

Joint Venture

* It is a short term business undertaken by two or more people who share profit and losses in an agreed ratio.

- * Features →
- ① Agreement
 - ② Joint control temporary partners
 - ③ Pooling of resources
 - ④ Dissolution (Accounts are prepared when the project is completed)
 - ⑤ Sharing of profits and losses

* Difference between Joint venture & partnership.

	Joint venture	Partnership.
Meaning	It is a short term business.	① It is for the long term business arrangement where two or more persons agree to carry on business and share profit & losses.
Governing Act	No such Act	② The Indian Partnership Act, 1932
Business carried by	Co-ventures	Partners
Basis of Accounting	No liquidation	Accounting period (1 apr - 31 mar)
Trade Name	NO	Yes.
Status of minor	Not allowed	Allowed only for benefits

* difference between Joint venture and consignment

	Joint venture	Consignment
Meaning	It is a short term Business project.	Consignment is an arrangement where consignor supplies the goods to consignee for sales based on commission.
Relationship	It is temporary Act as partners.	It is long term deal Relation of principal and Agent.
Ownership	Shared with the others partners	Ownership lies with the consignor.
Sharing of profit basis of Accounting	Equally as per the agreement On liquidation	Profit is taken by the consignor On continuous basis (Accounting period).

* Types of Joint Venture →

- ① Project
- ② Vertical
- ③ Horizontal
- ④ Functional

- ① Project → (Undertaken to accomplish one project)
- ② Vertical → (Persons working at different stages of production comes together)
- ③ Horizontal → (When competitors come together to expand their business)
- ④ Functional → (Persons with different skills come together to create synergy)

* Methods for determining profits in Joint Venture :->

- ① when one co-venture is appointed to manage the accounts
- ② when separate set of books is not maintained
- ③ when separate set of books is maintained
- ④ Memorandum method.

I When one co-venturer is appointed to manage the accounts.

-> This method is used when buying & selling is done by one co-venture

-> He is responsible to keep record of all transactions.

Imp -> A nominal account that is nominal account is prepared where expenses are debited & incomes are credited.

2) In case the transaction is done by the manager co-venturer, it is to be recorded as bank account for expenses will be on the purchases & the transactions done by other co-venturer will be recorded by their name.

ques ① 3 co-venturer A, B, C

	<u>C</u>	<u>A</u>	<u>M</u>
Sales	75000		
Purchase		50000	10000
Exp	1600	6000	800

Profit is shared equally

In the books of C
Joint Venture A/c

Particulars	₹	Particulars	₹
TO A's A/c (Purchase)	25000	By Bank A/c (Sales)	75000
TO A's A/c (Freight)	600		
TO M's A/c (Purchase)	35000		
TO M's A/c (Freight)	800		
TO Bank A/c (Exp)	1600		
TO Net Profit			
P/L A/c - 4000			
A's A/c - 4000			
M's A/c - 4000	12000		
	75000		75000

Co-venturer's A/c

Particulars	A	M	Particulars	A	M
Bank A/c	29600	39800	JV A/c (Purchase)	25000	35000
(will pay to A+M)			JV A/c (Freight)	600	800
			JV A/c (Profit)	4000	4000
	29800	39800		29600	39800

Journal Entries

Particulars	Dr (₹)	Cr (₹)
JV A/c	Dr	60000
TO A's A/c		25000
TO M's A/c		35000
(Purchases)		
JV A/c	Dr	1400
TO A's A/c		600
TO M's A/c		800
(Freight)		

JV A/c	Dr	1600	1600
TO Bank A/c			
(Exp by C)			
Bank A/c	Dr	75000	75000
TO JV A/c			
Joint venture	Dr	12000	4000
TO P/L A/c			4000
TO A/s A/c			4000
TO M/s A/c			
A/s A/c	Dr	29600	
M/s A/c		39800	
TO Bank A/c			69400

ques @	Ram	Moham	Rahim
Cap	5000	5000	5000
Purchases	13000		
Goods	1000		1500
Expenses	250		50
Sales	20800		
Commission	5% on sales 1040		
Unsold stock		500	

In the Books of Ram
Joint venture A/c

Particulars	₹	Particulars	₹
TO Bank A/c (Purch)	13000	By Bank A/c (Sales)	20800
TO Goods A/c	1000	By Moham's A/c	500
TO Rahim's A/c (Goods)	1500	(Unsold stock)	
TO Bank A/c (Exp)	250		
TO Rahim's A/c (Exp)	50		
TO Commission (Comm)	1040		
Bank			

