

# Welcome to the Revision of Partnership Act

## Section 4

Partnership means a relation between  
2 or more person who agree to share the  
profit of business, carried on by all  
or any of them acting for all

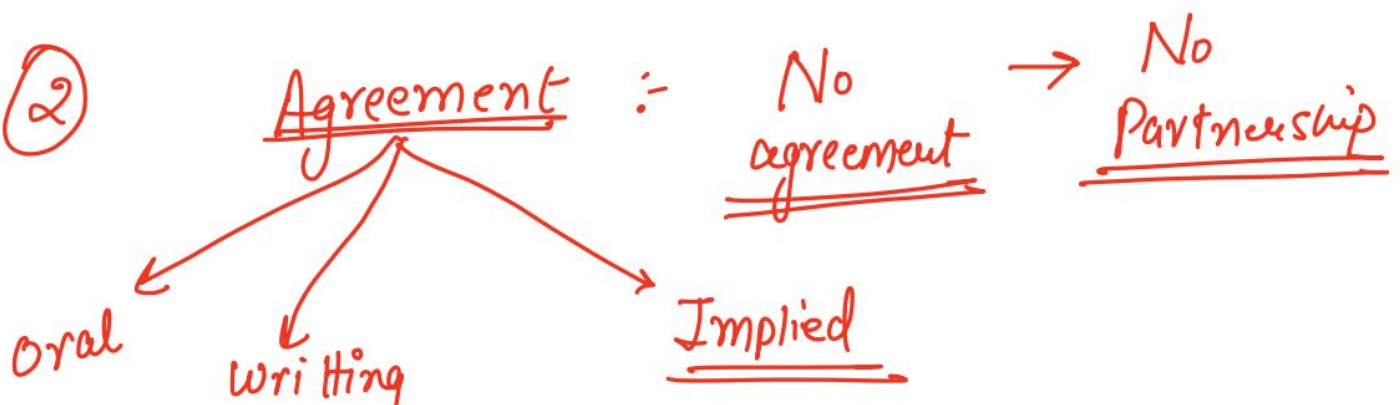
① 2 or more person

minimum partner - 2  
maximum partner → 50

natural person  
juridic person

↓  
[Person created  
by law]

②



Partnership is different from HUF  
↓ ↓  
is by agreement is by relation

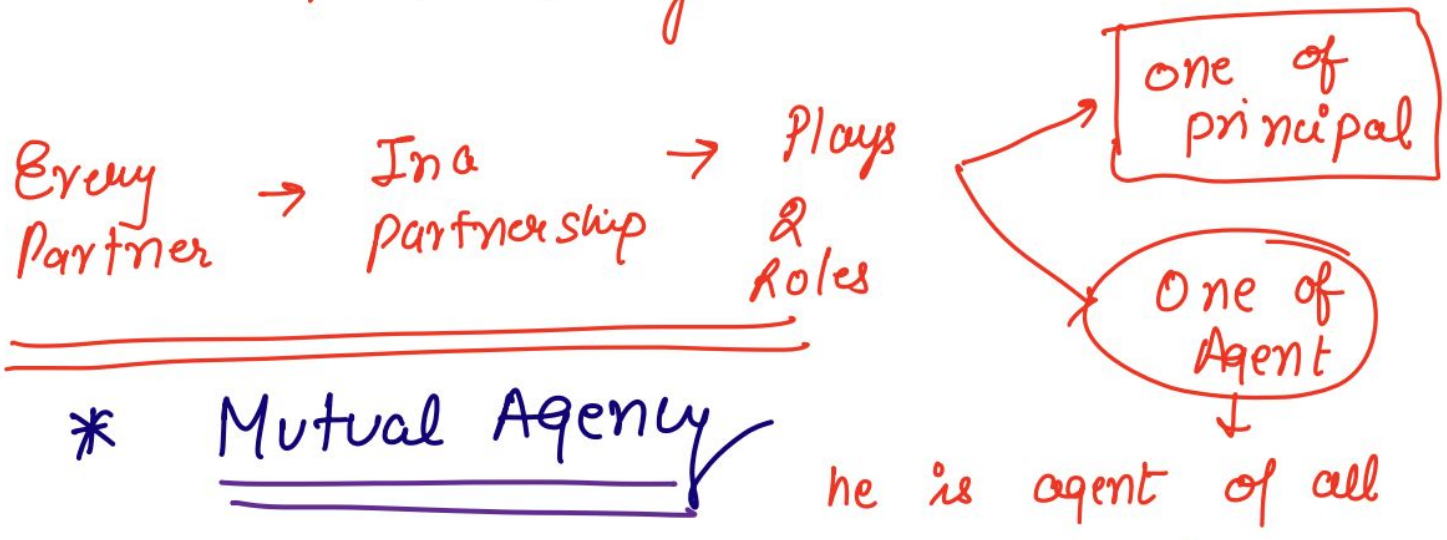
③ Sharing of profit :- Essential condition

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

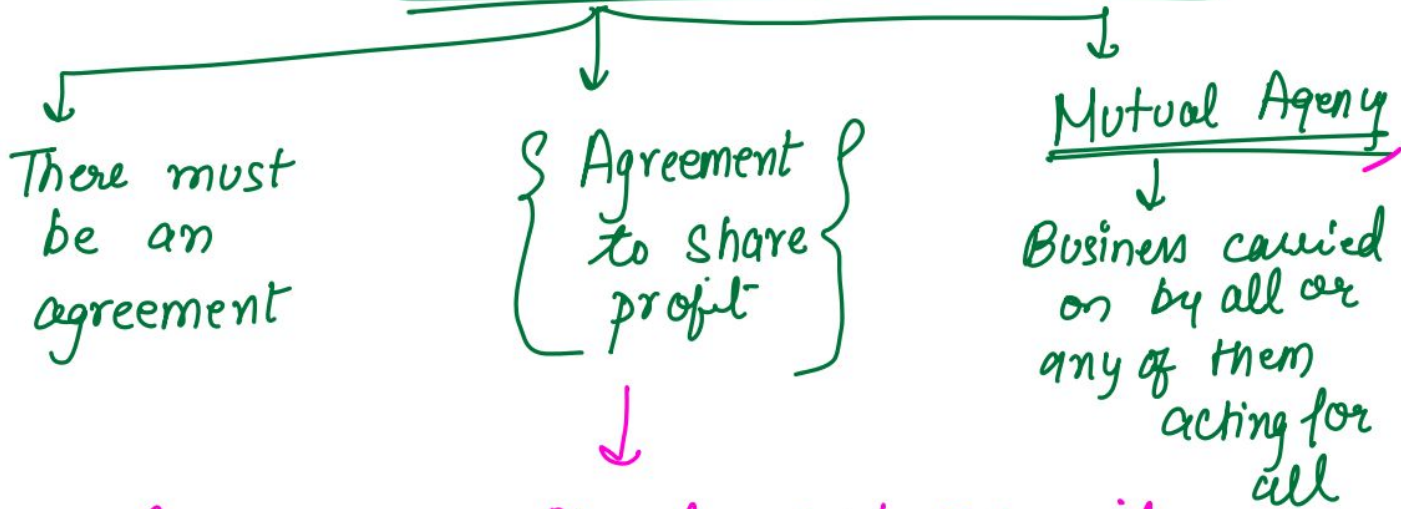
④ Business :- There has to be business to earn profit,

[ Partnership chority kai live nai hota ]

