

## The Business Environment Synoptic: Summary of corrections to course materials

These changes affect version V001 of the materials.

### Course Notes & Questions

None

### Task Bank

Pg 57 / 116

**Task 5 revision example 3 (d)**

Some of the dates were wrong and the balance c/d was on the wrong side. The completed cashbook should look like this:

Date	Details	Bank £	Date	Cheque number	Details	Bank £
01 March	Balance b/d	2,400	03 March		Mona Ltd	1,000
6 March	B&S	2,365	14 March		Home & Co	200
25 March	Banking	1,400	24 March	21	Lisa Plc	400
			25 March		Electricity	150
			25 March		To landlord	200
			25 March		Bank charges	40
			25 March		Balance c/d	4,175
		6,165				6,165
26 March	Balance b/d	4,175				

### Mock Bank

None

### Extra handout

Please see the extra handout at the end of this document regarding LLPs.

## **AAT LEVEL 3**

### **The Business Environment (BENV)**

#### **Extra notes on limited liability partnerships (LLPs)**

## Chapter 1 – Types of business entity

The AAT have recently updated the specification for this unit to add limited liability partnerships (LLPs) to the syllabus. Let's take a look at the key features of this type of business entity.

### Limited Liability Partnership (LLP)

A limited liability partnership is a **hybrid** of a company and a partnership. In most respects it is like a company in that it is a **separate legal entity**. Therefore, it can sue and be sued in its own name, it can own assets in its own name and the owners of the LLP get **limited liability protection**. It is the LLP that will be liable for any debts and if it cannot pay then the owners are protected.

Where it differs from a company and is like a partnership is in the owner/manager split. With companies the owners and managers are two distinct groups i.e. the directors and shareholders. With an LLP, the partners of the LLP are both the managers and the owners.

The other key difference is LLPs are taxed like partnerships so the LLP itself does not pay tax, but the profits are allocated to the partners of the business who then pay Income Tax on those profits.

LLPs are governed by the **Limited Liability Partnership Act 2000**. This means that LLPs must be **registered at Companies House** and will **have to file** accounts at Companies House.

### Comparison of business structures

	Sole trader	Partnership	LLP	Company
<b>How is the entity formed?</b>	No formal process.	Need an agreement, which may be formal or informal, written or verbal.	Must register at Companies House.	Must register at Companies House.
<b>What is the legal status of the entity?</b>	No separate legal personality.	No separate legal personality.	A separate legal entity.	A separate legal entity.
<b>How is ownership of the entity transferred?</b>	No special formalities.	Can transfer share of firm (right to profits, assets on winding up etc) but cannot transfer right to participate in management.	Can transfer share of firm (right to profits, assets on winding up etc) but cannot transfer right to participate in management.	Ltd – Cannot invite members of the public to become shareholders. Plc – Shares are traded publicly, often on the stock exchange.
<b>Number of members</b>	One.	Minimum two.	Minimum two.	Minimum one.
<b>Who manages the running of the entity?</b>	Sole trader is the manager.	All partners participate in management unless agreement specifies otherwise.	All partners participate in management unless agreement specifies otherwise.	A shareholder has no right to participate in management unless also a director.
<b>Are the owners liable for the debts of the entity?</b>	Owner has unlimited liability.	Partners have unlimited liability.	Liability is limited to the capital that the member has contributed to the LLP.	Liability is limited to the member's share capital.