Q14. Sunflower and Pink Rose started partnership business on April 01, 2014 with capitals of Rs.2,50,000 and Rs.1, 50,000, respectively. On October 01, 2014, they decided that their capitals should be Rs.2,00,000 each. The necessary adjustments in the capitals are made by introducing or withdrawing cash. Interest on capital is to be allowed @ 10% p.a. Calculate interest on capital as on March 31, 2015.

Sol:

Simple Interest Method

Sunflower

Period	Capital		
1st April, 2014 to 30th September, 2014	2,50,000	$2,50,000 \times \dfrac{10}{100} \times \dfrac{6}{12}$	12,500
1st October, 2014 to 31st March, 2015	2,00,000	$2,00,000 \times \dfrac{10}{100} \times \dfrac{6}{12}$	10,000
Interest on Sunflower's Capital			22,500

Pink Rose

Period	Capital		
1st April, 2014 to 30th September, 2014	2,50,000	$1,50,000 \times \dfrac{10}{100} \times \dfrac{6}{12}$	7,500
1st October, 2014 to 31st March, 2015	2,00,000	$2,00,000 \times \dfrac{10}{100} \times \dfrac{6}{12}$	10,000
Interest on Pink Rose's Capital			17,500

Alternative Method,

Product Method

Sunflower

1st April, 2014 to 30th September, 2014	2,50,000 × 6	15,00,000
1st October, 2014 to 31st March, 2015	2,00,000 × 6	12,00,000
Sum of Product		27,00,000

Pink Rose

1st April, 2014 to 30th September, 2014	1,50,000 × 6	9,00,000
1st October, 2014 to 31st March, 2015	2,00,000 × 6	12,00,000
Sum of Product		21,00,000

Interest on Capital = Sum of Product $\times \dfrac{Rate}{100} \times \dfrac{1}{12}$

Interest on Sunflower's Capital $27,00,000 \times \dfrac{10}{100} \times \dfrac{1}{12} = 22,500$

Interest on Pink Rose's Capital $= 21,00,000 \times \dfrac{10}{100} \times \dfrac{1}{12} = 17,500$

*********** END *********