

Unit 1

- ① Element of Partnership ① ✓
- ② True Test of Partnership ② ✓
- ③ Partnership vs Others ⑤ ✓
- ④ Kinds of Partnership ② ✓
- ⑤ Types of Partners ⑥ ✓

16 marks

Indian Partnership Act 1932

Unit 1 & Unit 3

Unit 2

- ① Registration of firm ✓
- ② Dissolution of firm ✓
 - Self ④ ✓
 - Court ① ✓
- ③ Distribution of Assets ⑤ ✓

Partners - Individual members of the firm.
Firm - Collection of partners are called firm.
Firm name - The name under which they conduct business is called firm name.

① Mutual Agent - Principal Agent-Relationship
 Agent & All Activities → Principal is liable
 Cardinal Principal (Unit Imp) + Conclusive Evidence

All Partnership are association but all association are not partnership.
Partnership vs Association
 Profit Motive Profit/Community Source
 Mandate Agency May or May Not occur

⑤ Sleeping Partner / Dormant - Does not participate in business.
 • Share Profit & Losses
 • Liable to third party
 ⑥ Partners in Profit Only - Minors, there can be active or well.
 - They are liable to third party but other than minors.

Consequences for Non Registration (m)
 ① No relief to partners to sell off claim
 ② No suit in a civil court by firm or by partners
 ③ Appointed partners cannot sue other partners
 ④ Right which is unaffected whether firm is registered or not.
 Third Party can sue the firm.
 Unique Point: Firm Registered - Partner dies - Continues firm in same name. Without ROF informed - sue like in firm name. On death of New Partner is admitted - ROF is not informed - Firm cannot sue in consequence.

Dissolution of Firm
Business Close (BAND)
Self
 40 - Dissolution by Agreement - Mutually Agree to close business.
 41 - Compulsory dissolution - business unprofitable. Partner becoming insolvent (dead & silent).

Distribution of Assets
 45 - Dissolution by G.O. → Public Notice. Dissolution Not Active Unit PW (Not responsible → Active, Dead, Insolvent).
 46 - Right of Partners → Settle their liability. Surplus Asset → distributable in P&A.
 47 - Authority enable winding up.
 ① Complete the incomplete transactions.
 ② Windup by settling Assets and Pay off liability.
 48 - Mode of settlement: Accumulated Profits → Partners capital contribution. Assets used: ① debt owed to outsiders, ② paying each partner amount related to Capital (Loan), ③ payment of partner's Capital, ④ Any Surplus distributed in P&A.
 49 - Firm Property → Property of Firm. Partners Property → 1st own Debt of Partners, 2nd Towards Debt of the firm.

Elements of Partnership
 ① Association of two or more people - 2 major condition 2 Company ✓ (Voluntary).
 ② Agreement of Partnership - Deed written → Professed oral.

Differences of Partnership vs Others
 ① Partnership vs Joint-stock Company
 No SLE Yes
 No PS Yes
 No CS Yes
 No Separation in assets & right Yes

Kinds of Partnership
Duration
 - Will: No fixed period (Section 7). No Provision to determine existence of partnership. If any one of the partners withdraws from partnership, partnership is dissolved.
 - Fixed: The time period of partnership is fixed. It is automatically dissolved on completion of each period.

③ Incoming Partner - Admission of a partner, profit & losses are shared. Outside responsibility offer Admission.
 ⑧ Holding Out by estoppel - Not as partner as searched. Represents himself as a partner. Liable to the third party.

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 43 - Dissolution by Notice - Any Partner can dissolve the firm by notice to other partners.

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③ Business - Profit Oriented + Lawful.
 ④ Sharing of Profits - Certain Partners that only share Profits (Losses will on contract).

② Partnership vs Co-ownership
 Agreement vs Intention
 Yes Agency No
 P&L share Interest or Equity Not Necessary
 No (subject to 29) Transfer Yes

Purpose
 General - where the partnership continues for indefinite period.
 Particular Purpose - It is formed for completion of a particular adventure. Undertaking (Particular Partnership). Automatically dissolved on completion of purpose.

