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Joint Venture Accounts

Learning objectives :

After study of this chapter, you will be able to :

- Understand the meaning and Introduction of Joint Venture.
- Learn the difference between Joint Venture and Partnership.
- Know the method of accounting for Joint Venture.
- When Separate Books are kept for Joint Venture?
- When no Separate Books are kept for Joint Venture?
 - (a) When each Venturer keeps records of his transactions only.
 - (b) When each Venturer keeps records of his own as well as of other Co-adventurer's transactions.

Meaning and Introduction of Joint-Venture

Joint Venture is a special type of business or venture, which is executed by two or more persons. Such a business or a Venture is undertaken for specific type of business or for a certain period. As soon as that special business is accomplished or specified period is over, Joint Venture business comes to an end itself. The co-venturers divide the profit of Joint Venture or business in a specified pre-determined ratio. Every co-venturer brings his own share of capital for execution of Joint Venture business. Persons agreeing to work in a Joint-Venture are called co-venturers. A Joint Venture is a temporary partnership or it is an association of two or more persons who combine themselves for execution of business. Usually, the purchase and sale of particular articles, imports and exports work, building construction, underwriting of shares or debentures of a Company, purchase of land for developing and selling plots or constructing houses on those plots etc. are the works undertaken under Joint Venture.

Characteristics of Joint Venture

1. A Joint Venture is formed to complete a particular work or to execute a particular business or to undertake particular work to be complete in specified time.
2. Joint Venture comes to end automatically, as soon as that particular work is completed or specific time is over.
3. On dissolution of Joint Venture, account books are closed and Profit/Loss of the Venture is divided by co-venturers.
4. Joint Venture is always for a short period.
5. Joint Venture does not have any particular name. The co adventurers have freedom to run their own business along with Joint Venture.

Difference between Joint Venture and Partnership

S. No.	Basis of Difference	Joint-Venture	Partnership
1.	Title/Name	Joint Venture usually has no name.	Partnership firm always has some name.
2.	Object	The object of Joint-venture is to work for a	Partnership is formed to carry on the

3.	Registration	particular time or for particular business. Joint Venture business does not require registration.	business continuously. Partnership firm requires registration necessarily.
4.	Act	There is no separate Act for Joint-Venture.	When Partnership Act, 1932 is applicable for every partnership.
5.	Members	Members participating in Joint-Venture are called co-venturers.	Members participating in partnership are called partners.
6.	No. of Members	Minimum number of members in Joint Venture should be two and there is no prevention on maximum number.	Minimum number of members in partnership is two and maximum number is 50.
7.	Relationship	In Joint venture, Co-venturers have personal understanding.	In partnership, partners have relationship.

Accounting Methods for Joint Venture

There are mainly two methods of keeping Joint Venture accounts-

1. Separate set of books is kept for Joint-Venture.
2. No-Separate set of books is kept for Joint-Venture.
 - (a) Each co-venturer keeps record of his own transactions only.
 - (b) Each co-venturer keeps record of his own as-well-as of other co-adventurers.

1. To keep separate set of books

When all venturers normally belong to same place and Joint Venture business is large or co-venturers have decided to keep separate set of books, then this method of accounting is adopted. This method is based on complete double entry system. Under this method, following accounts are opened-

- (1) Joint Venture Account
- (2) Joint Bank Account
- (3) Co-Venturer's Personal/Capital Accounts.

Under this method co-venturers bring their respective share of capital which is deposited in Joint Bank Account. Joint Bank Account is used for recording all cash transactions, i.e. payment for expenses and purchases as well receipts from sales. Joint Venture Account is like a Trading and Profit & Loss Account. All purchases and expenses are recorded on debit side and sales and other incomes on credit side. Difference in this account shows Profit or Loss which is distributed among the co-venturers on closure of Joint-Venture, Co-venturers withdraw their respective balances from Joint-Bank Account and the books of accounts are closed. Journal entries are passed as under:

1. When cash is brought by co-venturers to contribute share of capital-

Joint-Bank A/c	Dr.
To Co-Venturer's Personal Accounts	

(Being contribution of cash made by co-venturers)
2. When goods are purchased for Joint Venture

Joint Venture A/c	Dr.
To Joint Bank A/c	

(Being goods bought in cash)
3. When expenses are incurred and paid by Joint Venture

Joint Venture A/c	Dr.
To Joint Bank A/c	

(Being expenses paid in cash)

Note: If the personal account of any co-venturer shows debit balance, then first the payment will be received and then rest of co venturers will be paid off.

Illustration 1:

Vivek, Bhavesh and Parth entered into Joint Venture to divide profit equally. On January 1, 2016 they opened a separate Bank Account contributing Vivek ₹ 30,000 Bhavesh ₹ 40,000 and Parth ₹ 90,000. It was also decided to charge interest on such contribution @ 6% per annum. Goods were bought from Anil for ₹ 1,25,000 and Vivek's stock was taken for ₹ 25,000 by Joint Venture. They settled their account with Anil by cheque and paid ₹ 10,600 for other expenses.

Vivek sold goods of the Joint Venture partly for cash for ₹ 80,000 and the remaining goods to Sunil on credit for ₹ 1,20,000, Sunil accepted a bill for the same amount which was then discounted for ₹ 1,17,000. The initial capital was returned to the co-venturers on 31 March, 2016. Vivek was allowed 5% commission on sale for his service.

Pass the Journal entries and open the necessary accounts in the books of Joint Venture assuming the final settlement was made on 31 March, 2016.

