><b>Penalty for improper use of words “Limited Liability Partnership” or “LLP” [Sec.20]</b></p>            | <p>If any person or persons carry on business under any name or title of which the words “Limited Liability Partnership” or “LLP” or any contraction or imitation thereof is or are the last word or words, that person or each of those persons shall, unless duly incorporated as LLP, be punishable with fine which shall not be less than 50,000 but which may extend to 5 Lakhs.</p>            |
| <p><b>[Sec. 21]</b></p>  | <ul style="list-style-type: none"> <li><input type="checkbox"/> Every LLP shall publish their name, RO and Registration number on</li> <li><input type="checkbox"/> Invoices, correspondence and publications</li> <li><input type="checkbox"/> Otherwise, penalty of Rs. 10,000</li> </ul>  |

## MULTIPLE CHOICE QUESTIONS (MCQ)

- 23. Who has the power to direct an LLP to change its name?**
- (a) Central government  
 (b) Registrar  
 (c) Designated Partners  
 (d) NCLT
- 24. What is the time limit to notify the change in name of LLP to Registrar**
- (a) 15 days                      (b) 30 days  
 (c) 45 days                      (d) 60 days

### ■ PARTNERS AND THEIR RELATIONS

#### ■ [SECTION 22] ELIGIBILITY TO BE PARTNERS

##### Who can be a Partner?

- On the incorporation of a LLP,
- the persons who subscribed their names to the incorporation document (FiLLP)
- shall be its partners and
- any other person may become a partner of the LLP
- by and in accordance with the LLP agreement (Later/subsequent) & Form 4 to ROC

#### ■ [SECTION 23] RELATIONSHIP OF PARTNERS

##### 1. Governing Rights and Duties:

- The mutual rights and duties of LLP partners and between the LLP and its partners are primarily governed by the LLP agreement.

##### 2. Filing of Agreement:

- The LLP agreement and any changes must be filed with the Registrar as per prescribed rules. (Form 3)

##### 3. Pre-incorporation Agreement:

- An agreement made before LLP incorporation among each other can bind the LLP if it is ratified by all partners after incorporation.

##### 4. Absence of LLP Agreement:

- If no LLP agreement exists, the First Schedule of the LLP Act will determine the mutual rights and duties.

#### ■ [SECTION 24] CESSATION OF PARTNERSHIP INTEREST

|  |   |
|--|---|
| <b>Cessation of Partnership</b>        | <input type="checkbox"/> As per the <b>agreement</b> with other partners OR<br><input type="checkbox"/> <b>30 days written notice</b> to other partners of resignation. (Absence of Agreement)  |
| <b>A person ceases to be a partner</b> | <b>Automatically upon:</b><br><input type="checkbox"/> <b>Death</b> or <b>dissolution</b> of the LLP<br><input type="checkbox"/> Being declared <b>of unsound mind</b> by a competent court<br><input type="checkbox"/> Applying for or being declared <b>insolvent</b> |

|                                      |  |
|--------------------------------------|--|
| <b>Dealing with a Former Partner</b> | <p><b>He will be regarded as a partner unless:</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> The person dealing with the LLP has <b>notice</b> that the former partner has ceased to be a partner, OR</li> <li><input type="checkbox"/> A <b>notice of cessation</b> has been delivered to the Registrar</li> </ul>  |
| <b>Obligations Post-Cessation</b>    | Cessation does not discharge the former from obligations incurred WHILE being a partner.   |
| <b>Entitlement on Cessation</b>      | <p>A former partner or their legal representative (on death/insolvency) is entitled to:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> The <b>capital contribution</b> they actually made to the LLP.</li> <li><input type="checkbox"/> Their share in <b>accumulated profits</b> (after deducting accumulated losses), calculated as on the cessation date.</li> </ul> |
| <b>No Right in Management</b>        | A former partner or their LR has <b>no right to interfere</b> in the management of the LLP.  |

## ■ [SECTION 25] REGISTRATION OF CHANGES IN PARTNERS

|  |  |
|--|--|
| <b>Partner's Duty to Inform LLP<br/>FORM - 6</b> | <ul style="list-style-type: none"> <li><input type="checkbox"/> Every partner must inform the LLP of</li> <li><input type="checkbox"/> any change in name or address</li> <li><input type="checkbox"/> within 15 days of the change</li> </ul>   |
| <b>LLP's Duty - To File Notices<br/>Form 4</b>   | <p>The LLP must file a notice with the Registrar within <b>30 days</b> in cases of:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> A person becoming or ceasing to be a partner.</li> <li><input type="checkbox"/> Any change in the name or address of a partner.</li> </ul>   |
| <b>Notice Filing Requirements</b>                | <p>A notice filed with the Registrar must:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> In prescribed <b>form</b> and fees.</li> <li><input type="checkbox"/> Be signed by the <b>designated partner</b> and authenticated as prescribed.</li> <li><input type="checkbox"/> For incoming partners: include a <b>statement of consent</b>, signed and authenticated</li> </ul>   |
| <b>Penalty on LLP</b>                            | If the LLP fails to comply (2) LLP & every DP are liable for a <b>penalty of ₹10,000</b> .   |
| <b>Penalty on Partner</b>                        | If a partner fails to comply with (1) they are liable for a <b>penalty of ₹10,000</b> .  |
| <b>Filing by Outgoing Partner (OP)</b>           | <ul style="list-style-type: none"> <li><input type="checkbox"/> An outgoing partner can directly file a notice with the Registrar if they believe the LLP may not do so.</li> <li><input type="checkbox"/> The Registrar will confirm unless the LLP has already filed the notice and</li> <li><input type="checkbox"/> <b>If no confirmation from LLP within 15 days,</b></li> <li><input type="checkbox"/> the Registrar will register the notice filed by the outgoing partner</li> </ul> |

