

Accounts of Hindu Undivided Family (HUF)

A Hindu Undivided Family (HUF) is a legal entity where the business and property are inherited jointly by members of a Hindu family. The property becomes part of the HUF, and members are called ~~coparceners~~ ^{unlimited} coparceners.

Key Features:

1. **Inheritance:** When a Hindu dies, the property is passed on to the legal heirs and becomes HUF property.

- Male children traditionally inherit, but after the **2005 amendment to the Hindu Succession Act**, daughters (married or unmarried) also became recognized coparceners.

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unlimited

2. **Karta (Manager)**: The eldest male or female member manages the HUF and is called the **Karta**.

Legal Update: In the case *Mrs. Sujata Sharma vs. Shri Manu Gupta* (Delhi High Court, 2015), it was ruled that the eldest female member can also be the Karta.

Rules for Opening and Operating a HUF Account:

1. Authority of the Karta:

- The Karta has **implied authority** to:
 - Avail loans.
 - Execute necessary documents for the HUF.
- For added security, it is recommended that all adult members sign loan documents.

2. **Designation of Karta:** Although there is no formal procedure, it is advisable to obtain a written declaration from all adult members specifying the Karta.

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3. **Power to Transfer Assets:** The Karta can transfer assets only if:

- It is for a legal necessity.
- It benefits the HUF's estate.

4. Minor Coparceners:

- Names of all minor members must be recorded.
- Natural guardians (usually parents) must sign on their behalf.

5. **Existence of HUF:** Withdrawal of a coparcener does not affect the HUF's existence.

Documents Required for Opening a HUF Account:

✓ 1. **Account Opening Form:** Signed by all adult members of the HUF.

✓ 2. **Specimen Signature Card:** Signed by the Karta.

3. **Joint Hindu Family Letter:** Declaration signed by all adult members confirming the existence of the HUF and appointing the Karta.

4. **For Minor Members:** The natural guardian's signature is required.

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✓ 5. **KYC Documents:** As per standard KYC norms, identity and address proofs of all adult members must be submitted.

Operational Guidelines:

- The **Karta** is the primary operator of the account.
- If the HUF has multiple branches, other major coparceners may also be allowed to operate the account.

Parameter	Details
Karta's Authority	<u>Avail loans, execute documents, transfer assets for legal necessity.</u>
Required Documentation	<u>Declaration letter, KYC, specimen signatures.</u>
Minor Members	<u>Guardian's signature required for minors.</u>
Operation	Managed by the Karta; others may operate as authorized.

Accounts of Sole Proprietorship Firms

A **sole proprietorship** is a business entity owned and operated by a single individual. **The law does not distinguish between the proprietor and the business,** making them one and the same for legal and financial purposes.

Key Characteristics:

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1. **Individual Ownership:** The proprietor is solely responsible for all liabilities and profits of the business.
2. **Account Type:** A **current account** can be opened in the name of the proprietorship firm. **Savings accounts are not allowed for business purposes.**
3. **No Formal Registration Required:** A proprietorship firm does not require incorporation or registration with any statutory authority.

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~~Rules for Opening and Operating a Proprietorship Firm's~~

~~Account:~~

1. **Account Opening:**

- The proprietor must sign all documents required to open the account.
- A declaration confirming the proprietorship must be submitted.

2. **Signatures:** The proprietor must sign all documents, cheques, and account-related correspondence in the **name of the proprietorship firm.**

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3. **Cheque Handling:** Cheques drawn on the firm must bear the name of the proprietorship firm and be signed by the proprietor.

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Documents Required for Opening a Proprietorship Firm's Account:

1. **Current Account Opening Form:** Must be signed by the proprietor.
2. **Specimen Signature Card:** Signed by the proprietor.
3. **Proprietorship Declaration/Letter:** A declaration, typically in the bank's prescribed format, confirming the existence and ownership of the proprietorship firm.
4. **KYC Documents:** As per standard guidelines for individuals, including:
 - Identity proof (e.g., Aadhaar, Passport, PAN).
 - Address proof (e.g., utility bill, rental agreement).

Parameter	Details
Ownership	<u>Sole proprietor owns and manages the business.</u>
Account Type	Current account only.

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Required Documents	<u>Declaration, KYC, specimen signature card.</u>
Cheque Handling	Cheques signed in the name of the firm by the proprietor.

