

Class 11th | Business Studies



Forms of **Business Organisations** *test*

LECTURE - 04

PARTNERSHIP

{ Mnemonic
SAD HEN }

Types of Partners

- **Active or Working Partner:**

An active partner is one who contributes capital, participates in the management of the firm, shares its profits and losses and bears an unlimited liability for the debts of the firm. Such partners take active part in carrying out business of the firm.

Capital ✓
Management ✓
P&L ✓
Unlimited liability ✓



PARTNERSHIP

- **Sleeping or Dormant Partner:**

A sleeping partner is one who does not take part in the day-to-day activities of the business. Such partner, of course contributes capital, bears unlimited liability, both jointly as well as individually, but does not participate in the management affairs.

Management

X



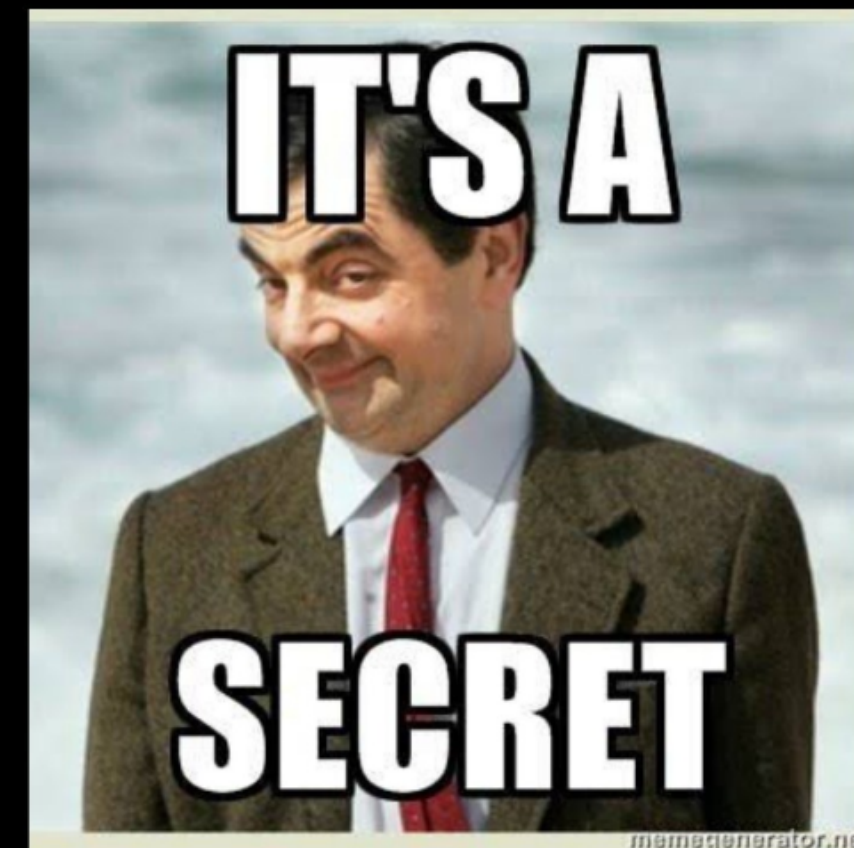
PARTNERSHIP

- Secret Partner: — Chupa hua Rustom

A secret partner is one whose association with the firm is unknown to the general public. Except this distinct feature, he is like the rest of the partners.

He contributes capital, take part in the management, shares its profits and losses and has unlimited liability towards the creditors.

Capital ✓
Mngt. ✓
Unlimited liability ✓
PS ✓



PARTNERSHIP

• Nominal Partner: - name.

A nominal partner is one who allows the use of his name and goodwill for the benefit of the firm and can be represented as a partner. He does not invest capital, does not share profits and does not take part in the management of business. However, he bears unlimited liability for the debts of the firm.

Capital	X
P&L	X
Management	X
Unlimited liability	✓



PARTNERSHIP

- **Partner by Estoppel:**

A partner by estoppel is one who by his words or conduct gives an impression to others that he is a partner of the firm. Such partners are held liable for the debts of the firm as they are considered partners in the eyes of the third party, even though they do not contribute capital or take part in its management.

Capital	X
Management	X
P&L	X
Liable	✓



PARTNERSHIP

- **Partner by Holding out:**

A partner by holding out is one who is represented as a partner and he does not deny such impression, despite becoming aware of that fact. Such a person becomes liable for the debts of the firm to outsiders who have sold goods on credit or lent money to the firm on the basis of such representation.



PARTNERSHIP

Types of Partnerships

Partnership firms can be classified in two ways-

- On the basis of Duration, i.e.. on the basis of length or period of existence of partnership.
- On the basis of Liability, i.e. on the basis of extent of liability of Partners.

PARTNERSHIP

Classification on the basis of Duration -

Partnership at Will:

The life of this type of partnership depends upon the will of partners. The partnership can be dissolved at the desire of any partner on giving a notice. This type of partnership is not for a fixed period or for during a particular fixed venture.

