

SUMMARY PARTNERSHIP ACT 1932

PART -1

11/25/2021

MK GUPTA CA EDUCATION

CA JYOTI MADAN SAPRA

The Indian Partnership Act, 1932

Effective Date	It came into force w.e.f. 1st Oct, 1932 but Sec. 69 came into w.e.f. 1st Oct. 1933.
Territory	It extends to the Whole of India.
Scope	The provisions of the Indian Contract Act, 1872 also apply to firms except where the Indian Partnership Act, 1932, specifically provides to the contrary [Section 3].

Meaning and Essential Elements of Partnership

Meaning of Partnership	“Partnership is the relation between two or more persons who have agreed to share the profits of a business carried on by all or any of them acting for all.” [Section 4]
Five Essential Elements of Partnership	<ol style="list-style-type: none"> 1. At least two persons competent to contract 2. An agreement [whether Implied or Express (i.e., written/oral)] 3. Business (Lawful) 4. Sharing of Profits 5. Mutual Agency {i.e., carrying on of business by all or any of them acting for all} <p>Note: The law of partnership is regarded as an extension of law of agency because of existence of mutual agency.</p>

PROBLEM 1

Two brothers X (age 18 years), Y (age 17 years), decided to for a partnership. Can they do so?

Solution: Section to which the given problem relates: Section 4.

Decision: No

Reason: There must be at least two persons and such persons must be competent to contract. In the given case, Y is not competent to contract because he is a minor. Hence, there is only one person X who alone cannot form a partnership.

PROBLEM 2

There brothers, X (age 19 years), Y (age 18 years) and Z (age 17 years), decide to form a partnership with a provision that Z will share the profit only.

Solution: Section to which given problem relates: Section 4.

Decision: No.

Reason: All the persons entering into partnership agreement must be competent to contract. Z is not competent to contract because he is a minor. It may be notes that no partnership can be formed with a minor partner. But

after the formation of partnership, a minor can be admitted to the benefits of partnership with the consent of all other partners of the firm as per the provisions of Section 30 of the Act.

PROBLEM 3

Ten major persons form an association to which each member contributes ₹ 10,000. The purpose is to produce medicines for free distribution to poor patients. Is there a valid partnership?

Solution: Section to which the given problem relates: Section 4.

Decision: No.

Reason: There is not intention to carry on the business and to share the profits thereof.

PROBLEM 4

X, Y and Z agreed to share the profits and losses and to carry on the business by all or anyone acting for all for mutual benefits and gain. The management and control was entrusted in X with power to restrict the right of Y and Z. Is there a valid partnership?

Solution: Section to which the given problem relates: Section 4.

Decision: Yes.

Reason: All the essential elements of partnership exist under the partnership agreement.

Partners, Firm, Firm Name and Maximum Limit of Partners

Partners	Persons who have entered into partnership with one another are individually called partners.
Firm	Persons who have entered into partnership with one another are collectively called a firm.
Firm name	The name under which business is carried on is called firm name.
Maximum Limit of Partners	As per Sec. 464 of Companies Act, 2013 – 50 Note: 1. If the number of partners exceeds the aforesaid limit, the partnership firm becomes an illegal association. 2. These statutory limits do not apply to a Hindu Undivided Family. However in case of amalgamation of two or more families these limits apply. (only major persons & not minors are considered for these limits)

Nature of a Partnership Firm and test of Partnership

Nature of Firm	Nature of Firm A partnership firm has no separate legal entity apart from the partners constituting it. Note: Firms themselves cannot enter into a contract for partnership though their partners can. For example, two firms namely, M/s A & B and M/s X &
-----------------------	---

	Y, themselves cannot form a new partnership though the partners of the individual firms can form a partnership.
Test of Partnership	The conclusive evidence of partnership is existence of Mutual Agency relationship i.e., the capacity of a partner to bind other partners by his acts done in firm's name and be bound by the acts of other partners in firm's name and not the sharing of profits which is only a prime facie evidence.
Cases where the Partnership Relation does not exist	<p>1. Joint Owners of some property sharing profit or gross returns arising from the property.</p> <p>2. Person sharing the profits but not having mutual agency.</p> <p>For example:</p> <p>(i) a lender of the firm (who has lent money) who receives a share of profits;</p> <p>(ii) a widow or child of a deceased partner who receives a share of profits;</p> <p>(iii) a servant or an agent who receives a share of profits as part of his remuneration; and</p> <p>(iv) a person who receives a share of profits in consideration of sale of business or goodwill of the business.</p> <p>3. Members of a Hindu Undivided Family carrying on family business.</p>
Property of Firm	Unless otherwise agreed by the partners, the property of the firm shall be held and used by the partners exclusively for the purposes of the business of the firm.