TON P	4460.	21300
1486		
1487	21300	
1487		

Co-Venturer's A/c

Particular	Mohan	Rahim	Particular	Mohan	Rahim
JV A/c (unsold stock)	500		JV A/c (Goods)		1500
Bank A/c (Ram will pay)	5987	8037	JV A/c (Expenses)		50
	4500	8550	Bank A/c (Cap)	5000	5000
			JV A/c Profit	1487	1487

Journal Entries

Particulars	Dr (₹)	Cr (₹)
Joint Venture A/c	Dr 15000	
TO Ram's A/c		5000
TO Mohan's A/c		5000
TO Rahim's A/c		5000
JV A/c	13000	
TO Ram's A/c		13000
JV A/c	Dr 3500	
TO Ram's A/c		1000
TO Rahim's A/c		2500
JV A/c	Dr 300.	
TO Ram's A/c		250
TO Rahim's A/c		50
JV A/c	Dr 1040	
TO Ram's A/c		1040
Mohan's A/c	Dr 500	
TO Unsold stock		500
JV A/c	Dr 4460	
TO Ram's A/c		1486
TO Mohan's A/c		1487
TO Rahim's A/c		1487

Joint Venture Dr	4460	
TO P+L A/c		1486
TO Ram's A/c		1487
TO Mohan's A/c		31487
TO Rahim's A/c		1487

- * When separate set of books is not maintained
 - Each Co-venturer will prepare accounts in their own books
 - Account to be prepared Joint venture & Co-venture

for numerical Same as 1 method, the only difference is that each co-venturer will prepare their books

ques →	Ram	Rahim
Material	680,000	500,000
Cement	130,000	170,000
Wages	-	270,000
Fees	100,000	-
License fees	-	50,000
Plant	-	200,000

unsold/unutilised Plant 100,000 (Rahim)
Contract Asset ₹ 2400,000 (Ram) Cr

Joint Venture

Int the books of Ram

Particulars	₹	Particulars	₹
TO Bank A/c (Material)	680,000	By Bank A/c	2400,000
(Cement)	130,000	(Contract amount)	
(Fees)	100,000	By Rahim's A/c	100,000
TO Rahim's A/c		(Plant)	
Material	500,000		
Cement	170,000		
Wages	270,000		
d.f	50,000		
Plant	200,000		
	11,90,000		
TO NP			
P&L A/c	200,000		
Rahim's A/c	200,000		
	400,000		
	2500,000		2500,000

CO-venturer's A/c

Particulars	₹ (Rahim)	Particulars	₹ (Rahim)
JVA/c (Plant)	100,000	Joint Venture A/c	11,90,000
Bank A/c (B/P)	12,90,000	(Sundries)	
(Paid to Rahim)		JV A/c	
		(Profit)	200,000
	1390,000		1390,000

In the Books of Rahim Joint Venture

Particulars	₹	Particulars	₹
TO Ram's A/c		By Bank A/c (Contract amount)	2400,000
Material - 680000		By Rahim's A/c (Plant)	100,000
Cement - 130000			
Fees - 100,000	910,000		
TO Bank A/c			
Material - 500000			
Cement 170000			
Wages 270000			
LF 50000			
Plant 200,000	1190,000		
TO Net profit			
P/L A/c - 200,000			
Ram's A/c - 200,000	400,000		
	2500,000		2500,000

Co-venturer's A/c

Particulars	Ram (₹)	Particulars	Ram (₹)
JV A/c (Contract asset)	2400,000	Joint venture A/c (Sundries)	910,000
		JV A/c (Profit)	200,000
		Bank A/c	12,90,000
	2400,000		2400,000

ques 2	A	B
Profit sharing ratio	4/5	1/5
Goods	5000	4000
Exp	400	300
Sales		12000
Comm 5%		(12000 x 5% = 600)

In the Books of B

Joint Venture

Particulars	₹	Particulars	₹
TO A's A/c (Goods)	5000	By Bank A/c (Sales)	12000
TO A's A/c (Exp)	400		
TO Bank A/c			
Goods- 4000			
Exp - 300			
Comm- 600	4900		
TO NP			
A - 1360			
BP & LA/c - 340	1700		
	12000		12000

Co-venturer's A/c

Particulars	A	Particulars	₹
Bank A/c (B/F) (B will pay)	6760	JV A/c (Goods)	5000
		JV A/c (Exp)	400
		JV A/c (Profits)	1360
	6760		6760

~~III~~ When separate set of books are kept

(IV) Memorandum Method.

