Question unlimited liability – partners are subjects

[Business](), [Accounting]()

Question 1 Partnership Companies Partnership business means anykind of business which is owned by two or more people who are agreed to share allthe gains losses profits and benefits, this kind of company is called as apartnership. Partnership Company can be started by shake hand or oral orwritten. But, for every each partner’s protection, the most suitable way is tohave a written or printed partnership agreement that including all thenecessary agreements. This written or printed agreement should include the percentageof dividing profits and losses, and what are the rights of each partner, whatare the responsibilities of each partner, and what happens if a partner leavesfrom the business or what happens when a partner newly joined to the business andamount of capital that each partner is investing to the business, and how theassets and capital should be divided among partners if the business is closed. All the things are changing at every second, so it is good that having signeddocument that including all of these things. Strengths of business partnership · Capital – If there are more number of partnersthey can invest more capital to the business.· Flexible – Partnership businesses are easier toform and easier to run.

Owners can decide the way that how the business shouldrun.· Easy to make Decisions – Partners can easilytake decisions according to the situation of the business.· Limited external regulations- When compared tothe other types of businesses partnerships has less regulations.· Responsibility is shared – Partners can sharethe responsibilities among them. It will allow to partners to make theirabilities better.

Weaknesses of business partnerships · Disagreements – There can be disagreementsbetween partners. It will be a disadvantage when making decisions.· Unlimited liability – Partners are subjects tounlimited liability which means each partners shares liability and all therisks including financial risks of the business.

· Taxation – This is one of a major disadvantageof partnerships. Partners must pay tax each year.· Profits should be shared – All the earnedprofits should equally share among partners. Limited Companies Limited companyis an one of a legal business company type. In these limited companies thecontrol of the companies and the ownership of the companies are in the hands ofdifferent kind of people.

The owners of these limited companies are called as shareholdersand members of the company. Simply the liability is limited to this type ofcompanies. Limited companies allow their entrepreneurs to keep finances and assetsseparate from the business. This means the shareholders who have invested moneyto the company are only responsible for the money which they have invested tothe business. They are no more responsible than they invested. This is good wayto do investment without risk to the personal wealth. Strengths of limited companies · Limited liability for shareholders – As earliermentioned the shareholders are liable only for their invested money. · Tax advantage and tax – These limited companiesare only taxed on their profits.

· Great Security – The limited Companies are totallyseparate from the directors and shareholders. Because of that their personal assetsare not at any risk.· Respect – Setting up a ‘ Limited ‘ company it givesthe directors an air of respect.· Pensions – Limited companies can fund their employeesa legitimate expense. Weaknesses of limited companies · Cost is high – Limited companies are expensiveto establish.· Financial status are public – Company accountsand records are can be accessed by any person.· Restrictions – There should be restrictionsregarding company name.

Recommendation As my point ofview I suggest to Fernando and Perera to establish a Limited company. As earliermentioned they can have better advantages like limited liability, taxadvantages, low risk, respect and better professional status by establishing alimited liability company. If they establish a partnership business they willhave to face many disadvantages. Question 2 Distinctions/Differences between Financial Accounting and ManagementAccounting Both of financial and managementaccounting are important for businesses. But those are served for differentpurposes of business.

Accounting is used to determine the future plans andreview past performances of companies. Financial accounting is using topresent company finance health to the outsider people such as stake holders. The audience of the financial accounting is stake holders, board of directorsand other investors. Financial accounting is showing the how the company hasperformed in exact time period. And financial accounting must be made under annualbasis. Management accounting is using bymanagers to make decision by concerning company day to day transactions.

Managementaccounts are based on current and future trends of company. Management accountsare presented internally and financial accounts are presented externally. Financial accounting needs keptrecords and it is needed to prove that financial accounts are correct. Management accounts are deals with estimates and verifications.