

## JOINT VENTURE ACCOUNT

Two or more persons agree to take a particular venture to which they contribute capital and share profits and losses in an agreed ratio. After the completion of the venture, they may dissolve the joint venture relationship. In other words, it is a temporary partnership.

Ventures may be undertaken for

- Construction of Building or Bridges.
- Consignment of goods
- Underwriting of shares, etc.

The persons who have entered into joint venture agreement are called Joint Venturers or Co-venturers. They may contribute capital and sometime goods to the joint venture as their capital contribution. The Joint Venturers may simultaneously run their own business individually alongside the joint venture business.

Here, the accounting concept of going concern is not applicable, since the venture is for a specific purpose only.

### JOINT VENTURE Vs PARTNERSHIP FIRM

- 1. Name-** In Joint Venture there is no name but firm uses a name.
- 2. Time** –Joint Venture is a short term Partnership firm is long term.
- 3. Relationship-** Joint Venture –Joint venturers or co-venturers - firm they are partners.
- 4. Legal protection-** Firm- concerned by Partnership Act 1932

JV- No law

- 5. Profit** –JV -computed for particular venturers

Firms- computed annually.

#### How to record JV in the books of accounts

- when separate books opened for JV
- when no separate books opened for JV

#### Separate Books:

In this case, separate set of books opened exclusively for joint ventures. The accounts normally opened are- Joint venture A/c-(like trading account)

Joint bank A/c

Capital A/c of co-venturers A/c or Joint venturers A/c



To Pradeep A/c.	20000		
To Joint Bank A/c.	150000		
To Joint Bank A/c.	40000		
To Rajeev A/c.	80000		
To Pradeep A/c.	60000		
	<b>450000</b>		<b>450000</b>

#### Joint Bank Account

To Rajeev A/c.	100000	By Joint venture A/c	150000
To Pradeep A/c.	130000	By Joint venture A/c	40000
To Joint Venture A/c.	450000	By Rajeev A/c.	280000
		By Pradeep A/c.	210000
	<b>680000</b>		<b>680000</b>

#### Rajeev Account

To Joint Bank A/c.	280000	By Joint Bank A/c.	100000
		By Joint venture A/c.	100000
		By Joint venture A/c.	80000
	<b>280000</b>		<b>280000</b>

#### Pradeep Account

To Joint Bank A/c.	210000	By Joint Bank A/c.	130000
		By Joint venture A/c.	20000
		By Joint venture A/c.	60000
	<b>210000</b>		<b>210000</b>

#### When separate set of books are not maintained.

In this case, the co-venturers maintain accounts for joint venture independently in their own books of accounts. No separate set of books are opened for joint venture. Here also the co-venturer may either

A] Record the whole of the Joint venture transactions in his books alongside his individual business transactions or

B] Record only his part of joint venture transactions in his books of accounts. In this case a memorandum Joint venture account is opened.

#### When all transactions of the Joint venture are recorded in the books of Co-venturers.

- For supply of goods to Joint venture:

Joint venture A/c.

Dr.

To Purchases A/c.

- For meeting expenses  
Joint Venture A/c. Dr.  
To bank A/c.
  - When the other co-venturer supplies goods or meet the expenses  
Joint Venture A/c. Dr.  
To Co- Venturer A/c.
  - For sale on venture or completion of joint venture  
Bank A/c. Dr.  
To Joint Venture A/c.
  - When sales made by the other co-venturer  
Co-venturer A/c. Dr.  
To Joint Venture
  - For profit on Joint venture  
Joint Venture A/c. Dr.  
To Profit and loss A/c. (for his share of profit)  
To Other Co-Venturer A/c.(For the other co-venturer share of profit)
  - For settlement of Joint venture – When money payable to other co-venturer  
Co-venturer A/c. Dr.  
To Bank A/c.  
When money receivable from the other co-venturer  
Bank A/c. Dr.  
To Co- Venturer A/c.
- Ram and Rahim entered into a joint venture to take a building for Rs.24,00,000/-.

They provided the following information regarding the expenditure incurred by them.

Materials	Ram	680000	Rahim	500000
Cement	Ram	130000	Rahim	170000
Wages paid by rahim				270000
Architect's fees paid by ram				100000
Licence fees paid by rahim				50000
Plant brought by rahim				200000

Plant was valued at Rs.100000/- at the end of the contract and rahim agreed to take it at that value. Contract valued received by ram. Profits are shared equally. Show Joint venture account in the books of ram and Ram account in the books of Rahim.

