NAME: MUHAMMAD ISA DTTIJO

MATRICNO: 16/SMS02/038

DEPARTMENT: ACCOUNTING

COURSE CODE: ACC301

ASSIGNMENT QUESTION:

LIST AND DISCUSS ATLEAST FIVE OTHER REASONS (APART PRIVACY AND COST OF OPERATION) WHY IT MAY BE BENIFICIAL TO COVERT A LIMITED LIABILITY COMAPANY TO A PARTNERSHIP BUSINESS.

* Tax advantages. The profits of a partnership pass through to its owners, who report their share on their individual tax returns. Therefore, the profits are only taxed once (at the personal level of its owners) rather than twice, as is the case with corporations, which are taxed at the corporate level and then again at the personal level when dividends are distributed to the shareholders. The benefits of single taxation can also be secured by forming an S corporation (although some ownership restrictions apply) or by forming a limited liability company (a new hybrid of corporations and partnerships that is still evolving).
* Flexibility. Because the owners of a partnership are usually its managers, especially in the case of a small business, the company is fairly easy to manage, and decisions can be made quickly without a lot of bureaucracy. This is not the case with corporations, which must have shareholders, directors, and officers, all of whom have some degree of responsibility for making major decisions.
* Uniform laws. One of the drawbacks of owning a corporation or limited liability company is that the laws governing those business entities vary from state to state and are changing all the time. In contrast, the Uniform Partnership Act provides a consistent set of laws about forming and running partnerships that make it easy for small business owners to know the laws that affect them. And because these laws have been adopted in all states but Louisiana, interstate business is much easier for partnerships than it is for other forms of businesses.
* Collaboration. As compared to a sole proprietorship, which is essentially the same business form but with only one owner, a partnership offers the advantage of allowing the owners to draw on the resources and expertise of the co-partners. Running a business on your own, while simpler, can also be a constant struggle. But with partners to share the responsibilities and lighten the workload, members of a partnership often find that they have more time for the other activities in their lives.
* Acquisition of capital. Partnerships generally have an easier time acquiring capital than corporations because partners, who apply for loans as individuals, can usually get loans on better terms. This is because partners guarantee loans with their personal assets as well as those of the business. As a result, loans for a partnership are subject to state usury laws, which govern loans for individuals. Banks also perceive partners to be less of a risk than corporations, which are only required to pledge the business's assets. In addition, by forming a limited partnership, the business can attract investors (who will not be actively involved in its management and who will enjoy limited liability) without having to form a corporation and sell stock.