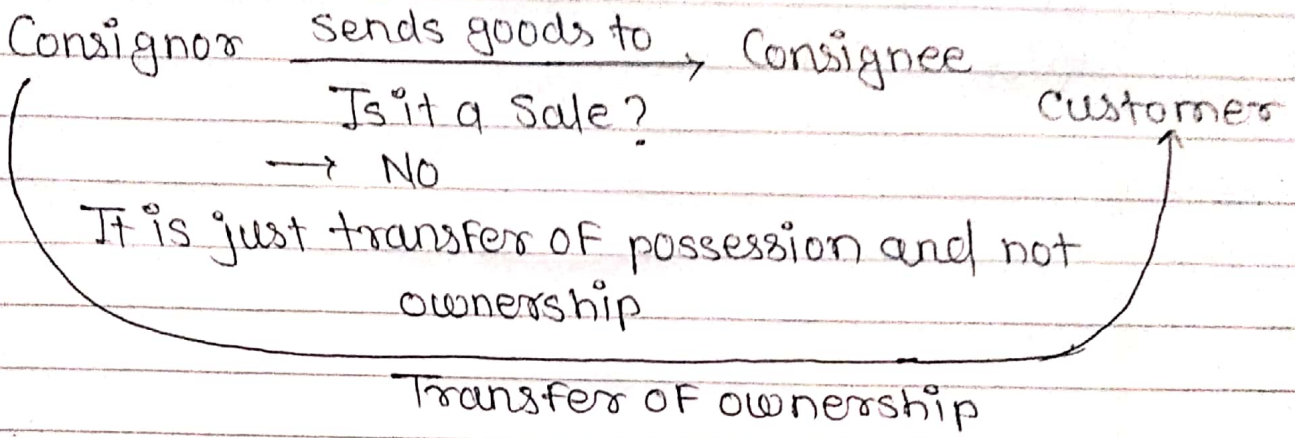
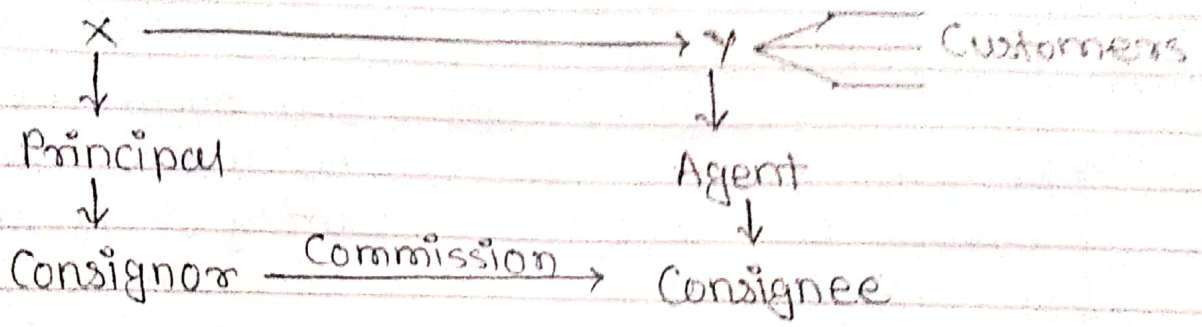


CONSIGNEMENT ACCOUNT



* Distinction between Sale and Consignment

	Sale	Consignment
i)	It is transfer of ownership	It is transfer of possession only.
ii)	Relationship between parties is that of seller and buyer	Relationship between parties is that of principal & agent.
iii)	In case of sales transaction sales invoice is prepared	In case of a consignment a proforma invoice is prepared
iv)	In case of sale the buyer may not have right to return the goods	In Consignee returns the unsold goods to consignor.
v)	Buyer pays value of goods to seller.	Consignee does not pay the value of goods to consignor
vi)	Seller does not pay any commission to the buyer for purchase of goods	Consignor pays commission to the consignee on goods sold by him.
vii)	After sale risk lies with buyer	After goods sent to consignee risk lies with consignor only.

Situation I: loading is expressed as a % of cost

e.g.