2 or more

ACCOUNTS OF PARTNERSHIP FIRMS

A partnership is defined under Section 4 of the Indian Partnership Act, 1932, as a relationship between persons who agree to share the profits of a business conducted by all or any of them acting on behalf of the others.

Key Characteristics:

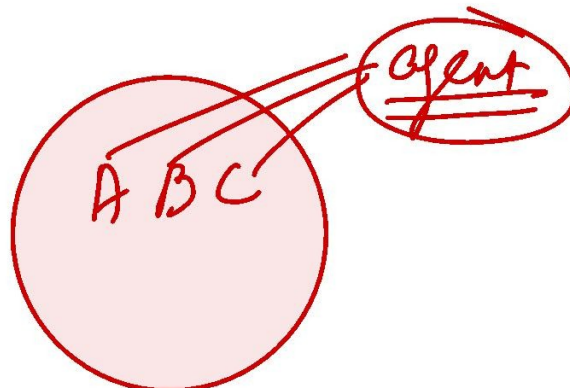
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1. Formation: A partnership is formed through an agreement among partners to conduct business jointly.

○ Registration is optional in most states but mandatory in

Gujarat and Maharashtra.

2. **Agency Relationship**: Partners act as **mutual agents** for the firm and are liable for actions taken on behalf of the firm.



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Rules for Opening and Operating a Partnership Firm's Account:

1. **Account Opening:** For registered firms, a copy of the registration certificate is required.

- Partners must sign for and on behalf of the firm and not as individuals.

2. **Cheque Handling:** Cheques payable to the firm must not be credited to any partner or employee's account.

Any of two

3. **Disputes Among Partners:**

- If any partner issues a notice of stoppage, all account operations must stop.

- The account can be operated only jointly by all partners after resolving the dispute.

A 35000 Dr

B 20000 Dr

B

20000 Cr

4. **Addition of Partners:**

- If new partners join, the account can continue if the balance is in credit.

- If the account is in debit, it must be frozen, and a new account opened to avoid Clayton's Rule (which prioritizes settling old liabilities).

5. **Death of a Partner:**

- The partnership dissolves unless otherwise agreed.

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- The account must be stopped, and a letter of administration obtained to handle the deceased partner's liabilities.

6. Restrictions on Partner's Powers:

- Partners cannot:
 - Open an account in their own name for the firm.
 - Admit liability on behalf of the firm in legal proceedings.
 - Withdraw a legal suit filed by the firm.
 - Transfer or acquire immovable property on behalf of the firm.

7. Retirement of a Partner:

- On retirement, the existing account must be stopped.
- A **public notice** ensures the retiring partner is not liable for future transactions.
- A new account is required for the remaining partners.

Documents Required for Opening a Partnership Firm's

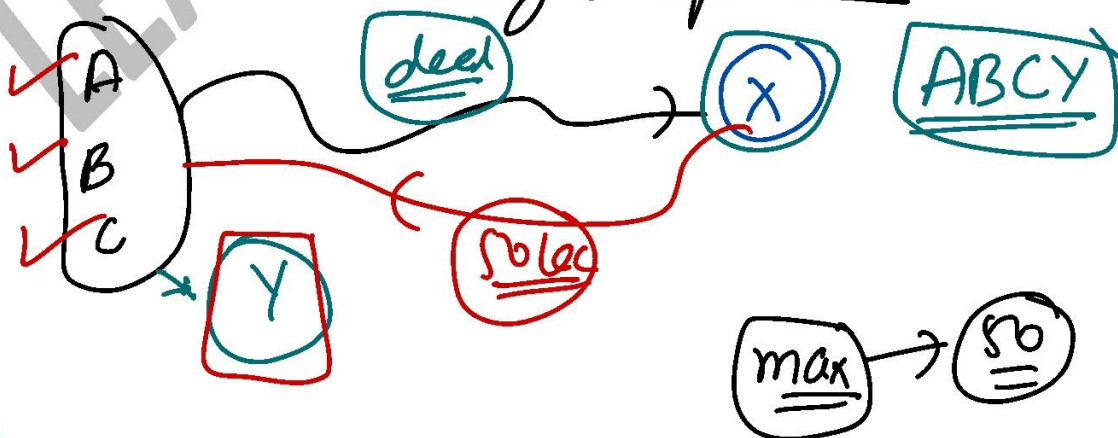
Account:

