CHAPTER-6

ACCOUNTING FOR JOINT VENTURE

Separate set of Books Maintained

Question-1

X and Y entered into a joint venture for purchase and sale of some household items. They agreed to share profits and losses in the ratio of their respective contributions. X contributed ₹ 10,000 in cash and Y ₹ 13,000. The whole amount was placed in a Joint Bank Account. Goods were purchased by X for ₹ 10,000 and expenses paid by Y amounted to ₹ 2,000. They also purchased goods for ₹ 15,000 through the Joint Bank Account. The expenses on purchase and sale of the articles amounted to ₹ 6,000 (including those met by Y). Goods costing ₹ 20,000 were sold for ₹ 45,000 and the balance were lost by fire.

Prepare Joint Venture Account, Joint Bank Account and the Ventures' Accounts closing the venture.

(Dec-14, 8 Marks)

Solution

Joint Venture Account

Particulars	Amount (₹)	Particulars	Amount (₹)
To X (Goods)	10,000	By Joint Bank A/c (Sales)	45,000
To Y (Expenses)	2,000		
To Joint Bank A/c (Goods)	15,000		
To Joint Bank A/c (Expenses)	4,000		
To Profit on Joint Venture transferred to:			
X (4/7 share) 8,000			
Y (3/7 share) 6,000	14,000		
	45,000		45,000

Profit of joint venture is to be divided in proportion to the contributions of X and Y. Their contributions are:

	X's Contribution (₹)	Y's Contribution (₹)
Amount contributed in cash	10,000	13,000
Expenses paid by Y		2,000

Goods purchased by X	10,000	
	20,000	15,000

Thus, profit sharing ratio between X and Y is 20,000: 15,000, i.e., 4:3 or 4/7 and 3/7 respectively.

Joint Bank Account

Particulars	Amount (₹)	Particulars	Amount (₹)
To X	10,000	By Joint Venture A/c (Expenses)	4,000
To Y	13,000	By Joint Venture A/c (Goods)	15,000
To Joint Venture A/c (Sales)	45,000	By X	28,000
		By Y	21,000
	68,000		68,000

X Account

Particulars	Amount (₹)	Particulars	Amount (₹)
To Joint Bank A/c	28,000	By Joint Bank A/c	10,000
		By Joint Venture A/c (Goods)	10,000
		By Joint Venture A/c (Profit)	8,000
	28,000		28,000

Y Account

Particulars	Amount (₹)	Particulars	Amount (₹)
To Joint Bank A/c	21,000	By Joint Bank A/c	13,000
		By Joint Venture A/c (Expenses)	2,000
		By Joint Venture A/c (Profit)	6,000
	21,000		21,000

Question-2

Amal and Vimal are doing business separately as engineering contractors. They undertake jointly to build and install new machinery for a company for a contract price of ₹ 2,68,000, out of which ₹ 1,68,000 payable in instalments in cash and the balance as fully paid shares in the new company. A bank account is opened in joint name, Amal paying ₹ 90,000 and Vimal 40,000. They agreed to share profits and losses in the proportion of 3/5 and 2/5, respectively. The transactions were:

Particulars	Amount (₹)
Amount advanced to suppliers for supply of materials	**1,04,000**

Value of materials supplied by suppliers	**1,78,000**
Balance amount paid to suppliers in full and final settlement	**71,000**
Paid Wages	**72,000**
Materials purchased in Cash	**5,000**
Materials supplied by Amal from stock	**18,500**
Engineering consultant's fees paid	**6,500**
Value of stock lost by fire and not covered by Insurance	**7,000**

The contract was completed and price was duly received. Amal took all the shares at an agreed value of ₹ 94,000 and Vimal took the balance stock of materials worth ₹ 7,000 at an agreed value of ₹ 5,500.

Show the necessary ledger accounts assuming that separate set of books is maintained.

Solution

Joint Venture Account

Particulars		Amount (₹)	Particulars		Amount (₹)
To Creditors A/c (Materials Supplied)		1,78,000	By Creditors A/c (Discount Received) (1,78,000 - 1,04,000 - 71,000)		3,000
To Joint Bank A/c:			By Joint Bank A/c (Part Contract Price Received)		1,68,000
Wages	72,000		By Shares A/c (Balance)		1,00,000
Materials	5,000				
Consultant's Fees	6,500	83,500			
To Amal's capital A/c (Materials Supplied)		18,500			
To Shares A/c (Loss)		6,000	By Vimal's Capital A/c (Materials taken)		5,500
			By Loss on Venture:		
			Amal's Capital A/c (3/5)	5,700	
			Vimal's Capital A/c (2/5)	3,800	9,500
		2,86,000			2,86,000

Creditors Account

Particulars	Amount (₹)	Particulars	Amount (₹)
To Joint Bank A/c (Payment)	1,04,000	By Joint Venture A/c (Materials Supplied)	1,78,000
To Joint Bank A/c (Payment)	71,000		
To Joint Venture A/c (Discount)	3,000		
	1,78,000		1,78,000

Joint Bank Account

Particulars	Amount (₹)	Particulars		Amount (₹)
To Amal's Capital A/c	90,000	By Creditors' A/c		1,04,000
To Vimal's Capital A/c	40,000	By Creditors' A/c		71,000
To Joint Bank A/c (Part Contract Price)	1,68,000	By Joint Venture A/c:		
		Wages	72,000	
		Materials	5,000	
		Consultants' Fees	6,500	83,500
		By Amal's Capital A/c		8,800
		By Vimal's Capital A/c		30,700
	2,98,000			2,98,000

Co-Venturers' Account

Particulars	Amal (₹)	Vimal (₹)	Particulars	Amal (₹)	Vimal (₹)
To Joint Venture A/c (Materials taken)	-	5,500	By Joint Bank A/c	90,000	40,000
To Shares A/c (shares taken)	94,000	-	By Joint Venture A/c (materials supplied)	18,500	-
To Joint Venture A/c (loss on venture)	5,700	3,800			
To Joint Bank A/c (Final payment) (Bal.fig.)	8,800	30,700			
	1,08,500	40,000		1,08,500	40,000