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

To Bank A/c. Material 680000 Cement 130000 Architect 100000	910000	By Bank A/c.	2400000
To Rahim A/c.		By Rahim A/c. Plant	100000

Material 500000			
Cement 170000			
Wages 270000			
Licence 50000			
Plant 200000	1190000		
To Rahim A/c.	200000		
To P and L A/c.	200000		
	<b>2500000</b>		<b>2500000</b>

#### Rahim Account

To Joint Venture A/c. (plant)	100000	By Joint Venture A/c.	1190000
To Balance C/d.	1290000	By Joint venture A/c.	200000
	<b>1390000</b>		<b>1390000</b>

#### In the Books of Rahim Joint Venture Account

To Ram A/c.		By Ram A/c.	2400000
Material 680000			
Cement 130000			
Architect 100000	910000		
To Bank A/c.		By Plant A/c	100000
Material 500000			
Cement 170000			
Wages 270000			
Licence 50000			
Plant 200000	1190000		
To Ram A/c.	200000		
To P and L A/c.	200000		
	<b>2500000</b>		<b>2500000</b>

#### Ram Account

To Joint Venture A/c. (plant)	2400000	By Joint Venture A/c.	910000
		By Joint venture A/c.	200000
		To Balance C/d.	1290000
	<b>2400000</b>		<b>2400000</b>

#### **When the co-venturers record their transactions only in their books of accounts**

In this case, the co-venturer records only those transactions which are entered by him and not record the transactions entered by the other co-venturer. However, both

will send a statement to other co-venturer about the transactions entered by them. In order to find out the net result, we have to prepare a memorandum joint venture account.

When the co-venturer supplies materials

Joint Venture with other co-venturer A/c. Dr.  
To Purchases A/c.

When expenses are met by the co-venturer

Joint Venture with co-venturer A/c Dr.  
To Bank A/c.

For sale on venture

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

For profit on venture

Joint venture with other co-venturer A/c. Dr.  
To profit and loss A/c.

For final payment to be made to other co-venturer

Joint venture with other co-venturer A/c. Dr.  
To bank A/c.

Abraham and balu were partners in a Joint venture sharing equally. Abraham supplied good to the value of Rs.250000/- and incurred expenses of Rs.20000/-. Balu supplied goods to the value of Rs.200000/- and incurred expenses of Rs.20000/-. Balu sold the entire goods on behalf of the Joint venture and realized Rs.600000/-. He also entitled to a commission at 5% on sales. Balu settled the account by a bank draft. Show journal and ledger account in the books of both with they record their transaction only.

**In the Books of Abraham  
Joint Venture with Balu Account**

To purchase A/c.	250000	By Bank A/c.	600000
To Bank A/c. (ex +comm)	50000		
To P and L A/c.	40000		
To Bank A/c.	260000		
	<b>600000</b>		<b>600000</b>

**Memorandum Joint Venture Account**

To Abraham A/c.	250000	By Bank A/c.	600000
To Abraham A/c.	20000		
To Abraham A/c.(commission)	30000		
To Balu A/c.	200000		
To Balu A/c.	20000		
To Net profit Abraham	40000		

To Net profit Balu	40000		
	<b>600000</b>		<b>600000</b>

**In the Books of Balu  
Joint Venture with Abraham Account**

To purchase A/c.	200000	By Bank A/c.	600000
To Bank A/c. (expenses)	20000		
To P and L A/c.	40000		
To Bank A/c.	340000		
	<b>600000</b>		<b>600000</b>

**Memorandum Joint Venture Account**

To Abraham A/c.	250000	By Bank A/c.	600000
To Abraham A/c.	20000		
To Abraham A/c.(commission)	30000		
To Balu A/c.	200000		
To Balu A/c.	20000		
To Net profit Abraham	40000		
To Net profit Balu	40000		
	<b>600000</b>		<b>600000</b>

**OBJECTIVE TYPE QUESTIONS.**

1. The concept which is not followed in case of Joint venture account is

A] Entity concept	B] cost concept	C] Periodicity concept	D] Going concern concept
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2. A B and C are co-venturers. The relative profit sharing ratio between A and B is 3:2 and between B & C is 3:2. Find out the profit sharing ratio between A, B & C

A] 3:2:2	B]4:3:2	C]3:2:1	D] 9:6:4
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3. Ram and Shayam entered into Joint venture sharing profits and loss in the ratio of 4:2. Ram purchased goods costing Rs.500000/- and shayam sold the goods for Rs.600000/-. Ram entitled to get 1% commission on purchase and Shayam is entitled for 5 % commission on sale . The profit on the venture will be

