

DIRECT QUESTIONS

1. Define Partnership. Discuss the essential elements of Partnership. (4M)
2. What are the types of partnership. Under the Indian Partnership Act, 1932? (4M)
3. What constitutes Partnership property under the provisions of Indian Partnership Act, 1932? (Section 14) (4M)
4. Who can become a partner in a firm? (Essentials (2M) with eg: - I point)
5. What is a Partnership Deed? State the contents, contained therein. OR
Ms. Lucy while drafting partnership deed taken care of few important points. What are those points? She want to know the list of information which must be parts of partnership deed drafted by her. Also, give list of information to be included in partnership deed?
6. Differentiate between the following
 - Partnership & Company
 - Partnership & HUF
 - Partnership & Co-ownership
7. Explain the rights of a partner under the Indian Partnership Act, 1932.

8. What are the duties confirmed on the partners under the Indian Partnership Act, 1932?
9. What is position of minor as a partner in the firm, under the provisions of Indian Partnership Act, 1932? (Section 3a)
10. Discuss the rights & liabilities of an outgoing partner under the Indian Partnership Act, 1932.
- Rights - Section 36 & 37
- Liabilities of an outgoing partner. These may be classified into two stages - (Section 36-37)(6M)
- Liabilities for acts done before leaving the firm
A retiring partner is liable for the acts done & debts incurred before his retirement, but he may be exempted from this liability in case of an arrangement made by him with the third party and the remaining partners of the unconstituted firm.
 - Liability for acts done leaving the firm
In case of retirement of a partner, a public notice is essential to this effect. If it is not given, the retiring partner will continue to be liable to third parties for the acts of the firm even after his retirement. A public notice is not essential in case of sleeping or deceased partner who is not known to be a partner, and so as much such will not be liable for future acts of the firm.

12. State the modes by which a partner may transfer his interest in the firm. your of another person under the Indian Partnership Act, 1932. What are rights of such a transferee? (Section 29 and 31)
13. List the acts which are considered to fall within the scope of implied authority of a partner.

Ans. The implied authority of a partner generally includes the following:

- To purchase goods for the purpose of the business of the firm or cash or credit.
- To sale the goods of the firm on cash or credit basis.
- To settle the accounts with debtors & creditors of the firm within scope of his authority.
- To receive payments from the debtors of the firm, on behalf of the firm, and issue receipts with respect to the same.
- To engage or hire employees or servants for the purpose of conduct of business of the firm.
- To hire the services of an advocate to maintain or defend a suit in relation to the business of the firm.
- To borrow money for the purpose of business of the firm.
- To pledge the goods of the firm as a security for the borrowings on behalf of the firm & for the purpose of business of the firm.
- To draw, accept, endorse or negotiate any P/N, B/E or cheque in the name & on behalf of the firm.

14. Discuss the provisions regarding personal profit earned by a partner. (Sect 16) (4 Marks)
15. What is the procedure of registration of the firm? Explain. (Sect 58, 59)
16. What are the consequences of Non-registration of a firm? Discuss OR. (Sect 69)
 "Indian Partnership Act does not make the registrations of firms compulsory nor does it impose ~~only~~ any penalty for non-registration". In light of the given statement, discuss the consequences of non-registration of the partnership firms in India.
17. What are the modes of dissolution of firm without the order of the court?
18. What are the grounds for dissolution of the firm at the order of the court?
19. What is the mode of settlement of Accounts of a dissolved firm?
20. What is meant by implied authority? What are the statutory restrictions on implied authority as stipulated in the Partnership Act, 1932? OR.
 In the absence of any usage or custom of trade to the contrary, the implied authority of a partner does not empower him to do certain acts. State the acts which are beyond the implied authority of a partner under the provisions of Ind. Part. Act 1932.

21. Mr. A (transferor) transfers his share in a partnership firm to Mr. B (transferee). Mr. B is not entitled for few rights and privileges as Mr. A (transferor) is entitled thereto. Discuss in brief the points for which Mr. B is not entitled during continuance of partnership? (Sect 29)

22. What are the legal consequences in case of retirement of a Partner?

→ Retirement of A Partner (Sect 32)

- (i) A partner may retire:
 - with the consent of all the partners
 - in accordance with an express agreement by the partners or where the partnership is at will, by giving notice in writing to all the other partners of his intention to retire.
- (ii) A retiring partner may be discharged from any liability to any third party for acts of the firm done before his retirement by an agreement made by him with such third party & the partners of the reconstituted firm.
- (iii) In case of retirement of a partner from a firm, he and the other partners continue to be liable as partners to third parties for any act done by any of them before the retirement, until public notice is given of the retirement.