Shares Account

Particulars	Amount	Particulars	Amount
To Joint Venture A/c (Part Contract Price)	1,00,000	By Amal's Capital A/c (Share taken)	94,000
		By Joint Venture A/c (Loss)	6,000
	1,00,000		1,00,000

Question-3

A and B jointly undertake to construct a building for Big & Rich Ltd. for contract price of ₹ 50,00,000 payable as to 80% in cash by four equal instalments and the balance by in fully paid shares of ₹ 10 each at a premium of 100%. They opened a bank account in their joint name and deposited ₹ 24,00,000 in the ratio of 2:1. They agreed to distribute first ₹5,00,000 of profits equally and the balance in the ratio of 2:1.

Their transactions were as follows:

a. **Materials supplied by A ₹ 60,000.**
b. **Wages paid ₹ 6,00,000, material bought ₹ 9,00,000, Mixer ₹ 1,00,000, Plant ₹ 3,00,000.**
c. **Expenses (including insurance premium) paid by B ₹40,000.**
d. **On completion of construction, the contract price was realized.**
e. **A took over unused materials at ₹ 40,000 and B took over mixer at ₹ 60,000**
f. **Plant was sold at ₹ 1,85,000**
g. **Materials costing ₹ 20,000 stolen against which claim of ₹ 15,000 was received.**
h. **A took-up 60% of the shares and B took-up the balance at an agreed value of ₹ 15 per share.**
i. **Accounts were settled.**

Prepare Joint Venture Account, Joint Bank Account and Co-Venturers' Account.

Solution

Joint Venture Account

Particulars		Amount (₹)	Particulars	Amount (₹)
To Joint Bank A/c:			By Joint Bank A/c	40,00,000
Wages	6,00,000		By Equity Shares A/c	10,00,000
Material	9,00,000		By A (Material)	40,000
Mixer	1,00,000		By B (Mixer)	60,000
Plant	3,00,000	19,00,000	By Joint Bank A/c (Plant)	1,85,000
To A (Material)		60,000	By Joint Bank A/c (Claim)	15,000

To B (Expenses)		40,000		
To Equity Shares [50,000 x ₹5]		2,50,000		
To Profit Transferred to:				
A	19,50,000			
B	11,00,000	30,50,000		
		53,00,000		53,00,000

Joint Bank Account

Particulars	Amount (₹)	Particulars	Amount (₹)
To A	16,00,000	By Joint Venture A/c	19,00,000
To B	8,00,000	By A	31,20,000
To Joint Venture A/c	40,00,000	By B	15,80,000
To Joint Venture A/c (Plant)	1,85,000		
To Joint Venture A/c (Claim)	15,000		
	66,00,000		66,00,000

Co-venturers' Accounts

Particulars	A (₹)	B (₹)	Particulars	A (₹)	B (₹)
To Joint Venture A/c	40,000	60,000	By Joint Bank A/c	16,00,000	8,00,000
To Equity Shares A/c	4,50,000	3,00,000	By Joint Venture A/c	60,000	40,000
To Joint Bank A/c	31,20,000	15,80,000	By Joint Venture A/c	19,50,000	11,00,000
	36,10,000	19,40,000		36,10,000	19,40,000

Working Note: Calculation of Share of Profit

	A (₹)	B (₹)
First ₹ 50,00,000 (in 1:1 Ratio)	2,50,000	2,50,000
Balance ₹ 25,50,000 (in 2:1 ratio)	17,50,000	8,50,000
	19,50,000	11,00,000

Separate set of Books Not Maintained – Co venturer Keep Records of all Transactions

Question-4

Anil and Mukesh enter into a venture to take a job for ₹ 2,40,000. They provide the following information regarding the expenditure incurred by them:

	Anil (₹)	Mukesh (₹)
Materials	68,000	50,000
Cement	13,000	17,000
Wages	-	27,000
Architects' fees	10,000	-
License fees	-	5,000
Plant	-	20,000

Plant was valued at ₹ 10,000 at the end of the contract and Mukesh agreed to take it at that value. Contract amount was received by Anil. You are required to prepare:

1. **Joint Venture Account and Mukesh Account in the books of Anil; and**
2. **Joint Venture Account and Anil Account in the books of Mukesh.**

Solution

In the books of Anil

Dr. Joint Venture Account Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Bank A/c		By Bank (Contract Price)	2,40,000
- Material	68,000	By Mukesh: Plant	10,000
- Cement	13,000		
- Architect Fee	10,000		
To Mukesh's A/c			
- Material	50,000		
- Cement	17,000		
- Wages	27,000		
- License Fee	5,000		
- Plant	20,000		
To Mukesh: Share of Profit	20,000		
To Profit & Loss A/c	20,000		

	2,50,000		2,50,000

Dr. **Mukesh's Account** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Joint Venture A/c	10,000	By Joint Venture A/c (Expenses)	1,19,000
To balance c/d	1,29,000	By Joint Venture A/c	20,000
	1,39,000		1,39,000

In the books of Mukesh

Dr. **Joint Venture Account** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Bank A/c		By Anil (Contract Price)	2,40,000
- Material	50,000	By Plant	10,000
- Cement	17,000		
- Wages	27,000		
- License Fee	5,000		
- Plant	20,000		
To Anil A/c			
- Material	68,000		
- Cement	13,000		
- Architect Fee	10,000		
To Anil: Share of Profit	20,000		
To Profit & Loss A/c	20,000		
	2,50,000		2,50,000

Dr. **Mukesh's Account** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Joint Venture A/c	2,40,000	By Joint Venture A/c (Expenses)	91,000
		By Joint Venture A/c	20,000
		By balance c/d	1,29,000
	2,40,000		2,40,000