Date	Particulars	L.F.	Amount (₹)	
			Dr.	Cr.
1	Joint Bank A/c To Vivek's A/c To Bhavesh's A/c To Parth's A/c (For cash contributed by co-venturers)	Dr.	1,60,000	30,000 40,000 90,000
2	Joint Venture A/c To Anil's A/c (Being goods purchased)	Dr.	1,25,000	1,25,000
3	Joint Venture A/c To Vivek's A/c (For stock taken from Vivek's)	Dr.	25,000	25,000
4	Anil's A/c To Joint Bank A/c (For payment made to Anil)	Dr.	1,25,000	1,25,000
5	Joint Venture A/c To Joint Bank A/c (For expenses paid)	Dr.	10,600	10,600
6	Joint Bank A/c To Joint Venture A/c (Goods sold for cash)	Dr.	80,000	80,000
7	Sunil's A/c To Joint Venture A/c (Goods sold to Sunil on credit)	Dr.	1,20,000	1,20,000
8	Bills Receivable A/c To Sunil's A/c (Acceptance received from Sunil)	Dr.	1,20,000	1,20,000

9	Joint Bank A/c Joint Venture A/c To B/R A/c (Bill discounted from bank)	Dr. Dr.	1,17,000 3,000	1,20,000
10	Vivek's A/c Bhavesh's A/c Parth's A/c To Joint Bank A/c (Capital returned to co-venturers)	Dr. Dr. Dr.	30,000 40,000 90,000	1,60,000
11	Joint Venture A/c To Vivek's A/c (Being commission on sales credited to Vivek)	Dr.	10,000	10,000
12	Joint Venture A/c To Vivek's A/c To Bhavesh's A/c To Parth's A/c (Interest on capital credited)	Dr.	2,400	450 600 1,350
13	Joint Venture A/c To Vivek's A/c To Bhavesh's A/c To Parth's A/c (Being profit on joint venture credited)	Dr.	24,000	8,000 8,000 8,000
14	Vivek's A/c Bhavesh's A/c Parth's A/c To Joint Bank A/c (Being final payment made to co-venturers)	Dr. Dr. Dr.	43,450 8,600 9,350	61,400

Joint Bank Account

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
2016 Jan., 1	To Vivek To Bhavesh To Parth To Joint Venture A/c To B/R A/c	30,000 40,000 90,000 80,000 1,17,000	2016 Jan., 1 Mar., 31	By Anil By Joint Venture A/c By Vivek (return of capital) By Bhavesh (return of capital) By Parth (return of capital) By Vivek (final payment) By Bhavesh (final payment) By Parth (final payment)	1,25,000 10,600 30,000 40,000 90,000 43,450 8,600 9,350
		3,57,000			3,57,000

Joint Venture Account

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
	To Anil's A/c	1,25,000		By Sunil's A/c	1,20,000

To Vivek (stock)	25,000	By Joint Bank A/c	80,000
To Joint Bank (Exp.) A/c	10,600		
To B/R A/c (Discounted)	3,000		
To Vivek (interest)	450		
To Bhavesh (interest)	600		
To Parth (interest)	1,350		
To Vivek (Commission)	10,000		
To Profit			
Vivek	8000		
Bhavesh	8000		
Parth	8000		
	24,000		
	2,00,000		2,00,000

Vivek's Account

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
2016 Mar., 31	To Joint Bank A/c	30,000	2016 Jan., 1	By Joint Bank A/c	30,000
	To Joint Bank A/c (Final payment) (B.F.)	43,450		By Joint Venture A/c	25,000
				By Joint Venture A/c	10,000
				By Joint Venture A/c	450
				By Joint Venrure A/c	8,000
		73,450			73,450

Bhavesh's Account

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
2016 Mar.31	To Joint Bank A/c	40,000	2016 Jan. 1	By Joint Bank A/c	40,000
	To Joint Bank A/c (Final payment) (B.F.)	8,600		By Joint Venture A/c	600
				By Joint Venture A/c	8,000
		48,600			48,600

Parth's Account

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
2016 Mar., 31	To Joint Bank A/c	90,000	2016 Jan., 1	By Joint Bank A/c	90,000
	To Joint Bank A/c (Final payment) (B.F.)	9,350		By Joint Venture A/c	1,350
				By Joint Venture A/c	8,000
		99,350			99,350

Illustration2 :

Ramesh and Naresh doing business separately as building contractors undertake jointly to construct a building for newly started joint stock company for a contract price of ₹4, 00, 000, payable ₹ 3, 20, 000 by installments in cash and ₹80, 000 in fully paid shares of the company. A Joint Bank Account is opened in Punjab National Bank and all cash transactions are recorded through the Bank. Ramesh and Naresh deposited ₹1, 00, 000 and ₹60, 000 in the Bank respectively. They share profit or loss in the proportion of 2 : 1 respectively. The transactions of joint venture were as follows: - Wages paid ₹1, 00, 000; Purchases of material ₹1, 20, 000; Sundry Expenses paid ₹48, 000; Ramesh gave material from his stock ₹16, 000; Naresh gave material from his stock ₹10, 000; Architect's fees paid by Ramesh ₹ 8, 000.

The contract was completed and the contract price was duly received. The Joint venture was terminated.

Ramesh took all the share of Joint stock Company at price of ₹72,000 and Naresh took the remaining stock of material of ₹12,000.

Prepare the necessary accounts for the joint venture.

Joint Venture Account

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
	To Joint Bank A/c (Purchase)	1,20,000		By Joint Bank A/c (Contract Money)	3,20,000
	To Joint Bank A/c (Wages)	1,00,000		By Share of company	80,000
	To Joint Bank A/c (Exp.)	48,000		By Naresh's A/c (Stock)	12,000
	To Ramesh's A/c (Stock)	16,000			
	To Naresh's A/c (Stock)	10,000			
	To Ramesh A/c (Architect fees)	8,000			
	To Share of Co. (Loss)	8,000			
	To Profit				
	Ramesh 68000				
	Naresh <u>34000</u>	1,02,000			
		4,12,000			4,12,000

Joint Bank Account

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
	To Ramesh's A/c	1,00,000		By Joint venture A/c	1,20,000
	To Naresh's A/c	60,000		By Joint venture A/c	1,00,000
	To Joint Venture A/c (Contract Money)	3,20,000		By Joint venture A/c	48,000
				By Ramesh's A/c (Final Payment)	1,20,000
				By Naresh's A/c (Final Payment)	92,000
		4,80,000			4,80,000

Ramesh's Account

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
	To Shares of company	72,000		By Joint Bank A/c	1,00,000
	To Joint Bank A/c (B.F.) (Final Payment)	1,20,000		By Joint Venture A/c	16,000
				By Joint Venture A/c	8,000
				By Joint Venture A/c	68,000
		1,92,000			1,92,000

Naresh's Account

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
	To Joint Venture A/c	12,000		By Joint Bank A/c	60,000
	To Joint Bank A/c (B.F.) (Final Payment)	92,000		By Joint Venture A/c	10,000
				By Joint Venture A/c	34,000
		1,04,000			1,04,000

Illustration 3 :

Mahesh and Suresh of Jaipur entered in a joint venture for a land development scheme. They opened a Bank Account in the joint name by depositing ₹5,00,000 and ₹ 3,00,000 on 1 January, 2015 respectively. They decided to share profit and loss in the ratio 5 : 3.