(Specific)

Particular Partnership:

It is one which is formed to accomplish a particular project or to carry out an activity for a specified period of time. It dissolves automatically at the expiry of fixed period or completion of project.

achieve

PARTNERSHIP

- **Classification on the basis of Liability:**

(i) General Partnership: General partnership is one in which liability of every partner is unlimited and every partner is entitled to take active part in management of the business. Acts of each partner are binding on each other as well as on the firm.



PARTNERSHIP

(ii) Limited Partnership: Limited partnership is one in which liability of at least one partner is unlimited, whereas, rest of the partners may have limited liability.

close

- Such a partnership does not get terminated with the death, lunacy or insolvency of partners with limited liability.
- The limited partners do not enjoy the right of management and their acts do not bind the firm or the other partners .
- Registration of such partnership is compulsory. ✓

✓

✓

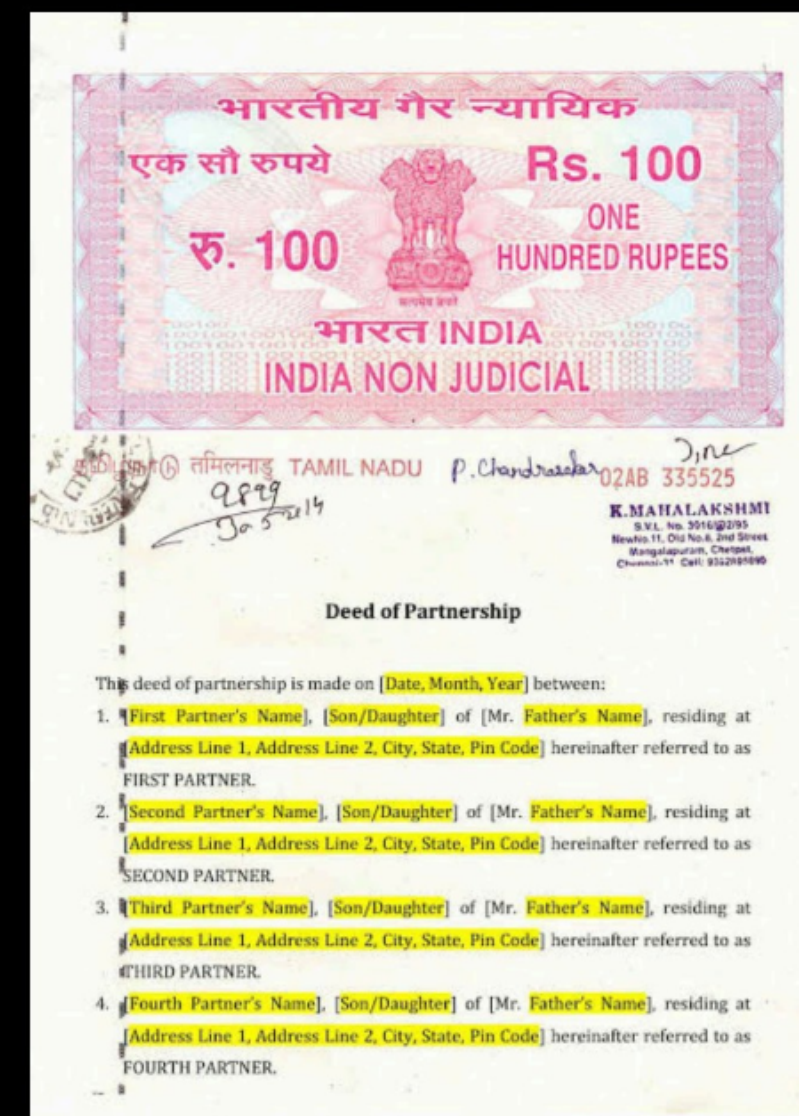
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PARTNERSHIP

Partnership Deed

Partnership comes into existence through an agreement which makes two or more people as partners in business. This agreement may be verbal or in writing. Even though it is not essential to have a written agreement, it is advisable to have one as it constitutes an evidence of the conditions agreed upon.

Partnership deed is the written agreement, which specifies the terms and conditions that govern the partnership.



PARTNERSHIP

The partnership deed generally includes the following aspects:

- Name of the firm
- Nature of business and location of business
- Duration of business (Particular Partnership)
- Investment made by each partner
- Distribution of profits and losses
- Duties and obligations of the partners
- Salaries and withdrawals of the partners
- Interest on capital and interest on drawings
- Procedure for dissolution of the firm
- Preparation of accounts and their auditing
- Method of solving disputes
- Terms governing admission, retirement and-expulsion of a partner

PARTNERSHIP

Registration of Partnership Firm

Registration provides conclusive proof of the existence of a partnership firm. It is at the option for a partnership firm to get registered. However, non-registration deprives the firm from a number of benefits.



Maaf kijiye ga ye theek nahi ho raha hai sir
Aap galat kar rahe hai sir

PARTNERSHIP

Consequences of non-registration

- A partner of an unregistered firm cannot file a suit against the firm or other partners.
- The firm cannot file a suit against third parties.
- The firm cannot file a case against the partners.

