

Dr. Uttam Kumar
SRAP College, Barachakia
8210561032

Subject:- Financial Accounting

Topic

Consignment



**"Nothing is more
important than
Education"**

Problem 1

R of Ranchi consigned goods costing ₹ 1,60,000 to B of Mumbai. The consignment were :

- (a) Consignee to get a commission of 5 percent on cash sales and 4 percent on credit sales.
- (b) Any goods taken by the consignee himself or goods lost through consignee's negligence shall be valued at cost plus 12.5% and no commission be allowed on them.

The expenses incurred by the consignor were : Carriage and freight ₹ 6,720 and Insurance ₹ 3,440. The consignor received ₹ 50,000 as advance against the consignment. Account Sales together with a Bank draft for the balance due was received by the consignor showing the following position : Goods costing ₹ 1,28,000 sold for cash ₹ 1,40,000 and on credit at ₹ 1,08,000. Goods costing ₹ 8,000 taken by B and goods costing ₹ 4,000 were lost through B's negligence. The expenses incurred by B were : advertisement ₹ 1,720 and selling expenses ₹ 1,080.

Show the Ledger Accounts in the books of R.

Solution

Consignment to Mumbai Account

		₹		
To Goods sent on Consignment A/c		1,60,000	By B :	
To Cash A/c (Expenses) :			₹	
Carriage & Freight	6,720		Cash Sales	1,40,000
Insurance	3,440		Credit Sales	1,08,000
To B (Expenses) :		10,160	<u>1,08,000</u>	
Advertisement	1,720		By B (Goods taken over	
Selling Exps.	1,080		and lost) (12,000 + 12 $\frac{1}{2}$ %)	
To B (Commission)		2,800	By Consignment Stock A/c	
To P. & L. A/c		11,320		
		98,490		
		<u>2,82,770</u>		

B's Account

To Consignment A/c (Sales)	₹ 2,48,000	By Bank A/c (Advance)	₹ 50,000
To Consignment (Goods taken over and lost)	13,500	By Consignment A/c (Exps.)	2,800
		By Consignment A/c (Comm.)	11,320
		By Bank A/c	1,97,380
	<u>2,61,500</u>		<u>2,61,500</u>

Working Notes :

1 Valuation of closing Stock :

Total Cost of consigned Goods
- Cost of Sold Goods

₹
1,60,000
1,28,000
32,000
12,000
20,000

- Goods taken by B and loss by his carelessness

+ Proportionate Exp. of Consignor $\frac{20,000 \times 10,160}{1,60,000} =$

1,270

Value of Closing stock

₹ 21,270

Commission on Cash Sale = $1,40,000 \times \frac{5}{100} =$

7,000

+ Commission on Credit Sale = $1,08,000 \times \frac{4}{100} =$

4,320

₹ 11,320