

# About Partnership

## **What is Partnership: -**

As per section 4 of The Indian Partnership Act, 1932 partnership can be defined as the relationship between persons who have agreed to share profits of the business carried on by all or any of them acting for all. Persons who have entered into a partnership with one another are called individually “partners” and collectively a “firm” and the name under which their business is carried on is called the “firm name”.

In other words, we can say that a partnership is a legal relationship between two or more people who carry out the business as co-owners. The partners have specified and joint liabilities and duties. The partners are both a principal as well as an agent the partners of the firm are the real owners and the firm does not have a separate legal entity.

## **Need of Partnership: -**

The proprietorship form suffers certain limitations such as limited resources, limited skill and unlimited liability. To overcome with limitation proprietor finds him unable to fulfil these requirements. Expansion in business requires more capital and managerial skills and also involves more risk. This call for more persons come together, with different edges and start business.

For example, a person who lacks managerial skills but may have capital. Another person who is a good manager but may not have capital. When these persons come together, pool their capital and skills and organise a business, it is called partnership. Partnership grows essentially because of the limitations or disadvantages of proprietorship.

## **Legal Validity: -**

The Indian Partnership Act, 1932 passed by the Legislation received its assent on 8th April 1932 and came into force on 1st October 1932. The present partnership act is based on the English Partnership Act, 1890 with modifications. The principles of the partnership were first brought under the Indian Contract Act, 1872 under Chapter XI.

## Partnership Deed

A partnership deed is a written document which describe the rights and duties of the partners at the time of partnership. It is a document which is created to avoid unnecessary disputes and harassment among the partners regarding any issue. The formation of a partnership deed is not mandatory and is prepared only for the smooth functioning of the firm. The unregistered partnership deed cannot be enforced as a valid agreement in view of section 9 of the Partnership act, but it can act as evidence at the time of the dissolution of the firm. While making partnership deed all the provisions and the legal points of the partnership deed are included. This deed also includes basic guidelines for future projects and can be used as evidence at times of conflict or legal procedures.

### Following Silent Feature of Partnership Deed.

- ❖ The Partnership Firm name accepted by all the partners should be mentioned. The name should not have titles like “company” or “private company”
- ❖ The partnership agreement contains the name by which the firm will start its business. This name should not have been already registered with the registrar of partnership firm.
- ❖ Business nature should be mentioned
- ❖ It is also explained in the partnership deed whether the business of the firm will be for a fixed period of time or it will be for an indefinite period or it will continue until the completion of the venture.
- ❖ It is also provided that any partner will be allowed to draw any amount from the firm for his personal use.
- ❖ Whether any salary is allowed to any partner for the management of the firm or not. If allowed then what will be its amount.
- ❖ If the firm needs more funds for the business than its paid-up capital, how these funds will be provided for, whether from borrowing Outsides or from the partners, is also provided in the deed.
- ❖ The provisions regarding the of the firm during the admission and withdrawal are also given

- ❖ **Partner's contribution to the capital, Profit sharing ratio, and Salary to be mentioned.**
- ❖ **Opening of bank account and permission for account operation.**
  
- ❖ **Interest on contribution and the Interest. Retirement or suspension terms and conditions of the retirement or expulsion of a partner**
  
- ❖ **Preparation of the business's accounts and the terms for internal and legal audit.**
  
- ❖ **Procedure for dissolution of a firm and guidelines for resolving any conflicts and agreement method to follow.**