



IMP QUESTION AND ANSWERS JOINT VENTURE ACCOUNTS [10 MARKS]

Q. 7 Shrinand and Shrichand entered into a joint venture of purchasing and developing land. Joint bank account was opened for the same and Shrinand deposited ₹ 4,00,000 and Shrichand deposited ₹ 2,00,000 in the joint bank account. [14]

Land measuring 20,000 square meter was purchased for business at ₹ 20 per sq. meter.

The following expenses were paid in connection with the joint venture :

Expenses paid	₹
Cost of leveling land	10,000
Cost to remove stones and pebbles	8,000
Municipal taxes	5,000
Cost of fencing (paid by shrichand)	6,000
Architect fees (paid by Shrinand)	4,000
Stamp duty (paid by Shrichand)	16,000
Miscellaneous expenses	2,400

There was an income of ₹ 7,000 from sale of timber. It was decided to sell land in smaller plots of 400 sq. meters each. One fifth (1/5) of the area was left over for public roads. 30 plots were sold at ₹ 40 per sq. meters. Through land brokers and they were paid 2% brokerage on the selling price of the land.

Shrinand retained two plots for his personal use at an agreed price of ₹ 25,000. Remaining plots were sold at a consolidated price of ₹ 1,20,000 directly. Shrinand and Shrichand shared profits and losses in the proportion of amount invested by them in joint bank account.

Prepare Joint Venture Account, Joint Bank Account and Shrinand A/c and Shrichand A/c.

ANSWER:

Joint Venture Account

Particulars	Amount	Particulars	Amount
To, Joint Bank (land purchase) (20,000 × 2)	4,00,000	By, Joint Bank (sale of Timber)	7,000
To, Joint Bank (leveling exp.)	10,000	By, Joint Bank (sale) (30 × 400 × 40)	4,80,000
To, Joint Bank. (remove exp.)	8,000	By, Shrinand (2 plots)	25,000
To, Joint Bank (M. tax.)	5,000	By, Joint Bank (Remaining plots)	1,20,000
To, Shrichand (fencing exp.)	6,000		
To, Shrinand (Architect Fees)	4,000		
To, Shrichand (stamp P.D.)	16,000		
To, Joint Bank (miss. Exp.)	2,400		
To, Joint Bank (brokerage) (4,80,000 × 2%)	9,600		
To, Profit			
Shrinand 1,14,000			



Shrichand <u>57,000</u>	1,71,000		
	6,32,000		6,32,000

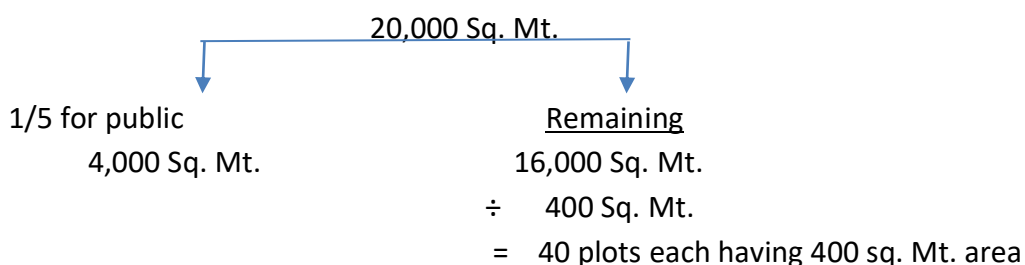
Co-Ventures Account

Particulars	Shrinand	Shrichand	Particulars	Shrinand	Shrichand
To, Joint venture (2 plots)	25,000	-	By Joint Bank	4,00,000	2,00,000
To, Joint Bank	4,93,000	2,79,000	By Joint venture (fencing Exp.)	-	6,000
			By Joint venture (Architect fess)	4,000	-
			By Joint venture (stamp Duty)	-	16,000
			By Joint venture (Profit)	1,14,000	57,000
		2,79,000			2,79,000

Joint Bank

Particulars	Amount	Particulars	Amount
To, Shrinand	4,00,000	By, Joint venture (land purchase)	4,00,000
To, Shrichand	2,00,000	By, Joint venture (exp.)	
To, Joint venture (sale of timber)	7,000	Leveling	10,000
To, Joint venture. (sale)	4,80,000	Remove	8,000
To, Joint venture (Rem. Plot)	1,20,000	M. tax	<u>5,000</u>
		By, Joint venture (misc. exp.)	2,400
		By, Joint venture (brokerage)	9,600
		By, Shrinand	4,93,000
		By, Shrichand	2,79,000
	12,07,000		12,07,000

Calculation of sales:





