

Concepts of Partnership & Partnership Deed

1 Mark Questions

1. The partnership deed is silent on payment of salary to partners. Anita, a partner, claimed that, since she managed the business, she should get a monthly salary of Rs 10,000. Is she entitled for the salary? Give reason. (Compartment 2014)

Ans. No, Anita is not entitled for the salary. Since, the partnership deed is silent on the payment of salary to partners, in that case provisions of Partnership Act will be followed, which prohibit payment of remuneration of any kind to the partners.

2. State the provisions of Indian Partnership Act, 1932 regarding the payment of remuneration to a partner for the services rendered. (Delhi 2012)

Ans. In the absence of partnership deed, a partner is not entitled to get any remuneration from the firm.

3. What share of profit would a 'sleeping partner', who has contributed 75% of the total capital, get in the absence of a deed? (Delhi 2011; hots)

Ans. In the absence of partnership deed, sleeping partner will get equal share of profit, no matter how much share of total capital he has contributed.

4. Is a sleeping partner liable for the acts of other partners? (Delhi 2011 c; hots)

Ans. Yes, a sleeping partner is also liable for the acts of other partners.

5. Would a 'charitable dispensary' run by 8 members be deemed a partnership firm? Give reason in support of your answer. (All India 2011; hots)

Ans. No, a 'charitable dispensary' run by 8 members cannot be deemed to be a partnership firm because:

- (i) For partnership, there must be a business.
 - (ii) There must be sharing of profits among the partners from such business.
- In this case, there is no business and no sharing of profits.

6. What is meant by a partnership deed? (Delhi 2011, 2010; All India 2010)

Ans. Partnership deed is a document which contains the terms and conditions of partnership agreement.



7. Why should a firm have a partnership deed? (All India 2011; Delhi 2009)

Ans. A firm should have a partnership deed because:

- (i) It regulates the rights, duties and liabilities of the partners.
- (ii) It avoids disputes in future by acting as a proof.

8. What is meant by 'unlimited liability of a partner'? (Delhi 2010)

Ans. Unlimited liability of a partner means that each partner is liable jointly and also severally with all the other partners to the third party for all the acts of the firm done, while he is a partner. His private assets can also be used for paying off the firm's debts.

9. A, B and C decided that interest on capitals will be provided to each partner @ 5% per annum, but after one year C wants that no interest on capital is to be provided to any partner. State how 'C' can do this? (Delhi 2010; Hots)

Ans. C can do this only when all partners agree to it or if there is no partnership deed.

10. State the provisions of Indian Partnership Act, 1932 regarding interest on partners' capital and interest on partners' loan when there is no partnership deed. (All India 2010)

Ans. According to Indian Partnership Act, 1932, in the absence of partnership deed no interest on' partners' capital is allowed and interest on partners' loan will be allowed @ 6% per annum.

11. Can a partner be exempted from sharing the losses in a firm? If yes, under what circumstances? (All India 2009; Foreign 2009; HOTS)

Ans. As per Indian Partnership Act, 1932, if a partner is a minor then he is exempted from sharing the losses of a firm.

12. State two elements of the partnership deed. (All India 2009)

Ans. Two elements of the partnership deed are:

- (i) Amount of capital contributed by each partner.
- (ii) Ratio in which profits or losses are to be shared.

13. Do all firms need a deed and registration? (Foreign 2009; hots)

Ans. No, it is not compulsory to have a deed and registration.

14. A and B are partners in a firm without a partnership deed. A is an active partner and claims a salary of Rs 18,000 per month. State with reasons whether



the claim is valid or not. (Delhi 2008; HOTS)

Ans. According to Indian Partnership Act, 1932, no salary is allowed to partners in the absence of partnership deed. So, the claim of A for salary of ₹ 18,000 per month is not valid.

15. Suresh and Ramesh are partners in a firm with capitals of ₹ 3,00,000 and ₹ 4,00,000 respectively. They do not have a partnership deed. Ramesh wants to share the profits in the ratio of capitals. State with reason whether the claim is valid. (Delhi 2008; All India 2008; HOTS)

Ans. According to Indian Partnership Act, 1932, in the absence of partnership deed profits are shared equally among the partners. So, the claim of Ramesh to share the profits in the ratio of capitals is not valid.

16. R, S and T entered into a partnership for manufacturing and distributing educational CDs on 1st April, 2006. R looked after the business development, S content development and T financed the project. At the end of the year (31st March, 2007), R wanted a salary of ₹ 5,000 per month for the additional work he did. The other partners were not inclined to this. How would you reduce this within the ambit of the Indian Partnership Act, 1932? (Delhi 2008 C; HOTS)

Ans. According to Indian Partnership Act, 1932, 'No salary for the additional work will be allowed to R in the absence of partnership deed'.