PROBLEM 5

X and Y agreed to share the profits of a business carried on by all or any of them acting for all. Later on, Z lent ₹1,00,000 to the firm on the condition that he will take 25% share in profits. Can Z be regarded as a partner?

Solution: Section to which the given problem relates: Section 4 and 6.

Decision: No.

Reason: Sharing of profit, which is a prima facie evidence, exists, but the mutual agency relationship among X, Y and Z, which is a conclusive evidence, does not exist.

PROBLEM 6

X, a contractor, appointed Y on of his servants to manage his business of loading and unloading railway wagons. Y was to receive 50% of the profits of the business and also to bear the losses, if any. Is Y a partner of X?

Solution: Section to which the given problem relates: Section 4 and 6.

Decision: No.

Reason: Sharing of profit which is a prima facie evidence, exists but the mutual agency relationship among X and Y, which is a conclusive evidence, does not exist. Here, Y is an agent of X but X is not agent of Y.

PROBLEM 7

X, Y and Z were partners in a firm. X died. It was agreed that the widow of X would receive 10% share of profits of business as annuity. Is the widow of X a partner?

Solution: Section to which the give problem relates: Section 4 and 6.

Decision: No.

Reason: Sharing of profit, which is a prima facie evidence, exists but the mutual agency relationship among X, Y and widow of X, which is conclusive evidence, does not exist.

PROBLEM 8

X, a publisher agrees to publish at his own expense, a book written by Y and to pay Y half of the net profits. Can X and Y be regarded as partners?

Solution: Section to which the give problem relates: Section 4 to 6.

Decision: No.

Reason: Sharing of profit, which is a prima facie evidence, exists but mutual agency among X and Y, which is a conclusive evidence does not exist.

Co-ownership

Meaning	Co-ownership means joint ownership of some property
Co-owners	Two or more persons who own some property jointly are called co-owners.
Why Not Partners	Joint Owners of some property sharing profit or gross returns arising from the property do not become partners due to lack of mutual agency relationship.

PROBLEM 9

X and Y who jointly own a house, let it out on rent of ₹ 10,000 p.a. and share the rental income equally. Can X and Y be regarded as partner?

Solution: Section to which the given problem relates: Explanation 1 to Section 6.

Decision: No.

Reason: X and Y are merely co-owners who are sharing the gross returns arising from a jointly property.

Hindu Undivided Family (HUF)

Meaning	“Hindu undivided family is a family which consists of all persons lineally descended from a common ancestor and includes their wives and unmarried daughters.”
----------------	--

Coparceners	Three successive generations in the male line (son, grandson, and great-grandson) who inherit the ancestral property are called ‘Coparceners’.
Maximum Limit	There is no maximum limit of coparceners.
Implied Power	Only Karta has implied power.
Karta’s Liability	Only Karta’s liability is unlimited.
Coparcener’s Liability	The liability of other coparceners is limited only to their shares in the family property.
Effect of Death	Effect of Death The Hindu undivided family continues to operate even after the death of a coparcener.

Partnership Deed

Meaning	The document which contains the terms of a partnership as agreed among the partners is called ‘Partnership Deed’
Stamping	It is required to be duly stamped as per the Indian Stamp Act, 1889.
Signature	It is required to be duly signed by all the partners or their duly authorised agents.
Change	The terms laid down in the partnership deed may be changed with the consent of all partners.
No Contravention	It must not contain any term which is contravention with the provisions of the Indian Partnership Act.

