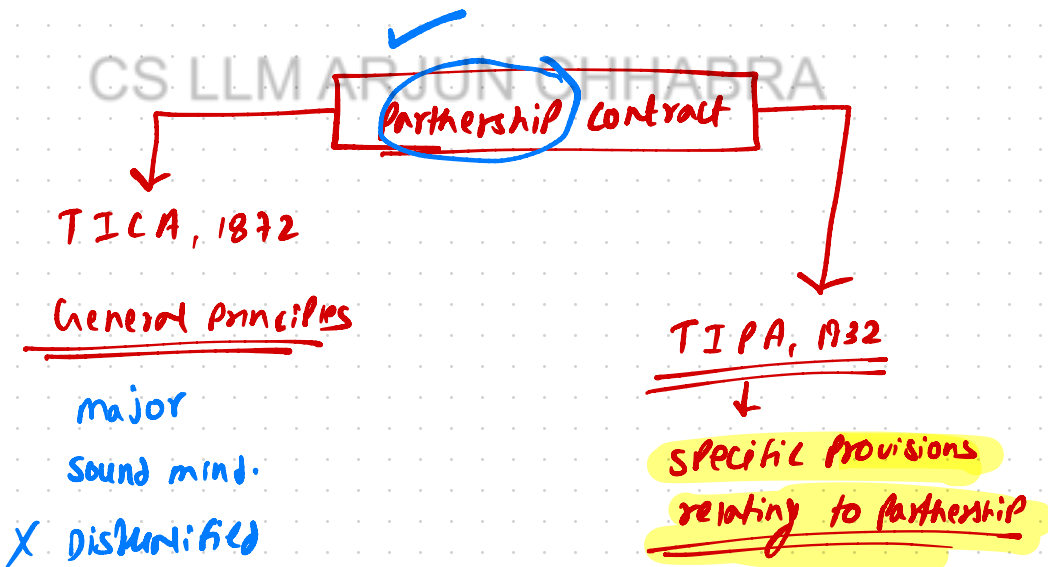
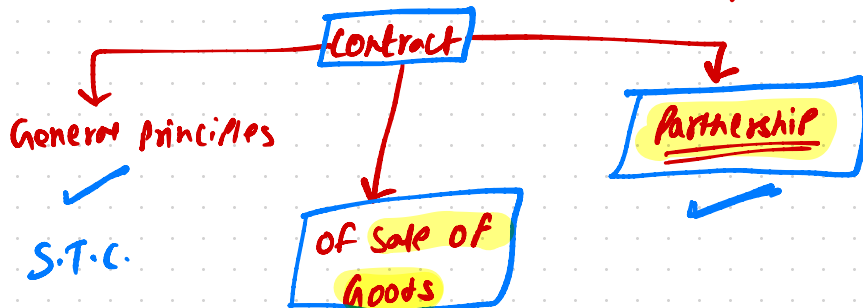


# The Indian Partnership Act, 1932



# The Indian Partnership Act, 1932

## Section 1

(1)

Short title

(2)

Extends

↓  
Whole of India.

(3)

Commencement

Enactment = 8th April 1932

Commencement

1st day October  
1932 ✓

Sec 69

1st day October  
1933 ✓

Partnership Contract

↓  
APCA

↓  
IPA, 1932

Applicability of this Act is on "Partnership"

↓  
Section 4



## Section 4 - Definition 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.

### Analysis of above definition

- ① Persons → Two or more persons/Association of person.
- ② Agreement → Partnership arises out of an agreement/contract. And not by status. [Section 5]
- ③ Sharing of Profit → One of the essential element of Partnership. But it is a not a conclusive evidence of Partnership.
- ④ Business → Every trade, occupation and profession.  
↓  
Taxi  
Teacher

Association created for <sup>①</sup>charitable purpose is not a partnership.

② religious

③ social

In simple words, persons entering into agreement must be having motive of earning profit.

⑤. Mutual Agency - cardinal principle of Partnership.  
↓  
very imp

(a) A partner is both an agent and a principal

(b) Partner, by his acts, bind other partners and is in turn bound by acts of other partners.

(c) It is not essential that all partners should actively participate in business.

Business may be managed by one or partners and remaining partners will be bound by their acts provided such acts relate to carrying on firm's business in the ordinary course of business.

## Section h

Person who have entered into partnership with one another are called individually

"Partners"

Collectively

"Firm"

Name under which their business is carried on

"Firm name"

## Analysis

① Association of Person

② Agreement ✓

③ Sharing of Profit → Here Profit include losses

④ Business ✓

⑤ Mutual Agency ✓

Profit sharing ratio

↓  
Equal share of each partner

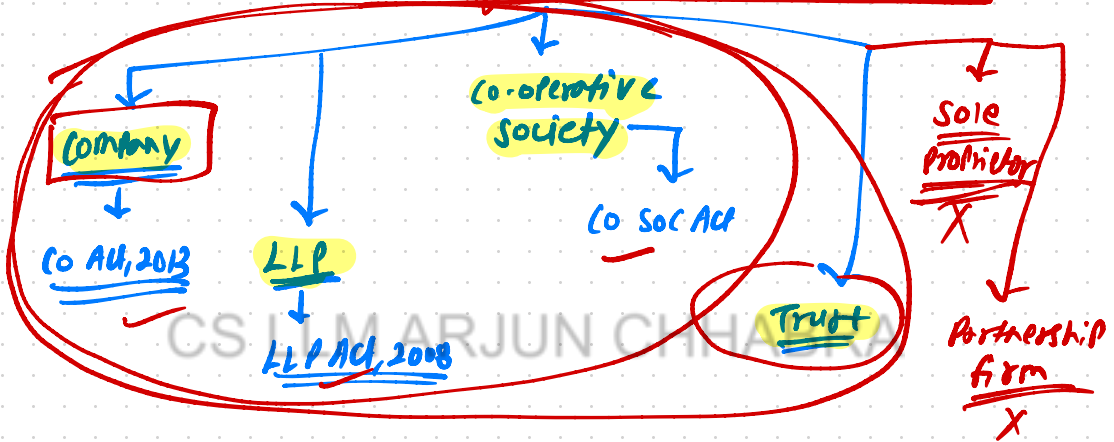
↓  
Unless otherwise agreed.

# Association of Person

Natural Person

Legal Person /  
Artificial Person

Every org having separate legal entity

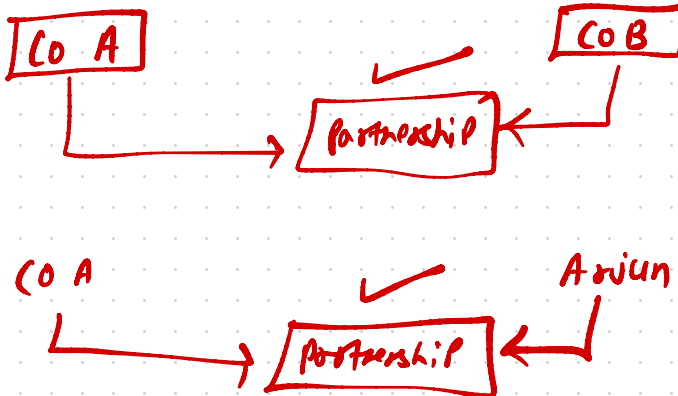


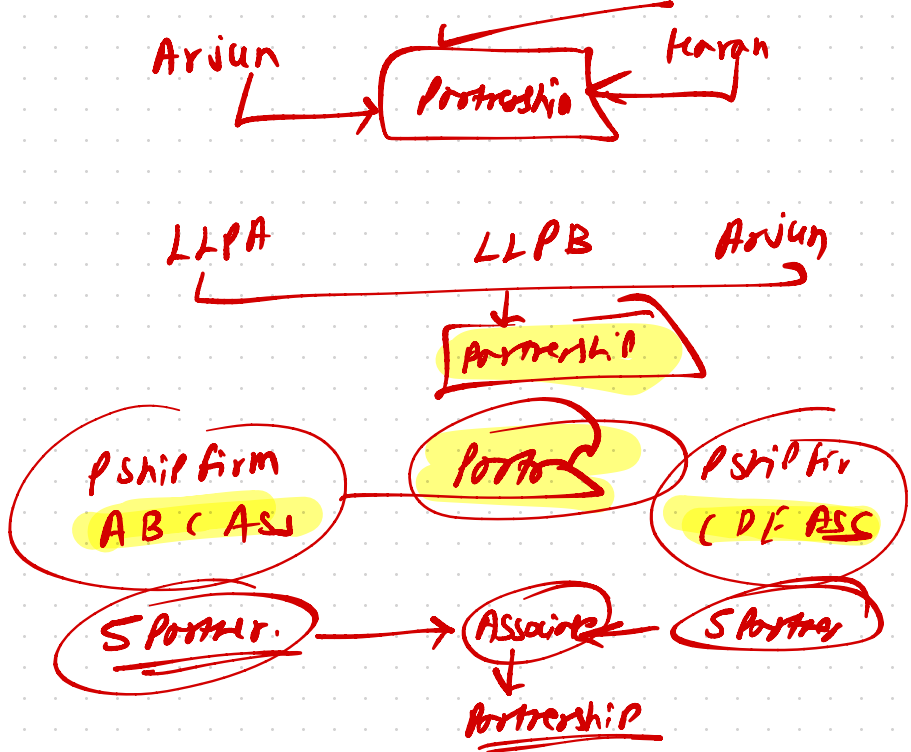
Reliance Jio = STE

Ambani = SNP

Arjun = ACT

h Part = P Firm

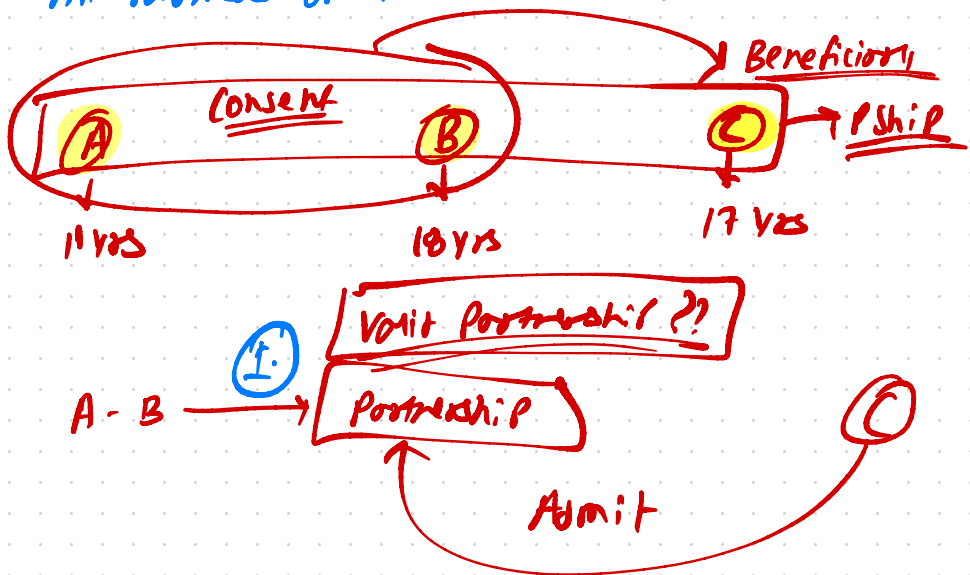




## Persons competent to be partners

- ① Every person competent to enter into a valid contract.
- ② Minor cannot become <sup>Partner.</sup>. However with consent of all the partners he can be admitted into the benefits of Partnership. [section 30 T I P A, 1932]
- ③ Company can become partner.
- ④ Two Partnership firm cannot enter into Partnership.

⑤. All partners of two firms may form a Partnership.



First there must be existence of a Partnership.

Secondly, with the consent all existing partner, minor may be admitted into benefits of Partnership.

### Section 5 - Partnership not created by status

The relation of Partnership arises from contract and not from status;

and in particular, the members of HUF carrying on family business as such, or Burmese Buddhist husband and wife carrying on business as such are not Partners in such business.

## Section 6 Mode of determining existence of Partnership

① In determining whether a group of person is or is not a firm??  
or

② Whether a person is or not a partner in a firm??

regard shall be had to real relation between the parties as shown by all relevant facts taken together.

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Real relation i.e. existence mutual Agency

The true test lies in existence of mutual agency relationship i.e. the capacity of partner to bind other partner by his act done in firm's name and be bound by acts of other partners.

## Explanation

①

The sharing of Profit  
or  
of gross returns

arising from property by persons  
holding a joint or common interest  
in that property does not itself  
make such persons partners.

②

The receipt by a person

(a) of share of Profit  
of a business  
or

(b) of a payment  
contingent upon  
earning of Profit

does not itself make  
him a partner with persons  
carrying on the business.

and in particular, the receipt of such  
share or payment -

(a) by a lender of money to persons  
engaged or about to engage in any  
business. [Lender and borrower]



(b) by a servant or agent as remuneration

(c) by the widow or child of deceased partner, as annuity, or

(d) by a previous owner as consideration for sale of goodwill

does not itself make the receiver a partner.

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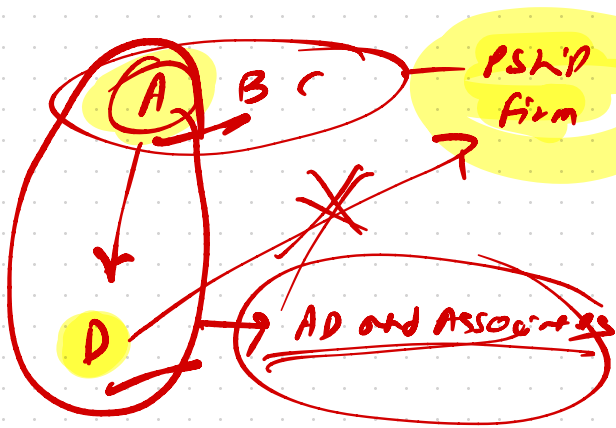
## Partnership

### Types of Partnership

- ① Partnership at will [sec 7]
- ② Particular Partnership [sec 8]
- ③ Partnership for a fixed period.

### Types of Partner

- ① Active Partner
- ② Nominal
- ③ Sleeping
- ④ Partner in profit only



- ⑤ Partner by holding out ✓
- ⑥ Incoming partner ✓
- ⑦ outgoing partner ✓
- ⑧ sub partner ✓

## Section 7 Partnership at will

① Where no provision is made by contract between the partners

- for the duration of their partnership  
or

- for the determination of their partnership.

② A partnership at will may be dissolved by any partner by giving notice in writing to all other partners of his intention to dissolve the firm.

## Section 8

## Particular Partnership

A person may become a partner with another person in particular adventures or undertakings.

### Partnership for a fixed period

(1) When provision is made by contract for duration of partnership, the partnership is called partnership for fixed period.

(2) It comes to an end on the expiry of the fixed period.

Special Note :- Where partnership continues even after completion of fixed period or particular undertakings, such partnership shall be considered as partnership at will.

# Types of Partner

## Active Partner

Who actively participates in the conduct of partnership business.