## MULTIPLE CHOICE QUESTIONS (MCQ)

### Case Study

25. Mr. X is a partner in XYZ LLP. He has changed his address from Delhi to Pune. In this context, answer the following questions:  
What is the time period prescribed to notify the LLP of such change in his address?
- (a) 15 days  
(b) 30 days  
(c) 60 days  
(d) 90 days
26. If Mr. X failed to give the notice of change in his address within the prescribed time limit. What is the penalty leviable for such default
- (a) INR 5,000      (b) INR 10,000  
(c) INR 20,000      (d) INR 50,000
27. What is the time limit prescribed for the LLP to notify the said change to Registrar?
- (a) 15 days      (b) 30 days  
(c) 60 days      (d) 90 days

### ■ EXTENT AND LIMITATION OF LIABILITY OF LLP AND PARTNER

#### ■ [SECTION 26] PARTNER AS AGENT

1. Every partner of a LLP is,
2. for the purpose of the business of the LLP,
3. the agent of the LLP,
4. but not of other partners.
5. Hence, mutual agency between the partners is not present.

## MULTIPLE CHOICE QUESTIONS (MCQ)

28. Which of the following statement is true for an LLP?
- (a) There is no principal agent relationship in an LLP  
(b) **Every partner is an agent of the LLP, but not of other partners**  
(c) Every partner is an agent of the LLP and its partners  
(d) Every partner is an agent of other partners, but not of the LLP

#### ■ [SECTION 27] EXTENT OF LIABILITY OF LLP

- An LLP is not bound by an act done by a partner when:
- The partner has no authority and
  - The other person has knowledge of no authority or
  - Does not know or believe him to be a partner of the LLP.
- The LLP is liable:
- For a partner's wrongful act or omission on his part
  - during the business of the LLP or with its authority.
- An obligation of the LLP whether arising in contract or otherwise, shall be solely the obligation of the LLP. (Not partner's because of the concept of Separate Legal Entity)
- The liabilities of the LLP shall be met out of the property of the LLP
- Partner's liability will be till the unpaid amt on contribution only

## ■ [SECTION 28] EXTENT OF LIABILITY OF PARTNER

- ❑ A partner is not personally liable, directly or indirectly for:
  - An obligation referred to in 27 (3)
- ❑ Section 27(3) and sub-section (1) of this section shall not affect:
  - The personal liability of a partner for his own wrongful act or omission,
- ❑ But a partner shall not be personally liable for the wrongful act or omission of any other partner of the LLP.

## ■ [SECTION 29] HOLDING OUT

|                               |   |
|-------------------------------|---|
| <b>Who is liable?</b>         | Any person who:<br>Represents himself (by words or conduct) as a partner of an LLP, OR<br>Knowingly allows others to represent him as a partner.                            |
| <b>Liability arises when?</b> | A third party, relying on this representation, gives credit to the LLP.<br>It does not matter if the person knows whether the representation has reached the third party.   |
| <b>Extent of liability</b>    | The person representing himself or being represented is liable for the credit given to the LLP.   |
| <b>LLP's liability</b>        | If the LLP receives credit or financial benefit due to such representation:<br>The LLP is liable only to the extent of the credit received or benefit derived.              |
| <b>After partner's death</b>  | If the LLP continues using the deceased partner's name in the LLP name:<br>This does not make the deceased partner's legal representative or estate liable for future acts. |

### MULTIPLE CHOICE QUESTIONS (MCQ)

29. ABC LLP has three partners A, B and C. C dies on 1 June 2024 due to heart attack. However, B and A continue to run the LLP in the name of ABC till December 2024. In July 2024, the LLP takes a loan of INR 70 lacs from a bank. In this context, which of the following statement is true:
- (a) Since C name still appears in LLP's name, C's legal representative is liable for the loan taken by the LLP
  - (b) Since C's name still appears in LLP's name, C's estate is liable for the loan taken by the LLP
  - (c) Both C's legal representative and his estate is liable for the loan taken
  - (d) Neither C's legal representative nor his estate is liable for any act of the LLP done after his death.**

## ■ [SECTION 30] UNLIMITED LIABILITY IN CASE OF FRAUD

| Concept                                  | Description   |
|--|---|
| <b>When liability becomes unlimited?</b> | If the LLP or its partners act with intent to defraud creditors or for any fraudulent purpose.<br>Partners involved are personally liable for all debts/liabilities arising from such acts. |

|  |  |
|--|--|
| <b>LLP's liability for partner's fraud</b>                   | LLP is liable to the same extent as the partner, unless the LLP proves:<br>1. The fraudulent act was done without the LLP's knowledge, OR<br>2. The fraudulent act was done without the LLP's authority. |
| <b>Penalty for knowingly carrying on fraudulent business</b> | Imprisonment: Up to 5 years.<br>Fine: Minimum ₹50,000 and up to ₹5,00,000.   |
| <b>Compensation</b>  | LLP and the involved Partner/DP/Employee must compensate persons who suffered losses.  |
| <b>Exemption for LLP</b>                                     | LLP is not liable if it can prove the fraud was without its knowledge.   |

