

Solution-43

Interest on Drawings @ 10%

Total Drawings X Interest Rate X Average Period/12

Average Periods = (Months left after first drawings + Months left after last drawing)/2

Case-1 Months left after first drawings = 12
 Months left after last drawing = 3
 Average period = $(12+3)/2=7.5$

Interest on Drawings = $(7,500 \times 4 \times 10\% \times 7.5) / 12$ = 1,875

Case-2 Months left after first drawings = 9
 Months left after last drawing = 0
 Average period = $(9+0)/2=4.5$

Interest on Drawings = $(7,500 \times 4 \times 10\% \times 4.5) / 12$ = 1,125

Case-2 Months left after first drawings = 10.5
 Months left after last drawing = 1.5
 Average period = $(10.5+1.5)/2=6$

Interest on Drawings = $(7,500 \times 4 \times 10\% \times 6) / 12$ = 1,500