concept no.

① Basis Introduction why is this chapter important

concept no.1

Basis Introduction why is this chapter important



Why Admission of Partner is important ?

Sometimes a new partner is needed into the business due to the following reasons:

1. When more capital is needed for the expansion of the business;
2. When a competent and experienced person is needed for the efficient running of the business;
3. To increase the goodwill and reputation of the business by taking a reputed and renowned person into the partnership;
4. To encourage a capable employee by taking him into the partnership.



Admission of a partner is one of the modes of reconstitution of a partnership, under which existing agreement comes to an end and a new one comes into existence. A new partnership deed is prepared at the time of admission of a new partner, as the old partnership deed comes to an end. According to Section 31 (1) of the Indian Partnership Act, a new partner can be admitted only with the consent of all the existing partners.

A new partner gets the following two rights :

(1) Right to share future profits of the firm; and
(2) Right to share in the assets of the firm.
At the same time, he becomes liable for any liability incurred by the firm after his admission.

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END OF CONCEPT NO-1

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