

SUMMARY PARTNERSHIP ACT 1932

PART -2

11/28/2021

MK GUPTA CA EDUCATION

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Position of Minor as a Partner [Sec. 30]

How can be admitted?	With the consent of all the partners for the time being, a minor may be admitted to the benefits of partnership.	
Rights and Liabilities of a Minor Partner before attaining Majority	Rights	Liabilities
	1. He has a right to <u>share the profits and property</u> of the firm in accordance with the agreement.	1. He is liable <u>only to the extent of his share in the profits and the property</u> of the firm. He is <u>not personally liable</u> to third parties.
	2. He has a right to have <u>access to, and inspect</u> and copy, any of the <u>accounts of the firm</u> . But he does <u>not</u> enjoy such rights in respect of books <u>other than account books</u> .	2. He <u>cannot be declared insolvent</u> on declaration of firm's insolvency, his share vests in the Official Receiver or Official Assignee.
	3. He has a <u>right to file a suit</u> for his share of profits or the property of the firm <u>when he is not given his due share of profits</u> . However, he can exercise this right <u>only when he decides to break his connections with the firm</u>	
	<p>Note:</p> <p>1. A partnership initially cannot be formed with a minor because before minor's admission there must be an existence of partnership.</p> <p>2. There cannot be a partnership consisting of all minors or of one major and all other minors.</p>	

Mutual Rights and Duties

Mandatory Duties of Partners	<p>(a) <u>Mandatory duties are prescribed by Sec. 9 and 10.</u></p> <p>(b) Mandatory duties <u>cannot be changed</u> by mutual agreement amongst partners</p> <p>(c) Every partner has the following four mandatory duties:</p> <ol style="list-style-type: none"> 1. To carry on the business of the firm to the greatest <u>common advantage</u>, 2. To be <u>just and faith full</u> to each other, i.e. every partner should act in good faith. Good faith requires that a partner should <u>not deceive the other partner by concealment of material facts</u>. 3. To <u>render true accounts and full information</u> of all things affecting the firm to any partner or his legal representative.
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	<p>4. To <u>indemnify</u> (i.e., to make good or to compensate) <u>the firm for loss caused to it by his fraud</u> in the conduct of the business of the firm.</p>
<p>General Duties of Partners</p>	<p>(a) The general duties of partners as provided in the Act are subject to the agreement by partners.</p> <p>(b) These <u>can be changed by an agreement</u> amongst the partners.</p> <p>(c) Unless otherwise agreed by the partners, every partner has the following duties:</p> <ol style="list-style-type: none"> 1. To attend diligently (i.e., carefully) 2. Not to claim remuneration for taking part 3. To contribute equally to the losses 4. To <u>indemnify the firm for loss due to his wilfull neglect.</u> 5. To hold and use firm's property for business purpose 6. To account for and pay the personal profits from transactions of firm etc. 7. To account for and pay the personal profits from a competing business.
<p>General Rights of Partners</p>	<p>(a) The rights of partners as provided in the Act are subject to the agreement by partners.</p> <p>(b) These rights can be changed by an agreement amongst the partners.</p> <p>(c) Unless otherwise agreed by the partners, every partner has the following rights:</p> <ol style="list-style-type: none"> 1. Right to take part in the conduct of the business 2. Right to express opinion before the matter is decided 3. Right to have access to and to inspect and copy any of the books of the firm. 4. Rights to share profits equally 5. Right to receive interest on capital out of profits if the partnership agreement provides. 6. Right to claim interest on advances if made by him to the firm @ 6% p.a. 7. Right to be indemnified against the payments made and liabilities incurred by him: <ol style="list-style-type: none"> (i) in the ordinary and proper conduct of the business, and (ii) in doing act in emergency for the purpose of protecting the firm from loss if he has acted in a manner as a person of ordinary prudence would have acted in similar circumstances in his own case. 8. Right to prevent the introduction of a new partner without the consent of