Question-5

M and N entered into a one joint venture agreement to share the profits and losses in the ration 2:1. M supplied goods worth ₹ 1,20,000 to N incurring expenses amounting to ₹ 4,000 for freight and insurance. During transit goods costing 10,000 became damaged and a sum of 6,000 was recovered from the insurance company. N reported that 90% of the remaining goods were sold at a profit of 30% of their original cost. Towards the end of the venture, a fire occurred and as a result the balance Inventories lying unsold with N was damaged. The goods were not insured and N agreed to compensate M by paying in cash 80% of the aggregate amount of the original cost of such goods plus proportionate expenses incurred by M. Apart from the share of profit N was also entitled to a commission of 5% of net profit of joint venture after charging such commission as per the agreement. Selling expenses incurred by N totaled ₹ 2,000. N had earlier remitted an advance of ₹ 20,000. N duly paid the balance due to M by Bank Draft.

Prepare Joint Venture Account and N's Account in the books of M.

Solution

In the books of M

Dr. **Joint Venture Account** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Purchases (Cost of goods supplied)	1,20,000	By Bank (Insurance Claim)	6,000
To Bank (Expenses)	4,000	By N (Sales)	1,28,700
To N (Expenses)	2,000	By N (agreed value for damaged goods)	9,093
To N (Commission – 5/105 of 17,793)	847		
To Profit transferred to:			
Profit & Loss A/c	11,297		
N	5,649		
	1,43,793		1,43,793

Dr. **N's Account** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Joint Venture A/c (Sales)	1,28,700	By Bank (Advance)	20,000
To Joint Venture A/c (Claim Portion)	9,093	By Joint Venture A/c (Expenses)	2,000

		By Joint Venture A/c (Commission)	847
		By Joint Venture A/c (Share of Profit)	5,649
		By Bank (Balance received)	1,09,297
	1,37,793		1,37,793

Working Notes:

1. It has assumed that the damaged goods during transit have no residual value.
2. **Computation of Sales:**

Particulars	Amount (₹)
Cost of goods sent	1,20,000
Less: Cost of damaged goods	(10,000)
	1,10,000
Less: Cost of goods remaining unsold	(11,000)
Cost of goods sold	99,000
Add: Profit @30%	29,700
Sales	1,28,700

3. **Claim for loss of fire admitted by N**

Particulars	Amount (₹)
Cost of goods	11,000
Add: Proportionate expenses [(4,000 × 11,000)/1,20,000]	366
	11,366
Less: 20%	(2,273)
	9,093

Separate set of Books Not Maintained – Co venturer keep Records of his Transactions only [Memorandum Method]

Question-6

Hari and Om agreed for purchasing and selling furniture in a joint venture, their profit-sharing ratio being 3:2 respectively. Hari purchased 10 sofas at ₹ 10,000 per sofa. He sent those sofas to Om for sale after spending ₹ 1,000 per sofa on insurance and transportation. He drew a bill of ₹ 50,000 on Om and this bill was discounted at a discount of ₹ 5,000 after acceptance. Om incurred further expenses of ₹ 2,000 on these sofas before sale. He sold all the sofas @ ₹ 15,000 per sofa, giving 5% commission to the dealer.

Prepare:

1. **Memorandum Joint Venture Account.**
2. **Joint Venture with Om Account in the books of Hari and**
3. **Joint Venture with Hari Account in the books of Om**

Solution

Memorandum Joint Venture Account

Particulars	Amount (₹)	Particulars	Amount (₹)
To Hari		By OM	
- Sofa (10,000 x 10)	1,00,000	- Sales (15,000 x 10)	1,50,000
- Transportation Expenses	1,000		
- Discounting Charges	5,000		
To OM			
- Selling Expenses	2,000		
- Commission on sale (15,000 x 10 x 5%)	7,500		
To Share of Profit			
- Hari (25,500 x 3/5)	15,300		
- OM (25,500 x 2/5)	10,200		
	1,50,000		1,50,000

In the books of Hari

Joint Venture Account with OM

Particulars	Amount (₹)	Particulars	Amount (₹)
To Sofa	1,00,000	By Bills Receivable	50,000
To Expenses	10,000		
To Discounting Charges	5,000	By Balance c/d	80,300
To Share of Profit	15,300		
	1,30,300		1,30,300

In the books of OM

Joint Venture Account with Hari

Particulars	Amount (₹)	Particulars	Amount (₹)
To Seling Expenses	2,000	By Sales	1,50,000
To Commission on sales	7,500		

To Bill Receivable	50,000		
To Share of Profit	10,200		
To balance c/d	80,300		
	1,50,000		1,50,000

Question-7

JIBAN and MITRIK decided to work in joint venture with the following scheme, agreeing to share profits in the ratio of 2/3 and 1/3:

They guaranteed the subscription at par of 50 lakhs shares of ₹ 10 each in RAINBOW LTD. and to pay all expenses up to allotment in consideration of RAINBOW LTD. issuing to them 3,00,000 other shares of ₹ 10 each fully paid together with a commission @ 5% in cash which will be taken by JIBAN AND MITRIK in 3:2.

Co-ventures introduced cash as follows:

	Particulars	Amount (₹)
JIBAN:	**Stamp charges, etc.**	**1,65,000**
	Advertising charges	**1,35,000**
	Car expenses	**1,54,000**
	Printing charges	**1,88,000**
MITRIK:	**Rent**	**1,30,000**
	Solicitor's charges	**80,000**

Application fell short of the 50 lakhs shares by 1,20,000 shares and MITRIK introduced ₹ 12,00,000 for the purchase of those shares.

The guarantee having been fulfilled, Rainbow Ltd. handed over to the ventures 3,00,000 shares and also paid the Commission in cash. All their holdings were subsequently sold by the venture MITRIK receiving ₹ 12,50,000 and JIBAN ₹ 25,00,000.

