NAME: SULEIMAN UMAR

MATRIC NO: 16/SMS02/052

DEPARTMENT: ACCOUNTING

LEVEL: 300

ASSIGNMENT QUESTION:

LIST AND DISCUSS ATLEAST FIVE OTHER REASONS (APART PRIVACY AND COST OF OPERATION) WHY IT MAY BE BENIFICIAL TO COVERT A LIMITED LIABILITY COMAPANY TO A PARTNERSHIP BUSINESS.

ANSWER

1. FREEDOM
2. TAXES
3. FLOW OF ASSETS
4. FREEDOM: A partnership allows for a fluid governing structure. In fact, there doesn't have to be any particular governing structure at all. Partnerships are closely held private arrangements that -- unlike corporations -- don't have to report their activities to anyone. Partners can come up with any way they like to manage the organization including one partner managing, both or handing the business over to a professional manager and having no partners managing day to day.
5. TAXES: Partnerships themselves don't actually pay taxes. Their profits and losses are passed through to their owners, who then incorporate them in their personal income tax. This simplifies the burden on owners. Corporations -- being entities in their own right -- are taxed, and the profits are passed to owners who are then also taxed on them. Partnerships avoid the double taxation issue. Additionally, in corporations and often in LLCs, losses are not passed through to the owners. This takes away owners' ability to receive additional tax relief when their businesses perform poorly.
6. FLOW OF ASSETS: Partnerships -- not being fully separated from their owners -- can fluidly move assets in and out of the business. Owners can at any time decide to inject more cash into the business from their personal funds or take more earnings out of the business. Because in the end, the taxes fall on the owners anyway, there's nothing stopping them from moving monies, property and other goods in and out of the service of the partnership. In a corporation or LLC, property and monies must be accounted for carefully and transfer of physical property -- land or chattel -- must be legally recorded.