

## Unit-2 Relation of Partners

### Sec 9: General Duties

Partners bound to carry on the business of firm.

- greatest common advantage
- to be just & faithful to each other &
- render true accounts & full information all the things affecting the firm.
- to partner / his heir / legal representative

Sec 10: Duty to Indemnify for loss caused by fraud.  
Every partner shall indemnify the firm for any loss caused to it by his fraud in the conduct of the business of the firm.

Sec 11: Determination of Rights & Duties.

- 1] → by contract → express or implied by course of dealing  
→ contract may be varied → consent of all.

2] Agreements in restrict of trade.

such contract may provide that a partner shall not carry on any business. other than that of firm while he is a partner.

## Section 12: Conduct of Business.

- 1] right to take part in conduct of Business.
- 2] attend diligently to his duties
- 3] difference arising → decided by majority  
no change in nature of business → without consent of all
- 4] have access of copy → books of firm.
- 5] death → heir / legal representative / duly authorised agents  
→ Books of firm → access / inspect.

## Section 13: Mutual Rights & Liabilities

- 1] No Remuneration → except if agreement provides.
  - 2] Share profit → equally or any other ratio agreed.
  - 3] Interest on capital → if agreed; out of profit only.
  - 4] advances by partner → 6% pa interest.
  - 5] Payment / Liabilities → incurred → indemnify by firm
  - 6] In emergency any act → protecting the firm from loss  
→ ordinary prudence  
→ under similar circumstances.
- 7] Partner should indemnify → any loss caused to it  
by his willful neglect  
in the conduct.

## Section 14: Partnership Property

1] What is Partnership Property?

↳ Depends on agreement.

↳ open to partners to agree → separate / Firm Property / property

2] can they convert

→ Yes by mutual agreement

3] Absence of agreement

Sec 14: → prop: originally brought into the common stock of firm by partners.

→ acquired in course of business with firm

→ goodwill of the firm

## Section 15: Application of property of firm

\* Exclusively for the purpose of business

## Section 16: Personal profits earned by partners.

a] Profit from

1] any transaction of firm

2] use of-property

- business connections } of firm } pay to firm.

b] carries on any business

same nature / competing

} pay to firm



Section 17: Rights & Duties when there is a change

- 1] change in constitution
  - 2] Expiry of term
  - 3] Additional Undertaking
- same rights & duties as earlier

Section 18: Partner is an agent of the firm

Section 19: Implied Authority of Partner.

Section 22: Mode of doing act to Bind the Firm.

→ shall be done → firm name

→ any other manner showing intention to bind the firm.

Subject to sec 22:

act of partner which is done

→ to carry on

1] usual way

2] business of kind carried on by firm.

→ Binds the firm

This authority → Implied Authority

→ In absence of any usage or custom of trade to the contrary.

This Implied Authority → does not empower.

- 1] submit dispute → arbitration
- 2] open Bank Account → for the firm in own name.
- 3] compromise / relinquish → claim / portion of claim
- 4] withdraw suit
- 5] admit any liability
- 6] acquire immovable property - behalf him
- 7] transfer immovable property
- 8] enter into partnership.

can do if → any usage or custom of trade allows.

### Section 20: Extension / Restriction of Implied Authority

- 1] may → by contract
- 2] act under implied authority → binds the firm unless the person
  - i] knows of the restrictions
  - ii] does not know or believe him to be a partner.

### Section 21: Authority in Emergency

→ to do such acts for protecting the firm from losses  
→ ordinary prudence.

## Section 23: Effect of Admission.

- Admission → statement acknowledging the truth of something
- can make binding admissions in
  - relations to partnership ordinary course of business.

## Section 24: Effect of notice to acting partner.

- 1] Notice to partner → habitually acts in business  
→ operates as notice to the firm.
- 2] except in case of fraud committed by or with consent of that partner.

## Section 25: Liability of Partners

- 1] liable jointly & severally with all others
- 2] unlimited extent.

