CONSIGNMENT ACCOUNTS

A Consignment is the despatch of goods by its owner to his agent for the purpose of selling.

The owner is also called the PRINCIPAL or CONSIGNOR and his AGENT is called CONSIGNEE.

The goods are sold by the Consignee on behalf of the Consignor against COMMISSION.

(Ordinary) Commission – on sale of goods

Del-Credre Commission – consignee bears the risk of collections from debtors

Over-riding Commission – additional commission

PROFORMA INVOICE

A statement prepared by the consignor stating the description and particulars of the goods despatched to the consignee

Purpose

to apprise the party who has not bought the goods but shall be having their possession or dealing with them

ACCOUNT SALES

A periodical statement rendered by the consignee to the consignor detailing -

the sales made, expenses incurred, commission charged

and the balance due by him to the consignor.

Direct expenses (for valuation of unsold stock)

All expenses till the goods reach the godown of the consignee.

Non-recurring in nature and are incurred for placing the goods in salable condition.

They increase the value of goods.

Accounting Records

Consignor usually maintains three accounts to record transactions:

1) Consignment Account

2) Consignee's Account

3) Goods Sent on Consignment Account

Consignment Account

It is a nominal account.

A special type of Trading and Profit&Loss a/c.

Its balance shows Profit or Loss made on the Consignment

The process:-

(1)Put down the cost of goods and other expenses incurred or to be incurred on the debit side

(2) enter the sale proceeds and also the cost of goods remaining unsold (proportionate direct expenses should be added)

The difference between the totals of the two sides reveal profit or loss.

Consignee's Account

It is a personal account.

Debit with amounts due by him

Credit when amounts are remitted or for expenses incurred by him

Shows the balance to be paid to the consignor

3) Goods Sent on Consignment Account

It is a Real Account.

Closed by transferring its balance to Trading a/c

X of Calcutta sent goods to Y of Bombay valued Rs.1,00,000. X incurres Rs. 10,000 for various expenses. He also received an advance from Y amounting to Rs.30,000.He received an account sales which showed that the entire goods were sold for Rs.1,50,000 (out of which credit sales amounted to Rs.10,000).
Y collected Rs.8,000 from customers out of credit sales. Y incurred the following expenses :-
Clearing charges Rs.2000, Godown Rent Rs.1,000. He informed that Rs.1000 were totally bad and could Not be recovered. He was entitled to an ordinary commission of 5% on sales.

You are required to prepare the accounts in the books of X when :-
a) When no Del-credere Commission was given b) When 2½% Del-credere commission was given

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Analysis:-

X of Calcutta expects Y of Bombay to sell the goods at a higher value so that it will cover all expenses, Y's commission for sales effected and also leave some amount of profit

Hence a Consignment to Bombay a/c of nominal nature is opened to ascertain profit or Loss made on the consignment to Bombay

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Y of Bombay incurrs certain expenditure during the course of sale and is also entitled to commission. The amount owed to X the consignor is arrived at by deducting the expenditure and commission of the consignee from the sales amount realised.

Hence Y (consignee) a/c personal in nature is opened to ascertain the amount to be settled between the consignor and the consignee

In the books of X

Consignment to Bombay Account

Dr. Cr.

Y Account

a) <u>When no Del-credere Commission was given</u>

X of Calcutta sent goods to Y of Bombay valued Rs.1,00,000. X incurres Rs. 10,000 for various expenses.

In the books of X

Consignment to Bombay Account

Dr.			Cr.
To Goods sent on Consignment A/c	1,00,000		
To Bank – Expenses	10000		

Y Account

Goods Sent on consignment A/c

		By Consignment to Bombay A/c	1,00,000

a) When no Del-credere Commission was given

He also received an advance from Y amounting to Rs.30,000

In the books of X

Consignment to Bombay Account

Dr.			Cr.
To Goods sent on Consignment A/c	1,00,000		
To Bank – Expenses	10,000		

Y Account

Dr.			Cr.
		By Bank – Advance	30,000

a) <u>When no Del-credere Commission was given</u>

He received an account sales which showed that the entire goods were sold for Rs.1,50,000
(out of which credit sales amounted to Rs.10,000).

In the books of X

Consignment to Bombay Account

Dr.		Cr.	
To Goods sent on Consignment A/c	1,00,000	By Y A/c	
To Bank – Expenses	10,000	Sales proceeds	1,40,000
		By Consignment Debtors A/c(Credit Sales)	10,000

Y Account

Dr.		Cr.	
To Consignment to Bombay A/c	1,40,000	By Bank – Advance	30,000

Dr. **Goods Sent on consignment A/c** Cr.

		By Consignment to Bombay A/c	1,00,000

Dr. **Consignment Debtors A/c** Cr.

To consignment to Bombay A/c – Credit Sale	10,000		

a) When no Del-credere Commission was given

Y collected Rs.8,000 from customers out of credit sales.

In the books of X

Consignment to Bombay Account

Dr.		Cr.	
To Goods sent on Consignment A/c	1,00,000	By Y A/c	
To Bank – Expenses	10,000	Sales proceeds	1,40,000
		By Consignment Debtors A/c(Credit Sales)	10,000

Y Account

Dr.		Cr.	
To Consignment to Bombay A/c	1,40,000	By Bank – Advance	30,000
To Consignment Debtors – Collections	8,000		

Dr. **Goods Sent on consignment A/c** Cr.

