

Section 04

Partnership means a relation b/w two or more persons who agree to share profits of business, carried by all or any of them acting for all.

(1) Two or more persons.

→ Min. Person ⇒ 2

→ Max. Person ⇒ 50 [as per Sec 464 of Co. Act, 2013]

→ Person = natural Person or  
Juridic Person (Person created by law)

(2) Agreement :- No agreement = No partnership

- ↳ Oral
- ↳ Written (Partnership deed)
- ↳ Implied

<u>Partnership</u>	is different from	<u>HUF</u>
↓		↓
Creation by agreement		Creation by Relation.

(3) Sharing of profits - Essential condition

Sharing of profit is must, sharing of loss is not essential.



## Kind of Partnership

Based on Duration

Based on extent of business

Partnership at will

Fixed Partnership

Partnership General

Particular Partnership

Partnership formed for  
No fixed partner

Partnership formed for  
fixed duration

When partner  
-ship is formed  
to do business  
in General

Partnership formed  
for particular  
undertaking or  
Venture

No fixed purpose

~~\*\*\*\*\*~~

\* when partners carried business even after expiry of fixed period then it becomes Partnership at will

## Types of Partners

	<u>ACTIVE PARTNER</u>	<u>DORMANT</u>	<u>NOMINAL</u>
① He participates in day to day business	✓	✗	✗
② He contributes Capital	✓	✓	✗
③ Share profit	✓	✓	✗
④ Liable for acts of the firm	✓	✓	✓



Unit - 02

Section 9

Partners → should carry business in → in common advantage  
 → be just & faithful & provide all information to each other.

Section 10

Partner shall → indemnify the firm → for any loss to the firm caused by his fraud in the conduct of business.

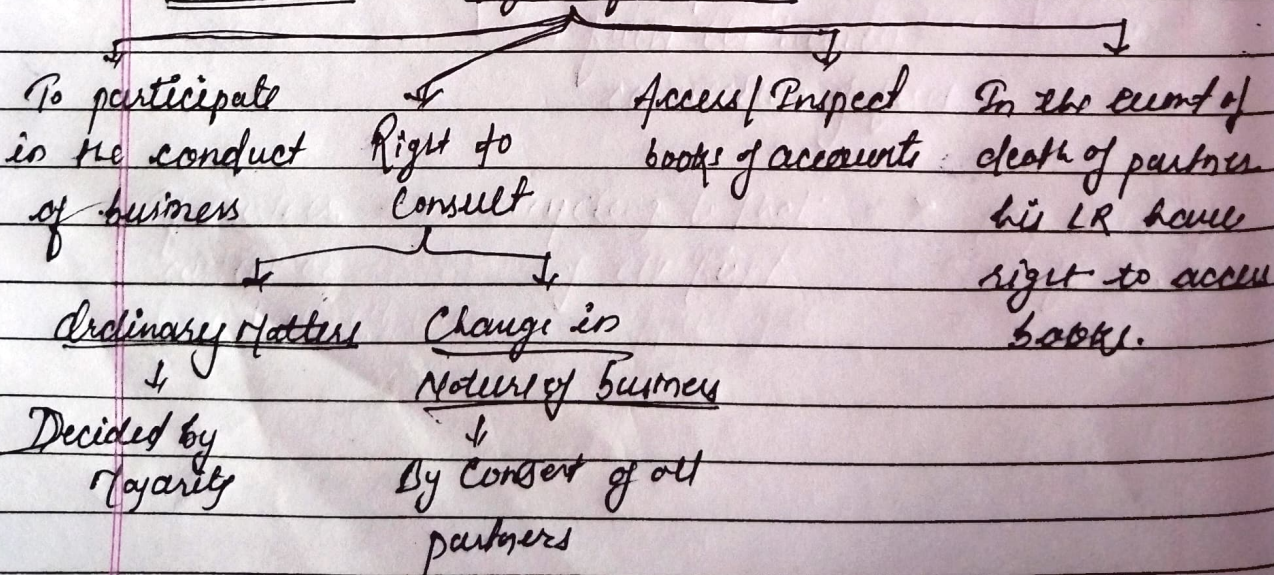
Section 11

Partners → can decide their mutual Rights/Duties → by contract between them.