## Nominal Partner

A partner who lend his name to the firm without having any real interest in the firm and is not entitled to share the profits, does not take active

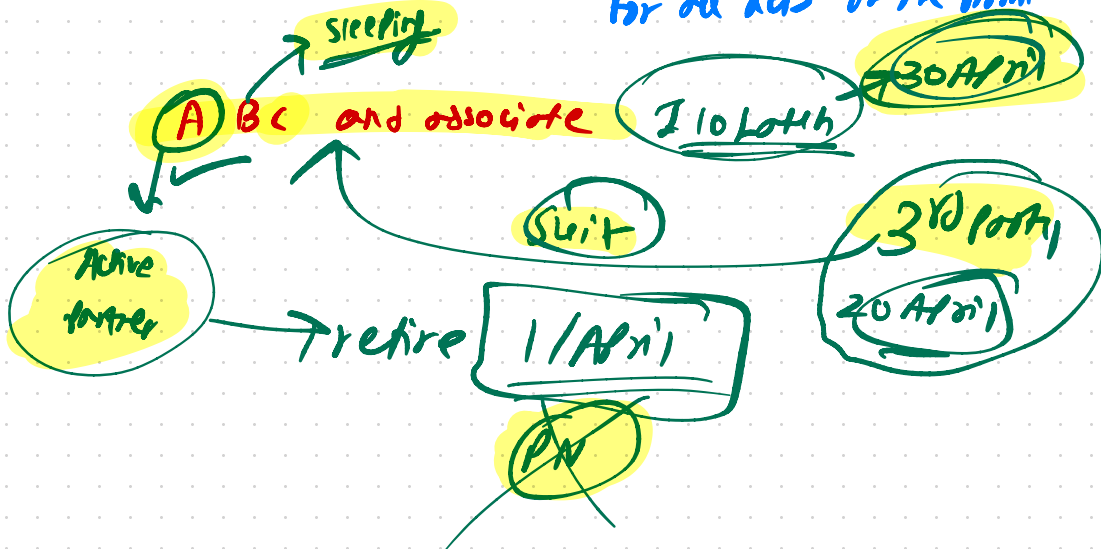
## Sleeping Partner or dormant Partner.

No active participation.

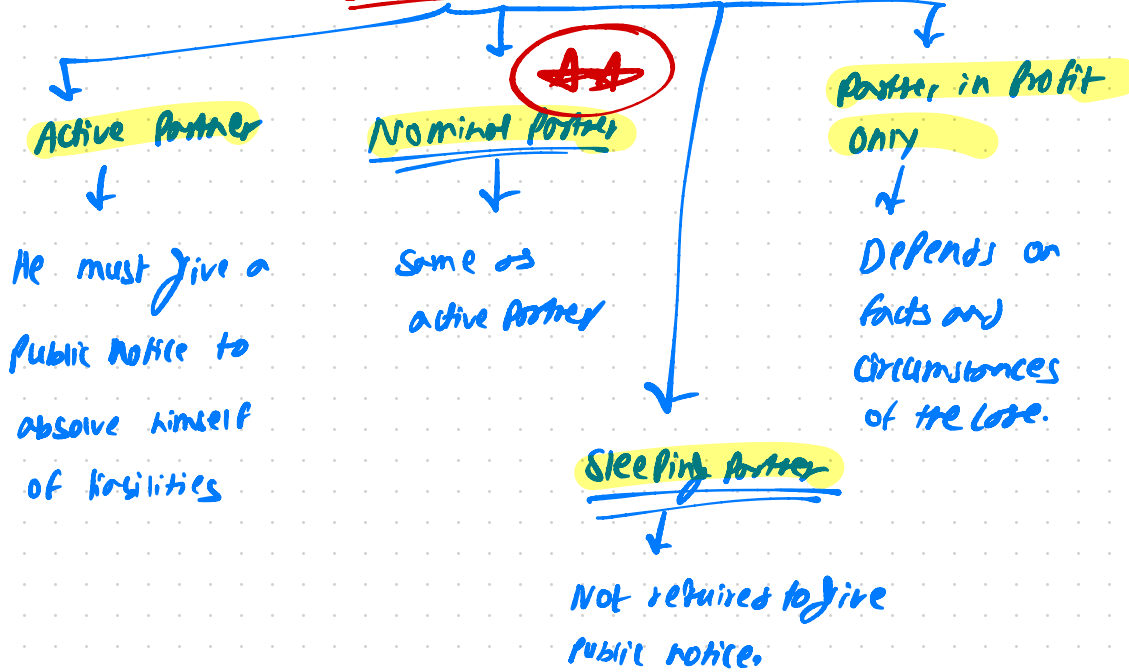
Participation in business.

## Partner in Profit only

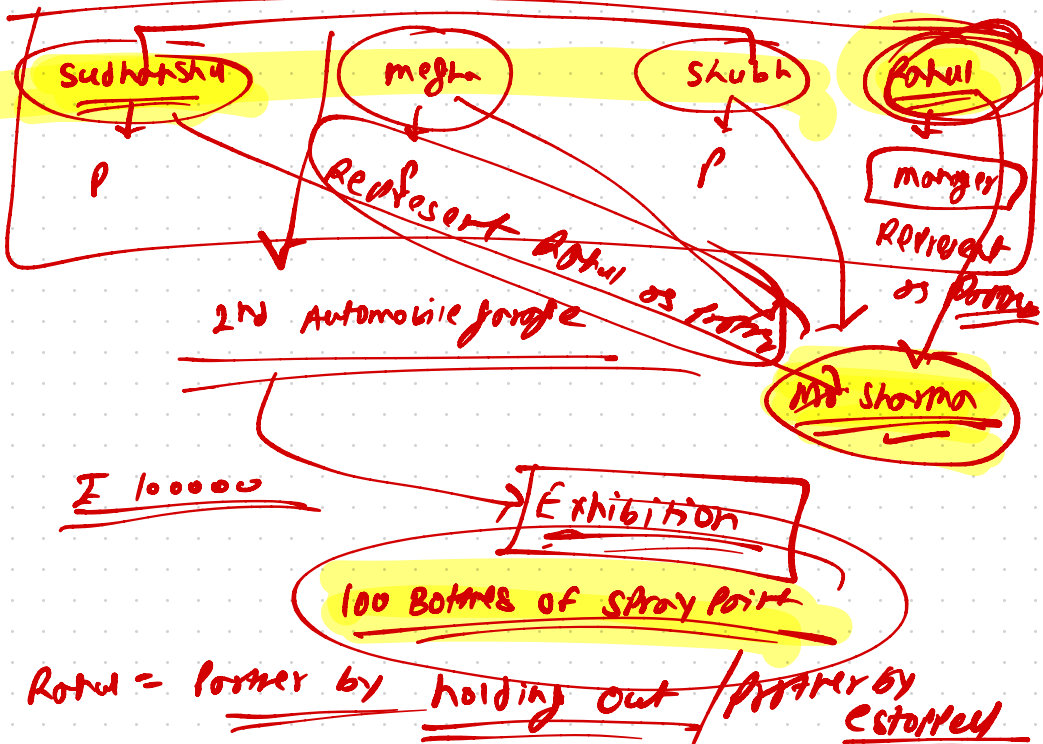
- Entitled to share profits only.
- Not liable to loss
- liable to 3rd party.
- but liable to third party for all acts of the firm.

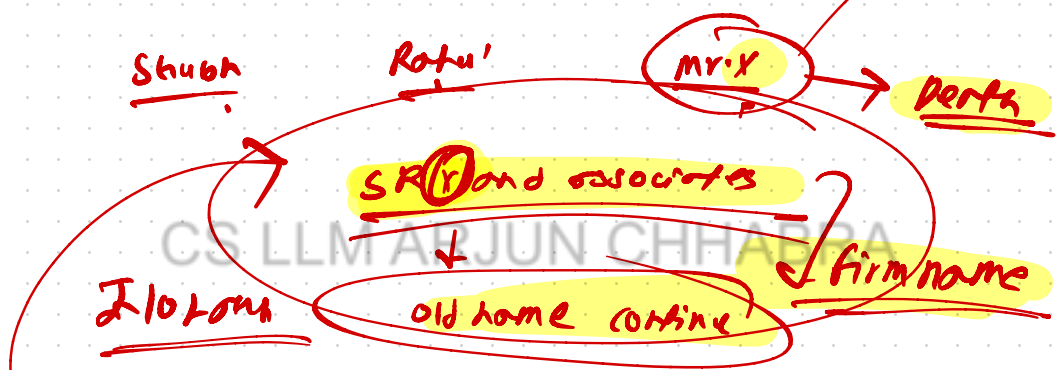
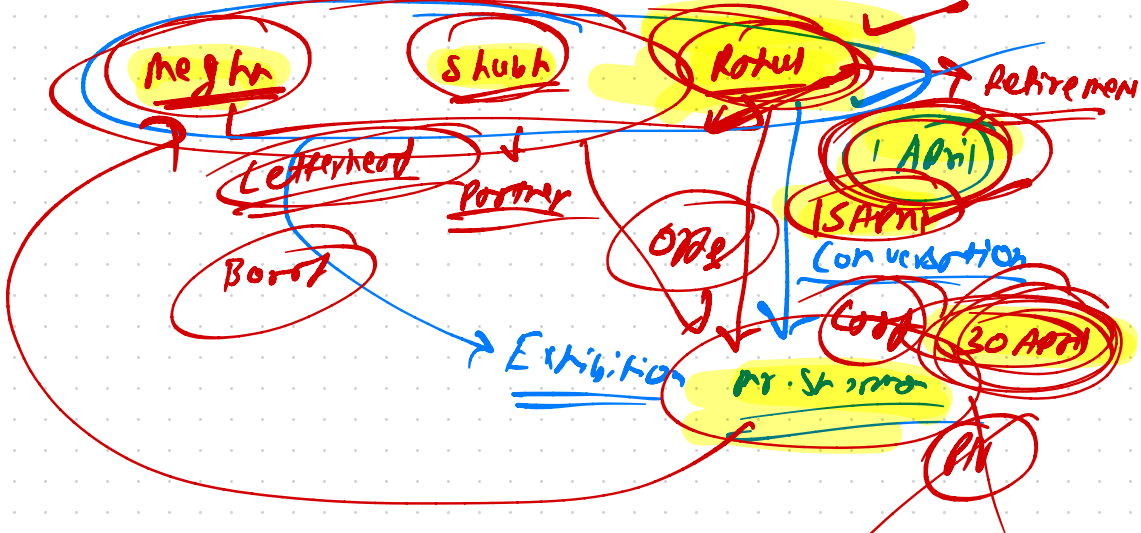


## Public Notice



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Continue use name of deceased partner.

3<sup>rd</sup> party

15 April 35 - Death of a partner

20 April

## Section 28 (1)

### Partner - death

#### Existing Partner - continue

→ we old firm  
name having  
home of DP



## Section 35 - death

### Partner - death

Exis - continue



Act after death  
of partner

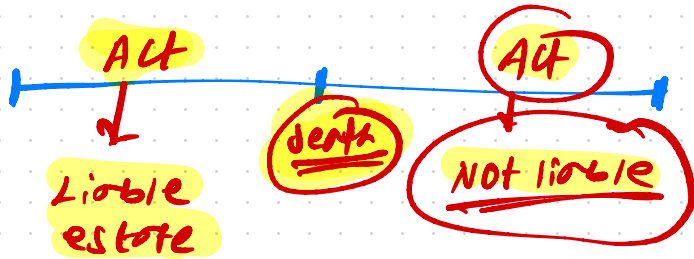
→ Estate - not liable

35

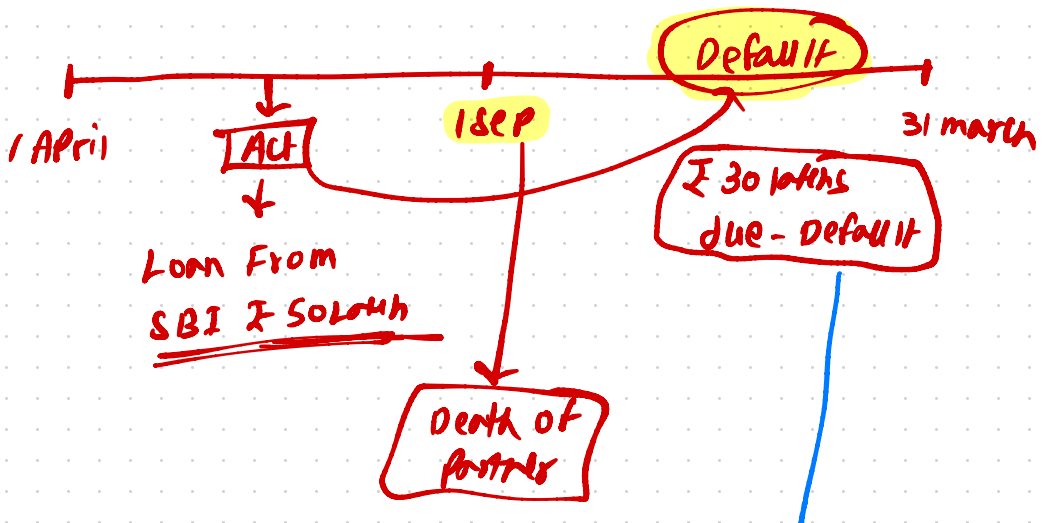
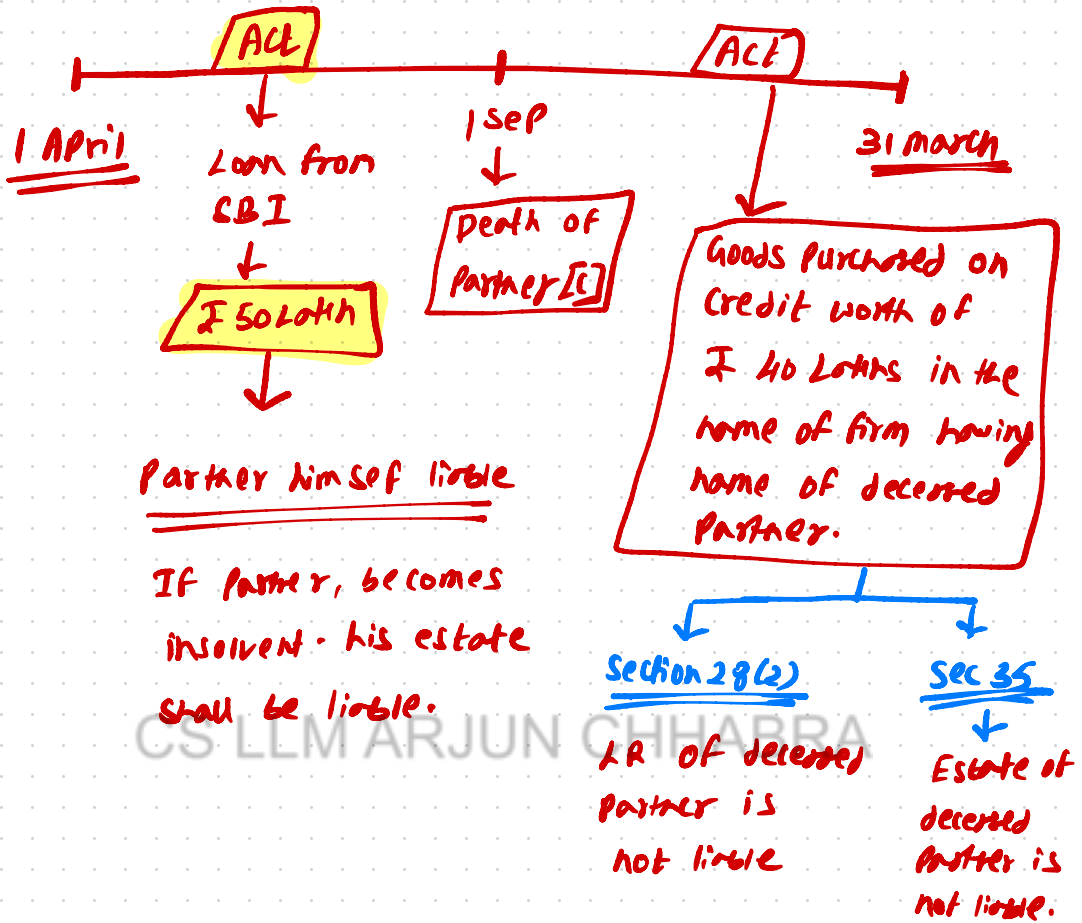
DP - L.R. - Est - not  
liable.

