



# **SNS COLLEGE OF TECHNOLOGY**

Kurumbapalayam (Po), Coimbatore – 641 107

**An Autonomous Institution**

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Approved by AICTE, New Delhi & Affiliated to Anna University, Chennai

## **DEPARTMENT OF MECHANICAL ENGINEERING**

**COURSE NAME : 16GE302 Engineering Economics & Cost**

**Analysis**

**IV YEAR /VII SEMESTER**

**Unit 3 – ORGANISATION**

**Topic : Partnership**

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# Partnership



- Partnership is an **association of two or more persons** who pool their financial and managerial resources and agree to carry on a business, and share its profit.
- The persons who form a partnership are individually known as partners and collectively a firm or partnership firm.





# Characteristics Of Partnership Form Of Business Organisation



- ❖ Two or More Persons
- ❖ Contractual Relationship
- ❖ Sharing Profits and Business
- ❖ Existence of Lawful Business
- ❖ Principal Agent Relationship
- ❖ Unlimited Liability
- ❖ Voluntary Registration





# Merits Of Partnership Form Of Business Organisation



- ❖ Easy to Form
- ❖ Availability of Larger Resources
- ❖ Better Decisions
- ❖ Flexibility
- ❖ Sharing of Risks
- ❖ Keen Interest
- ❖ Benefits of Specialisation
- ❖ Protection of Interest
- ❖ Secrecy





# Limitations Of Partnership Form Of Business Organisation



- ❖ Unlimited Liability
- ❖ Instability
- ❖ Limited Capital
- ❖ Non-transferability of share
- ❖ Possibility of Conflicts





# Types Of Partners



- ❖ Based on the extent of participation
  - ❖ Active Partners
  - ❖ Sleeping Partners
  
- ❖ Based on Liability
  - ❖ Limited Partners
  - ❖ General Partners





# Types Of Partners



- ❖ Based on the behaviour and conduct exhibited
  - ❖ Partner by Estoppel
  - ❖ Partner by Holding out





# Formation Of Partnership Form Of Business Organisation



The following steps are to be taken in order to form a partnership firm:

- (a) **Minimum two members** are required to form a partnership. The **maximum limit is ten** in banking and **20 in other businesses**.
- (b) Select the **like-minded persons** keeping in view the nature and objectives of the business.







