

# VIDYA BHAWAN BALIKA VIDYA PITH

शक्तिउत्थानआश्रमलखीसरायबिहार

Class 12 commerce Sub. ACT Date 27.7.2020

Teacher name – Ajay Kumar Sharma

## Dissolution of Partnership Firm

### Dissolution of a firm

Dissolution of a partnership firm may take place without the intervention of court or by the order of a court, in any of the ways specified later in this section. It may be noted that dissolution of the firm necessarily brings in dissolution of the partnership.

Dissolution of a firm takes place in any of the following ways:

1. Dissolution by Agreement: A firm is dissolved :

- (a) with the consent of all the partners or
- (b) in accordance with a contract between the partners.

2. Compulsory Dissolution: A firm is dissolved compulsorily in the following cases:

- (a) when all the partners or all but one partner, become insolvent, rendering them incompetent to sign a contract;
- (b) when the business of the firm becomes illegal; or
- (c) when some event has taken place which makes it unlawful for the partners to carry on the business of the firm in partnership, e.g., when a partner who is a citizen of a country becomes an alien enemy because of the declaration of war with his country and India.

3. On the happening of certain contingencies: Subject to contract between the partners, a firm is dissolved :

- (a) if constituted for a fixed term, by the expiry of that term;
- (b) if constituted to carry out one or more ventures, by the completion thereof;
- (c) by the death of a partner;
- (d) by the adjudication of a partner as an insolvent.

4. Dissolution by Notice: In case of partnership at will, the firm may be dissolved if any one of the partners gives a notice in writing to the other partners, signifying his intention of seeking dissolution of the firm.

5. Dissolution by Court: At the suit of a partner, the court may order a partnership firm to be dissolved on any of the following grounds:

(a) when a partner becomes insane;

(b) when a partner becomes permanently incapable of performing his duties as a partner;

(c) when a partner is guilty of misconduct which is likely to adversely affect the business of the firm; d) when a partner persistently commits breach of partnership agreement;

(e) when a partner has transferred the whole of his interest in the firm to a third party;

(f) when the business of the firm cannot be carried on except at a loss; or

(g) when, on any ground, the court regards dissolution to be just and equitable.