

By:

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Business Organisation Minor paper Partnership Deed

Meaning of Partnership Deed

A **Partnership Deed** is a **written agreement** among the partners of a firm which contains the **terms and conditions** governing the partnership business.

It defines the **rights, duties, and obligations** of each partner.

Definition of Partnership Deed

According to the Indian Partnership Act, 1932, a partnership deed is **not compulsory**, but it is highly advisable to avoid disputes among partners.

Importance / Advantages of Partnership Deed

1. **Avoids disputes** among partners
2. **Clearly defines rights and duties**
3. Helps in **smooth functioning** of the business
4. Acts as **legal evidence** in case of conflicts
5. Fixes rules for **profit sharing and losses**

Contents of a Partnership Deed

A partnership deed usually includes the following clauses:

- **Name of the Firm**
- **Names and Addresses of Partners**
- **Nature of Business**
- **Place of Business**
- **Capital Contribution** by each partner
- **Profit and Loss Sharing Ratio**
- **Interest on Capital** (rate and conditions)
- **Interest on Drawings**

- **Salary or Commission payable to partners**
- **Duties and Powers of Partners**
- **Admission of a New Partner**
- **Retirement or Death of a Partner**
- **Borrowing Powers**
- **Maintenance of Accounts**
- **Audit of Accounts**
- **Goodwill valuation**
- **Settlement of Disputes** (usually by arbitration)
- **Dissolution of the Firm**

Types of Partnership Deed

=> **General Partnership Deed**

- Contains basic terms applicable in normal situations.

=> **Specific Partnership Deed**

- Prepared for a specific purpose or time period.

Is Partnership Deed Compulsory?

- **No**, it is not compulsory under law.
- But **registration of a firm** requires a partnership deed.

Consequences of No Partnership Deed

If there is **no partnership deed**, the rules of the **Indian Partnership Act, 1932** apply:

- Profits are shared **equally**
- No interest on capital
- No salary to partners
- Interest on drawings @ **6% p.a.**
- Interest on loans @ **6% p.a.**



Conclusion

A partnership deed is an **essential document** for running a partnership firm efficiently. It minimizes conflicts and ensures clarity among partners.