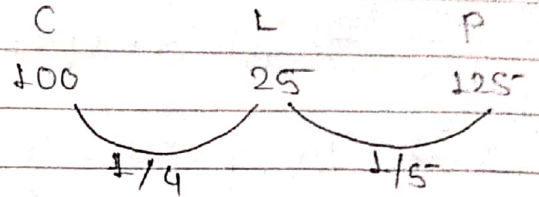
i) loading is 25% of cost.

then it is _____ of Invoice Price.

→ let, the cost be 100.

$$\begin{aligned} \text{loading} &= 25\% \text{ of } 100 \\ &= 25 \end{aligned}$$

$$\begin{aligned} \text{I.P.} &= 100 + 25 \\ &= 125 \end{aligned}$$



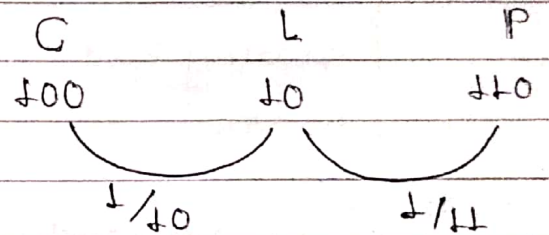
ii) loading is 10% of cost.

then it is _____ of I.P.

→ let, the cost be 100

$$\begin{aligned} \text{loading} &= 10\% \text{ of } 100 \\ &= 10 \end{aligned}$$

$$\begin{aligned} \text{I.P.} &= 100 + 10 \\ &= 110 \end{aligned}$$



Situation II: loading is expressed as a % of I.P.

e.g.

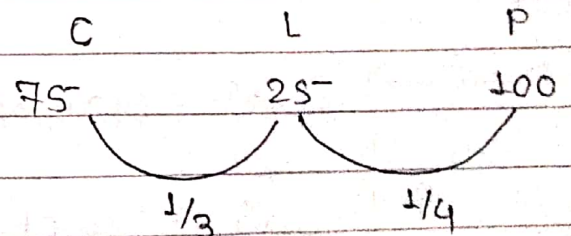
i) loading is 25% of I.P.

then it is _____ of cost.

→ let, I.P. be 100

$$\begin{aligned} \text{loading} &= 25\% \text{ of } 100 \\ &= 25 \end{aligned}$$

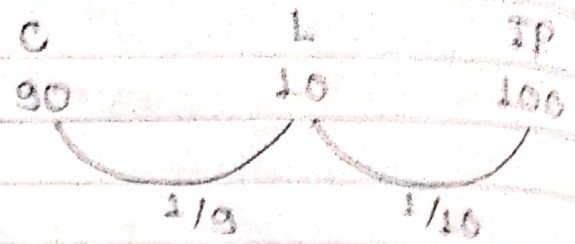
$$\begin{aligned} \text{cost} &= \text{I.P.} - \text{loading} \\ &= 100 - 25 = \\ &= 75 \end{aligned}$$



ii) loading is 10% of I.P.

Then it is _____ of cost.

→ let, T.P be 100
 loading = 10% OF 100
 = 10
 Cost = 100 - 10
 = 90



Situation III) T.P. is expressed as a % of cost.
 e.g.

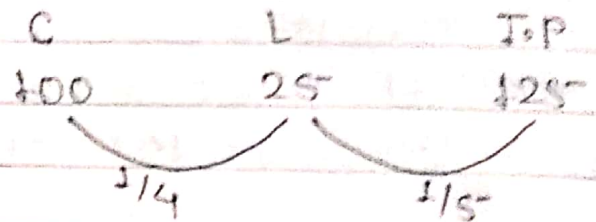
i) T.P. is 125% OF cost

then loading is _____ of cost and _____ of T.P.

→ let, the cost price be 100

T.P. = 125% OF 100
 = 125

loading = 125 - 100
 = 25



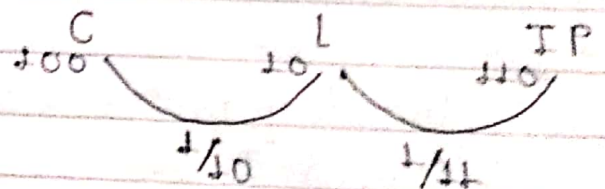
ii) T.P. is 110% OF cost.

then loading is _____ of cost and _____ of T.P.

