**PARTNERSHIP**

A partnership is an agreement in which two or more individual share the profits and liabilities of a business venture. The partners in a partnership may be individuals, business, interest based organizations, schools, governments or combinations. Various arrangements are possible: all partners might share liabilities and profits equally, or some partners may have limited liability.

Partnership may be of two types:

1. General Partnership – A general partnership is an association of two or more people carrying on a business with the goal of earning profit. A partnership is viewed as being one and the same as its owners.
2. Limited Partnership – A limited partnership is a form of partnership similar to a general partnership, except that where a general partnership must have at least two general partners, a limited partnership must have at least one general partner and at least one limited partner.

As per partnership Act 1932, when an agreement between individuals is done to be in partnership, they are required to prepare a document called as partnership deed. Having partnership deed and that too in writing will help to maintain mutual understanding between partners and avoid dispute if arises in future between partners.

Partnership Deed is a written and legal document which is evidence of agreement between the partners which gives benefits of registration to the firm as well as partners and can be resorted to in case of disputes amongst the partners.

Importance

Partnerships provide the capacity to achieve what may not otherwise be achieved. A partnership is created by individual parties believing they can better achieve their goals by working together.

Some general importance of partnership are as follows:

1. Business will be easy to establish and start-up costs are low.
2. More capital is available for the business.
3. There is greater borrowing capacity.
4. It’s easy to change your legal structure later if circumstances change.
5. There will be opportunity for income splitting, an advantage of particular importance due to resultant tax savings.

Further, it has some strategic importance which are as follows:

1. Focus on outcomes: It is important to know what you can deliver, and what would you like in return from your potential partner. Approaching a partner without clear suggestions can cause them to lose interest before real negotiations have begun.
2. Commitment: The level of commitment required from each party needs to be considered. The nature of your business, and that of the partnership or alliance will determine how much each party needs to gives in order to keep the alliance healthy.
3. Collaboration: The extent to which you will be happy to share resources with partners will need to be considered. Generally, the more collaborative the partnership or alliance, the more successful endeavor is.
4. Communication: An emphasis on effective communication between partners is essential. Open and effective channels of communication between members of the partnership will ensure that there are no misaligned expectations between partners.

Conclusion

Partnership, thus, is a venture based on trust and affirmative agreement between partners. It not only brings people together and encourage team work but also is an idea of raising capital. The profits of the partnership firms are shared between partners in the manner indicated in the agreement which ensures unbiased profit sharing. From the legal point of view too, partnership is profitable form of business.