**The Partnership Act of 1932**

**Essentials of Partnership**

According to section 4 of the Partnership Act of 1932, which applies in both India, "Partnership is defined as the relation between two or more persons who have agreed to share the profits according to their ratio of business run by all or any one of them acting for all". This definition superseded the previous definition given in section 239 of Indian Contract Act 1872 as – “Partnership is the relation which subsists between persons who have agreed to combine their property, labor, skill in some business, and to share the profits thereof between them”. The 1932 definition added the concept of mutual agency. The Indian Partnerships have the following common characteristics:

1. A partnership firm is not a legal entity According to English Partnership Act, it is only an abridged name, i.e., an assumed name for all partners & not a legal entity. In India it is partially accepts the practical or commercial notion of the firm but does not have legal entity. According to mercantile law and legal notion its different on the following grounds:-

I. on the basis of the members it is different from company.

II. Not a legal entity.

III. Partners are liable not the firm.

IV. Company itself is liable.

1. Partnership is a concurrent subject. Contracts of partnerships are included in the Entry no.7 of List III of The Constitution of India (the list constitutes the subjects on which both the State government and Central (National) Government can legislate i.e. pass laws on).[8]
2. Unlimited Liability. The major disadvantage of partnership is the unlimited liability of partners for the debts and liabilities of the firm. Any partner can bind the firm and the firm is liable for all liabilities incurred by any firm on behalf of the firm. If property of partnership firm is insufficient to meet liabilities, personal property of any partner can be attached to pay the debts of the firm.
3. Partners are Mutual Agents. The business of firm can be carried on by all or any of them for all. Any partner has authority to bind the firm. Act of any one partner is binding on all the partners. Thus, each partner is ‘agent’ of all the remaining partners. Hence, partners are ‘mutual agents’. Section 18 of the Partnership Act, 1932 says "Subject to the provisions of this Act, a partner is the agent of the firm for the purpose of the business of the firm"[
4. Oral or Written Agreements. The Partnership Act, 1932 nowhere mentions that the Partnership Agreement is to be in written or oral format. Thus the general rule of the Contract Act applies that the contract can be in be 'oral' or 'written' as long as it satisfies the basic conditions of being a contract i.e. the agreement between partners is legally enforceable. A written agreement is advisable to establish existence of partnership and to prove rights and liabilities of each partner, as it is difficult to prove an oral agreement.
5. Number of Partners is minimum 2 and maximum 10 in case of banking business and 20 in others.Since partnership is ‘agreement’ there must be minimum two partners. The Partnership Act does not put any restrictions on maximum number of partners. However, section 11 of Companies Act prohibits partnership consisting of more than 10 members for Banking business and 20 members in other businesses, unless it is registered as a company under Companies Act, 1956 or formed in pursuance of some other law. Some other law means companies and corporations formed via some other law passed by Parliament of India.
6. Mutual agency is the real test. The real test of ‘partnership firm’ is ‘mutual agency’ set by the Courts of India, i.e. whether a partner can bind the firm by his act, i.e. whether he can act as agent of all other partners.

**TYPES OF PARTNERSHIP**

**General Partnership**

A general partnership is a partnership with only general partners. Each general partner takes part in the management of the business, and also takes responsibility for the liabilities of the business. If one partner is sued, all partners are held liable. General partnerships are the least desirable for this reason.

Limited Partnerships A limited partnership includes both general partners and limited partners. A limited partner does not participate in the day-to-day management of the partnership and his/her liability is limited. In many cases, the limited partners are merely investors who do not wish to participate in the partnership other than to provide an investment and to receive a share of the profits.

**Limited Liability Partnerships**

A limited liability partnership (LLP) is different from a limited partnership or a general partnership, but is closer to a limited liability company (LLC). In the LLP, all partners have limited liability.

An LLP combines characteristics of partnerships and corporations. As in a corporation, all partners in an LLP have limited liability, from errors, omissions, negligence, incompetence, or malpractice committed by other partners or by employees. Of course, any partners involved in wrongful or negligent acts are still personally liable, but other partners are protected from liability for those acts.

