

Note on Managing the Value  
Chain: Governance,  
Location, and Firm Scope  
Decisions

**Thecasesolutions.com**

Chapter 26 Section 2  
Think of a partnership  
like a roommate...you  
sometimes are only as  
good as your contract  
is.

# Partnership Agreement

The terms and conditions that the partners agree on to guide them in managing the partnership.

"Strong fences good neighbors make."

**Thecasesolutions.com**



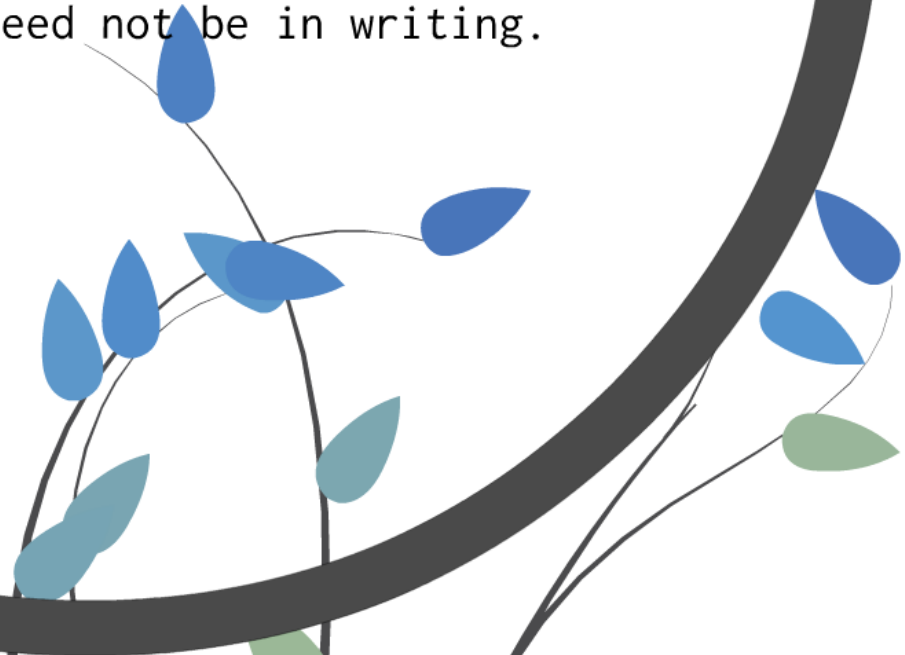
## Form and Content of the Partnership Agreement

Thecasesolutions.com

Need not be in writing unless required by the  
Statute of Frauds

If partnership is to last longer than one  
year, agreement must be in writing.

If partners do not agree on specific length,  
their agreement need not be in writing.



## Types of Partnerships

# Thecasesolutions.com

Partnerships may be classified according to their purpose and according to the extent of the liability of their partners

Meaning...how much each partner wants to invest or risk in the business.

# 1) Classification by Purpose

1) Trading Partnership:

Buys and sells goods and services  
commercially

2) Non-trading partnership provides  
professional and noncommercial assistance,  
such as legal, medical or accounting advice

Thecasesolutions.com

## 2) Classification by Extent of Liability

Classified by extent of the potential liability of partners...partnerships are either general or limited

Thecasesolutions.com

### 3) General Partners

General Partnership: All partners exercise MANAGERIAL control over the firm.

Silent Partner may be known to public as partner but takes no active part in MANAGEMENT

Secret Partner is not known to public yet participates in MANAGEMENT.

Dormant partner is neither known to public as a partner nor active in MANAGEMENT

Nominal Partners are not truly partners...for example, parents become nominal partners to assist children who have taken over family business



## Limited Partners

# Thecasesolutions.com

Limited partnership, at least one partner must be a general partner, with unlimited liability.

Limited partner's liability for firm debts and losses is limited to the amount of capital the partner invested

