



BUSSINESS LAW

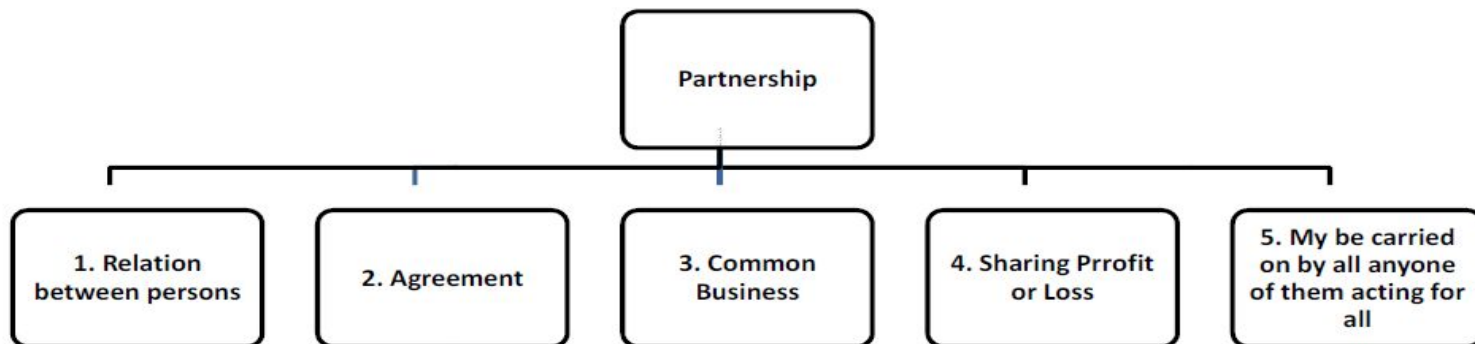
**THE INDIAN
PARTNERSHIP ACT
1932**

**Ekta Mehta
DEPAARTMENMT-COMMERCE**

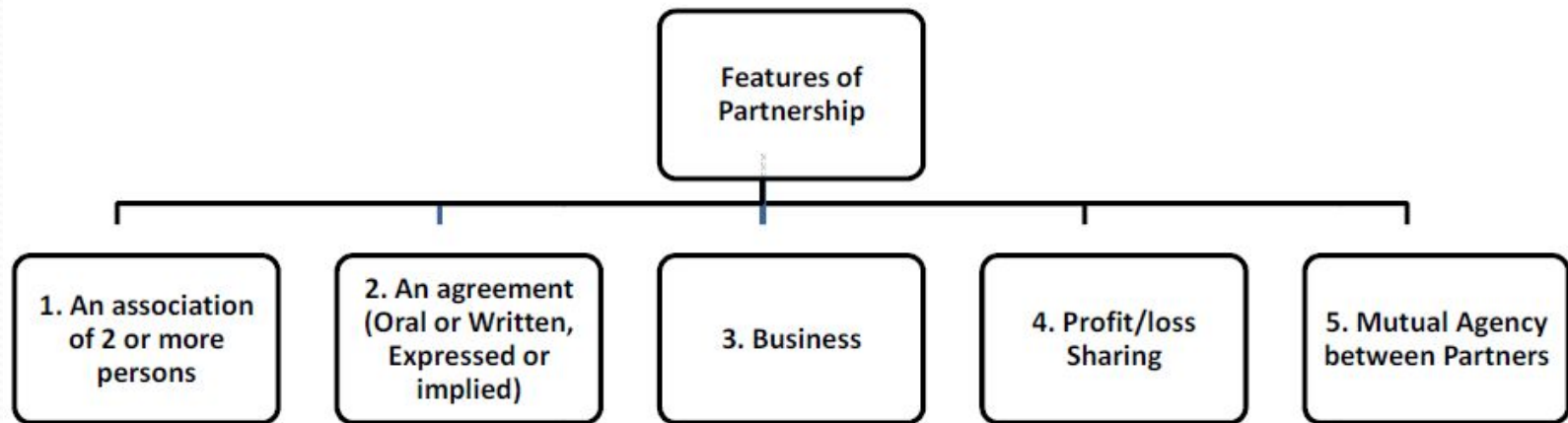
DEFINITION :

Partnership-(Section 4) :

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.



FEATURES

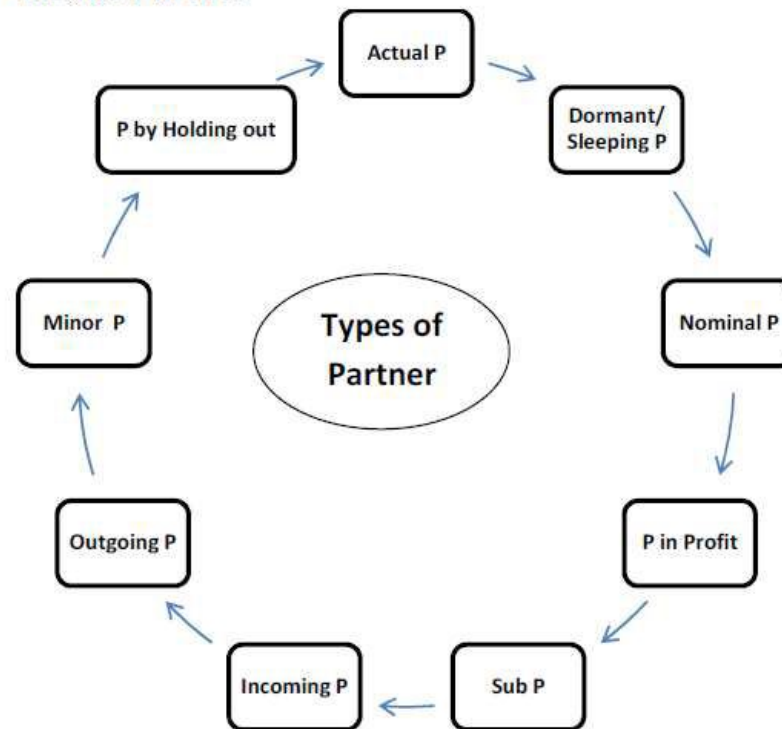


PARTNERSHIP DEED

- Partnership is also a contract .it is an agreement between the
- partners which is the basis of contract. Partnership must have all
- the essential elements of a valid contract. It is in the interest of
- the partner the agreement must be in writing.
- Partnership deed is the document which contains the agreement
- nature of business, principal place of business, name of the firm,
- profit sharing ratio ,valuation of good will on the death and
- retirement of a partner management of the firm accounts ,
- firm arbitration etc..
- The partnership deed must be duly stamped as require by the
- Indian stamp act 1889

TYPES OF PARTNER

"P" Means Partner



☐ **Actual / active partner:**

A person who becomes a partner by an agreement is known as actual partner. This partner is

activity engaged in the conduct of the business of the firm so is also known as active partner. Is the agent of the other partners. He binds himself he binds the other partners also for all the acts which he does in the ordinary course of the business of the firm.

