

# VIDYA BHAWAN BALIKA VIDYA PITH

शक्तिउत्थानआश्रमलखीसरायबिहार

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## Dissolution of Partnership Firm

### Distinction between Dissolution of Partnership and Dissolution of Firm

<i>Basis</i>	<i>Dissolution of Partnership</i>	<i>Dissolution of Firm</i>
1. Termination of business	The business is not terminated.	The business of the firm is closed.
2. Settlement of assets and liabilities	Assets and liabilities are revalued and new balance sheet is drawn.	Assets are sold and liabilities are paid-off.
3. Court's intervention	Court does not intervene because partnership is dissolved by mutual agreement.	A firm can be dissolved by the court's order.
4. Economic relationship	Economic relationship between the partners continues though in a changed form.	Economic relationship between the partners comes to an end.
5. Closure of books	Does not require because the business is not terminated.	The books of account are closed.
6. Other dissolution	It may or may not involve dissolution of the firm.	It necessarily involves dissolution of partnership.

### Test your Understanding - I

State giving reasons, which of the following statements are true or false:

1. Dissolution of a partnership is different from dissolution of a firm.
2. A partnership is dissolved when there is a death of a partner.
3. A firm is dissolved when all partners give consent to it.
4. A firm is compulsorily dissolved when a partner decide to retire.
5. Dissolution of a firm necessarily involves dissolution of partnership.
6. A firm is compulsorily dissolved when all partners or when all except one partner become involvent.
7. Court can order a firm to be dissolved when a partner becomes insane.
8. Dissolution of partnership can not take place without intervention of the court.