### MULTIPLE CHOICE QUESTIONS (MCQ)

**30. ABC LLP has defrauded its creditors. What is the consequence of indulging in such fraudulent activity?**

- (a) The person guilty shall be punishable with imprisonment for a term which may extend to 5 years and with fine which shall not be less than INR 50,000 but which may extend to INR 5 lakh,
- (b) The person guilty shall be liable for any criminal proceedings which may arise under any law for the time being in force
- (c) The person guilty shall be liable to pay compensation to any person who has suffered any loss or damage by reason of such conduct
- (d) All of the above**

### ■ [SECTION 31] WHISTLE BELONG

#### 1. Penalty Reduction or Waiver:

- The Court or Tribunal may reduce or waive penalties for a partner or employee if:
  - (a) They provided useful information during an investigation, OR
  - (b) Their information led to the LLP, partner, or employee being convicted under the LLP Act or any other law.

#### 2. Protection for Whistleblowers:

No partner or employee can face discharge, demotion, suspension, harassment, or any other discrimination for providing such information.

### MULTIPLE CHOICE QUESTIONS (MCQ)

**31. Who has the power to reduce/waive the penalty leviable on a partner under the LLP Act?**

- (a) Registrar
- (b) Central Government
- (c) Tribunal**
- (d) MCA

## ■ SECTION 32 AND 33 – CONTRIBUTIONS

| Basis                            | Section 32<br>Form of Contribution  | Section 33<br>Obligation to Contribute                                      |
|----------------------------------|---|---|
| <b>Nature of Contribution</b>    | Tangible property (Movable or immovable) and Intangible property (IP)   | Partner's obligation to contribute is defined by the <b>LLP Agreement</b> . |
| <b>Contribution can include</b>  | Other benefits like Money, PN, Agreements to contribute cash or property and Contracts for services (performed or to be performed).   |   |
| <b>Valuation and Disclosure</b>  | The <b>monetary value</b> of each partner's contribution must be <b>accounted for and disclosed</b> in the LLP's accounts as prescribed.  |   |
| <b>Creditor Rights [Sec. 33]</b> | When creditors acted relying on the partner's original obligation as per LLP Agreement, <b>without notice</b> of internal compromises (between partners) may <b>enforce the original obligation</b> on any partner. |   |

### MULTIPLE CHOICE QUESTIONS (MCQ)

32. Mr. Rahul wants to become partner in an LLP. What are the forms in which he can contribute his capital in the LLP?

- (a) Tangible, movable or immovable or intangible property or other benefit to the LLP.
- (b) Money, promissory notes, other agreements to contribute cash or property, and
- (c) Contracts for services performed or to be performed
- (d) Any of the above

## ■ SECTION 34 TO 37 – FINANCIAL DISCLOSURES

### Section 34: Maintenance of Books of Account, other Records and Audit, Etc.

| Sub Section Title                           | Description   |
|---|---|
| 1. <b>Proper Books of Account</b>           | LLP must maintain proper books of account: <ul style="list-style-type: none"> <li><input type="checkbox"/> On cash or accrual basis using double-entry system.</li> <li><input type="checkbox"/> At its registered office.</li> <li><input type="checkbox"/> For the period as prescribed.</li> </ul>   |
| 2. <b>Statement of Account and Solvency</b> | LLP must prepare a Statement of Account and Solvency: <ul style="list-style-type: none"> <li><input type="checkbox"/> Within 6 months from the end of the financial year.</li> <li><input type="checkbox"/> As at the last day of the financial year.</li> <li><input type="checkbox"/> In the prescribed form, signed by the designated partners.</li> </ul> |

|    |   |   |
|----|---|---|
| 3. | <b>Filing with Registrar FORM - 8</b>     | LLP must file the Statement of Account and Solvency with the Registrar within the prescribed time and fees.   |
| 4. | <b>Audit of Accounts</b>                  | Accounts must be audited as per prescribed rules.<br>Exemption: Central Government may exempt certain LLPs via notification.  |
| 5. | <b>Penalty for Filing Non-Compliance</b>  | For non-compliance of filing (Point 3):<br><input type="checkbox"/> LLP: ₹100/day (maximum ₹1,00,000).<br><input type="checkbox"/> Designated Partners: ₹100/day (maximum ₹50,000). |
| 6. | <b>Penalty for General Non-Compliance</b> | For non-compliance of Points 1, 2 & 4:<br><input type="checkbox"/> LLP: ₹25,000 to ₹5,00,000.<br><input type="checkbox"/> Designated Partners: ₹10,000 to ₹1,00,000.                |

