

P.G. SEM - II
CC - VIII (CORPORATE LEGAL FRAMEWORK)
TOPIC - DIFFERENCE BETWEEN PARTNERSHIP AND COMPANY

Difference Between Partnership and Company

A partnership and a company are two important forms of business organization, but they differ from each other in several ways.

A ****partnership**** is formed by an agreement between two or more persons to carry on a business and share its profits and losses. It is governed by the Indian Partnership Act, 1932. A ****company****, on the other hand, is formed under the Companies Act, 2013 and comes into existence after registration.

In a partnership, the business does not have a separate legal identity from its partners. The partners and the firm are considered the same in the eyes of law. In contrast, a company has a separate legal entity distinct from its members, which means it can own property, enter into contracts, and sue or be sued in its own name.

The liability of partners in a partnership is ****unlimited****, which means their personal assets can be used to pay business debts. In a company, the liability of shareholders is ****limited**** to the amount unpaid on their shares, providing greater financial security.

A partnership business is managed directly by the partners themselves. In a company, management is carried out by elected directors who act on behalf of the shareholders.

Continuity of business is another point of difference. A partnership may come to an end on the death, retirement, or insolvency of a partner. A company, however, enjoys ****perpetual succession**** and continues to exist even if its members change.

Raising capital is easier for a company as it can issue shares and debentures to the public. A partnership has limited sources of capital, as funds are mainly contributed by partners.

Transfer of ownership in a partnership is difficult because it requires the consent of all partners. In a company, especially a public company, shares can be transferred easily.

Conclusion

In summary, a partnership is suitable for small businesses where personal involvement is important, while a company is more suitable for large-scale businesses due to limited liability, continuity, and better capital availability.