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Subject:- Financial Accounting

Topic

Consignment



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

Problem 2

On 10th April, 2017 Lohat Sugar Factory consigned 400 bags of sugar @ ₹ 750 per bag to Azaharuddin of Delhi. ₹ 2,500 were spent on freight etc. On 12th April, 2017 the consignor drew as advance a bill of ₹ 60,000 for three months on the consignee which was duly accepted. The consignor discounted the bill from his Bank at ₹ 59,100. After selling the goods Azaharuddin sent an account sale on 31st July, 2017 to consignor in which the sale proceeds amounted to ₹ 3,68,000 and deducted his expenses ₹ 800 and 5% as commission.

Give Journal entries relating to these transactions in the books of consignor and consignee.

Solution **Journal Entries in the Books of Consignor** Dr. Cr.

Date	Particulars	L.F.	Amount	Amount
2017 Apr. 10	Consignment A/c To Goods sent on Consignment A/c (Being the goods sent on consignment to Azaharuddin of Delhi 400 bags @ ₹ 750 per bag)	Dr.	₹ 3,00,000 ¹	₹ 3,00,000
	Consignment A/c To Cash A/c (Being the expenses paid by the consignor)	Dr.	2,500	2,500
Apr. 12	Bills Receivable A/c To Azaharuddin (Being the bill received in advance)	Dr.	60,000	60,000
	Bank A/c Discount A/c To Bills Receivable A/c (Being the bill discounted)	Dr. Dr.	59,100 900	60,000
July 31	Azaharuddin To Consignment A/c (Being the goods sold by the consignee)	Dr.	3,68,000	3,68,000

Consignment A/c To Azaharuddin (Being expenses paid by the consignee)	Dr.	800	800
Consignment A/c To Azaharuddin (Being commission allowed @ 5% on sales)	Dr.	18,400 ²	18,400
Consignment A/c To Profit & Loss A/c (Being profit on consignment transferred to P/L A/c)	Dr.	46,300	46,300
Goods sent on Consignment A/c To Trading A/c (Being transfer of goods sent on consignment to Trading A/c)	Dr.	3,00,000	3,00,000

Working Notes :

1 ₹ 400 × ₹ 750 = ₹ 3,00,000; 2 $\frac{3,68,000 \times 5}{100} = ₹ 18,400.$

Journal Entries in the Books of Consignee Dr. Cr.

Date	Particulars	L.F.	Amount	Amount
2017 July 12	Lohat Sugar Factory A/c To Bills Payable A/c (Being the bill accepted)	Dr.	₹ 60,000	₹ 60,000
	Cash A/c To Lohat Sugar Factory A/c (Being the sale proceeds)	Dr.	3,68,000	3,68,000
	Lohat Sugar Factory A/c To Cash A/c (Being the expenses paid)	Dr.	800	800
	Lohat Sugar Factory A/c To Commission A/c (Being commission charged @ 5%)	Dr.	18,400	18,400