- Under this method memorandum joint venture A/c is prepared where expenses are debited & incomes are credited.
- In the books of each co-venturer a joint venture A/c is prepared with other Co-venturer.

Items	A	B	C
	3/6	2/6	1/6
Supplies	15000	10000	5000
Expenses	1500	1000	500
Sales	25000	15000	4000
Goods unsold taken over by	-	-	-
Comm 5%	$25000 \times 5\% = 1250$	$15000 \times 5\% = 750$	

Memorandum Joint Venture Ac

Expenses	₹	Incomes	₹
TO supplies		By Sales	
A- 15000		A- 25000	
B- 10000		B- 15000	40000
C- 5000	30000	By Goods unsold (C's)	4000
TO Expenses			
A- 1500			
B- 1000			
C- 500	3000		
TO Commission			
A- 1250			
B- 750	2000		
TO Profit			
A- 4500			
B- 3000			
C- 1500	9000		
	44000		44000

In the Books of A.
JV with B and C.

Particulars	₹	Particulars	₹
TO Bank A/c (Purchases)	15000	By Bank A/c (Sales)	25000
TO Bank A/c (Expenses)	1500	By Bank A/c (rec from B)	250
TO Comm	1250		
TO P+L A/c	4500		
TO Bank A/c (Payment to C)	3000		

In the Books of B.
JV with A and C

PR	₹	PR	₹
TO Bank A/c (Purchases)	10000	By Bank (Sales)	15000
TO Bank A/c (Expenses)	1000		
TO Comm	750		
TO Profit	3000		
TO Bank A/c	250		
	15000		15000

In the Books of C.

PR	₹	PR	₹
TO Bank A/c (Purchases)	5000	By Bank (Sales) (Unsold stock)	4000
TO Bank A/c (Expenses)	500	By Bank A/c	3000
TO Profit	1500		
	7000		7000

Ques.	Memorandum Joint Venture A/c		
	Expenses	₹	Incomes
	TO Purchases		By sales
	B - 215000		B - 500,000
	C - 350000	565000	C - 580000
	TO Expenses		
	B - 30000		
	C - 40000	70000	
	TO Profit		
	B - 222500		
	C - 222500	445000	

WN → Net sale proceeds of goods by A

Sale of 120t @ 10000 pt	- 12,00,000
less: selling exp	<u>12000</u>
	11,88,000
less: Commission 10%	
(11,88,000 × $\frac{10}{110}$)	<u>108000</u>
Remitted to B	10,80,000
Remitted to C.	<u>500,000</u>
	580000

In the Books of B
JV with C.

Particulars	₹	Particulars	₹
TO Bank (Purchases)	215000	By Bank (sales)	500,000
TO Bank (Expenses)	30000		
TO Profit	222500		
TO Bank	32500		
	500000		500,000

In the Books of C
JV with B.

Particulars	₹	Particulars	₹
TO Bank (Purchases)	350000	By Bank (sales)	580000
TO Bank (Expenses)	40000	By Bank	32500
TO Profit	222500		
	612500		612500

III When separate set of Books is maintained

Ques Contract Price ₹ 25,00,000

20,00,000 Bank A/c
500,000 Shares

	Ram	Shyam
JB A/c	6,25,000 2/3	3,75,000 (Dr) 1/3
Supplies	100,000	49,500
Architector fee	50000	-
Shares	425,000	42500
Unsold stock	-	-

Paid wages - ₹ 50,000 } JB.
Material - 15,00,000 }

Joint venture A/c

Particulars	₹	Particulars	₹
TO Joint venture	20,00,000	JB A/c (Contract Price)	20,00,000
TO Ram's A/c	150,000	By Shyam's A/c	500,000
TO Shyam's A/c	49,500	By Shyam's A/c	49,500
TO JB A/c		(Unsold stock)	
Mt - 150,000			
Wage - ₹ 50,000	22,50,000		
TO Shyam A/c (loss)	75,000		
TO Profit			
R - 12000			
S - 6000	18000		

Joint Bank A/c

TO JV A/c (Contract Price)	20,00,000	By JV A/c (wages)	22,50,000
TO Ram's A/c	825000	By Ram's A/c	362000
TO Shyam's A/c	375000	By Shyam's A/c	388000
	3000,000		3000,000

Co-venturer's A/c

PR	Ram	Shyam	PR	Ram	Shyam
TO Shares A/c	425000	-	↓ B A/c	825000	375000
TO JV A/c	-	425000	JV A/c (M _t)	100000	495000
TO Bank A/c	362000	388000	JV A/c (Fees)	50000	
			JV A/c (Profit)	120000	60000