A part of land purchased for ₹ 6,00,000, ₹ 65,000 was paid for its registration charge, ₹ 90,000 were paid for the expenses of development of land. The land was divided in to 40 plots.

The plots were sold as under: 25 plots at ₹ 35000 each. 07 plots at ₹ 31000 each, brokerage was paid ₹ 40000. The remaining plots were taken at a price of ₹ 22000 for each plot by both equally. Prepare necessary accounts in the books of Joint Venture.

Joint Venture Account

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
	To Joint Bank A/c (Purchases)	6,00,000		By Joint Bank A/c (Sales) (25x35,000)	8,75,000
	To Joint Bank A/c (Registration fees)	65,000		By Joint Bank A/c (7 x 31,000)	2,17,000
	To Joint Bank A/c (Direct Exp.)	90,000		By Mahesh's A/c (Stock) (4 x 22,000)	88,000
	To Joint Bank A/c (Brokerage)	40,000		By Suresh's A/c (Stock) (4 x 22,000)	88,000
	To Profit				
	Mahesh 2,95,625				
	Suresh <u>1,77,375</u>	4,73,000			
		12,68,000			12,68,000

Joint Bank Account

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
	To Mahesh's A/c	5,00,000		By Joint Venture A/c	6,00,000
	To Suresh's A/c	3,00,000		By Joint Venture A/c	65,000
	To Joint Venture A/c	8,75,000		By Joint Venture A/c	90,000
	To Joint Venture A/c	2,17,000		By Joint Venture A/c	40,000
				By Mahesh's A/c	7,07,625
				By Suresh's A/c	3,89,375
		18,92,000			18,92,000

Mahesh's Account

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
	To Joint Venture A/c	88,000		By Joint Bank A/c	5,00,000
	To Joint Bank A/c (B.F.)	7,07,625		By Joint Venture A/c	2,95,625
		7,95,625			7,95,625

Suresh's Account

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
	To Joint Venture	88,000		By Joint Bank A/c	3,00,000
	To Joint Bank A/c (B.F.)	3,89,375		By Joint Venture A/c	1,77,375
		4,77,375			4,77,375

6. For own share of profit from Joint Venture
 Joint venture with..... A/c Dr.
 To Profit & Loss Account
7. For own share of loss from Joint Venture
 Profit & Loss A/c Dr.
 To joint Venture with..... A/c
8. For making payment to other co-venturer
 Joint venture with A/c Dr.
 To Cash/Bank A/c
9. For receiving payment from other co-venturer
 Cash/Bank A/c Dr.
 To Joint Venture with..... A/c

Illustration 4:

Kamal and Vimal entered into Joint Venture for purchases and sales of wheat and their profit and loss sharing ratio is 2 : 1, Kamal purchased 100 bags of wheat @ ₹800 each bag and paid carriage ₹ 800, storage godown rent ₹ 600 in cash. Vimal purchased 80 bags of wheat @ ₹ 610 each bag. Brokerage and carriage paid ₹ 700, godown rent ₹ 400 and insurance premium ₹ 300 paid in cash.

Kamal sold wheat for ₹ 77, 500 and received amount in cash. Vimal sold wheat for ₹ 49,200 and remaining stock taken by Kamal for ₹ 9,200.

Prepare necessary Journal and ledger in the books of both parties.

**In the Books of Kamal
Journal**

Date	Particulars	L.F.	Amount (₹)	
			Dr.	Cr.
1	Joint Venture with Vimal's A/c Dr. To Bank A/c (Being goods purchased)		80,000	80,000
2	Joint Venuture with Vimal's A/c Dr. To Cash A/c (Being rent and carriage paid)		1,400	1,400
3	Cash A/c Dr. To Joint Venture with Vimal's A/c (Being goods sold)		77,500	77,500
4	Purchases A/c Dr. To Joint Venture with Vimal's A/c (Being stock taken over)		9,200	9,200
5	Joint Venture with Vimal's A/c Dr. To P&LA/c (Share in profit from Joint Venture)		2,867	2,867

Joint Venture with Vimal's Account

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
	To Bank A/c (Purchase)	80,000		By Cash A/c (Sales)	77,500
	To Cash A/c (Expenses)	1,400		By Purchase A/c (Stock)	9,200
	To P&L A/c (Profit)	2,867			
	To Balance c/d (Due to Vimal)	2,433			
		86,700			86,700

**In the Books of Vimal
Journal**

Date	Particulars	L.F.	Amount (₹)	
			Dr.	Cr.
1	Joint Venture with Kamal's A/c To Bank A/c (Being goods purchased)	Dr.	48,800	48,800
2	Joint Venuture with Kamal's A/c To Cash A/c (Being expenses paid)	Dr.	1,400	1,400
3	Cash A/c To Joint venture with Kamal's A/c (Being goods sold)	Dr.	49,200	49,200
4	Joint venture with Kamal's A/c To P&L A/c (Being share of profit on Joint Venture transferred)	Dr.	1,433	1,433

Joint Venture with Kamal's Account

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
	To Bank A/c (Purchase)	48,800		By Cash A/c (Sales)	49,200
	To Cash A/c (Expenses)	1,400		By Balance c/d	2,433
	To P&L A/c (Profit)	1,433		(Due to Kamal)	
		51,633			51,633