→ let, cost be 100.

∴ T.P. = 110% OF 100
 = 110

Cost loading = 110 - 100
 = 10



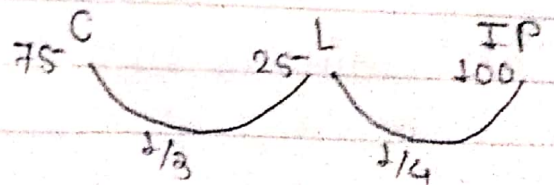
Situation IV) Cost is expressed as a % of T.P.

e.g. i) Cost is 75% OF T.P.

then loading is _____ of cost and _____ of T.P.

→ let, T.P. be 100

∴ Cost = 75% OF 100
 = 75



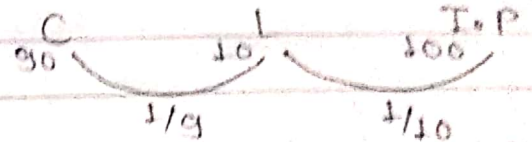
$$\text{loading} = 100 - 75 \\ = 25$$

2) Cost is 90% of J.P.

then loading is _____ of cost and _____ of J.P.

→ let, J.P. be 100

$$\therefore \text{Cost} = 90\% \text{ of } 100 \\ = 90$$



$$\text{loading} = 100 - 90 \\ = 10$$

Examples on loading for self practise (Page NO. 64)

1) → Cost = ₹ 300000

loading is 25% i.e. $\frac{1}{4}$ th of J.P. i.e. $\frac{1}{3}$ rd of cost

$$\text{loading} = \frac{1}{3} \times 300000 \\ = 100000$$

$$\therefore \text{J.P.} = \text{Cost} + \text{loading} \\ = 300000 + 100000 \\ = 400000$$

2) → J.P. = 600000

loading is 20% i.e. $\frac{1}{5}$ th of cost i.e. $\frac{1}{6}$ th of J.P.

$$\text{loading} = \frac{1}{6} \times 600000 \\ = 100000$$

$$\therefore \text{Cost} = \text{J.P.} - \text{loading} \\ = 600000 - 100000 \\ = 500000.$$

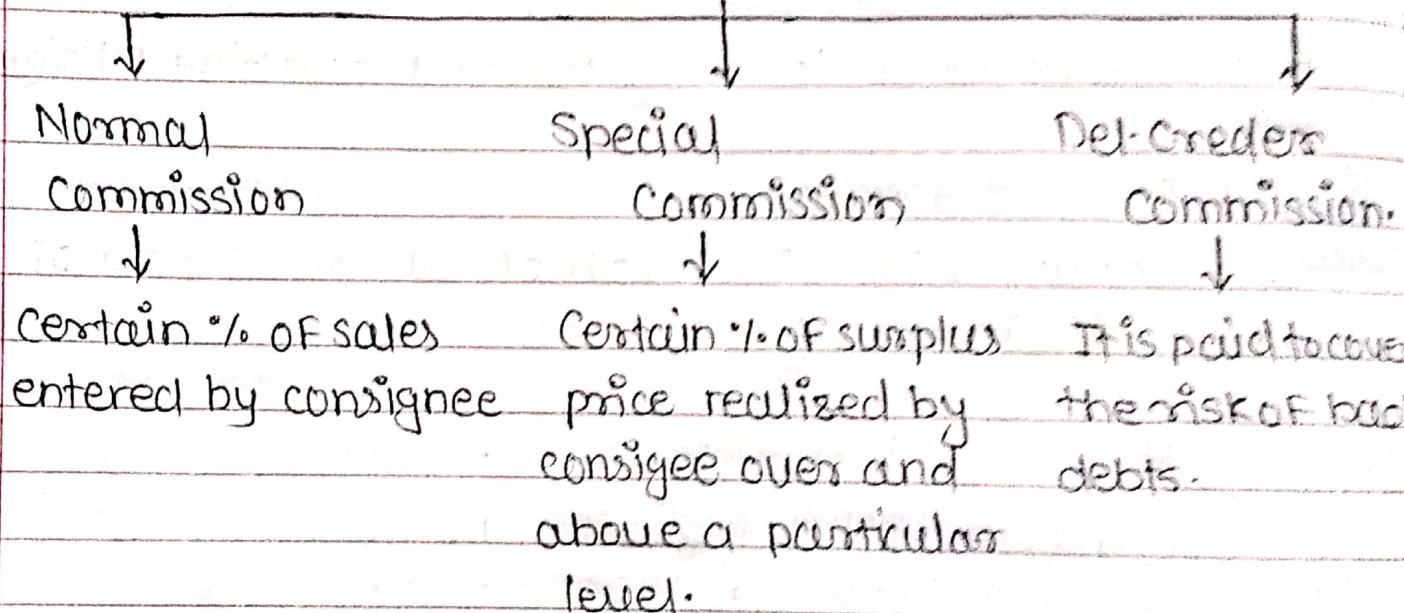
3) Cost = 1,50,000
 loading is $\frac{1}{10}$ of J.P. i.e. $\frac{1}{10}$ th of cost
 loading = $\frac{1}{10} \times 1,50,000$
 = 15,000.

