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**ASSIGNMENT**

List and explain at least 5 other reasons (apart from privacy and cost of operations) why it may be beneficial to convert a limited liability company to a partnership business.

**ANSWER**

**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 unlike corporations, they 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.

**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 limited liability companies, losses are not passed through to the owners. This takes away owners' ability to receive additional tax relief when their businesses perform poorly. Businesses as partnerships do not have to pay income tax; 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.

**Flow of Assets**

Partnerships assets are not being fully separated from their owners they 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 limited liability company, property and monies must be accounted for carefully and transfer of physical property like land or chattel must be legally recorded.

**Capital**

Due to the nature of the business, the partners will fund the business with start up capital. This means that the more partners there are, the more money they can put into the business, which will allow better flexibility and more potential for growth. It also means more potential profit, which will be equally shared between the partners.

**Flexibility**

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.

**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. There is an increased ability to raise funds when there is more than one owner.