☐ **Sleeping partner:**

A partner who does not take an active part in the conduct of the business is known as sleeping partners. He like other partners invests capital. He shares in the profits of the firm. He is equally liable for all the acts with other partners. This existence is kept secret from the out spiders dealing with the firm.

☐ **Nominal partner:**

A partner who lends his name to the firm with out having any real interest in it. He does not invest in the business of the firm. He does not take path in the mgt of the firm. He doesn't share in the profits.

☐ **Partner in profits only:**

Some times partners may agree that a partner shall get a share of the profits only. He shall not be liable to contribute towards the losses. Such a partner is known as a partner in profits only.

□ **Sub-partner:**

When a partner agrees to share his profits with a third person then the third person is known as subpartner.

A sub-partner is no way connected with the firm. He has no rights against the firm he is not liable for the acts of the firm.

□ **Partner by estoppels (holding out):**

Under certain circumstances a person who not a partner in a firm may be liable for its debts as if he

were a partner. Such partner is called a partner by estoppels

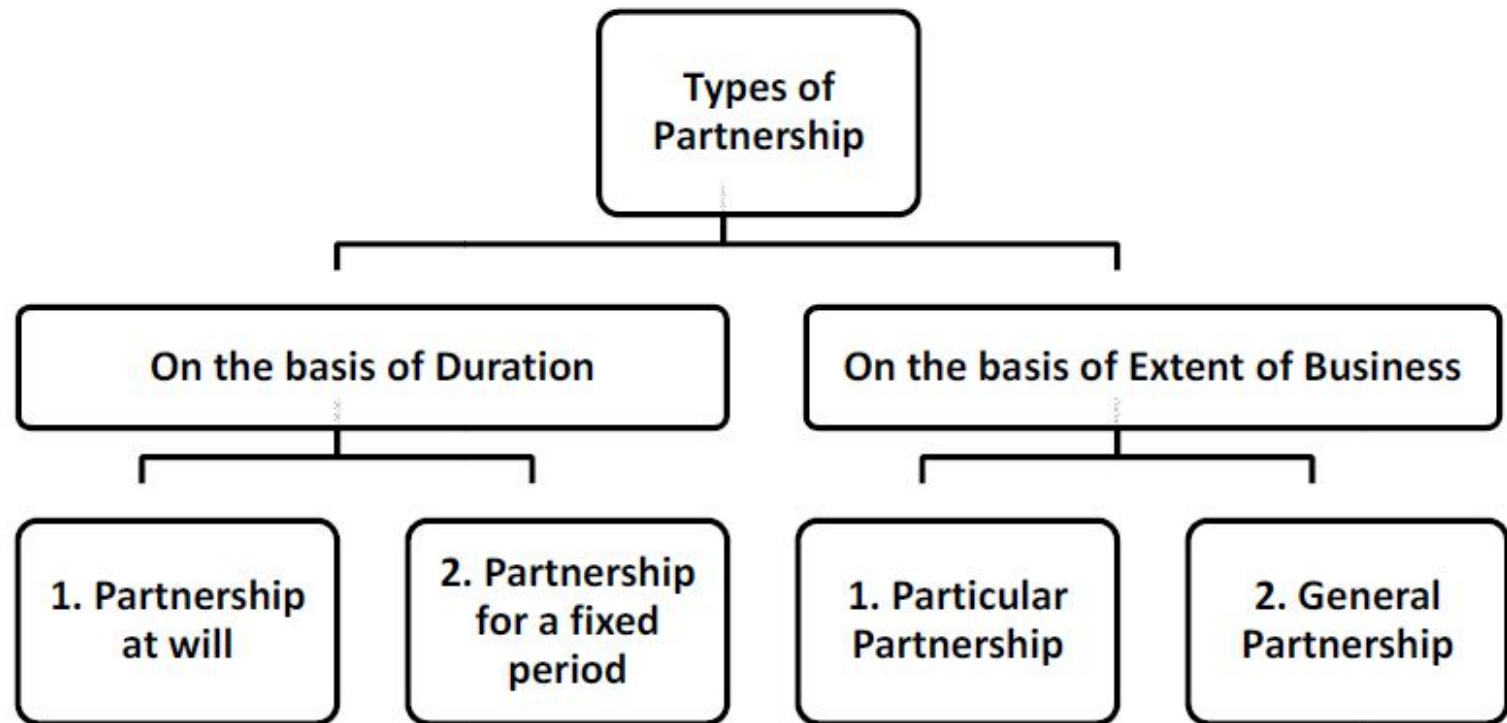
Ex: a retired IAS officer, took the honorary president of the business of certain persons who requested him for the same held he was liable for the debts of the firm.

□ **Minor partner:**

According to sec(ii) of the Indian contract act an agreement with a minor is void. Is in capable of

entering in to a contract. But in the contract of partnership, with the consent of all the partners, a minor may be admitted to the benefits of partnership for the time being .

