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Introduction

Along with the time the needs of man has increased and become varied. Man became incapable to satisfy his needs by himself so he needed the help of other people. Thus, the trading activities began through barter system. Therefore a class of people came into existence in the society, who started spending time and energy to satisfy the needs of people by exchange activities of goods, services and money. This class was called traders. For activities of purchase and sale, they introduced a different arrangement. Thus, different forms of business organisations, such as Sole Proprietorship, Partnership, Hindu Undivided Family (HUF), Co-operative Society and Joint Stock Companies came in to existence, one after the other.

5 1 Sole Proprietorship

The form of sole proprietorship is the oldest and simple than other forms of business organisations. This form came in to existence right from the beginning of trading. In rapidly changing world, various forms of business came in to existence and got developed, but this oldest and simple form or system is still in existence.

5 1 1 Meaning : Sole Proprietorship is such a form in which the firm is owned, managed and controlled by only one person. Only one person invests capital, starts and develops business and looks after the activities of business like purchase, sale and the result of business such as profit and loss are borne by him only.

According to Louis and Henry “Sole Proprietorship is such a form of business organisation in which there is only one person at the top, who is responsible, who directs activities of business and bears the risk of failure only by himself” From the definition one can understand that alone trader or a sole proprietor is only and wholly responsible, whole business is carried out under his direction and the risks of business, like loss or insolvency rests on his shoulders only.

5 1 2 Characteristics :

(1) **Easy to Establish :** The process of establishing the sole proprietorship firm is very easy. Complexities of laws do not affect. Any person can start lawful trading at any place of his liking.

(2) **Capital :** In sole proprietorship the owner himself invests the capital. If he finds the capital insufficient, then he can run business by borrowed money also. The owner himself is responsible to return this borrowed money.

(3) **Power of Administration :** Sole proprietor himself is the administrator of business. Generally the owner himself looks after the purchase, sale, collection, accounting work and other activities. He

himself is the owner of business and he himself is the manager. If needed, then help can be taken from the member of family/relatives or a salaried person.

(4) Freedom of Work and Quick Decisions : Sole proprietor has freedom regarding the business. He performs the activities of business with his intelligence and experience under total freedom and as he himself is the owner, he can take quick decision with ease.

(5) Liability : Liability for payment of debts is unlimited for sole proprietor. Unlimited liability means that for payment of debts, the creditors can put claim on the personal properties of sole proprietor in the court of law. In other words it can be said that when sole proprietor incurs loss in the business, debts go on increasing and for payment of debts if there are insufficient funds in the business, then sole proprietor is liable to pay total debts from his personal properties.

(6) Maintenance of Secrecy : In sole proprietorship as the trader is the sole owner of business, the secrecy is maintained.

(7) Personal Contact : In sole proprietorship as the working area of business is limited, personal contact with customer can be maintained. By keeping focus on the changing taste of customers, their requirement, fashion, demand etc. more satisfaction can be given to customers.

(8) Centralisation of Ownership and Management : In sole proprietorship, the owner himself is the manager. Thus, there is a centralisation in ownership and management. In other business organisations the owner and management are different entities.

5 1 3 Advantages :

(1) Easy Establishment Process : The process of establishing the sole proprietary firm is simple. There is no need to prepare any document. There is no need to pass through any difficult and complex process of law. Therefore any person with limited capital, uneducated or having general capabilities can start the business.

(2) Less Capital : Less capital is an important characteristic and is the specific advantage of sole proprietorship. Sole proprietor can start business with less capital. If additional funds are required, then the owner can bring borrowed money and invest in the business.

(3) Maintenance of Secrecy : It is advantageous for the businessman to maintain business secrets. In sole proprietorship as only one person has all authority, he can maintain secrecy relating to business transactions, accounts and the key factors of the business. As compared to the other forms of business organisations, in this form secrecy is better maintained.

(4) Quick Decisions : As sole proprietor is the chief decision-maker regarding the matters related to business, he can take quick decisions regarding important matters of business. He can take quick decision according to trends in market and changing circumstances.