## Section 26: Wrongful Acts

- 1] ordinary course of business + authority
- 2] caused → loss, injury <sup>incurred</sup> → firm is liable to third party

## Section 27: Misapplication <sup>by other</sup> of Partners

- 1] Partner receives money / property → in course of it's business

- is misapplied by any of the partners
- while it is in custody of firm
- the firm is liable

## Section 28: Holding Out

28(1) → Partner by Holding Out

28(2) → Business is continued → after death of partners

→ in old firm name

→ continued use of that name

shall not make his LR / estate liable for any act of firm done after his death



## Section 29: Rights of Transferee

### During continuance

rec share of profit

cannot challenge

accounts

Not entitled

i] Interfere in conduct of business.

ii] require accounts

iii] inspect books

### On dissolution

1] receive share of the assets

2] access to accounts from such date

Section 31: Admission of a partner → consent of all partners is required.



] may be admitted for benefits of partnership

→ Before attaining majority

I] Rights

- i] share profit / property
- ii] inspect / copy of accounts  
not Books
- iii] File a suit for his  
share → When severing  
his connections.

Liabilities

- ] Only to extent of his  
share in profits /  
property.

\* After Attaining Majority

Attained majority → within 6 months  
decide & give public notice as to



continue

- i] personally liable → for acts  
since he was admitted
- ii] share = as minor

Discontinue

- i] Rights & liab → continue  
to public notice
- ii] sue partners for his  
share

\* Minor fails to give notice → become partner after  
6 month expiry

## Section 32: Retirement of Partners

- 1] May retire by
  - a] consent of all
  - b] express agreement
  - c] If partnership at will → giving notice to all
- 2] Remains liable → debts while he was a partner  
→ May be Discharged → by agreement made by him
  - i] such third party
  - ii] & the partners of Reconstituted firm  
→ such agreement may be implied by course of dealing.
- 3] Remains liable to third parties until public notice is given

## Section 33: Expulsion

- i] Agreement should provide → provision for expulsion
- ii] good faith & majority
- iii] opportunity to answer / being heard.

## Section 54: Insolvency

- i] ceases to be partner → from date of adjudication.
- ii] Firm not dissolved → his estate → not liable for acts done by firm & vice versa

## Section 35: Liability of Estate

- 1] contract not dissolved by death  
 ↳ estate of deceased person is not liable  
 ↳ done after his death

## Section 36: Liability of Outgoing Partner

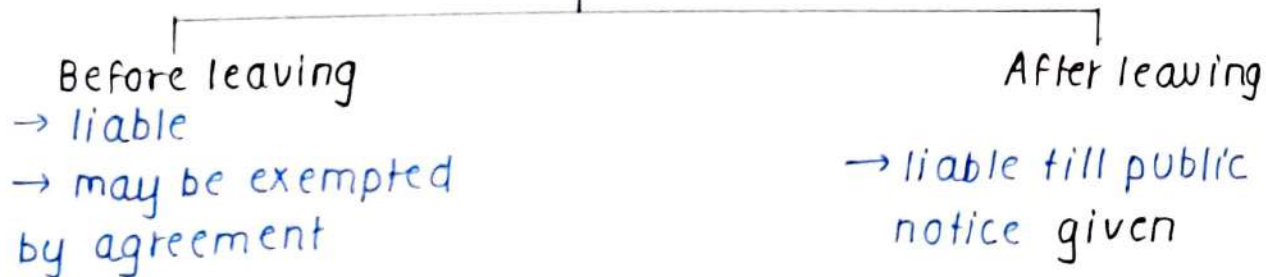
- 1] may <sup>carry on</sup> - competing business & advertise → provided should  
 i] not use firm's name  
 ii] not represent → carrying on business of firm  
 iii] not solicit the customers.

- 2] firm may enter into contract restricting  
 → to carry on competing business

## Section 37: Subsequent Profit

- if accounts of outgoing partners unsettled  
 → receive profit or interest @ 6% pa of on the share  
 share

## → Liability of Outgoing Partner



## Section 38 : Continuing Guarantee

1] continuing guarantee → reworked as soon as → any change in constitution