



Q1. State the difference between dissolution of partnership and dissolution of partnership firm.

Basis of Difference	Dissolution of Partnership	Dissolution of Partnership Firm
Meaning	It means change in the partnership deed (or agreement) among partners.	It means that the business is wound up and the firm is dissolved.
Discontinuation	Business is not discontinued.	Business is discontinued as the firm is dissolved.
Closure of Books of Accounts	Books of accounts are not closed, as there is only change in the existing agreement between partners.	Books of accounts are closed, as the business is discontinued.
Assets and Liabilities	Assets and liabilities are re-valued and a new balance sheet is drawn.	Assets are sold off to pay the liabilities of the business.
Role of Court	The court does not intervene as the partnership is dissolved by mutual agreement.	The court has inherent power to intervene. By its order, a firm can be dissolved.
Nature	It is voluntary.	It may be voluntary or compulsory (voluntary: according to discretion of the partners; compulsory: according to the order of the court).
Effect	It may or may not involve dissolution of the firm.	It necessarily involves the dissolution of both partnership and partnership firm.

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