



FAQs

Q1. What is a partnership?

Ans. A partnership acts as an unincorporated business operated by two or more individuals. Once two or more individuals agree to go into business, a partnership is automatically formed. Documents need not be filed with the state as a condition of establishing a partnership. A partnership is the easiest and least expensive way to form a business with more than one owner.

Q2. What is a corporation?

Ans. A corporation is a business or organization formed by a group of people, and it has rights and liabilities separated from those of the individuals involved. It may be a nonprofit organization engaged in activities for the public good; a municipal corporation, such as a city or town; or a private corporation which has been organized to make a profit.

Q3. Write a short note on shared Responsibility.

Ans. Partners can share the responsibility of running the business. This will allow them to make the most of their abilities. Rather than splitting the management and taking an equal share of each business task, they might well split the work according to their skills.

Q4. What are the advantages of corporation?

Ans. The advantages of corporation are as follows:

1. Generally, a corporation's shareholders are not liable for any debts incurred or judgments handed down against the corporation.
2. Corporations may be able to raise additional funds by selling shares in the corporation.
3. Corporations may deduct the cost of benefits it provides to the employees and officers.
4. Some corporations may be able to elect treatment as an S corporation, which exempts them from federal income tax other than tax on certain capital gains and passive income.

Q5. Write some point on disadvantages of limited partnership.

Ans. Some points on limited partnership are as follows;

1. The limited partners are deprived of the right to manage. They remain at the mercy of the general partner.
2. The general partner may misuse his power to exploit the limited partners.
3. A limited partnership enjoys little credit standing as the liability of some partners is limited.

Q6. What is a limited partnership? Define its chief characteristics.

Ans. A limited partnership is a partnership consisting of some partners whose liability is limited to the amount of capital contributed by each. The personal property of a limited partner is not liable for the firm's debts. One cannot take part in the management of the firm. Their retirement, insolvency, lunacy or death does not cause dissolution of the firm. There is at least one partner having unlimited liability.

The chief characteristics of a limited partnership are as follows:

1. There must be at least one partner with unlimited liability.
2. The limited partner cannot take part in the management of the firm.
3. The limited or special partner cannot assign their share to an outsider without the consent of the general partner.
4. The limited partner cannot withdraw any part of their capital.
5. A limited partnership must be registered.