Dr.Uttam Kumar SRAP College, Barachakia 8210561032 **Subject:-Financial Accounting** Topic



"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

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

Working Notes :

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Consignment Accounts

1 ₹ 1,50,000 - ₹ 1,00,000 = ₹ 50,000.

Valuation of Unsold Stock :	7
(i) Cost of 1/5th of Goods $(1,50,000 \times \frac{1}{5})$ (at Invocie 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 × $\frac{1}{5}$)	600
	32,600

3 Commission :

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

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

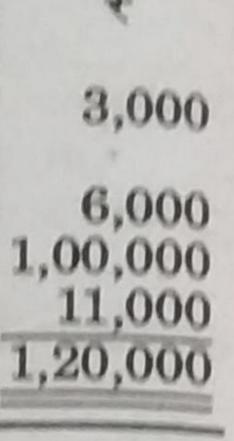
- ∴ Additional Amount 1,20,000 1,20,000 = 0 (Zero)
- $\frac{30,000 \times 50,000}{1,50,000} = ₹ 10,000.$

SBPD Publications Practical Problems in Finances 28 Mathews Account Date Amount Date Particulars June 30 By Consignment A/c 2017 ş April 1 To Goods sent on (Exps.) 1,20,000 Consignment (Comm.) By Cash 1,20,000

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Particulars

By Consignment A/c By Bills Receivable A/c



Amount

100