

## Difference between Partnership and Company

Basis of Difference	Partnership	Company
<b>Meaning</b>	It is a contract in which two or more persons are agreed to share profits/losses, ownership, responsibilities and duties.	It is a legal entity in which a group of persons agreed to share ownership but not management for a specific purpose.
<b>Governed By</b>	It is regulated by the <b>Partnership Act, 1932</b> .	It is regulated by the <b>Companies Act, 2013</b> .
<b>Registration</b>	The registration of a Partnership firm is <b>not compulsory</b> .	The registration of a Company with the registrar of companies is <b>compulsory</b> .
<b>Members</b>	The members of a Partnership firm are known as <b>Partners</b> .	The members of a company are known as <b>Shareholders</b> .
<b>Number of Members</b>	To form a partnership firm, the <b>minimum</b> number of partners is <b>two</b> with a <b>maximum</b> limit of 50 members.	<b>In the case of a public company, a minimum of 7 members</b> are required with <b>no maximum</b> limit. Whereas <b>for a private company, at least two</b> members are required with a <b>maximum</b> limit of <b>200</b> members.
<b>Liability</b>	The liabilities of the partners is <b>unlimited</b> .	The liabilities of shareholders is <b>limited</b> to the value of shares held by them. But in the case of companies with unlimited liability, the shareholders possess unlimited liability.
<b>Distribution of Profits</b>	The profits are distributed as per the <b>partnership deed</b> . However, in the absence of partnership deed, the profits are distributed equally among the partners.	It depends upon the <b>Articles of Association or the decisions of directors</b> .
<b>Regulatory Authority</b>	It is regulated by the <b>registrar of firms under the State Government</b> .	It is regulated by the <b>registrar of companies under Central Government</b> .
<b>Documents</b>	A <b>partnership deed</b> is the main document needed to create a partnership firm.	The <b>Memorandum of Association and Articles of Association</b> are the main documents needed to create a company.
<b>Separate Entity</b>	It is <b>not a separate entity</b> as the partners of the firm collectively are known as a Partnership firm.	Company is a <b>separate legal entity</b> from its members and directors.
<b>Audit</b>	The audit of books of accounts for a partnership firm is <b>not mandatory</b> .	In a company, it is <b>mandatory</b> to audit the books of accounts.
<b>Management</b>	The whole operations are <b>managed by all the partners itself</b> or any of them acting for all.	Here, <b>the directors</b> , elected by shareholders manage the business operations.
<b>Transfer of Shares</b>	A partner <b>cannot transfer</b> his profit share to anyone without the consent of partners.	The <b>transfer of shares</b> is <b>not restricted</b> except the private companies.
<b>Type of business</b>	In partnership, <b>any type of business</b> can be carried out with the consent of all partners.	A company is bounded to carry that <b>business only which is permitted by Objects Clause of the Memorandum of Association</b> .
<b>Winding Up</b>	The partnership firm can be wounded by the <b>agreement of all partners</b> . However, in case if the firm is unable to pay its debts, then it has to be wound up <b>by the order of the court under the Insolvency Act</b> .	The company can be wound up <b>by the process prescribed in the Companies Act, 2013 only</b> .
<b>Continuity</b>	It is <b>affected by the death, retirement or insolvency</b> of any partner.	The <b>death, insolvency of shareholders and transfer of shares don't affect</b> the continuity of the company.
<b>Common Seal</b>	The partnership firm <b>doesn't require</b> any seal.	A company <b>requires a common seal or stamp</b> for legal or functional purposes.
<b>Change in Name</b>	The partnership firm <b>can easily change its name</b> with the consent of all partners.	It is <b>not easy for a company to change its name</b> as it requires prior approval from the Central Government.
<b>Minimum Capital required</b>	There is <b>no such requirement</b> .	In the case of a <b>private company, a minimum of 1 lakh</b> of capital is required. While in a <b>public company, a minimum of 5 lacs</b> of capital is required.