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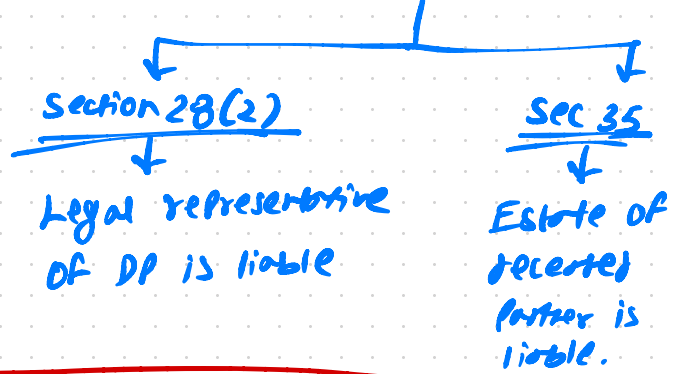
35



Partner = A + B + (C) → Death







## Section 28 - Holding out

### Sub section (1)

Anyone who by words spoken or written or by conduct represents himself

or knowingly permits himself to be represented

to be a partner in a firm.

is liable as a partner in that firm to anyone who has on the faith of such representation given credit to the firm.

### Subsection 2

- Where after a partner's death
- the business is continued in the old firm name
- the continued use of that name

or

- of the deceased partner's name
- shall not itself make his LR or his estate liable for any act of the firm done after his death.

Section :- 35 :- Liability of estate of deceased Partner.

- Where under a contract between partners
- the firm is not dissolved by death of a partner.
- the estate of deceased partner is not liable for any act of the firm done after his death.

Section 32 :- Retirement of a Partner.

Subsection 3

Notwithstanding the retirement of a partner from a firm, he shall continue to be liable

to third parties for any act of the firm,  
until public notice is given of the retirement.

### Conclusion of section 28(1) and section 32(3)

Section 28(1) read with section 32(3) provides that sec 28 is also applicable to a former partner who has retired from the firm without giving proper public notice of his retirement.

In simple words, retired partner shall be treated as partner by holding out until public notice is given.

### Conclusion of section 32(3) and section 35

In case of retirement, retired partner must give public notice to absolve him from all liabilities after his retirement from firm. [sec 32(3)]

In case of death, the deceased partner LR

Or his estate is not liable for any act of firm after his death. There is no need to give public notice in case of death. [sec 35]

Partnership relation arise - contract

General Principles  
of Contract Act, 1872

Applicable



Section 1 to 75

Partnership Act, 1932



Provision - Applicable

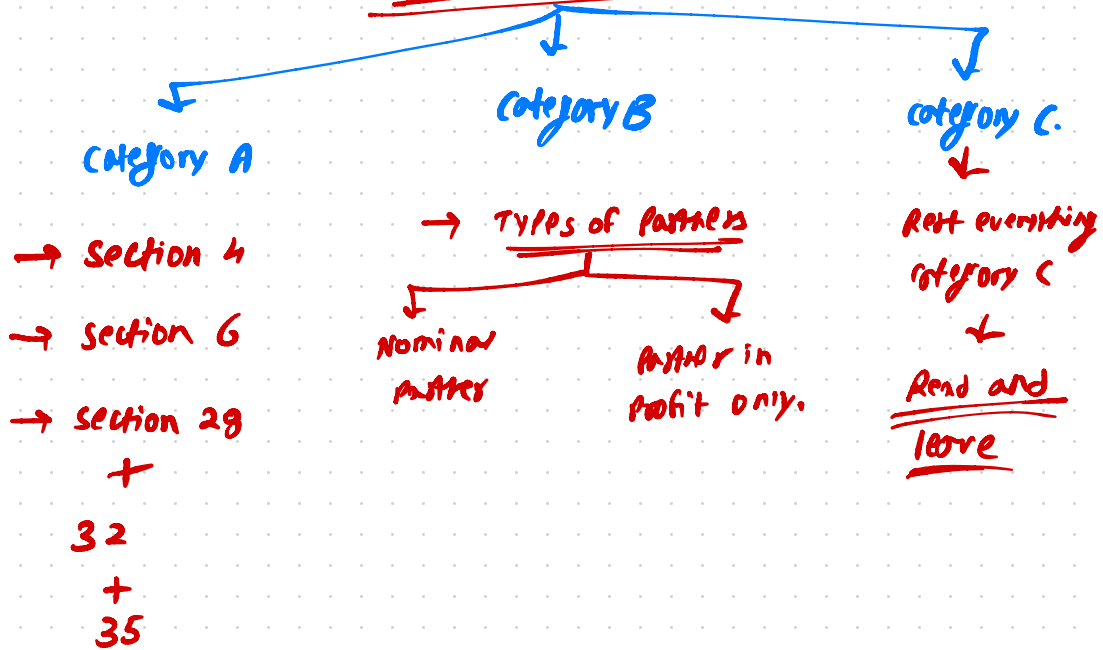


Section 3 - Application of The Indian Contract

Act, 1872

Section 1 - 75 of TICA, 1872 shall continue to apply to firms except in so far as they are inconsistent with the provisions of The Indian Partnership Act, 1932.

## Blue Print of unit - I

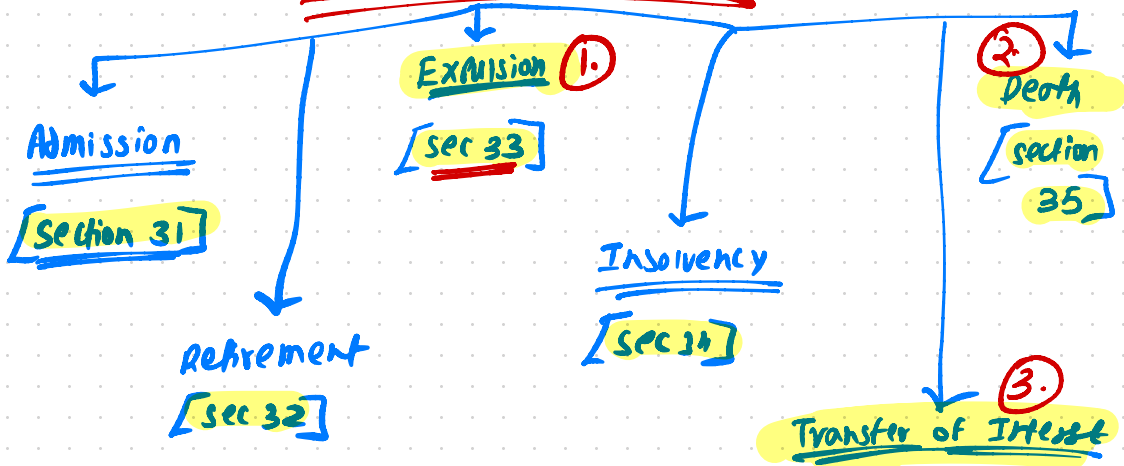


## Unit - II

### - Relations of Partners

↓  
Rights and obligation  
of Partners under Partnership.

## Reconstitution of firm



↓  
[sec 29]

### Sec 33

Partner - may not expelled by majority of partners

Save in exercise of G.F. → Power contract

① Power of expulsion in a contract between partners.

② Power must be exercised in majority

③ Such power must be exercised in good faith.

(a)

Expulsion - to protect  
the interest of  
majority.

valid

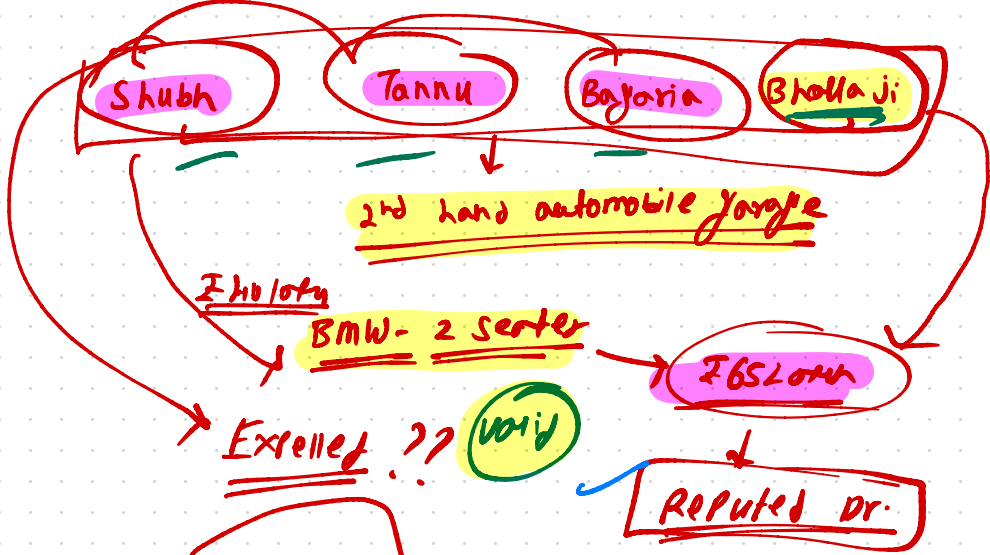
valid

(i) ✓  
OBH

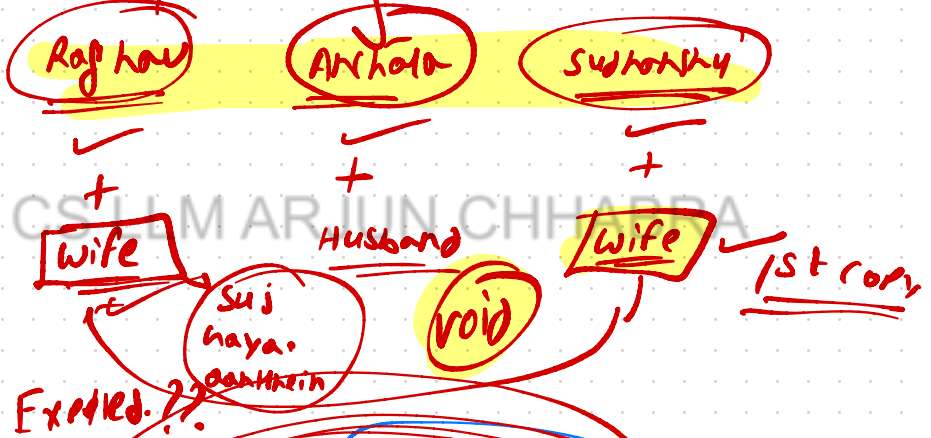
(b)

Consented Part -  
Notice

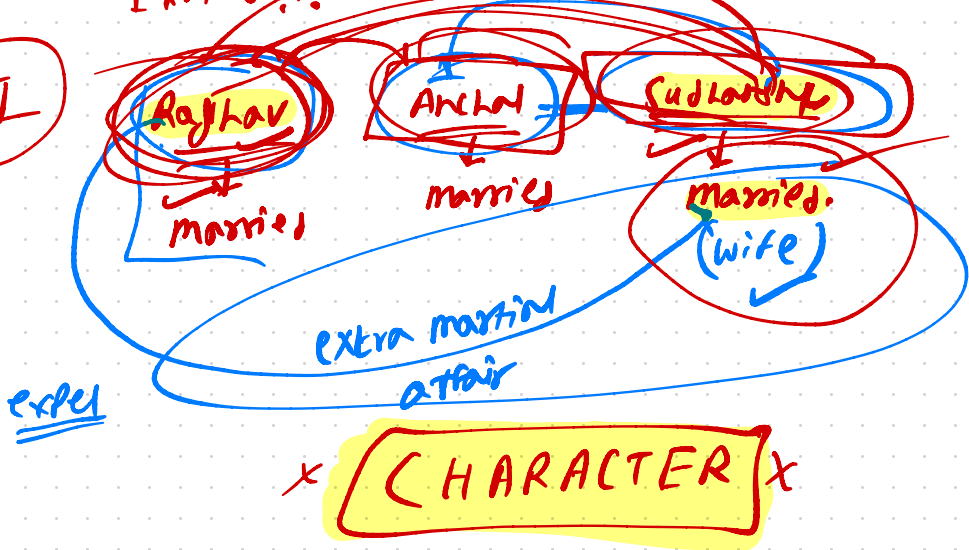
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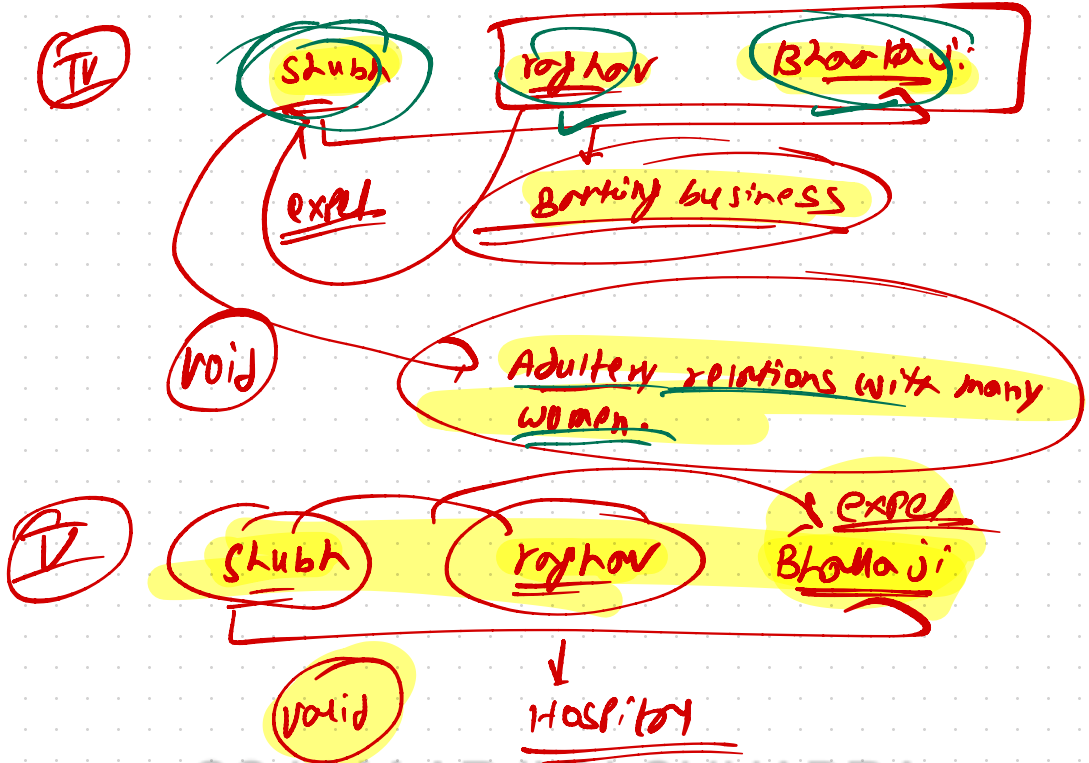


II



III





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### Expulsion — Section 33

A Partner may be expelled from firm if all the

following conditions are satisfied. [valid expulsion] [subsec 1]

- (i) Power of expulsion must have existed in contract between partners.
- (ii) Such power has been exercised by majority of the partners.
- (iii) Power has been exercised in good faith for the interest of firm and not used as



vengeance against a partner.

