

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:

Basis of Difference	Partnership	Joint Venture
Meaning	An agreement between two or more persons to carry on a continuous business and share profits and losses.	An agreement between two or more parties to undertake a specific project or business activity.
Governing Law	Governed by partnership laws such as the Indian Partnership Act, 1932 (in India).	No separate specific law; governed by contract law or company law depending on structure.
Duration	Generally long-term and continuous.	Usually temporary; ends after completion of the project.
Objective	To run an ongoing business.	To complete a specific task or project.
Maximum Number of Persons	Minimum 2; Maximum 50 (as per Companies Act rules in India).	No specific limit; depends on agreement and structure of the venture.
Agreement	Governed by a Partnership Deed.	Governed by a Joint Venture Agreement.
Example	Partners running a law or trading firm together.	Two companies collaborating on a construction project.

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.

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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:

Total Investment = Raj's Investment + Rahul's Investment
= Rs. 50,000 + Rs. 70,000
= Rs. 120,000

Ratio of Investment:

Raj's Investment Ratio = $(\text{Raj's Investment} / \text{Total Investment}) * 100$
= $(50,000 / 120,000) * 100$
≈ 41.67%

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

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. [Hint: Share of Sita = 40% and Share of Gita = 60%]

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. [Hint: Share of Amit = Rs 2,50,000 and Share of Akash = Rs 1,50,000]

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. [Hint: Share of Rajesh = 40 % and Rakesh = 60%]

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

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the total investment and the ratio of investment made by each partner. [Hint: Share of Neha = 40 % and Nisha = 60%]



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Ques 5: Raj, Simran, and Preeti decide to start a joint venture to open a boutique. Raj invests Rs. 1,80,000, Simran invests Rs. 2,40,000, and Preeti invests Rs. 2,80,000 in the venture. Calculate the total investment and the ratio of investment made by each partner.



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Ques 6: Asha, Bela, and Chitra decide to start a joint venture to launch a catering business. Asha invests Rs. 2,00,000, Bela invests Rs. 3,50,000, and Chitra invests Rs. 4,50,000 in the venture. Calculate the total investment and the ratio of investment made by each partner.



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Ques 7: Pranav, Ritu, and Sneha decide to start a joint venture to open a bookstore. Pranav invests Rs. 1,20,000, Ritu invests Rs. 2,70,000, and Sneha invests Rs. 3,10,000 in the venture. Calculate the total investment and the ratio of investment made by each partner.



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Ques 8: Arun, Bharat, Chitra, and Deepak decide to start a joint venture to establish a tech startup. Arun invests Rs. 2,00,000, Bharat invests Rs. 3,00,000, Chitra invests Rs. 2,50,000, and Deepak invests Rs. 1,50,000 in the venture. Calculate the total investment and the ratio of investment made by each partner.



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Ques 9: Meera, Naveen, Ojas, and Priya decide to start a joint venture to open a restaurant. Meera invests Rs. 1,80,000, Naveen invests Rs. 2,20,000, Ojas invests Rs. 2,00,000, and Priya invests Rs. 2,50,000 in the venture. Calculate the total investment and the ratio of investment made by each partner.



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Ques 10: Karan, Lakshmi, Mohan, and Naina decide to start a joint venture to launch an e-commerce platform. Karan invests Rs. 3,00,000, Lakshmi invests Rs. 2,70,000, Mohan invests Rs. 1,80,000, and Naina invests Rs. 2,50,000 in the venture. Calculate the total investment and the ratio of investment made by each partner.



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Solved Example 2: Joint Venture Profit Sharing



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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.

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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.

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. [Hint: Profit of Amit = Rs 32,000 and Profit of Ajay = Rs 48,000]

Ques 6: Ali, Bilal, and Chand decide to start a joint venture to launch an online bookstore. Ali invests Rs. 1,50,000, Bilal invests Rs. 2,00,000, and Chand invests

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Rs. 2,50,000. After six months, they earn a profit of Rs. 60,000. Calculate the profit share of each partner based on their investment.

Ques 7: David, Emily, and Frank decide to start a joint venture to open a bakery. David invests Rs. 1,20,000, Emily invests Rs. 1,80,000, and Frank invests Rs. 2,00,000. After four months, they earn a profit of Rs. 70,000. Calculate the profit share of each partner based on their investment. [Hint: Profit of David = Rs 16,800 , Profit of Emily = Rs 25,200 and Profit of Frank = Rs 28,000]

Ques 8: Arun, Bhavesh, Charu, and Divya decide to start a joint venture to open a clothing store. Arun invests Rs. 1,00,000, Bhavesh invests Rs. 1,50,000, Charu invests Rs. 2,00,000, and Divya invests Rs. 2,50,000. After eight months, they earn a profit of Rs. 80,000. Calculate the profit share of each partner based on their investment. [Hint: Profit of Arun = Rs 11,440 , Profit of Bhavesh = Rs 17,120, Profit of Charu = Rs 22,880 and Profit of Divya = Rs 28,560]

Ques 9: Fatima, Gaurav, Hina, and Imran decide to start a joint venture to open a restaurant. Fatima invests Rs. 2,00,000, Gaurav invests Rs. 2,50,000, Hina invests Rs. 3,00,000, and Imran invests Rs. 3,50,000. After six months, they earn a profit of Rs. 1,20,000. Calculate the profit share of each partner based on their investment. [Hint: Profit of Fatima = Rs 21,840 , Profit of Gaurav = Rs 27,240, Profit of Hina = Rs 32,760 and Profit of Imran = Rs 38,160]

Ques 10: John, Kevin, Laura, and Maria decide to start a joint venture to establish a tech startup. John invests Rs. 3,00,000, Kevin invests Rs. 2,00,000, Laura invests Rs. 2,50,000, and Maria invests Rs. 3,50,000. After ten months, they earn a profit of Rs. 1,50,000. Calculate the profit share of each partner based on their investment.



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