**CLATalogue**
The Home of Law Aspirants

BLOGS

# Multiple Choice Questions on the Indian Partnership Act for CLAT PG

Ruchika Mohapatra · 23 Apr 2025

**1. Under the Indian Partnership Act, 1932, a partnership is defined as:**

A) An association of people engaging in social work

B) An agreement between two or more persons to carry on a business and share profits

C) A company formed under the Companies Act, 2013

D) An agreement between employees of a firm

**Answer:** B) An agreement between two or more persons to carry on a business and share profits

**Explanation:** According to Section 4, a partnership is the relationship between persons who have agreed to share profits from a business carried on by all or any of them acting for all.

**2. Which of the following is an essential element of a partnership?**

A) Registration of the firm

B) Minimum of three partners

C) Mutual agency

D) Unlimited liability for all partners

**Answer:** C) Mutual agency

**Explanation:** Mutual agency means every partner acts as both an agent and a principal of the firm. Actions taken by one partner bind all partners.

**3. The maximum number of partners in a banking partnership firm is:**

A) 10

B) 50

C) 20

D) No limit

**Answer:** A) 10

**Explanation:** As per Section 11 of the Companies Act, 2013, a partnership engaged in banking business cannot have more than 10 partners.

**4. What is the liability of partners in a general partnership?**

A) Limited to their capital contribution

B) Limited to the extent mentioned in the partnership deed

C) Joint and several

D) None of the above

**Answer:** C) Joint and several

**Explanation:** As per Section 25, every partner is jointly and severally liable for the debts of the firm. Creditors can recover the entire debt from any one partner.

**5. Which of the following does NOT lead to the dissolution of a partnership firm?**

A) Death of a partner

B) Insolvency of a partner

C) Admission of a new partner

D) Completion of the business objective

**Answer:** C) Admission of a new partner

**Explanation:** The admission of a new partner leads to a reconstitution of the partnership, not dissolution.

**6. A minor in a partnership firm:**

A) Cannot be admitted as a partner

B) Can be a full-fledged partner with voting rights

C) Can be admitted only for the benefits of the firm

D) Must contribute capital to become a partner

**Answer:** C) Can be admitted only for the benefits of the firm

**Explanation:** As per Section 30, a minor cannot be a partner but can be admitted only for the benefits of the firm and is not personally liable for losses.

**7. The property of the firm includes:**

A) Property purchased in the name of any partner

B) Property acquired with partnership funds

C) Personal assets of partners

D) Both B and C

**Answer:** B) Property acquired with partnership funds

**Explanation:** Section 14 states that any property acquired with partnership funds is partnership property, even if it is in the name of an individual partner.

**8. What happens when a partner retires?**

A) The firm automatically dissolves

B) The partnership continues with the remaining partners

C) The retired partner continues to be liable for future debts

D) The retired partner loses his share in the firm's assets

**Answer:** B) The partnership continues with the remaining partners

**Explanation:** Section 32 allows the partnership to continue unless the partners decide otherwise. However, the retiring partner remains liable for past debts.

**9. The Indian Partnership Act applies to:**

A) Only registered firms

B) All partnerships, whether registered or unregistered

C) Hindu Undivided Families (HUFs)

D) Companies incorporated under the Companies Act

**Answer:** B) All partnerships, whether registered or unregistered

**Explanation:** The Act applies to all partnerships, but an unregistered firm faces certain restrictions in enforcing its rights in court.

**10. When a partner commits fraud in the business, which section holds him liable?**

A) Section 10

B) Section 16

C) Section 20

D) Section 25

**Answer:** A) Section 10

**Explanation:** Section 10 states that partners must conduct business in good faith and are liable for any fraud committed.