	<p>all the existing partners.</p> <p>9. Right to retire with the consent of all other partners and in the case of a partnership at will, by giving notice to that effect in writing to all the other partners.</p> <p>10. Right not to be expelled from the firm by any majority of partners unless such power is conferred by partnership agreement and is exercised in good faith.</p> <p>11. Outgoing Partner's Right to carry on competing business and to advertise such business. But, he cannot (i) use the firm's name, (ii) represent the firm, or (iii) solicit the firm's customers.</p> <p>12. Right to share subsequent profits as per Sec. 37</p> <p>13. Right to dissolve the partnership with the consent of all partners and in the case of a partnership at will, by giving notice to that effect in writing to all the other partners</p>
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Relation of Partners with Third Parties [Sec. 18]

Every Partner An Agent	<p>“Every partner is an agent of the firm for the purposes of the business of the firm” every partner has the capacity to bind other partners by his acts done in firm's name. Therefore, all partners are liable to third parties for the acts of every partner done for the purpose of the business of the firm.</p>
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Implied Authority of a Partner

Partner's Authority	The authority of a partner means the capacity of a partner to bind the firm by his act.
Mode of Authority	Authority of a partner may be express or implied.
Express Authority	The authority conferred on a partner by mutual agreement is called 'express authority'.
Implied Authority	Implied Authority The authority conferred on a partner by the provisions of Section 19 of the Indian Partnership Act is called 'implied authority'.
Conditions for Implied Authority	<p>Reading together <u>Sections 19(1) and 22</u>. Implied authority covers those acts of partners which fulfill the following three conditions:</p> <ol style="list-style-type: none"> 1. The <u>act must relate to the normal business of the firm;</u> 2. The <u>act must have been done in the usual way</u> of carrying on the business of the firm; <p>(It may be noted that the question as to what is usual and what is unusual in</p>

	<p>a business depends on the nature of business and the usage of trade, e.g. taking loan is considered as usual activity in case of a trading concern but unusual activity in case of a professional concern of solicitors.)</p> <p>3. The <u>act must be done in the firm's name</u> or in any other manner expressing or implying an intention to bind the firm.</p>
<p>Implied Authority includes these Acts</p>	<p>An implied authority of a partner of a trading firm include the following acts:</p> <ol style="list-style-type: none"> 1. To <u>purchase goods</u> of the kind that are used in the business of the firm; 2. To <u>sell the goods</u> of the firm; 3. To <u>settle accounts</u> with the persons dealing with the firm; 4. To <u>receive payment</u> of the debts due to the firm and issue receipts for the same; 5. To <u>engage servants</u> for the business of the firm; 6. To <u>engage a lawyer</u> to defend an action brought against the firm; 7. To <u>borrow money</u> for the purpose of the firm's business; 8. To <u>pledge the goods of the firm</u> as security for the repayment of borrowings made for the purpose of firm's business; 9. To <u>draw, accept, endorse Bill of Exchange and other negotiable instruments in the name of the firm.</u>
<p>Statutory Restrictions</p>	<p>In the absence of any usage or custom of trade to the contrary, the implied authority of a partner does not empower him to do the following eight acts namely—</p> <ol style="list-style-type: none"> 1. To <u>submit a dispute</u> to arbitration relating to the business of the firm; 2. To <u>open a Bank Account on behalf of the firm in partner's own name;</u> 3. To <u>compromise or relinquish any claim</u> or portion of the claim by the firm; 4. To <u>withdraw a suit or proceedings</u> filed on behalf of the firm; 5. To <u>admit any liability in a suit or proceedings</u> against the firm; 6. To <u>acquire immovable property</u> on behalf of the firm; 7. To <u>transfer immovable property</u> belonging to the firm; and 8. To <u>enter into partnership on behalf of the firm.</u> <p>Note: A partner can do any of the above-mentioned acts only if he is expressly authorized to do that actor the usage or custom of the trade permits him to do that act.</p>

