

Joint venture accounts: A Level Accounting notes and worked example

Syllabus note. Joint venture accounts are not part of the Cambridge International AS and A Level Accounting 9706 syllabus for examinations in 2026, 2027 and 2028. These notes are for students on older syllabuses or other courses that still include joint ventures. Check your own syllabus before revising this topic.

These notes cover joint venture accounts for Cambridge International A Level Accounting (9706), Paper 3 level. A joint venture question usually gives you a list of payments and receipts made by two or three people and asks you to work out the profit, show the accounts each person keeps, and calculate the final cash settlement. Most marks are lost by putting items on the wrong side or in the wrong person's books.

1. What a joint venture is

1.1 Definition

Definition: A joint venture is a short-term business arrangement in which two or more persons (the venturers) agree to carry out a specific project together and to share the resulting profit or loss in an agreed ratio. The arrangement ends when the project is completed.

Examples: two traders buying and selling one cargo of goods, or two builders putting up one block of flats. Each venturer usually keeps running his or her own business at the same time.

1.2 Main features

- It is for a **specific purpose** and a **limited period**.
- There is no firm name; the venturers act for themselves and for each other.
- Each venturer may contribute cash, goods or services and may pay expenses or receive sales proceeds.
- Profit or loss is shared in the agreed ratio. If no ratio is agreed, it is shared equally.
- A venturer may be paid a **commission** (for example a percentage of the sales he or she makes) or interest on cash contributed, before the profit is shared.
- When the venture ends, the accounts are closed and the venturers settle in cash so that each has received exactly what is due.

1.3 How a joint venture differs from a consignment

Point	Joint venture	Consignment
Relationship	Co-venturers: each shares in the risk and the result.	Principal and agent: the consignor owns the goods, the consignee sells them on the consignor's behalf.



Profit or loss	Shared by all venturers in the agreed ratio.	Belongs entirely to the consignor. The consignee earns only a commission.
Ownership of goods	Goods belong jointly to the venturers.	Goods remain the property of the consignor until sold.
Accounts	Each venturer records the venture, and a memorandum account or separate set of books finds the joint result.	The consignor keeps a consignment account; the consignee sends an account sales.

1.4 How a joint venture differs from a partnership

Point	Joint venture	Partnership
Duration	Ends when the specific project is finished.	A continuing business with no fixed end.
Scope	One specific venture.	A general business activity.
Firm name	Usually none.	Trades under a firm name.
Books	Often no separate books; each venturer records the venture in his or her own books.	A full set of separate books is kept for the firm.
Accounting period	Profit is calculated once, when the venture is complete.	Profit is calculated every year (or other accounting period).

Exam tip: In a "distinguish" question, give each point as a pair: say what is true of the joint venture *and* what is true of the consignment or partnership. A single sentence describing only one side earns little.

2. Methods of recording a joint venture

There are two main methods.

1. **Each venturer keeps his or her own records (the memorandum method).** Each venturer opens an account called "Joint venture with [other venturer]" in his or her own books and records only the transactions he or she personally made. To find the overall profit, the transactions of all venturers are combined in a **memorandum joint venture account**.
2. **A separate set of books.** Used for larger ventures. The venturers open a joint bank account and keep a full double-entry set of books for the venture alone: a joint venture account, a joint bank account and an account for each venturer.

3. The memorandum joint venture account

3.1 Purpose

The memorandum joint venture account brings together **all** the venture's income and expenditure, whoever paid or received it, so that the total profit or loss can be calculated. It is called a memorandum account because it is **not part of the double-entry system** of any venturer. It is prepared on a separate sheet, only to find the profit, and nothing is posted from it.

3.2 Layout

Debit side	Credit side
Cost of goods bought (by any venturer)	Sales (by any venturer)
All expenses paid (by any venturer)	Goods taken over by a venturer at an agreed value
Commission and interest allowed to venturers	Loss shared (if there is a loss)
Profit shared (if there is a profit), in the agreed ratio	

Exam tip: Goods left unsold at the end and taken over by a venturer are treated as if they had been sold to that venturer at the agreed value, so they go on the credit side like a sale.