Registration of a firm

Optional	It is not compulsory.
Time of Registration	It can be effected at the time of its formation or at anytime thereafter.
Effective Date	Registration becomes effective from the date of filing of the duly signed and verified statement along with the prescribed form and not from the date of issue of certificate of registration since the act of the Registrar in recording an entry of the statement in the Register of Firms is only a clerical act.
Effects of Non-registration of a Firm	<ol style="list-style-type: none"> 1. A partner can not file a suit against the firm or the other partners to enforce any right arising from contract 2. The firm can not file a suit against third party to enforce any right arising from contract. 3. A firm has no right to claim set off in excess of ` 100.
Rights not affected by Non-registration	<ol style="list-style-type: none"> 1. Rights of unregistered firm or partners thereof (i) Right of firm or partner of a firm having no place of business in India,

	<p>(ii) Right to file a suit or claim of set-off if the value of suit does not exceed ` 100.</p> <p>(iii) Right of a partner to sue</p> <p>(a) for the dissolution of the firm</p> <p>(b) for the accounts of a dissolved firm, or</p> <p>(c) for claiming share of the assets of a dissolved firm</p> <p>(iv) Right to enforce a right arising <u>otherwise than out of a contract</u> e.g., infringement of a Patent right by a third party. The firm may file a suit to restrain the third party from misusing the Patent right.</p> <p>2. Right of a third party to file a suit against the unregistered firm or partners thereof.</p> <p>3. Power of an Official Assignee or Receiver or Court to realise the property of an insolvent partner.</p>
--	---

PROBLEM 10

X, Y and Z are partners in an unregistered firm. X steals the property of the firm. Y filed a suit against X. X resisted Y's claim on the plea that the firm was not registered. Will Y succeed?

Solution: Section to which the give problem relates: Section 69(1).

Decision: Yes.

Reason: Section 69(1) prohibits the institution of civil suit and not the criminal suit.

PROBLEM 11

An unregistered firm sold goods to W on credit. On the expiry of the term of credit, the firm filed a suit against W for the recovery of the amount due from W. will the firm succeed? What difference would it make if immediately after filing the suit, the firm got itself registered?

Solution: First Part

Section to which the given problem relates: Section 69(2).

Decision: No.

Reason: The firm is not registered at the time of Institution of the suit.

Second Part

It would not make any difference because the subsequent registration cannot cure the initial defect.

PROBLEM 12

X, Y and Z are partners in a registered firm. X died. The firm filed a suit against W in the name and on behalf of firm without notifying to the Registrar of firms about the changes in the constitution of the firm. Is the suit maintainable?

Solution: Section to which the given problem relates: Section 69(2).

Decision: Yes.

Reason: Both the requirements of Section 69(2) have been complied with (i) the suit must be instituted by or on behalf of the firm which had been registered; (ii) the persons suing must have been shown as partners in the Register of Firms. Persons suing means all the partners at the date of instituting the suit.

PROBLEM 13

X, Y and Z are partners in a registered firm. X died and D was admitted as a partner. The firm filed a suit against W in the name and on behalf of firm without notifying to the Registrar of Firms about the changes in the constitution of the firm. Is the suit maintainable?

Solution: Section to which the given problem relates: Section 69(2).

Decision: No.

Reason: First requirement of Section 69(2) that the suit must be instituted by or on behalf of the firm which had been registered, had been complied with, whereas the second requirement of Section 69(2) that all the partners at the date of instituting the suit have been shown in the Register of Firms, had not been complied with.

PROBLEM 14

An unregistered firm purchased goods worth ₹ 1,000 from W in whose favour a cheque was issued which was dishonoured. At the same time, this firm sold some other goods worth ₹ 600 to W. W sued the unregistered firm for the recovery of ₹ 1,000. The firm pleaded that W also owed ₹ 600 to the firm, the same should be adjusted against the claim in question. Is W's suit maintainable? Is the contention of the unregistered firm correct?

Solution: Part (a)

Section to which the given problem relates: Section 69(3).

Decision: Yes.

Reason: Non-registration of a firm does not affect the right of a third party to sue an unregistered firm.

Part (b): section to which the given problem relates: Section 69(2) and 69(3).

Decision: No.

Reason: An unregistered firm cannot claim a set off exceeding ₹ 100 in value.