- (iv) The partner who is to be expelled has been served with a notice
- (v) Such partner has given an opportunity of being heard.

Special note: If any of the above condition is not satisfied, expulsion shall be void and such partner can claim reinstatement.

### Sub section 2 of Section 33

The provisions of sub sec (2), (3) and (4) of section 32 shall apply to an expelled partner as if he were a retire partner.

### In simple words

As per section 32(2), expelled partner shall continue to be liable for any act of the firm done before his expulsion.

Sec 32 (3), expelled partner shall continue to be liable as partner to third parties for any act

done by any partner of the firm until Public notice is given of his expulsion.

sec 32(4) notice may be given by expelled partner or by any partner of the reconstituted firm.

Partner by holding out [section 28 and 32 of The Indian Partnership Act, 1932]

- ① As per section 28, anyone who by words spoken or written or by conduct represents himself, or knowingly permits himself to be represented, to be a partner in a firm, is liable as a partner in that firm to anyone who has on the faith of any such representation given credit to the firm.
- ② As per section 32(3) retired partner shall continue to be liable as partner in the firm until public notice is given of the retirement.
- ③ In the light of the above provision and facts of the instant case Mr. P shall be liable to Mr. X

since Mr. P represented himself as a partner in the firm by giving his visiting card in which the <sup>name</sup> of Mr. P was included as partner in the firm and also Mr. P failed to give public notice of his retirement.

Section 28 (2) ✓

Section 35 ✓

Section 32 (3)

28(2) ARJUN CHAUDHARY V. 35



Applicability



Applicability



- ① Partner died
- ② But the name of deceased partner is <sup>continue to be</sup> used in the business of Partnership.
- ③ Does not make liable estate of DP and his legal representative.

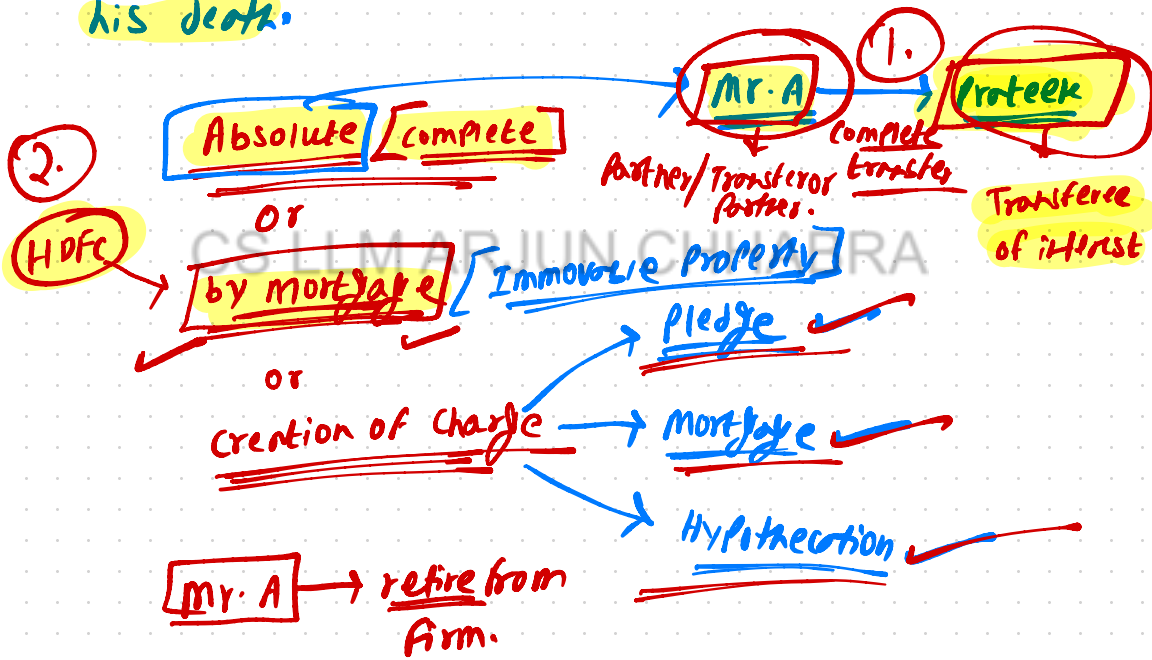
Estate of deceased partner

is not liable for any act of the firm done after his death.

There is no concern about continued usage of the name of DP.

## Section 35 - Liability of estate of deceased partner

Where under a contract between the partners the firm is not dissolved by the death of a partner, the estate of a deceased partner is not liable for any act of the firm done after his death.



## Section 29 - Rights of transferee of a partner's interest.



① Mode of transfer of interest

Rights of transferee if transferring partner ceases to be a partner or

② Rights of transferee

the firm is dissolved.

③ Restriction on rights of transferee.

### Sub-Section 1

#### Mode of transfer of interest

A transfer by a partner of his interest in the firm can be done either

→ absolute  
or

→ by mortgage  
or

→ by the creation by him of a charge on such interest.

# Rights of Transferee

## SubSection 2

During the continuance of the firm.



Transferee is having a right to receive the share of profits of the transferring partner and the transferee shall accept the account of profits agreed to by the partners.

If the firm is dissolved or if transferring partner ceases to be partner.



Transferee is entitled as against remaining partners



to receive the share of assets of the firm to which transferring partner is entitled

for the purpose of ascertaining that share, feece is entitled to an account as from the date of dissolution.

## Sub section 1

### Restriction on the rights of transferee

The transferee of interest is not entitled

(a) to interfere in the conduct of the business or

(b) to require accounts or

(c) to inspect the books of the firm.

### Section 31 — Introduction of a partner

(1) No person shall be introduced as partner into a firm without the consent of all the existing partners.

(2) a person who is introduced as partner into a firm does not thereby become liable for any act of the firm done before he became a partner.

## Section 32 - Retirement of a Partner

(1)

### mode of retirement

- ① With the consent of all the other partners,
- ② in accordance with express agreement by the partners, or
- ③ By giving notice in writing to all the other partners of his intention to retire — Where partnership is at will.

(2)

Liability of retired partner before his retire



Discharged

by an agreement between 3rd party and partners of reconstituted firm.

by a course of dealing.



(3)

Retired Partner shall continue to be liable for acts of the firm until public notice is given.

Proviso → Retired Partner not liable to any 3rd party who deals with the firm without knowing that he was a partner.

(4)

Notice under (3) may be given by retired partner or by any partner of the reconstituted firm.

### Section 34 - Insolvency of a Partner

(1)

Where a partner in a firm is adjudicated an insolvent he ceases to be partner on the date of adjudication, whether or not the firm is

(2)

Where firm is dissolved by the insolvency of partner

thereby dissolved.

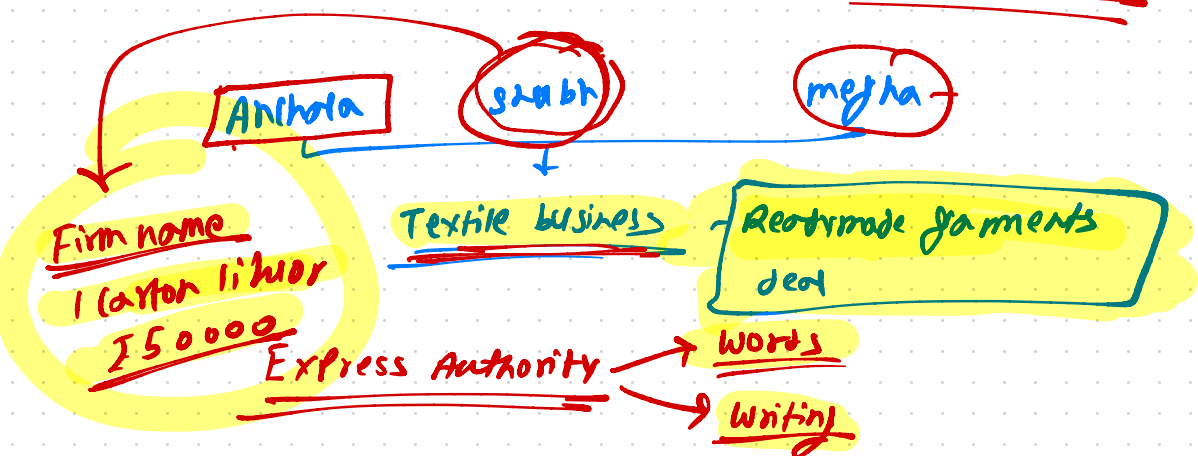


The estate of insolvent partner  
is not liable for any act of  
the firm.

The firm is  
not liable  
for any act  
of the insolvent

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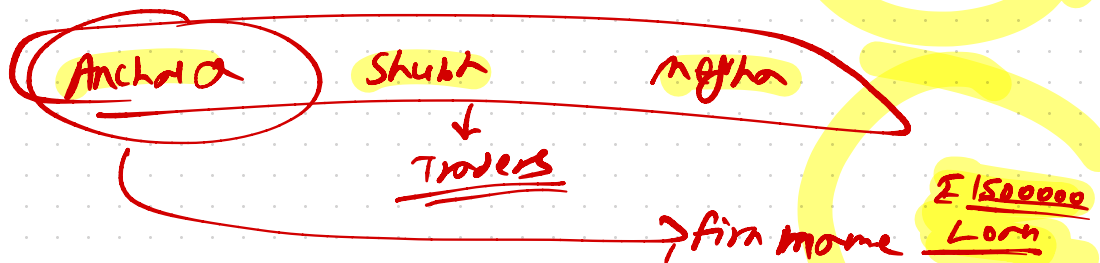
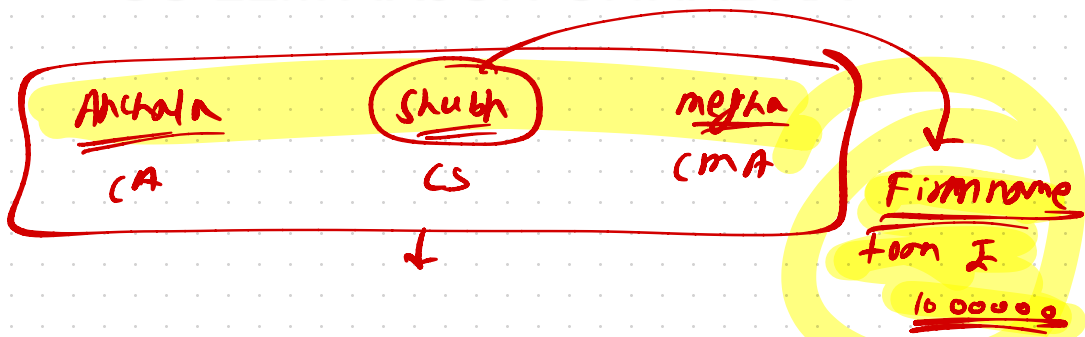
# Authority of a Partner in a Partnership Firm



There is no express authority

Partnership deed/contract/gfr silent

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Sec 19 and Section 22

Section 19 - Implied authority of partner as agent of the firm.

(1) Subject to provisions of section 22, the act of a partner which is done

to carry on,  
in the usual way } business of the kind  
carried on by the  
firm.

bind the firm.

Section 22 - In order to bind the firm,

an act → done  
or  
instrument → executed } - by a partner

shall be done or executed in the firm name.

19(1) read with 22

✓ ①. The act of partner must relate to normal business of the firm. / The act of part must be in the ordinary course of business of the firm. 19(1)

✓ ②. The act of partner must be done in the usual way of doing business. 19(1)

✓ ③. The act of partner must be done in the name of firm. 22

19(1) read with sec 22

19(2)