4. Each venturer's account with the others

4.1 The "Joint venture with" account

In the memorandum method, each venturer opens one account, called "Joint venture with B" in A's books and "Joint venture with A" in B's books. This account records only what that venturer personally did.

- **Debit:** what the venturer paid for the venture (goods, expenses), commission due to him or her, and his or her **share of profit**.
- **Credit:** what the venturer received from the venture (sales proceeds), goods he or she took over, and his or her **share of loss**.

The balance on this account is the amount owed between the venturers. A debit balance means the other venturer owes this venturer money; a credit balance means this venturer owes money to the other.

4.2 Double entry in the venturer's own books

Transaction	Debit	Credit
Venturer pays for goods or expenses	Joint venture with B	Bank (or Purchases, if goods come from own stock)
Venturer receives cash from sales	Bank	Joint venture with B
Venturer takes over unsold goods	Purchases (or Drawings if for personal use)	Joint venture with B
Commission earned by the venturer	Joint venture with B	Income statement (commission received)
Share of profit	Joint venture with B	Income statement (profit on joint venture)
Share of loss	Income statement	Joint venture with B

Cash settlement received	Bank	Joint venture with B
Cash settlement paid	Joint venture with B	Bank

5. Sharing profit and settlement

The profit (or loss) is found from the memorandum account and then shared in the agreed ratio. Each venturer's share is entered in his or her own "Joint venture with" account. After this, the balances on the venturers' accounts are **equal and opposite**: one has a debit balance and the other a credit balance of exactly the same amount. The venturer with the credit balance pays that amount to the other, and both accounts close.

Check: If the two balances are not equal, there is an error. With three venturers, the debit balances added together must equal the credit balances added together.

6. Worked example: memorandum method

Question

Ali and Bilal agree to buy, repair and sell a batch of used laptops. Profits and losses are shared Ali 3/5, Bilal 2/5. Bilal is to receive a commission of 5% on the sales he makes. Each venturer keeps his own records.

1. Ali buys laptops for \$12 000 and pays repair costs of \$1 500.
2. Bilal pays advertising of \$800 and transport of \$700.
3. Bilal sells laptops for \$20 000 cash.
4. Ali sells the rest for \$3 000 cash, except one laptop which he keeps for his own use at an agreed value of \$400.
5. The venture is then closed and the amount due is settled by cheque.

Prepare (a) the memorandum joint venture account, (b) the Joint venture with Bilal account in Ali's books, (c) the Joint venture with Ali account in Bilal's books.

6.1 Working

Commission to Bilal = $5\% \times \$20\,000 = \$1\,000$.

Total debits before profit = $12\,000 + 1\,500 + 800 + 700 + 1\,000 = \$16\,000$.

Total credits = $20\,000 + 3\,000 + 400 = \$23\,400$.

Profit = $23\,400 - 16\,000 = \$7\,400$. Ali 3/5 = \$4 440; Bilal 2/5 = \$2 960.

6.2 (a) Memorandum joint venture account

Debit	\$	Credit	\$
Purchases (Ali)	12 000	Sales (Bilal)	20 000
Repairs (Ali)	1 500	Sales (Ali)	3 000
Advertising (Bilal)	800	Goods taken by Ali	400

Transport (Bilal)	700		
Commission (Bilal)	1 000		
Profit: Ali (3/5)	4 440		
Profit: Bilal (2/5)	2 960		
Total	23 400	Total	23 400

6.3 (b) Ali's books: Joint venture with Bilal

Debit	\$	Credit	\$
Bank: purchases	12 000	Bank: sales	3 000
Bank: repairs	1 500	Drawings: laptop taken	400
Income statement: share of profit	4 440	Bank: settlement from Bilal	14 540
Total	17 940	Total	17 940

6.4 (c) Bilal's books: Joint venture with Ali

Debit	\$	Credit	\$
Bank: advertising	800	Bank: sales	20 000
Bank: transport	700		
Income statement: commission	1 000		
Income statement: share of profit	2 960		
Bank: settlement to Ali	14 540		
Total	20 000	Total	20 000

Settlement: before the cheque, Ali's account shows a debit balance of $17\,940 - 3\,400 = \$14\,540$ (owed to him) and Bilal's account shows a credit balance of $20\,000 - 5\,460 = \$14\,540$ (owed by him). The two agree, so Bilal pays Ali \$14 540.

