

**1. Read the text and complete it with the missing words from the box.**

financial • isolated • liabilities • personal • pressures • retire

Sole traders potentially face high taxation 1..... if the business is successful, as individual tax rates are higher than the corporate tax rate. As there is no separate legal entity between the sole trader and the business, the sole trader risks all his 2..... assets should the business encounter 3..... difficulties. Sole traders often face difficulties in getting loans from the banks and the business will run into succession problems, should the sole trader die, get sick or 4..... The 5..... of running the business often leave sole traders feeling 6....., alone and suffering high levels of stress.

**PRONUNCIATION TIP**

Remember that the words **debt** /dɛt/ and **debtor** /'dɛtə/ have a silent b.



**4.0.1 Listen and repeat.**

**2. Read the following statements (1-6) and decide whether they are True (T) or False (F). Correct the false ones using the space provided.**

- 1 In the US a sole trader is called a sole proprietor. T F  
.....
- 2 Sole traders cannot have employees. T F  
.....
- 3 A sole trader's business is not a separate legal entity from the person. T F  
.....
- 4 The types of professions that can be sole traders is limited. T F  
.....
- 5 There are no formal steps to register as a sole trader in the UK, except for tax purposes. T F  
.....
- 6 Sole traders are governed by multiple pieces of legislation, their own professional bodies and the common law. T F  
.....

**3. Circle the correct word(s) in each of the following sentences.**

- 1 Sole traders are able to keep all revenue / costs that comes into their business.
- 2 Being a sole trader can mean high / low tax liability.

- 3 A sole trader is taxed as a business entity / personally.
- 4 The sole trader has the freedom / restriction of being the only decision-maker.
- 5 The financial accounts of the sole trader are filed with a regulatory body / or are confidential.
- 6 Information on a sole trader cannot / can be accessed through Companies House (UK).

**4. Match the words (1-6) with their definitions (A-F).**

- |                     |                       |
|---------------------|-----------------------|
| 1 business debts    | 4 personal assets     |
| 2 legal personality | 5 unlimited liability |
| 3 creditor          | 6 bankruptcy          |
- A a person or company that has legal rights and obligations  
 B property and possessions unrelated to a sole trader's business  
 C a legal process for those unable to pay creditors  
 D the liabilities a business still has after assets are assessed  
 E personal responsibility for all debt without limits  
 F a person or entity who is owed a debt

1  2  3  4  5  6

**5. Answer the following questions (1-5) in four words or less using the space provided.**

- 1 What 3 types of tax is a sole trader liable to pay?  
.....
- 2 What is the pseudonym or fictitious name a sole trader can use called?  
.....
- 3 What wording is required in the USA, Canada and Australia for registered business names?  
.....
- 4 In the UK, what must be included with the business name on stationery and signs?  
.....
- 5 Where does a sole trader's business address have to be?  
.....



**6. 4.0.2 Listen to the audio and complete the text with the missing words.**

There are many advantages to being a sole trader, including 1..... in decision making and running the business, with little or no formalities apart from registering for 2..... purposes with the HMRC. All the profits from the business 3..... to the sole trader and there is no need to file financial documents with Companies House thus keeping all the business 4..... Finally, a sole trader does not need to get 5..... from other bodies, such as shareholders, if they wish to 6..... the nature of the business.

**1. Read the text and complete it with the missing words from the box.**

equal • income • jointly • owes • personal • stipulated

Each partner in a partnership must register with HMRC to pay tax on the **1**..... they earn as partners in the business. Partners will share the profits and losses of the business either in **2**..... parts or in accordance with the proportions **3**..... in the partnership agreement. One of the main disadvantages of running a business as a partnership is that each partner is **4**..... and severally liable for the debts of the partnership. This means that if the partnership **5**..... money, the creditors may sell the partnership assets and the partners' **6**..... assets until their debts are satisfied.

**2. Match the two parts of the sentences (1-6) and (A-F) to make true sentences.**

- 1 A partnership is when two or more parties
- 2 Companies in partnership are
- 3 A partnership must contain
- 4 The Partnership Act 1890 governs
- 5 Partners in a partnership share
- 6 The Companies Act 2006 imposes

- A at least two parties.
- B requirements for the naming of a partnership.
- C known as joint ventures.
- D share ownership and running of a business.
- E the profits and losses of a business.
- F the way partnerships operate.

