

Chapter – 5

Hindu Undivided Family and Partnership

I. Choose the Correct Answer

Question 1.

The firm of Hindu Undivided Family is managed by whom?

- (a) Owner
- (b) Karta
- (c) Manager
- (d) Partner

Answer:

- (b) Karta

Question 2.

In the firm of Hindu Undivided Family, how one gets the membership?

- (a) By Agreement
- (b) By Birth
- (c) By Investing Capital
- (d) By Managing

Answer:

- (b) By Birth

Question 3.

The members in the joint Hindu family are known as

- (a) Karta
- (b) Coparceners
- (c) Generations
- (d) Partners

Answer:

- (b) Coparceners

Question 4.

Only the male members in the family get the right of inheritance by birth as

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- (a) Hindu law
- (b) Mitakshara Law
- (c) Dayabhaga law
- (d) None of these

Answer:

- (b) Mitakshara Law

Question 5.

partnership is formed by

- (a) Agreement
- (b) relationship among partners
- (c) The direction of government
- (d) Friendship

Answer:

- (a) Agreement

Question 6.

Registration of partnership is

- (a) Compulsory
- (b) Optional
- (c) Not necessary
- (d) None of the above

Answer:

- (b) Optional

Question 7.

A temporary partnership which is formed to complete a specific job doing a specified period of time is called

- (a) Partnership – at – will
- (b) Particular partnership
- (c) Limited Partnership
- (d) Joint Venture

Answer:

(d) Joint Venture

Question 8.

The partnership deed is also called

- (a) Articles of Association
- (b) Articles of Partnership
- (c) Partnership Act
- (d) Partnership

Answer:

(b) Articles of Partnership

Question 9.

A partnership is registered with

- (a) Registrar of Companies
- (b) Registrar of Co – operatives
- (c) Registrar of Firms
- (d) District Collector

Answer:

(c) Registrar of Firms

II. Very Short Answer Questions

Question 1.

Who is called KARTA?

Answer:

The head of the Joint Hindu Family whose liabilities are unlimited is known as KARTA. Karta is the senior-most male member of the family.

Question 2.

What are the two schools of Hindu law?

Answer:

1. Dayabhaga and
2. Mitakshara

Question 3.

Who is called a Partner?

Answer:

A Partner is an owner and member in a partnership business, an entity in which both the profits and losses of a business or other venture are shared between all members.

Question 4.

Who is a Sleeping partner?

Answer:

Such a partner contributes capital and shares in the profits or losses of the firm but does not take part in the management of the business.

Question 5.

Who is a Minor?

Answer:

Under the Indian Majority Act, the person who has not completed 18 years of age is a minor. He will be continued to be a minor till he completes 21 years if a guardian has been appointed to the minor.

Question 6.

How many types of Dissolution?

Answer:

1. Without order of court.
2. By order of court.

III. Short Answer Questions

Question 1.

What is the meaning of Joint Hindu Family Business?

Answer:

There are two types of dissolution that arise in partnership, namely Dissolution of Partnership and Dissolution of Firm.

Question 2.

Write any 3 features of HUF?

Answer:

1. **Governed by Hindu Law:** The business of the Joint Hindu Family is controlled and managed under the Hindu law.
2. **Membership by Birth:** The membership of the family can be acquired only by birth. As soon as a male child is born in the family, that child becomes a member.
3. **Liability:** Except the Karta, the liability of all other members is limited to their shares in the business.

Question 3.

Explain the nature of the liability of Karta.

Answer:

In a joint family firm only Karta has the implied authority to enter into a contract for debts and pledge the property of the firm for the ordinary purpose of the businesses of the firm.

Question 4.

What is the meaning of Coparceners?

Answer:

The members of the Joint Hindu Family business are called Coparceners. It is regulated by the provisions of Hindu Law. According to Hindu Succession Act, 1956, a Coparcener will have a share in the Coparcenaries property after the death of the Co – parcener.

Question 5.

Define Partnership?

Answer:

According to Prof. Haney, "The relations which exist between persons, competent to make contracts, who agree to carry on a lawful business in common with a view to private gain".

Question 6.

What are the minimum and a maximum number of members in the partnership concern?

Answer:

Since partnership is the outcome of an agreement, the minimum number of persons required to form a partnership is two. Maximum is restricted to 10 in the case of banking business and to 20 in all other cases.

Question 7.

What is the meaning of Partnership Deed?

Answer:

A partnership Deed is an agreement that contains the terms and conditions relating to the partnership.

It defines the rights, Interests, and obligations of partners. It should be properly signed by all the partners and stamped.

Question 8.

Who is called a Secret partner?

Answer:

A secret partner is one whose association is not known to the general public. Other than this distinct feature, he is like rest of the partners in all respects.

Question 9.

What is meant by Joint and Several Liability?

