- **Difference between Company and Partnership**

Definitions:-

Partnership firm

A partnership firm involves the coming together of multiple, two or more individuals/entities as partners to collectively run a business with the common intent of earning profit. A partnership firm may or may not have a separate and identifiable legal entity from that of its partners depending on the nature of partnership as limited or unlimited partnership.

Company

A company is a form of business organisation that involves incorporation of a separate legal entity to house the operations of a business with the intention of earning profits for its members. In a company, the total capital is divided into multiple parts of predetermined denomination termed as shares. Entities become members/part-owners of the company by purchasing one or more shares of the company. The members of a company are thus termed as shareholders.

The principal points of distinction between a company and a partnership are:

1) Legal status- A company is a distinct legal person. A partnership firm is not distinct from the several members who compose it.

2) Property- In partnership, the property of the firm is the property of the members comprising it. In a company, it belongs to the company and not to the members comprising it.

3) Mode of creation- A company comes into existence after registration under the Companies Act, 1956, while registration is not compulsory in case of a partnership firm.

4) Agents- Partners are the agents of the firm, but members of a firm are not its agents.

5) Contracts- A partner cannot contract with his firm, whereas a member of a company can.

6) Transferability of shares- A partner cannot transfer his share and make the transferee a member of the firm without the consent of other partners whereas a company's share can easily be transferred unless the Articles provide otherwise and the transferee becomes a member of the firm.

7) Liability- A partner's share is always unlimited whereas that of a shareholder may be limited either by shares or a guarantee. Although limited liability partnership act is passed where in partnership concern is also limited.

8) Perpetual succession- The death or insolvency of a shareholder or all of them does not affect the life of the company, whereas the death or insolvency of a partner dissolves the firm, unless otherwise provided.

9) Audit- A company is legally required to have its accounts audited annually by a chartered accountant, whereas the accounts of the partnership are audited at

the discretion of its members.(but firms have to conduct tax audit if turnover exceeds 1 crore) .

10) Number of members- The minimum number of partners in a firm is 2 and maximum is 20 in any business and 10 in banking business. In case of a private company the minimum number of members are 2 and maximum is 50. In case of a public company the min num of members are 7 and no max limit.(Now even one person can form company as per companies act 2013)sec2 subsection (62) One Person Company means a company which has only one person as a member; 11) Dissolution- a company can only be dissolved as laid down by law. A partnership firm can be dissolved at any time by an agreement.