TYPES OF PARTNERSHIP

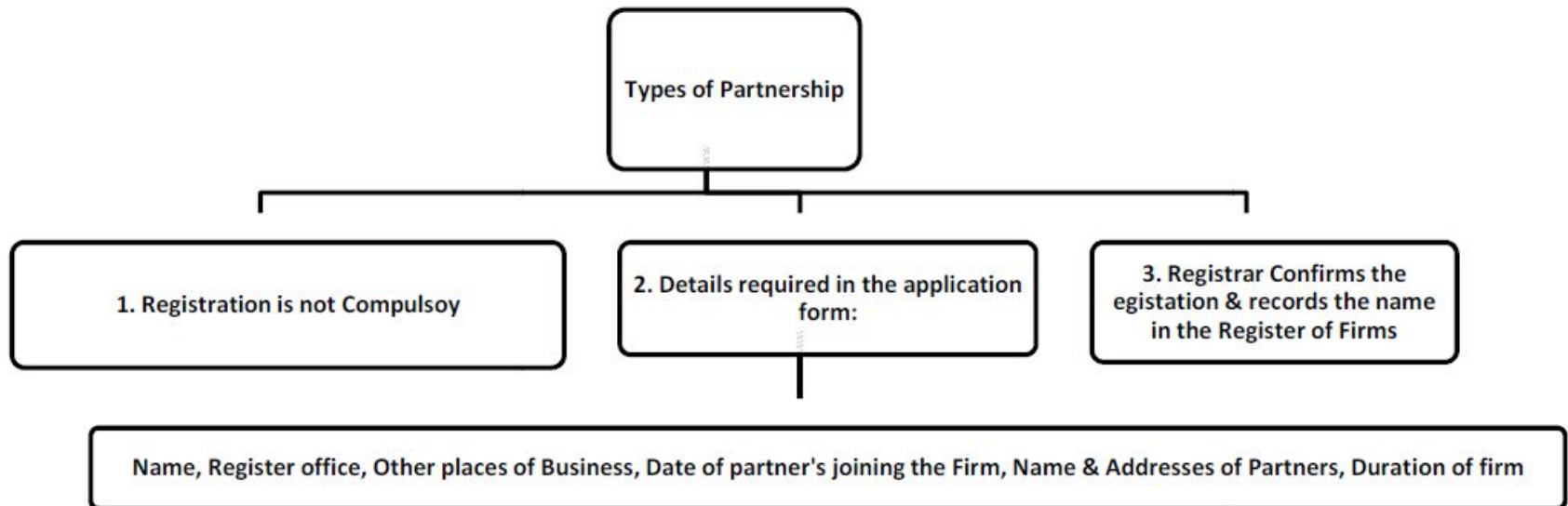




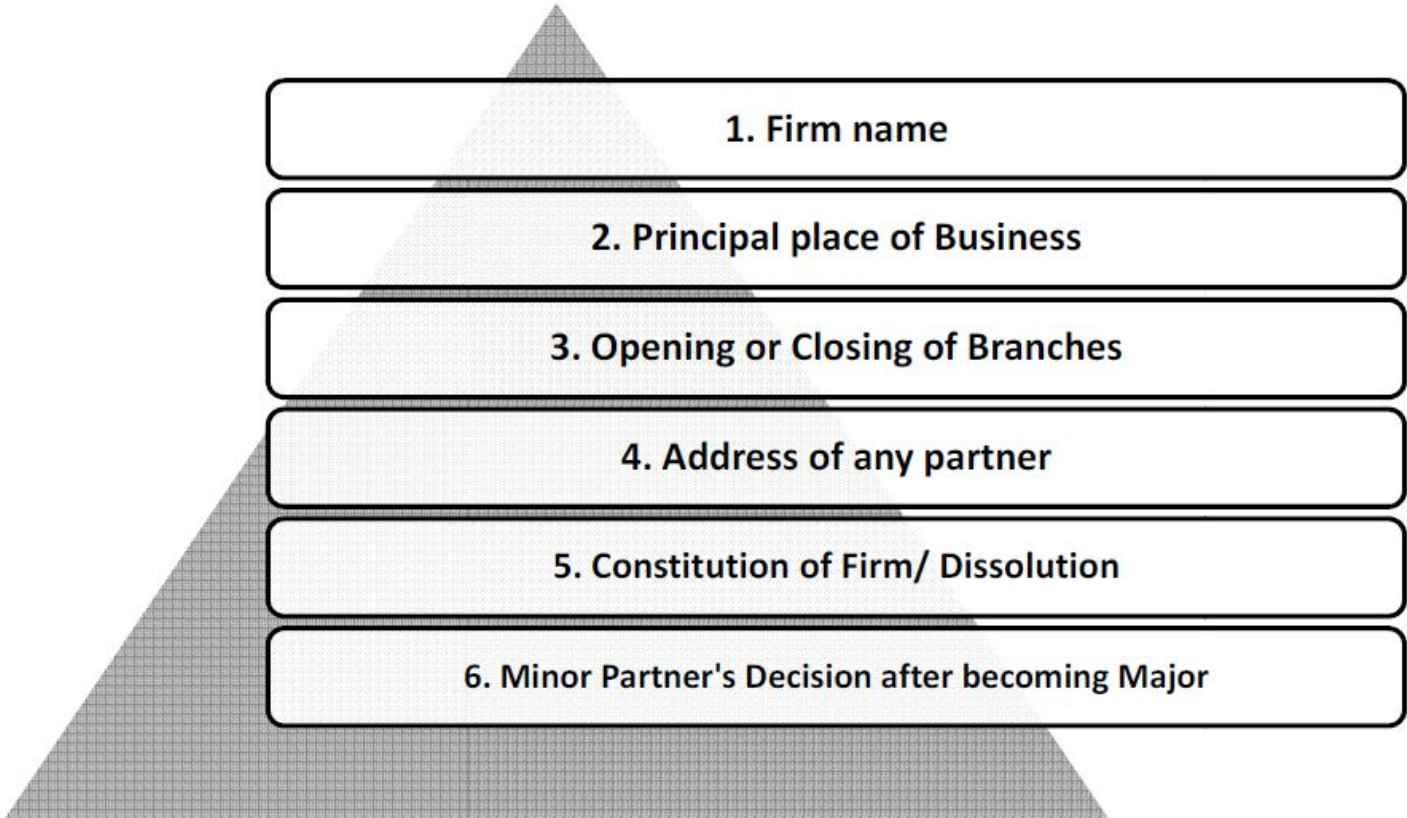
The partnership act does not provide for the compulsory registration of firm.

It has left it to the option of the firm to get themselves registered but indirectly an unregistered firm suffers from certain disabilities so that every firm has to get itself registered registration is an evidence of the existence of the partners.

