



Q4. Distinguish between firm's debts and partner's private debts.

Basis of Difference	Firm's Debt	Partner's Private Debts
Meaning	Debts which are borrowed against the name of the firm.	Debts which are borrowed personally by the partner.
Liability	All the partners of the firm are jointly and severally liable.	Only the concerned partner will be personally liable.
Application of firm's assets	Firm's debts are settled first against the firm's assets. Subsequently, if any surplus exists, then this is distributed among the partners.	After paying off the firm's debts, the surplus of the firm's assets, if any, is distributed among the partners. The personal share of the partner in this surplus can be used to settle their own private debts.
Application of private assets	After paying off the partner's private debt, the surplus of the partner's private assets, if any, can be used to pay back the firm's debt only if the firm's debts exceed the firm's assets.	Private debts are settled first against the partner's private assets. Subsequently, if any surplus exists, then this may be used to settle the firm's debts.

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