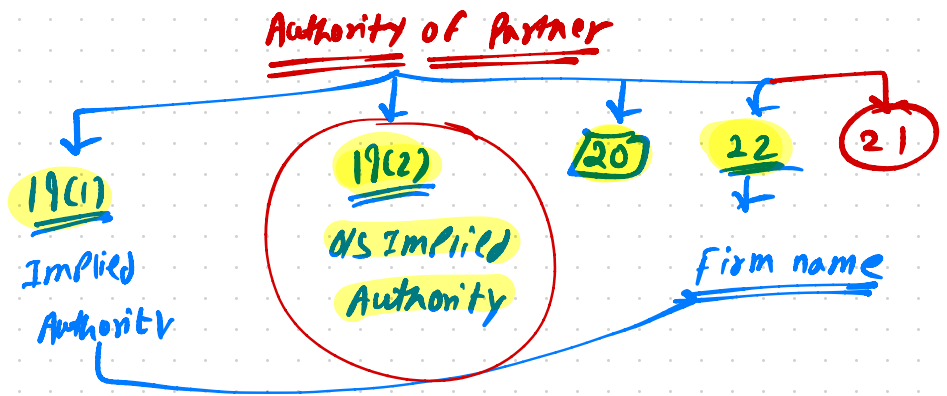
→ Expressly

→ Act

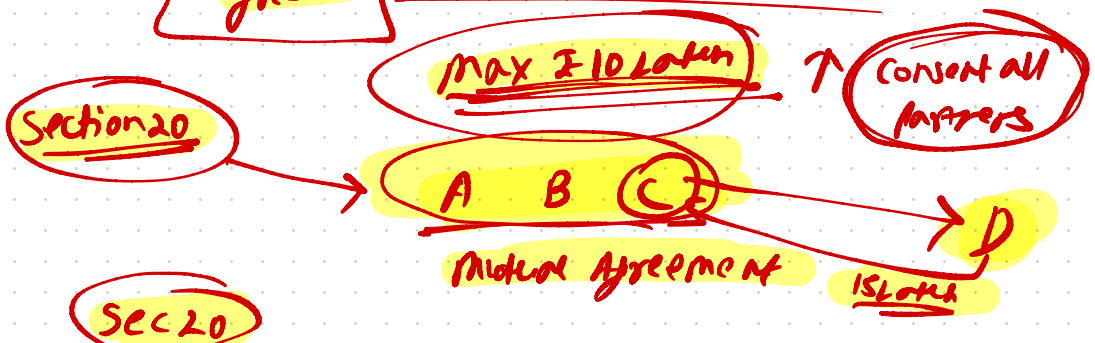
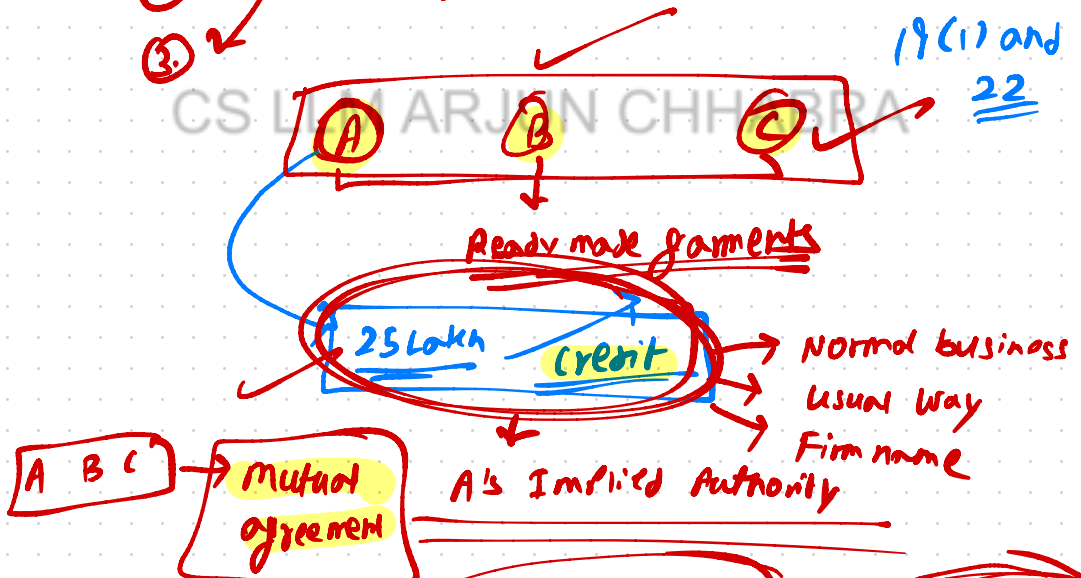
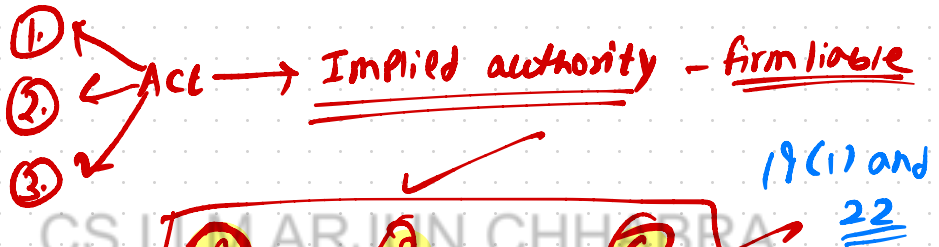
→ O/S IO

Not applicable

7-8 Situation



### 3 Test



# Authority of Partner

19(1) read with

22



Implied authority

Act of Partner

- ① Normal business
- ② Usual way
- ③ In firm name.

19(2)



Act outside Implied authority

- ① Arbitration
- ② Bank A/c
- ③ Compromise any claim
- ④ Withdraw any suit
- ⑤ Admit any liability in suit
- ⑥ Transfer IP
- ⑦ Acquire IP
- ⑧ Partnership

20

- ① Partner by mutual agreement
- ② Extend or restrict implied authority
- ③ 3rd party not affected by such agreement unless he has notice of it.

21



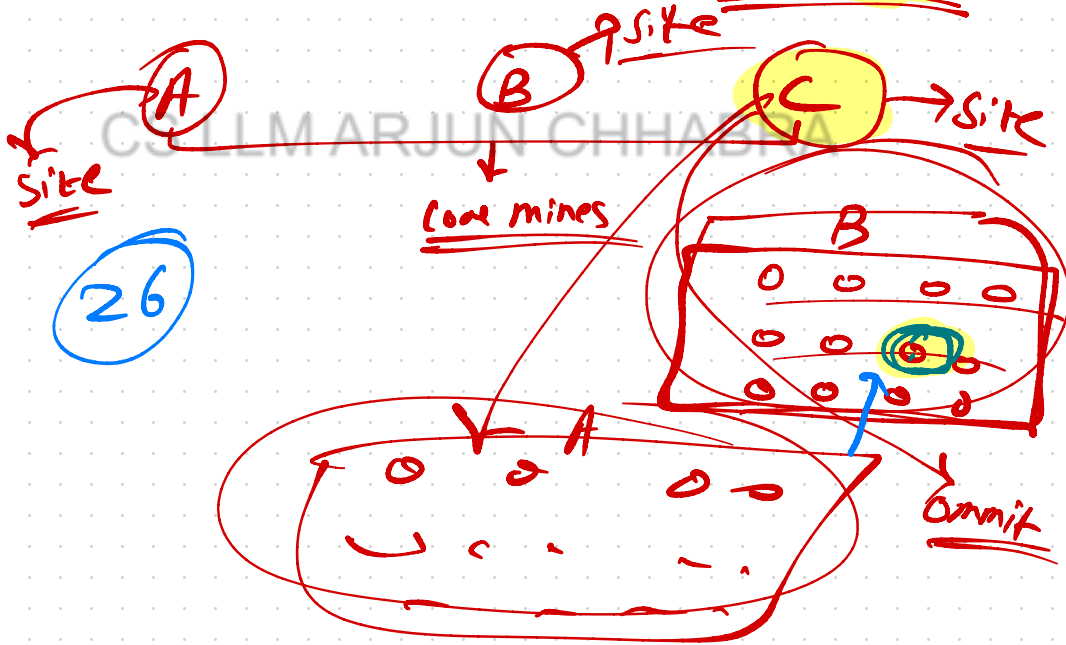
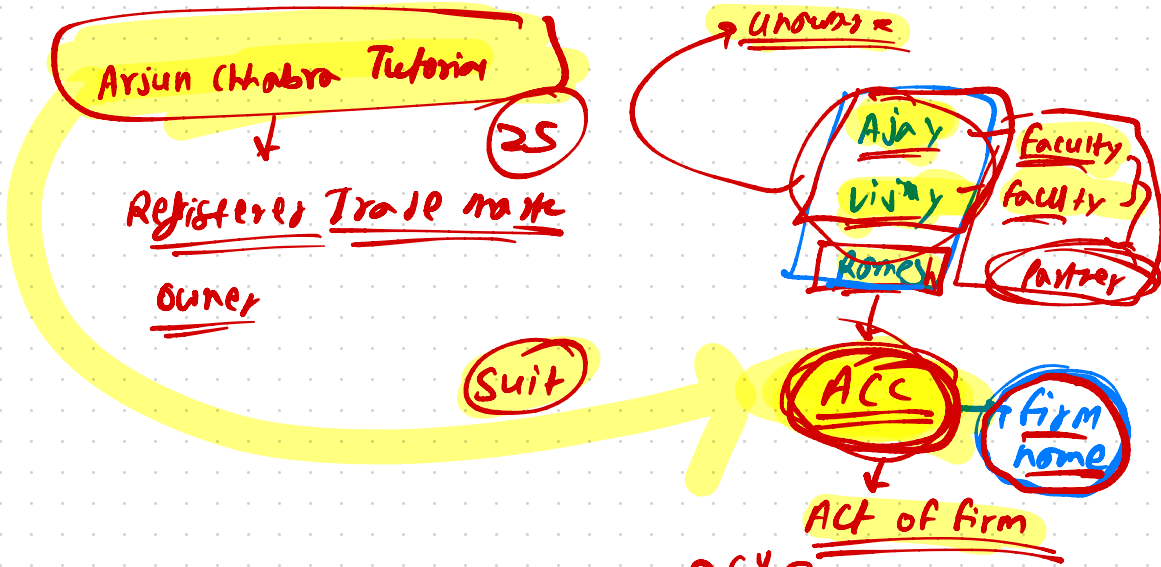
Partner's authority in an emergency



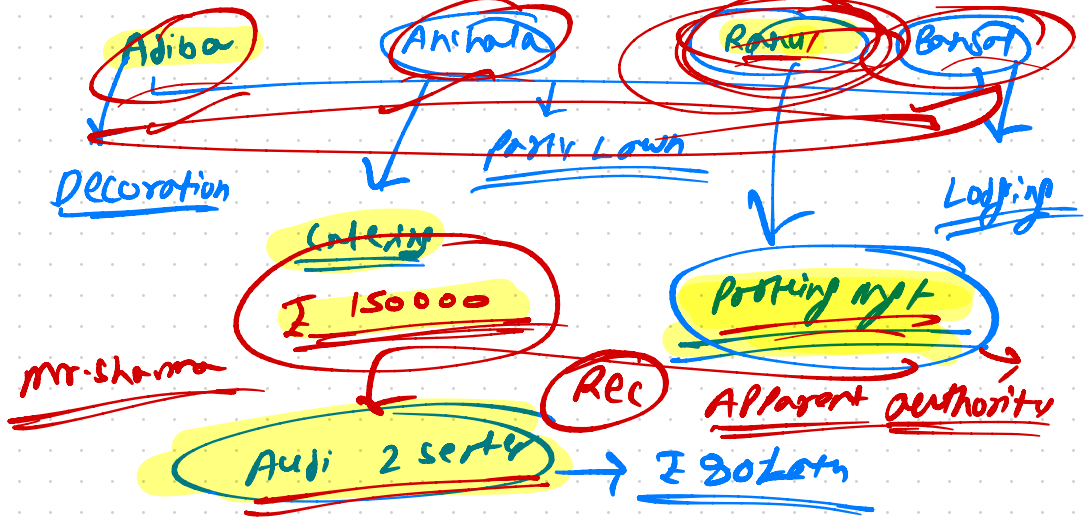
To do all such acts for the purpose of protecting the firm from loss as would be done by a man of ordinary prudence

and such acts binds the firm.

# Liability to third parties







## Liability to third Parties

### Section 25

Liability of a partner  
for acts of the firm.

Every Partner is jointly  
and severally liable  
for all acts of the  
firm done while he  
is a partner.

### Section 27

Liability of firm for  
misapplication by partners

### Section 26

Liability of the firm  
for wrongful acts of  
a partner.

Where, by wrongful act or

ommission of a partner  
acting in ordinary course  
of business, injury is  
caused to any third party  
↓  
Firm is liable to the same  
extent as partner.

### Section 27

Where -

(a)

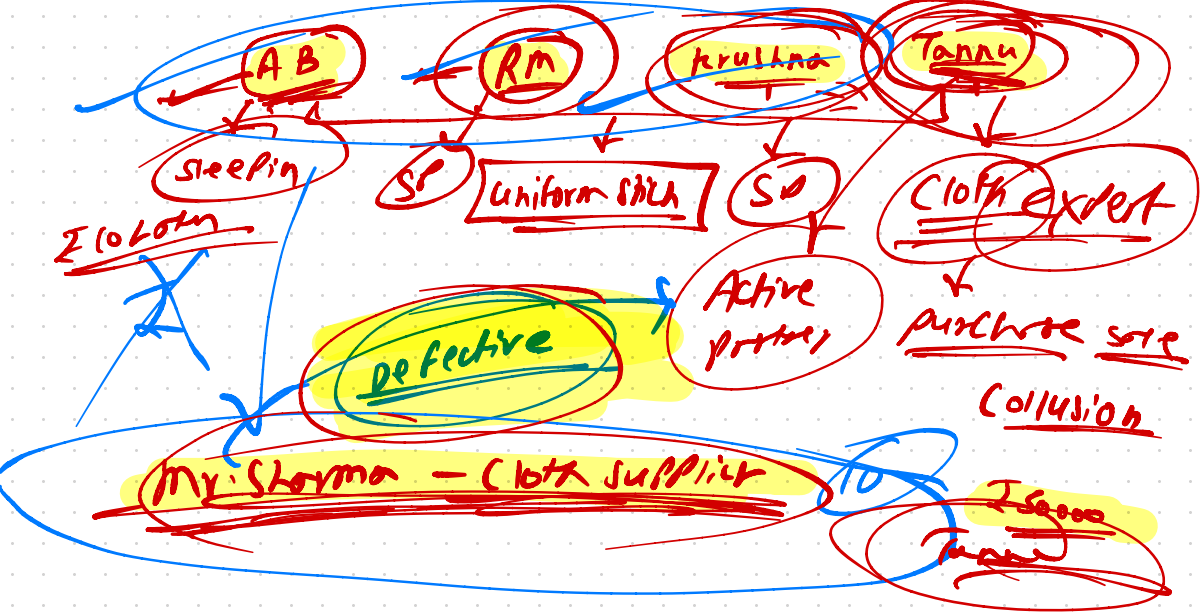
(b)

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- a partner acting within his apparent authority
- rec money or property from 3rd party
- misapplies it.

- a firm in the course of business
- rec money or prop from 3rd party.
- misapplied by any partner
- while it is in the custody of the firm

↓  
the firm is liable to make good the loss.



## Section 24 — Effect of notice to acting partner

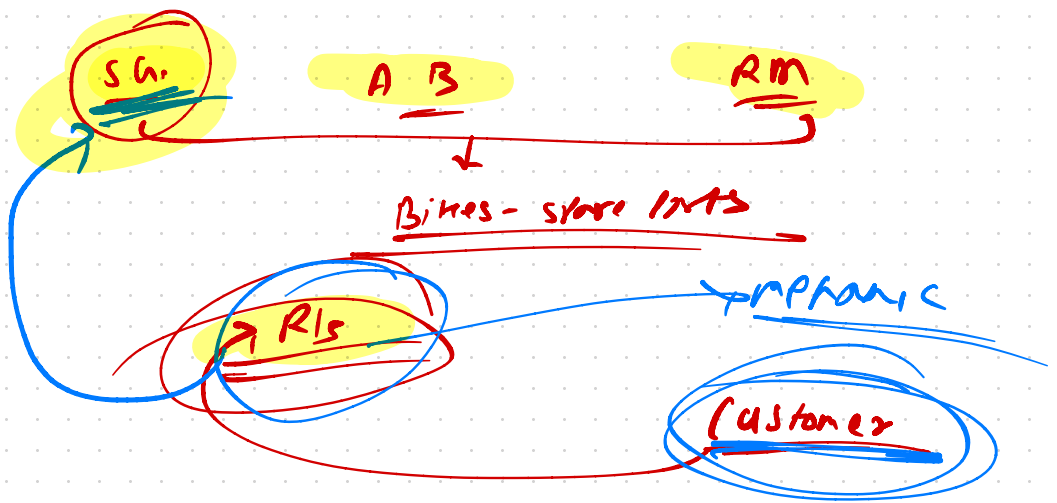
Notice to a partner who habitually acts in the  
business of the firm of any (Active partner)

matter relating to the affair of the firm

business of the firm

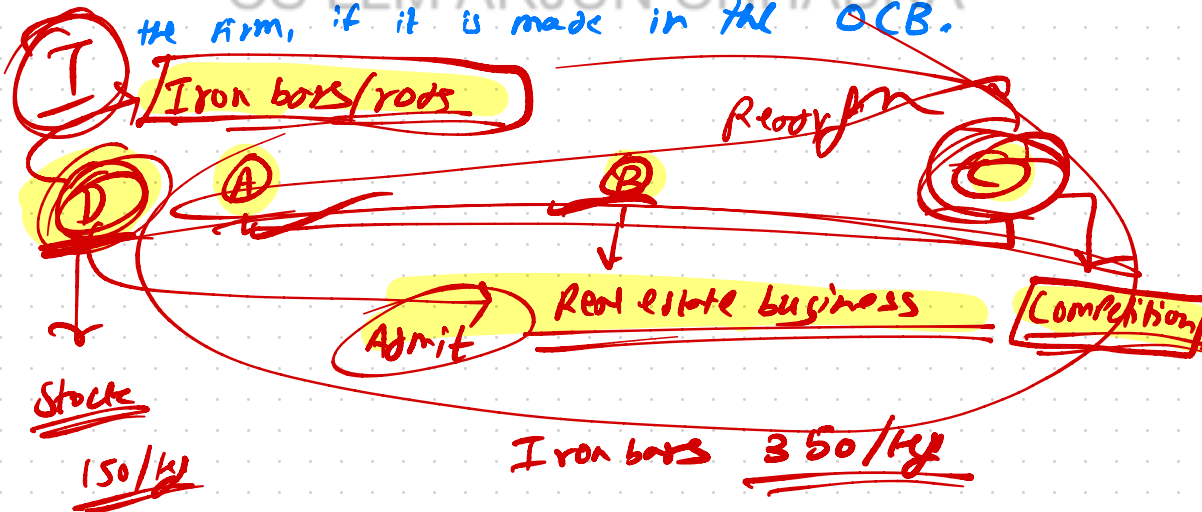
operates as notice to the firm, except in the case  
of a fraud on the firm

committed by  
or  
with the consent of → that partner.



