

PARTNERSHIP ACT, 1932

- 01.** A & B are partner of a registered partnership firm. Both of them died in a road accident. What will be the fate of the firm?

The partnership firm will be dissolved with the death of a partner because the partnership is created by the contract not by the status. As per Section 42 (c) of the Partnership Act, 1932, a partnership is dissolved with the death of a partner.

- 02.** Can a firm be liable for the wrongful act of a partner?

As per Section 26 of the Partnership Act, 1932, a firm will be liable for any wrongful act of a partner which is ordinary activity of the firm or for which the partner was authorized by the other partners to do so.

- 03.** Distinguish between an active partner and a sleeping partner.

The partner who participates in the capital of the firm and particulars in the operation and management of the firm is known as active partner. The partner who participates in the capital but not participates in the operation and management of the firm is known as a sleeping partner.

- 04.** Can a minor become a partner of a partnership firm? If so what are his rights and liabilities?

As per Section 11 of the Contract Act, 1872; a minor is not competent to enter into a contract. So, he can not be a partner of a partnership firm. As per Section 30 of the Partnership Act, 1932; he can be able to receive the benefit of the firm. His rights as contained in that section are as under;

- He can take the share of profit of the firm,
- He has a right of access to inspection and copies of the accounts,
- His share is liable for acts of the firm but the minor is not personally liable,
- He can take the share of the assets of the firm at the time of its liquidation.

- 05.** Can an outgoing partner carry on business competing with the firm?

An outgoing partner is not a partner of the firm once he leaves it. Then he can start similar business elsewhere in a name different from his prior firm. Specifically an outgoing or retiring partner has the rights to carry on business competing with the firm any where in Bangladesh but he cannot use the name of the firm.

- 06.** Can a partner bind the firm?

Yes, the partner is the representative or agent of the firm. The activity which he was authorized to do and which is the ordinary activity of business of the firm shall bind the firm even in case of wrongful activity of a partner.

07. What do you understand by partnership at will?

A firm may be called partnership at will, if;

- The partnership has been established for uncertain period,
- The partnership is being continued even after achieving its specified objective,
- When the partnership is established for a certain period but it is continued after that period.

08. What are the effects of non-registration of a firm?

Or ~ Imagine the effects of a non-registration of a firm which elaborating reasons favoring registration.

Effects of non-registration of a firm are as follows;

- The firm cannot sue against third party for realization from them an amount of more than Tk. 100,
- The firm cannot sue against third party for specific performance of a contract but the third party may sue against the firm for the same,
- The partners cannot sue each other,
- The firm cannot counter sue against third party.

09. What are the 10 important elements of a Standard Partnership Deed?

The 10 important elements are;

1. Date of formation of partnership,
2. Name of the firm,
3. Address of the firm,
4. Nature of business,
5. Tenure of business,
6. Name, address and occupation of all partners,
7. Capital of the firm,
8. Capital brought in by partners and ratio of capital,
9. Distribution of profit,
10. Name of managing partner and his power.

10. What is the registration of a partnership firm? Is it mandatory for a firm to register?

The registration of a partnership firm means the registration of the partnership deed of contract of the firm. Registration of a firm is not however mandatory.

11. Happening of certain contingencies may lead to dissolution of partnership. What are those?

The certain contingencies are;

- The partnership is established for a certain period and the period is ended,
- The partnership is established to obtain certain objective and the objective is achieved,
- Death of a partner,
- Insolvency of a partner.

12. Can you spell out the procedure for a registration of a firm?

The registration means the registration of the partnership deed of contract of the firm. The partners will prepare a deed of registration and submit two copies of the deed with relevant information to the Registrar. The Registrar after satisfaction will issue a certificate called the Certificate of Registration of Firm.

13. What are the essentials of partnership?

The essential features of partnership are as under;

- Contractual relationship,
- Plurality at member,
- Objective of legal business,
- Sharing profit and losses,
- Mutual operation,
- Capacity,
- Mutual confidence and trust.

14. In what situations a compulsory dissolution may take place?

The situations are;

- All partners or all but one partner are declared insolvent,
- Any incident has occurred and continuation of business has become illegal.

15. Distinguish between a company and a partnership firm.

The differences are;

Subject	Company	Partnership firm
Compliance	Companies Act, 1994.	Partnership Act, 1932.
Registration	Incorporation under the Act compulsory.	Registration under the Act mandatory.
Legal status	Artificial Juristic Entity.	Legal status from partners.
No. of members	No upper limit for public but 50 for private ltd. companies.	10 for banking business and 20 for other business.
Authority of members	Shareholders cannot bind the company.	Partners can bind the firm.
Management	Board of Directors.	Partners.
Transferability	Shares are transferable.	No without consent of partners.

16. Spell out the grounds on which a court may dissolve a partnership firm on a suit filed by a partner.

The grounds are;

- Unsound mind of a partner,
- Permanent incapability of a partner, (Contd.)

- Misconduct of any partner,
- Continuing breach of terms of contract,
- Transfer of ownership of any partner,
- Any other matter if the court deems for dissolution.