In recent years, the limited liability company has supplanted the general partnership and the limited partnership, because of the limits of liability. But there are still cases in professional practices in which some partners want to be limited in scope of duties and they just want to invest, having the liability protection.

This is a general overview of these partnership types; if you are considering forming a partnership, consult with your attorney or legal adviser.

Partnership at will (Section 7)- Where no provision is made by contract between the partners for the duration of their partnership, or for the determination of their partnership, the partnership is " Partnership at will"

Particular partnership (Section 8) - A person may become a partner with another person in particular adventures or undertaking.

**Types of partners**

There are various types of partners in a partnership firm. They are as follows:

**Active Partner:**

Partner who takes an active part in the management of the business is called active partner. He may also be called 'actual' or 'ostensible' partner. He is an agent of the other partners in the ordinary course of business of the firm and considered a full fledged partner in the real sense of the term.

**Sleeping or Dormant Partner:**

A sleeping or dormant partner is one who does not take any active part in the management of the business. He contributes capital and shares the profits which are usually less than that of the active partners. He is liable to the firm but his relationship with the firm is not disclosed to the general public.

**Nominal Partner:**

A partner who simply lends his name to the firm is called nominal partner. He neither contributes any capital nor shares in the profits or take part the management of the business. But he is liable to third parties like other partners. A nominal partner must be distinguished from the sleeping partner. While the nominal partner is known to the outsiders and does not share in the profits, the sleeping partner shares in the profit and his relationship is kept secret.

**Sleeping vs. Nominal Partners:**

It may be clarified that a nominal partner is not the same as a sleeping partner. A sleeping partner contributes capital shares profits and losses, but is not known to the outsiders.

A nominal partner, on the contrary, is admitted with the purpose of taking advantage of his name or reputation. As such, he is known to the outsiders, although he does not share the profits of the firm nor does he take part in its management. Nonetheless, both are liable to third parties for the acts of the firm.

**Partner in Profits:**

A partner who shares in the profits only without being liable of the losses is known as partner in profits. He does not take part in the management of the business but he is liable to third parties for all the debts of the firm.

**Sub-partner:**

When a stranger shares the profits derived from the firm by a partner he is regarded as a sub-partner. A sub-partner is in no way connected with the firm or he not a partner of the firm. He is simply a partners' partner. Therefore, he has no rights again the firm nor he is liable for the debts of the firm. He only shares profits from a partner.

**Partner by Estoppel or Holding out:**

When a partner is not a partner but represent to the outside world that he is a partner in a firm, he is stopped or prevented from denying the truth. He is considered as a partner in the eyes of law. Similarly, if a person is declared i be a partner by a partner of a firm and such person remained silent without denying it, he also considered a partner by holding out. Thus, such persons are liable to outsiders i partners on the principle of estoppel or holding out because on faith of their representation action outsiders have granted credit to the firm.

**Minor Partner:**

Partnership arises from contract and a minor is not competent to enter into contract. Therefore, strictly speaking, a minor cannot be a full-fledged partners. But with the consent of all the partners he can be admitted into partnership for benefits only. He is not personally liable to third parties for the debts of the firm, on attaining majority, if he continues as a partner, his liability will become unlimited with effect from the date of hi original admission into the firm.

**Other partners:**

In partnership firms, several other types of partners are also found, namely, secret partner who does not want to disclose his relationship with the firm to the general public. Outgoing partner, who retires voluntarily without causing dissolution of the firm, limited partner who is liable only up to the value of his capital contributions in the firm, and the like.

However, the moment public comes to know of it he becomes liable to them for meeting debts of the firm. Usually, an outgoing partner is liable for all debts and obligations as are incurred before his retirement. A limited partner is found in limited partnership only and not in general partnership.