(5) Personal Contact : In sole proprietorship there is centralisation in ownership of business and management. As the owner himself acts as the manager, he can maintain personal and live contact with customers, employees and creditors. According to changing business trends, fashion and customer preferences he can make required changes in production and distribution system and keeps his market safe.

(6) Flexibility : In sole proprietorship the owner can make required changes according to changing business environment. Due to quick decision and constant awareness, he can bring flexibility to business.

(7) **Less Tax Burden** : Income of sole proprietorship is the income of the owner. So personal the norms of taxation are applicable to him. Generally, as the size of sole proprietorship is small, the income is also less. Therefore the burden of income tax is less.

(8) **Less Legal Restrictions** : As compared to other forms of business organisations, there is less legal restriction in sole proprietorship firm. There is no need of approval from anybody to increase or decrease the capital. As the size of business is small, the legal restrictions are also less.

5.1.4 Limitations :

(1) **Limited Capital** : Trading can be done with less capital. This is the important advantage of sole proprietorship. But this is also a limitation. After industrial revolution the size of business unit is getting larger. For this, raising required capital becomes difficult for the owner. Many times sole proprietorship firm is not capable to purchase raw materials in large quantities, big size machines and to have big storage facilities.

(2) **Unlimited Liability** : Sole proprietor has unlimited liability. Therefore he cannot free himself from his liabilities. If the borrowings have increased over business asset and credits, then he has to sell his personal properties and make payment for business debts. In this way, the owner himself has to bear all the risk of business.

(3) **Short Duration** : When the owner of business dies or is declared insolvent or loses mental balance, the existence of business can come to an end. If the owner does not have the ability to run the business, then it is possible that the business gets weaker and in many cases business comes to an end.

(4) **Limited Work Capacity** : In sole proprietorship, the owner is responsible to formulate the policies of business. Everybody has limitations of working. Though he may be very intelligent, sometimes the business suffers due to his certain limitations. In modern time, the business requires different types of skills and knowledge. As in sole proprietorship the scope of exchange of ideas with others is very little, the development of business remains limited.

(5) **Possibility of Wrong Decisions** : Sole proprietor himself takes business decisions. He does not have advantage to take the help from experience and specialised knowledge of others. He may be most capable and skilled, but his personal decisions some times may be hasty, erroneous and tend to damage to the business.

(6) **Lack of Advantage of Large Scale Business** : Due to limited capital, the business remains limited in sole proprietorship. As there is unlimited liability, the owner can not go for larger enterprise. As purchases and sales are on a small scale basis, sole proprietor can not avail the advantage of large scale purchases and sales.

5.2 Business run by Hindu Undivided Family (HUF)

5.2.1 Meaning : According to Hindu law, business is inheritable. Business acquired by way of inheritance by Hindu Undivided Family, is called a firm of HUF. All the members of family are called its members. Administration of such firm is in the hands of the head of the family. He is called '**Karta**'. If the senior most (in age) person does not wish to run the business then the administration is passed on to the next eldest person. Existence of such firms is popular in India and Nepal.

5.2.2 Characteristics :

(1) **Existence by Law** : The firm of Hindu Undivided family comes into existence by law.

(2) **Management** : The management of the firm is in the hand of senior most person of family who is called '**Karta**'.

(3) Independent Field of Operation : Business management is done by karta independently. Other members have no right to take part or interrupt in the business but they can help. Other members can not object against the suitability of decisions taken by karta.

(4) Membership : The membership in the firm of Hindu undivided family is by birth. The child born in the family gets the membership right from his birth.

(5) Financial Control : All financial matters of the business lie in the hands of karta. So the financial control also remains in the hands of karta.

(6) Liability : Entire business is under the administration of karta. Therefore the liabilities of karta are unlimited. Whereas the liability of other members is limited.

(7) Life Span : On the death of karta or other member of family, the business continues. If karta dies, then the next senior most person becomes karta.

(8) Difficulty in Raising Funds : The success of the firm depends on the efficiency of karta. The firm has to depend on the members of the family for fund-raising. So it is difficult to raise additional capital.

