

## Indian Partnership Act 1932

Definition of partnership, partner and firm [section 4] 50 partners limit - as per companies act.

### Elements of partnership

- 1) Association of two or more persons.
- 2) Agreement. (voluntary & contractual)  
(oral or written)

3) Business [existence of business  
motive of business must be  
acquisition of gains]

4) Agreement to share profit

5) Business carried on by all or  
any of them acting for all

[This is called cardinal principle of partnership law]

### True test of partnership

1) Mode of determining existence of partnership [section 6]

→ Agreement [section 5]

→ Sharing of profit

→ Agency [Santirajan Das Gupta Vs. Dasratan Murjani - ull]

## Kinds of partnership

- 1) Partnership at will } [section]  
2) Partnership for a fixed period } with regard to duration
- 3) Particular partnership } regard to extent  
4) General partnership } of the business

### ⇒ Partnership at will [section 7]

When → not for fixed period

→ continued after expiry of fixed period

→ not for determination of partnership

Dissolve → giving notice by any partner

### ⇒ Partnership for fixed period

→ created for particular period of time

→ comes to an end after expiry of fixed period.

### ⇒ Particular partnership

→ partnership constituted for single adventure or undertaking

→ dissolve by completion of that adventure

### ⇒ General partnership

→ Partnership constituted with respect

to business in general.

## Partnership deed

- Document in writing
- contain various terms & conditions as to the relation of partners to each other

## Contents of partnership deed

- \* Admission and Retirement of a partner
- \* Capital contribution of each partner
- \* Date of commencement of partnership
- \* Duration of partnership firm
- \* Name of the partnership firm
- \* Name of all the partners
- \* Nature and place of business
- \* Profit sharing ratio
- \* Provision for settlement salaries & commissions
- \* Expulsion of a partner
- \* Rate of interest on capital, drawings, loan

## Types of partners

- 1) Active partner
- 2) Sleeping partner
- 3) Incoming partner
- 4) Outgoing partner
- 5) Partner in profit only
- 6) Nominal partner
- 7) Partner by holding out [sec 28]

## Relations of Partners

- 1) General duties [section 9]
- 2) Duty to indemnify for loss caused by fraud [sec 10]
- 3) Determination of rights and duties of partners by contract between the partners [sec 11]
- 4) The conduct of the business [sec 12]
  - [sec 12(a)] → Right to take part in conduct of business
  - [sec 12(c)] → Right to be consulted
  - [sec 12(d)] → Right of access to books
  - [sec 12(e)] → Right of legal heirs/representatives
- 5) Mutual rights and liabilities [section 13]
  - [sec 13(a)] → Right to remuneration
  - [sec 13(b)] → Right to share profits
  - [sec 13(c)] → Interest on capital
  - [sec 13(d)] → Interest on advances (6%)
  - [sec 13(e)] → Right to be indemnified
  - [sec 13(f)] → Right to indemnify from

## Partnership property

- 1) The property of the firm (sec 14)
- 2) Application of the property of the firm (sec 15)

## Personal profit earned by partners (sec 16)

- a) derive any profit of firm for himself, he must pay it to firm
- b) partner carries on business of same nature and competing with firm he must pay all the profit from that business to firm.

## Rights and duties of partners after a change in the firm (section 17)

## Relation of partners to third parties

- 1) section 18 partner to be an agent of firm
- 2) section 19 implied authority of partner as agent of firm
- 3) section 22 mode of doing act to bind firm
- 4) section 20 extension and restriction of partner's implied authority
- 5) section 21 partner's authority in an emergency

## Effect of admission by a partner (sec 23)

## Effect of notice to retiring partner (sec 24)

## Liability to third parties

- 1) Liability of a partner for acts of the firm [section 25]
- 2) Liability of firm for wrongful acts of a partner [section 26]
- 3) Liability of firm for misapplication by partners [section 27]

## Rights of transferee of a partner's interest [section 29]

## Minors admitted to the benefits of partnership [section 30]

## Legal consequences of partners coming in and going out (sec 31 - 35) **IREIL**

- Introduction of a partner (sec 31)
- Retirement of a partner (sec 32)
- Expulsion of a partner (sec 33)
- Insolvency of a partner (sec 34)
- Liability of estate of deceased partner (sec 35)

## Rights 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)

## Registration of firms

- \* Application for registration (sec 58)
- \* Registration (sec 59)
- \* Late registration on payment of penalty (sec 59A-1)

Consequences of non-registration (sec 69)

## Dissolution of firm (sec 39)

modes of dissolution

- Dissolution by agreement (sec 40)
- Compulsory dissolution (sec 41)
- Dissolution on happening of certain contingencies (sec 42)
- Dissolution by notice of partnership at will (sec 43)
- Dissolution by court (sec 44)

## Consequences of Dissolution

- Liability for acts of partner done after dissolution (sec 45)
- Rights of partners to have business wound up after dissolution (sec 46)
- Continuing authority of partners for purposes of winding up (sec 47)
- Mode of settlement of partnership accounts (sec 48)
- Payment of firm debts and of separate debts (sec 49)