- ✓ 1. **Account Opening Form:** Signed by all partners.
- ✓ 2. **Specimen Signature Cards:** Signed by all partners.
- ✓ 3. **Partnership Letter:**

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- Must include:
 1. Business nature.
 2. Names and addresses of partners.
 3. Mode of operations for the account.
- Signed by all major partners in their personal capacity.
- 4. **Partnership Deed:** Original (for verification) and certified copy.
- 5. **Certificate of Registration:** If applicable.
- 6. **Authorization for Account Operation:** Instructions for authorized signatories, including specimen signatures and roles.
- 7. **Permanent Account Number (PAN):** For the partnership firm.
- 8. **KYC Documents:** Identity and address proofs for all partners, as per KYC norms.

Holding out partner



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D

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Parameter	Details
Account Opening Requirement	<u>Registration certificate (if applicable).</u>
Cheque Handling	Firm's cheques cannot be credited to partners.
Dispute Handling	Operations stop until resolved jointly.
Documents Needed	Deed, PAN, KYC, authorization details.

Separate legal entity [perpetual succession]

Accounts of Limited Liability Partnership (LLP)

A **Limited Liability Partnership (LLP)** is a corporate entity formed under the **Limited Liability Partnership Act, 2008**. It **combines the benefits of a partnership and a company** by offering limited liability to its partners while allowing operational flexibility.

Key Features:

1. **[Agreement-Based Framework:]** An LLP operates based on a **written agreement between its partners**, LLP Agreement.
 - This agreement **specifies the rights and duties** of the partners and their relationship with the LLP.
2. **[Redacted]** An LLP must have **at least two Designated Partners**, appointed as per the LLP Agreement.

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Documents Required for Opening an LLP Account:

1. Signed by all partners.
2. Specimen Signature Cards: Signed by Designated Partners and authorized signatories.
3. Certificate of Incorporation: Issued by Registrar of Companies (ROC).
4. LLP Agreement: Original for verification, and a certified copy for bank records.
5. Resolution by Designated Partners: Specifies the account opening and authorized signatories.
6. Includes specimen signatures and designations of those who will operate the account.
7. Permanent Account Number (PAN): PAN of the LLP.
8. KYC Documents: Identity and address proofs of all Designated Partners and authorized signatories.

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Parameter	Details
Minimum Partners	Two Designated Partners.
Resolution Requirement	Mandatory for account opening and signatory changes.
Liability	Partners have limited liability.
Account Continuity	<u>Not affected by partner changes.</u>
Authorized Signatories	<u>Must be explicitly mentioned in the Resolution.</u>



Accounts of Limited Companies

A **Limited Company** is a separate legal entity that can open and operate accounts like any other individual or entity. It is incorporated under the Companies Act, 2013, and functions based on its Memorandum of Association (MOA) and Articles of Association (AOA).

Types of Limited Companies:

1. Public Limited Company:

Requires a minimum of 7 members for incorporation, with **no upper limit** on the number of members.

- **Shares can be freely transferred**, and public subscriptions are allowed.
- **A subsidiary of a public company is also considered a public company, even if registered as private.**

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- **Legal Reference:** Section 2 (71), Companies Act, 2013.

2. Private Limited Company: $\frac{\text{min } 2}{\text{max } 200}$ $\frac{\text{min } \text{directors } 2}{\text{max } 15}$

- Requires **2 to 200 members** (excluding employees).

- and public subscriptions are not permitted.

- **Legal Reference:** Section 2 (68), Companies Act, 2013.

3. One Person Company (OPC):

- Consists of **one member** with a nominated individual to take over in case of the member's demise.

- **Operates as a private company.**

- **Legal Reference:** Section 2 (62), Companies Act, 2013.

