

COURSE NAME - LAW
CLASS- B.A.LL.B-2ND SEM
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Dissolution of firm (Section 39 to Section 44)

When the partnership is dissolved by all the partners then it is called a dissolution of a firm. It is necessary to dissolve the existing relations between the partners in order to dissolve the partnership .

The partnership is dissolved either

1)voluntary; or

2)by the order of Court.

Various Modes of Dissolution of Partnership Firm

- By Agreement (section 40)
- Compulsory dissolution (section 41)
- By the happening of certain events (section 42)
- By the partnership at will(section 43)
- By the court (section 44)

Lets us further understand each mode in detail

By Agreement

- The partnership can be dissolved when all the partners give their consent to it.
- The partnership which was created for a particular purpose dissolved after the completion of such purpose.

Compulsory Dissolution

Sometimes an events make the partnership as unlawful to carry out his business. In such case the partners has no option except to dissolve. When a partnership firm carries more than one undertaking out of which one becomes unlawful then it is not compulsory to dissolve the partnership. It can withdraw from the illegal undertaking and can continue with other lawful undertaking

On happening of certain contingencies

The partnership is dissolved on the happening of certain contingencies. Certain contingencies includes:-

- ❖ On the expiration of fixed term; when the partnership is created for the fixed term,
- ❖ On the death of partner,
- ❖ On the completion of project or undertaking; when the partnership was created for the purpose of completing undertaking or project,
- ❖ On the adjudication of partners as a partner.

By notice of partnership at will

When any partners desire to dissolve partnership he serves a notice to all other partners expressing his intention to dissolve the partnership. If all the partners gives agrees then the partnership is dissolved.

The partnership is dissolved on the date prescribed in the notice and if no such date is mentioned in the notice then date of dissolution of firm is the date of communication of notice

By Order from the Court

The Court may dissolve the partnership on any of the following grounds:-

- 1) **Unsound mind/insanity**:-when any partners becomes unsound or insane then a suit is brought by a next friend of a partner who has become unsound or insane or any other partner.
- 2) **Incapability**:- When the partners other than a suing partner become permanent incapable to perform his duties as a partner.
- 3) **Misconduct**:-when the partners other than suing partner is guilty of any act which affect the carrying on a business with respect to the nature of business

4) Continuing Breach of Contract:- a partner may continuously, persistently or willfully committing a breach of contract with regard to

- 1) Management of affairs of its conduct
- 2) A reasonable conduct of its business
- 3) Conduct himself in such a manner that it is not possible for other partners to carry out the business of firm.

In such case the other partners may file a suit in a court and the court may order to dissolve the firm. Following acts are considered as breach of agreement:-

- Keeping wrong accounts
- Refuse to show the accounts in spite of requests
- Keeping more cash than is actually allowed
- Embezzlement.

5) *Transfer of interest*:-when a partner has transfer all his interest to the third party without the consent of other partners or gives a permission to Court to charge or sell his share for the recovery of arrear of land revenue and sit is filed by any other partners against such partners the court may dissolve the firm.

6) *Perpetual or Continuous losses*:- when the business is continuously suffering loss and the court believes that the firm can not survive in the future due to continuous loss and cannot revive to its original position the court may order to dissolve the firm.

7) *Other grounds*:- The court may find other just and equitable grounds for the dissolution of the firm. Such grounds are as follows:-

Conflict between the partners

Deadlock in the management

Offence committed by any of its partner

Loss of foundation of business.

THANK

YOU