

Joint Venture

**Meaning of Joint Venture**

- A joint venture is a temporary partnership formed by two or more individuals or entities to undertake a specific business project or transaction.
- It involves sharing profits or losses based on an agreed-upon ratio. Once the project is completed, the joint venture is dissolved.
- Joint ventures are often established for a particular purpose, such as selling a certain quantity of a product or constructing a building. They may also be referred to as joint trades or joint adventures.
- The individuals or entities involved in a joint venture are called co-venturers. Each co-venturer contributes to the investment based on an agreed-upon ratio, and profits or losses are shared accordingly.
- Unlike in a formal partnership, a joint venture typically does not operate under a specific business name.

**Characteristics of Joint Venture:**

**Multiple Parties Involved:**

A joint venture requires the participation of two or more individuals or entities, known as co-venturers.

**Agreement between Co-Venturers:**

There must be a formal agreement outlining the terms and conditions of the joint venture, including profit-sharing ratios and responsibilities.

**Specific Transaction Focus:**

Joint ventures are formed for the purpose of carrying out a particular business transaction or project.

**Temporary Nature:**

A joint venture is dissolved upon completion of the specific transaction or project it was established for.

**Profit Sharing:**

The primary objective of a joint venture is to earn profits, which are distributed among the co-venturers according to the agreed-upon ratio.

**Management Structure:**

The control and management of a joint venture may be shared among all co-venturers or delegated to one or more co-venturers on behalf of the group.

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**Difference Between Joint Venture and Partnership:**

**Difference Between Joint Venture and Partnership:**

Basis of Difference	Joint Venture	Partnership
Name of the Business	Joint ventures typically do not have a specific name.	Partnerships have a specific name unique to the partnership.
Number of Members	Requires at least two co-venturers.	Requires a minimum of two partners and a maximum of 20.

**Elaboration:**

**Name of the Business:**

- Joint ventures usually operate without a specific business name, as they are formed for temporary and specific purposes.
- Partnerships, on the other hand, have a distinct name under which they conduct business, representing the ongoing nature of their collaboration.

**Number of Members:**

- Joint ventures require the involvement of at least two co-venturers to initiate the venture.
- In a partnership, there must be at least two partners, with the maximum number typically limited to 20, depending on the jurisdiction's legal requirements and regulations.

**Solved Example 1: Joint Venture Investment**

Ques 1: Raj and Rahul decide to start a joint venture to open a restaurant. Raj invests Rs. 50,000 and Rahul invests Rs. 70,000 in the venture. Calculate the total investment and the ratio of investment made by each partner.

Solution:

$$\begin{aligned} \text{Total Investment} &= \text{Raj's Investment} + \text{Rahul's Investment} \\ &= \text{Rs. } 50,000 + \text{Rs. } 70,000 \\ &= \text{Rs. } 120,000 \end{aligned}$$

Ratio of Investment:

$$\begin{aligned} \text{Raj's Investment Ratio} &= (\text{Raj's Investment} / \text{Total Investment}) * 100 \\ &= (50,000 / 120,000) * 100 \end{aligned}$$

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≈ 41.67%

Rahul's Investment Ratio = (Rahul's Investment / Total Investment) \* 100  
 = (70,000 / 120,000) \* 100  
 ≈ 58.33%



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**Assignment**

Ques 1: Sita and Gita decide to start a joint venture to open a clothing boutique. Sita invests Rs. 80,000 and Gita invests Rs. 1,20,000 in the venture. Calculate the total investment and the ratio of investment made by each partner.

Ques 2: Amit and Akash decide to start a joint venture to launch a software development company. Amit invests Rs. 1,00,000 and Akash invests Rs. 1,50,000 in the venture. Calculate the total investment and the ratio of investment made by each partner.

Ques 3: Rajesh and Rakesh decide to start a joint venture to manufacture furniture. Rajesh invests Rs. 1,20,000 and Rakesh invests Rs. 1,80,000 in the venture. Calculate the total investment and the ratio of investment made by each partner.

Ques 4: Neha and Nisha decide to start a joint venture to open a beauty salon. Neha invests Rs. 60,000 and Nisha invests Rs. 90,000 in the venture. Calculate the total investment and the ratio of investment made by each partner.

Ques 5: Anil and Sunil decide to start a joint venture to establish a grocery store. Anil invests Rs. 1,50,000 and Sunil invests Rs. 2,00,000 in the venture. Calculate the total investment and the ratio of investment made by each partner.

Ques 6: Rita and Gita decide to start a joint venture to open a fitness center. Rita invests Rs. 2,00,000 and Gita invests Rs. 3,00,000 in the venture. Calculate the total investment and the ratio of investment made by each partner.

Ques 7: Vikas and Vivek decide to start a joint venture to set up a restaurant. Vikas invests Rs. 1,80,000 and Vivek invests Rs. 2,20,000 in the venture. Calculate the total investment and the ratio of investment made by each partner.



Solved Example 2: Joint Venture Profit Sharing

Ques 1: Aman and Arjun start a joint venture to sell mobile phones. They invest Rs. 80,000 and Rs. 1,20,000, respectively. After a month, they earn a profit of Rs. 30,000. Calculate the profit share of each partner based on their investment.

Solution:

Total Investment = Aman's Investment + Arjun's Investment  
= Rs. 80,000 + Rs. 1,20,000  
= Rs. 2,00,000

Profit Share:

Aman's Share = (Aman's Investment / Total Investment) \* Total Profit  
= (80,000 / 2,00,000) \* 30,000  
= Rs. 12,000

Arjun's Share = (Arjun's Investment / Total Investment) \* Total Profit  
= (1,20,000 / 2,00,000) \* 30,000  
= Rs. 18,000

Assignment

Ques 1: Rohit and Rahul start a joint venture to open a grocery store. Rohit invests Rs. 1,00,000 and Rahul invests Rs. 1,50,000. After a month, they earn a profit of Rs. 40,000. Calculate the profit share of each partner based on their investment.

Ques 2: Sneha and Sonal start a joint venture to run a bookstore. Sneha invests Rs. 60,000 and Sonal invests Rs. 90,000. After three months, they earn a profit of Rs. 25,000. Calculate the profit share of each partner based on their investment.

Ques 3: Kunal and Karan start a joint venture to sell electronics. Kunal invests Rs. 1,50,000 and Karan invests Rs. 2,00,000. After six months, they earn a profit of Rs. 60,000. Calculate the profit share of each partner based on their investment.

Ques 4: Priya and Pooja start a joint venture to provide tutoring services. Priya invests Rs. 80,000 and Pooja invests Rs. 1,20,000. After two months, they earn a profit of Rs. 35,000. Calculate the profit share of each partner based on their investment.



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Ques 5: Amit and Ajay start a joint venture to run a car rental business. Amit invests Rs. 2,00,000 and Ajay invests Rs. 3,00,000. After four months, they earn a profit of Rs. 80,000. Calculate the profit share of each partner based on their investment.

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Ques 6: Riya and Rina start a joint venture to sell handmade crafts. Riya invests Rs. 1,20,000 and Rina invests Rs. 1,80,000. After five months, they earn a profit of Rs. 50,000. Calculate the profit share of each partner based on their investment.

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Ques 7: Vijay and Vivek start a joint venture to open a fitness center. Vijay invests Rs. 2,50,000 and Vivek invests Rs. 3,50,000. After eight months, they earn a profit of Rs. 1,20,000. Calculate the profit share of each partner based on their investment.

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