

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

Pink Rose

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

Alternative Method,

Product Method

Sunflower

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

Pink Rose

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

Interest on Capital = Sum of Product $\times \frac{\text{Rate}}{100} \times \frac{1}{12}$ Interest on Sunflower's Capital 27,00,000 $\times \frac{10}{100} \times \frac{1}{12} = 22,500$ Interest on Pink Rose's Capital = 21,00,000 $\times \frac{10}{100} \times \frac{1}{12} = 17,500$

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