

Business Organizations & Corporate Law: Chapter 4

Introduction

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Chapter 4

General Partnerships

Chapter Outline

- I. Introduction
 - A. The Nature of a Partnership
- II. The Minimum Requirements of a Partnership
 - A. Mutual Assent
 - B. Capacity
 - C. Consideration
 - D. Legality
 - E. Business Run for Profit
 - F. Advantages of General Partnerships
 - G. Disadvantages of General Partnerships
- III. Types of Partnerships

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III. Types of Partnerships

- A. General Partnerships
- B. Limited Partnerships
- C. Partnership Associations
- D. Mining Partnerships
- E. Sub-partnerships
- F. The Nature of a Partner
 - 1. Silent Partners
 - 2. Spouses as Partners
 - 3. Classifications of Partners

IV. Laws that Apply to Partnerships

- A. The Uniform Partnership Act
- B. Creation of a Partnership under the UPA
- C. The Partnership Agreement
 - 1. No Requirement for Written Agreement
 - 2. Terms of the Partnership Agreement
- D. Transfer of Partnership Property Interests
- E. Involuntary Partnership
- F. Naming of the Partnership

V. Partnership Liability Concerns

- A. Suing a Partnership
 - B. Terminating the Partnership
 - 1. By Agreement
 - 2. By Contract Terms
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 - 4. By Death of a Partner
 - C. Dissolving the Partnership
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Applying Concepts



The screenshot shows a software interface with a sidebar on the left containing six buttons: 'Applying Concepts' (highlighted), 'Chapter Review', 'eLecture: Review Answers', 'Reflection', 'Reflection Responses', and 'Chapter Quiz'. The main content area is titled 'Applying Concepts' and contains the following text:

Instructions: Email your responses to your instructor, making clear that your answers are for the *Applying Concepts* segment of Chapter 4.

You have decided that you want to open a paralegal firm with another paralegal, who is also a good friend of yours. Draft a general partnership agreement that anticipates the following:

- the way profits and losses will be shared in the partnership
- the ownership of personal property
- the effect of a partner's death on the general partnership
- any other provisions you think are important

Your responses should closely follow the form set out in Chapter 4.

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Chapter Review

Chapter Review

1. Is a general partnership agreement required to be in writing? Why or why not?
2. Explain the concept of tenancy by partnership.
3. Explain some of the ways that a partnership is created.
4. What duties do general partners owe one another?
5. What is the Uniform Partnership Act?
6. What is the effect of the negotiation where only one partner agrees to be bound to a contract, without the consent or knowledge of the other partners?

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 7. Who is responsible for running the day-to-day activities of a general partnership?
 8. What is a “silent partner”?
 9. What are some of the methods for terminating a general partnership?
 10. What does the term “winding up” mean when it is applied to general partnerships?
 11. What features should a written general partnership agreement contain?
 12. Is a partnership a contract, or is it some other form of legal arrangement?
Explain your answer.
 13. What effect does a finding of illegality have on the partnership?
 14. Explain the court’s decision in this chapter’s “Law: Illegal Partnership/Case.”
 15. What are the rules governing how partners may name their business?
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eLecture: Review Answers



Applying Concepts

Chapter Review


eLecture: Review Answers

Reflection

Reflection Responses

Chapter Quiz

eLecture: Review Answers



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Narration Script

1. Is a general partnership agreement required to be in writing? Why or why not?
Although there is no requirement that a general partnership agreement should be in writing, it is always a good idea to do so.
 2. Explain the concept of tenancy by partnership.
Tenancy by partnership is a court doctrine that allows partners to hold property in the name of the partnership instead of their individual names.
 3. Explain some of the ways that a partnership is created.
Partnerships can be created by the express agreement of the parties and by the provisions incorporated into state law, including the Uniform Partnership Act.
 4. What duties do general partners owe one another?
General partners must act fairly and honestly with each other and also act as fiduciaries to one another.
 5. What is the Uniform Partnership Act?
The Uniform Partnership Act is sample legislation that was created by a panel of experts and later adopted by all states to replace their existing partnership law.
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bound to a contract, without the consent or knowledge of the other partners?

When one partner enters into a contract with another without the consent of the other partners, the general partnership is still bound to the agreement. In this instance, the partner is acting as agent for the other partners.

7. Who is responsible for running the day-to-day activities of a general partnership?

All the partners have the responsibility of running the day-to-day business of the partnership unless one party is specifically designated to do so.

8. What is a "silent partner"?

A silent partner is someone who contributes money or something else of value to the partnership but takes no active role in the day-to-day operations.

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9. What are some of the methods for terminating a general partnership?

A general partnership can be terminated by a number of means, including by agreement, by the express terms of the contract, by the bankruptcy of the general partnership or by the death of one of the partners.

10. What does the term "winding up" mean when it is applied to general partnerships?

This is a term used to refer to the process of paying off all debts and settling all outstanding transactions in order to successfully terminate the existence of a general partnership.

11. What features should a written general partnership agreement contain?

A general partnership agreement usually contains provisions for how long the partnership will last, how profits and losses will be distributed between partners, and the property rights and personal property rights of the individual partners.

12. Is a partnership a contract, or is it some other form of legal arrangement?

Explain your answer.

A partnership is, first of all, a contract between parties. However, the partnership agreement creates something more than a simple contract. It actually creates a type of business model where individuals are each bound to one another as agent and fiduciaries and also where they will share profits and losses from a business.

13. What effect does a finding of illegality have on the partnership?

If a court determines that a partnership has been formed for an illegal purpose, the general partnership will be dissolved.

14. Explain the court's decision in this chapter's "Law: Illegal Partnership/Case."

Both of the cases contained in this chapter explain the legal ramifications and the potential liabilities of becoming a general partner.

15. What are the rules governing how partners may name their business?

In the usual scenario, the partnership must contain the names of at least one of the general partners. Most states also require that a general partnership must register and the partnership title contain the name of at least one living member of the partnership.

Reflection



Reflection

1. Can you frame an argument that a general partnership should be considered solely a creature of statute, like corporations, rather than a hybrid between statutes and contract law?
2. Why was it necessary to adopt the Uniform Partnership Act?
3. What details in Scenario 4-1 involving Juan and Dale, would have changed the court's ruling? Would it have helped if Juan had been more specific? What additional information can you add to the scenario to change the result?

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Reflection Responses

Reflection Responses

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1. Can you frame an argument that a general partnership should be considered solely a creature of statute, like corporations, rather than a hybrid between statutes and contract law?
The answer to this question should be interesting. Most states hold that a general partnership is a kind of modified sole proprietorship and does not have the elements found in limited liability companies or corporations.
2. Why was it necessary to adopt the Uniform Partnership Act?
The adoption of the Uniform Partnership Act was necessary in order to create a system of laws across the United States that were in conformity with one another.
3. What details in Scenario 4-1 involving Juan and Dale, would have changed the court's ruling? Would it have helped if

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3. What details in Scenario 4-1 involving Juan and Dale, would have changed the court's ruling? Would it have helped if Juan had been more specific? What additional information can you add to the scenario to change the result?

The obvious change in this hypothetical would be the consent of both parties to its creation. A person cannot be compelled to enter into a general partnership. He or she must do so voluntarily. Dale has failed to demonstrate his commitment to the general partnership, and so students should suggest some additional details and Dale's consent as possible changes to this scenario.

Chapter Quiz

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[Click here for the Chapter Quiz.](#)

Applying Concepts

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