**Difference between Partnership and Company**

1. Company is an artificial legal person. Partnership is not a legal person.
2. Company has perpetual succession. Partnership firm does not have perpetual succession.
3. Company is created by registration under Companies Act. For a partnership firm registration is not compulsory. It is guided by Indian Contract Act and Partnership Act.
4. Private Limited Company shall have at least 2 members and maximum 50 members. Partnership firm shall have at least 2 members and maximum 20 members and for banking business, maximum 10 members.
5. In a private limited company, liability of the members can be limited by shares or by guarantee. Liability of members is unlimited in a partnership firm.
6. A member is not an agent of company or of other members. Partner is an agent of firm and other partners.
7. Member cannot bind company by his act. Partner can bind firm by his act.
8. Ordinary members cannot take part in management of a company. Only director members can take part in management. Partners can take part in management of a firm.
9. Private limited company shall have a minimum paid up capital of Rupees 1,00,000/-(Rupees One Lakh Only) and public limited company of Rs. 5,00,000/- (Rupees Five Lakh Only). There is no minimum paid up capital for a partnership firm.
10. Shares of a private limited company can be transferred with ease. Partner can transfer his share but the assignee does not become a partner. He is only entitled to share of Profits.
11. A company is an entity distinct from its members. It may own property, make contracts, sue and be sued in its own name. The property of a firm is owned by the partners. It can also sue and be sued in the firm’s name and partners can also be sued individually.
12. A single member cannot wind up a company. A partnership may be dissolved by any partner at any time.

**Difference between Partnership and Co-ownership**

**CO-OWNERSHIP :-**

In the co-ownership property is owned jointly without any intention to carry on business.

***Example***: Two or more persons purchase a car without any idea of giving it on hire, it is co-ownership.

PARTNERSHIP :-

It is the relation between persons who have agreed to share the profit of a business.

***Example*** :- Two or more persons purchase a Bus with the intention of giving it on hire and distributing its income among the partners, is the case of partnership.

**Difference between Co-ownership and Partnership**

**1. Profit Sharing :-**

Partnership : In the partnership profit sharing the basic object of the partnership formation.

Co-Ownership : In the Co-ownership there is no concept of profit and loss sharing.

**2. Creation :-**

Partnership : Agreement or contract is essential for partnership.

Co-Ownership : Agreement is not essential for co-ownership.

**3. Agent :-**

Partnership : Every partner is an agent of other partner in the partnership.

Co-Ownership : One co-owner is not the agent of other co-owner.

**4. Limit for Members :-**

Partnership : In the partnership there is restriction for the maximum number of partners.

Co-Ownership : In the co-ownership there is no restriction for the maximum number of co-owners.

**5. Transfer of Rights :-**

Partnership : In the partnership a partner cannot transfer his rights to another person without consulting the other partners.

Co-Ownership : In a co-ownership a co-owner can transfer his rights to any one without consultation.

**6. Legal Claim :-**

Partnership : In a partnership a partner has legal claim on the property of partnership.

Co-Ownership : In a co-ownership a co-owner has a legal claim on the joint property.

**7. Division of Property :-**

Partnership : In a partnership a partner has no right to demand the partition of property. He can only demand the share of profit.

Co-Ownership : In a co-ownership a co-owner can demand the division of property.

**8. Dissolution Risk :-**

Partnership : Partnership is affected by the death, insolvency or retirement of any partner.

Co-Ownership : Co-ownership can not be dissolved due to above reasons.

**9. Minor Case :-**

Partnership : In a partnership a minor can not become a regular partner.

Co-Ownership : In a co-ownership a minor can become a regular co-owner.

**Difference between Partnership and Hindu Joint Family Firm**

The points of difference are enumerated below:

**Interest:**

The interest of a partner in the business is determined by a contract whereas the interest in HUF business is decided by the status.

**Death:**

The death of a partner results in dissolution of a partnership while the death of a member of an HUF does not disturb the running of a business at all. On his death, his interest is automatically inherited by other surviving members.

**Insolvency:**

In case of insolvency of a partner, he ceases to be a member of the firm but the insolvency of a member of a Hindu Undivided Family does not disentitle him of his membership of the HUF.

**Share :**

In a partnership, every members is entitled to a stipulated share in profits, to work diligently and to have access to all documents, books of accounts, etc., but the mem¬bers of an HUF cannot claim these rights and privileges unless partition is affected.