Sense check: Ali spent \$13 500 and received \$3 000 cash plus a \$400 laptop. He should end up with his outlay back plus his profit: $13\,500 + 4\,440 = \$17\,940$, and $3\,000 + 400 + 14\,540 = \$17\,940$. Correct.

7. Separate set of books method

7.1 Accounts opened

- **Joint bank account:** each venturer pays in his or her contribution; all payments and receipts of the venture pass through it.
- **Joint venture account:** a real double-entry account (not a memorandum), with the same layout as the memorandum account. Its balance is the profit or loss.
- **A capital (personal) account for each venturer:** credited with cash paid in, commission and share of profit; debited with goods taken over, share of loss and the final repayment.

7.2 Double entries

Transaction	Debit	Credit
Venturer pays cash into joint bank	Joint bank	Venturer's capital
Goods bought or expenses paid from joint bank	Joint venture	Joint bank
Goods or expenses paid personally by a venturer	Joint venture	Venturer's capital
Sales banked	Joint bank	Joint venture
Goods taken over by a venturer	Venturer's capital	Joint venture
Commission to a venturer	Joint venture	Venturer's capital
Profit shared	Joint venture	Each venturer's capital
Final repayment to each venturer	Venturer's capital	Joint bank

At the end, the balance in the joint bank account is exactly enough to pay off every venturer's capital account, and all accounts close.

8. Worked example: separate set of books

Question

Use the same venture, ratio and commission as in section 6, but this time Ali and Bilal open a joint bank account. Ali pays in \$14 000 and Bilal pays in \$2 000. All purchases (\$12 000), repairs (\$1 500), advertising (\$800) and transport (\$700) are paid from the joint bank account, and all sales (\$20 000 and \$3 000) are paid into it. Ali takes one laptop at \$400. Bilal's commission is credited to his account. Prepare the joint venture account, the joint bank account and the venturers' capital accounts, and show the final settlement.

8.1 Joint venture account

Debit	\$	Credit	\$
Joint bank: purchases	12 000	Joint bank: sales	23 000
Joint bank: repairs	1 500	Ali: laptop taken	400

Joint bank: advertising	800		
Joint bank: transport	700		
Bilal: commission	1 000		
Profit: Ali	4 440		
Profit: Bilal	2 960		
Total	23 400	Total	23 400

The profit is the same, \$7 400, because the method of recording does not change what the venture earned.

8.2 Venturers' capital accounts

Debit	Ali \$	Bilal \$	Credit	Ali \$
Joint venture: laptop	400		Joint bank: cash paid in	14 000
Joint bank: repayment	18 040	5 960	Joint venture: commission	
			Joint venture: profit	4 440
Total	18 440	5 960	Total	18 440

Debit	Bilal \$
Joint venture: laptop	2 000
Joint bank: repayment	1 000
	2 960
Total	5 960

8.3 Joint bank account

Debit	\$	Credit	\$
Ali: capital	14 000	Joint venture: purchases	12 000
Bilal: capital	2 000	Joint venture: repairs	1 500
Joint venture: sales	23 000	Joint venture: advertising	800
		Joint venture: transport	700
		Ali: repayment	18 040
		Bilal: repayment	5 960

Total	39 000	Total	39 000
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Before the repayments the joint bank balance is $39\,000 - 15\,000 = \$24\,000$, which equals $18\,040 + 5\,960$. The bank account, both capital accounts and the joint venture account all close to nil.

