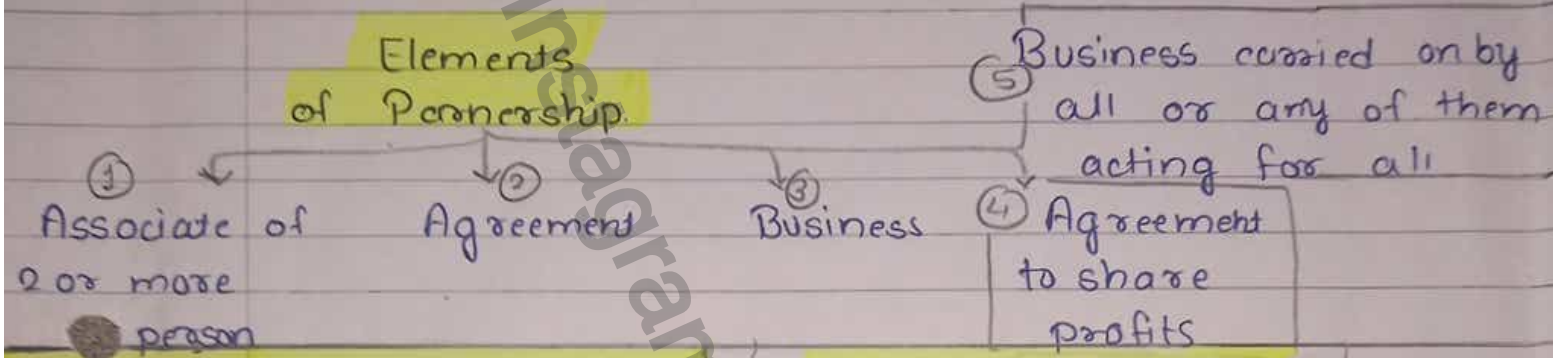


# NATURE OF PARTNERSHIP

**Partnership:** is the relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all

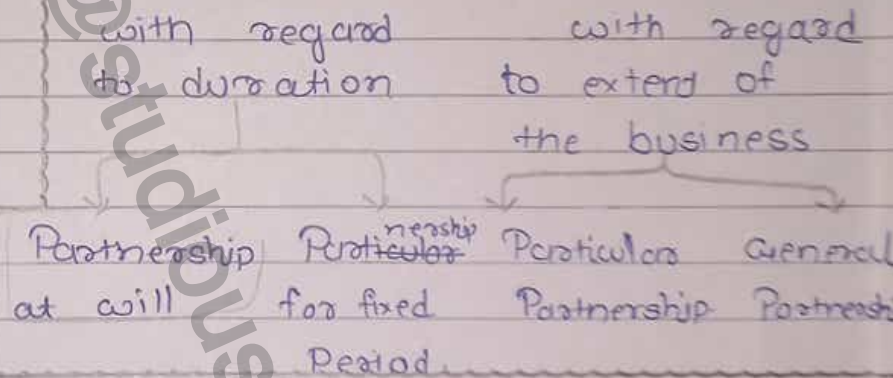
## Elements of Partnership.