<p>No Liability of the firm to third party for the restricted acts of partner</p>	<p>The firm is not liable to third party for the above mentioned restricted acts of a partner whether or not the person dealing with the firm knew about such restrictions.</p>
<p>Restrictions Imposed by Mutual Agreement</p>	<p><u>All partners of a firm by mutual agreement may extend or restrict the scope of implied authority of any partner.</u></p> <p><u>But a third party is not bound by any such restriction unless it has the knowledge of such restriction.</u></p> <p>In other words, the firm is liable to third party if the third party has no knowledge of the restrictions.</p>
<p><u>PROBLEM 1</u></p>	<p>X, Y, Z are partners in a trading firm. They decide that no partner shall have the right to borrow beyond ₹20,000 without the consent of other partners. X without consulting Y and Z borrows from W ₹ 25,000 in the name of the firm and utilized the same in paying off the debts of the firm. Is the firm liable to pay to W? would it make any difference if W was aware of this restriction?</p> <p>Solution: Section to which the given problem relates: Section 20.</p> <p>Decision and Reason :</p> <p>Part (a): The firm is liable to pay to W because W was unaware of the restriction.</p> <p>Part (b): The firm is not liable to pay to W because W was aware of the restriction.</p>
<p><u>PROBLEM 2</u></p>	<p>X and Y are partners of a trading firm. They decide that no partner shall have the right to buy or sell goods beyond the value of ₹ 10,000 without the consent of the other partner. Owing to a sudden slump in the market, the prices crashed X, in order to save the firm from loss, sold all the perishable stock worth ₹ 2,00,000 without consulting Y. Is firm bound by X's act?</p> <p>Solution: Section to which the given problem relates: Section 21.</p> <p>Decision: Yes.</p> <p>Reason: (i) The act has been done to protect the firm from loss.</p> <p>(ii) The act has been done in the same manner as a man of ordinary produce would have done in his own case under similar circumstances.</p>
<p>Any Admission or Representation by a Partner</p>	<p>Any admission or representation (e. g., acknowledgement signed by a partner) by a partner is sufficient evidence against the firm if the following two conditions are fulfilled:</p> <ol style="list-style-type: none"> 1. Such admission or representation must relate to the affairs of the firm; and 2. Such admission or representation must be made in the ordinary course of business.

<p>Notice to Partner operates as Notice to Firm</p>	<p>Any notice to a partner operates as a notice to the firm if the following three conditions are fulfilled:</p> <ol style="list-style-type: none"> 1. <u>Such notice must relate to the affairs of the firm;</u> 2. Such notice <u>must be given to a working partner and not to a sleeping partner.</u> 3. There <u>must not be any fraud committed by the partners and the third party against the firm.</u>
<p>PROBLEM 3</p>	<p>X, Y and Z are partners of a trading firm. X who actively participates in the management of the business of the firm, bought for the firm, certain goods. The seller told X about the defect in the goods. Is the firm liable to seller? Would it make any difference if there was a collusion between X and the seller to conceal the defect from the other partners?</p> <p>Solution: Section to which the given problem relates: <u>Section 24.</u></p> <p>Decision and Reason:</p> <p>Part (a): The firm is liable to seller because notice to a working partner operates as notice to the firm.</p> <p>Part (b): The firm is not liable to seller because notice to a working partner does not operate a notice to the firm in case of fraud committed by a partner and third party against the firm.</p>
<p>Nature of Partner's Liability</p>	<p><u>Every partner is liable jointly with other partners and also severally (i.e., individually)</u> for all those acts of the firm which have been done while he was a partner.</p>
<p>PROBLEM 4</p>	<p>X, Y and Z were partners when an infringement of a trademark by the firm took place. X retired and damages arose after the dissolution of the firm. Are all partners liable for damages?</p> <p>Solution: Section to which the given problem relates: Section 25.</p> <p>Decision: Yes.</p> <p>Reason: Every partner is liable jointly and severally for all acts of the firm done while he is a partner.</p>
<p>PROBLEM 5</p>	<p>X, Y and Z were partners when goods were sent to a firm on approval. Goods not required were returned after the dissolution of the firms. Are all partners liable for goods accepted?</p> <p>Solution: Section to which the given problem relates: Section 25.</p> <p>Decision: Yes.</p> <p>Reason: Every partner is liable jointly and severally for all acts of the firms done while he is a partner.</p>