(iv) Notices under sub section (3) may be given by the retired partner or by any partner of the unconstituted firm.

23. What are the legal consequences of Insolvency of a Partner?

→ Insolvency of a Partner (Section 34)

- (i) Where a partner in a firm is adjudicated as an insolvent he ~~stop~~ ceases to be a partner on the date on which the order of adjudication is made, whether or not the firm is hereby dissolved.
- (ii) Where under a contract between the partners the firm is not dissolved by the adjudication of a partner as an insolvent, the estate of a partner so adjudicated is not liable for any act of the firm & the firm is not liable for any act of the insolvent, done after the date on which the order of adjudication is made.

24. What are the legal consequences in case of death of a Partner?

→ Liability of Estate of Deceased Partner (Sect 35)

- Where under a contract b/w the partners, the firm is not dissolved by death of a partner, the estate of a deceased partner is not liable for any act of the firm done after his death.

Ex-

X was a partner in a firm. The firm ordered goods in X's lifetime, but the delivery of the goods was made after X's death. In such a case X's estate would not be liable for the debt; a creditor can have only personal decree against the surviving partners & a decree against the partnership assets in the hands of those partners. A suit for goods sold and delivered would not lie against the representatives of the deceased partner. This is because there was no debt due in respect of the goods in X's lifetime.

Past year Examination Pattern

Indian Partnership Act, 1932

May 18	Nov. 18	May 19	Nov-19	Nov 20	Jan 21
20 M.	16 M.	16 M.	16 M.	16 M.	16 M.

Past years Question Papers

January 21

1. What do you mean by "Particular Partnership" under the Indian Partnership Act, 1932? (2M)

OR

Who is a nominal partner under the Indian Partnership Act 1932? What are his liabilities? (2M)

2. "Business carried on by all or any of them acting for all." Discuss the statement under Indian Part. Act, 1932. (4M)

3.

M, N & P were partners in a firm. The firm ordered JR Limited to supply the furniture. P dies, & M & N continues the business in firm's name. The firm did not give any notice about P's death to the public or the persons dealing with the firm. The furniture was delivered to the firm after P's death, fact about his death was known to them at the time of delivery. Afterwards the firm became insolvent and failed to pay the price of furniture to JR Limited. Explain with reasons.

- Whether P's private estate is liable for price of furniture purchased by firm?
- Whether does it make any difference if JR Limited supplied the furniture to the firm believing that all 3 partners are alive?

Ans.

According to Section 35 of the Indian Partnership Act 1932, 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.

Further, in case of deceased partner it is not necessary to give any notice either to the public or the persons having dealings with the firm. In the given question, JR Limited has supplied furniture to the partnership firm, after P's death. The firm did not give notice about P's death to public or people dealing with the firm.

Afterwards, the firm became insolvent & could not pay JR limited.

In the light of the facts of the case & provisions of law:

Since the delivery was made after P's death, his estate would not be liable for the debt of the firm. A suit for goods sold and delivered would not lie against the representatives of the deceased partner because there was no debt due in respect of goods in P's lifetime.

It will not make any difference even if JR limited supplied furniture to the firm believing that all the three partners are alive, as it is not necessary to give any notice either to the public or the people persons having dealings with the firm, so the estate of the deceased partner may be absolved from liability for the future obligations of the firm.

4. Discuss the liability of a partner for the act of the firm & liability of firm for act of a partner to third parties as per Indian Part. Act 1932. (4 M)

Ans Section 25, 26 and 27

Ques No. 1 November 20

1. What do you mean by 'Partnership at will' as per Indian Part. Act 1932? (2 M)

OR

Comment on 'The right to expel partner must be exercised in good faith' under the Indian Part. Act 1932. (2 M)

2. Referring to the provisions of the Indian Part. Act 1932, answer the following:

What are the consequences of Non-Registration of Partnership firm?

What are the rights which won't be affected by Non-Registration of Partnership firm? (4 M)

3. P, Q, R & S are the partners in M/S PQRS & Co. a partnership firm which deals in trading of Washing Machines of various brands. Due to the conflict of views between partners, P & Q decided to leave the partnership firm & started competitive business on 31st July, 2019 in the name of M/S PQ & Co. Meanwhile, R & S have continued using the property in the name of M/S PQRS & Co. in which P & Q also has a share. Based on the above facts, explain in detail the rights of outgoing partners as per the Indian Part. Act, 1932 & comment on the following:

1. Rights of P & Q to start a competitive business.
2. Rights of P & Q regarding their share in property of M/S PQRS & Co. (6M)

Ans. Section 36

From the above, we can say that P & Q can start competitive business in the name of M/S PQ & Co after following above conditions in the absence of any agreement.