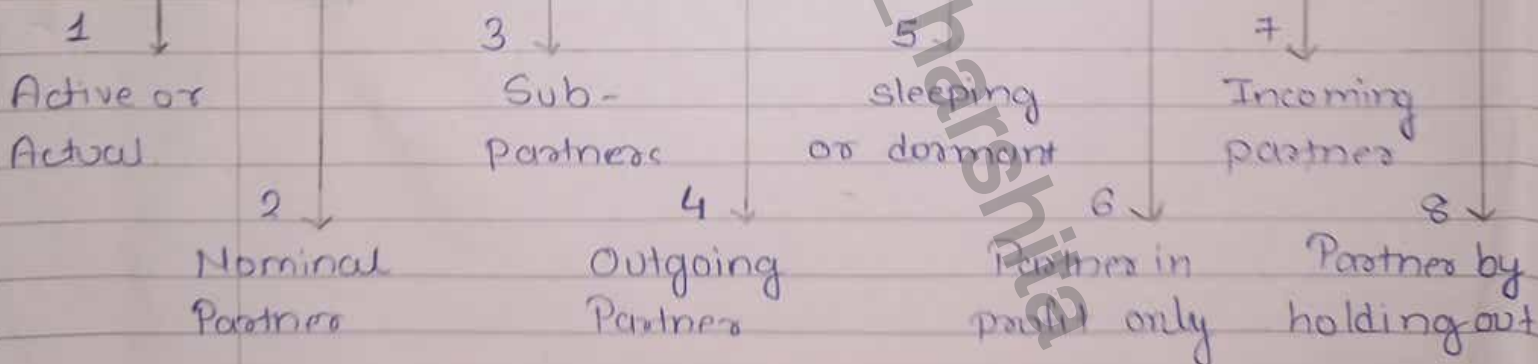
## True Test of Partnership

1. Agreement
2. to share the profits
3. carried on by all or acting any of them acting for all

## Kinds of partnership.



## Types of Partners



# Relation Of Partners

- ① general Duties of Partners
- ② Duties to indemnify for loss caused by fraud.
- ③ Determination of Rights & duties of partners by contract b/w them
- ④ The conduct of business
- ⑤ Mutual Rights & Liabilities

## The Property of the firm.

- Goodwill
- common stocks
- Ordinary course of business

## Personal Profit earned by Partner

- If partner derives any profit from
  - any transaction of the firm
  - or use of property
  - or use of business connection of firm or firm name
 Account for that profit
- Partner carries same & competing nature with the firm
  - ↓
  - account & pay all profits to firm

## Rights & Duties of Partners after A change in the firm

- where a new partner comes in
- where some partner or partners go out
- p'ship carries other business originally formed
- p'ship is carried on after expiry of fixed period

## Relation of partners to 3<sup>rd</sup> Party

- ① Partner to Be agent of the firm
- ② Implied partner as agent of firm
- Made of Doing act to bind firm

## ③ Extension & Restriction of partner's implied Authority.

## ④ Partner's authority in an emergency

## Effect of Admission by a Partner

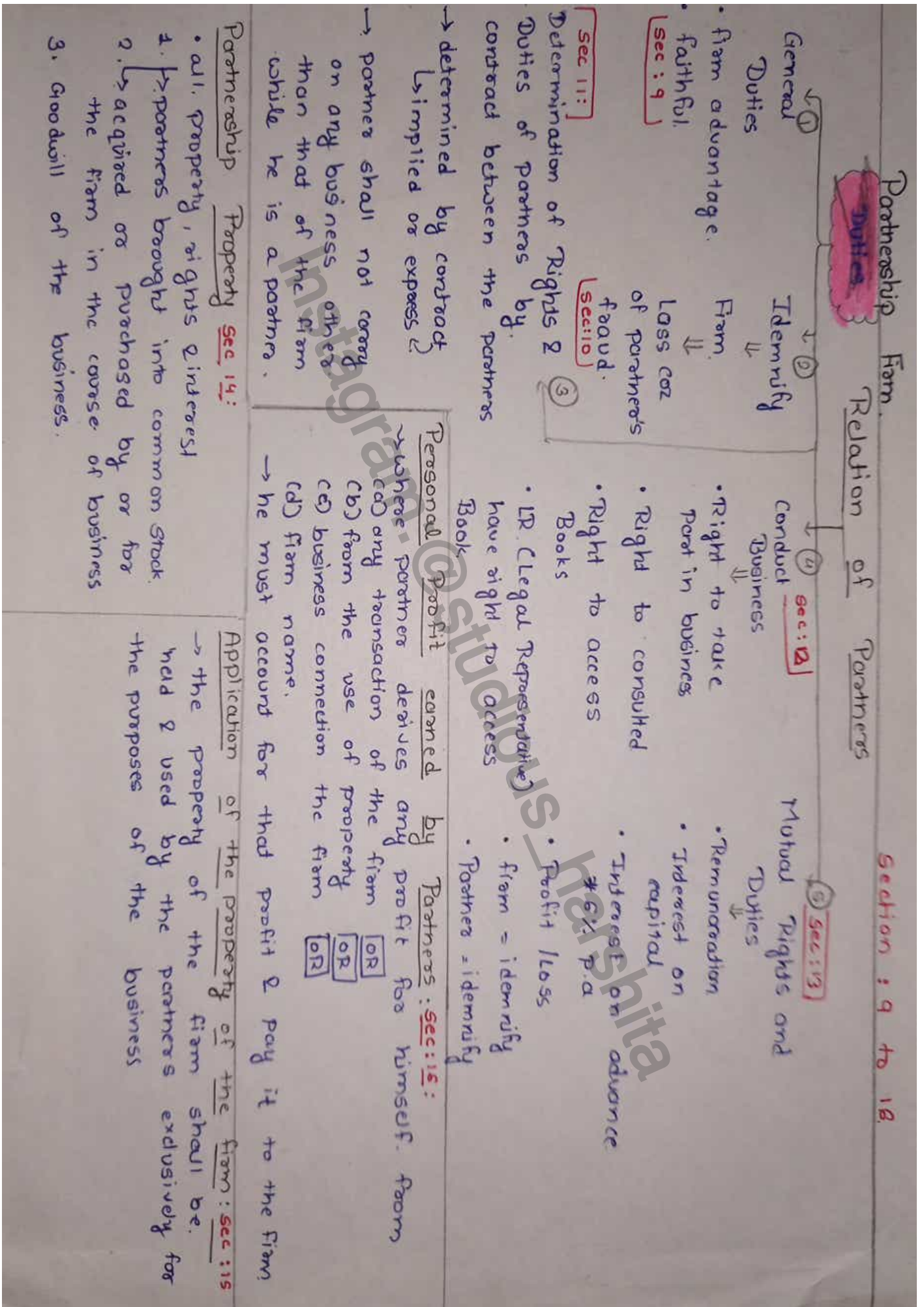
## Effect of Notice To Acting Partner.

