Advanced Financial Accounting

2nd semester

Bangalore Central University

Accounting For Joint Ventures

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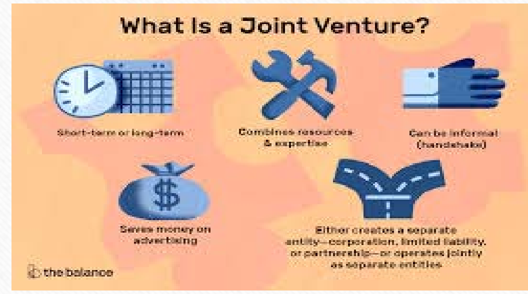
Joint Venture



Joint venture is a short term business undertaken jointly by two or more persons who share the profits and losses in an agreed ratio. If there is no agreement concerning the sharing of profits or losses, It is shared equally by all the parties.

The parties who have agreed to undertake the joint venture are called co-ventures or joint venturers.

Features of joint venture

- It is short duration special purpose partnership
- Parties in joint venture are called co-venturers
- Co-venturers may contribute funds or supply stock from their regular business.
- Co-venturers share profit or loss of the venture at agreed ratio like partnership.

Accounts are maintained in Joint Venture

- **Joint Bank Account**

The co-venturers open on separate bank account for the venture transactions by making initial contribution. The bank account is generally operated jointly. Expenses are met from this account.

- **Joint Venture account**

This account is prepared for the purpose of ascertainment of venture profit. This account is debited for all venture expenses and is credited for all sales or collection. Venture profits or loss transferred to co-ventures accounts

- **Co-venturers Accounts**

Personal accounts of the ventures are maintained to keep record of their contribution of cash, goods or meeting venture expenditure directly and direct payment received by them on venture transactions.

Difference between Joint Venture and Consignment

JOINT VENTURE

- The parties involved are called Co-ventures
- The relationship among the co-venture is similar to that of partners
- The co-ventures provides the funds

CONSIGNMENT

- The parties involved are called consignor and consignee
- The relationship among the consignor and consignee is that of principal and agent
- The consignor provides the funds required.


Thank you