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COURSE : ACC 301 ( INTERMEDIATE FINANCIAL ACCOUNTING)

ASSIGNMENT

REASONS WHY A LIMITED LIABILITY COMPANY WOULD DECIDE TO CHANGE TO A PARTNERSHIP BUSINESS.

1.) Businesses as a partnership do not have to pay income tax because each partner files the profits or losses of the business on his or her own personal income tax return. This way the business does not get taxed separately.

2.) A Limited Liability Company may decide to convert to a partnership if the political, economic, socio-cultural, technological, ecological, and legal environment does not favour the company, there may be a need to change it.

3.) Managing a partnership business is more effective because partners are in charge of the day-to-day running of the business, in other words, more managerial skill is available, unlike a limited liability company where non-members can be hired to carry out managerial functions, when partners oversee the affairs properly , it could reduce the risk of fraudulent activities in a business.

4.) A partnership business has greater efficiency because it is not as complex as a limited liability company and is not restricted to ridged rules and regulations unlike a limited liability company.

5.) In a partnership business, the partners are free to enter any contract without restrictions unlike a limited liability company with restrictions on the board regarding some specified contracts, in which directors are interested.