(9) Insolvency : When the firm becomes insolvent, the members of the family are declared insolvent, the minors are excluded. For payment of debts, the share of all family members of HUF can be taken into consideration. The liability of Karta is unlimited.

5.3 Partnership

As the scope of business and commerce expanded, the limitation of sole proprietorship became clear. Partnership firm as a form of business came into existence with an idea to establish business at large scale. Partnership came into existence to remove limitation of sole proprietorship. Like huge capital, efficient administrative power and risk bearing capacity.

5.3.1 Meaning : Partnership is such a business system in which the ownership of the business remains with more than one person and in the same way the business is managed by all or by one or more on behalf of all partners. The results of such business are borne by all partners.

According to Indian Partnership Act, 1932 "Partnership is a relation between such persons, who have agreed to share the profit of business, which is run by all or by one person on behalf of all."

5.3.2 Characteristics :

(1) Relation by Agreement : Partnership comes into existence by an agreement. This agreement can be written or oral. Partnership also comes into existence by understanding created by the actions of partner. It is preferable to have a written agreement.

(2) Establishment Procedure : Establishment procedure of a partnership firm is very simple. One does not have to pass through the complex and long procedure of law.

(3) Registration : It is not compulsory to register a partnership firm. Registration can be done by the Registrar of Firms to whom the partnership deed is submitted for registration.

(4) Number of Partners : In partnership firm the minimum number of partners are two. According to Companies Act 2013 clause no 464, Number of partners in partnership firm cannot be more than 100 members. As per Government decision According to Companies Act (Year 2014) clause No.10 (Miscellaneous Rule) number of maximum partners in partnership firm is 50.

(5) Purpose : The main purpose of a partnership firm is to carry out lawful business activities to earn profits. An activity without profit is not partnership. e.g. Social service and religious activities are legal, but their purpose is not to earn profit, so it is not partnership.

(6) Capital : Generally all partners bring capital. But still it is not necessary for all partners to bring capital. Partners bring the capital as shown in partnership deed.

(7) Management : In Partnership firm, all partners can manage the firm jointly. All partners have right to take part in the decision making process. As shown in the partnership deed, any one or more than one partner can take part in the management.

(8) Unlimited Liability : Like sole proprietorship, in the matters related to the payment of debts, liability of all the partners is unlimited. All the partners have to sell their private properties for the payment of debts. According to the partnership Act for a partnership firms partners are responsible personally and jointly for the payment of the firm's debts. Hence, if any one of the partners is unable to pay the debt from his personal property then, rest of the partners have to pay the debts from their personal properties.

(9) Transfer of Ownership : In partnership firm the transfer of ownership is not easy. Without the consent of all the partners, any partner can not transfer his share in favour of other person. If any partner transfers his share without the consent of all partner then any partner can bring dissolution of the firm.

(10) Legal Status : Indian Partnership Act 1932 clarifies, partners' rights, duties, rules, registration of firm as well as other provisions.

(11) Life Span of Firm : The life span of partnership is limited. If any partner loses mental balance (turns insane), dies or is declared insolvent, then partnership comes to an end. Remaining partners with their mutual consent, can distribute the share of such partner among themselves or admit a new partner. In this way, partnership comes to an end but many a times partnership firm is not dissolved.

5.3.3 Advantages :

(1) Easy and Less Expensive Process of Establishment : The process of establishing a partnership firm is easy and less expensive. In establishment process, one does not require to pass through a special process of Law. According to the act, registration is not compulsory but advisable.

(2) Efficient Management : Unlike sole proprietorship, the partnership firm gets benefits of the knowledge, intelligence, skill and experience of many partners. As the management is in the hands of partners, they take personal interest and care in the management. As there is a direct control of partners over employees, the firm is managed efficiently.

(3) Increase in Goodwill/Credit Worthiness : As every partner has unlimited liability, other traders do not hesitate to sell goods on credit or lend finance to the firm. Creditors can realise their debt from any partner, even from his private properties. Thus in comparison to sole proprietorship, the possibility of increasing the credit worthiness of the firm is more.