Exam tip: In the separate books method there is no "amount owed by one venturer to the other". Instead, each venturer is repaid from the joint bank account. If the question says one venturer pays the other directly, you are in the memorandum method.

9. Common errors

- Recording the other venturer's transactions in a venturer's own "Joint venture with" account. Each venturer records only his or her own.
- Forgetting to deduct commission or interest before sharing the profit.
- Leaving goods taken over off the credit side of the memorandum account.
- Sharing a loss on the wrong side: a loss is a credit in the memorandum account and in each venturer's "Joint venture with" account.

Quick check

1. Define a joint venture. [2]
2. State two differences between a joint venture and a consignment. [4]
3. State two differences between a joint venture and a partnership. [4]
4. Explain why the memorandum joint venture account is described as "memorandum". [2]
5. Explain how unsold goods taken over by a venturer at the end of a venture are treated in the memorandum joint venture account and in that venturer's own books. [3]
6. In the separate set of books method, explain what the balance on the joint bank account represents just before the venture is closed. [2]
7. **Practice question 1 (memorandum method).** Chen and Dara share profits equally. Chen buys timber for \$8 000 and pays carriage of \$400. Dara pays labour of \$2 600 to make the timber into furniture and sells all of it except one table for \$15 000. Dara is entitled to a commission of 2% on her sales. Chen takes over the remaining table at an agreed value of \$500. Prepare (a) the memorandum joint venture account, (b) the Joint venture with Dara account in Chen's books, (c) the Joint venture with Chen account in Dara's books, showing the final settlement. [12]
8. **Practice question 2 (separate set of books).** Eve and Faiz share profits in the ratio 2:1. They open a joint bank account into which Eve pays \$9 000 and Faiz \$6 000. From the joint bank account they pay \$11 000 for goods and \$1 240 for expenses. Sales of \$16 500 are banked. Faiz takes over the unsold goods at \$600. Prepare the joint venture account and the venturers' capital accounts, and calculate the amount paid to each venturer from the joint bank account when the venture closes. [10]
9. **Practice question 3 (a loss, memorandum method).** Gul and Hina share profits and losses in the ratio 3:2. Gul buys goods for \$10 000 and pays freight of \$600. Hina pays storage of \$400

and sells goods for \$9 800. Hina receives a commission of 5% on her sales. Gul takes over the unsold goods at \$300. Prepare (a) the memorandum joint venture account, (b) each venturer's account with the other, and state who pays whom, and how much, on settlement. [10]

1. A joint venture is a short-term business arrangement in which two or more persons agree to carry out a specific project together and share the profit or loss in an agreed ratio. It ends when the project is completed.
2. Any two: (i) in a joint venture the profit or loss is shared by all venturers, whereas in a consignment it belongs wholly to the consignor and the consignee earns only commission; (ii) joint venturers are co-owners, whereas a consignor and consignee are principal and agent; (iii) in a joint venture the goods belong jointly to the venturers, whereas consigned goods remain the property of the consignor until sold.
3. Any two: (i) a joint venture is for one specific project and ends when it is complete, whereas a partnership is a continuing business; (ii) a joint venture usually has no firm name, whereas a partnership trades under one; (iii) a joint venture often has no separate books, whereas a partnership keeps a full set; (iv) joint venture profit is calculated once at the end, whereas partnership profit is calculated each accounting period.
4. It is not part of the double-entry system of any venturer. It is prepared only as a working to combine all the venturers' transactions and calculate the total profit or loss, and no entries are posted from it.
5. In the memorandum account the agreed value is entered on the credit side, as if the goods were sold to the venturer. In the venturer's own books: debit Purchases (or Drawings if taken for personal use), credit Joint venture with the other venturer.
6. It is the total amount owed by the venture to the venturers: each venturer's capital, plus commission and share of profit, less goods taken over (and less any share of loss). It is exactly enough to repay all the venturers' capital accounts.
7. Working: commission = $2\% \times 15\,000 = \$300$. Debits = $8\,000 + 400 + 2\,600 + 300 = \$11\,300$. Credits = $15\,000 + 500 = \$15\,500$. Profit = $\$4\,200$, so Chen \$2 100 and Dara \$2 100.