You are required to prepare the:

1. **Memorandum Joint Venture Account and**
2. **Joint Venture Account with MITRIK – in the Books of JIBAN.**
3. **Joint Venture Account with JIBAN – In the Books of MITRIK**

(2012 Syllabus Dec-15, 8 Marks)

Solution

Memorandum Joint Venture Account

Particulars	Amount (₹)	Particulars	Amount (₹)
To Mitrik:		By Jiban:	
- Cost of Shares	12,00,000	Commission (3/5)	15,00,000

To Jiban:		By Mitrik:	
- Stamp changes	1,65,000	Commission (2/5)	10,00,000
- Advertising charges	1,35,000	By Jiban:	
- Printing charges	1,88,000	Sale proceeds of shares	25,00,000
- Car expenses	1,54,000	By Mitrik:	
To Mitrik:		Sale proceeds of shares	12,50,000
- Rent	1,30,000		
- Solicitor's charges	80,000		
To Profit on Venture			
Jiban (2/3) 27,98,667			
Mitrik (1/3) 13,99,333	41,98,000		
	62,50,000		62,50,000

In the books of Jiban

Joint Venture Account with Mitrik

Particulars	Amount (₹)	Particulars	Amount (₹)
To Bank-Stamp, Adv. Car exp. & Printing	6,42,000	By Bank (Commission)	15,00,000
To Share of Profit	27,98,667	By Bank (Sale Proceeds of Shares)	25,00,000
To Bank (Remittance)	5,59,333		
	40,00,000		40,00,000

In the books of Mitrik

Joint Venture Account with Jiban

Particulars	Amount (₹)	Particulars	Amount (₹)
To Cost of Shares	12,00,000	By Bank (Commission)	10,00,000
To Expenses	2,10,000	By Bank (Sale Proceeds of Shares)	12,50,000
To Share of Profit	13,99,333	By Bank (Remittance)	5,59,333
	28,09,333		28,09,333

Question-8

A and B enter into a joint venture for guaranteeing the subscription at par of 1,00,000 shares of ₹ 10 each of a Joint Stock Company. They agree to share profit and losses in the ratio of 2:3. The terms with the company are 4.5% commission in cash and 6,000 shares of the

company as fully paid-up.

The public took up 88,000 of the shares and the balance share of the guaranteed issue are taken up by A and B who provide cash equally. The commission in cash is taken by partners in the ratio of 4:5.

The entire shareholding of the joint venture is then sold through brokers – 25% at a price of ₹ 9; 50% at a price of ₹ 8.75; 15% at a price of ₹ 8.50 and the remaining 10% are taken over by A and B equally at ₹ 8 per share. The sale proceeds of the shares are taken by the partners equally.

Prepare a Joint Venture Memorandum Account and the separate accounts of A and B in the books of B and A, respectively, showing the adjustment of the final balance between A and B.

Solution

Memorandum Joint Venture Account

Particulars		Amount (₹)	Particulars	Amount (₹)
To A (Cost of Shares)		60,000	By A (Commission)	20,000
To B (Cost of Shares)		60,000	By B (Commission)	25,000
To Profit to Joint Venture			By A (Sale Proceeds)	71,100
A	32,640		By B (Sale Proceeds)	71,100
B	48,960	81,600	By A (Shares taken)	7,200
			By B (Shares taken)	7,200
		2,01,600		2,01,600

In the books of A

Joint Venture with B

Particulars	Amount (₹)	Particulars	Amount (₹)
To Bank – Cost of Shares	60,000	By Bank – Commission	20,000
To Share of Profit	32,640	By Bank – Sale Proceeds	71,100
To Bank – final settlement	5,660	By Shares taken	7,200
	98,300		98,300

In the books of B

Joint Venture with A

Particulars	Amount (₹)	Particulars	Amount (₹)
To Bank – Cost of Shares	60,000	By Bank – Commission	25,000
To Share of Profit	48,960	By Bank – Sale Proceeds	71,100

		By Shares taken	7,200
		By Bank – Final settlement	5,660
	1,08,960		1,08,960

Workings:

Purchase of Shares	
(1,00,000 – 88,000) = 12,000 @ ₹ 10 ₹ 1,20,000 provided by A and B equally i.e., ₹ 60,000 each.	
Calculation of Sales	
Shares taken as Commission	6,000
Shares purchase	12,000
Entire share-holding	18,000
Sale of Shares	**₹**
25% of 18,000 = 4,500 shares @ 9.00	40,500
50% of 18,000 = 9,000 shares @ 8.75	78,750
15% of 18,000 = 2,700 shares @ 8.50	22,950
Total Sales	1,42,200
Commission in Cash	
1,00,000 Shares @ ₹ 10 = ₹ 10,00,000 x 4½% = ₹ 45,000 to be taken by A and B in the ratio 4:5.	
Unsold Shares taken equally by A and B	
10% of 1,800 shares @ ₹ 8.00 = ₹ 14,400 x ½ = ₹ 7,200 each.	

Question-9

A and B, who are sharebrokers agree to enter into Joint Venture to underwrite 5,00,000 equity shares of ₹ 10 each of Tips and Toes Ltd. agrees to allot as fully paid 4,000 shares in the company in consideration of the underwriting arrangement. In connection with the venture, the following expenses are incurred:

	Particulars	Amount (₹)
A:	**Printing and Stationery**	**5,000**
	Postage	**1,000**
	Advertisement	**3,000**
B:	**Postage**	**750**

	Solicitor 's fee	**3,500**
	Entertainment expenses	**4,000**

The public subscription was for 4,80,000 shares only and the underwriters were forced to take up the balance and pay for them. To enable them to do so, the two persons approached the bank which, on the security of the shares, advanced the required sum on 1st July, @ 15% interest p.a. The underwriters paid for the shares, on the same day and were also allotted the 4,000 shares by Tips and Toes Ltd. The underwriters through the Bank unloaded their lot of holdings in the market in equal lots and realized 90% of the face value of the first lot on 30th September and 85% for the second lot on 31st October. The sale proceeds were applied in full to discharge the bank loan and the relative interest on the same dates. Shares transfer fees of ₹ 1,006.25 was met from the Joint Venture Bank Account.

