



# CHAPTER- 03

## Partnership



# Topics

- **Formation of Partnership Business**
- **Dissolution of Partnership Firm**
- **Form of Partnership Business**

## Formation of Partnership Business

When two or more persons agreed to form a business and run by them with a view to earning a profit is called partnership business. Partnership business deals with earning profit taken by partners equally or as per the condition of partnership deed. The formation of the partnership business is not as difficult as its management under the legal formalities closely. The registration of these sorts of the firm is not mandatory. But deed formation is mandatory. The system and procedure for forming a partnership business are as follows:

- Initiating more than one member
- Making contractual relation
- Registration
- Collecting licenses
- Starting the business

## Dissolution of Partnership Firm

**Following are the modes of a dissolution of a partnership firm:**

- Dissolution by Agreement
- Compulsory Dissolution
- Dissolution on the Happening of Certain Contingencies
- Dissolution by Notice of Partnership at will
- Dissolution by Court

# How to Form a usual Partnership Business?

- To form a business partnership:
- List the amount of equity to be invested by each partner.
- Determine how the profit or loss will be divided among the partners.
- Establish compensation levels for each partner, including when the compensation will be given and any restrictions and might affect that compensation.
- Set guidelines for how the business will be modified or dissolved should one or more partners wish to end the partnership.

- Define procedures for settling any disputes which might arise.
- Determine who has authority for which expenditures and how expenditure decisions are to be made.
- Develop procedures to follow in case of death or incapacitation of a partner.
- Write and sign an agreement detailing the responses to the questions above.
- A general partnership can be formal simply by an oral agreement, but a legal partnership agreement drawn up by an authority is highly recommended.