

# Essay on business entities laws and regulations

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



## **Business Entities, Laws and Regulations**

When establishing any venture, one has to decide the kind of business entity to operate. The nature of the business entity is necessary in the determination of return on income tax that the owners have to file.

Furthermore, the laws and liabilities are applied differently depending on the legal terms binding the business entity. The common types of business entities include sole proprietorship, partnership, parastatals or State Corporation, and the company. Considerations on the legal and tax implications are overriding factors before one chooses the business entity.

This piece of work considers different case scenarios that determine the nature of business entity (LexisNexis, 2007).

The first case is the restaurant/bar that Lou and Jose plan to open. The two are the owners of the business idea but unfortunately, they do not have much money to convert the idea into a practical business. They choose to approach Miriam, a wealthy investor to fund them, although she will not be an active participant in the daily running of the business activities. However, Miriam wants to be part of the business ownership where she will be earning some percentage of the returns on capital. Considering the above scenario, the appropriate business entity that they can engage in is partnership.

A partnership is a business entity started by two or more persons where each of them contributes capital, labor, or advisory to facilitate trade. For the case above, Lou and Jose are the active partners in charge of the daily activities of the business. On the other hand, Miriam is a quasi partner, who has financed the business although she does not have time to involve actively herself in the daily running of the business. The partners have the

obligation to submit annual information return to report on their income profits or losses. However, the partners do not pay income tax. Instead, the liabilities of the partners are unlimited. This implies that the partners not only share the profits of the business but also losses in case they occur. In order to start a partnership relationship, the partners must adhere to certain legally binding acts found in the partnership deed. This contract of agreement forms the foundation of the relationship between the partners. It states the terms and conditions for the partnership, which include how the partners are going share their profits. Furthermore, it specifies how the partners can dissolve their partnership in case of a dispute that may warrant their separation.

The second case scenario is that of Akiva and Tara. These are professional who have certified all the basic requirements for one to engage in service as obstetricians. As such, they have decided to put their professional skills together and open a birth clinic. Furthermore, they opt to seek the large capital, which the business needs to start, in the form of a loan. Considering this scenario, the two individuals are bound to start up a private limited company.

Limited liability Company is a business structure in which the members have limited personal liability for the debts and losses of the company.

The business entity is treated as a separate entity from its owner because it can sue anyone or be sued in the court of law. This implies that none of the owner can lose his or her own private property in case the company bankrupt. Furthermore, just like the partnership, Limited Liability Company has the advantage of passing through taxation.

In the Federal laws, a limited liability company is not regarded for the purposes of contributing to the federal tax. In addition, the LLC has the duty to file a corporation tax return. Moreover, the private limited company is governed by the same laws that govern the corporate institutions (Levi, 1999).

The fair labor laws require that employers treat their employees or prospective employees in an ethical manner that eliminates any form of discrimination. There are situations where the employer is faced with difficult situations where his or her ethical standards have to be challenged. This could be in the form of wage for a disabled employee or the recruitment process where one has to make a choice between qualification and experience, health or safety (Steingold, 2011).

The scenario of the construction company is an example of a situation that needs proper judgment before the recruitment decision is reached. Mei-Lin, the hiring manager for the company, has an uphill task to employ someone for the position of a jackhammer. However, all of the applicants in one way or the other have their own undoing. Mei-Lin has to carry out the process in full adherence to the fair employment laws. This is a personal dilemma for him.

The first applicant Michelle is 35 years old high school graduate, and formerly was employed as a jackhammer. She has attained the qualification and at the same time has experience in the field advertised. However, she is pregnant. If given the job, it is likely to be strenuous for her and inappropriate for the proper development of the child. The second applicant is Eric, 55 years old experiences, but lacks the high school diploma. The next

applicant is Felipe, who is 38 years, cannot communicate in English and has no high school experience. Finally, we have Nick, 23, college graduate, epileptic and lacks in the experience.

Faced with the above situation, it is crucial that Mei-Lin uses wisdom in decision making but at the same time observe the law. For the case of Michelle, her pregnancy may not allow her to perform the job effectively. Furthermore, considering the development of the fetus, it will be inappropriate to give her job because the life of the child will be endangered with the strenuous activity. Secondly, Eric may not be appropriate for the job as he is old and the job requires energy. Furthermore, he has not met the minimum requirement for the job. The third individual is Felipe, who cannot communicate in English and lacks the high school diploma. However, the job does not entail much of speaking as signs can be used for communication. Finally, Nick suffering from an epileptic condition lacks in experience although he is over qualified for the position. The epileptic condition may not only endanger his life at such work a place, but also for the other employees. Therefore, from objective analysis, Felipe stands the best chance to be given the job.

## **References**

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