PARTNERSHIP PROPERTY

Meaning	<ul style="list-style-type: none"> • partnership assets, • joint stock, • common stock or • joint estate.
----------------	---

Property Includes	Property of the firm in the absence of a contract to the contrary includes: (i) All property, right and interest which partners may brought into the common stock as their contribution to the common business; (ii) All the property, rights and interests acquired or purchased by or for the firm , or for the purpose and in the course of the business of the firm; and (iii) Goodwill of the business.
<u>Determination of Property</u>	<u>The determination of the question whether a particular property is or is not 'property' of the firm ultimately depends on the real intention or agreement of the partners.</u>
<u>Application of Firm's Property</u>	Subject to contract between the partners, the property of the firm shall be held and used by the partners exclusively for the purposes of the business. Section 15
<u>Goodwill</u>	Goodwill may be defined as the value of the reputation of a business ✓ It can be sold separately or along with the other properties of the firm. ✓ Any partner may upon the sale of the goodwill of a firm, make an agreement with the buyer that such partner will not carry on any business similar to that of the firm within a specified period or within specified local limits and notwithstanding anything contained in Section 27 of the Indian Contract Act, 1872. Such agreement shall be valid if the restrictions imposed are reasonable.

PROBLEM 15

X and Y are partners. X, without the consent of Y, buys shares in his own name with the moneys of the firm. Do such shares constitute partnership property? Would it make any difference if X debits himself in the firm books and becomes a debtor to the firm for the amount of purchase money?

Solution: Part (a)

Section to which the given problem relates: Section 14.

Decision: Yes.

Reason: Unless the contrary intention appears, the property acquired with the money of the firm is deemed to have been acquired for the firm.

Part (b): In this case, shares do not constitute partnership property because the debit entry in X's account shows that the shares were not acquired for the firm.

PROBLEM 16

X and Y are in partnership for refining sugar. Y was appointed to buy sugar for the firm. Without the knowledge of X, he supplied his own sugar to the firm at market price and made huge gain. Is he accountable to firm for profit he makes?

Solution: Section to which the given problem relates: Section 16(a).

Decision: Yes.

Reason: Subject to contract between the partners, if a partner derives any profit for himself from any transactions of the firm, he must account for the profit and pay it to the firm.

PROBLEM 17

X, Y and Z carry on a partnership business as merchants trading between Mumbai and London. W, a merchant in London, to whom they send their consignments, secretly allow Z share of the commission which he received upon such consignment in consideration of Z using his influence to obtain the consignment for him. Is Z liable to account to the firm for the moneys so received by him?

Solution: Section to which the given problem relates: Section 16(a).

Decision: Yes.

Reason: Subject to contract between the partners, if a partners derives any profit for himself rom any transaction of the firm, he must account for the profits and pay it to the firm.

PROBLEM 18

X and Y are in partnership for supplying meat to the government. Subsequently, it is found out that X is engaged with Z in the supplying of meat to the same government. Can he retain the profit made out of the second engagement?

Solution: Section to which the given problem relates: Section 16(a)

Decision: No.

Reason: Subject to contract between the partners, if a partner carries on competing business, he must account for and pay to the firm all profits made by him in that business.

Types of Partnership On the basis of Duration

Partnership at Will	<p>Meaning: When there is no provision in partnership agreement for duration of the partnership, the partnership is called 'Partnership at Will'.</p> <p>Dissolution: A partnership at will may be dissolved by any partner by giving a notice in writing to all other partners of his intention to dissolve the firm.</p>
Particular Partnership	<p>Meaning: When a partnership is formed for a specific venture or for a particular period, the partnership is called a 'Particular Partnership'.</p> <p>Dissolution: Particular partnership comes to an end on the completion of the venture or on the expiry of the period.</p>

	<p>Note:</p> <p>1. If such partnership is continued after the expiry of term or completion of the venture, it is deemed to be a partnership at will.</p> <p>2. A particular partnership may be dissolved before the expiry of the term or completion of the venture only by the mutual consent of all the partners.</p>
--	--

Types of Partners

Actual or Ostensible Partner	He takes an active part in the conduct of the business.
Sleeping or Dormant Partner	He does not take an active part in the conduct of the business.
Nominal Partner	He lends his name to the firm without having any real interest in the firm. He neither contributes to the capital nor shares the profits or takes part in the conduct of the business of the firm.
Partner in Profits Only	He shares the profits only and not the losses.
Sub-Partner	He is a third person with whom a partner agrees to share his profits derived from the firm.
<u>Partner by Estoppel or Holding Out</u>	<p>A person is held liable as a partner by estoppel or holding out if the following two conditions are fulfilled:</p> <p>(a) He must have represented himself to be a partner by words spoken or written or by his conduct (such type of representation may be called as active representation),</p> <p style="text-align: center;">or</p> <p>He must have knowingly permitted himself to be represented as a partner (such type of representation may be called as tacit representation); and</p> <p>(b) The other person acting on the faith of such representation must have given credit to the firm. It is immaterial whether the person so representing to be a partner, is aware or not that the representation has reached the other person.</p> <p>Note: Where, after the retirement of a partner, the firm uses the <u>retired partner's name as a partner, the retired partner who has not given public notice of his retirement, is held liable on grounds of holding out to third parties who give credit to the firm on the faith that he is still a partner.</u></p>