1  2  3  4  5  6

**3. Read the following statements and decide whether they are True (T) or False (F). Correct the false ones using the space provided.**

- 1 Only one of the partner's names is required on partnership stationery. T F
- 2 Partners have the right to share in the profits of the business. T F
- 3 Partners can amend or exclude their rights in a partnership agreement. T F
- 4 A partnership has Limited Liability. T F
- 5 A creditor must claim equal liability for debt amongst all the partners. T F

**4. Answer the following questions (1-6) in four words or less using the space provided.**

- 1 What happens if a partner dies and the other partner does not buy their share?  
.....
- 2 What is it called when a partner decides to leave a partnership?  
.....
- 3 What does a partner usually give when they wish to leave a partnership?  
.....
- 4 What is usually required for a partner to be expelled from the partnership?  
.....
- 5 If a partner leaves and the agreement is silent on buy-out share, what can the partner rely on?  
.....
- 6 Why is Alternative Dispute Resolution useful for resolving partner disputes?  
.....

**5. Complete the word search.**

W	O	R	K	L	O	A	D	I	S	P	U	T	E	I
A	I	E	P	U	A	V	N	N	S	A	G	R	P	E
E	E	M	T	A	S	Y	I	T	I	K	M	I	I	P
N	X	T	D	I	S	S	O	L	V	E	H	J	U	E
J	R	B	E	P	E	X	P	U	L	S	I	O	N	S
B	E	U	A	S	T	T	S	P	R	O	F	I	T	S
Y	T	S	D	I	S	G	R	E	M	E	N	T	L	
I	I	L	T	B	A	N	K	R	U	P	T	C	Y	
O	R	N	O	E	S	T	U	R	D	R	L	V	E	S
U	E	E	C	P	R	E	J	U	D	I	C	E	D	I
T	M	S	K	A	P	P	R	O	V	A	L	N	D	R
R	E	S	P	O	N	S	I	B	I	L	I	T	Y	A
U	N	F	E	T	T	E	R	E	D	P	P	U	E	O
E	T	U	N	L	I	M	I	T	E	D	R	R	I	C
O	C	U	S	S	L	E	T	T	E	R	H	E	A	D

- APPROVAL
- ASSETS
- BANKRUPTCY
- BUSINESS
- BUY-OUT
- DEADLOCK
- DISAGREEMENT
- DISPUTE
- DISSOLVE
- EXPULSION
- JOINT VENTURE
- LETTERHEAD
- PARTNERSHIP
- PREJUDICED
- PROFITS
- RESPONSIBILITY
- RETIREMENT
- UNFETTERED
- UNLIMITED
- WORKLOAD

**6. 4.0.3 Listen to the audio and complete the text with the missing words.**

The common law defines a partnership as two or more **1**..... engaged in running a business with a view to **2**..... It is always a good idea to draw up a partnership agreement which sets up a **3**..... relationship between the partners. This means that if a partner **4**..... in a way which is not permitted by the partnership agreement, the other partners may bring **5**..... proceedings against that partner to recover any losses or **6**....., caused by that breach.

1. Read the text and complete it with the missing words from the box.

forced • misconduct • poaching • reasonable • stipulate • struck off

Just like a company, an LLP comes to an end when it is dissolved and 1..... the Register of Companies by the Registrar of Companies House. A partner who wishes to leave the LLP may give 2..... notice to the other partners. A Partnership Agreement may 3..... under what circumstances a member may be expelled or 4..... to resign from the LLP which will usually involve some form of 5..... Finally, it is always a good idea to include a clause in the Partnership Agreement covering areas such as restraint of trade and 6..... clients away from the LLP.

**PRONUNCIATION TIP**

The letter i has various pronunciations. Note these two groups:

ai	ɪ
liability /laɪə'bɪlɪti/	limited /lɪmɪtɪd/
bind /baɪnd/	indemnity /ɪndemni'ti/
silent /saɪlənt/	dissolve /dɪ'zɒlv/



**4.0.4 Listen and repeat.**

2. Read the following statements (1-6) and decide whether they are **True (T)** or **False (F)**. Correct the false ones using the space provided.

