Process of Liquidation:

1. Convert any non-cash assets into cash.
2. Pay liquidation expenses.
3. Pay outside creditors.
4. Pay partner’s interest

Interest of the partner:

1. Capital balance + Loan from partner
2. Capital balance - Loan to partner

*Before a partner receives his share in the final distribution of cash, he must absorb total gain/loss.

Total interest of the partners	xx
Liquidation expenses	(xx)
Maximum Possible Loss (MPL)	(xx)
Condoned Liability	xx
Gain/Loss on Realization	xx/(xx)
Total cash paid to partners	xx

*If silent, partner is insolvent.

Interest of partner prior installment	xx
Liquidation expenses	(xx)
Cash paid to partner	(xx)
Gain on Condoned Liability	xx
Gain/Loss on Realization	xx/(xx)
Interest of partner next installment	xx

Installment - if there is deficiency, apply the net assets of the partner only at the last installment.

Future liquidation expenses	xx
Unpaid balance of outside creditors	xx
Total cash withheld	xx

Cash withheld = Future liquidation expenses