Memorandum Joint Venture Account

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
	To Purchase A/c (Kamal)	80,000		By Sales A/c (Kamal)	77,500
	To Purchase A/c (Vimal)	48,800		By Sales A/c (Vimal)	49,200
	To Expenses (Kamal)	1,400		By Kamal's A/c (Stock)	9,200
	To Expenses (Vimal)	1,400			
	To Profit				
	Kamal 2,867				
	Vimal 1,433	4,300			
		1,35,900			1,35,900

Illustration 5 :

A of Ahmedabad and B of Delhi entered into a Joint Venture to consign 100 bales to C at Bangalore to be sold at their joint risk. They agree to share profit or loss equally. 'A' sent 50 bales valued ₹ 60, 000 and paid ₹1200 for sundry expenses. 'B' sent 50 bales valued at ₹ 56,000 and paid ₹ 1,000 sundry expenses.

All the bales reached Bangalore in time. However 5 bales were found damaged and 'B' could recover ₹ 5,000 from insurance company for its claim. 'C' sold remaining bales for ₹ 1,30,000. He remitted the balance amount to 'A' after deducting 5% commission on sale and ₹ 1,500 for other expenses. Prepare A's account in the books of B and B's account in the books of A and Memorandum Joint Venture Account.

Memorandum Joint Venture Account

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
	To Purchases A/c (A)	60,000		By Insurance claim (B)	5,000
	To Expenses (A)	1,200		By Sales A/c (C)	1,30,000
	To Purchases A/c (B)	56,000			
	To Expenses (B)	1,000			
	To Commission & Exp. (C)	8,000			
	To Profit				
	A 4400				
	B 4400	8,800			
		1,35,000			1,35,000

In the Books of A Joint Venture with B's A/c

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
	To Bank A/c (Purchases)	60,000		By Cash A/c	1,30,000
	To Bank A/c (Expenses)	1,200			
	To P&L A/c	4,400			
	To Commission (C)	8,000			
	To Bank A/c (b/f)	56,400			
		1,30,000			1,30,000

In the Books of B Joint Venture with A's A/c

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
	To Bank A/c (Purchases)	56,000		By Bank A/c	5,000
	To Bank A/c (Expenses)	1,000		By Bank A/c (b/f)	56,400
	To P&L A/c	4,400			
		61,400			61,400

Illustration 6 :

Bharat of Delhi and Anil of Bhilwara entered into Joint Venture for purchase and sale of old machines. It was decided to share profit or loss equally. Anil remitted ₹40, 000 to Bharat. Bharat purchased old machines worth ₹45,000 and paid 2% purchased commission, ₹ 10, 000 for its repairs and ₹ 600 for other sundry expenses. Then he dispatched machines to Bhilwara. Anil took the delivery of the machinery paying ₹2, 000 freight, ₹1, 000 octroi. He sold or for some machines ₹ 85, 000 and kept remaining one for himself at an agreed value of ₹7, 200. His other expenses were: godown rent ₹ 400 and ₹ 1, 800 advertisement and selling expenses. Final settlement was made on joint venture.

Prepare Memorandum Joint Venture Account and Anil's Account in the books of Bharat and Bharat Account in the books of Anil.

Memorandum Joint Venture Account

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
	To Purchases A/c (Bharat)	45,000		By Sales (Anil)	85,000
	To Expenses (Bharat)			By Stock A/c (Anil)	7,200
	Purchase Commission 900				
	Repairs 10000				
	Sundry Expenses 600	11,500			
	To Expenses (Anil)				
	Freight 2000				
	Octroi 1000				
	Godown rent 400				
	Advertisement Exp. 1800	5,200			
	To Profit				
	Bharat 15250				
	Anil 15250	30,500			
		92,200			92,200

**In the Books of Bharat
Joint Venture with Anil A/c**

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
	To Bank A/c	45,000		By Bank A/c	40,000
	To Bank A/c	11,500		By Bank A/c	31,750
	To P&L A/c	15,250			
		71,750			71,750

**In the Books of Anil
Joint Venture with Bharat A/c**

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
	To Bank A/c	40,000		By Bank A/c	85,000
	To Bank A/c	5,200		By Purchase A/c	7,200
	To P&L A/c	15,250			
	To Bank A/c (B.F.)	31,750			
		92,200			92,200

(b) Each Co-Venturer recording all the transactions of Joint-Venture :

Under this method of recording transactions every Co-Venturer keeps record of all transactions of Joint Venture. For this purpose two accounts are opened by every Co-Venturer Viz, Joint Venture Account and Co-venture's personal Account. In this case, Joint Venture Account is of the nature of Trading and Profit & Loss Account, which discloses Profit or Loss of the Venture. Under this method every Co-Venturer sends the record of his transactions to the other Co-Venturer from the time to time to enable him to enter those transactions in his books. Then on the closure of Joint-Venture, accounts are settled.

Journal Entries

- (1) When goods are purchased by himself and expenses incurred

Joint Venture A/c Dr.
 To Cash/Bank Account

(Being goods purchased and expenses incurred)

Note : If goods are purchased on credit, supplier's personal account will be credited instead of cash or Bank A/c.

- (2) When goods are sold by himself

Cash/Bank A/c Dr.
 To Joint Venture A/c

(Being goods sold by himself)

Note: - If goods are sold on credit, personal account of the purchaser will be debited instead of Cash or Bank.

- (3) When goods are purchased and expenses incurred by Co-Venturer

Joint Venture A/c Dr.
 To Co-Venturer's A/c

(Being goods purchased and expenses incurred by Co-Venturer)

- (4) When goods are sold by Co-venturer

Co-Venturer's A/c Dr.
 To Joint Venture A/c

(Being goods sold by Co-Venturer)

- (5) For realising interest and commission for himself from Joint Venture

Joint Venture A/c Dr.
 To Interest A/c
 To Commission A/c

(Being interest and commission charge)

- (6) For purchasing remaining goods by himself

Purchases A/c Dr.
 To Joint Venture A/c

(Unsold stock taken)

- (7) For unsold stock taken by Co-Venturer at an agreed venture

Co-Venturer A/c Dr.
 To Joint venture A/c

(Stock purchased by Co-Venturer)

- (8) For charging Interest and Commission by Co-Venturer

Joint venture A/c Dr.
 To Co-venturer's A/c

(Being interest and commission charged by.....)

