

Client entity letter

Business



Client Entity Letter Business entity occurs in various such as sole-proprietorship, partnership, limited company, cooperative and corporations. What distinguish the different kind of business entities goes down to size of the operations, their formations and legal status. For instance, a sole-proprietorship is the simplest business entity and requires few demands in terms of capital, legal issues and formation. The same way, it has few legal or size advantages compared to a larger business such as a limited company.

A discussion of advantages and disadvantages of business entity will occur in the line of formations and benefits. To start with, a solo-proprietorship will require a small capital, few legal requirement if any and less demand in management. Conversely, the returns may not be much as compared to other entities. A partnership requires a group of people, who came together, pool their resources and pursue a common goal. The risk of business failure or losses is spread to a number of individuals hence proving more important than sole-proprietorship. The only requirement is the partnership deed required by the law.

A third distinction occurs on liability issue. A sole-proprietorship and partnership are liable for losses that might occur in business. A creditor would claim their dues to be paid if such business collapses. For a limited company, limited liability partnership and corporations, the case is different. The claims would not fall under the owner of the business rather the business itself. However, this should not result from malpractice or professional negligence. These entities are recognized by law and have legal status.

Finally, any form of limited entity be it a partnership, limited liability

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company, public company have access to better funding. The rate of returns is equally promising compared to unlimited form of business.

Works Cited

Find Law. " Benefits and Drawbacks of Different Types of Business Entities."
Business Structures (2013): 3-5.