Registration
 It is NOT Compulsory.
Application Sections: ① firm's Name, ② Place of business (HO), ③ other Branches Address, ④ date when Partner Joined, ⑤ Name + Address of Partner, ⑥ duration of firm.
 Section 59: Register of firm name. Postscript - To attach words "Partnership".

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Dissolution by Court
 ① Intensity/Unsound Mind - Absent mental fitness.
 ② Permanent Insolvency - Permanent disability (Physical).
 ③ Misconduct - Business of the Partnership firm is impacted.
 ④ Breach of Agreement - Embroilment, Omission Accounts, holding money out, interest allowed, refusal to submit account.
 ⑤ Transfer of Interest - If interest is transferred without permission of partners the firm can be dissolved.
 ⑥ Perpetual lease - Continuous lease.
 ⑦ Any other just & equitable grounds. Dissolved in management, Not taking firm between partners, ipm of both, branding.

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⑤ Mutual Agency - Conclusive Evidence. One for all and All for One. Most Imp Element - Cardinal Principle of Partnership (Section 6).

① Partnership vs Clubs
 Profit Purpose vs Welfare
 Yes Agency No
 Yes Intention Interest in Property No Interest of Members
 Death of Partner closed vs Dissolution by Partner's life.

Types of Partners
 ① Active Partner - or Ostensible Partner - who actively participates business. Also Liable to third party.
 ② Nominal - Partner by name only. Cap. x Profit x Loss x. Third party liable.

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True test of Partnership (M.A.P)
 ① Agreement - Partnership arises by Agreement and Not by Statute.
 ② Sharing of Profit - It is a Prima facie Evidence but NOT a conclusive evidence.

④ Partnership vs Hire
 Agreement vs Hire
 Ocular vs Death
 Self by Partner Management vs Liability
 Unlimited vs Law
 IPM not in law vs Hire law
 Partner vs Minor vs Hire law
 Fixed vs Capital vs Purchasing

③ Sub Partner - Not the partner of Partnership firm but partner of other Partner. Not responsible to third party.
 ④ Outgoing Partner - Retire - Partnership continues in firm. Public Notice - Retire. Death & Insolvency - No Public Notice.

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① by sharing of profit with interest.
 ② remuneration to servant.
 ③ widow or gift of deceased partner (Section 31).
 ④ seller of goodwill.

