**WEEK 4 Date:……………………….**

**TOPIC: PARTNERSHIP**

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1. Types of Partnership – features
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**TYPES OF PARTNERSHIP**

There are two main types of partnership business namely:

1. Ordinary Partnership (or General partnership)
2. The Limited Partnership

**THE ORDINARY PARTNERSHIP (GENERAL PARTNERSHIP)**

Characteristics or features:

1. Membership/Number of partners: May consist of between 2 to 20 persons. However by the companies Act 1967 this restriction of not more than 20 persons no longer applies to solicitors accountants, jobbers and brokers
2. Formation: No special formality such as registration is required to form an ordinary partnership
3. Capital / finance: Obtained through money contributed by partners. Some partners may contribute more money than others
4. Liability of partners: partners have unlimited liability
5. Profits are shared or distributed according to agreement in the deed
6. Powers of partners: Every member of an ordinary partnership is the agent of the other partners for the purpose of carrying on the partnership business. All partners are bound by the actions of one of the partners acting within the scope of that business
7. Management / control: All partners participate in the management of the business
8. Legal status: It is not a separate legal entity
9. Existence/dissolution: An ordinary partnership is automatically dissolved by the death, bankruptcy or insanity of a partner

**TYPES OF ORDINARY PARTNERS**

1. Active partner: This is a partner who takes active part in the management and administration of a partnership business. He shares the profit and losses with other partner
2. Sleeping or Dormant Partner: A dormant partner contributes capital and shares from the profit or losses but takes no part in the management (i.e. day to day running) of firm or business
3. Nominal or Quasi Partner: The nominal partner is the one who merely allows his name to be used as a partner in the business. He does not contribute any capital to the business nor take part in the management of the firm. He also does not share in the profits or losses of the business. He is usually a prominent person whose name is just added to the list of partners to enhance the goodwill and the image of the partnership business concerned.

**REVIEW QUESTIONS**

1. Write Short notes on the following: (a) General partners (b) Sleeping partners
2. List five characteristics of ordinary partnership.

**THE LIMITED PARTNERSHIP**

Characteristics or features:

1. Membership/Number of partners – same as for ordinary partnership
2. Formation: A limited partnership must be registered with the Corporate Affairs Commission, otherwise every limited partner will be liable as a general partner.
3. Capital / finance: As contributed by partners
4. Liability of partners: In the event of a bankruptcy (or debt), the limited partners lose only the capital contributed, which means their personal belongings will not be affected. In other words, the liability of the limited partners is limited to the amount of capital contributed by them. However, there must be at least one general (or ordinary) partner who will have unlimited liability
5. Profits are shared among members both general (or ordinary), and limited partners according to agreement in the deed.
6. Powers of limited partner: The limited partners cannot bind the firm in any trading contract. NB: On the other hand, however, any action of the general partners are binding on all the other members.
7. Management / Control: The Limited Partners cannot take part in the management of the business. He can however inspect the firm’s books of account and may offer advice.
8. Legal status: A limited partnership is not a separate entity
9. Existence / dissolution – A limited partnership is automatically dissolved by the death, bankruptcy or insanity of a partner
10. Withdrawal of capital: The limited partner cannot withdraw his capital without the consent of the other partners.

**DEMERITS OR LIMITATIONS OF A LIMITED PARTNER**

1. He must not take part in the management of the firm
2. He must be registered with the Registrar, Corporate Affairs Commission
3. He has no power to make binding contract on behalf of the firm.
4. New partners can be admitted without his consent
5. He cannot get back the capital he has invested in the firm without the consent of the other partners

**REVIEW QUESTIONS**

1. State FIVE similarities and FIVE differences between ordinary partnership and limited partnership

2. List five limitations of a limited partner in a partnership business.

**WEEKEND ASSIGNMENT**

1. Which of the following is not needed for the partnership business to be dissolved (a) Termination of venture (b) Mutual consent of the partners (c) Order from the Registrar of Companies (d) Expiration of the partnership deed
2. Which body of people has NOT been granted an exception to have as many partners as necessary by the Company’s Act of 1967 (a) Accountants (b) Bankers (c) brokers (d) Solicitors
3. What is NOT a source of capital for a business (a) Borrowing from somewhere (b) Personal savings (c) Retained profits (d) Collection of Tax
4. The minimum and maximum numbers of people to form a limited partnership is (a) 1 to 50 (b) 1 to 20 (c) 2 to 50 (d) 2 to 20
5. Which of the following firms can have more than 20 partners (a) carpentry (b) tailoring (c) solicitors (d) artists

**THEORY**

1. Explain the special advantages accruing to a limited partner in a partnership business
2. Write short notes on the following (a) Active partner (b) Quasi partner

**READING ASSIGNMENT**

1. Essential Commerce for SSS by O.A. Longe Page 68 – 76
2. Comprehensive Commerce for SSS by J.U. Anyaele page 154 – 165

**GENERAL EVALUATION QUESTIONS**

1. Explain six functions of wholesalers to manufacturers
2. State seven facilities a good seaport should have
3. Identify three advantages and two disadvantages of automatic vending
4. State five reasons why countries restrict foreign trade
5. List and explain five problems associated with international trade