<p>Two Exceptions to the Principle of Holding Out</p>	<p>The Principle of holding out does not apply in the following two cases:</p> <p>1. <u>Deceased Partner:</u> Where, after the death of a partner, the firm uses the deceased partner's name as a partner, the estate of the deceased partner or his legal representatives cannot be held liable for acts of the firm done after his death. It may be noted that a public notice of a partner's death is not required.</p> <p>2. <u>Insolvent Partner:</u> The estate of the insolvent partner cannot be held liable for the acts of the firm done after the date of the order of adjudication [Section 34]. It may be noted that a public notice of a partner's insolvency is not required.</p>
--	--

PROBLEM 19

Ram, a sole proprietor of Ram Shyam & Co. employed Shyam as manager of firm's business. Ram introduced Shyam as his partner to C's a supplier of goods. Shyam remained silent. Treating Shyam a partner, C supplied the goods on credit. Is Shyam liable to supplier?

Solution:

Decision: Yes.

Reason: Shyam is a partner by estoppel. Both conditions of Section 28 are fulfilled.

- (i) Shyam has knowingly permitted himself to be represented as a partner,
- (ii) Supplier has acted on the faith of such representation.

PROBLEM 20

Pataudi, a renowned sportsman assumed the honorary president ship of a publishing business bringing out a sports magazine because other partners requested him to do so. A supplier gave credit to the firm in the bona fide belief that Pataudi was a partner in the firm. Is Pataudi liable to the supplier?

Solution: Section to which the given problem relates: Section 28.

Decision: Yes.

Reason: Pataudi is a partner by estoppel. Both the conditions of Section 28 are fulfilled.

- (i) Pataudi has knowingly permitted himself to be represented as a partner
- (ii) Supplier has acted on the faith of such representation.

Public Notice

<p>When required</p>	<ul style="list-style-type: none"> 1. on the Retirement or Expulsion of a partner, 2. on the Dissolution of the Firm,
-----------------------------	---

	3. on the Election to become or not to become a partner By a Minor on his attaining majority.	
When not required	1. on the Death of a Partner; 2. on the Insolvency of a Partner.	
Mode of Giving Public Notice	In Case of a Registered Firm	In Case of an Unregistered Firm
	(a) in the Official Gazette.	(a) in the Official Gazette.
	(b) in at least one vernacular newspaper	(b) in at one vernacular newspaper
	(c) to the Registrar of Firms.	
Consequences of Not Giving a Public Notice	Case	Consequences
	(a) On Election to become or not to become a partner by a Minor on his attaining majority	Minor is deemed to have become a partner on the expiry of said 6 months[Section 30(5)].
	(b) On Retirement of a Partner	Retiring partner and the other partners continues to be liable as partner to the third parties for firm's acts done after retirement [Section 32(3)].
	(c) On Expulsion of at Partner	The expelled partner and the other partners continue to be liable to third parties for firm's acts done after his expulsion[Section 33(2)].
	(d) On Dissolution of a Firm	All the partners continue to be liable to third parties for firm's acts done after the dissolution of firm [Section 45].

IMPORTANT CASE LAWS IN PARTNERSHIP ACT PART-1

<u>COX V. HICKMAN</u>	<p>This is an example of one of the key elements of partnership-Mutual Agency. <u>Mutual Agency</u> Evidence cooperation is conclusive proof.</p> <p>In Section 18[1], the "partner is a representative of the company for the company." They operate as agents as well as directors and have the unrestricted ability to bind</p>
------------------------------	---

SOME MORE QUESTIONS FOR PRACTICE ON PARTNERSHIP ACT PART-1

1. A, B and C are partners of a partnership firm carrying on the business of construction of apartments. B who himself was a wholesale dealer of iron bars was entrusted with the work of selection of iron bars after examining its quality. As a wholesaler, B is well aware of the market conditions. Current market price of iron bar for construction is ₹ 350 per Kilogram. B already had 1000 Kg of iron bars in stock which he had purchased before price hike in the market for ₹ 200 per Kg. He supplied iron bars to the firm without the firm realising the purchase cost. Is B liable to pay the firm the extra money he made, or he doesn't have to inform the firm as it is his own business and he has not taken any amount more than the current prevailing market price of ₹ 350? Assume there is no contract between the partners regarding the above.