<p>Firm's Liability for Wrongful Act/ omission of a Partner</p>	<p>The firm is liable to the same extent as the partner for any loss or injury caused to any third party or any penalty by the wrongful act or omission of a partner <u>if either of the following two conditions is fulfilled:</u></p> <ol style="list-style-type: none"> Such wrongful act or omission must have been done by a partner while he was acting in the ordinary course of business of the firm, Such wrongful act or omission must have been done by a partner with the authority of the other partners. <p>Note: The term 'wrongful act' includes fraud or negligence of the partners.</p>	
<p><u>PROBLEM 6</u></p>	<p>It was in the course of the business of a firm of grain merchants to obtain by legitimate means information in regard to contracts made by competing firms and one of the partners obtained such information by bribing a clerk of a competitor in the business. Consequently, competitor lost some business and sued the firm for damages. Will the competitor succeed?</p> <p>Solution: Section to which the given problem relates: <u>Section 26.</u></p> <p>Decision: Yes.</p> <p>Reason: The firm is liable for the wrongful act of partner done in the ordinary course of the business.</p>	
<p>Firm's Liability for Misappropriation by a Partner</p>	<p>The firm is liable to the third parties in the following two cases of misappropriation by a partner:</p>	
	<p>Case</p>	<p>Condition</p>
	<p>1. Where a partner receives money or property from a third person and misapplies it.</p>	<p>The receipt of money or other property by a partner must be an act within the scope of his apparent authority.</p>
	<p>2. Where a firm, in the course of its business, receives money or property from a third person and the same is misapplied by any of its partners.</p>	<p>The partner must have misapplied while the property was in the custody of firm.</p>
<p><u>PROBLEM 7</u></p>	<p>A, B, C and D are partner in a firm of solicitors. A receives money from a client X for the purpose of making a specific investment. A never invests it but applies it to his own use. The other partners are not aware of this transaction. Is the firm liable for A's act?</p> <p>Solution: Section to which the given problem relates: Section 27.</p> <p>Decision: Yes.</p> <p>Reason: The firm is liable for misapplication of money by a partner who received while acting the scope of his apparent authority.</p>	

PROBLEM 8	<p>X and Y are partners of a banking firm. X receives certain securities from a customer for safe custody and puts in the safe custody of the firm. Y disposes off those securities and applies the money for his own use. Is the firm liable for Y's act?</p> <p>Solution: Section to which the given problem relates: Section 27.</p> <p>Decision: Yes.</p> <p>Reason: The firm liable for the misapplication of property by a partner if the property was in the custody of the firm.</p>
Partner's Authority in an Emergency	<p>A partner's authority in an emergency covers those acts which fulfill the following two conditions:</p>
	<ol style="list-style-type: none"> 1. The act must be done to protect the firm from loss; and 2. The act must be such as a prudent man would undertake under similar circumstances in his own case. <p>Note: Acts in emergency do not form part of the implied authority of the partner but, nevertheless, they would bind the firm.</p>

Reconstitution of a Firm

Modes of Reconstitution	<p>The various ways in which a firm is reconstituted are:</p> <ol style="list-style-type: none"> 1. Introduction of a Partner 2. Retirement of a Partner 3. Expulsion of a Partner 4. Insolvency of a Partner 5. Death of a Partner 6. Transfer of a Partner's interest 			
	Incoming Partner	Retiring Partner	Insolvent partner	Estate of Deceased Partner
Liability of Partner For Firm's Acts done before	Not liable unless he assumes by tripartite agreement	Liable unless he is discharged by tripartite agreement	Liable	Liable
For Firm's Acts done after	Liable	He continues to be liable to third party until public notice of his retirement is given either by himself or	Not liable after date of order	Not liable after date of death

