**NAME: DIKE THELMA MESOMA**

**MATRIC NO: 16/SMS02/020**

**DEPARTMWNT: ACCOUNTING**

Assignment: List and discuss 5 reasons why it may be difficult to convert a limited liability company to a partnership business.

1. Freedom: a partnership allows for fluid governing structure. In fact, there doesn’t have to be any particular governing structure at all. Partnerships are closely held private arrangements that unlike corporations 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.
2. 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 profits are passed to owners who are then also taxed on them. Partnerships avoid the double taxation issue. Additionally, in corporations and also in LLCs, losses are not passed through to the owners. This takes away owners ability to receive additional tax relief when their business performs poorly.
3. Flow of assets: partnerships, not being fully separated from the owners, 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 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 corporation or LLC, property and money must be accounted for properly and transfer of physical property, land or chattel must be legally recorded.
4. 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 from shareholders) they are far more flexible in terms of management, as long as all partners can agree.
5. Easy to access profit: in partnership the profit of the business are shared between the partners. They floe directly through the partners’ personal tax returns rather than initially being retained within the partnership. In a LLC by contrast, profits are retained by the company until paid out, whether as salaries under PAYE or, with the approval of shareholders as dividend.