

Partnership

Compulearn is a **partnership**. It is owned and set up by Mr Aman Chandhok and Mr Manoj Bhandari which means the both of them have unlimited **Liability**, i.e. **Loss** of their personal assets in case the business becomes insolvent.

In this section, I will be discussing then advantages and disadvantages of being in a partnership.

Advantages

- **Easy to set up** – partnerships are easy to set up. Two or more people can start in business as partners with few legal documents. Many partnerships draw up a deed of partnership.
- **Easy to run** – partnerships are easy to operate. Accountants and solicitors don't have to be employed. In practice partnerships may use an accountant to keep their books for tax purposes. A solicitor may also be needed to draw up a deed of partnership. This is not true of limited liability partnerships. these partnerships may be complex to run as a company. For instance, accounts have to be audited by an independent accounting firm and sent to the Registrar of Companies.
- **Tax advantages** – partners pay lower National Insurance contributions than they would if the set up a company and paid themselves a salary.
- **Control** – The partners share control of the business. In many businesses, each partner has an equal say in how the business should be run. However, some partners may be given more responsibility and control. This would be shown in the deed of partnership. Because partners usually work in the business, they have a good knowledge of how it works. This allows them to make more informed decisions
- **Capital** – All partnerships have the advantages over sole proprietorships that two or more people are likely to raise more money than one. This usually allows more money to be invested in the business. Limited liability partnerships have the added advantage that limited liability can attract individuals to invest in a business.
- **Expertise** – another advantage over a sole proprietorship is that partners can have different areas of the expertise. The partnership can then benefit from specialisation. Each partner is doing what he or she is best at. this is likely to strengthen the business.
- **Profits** – All the profits of the business are kept by the partners. There is a clear link between effort, success and money earned. So there is a strong incentive to make the business work. the partners may share profits equally or not. This will be shown in the deed of partnership.
- **Privacy** - except for the few limited liability partnerships, the accounts of the business are private. Only the Inland Revenue and customs and excise have the right to see the accounts.
- **Labour relations** – Partnerships tend to be larger than sole proprietorships. More people usually employed. Even so, many partnerships remain small. So relations between employees and partners are likely to be good
- **Flexibility** – like sole traders, partners often have more flexibility about when and how they work than employees. They may have to liaise with their partners, though, if they want to take a day off to take care of children, for instance .

- **Professionalism** – partnerships are the accepted for of organisation in business like doctors, accountants and lawyers. In these professions, there is a great deal of expertise about how to run the business successfully .

Disadvantages of partnerships

- **Liability** – Partners in ordinary partnerships have unlimited liability. This is a risk for partners. One partner may run up a large bill without the knowledge of others. This can be a problem because all the partners are then liable for the debt. So people in partnership have to trust each other. But they also need to keep a check on the activities of their partner. in limited liability partnerships, there is no such risk because partners have limited liability.
- **Long Hours** - Partners, like sole traders, tend to work longer hours than employees.
- **Disagreements between partners** – partnerships mean that people have to work together. There are likely to be disagreements, For instance, one partner may feel another partner is not earning enough. Or partners may think that one partner is not earning enough money for the business. Partnerships can easily break up because of this family partnerships tend to be more stable. This may be because family members are more used to having disagreements and resolving them.
- **Lack of deed of partnership** – Some partnerships are not setup with a deed of partnerships. When disagreements arise, partners may have very different views of how the business should be run. This can lead to the partnership splitting up.
- **Lack of Continuity** – when one partner leaves, the partnership or a company automatically ends. if the business is to be kept going, a new partnership (or a company) must be formed. This can create uncertainty. it might even lead to the break up of the business because the remaining partners disagree about the future. If the partner leaving has a vital skill, the business may not be as successful as before. On the other hand, the weakest partner may leave. This could allow the business to attract a better partner. A problem in family partnerships is that parents may run a successful business, but their children do not want to take it over. they may be forced to close the business when they retire .

Conclusion

Being in a partnership has its good and bad points. One of the bad points I will have to face is a lack of deed of partnership which means that the partnerships are not set up with a deed, this could lead to a splitting of the partnership. I am prepared to face these problems and I will handle them properly. In business you will always have to face risks but you will just have to deal with it, but on the other hand being in a partnership has its advantages for example in a sole proprietorship there is not another partner that specializes in different fields which will not help the business where as in a partnership another partner may have a different skill and this can be used to help the business by giving more courses.