

Method-C When Separate Books are Maintained

Recording of transactions is done not in books of parties but in a separate set of books. Co-venture first contributes to a common bank account and then all payments are made through it. Accounts of parties are also opened. Profit or Loss on Joint Venture is transferred to the respective partner's accounts in due ratios. Finally, the books are closed with the close of the venture.

Three main accounts opened under separate set of accounts are:

1. Joint Venture Account
2. Joint Bank Account, and
3. Personal Capital Accounts of Joint Ventures.

The following entries will be passed under this system

1. Contribution of co-ventures

Joint Bank A/c _____ Dr.
To Co-Ventures A/c

2. Goods sent by co-venture out of his own stock

Joint Venture A/c _____ Dr.
To Co-Ventures A/c

3. Expenses paid by co-ventures

Joint Venture A/c _____ Dr.
To Co-Ventures A/c

4. Materials purchased out of joint venture funds

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

5. For expenses out of joint bank A/c

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

6. For goods sold for cash

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

7. Contract / sale price received in form of shares / cash

Joint Bank A/c _____ Dr.

Shares A/c _____ Dr.
To Joint Venture A/c

8. Commission / salary to co-ventures

Joint Venture A/c _____ Dr.
To Co-Ventures A/c

9. Unsold goods taken over by co-ventures

Co-Ventures A/c _____ Dr.
To Joint Venture A/c

10. Shares taken over by co-ventures

Co-Ventures A/c _____ Dr.
To Shares

11. If shares are sold in open market

Joint Bank A/c _____ Dr.
To Shares

12. For profit on joint venture

Joint Venture A/c _____ Dr.
To Co-Ventures A/c

13. For loss on joint venture

Co-Ventures A/c _____ Dr.
To Joint Venture A/c

14. For final distribution of funds

Co-Ventures A/c _____ Dr.
To Joint Bank A/c

Question:-

Aditya and Amit entered into a joint venture to buy and sale Ganesh idols for the Ganesh festival. They opened a Joint Bank Account. Aditya deposited Rs.2,00,000 and Amit Rs.1,50,000. Aditya supplied Ganesh idols worth Rs.25,000 and Amit supplied decoration material worth Rs.15,000. The following payments were made by the venture: (a) Cost of Ganesh idols purchased Rs.2,50,000 (b) Transportation charges Rs.12,000 (c) Advertising Rs.7,500 and Sundry Expenses Rs.2,500. They sold idols for Rs.4,00,000 for cash. Aditya took over some idols for Rs.30,000 and Amit took over remaining for Rs.10,000. The profit or losses were to be shared equally between co-ventures. Prepare Joint Venture Account, Joint Bank Account and each Co-Venture's Account.

Answer:

Joint Venture Account

| Particulars | Rs. | Particulars | Rs. |
|---|----------|---------------------------|----------|
| To Aditya A/c (Materials) | 25,000 | By Joint Bank A/c (sales) | 4,00,000 |
| To Amit A/c (Materials) | 15,000 | By Aditya A/c | 30,000 |
| To Joint Bank A/c (Materials Purchased) | 2,50,000 | By Amit A/c | 10,000 |
| To Joint Bank A/c (Transport) | 12,000 | | |
| To Joint Bank A/c (Advertising) | 7,500 | | |
| To Joint Bank A/c (Sundry Exp.) | 2,500 | | |
| To Profit on Venture A/c :- Aditya-Rs. 64,000 Amit – Rs. 64,000 | 1,28,000 | | |
| | 4,40,000 | | 4,40,000 |

Joint Bank Account

| Particulars | Rs. | Particulars | Rs. |
|------------------------------|----------|--|----------|
| To Aditya A/c (Contribution) | 2,00,000 | By Joint Venture A/c (Material purchase) | 2,50,000 |
| To Amit A/c (Contribution) | 1,50,000 | By Joint Venture A/c (Transport) | 12,000 |
| To Joint venture A/c (Sales) | 4,00,000 | By Joint Venture A/c (Advertising) | 7,500 |
| | | By Joint Venture A/c (Sundry) | 2,500 |
| | | By Aditya A/c (Closing) | 2,59,000 |
| | | By Amit A/c (Closing) | 2,19,000 |
| | 7,50,000 | | 7,50,000 |

Aditya's Account

| Particulars | Rs. | Particulars | Rs. |
|----------------------------------|----------|-----------------------------------|----------|
| To Joint Venture A/c (materials) | 30,000 | By, Joint Bank | 2,00,000 |
| To Joint Bank A/c (closing) | 2,59,000 | By, Joint Venture A/c (materials) | 25,000 |
| | | By, Joint Venture A/c (profit) | 64,000 |
| | 2,89,000 | | 2,89,000 |

Amit's Account

| Particulars | Rs. | Particulars | Rs. |
|----------------------------------|----------|-----------------------------------|----------|
| To Joint Venture A/c (materials) | 10,000 | By, Joint Bank | 1,50,000 |
| To Joint Bank A/c (closing) | 2,19,000 | By, Joint Venture A/c (materials) | 15,000 |
| | | By, Joint Venture A/c (profit) | 64,000 |
| | 2,29,000 | | 2,29,000 |