⑤ Carried on by all or any of them acting for all

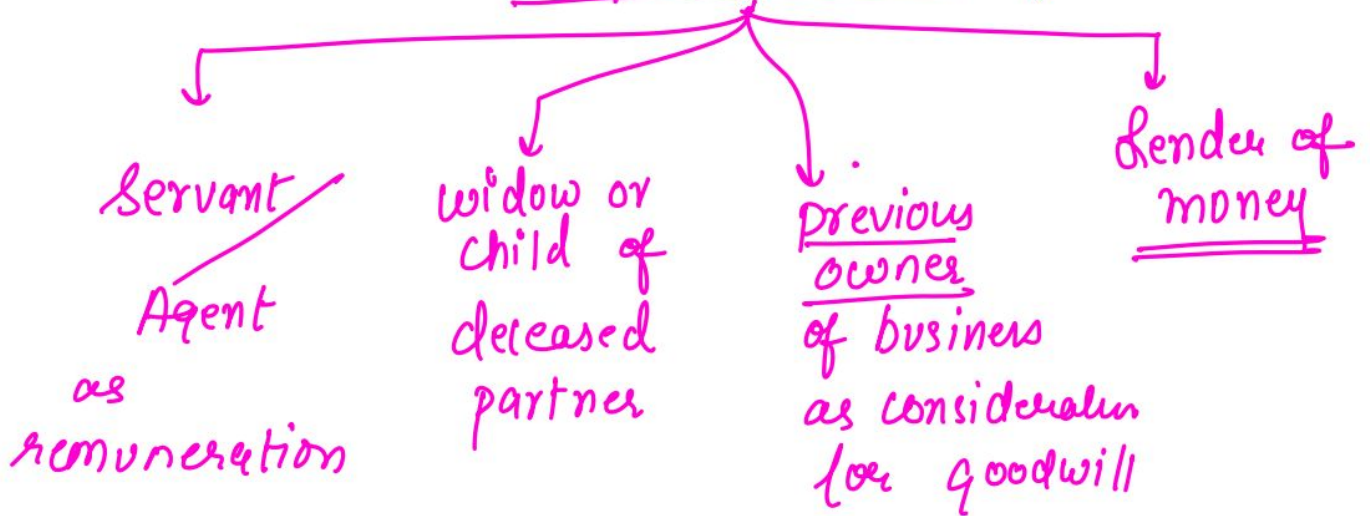


# True Test of Partnership

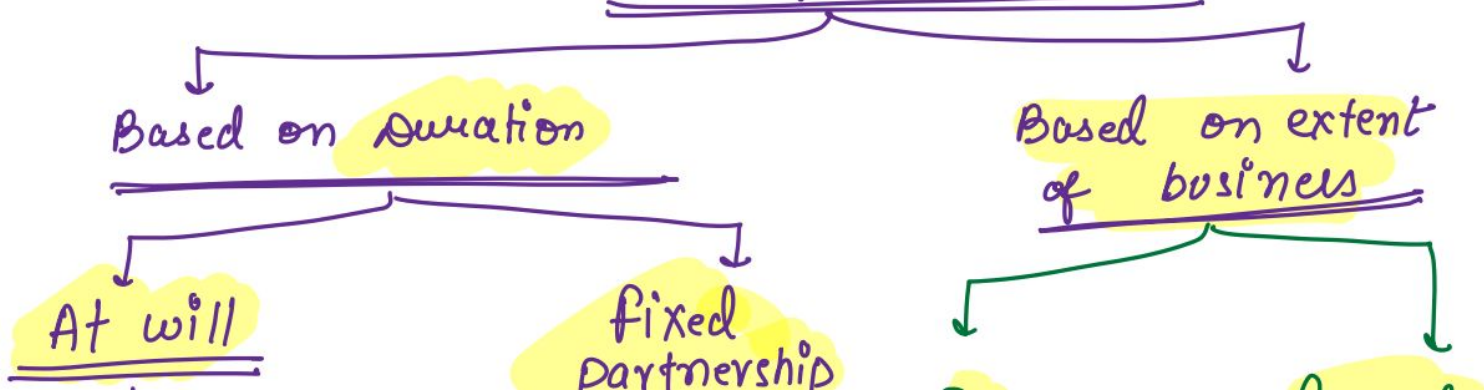


Receipt of profit does not necessarily make a person the partner

## Receipt of share by



## Kind of Partnership





↓  
 Partnership formed for  
 No fixed period  
 & No fixed purpose

↓  
 Partnership formed for fixed duration

Particular Partnership  
 ↓  
 Partnership formed for particular undertaking or Venture

General Partnership  
 ↓  
 where partnership is formed to do business in general

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

	<u>Active Partner</u>	<u>Dormant Partner</u>	<u>Nominal Partner</u>
① He participates in day to day business	✓	✗	✗
② He contributes Capital	✓	✓	✗
③ share profit	✓	✓	✓
④ liable for acts of the firms	✓	✓	✓
⑤ He has to give <u>public notice</u> on retirement	✓	✗	✓

[No real int  
in firm]

## Nominal Partner

He lends his name to the firm  
and is liable to third parties  
for the acts of the firm

## Partner by holding out / Estoppel

where a person  
represents  
himself  
as a  
Partner

To be  
represented  
as a  
partner  
in  
firm

He is  
liable  
like a  
partner  
in firm

to anyone  
who on the  
faith or  
representation  
of such  
person  
gives  
credit to  
the firm

(\*) He is not liable to  
all the creditors of the  
firm

## Unit 2

Sec 9

Partners

→

Should  
carry

↗ ↘

in common advantage

be just eq



business  
in  
firm

faithful &  
provide all  
info to each  
other

Sec 10

Partner shall → Indemnify the firm → for any loss to the firm

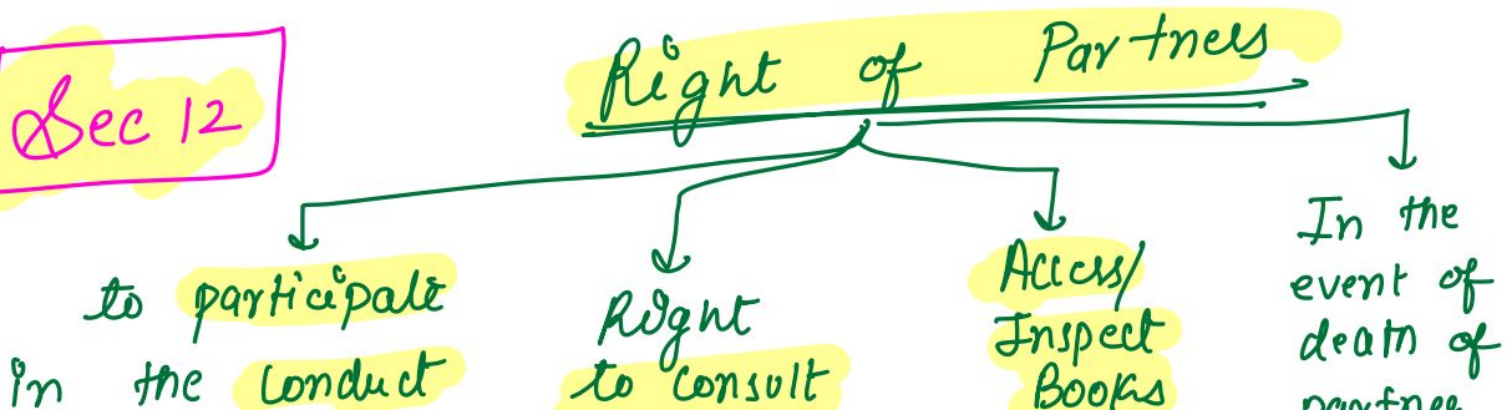
→ caused by his fraud in the conduct of business