Required: Draw a Memorandum Joint Venture account, the account of A as appearing in B's Books and the account of B as appearing in A's Books and also the settlement of account between the parties.

Solution

Memorandum Joint Venture Account

Particulars	Amount (₹)	Particulars		Amount (₹)
To A (Expenses):		By Bank A/c:		
- Printing and Stationary	5,000	(Sales proceeds of shares):		
- Postage	1,000	Sept 30	1,08,000	
- Advertisement	3,000	Oct. 31	1,02,000	2,10,000
To B (Expenses):		By Loss transferred to:		
- Postage	750	A		8,500
- Solicitor's fees	3,500	B		8,500
- Entertainment	4,000			
To Bank A/c (Loan for purchase)	2,00,000			
To Bank A/c (Interest on Bank Loan)	8,743.75			
To Bank A/c (Shares Transfer Fees)	1,006.25			
	2,27,000			2,27,000

Working Notes:

	Amount (₹)
1. Sale proceeds:	

On 30th Sept. 12,000 shares at ₹ 9 per share		1,08,000
On 31st Oct. 12,000 shares at ₹ 8.50 per share		1,02,000
		2,10,000
2. Interest on Loan:		
On ₹ 2,00,000 for 3 months @ 15% p.a.		7,500.00
On ₹ 99,500, (i.e., 2,07,500 – 1,08,000) for 1 month @ 15 % p.a.		1,243.75
		8,743.75
3. Joint venture Bank Account		
Sales proceeds of shares		2,10,000
Less: Loan	2,00,000	
Interest and share transfer fee	9,750	(2,09,750)
Balance given to A		**250**

In the books of A

Joint Venture with B Account

Particulars	Amount (₹)	Particulars	Amount (₹)
To Bank A/c (Expenses)	9,000	By Profit & Loss a/c (Share of loss)	8,500
		By Joint Venture Bank A/c	250
		By Bank A/c (Balance received from B)	250
	9,000		9,000

In the books of B

Joint Venture with A Account

Particulars	Amount (₹)	Particulars	Amount (₹)
To Bank A/c (Expenses)	8,250	By Profit & Loss a/c (Share of loss)	8,500
To Bank A/c (balance paid to A)	250		
	8,500		8,500

Question-10

Thitan of Tatanagar and Nitan of Nagpur entered into a Joint Venture to trade together in the buying and reselling of cheap machinery. Profit or loss to be shared in the ratio of 2:3. Thitan undertook to make the purchases and Nitan to effect sales. Nitan remitted ₹1,50,000

to Thitan towards the Joint Venture. Thitan Purchased machinery worth ₹1,20,000 and paid ₹57,000, for repairs of these, 2.5% as buying commission and ₹5,400 for other Sundry expenses. He then sent all the machines purchased and repaired to Nitan of Nagpur.

While taking delivery of the machinery at Nagpur, Nitan incurred ₹ 9,000 towards Railway Freight and ₹4,200 towards Octroi. He sold part of the machinery for ₹ 2,10,000 and kept the remaining for himself at an agreed value of ₹ 45,000. Other expenses of Nitan were:

Particulars	Amount (₹)
Godown rent	**2,700**
Insurance	**3,360**
Brokerage	**4,980**
Miscellaneous	**3,840**

Both the parties decided to close the venture at this stage.

You are required to prepare the

1. **Memorandum Joint Venture Account showing profit of the Business.**
2. **Joint Venture with Nitan Account in the Books of Thitan.**

(2012 Syllabus Dec-16, 7 Marks)

Solution

In the books of Thitan

Memorandum Joint Venture Account

Particulars	Amount (₹)	Particulars	Amount (₹)
To Thitan A/c		By Nitan A/c	
- Purchase of machinery	1,20,000	- Sales	2,10,000
- Cost of repairs	57,000	- Machinery retained	45,000
- Buying commission (2.5% of ₹ 1,20,000)	3,000		
- Sundry Expenses	5,400		
To Nitan A/c			
Expenses:			
- Railway Freight	9,000		
- Octroi	4,200		
- Godown rent	2,700		
- Insurance	3,360		
- Brokerage	4,980		

- Miscellaneous	3,840		
To Net profit			
- Thitan (2/5)	16,608		
- Nitan (3/5)	24,912		
	2,55,000		2,55,000

Books of Thitan

Joint Venture with Nitan Account

Particulars	Amount (₹)	Particulars	Amount (₹)
To Bank A/c		By Bank A/c:	
- Purchase of machinery	1,20,000	(amount received from Nitan)	1,50,000
- Repairs	57,000	By Balance c/d	52,008
- Commission	3,000		
- Sundry Expenses	5,400		
To Profit & Loss A/c			
(2/5* Share of Profit on Joint Venture)	16,608		
	2,02,008		2,02,008

Question-11

ANAND and BIKRAM entered into a joint venture of plucking and selling apples. They bought all the fruits in the 2014 season in the High Orchard at Kotgarh, paying ₹ 30,000 to the owner on August 1, 2014. Labour was engaged to pluck the fruit for which a sum of ₹ 5,000 was paid spread over a period of 2 months. Anand paid for the fruit as well as labour expenses.

The fruit was dispatched to Bikram in Delhi who sold it for ₹ 60,000. The sale proceeds were collected over the period of two months. At the end of the season some fruits were sold locally by Anand for ₹ 3,000. Settlement of accounts was made on October 31, 2014 after

a. reckoning interest @ 12% p.a. for money invested as well as received,

b. allowing 5% commission to Bikram on Sales made by him and

c. Salary of ₹ 1,000 p.m. to Anand for the season, the balance was to be divided equally.

