

12th Accountancy

Chapter =Fundamental of partnership/Topic =Interest On Drawings (part-3)

There is three methods of calculating Interest on drawings

1. **Short Cut Method :-**

-applicable when **regularly, same amount withdrawn**

-Already discussed in assignment 5,6 and 7

2. **Simple Average Method:-**

-applicable when **time of drawing is not mention**

-For example: Amit withdrew Rs.12,000 in the year,

-In this situation we assuming that amount withdrew in the mid of the year and simply charge half year (6 month) interest.

3. **Product Method:** applicable when **irregular drawings and time of drawing informed.**

Sumit withdraw for personal use :

Date of Withdraw	Amount Withdrawn
01.04.2019	10,000
31.12.2019	20,000
31.03.2020	25,000

In this situation we converted this amount into monthly mode and charge one month interest

Solution- Assume that interest charge on drawings @ 12% per annum.

Then interest on Amit drawings will be:-

$$\text{Total Drawings} \times \frac{\text{Rate of Interest}}{100} \times \frac{6}{12} = 12,000 \times \frac{12}{100} \times \frac{6}{12} = 720$$

Intt on Sumit Drawings will be

$$\text{Total Drawings} \times \frac{\text{Rate of Interest}}{100} \times \frac{1}{12} = 180,000 \times \frac{12}{100} \times \frac{1}{12} = 1800$$

Date of Withdraw	Amount Withdraw	Time	Product
01.04.2019	10,000	12	120,000
31.12.2019	20,000	3	60,000
31.03.2020	25,000	0	0
	<i>Total</i>		180,000

1. Ram and Shyam were partners in a firm. During the year Ram withdrew ₹ 80,000 and Shyam ₹ 1,00,000. Calculate interest on Drawings @ 10% p.a
2. X and Y are partners in a firm sharing profits in the ratio of 3 : 2, Interest on drawings @ 18% p.a,

Year 2017-18	X (₹)	Y (₹)
June 30	20,000	15,000
September 30	20,000	25,000

3. Calculate interest on drawings @ 12% p.a. if
 - a. Amit withdrew Rs.150,000 during the year
 - b. Bunty withdrew Rs.20,000 in the beginning of the year and Rs.30,000 at the end of the year.
 - c. Chetan withdrew Rs.1,000 on the first day of the year, Rs.2000 at the end of 3rd month and Rs.5000 at the mid of 10th month.
 - d. Deepak paid his life insurance premium during the year Rs.10,000
4. A partner, Gaurav, withdrew ₹12,000 in the beginning of the each quarter during the year. Interest on drawings @ 8% chargeable to him will be:

(a) ₹1,440 (b) ₹2,400 (c) ₹2,080 (d) ₹1,760

5. A, B, C, D, X, Y and Z are partners in a firm. During the year A withdrew ₹300 at the beginning of the each month. B withdrew ₹600 at the end of the each month. C withdrew ₹500 at the middle of the each month. D withdrew ₹1,000 at the beginning of the each quarter. X withdrew ₹2,000 at the end of the each quarter. Y withdrew ₹5,000 during the year. Z withdrew the following:

April 30, 2017	6,000
June 30, 2017	4,000
September 1, 2017	8,000
December 31, 2017	3,000
February 28, 2018	5,000

Interest on drawing is to be charged @ 12% p.a. calculate interest on drawings for the year 31st March 2018