Sec 11

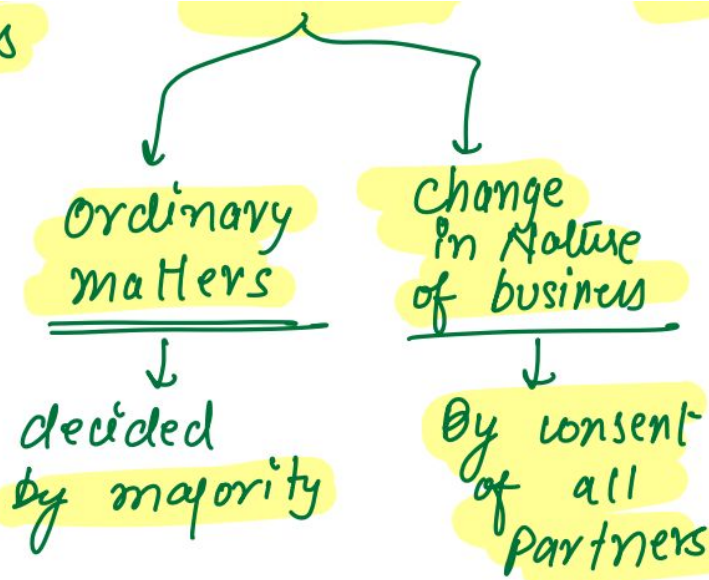
Partners → can decide their mutual Rights/duties → by contract between them

(Such Contract) → may provide → (Partners shall not carry on business other than the business of firm while he is partner)

Sec 12



of business



partner, his legal representatives have right to access books

### Section 13 (Mutual Rights / Liability)

#### 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

#### Int on Capital

Express Agreement

trade Customs

Statutory provisions require the same

#### Int on advance

if partners → gives advance  
⊗ the partner is entitled to Interest @ 6% p.a

Right to be indemnified

if partner makes payment

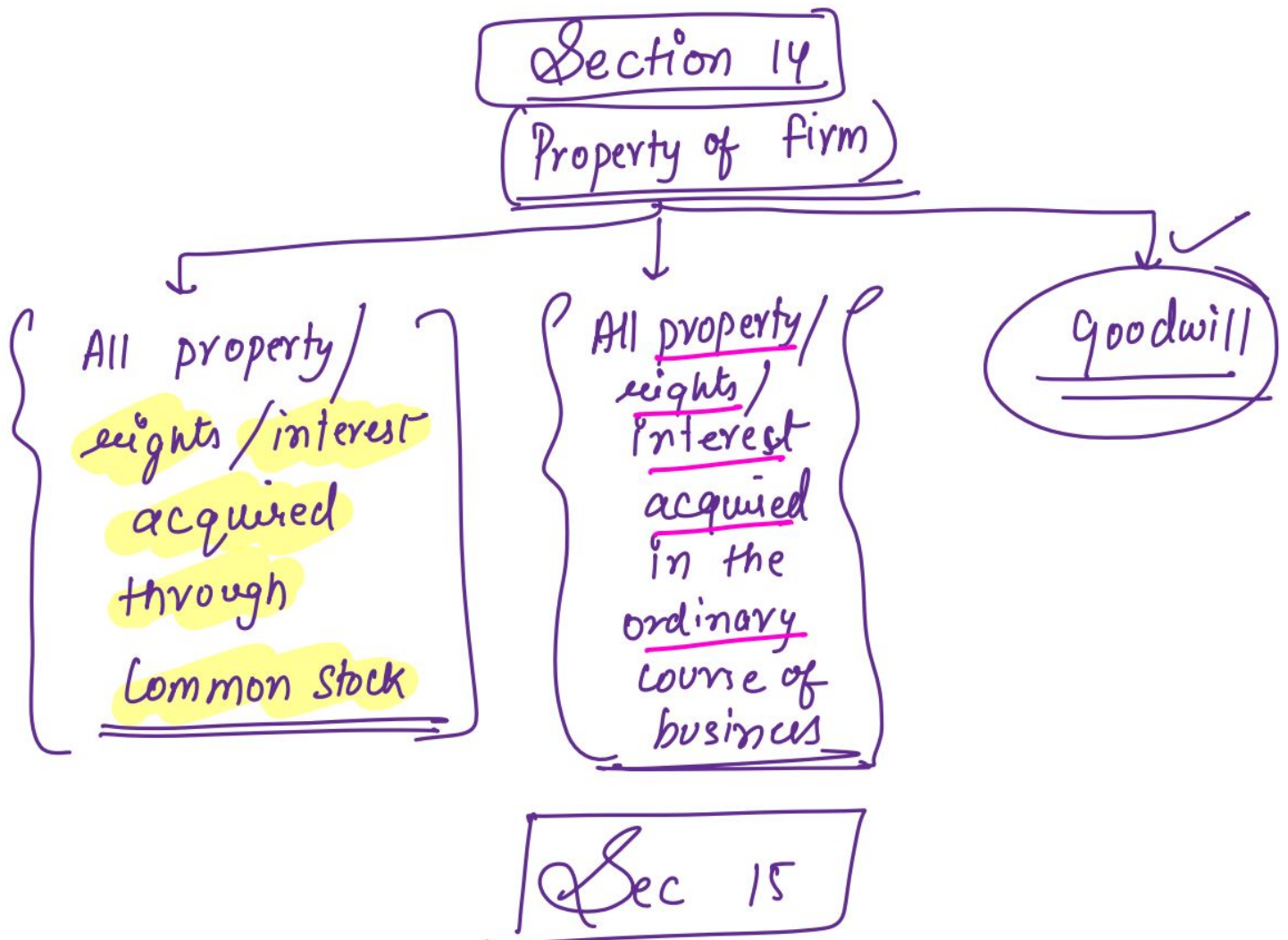
in ordinary course of business



for firm

① of partner → must indemnify the firm → for loss caused by his willful Neglect

② Right to share profit/loss → equally → if No agreement has been executed





Property of firm

→ shall be exclusively

→ Hold & use

↓  
for the purpose of firms business

## Section 16

if any profit is earned by partner

→ from any transactions of the firm

→ Using the firms property

→ from the business connection of firm

→ He shall pay profit to firm

If partner carries on some business

→ Competing to that of the firm

→ Pay to firm all profits

## Section 17

(Change in constitution)