		any of the other partners. This liability of a retiring partner is based on the principle of holding out.		
Is Public Notice required?	No	Yes	No	No
Is Firm dissolved?	No	No	Unless otherwise agreed, Yes	Unless otherwise agreed, Yes
Expulsion of a Partner [Sec33]	<p>A partner may be expelled if the following four conditions are satisfied:</p> <ol style="list-style-type: none"> 1. the power to expel a partner must have existed in a contract between the partners; 2. the power must have been exercised by a majority of the partners, and 3. the power must have been exercised in good faith without any private animosity. 4. The affected partner must be given an opportunity to make a representation before being dismissed. <p>Note: The rights and liabilities of an expelled partner are the same as those of a retired partner.</p>			
Rights of Transferee of a Partner's Share	A partner may transfer his interest in the firm by sale, mortgage or charge fully or partially. The rights of such a transferee are as follows:			
(a) During the continuance of the partnership	<ul style="list-style-type: none"> • He is entitled to receive: <ol style="list-style-type: none"> (a) the share of the profits of the transferring partner and (b) the account of profits agreed to by the partners. • <u>He is not entitled:</u> <ol style="list-style-type: none"> <u>(a) to interfere with the conduct of the business</u> <u>(b) to require accounts;</u> <u>(c) to inspect the books of the firm.</u> 			
(b) On the dissolution of firm or on the retirement of the transferring partner	<p>He is entitled to receive:</p> <ol style="list-style-type: none"> (a) the share of the assets of the transferring partner and (b) an account as from the date of the dissolution for the purpose of ascertaining the share. 			
Revocation of Continuing Guarantee from Date of Change	Unless otherwise agreed by the partners, a continuing guarantee (i.e., a guarantee which extends to a series of transactions) given to a firm or to a third party in respect of the transaction of a firm is revoked as to the future			

	transactions from the date of any change in the constitution of the firm.
Rights and Duties of Partners	<p>The rights and duties of the partners of the reconstituted firm shall be the same as they were before the change in the firm. Section 17 provides for the following three types of changes in the firm:</p> <p>(a) Where there is a change in the Constitution of the firm.</p> <p>(b) Where the firm continues after the expiry of the term of the firm.</p> <p>(c) Where the firm carries on an additional undertaking.</p>
PROBLEM 9	<p>X, Y and Z are partners. Z gives notice of retirement to the other partners but does not give public notice of it. W gives credit to the firm without having notice of the change. Can W sue Z if (a) Z is an active partner, (b) Z is a dormant partner (sleeping partner)?</p> <p>Solution: Section to which the given problem relates: Section 32(3).</p> <p>Decision and Reason:</p> <p>Part (a) A retiring partner is liable for firm's acts done after his retirement if no public notice is given.</p> <p>Part (b) A retiring partner is not liable to any third party who deals with the firm without knowing that he was a partner.</p>
PROBLEM 10	<p>X, Y and Z are partners. The firm ordered goods. Thereafter X died. The delivery of the goods was made after X's death. Is X's estate liable for the debt?</p> <p>Solution: Section to which the given problem relates: Section 35.</p> <p>Decision: No.</p> <p>Reason: There was no debt in respect of goods in X's life time.</p>
PROBLEM 11	<p>A became surety to the firm of 'NC Mookerji' for B's conduct as cashier to the firm. The constitution of the firm subsequently underwent a change. Two sons of N. Mookerji were admitted as partners and its name was altered to "N. Mookerji and Sons". Subsequently B defalcated. Is A liable for B's defalcation?</p> <p>Solution: Section to which the given problem relates: Section 38.</p> <p>Decision: No.</p> <p>Reason: A continuing guarantee is revoked as to the future transactions from the date of any change in the constitution of the firm.</p>

