



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.

Solution:

**Simple Interest Method**

Sunflower

Period	Capita 1		
1 <sup>st</sup> April, 2014 to 30 <sup>th</sup> Septem ber, 2014	2,50,0 00	$2,50,000 \times \frac{10}{100} \times \frac{1}{12}$	12,50 0
1 <sup>st</sup> October, 2014 to 31 <sup>st</sup> March, 2015	2,00,0 00	$2,00,000 \times \frac{10}{100} \times \frac{1}{12}$	10,00 0
Interest on Sunflower's Capital			22,50 0

Pink Rose

Period	Capita 1		
1 <sup>st</sup> April, 2014 to 30 <sup>th</sup> Septem ber, 2014	2,50,0 00	$1,50,000 \times \frac{10}{100} \times \frac{1}{12}$	7,500
1 <sup>st</sup> October, 2014 to 31 <sup>st</sup> March, 2015	2,00,0 00	$2,00,000 \times \frac{10}{100} \times \frac{1}{12}$	10,00 0
Interest on Pink Rose's Capital			17,50 0

Alternative Method,

**Product Method**

Sunflower

1 <sup>st</sup> April, 2014 to 30 <sup>th</sup> September, 2014	$2,50,000 \times 6$	15,00,000
1 <sup>st</sup> October, 2014 to 31 <sup>st</sup> March, 2015	$2,00,000 \times 6$	12,00,000
Sum of Product		27,00,000

Pink Rose

1 <sup>st</sup> April, 2014 to 30 <sup>th</sup> September, 2014	$1,50,000 \times 6$	9,00,000
1 <sup>st</sup> October, 2014 to 31 <sup>st</sup> March, 2015	$2,00,000 \times 6$	12,00,000
Sum of Product		21,00,000

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

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

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

\*\*\*\*\*END\*\*\*\*\*