

CA Foundation - IPA & LLP Cheatsheet (Elaborated)

1. Indian Partnership Act, 1932 (IPA)

Definition (Sec 4):

- "Partnership" is the relation between persons who have agreed to share profits of a business carried on by all or any of them acting for all.
- Persons who enter into partnership are called partners; collectively a firm.

Essential Elements:

- Agreement between two or more persons.
- Business carried on.
- Sharing of profits.
- Mutual agency: every partner can bind the firm.

Types of Partners:

- Active, Sleeping, Nominal, Partner in profits only, Minor admitted to benefits.

Registration of Firm:

- Not mandatory but unregistered firms face legal disadvantages.
- Registered with Registrar of Firms by submitting Form along with prescribed fee.

Rights and Duties:

- Rights: Take part in business, inspect books, share profits.
- Duties: Act honestly, render accounts, no secret profits.

Dissolution of Firm:

- Voluntary, by agreement, insolvency, completion of objective, or court order.

Case Law: Cox v. Hickman Established the concept of mutual agency in partnership.

2. Limited Liability Partnership Act, 2008 (LLP)

Definition:

- LLP is a corporate business form combining benefits of both company and partnership.
- It has perpetual succession and separate legal identity.

Key Features:

- Separate Legal Entity.
- Limited liability of partners.
- No limit on maximum number of partners.
- Not affected by change in partners.

Incorporation:

- At least two partners (one must be a resident in India).
- LLP Agreement governs mutual rights/duties.
- Incorporation through MCA portal using FiLLiP form.

Designated Partners:

- Must have at least two designated partners.
- Responsible for legal compliance.

Differences from Partnership:

- Separate legal entity (LLP) vs. no separate entity (Firm).
- LLP partners liability limited to contribution.
- LLP governed by MCA, Partnership by State Registrar.

Case Law: Dhuli Chand v. CIT Highlighted the need for firm registration for legal recognition.

Important Sections:

- Sec 4: Definition of LLP.
- Sec 7: Designated Partners.
- Sec 11: Incorporation Document.