

Q:- Would the status of Ali be different from Aleem? Briefly explain in the context of types of partners

Answer:-

They are using limited type of partnership as both have the limited liabilities. Where as the status of partnership is not equal because Mr aleem investing almost the double of the investment 550000 as compare to Mr Ali 250000 as well as he is playing the role of Active partner whereas Mr ali is performing the role of Sleeping partner. So the division of the Profit and loss will be different generally. But if they both have any agreement for equal sharing of profit and loss than their status is equal.

Question # 2:-

Solution

Partnership or operating agreements for law firms are critical because they can prevent or diffuse future problems. Addressing potential issues in advance when they aren't present and applicable to one partner will likely lead to a fairer solution to these issues since the partners are aware that they can be on either side of the issue. The following areas represent selected key issues that are frequently faced by law firms and their partners. These issues and suggestions apply equally to law firms organized as Limited Liability Partnerships, regular partnerships, or law corporations.

One of the most important issues that should be included in all law firm partnership agreements is management and control, which includes operational issues, hiring and firing, authority to enter into contracts, and votes required for removal of partners or admission of new partners. For example, what percentage vote of the partnership is required to expel a partner? Are different classes of partners created, and if so, are there different requirements for expelling a "founding" partner as opposed to a lateral or "homegrown" partner? These and many other questions need to be discussed and resolved by the partners of the firm, preferably with the assistance of an experienced neutral facilitator.

Another important issue is how profits and losses of the practice will be allocated among the partners. Compensation formulas can be fully discretionary or subjective, or fully objective and formula driven, or a blend of the two. A key consideration in establishing these formulas is determining what types of behavior and actions they are designed to motivate and reward. For example, a formula based solely on an individual's billings and collections discourages delegation and training of associates. This type of compensation structure may inhibit growth but may be appropriate for a law firm desiring to remain small. On the other hand, formulas that reward originations and delegation to and supervision of associates may motivate partners to develop and grow the law firm.

Unfortunately, many law firm relationships aren't forever. Partners leave to go to other firms or set up their own firms. This can be devastating to a firm that provides retirement benefits or buyout payments to withdrawing partners, particularly those who take clients and/or staff with them. While covenants not to compete may not be acceptable to the partners, many partnership agreements provide that retirement and buyout payments are reduced by either a fraction or multiple of business taken by the partner to soften the blow to the firm. Similarly, the agreement may prohibit the solicitation of the firm's employees by a departing partner.

Many law firms don't have the appropriate partnership agreement because the partners claim that they are all friends and would be able to congenially work out their differences. Unfortunately, when partners leave,

congeniality usually leaves with them. Another reason no agreement exists is that partners don't want to face this issue when they open a firm. After all, who wants to discuss divorce during the marriage ceremony? However, it's much easier to discuss, address, and resolve these issues in the abstract than to address them in a crisis or stressful situation when immediate responses are required.

Not only are the above issues prevalent in law firms, they also apply to your clients as well and point out the need for partnership/shareholder/buy-sell agreements for clients.

Extra Details:-

A **limited partnership** includes both general partners and limited partners. A limited partner does not participate in the day-to-day management of the partnership and his/her liability is limited. In many cases, the limited partners are merely investors who do not wish to participate in the partnership other than to provide an investment.

Sleeping partners invest money in the business and share in its profits, but do not take part in running it. Like general partners, they are fully liable for the partnership's debts.