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Business, Company

Introduction

In order to set up a business, the business owner has to make the first decision that involves determining the structure of the business. All businesses must choose a structure that adopts a legal framework, a structure that defines the liabilities and the rights of business's ownership participants, personal liability, control, life span of the business and finally the financial structure. The decision made will have a long-term impact on the business. It is recommended that one consult an accountant and an attorney to assist in selecting the form of business that is suitable.

Limited liability Company (LLC)

Limited Liability Company is a new business structure permissible in many countries. It is designed to provide features of corporation, that is, limited liability and operational flexibility of partnerships (Shenkman, Martin & Samuel, 1996). A Limited Liability Company is taxed in most cases like a partnership. Its members are the owners of the LLC, and the duration of this form of business is first done when the filing of the organization papers is first.

A limited liability company operating agreement allows the members to design their financial and working relationship, which should be used to suit the business and its objectives. In their operating agreement, Patre, Queenie and Randell should provide the following:

- The Member's rights and responsibilities

- The percentage of interest a member in the limited liability company can receive

- The voting rights of a member
- The proportion (in percentage) of how profit and losses should be shared
- How this limited liability company will essentially be managed
- Rules and regulation for calling and holding meetings
- Provision which can be used to determine the actions to be taken when a member dies or get incapacitated

If Patre, Queenie and Randell fail to include some important details in the operating agreement, basic state operating rules will be used to govern the business. The basic state rules are also called default rules. Under the default rules, the business owners will be required to divide the LLC profit and losses equally, regardless of the amount each member contributed to the business (Shenkman, Martin & Samuel, 1996).

Hypothetical situation

The most appropriate or suitable form of business organization for Owen is the sole proprietorship. It is a form of business owned by one person, and the owner can take the responsibility of day-to-day business operations. Owen can employ people to assist him to run the business, but the power of management and decision-making is vested on him.

Owen can start a sole proprietorship business because it is easiest and the least expensive form of business organization compared to other forms of business. He can be his own boss and, therefore, have total control of the business activities. Consequently, the decision making process of such a business can be relatively quick. The business can be closed easily if need be (Hamilton & Robert, 1973).

Malfeasance

Corporate malfeasance also called corporate crime involves the illegal acts committed by companies or individuals who use the resources of the business to undertake illegal actions. The crimes of this type may involve intentional acts, failure to execute some duty or duties associated with position that consequently, triggers a breach of the present laws. Corporate malfeasance can include any type of action that is against the current laws (Laufer & William, 2006).

Enron scandal is a classic example of corporate malfeasance. This is because the executives took advantage of the complex business model and used unethical practices to modify the balance sheet, to indicate that the company was performing well. The executives used the accounting limitation to represent the company’s balance sheet in a faulty way.

Conclusion

Deciding the form of business organization is a very important aspect that requires careful consideration. In addition, in a limited liability company, it is good for its members to come up with business rules that will govern the internal operations of the business rather than following default rules that might not fit the LLC.

References

Hamilton & Robert W. (1973). Business organizations. West Pub. Co.

Shenkman, Martin M. & Samuel Weiner, (1996). Starting a limited liability company. Wiley.

Laufer & William S. (2006). Corporate bodies and guilty minds the failure of corporate criminal liability. University of Chicago Press.