Dissolution of Firm

Meaning of Dissolution	The term ‘dissolution’ stands for discontinuation. Under the Indian Partnership Act, 1932, the dissolution may be either of Partnership or of a firm.	
Meaning of Dissolution of Partnership	Dissolution of partnership refers to the change in the existing relations of the partners. The firm continues its business after being reconstituted.	
Modes of Dissolution of Partnership	<ol style="list-style-type: none"> 1. Admission of a new partner 2. Retirement of a partner 3. Death of a partner 4. Change in profit sharing ratio 	
Meaning of Dissolution of Firm	It means dissolution of partnership between all the partners of a firm.	
Modes of Dissolution of Firm	Without Court’s Order	By Court’s order
	<p><u>1. By Mutual Agreement</u></p> <p><u>2. Compulsory Dissolution</u></p> <p>(a) If all or all but one partner are declared insolvent</p> <p>(b) If some event takes place which makes it unlawful for firm’s business to be carried on</p> <p><u>3. On happening of certain contingencies –</u></p> <p>Unless otherwise agreed by partners.</p> <p>(a) On Expiry of fixed term</p> <p>(b) On Completion of venture</p> <p>(c) On Death of a partner</p> <p>(d) On Insolvency of a partner</p> <p><u>4. By Notice in writing to all in case of partnership at will</u></p>	<p><u>On the following grounds:</u></p> <ol style="list-style-type: none"> 1. Insanity of active partner on petition by any other partner or next friend of insane partner 2. Permanent incapacity of Active Partner on a suit by any other partner 3. Misconduct on a suit by any other partner 4. Wilfully or Persistent Breach of Agreement on a suit by any other partner 5. Transfer of whole Interest to a third party 6. Perpetual Losses 7. Any other just and equitable ground
<u>PROBLEM 12</u>	<p>X, Y and Z are partners. The partnership agreement is silent. State whether the firm is dissolved in each of the following alternative cases:</p> <p>Case (a): If X, Y, Z are declared as insolvent,</p> <p>Case (b): If X and Y are declared as insolvent,</p>	

	<p>Case (c): If only X is declared as insolvent.</p> <p>Solution: Cases (a) and (b)</p> <p>Section to which the given problem relates: Section 41.</p> <p>Decision and Reason: Cases (a) and (b) Yes. The firm is compulsorily dissolved because Section 41 specifically provides for the same. The firm does not exist at all because there must be at least two persons to constitute a firm.</p> <p>Case (c): Section to which the given problem relates: Section 42.</p> <p>Decision and Reason: If partnership agreement is silent, a firm is dissolved by the adjudication of a partner as an insolvent.</p>
<p>PROBLEM 13</p>	<p>X, a resident in India and Y, a resident in Pakistan are partners. The firm is carrying on the business of importing and exporting Commodity I and Commodity II. State whether the firm is dissolved in each of the following alternative cases:</p> <p>Case (a): If a war breaks out between India and Pakistan;</p> <p>Case (b): If a law is passed by which imports and exports of Commodity I are prohibited;</p> <p>Case (c): If a law is passed by which import and export of Commodities I and II are prohibited.</p> <p>Solution: Section to which the given problem relates: Section 41.</p> <p>Decision and Reason:</p> <p>Case (a): The firm is compulsorily dissolved. On the outbreak of war, it becomes unlawful for the firm's business to be carried on.</p> <p>Case (b): The firm is not compulsorily dissolved because the illegality of the business shall not necessitate the dissolution of the firm in respect of lawful business(i.e., Commodity II).</p> <p>Case (c): The firm is compulsorily dissolved because on passing of law prohibiting the import and export of Commodities I and II, it becomes unlawful for the firm's business to be carried on.</p>
<p>PROBLEM 14</p>	<p>X, Y and Z are partners. The partnership agreement is silent. State whether the firm is dissolved on 31.03.2018 in each of the following alternative cases:</p> <p>Case (a): If the firm was constituted for 5 years and 5 years have expired on 31.03.2018.</p> <p>Case (b): If the firm was constituted for completion of a construction of a bridge and the construction completed on 31.03.2018.</p> <p>Case (c): If X died on 31.03.2018.</p> <p>Case (d): If X applies for insolvency on 31.03.2018 and is declared insolvent</p>

