

CALCULATION OF OPENING CAPITAL

Particulars	A	B
Closing Capital	1,60,000	1,40,000
Add: Drawings	30,000	30,000
Less: Profits	(37,800)	(25,200)
Opening Capital + Interest on Capital (A)	1,52,200	1,44,800
Less: Interest on Capital (A x 10/110)	13,836	13,164
Opening Capital (A x 100/110)	1,38,364	1,31,636

Working Notes:

Total Closing Capital of A and B (Rs. 1,60,000 + Rs. 1,40,000)	=	Rs. 3,00,000
Add: Total Drawings (of A and B)	=	Rs. 60,000
Less: Profits (including interest on capital)	=	Rs. (90,000)
Total Capital + Interest at the beginning of the year	=	Rs. 2,70,000

Profits for the year	=	Rs. 90,000
Less: Interest on Capital (10% of Rs. 2,70,000)	=	Rs. 27,000
Divisible Profits (Rs. 90,000 – Rs. 27,000)	=	Rs. 63,000