REGISTRATION OF PARTNERSHIP FIRM {Section 58(1)}



CHANGES ALLOWED AFTER REGISTRATION OF FIRM:



1. Firm name

2. Principal place of Business

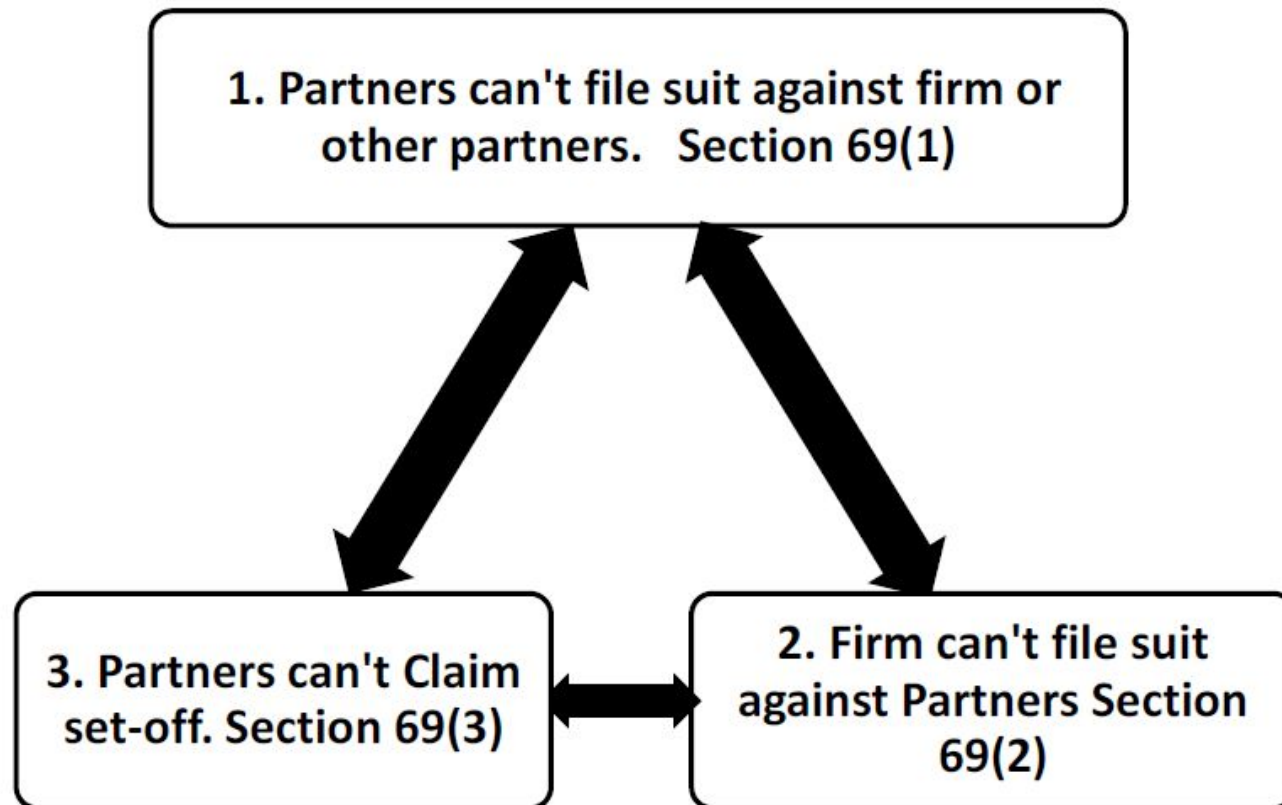
3. Opening or Closing of Branches

4. Address of any partner

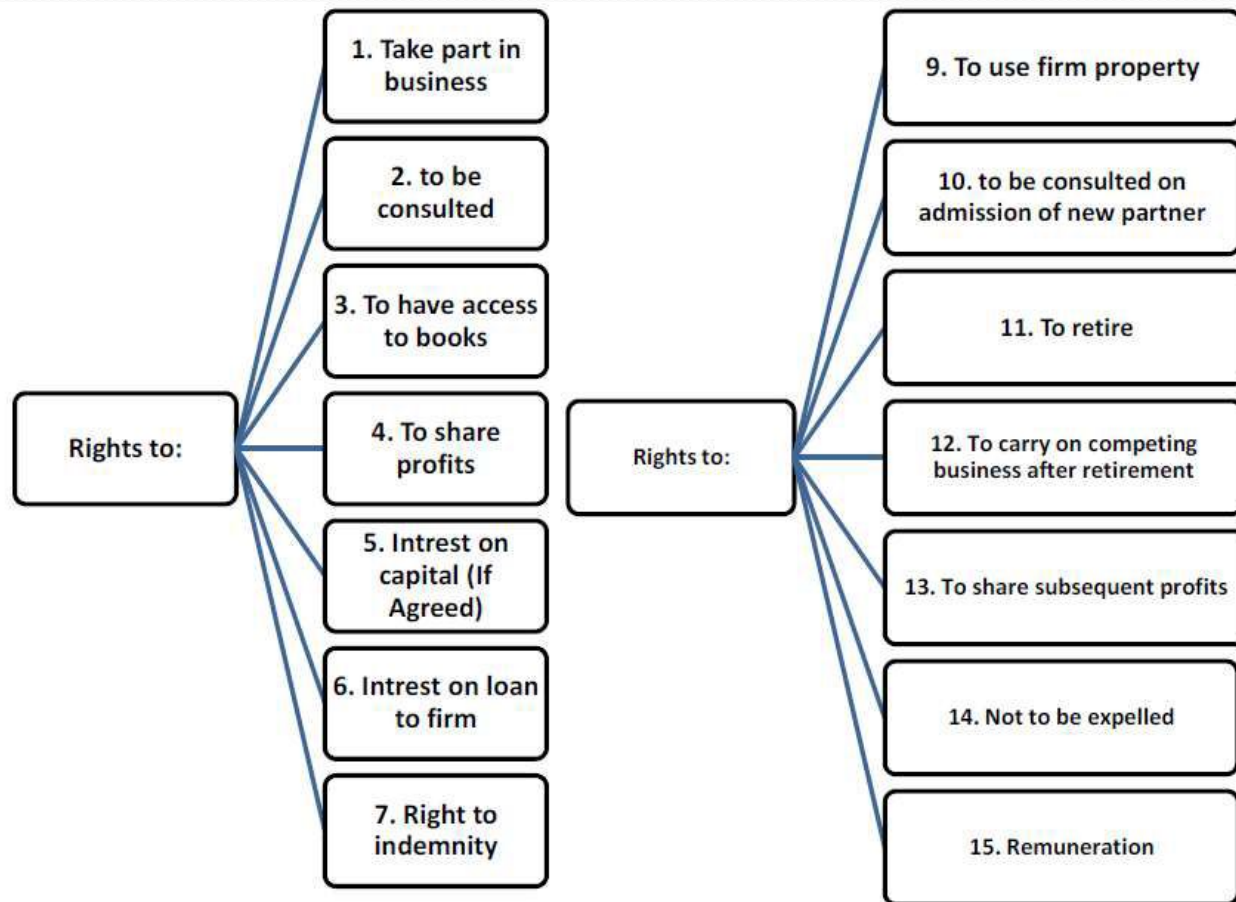
5. Constitution of Firm/ Dissolution

6. Minor Partner's Decision after becoming Major

WHAT IF PARTNERSHIP NOT REGISTERED.?