You are required to

1. Prepare Memorandum Joint Venture Account, and

2. Joint Venture Account with Bikram in the Books of Anand.

(2012 Dec-15, 8 Marks)

Solution

ANAND & BIKRAM

Memorandum Joint Venture Account

Particulars		Amount (₹)	Particulars	Amount (₹)
To Anand			By Bikram (Sales)	60,000
- Payment for fruit	30,000		By Anand (Local Sales)	3,000
- Labour charges	5,000		By Interest to Bikram	1,200
- Salary for 2 months	2,000			
- Interest (Working Note)	970	37,970		
To Bikram: (Commission 5% on sales ₹ 60,000)		3,000		
To Profit transferred to				
Anand	11,615			
Bikram	11,615			
		23,230		
		64,200		64,200

In the Books of Anand

Joint Venture Account with Bikram

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
2014			2014		
Aug1	To Bank A/c	30,000	Sept.30	By Bank A/c	3,000
Sept.30	To Bank A/c (Labour)	5,000	Oct.31	By Bank A/c	46,585
Oct.31	To Salary Account	2,000			
Oct. 31	To Interest A/c	970			
Oct.31	To Profit & Loss A/c (Share of Profit)	11,615			
		49,585			49,585

Working Notes:

		Amount (₹)
(1)	**Interest payable to Anand is calculated as follows:**	
	Amount paid for purchase of fruits is invested for 3 months i.e. August 1 to October 31, 2014 (₹30,000 × 12% × 3/12)	900

	Amount paid to labour is spread during 2 months (i.e. August 1 to September 30)- the period of season. Therefore, on an average amount is invested for one month (2 months/2) during the period of season. Full month of October is also to be taken because the amount was settled on October 31. Therefore, interest is calculated for 2 months on labour, i.e. (5,000 x 12% x2/12)	100
		1,000
	Less: Interest on amount received back on account of local sales on September 30, 2014 for 1 month from September 30 to October 31 i.e. (3,000 × 12% × 1/12)	30
		970
(2)	**Interest payable by Bikram is calculated as follows:**	
	Amount collected by Bikram account of sales during the period of season of 2 months. The period of 2 months of season is to be treated as one month on an average because all the amount is not received on the first day of the season but it is received throughout the period of season. One month of October is to be taken. Therefore, interest for 2 months is calculated, i.e. (60,000 × 12% × 2/12)	1,200

Question-12

B and K entered into a joint venture as dealers in land with effect from 1st July,2010. On the same day B advanced ₹ 90,000 and a plot of land measuring 9,000 square yards was purchased with this money. It was decided to sell the land in smaller plots and a plan was got prepared at a cost of ₹ 1,000 paid by K. In the said plan 1/3 of the total area of the land was left over for public roads and the remaining land was divided into 6 plots of equal size. On 1st October,2010, two of the plots were sold at ₹ 30 per square yard, the buyer deducting ₹ 1,000 per plot for stamp duty and registration expenses agreed to be borne by the sellers. The remaining plots were sold at a net price of ₹ 25 per square yard on 1st December, 2010. The sale proceeds of all the plots were received by B. After charging interest at 6% p.a. on the investments of B (allowing for money received by him) and allowing 1% on the net sales proceeds of plots as commission to K, the net profit of the joint venture is to be shared in portion of 3/4 to B and 1/4 to K.

Draw up the memorandum joint venture and personal accounts in the books of B and K Showing the balance payable to one to the other.

Assume joint venture was completed on December 1.

Solution

Dr. **Memorandum joint venture account** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Purchases (B)	90,000	By sales	
To Interest (B)	1,670	2 Plots = (1,000 x 30 x 2) – 2,000	58,000
To Expenses (K)	1,000	4 Plots = 1,000 x 25 x 4	1,00,000
To Commission (K)	1,580		
To Share of Profit			
B 47,812.50			
K 15,937.50	63,750		
	1,58,000		1,58,000

B's Books

Dr. **Joint Venture with K Account** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Bank (advance)	90,000	By Bank (sale) (2,000× 30) = 60,000	
To Interest (working notes)	1,670	Less @ ₹ 1,000 per plot 2,000	58,000
To P&L A/c (Share of profit)	47,812.50		
To bank (Final settlement)	18,517.50	By Bank (sales) 4000×25	1,00,000
	1,58,000		1,58,000

K's Books

Dr. **Joint venture with B Account** **Cr.**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Bank (expense)	1,000	By bank (final settlement)	18,517.50
To commission	1,580		
To P&L A/c (share of profit)	15,937		
	18,517.50		18,517.50

Working Notes:

Net Interest Receivable by B

Particulars	Amount (₹)
Interest receivable by B:	
July 1, 2010 to dec 1,2010 = 90,000 x 6% x 5/12	2,250

Less: Interest payable by B:	
1st October, 2010 to December 1, 2010 = 58,000 x 6% x 2/12	(580)
	1,670

Miscellaneous

Question-13

Munni of Mumbai and Chunni of Chennai entered into a Joint Venture of purchase and sale of Jute and cotton. They agreed to share profits and losses in the ratio 3:2 and also to be entitled to an interest of 10% p.a. (on monthly basis) on Capital invested by each of them.

