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THE INDIAN PARTNERSHIP ACT, 1932

Q1) Explain the following kinds of partnership under the Indian Partnership Act, 1932:

- (i) Partnership at will
- (ii) Particular partnership

Answer: -

Provision: [Indian Partnership Act, 1932]

(i) Partnership at will:

According to **Section 7** of the Indian Partnership Act, 1932, **partnership at will is a partnership** when:

- a) **no fixed period has been agreed upon for the duration** of the partnership; and
- b) there is **no provision** made as to the **determination** of the partnership.

These two conditions must be satisfied before a partnership can be regarded as a partnership at will. But, where there is an agreement between the partners either for the duration of the partnership or for the determination of the partnership, the partnership is not partnership at will.

✓ Where a partnership entered into for a fixed term is continued after the expiry of such term, it is to be treated as having become a partnership at will. VIMP

A partnership at will may be dissolved by any partner by giving notice in writing to all the other partners of his intention to dissolve the same.

(ii) Particular partnership:

A partnership may be organized for the prosecution of a single adventure as well as for the conduct of a continuous business. Where a person becomes a partner with another person in any particular adventure or undertaking the partnership is called 'particular partnership'.

A partnership, constituted for a single adventure or undertaking is, subject to any agreement, dissolved by the completion of the adventure or undertaking.

✓ Q2) X and Y are partners in a partnership firm. X introduced A, a manager, as his partner to Z. A remained silent. Z, a trader believing A as partner supplied 100 T.V sets to the firm on credit. After expiry of credit period, Z did not get amount of T.V sets sold to the partnership firm. Z filed a suit against X and A for the recovery of price. Advise Z whether he can recover the amount from X and A under the Indian Partnership Act, 1932.

Answer: -

Provision: [Section 28 of Indian Partnership Act, 1932]

1. Partnership by holding out is also known as partnership by estoppel. Where a man holds himself out as a partner, or allows others to do it, he is then stopped from denying the character he has assumed and upon the faith of which creditors may be presumed to have acted.
2. It is only the person to whom the representation has been made and who has acted thereon that has right to enforce liability arising out of 'holding out'.

3. You must also note that for the purpose of fixing liability on a person who has, by representation, led another to act, it is not necessary to show that he was actuated by a fraudulent intention.
4. The rule given in Section 28 is also applicable to a former partner who has retired from the firm without giving proper public notice of his retirement. In such cases, a person who, even subsequent to the retirement, give credit to the firm on the belief that he was a partner, will be entitled to hold him liable.

Facts of case:

In the given case X & Y are partners in a partnership firm. X introduced A, a manager as a partner to Z who is a trader. A remained silent on this. Z believing on same supplied 100 TV sets to A on credit. Z did not get the amount after the expiry of the time period from the firm and he filled a suit against X and A for recovery of price.

Conclusion:

In the given case, along with X, the Manager (A) is also liable for the price because he becomes a partner by holding out (Section 28, Indian Partnership Act, 1932).

Q3) Mohan, Sohan and Rohan are partners in the firm M/s Mosoro & Company. They admitted Bohan as nominal partner and on agreement between all the partners, Bohan is not entitled to share profit in the firm. After some time, a creditor Karan filed a suit to Bohan for recovery of his debt. Bohan denied for same as he is just a nominal partner and he is not liable for the debts of the firm and Karan should claim his dues from the other partners. Taking into account the provisions of the Indian Partnership Act, 1932 (a) Whether Bohan is liable for the dues of Karan against the firm. (b) In case, Karan has filed the suit against firm, whether Bohan would be liable?

Answer: -

Nominal Partner is a partner only in name. The person's name is used as if he were a partner of the firm, though actually he is not. He is not entitled to share the profits of the firm but is liable for all acts of the firm as if he were a real partner.

A nominal partner must give public notice of his retirement and his insanity is not a ground for dissolving the firm. In the instant case, Bohan was admitted as nominal partner in the firm.