**New member:**

A new partner can be admitted to a partnership when other partners agree but there is no such condition in the HUF. Every child by birth acquires an interest in the family business. Membership is automatic and is acquired by virtue of birth in the family.**Profit sharing:**

So far as profit sharing is concerned, it is fixed in the partnership, unless some changes are introduced in the partnership deed by common consent of all the partners, but shares in HUF business are always liable to change due to death or birth of any member in the family.

**Number of partners:**

As regards the number of partners in a firm, the membership is restricted to a maximum of 20 but there is no such limit in respect of number of persons constituting an HUF.

**Liability of a partner:**

The liability of a partner is unlimited and he is personally liable to the outside world for all practical purposes so far as the firm's liabilities are concerned, but the responsibility of any member of the IIUF is limited to the extent of his share in the HUF.

 **Registration of Firm**

1. The law relating to a partnership firm is contained in the Indian Partnership Act, 1932.

2. Under Section 58 of the Act, a firm may be registered at any time ( not merely at the time of its formation but subsequently also ) by filing an application with the Registrar of Firms of the area in which any place of business of the firm is situated or proposed to be situated.

3. Application shall contain:-

i. name of the firm

ii. place or principal place of business

iii. names of any other places where the firm carries on business.

iv. date on which each partner joined the firm

v. name in full and permanent address of partners.

vi. duration of the firm

4. Application shall be signed and verified by all the partners or their duly authorized agents.

5. Application shall be accompanied by prescribed fee as well as the following documents:

i. Prescribed Registration Form for Incorporation of a Company. (Form No. 1 and Specimen of Affidavit)

ii. certified true copy of the Partnership deed entered into.

iii. ownership proof of the principal place of business

6. Name of the firm should not contain any words which may express or imply the approval or patronage of the government except where the government has given its written consent for the use of such words as part of the firm’s name.

7. Under Section 59 of the Act, when the Registrar of Firms is satisfied that the provisions of section 58 have been duly complied with, he shall record an entry of the statement in the Register of Firms and issue a Certificate of Registration.

8. penalty for furnishing false particulars (Section 70)

Any person who signs any statement, amending statement, notice or intimation under this Chapter containing any particular which he knows to be false or does not believe to be true or containing particulars which he knows to be incomplete or does not believe to be complete, shall be punishable with imprisonment which may extend to three months, or with a fine or with both.

9. Any alterations, subsequent to Registration shall be notified to the registrar:-

a. Change in firm name and principal place of business (Section 60) shall require sending of a new application form along with the prescribed fee, duly signed and verified by all the partners.

b. Change relating to opening and closing of branches. (Section 61)

When a registered firm discontinues business at any place or begins to carry on business at any place, such place not being its principal place of business, any partner or agent of the firm may send intimation thereof to the Registrar.

c. Change in the name and permanent address of any partner (Section 62)

When any partner in a registered firm alters his name or permanent address, an intimation of the alteration may be sent by any partner or agent of the firm to the Registrar

d. Change in the constitution of the firm and its dissolution [Section 63(1)]

when change occurs in the constitution of the firm, any of the new, continuing or the outgoing partner, while when a registered firm is dissolved, any person who was a partner immediately before the dissolution or the agent of any such partner or person specially authorized on his behalf, may give notice of such a change to the Registrar, specifying the date thereof.

e. Under Section 63(2), when a minor who has been admitted to the benefits of partnership in a firm attains majority and elects to become or not to become a partner, he or his agent specially authorized in this behalf, may give notice to the Registrar that he has or has not become a partner.

f. Accordingly, the various forms prescribed under the Indian Partnership Act, 1932, for the alterations in the registered partnership firm are:-

a. Form No. II :- For change of principle place of business & change in the name of the firm.

b. Form No. III :- For change of the other then principle place of business.

c. Form No. IV :- For change of name of the partners & permanent address of the partners.

d. Form No. V :- For change of constitution of forms & addition or retirement of partner.

e. Form No.VI :- For dissolution of the firm

f. Form No. VII :- For minor partner attains the age of majority.

