

# [University a partnership compared to a limited](https://assignbuster.com/university-a-partnership-compared-to-a-limited/)

UNIVERSITYCOLLEGE DUBLINNationalSchool of Business ManagementBachelor of Science (Sri Lanka)BSc 21  Financial and Management Accounting (ACC2002L)Module Co-coordinator Dr.

Ming Yen Tan   IndividualAssignment 1  Name Student Number Gunawardhana WMMK 17208979     Date ofsubmission   – 18th January2018 Question 1 The most common forms of businessorganizational structures are Proprietorship, Partnership and Limited Company. Proprietorship form of organization is used when there is a single owner of thebusiness. Although there are two members in this restaurant business. So, whenthe number of owners more than 1, Partnership and Limited Company form oforganization are the most preferred.

Before digging deep into which organizationis best for your business lets first analyze the difference between Partnershipand Limited Company. PartnershipA partnership form of organization ispreferred where two or more people wish to come to together to form a business. Partnership owners share the profits, the liability and the decision making. Especiallywhere the partners have different skills and can work well together. Strength of PartnershipAn advantage of a partnership compared to a limited companyis that you can set up a partnership with any starting capital.§  Your business is easy to establish andstart-up costs are low§  Less bureaucracy and a more flexible structure.

§  Partners  business affairs are private§  Two heads or moreare better than one§  You will  have greater borrowing capacity§  There is opportunity for incomesplitting§  It is easy to change your legalstructure later if circumstances change. Weakness of PartnershipThe two main disadvantages are thelevels of taxation and the liability.§  The liability of the partners for thedebts of the business is unlimited.§  Each partner is an agent of thepartnership and is liable for actions by other partners.

§  Family and friends go into business together it canobviously present some problems.§  There is a risk of disagreements among partners andthe management.   LimitedCompanyA Limited company form of organization is preferred whoseownership is in the hands of shareholders who appoint directors to report atmeetings, these meeting are often annual. The directors and managers areresponsible for the day to day running of the business and then report back tothe shareholders.

Strength of Limited Company§  Liability for shareholders is limited.§  It is easy to transfer ownership byselling shares to another party.§  The company can trade anywhere.§  Taxation rates can be more favorable§  Shareholders (often family members)can be employed by the company.§  You will have access to a widercapital and skills base. Weakness of Limited Company§ Thecompany can be expensive to establish, maintain and wind up§ Thereporting requirements can be complex§ Yourfinancial affairs are public§ Ifdirectors fail to meet their legal obligations, they may be held personallyliable for the company’s  debts§ Profitsdistributed to shareholders are taxable. After the analyzed, it is recommendedthat to start Restaurant business as a Partnership.

Because Partnership businessis an easy to setting up process, less cost of running and there are not compliancerequirements as well. So Fernando and Perera can easily start a RestaurantBusiness. There is no need to register atCompanies House. However it’s usually recommended that a partnership agreementis made, which explains the business structure, legalities and each partner’sresponsibilities.