

CHAPTER - 3

(ACCOUNTING FOR JOINT VENTURES)

METHODS FOR MAINTAINING JOINT VENTURE ACCOUNTS

METHOD 1 : WHEN SEPARATE SET OF BOOKS ARE MAINTAINED

- Joint venture account
- Co-venture 's account
- Joint bank account

METHOD 2 : WHEN SEPARATE SET OF BOOKS ARE NOT MAINTAINED

CASE 1: When each co-ventures keep record of all transactions

- Joint venture account
- Co-venture's account

CASE 2 : When each co-venture keep record of own transaction only

- Memorandum joint venture account
- Joint venture with co-venture account

METHOD 1 : WHEN SEPARATE SET OF BOOKS ARE MAINTAINED JOURNAL ENTREIS

SL. NO	PARTICULAR'S	ENTRIE'S
1.	When the contribution made by the co-venture's	Joint bank account Dr. To co-ventures' account
2.	When the expenses paid through joint bank account	Joint venture account Dr. To joint bank account
3.	When the expenses paid or materials supplied by the co-ventures from private account	Joint venture account Dr. To co-venture account
4.	When the sales proceeds or collections	Joint bank account Dr. To joint venture account
5.	When the collections received by co-ventures	Co-ventures account Dr. To joint venture account
6.	When the assets taken over by the co-venture's	Co-ventures account Dr. To joint venture account
7.	When the liabilities taken over by the	Joint venture account Dr.

	co-ventures	To co-venture account
8.	When there is profit on joint venture	Joint venture account Dr. To co-venture account
9.	When there is loss on joint venture	Co-venture account Dr. To joint venture account
10	When the final settlement made to co-venture's	Co-venture account Dr. To joint bank account

METHOD - 2

WHEN SEPARATE SET OF BOOKS ARE NOT MAINTAINED WHEN EACH CO-VENTURER KEEP RECORD OF ALL TRANSACTIONS

JOURNAL ENTRIES

SL.NO	PARTICULARS	ENTRIES
1	When goods supplied to joint venture form own business stock	Joint venture account Dr. To purchase account
2	When joint venture expenses paid	Joint venture account Dr. To cash/bank account
3	When the material supplied to or expenses paid for joint venture by other co-ventures	Joint venture account Dr. To co-venture's account
4	When the sales made	Cash/bank account Dr. To joint venture account
5	When the sales made by other co-ventures	Co-venture 's account Dr. To joint venture account
6	When the venture profit	Joint venture account Dr. To profit and loss account (own share) To co-venture's account
7	When the ventures loss	Profit and loss account (own share) Dr. Co-venture's account Dr. To joint venture account
8	When the final settlement to co-ventures	
A	When amount is paid to co-ventures	Co-ventures account Dr. To cash/bank account
B	When amount is received from co-ventures	Cash/bank account Dr. To co-venture's account

METHOD 3

WHEN EACH CO-VENTURER KEEP RECORD OF OWN TRANSACTIONS ONLY MEMORANDUM JOINT VENTURE ACCOUNT

JORNAL ENTRIES

SL. NO	PARTICULARS	ENTRIES
1	Goods supplied to joint venture form business stock	Joint venture account Dr. To purchase account
2	When joint venture expenses paid	Joint venture account Dr. To cash/bank account
3	When the sales made	Cash/bank account Dr. To joint venture account
4	When own share in the joint venture profit	Joint venture account Dr. Profit and loss account
5	When own share in the joint venture loss	Profit and loss account Dr. To joint venture account
6	When cash received from other co-venture	Cash/bank account Dr. To joint venture account
7	When cash remitted to other co-venture	Joint venture account Dr. To cash/bank account
8	When the final settlement	
9	When amount is paid to co-ventures	Joint venturers account Dr. To cash/bank account
10	When amount is received from co-ventures	Cash/bank account Dr. To joint venture account

1. What is Joint Venture?

A. Joint Venture is a temporary form of business, where two or more persons join together to meet the short term objectives. It is quiet similar to Partnership firm, but established without name or registration separately under any law.

2. Who are Co-Ventures?

A: The two or more people who start Joint Venture to achieve the short term objectives and ready to share the risk and return in the venture, are called Co-Ventures. They are similar to Partners in the Partnership firm.