### MULTIPLE CHOICE QUESTIONS (MCQ)

- 33. What is the basis for maintenance of books of accounts of an LLP?**
- (a) Cash Basis  
(b) Accrual Basis  
(c) Mercantile Basis  
**(d) Cash Basis or Accrual Basis**
- 34. What is the time limit prescribed for preparation of Statement of Accounts and Solvency?**
- (a) 30 days from end of financial year  
(b) 60 days from end of financial year  
(c) 90 days from end of financial year  
**(d) Six months from end of financial year**
- 35. What are the consequences of failure to prepare Statement of Accounts and Solvency?**
- (a) Penalty of INR 100 for each day during which such failure continues, subject to a maximum of INR 1 lakh for the LLP and INR 50,000 for every designated partner**
- (b) Fine of INR 25000 on LLP and INR 10,000 on every designated partner  
(c) Fine of INR 5 lakhs on LLP and INR 1 lakh on every designated partner  
(d) Penalty of INR 100 for each day during which such failure continues

|   |   |
|---|---|
| <b>Accounting and auditing standards [Section 34A]</b>  | Central Government may, in consultation with the National Financial Reporting Authority (NFRA) constituted under Section 132 of the Companies Act, 2013 —<br><input type="checkbox"/> Prescribe the standards of accounting; and<br><input type="checkbox"/> Prescribe the standards of auditing, as recommended by ICAI. |
| <b>Section 35 - Annual Return</b>   | Every LLP shall file an <b>annual return</b> , duly authenticated, with the <b>Registrar within 60 days</b> of the closure of its financial year, in such <b>form, manner and fee</b> as may be prescribed.   |
| <b>Example:</b> Suppose, the financial year of a LLP closes on 31st March, 2022 then the LLP has to file an annual return with the Registrar latest by 30th May, 2022.                    |   |
| <b>Note:</b> The LLP contra-distinct from Partnership Act, 1932 has prescribed the filing of Annual Return in accordance with the Companies Act, 2013. This is a new feature of the LLPs. |   |

|   |  |
|---|--|
| <b>Penalty for Non-filing</b>   | <input type="checkbox"/> <b>LLP:</b> ₹100 per day, up to ₹1,00,000<br><input type="checkbox"/> <b>Every Designated Partner:</b> ₹100 per day, up to ₹50,000  |
| <b>36. What is the time limit prescribed for filing of Annual return of an LLP?</b><br>(a) 15 days from end of financial year<br><b>(b) 60 days from end of financial year</b><br>(c) 90 days from end of financial year<br>(d) 180 days from end of financial year |  |
| <b>Section 36 – Inspection of Documents kept by Registrar</b>   | The following documents filed by an LLP with the Registrar shall be <b>available for inspection</b> by any person, in such manner and on payment of such fee as may be prescribed:<br><input type="checkbox"/> Incorporation document<br><input type="checkbox"/> Name of partners and changes therein<br><input type="checkbox"/> Statement of Account and Solvency<br><input type="checkbox"/> Annual Return   |
| <b>37. Which of the following documents, LLP filed with the Registrar, are available for inspection by an outsider?</b><br>(a) Incorporation documents<br>(b) Annual Return<br>(c) Statement of Account and Insolvency<br><b>(d) All of the Above</b>               |  |
| <b>Section 37 – Penalty for False Statement</b>   | If <b>any person</b> makes a statement in a return, statement, or any document required under the LLP Act:<br><input type="checkbox"/> <b>Which is false in any material particular, knowing it to be false,</b> or<br><input type="checkbox"/> <b>Omits any material fact, knowing it to be material,</b> → He shall be <b>punishable with imprisonment</b> up to <b>2 years</b> , and shall also be <b>liable to a fine</b> of minimum ₹1,00,000 and up to ₹5,00,000, <b>unless otherwise expressly provided in the Act.</b> |

## ■ [SECTION 38] POWER OF REGISTRAR TO OBTAIN INFORMATION

### 1. Registrar's Power to Seek Information:

- The Registrar can require any person (current/former partner, designated partner, or employee of an LLP) to:
  - ✦ Answer questions.
  - ✦ Make declarations.
  - ✦ Provide details in writing within a reasonable period.

### 2. Failure to Provide Satisfactory Information:

- If a person fails to comply or the Registrar finds the reply/declaration/details unsatisfactory, the Registrar may summon the person to:
  - ✦ Appear before the Registrar or a designated officer.
  - ✦ Provide required answers or details.

### 3. Penalty for Non-Compliance:

➤ Failure to comply with the Registrar's summons or requisition without lawful excuse is punishable with:

✦ A fine of 2,000 to ₹25,000.

### MULTIPLE CHOICE QUESTIONS (MCQ)

38. Who has the power to summon a former partner of an LLP to obtain information necessary for the purpose of carrying out the provisions of the Act?

