Accountancy - XII

1 Accounting for Partnership Firms - Fundamentals

(Meaning and definition of Partnership)

Partnership is an association between two or more persons who agree to do business and share its profits and losses. The partner act both as agents and principals of the firm.

"Partnership is the relation between persons who agreed to share the profits of a business carried on by all or any of them acting for all."
— Section 4 of the Indian Partnership Act 1932.

(Nature of Partnership)

1. Two or more persons - There must be at least two persons to form a partnership and all such persons must be competent to contract.
2. Agreement - Partnership comes into existence by an agreement, either written or oral.
3. Lawful business - A partnership is formed to do a lawful business.
4. Profit sharing - The agreement between the partners must be share profit or losses of business.

Rights of Partners :-

1) Every partner has the right to participate in the management of the business.
2) Every partner has the right to be consulted about the affairs of the business.
3) Every partner has the right to inspect the book of account and have a copy of it.
4) Every partner has the right to share profit or losses with other in the agreed ratio.
5) A partner has the right not to allow the admission of a new partner.
6) After giving proper notice, a partner right to retire from the firm.

Very Short Type questions :-

Q 1) Define partnership

Q 2) State any two essentials feature of partnership besides minimum number of partner and profit sharing.

Q 3. State any two rights of a partner.

Q 4. X and Y are partner. Y wants to admit his son K into partnership. Can K becomes the partner of the firm? Give reason.