A creditor of the firm, Karan has claimed his dues from Bohan as he is the partner in the firm. Bohan has denied for the claim by replying that he is merely a nominal partner.

- (a) Bohan is a nominal partner. Even he is not entitled to share the profits of the firm but is liable for all acts of the firm as if he were a real partner. Therefore, he is liable to Karan like other partners.
- (b) In case, Karan has filed the suit against firm, answer would remain same.

Q4) Mr. Ram and Mr. Raheem are working as teacher in Ishwarchand Vidhyasagar Higher Secondary School and also are very good friends. They jointly purchased a flat which was given on rent to Mr. John. It was decided between landlords and tenant that the rent would be ₹ 10,000 per month inclusive of electricity bill. It means electricity bill will be paid by landlords. The landlords, by mistake, did not pay the electricity bill for the month of March 2021. Due to this, the electricity department cut the connection. Mr. John has to pay the electricity bill of ₹ 2800 and ₹ 200 as penalty to resume the electricity connection. Mr. John claimed ₹ 3000 from Mr. Ram but Mr. Ram replied that he is liable only for ₹ 1500. Mr. John said that Mr. Ram and Mr. Raheem are partners therefore he can claim the full amount from any of the partner. Explain, whether under the provision of Indian Partnership Act, 1932, Mr. Ram is liable to pay whole amount of ₹ 3000 to Mr. John? (IMP)

Ans

According to Section 4 of the Indian Partnership Act, 1932, "Partnership" is the relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all. Therefore, for determining the existence of partnership, it must be proved.

1. There must be an agreement between all the persons concerned;
2. The agreement must be to carry on some business;
3. The agreement must be to share the profits of a business and
4. The business was carried on by all or any of them acting for all.

On the basis of above provisions and facts provided in the question, Mr. Ram and Mr. Raheem cannot be said under partnership as they are teachers in a school and just purchased a flat jointly. By merely giving the flat on rent, they are not doing business. They are just earning the income from the property under their co-ownership.

Hence, there is no partnership between them. Therefore, Mr. Ram is liable to pay his share only i.e. ₹ 1500. Mr. John has to claim rest ₹ 1500 from Mr. Raheem.

Q5) State the modes by which a partner may transfer his interest in the firm in favour of another person under the Indian Partnership Act, 1932. What are the rights of such a transferee?

Answer: -

Provision:

1. Section 29 of the Indian Partnership Act, 1932 provides that a share in a partnership is transferable like any other property, but as the partnership relationship is based on mutual confidence, the assignee of a partner's interest by sale, mortgage or otherwise cannot enjoy the same rights and privileges as the original partner.
2. The rights of such a transferee are as follows:
 - a) During the continuance of partnership, such transferee is not entitled
 - i) to interfere with the conduct of the business,
 - ii) to require accounts, or
 - iii) to inspect books of the firm.
 - b) He is only entitled to receive the share of the profits of the transferring partner and he is bound to accept the profits as agreed to by the partners, i.e., he cannot challenge the accounts.
 - c) On the dissolution of the firm or on the retirement of the transferring partner, the transferee will be entitled, against the remaining partners:
 - ii) to receive the share of the assets of the firm to which the transferring partner was entitled, and

iii) For ascertaining the share, he is entitled to an **account** as from the date of the dissolution.

3. By virtue of Section 31, no person can be introduced as a partner in a firm without the consent of all the partners. A partner cannot by transferring his own interest, make anybody else a partner in his place, unless the other partners agree to accept that person as a partner.

4. At the same time, a partner is not debarred from transferring his interest. A partner's interest in the partnership can be regarded as an existing interest and tangible property, which can be assigned.

✓ Q6) Whether a minor may be admitted in the business of a partnership firm? Explain the rights of a minor in the partnership firm.

Or

✓ Though a minor cannot be a partner in a firm, he can nonetheless be admitted to the benefits of partnership.

