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DEPARTMENT: ACCOUNTING

ASSIGNMENT

List and discuss at least five 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.

A FEW POINTS BEFORE WE BEGIN

two heads (or more) are better than one

your business is easy to establish and start-up costs are low

more capital is available for the business

you’ll have greater borrowing capacity

high-calibre employees can be made partners

there is opportunity for income splitting, an advantage of particular importance due to resultant tax savings

partners’ business affairs are private

there is limited external regulation

it’s easy to change your legal structure later if circumstances change.

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 (as well as any other income).

Unlike a limited company, you don’t need to complete a confirmation statement and the plethora of other possible Companies House forms that a limited company may need to submit will never be required for the partnership. There are also fewer records to maintain: in particular, a business partnership does not need to maintain a set of statutory books like a limited company has to.

Unless a formal partnership agreement has been drawn up, a partnership business can easily be dissolved at any time: this gives each partner the freedom to choose to leave if they wish to.

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.

Sharing 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.

A Professional Limited Liability Company (PLLC, P.L.L.C., or P.L.) is a limited liability company organized for the purpose of providing professional services. Usually, professions where the state requires a license to provide services, such as a doctor, chiropractor, lawyer, accountant, architect, landscape architect, or engineer, require the formation of a PLLC.[5] However, some states, such as California, do not permit LLCs to engage in the practice of a licensed profession. Exact requirements of PLLCs vary from state to state. Typically, a PLLC's members must all be professionals practicing the same profession. In addition, the limitation of personal liability of members does not extend to professional malpractice claims.

A Series LLC is a special form of a Limited liability company that allows a single LLC to segregate its assets into separate series. For example, a series LLC that purchases separate pieces of real estate may put each in a separate series so if the lender forecloses on one piece of property, the others are not affected.

An L3C is a for-profit, social enterprise venture that has a stated goal of performing a socially beneficial purpose, not maximizing income. It is a hybrid structure that combines the legal and tax flexibility of a traditional LLC, the social benefits of a nonprofit organization, and the branding and market positioning advantages of a social enterprise.

An Anonymous Limited Liability Company is a LLC for which ownership information is not made publicly available by the state. This is typically accomplished by using a third-party to act as the organizer and registered agent of the LLC.