(4) More Capital : In partnership firm, as there are two or more partners more capital can be raised. In future when business develops, it will require more capital. Then by admitting a new partner, additional capital can be realised.

(5) Advantage of Division of Labour : Advantages can be derived from the different skills and abilities of the partners of a firm. By allotting the work to partners according to their abilities and experience the advantage of division of labour can be obtained.

(6) Proper Decisions : In partnership firm before taking any decision for any matter discussion and thinking process take place. Opinion of each partner is noted and only then in the interest of business, a decision is taken by consent. As the benefit of all knowledge and experience of all partners is available the possibility of wrong decision is very less.

(7) **Flexibility** : Partnership is a voluntary agreement. In this agreement required changes can be made. According to changing environment the necessary changes can easily be made in the management and in the structure of the firm.

(8) **Protection of the Interest of Minority** : Usually, in partnership firm all types of work is carried out with the consent of all the partners. If one partner does not agree to any decision, then that work can not begin. Any partner can ask for the dissolution of partnership. This way, the interests of minority is protected.

(9) **Direct Relation with Customer** : Like sole proprietorship, in partnership also change can be made easily as there is direct contact with customers and employees .

(10) **Decentralisation of Economic Power** : In partnership firm as there are more than two partners, economic power is divided among all partners.

(11) **Less Burden of Income Tax** : The profit of partnership firm is divided among partners as per the partnership deed. Therefore the burden of Income Tax is less.

5.3.4 Limitation :

(1) **Limited Capital** : Considering the development and big size of modern industries and trade, the capability to raise large capital by partners is limited. There is a less scope for partnership firm to engage in large scale business activity and due to limited capital, the activities like research can not be undertaken.

(2) **Unlimited Liability** : In partnership firm the liability of each partner is unlimited. All partners are responsible for the work done for the firm by any other partners. If assets of the firm are insufficient to pay the debt then in that situation all partners have to pay debt even by selling their personal properties.

(3) **Possibility of Disagreement** : There is a possibility of difference of opinion and disagreement in partnership. In partnership, management of the firm runs properly till there is unity and agreement. When disunity and dispute arise, there is a possibility of disagreement in partnership.

(4) **Difficulty in Maintaining Secrets** : In partnership important business decision can not be taken without proper discussion and thinking process. Due to discussions among partners the maintenance of business secrets are difficult.

(5) **Difficulty in Share Transfer** : In partnership firm, a partner can not transfer his share to other person easily. Share transfer to another person require the consent of all partners.

(6) **Delay in Decision Making** : According to the law, each partner can take part in management of the firm. Due to internal disputes and disagreement among partners decision taking process is delayed. As a result the management becomes weak. Due to internal disputes many partnership firms may dissolve.

(7) **Short Life Span** : For the reason of death, insolvency or loss of mental balance of any partner the partnership comes to an end.

5.3.5 Types of Partners :

(1) **Active Partner** : According to partnership Act the person who becomes a partner and takes keen part in the management is called an **active partner**. Such partner gets his agreed share in profit-loss. For the activities of the firm, he is called an agent of other partners.

(2) **Sleeping/Dormant Partner** : The person who become a partner by the partnership deed and bears loss or profit but he does not take active part in management of the firm, then he is called **Dormant or Sleeping** partner. Though he is an inactive partner but like other partners his liability in the firm is unlimited.

(3) Nominal Partner : For quick growth of new establishing firm and to stay alive in tough competition, if a wellknown person allows his name to be used by the firm, then that person is called a nominal partner. Nominal partner dose not bring captial in the firm. He only allows his name to be used for the firm. So the goodwill of the firm increases; But his liability like other partner remain unlimited.