ANSWER

According to section 16 of the Indian Partnership Act, 1932, subject to contract between partners –

- (a) if a partner derives any profit for himself from any transaction of the firm, or from the use of the property or business connection of the firm or the firm name, he shall account for that profit and pay it to the firm;
- (b) if a partner carries on any business of the same nature as and competing with that of the firm, he shall account for and pay to the firm all profits made by him in that business.

In the given scenario, Mr. B had sold iron bar to the firm at the current prevailing market rate of ₹ 350 per Kg though he had stock with him which he bought for ₹ 200 per Kg. Hence, he made an extra profit of ₹150 per Kg. This is arising purely out of transactions with the firm. Hence, Mr. B is accountable to the firm for the extra profit earned thereby.

2. Ms. Lucy while drafting partnership deed taken care of few important points. What are those points? She wants to know the list of information which must be part of partnership deed drafted by her. Also, give list of information to be included in partnership deed?

ANSWER

Ms. Lucy while drafting partnership deed must take care of following important points:

- No particular formalities are required for an agreement of partnership.

- Partnership deed may be in writing or formed verbally. The document in writing containing the various terms and conditions as to the relationship of the partners to each other is called the 'partnership deed'.
- Partnership deed should be drafted with care and be stamped according to the provisions of the Stamp Act, 1899.
- If partnership comprises immovable property, the instrument of partnership must be in writing, stamped and registered under the Registration Act.

List of information included in Partnership Deed while drafting Partnership Deed by Ms. Lucy:

- Name of the partnership firm.
- Names of all the partners.
- Nature and place of the business of the firm.
- Date of commencement of partnership.
- Duration of the partnership firm.
- Capital contribution of each partner.
- Profit Sharing ratio of the partners.
- Admission and Retirement of a partner.
- Rates of interest on Capital, Drawings and loans.
- Provisions for settlement of accounts in the case of dissolution of the firm.
- Provisions for Salaries or commissions, payable to the partners, if any.
- Provisions for expulsion of a partner in case of gross breach of duty or fraud.

Note: Ms. Lucy may add or delete any provision according to the needs of the partnership firm.

3. "Indian Partnership Act does not make the registration of firms compulsory nor does it impose any penalty for non-registration." In light of the given statement, discuss the consequences of non-registration of the partnership firms in India?

ANSWER

It is true to say that Indian Partnership Act, 1932 does not make the registration of firms compulsory nor does it impose any penalty for non-registration.

Following are consequences of Non-registration of Partnership Firms in India:

The Indian Partnership Act, 1932 does not make the registration of firms compulsory nor does it impose any penalty for non-registration. However, under Section 69, non-registration of partnership gives rise to a number of disabilities which we shall presently discuss. Although registration of firms is not compulsory, yet the consequences or disabilities of non-registration have a persuasive pressure for their registration. **These disabilities briefly are as follows:**

No suit in a civil court by firm or other copartners against third party:

The firm or any other person on its behalf cannot bring an action against the third party for breach of contract entered into by the firm, unless the firm is registered and the persons suing are or have been shown in the register of firms as partners in the firm. In other words, a registered firm can only file a suit against a third

party and the persons suing have been in the register of firms as partners in the firm

No relief to partners for set off of claim:

If an action is brought against the firm by a third party, then neither the firm nor the partner can claim any set off, if the suit be valued for more than Rs. 100 or pursue other proceedings to enforce the rights arising from any contract.

Aggrieved partner cannot bring legal action against other partner or the firm:

A partner of an unregistered firm (or any other person on his behalf) is precluded from bringing legal action against the firm or any person alleged to be or to have been a partner in the firm. But, such a person may sue for dissolution of the firm or for accounts and realization of his share in the firm's property where the firm is dissolved.

Third party can sue the firm:

In case of an unregistered firm, an action can be brought against the firm by a third party.