- (a) Partner  
(b) Registrar  
(c) Central Government  
(d) Tribunal

### ■ [SECTION 39] COMPOUNDING OF OFFENCES

|                                       |  |
|---------------------------------------|--|
| <b>Authority to Compound Offences</b> | Regional Director or officer (not below the rank of RD) authorized by the Central Government may compound offences punishable with fines only.   |
| <b>Limitation on Compounding</b>      | <input type="checkbox"/> Offences committed within 3 years of a previously compounded similar offence cannot be compounded.<br><input type="checkbox"/> Offences after 3 years are considered as first offences. |
| <b>Application Process</b>            | Applications must be made to the Registrar then forwarded to R.D.  |
| <b>Intimation to Registrar</b>        | Intimation of compounding must be sent to the Registrar within 7 days  |
| <b>Effect of Compounding</b>          | <b>If Prosecution already initiated?</b> - Then court may discharge such prosecution at its own will.  |
| <b>Non-Compliance of Orders</b>       | <input type="checkbox"/> If orders are not complied with, the maximum fine for the offence shall be <b>twice the amount</b> prescribed in the relevant section of the Act.                                       |

### MULTIPLE CHOICE QUESTIONS (MCQ)

39. Who has the power to compound offences punishable under the LLP Act?

- (a) Partner  
(b) Registrar  
(c) Regional Director  
(d) Tribunal

40. What is the minimum gap required between two compounding of offences?

- (a) 1 year  
(b) 2 years  
(c) 3 years

(d) No such time is prescribed under LLP Act

41. Which of the following offence under the LLP Act is compoundable?

- (a) Punishable with fine only  
(b) Punishable with fine or imprisonment  
(c) Punishable with imprisonment only  
(d) Punishable with fine and imprisonment

## ■ [SECTION 42] PARTNER'S TRANSFERABLE INTEREST

1. The rights of a partner to a share of the profits and losses of the limited liability partnership and to receive distributions in accordance with the limited liability partnership agreement are transferable either wholly or in part.
2. The transfer of any right by any partner pursuant to sub-section (1) does not by itself –
  - Cause the disassociation of the partner or
  - a dissolution and winding up of the limited liability partnership.
  - entitle the transferee or assignee to participate in the management or conduct of the activities of the limited liability partnership, or
  - access information concerning the transactions of the limited liability partnership.

### MULTIPLE CHOICE QUESTIONS (MCQ)

#### 42. Which of the following statement is not correct in case of on LLP?

- (a) The rights of a partner to a share of the profits and losses of the LLP are transferable either wholly or in part.
- (b) The rights of a partner to receive distributions in accordance with the LLP agreement are transferable either wholly or in part.
- (c) **The transfer of any right by any partner results in the disassociation of the partner from the LLP**
- (d) The transfer of right does not, by itself, entitle the transferee or assignee to participate in the management or conduct of the activities of the LP. or access information concerning the transactions of the LLP.

## ■ SECTION 55 TO 58 – CONVERSION INTO LLP

- Conversion from firm into LLP [Section 55]:** A firm may convert into an LLP in accordance with the provisions of this Chapter and the Second Schedule.
- Conversion from private company into LLP [Section 56]:** A private company may convert into an LLP in accordance with the provisions of this Chapter and the Third Schedule.
- Conversion from unlisted public company into LLP [Section 57]:** An unlisted public company may convert into an LLP in accordance with the provisions of this Chapter and the Fourth Schedule.

### Registration and Effect of Conversion [Section 58]

|  |   |
|--|---|
| <b>Registration Process</b>                | The registrar registers the submitted documents if the firm, private company, or unlisted public company complies with the respective schedules and rules.<br>Issues a certificate of registration specifying the date of registration. |
| <b>Notification to Concerned Registrar</b> | LLP must inform the concerned Registrar of Firms or Registrar of Companies about the conversion within 15 days of registration.   |

|                              |  |
|------------------------------|--|
| <b>Binding Obligations</b>   | Upon conversion, the partners/shareholders and the LLP are bound by the respective schedules applicable to them.   |
| <b>Effects of Conversion</b> | From the date specified in the registration certificate: <ul style="list-style-type: none"> <li><input type="checkbox"/> An LLP is formed by the name specified in the certificate.</li> <li><input type="checkbox"/> All assets, liabilities, rights, and obligations of the firm/company automatically transfer to the LLP.</li> <li><input type="checkbox"/> The firm or company is deemed dissolved and removed from the records of the Registrar of Firms or Registrar of Companies.</li> </ul> |

### MULTIPLE CHOICE QUESTIONS (MCQ)

- 43.** Chetan Agarwal & Associates, a partnership firm incorporated in the year 1996, wants to convert itself into LLP form of organisation. The rules regarding the conversion of a firm into LLP is governed by of LLP Act, 2008.
- (a) Schedule I      **(b) Schedule II**  
(c) Schedule III    (d) Schedule IV
- 44.** Which of the following cannot be converted into LLP?
- (a) Partnership firm  
(b) Private company  
**(c) Listed company**  
(d) Unlisted company
- 45.** Which one of the following statements about Limited Liability Partnerships (LLPs) is incorrect?
- (a) An LLP has a legal personality separate from that of its members.  
(b) The liability of each partner in an LLP is limited.  
(c) Members of an LLP are taxed as partners.  
**(d) A listed company can convert to an LLP.**
- 46.** Russian Cycle Private Limited, a private company incorporated in the year 2002, wants to convert itself into LLP form of organisation. The rules regarding the conversion of a private company into LLP is governed by of LLP Act, 2008
- (a) Schedule I      (b) Schedule II  
**(c) Schedule III**    (d) Schedule IV
- 47.** Gurpreet SamoseWala Limited, a public company incorporated in the year 2008, wants to convert itself into LLP form of organisation. The rules regarding the conversion of a public limited company into LLP is governed by of LLP Act, 2008.
- (a) Schedule I      (b) Schedule II  
(c) Schedule III    **(d) Schedule IV**

### ■ [SECTION 59] FOREIGN LIMITED LIABILITY PARTNERSHIPS

- The Central Government may make rules for provisions in relation to the establishment of place of business by foreign LLP within India and
- Carrying on their business therein by applying or incorporating, with such modifications,
- As appear appropriate, the provisions of the Companies Act, 2013 or such regulatory mechanism with such composition as may be prescribed.

