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MATRIC NO: 16/SMS02/040

COURSE TITLE: INTERMEDIATE FINANCIAL ACCOUNTING

COURSE CODE: ACC301

DEPARTMENT: ACCOUNTING

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

1. Quick decision making
2. Efficient management
3. Wider pool of knowledge, skills and contact
4. Easy to establish
5. Prevention of fraud and embezzlement

1. Quick decision making: In a limited liability company before decisions are made all shareholders must be call to a meeting and deliberate on a issue and the final decision is made based on the shareholders votes and all this may be time consuming unlike in the partnership business.

2. Efficient management: A limited liability company appoint a director to help the management the company on their behalf and these directors may sometimes not act in the best interest of the shareholders e.g shareholders like to maximized wealth while the directors are interested in the short term profit. But in a partnership business the partners have joint ownership and equal right in the management of the business. Thus improved management with more than one owner.

3. wider pool of knowledge, skills and contacts: Since partners manage the business together they bring in different initiatives, ideas, skills, knowledge

e.t.c together making it better unlike the case of a limited liability company where management is controlled by only the director.

4. Easy establishment: The limited liability company has a complexity in the formation of the business unlike the partnership business.

5. prevent or avoid fraud and embezzlement/corruption: The partnership business is managed by partners so they can't steal from the business since it is their own business. but in case of a limited liability company the directors may not mind steal or carrying of stuff from the company for personal use without properly accounting for it