- Admission
- Death
- Partner
- Partners

of  
New partner

of  
Partner  
Retirement

carries  
on  
business  
other  
than  
original  
one

Carry on  
business  
after  
expiry  
of fixed  
period

### Sec 18

Every  
Partner



Agent  
of  
firm



for the purpose  
of  
Business of  
firm

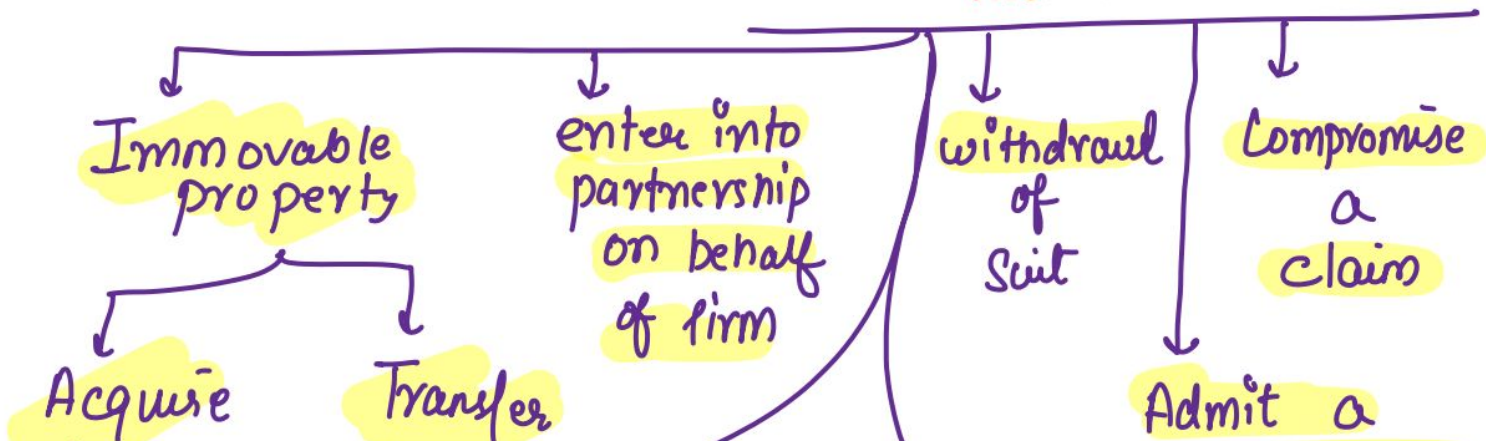
### Sec 19

Implied  
authority

:-

Authority of the partner to  
act for the business of  
the firm

Implied authority does not  
include





for firm

opening bank A/c of firm on your own name

liability in a suit

submit a dispute or arbitrary

Sec 20

Implied authority of partners can be restricted by an agreement amongst them

Restriction shall be effective against third party

if third party knows of restriction

or

does not know that partner to be partner

Sec 21

Act of a partner

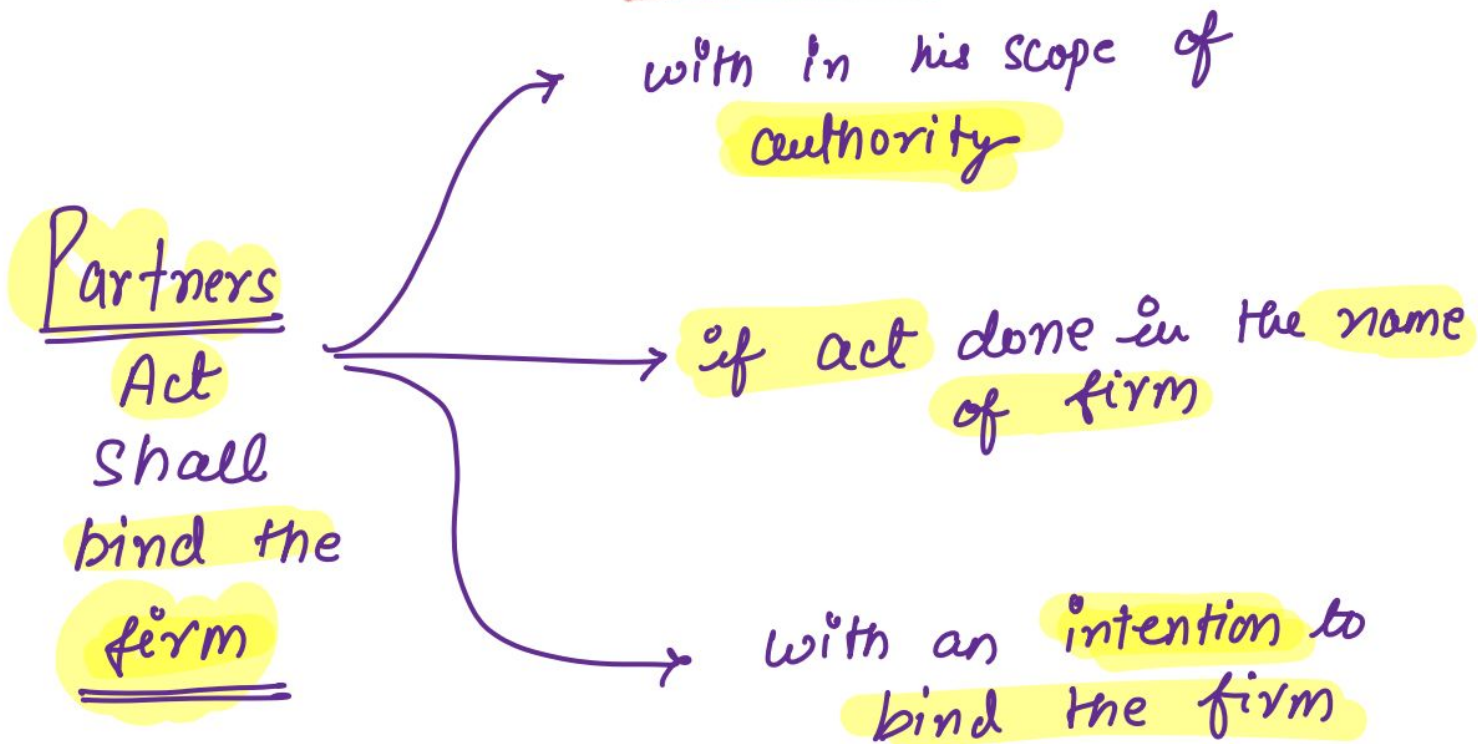
In an emergency situation

to protect the firm from loss

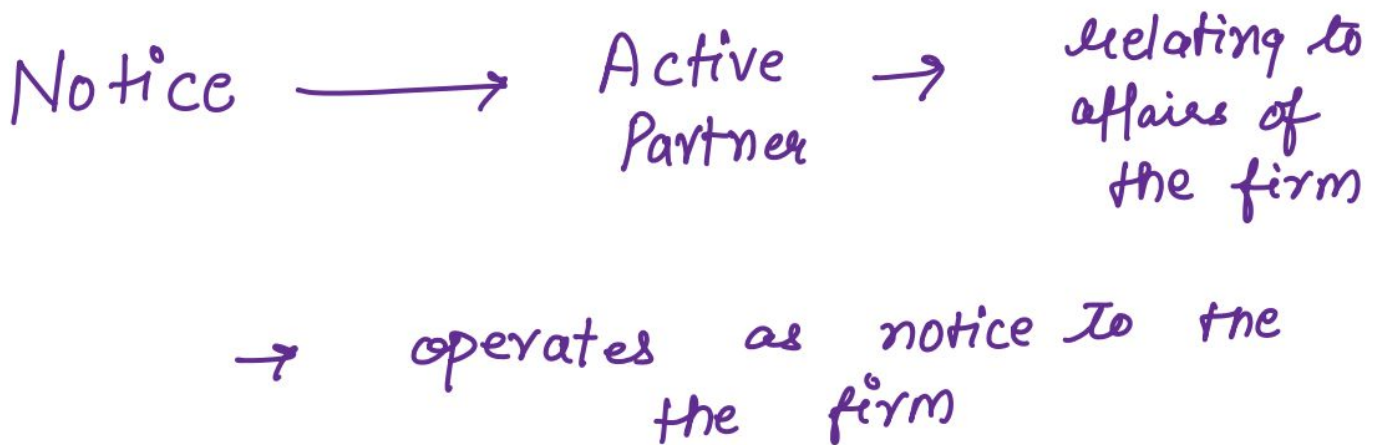
of as any human ordinary prudence would do