In view of these consequences, it is advisable to get the firm registered.



PARTNERSHIP

Procedure for registration

- Submission of application in the prescribed form to the Registrar of firms. The application should be signed by all the partners and should contain the following particulars:
 - Name of the firm .
 - Location of the firm .
 - Names of other places where the firm carries on business .
 - The date when each partner joined the firm .
 - Names and addresses of the partners .
 - Duration of partnership



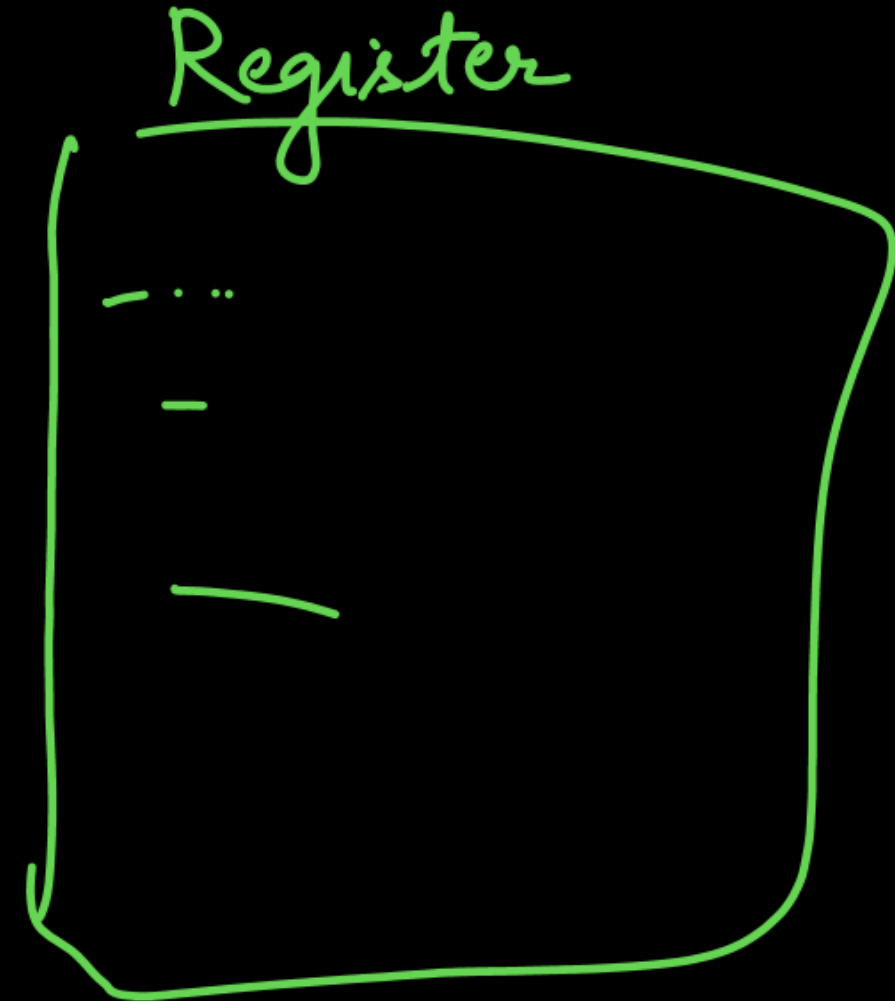
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✓

PARTNERSHIP

- Deposit of required fees with the Registrar of Firms.
- The Registrar after approval will make an entry in the register of firms and will subsequently issue a certificate of registration.

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QUESTIONS

1. The document containing the terms and conditions of partnership firm is called:
- a. Contract note
 - b. Certification of incorporation
 - ☒ c. Partnership deed
 - d. None of the above

QUESTIONS

2. The partner who only allows other partners to use his name and goodwill is called:

- a. Secret partner
- ☒ **b.** Nominal partner
- c. Sleeping partner
- d. Minor partner

QUESTIONS

3. The partnership firm formed to complete a single venture is called:

Particular.

- a. Partnership at will
- b. Fixed period partnership
- c. Particular partnership
- d. Limited partnership

QUESTIONS

Case study (H.W.)

Q

X, Y, Z have mutually decided to set up small factory in rural area. They decided to hide the association of X with the factory to outsiders, and Y will not take part in day to day activities of business due to his health issues. However, Z will take active part in all activities. Whenever they have problems in getting credit or financial helps, they use the name of their friend 'P' with his consent.

Briefly explain the various types of partners, mentioned in the above paragraph. .

11th
Prarambh Batch
2025-26



POOKIES

Bst matlab??
Prableen
Ma'am



GYAN KA SAGAR, MUSKAN HAI PYARI,
PADHANA UNKA, HAI KALAKARI.
HAR VISHAY KO KARTI AASAAN,
PRABLEEN MA'AM, HAIN SABKI JAAN.

-SRESTHA ADHIKARY

