

# University a partnership compared to a limited



**ASSIGN  
BUSTER**

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, when the number of owners more than 1, Partnership and Limited  
Company form of organization are the most preferred.

Before digging deep into which organization is best for your business let's first  
analyze the difference between Partnership and Limited Company.

PartnershipA partnership form of organization is preferred where two or more  
people wish to come together to form a business. Partnership owners  
share the profits, the liability and the decision making. Especially where the  
partners have different skills and can work well together. Strength of

PartnershipAn advantage of a partnership compared to a limited company is  
that you can set up a partnership with any starting capital. § Your business is  
easy to establish and start-up costs are low § Less bureaucracy and a more  
flexible structure.

§ Partners' business affairs are private § Two heads or more are better than  
one § You will have greater borrowing capacity § There is opportunity for  
income splitting § It is easy to change your legal structure later if

circumstances change. **Weakness of Partnership**The two main disadvantages are the levels of taxation and the liability. § The liability of the partners for the debts of the business is unlimited. § Each partner is an agent of the partnership and is liable for actions by other partners.

§ Family and friends go into business together it can obviously present some problems. § There is a risk of disagreements among partners and the management. **Limited Company**A Limited company form of organization is preferred whose ownership is in the hands of shareholders who appoint directors to report at meetings, these meetings are often annual. The directors and managers are responsible for the day to day running of the business and then report back to the shareholders.

**Strength of Limited Company** § Liability for shareholders is limited. § It is easy to transfer ownership by selling 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 wider capital and skills base. **Weakness of Limited Company** § The company can be expensive to establish, maintain and wind up. § The reporting requirements can be complex. § Your financial affairs are public. § If directors fail to meet their legal obligations, they may be held personally liable for the company's debts. § Profits distributed to shareholders are taxable. After the analyzed, it is recommended that to start Restaurant business as a Partnership.

Because Partnership business is an easy to setting up process, less cost of running and there are not compliance requirements 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.