Such Acts shall bind the firm

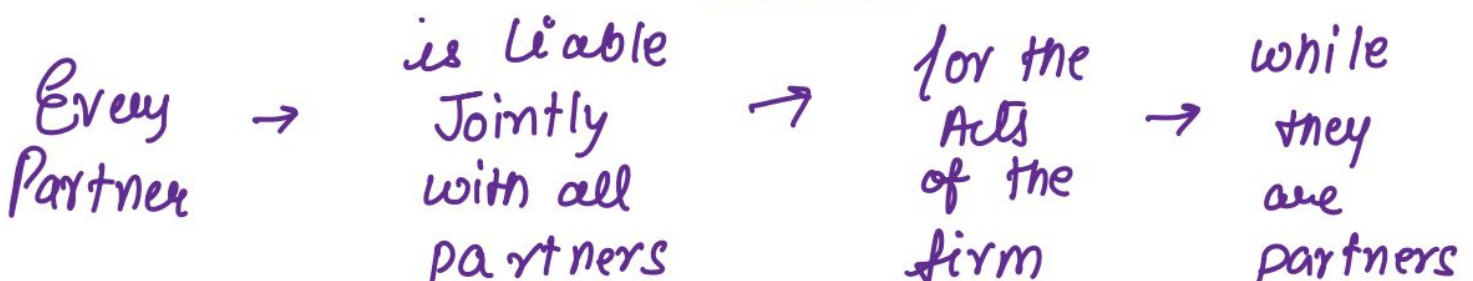
## Sec 22



## Sec 24



## Sec 25





**Sec 26**

Any wrongful act done by partner

In the ordinary course of business with authority of partners

Causing loss to third party

firm is liable to the same extent as partner

**27**

Any partner  
↓  
Acting in his authority  
↓  
receives money/property from Third party  
↓  
**Misapplies it**

firm  
↓  
receives money/property  
↓  
in ordinary course of business  
↓  
while its in the custody of firm  
↓  
**Partner Misapplies it**

[ Firm is liable to make good the loss ]

Sec 29

A partner by a partner

his interest in the firm

wholly or partly

to transferee

does not rights to

to interfere in business

to require accounts

Inspect Books

If firm is dissolved or transferring partner ceases to be partner

Transferee

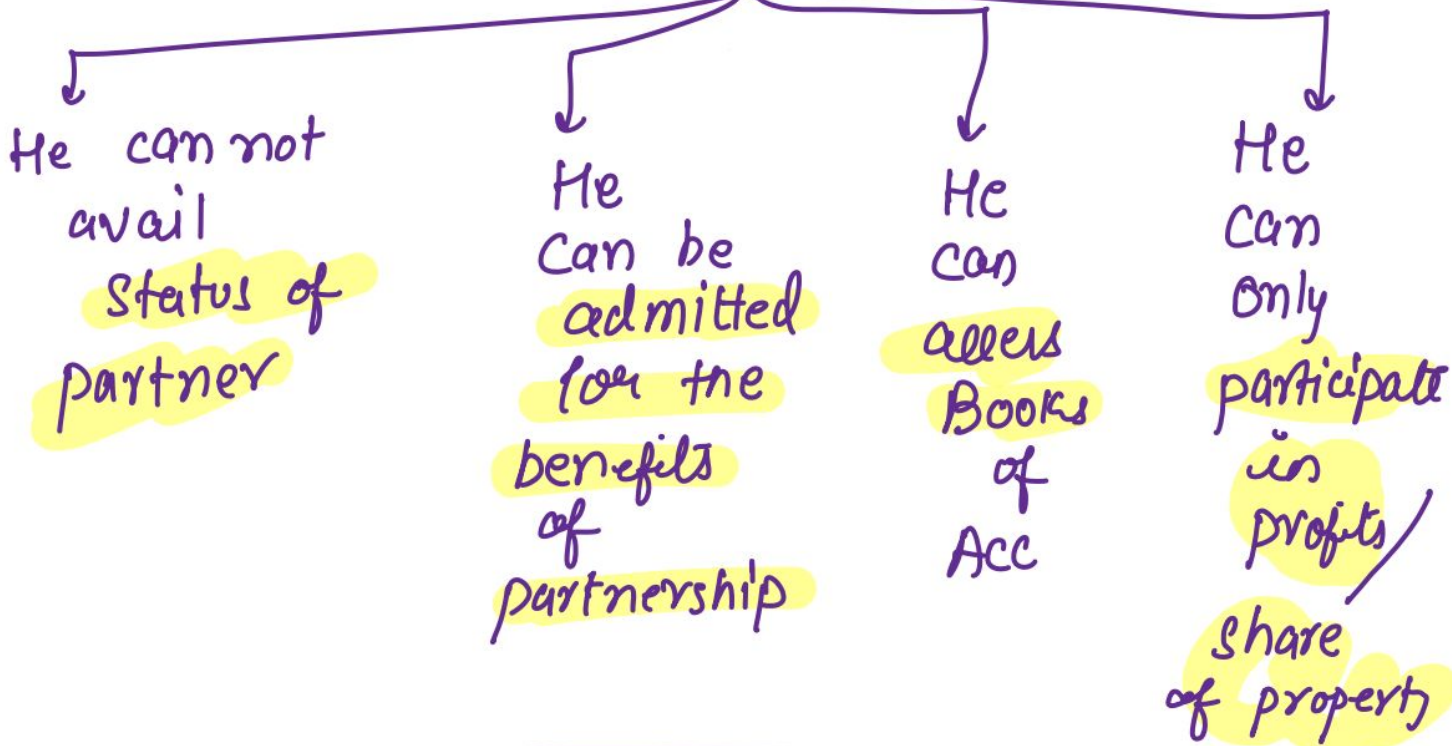
Share of assets of Transferee Partner

entitled to accounts to ascertain share

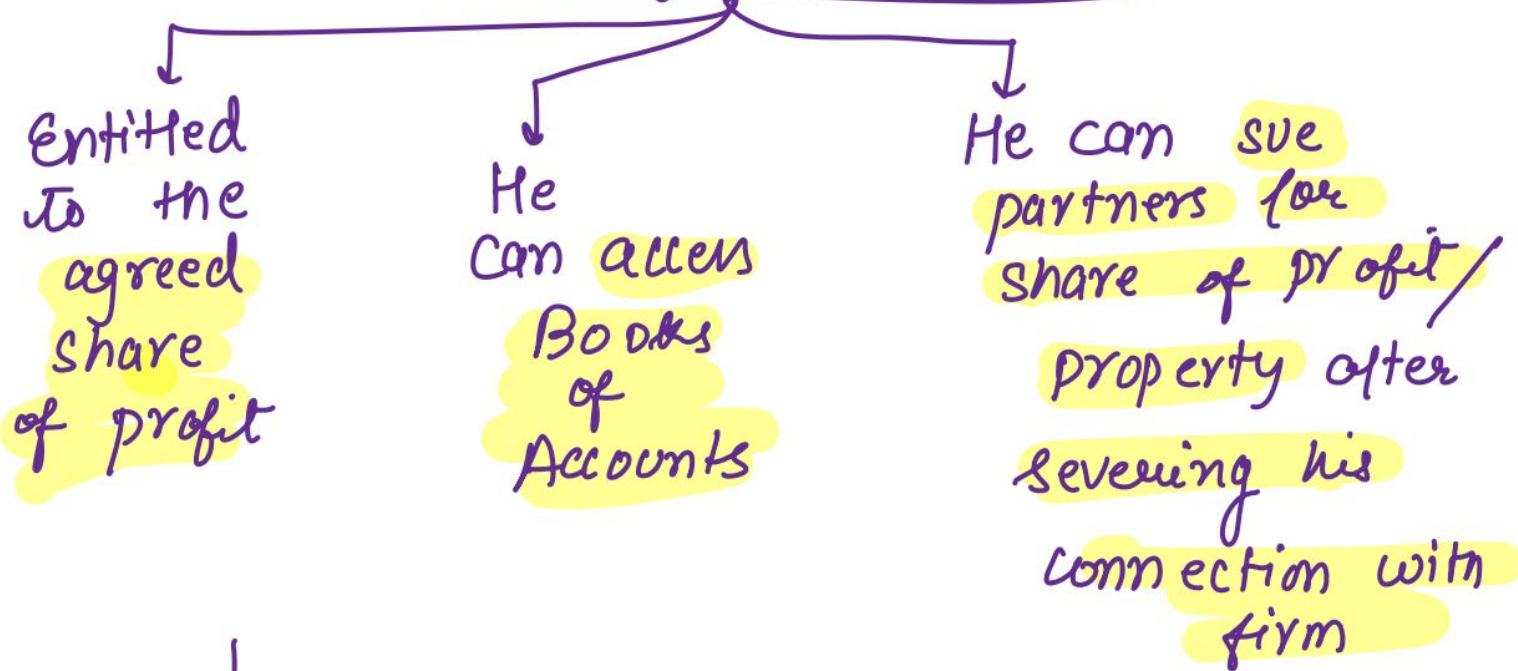


# Sec 30

## Minor position in partnership



## Rights of Minor



ON max/min

6 months → Public Notice

↓

majority  
or  
obtaining  
knowledge

elect  
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  
since the day, you were  
(admitted for the  
benefits of partnership)  
and he will become  
personally liable