- 1 An LLP is a business that combines a traditional partnership with a company. T F

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- 2 A traditional partnership is a separate legal entity, like an LLP. T F

---

- 3 Partners of a Limited Liability Partnership are called members. T F

---

- 4 LLPs are restricted to having members within the UK. T F

---

- 5 LLP members are taxed individually. T F

---

- 6 LLPs are limited to the number of members they can have. T F

3. Answer the following questions (1-4) in four words or less using the space provided.

- 1 Where does an LLP have to register in the UK?  
.....
- 2 When is an LLP considered "live"?  
.....
- 3 What document does not have to be filed with Companies House?  
.....
- 4 What is a major disadvantage of the LLP structure?  
.....

4. Circle the correct word(s) in each of the following sentences.

- 1 An LLP must have its name / members' names displayed at its place of business.
- 2 A business / registered office is required for an LLP so official documents can be served.
- 3 If the letters LLP are not displayed, members lose their right to unlimited / limited liability.
- 4 The Limited Liability Partnership Act will / will not apply when the LLP Agreement is silent.

5. Match the words (1-6) with their explanations in terms of LLPs (A-F).

- |                          |                            |
|--------------------------|----------------------------|
| 1 official business seal | 4 initial contribution     |
| 2 unanimous consent      | 5 Companies House Register |
| 3 member indemnity       | 6 bankruptcy               |
- A the payment required to become a member of an LLP
  - B a member being in this state does not affect the status of the LLP
  - C required under some LLP agreements for signing of contracts
  - D the right to compensation if another member is at fault
  - E the official list of all companies and LLPs in the UK
  - F what is required of members to change the name of the LLP

1  2  3  4  5  6

6. **4.0.5 Listen to the audio and complete the text with the missing words.**

Limited Liability Partnerships are seen as 1..... entities from the partners. They have a separate legal personality and offer limited liability to the partners. There are some 2..... involved in setting up an LLP including the need to register at Companies House and 3..... annual financial reports. This means that the information relating to the 4..... workings of the LLP are available for the public to consult. Partners in an LLP are 5..... individually which means that they may potentially be liable to pay high rates of taxation when the LLP is 6..... successful.

**1. Read the text and complete it with the missing words from the box.**

*anti-competitive • complex • fear • full-scale • prevent • unfair*

Joint Ventures may be short-term collaborations or **1**..... worldwide mergers. However, Joint Ventures are not without their problems. Incompatible corporate cultures, and the **2**..... the other party may use information obtained during the venture to get an **3**..... advantage in the market, often lead to overly **4**..... and lengthy confidentiality agreements. Regulatory authorities such as the antitrust bodies are vigilant to investigate and **5**..... the formation of joint ventures that may distort market forces through **6**..... behaviour.

**2. Match the two parts of the sentences (1-6) and (A-F) to make true sentences.**

- 1 Joint Ventures are usually set up to accommodate
- 2 When costs for research and development are costly,
- 3 Parties share the risk when they enter into
- 4 Joint Ventures are often entered into if
- 5 Short term collaborations are
- 6 Limited function joint ventures involve
- A for a specific project or result.
- B particular projects or objectives between two parties.
- C Joint Ventures such as large public building works.
- D cooperation rather than a merge of the businesses.
- E one of the parties has particular technological skills.
- F it makes financial sense to have a joint venture.

1  2  3  4  5  6

**3. Read the following statements and decide whether they are True (T) or False (F). Correct the false ones using the space provided.**

- 1 Joint Ventures may require approval from regulatory authorities. T F
- 2 Joint Ventures must be for a fixed term only. T F
- 3 The advantages and disadvantages of Joint Ventures are similar to those of a partnership. T F
- 4 If there is no Joint Venture Agreement, the Partnership Act 1890 operates. T F
- 5 The requirement to act with utmost good faith means the parties must divulge all company information. T F

**4. Answer the following questions (1-4) in four words or less using the space provided.**

- 1 What are the 2 ways of dissolving a Joint Venture that is a traditional partnership?  
.....
- 2 Why would it be unusual for parties not to have a Joint Venture Agreement?  
.....
- 3 What type of clause would be included to deal with dissolution?  
.....
- 4 What type of clause would be included to allow a party to leave a Joint Venture?  
.....

**5. Read the text and complete it with the missing words from the box.**

*business • international • regulated • share • technology*

Many companies are not only entering into joint ventures within their own countries, but doing it on an **1**..... scale. A particular emphasis is on Joint Ventures in developing and emerging countries. In some countries that are strictly **2**..... (such as China) where there are state imposed requirements for foreign investors to enter into Joint Ventures with domestic companies if they wish to do **3**..... in that country. The benefits are that the foreign company gets access to distributions channels and local know-how, while the domestic company gets a **4**..... in the sale of products that would have been competing with their own, and has access to research and **5**..... from the foreign company.