And section 37

In the instant case, P & Q can share in property of M/S PQRS & Co. keeping in view of the above provisions.

4. Explain in detail the circumstances which lead to liability of firm for misapplication by partners as per provisions of Indian Part. Act 1932.

Ans. Section 27 with eg. of misapplication of law.

November 19

1. When the continuing guarantee can be revoked under the Indian Part. Act, 1932? (2M)

OR

What do you mean by goodwill as per the provisions of Indian Part. Act, 1932? (2M)

Ans. Revocation of continuing guarantee (Section 38 of the Indian Part. Act, 1932)

According to section 38, a continuing guarantee given to a firm or to third party in respect of the transaction of a firm is, in the absence of an agreement to the contrary, revoked as to future transactions from the date of any change in the constitution of the firm. Such change may occur by the death, or retirement of a partner or by introduction of a new partner.

OR

Goodwill: The term 'Goodwill' has not been defined under the Indian Partnership Act, 1932. Section 14 of the act lays down that goodwill of a business is to be regarded as a property of the firm.

Goodwill may be defined as the value of the reputation of a business house in respect of profits expected in future over and above the normal level of profits earned by undertaking belonging to same class of business.

2. Explain the various effects of insolvency of a partner.
(M.S.) (4 M)

Ans. Section 34

3. Master X was introduced to the benefits of partnership of M/S ABC & Co. with the consent of all partners. After attaining majority, more than six months elapsed and he failed to give a public notice as to whether he elected to become or not to become a partner in the firm. Later on, Mr L, a supplier

of material to M/S ABC & Co., filed a suit against M/S ABC & Co for recovery of the debt due.

In the light of the Indian Part. Act 1932, explain:

To what extent X will be liable if he failed to give public notice after attaining majority? Can Mr. L recover his debts from X?

4. "Dissolution of a firm is different from dissolution of Partnership." Discuss (4 M)

May 19

1. What is the provision related to the effects of notice to an acting partner of the firm as per the Indian Part. Act, 1932? (2 M)

OR

Discuss the provisions regarding personal profits earned by a partner under the Indian Part. Act 1932?

2. "Whether a group of persons is or is not a firm, or whether a person is or not a partner in a firm." Explain the mode of determining existence of partnership as per the Indian Partnership Act, 1932? (MP) (4 M)

Ans. Mode of determining existence of partnership / True test of Partnership (Section 6 of Ind. Part. Act, 1932). In determining whether a group of persons is or is not a firm, or whether a person is or not a partner in a firm, regard shall be had to the real relation b/w the parties, as shown by all relevant facts taken together.

For determining the existence of partnership, it must be proved.

- There was an agreement b/w all persons concerned.
- The agreement was to share the profits of a bus.
- The business was carried on by all or any of them acting for all.

3. Expulsion of Partner G and expert

(m. Already done) (6M)

4. "Indian Part. Act does not make the registration of firms 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? (4M)

November 18

"Though a minor cannot be a partner in a firm, he can nonetheless be admitted to the benefits of partnership". Referring to the provisions of the Ind. Part. Act 1932, state the rights which can be enjoyed by a minor partner. (4M)

2. State the liabilities of a minor partner both:

- Before attaining majority &
- After attaining majority (2M)

OR

State the legal position of a minor partner after attaining majority:

- When he opts to become a partner of the same firm.
- When he decides not to become a partner.

3. Mr A, Mr B and Mr C were partners in a part. firm M/s ABC & Co. which is engaged in the business of trading of branded furniture. The name of the partners was clearly written along with the firm name in front of the head office of the firm as well as on letter head of the firm. On 1st Oct 2018 Mr C passed away. His name was neither removed from the list of partners as stated in front of the head office nor from the letter heads of the firm. — Jan 21 Q3 (Same)

4. Mr M, Mr N & Mr P were partners in a firm, which was dealing in refrigerators. On 1st Oct 2018, Mr P retired. — (3M)

5. State any 4 grounds on which court may dissolve a part. part. firm in case any partner files a suit for the same. (4M)

6. State any 4 grounds