Liability To 3 <sup>rd</sup> Party.			Liability Rights of transferee of a partner's interest (see 29)
for acts of firm (sec 25)	for wrongful acts of partner (sec 26)	for mis-applications By Partners (sec 27)	• minor admitted to the benefit of partnership (see 30)

Legal Consequences of Partner Coming in & Going Out

- 1. Intro of a Partner (sec 31)
- 2. Retirement of a Partner (sec 32)
- 3. Expulsion of a Partner (sec 33)
- 4. insolvency (sec 34)
- 5. liability of estate of deceased partner (sec 35)

- Right of outgoing Partner to carry on competing Business (sec 36)
- Right of Outgoing Partner in certain cases to share subsequent profits (sec 37)
- Revocation of continuing guarantee by change in firm (sec 38)



Relation To Third Parties (Section 18 - 22)

Sec: 23, 24, 25, 28

A Partners To be an agent of the firm for the purposes of the business of the firm. Sec: 18

Sec 22: Mode of doing act To bind firm  
An act or instrument done or executed by a partner or other person on behalf of the firm shall be done or executed in the firm name, or in any other manner expressing or implying an intention to bind the firm.

Sec: 19: The authority of a partner to bind the firm conferred by this section is called "implied authority".  
Implied authority of a partner does not empower him to -

- (a) Submit a dispute-arbitration
- (b) open a bank a/c behalf of firm on his own name.
- (c) compromise claim
- (d) withdraw a suit or proceedings filed on behalf of firm.
- (e) admit any liability in a suit against firm.
- (f) acquire immovable property
- (g) transfer immovable property
- (h) enter into ship on behalf of firm

Sec 20: Extension of Restrictions of Partner's Implied Authority:  
The partners in a firm may, by contract or restriction, extend or restrict the implied authority.  
No such restrictions or any act done by partner on behalf of firm, within his implied authority, binds the firm.

Sec 25: Liability of a partner for act of firm: Partners are liable jointly or severally for all acts of firm done when he is a partner.

Sec 26: Liability of the firm for wrongful act of a Partner: -

Sec 21: Partner's authority in an emergency: There is an authority, in case of emergency, to do all such acts for protecting the firm from the loss as would be done by a person of ordinary prudence, such acts binds the firm.

Sec 23: Effect of Admission by a Partner: Admission made by partner -> concerns firm's affairs & in ordinary course of business

Sec 24: Effect of Notice To Acting Partner: Notice to a partner who actively participates in business of firm of any matter relating to the affairs of the firm operates as notice to the firm.  
-> except in case of fraud.

where the wrongful act or omission of a partner:  
(a) In ordinary course of business  
(b) with the authority of the partners loss or injury is caused by.  
-> The firm is liable for the acts