



# **DISSOLUTION OF PARTNERSHIP**

**Dr. A. B. Karwa**

# DISSOLUTION

- SECTION 39 STATES, “THE DISSOLUTION OF PARTNERSHIP BETWEEN ALL PARTNERS OF A FIRM IS CALLED THE DISSOLUTION OF THE FIRM.”
- IT IS THE PROCESS WHEREBY LIFE OF PARTNERSHIP FIRM COMES TO AN END.
- IT IS COMPLETE BREAKDOWN OF THE RELATION OF PARTNERSHIP BETWEEN ALL PARTNERS.

## **DISSOLUTION AND RECONSTITUTION**

- **RECONSTITUTION OF A PARTNERSHIP FIRM**

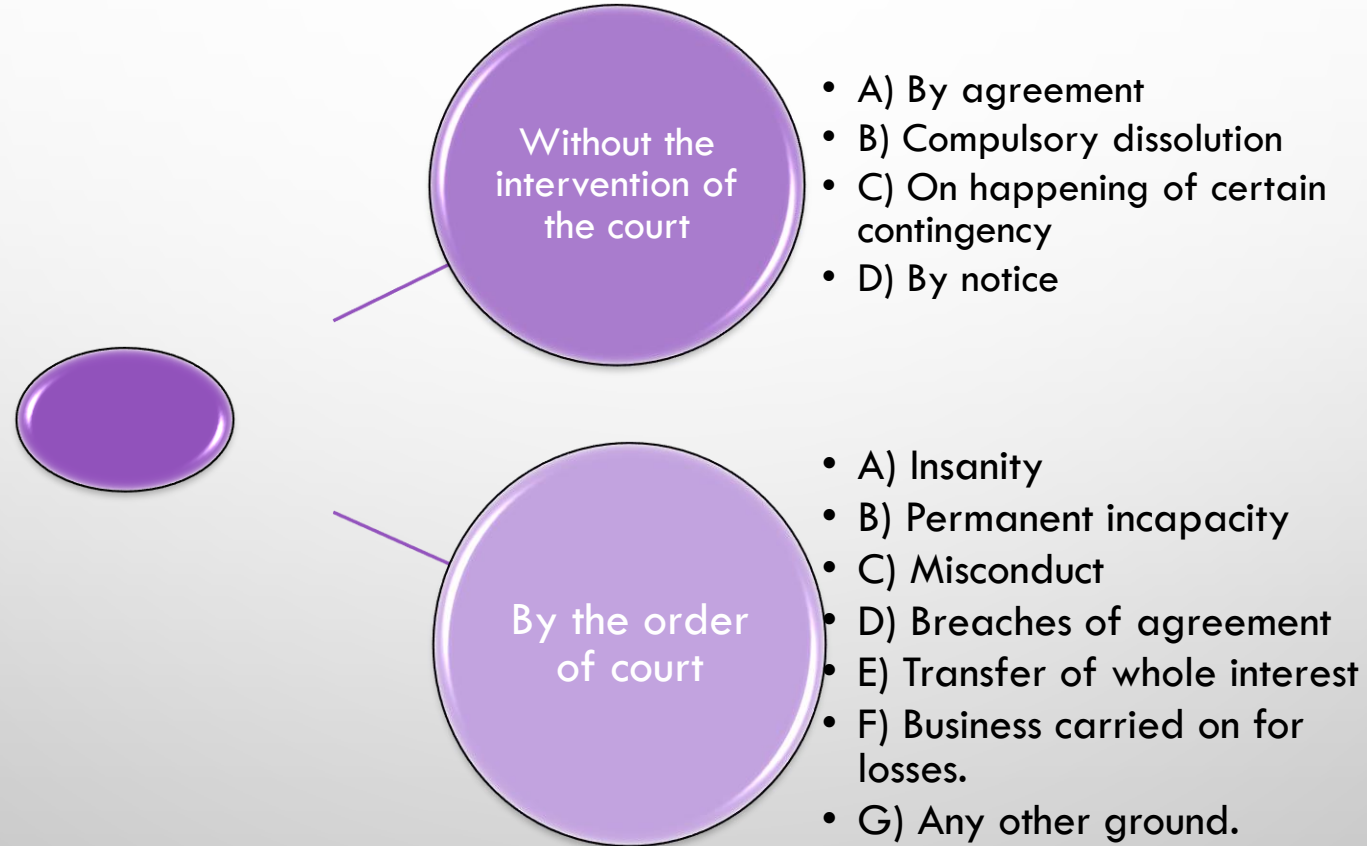
- PARTNERSHIP FIRM HAS NO LEGAL ENTITY OR PERPETUAL EXISTENCE.