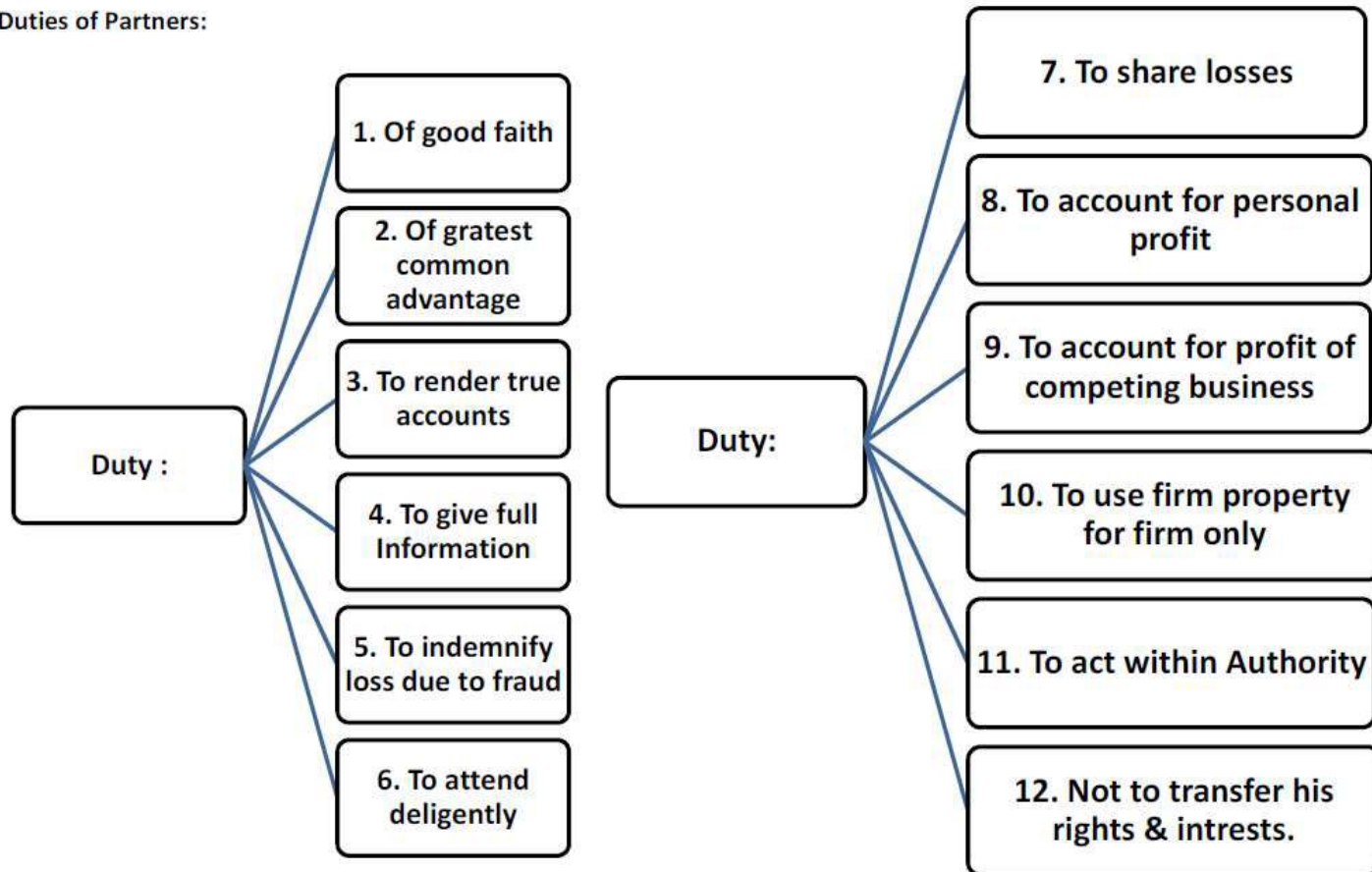


RIGHTS OF PARTNERS

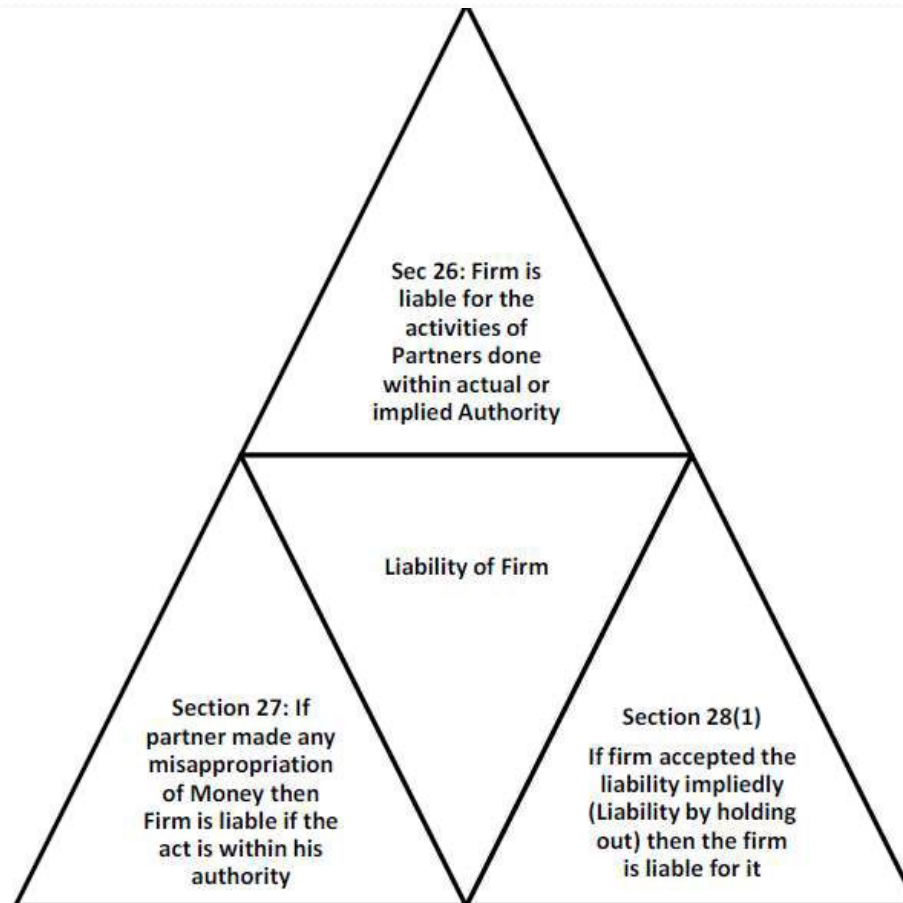


DUTIES OF PARTNERS

Duties of Partners:

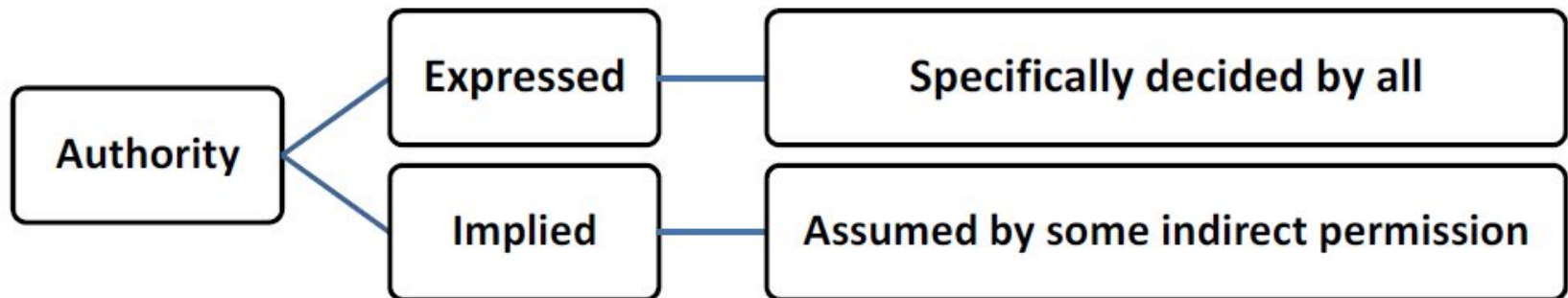


LIABILITY OF A FIRM & PARTNERS TOWARDS THIRD PARTY



AUTHORITY OF PARTNERS

As per section 25, “Every partner is liable Jointly with all the other partners & also severally for all acts of the firm done while he is a partner”. But the point to be noted that he is liable for only those acts which are within the authority of the other partners. Thus we must know the concept “Authority of Partners”.



Implied Authority

Conditions to be satisfied: the act must be

1. Related to the firm,
2. Done in a usual way,
3. Done in the firm's name

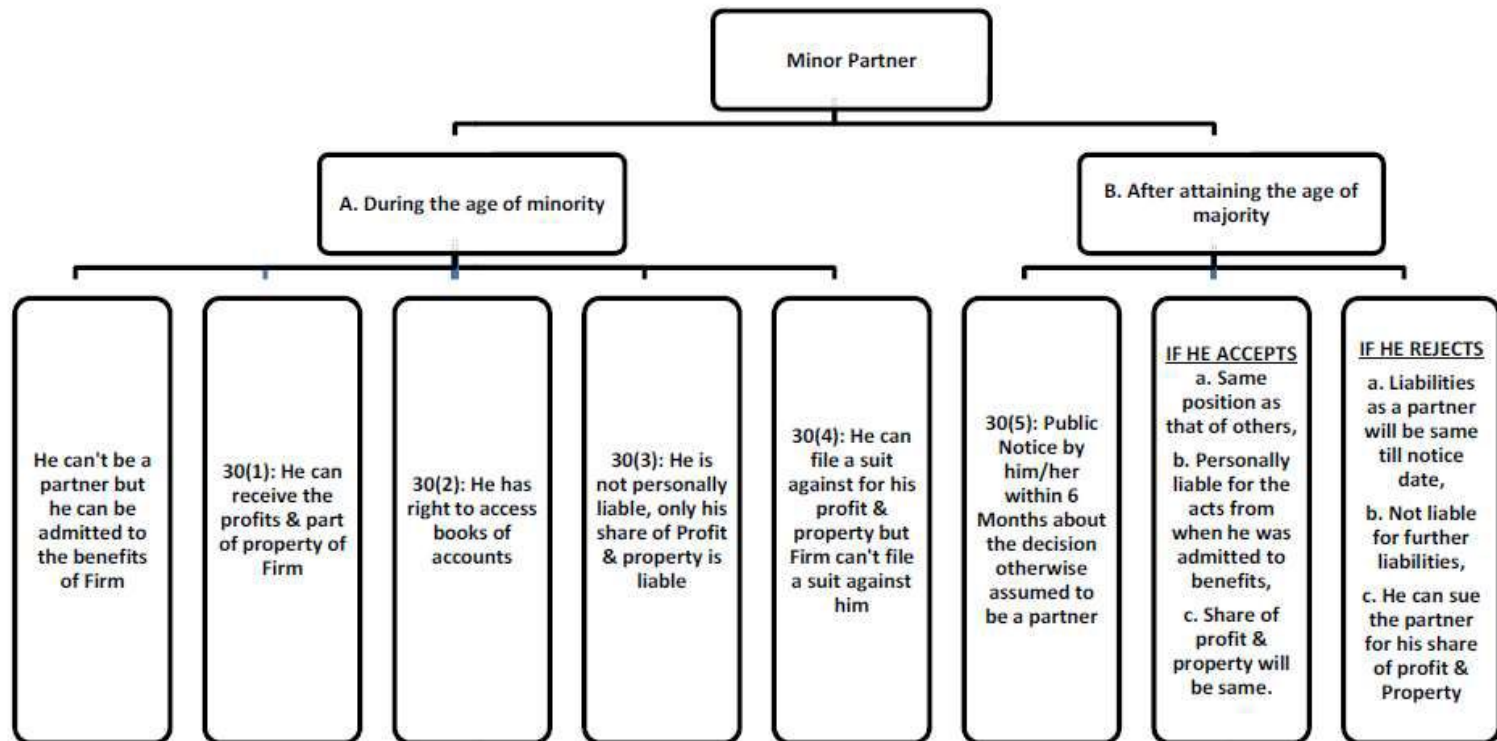
Examples: The partner can:


1. Engage the lawyer,
2. Purchase usual goods,
3. Appoint servants
4. Make collection from debtors,
5. Sell the goods,
6. Settle the accounts etc.