Answer: -

Provision:

1. A minor is **incompetent** to do the contract and such contract is **void-ab-initio**. Therefore, a **minor cannot be admitted in the business of the partnership firm** because the partnership is formed on a contract.

2. Though a minor cannot be a partner in a firm, he can nevertheless be admitted to the **benefits of partnership under section 30 of the Indian Partnership Act, 1932**. He may be validly having a share in the **profit of the firm but this can be done with the consent of all the partners of the firm**.

3. Rights of the minor in the firm:

- A minor has a right to his agreed share of the profits and of the firm.
- He can have access to, inspect and copy the accounts of the firm.
- He can sue the partners for accounts or for payments of his share but only, **when severing his connection with the firm, and not otherwise**. The

amount of share shall be determined by a valuation made in accordance with the rules upon a dissolution.

- d) On attaining majority, he may within 6 months elect to become a partner or not to become a partner. If he elects to become a partner, then he is entitled to the share to which he was entitled as a minor. If he does not, then his share is not liable for any acts of the firm after the date of the public notice served to that effect.

Q7) A, B and C are partners in a firm called ABC Firm. A, with the intention of deceiving D, a supplier of office stationery, buys certain stationery on behalf of the ABC Firm. The stationery is of use in the ordinary course of the firm's business. A does not give the stationery to the firm, instead brings it to his own use. The supplier D, who is unaware of the private use of stationery by A, claims the price from the firm. The firm refuses to pay for the price, on the ground that the stationery was never received by it (firm). Referring to the provisions of the Indian Partnership Act, 1932 decide:

- i) Whether the Firm's contention shall be tenable?
 - ii) What would be your answer if a part of the stationery so purchased by A was delivered to the firm by him, and the rest of the stationery was used by him for private use, about which neither the firm nor the supplier D was aware?
- (IMP)

Answer: -

Provision:

1. The problem in the question is based on the 'Implied Authority' of a partner provided in Section 19 of the Indian Partnership Act, 1932.
2. The section provides that subject to the provisions of Section 22 of the Act, the act of a partner, which is done to carry on, in the usual way, business of the kind carried on by the firm, binds the firm. The authority of a partner to bind the firm conferred by this section is called his 'Implied Authority' [Sub-Section (1) of section 19].
3. Furthermore, every partner is in contemplation of law the general and accredited agent of the partnership and may consequently bind all the other partners by his acts in all matters which are within the scope and object of

the partnership. Hence, if the partnership is of a general commercial nature, he may buy goods on account of the partnership.

Conclusion:

Considering the above provisions and explanation, the questions as asked in the problem may be answered as under:

- i) The firm's contention is not tenable, for the reason that the partner, in the usual course of the business on behalf of the firm has an implied authority to bind the firm. The firm is, therefore, liable for the price of the goods.
- ii) In the second case also, the answer would be the same as above, i.e., the implied authority of the partner binds the firm.
- iii) In both the cases, however, the firm ABC can take action against A, the partner but it has to pay the price of stationery to the supplier D.

Q8) X, Y and Z are partners in a Partnership Firm. They were carrying their business successfully for the past several years. Spouses of X and Y fought in ladies club on their personal issue and X's wife was hurt badly. X got angry on the incident and he convinced Z to expel Y from their partnership firm. Y was expelled from partnership without any notice from X and Z. Considering the provisions of the Indian Partnership Act, 1932, state whether they can expel a partner from the firm. What are the criteria for test of good faith in such circumstances? (IMP)

Answer: -

Provision:

1. A partner may not be expelled from a firm by a majority of partners except in exercise, in good faith, of powers conferred by contract between the partners. It is, thus, essential that:
 - a) the power of expulsion must have existed in a contract between the partners.
 - b) the power has been exercised by a majority of the partners; and
 - c) it has been exercised in good faith.

2. If all these conditions are not present, the expulsion is not deemed to be in bonafide interest of the business of the firm.
3. The test of good faith as required under Section 33(1) includes three things:
 - a) The expulsion must be in the interest of the partnership.
 - b) The partner to be expelled is served with a notice.
 - c) He is given an opportunity of being heard.
4. If a partner is otherwise expelled, the expulsion is null and void.

