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Subject:- Financial Accounting

Topic

Consignment



"Nothing is more important than Education"

Problem 12

Anita of Allahabad consigned 1,000 bicycles @ ₹ 200 each to Burdy of Mumbai. Anita spent ₹ 2,000 for consignment of the goods. The goods were sent at 25% proforma invoice price. Burdy incurred the following expenses :

Coolie ₹ 50; Freight ₹ 150.

Burdy remitted ₹ 10,000 to Anita as an advance. Burdy sold 800 bicycles @ ₹ 300 each. A commission of 5% on sales and *del-credere* commission of 2% on credit sales were allowed. Credit sales amounted to ₹ 10,000. The Account sales and a bank draft for the balance due were sent to Anita.

Prepare necessary accounts in the books of Anita.

Solution

Ledger in the Books of Anita

Consignment Account

	₹		₹
To Goods sent on Consignment A/c	2,00,000	By Burdy (Sale)	2,40,000
To Cash A/c (Expenses)	2,000	By Goods sent on Consignment A/c (Loading)	40,000
To Burdy (Expenses)	200	By Consignment Stock A/c	40,440 ¹
To Burdy (Commission)	12,200 ²		
To Consignment Stock Reserve A/c	8,000 ³		
To P. & L. A/c (Profit)	98,040		
	<u>3,20,440</u>		<u>3,20,440</u>

Burdy's (Consignee) Account

	₹		₹
To Consignment A/c (Sale, 800 × ₹ 300)	2,40,000	By Cash A/c	10,000
		By Consignment A/c (Exps.)	200
		By Consignment A/c (Comn.)	12,200
		By Bank A/c	2,17,600
	<u>2,40,000</u>		<u>2,40,000</u>

Goods Sent on Consignment Account

	₹		₹
To Consignment A/c	40,000	By Consignment A/c	2,00,000
To Trading A/c	1,60,000		
	<u>2,00,000</u>		<u>2,00,000</u>

Working Notes :

1 Valuation of Unsold Goods

200 Bicycles × ₹ 200 =

+ Proportionate Expense of Consignor $\frac{2,000 \times 200}{1,000} =$

₹

40,000

400

Consignment Accounts

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+ Proportionate Expense of Consignee $\frac{200 \times 200}{1,000} =$ 40

Value of Closing Stock ₹ 40,440

2 Ordinary Commission = $2,40,000 \times \frac{5}{100} =$ 12,000

+ *Del-credere* Commission = $10,000 \times \frac{2}{100} =$ 200

Total Commission ₹ 12,200

3 Stock Reserve = $\frac{40,000 \times 25}{125} =$ ₹ 8,000.