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**Subject:- Financial Accounting**

**Topic**

**Consignment**



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

### Problem 11

On 1st April, 2017 Mr. Charles of Kolkata consigned to Mr. Mathews of Chennai goods for sale at invoice price. Mr. Mathews is entitled to a commission of 5% on sales at invoice price and 20% on any surplus price realised. Goods costing ₹ 1,00,000 were consigned to Chennai at the invoice price of ₹ 1,50,000.

The direct expenses of the consignment amounted to ₹ 10,000. On 30th June, 2017 an account sales was received by Mr. Charles from Mr. Mathews showing that he had effected sales of ₹ 1,20,000 in respect of 4/5th of the quantity of goods consigned to him. His actual expenses were ₹ 3,000. Mr. Mathews accepted a bill drawn by Mr. Charles for ₹ 1,00,000 and remitted the balance due in cash. You are required to prepare consignment account and account of Mr. Mathews in the books of Mr. Charles.

### Solution

#### In the Books of Charles

Dr.			Cr.		
Goods sent on Consignment Account					
Date	Particulars	Amount	Date	Particulars	Amount
2017 April 1	To Goods sent on Consignment A/c	₹ 1,50,000	2017 April 1	By Goods sent on Consignment A/c	₹ 50,000 <sup>1</sup>
	To Cash A/c (Direct expenses)	10,000	June 30	By Mathews A/c (Sales of 4/5th)	1,20,000
June 30	To Mathews (Exps.)	3,000		By Consignment Stock A/c	32,600 <sup>2</sup>
	To Mathews (Com.)	6,000 <sup>3</sup>			
	To Consignment Stock Reserve A/c	10,000 <sup>4</sup>			
	To Profit transferred to Profit & Loss A/c	23,600			
		<u>2,02,600</u>			<u>2,02,600</u>

#### Working Notes :

##### Consignment Accounts

1 ₹ 1,50,000 - ₹ 1,00,000 = ₹ 50,000.

2 Valuation of Unsold Stock :	₹
(i) Cost of 1/5th of Goods $(1,50,000 \times \frac{1}{5})$ (at Invoice Price)	30,000
(ii) Add : Proportionate Expenses of Consignor $(₹ 10,000 \times \frac{1}{5})$	2,000
(iii) Add : Proportionate Expenses of Consignee $(₹ 3,000 \times \frac{1}{5})$	600
	<u>32,600</u>

##### 3 Commission :

₹  $1,20,000 \times \frac{5}{100} = ₹ 6,000.$

Mathews will not get any commission because additional price is not received. Causes  $\frac{4}{5}$  of ₹ 1,50,000 = ₹ 1,20,000; Sales Price ₹ 1,20,000.

∴ Additional Amount 1,20,000 - 1,20,000 = 0 (Zero)

4  $\frac{30,000 \times 50,000}{1,50,000} = ₹ 10,000.$



Mathews Account				Amount	
Date	Particulars	Amount	Date	Particulars	Amount
2017 April 1	To Goods sent on Consignment	₹ 1,20,000	2017 June 30	By Consignment A/c (Exps.)	3,000
				By Consignment A/c (Comm.)	6,000
				By Bills Receivable A/c	1,00,000
				By Cash	11,000
		<u>1,20,000</u>			<u>1,20,000</u>