LLP ACT PROFESSIONAL CORPUS · BATCH 01

Chapter VII — Accounts, Audit, Annual Return and Registrar Powers

Build a closed-loop accounting, solvency, audit, annual-return, inspection and regulatory-response system.

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Finin2min Summary — Chapter in 2 Minutes

- Build a closed-loop accounting, solvency, audit, annual-return, inspection and regulatory-response system.
- The ledger, bank, tax, partner capital, Form 3/4 history, Form 8 and Form 11 must agree.
- Read every section with the amended Rules, current MCA form and the LLP agreement.
- Authority, source evidence, State stamp/registration and cross-law effects are separate closing gates.
- A portal acknowledgement is evidence of filing—not a substitute for legal accuracy or complete transaction documentation.

Section-by-section provision map

Provision	Subject	Legal effect / rule	Implementation	Evidence
34	Maintenance of books, records and audit	LLPs must maintain prescribed books/records	Run monthly close, partner-capital reconciliation,	Keep ledgers, vouchers, bank statements, contracts, tax

Provision	Subject	Legal effect / rule	Implementation	Evidence
		and prepare a Statement of Account and Solvency; audit applies as prescribed.	solvency assessment, audit applicability check and Form 8 readiness.	reconciliations, solvency working and audit file for the prescribed period.
34A	Accounting and auditing standards	This section establishes the statutory rule concerning accounting and auditing standards.	Apply the chapter gate: The ledger, bank, tax, partner capital, Form 3/4 history, Form 8 and Form 11 must agree.	Retain the source instrument, approvals, signed documents, communications, financial trail and filing/order evidence relevant to the section.
35	Annual return	An annual return must be filed within the statutory period after financial-year closure.	Freeze partner/ contribution data, reconcile Form 3/4 history and obtain designated-partner certification before filing.	Retain Form 11 working, master-data extract, partner confirmations and acknowledgement.
36	Inspection of documents	This provision allocates filing, inspection or information powers concerning inspection of documents.	Use an owner-due-date-maker-checker-SRN workflow and reconcile portal master data after acceptance.	Archive the signed form, attachments, source schedules, challan/SRN, acknowledgement and correction trail.
37	Penalty for false statement	A materially false statement in a statutory return/ document attracts penal risk.	Require maker-checker review, source-document cross-reference and explicit assumptions log for every filing.	Preserve source schedules, reviewer sign-off, corrections and advice received.
38	Registrar power to	This provision allocates filing, inspection or	Use an owner-due-date-maker-checker-SRN	Archive the signed form, attachments, source schedules,

Provision	Subject	Legal effect / rule	Implementation	Evidence
	obtain information	information powers concerning registrar power to obtain information.	workflow and reconcile portal master data after acceptance.	challan/SRN, acknowledgement and correction trail.
39	Compounding of offences	This provision controls the consequence, prosecution or adjudication path for compounding of offences.	Identify the responsible LLP/ person, default period, continuing-default exposure, authority, forum, correction and appeal before calculating risk.	Preserve statutory notice, filing history, role/knowledge evidence, remediation, order, payment and appeal limitation.
40	Destruction of old records	This section establishes the statutory rule concerning destruction of old records.	Apply the chapter gate: The ledger, bank, tax, partner capital, Form 3/4 history, Form 8 and Form 11 must agree.	Retain the source instrument, approvals, signed documents, communications, financial trail and filing/order evidence relevant to the section.
41	Enforcement of duty to make returns	This provision allocates filing, inspection or information powers concerning enforcement of duty to make returns.	Use an owner-due-date-maker-checker-SRN workflow and reconcile portal master data after acceptance.	Archive the signed form, attachments, source schedules, challan/SRN, acknowledgement and correction trail.

Finin2min clause-by-clause decode

Section 34 — Maintenance of books, records and audit

Legal effect: LLPs must maintain prescribed books/records and prepare a Statement of Account and Solvency; audit applies as prescribed.

Finin2min implementation: Run monthly close, partner-capital reconciliation, solvency assessment, audit applicability check and Form 8 readiness.

Evidence/control: Keep ledgers, vouchers, bank statements, contracts, tax reconciliations, solvency working and audit file for the prescribed period.

Section 34A — Accounting and auditing standards

Legal effect: This section establishes the statutory rule concerning accounting and auditing standards.

Finin2min implementation: Apply the chapter gate: The ledger, bank, tax, partner capital, Form 3/4 history, Form 8 and Form 11 must agree.

Evidence/control: Retain the source instrument, approvals, signed documents, communications, financial trail and filing/order evidence relevant to the section.

Section 35 — Annual return

Legal effect: An annual return must be filed within the statutory period after financial-year closure.