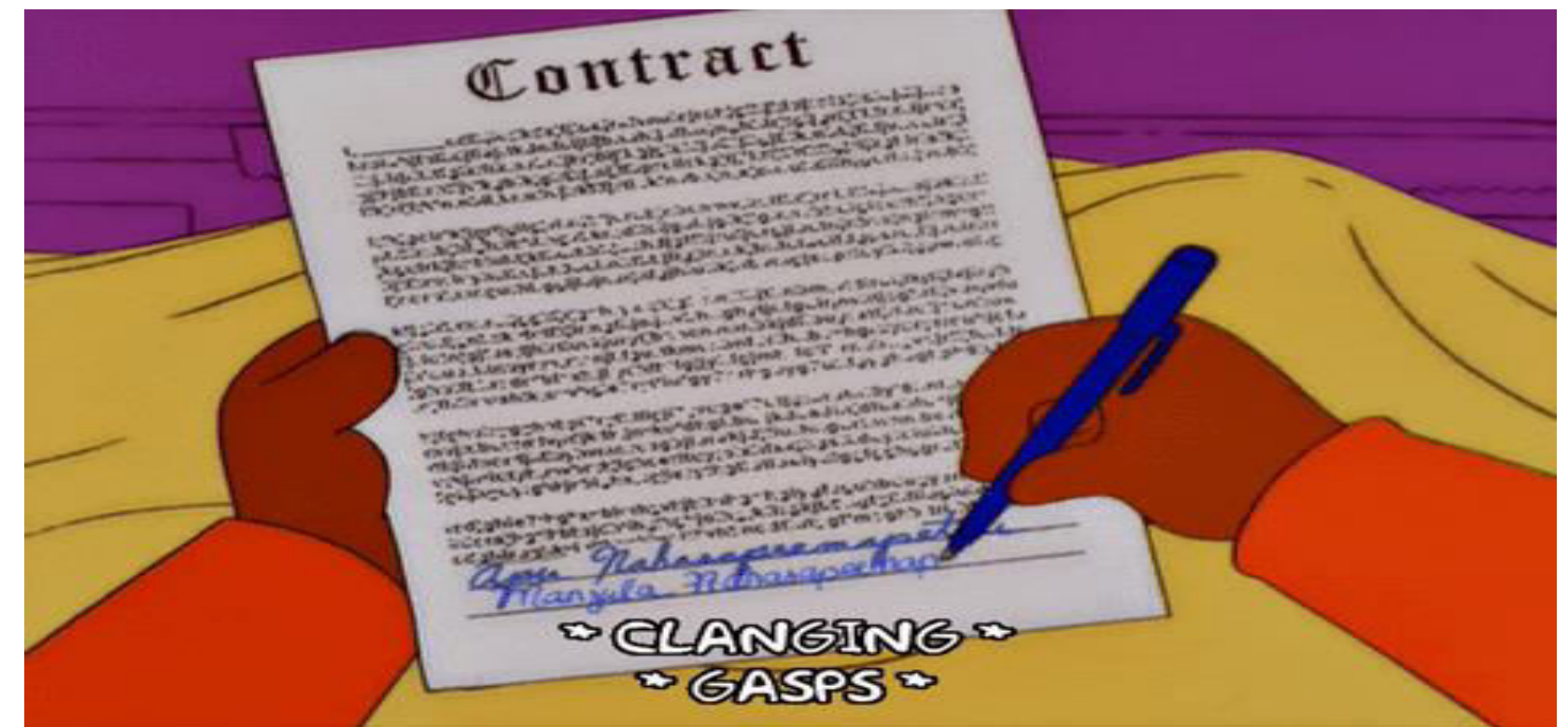
# Formation Of Partnership Form Of Business Organisation



(c) There must be an **agreement** among the partners to carry on the business and share the profits and losses. This agreement must preferably be in writing and duly signed by the all the partners.

The agreement, i.e., the partnership deed must contain the following:

- (i) **Name** of the firm
- (ii) **Nature** of the business
- (iii) **Names and addresses** of partners
- (iv) **Location** of business
- (v) **Duration** of partnership, if decided





# Formation Of Partnership Form Of Business Organisation



- (vi) Amount of capital to be contributed by each partner
- (vii) Profit and loss sharing ratio
- (viii) Duties, powers and obligations of partners.
- (ix) Salaries and withdrawals of the partners
- (x) Preparation of accounts and their auditing.
- (xi) Procedure for dissolution of the firm etc.
- (xii) Procedure for settlement of disputes





# Formation Of Partnership Form Of Business Organisation



(d) The partners should get their **firm registered** with the Registrar of Firms of the concerned state. Although registration is not compulsory, but to avoid the consequences of non- registration, it is advisable to get it registered when it is setup or at any time during its existence.

The procedure for registration of a firm is as follows.

(i) The firm will have to **apply to the Registrar of Firms** of the concerned state in the prescribed form.

(ii) The duly filled in form must be **signed by all the partners.**



# Practise quiz



- 1. Which of the following statement is incorrect?**
- (a) A person who receives the profits is always a partner.**
  - (b) A person who receives the profits is not necessarily a partner.**
  - (c) The true test of partnership is the mutual agency i.e., agency relationship among partners.**
  - (d) The partnership comes into existence only an agreement.**

**Ans: a**





# Industry specified questions



1. A, a contractor, appointed B to manage his entire work. It was agreed that B would receive 50% of the profits as his remuneration and would bear all the losses, if any. Here, B is
- (a) A's partner
  - (b) A's agent
  - (c) Sole proprietor

Ans: B





*Thank You*