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BLOGS

MCQs on Indian Partnership Act- Part I

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1. **Under the Indian Partnership Act, a partner's implied authority does NOT empower them to:**

A. Sell the firm's goods

B. Borrow money on behalf of the firm

C. Submit a dispute to arbitration

D. Purchase goods on behalf of the firm

Answer: C. Submit a dispute to arbitration

Explanation: Section 19(2) of the Indian Partnership Act lists acts that a partner's implied authority does not cover unless there is a usage or custom to the contrary. One such act is submitting disputes relating to the business of the firm to arbitration.

2. **Which of the following does NOT constitute a ground for dissolution of a firm by the court under Section 44 of the Indian Partnership Act?**

A. Continuous losses

B. Death of a partner

C. Misconduct affecting the business

D. Incapacity of a partner

Answer: B. Death of a partner

Explanation: Death of a partner dissolves the firm by operation of law, not through court intervention. Section 44 provides specific grounds for dissolution by court, such as misconduct, incapacity, and losses.

3. **Which of the following statements about 'partnership at will' is correct?**

A. It must be for a specific venture

B. It cannot be dissolved without court intervention

C. It ends only on the death of a partner

D. It can be dissolved by any partner by giving notice

Answer: D. It can be dissolved by any partner by giving notice

Explanation: Section 7 of the Act defines a partnership at will as one where no provision is made as to the duration. Any partner may dissolve it by giving notice in writing to the other partners.

4. **A minor admitted to the benefits of partnership:**

A. Is liable for losses

B. Cannot access accounts

C. Has a right to share profits

D. Becomes a partner by default upon attaining majority

Answer: C. Has a right to share profits

Explanation: Under Section 30, a minor admitted to the benefits of partnership is not liable for losses but has a right to his agreed share of profits and access to accounts.

5. **Which of the following acts results in compulsory dissolution under Section 41 of the Act?**

A. Misconduct of a partner

B. Insolvency of all partners

C. Failure to register the firm

D. Change in business location

Answer: B. Insolvency of all partners

Explanation: Section 41 specifies that if all partners (except one) become insolvent, the firm must be compulsorily dissolved.

6. **Which of the following is not a test for determining the existence of a partnership?**

A. Sharing of profits

B. Mutual agency

C. Registration with the Registrar

D. Agreement between persons

Answer: C. Registration with the Registrar

Explanation: Registration is not mandatory to form a partnership. The key tests include agreement, profit-sharing, and mutual agency.

7. **Which of the following is correct about the liability of a newly admitted partner?**

A. Liable for all past debts

B. Liable only for debts incurred after admission

C. Automatically liable for previous debts

D. Not liable at all for firm’s debts

Answer: B. Liable only for debts incurred after admission

Explanation: Under Section 31, a newly admitted partner is not liable for acts done before his admission unless he agrees otherwise with creditors.

8. **Which case best illustrates the concept of mutual agency in partnership law?**

A. Cox v. Hickman

B. Donoghue v. Stevenson

C. Carlill v. Carbolic Smoke Ball Co.

D. Salomon v. Salomon & Co. Ltd.

Answer: A. Cox v. Hickman

Explanation: In *Cox v. Hickman*, the House of Lords emphasized that the test of partnership lies in the principle of mutual agency, not merely in sharing profits.

9. **Under the Act, registration of a partnership firm is:**

A. Compulsory

B. Required within one month

C. Optional, but non-registration limits legal rights

D. Required only if the firm has more than 10 partners

Answer: C. Optional, but non-registration limits legal rights

Explanation: Registration is optional, but an unregistered firm cannot sue a third party to enforce contractual rights (Section 69).

10. **Which of the following statements about the doctrine of holding out is true?**

A. It applies to minor partners

B. It applies after dissolution

C. It applies even if the person is unaware of the representation

D. It creates liability by estoppel

Answer: D. It creates liability by estoppel

Explanation: The doctrine of holding out, under Section 28, holds a person liable as a partner if they represent or knowingly allow themselves to be represented as a partner.

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