



Partnerships

- Partnerships are usually small businesses
- They tend to be a little larger than sole traders.
- They can be identified by the following features:
 - Two or more people running a business which aims to make a profit. (Partnership Act 1890)
 - The maximum number of partners is usually **20**
 - Money is usually provided by the partners
 - They are easy to set up but may have a “**Deed of Partnership**”
 - They are **unincorporated**
 - They have **unlimited liability** (except Sleeping Partners)
 - Examples include:

Accountants



Estate Agents





What is a Sleeping Partner?

- It's not what YOU are thinking!
- A sleeping partner is someone who has invested money into the partnership, but does not play an active part in the day to day running of the business
- This means that they have **LIMITED LIABILITY** because they do not control the debts that the business may run up



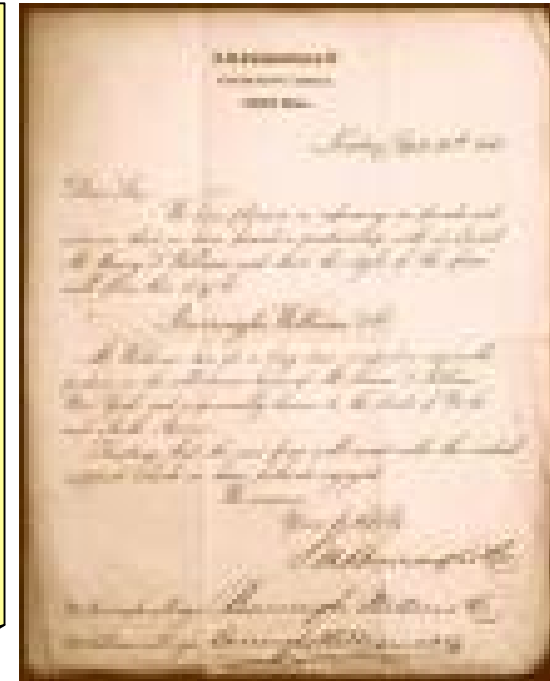


What is a Deed of Partnership?

- A Deed of Partnership is a legal document that states the rules of the business
- It should state the following information:



- ✍ Who the partners are
- ✍ How much money each partner has put into the business
- ✍ How profits should be shared out
- ✍ How many votes each partner has in any meetings
- ✍ The procedures for partners leaving or joining the business





Should We Be a Partnership?

Yes!

| | |
|---|---|
| 1 | Easy to set up – but a Deed of Partnership is advisable |
| 2 | Usually small, so less money is needed |
| 3 | Responsibilities can be shared |
| 4 | Decisions can be shared |
| 5 | Can be run as a family business |
| 6 | Accounts can be kept private |
| 7 | Money comes from partners |

No!

| | |
|---|---|
| 1 | Unlimited liability (except sleeping partners) |
| 2 | Money can be difficult to obtain |
| 3 | Legal costs of drawing up a Deed of Partnership |
| 4 | Possible arguments |
| 5 | Limit on the number of partners |
| 6 | Problems is partners leave |