



CAIIB PAPER-4

Module-D Unit-13

**BANKING REGULATIONS AND
BUSINESS LAWS (BRBL)**



CAIIB Paper 4 (BRBL) Module D Unit 13- Minor Admitted To The Benefit Of A Partnership

Minor Cannot Be A Partner

- A person who is a minor cannot be a partner in a firm but with the consent of all the partners, he may be admitted to the benefits of partnership (Section 30(1) of the Indian Partnership Act 1932)
- In no circumstances, the minor can be made a party for the liabilities of the firm, i.e. cannot be personally liable for the acts of the firm except to the extent of such minor's share in the partnership (Section 30(3)).
- The minor has a right to share the property and profits of the firm as may be agreed upon by the partners and the minor can have access to the accounts of the firm. only the minor's share is liable for the acts of the firm but the minor is not personally liable for the acts of the firm and the liabilities arising from there.
- The minor may or may not take legal action (by filing suit) against the partners for payment of his share of the property or profits of the firm except when severing (ending) his connection with the firm.
- This is provided in Section 30(4). As per this section "Such minor may not sue the partners for an account or payment of his share of the property or profits of the firm, when severing his connection with the firm, and in such case the amount of his share shall be determined by a valuation made as far as possible in accordance with the rules contained in section 48"
- However, all the partners acting together or any partner who is entitled to dissolve the firm by notice to other partners can elect (choose) in such a suit filed by the minor to dissolve the firm. Thereafter, the court proceeds with the suit as a suit for dissolution and for settling accounts between the partners. The share of the minor is then determined along with the shares of the other partners.

Legal Position After The Minor Attains Majority

- Section 30(5) of the Act stipulates that at any time within six months of his attaining majority, or of his obtaining knowledge that he had been admitted to the benefits of partnership (whichever date is later) the minor partner who has attained majority may give public notice informing whether he has elected to become a partner or not.
- This notice determines his position as regards the firm. However, if he fails to give such notice, he shall become a partner in the firm on the expiry of the said six months.

Where such a person becomes a partner:

- ✓ His rights and liabilities as a minor continue up to the date on which he becomes a partner but he also becomes personally liable to third parties for all acts of the firm done since he was admitted to the benefits of partnership
- ✓ His share in the property and profits of the firm shall be the share to which he was entitled as a minor.

If such person elects not to become a partner:

- ✓ His rights and liabilities shall continue to be those of a minor up to the date on which he has given public notice that he does not want to become a partner
- ✓ His share shall not be liable for any acts of the firm done after the date of the notice; and
- ✓ He shall be entitled to sue the partners for his share of the property and profits. (Section 30(7))

Retirement Of A Partner

A partner may retire:

- With the consent of all other partners
- In accordance with an express agreement by the partners, or
- Where the partnership is at will, by giving notice in writing to all the other partners of his intention to retire.

The retiring partner and other partners shall be liable as partners to third parties for any act done by any of them which would have been an act of the firm if done before retirement until the public notice is given of the retirement.

A retiring partner is discharged of his liability to a third party for acts of the firm before his retirement if there is an agreement between the third party, the retiring partner and the remaining partners of the reconstituted firm. (Section 32)

Insolvency Of A Partner

- If partner of a firm is adjudicated as an insolvent, he ceases to be partner from the date on which the order of adjudication is made.
- An order of adjudication of a partner may or may not dissolve the firm. If the firm is not dissolved pursuant to a contract upon adjudication of a partner, the estate of a partner so adjudicated is not liable for any act of the firm and firm is not liable for any act of the insolvent, done after the date on which the order of adjudication is made. (Section 34)

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