From the  
day of public  
notice, minor  
share of profit  
shall not  
be liable for  
the Acts of  
firm

Note :- Minor is never personally liable  
for firm liabilities but his share  
of profit or property in the  
firm shall be liable.



Sec

31

A partner who is introduced as partner in the firm

↓  
does not become liable for the acts done before he became a partner

32

Retirement of a partner

↓  
with consent of all partners

↓  
by Express agreement

↓  
Partner at will

↓  
by giving notice in writing to all partners

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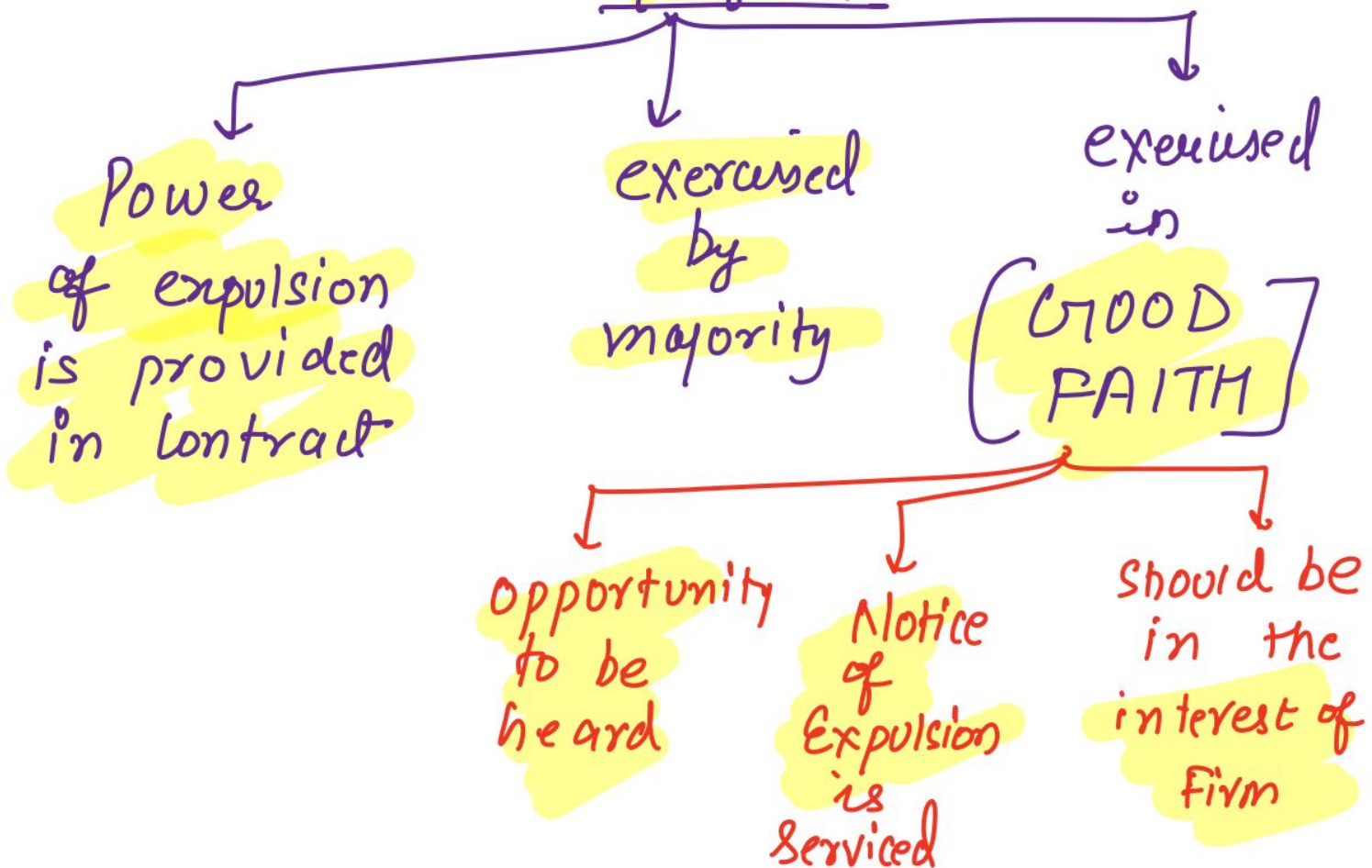
Partner shall not be liable for the acts of firm from date of Public notice

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Sec 33

## Expulsion

A partner may be expelled provided 3 conditions are fulfilled



## Sec 34

### Insolvency

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

### Section 36

Any outgoing partner can carry on business of competing nature to that of firm, he can advertise their business, he cannot

Use old firm Name

Cannot approach old customers

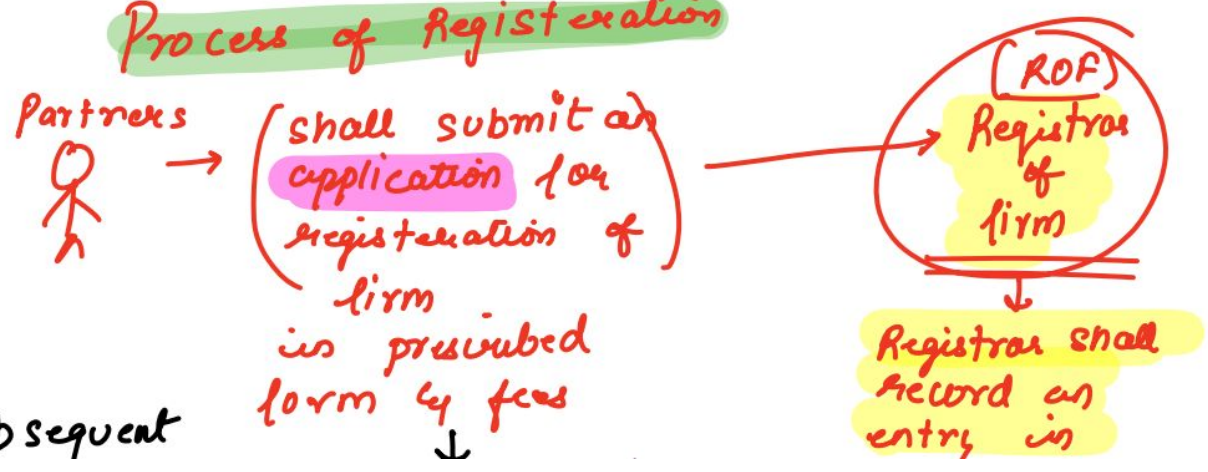
Cannot represent themselves carrying old business

