

Difference between Partnership and Company

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