(a) Memorandum joint venture account

Debit	\$	Credit	\$
Timber (Chen)	8 000	Sales (Dara)	15 000
Carriage (Chen)	400	Table taken by Chen	500
Labour (Dara)	2 600		
Commission (Dara)	300		
Profit: Chen	2 100		
Profit: Dara	2 100		
Total	15 500	Total	15 500

(b) Chen's books: Joint venture with Dara

Debit	\$	Credit	\$
Bank: timber	8 000	Purchases: table taken	500
Bank: carriage	400	Bank: settlement from Dara	10 000
Income statement: share of profit	2 100		
Total	10 500	Total	10 500

(c) Dara's books: Joint venture with Chen

Debit	\$	Credit	\$
Bank: labour	2 600	Bank: sales	15 000
Income statement: commission	300		
Income statement: share of profit	2 100		
Bank: settlement to Chen	10 000		
Total	15 000	Total	15 000

Settlement: Dara pays Chen \$10 000. Check: Chen's outlay 8 400 + profit 2 100 = 10 500 = table 500 + cash 10 000.

8. Working: debits = 11 000 + 1 240 = \$12 240; credits = 16 500 + 600 = \$17 100; profit = \$4 860. Eve 2/3 = \$3 240; Faiz 1/3 = \$1 620.

Joint venture account

Debit	\$	Credit	\$
Joint bank: goods	11 000	Joint bank: sales	16 500
Joint bank: expenses	1 240	Faiz: goods taken over	600
Profit: Eve	3 240		
Profit: Faiz	1 620		
Total	17 100	Total	17 100

Capital accounts

Debit	Eve \$	Faiz \$	Credit	Eve \$

Joint venture: goods taken		600	Joint bank: cash paid in	9 000
Joint bank: repayment	12 240	7 020	Joint venture: profit	3 240
Total	12 240	7 620	Total	12 240

Debit	Faiz \$
Joint venture: goods taken	6 000
Joint bank: repayment	1 620
Total	7 620

Joint bank before repayment: receipts 9 000 + 6 000 + 16 500 = 31 500; payments 11 000 + 1 240 = 12 240; balance \$19 260. Eve is paid \$12 240 and Faiz \$7 020, total 19 260, so the joint bank account closes.

9. Working: commission = $5\% \times 9\,800 = \$490$. Debits = $10\,000 + 600 + 400 + 490 = \$11\,490$. Credits = $9\,800 + 300 = \$10\,100$. Loss = $11\,490 - 10\,100 = \$1\,390$. Gul $\frac{3}{5} = \$834$; Hina $\frac{2}{5} = \$556$.

(a) Memorandum joint venture account

Debit	\$	Credit	\$
Goods (Gul)	10 000	Sales (Hina)	9 800
Freight (Gul)	600	Goods taken by Gul	300
Storage (Hina)	400	Loss: Gul	834
Commission (Hina)	490	Loss: Hina	556
Total	11 490	Total	11 490

(b) Gul's books: Joint venture with Hina

Debit	\$	Credit	\$
Bank: goods	10 000	Purchases: goods taken	300
Bank: freight	600	Income statement: share of loss	834
		Bank: settlement from Hina	9 466
Total	10 600	Total	10 600

Hina's books: Joint venture with Gul

Debit	\$	Credit	\$
Bank: storage	400	Bank: sales	9 800

Income statement: commission	490	Income statement: share of loss	556
Bank: settlement to Gul	9 466		
Total	10 356	Total	10 356

Settlement: Hina pays Gul \$9 466. Check: Gul spent 10 600 and bears a loss of 834, so he should recover $10\,600 - 834 = 9\,766$, which is goods 300 + cash 9 466.