- (9) When joint venture discloses profit and distribution the same by Co-Venturers

Joint Venture A/c	Dr.	(Total Profit)
To P & LA/c		(own share)
To co-venturer's A/c		(Share of Profit of other Co-venturer)

(Being profit distributed in joint venture)

Note: - in case of loss reverse above entry.

10. For payment of amount to other Co-venturer
 Co-venturer's A/c Dr.
 To Cash/Bank/B/P A/c
(Being cash remitted, B/P accepted)
- (11) When payment is received from other Co-Venturer
 Cash/Bank/B/R A/c Dr.
 To Co-Venturer's A/c
(Being cash/B/R received)
- (12) If he himself gives goods from his shop or godown
 Joint Venture A/c Dr.
 To sales A/c
(Being goods given for joint venture)

Important Notes: -

- (1) When a B/R is received from the customer and discounted from the bank; the amount of discount should be debited to Joint Venture A/c.
- (2) If goods supplied from his own stock/shop at cost price, credit purchases account instead of sales account as in Journal entry no.12 above.
- (3) If goods are sold on credit, the amount received from the debtor (customer) will be recorded in the books of that Co-Venturer, who receives the remittance? The entry will be-
- | | | |
|-------------------------------|-----|--------------------------------------|
| Cash/Bank A/c | Dr. | with amount received |
| Joint Venture A/c | Dr. | with amount of discount or bad debts |
| To customer's or debtor's A/c | | Total amount due from him |
- (Being amount received from Joint Venture customer, discount allowed or bad debts written off)
- (4) When discount is allowed to customer to whom goods were sold on credit or he becomes insolvent (Bad debts), with the amount of discount or bad debts, the entry to be passed by another Co-Venturer is-
- | | | |
|----------------------|-----|--|
| Joint Venture A/c | Dr. | |
| To Co-venturer's A/c | | |
- (Cash discount allowed/baddebts entered in J.V. A/c)

Illustration 7 :

Sunil and Kapil entered into Joint Venture for the purchase of goods from Delhi to be sold at Udaipur and to distribute profit and loss equally. Kapil sent a bank draft to Sunil of ₹ 1,50,000 for purchase of goods on 1st January 2016. Sunil informed that 300 shirts @ ₹ 400 each, 200 Shirts @ ₹ 600 each have been purchased and sent to Udaipur and paid ₹ 5,000 as packing charges.

After receiving goods, Kapil brought goods at his shop and paid ₹ 1,200 as expenses, ₹ 1,300 for advertisement expenses and ₹ 500 for godown rent. Kapil sold 250 shirts for ₹ 550 per shirt and 200 shirts at ₹ 780 per shirt and remaining shirts were taken by Kapil for ₹ 2,500. Both sent statements to each other for their transactions. Prepare journal entries and necessary accounts in the books of both venturers. Remaining payment is made through bank draft.

**In the Books of Sunil
Journal**

Date	Particulars	L.F.	Amount (₹)	
			Dr.	Cr.
1	Joint Venture A/c Dr. To Cash A/c (Being goods purchased)		2,50,000	2,50,000

2	Joint Venture A/c To Cash A/c (Being expenses paid)	Dr.	5,000	5,000
3	Bank A/c To Kapil's A/c (Cash received from Kapil)	Dr.	1,50,000	1,50,000
4	Kapil's A/c To Joint venture A/c (Goods sold by Kapil)	Dr.	2,93,500	2,93,500
5	Kapil's A/c To Joint venture A/c (Stock taken by Kapil)	Dr.	2,500	2,500
6	Joint Venture A/c To Kapil's A/c (Expenses paid by Kapil)	Dr.	3,000	3,000
7	Joint venture A/c To P&L A/c To Kapil's A/c (Profit on joint venture credited)	Dr.	38,000	19,000 19,000
8	Bank A/c To Kapil's A/c (Balance amount received)	Dr.	1,24,000	1,24,000

Joint Venture Account

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
	To Cash A/c (Purchases)	2,50,000		By Kapil's A/c (Sales)	2,93,500
	To Cash A/c (Expenses)	5,000		By Kapil's A/c (Stock)	2,500
	To Kapil's A/c (Expenses)	3,000			
	To P&L A/c	19,000			
	To Kapil's A/c	19,000			
		2,96,000			2,96,000

Kapil's A/c

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
	To Joint venture (sales)	2,93,500		By Bank A/c	1,50,000
	To Joint venture (Stock)	2,500		By Joint venture A/c	3,000
				By Joint venture A/c	19,000
				By Bank A/c (B.F.)	1,24,000
		2,96,000			2,96,000

In the Books of Kapil Journal

Date	Particulars	L/F	Amount (₹)	
			Dr.	Cr.
1	Sunil's A/c To Bank A/c (DD sent to Sunil)	Dr.	1,50,000	1,50,000

2	Joint Venture A/c To Cash A/c (Expenses paid)	Dr.	3,000	3,000
3	Joint venture A/c To Sunil's A/c (Goods purchased by Sunil)	Dr.	2,50,000	2,50,000
4	Joint Venture A/c To Sunil's A/c (Expenses paid by Sunil)	Dr.	5,000	5,000
5	Cash A/c To Joint venture A/c (Goods sold)	Dr.	2,93,500	2,93,500
6	Purchase A/c To Joint venture A/c (Stock taken over)	Dr.	2,500	2,500
7	Joint venture A/c To P&L A/c To Sunil's A/c (Profit credited on joint venture)	Dr.	38,000	19,000 19,000
8	Sunil's A/c To Bank A/c (Balance amount paid to Sunil)	Dr.	1,24,000	1,24,000