Answer:

Every partner is jointly and severally liable for all acts of the firm. It means that in case the assets are inadequate for meeting the claims of creditors, even their personal properties should be made available. The creditors can recover their claims from all the partners.

IV. Long Answer Questions

Question 1.

What is the implied authority of Karta?

Answer:

1. In a joint family firm, only Karta has the implied authority to enter into a contract for debts and pledge the property of the firm for the ordinary purpose of the business of the firm.
2. The Karta is the senior most male member of the family. The members of the family have full faith and confidence in Karta. Only Karta is entitled to deal with outsiders. But other members can deal with outsiders only with the permission of Karta.
3. Except the Karta, the liability of all other members is limited to their shares in the business. The Karta is not only liable to the extent of his share in the business but his separate property is equally attachable and amount of debt can be recovered from his personal property.

Question 2.

Can a minor be admitted in the Joint Hindu Family business – Why?

Answer:

Yes. A minor can be admitted as a co-parcener in Hindu Family. Because when a baby is born in the family, he/she automatically acquires an interest in the property jointly held by the family. According to Hindu Succession Act, 2005 is applicable to all male and female members of a Hindu undivided family.

Question 3.

What are the contents of the Partnership Deed?

Answer:

- (1) Name of the Firm.
- (2) Nature of Business: Nature of the proposed business to be carried on by the partners.
- (3) Duration of Partnership: Duration of the partnership business whether it is to be run for a fixed period of time or whether it is to be dissolved after completing a particular venture.
- (4) Capital Contribution: The capital is to be contributed by the partners. It must be remembered that capital contribution is not necessary to become a partner for, one contributes his organizing power, business acumen, managerial skill etc., instead of capital.
- (5) Withdrawal from the Firm: The amount that can be withdrawn from the firm by each partner.
- (6) Profit/Loss Sharing: The ratio in which the profits or losses are to be shared. If the profit-sharing ratio is not specified in the deed, all the partners must share the profits and bear the losses equally.
- (7) Interest on Capital: Whether any interest is to be allowed on capital and if so, the rate of interest.
- (8) Rate of Interest on Drawing: Rate of interest on drawings, if any.
- (9) A loan from Partners: Whether loans can be accepted from the partners and if so the rate of interest payable thereon.
- (10) Account Keeping: Maintenance of accounts and audit.
- (11) Salary and Commission to Partners: Amount of salary or commission payable to partners for their services. (Unless this is specifically provided, no partner is entitled to any salary).

(12) Retirement: Matters relating to the retirement of a partner. The arrangement to be made for paying out the amount due to a retired or deceased partner must also be stated.

(13) Goodwill Valuation: Method of valuing goodwill on the admission, death or retirement of a partner.

(14) Distribution of Responsibility: Distribution of managerial responsibilities. The work that is entrusted to each partner is better stated in the deed itself.

(15) Dissolution Procedure: Procedure for dissolution of the firm and the mode of settlement of accounts thereafter.

(16) Arbitration of Dispute: Arbitration in case of disputes among partners. The deed should provide the method for settling disputes or differences of opinion. This clause will avoid costly litigations.

Question 4.

Explain the types of dissolution of the partnership firm.

Answer:

Dissolution of partnership means the termination of the original partnership agreement. A partnership is dissolved by the insolvency, retirement, expiry, or completion of the term of the partnership. The business will continue after the dissolution of the partnership. It takes in the following forms:

- Change in the existing profit-sharing ratio – Admission of a partner.
- Retirement or Death of a partner.
- Insolvency of a partner.
- Expiry of the term of the partnership.
- Completion of the specified venture.
- Dissolution by agreement.

Question 5.

Write any three differences between Dissolution of Partnership and Dissolution of Firm?

Answer:

Dissolution of Partnership:

- In the case of dissolution of the partnership, only one or more of the partners terminate their connections with the firm.
- Dissolution of a partnership may or may not bring the business of the firm to an end.
- In the dissolution of the partnership, the business will continue even after dissolution.

Dissolution of Firm:

- Whereas all the partners terminate their connections with the firms in the case of dissolution of the firm.
- But the dissolution of the firm brings the business of the firm to an end.
- But business cannot be continued in the case of dissolution of the firm.

Question 6.

Write the procedure for Registration of a Firing Procedure for registration:

Answer:

The Indian Partnership Act does not make the registration of a partnership compulsory. Registration is optional. But the disabilities of non-registration virtually make it compulsory.

A statement should be prepared to state the following particulars.

- Name of the firm.
- The principal place of business.
- Name of other places where the firm carried on the business.
- Names and addresses of all the partners.
- The date on which each partner joined the firm.
- The duration of the firm.

This statement should be signed by all the partners should be produced to the

Registrar of Firms along with the necessary registration fee. Any change in the above particulars must be communicated to the Registrar within 14 days of such alteration.