## ■ [SECTIONS 60 TO 65] – COMPROMISE, ARRANGEMENT OR RECONSTRUCTION OF LLP

| Section 60 - When a Compromise or Arrangement is Proposed          |  |
|--|--|
| A compromise or arrangement can be proposed:                       |  |
| (a) between an LLP and its creditors; or                           |  |
| (b) between an LLP and its partners.                               |  |
| <b>Who may apply to the Tribunal?</b>                              | The LLP, any creditor, any partner, or in case of winding up, the liquidator, may apply to the Tribunal.   |
| <b>Tribunal's power to order a meeting</b>                         | The Tribunal may order a meeting of creditors or partners to be called, held and conducted as prescribed or as it directs.   |
| <b>Majority required for approval</b>                              | If three-fourths in value of the creditors or partners at the meeting agree to the compromise or arrangement, and the Tribunal sanctions it, it shall be binding on all such creditors or partners and the LLP, or the liquidator and contributories (in case of winding up).                        |
| <b>Tribunal's condition before sanctioning</b>                     | Tribunal shall not sanction any compromise or arrangement unless it is satisfied that all material facts about the LLP (including latest financial position and any pending investigation) have been disclosed by affidavit or otherwise.  |
| <b>Filing with Registrar</b>                                       | The Tribunal's order must be filed with the Registrar within 30 days, and the order becomes effective only after such filing.  |
| <b>Penalty for default in filing</b>                               | If there is default in filing the order with Registrar, the LLP and its every designated partner shall be liable to a penalty of ₹10,000 and in case of continuing default, with further penalty of ₹100 per day, subject to a maximum of ₹1,00,000 for LLP and ₹50,000 for each designated partner. |
| <b>Power to stay proceedings</b>                                   | The Tribunal may, after an application has been made, stay the commencement or continuation of any suit or proceeding against the LLP on such terms as it thinks fit, until the application is finally disposed of.  |
| Section 61: Power of Tribunal to Enforce Compromise or Arrangement |  |
| <b>Power to supervise</b>  | Where the Tribunal makes an order under section 60 sanctioning a compromise or arrangement in respect of an LLP, it <b>shall have the power to supervise</b> the carrying out of the same.   |
| <b>Power to modify or direct</b>                                   | The Tribunal may, at the time of making such order or anytime thereafter, <b>give directions or make modifications</b> as it may consider necessary for the proper working of the compromise or arrangement.   |
| <b>Power to order winding up</b>                                   | If the Tribunal is satisfied that the compromise or arrangement cannot be worked satisfactorily (with or without modifications), it may, <b>on its own or on application of any interested person</b> , order winding up of the LLP. Such an order shall be deemed as made under section 64.         |

## Section 62: Reconstruction or Amalgamation of LLPs

|  |  |
|--|--|
| <b>Applicability</b>                             | When an application is made under Section 60 for sanctioning a compromise or arrangement, and it is shown that:<br>(a) The compromise/arrangement is for a scheme of reconstruction or amalgamation of LLPs; and<br>(b) Under the scheme, whole or part of the undertaking, property, or liabilities of a “transferor LLP” is to be transferred to a “transferee LLP”. |
| <b>Tribunal’s Power</b>                          | The Tribunal may, by order sanctioning the scheme or a later order, make provision for the following:  |
| <b>(i) Transfer of Property/ Liabilities</b>     | Transfer to the <b>transferee LLP</b> of the whole or part of the <b>undertaking, property or liabilities</b> of the <b>transferor LLP</b> .   |
| <b>(ii) Legal Proceedings</b>                    | Continuation of <b>legal proceedings</b> by or against the transferee LLP that were pending by or against the transferor LLP.  |
| <b>(iii) Dissolution Without Winding Up</b>      | <b>Dissolution of the transferor LLP without winding up.</b>   |
| <b>(iv) Dissenting Persons</b>                   | Provision for any <b>person dissenting from the scheme</b> , as per directions of the Tribunal.  |
| <b>(v) Incidental Provisions</b>                 | Any <b>incidental, consequential or supplemental matters</b> needed to ensure effective implementation of the scheme.  |
| <b>Conditions for Amalgamation in Winding Up</b> | Tribunal shall not sanction <b>amalgamation of an LLP being wound up</b> unless the <b>Registrar reports</b> that its affairs have <b>not been conducted prejudicially</b> to partners or public interest.   |
| <b>Condition for Dissolution</b>                 | No <b>dissolution of transferor LLP</b> shall be ordered unless the <b>Official Liquidator reports</b> that its affairs were <b>not prejudicial</b> to partners or public interest.  |
| <b>Effect of Order</b>                           | If order provides for transfer of property/liabilities, they shall automatically be <b>vested in</b> or <b>become liabilities of</b> the transferee LLP; property can also be transferred <b>free of any charge</b> if the order so states.  |
| <b>Filing with Registrar</b>                     | Every LLP involved must file a <b>certified copy of the Tribunal order</b> with the Registrar <b>within 30 days</b> of the order.  |
| <b>Penalty for Default in Filing</b>             | Default in filing leads to penalty of <b>₹10,000</b> , and In case of continuing default, <b>₹100 per day</b> , up to a max of <b>₹1,00,000 for LLP</b> and <b>₹50,000 per designated partner</b> .  |
| <b>Explanation</b>                               | “Property” includes all kinds of <b>rights and powers</b> ; “Liabilities” include <b>all kinds of duties</b> .   |
| <b>Restriction</b>                               | <b>A LLP shall not be amalgamated with a company.</b>  |