One shot
Unit 1 & 3

Complete

Indian Partnership Act - Unit 2

Section Wise — 9 to 38

Partnership

Unit

2

Complete

<p>9 - General duties of Partner</p> <ul style="list-style-type: none"> Business Participants Common Advantage Just & Faithful Accounts + Complete dty Submit books to partners only <p>10 - Duty to Indemnify</p> <p>If Any Partner commits a fraud shall indemnify other partners.</p>	<p>15 - Apply firm property for business of the partnership firm</p> <p>16 (a) - Secret Profit</p> <p>Partners can make secret profit. Make complete disclosure</p> <ul style="list-style-type: none"> N - Omitting material fact U - Sec of Partnership T - Transgression of duty of Care C - Connection of the firm 	<p>24 - Any notice (Information) conveyed by any party to an active partner shall be notice to firm, because if such partner participant to joined or started</p> <p>25 - All partners are Jointly & Severally liable for all acts of the firm.</p> <p>26 - written Authority of firm</p> <ul style="list-style-type: none"> unlawful Act omission loss firm's Assets are responsible 	<p>33 - Expulsion of a partner</p> <ul style="list-style-type: none"> G - Good faith E - Express Agreement M - Majority of partners <p>34 - Insolvency of Partner</p> <ul style="list-style-type: none"> No future liability for any claim Neither estate is liable No Public Notice Needed 	<p>37 - Choice In Case of Death, Retire, Expulsion or Insolvency</p> <p>When firm is unable to settle accounts</p> <ol style="list-style-type: none"> Share in future profit & Losses treat the amount as loan @ 6% p.a.
<p>11 (1) - Rights & Duties</p> <p>Partnership → Partner → Guide between Partners</p> <p>(2) - Agreements in restraint of trade</p> <p>No partner can do any business apart from business of firm.</p> <p>Exception Sec 16(b) You can do competing business or any business but share all profits with firm.</p>	<p>17 - what will be change in P&D if</p> <ol style="list-style-type: none"> New Partner enter Retirement/Death Partner change Fixed Period end <p>If will remain Same</p> <p>18 - Every Partner is Agent of the firm's business.</p> <p>[Jointly & Severally liable]</p>	<p>27 - 1 - Firm borrows money misapplied by A partner.</p> <p>2 - Firm borrows money misapplied by All partners</p> <p>Firm's Borrowing in name of the business</p> <p>Result → firm's responsible for recovery (firm's debt)</p>	<p>25 - Death of a partner</p> <ul style="list-style-type: none"> Incase of death all liabilities cease to exist No Need for Public Notice 	<p>38 - Continuing guarantee</p> <p>Unless Agreement provides otherwise</p> <p>Death/Expulsion/Retire</p> <p>shall result in end of contract for future</p> <p>But if Agreement states to continue then we shall continue.</p>
<p>12 - (a) - Come as section 9</p> <p>(b) - Business - fundamental decision - Consent of all partners</p> <p>(c) - normal day to decision - majority of partners</p> <p>(d) - Come as section 9</p> <p>(e) -</p>	<p>19 - Implied Authority</p> <ul style="list-style-type: none"> C - Common U - Usual N - Name <p>22 - Activities Outside Implied Authority</p> <p>Contract entered into a partnership</p> <p>World Cup final is played between Delhi and Bangalore.</p> <p>Admin. liability</p> <p>Immovable Property</p> <p>Open a bank account in own Name</p> <p>dispute consent for arbitration</p>	<p>29 - Right of transferee (Donation of Interest)</p> <ul style="list-style-type: none"> Can you transfer full in a firm? NO But own interest can be sold, mortgaged or pledge to other person → Consent of all partners <p>Rights of transferee</p> <ul style="list-style-type: none"> During Continuation of debtion End of Relation <ul style="list-style-type: none"> Cannot participate in business Cannot inspect books of AC CAN share in Profit & Losses Can inspect books to determine share of Settlement 	<p>35 - Right of Outgoing Partner to do competing business</p> <p>Yes can do such business</p> <p>3 conditions to comply</p> <ul style="list-style-type: none"> S - No solicitation of clients of firm's business R - No representation as Partner N - No use of firm Name 	
<p>13 - In Absence of these Points in Agreement: [Deed is silent]</p> <ul style="list-style-type: none"> No remuneration for partners The partners shall share P&L equally Int on capital will be only out of profit Loan to firm - Int @ 6% p.a Emergency expense paid by partner who incurred. Partner due to less negligence activity loss to firm entitled to salary such amount. 	<p>20 - Extension & Restriction of Partners Authority</p> <p>Business Contract → Rights Imposed → Partners</p> <p>Partners</p> <ul style="list-style-type: none"> Partners Partners Partners <p>Partners</p> <ul style="list-style-type: none"> Partners Partners Partners 	<p>Section 30 - Can minors be a partner? NO</p> <p>Can be admitted to the benefit of Partnership.</p> <ul style="list-style-type: none"> Rights of minor Liability of minor Rights of Major Other provisions <ul style="list-style-type: none"> Profit share Part's Interest Business Participants Partners Partners <ul style="list-style-type: none"> Only up to share of profit No personal liability from Admission Not be involved Not be involved Not be involved 		
<p>14 - Property of the firm</p> <ul style="list-style-type: none"> If Any Asset is purchased from funds of the firm it shall be property of firm Goodwill is property of firm, can be sold separately. From Asset Partners that is the partner's property 	<p>21 - That he shall be indemnified for any loss incurred in course of emergency</p> <p>23 - If a partner is admitted to a partnership he shall be responsible for all activities after his Admission whether or not he is aware about it.</p>	<p>Section 31 - Introduction of New Partner</p> <p>Liable for Activities - After date of Admission</p> <p>22 - Retirement of Partner</p> <p>Partner can retire</p> <p>Consent + Public Notice</p> <p>Retirement After Public Notice</p>		