If the act is outside the implied authority then the other partners shall not be liable & that specific partner shall be personally liable. Such acts as per Section 19(2) are:

1. To submit firm's dispute to arbitration,
2. to open bank a/c in own name on behalf of Firm,
3. To compromise or relinquish the claim of firm on outsiders,
4. To withdraw such suit,
5. To accept any suit / liability against firm,
6. To acquire/ transfer immovable property for/of firm
7. To enter into partnership on behalf of the firm

POSITION OF MINOR PARTNER IN THE FIRM

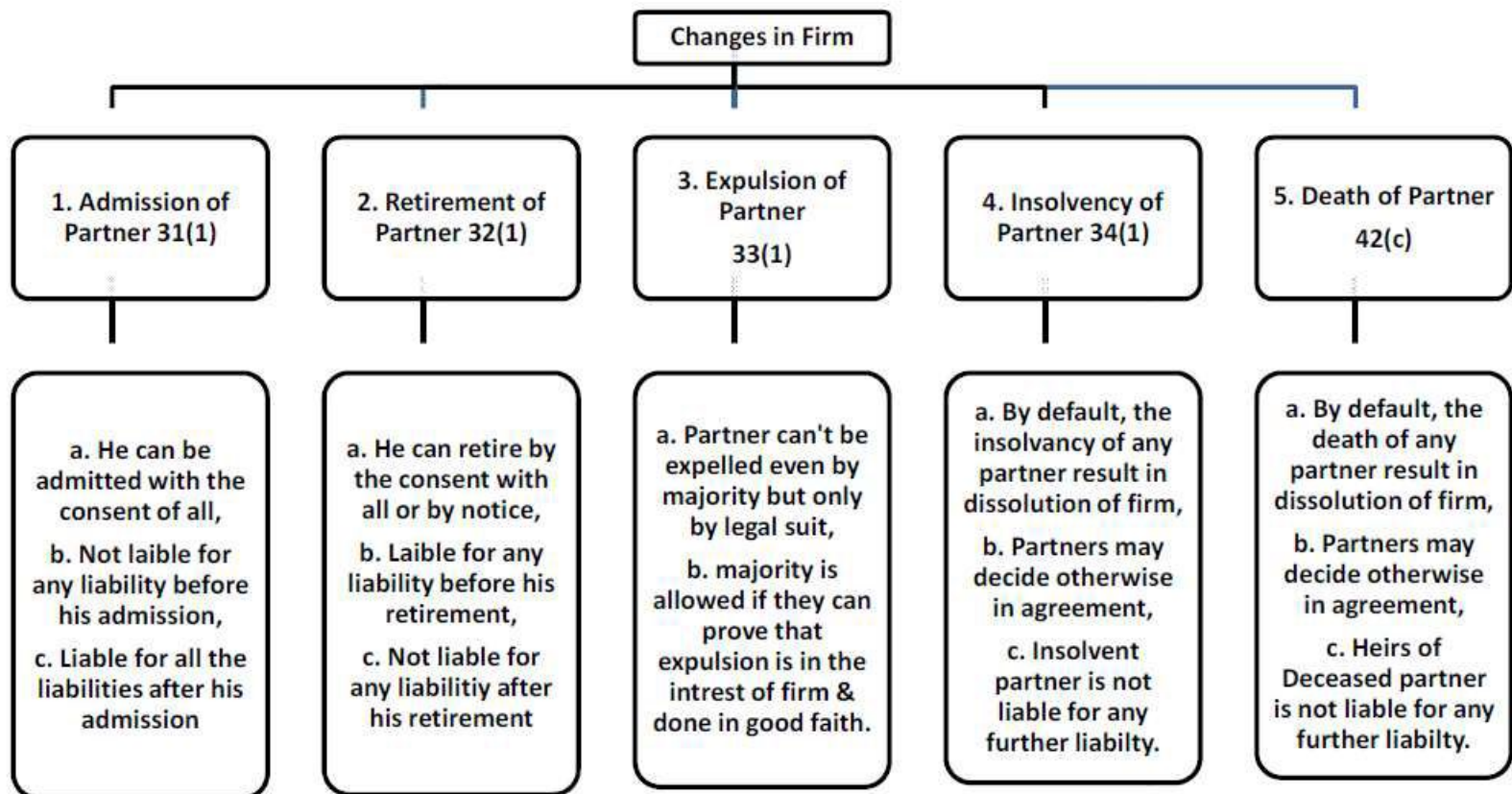




Dissolution of a partnership means the relationship of the partner will be come to an end. For example , if there is a partnership among A,B & C come to an end. But the partnership between A&B comes in to being. The new firm with A and B is called reconstituted firm.

Thus retirement of a partner from a firm doesn't dissolved the firm. The firm continues with the changed constitution. The partnership between continuing partner with be unaffected.