3. State any four features of Joint Venture.

A. The following are the important features of Joint Venture.

1. Joint is a temporary business arrangement.
2. It is quiet similar to the form of partnership.
3. Two or more people join together to meet the short term objectives.
4. It does not have any name or registration separately under any law.

4. State any two differences between Joint Venture and Partnership.

A. Joint Venture is a temporary partnership; partnership is a long term Joint Venture. The following are the differences between Joint Venture and Partnership.

BASIS	JOINT VENTURE	PARTNERSHIP FIRM
1. Name of the Venture	Joint Venture does not have any name of running business.	Partnership has its own name of running business.
2. Nature of members	Members in Joint Venture are Co-Ventures	Members in Partnership firm are partners
3. Nature of objectives	Temporary / short term objectives are set in joint venture	Long term objectives are set in partnership firm.
4. Registration of firm	No registration of business under any law	Registration is optional, but available.
5. Books of accounts	No separate set of books are maintained in the books of joint venture.	Separate set of books are maintained in the books of partnership firm.
6. Freedom for additional business	Co-ventures have freedom to do similar business and complete.	Partners do not have freedom to do similar business and complete.
7. Dissolution	Joint venture is dissolved as soon	Partnership is dissolved only at

	as its work has been completed.	the mutual opinion of partners.
8. Maintenance of separate set of books	Not necessary	Mandatory
9. Status of Minor	A minor cannot become a co-venturer.	A minor can become a partner to the benefits of the firms.
10. Governing Act	There is no such specific act.	The partnership is governed by the Indian Partnership Act, 1932.

5. State any two differences between Joint Venture and Consignment.

A. the following are the important differences between Joint Venture and Consignment.

BASIS	JOINT VENTURE	CONSIGNMENT
1. Nature of parties	The parties of Joint Venture are Co-Venturers.	The parties of Consignment are Consignor and Consignee.
2. Nature of relationship between parties	Relationship of Parties in Joint Venture are called partners	Relationships of Parties in consignment are Principal and Agent.
3. Powers to Parties	Co-venturers have full powers to purchase and sale of assets, collection of dues.	Consignee has to act like an agent to consignor and has limited power.
4. Law applicability	Partnership act is applicable to joint venture	Law of agency is applicable.
5. sharing of profits or loss	Co-ventures have right to share profit or loss of venture.	Consignor and consignee do not share the profit or loss of consignment.
6. scope of business	There is a wide scope for joint venture business. It includes different ventures.	The scope of consignment is narrow. It is concerned with the sale of movable goods.
7. Number of persons	More than two persons are possible in joint venture.	One consignor, but more than two consignees in consignment.

6. State the methods of accounting for Joint Venture.

A. The accounting treatment for Joint Venture has been studied under two board classifications they are.

1. When separate set of books are maintained for Joint Venture.
2. When no separate set of books are maintained for Joint Venture.

7. Why do you prepare Joint Venture Account?

It is a normal ledger account, incorporates transactions made exclusively in Joint venture to find out its profit of loss. It is maintained from the starting date of Joint venture to the date of dissolution.

8. What is joint bank account?

It is similar to normal bank account. It records all expense in the credit side and all incomes in the debit side. The contribution of cash made by co-venture's, income through sale of goods etc, are debited and expenses of joint venture, purchase of goods are credited.

9. What is memorandum joint venture account?

It is not an account prepared under double entry principles of accounts. All the expenses paid by each co-ventures are debited and income (sales) made by each co-ventures are credited in the respective co-ventures name. it is prepared to find out the profit or loss of joint venture.

10.State the feature of joint ventures.

- Joint venture is a temporary business arrangement
- It is quiet similar to the form of partnership.
- Two or more people join together to meet the short term objectives.
- It does not have any name or registration separately under any law.
- The people, who are starting the joint venture and sharing the risk, return, are called co-ventures.
- The profit of loss of joint venture is ascertained at the time of closing the business.
- Co-ventures have unlimited liability if there is a huge loss in the venture.
- All the assets are received in cash and all liabilities are paid in cash.
- Joint venture is a special partnership without a firm name.
- Joint venture does not follow the accounting concept 'going concern'.
- The members of joint venture are known as co-ventures.
- Joint venture is a temporary business activity.