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 ASSIGNMENT SOLUTION

THE FIVE {5} REASONS WHY IT MAY BE BEBEFICIAL TO CONVERT A LIMITED LIABILITY COMPANY TO A PARTNERSHIP BUSINESS

LESS FORMAL WITH FEWER LEGAL OBLIGATIONS:

**One of the main advantages of a partnership business is the lack of formality compared with managing a limited company.**

### The accounting process is generally simpler for partnerships than for limited companies. The partnership business does not need to complete a Corporation Tax Return, but you’ll still need to keep records of income and expenses. A partnership tax return must be submitted to HMRC and each partner will need to file their own self assessment tax return including details of their profits from the partnership.

### EASY TO GET STARTED

**The partners can agree to create the partnership verbally or in writing. There’s no need to register with Companies House and registering the business partnership for taxation with HMRC is quite simple. The partners will also individually need to register for self assessment, which they can do online.**

**Although it will take longer and incur additional cost, it’s usually sensible to put in place a partnership agreement. This documents how the partnership will work, the rights and responsibilities of partners and what would happen in various possible situations, including if the partners fundamentally disagree or someone wants to leave.**

the burden

Compared to operating on your own as a sole trader, by working in a business partnership you can benefit from companionship and mutual support. Starting and managing a business alone can feel stressful and daunting, particularly if you’ve not done it before. In a partnership, you’re in it together.

4 Access to knowledge, skills, experience and contacts

Each partner will bring their own knowledge, skills, experience and contacts to the business, potentially giving it a better chance of success than any of the partners trading individually.

Partners can share out tasks, with each specialising in areas they’re best at and enjoy most. So if one partner has a financial background, they could focus on maintaining the company books, while another may have previously worked extensively in sales and therefore take ownership of that side of the business. As a [sole trader](https://www.informdirect.co.uk/business-management/what-is-a-sole-trader/), by contrast, you’d have to do all of this yourself (or manage someone you employ to do some of it).

5 Better decision-making

Compared with operating on your own, in a partnership the business benefits from the unique perspective brought by each partner. In business, very often two heads really are better than one, with the combined conclusion of debating a situation far better than what each partner could have achieved individually.