

BUSL301- NOTES

Week 1: Comparison of business organisations and partnerships

Associations

- Is an organisation of people with common interests or purposes that is run not to profit members
- There are two types of associations
 1. Unincorporated (>2 members)
 - Smaller groups that are less legally complex
 - Members can be individually liable
 2. Incorporated (> 5members)
 - Must be registered
 - Larger and more legally complex
 - Members liability is limited (Association itself can be sued)

Sole trader

- Owned and operated by one person
- Owners takes all the profit
- Is less costly with less regulatory obligations
- Owners have unlimited personal liability

Partnership

- The definition and obligations of partners within a partnership is determined by the partnership ACT 1892 (NSW)

Advantages

- The ability to pool together resources and skills from individual partners and raise more capital
- Less costly than a company and less legally complex
- Owners can be involved in management since it is much easier to make decisions (no board of directors)
- Liability can be shared amongst partners

Disadvantages

- Unlimited personal liability
- Joint or Joint and Several liability
- Conflict between partners since each might have different ideas and personalities

Definition of a partnership

Section 1:

- A partnership exists where 2 or more people carry on business in common with a view for profit **(Section 1)**
- Consists of 3 elements:
 1. Carrying on a business = Conducting activities and making business decisions
 2. In Common= Do they make decisions together
 3. With a view to profit
 - Must involve the sharing of net profit and not gross profit **(Section 2)**

NOTE:

- A partners agreement does not prejudice outsiders rights under the partnership act thus if partnership agreement stated no partnership and it was then it is considered a partnership by law