Facts of case:

X, Y & Z were partners in a partnership firm carrying their business successfully. Due to some personal issue spouses of X & Y fought in a club in which X's wife was hurt badly. X got angry on this incident and convinced Z to expel Y from partnership. Further Y was expelled from partnership firm without any notice.

Conclusion:

Thus, according to the test of good faith as required under Section 33(1), expulsion of Partner Y is not valid.



- Q9) Ram, Mohan and Gopal were partners in a firm. During the course of partnership, the firm ordered Sunrise Ltd. to supply a machine to the firm. Before the machine was delivered, Ram expired. The machine, however, was later delivered to the firm. Thereafter, the remaining partners became insolvent and the firm failed to pay the price of machine to Sunrise Ltd.

Explain with reasons:

- a) Whether Ram's private estate is liable for the price of the machine purchased by the firm?
- b) Against whom can the creditor obtain a decree for the recovery of the price?

Answer -

Provision: [Indian Partnership Act, 1932]

The problem in question is based on the provisions of the Indian Partnership Act, 1932 contained in Section 35. The Section provides that where under a contract

between the partners the firm is not dissolved by the death of a partner, the estate of a deceased partner is not liable for any act of the firm done after his death. Therefore, considering the above provisions, the problem may be answered as follows:

- (i) Ram's estate in this case will not be liable for the price of the Machinery purchased.
- (ii) The creditors in this case can have only a personal decree against the surviving partners and decree against the partnership assets in the hands of those partners. However, since the surviving partners are already insolvent, no suit for recovery of the debt would lie against them. A suit for goods sold and delivered would not lie against the representative of the deceased partner. This is because there was not debt due in respect of the goods in Ram's life time.

Q10) Moni and Tony were partners in the firm M/s MOTO & Company. They admitted Sony as partner in the firm and he is actively engaged in day-to-day activities of the firm. There is a tradition in the firm that all active partners will get a monthly remuneration of ₹ 20,000 but no express agreement was there. After admission of Sony in the firm, Moni and Tony were continuing getting salary from the firm but no salary was given to Sony from the firm. Sony claimed his remuneration but denied by existing partners by saying that there was no express agreement for that. Whether under the Indian Partnership Act, 1932, Sony can claim remuneration from the firm? (

IMP)

Answer:

Provision:

By virtue of provisions of Section 13(a) of the Indian Partnership Act, 1932 a partner is not entitled to receive remuneration for taking part in the conduct of the business. But this rule can always be varied by an express agreement, or by a course of dealings, in which event the partner will be entitled to remuneration. Thus, a partner can claim remuneration even in the absence of a contract, when such remuneration is payable under the continued usage of the firm. In other

words, where it is customary to pay remuneration to a partner for conducting the business of the firm, he can claim it even in the absence of a contract for the payment of the same.

Conclusion:

In the given problem, existing partners are getting regularly a monthly remuneration from firm customarily being working partners of the firm. As Sony also admitted as working partner of the firm, he is entitled to get remuneration like other partners.

Q11) A, B and C are partners of a partnership firm carrying on the business of construction of apartments. B who himself was a wholesale dealer of iron bars was entrusted with the work of selection of iron bars after examining its quality. As a wholesaler, B is well aware of the market conditions. Current market price of iron bar for construction is ₹ 350 per Kilogram. B already had 1000 Kg of iron bars in stock which he had purchased before price hike in the market for ₹ 200 per Kg. He supplied iron bars to the firm without the firm realising the purchase cost. Is B liable to pay the firm the extra money he made, or he doesn't have to inform the firm as it is his own business and he has not taken any amount more than the current prevailing market price of ₹ 350? Assume there is no contract between the partners regarding the above.