\therefore J.P. = Cost + loading
 = 1,50,000 + 15,000
 = 1,65,000

04-06-19

#

Commission to Consignee

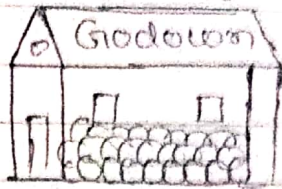


#

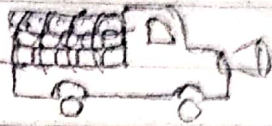
Account Sale :

Account sale is a statement rendered by consignee to the consignor providing the details of goods sold by consignee, expenses incurred by consignee, Commission entitled by consignee and net amount due by consignee to the consignor.

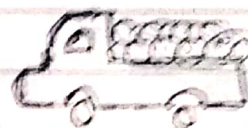
Recurring and Nonrecurring Expenses



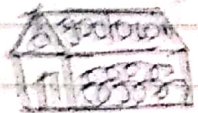
Consignor



Receiver's house



Consignee



Distinction between Recurring and non recurring expⁿ

Recurring Expenses

Nonrecurring expⁿ

i)	Regularly / frequently incurred	i) Rarely incurred
ii)	These are paid by consignee only	ii) These are paid by consignor and consignee both.
iii)	These are incurred after the goods reach consignee's godown.	iii) These are incurred before the goods reach consignee's godown.
iv)	These are ignored in valuation of consignment stock	iv) These are added proportionately to value of consig ⁿ stock.
v)	Recurring expenses are not considered in valuation of abnormal loss.	v) Non recurring expenses are added proportionately to value of abnormal loss.
vi)	e.g. Godown rent, watchman salary, advertisement etc.	e.g. packing charges, clearing, dock dues, custom duty.

Valuation of consignment stock

Consignment stock refers to goods lying unsold with the consignee at the end of the consignment. It is valued as under

	₹
I.P. of goods lying unsold with consignee	× ₹xx
add: Proportionate non-recurring expenses of consignor	xxxx
add: Proportionate non-recurring exp ⁿ of consignee	xxxx
Value of consignment stock	<u>xxxx</u>

Note:-

loading included in I.P. of consignment stock is reversed in the form of ~~in the form of~~ stock reserve

Example

i) Thakur sent 1000 boxes costing ₹ 100 each on consignment to Gabbar. Thakur paid the following expenses:

- a. Packing charges : ₹ 1000
- b. Loading expenses : ₹ 1500
- c. Freight : ₹ 2500

Gabbar received the consignment and paid following expenses:

- a. Clearing charges : 800 NR
- b. Godown rent : 1300 R
- c. Unloading expenses : 1200 NR
- d. Advertisement : 700 R
- e. Selling expenses : 1000 R

Gabbar sold 800 boxes find out value of consignment stock.