10. Partnership Act, 1932 does not provide for compulsory registration of firms. It is optional for partners to set the firm registered and there are no penalties for non-registration.

However, Section 69 of the Act which deals with the effects of non-registration denies certain rights to an unregistered firm. Under the Act :-

a. A partner of an unregistered firm cannot file a suit in any court against the firm or other partners for the enforcement of any right arising from a contract or right conferred by the Partnership Act unless the firm is registered and the person suing is or has been shown in the Register of Firms as a partner in the firm.

b. No suits to enforce a right arising from a contract shall be instituted in any Court by or on behalf of a firm against any third party unless the firm is registered and the persons suing are or have been shown in the Register of Firms as partners in the firm.

c. An unregistered firm or any of its partners cannot claim a set off (i.e. mutual adjustment of debts owned by the disputant parties to one another) or other proceedings in a dispute with a third party.

Hence, every firm finds it advisable to get itself registered sooner or later.

11. However, non-registration of a Partnership firm shall not affect:-

a. The rights of third parties to sue the firm and/or its partners.

b. The firms or partners in the firms which have no place of business in the territories to which this Act extends, or whose places of business in the said territories are situated in areas to which the act does not apply.

c. any suit or claim or set-off not exceeding one hundred rupees in value, to any proceeding in execution or other proceeding incidental to or arising from any such suit or claim.

d. the enforcement of any right to sue for the dissolution of a firm or for accounts of a dissolved firm, or any right or power to realise the property of a dissolved firm.

12. Rectification of mistakes (Section 64 of the Act)

a. The Registrar shall have power at all times to rectify any mistake in order to bring the entry in the Register of Firms relating to any firm into conformity with the documents relating to that firm filed under this Act.

b. On application made by all the parties who have signed any document relating to a firm filed under this Act, the Registrar may rectify any mistake in such document or in the record or note thereof made in the Register of Firms.

13. Inspection of Register and filed documents (Section 66 of the Act:)

a. The Register of Firms shall be open to inspection by any person on payment of such fee as may be prescribed.

b. All statements, notices and intimations filed under this Act shall be open to inspection, subject to such conditions and on payment of such fee as may be prescribed.

14. Grant of copies (Section 67 of the Act)

The Registrar shall on application furnish to any person, an payment of such fee as may be prescribed, a copy, certified under his hand, of any entry or portion thereof in the Register of Firms.

**Rights, duties and liabilities of Partners**

The Partnership Deed contains the mutual rights, duties and obligations of the partners, in certain cases; the Partnership Act also makes a mandatory provision as regards to the rights and obligations of partners. When there is no Deed or the Deed is silent on any point, the rights and obligations as provided in the Partnership Act shall apply.

**Rights of a Partner:**

***The rights of a partner are as follows:***

i. Right of the partner to take part in the day-to-day management of the firm.

ii. Right to be consulted and heard while taking any decision regarding the business.

iii. Right of access to books of accounts and call for the copy of the same.

iv. Right to share the profits equally or as agreed upon by the partners.

v. Right to get interest on capital contributed by the partners to the firm.

vi. Right to avail interest on advances paid by the partners for business purpose.

vii. Right to be indemnified in respect of payment made or liabilities incurred or for protecting the firm from losses.

viii. Right to the use of partnership property exclusively for partnership business only not himself.

ix. Right as agent of the firm and implied authority to bind the firm for any act done in carrying the business.

x. Right to prevent admission of new partners/expulsion of existing partners.

xi. Right to continue unless and otherwise he himself cease to become partner.

xii. Right to retire with the consent of other partners and according to the terms-and conditions of deed.

xiii. Right of outgoing partner/legal heirs of deceased partner.

