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**MATRIC NUMBER: 16/SMS02/004**

**DEPARTMENT: ACCOUNTING**

QUESTION: List and discuss at least five other reasons (apart from privacy and cost of operations) why it may be beneficial to convert a limited liability company to a partnership business.

**SOLUTION**

1. **DISSOLUTION DATE**

An LLC may set a date of dissolution when the company is formed, or be perpetual. On the other hand, while an LLP may set a dissolution date, the life of the company is also dependent upon the lifespan of members. Unlike an LLC, an LLP is not a separate entity from its owners.

1. **Dilution of Powers in limited liability companies while shared responsibility in partnership**

Due to the nature of Public Limited Companies, sometimes disputes will arise between Directors and Shareholders as their ideas of what is best for the company vary. Sale of shares to increase company funds will further dilute the management, as more and more people have a say in how the company is run. There is also a risk (since Companies can buy shares) that a takeover might occur this way. **Shared Responsibility –** Partners can share the responsibility of the running of the business. This will allow them to make the most of their abilities. Rather than splitting the management and taking an equal share of each business task, they might well split the work according to their skills. So if one partner is good with figures, they might deal with the book keeping and accounts, while the other partner might have a flare for sales and therefore be the main sales person for the business.

1. **Flexibility in the formation and managing of partnership**

A partnership is generally easier to form, manage and run. They are less strictly regulated than companies, in terms of the laws governing the formation and because the partners have the only say in the way the business is run (without interference by shareholders) they are far more flexible in terms of management, as long as all the partners can agree.

1. ***Complex Accounts in limited liability companies***

There are more complex and restrictive rules governing the accounts and bookkeeping of Limited Companies than sole traders (for example). The Company is expected to produce years accounts incorporating a double entry format, balance sheets and other notes. With the (generally) larger nature of a Limited Companies business this can be a time consuming and costly undertaking.

1. **Taxes.**

A limited liability company owner may have to pay unemployment compensation for him or herself, which he or she would not have to pay as a sole proprietor.