The following transactions took place:

Date	Particulars
1st July 2013	**Chunni purchased 800 bales of Cotton @ ₹ 424 per bale, the brokerage being ₹ 12,800 and dispatched to Chunni incurring ₹ 6,400 as freight and insurance.**
15th July 2013	**Munni purchased 1,200 bales of Jute @ ₹ 192 per bale, Brokerage being ₹ 8 per bale and dispatched to Munni incurring ₹ 4,800 as freight and insurance.**
1st August 2013	**Chunni sold 300 bales of Cotton @ ₹ 576 per bale, brokerage being ₹ 16 per bale.**
1st Sept. 2013	**Chunni sold 450 bales of Cotton @ ₹ 580 per bale, brokerage being ₹ 12 per bale.**
15th August 2013	**Munni sold 400 bales of Jute @ ₹ 2,800 per bale, brokerage being ₹ 8 per bale**
15th Sept. 2013	**Munni Sold 700 bales of Jute @ ₹ 292 per bale brokerage being ₹ 4 per bale**

Each partner took unsold stock in his hand at cost plus 12.5% on 30th September 2013, on which date venture was closed.

Compute the value of unsold stock held by Munni and that of held by Chunni.

Solution

Valuation of Unsold stock taken by the venture

Unsold Jute held by Munni:

Particulars	Amount (₹)
Total quantity (1,200 – 400 – 700) 100 bales @ ₹ 192	19,200
Add: Proportionate Brokerage (100 × 8)	800
Add: Proportionate Freight and Insurance (4,800 × 100/1200)	400

Value at Cost	20,400
Add: Profit @ 12.5 % on Cost i.e./ on ₹ 20,400	2,550
	22,950

Unsold Jute held by Chunni:

Particulars	Amount (₹)
Total quantity (800– 300 – 450) 50 bales @ ₹ 424	21,200
Add: Proportionate Brokerage (12,800 × 50/800)	800
Add: Proportionate Freight and Insurance (6,400 × 50/800)	400
Value at Cost	22,400
Add: Profit @ 12.5 % on Cost i.e./ on ₹ 22,400	2,800
	25,200

Question-14

Daga of Kolkata sent to Lodha of Kanpur goods costing ₹ 40,000 on consignment at a commission of 5% on gross sales. The packaging and forwarding charges incurred by consignor amounted to ₹ 4,000. The consignee paid freight and carriage of ₹ 1,000 at Kanpur. Three-fourth of the goods were sold for ₹ 48,000. Then the consignee remitted the amount due from him to consignor along with the account sale, but he desired to return the goods still lying unsold with him as he was not agreeable to continue the arrangement of consignment. He was then persuaded to continue on joint venture basis sharing profit or loss as Daga 3/5th and Lodha 2/5th.

Daga then supplied another lot of goods of ₹ 20,000 and Lodha sold out all the goods in his hand for ₹ 50,000 (gross). Daga paid expenses ₹ 2,000 and Lodha ₹ 1,700 for the second lot of goods.

Show necessary ledger account in the books of both parties. No final settlement of balance due is yet made.

Solution

Books of Daga

Consignment to Lodha Account

Particulars	Amount (₹)	Particulars	Amount (₹)
To Goods Sent on Consignment A/c	40,000	By Lodha's A/c (sales)	48,000
To Bank A/c (packing & dispatching)	4,000	By Joint Venture with Lodha A/c	11,250
To Lodha's A/c:		(stock transferred on	

		conversion to JV) - (40,000 + 4,000 + 1,000) x 1/4	
- Freight & Carriage	1,000		
- Commission	2,400		
To P & L A/c	11,850		
	59,250		59,250

Lodha's Account.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Consignment A/c - sales	48,000	By Consignment A/c- expenses	1,000
		By Consignment A/c - commission	2,400
		By Cash A/c	44,600
	48,000		48,000

Joint Venture with Lodha Account

Particulars	Amount (₹)	Particulars	Amount (₹)
To Consignment to Lodha A/c	11,250	By Balance c/d	42,280
To Goods A/c	20,000		
To Bank A/c - expenses	2,000		
To P & L A/c (profit)	9,030		
	42,280		42,280

Books of Lodha

Daga's Account (as consignor)

Particulars	Amount (₹)	Particulars	Amount (₹)
To Cash A/c- expenses	1,000	By Bank A/c – sales	48,000
To Commission A/c	2,400		
To Bank A/c - remittance	44,600		
	48,000		48,000

Joint Venture with Daga Account

Particulars	Amount (₹)	Particulars	Amount (₹)
To Cash A/c - expenses	1,700	By Bank A/c – sales	50,000
To P & L A/c (profit)	6,020		
To Balance c/d	42,280		

	50,000		50,000

Working note:

Memorandum Joint Venture Account

Particulars	Amount (₹)	Particulars	Amount (₹)
To Daga A/c - goods	11,250	By Lodha A/c – sales	50,000
To Daga A/c- goods	20,000		
To Daga A/c- expenses	2,000		
To Lodha A/c- expenses	1,700		
To Net Profit:			
Daga 3/5th Share	9,030		
Lodha 2/5th share	6,020		
	50,000		

Multiple Choice Questions [MCQs]

1. **The parties to joint venture is called**
   a. Co-venturers
   b. Partners
   c. Principal & Agent
   d. Friends

2. **If any stock is taken by a co-venturer, it will be treated as**
   a. an income of the joint venture.
   b. an expense of the joint venture.
   c. to be ignored from joint venture.
   d. it will be treated in the personal books of the co-venturer.

3. **Capital Accounts of the co-venturers are of the nature of**
   a. Personal Account
   b. Nominal Account
   c. Real Account
   d. None of the above

4. **Which of the following is/ are the basic features of a Joint Venture**
   a. The profit or loss on joint venture is shared between the co-venturers in the agreed ratio
   b. The co-venturers may or may not contribute initial capital
   c. The JV is dissolved once the purpose of the business is over
   d. All of the above

5. **Joint venture account is a**
   a. Personal account.
   b. Real account.
   c. Nominal account.
   d. None of the three.

