

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)**

$$A \rightarrow 10,000 \times 12 = 120,000$$

$$B \rightarrow 15,000 \times 8 = 120,000$$

Step 2: Ratio

A : B = 120,000 : 120,000 = 1 : 1

Step 3: Profit Distribution

$$A = 72,000 \times 1/2 = ■36,000$$

$$B = 72,000 \times 1/2 = ■36,000$$