Finin2min implementation: Freeze partner/contribution data, reconcile Form 3/4 history and obtain designated-partner certification before filing.

Evidence/control: Retain Form 11 working, master-data extract, partner confirmations and acknowledgement.

Section 36 — Inspection of documents

Legal effect: This provision allocates filing, inspection or information powers concerning inspection of documents.

Finin2min implementation: Use an owner-due-date-maker-checker-SRN workflow and reconcile portal master data after acceptance.

Evidence/control: Archive the signed form, attachments, source schedules, challan/SRN, acknowledgement and correction trail.

Section 37 — Penalty for false statement

Legal effect: A materially false statement in a statutory return/document attracts penal risk.

Finin2min implementation: Require maker-checker review, source-document cross-reference and explicit assumptions log for every filing.

Evidence/control: Preserve source schedules, reviewer sign-off, corrections and advice received.

Section 38 — Registrar power to obtain information

Legal effect: This provision allocates filing, inspection or information powers concerning registrar power to obtain information.

Finin2min implementation: Use an owner-due-date-maker-checker-SRN workflow and reconcile portal master data after acceptance.

Evidence/control: Archive the signed form, attachments, source schedules, challan/SRN, acknowledgement and correction trail.

Section 39 — Compounding of offences

Legal effect: This provision controls the consequence, prosecution or adjudication path for compounding of offences.

Finin2min implementation: Identify the responsible LLP/person, default period, continuing-default exposure, authority, forum, correction and appeal before calculating risk.

Evidence/control: Preserve statutory notice, filing history, role/knowledge evidence, remediation, order, payment and appeal limitation.

Section 40 — Destruction of old records

Legal effect: This section establishes the statutory rule concerning destruction of old records.

Finin2min implementation: Apply the chapter gate: The ledger, bank, tax, partner capital, Form 3/4 history, Form 8 and Form 11 must agree.

Evidence/control: Retain the source instrument, approvals, signed documents, communications, financial trail and filing/order evidence relevant to the section.

Section 41 — Enforcement of duty to make returns

Legal effect: This provision allocates filing, inspection or information powers concerning enforcement of duty to make returns.

Finin2min implementation: Use an owner-due-date-maker-checker-SRN workflow and reconcile portal master data after acceptance.

Evidence/control: Archive the signed form, attachments, source schedules, challan/SRN, acknowledgement and correction trail.

Finin2min implementation explanation

Books-to-filing reconciliation gate. The ledger, bank, tax, partner capital, Form 3/4 history, Form 8 and Form 11 must agree. Convert the chapter into an owner, trigger, due date, approval, filing, evidence and exception workflow; the LLP agreement and portal records must be reconciled at each event.

Practical examples and calculations

Example 34: Maintenance of books, records and audit

Books show turnover of ₹38 lakh but GST returns show ₹46 lakh. Audit applicability and Form 8 cannot be determined until the revenue reconciliation and cut-off errors are resolved.

Calculation/control: Exposure and timing must be computed from the actual statutory trigger, days of delay, prescribed caps, consideration/contribution, tax base and State duty schedule; retain the calculation sheet and source date.

Example 34A: Accounting and auditing standards

An LLP takes action under section 34A (Accounting and auditing standards) using an unsigned email approval and updates neither its agreement nor statutory records. The control response is to identify the competent authority, document the effective date, complete the prescribed filing and retain evidence before treating the action as closed.

Calculation/control: Exposure and timing must be computed from the actual statutory trigger, days of delay, prescribed caps, consideration/contribution, tax base and State duty schedule; retain the calculation sheet and source date.

Example 35: Annual return

Form 11 partner data is copied from the prior year even though two changes were filed. Reconcile Form 3, Form 4, contribution and master data before certification.

Calculation/control: Exposure and timing must be computed from the actual statutory trigger, days of delay, prescribed caps, consideration/contribution, tax base and State duty schedule; retain the calculation sheet and source date.

Example 36: Inspection of documents

An LLP takes action under section 36 (Inspection of documents) using an unsigned email approval and updates neither its agreement nor statutory records. The control response is to identify the competent authority, document the effective date, complete the prescribed filing and retain evidence before treating the action as closed.

Calculation/control: Exposure and timing must be computed from the actual statutory trigger, days of delay, prescribed caps, consideration/contribution, tax base and State duty schedule; retain the calculation sheet and source date.

Example 37: Penalty for false statement

An LLP takes action under section 37 (Penalty for false statement) using an unsigned email approval and updates neither its agreement nor statutory records. The control response is to identify the competent authority, document the effective date, complete the prescribed filing and retain evidence before treating the action as closed.

Calculation/control: Exposure and timing must be computed from the actual statutory trigger, days of delay, prescribed caps, consideration/contribution, tax base and State duty schedule; retain the calculation sheet and source date.