	<p>on 30.04.2018.</p> <p>Case (e): If X retires on 31.03.2018.</p> <p>Case (f): If X is expelled as partner on 31.03.2018 and the expulsion is invalid.</p> <p>Solution: Section to which the given problem relates: Section 42.</p> <p>Decision and Reason: Unless agreed otherwise, the provisions of Section 42 would be applicable.</p> <p>Case (a): The firm is dissolved by the expiry of the fixed term.</p> <p>Case (b): The firm is dissolved on the completion of that particular adventure for which the firm was constituted.</p> <p>Case (c): The firm is dissolved on the death of a partner.</p> <p>Case (d): The firm is not dissolved on 31.03.2018. The firm would be dissolved on the date of order of adjudication, i.e., 30.04.2018.</p> <p>Case (e): The firm is not dissolved on the retirement of a partner.</p> <p>Case (f): The firm is not dissolved on expulsion of a partner irrespective of the fact whether expulsion is valid or not.</p>
Rights of a Partner on Dissolution	<ol style="list-style-type: none"> 1. Partner's General Lien 2. Right to Claim the Return of Premium on Premature Winding Up 3. Rights of a Partner in Case of Dissolution on Account of Fraud or Misrepresentation 4. Right to Restrain from Use of Firm Name or Firm Property
Liabilities of a Partner on Dissolution	<p>In general Liability for Acts of Partners done after Dissolution continues:</p> <p>Exceptions: Following are not liable for acts of partners done after dissolution.</p> <ol style="list-style-type: none"> 1. the Estate of a Deceased Partner; 2. the Estate of an Insolvent Partner; 3. a Sleeping or Dormant Partner who has retired from the firm.
Continuing Authority of Partners After Dissolution	<ol style="list-style-type: none"> 1. to wind up the affairs of the firm, and 2. to complete the unfinished transactions pending at the date of dissolution.

Settlement of Accounts

Treatment of Losses	<p>Losses including deficiencies of capital are to be paid in the following manner:</p> <ol style="list-style-type: none"> (i) First out of profits; (ii) Then out of capital;
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	(iii) Lastly by partners individually in their profit-sharing ratio. [Section 48(a)]		
Application of Assets	<p>The assets of the firm (including the sums, if any, contributed by the partners to make up the deficiencies of capital) shall be applied in the following manner and order:</p> <p>(i) in paying firm's debts to the third parties;</p> <p>(ii) in paying to each partner rateably what is due to him on account of advances;</p> <p>(iii) in paying to each partner rateably what is due to him on account of capital;</p> <p>(iv) the residue, if any, shall be divided among the partners in their profit-sharing ratio. [Section 48(b)].</p>		
Payment of Firm's Debts and Partner's Private Debts	Basis of Distinction	Firm's Debts	Private Debts
	1. Who incurs	Private debts are incurred by a partner in the individual capacity of a household and not in the capacity of a partner of a firm.	Firm's debts are incurred by the firm.
	2. Who is liable	For private debts, only the debts, concerned partner is liable.	For firm's debts, all partners are jointly and severally liable.
	3. Application of firm's property	For private debts, only the share of concerned partner in the excess of firm's property over firm's debts can be applied.	For firm's debts, firm's property shall be applied first.
	4. Application of private property	For private debts, private property shall be applied first.	For firm's debts, only the excess of partner's private property over his private debts can be applied.
Decision in Garner v. Murray requires	<p>1. that the solvent partners should bring in cash equal to their respective shares of the loss on realization ;</p> <p>2. that the solvent partners should bear the loss arising due to the insolvency of a partner in the ratio of their Last Agreed Capitals.</p>		
Sale of Goodwill	Unless otherwise agreed by the partners, the goodwill shall be included in the assets and may be sold either separately or along with other property of the firm.		

Consent of Partners required

To Expel any Partner	Consent of Majority of partners
To Change the Nature of the Firm's Business	Consent of All Partners
To Change the Terms of Partnership	Consent of All Partners
To Admit Minor	Consent of All Partners
To Introduce a New Partner	Consent of All Partners
To Retire From a Particular Partnership	Consent of All Partners
To Dissolve Particular Partnership	Consent of All Partners