Answer: -

According to section 16 of the Indian Partnership Act, 1932, subject to contract between partners -

- (a) if a partner derives any profit for himself from any transaction of the firm, or from the use of the property or business connection of the firm or the firm name, he shall account for that profit and pay it to the firm;
- (b) if a partner carries on any business of the same nature as and competing with that of the firm, he shall account for and pay to the firm all profits made by him in that business.

350 ✓
200
150
hike

In the given scenario, Mr. B had sold iron bar to the firm at the current prevailing market rate of ₹ 350 per Kg though he had stock with him which he bought for ₹ 200 per Kg. Hence, he made an extra profit of ₹ 150 per Kg. This is arising purely out of transaction.

Q12) Shyam, Mohan and Keshav were partners in M/s Nandlal Gokulwale and Company. They mutually decided that Shyam will take the responsibility to sell the goods, Mohan will do the purchase of goods for firm and Keshav will look after the accounts and banking department. No one will interfere in other's department. Once, when Shyam and Keshav were out of town, Mohan got the information that the price of their good is going down sharply due to some government policy which would result in heavy loss to firm if goods not sold immediately. He tried to contact Shyam who has authority to sell the goods. When Mohan couldn't contact to Shyam, he sold all goods at some reduced price to save the firm from heavy loss. Thereafter, Shyam and Keshav denied accepting the loss due to sale of goods at reduced price as it's only Shyam who has express authority to sell the goods. Discuss the consequences under the provisions of the Indian Partnership Act, 1932.

Answer -

According to Section 20 of Indian Partnership Act, 1932, the partners in a firm may, by contract between the partners, extend or restrict the implied authority of any partner.

Notwithstanding any such restriction, any act done by a partner on behalf of the firm which falls within his implied authority binds the firm, unless the person with whom he is dealing knows of the restriction or does not know or believe that partner to be a partner.

Further, according to Section 21, a partner has authority, in an emergency to do all such acts for the purpose of protecting the firm from loss as would be done by a person of ordinary prudence, in his own case, acting under similar circumstances, and such acts bind the firm.

On the basis of provisions and facts provided in the question, though Shyam was expressly authorised to sell the goods, Mohan sold the goods at some loss. It was very much clear that Mohan has done what a person of ordinary prudence does in an emergency to protect the firm from heavy loss. Hence, this sale will bind the firm.

Q13) X, Y and Z are partners in an unregistered firm. Is the suit maintainable in the following cases?

- a) X filed a suit against the firm for the recovery of his share of profit. ✗
- b) X filed a suit against Y who had stolen the property of the firm. ✗
- Y c) The firm filed a suit against W, a customer for the recovery of the amount due from W. ✓
- d) The firm filed a suit against W, a customer for the recovery of the amount due from W and immediately after filling the suit, the firm got itself registered. ✓
- e) The firm filed a suit to restrain the third party from misusing the Patent right of firm. ✓
- f) W filed a suit against the firm for the recovery of Rs. 10,000 dues from the firm. W also owed Rs. 6,000 to the firm. The firm claimed a set off of Rs. 6,000. ✗
- g) X filed a suit for the dissolution of the firm. ✓
- h) X filed a suit for the accounts of a dissolved firm. ✓
- i) X filed a suit for claiming share of the assets of a dissolved firm. ✓

Ans)

- a) As per the provisions of the Indian Partnership Act, 1932, an aggrieved partner of an unregistered firm cannot bring legal action against other persons or the firm. Here, X cannot file a suit against the firm for the recovery of his share of profit because the firm is unregistered.
- b) As per the provisions of the Indian Partnership Act, 1932, if a partnership firm is unregistered, there will be no suit in a civil court by firm or other co-partners against third party or other co-partners. But, in this case, X had filed

a suit against Y for stealing the property of the firm. X's suit is valid as it is a criminal suit not the civil suit.