Joint Venture Account

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
	To Cash A/c (Expenses)	3,000		By Cash A/c (Sales)	2,93,500
	To Sunil's A/c (Purchases)	2,50,000		By Purchases A/c	2,500
	To Sunil's A/c (Expenses)	5,000			
	To P&L A/c	19,000			
	To Sunil's A/c	19,000			
		2,96,000			2,96,000

Sunil's Account

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
	To Bank A/c	1,50,000		By Joint venture A/c	2,50,000
	To Bank (B.F.)	2,500		By Joint venture A/c	5,000
				By Joint venture A/c	19,000
		2,74,000			2,74,000

Illustration 8 :

Amar and Kailash sent 100 bales to Suresh for sale in Joint Venture. They decide to distribute profit and loss in 3 : 2 ratio. Amar sent 60 bales @ ₹2800 per bale and paid ₹1200 for carriage and other expenses. Kailash sent 40 bales @ ₹ 2750 per bale and paid ₹ 1000 for carriage and other expenses.

Suresh sold all goods for ₹3,20,000. He spent following expenses for sale : godown rent ₹ 400, selling expenses ₹ 1200, After deducting his expenses and 3% commission, Suresh sent ₹ 2,00,000 to Amar and remaining amount to Kailash. Prepare Joint Venture Account and Co-Venturer Account in the books of both parties.

**In the Books of Amar
Joint Venture Account**

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
	To Bank A/c (Purchases)	1,68,000		By Suresh's A/c (Sales)	3,20,000
	To Bank A/c (Expenses)	1,200			
	To Kailash (Purchases)	1,10,000			
	To Kailash (Expenses)	1,000			
	To Suresh (Consignee)				
	Godown rent 400				
	Sundry Exp. 1,200				
	Commission <u>9,600</u>	11,200			
	To Kailash (Share in profit)	11,440			
	To P&L A/c	17,160			
		3,20,000			3,20,000

Kailash's Account

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
	To Suresh A/c (remitted)	1,08,800		By Joint venture A/c	1,10,000
	To Bank (Remittance) A/c	13,640		By Joint venture A/c	1,000
				By Joint venture A/c	11,440
		1,22,440			1,22,440

Suresh's (Consignee) Account

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
	To Joint venture A/c (Sales)	3,20,000		By Joint venture A/c	1,600
				By Joint venture A/c	9,600
				By Bank A/c	2,00,000
				By Kailash's A/c	1,08,800
		3,20,000			3,20,000

**In the Books of Kailash
Joint Venture Account**

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
	To Bank A/c (Purchases)	1,10,000		By Suresh A/c (Sales)	3,20,000
	To Bank A/c (Expenses)	1,000			
	To Amar's A/c (Purchases)	1,68,000			
	To Amar's A/c (Expenses)	1,200			
	To Suresh A/c (Consignee)				
	Godown Rent 400				
	Sundry Expenses 1,200				
	Commission <u>9,600</u>	11,200			
	To Amar's A/c	17,160			
	To P&L A/c	11,440			
		3,20,000			3,20,000

Amar's Account

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
	To Kamal's A/c	2,00,000		By Joint venture A/c	1,68,000
				By Joint venture A/c	1,200
				By Joint venture A/c	17,160
				By Bank A/c (Remittance)	13,640
		2,00,000			2,00,000

Suresh's (Consignee) Account

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
	To Joint Venture A/c	3,20,000		By Joint Venture A/c	1,600
				By Joint Venture A/c	9,600
				By Amar's A/c	2,00,000
				By Bank A/c (Remittance)	1,08,800
		3,20,000			3,20,000

Illustration 9 :

Ravi and Kavi entered in joint Venture for purchase and sale of cloth and decide to distribute profit or loss in 3:2 ratio. Ravi purchased cloth for ₹ 1,00,000 and paid ₹ 1,000 freight, ₹ 200 insurance expenses, ₹ 800 carriage and ₹ 300 sundry expenses. Kavi purchased cloth for ₹ 60,000 and paid ₹ 400 godown rent, ₹ 100 insurance premium and ₹ 100 carriage. Ravi sold the cloth worth ₹ 1,20,000 and Kavi sold cloth for ₹ 76,000. Prepare necessary accounts in the books of both Co-Venturers.

**In the Books of Ravi
Joint Venture Account**

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
	To Bank A/c (Purchases)	1,00,000		By Bank A/c (Sales)	1,20,000
	To Kavi's A/c (Purchases)	60,000		By Kavi's A/c (sales)	76,000
	To Bank A/c (Expenses)	2,300			
	To Kavi's A/c (Expenses)	600			
	To P&L A/c	19,860			
	To Kavi's (Profit)	13,240			
		1,96,000			1,96,000

Kavi's Account

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
	To Joint venture A/c	76000		By Joint venture A/c	60000
				By Joint venture A/c	600
				By Joint venture A/c	13240
				By Bank A/c (B.F.)	2160
		76000			76000

**In the Books of Kavi
Joint Venture Account**

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
	To Bank A/c (Purchases)	60,000		By Bank A/c	76,000

To Bank A/c (Expenses)	600	By Kavi's A/c (sales)	1,20,000
To Ravi's A/c (Purchases)	1,00,000		
To Ravi's A/c (Expenses)	2,300		
To P&L A/c	13,240		
To Ravi's A/c (Profit)	19,860		
	1,96,000		1,96,000

Ravi's Account

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
	To Joint venture A/c	1,20,000		By Joint venture A/c	1,00,000
	To Bank A/c (B.F.)	2,160		By Joint venture A/c	2,300
				By Joint venture A/c	19860
		1,22,160			1,22,160

Summary

- **Joint Venture** : Two or more than two persons or companies, firms, organisations enter to execute specific work temporarily at joint risk or to purchase and sell of goods and decide to distribute profit and loss as per agreement. It is called Joint Venture.
- **Applicability of Joint Venture** : It is appropriate for contracts related to construction of building, to purchase piece of land and divide it in to plots, underwriting contract for shares and debentures, imports exports business

Glossary

Co-Venturers or Co-adventurers : Persons who have agreed to work together by forming temporary partnership.