Such Contract → may provide → Partner shall not on business other than the business of firm while he is partner.

Section 12

Right of Partners.



Section - 13 (Mutual Rights & Liabilities)

① Right to Remuneration

He is not entitled to receive remuneration  
 However if there is

Express agreement  
 If there is no agreement but it is customary as per the Business of firm

② Interest on Capital

Express Agreement  
 Particular Customs  
 Statutory provisions require the same

③ Preference on advance

if partners give advance then they are entitled for ~~the~~ interest @ 6% P.A.

④ Right to be Indemnified

→ If partner → in ordinary  
 make payment cause of  
 for firm business

⑤ A partner

→ must indemnify → for loss caused by his willful Neglect

⑥ Right to share profit or loss

→ Equally → If no agreement has been executed.

Section = 14

Property of firm

All property/rights/  
interest acquired  
through common  
stock.

All property/  
rights/interest  
acquired in  
the ordinary  
course of  
business.

Goodwill

Section = 15

Property of  
firm

→

shall be

Exclusively

→

Held &amp; use

↓

for the purpose of  
firm's business.

Section 16

If any profit  
earned by partner.→ from any  
transactions of  
the firm→ Using the firm's  
Property→ from the business  
connection of firm→ He shall pay  
profit to  
firm.If Partner  
carries on  
same business

→

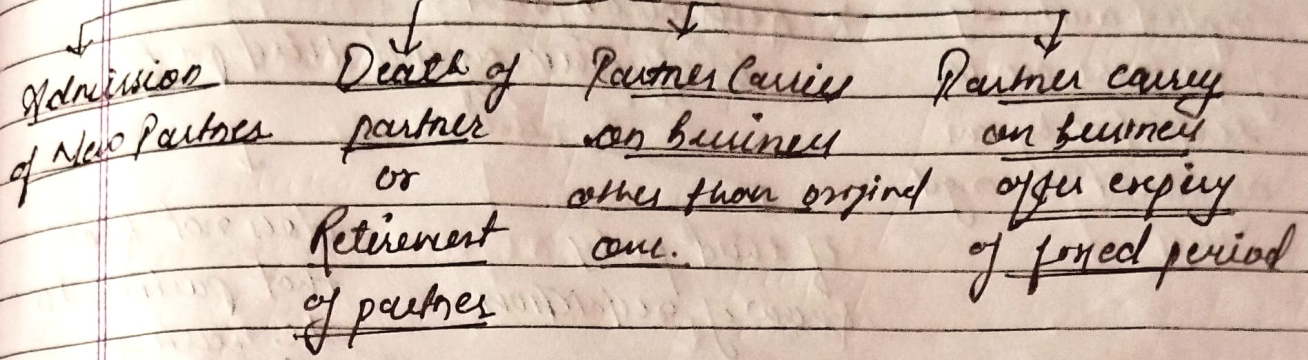
Competing to that  
of the firm

→

Pay all profit  
to firm.