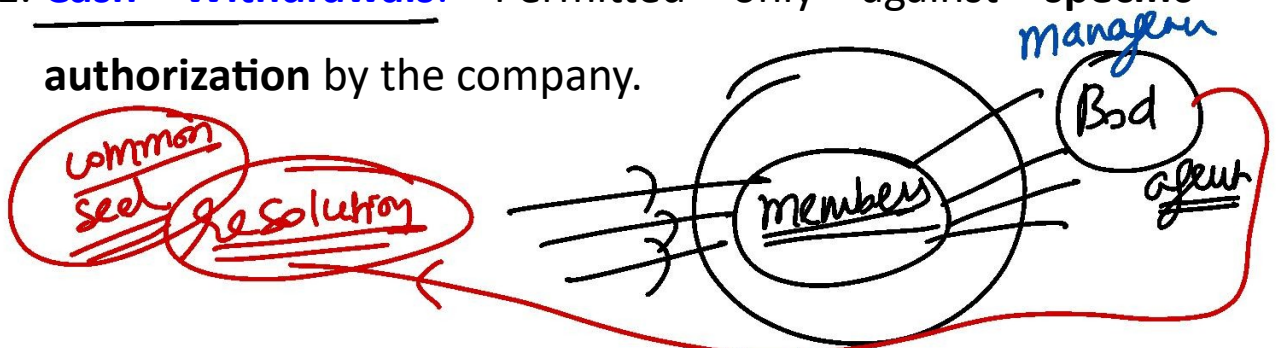
4. Government Companies:

- A company where **51% or more shares** are held by the Central or State Government(s).

- **Legal Reference:** Section 2 (45), Companies Act, 2013.

Rules for Opening and Operating a Company's Account:

1. Cash Withdrawals: Permitted only against **specific authorization** by the company.



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2. **Joint Operations:** To minimize fraud risks, companies typically designate multiple authorized signatories to jointly operate the account.

- For example, operations may require signatures from **two out of five authorized individuals**.

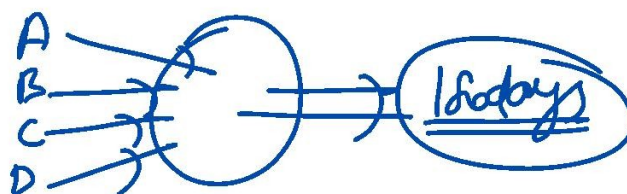
3. **Continuity of Operations:**

- Death of an authorized signatory does not affect account operations as the company remains a going concern.

- Non-trading companies must explicitly state their borrowing powers in their Memorandum and Articles of Association.

4. **Cheque Handling:** Cheques payable to the company must **not be deposited in personal accounts** of directors or employees to avoid negligence under **Section 131 of the Negotiable Instruments Act, 1881**.

5. **Post-Incorporation Requirements:** Companies must file a declaration within **180 days** of incorporation, confirming that subscribers to the memorandum have paid their share capital, as per the **Companies (Amendment) Act, 2019**.



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Documents Required for Opening a Company's Account:

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1. Memorandum and Articles of Association (MOA & AOA):

Certified copies are required.

2. Certificate of Incorporation: Certified copy issued by the Registrar of Companies.

3. List of Directors: As per the Articles or Forms filed with the Registrar of Companies.

4. Beneficial Owners: List of beneficial owners, if applicable.

5. Resolution: A board resolution appointing the bank, specifying authorized signatories, and defining the mode of operation.

6. Specimen Signatures: Of all authorized officials who will operate the account.

7. Permanent Account Number (PAN): PAN of the company.

8. KYC Documents: As per standard KYC requirements for all authorized officials.

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Parameter	Details
<i>max.</i> Minimum Members	Public Ltd.: <u>7</u> ; Private Ltd.: <u>2</u> ; OPC: <u>1</u> .
Authorized Signatories	<u>Joint operations recommended.</u>
Cheque Handling	Prohibited from personal deposit of company cheques.
Post-Incorporation	<u>Declaration within 180 days of share payment.</u>
Documents Needed	MOA, AOA, PAN, resolution, KYC of signatories.

The number of directors required in **public** and **private limited companies** is governed by the Companies Act, 2013, in India.

Private Limited Company

- ✓ Minimum Directors: 2
- ✓ Maximum Directors: 15

Public Limited Company

- ✓ Minimum Directors: 3
- ✓ Maximum Directors: 15 (can also be increased beyond 15 with a special resolution in the general meeting).

Additionally:

- **One Person Company (OPC):** Requires only **1 director**.
- **Resident Director:** At least one director must be a resident of India (i.e., has stayed in India for at least 182 days during the financial year).

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