A] 65000	B] 95000	C] 70000	D] 100000
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4. Ramesh and Mahesh were in a joint venture to sell New Year gifts. Profit and loss to be shared equally. Ramesh purchased goods worth Rs.100000/- and spend Rs.10000/- in sending the goods to Mahesh and paid insurance Rs.5000/-. Mahesh spent Rs.10000/- as selling expenses and sold the goods for Rs.200000/-. Remaining goods worth Rs.5000/- also taken over by Mahesh. What will be final settlement by Mahesh to Ramesh

A] 150000	B] 115000	C] 155000	D] 80000
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5. Arun and Balu entered into a Joint venture to underwrite the shares of K and M Limited. K and M Limited make an equity issue of 200000 equity shares of Rs.10/- each. 75% of the issues are subscribed by the public. The balance of shares to be shared by arun and balu in their profit sharing ratio of 3:2. How many shares to be taken by balu.

A] 20000 shares	B] 2000 shares	C] 80000 shares	D] 30000 shares
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6. Memorandum Joint venture account is opened when

A] When separate set of books are opened
B] when no separate set of books are opened and the co-venturer record all transactions of the joint venture
C] when no separate set of books are opened and the co-venturer record only those transactions of the joint venture relates to him
D] On all occasions.

7. When a co-venturer takes back Joint venture stock after its completion, the journal entry to be entered when separate sets of books are maintained as

A] Co-venturer A/c. To J. V. A/c.	B] J V A/c. To C. V. A/c.	C] Joint Bank A/c. To J. V. A/c.	D] No need to enter any journal
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8. Joint venture account is governed by

A] Partnership Act 1932	B] Companies Act 1956	C] Sale of Goods Act	D] None
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9. If the unsold stock worth Rs.50000/- is taken back by one of the co-venturer at Rs.40000/-. The amount to be credited to joint venture Account is

A] 50000/-	B] 40000/-	C] 10000/-	D] nil
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10. Akil and Mukil entered into a joint venture to underwrite shares of Ambani Limited. Ambani Limited makes an equity issue of 200000. 80% of the shares are underwritten by the co-venturer. 160000 shares are subscribed by public. How many shares to be purchased by Akil and Mukil

A] 32000 shares	B] 40000 shares	C] 36000 shares	D] nil shares
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11. Joint venture Account is an example of

A] Personal account	B] Real account	C] Nominal account	D] none
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12. Purchases made and expenses paid from out of Joint Bank account are debited to

A] Joint Bank A/c.	B] Co-venture A/c.	C] Joint Venture A/c.	D] Assets account
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13. The member of joint venture is called

A] Manager	B] Co-venture	C] Partner	D] Shareholder
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14. Maximum number of members in Joint venture are

A] 2	B] 7	C] 20	D] no limit
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15. Which of the following law regulate to Joint venture

A] Partnership Act 1932	B] Companies Act 1956	C] Contract Act	D] None
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16. M and N enter into a joint venture where M supplies goods worth Rs.6000 and spends Rs.100 on various expenses. N sells the entire lot for Rs.7500 meeting selling expenses amount to Rs.200. The profit sharing ratio is equal. N remits to M the amount due. The amount of remittance will be

A] 6700	B] 7300	C] 6400	D] 6100
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17. In memorandum joint venture account method, each co-venture records

A] All the joint venture transactions	B] Common joint venture transactions	C] only those which are effected by him only	D] None
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18. For sale of goods for cash in case of Memorandum Joint venture account method

A] cash A/c. Dr. To goods A/c	B] Cash A/c. Dr. To Co-venturer A/c.	C] Cash A/c. To J V A/c.	D] Joint venture A/c To memo. JV A/c.
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19. For purchase of plant from Joint Bank Account, in case of separate sets of books

A] Plant A/c. Dr. To J B A/c	B] J V A/c. Dr. To J B A/c.	C] Plant A/c. To Venture capital A/c.	D] J V A/c To Plant A/c.
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20. When goods are purchased for the joint venture, the amount is debited to

A] Purchase A/c.	B] Joint Venture A/c.	C] Venture' Capital A/c.	D] Goods A/c.
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### ANSWERS

1] d	2] d	3] a	4] d	5] a	6] c	7] a	8] d	9] b	10] d
11] c	12] c	13] b	14] d	15] d	16] a	17] c	18] b	19] b	20] b