

# Legal underpinnings of business law essay examples

[Business](#), [Company](#)



At law there is little difference between a proprietor and the proprietorship, especially in terms of liability (Spadaccini, 2007). Accordingly, there is very little the proprietor can do to limit the liability exposure, within the business. The best option available is to convert the proprietorship to a limited liability company (LLC), and reduce the exposure to the extent of investment (Seaquist, 2012). Similarly, the general partner is exposed to personal liability. One option available to reduce such exposure is to become a limited partner. Another option but less effective is to specify the instances in which the general partner will be liable in the articles of partnership. A limited partner already enjoys limited liability. They can however further limit their liability by ensuring there are more general partners. Share holders of a corporation also enjoy limited liability. They can further limit the liability by ensuring the corporation does not do anything that may occasion a piercing of the veil, at which point they might be exposed to personal liability. LLC's too enjoy limited liability. In order to reduce exposure to personal liability, owners of LLC's ensure that the company does not become insolvent, because they would be exposed to personal liability.

In future I plan to own a general supplies and sales business. The purpose of the business will be to supply a wide range of goods to clients; consumers, retailers or manufacturers. For the right price the business will supply just about anything merchantable. The best organizational form for this business is Limited Liability Company (LLC). This is because at the time of inception the business will start as a small business as the availability of capital might be a problem. Additionally, owing to the scarcity of capital, I might not personally be able to meet the liabilities of the business should it incur

losses. A LLC is best suited for such a situation since it is easy to form and offers protection against personal liability (Mancuso, 2012).

Another reason for the LLC choice is that LLC's have minimal formalities, both at formation and also managing the business (Spadaccini, 2007). Few formalities reduce the chances of breaching the law, which may prejudice the liability protection. This no doubt favors a small business, especially saving resources that may be expended for compliance.

Another benefit of a LLC is in relation to taxation. LLC's have the option of selecting the taxation regime they prefer. This offers flexibility and the chance to choose a regime that is favorable to the business. Additionally, LLC's are treated as pass through entities which means that the company's income passes through the owner and declared in the owner's individual tax returns. This not only benefits the owner economically but also avoids double taxation (Spadaccini, 2007).

## **References**

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