***2. Duties of a Partner:***

The duties of a partner are as follows:

i. To carry on the business to the greatest common advantage:

Every partner is bound to carry on the business of the firm to the greatest common advantage. In other words, the partner must use his knowledge and skill in the conduct of business to secure maximum benefits for the firm.

ii. To be just and faithful to each other:

Every partner must be just and faithful to other partners of the firm. Every partner must observe utmost good faith and fairness towards other partners in business activity.

iii. To render true accounts:

Every partner must render true and proper accounts I his co-partners. Each and every entry in the books must be supported by vouchers and the explanations if demanded by other partners.

iv. To provide full information:

Every partner must provide full information of £ activities affecting the firm to the other co-partners. No information should be concealed, kept secret.

v. To attend diligently to his duties:

Every partner is bound to attend diligently to duties in the conduct of the business of the firm.

vi. To work without remuneration:

A partner is not entitled to receive any kind remuneration for taking part in the conduct of the business. But in practice, the working partners are generally paid remuneration as per agreement, so also commission in some case.

vii. To indemnify for loss caused by fraud or willful neglect:

If any loss is caused to the firm because of a partner's willful neglect in the conduct of the business or fraud commit by him against a third party then such partner must indemnify the firm for the loss.

viii. To hold and use partnership property exclusively for the firm:

The partners must hold and use the partnership property exclusively for the purpose of business of the firm not for their personal benefit.

ix. To account for personal profits:

If a partner derives any personal profit from partnership transactions or from the use of the property of the firm or business connection the firm or the firm's name, he must account for such profit and pay it to the firm.

x. Not to carry on any competing business:

A partner must not carry on competing business to that of the firm. If he carries on and earns any profit then he must account for the profit made and pay it to the firm.

xi. To share losses:

It is the duty of the partners to bear the losses of the firm. ‘partners share the losses equally when there is no agreement or as per their profit share ratio.

xii. To act within authority:

Every partner is bound to act within the scope of authority. If he exceeds his authority and the firm suffers from any loss, he shall have compensated the firm for such loss.

xiii. Duty to be liable jointly and severally:

Every partner is jointly and individual liable to the third parties for all acts of the firm done while he is a partner.

xiv. Duty not to assign his interest:

A partner cannot assign or transfer his partner interest to an outsider so as to make him the partner of the firm without the consent of other partners. However, he can assign his share of the profit and his share in the assets the firm where the assignee shall not be entitled to interfere in the conduct of the business

***3. Liabilities of a Partner to Third Parties:***

The following are the liabilities of a partner to third parties:

i. Liability of a partner for acts of the firm:

Every partner is jointly and severally liable for all acts of the firm done while he is a partner. Because of this liability, the creditor of the firm can sue all the partners jointly or individually.

ii. Liability of the firm for wrongful act of a partner:

If any loss or injury is caused to any third party or any penalty is imposed because of wrongful act or omission of a partner, the firm is liable to the same extent as the partner. However, the partner must act in the ordinary course of business of the firm or with authority of his partners.

iii. Liability of the firm for misutilisation by partners:

Where a partner acting within his apparent authority receives money or property from a third party and misutilises it or a firm receives money or property from a third party in the course of its business and any of the partners misutilises such money or property, then the firm is liable to make good the loss.

iv. Liability of an incoming partner:

An incoming partner is liable for the debts and acts of the firm from the date of his admission into the firm. However, the incoming partner may agree to be liable for debts prior to his admission. Such agreeing will not empower the prior creditor to sue the incoming partner. He will be liable only to the other co-partners.

**v. Liability of a retiring partner:**

A retiring partner is liable for the acts of the firm done before his retirement. But a retiring partner may not be liable for the debts incurred before his retirement if an agreement is reached between the third parties and the remaining partners of the firm discharging the retiring partner from all liabilities. After retirement the retiring partner shall be liable unless a public notice of his retirement is given. No such notice is required in case of retirement of a sleeping or dormant partner.

Dissolution of partnership firm

When the relation between all the partners of the firm comes to an end, this is called dissolution of the firm. Section 39 of the Indian Partnership Act, provides that “the dissolution of the partnership between all the partners of a firm is called the dissolution of a firm.” It implies the complete breakdown of the relation of partnership between all the partners.

Dissolution of partnership is different from the dissolution of firm.