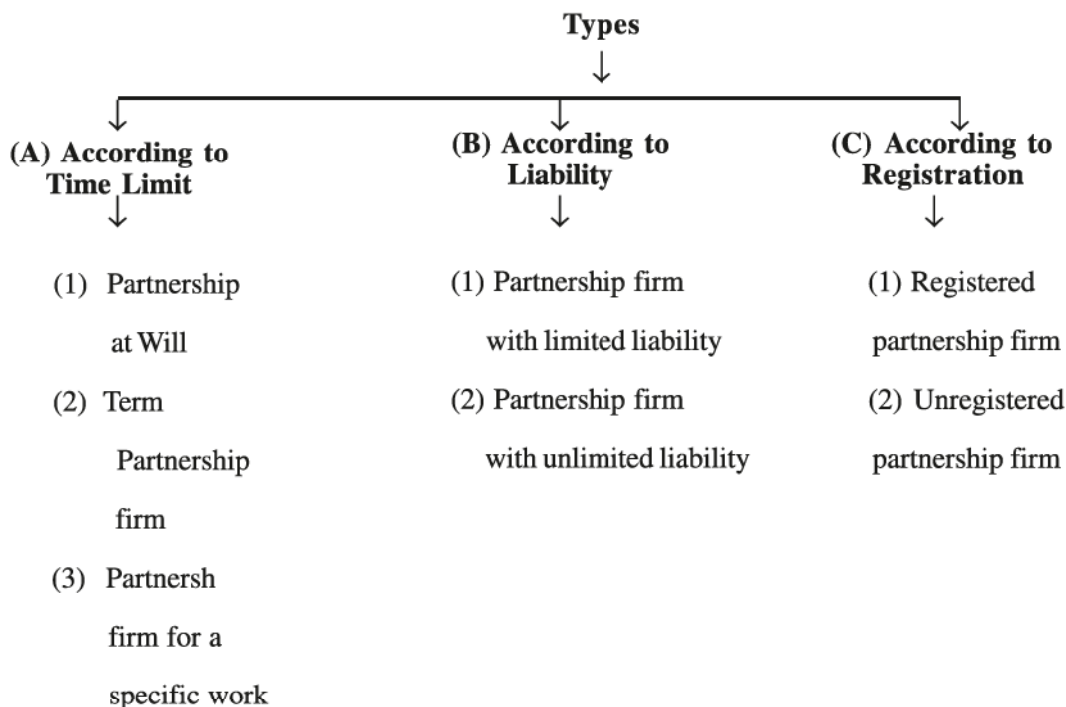
(4) Partner in Profit Only : If a person is made a partner in the firm to take advantage of his special skill, knowledge and experience, then such person is called partner in profit only. Partner in profit only may or may not bring in capital but he is entitle for profit. He has not to share to loss of firm.

(5) Partner by an Estopple or Holding Out : The person who has not signed the partnership deed, dose not bring capital and dose not share the profit ; but on the basis his behaviour, when a third party assume him as a partner, then he is called partner by Estopple or Holding out. Though he can not take part in management and profit. As third party dose bussiness with the firm, after taking his credit his liability become unlimited.

(6) Minor Partner : According to partnership act only an adult person is able to sign the partnership deed. Therefore only an adult person can become a partner. A minor can not.

If any of partner dies, then his minor child can be made a minor partner. A minor partner has no liability to pay the debt of the firm. Creditors can not take the personal property of a minor partner. When he become an adult and if he desires then he can become a partner just like other partners.

5 3 6 Types of Partnership Firm :



(A) According to Time Limit :

(1) Partnership at Will : In this type of partnership firm the lifespan of firm depends upon the wishes of the partners. There is no time limit. The firm exists till there is unity and agreement among partner. If any one of the partner wishes to dissolve the firm, then according to law, by giving notice he can bring the dissolution of firm.

(2) Term Partnership : When in partnership deed the time limit of partnership is mentioned,

then it is called term partnership. After completion of time limit the firm is dissolved automatically. Still if all partners agree, then time limit can be extended further.

(3) Partnership firm for a Specific work : According to partnership deed when a partnership firm is established for completing a specific job, then it is called partnership firm for a specific work. After completion of specified work, the firm is dissolved automatically. E.g. Partnership firm for the construction of Bridge, Road, Canal etc.

(B) According to Liability :

(1) Partnership Firm with Limited Liability : This is a special type of partnership firm. Excluding one partner of firm, all other partners liability can be kept limited.

