

Partnership Problems – Formula & Example 1. Partnership Basics Partners invest money for different durations. Profit is divided in the ratio of $^{**}(\text{Capital} \times \text{Time})^{**}$. 2. Types of Partnership **(a)**

Simple Partnership

Time period of investment is the same for all partners.

Profit ratio = Capital ratio **(b) Compound Partnership**

Time periods are different.

Profit ratio = $(\text{Capital} \times \text{Time})$ 3. Formula Profit Share of Partner A = $(\text{A's Capital} \times \text{A's Time}) / \Sigma (\text{Capital} \times \text{Time}) \times \text{Total Profit}$ 4. Example A invests ■10,000 for 12 months.

B invests ■15,000 for 8 months.

Total profit = ■72,000. **Step 1: Calculate (Capital × Time)**

A → $10,000 \times 12 = 120,000$

B → $15,000 \times 8 = 120,000$ **Step 2: Ratio**

A : B = $120,000 : 120,000 = 1 : 1$ **Step 3: Profit Distribution**

A = $72,000 \times 1/2 = \text{■}36,000$

B = $72,000 \times 1/2 = \text{■}36,000$