**PARTNERSHIP**

A partnership is a kind of business where a formal agreement between two or more people is made and agreed to be the co-owners, distribute responsibilities for running an organization and share the income or losses that the business generates.

In India, all the aspects and functions of the partnership are administered under ‘The Indian Partnership Act 1932’.

 Partnership is a voluntary association of two or more persons who agree to carry on some business jointly and share its profits and losses.

**FEATURES**

**1. Two or more persons:** There must be at least two persons to form a partnership. The maximum no. of persons is 10 in banking business and 20 in non-banking business.  
**2. Agreement:** It is an outcome of an agreement among partners which may be oral or in writing.  
**3. Lawful business-** It can be formed only for the purpose of carrying on some lawful business.  
**4. Decision making & control –** Every partner has a right to participate in management & decision making of the organisations.  
**5. Unlimited liability –** Partners have unlimited liability.  
**6. Mutual Agency –** Every partner is an implied agent of the other partners and of the firm. Every partner is liable for acts performed by other partners on behalf of the firm.  
**7. Lack of continuity –** Firms existence is affected by the death, Lunacy and insolvency of any of its partner. It suffers from lack of continuity.

**MERITS**

**1. Ease of formation & closure –** It can be easily formed. Only an agreement among the partners is required.  
**2. Larger financial resources –** There are more funds as capital is contributed by no. of partners.  
**3. Balanced Decisions –** As decisions are taken jointly by partners after consulting each other.  
**4. Sharing of Risks –** In it, risk get distributed among partners which reduces anxiety, burden and stress on individual partner.  
**5. Secrecy –** Secrecy can be easily maintained about business affairs as they are not required to publish their accounts or to file any report to the govt.

**LIMITATIONS**

**1. Limited resources –** There is a restriction on the number of partners and hence capital contributed by them is also limited.  
**2. Unlimited liability-** The liability of partners is unlimited and they are liable individually as well as jointly. It may prove to be a big drawback for those partners who have greater personal wealth. They will have to repay the entire debt in case the other partners are unable to do so.  
**3. Lack of continuity –** Partnership comes to an end with the death, retirement, insolvency or lunacy of any of its partner.  
**4. Lack of public confidence –** Partnership firms are not required to publish their reports and accounts. Thus they lack public confidence.

**TYPES OF PARTNERS**

**1. General / Active Partner –** Such a partner takes active part in the management of the firm.  
**2. Sleeping or Dormant Partner –** He does not take active part in the management of the firm. Though he invested money, shares profit & Loss and unlimited liability.  
**3. Secret Partner –** He participates in business secretly without disclosing his association with the firm to general public. His liability is also unlimited.  
**4. Nominal Partner –** Such a partner only gives his name and goodwill to the firm. He neither invests money nor takes profit. But his liability is unlimited.  
**5. Partner by Estoppels –** He is the one who by his words or conduct gives impression to the outside world that he is a partners of the firm whereas actually he is not. His liability is unlimited towards the third party who has entered into dealing with firm on the basis of his pretensions.  
**6. Partner by holding out –** He is the one who is falsely declared partner of the firm whereas actually he is not. And even after becoming aware of it, he-does not deny it. His liability is unlimited towards the party who has deal with firm on the basis of this declaration.

**PARTNERSHIP DEED**

The written agreement on a stamped paper which specifies the terms and conditions of partnership is called the partnership deed.

It generally includes the following aspects –  
• Name of the firm  
• Location / Address of the firm  
• Duration of business.  
• Investment made by each partner.  
• Profit sharing ratio of the partners  
• Terms relating to salaries, drawing, interest on capital and interest on drawing of partners.  
• Duties & obligations of partners.  
• Terms governing admission, retirement & expulsion of a partner, preparation on of accounts     & their auditing.  
• Method of solving dispute

**REGISTRATION OF PARTNERSHIP**

Registration is not compulsory it is optional. But it is always beneficial to get the firm registered. The consequences of non-registration of a firm are as follows:

• A partner of an unregistered firm cannot file suit against the firm or the partner.

• The firm cannot file a suit against third party.

• The firm cannot file a case against its partner.