(2) Partnership Firm with Unlimited Liability : In this type of partnership firm, the liability is unlimited for all partners. If debts of the firm increase more than the asset of the firm then each partner has to pay the debt of business even by selling personal properties.

(C) According to Registration :

(1) Registered Partnership Firm : The Partnership firm which is registered with the Registrar of firms, then such firm is called a Registered partnership firm. When a partnership firm is registered such firm can approach court of law for the recovery of debt from a third party/person. It is not compulsory to register a partnership firm but it is advisable.

(2) Unregistered Partnership Firm : When a partnership firm is not registered with Registrar of Firms, it is called unregistered partnership firm. For such firm it is difficult to recover their debts through court of Law.

5 3 7 Registration of a Partnership Firm : Registration of Partnership firm can be done according to partnership act 1932. Registration of firm is not compulsory. But there are certain disadvantages, if registration is not done. Therefore registration of firm is advisable.

The state in which the firm is situated, there is a registrar of firm which is an appointed officer by the state government. For registration, necessary informations are to be filled in by all the partners and the form is to be submitted to the Registrar by paying fees.

(I) Details included in registration form :

- (1) Name and Address of the firm
- (2) Branches of the firm
- (3) Name, Address and Telephone numbers of partners.
- (4) Date of admission of each partner.
- (5) The ratio of profit & loss of each partner
- (6) Details regarding the capital of partners.
- (7) Duration of the firm

After considering above details the Registrar registers the firm and issues the certificate.

(II) Advantages of Registration of Firm :

- (1) For recovery of firms dues, the firm can file a claim in the court of law.
- (2) Partner of the firm can file a case in court of law against other partners or firm.
- (3) A partner can demand justice from the court of law for his right and share.
- (4) The retiring partner, by giving notice to public, can free himself from his liabilities.
- (5) The existence of the firm becomes, public through Registration.

5 3 8 Partnership Deed : Partnership is a relationship originating from the Partnership deed. This deed or agreement can be in written form or oral. Written agreement is preferable.

Details Included in Partnership Deed :

- Name and Address of Firm
- Name, Address, Age, Type and Telephone number of partners
- Purpose and type of business of the firm
- Date of establishment and duration of firm
- Detail of partner's capital and the interest on capital, if to be mentioned
- Partner's borrowings, Interest on borrowings and their Limits
- Rate of Interest on loan given by partners
- Ratio of profit-loss distribution
- Distribution of work among the partners
- Details of salary, commission or other facility for partners
- Provision for accounting and book-keeping of partnership firm
- Provision of power for opening bank account and for banking transactions
- The method of valuation of goodwill
- Provision of Intermediatory for solution of disputes and difference of opinion
- Signing authority for various documents
- Provisions for admission of new partner and retirement of old partner
- Rights and Duties of Partners
- Provisions for admission of a minor partner
- Provisions for settlement of account at time dissolution of the firm

The above details can be shown in written partnership deed. In case of absence of partnership deed, the Partnership Act comes in to force automatically.

The Difference between Sole Proprietorship and Partnership Firm :

Sr No.	Basis of Difference	Sole Proprietorship	Partnership Firm
(1)	Meaning	When a person wishes to establish the business, arranges capital and bears loss and profit by himself it is called sole proprietorship.	Partnership is a relation between two or more persons who have agreed to run business by all, or by one, or on behalf of others and agree to share the profit-loss
(2)	Number of members	There is only one person	Minimum two persons. According to companies Act 2013 clause no 464, Number of partners in partnership firm cannot be more than 100 members. As per Government decision According to companies Act (Year 2014) clause No.10 (Miscellaneous Rule) number of maximum partners in partnership firm is 50.
(3)	Capital	Capital is brought by the owner.	Partners bring capital as per the partnership deed.
(4)	Establishment	Any person can establish a lawful business	Establishment is by oral agreement or written agreement.
(5)	Decisions	In sole proprietorship, as there is only one owner, decision can be taken quickly.	In partnership firm, as there are more than one partner, there is a delay in taking decision.
(6)	Profit-Loss	Only the owner has to bear Profit-Loss	Profit-Loss is distributed among the partners as per partnership deed.
(7)	Registration	No provision for Registration.	As per partnership Act registration can be done ; but not compulsory.
(8)	Maintenance of secrecy	As there is only one owner secrecy maintained.	As there are more than one partner maintenance of secrecy is less.
(9)	Transfer of Share	As and when owner decides he can transfer the share.	If there is consent of all partners then only a partner can transfer his share.
(10)	Risk	Risks of business are borne by the owner.	Risks of firm are distributed among the partners.