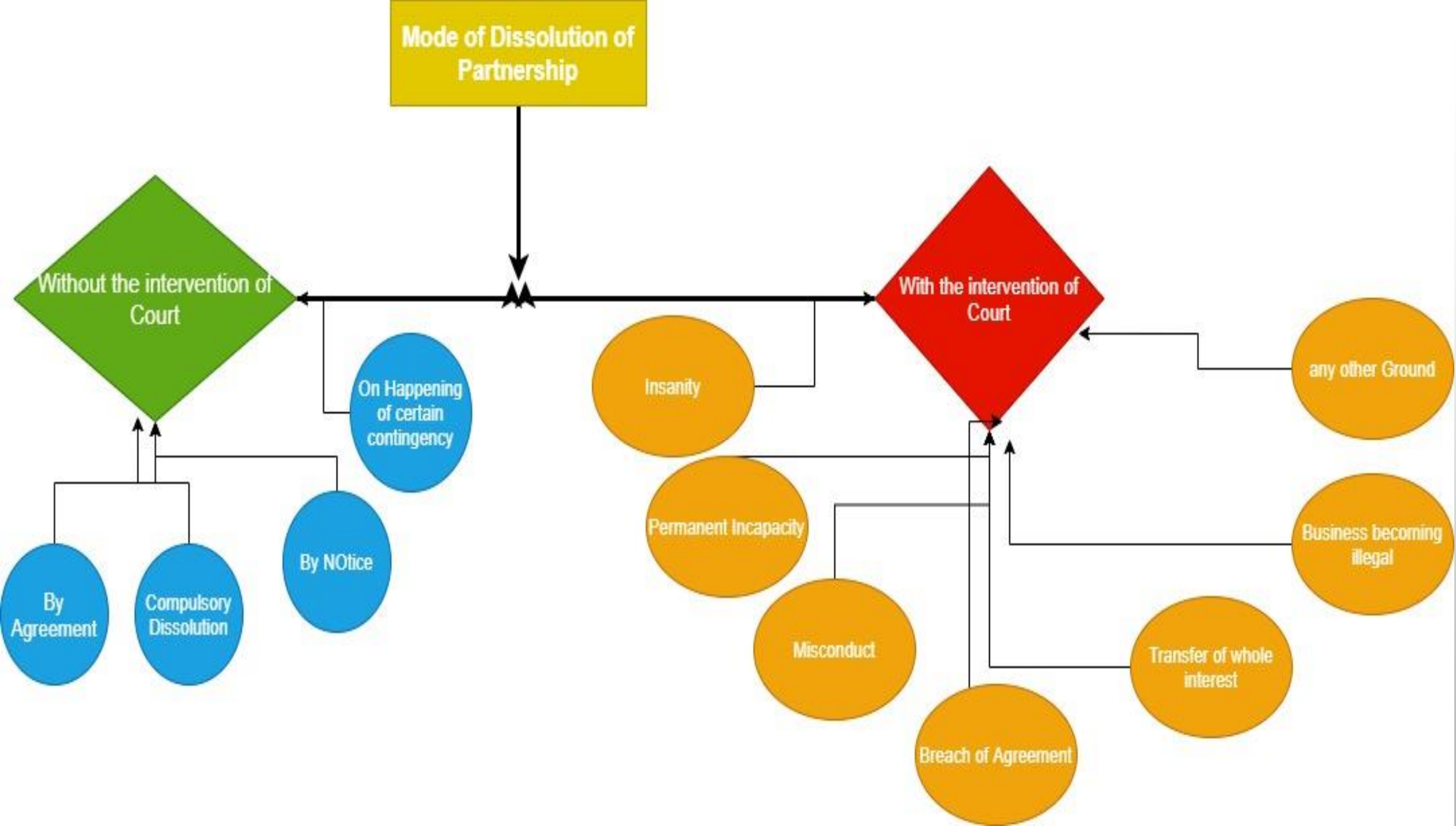
CHANGE IN PARTNERS VIA DEATH, RETIREMENT, ADMISSION OF NEW MEMBER, EXPULSION, INSOLVENCY, TRANSFER OF INTEREST BY PARTNER ETC. THIS CHANGES, THE RIGHTS AND LIABILITIES OF EACH PARTNER. THIS IS TERMED AS RECONSTITUTION OF A FIRM.

