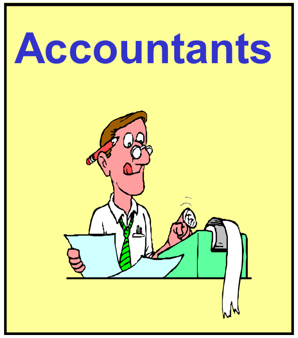
Partnerships

- 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:



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