## Section 23 - Effect of admissions by a Partner

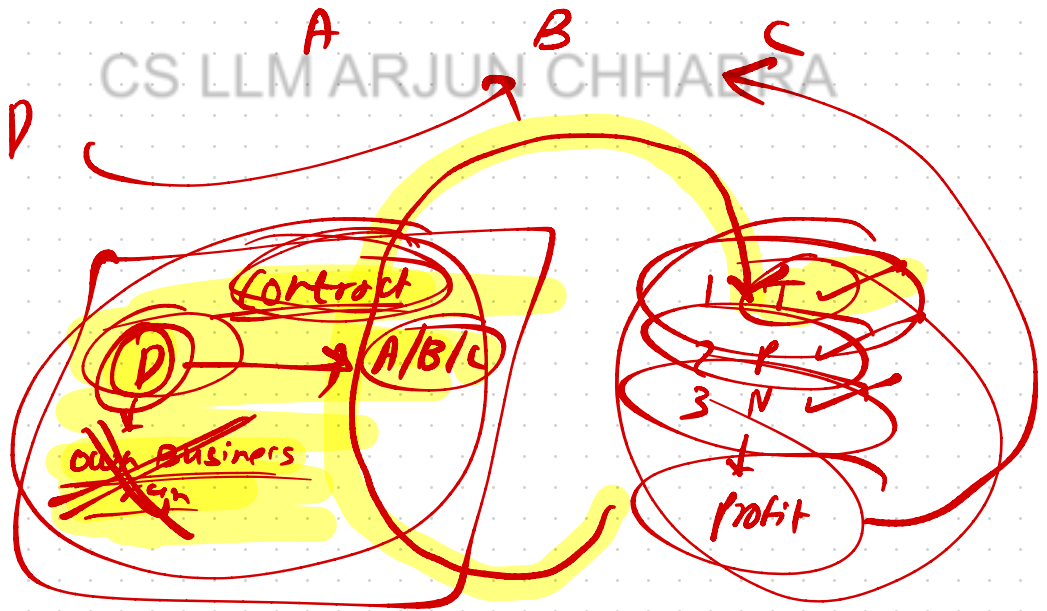
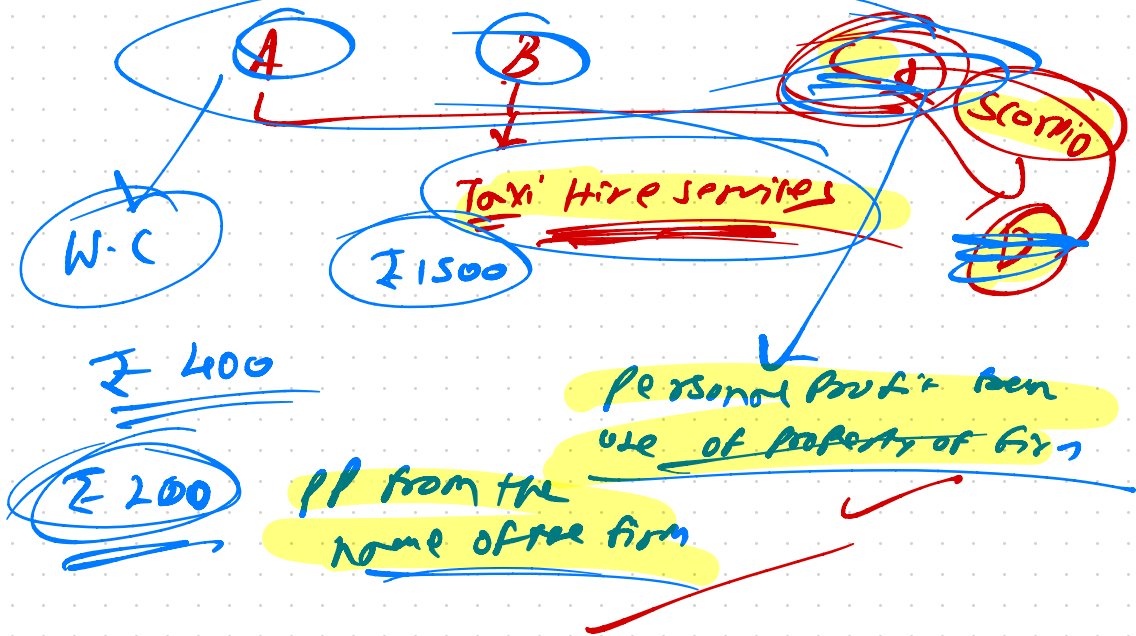
An admission or representation made by a partner concerning the affairs of the firm is evidence against the firm, if it is made in the OCB.



Sold iron bars = 350/kg

200 margin

→ Personal Profit  
Out of transaction  
of firm.



## Section 16 - Personal Profit earned by Partners

Subject to contract between the partners, -

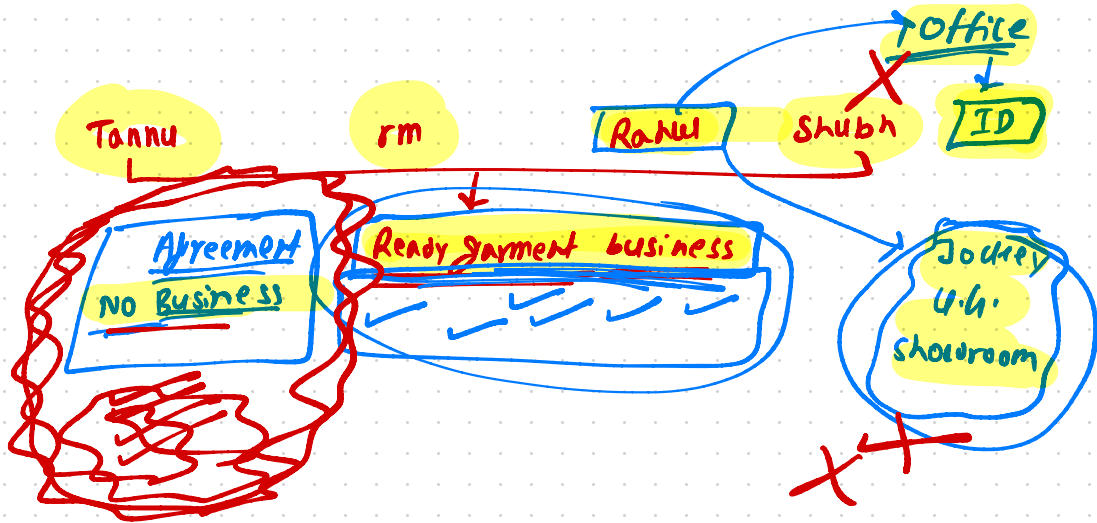
(a) If a partner derives profits for himself from

- any transaction of the firm
- the use of the <sup>or</sup> property
- business connection of the firm,

he shall account for that profit and pay it to the firm

(b) if a partner carries on any business of the same nature as and competing with that firm,

he shall account for and pay it to the firm all profits made by him in that business.



(11) → Subject to the provisions of this Act.

(13) → Law matter ↓

Mutual right and duties



Contract

Right and duties

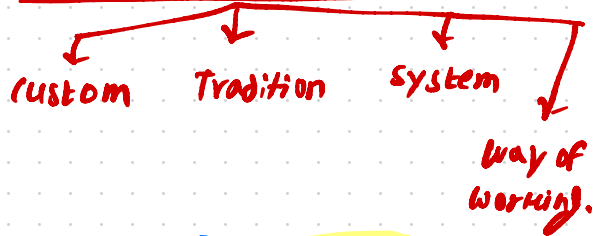
Section 12 - Determination of rights and duties of Partners by contract between the partners | Agreement in restraint of trade.

(1) subject to the provisions of this Act, the mutual rights and duties of the partners of a firm may be determined by contract between the partners and such contract may be

→ expressed

or

→ implied by a course of dealing.



Such contract may be varied (change/Alter) by consent of all the partners, and such consent may be expressed or may be implied by a course of dealing.

(2) Notwithstanding anything contained in section 27 of TICA, 1872, such contract may provide that a

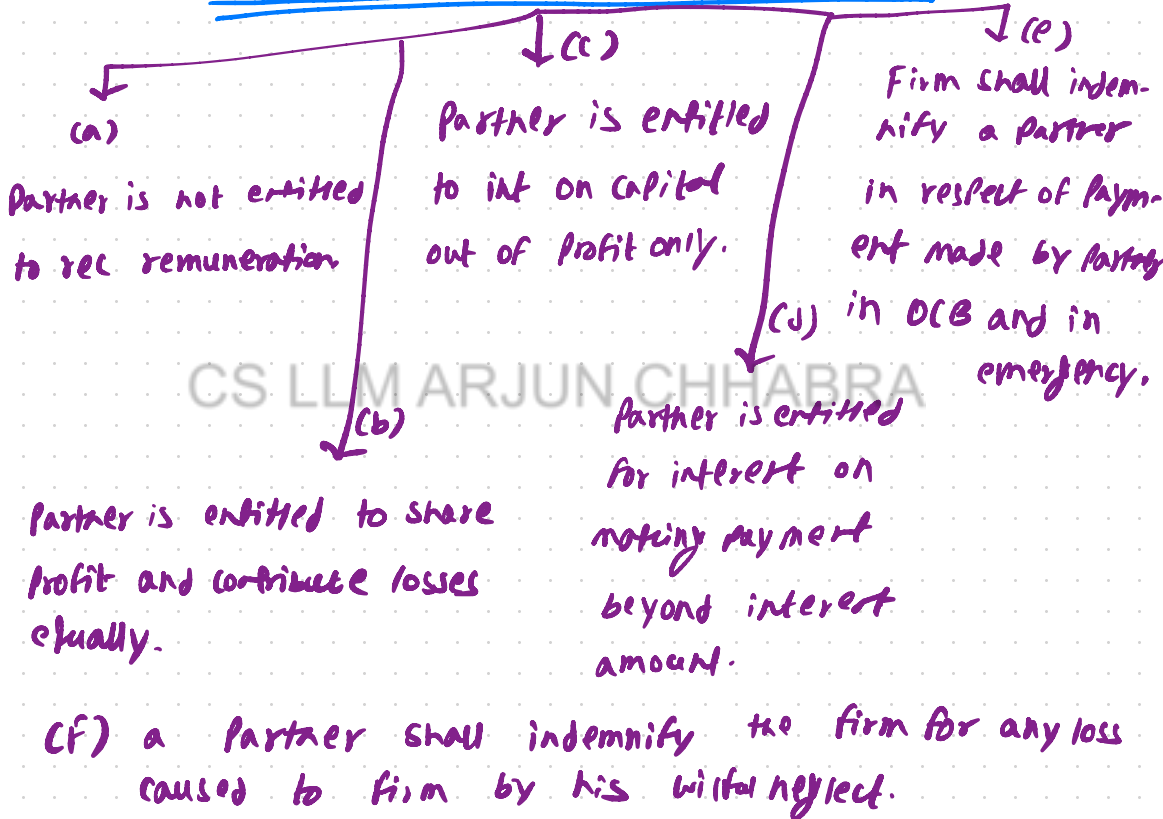


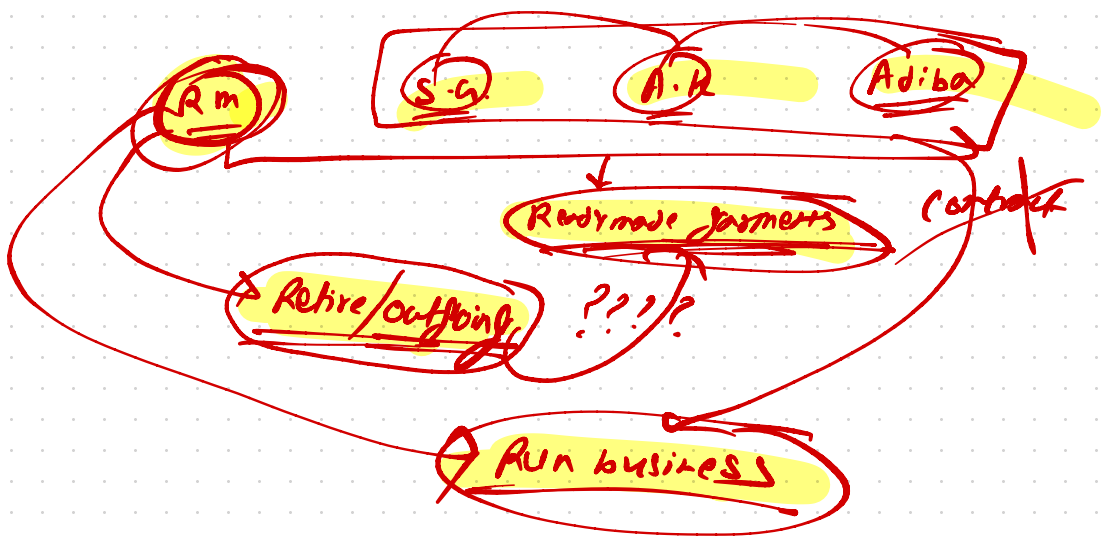
Partner shall not carry on any business other than that of the firm while he is a partner.