- c) As per the provisions of the Indian Partnership Act, 1932, if a partnership firm is unregistered, there will be no suit in a civil court by firm or other co-partners against third party. Here, the firm cannot recover its amount due from W, a customer of the firm, as the firm, being unregistered, cannot file a suit against third party (W).
- d) As per the provisions of the Indian Partnership Act, 1932, if a partnership firm is unregistered, there will be no suit in a civil court by firm or other co-partners against third party. Here, the firm file a suit against W for the recovery of amount due from W. The firm filed the suit at the time when it was unregistered. Now, the firm cannot ratify this act by registering itself.
- e) As per the provisions of the Indian Partnership Act, 1932, if a partnership firm is unregistered, there will be no suit in a civil court by firm or other co-partners against third party. But, here, the firm is restricting the third party from misusing its patent right, which is a criminal offence.
- f) As per the provisions of the Indian Partnership Act, 1932, third party can sue the firm even if the firm is unregistered and if the suit is filed against the firm and the claim value is more than Hundred Rupees, then firm cannot set-off. Here, W filed a suit against the firm for the recovery of Rs. 10,000 dues from the firm. W also owed Rs. 6,000 to the firm. W is entitled for the recovery of Rs. 10,000 from the firm. But the firm cannot set-off the claim of Rs. 6,000 because it is more than Rs. 100.
- g) As per the provisions of the Indian Partnership Act, 1932, partners can sue the firm for the dissolution, even if the firm is unregistered. X's suit for the dissolution of the firm is valid.
- h) As per the provisions of the Indian Partnership Act, 1932, partners can sue a dissolved firm for the settlements of accounts, even if the firm is unregistered.

Here, X's suit is valid because he has sued a dissolved firm for the accounts.

As per the provisions of the Indian Partnership Act, 1932, partners have the right to sue a dissolved firm for the realisation of the assets, even if the firm is

unregistered. Here, X's claim is valid as the shares are assets of the dissolved firm and X can claim it even if the firm is unregistered.

Q14) A, B, C, D and E are partners in a firm. They decided to dissolve the firm from 1st January but failed to give a public notice of its dissolution and continued the business of the firm even that date. C, a dormant partner retired on 4th Jan, D died on 5th January and E was declared insolvent on 10th January. On 11th January, A borrowed in the firm's name Rs. 20 lacs from R who was ignorant of the dissolution. Discuss the liability of partners for Rs. 20 lacs.

Answer

Provision: [Indian Partnership Act, 1932]

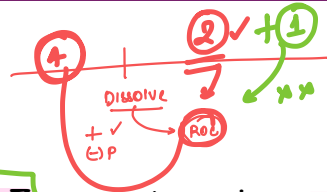
1. As per the provisions of the Indian Partnership Act, 1932, a public notice of the dissolution of the firm is not required if:
 - a) the partner is adjudicated as insolvent, or
 - b) a dormant partner retires from the firm, or
 - c) the partner dies.
2. The remaining active partners shall be liable for the acts done after dissolution except the partners mentioned in the above cases.

Facts of case:

A, B, C, D and E are partners in a firm. They decided to dissolve the firm from 1st January but failed to give a public notice of its dissolution and continued the business of the firm even that date. C, a dormant partner retired on 4th Jan, D died on 5th January and E was declared insolvent on 10th January. On 11th January, A borrowed in the firm's name Rs. 20 lacs from R who was ignorant of the dissolution.

Conclusion:

Here, A and B are liable for Rs. 20 Lacs but C, being a dormant partner, D and E are not liable for Rs. 20 lacs because C retires from the firm and dormant partner's retirement as insolvent. So, D and E shall also not be liable for any dealings or transactions subsequent to dissolution.



Q15) P, X, Y and Z are partners in a registered firm A & Co. X died and P retired. Y and Z filed a suit against W in the name and on behalf of firm without notifying to the Registrar of firms about the changes in the constitution of the firm. Is the suit maintainable?

