

Chapter-4

PartnershipPartnership BusinessPartnership Business

When more than one person jointly form and conduct business together on the basis of agreement is called partnership business. The capital and profit of the business is shared and distributed among the partners.

What is agreement?

=> An agreement is a promise or a set of promises made between two or more people to do or not to do something.

Features of Partnership Business

1.

According to partnership act 1932, section 4, partnership means:

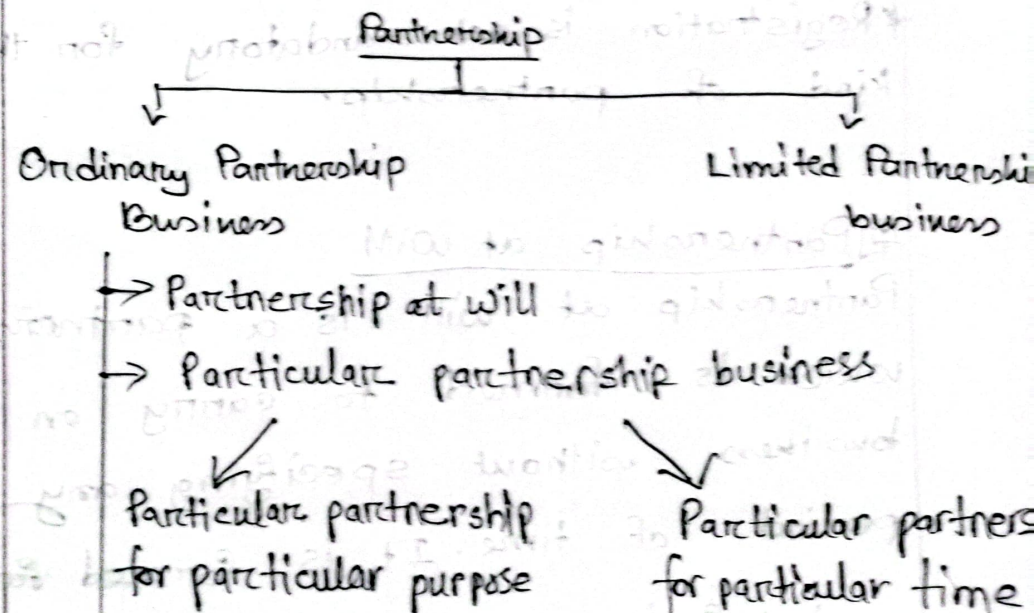
Partnership is the relation between ~~two~~ people who have agreed to share the profits of a business carried on by all or any of them acting for all.

Chapter-4Partnership BusinessCharacteristics of Partnership Business

1. Number of members and capabilities.
2. Contractual relation.
3. Supply of Capital.
4. Mutual Agency → Mutual representative.
5. Unlimited liability.
6. Mutual trust and confidence.
7. Distribution of profit & loss.
8. No separate legal entity.
9. Dissolution.
10. Formation of operation.

Mutual Agency

Mutual Agency means every partner is both an agent and principal for the other partners. Each partner can bind the firm and other partners by their actions in the ordinary course of business.

Types of Partnership Business

▣ Limited Partnership Business

The partnership business that consists of two partners where one partner's partnership is unlimited and the other partner's liability is limited.

⇒ General partner → Liability unlimited

⇒ Limited partner → Liability limited.

* Registration is ~~not~~ mandatory for this kind of partnership.

▣ Partnership at will

Partnership at will is a partnership which is formed to carry on business without specifying any period of time. It is formed for an indefinite period of time and no provision is made as to when

and how the partnership will come to an end. The life of such partnership business continues as long as the partners are willing to continue.

▣ Particular partnership

Particular partnership is a such kind of partnership business which is established for a stipulated/specific period of time or for the completion of specific venture. It automatically comes to an end ~~when~~ with the expiry of the specific period or the completion of the specific venture or objective.

▣ Types of Partner

1. Ordinary/Active partner.
2. Sleeping/Silent/Dormant partner.
3. Limited Partner.
4. Nominal Partner.
5. Quasi Partner.

- 6. Partner by holding out.
- 7. Partner by estoppel.
- 8. Working Partner.

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Nominal Partner

According to contract he enjoys profit from the business. In this case, his liability is not unlimited like ordinary partner.

Quasi Partner

The partner who does not withdraw capital despite retirement, rather keeps the capital in business as loan. Quasi Partner is considered the creditor of business.

Partner by holding out.

He is not actually a partner of the business partnership firm. The person introduces himself as partner to third parties.

Partner by estoppel

The partner of partnership firm introduces someone to a third party as partner.

The partner by estoppel is such kind of partner, if a partner of partnership firm introduces sm1 to third party and he/she remains silent despite knowing the fact is called partner by estoppel.

Working Partner

The partner who does not invest money in partnership business but uses his merit or expertise or labor as per contract as capital is known as working partner.

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Working Partner

A working partner is a partner in a partnership who actively participates in the day-to-day operations, management or business activities of the firm. Unlike an ordinary partner he does not invest money in the business but uses his skills, experience and knowledge in business as capital. Unlimited liability.

Minor as a Partner

Dissolution of Partnership Business:

1. Dissolution by mutual agreement. \rightarrow Section-40
2. Compulsory dissolution. \rightarrow Section-41
3. Dissolution on the basis of certain contingencies. \rightarrow Section 42
4. Dissolution through notice. \rightarrow Section 43
5. Dissolution by the order from the court. \rightarrow Section 44.

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Dissolution through the order of court.

1. If any partner becomes unsound mind or mad.
2. If any partner becomes permanently disabled.
3. Conflicted by court.
4. If any partner is dishonest about the partnership business proven by the court.
5. If any partner intentionally breach the terms & conditions.
6. If any partnership firm faces continuous loss.

In case of Partnership at will

In case of Partnership at will, the partnership can be dissolved at any time by any partner without any notice. The partnership is not bound by any time limit. The partnership can be dissolved by any partner at any time without any notice. The partnership is not bound by any time limit. The partnership can be dissolved by any partner at any time without any notice. The partnership is not bound by any time limit.

Dissolution of Partnership

1. Dissolution by mutual agreement.
2. Dissolution by operation of law.
3. Dissolution by court order.
4. Dissolution by notice.
5. Dissolution by agreement.

Consequences of Non-registration of Partnership Firm

1. Disabilities of the firm and the partners.

⇒ Suit between partners.

If the partnership firm is not registered the partners can't file case ^{against} or sue the other partners to enforce any contractual right.

Cannot

2. Suit against a third party to enforce rights arising out of the contract.

3. Counter claim not allowed

⇒ A third can sue an unregistered firm. But the unregistered firm or partners cannot file case ~~for~~ against third party to realize their own

4. Recovery of dues over Tk. 100