### Section 13 - Mutual rights, and liabilities



Subject to contract between the partners



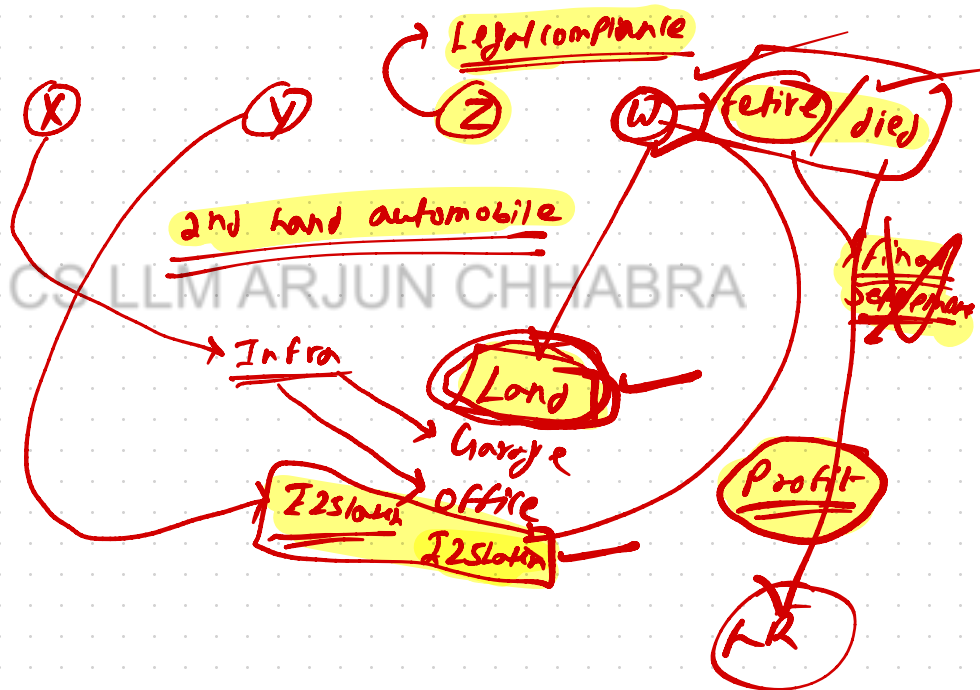


Section 36 Rights of outgoing partner to carry on competing business. | Agreement in restraint of trade.

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- (1) An outgoing partner may carry on a business competing with that of the firm and he may advertise such business, but subject to contract to the contrary, he may not
- (a) use the firm name, or
  - (b) represent himself carrying on the business of the firm, or
  - (c) solicit the custom of persons who were dealing with the firm before he ceased to be a partner.

A partner may make an agreement with his partners that on ceasing to be a partner he will not carry on any business similar to that of the firm within **specified period** or within **specified local limit**. Such **restriction is valid** if restrictions imposed are **reasonable**. [Notwithstanding sec 27 of TICA]



36

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## Section 30 Minors admitted to the benefits of Partnership

(1) A person who is a minor may be admitted to the benefits of Partnership with the consent of all existing partners.

### (2) Rights of Minor

(a) To share the property and profit of the firm

(b) To have access and inspect and copy any of the accounts of the firm.

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### (3) Liability of minor

Minor's share is liable for acts of the firm, but the minor is not personally liable for such acts.

(4) Whether minor can file suit against the partners??

Ans:- A minor may file suit against the partners only at the time of severing his connection with the firm.

(5) What after minor attain majority??



Minor may give Public notice within 6 months that he

or

has elected to become partner

has not elected to become partner.

Proviso! - If fails to give such notice, he shall become a partner in the firm on expiry of said 6 months [Deemed Partner].

consequences

(7)

Minor becomes a partner

(8)

Minor not becomes a partner.

(a) Right and liabilities shall continue as a minor up to date on which he becomes a partner.

(a) ==//==

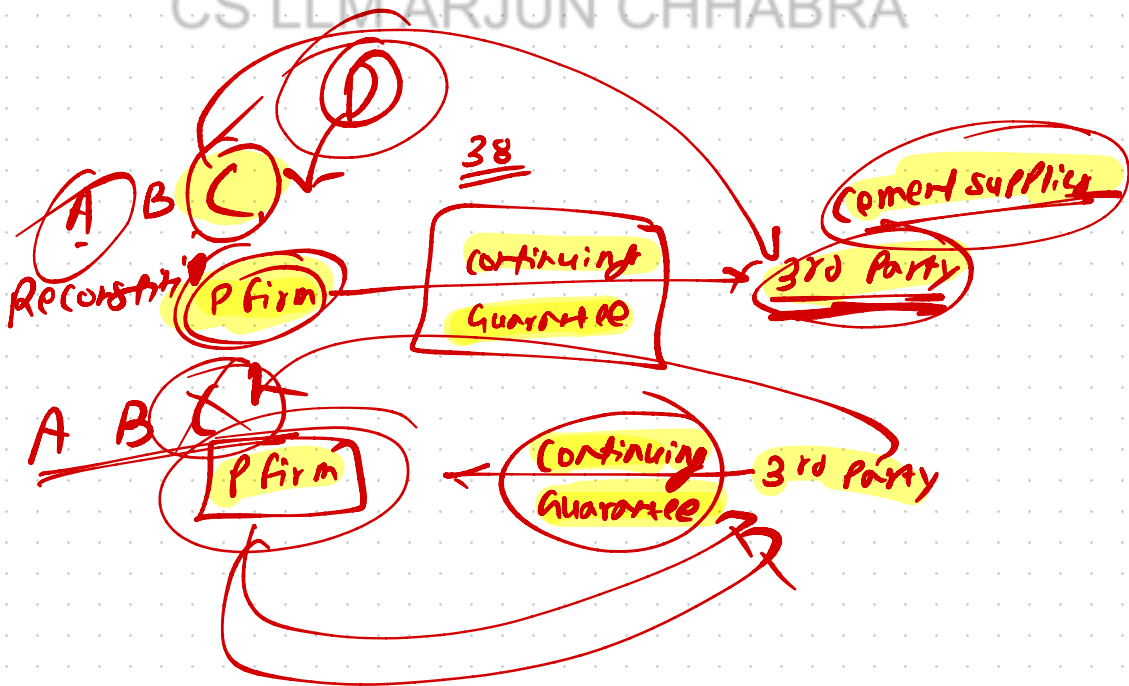
(b) He becomes personally liable to third parties for all acts of the firm done since he was admitted to the benefits of the Partnership.

(b) his share not liable for any act of the firm after the date of notice.

(c) His share in Property and profits of the firm shall be same as it was during minority.

(c) he is entitled to share partners for his share of the property and profits.

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## Blue Print of Unit - II

### Part I

- (1) Sec 33
- (2) Sec 35
- (3) Sec 29
- (4) Sec 19, 22, 20  
and 21.
- (5) Sec 30.
- (6) Sec 36 and 37.

### II

- (1) Sec 24
- (2) Sec 16
- (3) Sec 13
- (4) Sec 11
- (5) Sec 25-27.

### III

Rest everything  
read and learn.

Sec 9-10

Sec 12 - 14-15

Sec 17.

18

23

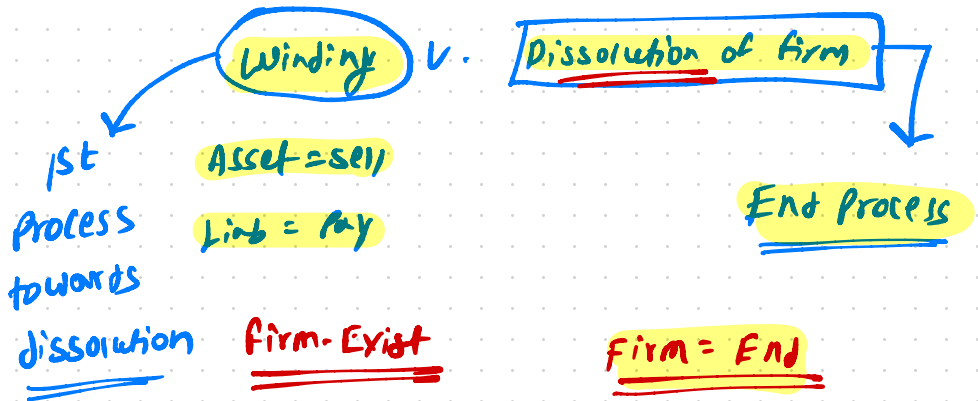
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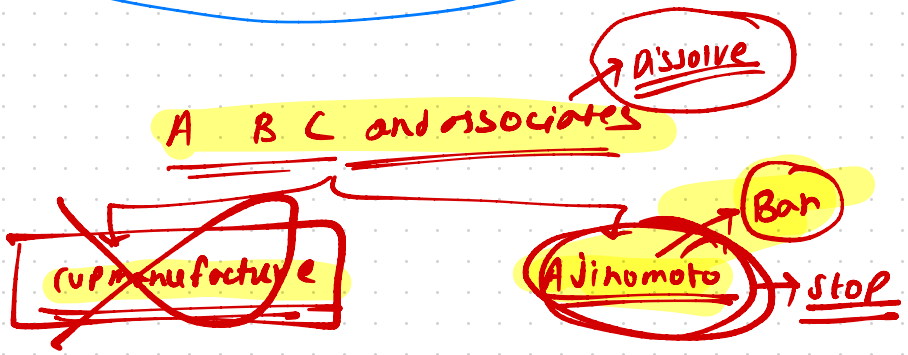
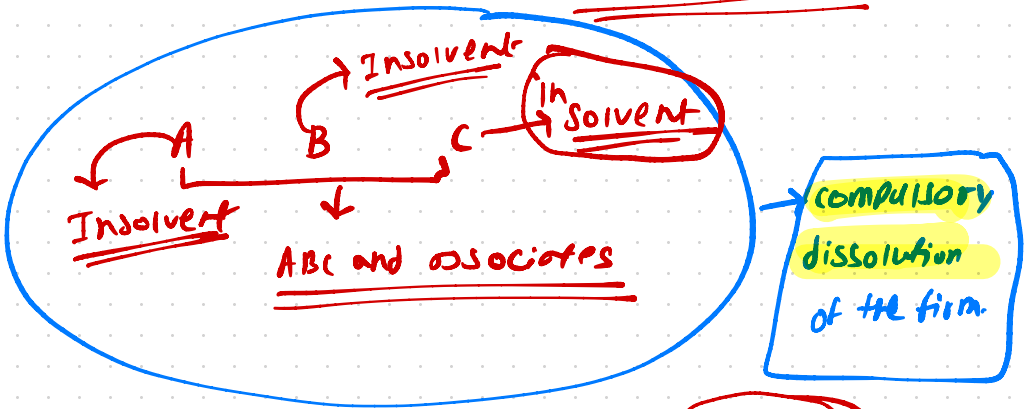
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## Unit - III

# Registration and Dissolution of Firm

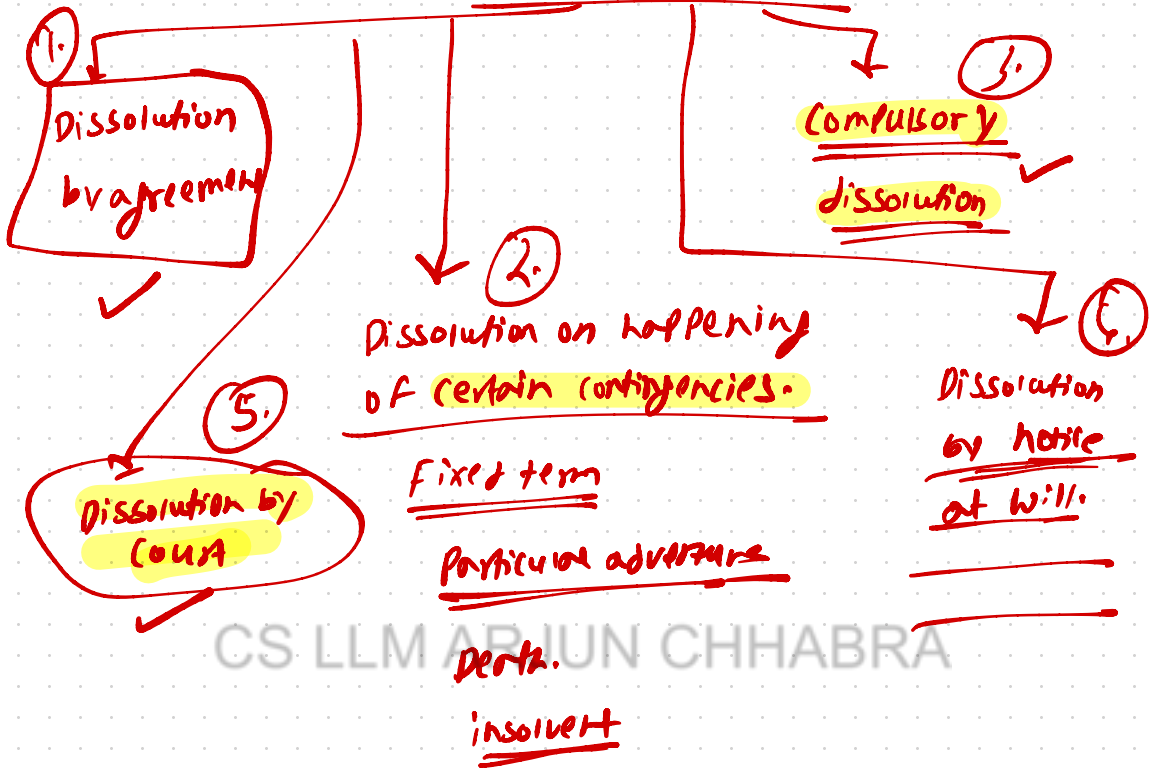


Removal of name of  
Firm from Register of  
Partnership firm.





## Modes of Dissolution



Dissolution of firm → Existence = End

v.

Dissolution of Partnership

A B C  
↓  
death / retire / expel

# Dissolution of firm

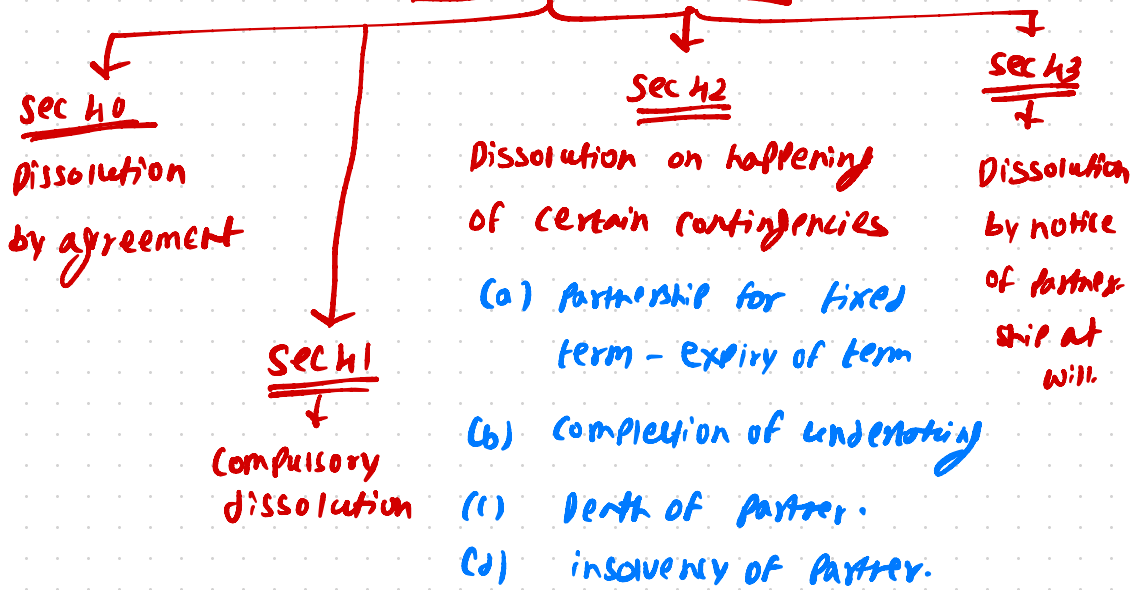
## Section 39: Dissolution of a firm

The dissolution of Partnership between all the partners of a firm is called the "dissolution of the firm".