What did you learn in this chapter

(1) Sole Proprietorship :

Meaning : When only one person wishes to establish the business, arranges capital and bear the Profit-Loss by himself then it is called sole proprietorship.

Characteristics : Easy in Establishment, low capital, Administrative power, Work independence and quick decisions, Personal contact, Flexibility, Less burden of Income tax.

Advantages : Easy in establishment, low capital, maintenance of secrecy, quick decisions, personal contact, flexibility, Less burden of Income tax.

Limitations : Limited capital, Short life span, Limited working efficiency, Possibility of wrong in decisions and Non-availability of the advantages of trading on large scale.

(2) Business run by Hindu Undivided Family :

Meaning : Business run by Hindu Undivided Family which is received as an inheritance according to Hindu law is called HUF Firm.

Characteristics : Comes into existence by Hindu Law, the senior most person of family manages the business and is called karta. Field of operation is independent. Membership is by birth. Financial control is in the hands of karta. Liability of karta is unlimited whereas other members have limited liabilities. Difficulty to bring more capital, only adult member can be declared insolvent.

(3) Partnership :

Meaning : Partnership is a relation between persons who have agreed to run business jointly or on behalf of others and have agreed to share the profit of business.

Characteristics : Relation is on the basis of an agreement, Process of establishment is easy, number of partners, the purpose is to earn profit, partners bring capital according to partnership deed. Business is managed by any one or more than two or all partners according to the partnership deed. If the assets of the firm are not sufficient to pay the debts, then debts are paid from the personal properties of partners, transfer of share is through the consent of all partners. Life span of a firm is limited.

Advantages : Process of establishment is easy and less expensive, efficient management, increase in goodwill of firm, more capital can be brought as compared with sole proprietorship, advantage of division of labour, possibility of erroneous decision is less, flexible, protection to minority, direct contact with customers as there are more than two partners. Decentralisation of financial control. As the Profit of the firm is distributed the burden of income tax is less.

Limitations : Limited capital, all partners have unlimited liability excluding a minor partner, possibility of difference of opinion and disputes, delay in decisions, life span of firm is less than other forms of business organisations.

Types of Partnership : Active partner takes active part in the management. Inactive partner does not take part in management. Nominal partner is one, who allows his name to be used by the firm. Profit partner is one who offers benefits to the firm by his skill, knowledge and experience. He does not share loss.

Partner by Estoppel or Holding out is the one who is by his actions is considered to be a partner by a third party. Such partner does not take part in management or in profit and loss. Minor partner - if any partner dies then his minor is made partner.

Types of Partnership Firms

(a) According to time limit : Voluntary partnership, life span of firm depends upon the wishes of partner. Time limit Partnership. Time limit if decided in advance. After predecided time period the firm is dissolved. Partnership for a specific job - Firm is established to complete a specific job. On completion of job the firm is dissolved.

(b) According to liability : Firm with limited liability. Liability is limited up to invested capital. Firm with unlimited liability - one has to sell even personal properties to pay the debts of the firm.

(c) According to Registration : Registered Partnership - It is registered with the Registrar of Firms according to partnership Act. Unregistered Partnership - such firms which are not registered with registrar of firm.

Registration of Partnership Firm : According to partnership Act 1932. It is not compulsory to register the firm. But there are certain disadvantages in not registering the firm. Therefore it is preferable to register the firm.