Example 38: Registrar power to obtain information

An LLP takes action under section 38 (Registrar power to obtain information) using an unsigned email approval and updates neither its agreement nor statutory records. The control response is to identify the competent authority, document the effective date, complete the prescribed filing and retain evidence before treating the action as closed.

Calculation/control: Exposure and timing must be computed from the actual statutory trigger, days of delay, prescribed caps, consideration/contribution, tax base and State duty schedule; retain the calculation sheet and source date.

Practical transaction application

At transaction opening, identify the section trigger, governing agreement clause, signatory authority, prescribed form/rule, State instrument requirement, tax/GST consequence, counterparty condition precedent and post-closing filing. Do not release consideration until documentary conditions are satisfied.

Authority, consent and execution controls

Maintain a reserved-matters matrix, partner/designated-partner consent register, delegation limits, DSC custody log, conflict declarations and external signatory evidence. A partner's business role does not automatically prove authority for every act.

Stamp duty and registration alerts

The LLP Act is central, but LLP agreements and many transaction instruments are stamped under State law. Property, security, assignment, conversion, lease and power-of-attorney instruments may also require registration. Obtain State-specific advice before execution and before filing Form 3 or completing a conversion.

Evidence and document-retention checklist

- Current statutory source and amendment log
- Stamped LLP agreement and every amendment
- Partner/designated-partner consent and KYC
- Authority/reserved-matters matrix
- Signed forms and attachments
- SRN, challan and acknowledgement
- Books, bank and tax/GST reconciliation
- Contracts, invoices, delivery and acceptance
- Notices and proof of service
- Valuation/title/security documents
- Legal opinions, orders and appeal records
- Exception, correction and mitigation log

Preserve the current stamped LLP agreement and amendments; partner/designated-partner KYC and consent; resolutions; authority matrix; filed forms and attachments; SRNs/challans; books and bank/tax reconciliations; contracts; notices; delivery/acceptance evidence; legal opinions; orders; and a source/version register.

Performance, delivery and payment controls

Use milestones, acceptance criteria, invoices, tax documents, payment approvals, set-off/withholding limits, change orders, service levels, audit rights and termination handover. Align commercial performance records with the LLP's authority and accounting records.

Breach, loss, mitigation and remedy framework

Issue a fact-specific notice, stop continuing loss, preserve evidence, suspend unauthorised access, quantify direct and consequential exposure, consider insurance/indemnity, cure regulatory filings, avoid admissions and document mitigation. Fraud, false statements and continuing defaults require immediate escalation.

Limitation and forum controls

Classify the claim—agreement, contribution, debt, indemnity, fraud, statutory penalty, oppression/arrangement, property or tax—then identify accrual, acknowledgement, exclusion/condonation and competent forum. Do not copy a generic three-year period into every dispute.

Arbitration and mediation interface

Draft arbitration/mediation clauses for inter se contractual disputes, seat, institution, appointment, interim relief, confidentiality and emergency relief. Statutory filings, adjudication, criminal offences, Special Court, Registrar or Tribunal powers cannot be contracted away.

Company, partnership, GST and tax overlays

Read this chapter with the LLP Rules and current forms, the stamped LLP agreement, Indian Contract Act, Specific Relief, Limitation, Arbitration/Mediation, Companies Act cross-application, Income-tax, GST, FEMA, IBC, DPDP, employment and sector licences.

Finin2min Q&A

What is the central risk in Accounts, Audit, Annual Return and Registrar Powers?

Build a closed-loop accounting, solvency, audit, annual-return, inspection and regulatory-response system.

What is the first control before acting?

Identify the exact current Act section, amended Rule/form, LLP agreement clause, authority and State-law instrument requirement.

Can additional fee cure the entire default?

No. It may permit delayed filing, but substantive contravention, false statement, civil penalty, criminal exposure or transaction defects require separate analysis.

Does MCA acceptance prove legal validity?

No. Acceptance is important evidence, but it does not automatically cure authority, stamping, registration, tax, fraud or inaccurate disclosure.

Can the LLP agreement override the Act?

It can structure inter se rights where the Act permits, but cannot override mandatory statutory duties, public filings or regulatory powers.

What should be retained?

Keep signed source documents, approvals, filings and receipts, accounting/tax trail, notices, delivery evidence and the legal source/version relied on.

Can every dispute be arbitrated?

No. Contractual partner/LLP disputes may be arbitrable, while Registrar, adjudication, criminal, Special Court and Tribunal powers remain statutory.

Chapter-specific decision flowchart

Decision flowchart for Chapter VII — Accounts, Audit, Annual Return and Registrar Powers

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