Q.8 Ram and shyam entered into a joint venture to underwrite equity shares. Public issue undertaken was of 1,40,000 equity shares of ₹ 10 each. Company agreed to pay them 10,000 more equity shares of ₹ 10/- each as underwriting commission. They decided to share profit and losses equally and to pay all expenses up to allotment. Expenses were paid as under : [10]

Paid by Ram	₹	Paid by Shyam	₹
Travelling Expense	16,000	Salary to staff	32,000
Registration fees	12,000	Advertisement Expense	3,000
Printing charge	10,200	Office rent	3,000
Other expense	1,800	Legal charges	2,000

Application received for 1,20,000 shares only at the end of subscription. Ram contributed the amount required for buying remaining shares. The company issued shares as underwriting commission. Out of the shares received Ram sold 20,000 shares and the remaining shares were sold by Shyam. All these shares were sold at ₹ 15 per share deducting ₹ 0.50 as a brokerage per share.

From the above details prepare

(a) Joint venture Account

(b) Shyam's Account

In the books of Ram

ANSWER:

In the book of Ram

Joint Venture A/c (with Shyam)

Particulars	Amount	Particulars	Amount
To, Cash (exp.)		By, Cash (share sold) (20,000 × 15)	3,00,000
Travelling exp. 16,000		By, Shyam (sold) (10,000 × 15)	1,50,000
Reg. fees 12,000			
Printing 10,200			
Other exp. 1,800	40,000		
To, Shyam (exp.)			
Salary 32,000			
Advt. 3,000			
Office Rent 3,000			
Legal charges 2,000	40,000		
To, Cash [Shares Purchased]	2,00,000		
To, Brokerage (20,000 × 0.5)	10,000		
To, Shyam [brokerage]	5,000		
To, Profit			
P & L (Ram) 77,500			
Shyam 77,500	1,55,000		
	4,50,000		4,50,000



Shyam Account

Particulars	Amount	Particulars	Amount
To, J.V. (shares sold)	1,50,000	By, J.V. (Exp.)	40,000
		By, J.V. (Brokerage)	5,000
		By, J.V. (Profit)	77,500
		By, Bank	27,500
	1,50,000		1,50,000

Q.9 On 01-07-2015 Ram and Shyam entered into joint venture with a condition to share profit and loss in the ratio of 3:2 respectively. They deposited ₹ 1,20,000 and ₹ 80,000 respectively into their joint bank accounts. They decided that joint bank account is to be used for purchase and sales, while joint venture expenses are to be paid each partner from their private fund.

Ram is to be paid a salary of ₹ 4,000 per month and Shyam is to be paid a commission at the rate of 8% on the sales made by him.

Ram purchased goods worth ₹ 1,00,000 at 10% trade discount and paid ₹ 1,000 as expenses.

Shyam purchased goods worth ₹ 80,000 at 5% trade discount and paid ₹ 800 for expenses.

Shyam sold some of the goods for ₹ 20,000 and paid ₹ 200 for sundry expense. Remaining unsold goods for ₹ 60,000 were purchased by Ram for his personal use and also accepted to pay ₹ 2,000 to Ambica stationers and printers for stationary purchased on credit from them for joint venture business.

On 31-12-15, the joint venture business was closed and accounts were settled.

From the above particulars, prepare joint venture account, joint bank account and Co-ventures accounts. [10]

ANSWER:

Joint venture a/c

Particulars	Amount	Particulars	Amount
To, ram [4000*6]	24,000	By, joint bank	2,00,000
To, shyam [2,00,000*8%]	16,000	By, ram	60,000
To joint bank	90,000		
To, ram	1,000		
To , joint bank[80,000-5%]	76,000		
To, shyam	800		
To shyam	200		
To, ram	2,000		
To P&L			
Ram 30,000			
Shyam 20,000	50,000		
Total	2,60,000		2,60,000



JOINT BANK A/C

Particulars	Amount	Particulars	Amount
To, ram	1,20,000	By joint venture	90,000
To, Shyam	80,000	By joint venture	76,000
To joint venture	2,00,000	By Ram	1,17,000
		By shyam	1,17,000
Total	4,00,000		4,00,000

CO VENTURES A/C

Particulars	RAM	SHYAM	Particulars	RAM	SHYAM
To joint venture	60,000	-	By, joint bank	1,20,000	80,000
To joint bank	1,17,000	1,17,000	By, joint venture	24,000	16,000
			By, joint venture	1,000	800
			By joint venture	2000	200
			By joint venture	30,000	20,000
	1,77,000	1,17,000		1,77,000	1,17,000