Answer: -

Provision: [Indian Partnership Act, 1932]

✓ As regards the question whether in the case of a registered firm (whose business was carried on after its dissolution by death of one of the partners), a suit can be filed by the remaining partners in respect of any subsequent dealings or transactions without notifying to the Registrar of Firms, the changes in the constitution of the firm, it was decided that the remaining partners should sue in respect of such subsequent dealings or transactions even though the firm was not registered again after such dissolution and no notice of the partner was given to the Registrar.

1. The test applied in these cases was whether the plaintiff satisfied the only two requirements of Section 69 (2) of the Act namely,

✓ 2. The suit must be instituted by or on behalf of the firm, which had been registered.

✓ Q16) MN partnership firm has two different lines of manufacturing business. One line of business is the manufacturing of Ajinomoto, a popular seasoning & taste enhancer for food. Another line of business is the manufacture of paper plates & cups. One fine day, a law is passed by the Government banning Ajinomoto' use in food and to stop its manufacturing making it an unlawful business because it is injurious to health. Should the firm compulsorily dissolve under the Indian Partnership Act, 1932? How will its other line of business (paper plates & cups) be affected?

Answer: -

✓ According to Section 41 of the Indian Partnership Act, 1932, a firm is compulsorily dissolved;

(a) by the adjudication of all the partners or of all the partners but one as insolvent, or

(b) by the happening of any event which makes it unlawful for the business of the firm to be carried on or for the partners to carry it on in partnership.

However, where more than one separate adventure or undertaking is carried on by the firm, the illegality of one or more shall not of itself cause the dissolution of the firm in respect of its lawful adventures and undertakings.

Here, MN has to compulsorily dissolve due to happening of law which bans the usage of Ajinomoto. Else the business of the firm shall be treated as unlawful.

However, the illegality of Ajinomoto business will in no way affect the legality or dissolution of the other line of business (paper plates & cups). MN can continue with paper plates and cup manufacture.

Q17) "Indian Partnership Act does not make the registration of firm's compulsory nor does it impose any penalty for non-registration." In light of the given statement, discuss the consequences of non registration of the partnership firms in India. Also, explain the rights unaffected due to nonregistration of firms.

Ans)

It is true to say that Indian Partnership Act, 1932 does not make the registration of firms compulsory nor does it impose any penalty for non-registration. Following are the consequences of Nonregistration of Partnership Firms in India: The Indian Partnership Act, 1932 does not make the registration of firms compulsory nor does it impose any penalty for non-registration. However, under Section 69 of the Indian Partnership Act, 1932, non-registration of partnership gives rise to a number of disabilities. These disabilities briefly are as follows :

1. No suit in a civil court by firm or other co-partners against third party:
The firm or any other person on its behalf cannot bring an action against the third party for breach of contract entered into by the firm, unless the firm is registered and the persons suing are or have been shown in the register of firms as partners in the firm.
2. No relief to partners for set-off of claim: If an action is brought against the firm by a third party, then neither the firm nor the partner can claim

any set-off, if the suit be valued for more than `100 or pursue other proceedings to enforce the rights arising from any contract.

3. Aggrieved partner cannot bring legal action against other partner or the firm: A partner of an unregistered firm (or any other person on his behalf) is precluded from bringing legal action against the firm or any person alleged to be or to have been a partner in the firm. But, such a person may sue for dissolution of the firm or for accounts and realization of his share in the firm's property where the firm is dissolved.
4. Third party can sue the firm: In case of an unregistered firm, an action can be brought against the firm by a third party.

Following are the Rights unaffected due to non-registration of firms:
Nonregistration of a firm does not, however effect the following rights:

1. The right of third parties to sue the firm or any partner.
 2. The right of partners to sue for the dissolution of the firm or for the settlement of the accounts of a dissolved firm, or for realization of the property of a dissolved firm.
 3. The power of an Official Assignees, Receiver of Court to release the property of the insolvent partner and to bring an action
 4. The right to sue or claim a set-off if the value of suit does not exceed ` 100 in value.
- ③ The right to suit and proceeding instituted by legal representatives or heirs of the deceased partner of a firm for accounts of the firm or to realise the property of the firm.