| Section | TITLE   | Details  |
|---------|---|--|
| 63      | <b>Winding Up and Dissolution of LLPs</b>       | LLP may be wound up <b>voluntarily</b> or by Tribunal and subsequently dissolved.  |
| 64      | <b>Circumstances for Tribunalled Winding Up</b> | LLP can be wound up by Tribunal if: <ol style="list-style-type: none"> <li>1. LLP decides so.</li> <li>2. Partners are less than two for more than six months.</li> <li>3. LLP acts against sovereignty, security, or public order.</li> <li>4. Default in filing Statement of Account &amp; Solvency or Annual Returns for five consecutive years.</li> <li>5. Tribunal deems it just and equitable.</li> </ol> |
| 65      | <b>Rules for Winding Up and Dissolution</b>     | Central Government can make rules for winding up and dissolution of LLPs.  |

### MULTIPLE CHOICE QUESTIONS (MCQ)

- 48.** A scheme of arrangement is proposed between ABC LLP and its partners. In the light of the provisions of LLP Act, 2008, which is the relevant authority for sanctioning this scheme of arrangement.
- (a) Central Government
  - (b) High Court
  - (c) NCLT**
  - (d) Registrar
- 49.** The scheme of compromise or arrangement should be approved by the partners or creditors. What is the minimum requirement for the same:
- (a) It shall be approved by more than 50% majority in number of partners or creditors who are present and voting at the meeting.
  - (b) It shall be approved by more than 75% majority in value of partners or creditors who are present and voting at the meeting.
  - (c) It shall be approved by more than 75% majority in number of partners or creditors who are present and voting at the meeting.
  - (d) Both (a) and (b) together**
- 50.** A meeting of the creditors of ABC LLP was convened under the orders of the NCLT to consider a scheme of compromise and arrangement. Notice of the meeting was sent in the prescribed manner to all the 100 creditors with the total outstanding due of ₹50,00,000. The meeting was attended by 60 creditors with outstanding due of ₹40,00,000. As per the provisions of LLP Act: approval of how many creditors is required for sanctioning the scheme of compromise and arrangement. Assume that all creditors present at the meeting participated in the voting.
- (a) Approval of creditors with an outstanding due of least ₹37,50,000 is required
  - (b) Approval of 51 creditors with an outstanding due of least ₹37,50,000 is required
  - (c) Approval of creditors with an outstanding due of least ₹30,00,000 is required
  - (d) Approval of 31 creditors with an outstanding due of least ₹30,00,000 is required**

51. An amalgamation has been proposed between Android LLP and Linux LLP. A meeting of members the partners of Linux LLP was convened under the order of the Tribunal for the purpose of considering the scheme of amalgamation. The LLP has a total capital contribution of ₹3.50 crore. The meeting was attended by 5 partners with a capital contribution of ₹1.20 crore. 3 partners with capital contribution of ₹90 lakhs voted for the scheme, 1 partner with capital contribution of ₹40 lakhs voted against the scheme. 1 partner with capital contribution of ₹20 lakhs walked out of the meeting in protest from voting. Choose the correct statement regarding the validity of the approval of the Scheme based on the provisions of the LLP Act, 2008.
- (a) The scheme has not been validly approved because the requisite majority in number has not voted in favour of the scheme
- (b) The scheme has not been validly approved because the partner who voted in favour of the scheme do not have capital contribution of 3/4th in value
- (c) The scheme has not been validly approved because 1 partner walked out in protest
- (d) The scheme has been validly approved.**
52. An order of the Tribunal approving the compromise or arrangement of an LLP shall be filed with the Registrar within
- (a) 15 days                      **(b) 30 days**  
(c) 45 days                      (d) 60 days
53. ABC LLP is exploring the opportunity of merger. It has got 2 options of either merging with XYZ LLP or PQR Limited, Choose the correct statement.
- (a) ABC LLP can merge with either XYZ LLP or PQR Limited
- (b) ABC LLP can merge with XYZ LLP but not with PQR Limited**
- (c) ABC LLP cannot merge with XYZ LLP but can merge with PQR Limited
- (d) ABC LLP can neither merge with XYZ LLP nor with PQR Limited
54. The winding up of an LLP can be ordered by
- (a) Central Government
- (b) NCLT**
- (c) LLP Board
- (d) Special Court
55. An LLP may be wound up by the Tribunal under the provisions of LLP Act, 2008; if the LLP has defaulted in filing with the Registrar its Statement of Accounts & solvency or annual returns for immediately preceding consecutive financial years.
- (a) 2 years
- (b) 3 years
- (c) 5 years**
- (d) 7 years
56. Which of the following is not a ground for winding up by the Tribunal under the provisions of LLP Act, 2008?
- (a) The LLP decides that LLP be wound up by the Tribunal
- (b) The LLP has acted against the sovereignty and integrity of India
- (c) The LLP is unable to pay its debts**
- (d) The LLP has defaulted in filing its Statement of Account & solvency for the immediately preceding 5 consecutive financial years
57. Perfect LLP is an LLP engaged in manufacturing of ultra-powered guns. The LLP has tie-up arrangement of supply of 100% of its production to Government. The production capacity and the actual number of guns manufactured is required to be shown to the Government. During the course of the audit, it was revealed that the LLP was actually manufacturing more guns whereas less quantity was being declared. The undeclared manufactured guns were being sold to a group of persons having connections with terrorist groups. On what ground the Central Government can make an application to the NCLT.

