pk

by P K

Submission date: 18-Feb-2021 08:01PM (UTC+0300)
Submission ID: 1512361235
File name: BETTER.docx (17.77K)
Word count: 561
Character count: 3130

Organizing business to limit liability

Name

Institution

Course

Professor

Date

Introduction

Aviation, just like any other business is faced with the risk of running into liabilities. Liabilities in aviation may result from employee's torts, mechanical failures, natural disasters among others. These liabilities can result into bankruptcy of the company, loss of personal assets, business assets and even finances. (Hamilton; Nilsson, 2020) Aviation businesses that are run as sole proprietorship are at greater risk of liability as compared to those that are structured as limited liability companies or limited liability partnerships.

Problem statement

One of the biggest contributors to the downfall of aviation companies is failure to incorporate the business. Businesses that are run as sole proprietorships, are viewed as tied to their owners and hence the proprietor's assets can be lawfully used to settle business liabilities. (Hamilton; Nilsson, 2020) Even in cases where the proprietor has some sort of liability insurance, they might be forced to use their personal assets to cover damages that are not covered by the insurer. Many people start sole proprietorships blindly because they are easier to start, require less legal work and have tax advantages over other business entities.

Significance of the problem

Sole proprietorships that do not transition into LLCs or LLPs are faced with imminent challenges that arise from liabilities. In case of accidents, damage of goods or loss of lives, sole proprietors facing legal actions are not protected from liabilities and may be rendered bankrupt after compensation of claims. While single proprietorships are accorded some tax leniency in the event of losses, this exemption is withdrawn after three consecutive years of losses. (Hunter; Shannon, 2020). This leaves them further exposed to bankruptcy. With the serious ramifications of privatization, it would be prudent for any business to consider incorporation as a possible liability mitigation measure.

Development of alternative actions

Sole proprietors who decide to incorporate their business should seek advice from their lawyers and accountants on the way forward. They should inquire whether the lawyer is willing to become the corporation's agent in the process. (Hamilton; Nilsson, 2020). An advantage of this is the birth of a corporation that is viewed as an independent entity by the law while the disadvantage would be loss of business control power of the sole proprietor. Another alternative action would be to dissolve the business and start over as a corporation. This would give the company a chance to start over with the right structure and business assets already owned. This however may result into loss of client base already established.

Recommendations

After incorporation, the business should be run like a true corporation. All legal paperwork belonging to the previous business should be destroyed to seal loopholes that may be used by plaintiffs in case of lawsuits. More partners should be brought on board, assets and finances boosted and retained personnel retrained on how to handle the business as a corporation. (Hamilton; Nilsson, 2020). This structural change over ensures that the business is run as an independent entity and can grow tremendously because of reduced liability and boosted capital. However, the sole proprietor may find it hard to relinquish control over their business.

References

Hamilton, J. S., & Nilsson, S. (2020). *Practical aviation & aerospace law* (7th ed.). Aviation Supplies & Academics.

Hunter, R.J, Shannon, J.H. (2020) managing financial stress for debtors and creditors, *International Journal of Business*.

pk

ORIGINALITY REPORT

5%	0%	0%	5%
SIMILARITY INDEX	INTERNET SOURCES	PUBLICATIONS	STUDENT PAPERS

PRIMARY SOURCES

1	Submitted to Santa Barbara Business College Student Paper	3%
2	Submitted to Berkeley College Woodland Park Student Paper	3%

Exclude quotes	Off	Exclude matches	Off
Exclude bibliography	Off		