## Section 40: Dissolution by agreement

A firm may be dissolved with the consent of all the partners or in accordance with a contract between the partners.

### Modes of dissolution

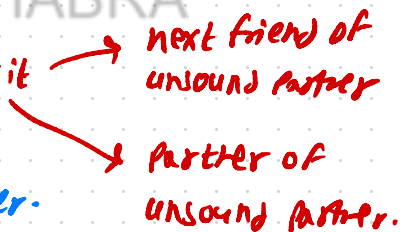


(a) Insolvency of all  
the partners  
or  
of all except  
one.

(b) Business becoming  
unlawful.

Proviso: If firm carries on  
2 or more business. They  
may carry on one.

### Dissolution by the order of court

(a) unsound mind of partner - suit   
(b) permanent incapacity of partner.

(c) <sup>partner</sup> Guilty of misconduct affecting the business.

(d) Persistent breach of agreement by partner relating  
to.

(a) management of affairs of firm

(b) conduct of its business

(c) unreasonable conduct of partner.

(e) Transfer of whole interest by partner.

(f) perpetual loss in firm [No hole <sup>of</sup> earning profit]

(g) any other just and equitable grounds.

Section 45 - Liability for acts of partners done after dissolution.

### Subsection 1

Notwithstanding the dissolution of a firm, the partners continue to be liable to third parties for any act done by any of them after the dissolution of the firm, until the public notice is given of the dissolution.

Proviso :- The estate of

→ Partner who dies [Sec 35]

or

→ Partner adjudicated as [Sec 34]  
insolvent

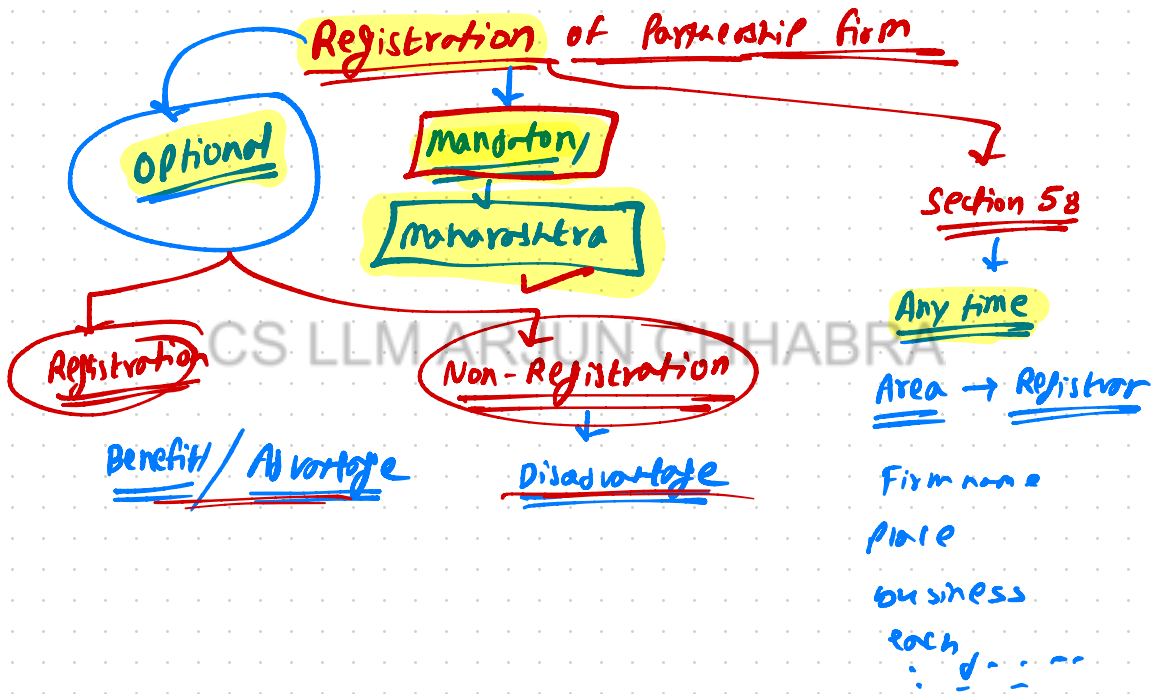
or

→ Partner who not having been known to the person (3rd person) dealing

With the firm to be a partner,  
retires from the firm [Sec 32]

is not liable under this section for acts  
done after the date he ceases to be a  
partner.

---



Section 57 = Appointment of Registrar by state govt

and may define areas in which such registrar  
shall exercise their powers.

Section 58 = Application for registration → Registrar.

(1)

(a) Name

(b) Place

(c) other place, if any

(d) Date of joining of Partner

(e) Address

(f) duration

↓  
Place of  
business of  
firm.

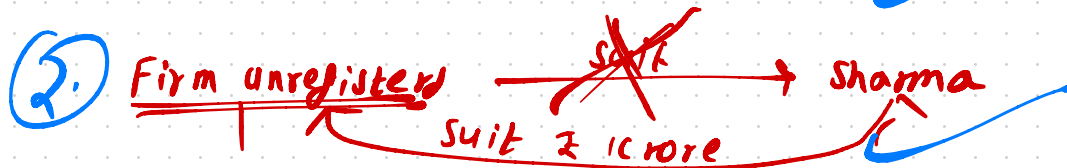
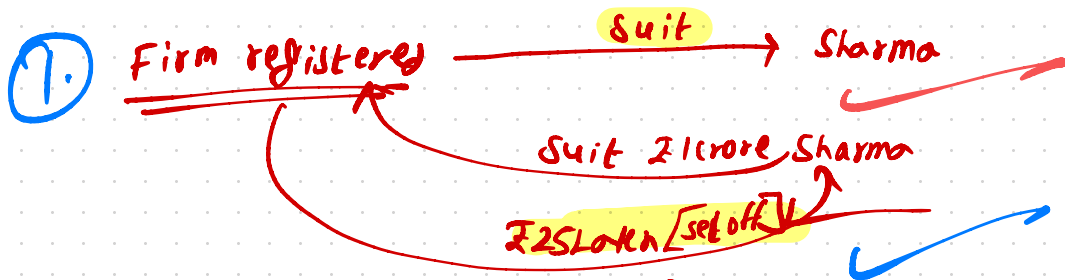
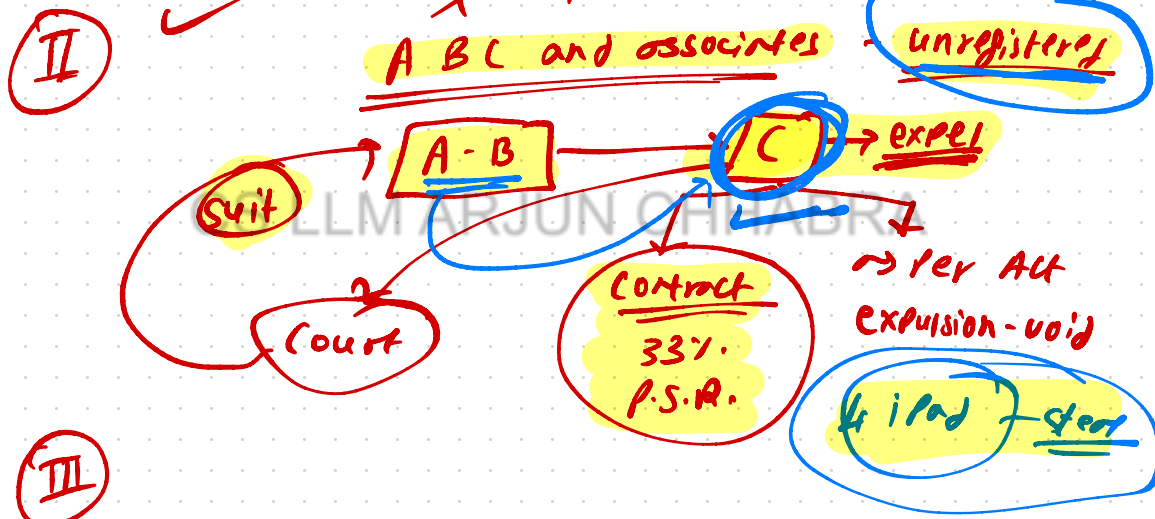
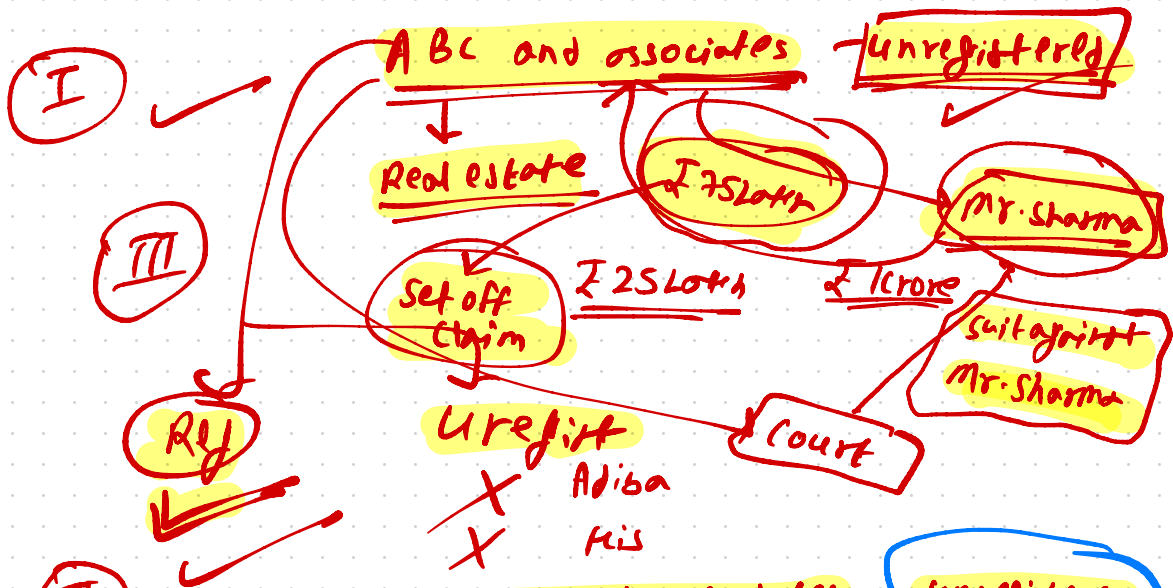
(2) Sign- Partners

(3) Name- Provision

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59 → Registration = If Roc satisfied that  
provision of sec 58 is complied.

69- with exception



~~I2S/044~~  
~~[set off]~~

② Firm unregistered ← ~~Suit~~ — Sharma

### Exception

- ① Third party can file suit
- ② No restriction on criminal suit.
- ③ Set off can be claimed if the amount is not exceeding ₹ 100.

④ Suit for dissolution can be filed by partner. X

⑤ Suit for settlement of A/c of dissolved firm

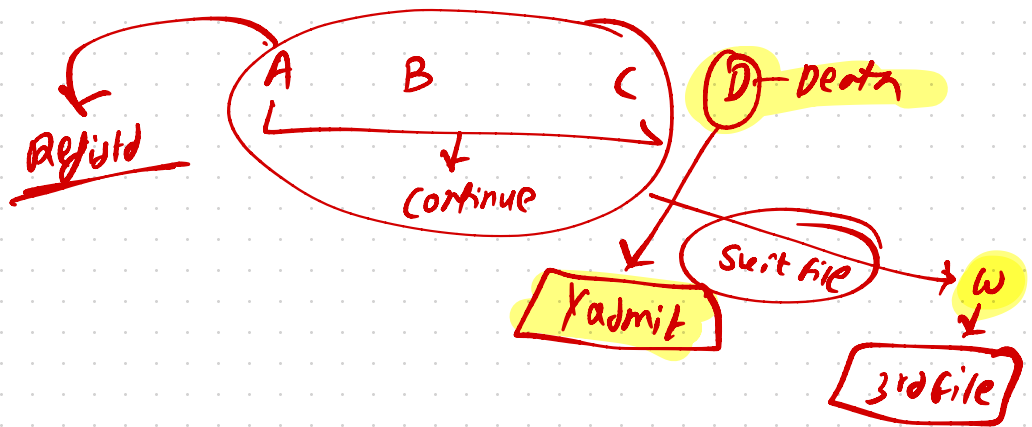
⑥ Suit for realisation of asset of dissolved firm. X

⑦ Suit for share of OP by LP

⑧ Official liquidator can cease mor



of insolvent property.



Section 46 : Right of partners to have business wound up after dissolution.

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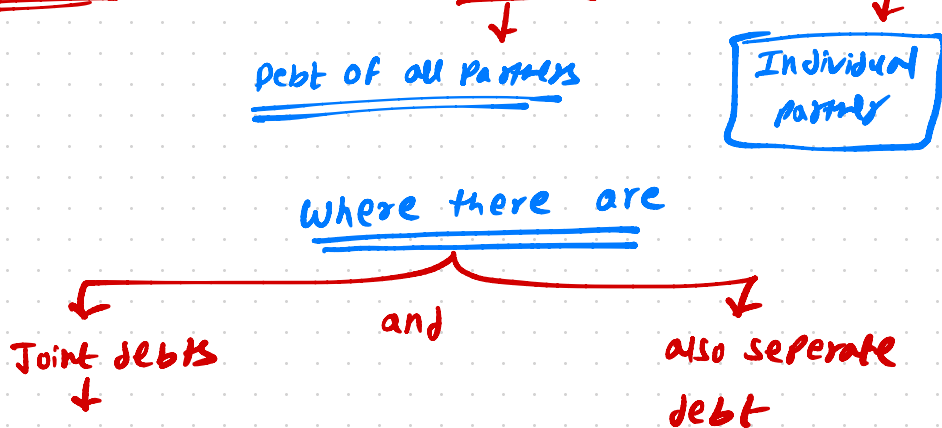
- On the dissolution of a firm
- every partner or his representative
- entitled,
- as against all the other partners or their representatives
- to have property of the firm applied
- in payment of debts and liabilities of the firm

- and to have the surplus distributed among the partners or their representative.

Section 47: Continuing authority of partners for purposes of winding up.

- After a dissolution of a firm
- the authority of each partner
- to bind the firm
- shall continue notwithstanding the dissolution
- for the purpose of winding up of the firm.

Section 49 :- Payment of firm debts and of separate debt



due from the  
firm

↓  
due from any partner

### The Property

of the firm shall  
be applied



Firstly: in payment of debt of  
the firm.

secondly: surplus, if any applied  
in payment of separate  
debt of partner.

↓  
separate property  
of any partner  
shall be applied



Firstly: payment of  
separate debt

Secondly: surplus, if any  
shall be applied in payment  
of debt of the firm.

### Blue Print of unit - III

↓  
Category 1

① Section 69 along  
with exceptions.

② mode of dissolution

↓  
Category 2

① Revocation of  
continuing  
h.

② Goodwill.

↓  
Category 3

Read and reave

39 .

46 .