Legal Underpinnings of Business Law

Author name

Affiliations

Businesses form different contracts and a breach of contract results in a change in personal liabilities. The level of liabilities varies with the type of business organization. It is important to check about the liabilities and then go for any form of business organization. There are different types of business organizations that have a varying degree of personal liabilities in case of breach of contract.

**Tinker’s Home Security Service (sole proprietorship)**

This is the simplest and most common form of business organization that is also very easy to be established. It is easy to form and do not require any formal and lengthy process. There are several advantages of this type of business organization such as the autonomy of decisions. The proprietor is responsible for all good and bad decisions. Moreover, there is also an element of cost saving in this kind of business organization as business pay tax on the income of the owner(Lincoln & Andrew, 2017).Moreover, if the owner wants to dissolve the business, it is easier to dissolve it.

In case of breach of contract and Tinker’s Home Security Service is being sued in case of a sole proprietorship, then the whole liability rests with me. My assets are held to cover any compensation that results from the lawsuit. This liability is not only limited to the investment that I had made, but my personal assets are also under liability.
**Tinker & Tailor’s Home Security Service (general partnership)**

A general partnership is a form of business organization in which two or more individuals are sharing their assets, profits as well as financial and legal liabilities. This form of business organization is also easier to form but it also requires time for developing the partnership agreement. Likewise, partners get equal rights for participating in the management and control of the business. However, they have unlimited liability under this form of business organization. In case of loss, all partners’ personal assets are accountable for the partnership's obligations(Cole & Sokolyk, 2018). Therefore, if Tinker & Tailor's Home Security Service is sued in case of a general partnership, then the personal assets of both owners are sued for all losses. In this case, I along with other partners is responsible for all obligations leading to the suing of my personal assets also.
**Tinker & Tailor’s Home Security Service (LP)**

A limited partnership involves the presence of both general partner and limited partners. This kind of partnership is most common with real estate investors who like to turn over the management of operations to the general partner. Moreover, this form is also present in the family businesses that often pools their money into the business and then designate a general partner to look over the business. In a limited partnership, the general partner has unlimited liability as he has control and makes decisions. On the other hand, other partners known as limited partners are subjected to limited liability as they are passive owners.

If Tinker & Tailor's Home Security Service is sued in case of a limited partnership, then the general partners are responsible for all the liabilities and their personal assets can be sued for all losses. I am at less loss as I am a limited partner.

**Tinker & Tailor’s Home Security Service, Inc. (corporation)**

Stockholders create corporations for earning profits. Creation of corporations involves the legal process. Due to their legal status, corporations can enter into contracts, sue and be sued as well as has their own assets and pay taxes. Company operations are managed by the shareholders who elect a board of directors that further appoints to manage the corporation's day-to-day actions. Some corporations are cooperative banking and housing cooperatives.

 If Tinker & Tailor’s Home Security Service is sued, then the corporation is responsible for all the debts and shareholders are not responsible.
**Tinker & Tailor’s Home Security Service, LLC (LLC)**

A limited liability company (LLC) refers to such a corporate structure in the United States that does not make owners personally liable for the company's debts or liabilities. This is due to the reason that the business assets of the company are distinct from the personal assets of the owners. It has characteristics of both corporation and partnership. If Tinker & Tailor’s Home Security Service is sued, then the whole liability rests with the corporation and I am personally not responsible for any liability.

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| **Business name** | **Business type**  | **Liability** |
| Tinker & Tailor’s Home Security Service | Sole proprietorship | Owner  |
| Tinker & Tailor’s Home Security Service | General partnership | All partners |
| Tinker & Tailor’s Home Security Service | Limited partnership | General partner |
| Tinker & Tailor’s Home Security Service, Inc.  | Corporation | Corporation  |
| Tinker & Tailor’s Home Security Service, LLC | Limited liability Corporation | LLC |

**Best business organization form:**

The best business organization form that I would like to have is a limited liability partnership. It is a separate legal entity that is different from that of the general partners. I would go for it due to the ease of its formation. Firstly, there are lower startup costs and there is no need to pay the registration fees as in case of corporate investors pay. Secondly, there is a clear structured process for the formation of LLP, consisting of filling out a registration form and filing with the local secretary of state. All the roles and responsibilities of partners are written down along with their financial contributions, and liabilities. Moreover, there is no need for filing the annual returns except for income tax.

The other greatest advantage of this form of organization is the limited liability of the owners. There are two partners in this form of organization; general partner and limited partners. The general partner has unlimited liability whereas other partners known as limited partners have limited liability. Therefore, partners in this form of organization are not responsible for any liability other than their investment in their business. Personal assets of the partners cannot be seized to resolve the partnership’s arrears due to separate legal entity status of the organization(Sarmento & Renneboog, 2016). This gives protection to the personal property of owners in case they are sued. This is the greatest advantage of this form of organization as in general partnership; a partner’s personal assets can be apprehended to resolve the partnership’s arrears.

Moreover, taxation advantage is also present and there is no double taxation. LLP partners only pay their personal income taxes under this form of partnership. They do not file a discrete tax return for their business but only report the business income on their personal tax return. In addition, in case of resignation, death or bankruptcy of a member, there is no need to dissolve LLPs as these are separate entities. Furthermore, it has a decentralized management structure and it gives partners flexible management roles. The partners can take an active role as well as can become silent partners. Contrasting from a company, an LLP does not have a memorandum or articles of association.

References

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