Section = 17

Change in Constitution



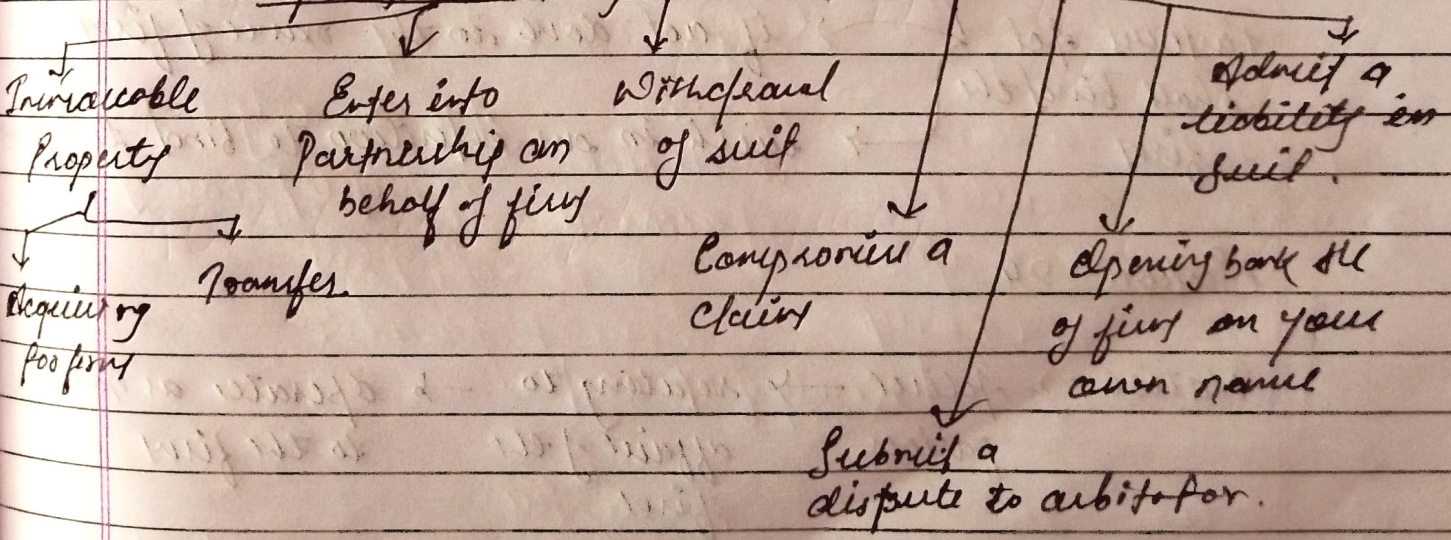
Section = 18

Every Partner → Agent of firm → for the purpose of business of firm.

Section 19

Implied authority:— Authority of the partner to act for the business of the firm.

Implied authority does not include





Section = 20

Implied authority of partners can be restricted by an agreement amongst them → Restrictions shall be effective against third party

↓  
if third party know of restrictions

↓  
does not know that partner to be partner

Section = 21

Act of a Partner → In an Emergency → to protect the firm from loss

[as only person of ordinary prudence would do]

→ Such acts shall bind the firm

Section = 22

Partners Act shall bind the firm

- within his scope of authority
- if act done in the name of firm
- with in an intention to bind the firm.

Section = 24

Notice ⇒ Actual partner → relating to affairs of the firm → operates as notice to the firm

