Aba putangina nyo essay

BUSINESS CASE Presented to the Accountancy Department De La Salle University In partial fulfillment Of the course requirements In ACTPACO (K32) Duhaylungsod, Paul Angelo, P. March 5, 2013 DECISION MAKING ACROSS THE ORGANIZATION Richard Powers and Jane Keckley, two professionals in the finance area, have worked for Eberhart Leasing for a number of years. Eberhart Leasing is a company that leases high-tech medical equipment to hospitals. Richard and Jane have decided that, with their financial expertise, they might start their own company to provide consulting services to individuals interested in leasing equipment.

One form of organization they are considering is a partnership. If they start a partnership, each individual plans to contribute P2 million in cash. In addition, Richard has a used IBM computer that originally cost P148, 000, which he intends to invest in the partnership. The computer has a present market value of P60, 000. Although both Richard and Jane are financial wizards, they do not know a great deal about how a partnership operates. As a result, they have come to you for advice. 1.

What are the major disadvantages of starting a partnership? Partnership can easily dissolve automatically when one of its partners no longer wishes to participate in the business, or is unable to. This may happen in the event of death, bankruptcy, retirement or resignation. A divorce could also force a partner to attempt to cash out his interest, since decisions are shared, disagreements can occur. A partnership is for the long term, and expectations and situations can change, which can lead to dramatic and traumatic split ups.

Business partners are jointly and individually liable for the actions of the other partners and you have to consult your partner and negotiate more as you cannot make decisions by yourself therefore need to be more flexible and a major disadvantage of a partnership is unlimited liability. General partners are liable without limit for all debts contracted and errors made by the partnership. The accounts of partnership concerns are not published so public is unaware of the exact position of the business.

There is a suspicion in public mind that these concerns earn huge profits at the cost of consumers. There is no legal binding for the publication of accounts. So partnership concerns lack public confidence. No partner can transfer his share to a third party without the consent of the other partners. If a partner wants his share back it will not be possible without the approval of other partners or without dissolution of the firm. In case of a company, any shareholder can transfer his shares without affecting the working of the business.

In partnership, a partner is permanently wedded to it and lastly there is a limitation in raising additional resources for expansion purposes. The business resources are limited to the personal funds of the partners. Borrowing capacity of the partners is also limited. The number of partners to be added to a business is also limited. A banking company cannot have more than ten partners and in other businesses the number of partners cannot exceed twenty. So there is a limit beyond which partners cannot be added.

2. What type of document is needed for a partnership, and what should this document contain?

Article of co partnership is a written agreement prior to the formation of a business, outlining the terms of the partnership and it must contain the firm's name, how the firm will begin and end, nature of the business operations, monetary agreements like partners investments, determination of partner salaries and distribution of profits and losses. The document must also contain decision making guidelines and authority of partners and lastly expected time contribution of partners. 3. Both Richard and Jane plan to work full-time in the new partnership.

They believe that net income or net loss should be shared equally. However, they are wondering how they can provide compensation to Richard Powers for his additional investment of the computer. What would you tell them? They should change the profit and loss ratio in favor or Richard Powers in order for them to compensate his additional investment or they can also give him a bonus as well because if they distribute the net loss or net income equally it would be unfair for him because he invested more than the other partner.

Another advice I would tell them is Richard can contribute less cash and compensate with the investment of his computer therefore, the basis of the distribution of income is their beginning capital or initial investment. 4. Richard is not sure how the computer equipment should be reported on his tax return. What would you tell him? The report on his tax return regarding the computer equipment will be based or I related on his income or you can say that depending on their net income or loss dividing by the partners' profit 5.

As indicated above, Richard and Jane have worked together for a number of years. Richard's skills complement Jane's and vice versa. If one of them dies, it will be very difficult for the other to maintain the business, not to mention the difficulty of paying the deceased partner's estate for his or her partnership interest. What would you advise them to do? They should know the risk of entering a partnership and all of its disadvantages stated earlier but because accidents cannot be prevented they should have alternatives or options unless one of them dies early during the partnership.

One option is that they could assign their respective heirs to take over the business for them or if they don't have a child they must assign their personal choice of who they want to replace them but of course the heirs or assignees must have knowledge about what they might acquire in their shoulders like the liabilities of the previous owner, the responsibilities on handling a business. In paying the deceased partner's estate they could build a trust fund through their partnership that would sustain the payables if ever one of them dies so that the remaining partner would not have a difficult time in paying those interest.