6. **Peeru and Simu entered in the business of buy and sale of food grain for a period of one year and sharing the profit in the ratio of 3:2, this agreement is a**
   a. Partnership
   b. Consignment
   c. Joint-venture
   d. Lease

7. **Memorandum Joint Venture Account is prepared when**
   a. the separate set of books is maintained for Joint Venture.
   b. each Co-venturer keeps records of all transactions.
   c. each Co-venturer keeps records of their own transactions only.
   d. All of the above cases

8. **Memorandum Joint Venture Account is prepared .**
   a. for determining the amount due to co-venturer
   b. for determining the amount due from co-venturer
   c. for ascertaining the profit/ loss on venture
   d. None of the above

9. **If a venturer draws a bill on his co-venturer and if the drawer discounts the bill with same sets of books maintained, the discounting charges will be borne by**
   a. The drawer of the bill
   b. The drawee of the bill
   c. The discounting charges will be recorded in memorandum account
   d. The discounting charges will be borne by bank

10. **A and B enter into a joint venture sharing profit and losses in the ratio of 3:2. A purchased goods costing ₹ 2,00,000. B sold 95% goods for ₹ 2,50,000. A is entitled to get 1% commission on purchase and B is entitled to get 5% commission on sales. A drew a bill on B for an amount equivalent to 80% of original cost of goods. A got it discounted at ₹ 1,50,000. What is A's share of profit?**
    a. ₹ 15,300
    b. ₹ 21,300
    c. ₹ 18,900
    d. None of the above

11. **A and V enter into a joint venture to sell a consignment of biscuits sharing profits and losses equally. A provided biscuits from stock ₹ 10,000. He paid expenses amounting to ₹ 1,000. V incurred further expenses on carriage ₹ 1,000. He receive cash for sales ₹ 15,000. He also took over goods to the value of ₹ 2,000. The profit on joint venture will be-**
    a. ₹ 3,000
    b. ₹ 5,000
    c. ₹ 6,000
    d. ₹ 3,500

12. **Ram and Shyam enter into a joint venture. Both of them deposited ₹65,000 and ₹32,500 respectively into a joint venture. Goods were purchased for ₹75,000 and expenses amounting ₹10,950 were incurred. Goods sold for ₹90,000 and goods unsold were taken over by Ram at an agreed value of ₹2,700. The profit on joint venture is:**
    a. ₹ 17,700
    b. ₹ 4,500
    c. ₹ 4,050
    d. ₹ 6,750

13. **A and B enter into a joint venture for purchase and sale of Type-writer. A purchased Typewriter costing ₹ 1,00,000. Repairing expenses ₹ 10,000, printing expenses ₹ 10,000. B sold it at 20% margin on selling price. The sales value will be:**

a. ₹ 1,25,000
b. ₹ 1,50,000
c. ₹ 1,00,000
d. ₹ 1,40,000

14. A and B enter into a joint venture to underwrite the shares of K Ltd. @ 5% underwritting commission. K Ltd. make an equity issue of 1,00,000 equity shares of ₹ 10 each. 80% of the issue are subscribed by the party. The profit sharing ratio between A and B is 3:2. The balance shares not subscribed by the public, purchased by A and B in profit sharing ratio. How many shares to be purchased by A?

a. 80,000 shares
b. 72,000 shares
c. 12,000 shares
d. 8,000 shares

15. A and B entered into a Joint Venture. A purchased goods costing ₹ 2,00,000, B sold 4/5th of the same for ₹ 2,50,000. Balance goods were taken over by B at cost less 20%. If same set of books is maintained, find out profit on venture

a. ₹ 82,000
b. ₹ 90,000
c. ₹ 50,000
d. Nil.

16. If unsold goods costing ₹ 20,000 is taken over by Venturer at ₹ 15,000, the Joint Venture A/c will be credited by:

a. ₹ 20,000
b. ₹ 15,000
c. ₹ 5,000
d. Nil

17. In a joint venture between A and B, A purchased goods costing ₹ 42,500. B sold goods costing ₹ 40,000 at ₹ 50,000. Balance goods were taken over by A at same gross profit percentage as in case of sale. The amount of goods taken over by A will be:

a. ₹ 3,125
b. ₹ 2,500
c. ₹ 3,000
d. None of the above

18. Memorandum Joint venture account is a

a. Personal account
b. Real account
c. Nominal account
d. None of the above

19. Generally, when the size of the venture is_____, the co-venturers keep separate set of books of account for the joint venture.

a. Small

b. Medium

c. Large

d. All of the above

20. In a Joint venture between A and B, A, on purchase of goods, spend ₹2,000 on freight, ₹1,000 as godown rent, and also raised a loan from bank of ₹50,000 at 18% p.a. repayable after 1 month. B spend ₹ 5,000 as selling expenses and he also raised a loan from bank of ₹1,50,000 at 18% repayable after 2 months. The total expenses of Joint venture other than purchases will be

a. ₹ 8,000

b. ₹ 8,250

c. ₹ 5,250

d. ₹ 13,250

21. Ram in a joint venture with Shyam purchased goods costing ₹ 20,000 and sends to Shyam for sale incurring ₹1,000 on freight. Shyam took the delivery and paid ₹ 500 as carriage. He sold the goods costing ₹ 18,000 for ₹ 25,000 and kept the remaining goods at cost price. Sharing equal profits of the venture, amount to be paid by Shyam to Ram will be:

a. ₹ 25,000

b. ₹ 22,250

c. ₹ 23,750

d. ₹ 24,500

22. Joint Venture with XYZ Account, is opened

a. When separate set of books is maintained for joint venture.

b. When not maintaining separate set of books for joint venture but every Co-venture keeps record his own transaction only

c. When not maintaining separate set of books for joint venture but every Co-venture keeps complete record of all the transactions.

d. In all the above situations, (A), (B) and (C).

Answers

1.	**2.**	**3.**	**4.**	**5.**	**6.**	**7.**	**8.**	**9.**	**10.**
a	a	a	d	c	c	c	c	c	b
11.	**12.**	**13.**	**14.**	**15.**	**16.**	**17.**	**18.**	**19.**	**20.**
b	d	b	c	a	b	a	c	c	d
21.	**22.**								
c	b								