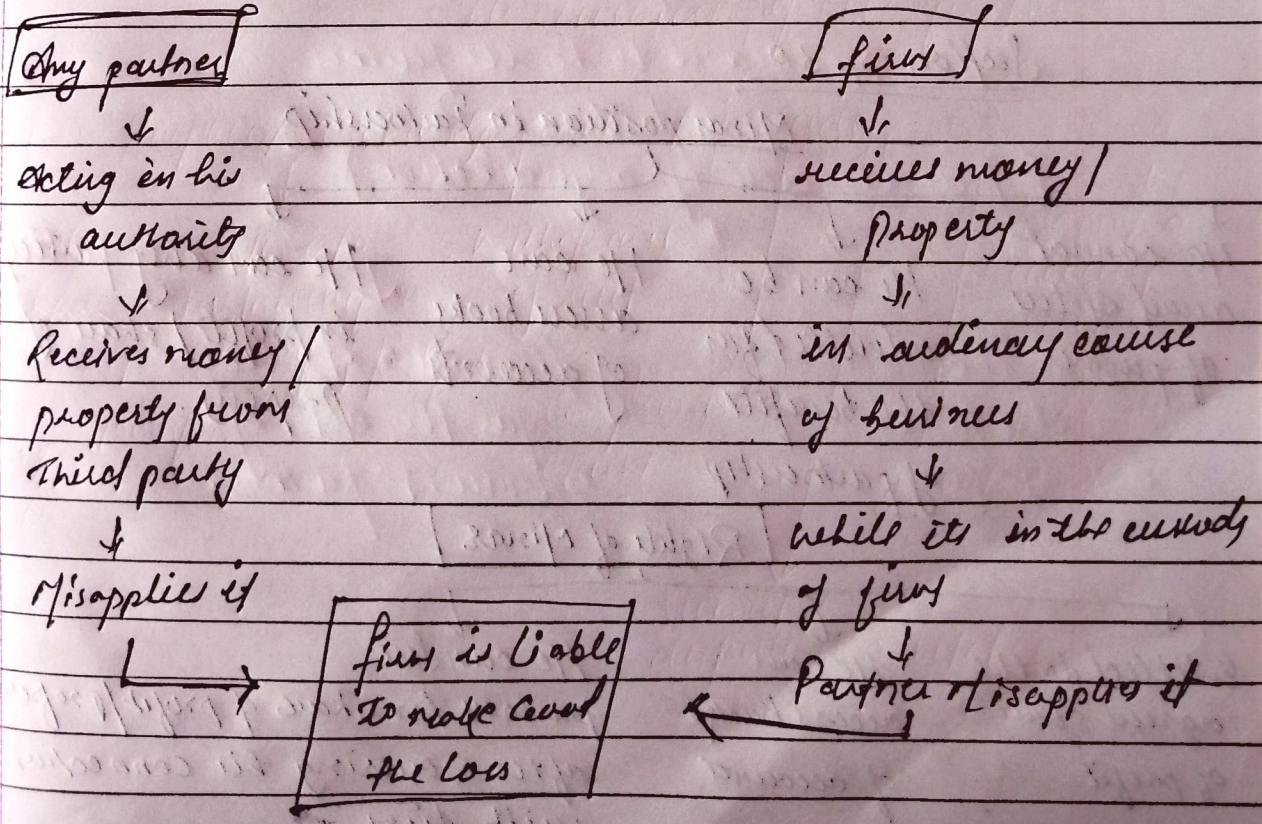
Section = 21

Every Partner → Is liable → for the acts → while they  
Jointly with → of the firm → are partners.  
all partners

Section = 26

Any wrongful act done by partner → In the ordinary course of business → Causing loss to third party  
with authority of partners  
↓  
firm is liable to the same extent as partner.

Section = 27



Section = 29

A transfer by a partner

By firm is disclosed as transferring partner ceases to be partner

His interest in the firm

Transferee

Wholly

Partly

to transferee

Share of assets of transferee partner

Entitled to accounts to ascertain share

does not right to

to interfere in business

to require accounts

inspect books

Section = 30

Minor position in Partnership

He cannot avail status of partner

He can be admitted for the benefits of partnership

He can access books of accounts

He can only participate in profits / share of property.

Rights of Minor

Entitled to the agreed share of profit

He can access books of accounts

He can sue partners for share of profit / property after severing his connection with firm

6 Month Public Notice

In majority or  
 obtaining knowledge

exact  
 whether you want to  
 partner or not

Yes wants to  
 become partner

No, Not to  
 become partner

You will be liable, for all  
 the liabilities once the day  
 you were admitted for the  
 benefits of Partnership and  
 he will become personally  
 liable

from the day of Public  
 Notice, Minar share  
 of profit shall not  
 liable for the acts of  
 firm.

Note:- Minar is never personally liable for firm's liabilities but his share of profit as property in the firm shall be liable.

Section = 31

Section = 32

A partner who is  
 introduced as a  
 partner in the firm  
 does not become liable  
 for the acts done  
 before he became a  
 partner.

Retirement of Partner

with consent  
 of all partners

Partnership at  
 will

By Express  
 agreement

By Giving notice  
 in writing to all  
 partners.

→ Partner shall not be liable for the acts  
 of firm from the date of Notice.

Section = 33Expulsion

A partner may be expelled provided if conditions are fulfilled

Power of  
Expulsion is  
provided in  
Contract [deed]

Exercised by  
Majority

Exercised in  
[GOOD FAITH]

Apparatus to  
be heard

Notice of  
Expulsion is  
served

Should be in  
the interest of  
firm.

Section = 34Insolvency

when a partner is adjudicated as insolvent

he ceases to be the partner

[from the date of adjudication]

His estate shall not  
be liable for the  
acts of firm

firm is not liable  
for the acts of  
Insolvent partner.