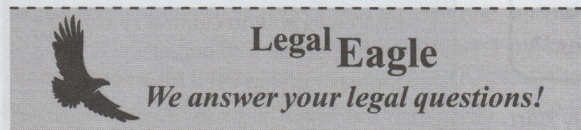
**6. 4.0.6 Listen to the audio and complete the text with the missing words.**

A joint venture is a partnership between two parties with a **1**..... aim or project. The Partners share the expenses, risks, and ownership of the venture although it may not be on an **2**..... basis. It is often the case that the parties in the joint venture will set up a **3**..... company and take a shareholding, contribute **4**..... and directors on the Board of Directors. Many joint ventures are involved in research and development or in **5**..... intensive projects such as major construction projects. This way, joint ventures are an opportunity to **6**..... the best talent in the market.



## A legal advice column

**1. Many newspapers employ lawyers to write columns that respond to readers' questions on legal matters. Here is an example of a letter from a reader in the Legal Eagle column of the Weekly Advertiser, a newspaper in Britain. Read the letter, then answer the related questions (a) using the spaces provided.**



Dear Legal Eagle

I am a doctor practicing in west London and my name is Dr Stefanie Costa\*. In 2018, I set up a medical centre with two other female doctors in the name of all three of us.

Yesterday, I received a letter from a lawyer saying that a former patient is bringing legal action against the Medical Centre. She is claiming £980,000 for negligence. She says that her doctor, one of the partners, Dr Cathy Medici\*, did not warn her about the side effects of a skin abrasion procedure to remove tattoos from her back. She has had skin reactions and claims her modelling career has come to an end.

I did not know about the procedure and she is not my patient. Cathy Medici is not by any means an expert in skin abrasion procedures. In fact, last year, we partners agreed that none of us would perform the procedure due to the high risks. We even put up a sign in our reception area listing the procedures offered by our medical centre and skin abrasion is not mentioned at all.

I do not think I am responsible for something I didn't do. Am I?

\* The original names in this letter have been changed.

**a. Read the letter and answer the questions.**

- 1 How many partners are at the medical centre?  
.....
- 2 What is the patient claiming compensation for?  
.....
- 3 Who was the patient's doctor?  
.....
- 4 What reasons does Dr Costa give for not being responsible?  
.....

**2. Read Legal Eagle's response, then answer the related questions (a) using the spaces provided.**

Let me start by saying that you have entered into a partnership with the other two doctors. I am assuming you do not have a written Partnership Agreement and

you have not set up a Limited Liability Partnership (LLP). A written Agreement and an LLP may influence the advice I am about to give you.

In a traditional partnership such as yours, the former patient may bring legal action against you alone or alternatively against all the partners of the Medical Centre. However, even though you may be held jointly and severally liable as partners, you may be entitled to get indemnified by the partner at fault. An *indemnity* means that Dr Medici pays you, the whole (or partial) amount of damages, should you be ordered to pay damages to the former patient. The court will take several factors into account when considering an *order for indemnity*.

Based on what you have told me, I think you have a good chance of getting full indemnity because the procedure was expressly forbidden by the partnership and secondly, by putting a notice in the reception area, the former patient was aware that the procedure was not offered by the Medical Centre. You may be successful in defending this action on the grounds that your partner acted without the actual authority of the partnership and therefore she did not bind the partnership.

**a. Complete a summary of Legal Eagle's response using the words from the box.**

lauthority • bind • grounds • indemnity • liable

Legal Eagle argues that though Dr Costa would be jointly and severally 1..... as a partner, there would be 2..... for a judge to grant 3..... to Dr Costa as Dr Medici acted without 4..... so she did not 5..... the partnership.

**3. Due to lack of space, the newspaper did not publish this part of Dr Costa's letter. Read the letter, then answer the related question (a) using the spaces provided.**



[...] I work every day from 8am until 9pm and even on weekends. My partners, on the other hand, work from 9am to 5pm, never work at the weekends and are currently on holidays in the Greek islands, while I haven't had a holiday for two years. I have paid the rent, utilities and other practice expenses including VAT for the last 6 months. I estimate I have paid out around £300,000 on behalf of the partnership.

**a. If you were drafting a partnership agreement, how would you deal with these issues?**

- .....
- .....
- .....