There is **three** method of charging interest on drawings (today we discuss first method)

1. **Short Cut Method** = It is applicable when **same amount** withdrew regularly.

Example 1. –Amit withdrew Rs.1000 in the beginning of every month, interest charges @12%.

Date of Withdrawal	*Amount*	*Time Left (Months)*	*Calculation of Interest*	*Interest*
1st April	1,000	12	$1000x\frac{12}{100}x\frac{12}{12}$	120
1st May	1,000	11	$1000x\frac{12}{100}x\frac{11}{12}$	110
1st June	1,000	10	$1000x\frac{12}{100}x\frac{10}{12}$	100
1st July	1,000	9	$1000x\frac{12}{100}x\frac{9}{12}$	90
1st August	1,000	8	$1000x\frac{12}{100}x\frac{8}{12}$	80
1st September	1,000	7	$1000x\frac{12}{100}x\frac{7}{12}$	70
1st October	1,000	6	$1000x\frac{12}{100}x\frac{6}{12}$	60
1st November	1,000	5	$1000x\frac{12}{100}x\frac{5}{12}$	50
1st December	1,000	4	$1000x\frac{12}{100}x\frac{4}{12}$	40
1st January	1,000	3	$1000x\frac{12}{100}x\frac{3}{12}$	30
1st February	1,000	2	$1000x\frac{12}{100}x\frac{2}{12}$	20
1st March	1,000	1	$1000x\frac{12}{100}x\frac{1}{12}$	10
			Total Interest	780

Alternative Method

Interest on Drawing =

$Total\ Drawings\ x\frac{Rate\ of\ Interest}{100}x\frac{Average\ Time}{12}$= $12{,}000x\frac{12}{100}x\frac{6.5}{12}$=780

Total Drawings =1,000x12=12,000

Rate of Interest =12%

Average Time =$\frac{Duration\ of\ first\ drawing+Duration\ of\ last\ drawing}{2}$ = $\frac{12+1}{2}$=6.5 months

Example 2. –Amit withdrew Rs.5000 in the beginning of every quarter , charges @12% Interest

Interest on Drawing =

$Total\ Drawings\ x\ \frac{Rate\ of\ Interest}{100}\ x\ \frac{Average\ Time}{12} = 20{,}000x\ \frac{12}{100}\ x\ \frac{7.5}{12} = 1500$

Total Drawings =5,000x4=20,000

Rate of Interest =12%

Average Time $= \frac{Duration\ of\ first\ drawing + Duration\ of\ last\ drawing}{2} = \frac{12+3}{2} = 7.5$ months

Date of withdrawal	*Amount*	*Time Left (Months)*
April /May/ June 1st April	5,000	12
July/August /September 1st July	5,000	9
October /November/ December 1st October	5,000	6
January / February / March 1st January	5,000	3

Use alternative method

Q 1. –Vinod Withdrew Rs.2000, per month at the ending of every month, calculate interest on drawings @ 6%.

Q 2. –Manoj Withdrew Rs.3000, per month at the **mid** of every month, calculate interest on drawings @ 9%.

Q 3. –Sunil Withdrew Rs.3000, per **quarter** at the mid of every month, calculate interest on drawings @ 9%.

Q 4. –Annu Withdrew Rs.3000, per month at **the first day** of every month, calculate interest on drawings @ 12%.

Q 5. –Deepu Withdrew Rs.5000, at **end** of every **quarter** , calculate interest on drawings @ 12%.

Q 5. –Sonu Withdrew Rs.5000, at **end** of every **bio monthly**, calculate interest on drawings @ 12%.