Joint Bank Account : An account opened by Co-Venturers in their Joint names for recording cash transactions.

Bills discounted : After acceptance is received receiving money prior to the date of maturity.

Questions for Exercise

Multiple Choice Questions :

1. What is the name of trade structure of Joint-Venture-
 (A) Partnership (B) Co-operative society
 (C) Group of people (D) Sole trader
2. The member who participate in Joint Venture is called-
 (A) Manager (B) Co-Venturer
 (C) Partner (D) Shareholder
3. Joint Venture Account is an example of-
 (A) Personal A/c (B) Real A/c
 (C) Nominal A/c (D) None of the Above
4. Maximum number of members in Joint Venture can be-
 (A) Two (B) 20
 (C) Ten (D) No Limit
5. On discounting bill from the Bank by Co-Venturer discount is debited to-
 (A) Discount A/c (B) Joint Venture A/c
 (C) Bank A/c (D) Co-Venturer A/c

Very Short Answer Type Questions :

1. State any two important point of difference in Joint Venture and Partnership?
2. State the maximum and minimum number of Venturers in joint venture?
3. When it is appropriate to keep separate books in Joint Venture?
4. In which ratio profit and loss of Joint Venture is distributed?
5. What is the nature of Memorandum Joint Venture Account?
6. When each Co-Venturer records his own transactions for the joint venture, which accounts will be opened by him? Give only names?
7. When dissolution of joint venture happens?
8. Joint Venture is appropriate for which type of organizations?
9. Which account is credited in Joint Venture for credit purchases?
10. When separate books of Joint Venture are kept, which types of accounts are opened? Give Names.

Short Answer Type Questions :

1. What is the Joint Venture?
2. What is the Memorandum Joint Venture Account? Why is it made?
3. What is the difference between Joint Venture Account and consignment Account?
4. State the methods of accounting for Joint Venture transactions.
5. What are the characteristics of Joint Venture?

Essay Type Questions :

1. What is the meaning of Joint Venture? Write the difference between Joint Venture and Partnership.
2. Explain with example, method of accounting for Joint Venture?

Answer of Multiple Choice Questions

Question No.	1	2	3	4	5
Answer	C	B	C	D	B

Numerical Questions :

1. Deepak and Mukesh entered into Joint Venture for purchase and sale of furniture. They opened a separate bank account Deepak contributing ₹ 80,000 and Mukesh ₹ 50,000, It was also decided to share profit and loss in 2:3 ratio. They purchase goods for ₹ 1,00,000; paid brokerage ₹ 1,000, freight ₹ 5,000 and sundry expenses ₹ 10,000; Three months sales ₹ 1,40,000. Remaining stock was taken by Mukesh for ₹ 5,000.
Give necessary journal entries and prepare Joint Venture, Joint Bank and Co-Venturers Account.
Answer: Joint Venture Profit ₹ 29,000.
2. A, B and C entered into a Joint Venture sharing profit equally. They opened a separate Bank account in State Bank of India on 1st January, 2015. They deposited ₹ 30,000, ₹ 40,000 and ₹ 90,000 respectively. It is also decided to allow interest on such deposits @ 3% p.a. Goods purchased from D worth ₹ 1,50,000. Stock taken from A worth ₹ 20,000. They paid to D by cheque and paid for carriage and other expenses ₹ 7,600. A sold some goods for ₹ 80,000 in cash and remaining goods sold to E on credit for ₹ 1,60,000. E accepted a bill for same amount. It was discounted from bank ₹ 1,57,000. Initial capital of Co-Venturers returned on 30th June, 2015. It was decided to allow commission on sale @ 5 percent to A for his services.
Give the Journal entries in the books of Joint Venture and also prepare necessary accounts. It is assumed that final settlement was made on 31st July, 2015.
Answer: Joint Venture Profit ₹ 45,000.
3. Ram and Shyam were doing business separately as a building contractors. They undertake jointly to construct a building for newly started joint stock company for a contract price ₹ 2,00,000 payable ₹ 1,60,000 by installment

in a cash and ₹ 40,000 in fully paid share of the company. A Joint Bank account is opened. Ram and Shyam deposited ₹ 50,000 and ₹ 30,000 respectively in the Bank. They will distribute profit or loss in proportion of 2:1. The transactions of Joint Venture were as follows: Purchases of Material ₹ 1,40,000, Wages paid ₹ 60,000, Ram gave material from his stock ₹ 10,000, Shyam gave material from his stock ₹ 8,000. Architect's fees paid by Ram ₹ 4,000. Accounts are settled.

The contract was completed and contract price was received. Ram took all the shares for ₹ 32,000 and Shyam took remaining stock for ₹ 6000.

Open the necessary accounts in the books of Joint Venture.

Answer: Joint Venture Loss ₹ 24,000 final payment to Ram ₹ 16,000 and to Shyam ₹ 24,000.

4. Contractor Kapil and Engineer Bharat started joint venture for an Urban Development Project. They opened Joint Bank account separately. Kapil deposited ₹ 1,25,000 and Bharat deposited ₹ 75 000 and they share profit-loss in 2 : 1 ratio. They purchased a piece of land for ₹ 1,50,000 and paid legal expenses ₹ 10,000; land development expenses paid ₹ 40,000. The land was divided in 20 plots. The plots were sold as under : 08 plots at ₹ 20,000 each; 10 plots at ₹ 15,000 each, and the remaining 2 plots were taken at cost price by both Kapil and Bharat equally.

Open necessary accounts in the books of Joint Venture.

Answer: Joint Venture Profit ₹ 1,30,000 final payment to Kapil ₹ 2,01,667 and to Bharat ₹ 1,08,333.

5. 'A', 'B' & 'C' are doing business as a building contractors. They undertake jointly for the construction of building for newly started Joint Stock Company at contract price of ₹ 25,00,000, payable ₹ 20,00,000 in cash and ₹ 5,00,000 in debentures of company. Their profit sharing ratio is 1:1:1.

