

Indian Partnership Act, 1932

Section 48 - Mode of Settlement of Accounts Between Partners

In settling the accounts of a firm after dissolution, the following rules shall, subject to agreement by the partners, be observed:

- (a) losses, including deficiencies of capital, shall be paid first out of profits, next out of capital, and, lastly, if necessary, by the partners individually in the proportions in which they were entitled to share profits;
 - (b) The assets of the firm, including any sums contributed by the partners to make up deficiencies of capital, shall be applied in the following manner and order:
 - (i) in paying the debts of the firm to third parties;
 - (ii) in paying to each partner rateably what is due to him from the firm for advances as distinguished from capital;
 - (iii) in paying to each partner rateably what is due to him on account of capital; and
 - (iv) the residue, if any, shall be divided among the partners in the proportions in which they were entitled to share profits.
-
-