5 JOINT VENTURES

Objectives

At the end of this chapter, students should be able to:

- Explain what is meant by joint venture;
- Distinguish between a joint ventures and a partnership;
- Prepare accounts related to joint venture.

5.1 Introduction

It is a type of business operation confined to a specific transaction undertaken by two or more persons for the purpose of making profit. The business is not registered under any firm's name. As soon as the transaction ends, the venture automatically ceases to exist. A joint venture is similar to a partnership in the sense that profits or losses of the venture are shared by the parties involved. However, a partnership is registered under a firm's name and therefore, has better legal recognition.

5.2 Preparation of Joint Venture Accounts

The accounts involved in Joint Ventures are the accounts of the involved adventurers and Joint Ventures Memorandum Accounts. The Individual Joint Venture Account is treated as a personal account and the procedures is as follow; All payment and charges in relation to a venture are debited to the accounts, while all receipt and credit items are credited to the accounts. The balance of each party's account is the amount due to or from him accordingly. The payment of this balance now completes the accounts.

Example 5.1

On 1st of January 2010, Odun and Bose joined in the purchaseof a cargo of cement and agreed to share the expenses and profits equally. Odun arranges the purchases and Bose the sales. The cement cost N10,000 and Bose immediately pays N5,000 to Odun as his own share.
Odun's expenses are:
Loading N100, Delivery N60, Warehousing N500. Bose's expenses amount to N660. Bose sells the cement for cash N30, 000 and remitted to Odun by cheque the amount due to him.

Solution

Date	Details	₦. K	Date	Details	₦. K
2010	Purchases	10,000.00		Bose	5,000.00
1st Jan	Loading	100.00		Bose	15,000.00
	Delivery	60.00			
	Warehousing	500.00			
	Share of profit	9,340.00			
		20,000.00			20,000.00

In Busari's Ledger Joint Venture With Adamu

Date	Details	₦. K	Date	Details	₦.K
2010	Odun	15,000.00	2010	Sales	30,000.00
1st Jan	Expenses	660.00	1st Jan		
	Odun	5,000.00			
	Share of profits	9,340.00			
		30,000.00			30,000.00

In Odun's Ledger Joint Venture With Bose

5.3 Preparation of Joint Venture Memorandum Accounts

This is the profit and loss account of the venture. It is prepared to show how profit and loss is determined and shared by the parties of the adventures. At the end of the adventure, each adventurer sends a copy of his account to the other party to enable a statement known as memorandum joint venture account to be prepared. The memorandum joint venture account for the account in the books Odun and Bose will

Memorandum Joint Venture Account

Date	Details	₦. K	Date	Details	₦.K
2010	Purchases	10,000.00	2010	Proceeds of sales	30,000.00
1st Jan	Loading	100.00	1st Jan		
	Delivery	60.00			
	Warehousing	500.00			
	Expenses	660.00			
	Balance (Profit)				
	Odun	9,340.00			
	Bose	9,340.00			
		30,000.00			30,000.00

appear as follows:

5.4 Summary

In this chapter, students have learnt that:

Joint venture is carried out by a group of people for a particular business transaction to make profit rather than a long term business relationship.

Each party keeps an account for the venture.

A joint statement known as Joint Venture Memorandum

Account is prepared to ascertain the result of the venture and shows the profit and loss shared.

5.5 Revision Questions

1. Taiye and Kehinde entered into a joint venture to buy and sell gari and agreed to share the profits and losses equally. On January 1, 2010, Taiye acquired the gari for N3,000. Kehinde immediately paid his own share of the purchase price, N1,500.00 to Taiye. Taiye's N90 and Delivery N20 Kehinde's expenses amounted to N200.
2. A. Abudu and G. Gambo entered into a joint venture to purchase some timber. They agreed to share profit and loss in the ratio 3:1 respectively. Gambo bought the timber for N8, 800 and Abudu paid his own share of the cost, N4,400 to Gambo. Abudu sold the timber for N11,300 and incurred expenses of N300. At the time of purchase, Gambo incurred expenses of N150. You are required to prepare a memorandum joint venture account only.
3. Jumai and Sindow are co-adventures. They agreed to buy and sell 1,000 bags of flour and share profits and losses equally. Jumai bought the flour for N7,000 by cheque. Sindow immediately paid her own share of the cost N3,500 by cheque too. In addition, she paid N300 as advertising costs. Jumai paid for freight N40, warehousing N60 and insurance. Sindow sold the flour for N7,000 cash and Jumai sold the remainder for N2,000. Prepare the joint venture account and the appropriate ledger accounts as they appear in Jumai's and Sindow books.
4. On March 1, 2010, Lawal Garba entered into joint venture with Stephen Haruna for the purchase and sale of refrigerators. Lawal bought 100 medium fridges at N630 each. On March, 2010 Haruna, who sold them at N700 each, after incurring the following expenses-storage N20, lighting N5, transportation N35. On the other hand, Lawal sold the 20 fridges with him at N720 after incurring N50 sundry expenses. The agreement provided that Lawal would get three-fifth of the profit or loss. You are required to prepare the joint account and the ledger accounts as they appear in the books of Lawal and
Haruna.