They opened a separate Joint Bank account and amount deposited into Bank by 'A' ₹ 3,00,000, 'B' ₹ 3,75,000 and 'C' ₹ 2,00,000. The transactions of joint venture were as follows : Purchases of material ₹ 12,00,000 , wages paid ₹ 9,75,000, Purchase of plant ₹ 1,20,000, Architect fees paid by 'A' ₹ 35,000, Concrete mixer by B ₹ 1,25,000 and a Motor Truck is given by C worth ₹ 1,00,000. A took remaining material for ₹ 70,000 and B took concrete mixer for ₹ 60,000 after construction work is completed.

Plants sold for ₹ 30,000, C took truck for ₹ 4,00,000, contract price received and A took debentures at 20% less then cost price. Joint venture is completed. Prepare necessary accounts in the books of Joint venture.

Answer: Joint Venture Profit ₹ 45,000 Amount due from A ₹ 1,20,000 Amount payable to B ₹ 4,55,000 and to C ₹ 2,75,000.

6. Pavan's and Pratush entered in to joint venture sharing profit and loss equally. Pavan sent goods worth ₹ 3,00,000 and paid carriage & freight ₹ 10,000 and other expenses ₹ 4,000. Pratush sent goods worth ₹ 2,40,000 and paid consignment expenses ₹ 15,000 and godown rent ₹ 5,000.

Goods to be sold by Pavan. They decided 2% commission on sales. Pavan sold all the goods for ₹ 6,84,000. Prepare Memorandum Joint Venture Account and Joint Venture with Pavan account in the books of Pratush and Joint Venture with Pratush Account in the books of Pavan. Final payment is made through bank draft.

Answer: Joint Venture Profit ₹ 96,320 Final Payment ₹ 3,08,160.

7. Pradeep and Praveen agreed to purchase and sell old scooters in a joint venture. They decided to share profit or loss equally. Praveen accepted bill of ₹ 20,000 drawn by Pradeep, which was discounted by Pradeep for ₹ 19,600.

Pradeep purchased scooters for ₹ 36,000. He paid ₹ 5,000 for repairs of the scooters and these were dispatched to Praveen for sale. Praveen paid ₹ 600 freight ₹ 400 octroi on the receipt of scooters.

Praveen sold all the scooters through an agent for ₹ 60,000. The agent charged for commission and sales expenses ₹ 4200. Final settlement was completed between both parties.

Prepare Memorandum Joint Venture Account and Joint Venture with Praveen Account in the books of Pradeep.

Answer: Joint Venture Profit ₹ 13,400 Total Payment ₹ 28,100.

8. Mahendra and Lalit agreed to purchase and sell T.V. sets. They decided to share profit or loss equally. Mahendra sent a Bank Draft ₹ 2,50,000 in favour of Lalit.

Lalit purchased 20 T.V. sets @ ₹ 20,000 each, and paid freight ₹ 2,000. Mahendra received all sets and sold T.V. set as follows:

No. of Set	Per Set Sales Value ₹	Discount on Sales
02	30,000	10%
10	28,000	--
8	27,000	5%

Mahendra sent draft for remaining balance to Lalit.

In the books of Mahendra, prepare Joint Venture with Lalit's Account and Memorandum Joint Venture Account.

Answer: Joint Venture Profit ₹ 37,200 Final payment ₹ 2,18,600.

9. Shalu and Bunti entered in to Joint venture to purchase and sell imported goods. Shalu took the responsibility for purchase and Bunti for sale. It was decided that Shalu will get interest @ 1% p.a. on the purchase price of goods and Bunti shall get salary of ₹ 500 per month. Shalu drew a bill of ₹ 20,000 on Bunti for 3 months, which was accepted by Bunti. Shalu imported goods worth ₹ 90,000 and sent to Bunti. Shalu paid carriage expenses ₹ 4,000 in dispatching goods. Bunti paid ₹ 1,600 freight and ₹ 1,400 for selling expenses. Bunti sold the whole goods for ₹ 1,30,000, this total work took 3 months' time. Prepare necessary accounts in the books of both parties. Profit is to be distributed equally.
10. Ravi and Vimal entered in to Joint Venture for purchases and sale of blanket. Ravi will purchase goods and Vimal shall undertake the sales. They decided to pay 5% interest p.a. to Ravi on his investment and also charge interest at same rate on amount received by him. Vimal will get 4% commission on sales. Profit and loss are shared equally.

Ravi purchased on 1 Jan., 2015 2000 blanket ₹ 60 per blanket. He paid packing charge and other expenses ₹ 4,000. Vimal paid freight ₹ 6,000 and sold blanket as follows : 1 Feb., 2015 300 blanket @ ₹ 90 each, 1 July 2015 1000 blanket @ ₹ 100 each, 1 Oct. 2015 500 blanket @ ₹ 84 each.

Vimal sent to Ravi ₹ 20,000 on 1 March, 2015 and ₹ 56,000 on 1 August, 2015. Remaining blankets were taken by Vimal on cost plus 25% above. On 1 Oct. 2015 final settlement was made.

Assumity that each party records all transcatons. Prepare necessary accounts in the books of both parties.

Answer: Joint Venture Profit ₹ 43,640; Calulation of Interest 3,600.

11. Sachin and Joni entered in to Joint Venture for purchase and sale of goods. They share profit loss in 3:2. For starting the work Joni sent bank draft to Sachin for ₹ 8,00,000. Sachin purchased goods worth ₹ 10,00,000 and incurred expenses to convert into salable form ₹ 2,35,000. Sachin not expenses as follows : total commission 2.5 percent and sundry expenses ₹ 35,000. Joni took the delivery and paid carriage ₹ 72,000, octroi ₹ 27,500 insurance ₹ 15,000, godown rent ₹ 25,000 and brokrage ₹ 52,000. Joni sold most of the goods for ₹ 17,25,000. Remaining goods were kept by him for ₹ 2,05,000. Prepare necessary ledger accounts in the books of both parties, assuming that all transcatons are entered by both parties.

Answer : Joint Venture Profit ₹ 4,43,500; Give Money ₹ 7,61,100.