# Unit 3

## Registration of firm

(\*) It is not mandatory to register the firm

### Process of Registration



(\*) Any subsequent



Change in name / place of business or constitution of firm shall be registered

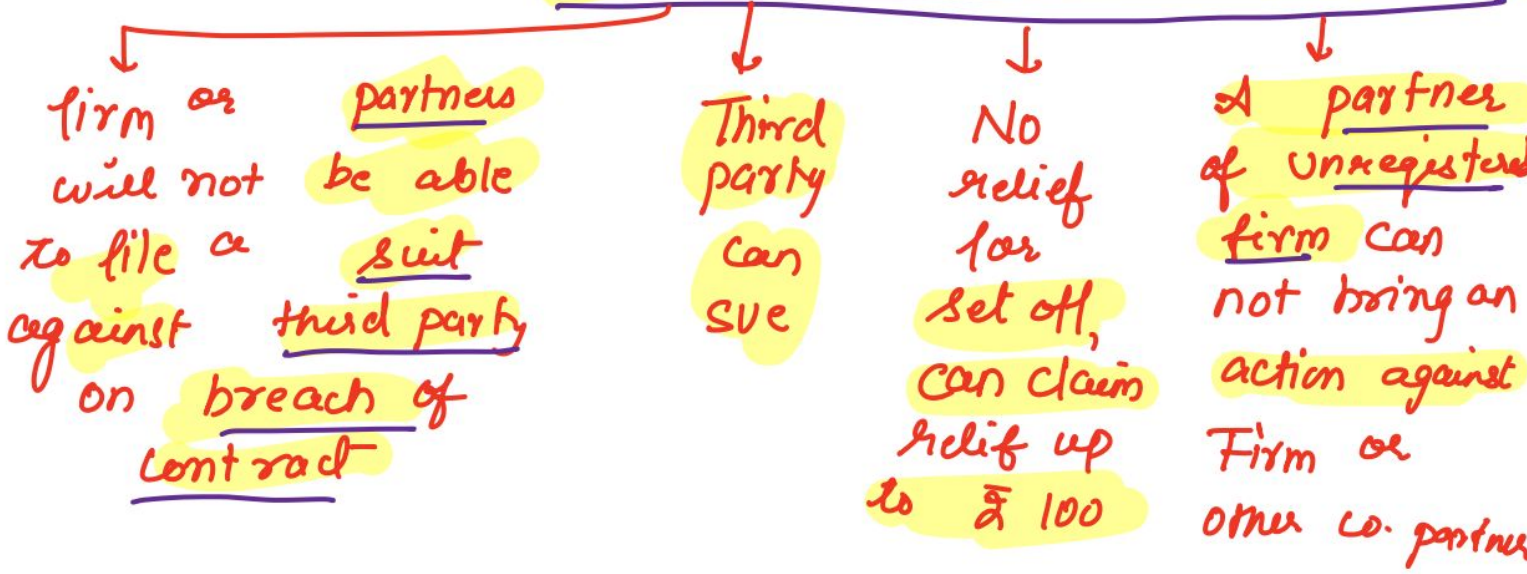
- Firm Name
- Place of Business
- Name & address of partners
- Date of Joining Partnership

his register &  
Issue Certificate of Registration

§8(1A) :- Reg of firm shall be done within 1 year from the date of constitution of firm

Late Registration Penalty :- 100 ₹ per year of delay

Consequences for Non registration



However non registration shall not affect

Right of Third party to sue

Right to claim set off upto ₹ 100

Partners can sue for the dissolution of firm &

Power of official receiver to release the property of Insolvent partner

To settle accounts or realise property of dissolved property

## Dissolution of firm

## Dissolution of Partnership

Involves dissolution of Partnership

may or may not dissolve the firm

Books

Final closure of books

does not involve final closure of books

Business

:- Windup of Business

Realisation of assets → Settlement of liabilities

It results in reconstitution of firm

Windup

Discontinuation of business

does not effect of continuation of business

Court

A firm may be dissolved by order of court

Partnership cannot be dissolved by order of court



# Disolution of firm

with the order of court

Without the order of court

## Without the order of court

① Mutual Agreement :- A firm may be dissolved with the consent of all partners

② Compulsory dissolution

\* on happening of an event which makes the business unlawful

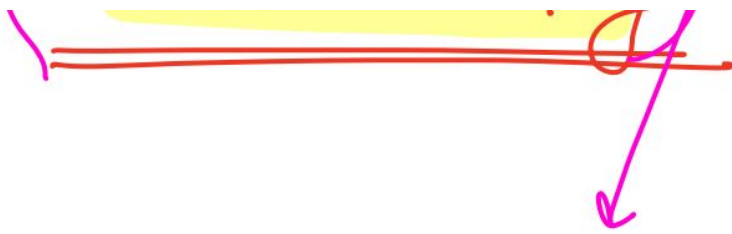
or

all partners or all except one becomes insolvent

\* if the part firm carries one more than one business, if one business becomes unlawful, it will not result in dissolution of another business which is lawful

3) (On happening of certain contingency) Partner → death or insolvent



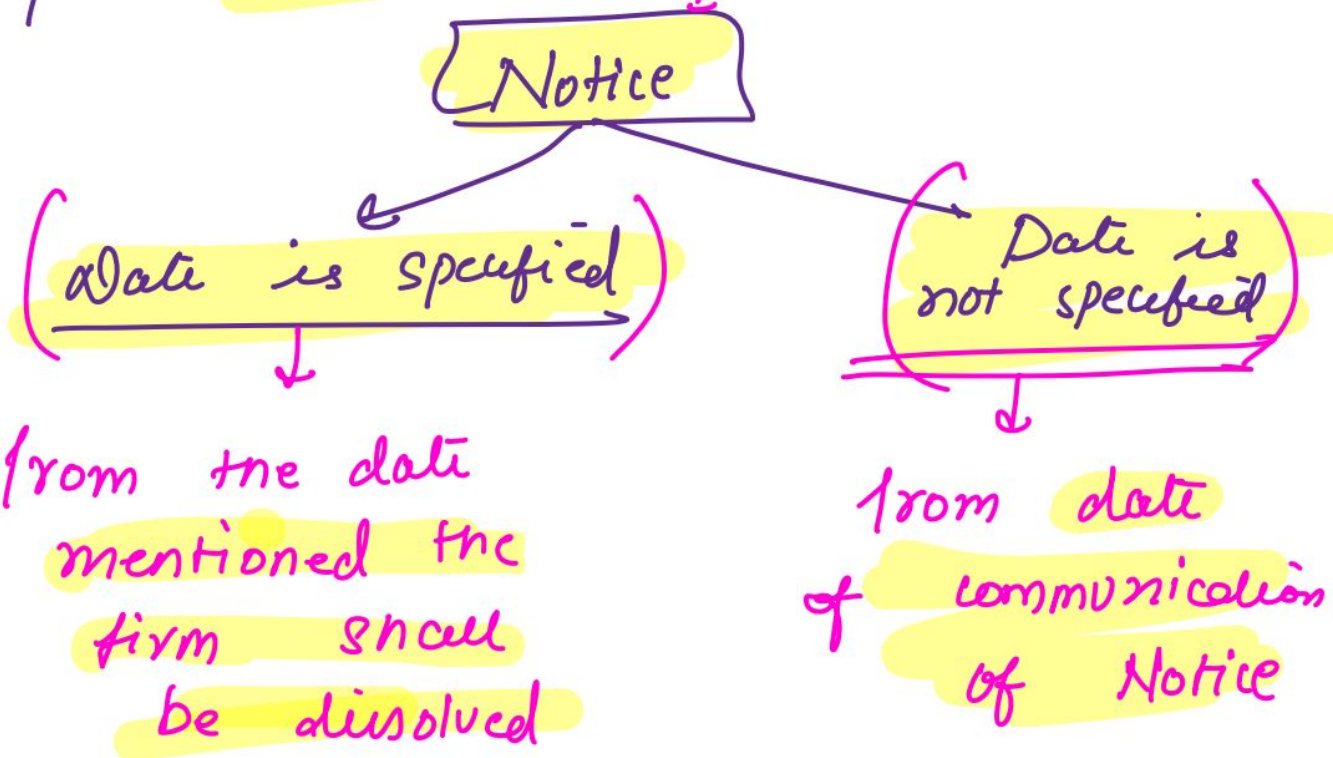


→ Firm constituted for fixed period & fixed period expires

firm constituted to undertake one or more adventure, & adventure is completed

#### ④ Dissolution of Partnership at will

A partner by giving written notice of his intention to dissolve the firm may dissolve partnership at will



