

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 - Minor, there can be active or well.
 - They are liable to third party but other than minor.

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 non party 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.F. → Public Notice
 Dissolution Not Active Unit PW (Not responsible → Active, Dead, Trivial)
 46 - Right of Partners → Satisfy their liability
 Surplus Asset → distributable in P&A
 47 - Authority enable winding up
 ① Complete the Incomplete transactions
 ② Windup by setting Assets and Pay off Liability
 48 - Mode of settlement
 Accumulated Profits → Partners capital
 ii Sufficient → Partners capital distributable
 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
 Partner Property → 1st own Debt of Partner 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 & Mgt 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
 - 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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42 - Contingencies - fixed term period over - Particular purpose complete - death of a partner (dead & silent) - By Ajudication of partner as insolvent.
 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
 Register of firm
 Postmarked - To attach words "Partnership"

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

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 more than their share, 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
 Deadlock in management, Not talking terms between partners, ipm of both, branding

One shot
 Unit 1 & 3
 Complete

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 Coexistence
 Yes Agency No
 Yes Intention Interest in Property No Interest of members
 Death of Partner closed Dissolution unaffected by Partner's life

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

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True test of Partnership (M&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 Unlimited Liability Only Hindu Undivided Family
 IPM not in law Law
 Partner's Minor Same time as day business
 Fixed Capital Purchasing

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

5:15 pm Nego

Q1 ✓ What are the types of partnership as per the partnership Act 1932. When can a partnership at will be dissolved?

Q2 Mishti, Beegu and Kuku are the partners of MBK firm.
✓ Mishti is authorised to take care of sale and purchases. Beegu for finance management and Kuku for client management. Bobby an outsider has entered into a sale contract with Kuku. Unaware about Kuku's limited authority, Kuku committed a fraud with Bobby. What are the legal implications of this case?

Q3 ✓ What are the consequences of non-registration of partnership firm?

Q4 ✓ Kunal and Shubham are partners at Sneha enterprise. Kunal wants to transfer his share to Rohan in consideration of a loan taken of ₹ 50,00,000. What are the rights of Mr. Rohan during the continuation of partnership and on retirement or dissolution of firm.