- **DISSOLUTION OF PARTNERSHIP AND DISSOLUTION OF FIRM –**

- DISSOLUTION OF PARTNERSHIP BETWEEN ALL PARTNERS OF FIRM IS DISSOLUTION OF FIRM
- WHEN ONE OR MORE PARTNERS CEASE TO BE PARTNERS BUT OTHERS CONTINUE IT IS CALLED DISSOLUTION OF PARTNERSHIP, IT IS RECONSTITUTION OF FIRM WITHOUT DISSOLUTION

# MODE OF DISSOLUTION





# DISSOLUTION OF FIRM

- DISSOLUTION WITHOUT INTERVENTION OF COURT
- AGREEMENT
  - BY CONSENT OF ALL PARTNERS.
  - IN ACCORDANCE WITH THE TERMS OF CONTRACT
- COMPULSORY DISSOLUTION
  - IN CASE OF INSOLVENCY
  - BUSINESS BECOMING ILLEGAL
- ON HAPPENING OF CERTAIN CONTINGENCY
  - ON EXPIRY OF TERM.
  - ON COMPLETION OF ADVENTURE.
  - BY DEATH OF PARTNER
  - PARTNER DECLARED INSOLVENT.
- BY NOTICE IF PARTNERSHIP IS AT WILL

# VOLUNTARY DISSOLUTION

- WHEN THE PARTNERSHIP IS AT WILL, THE FIRM MAY BE DISSOLVED BY ANY PARTNER, GIVING NOTICE IN WRITING TO ALL THE PARTNERS OF HIS INTENTION TO DISSOLVE THE FIRM.
- REQUIREMENT OF VALID NOTICE.
  - SERVICE OF NOTICE
  - MUST BE IN WRITING
  - IT MUST EXPRESS AN INTENTION TO DISSOLVE THE FIRM.
  - MUST BE ISSUED TO ALL PARTNERS

# DISSOLUTION OF FIRM

## **COURT**

- INSANITY OF A PARTNER
- PERMANENT INCAPACITY OF A PARTNER
- CONDUCT AFFECTING PREJUDICIAALLY THE BUSINESS
- BREACH OF PARTNERSHIP AGREEMENT
- TRANSFER OF INTEREST OF A PARTNER
- JUST AND EQUITABLE



## CONSEQUENCE OF DISSOLUTION

- CONTINUING LIABILITY OF PARTNER
- CONTINUING AUTHORITY OF PARTNERS FOR WINDING UP
- LIABILITY TO SHARE PERSONAL PROFITS
- RETURN OF PREMIUM
- WHERE CONTRACT RESCINDED FOR FRAUD
- RIGHT TO IMPOSE RESTRICTION: AGREEMENT TO GOODWILL