Details included in Registration of Partnership firm : Name of firm, address of firm, Partner's Name, Address, Phone number, Date of admission, Ratio of Profit-Loss, Time limit of the firm and details of capital invested.

Partnership Deed : Partnership is a relation arising out of an agreement/deed. Agreement can be in written or in oral form. In a written agreement the following details are included.

Name of firm, partner's name, address, phone numbers, age, purpose of firm and type of business. date of starting the business and time limit, partner's capitals and rate of interest to be paid on their borrowings, rate of interest on loan given by a partner to the firm, work distribution, provisions for accounting and bookkeeping, provisions for an intermediary to solve the disputes the power to sign important documents, the provisions for admission and retirement by a partner, duties of partner and rights, provisions for admission of a minor partner, provisions for settling the account at the time of dissolution of the firm etc.

EXERCISE

1. Select the correct alternative and write answers to the following questions :

(1) Which is the oldest form of Business enterprise ?

(a) Sole Proprietorship

(b) Partnership

(c) Co-operative Society

(d) Company

(2) In which form the owner, establisher and manager is only one ?

(a) Joint Enterprise

(b) Government Company

(c) Co-op. Society.

(d) Sole Proprietor

- (3) The firm of Hindu Undivided Family is managed by whom ?
 (a) Owner (b) Karta
 (c) Manager (d) Partner
- (4) In the firm of Hindu Undivided Family, how one gets the membership ?
 (a) By Agreement (b) By Birth
 (c) By Investing Capital (d) By Managing
- (5) When did the Indian Partnership Act came in to existance ?
 (a) 1932 (b) 1956 (c) 1960 (d) 2013
- (6) What is the minimum number of partner in Partnership firm ?
 (a) 2 (b) 3 (c) 5 (d) 7
- (7) What is the maximum number of members in a Partnership firm at present ?
 (a) 20 (b) 30 (c) 15 (d) 50
- (8) According to Indian Partnership Act the Registration of Partnership firm is
 (a) Compulsary (b) Not compulsory
 (c) Not essential for interest (d) Not in the interest of firm
- (9) Partnership created for doing Bussiness with time limit means
 (a) Firm with limited liability (b) Voluntry partnership
 (c) In active partnership firm (d) Partnership firm with time limit
- (10) The firm whose life span is depend upon the wishes of partner, such firm means
 (a) Time limit Partnership (b) Voluntary Partnership
 (c) Nominee Partnership (d) Inactive Partnership

Answer : (1) (a) (2) (d) (3) (b) (4) (b) (5) (a) (6) (a) (7) (d) (8) (b) (9) (d) (10) (b)

2. Answer the following questions in one sentence each :

- (1) Who is called a sole proprietor ?
- (2) How is the liability of owner in sole proprietorship ?
- (3) Who is called Karta ?
- (4) In Hindu Undevided Family how is the liability of Karta ?
- (5) How decision are taken in a Partnership firm ?
- (6) Who manages the Partnership firm ?

3. Answer the following questions in short :

- (1) In sole proprietorship, how unlimited liability is harmful to the owner ?
- (2) How is it possible to maintain secrecy in sole proprietorship ?
- (3) What is unlimited liability ?
- (4) Give defination of partnership according to partnership Act 1932.
- (5) When can a minor become a partner ?
- (6) Who is called the partner by Estopple ?

(7) Who is called a nominal partner ?

(8) What is a Partnership deed ?

4. Answer the following questions in brief :

- (1) Give the meaning of sole proprietorship and explain the characteristics.
- (2) Give the meaning of partnership firm and list out the characteristics.
- (3) 'Sole proprietorship is a training school of business' Explain.
- (4) Each Partner is an agent of other partner - Explain this statement.
- (5) Clarify the difference between sole proprietorship and a partnership firm.
- (6) Explain the advantages of registration of a partnership firm.

5. Answer the following questions in detail :

- (1) State meaning of Hindu Undivided Family and clarify the characteristics.
- (2) Explain the advantages and limitation of sole proprietorship.
- (3) Explain the limitations of partnership firm.
- (4) State the details to be included in partnership deed.