With the order of the Court

Partner becomes of unsound mind  
 ↓  
 Other partners may apply to court for dissolution of firm

Partner becomes Permanently Incapable  
 ↓

Misconduct

affecting the business of firm

Persistent breach of agreement

Partners willfully Commits breach of agreement

Perpetual Losses

Business can not be carried on except loss

Keeping erroneous accounts

Embezzlement

Holding more cash than allowed

Refusal to show accounts

Court considers it Just & Equitable

Transfer of interest wholly in firm ~~partly~~ Third party

allowed hi share to be old for cover of arrears

deadlock

Partners

Loss of

quibbling



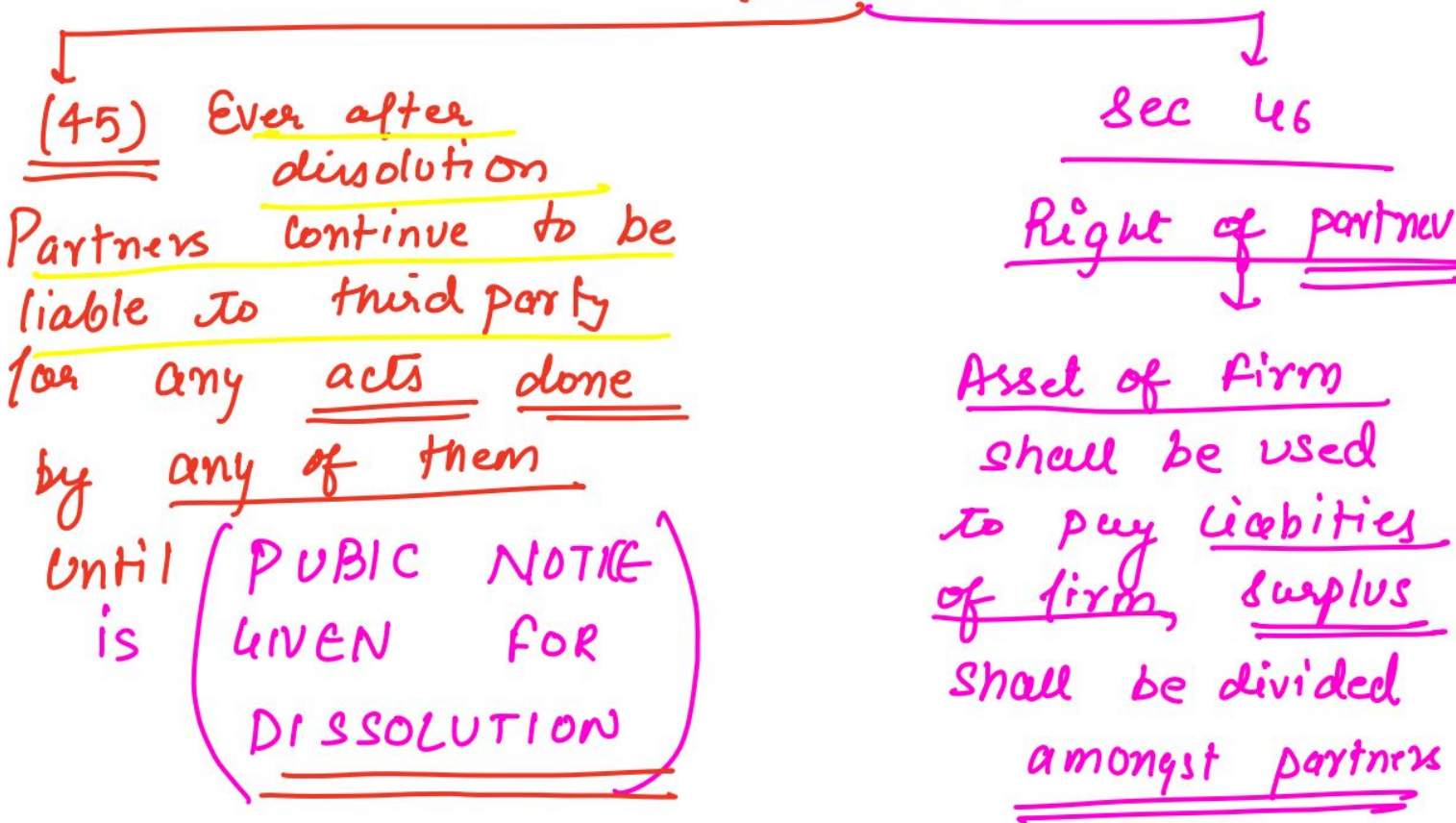
in  
mgmt

not in  
talking  
term

substratum

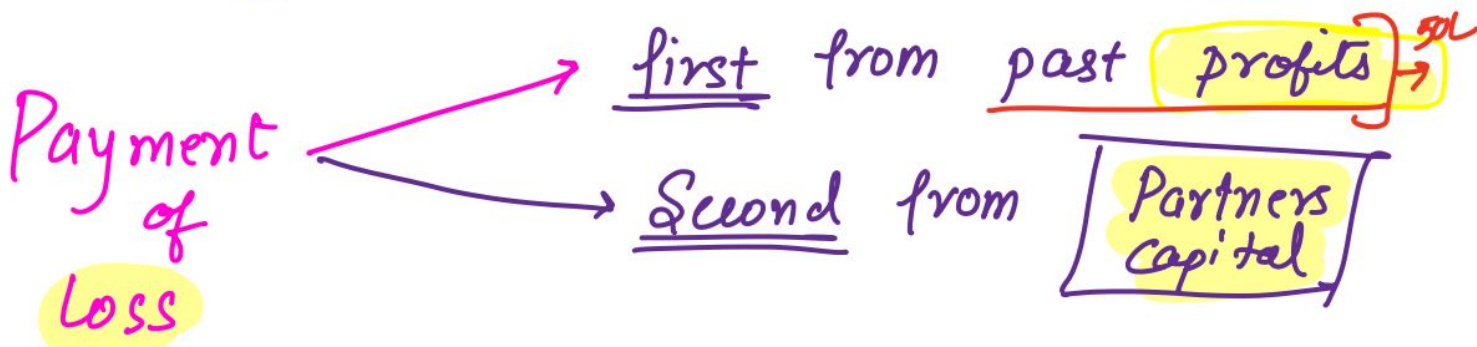
by partners  
in stock  
exchange

## Section



## Sec 48

(Settlements of accounts on dissolution)





Third :- Partners shall contribute in profit sharing ratio.

Application of Assets

- ① pay debt to third party
- ② pay to partner, any advance brought into firm by partner
- ③ pay to partners their capital
- ④

( Any surplus if left, divide amongst partners in profit sharing ratio )

1

-

.

2

1

As