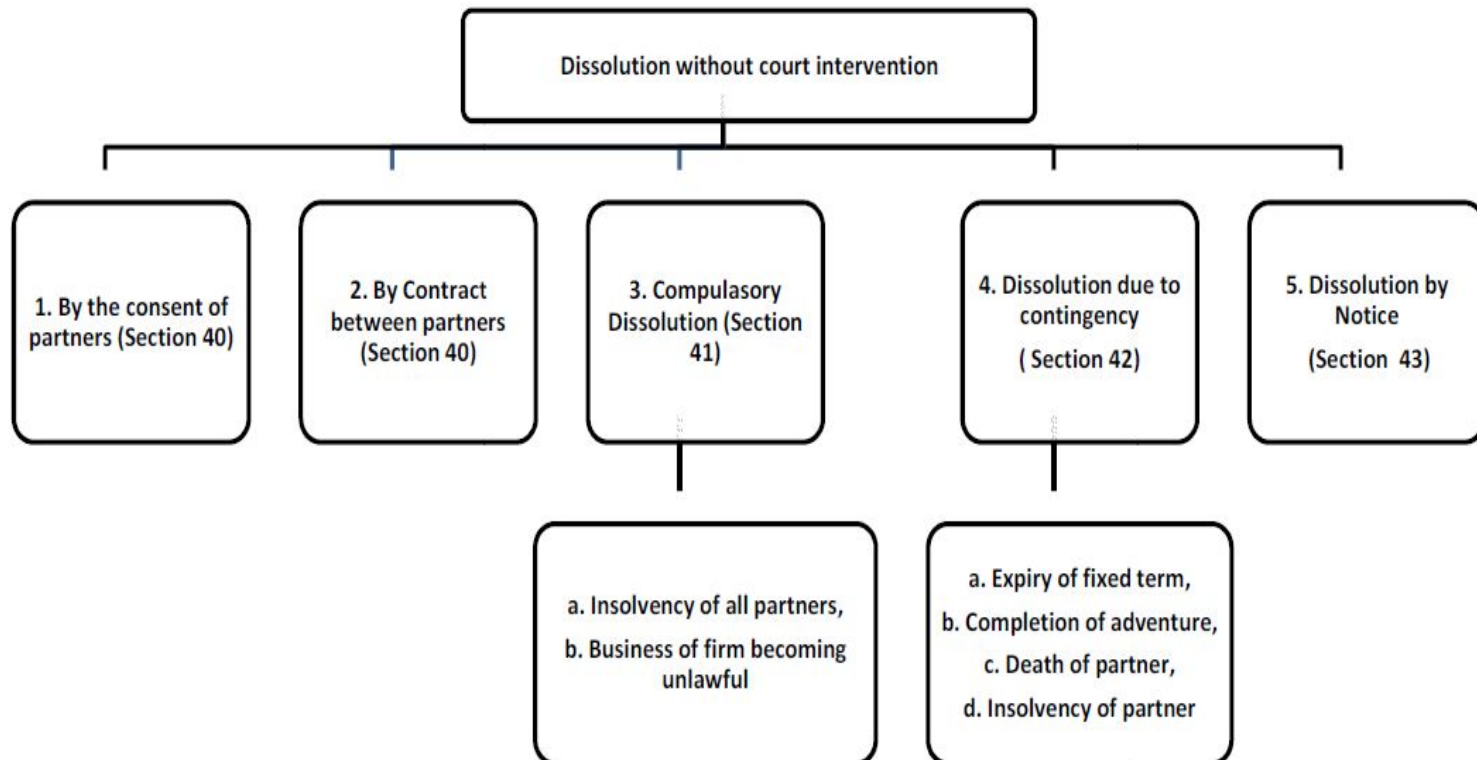
RECONSTITUTION OF THE FIRM



DISSOLUTION OF FIRM (SEC 39)

DISSOLUTION IS OF 2 TYPES :

1. Dissolution of Firm: Activities of firm closed down
2. Dissolution of partnership: Some of the partners goes out by death, retirement etc.



Dissolution with court intervention

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graph TD; A[Dissolution with court intervention] --> B[1. Insanity of partner  
Section: 44(a)]; A --> C[2. Permanent incapacity of partner  
Section: 44(b)]; A --> D[3. Misconduct of partner  
Section: 44(c)]; A --> E[4. Persistent breach of agreement  
Section: 44(d)]; A --> F[5. Transfer of interest  
Section: 44(e)]; A --> G[Perpetual losses in business  
Section: 44(f)];
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1. Insanity of partner
Section:
44(a)

2. Permanent incapacity of partner
Section:
44(b)

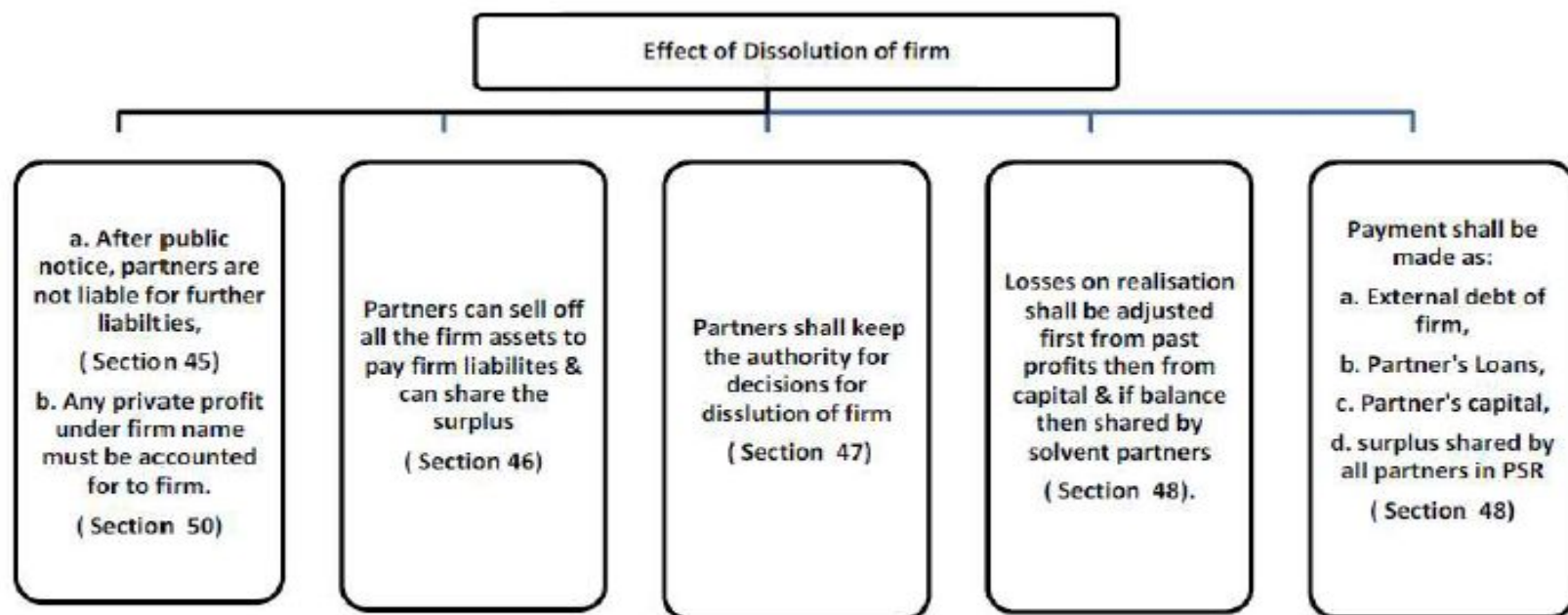
3. Misconduct of partner
Section:
44(c)

4. Persistent breach of agreement
Section:
44(d)

5. Transfer of interest
Section:
44(e)

Perpetual losses in business
Section:
44(f)

EFFECT OF DISSOLUTION OF FIRM





THANK YOU ...