

Partnership

1. *Partnership:*

When two or more than two persons run a business jointly, they are called *partners* and the deal is known as *partnership*.

2. *Ratio of Divisions of Gains:*

- I. When investments of all the partners are for the same time, the gain or loss is distributed among the partners in the ratio of their investments.

Suppose A and B invest Rs. x and Rs. y respectively for a year in a business, then at the end of the year:

$$(\text{A's share of profit}) : (\text{B's share of profit}) = x : y.$$

- II. When investments are for different time periods, then equivalent capitals are calculated for a unit of time by taking (capital \times number of units of time). Now gain or loss is divided in the ratio of these capitals.

Suppose A invests Rs. x for p months and B invests Rs. y for q months then,

$$(\text{A's share of profit}) : (\text{B's share of profit}) = xp : yq.$$

3. *Working and Sleeping Partners:*

A partner who manages the the business is known as a *working partner* and the one who simply invests the money is a *sleeping partner*.