- (a) The LLP has mis-reported the count of the manufacture guns
- (b) The manufacturing of the guns is against the public policy and only the Government named LLP can manufactured the guns

- (c) **The LLP has acted against the interest of the sovereignty and integrity of India**
- (d) The LLP has supplied lesser number of guns to the Central Government

**■ SECTION 66 TO 70 - MISCELLANEOUS**

| Section | Section TITLE                                    | Details  |
|---------|--|--|
| 66.     | <b>Business Transactions of Partner with LLP</b> | <ul style="list-style-type: none"> <li><input type="checkbox"/> A partner can lend money to or transact with the LLP</li> <li><input type="checkbox"/> Has the same rights and obligations as a non-partner (creditor or customer) regarding such transactions.</li> </ul>   |
| 67.     | <b>Application of Companies Act to LLPs</b>      | <ul style="list-style-type: none"> <li><input type="checkbox"/> Central Government may notify provisions of the Companies Act, 1956 (or 2013) to apply to LLPs with or without modifications.</li> <li><input type="checkbox"/> A copy of every notification proposed to be issued above shall be laid in draft before each House of Parliament, while it is in session, for a total period of 30 days which may be comprised in one session or in two or more successive sessions.</li> </ul> |
| 69.     | <b>Payment of Additional Fee</b>                 | <ul style="list-style-type: none"> <li><input type="checkbox"/> Documents/returns can be filed late with additional prescribed fee.</li> <li><input type="checkbox"/> Different fees may apply for various LLP classes or documents/returns.</li> </ul>  |
| 70.     | <b>Enhanced Punishment</b>                       | <ul style="list-style-type: none"> <li><input type="checkbox"/> For second or subsequent offences, punishment may include imprisonment.</li> <li><input type="checkbox"/> Fine, if applicable, shall be twice the prescribed amount for such offences.</li> </ul>  |

**MULTIPLE CHOICE QUESTIONS (MCQ)**

**58.** In case an LLP or any partner or designated partner of such LLP commits any offence, the LLP per any partner or designated partner shall, for the second or subsequent offence, be punishable with

- (a) Twice the imprisonment and twice the amount of fine as provided for such offence
- (b) Same term of imprisonment but twice the amount of fine as provided for such offence**
- (c) Twice the imprisonment but the same amount of fine as provided for such offence
- (d) Same term of imprisonment and same amount of fine as provided for such offence

## ■ LIST OF LLP FORMS

| FORM NO.                           | PURPOSE   |
|------------------------------------|---|
| <b>RUN-LLP</b>                     | Reserve Unique Name for LLP/Change of existing LLP name   |
| <b>FILLIP</b>                      | Incorporation of LLP (includes DPIN application & details of partners)  |
| <b>FORM 3</b>                      | Filing information about LLP Agreement or any change therein - <b>Within 30 days</b>                                    |
| <b>FORM 4</b>                      | Notice of appointment, cessation, change in name/address/designation of partner or DP - <b>Within 30 days</b>           |
| <b>FORM 5</b>                      | Notice for change of name of LLP  |
| <b>FORM 6</b>                      | <b>Intimation by a partner of his/her name or address particulars or any change therein to the LLP - Within 15 days</b> |
| <b>FORM 8</b>                      | Statement of Account & Solvency (annual form filed within 6 months of FY end)   |
| <b>FORM 9</b>                      | Consent to act as Designated Partner/Partner and declaration by individual  |
| <b>FORM 11</b>                     | Annual Return of LLP - <b>Within 60 days of closure of FY</b>   |
| SOME OTHER LLP FORMS FOR REFERENCE |   |
| <b>FORM 13</b>                     | Intimation of change in registered office address within same State   |
| <b>FORM 14</b>                     | Intimation to Registrar of Firms/Registrar of Companies about conversion of firm/company into LLP                       |
| <b>FORM 15</b>                     | Notice for change of registered office from one State to another  |
| <b>FORM 17</b>                     | Application for conversion of a firm into LLP   |
| <b>FORM 18</b>                     | Application for conversion of a private/unlisted public company into LLP  |
| <b>FORM 24</b>                     | Application for striking-off the name of an LLP (closure)   |
| <b>FORM 25</b>                     | Application for reservation/renewal of name by a <b>foreign LLP</b>   |
| <b>FORM 27</b>                     | Registration of particulars by a <b>foreign LLP</b>   |