→ Ascertainment of value of consignment stock:

Cost of goods lying unsold with Gabbar ₹
 $[(1000 \text{ boxes} - 800 \text{ boxes}) \times ₹ 100]$ 20,000

Add: Proportionate non-recurring expⁿ

a. Consignor's Expenses.

$$\frac{₹ 5000}{1000 \text{ boxes}} \times 200 \text{ boxes} = 1000$$

b. Consignee's expenses

$$\frac{₹ 2000}{1000 \text{ boxes}} \times 200 \text{ boxes} = 400 \quad + 1400$$

Value of consignment stock 21,400

ACCOUNTING ENTRIES

05-06-19

Sr No.	Transaction	In the books of consignor	In the books of consignee.
1.	Goods sent on consignment (at T.P)	Consignment Alc --- Dr To goods sent on consignment Alc	-
2.	Reversal of loading on goods sent on consignment	Goods sent on consignment Alc --- Dr To consignment Alc	-
3.	Goods returned by consignee to the consignor (at T.P)	Goods sent on consignment Alc Dr To consignment Alc	-
4.	loading on goods set- up by consignee.	Consignment Alc Dr To goods sent on	-

Profit *12000	Z.P. 12000
To Stock 2000	↑2000
↑2000	↑2000

5.	Expenses paid by consignor	Consignment Alc Dr To cash/Bank Alc	-
6.	Expenses paid by consignee.	Consignment Alc Dr To consignee Alc	Consignor Alc Dr To cash/bank Alc
7.	Bill drawn by consignor on consignee	Bills receivable Alc Dr To consignee Alc	Consignor Alc Dr To bills payable
8.	Bill discounted with bank by consignor	Cash/bank Dr discount Alc Dr To bills receivable	-
9.	Commission payable to consignee.	Consignment Alc Dr To consignee's Alc	Consignor's Alc Dr To commission.
10.	Cash sales by consignee	Consignee Alc Dr To consignment	Cash/Bank Alc Dr To consignor's Alc
11.	Credit sales by consignee	Consignee Alc Dr To consignment Alc	Debtors Cash/Bank Alc Dr To consignor's Alc
12.	collection from debtors	-	Cash/bank Alc Dr To debtors Alc
13.	Bad debts a) del credere commission is not paid	consignment Alc Dr To consignee's Alc	Consignor's Alc Dr To debtors Alc
	b) del credere commission is paid	-	Bad debts Alc Dr To debtors Alc
14.	transfer of bal in goods sent on consignment	Goods sent on con Dr To trading/purchases Alc	

closing stock A/c Dr
To Trading A/c

14. unsold goods with consignment
consignee i.e. stock (A+J.P.)
Stock A/c Dr
To consignment A/c

15. loading on consignment stock i.e. stock reserve
Consignment A/c Dr
To stock reserve

16) Profit on consignment (credit on consignment)
Consignment A/c Dr
To profit and loss
Commission A/c Dr
To bad debts A/c
To profit & loss.

17) loss on consignment (debit on consignment)
Profit & loss A/c Dr
To consignment A/c
Commission A/c Dr
Profit & loss A/c Dr
To bad debts A/c

18) final payment by consignee to consignor
cash/bank Dr
To consignee A/c
Consignor A/c Dr
To cash/bank.

19) consignee

16)

Commission
₹10000

bad debts
₹20000 / ₹2000

consignor A/c Dr ₹10000
To commission A/c ₹10000

Bad debts A/c Dr 2000
To debtors A/c 2000

at the end of year

Commission A/c Dr ₹10000
To P&L A/c ₹10000

Profit & loss a/c dr 2000
To bad debts A/c 2000

16) Commission A/c Dr ₹10000
To bad debts A/c 2000
To P&L A/c A/c 8000

17) Commission A/c Dr 10000
Profit & loss A/c 2000
To bad debts A/c ₹2000