**Enterprise Comp5204**

Class Notes/Revision: Company Structures

**Part 2: Partnerships**

Partnerships are a convenient business structure allowing two or more people to create a business. Just like the other business models there are standard conditions that must be put in place for taxation, gst, accountancy etc.

For each of the terms/business elements/conditions below read the **moodle.boppoly.ac.nz** pdf docs and also the **business.govt.nz** websites to find and note down the main points relevant to each item

What are the differences between

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| * General Partnership: Profits, liability, management divded among partners, unlimited liability – each partner liable, even personal assets, even if not responsible * Limited Liability partnership: the business as an entity has liability, one general partner has unlimited liability, must have partnership agreement and register as partnership. Limited partners restricted in their management activities. * Joint ventures: General partnership but for a limited time or specific project. Can continue after but must be registered as doing that |

What does the term “liability” mean, why might this be of concern for someone who is involved in a liable company

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| Responsibility for the debts of a company. Important because with unlimited liability your personal assets can be seized if the debt cannot be paid. |

Why are partnerships potentially beneficial for people with different skills and knowledge

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| Can easily start a business together with shared liability, profits etc and combine skills, contacts for the sake of the business. ?Less tax burden tahn operating individually? |

Describe how the tax structure works for partnerships, for the people involved, for the partnership “entity”

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| Partnership must have own IRD number but partners pay tax individually on their share of the profit using their own IRD numbers.  Income, expenses, rebates, gains, losses shared betwen partners in proportion to their share of the business (laid out in partnership agreement) |

Describe how people involved in a partnership might receive monetary remuneration, describe the two main methods that could be used

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| Each partner can draw from the business profits for personal expenses, may be limited in partnership agreement. Often at end of tax year, profits are divided between partners and each pays tax on their share.  Or partners can be paid salaries like employees as a form of drawings. One partner might be designated the lead partner and receive a greater share. |

Describe how each partner of the company pays/claims business expenses for end of year tax accounting

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| Using their own IRD number. In proportion to their share of the business. |

Describe why ACC is potentially important for any people that are self employed or working in a partnership

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Describe what a “Sleeping Partner” is in relation to partnerships

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| Someone who invests in the busines but is not involved in the day-to-day operations. |

Describe why some people would choose to place their personal assets into a “Trust”. Describe what a “Trust” actually is

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Describe what Venture Capital is and where it might come from

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Describe what a joint venture is and why these kinds of structures may be formed, describe the requirements for specific skills and attributes to achieve large jobs

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Describe three different things/characteristics that a good partnership will have, display, involve

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Describe what a NDA is and why they might be used

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