Dissolution of a partnership firm merely involves a change in the relation of partners; whereas the dissolution of firm amounts to a complete closure of the business. When any of the partners dies, retires or become insolvent but if the remaining partners still agree to continue the business of the partnership firm, then it is dissolution of partnership not the dissolution of firm. Dissolution of partnership changes the mutual relations of the partners. But in case of dissolution of firm, all the relations and the business of the firm comes to an end. On dissolution of the firm, the business of the firm ceases to exist since its affairs are would up by selling the assets and by paying the liabilities and discharging the claims of the partners. The dissolution of partnership among all partners of a firm is called dissolution of the firm.

Dissolution of a Partnership firm may be affected in the following ways:

• Dissolution without the intervention of the Court.

• Dissolution by Court.

**Dissolution without the intervention of Court:-**

1. By Agreement (S.40):- A partnership firm can be dissolved any time with the consent of all the partners whether the partnership is at will or for a fixed duration. A partnership can be dissolved in accordance with the terms of the Partnership Deed or of the separate agreement.

2. (i) Compulsory Dissolution (Sec.41):- In case, any of the following events take place then it becomes compulsory for the firm to dissolute:

Insolvency of Partners:- In case all the partners or all the partners except one become insolvent

(ii) Unlawful Business:- In case the firm’s business become unlawful on the happening of a subsequent event. e.g. trading with alien country

3. Dissolution on the happening of contingent event (S.42) A firm may be dissolved on the happening of any of the following contingent event:-

(i) Expiry of Fixed Period:- If the firm is constituted for fixed period, then the firm is dissolves automatically.

(ii) On achievement of specific task:- If the firm has been constituted for the achievement of specific task, on achievement of that task, firm ceases to exist, unless there is an agreement to the contrary.

(iii) Death of Partner:- Death of any of the partner dissolves the partnership.

(iv) Insolvency of Partner:- in the absence of a contract to the contrary, the insolvency of any of the partner may dissolve the firm. The rule shall apply even though the partnership has been constituted for a fixed term and the term has not yet expired or has been constituted for particular venture and the same has yet not been completed.

(v) Resignation of Partner: - Resignation by any of the partners dissolves the partnership

4. Dissolution by notice (S.43) :-In case of partnership at will, a partner can dissolve it by giving written notice of dissolution to other partners duly signed by him. Notice must be very clear and certain. A notice once given cannot be withdrawn without the consent of other partners. Banarsidas v. Kanshi Ram A.I.R. (1963) S.C. 1165 In those cases where a partner has given notice of dissolution at a time when dissolution will give him some advantage over the other partners, he may be held in the firm till the pending transactions are completed.

**Dissolution by Court (S.44):-**

The court may order for the dissolution of the firm on the following grounds:-

(i) Insanity of Partner:- On the application of any of the partner, court may order for the dissolution of the firm if a partner has become of an unsound mind. Lunacy of a partner does not itself dissolve the partnership but it will be a ground for dissolution at the instance of other partners. It is not necessary that the lunacy should be permanent. In the case of a dormant partner the court may not order dissolution even on the ground of permanent insanity, except in special circumstances.

(ii) Incapacity of Partner:- If a partner has become permanent in capable of discharging his duties and obligations then court may order for the dissolution of firm on the application of any of the partner. Where a partner is imprisoned for a long period of time the court may dissolve the partnership. Whitwell v. Arthur 1865 beva 140.

(iii) Misconduct of Partner:- If any partner other than partner suing is responsible for any loss to the firm, which amounts to misconduct and prejudicially affects the carrying on of business then the court may order for the dissolution of the firm.

(iv) Constant breach of agreement by partner:- The court may order for the dissolution of the firm if the partner other than the suing partner is found guilty for constant breach of agreement regarding the conduct of business or the management of the affairs of the firm and it becomes impossible to continue the business with such partner.

(v) Transfer of Interest:- When any of the partner other than the suing partner transfers whole of its share to the third party for permanently.

(vi) Continuous Losses:- The court may order for dissolution if the firm is continuously suffering losses and there is no more capital available for the future growth of the firm.

(vii) Just and Equitable:- The court may order for dissolution on any other ground which court think is just, fair and equitable. e.g. loss of total confidence between the partners. Havidatt singh v. Mukhe Singh A.I.R. 1973, J&K ,