		By Consignment to Bombay A/c	1,00,000

Dr. **Consignment Debtors A/c** Cr.

To consignment to Bombay A/c – Credit Sale	10,000	By Y a/c	8,000

a) <u>When no Del-credere Commission was given</u>

Y incurred the following expenses :-

Clearing charges Rs.2000, Godown Rent Rs.1,000.

In the books of X

Consignment to Bombay Account

Dr.				Cr.
To Goods sent on Consignment A/c		1,00,000	By Y A/c	
To Bank – Expenses		10,000	Sales proceeds	1,40,000
To Y A/c --			By Consignment Debtors A/c(Credit Sales)	10,000
Clearing Charges	2,000			
Godown Rent	1,000	3,000		

Y Account

Dr.			Cr.
To Consignment to Bombay A/c	1,40,000	By Bank – Advance	30,000
To Consignment Debtors – Collections	8,000	By Consignment to Bombay A/c – Expenses	3,000

a) <u>When no Del-credere Commission was given</u>

He informed that Rs.1000 were totally bad and could not be recovered

In the books of X

Consignment to Bombay Account

Dr.			Cr.	
To Goods sent on Consignment A/c		1,00,000	By Y A/c	
To Bank – Expenses		10,000	Sales proceeds	1,40,000
To Y A/c --			By Consignment Debtors A/c(Credit Sales)	10,000
Clearing Charges	2,000			
Godown Rent	1,000	3,000		
To Consignment Debtors A/c – Bad debts		1,000		

Y Account

Dr.		Cr.	
To Consignment to Bombay A/c	1,40,000	By Bank – Advance	30,000
To Consignment Debtors – Collections	8,000	By Consignment to Bombay A/c – Expenses	3,000

Goods Sent on consignment A/c

Dr.		Cr.	
		By Consignment to Bombay A/c	1,00,000

Consignment Debtors A/c

Dr.		Cr.	
To consignment to Bombay A/c – Credit Sale	10,000	By Y a/c	8,000
		By Consignment to Bombay A/c – Bad debts	1,000

a) <u>When no Del-credere Commission was given</u>

He was entitled to an ordinary commission of 5% on sales.

In the books of X

Consignment to Bombay Account

Dr.			Cr.	
To Goods sent on Consignment A/c		1,00,000	By Y A/c	
To Bank – Expenses		10,000	Sales proceeds	1,40,000
To Y A/c --			By Consignment Debtors A/c(Credit Sales)	10,000
Clearing Charges	2,000			
Godown Rent	1,000	3,000		
To Consignment Debtors A/c – Bad debts		1,000		
To Y A/c – Commission @5% (140,000+10,000) x 5%		7,500		

Y Account

Dr.		Cr.	
To Consignment to Bombay A/c	1,40,000	By Bank – Advance	30,000
To Consignment Debtors – Collections	8,000	By Consignment to Bombay A/c – Expenses	3,000
		By Consignment to Bombay A/c – Commission	7,500

a) <u>When no Del-credere Commission was given</u>

In the books of X

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Dr.				Cr.
To Goods sent on Consignment A/c		1,00,000	By Y A/c	
To Bank – Expenses		10,000	Sales proceeds	1,40,000
To Y A/c --			By Consignment Debtors A/c(Credit Sales)	10,000
Clearing Charges	2,000			
Godown Rent	1,000	3,000		
To Consignment Debtors A/c – Bad debts		1,000		
To Y A/c – Commission @5% (140,000+10,000) x 5%		7,500		
To Profit on consignment - Transferred to Profit & Loss A/c		28,500		
		1,50,000		1,50,000

Y Account

Dr.			Cr.
To Consignment to Bombay A/c	1,40,000	By Bank – Advance	30,000
To Consignment Debtors – Collections	8,000	By Consignment to Bombay A/c – Expenses	3,000
		By Consignment to Bombay A/c – Commission	7,500

a) When no Del-credere Commission was given

In the books of X

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Dr.				Cr.
To Goods sent on Consignment A/c		1,00,000	By Y A/c	
To Bank – Expenses		10,000	Sales proceeds	1,40,000
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To Profit on consignment - Transferred to Profit & Loss A/c		28,500		
		1,50,000		1,50,000

Y Account

Dr.			Cr.
To Consignment to Bombay A/c	1,40,000	By Bank – Advance	30,000
To Consignment Debtors – Collections	8,000	By Consignment to Bombay A/c – Expenses	3,000
		By Consignment to Bombay A/c – Commission	7,500
		By Balance C/d (Amount due from Y)	1,07,500
	1,48,000		1,48,000

Goods Sent on consignment A/c

Dr.			Cr.
		By Consignment to Bombay A/c	1,00,000
To Trading A/c - Transfer	1,00,000		
	1,00,000		1,00,000

Consignment Debtors A/c

Dr.			Cr.
To consignment to Bombay A/c – Credit Sale	10,000	By Y a/c	8,000
		By Consignment to Bombay A/c – Bad debts	1,000

Goods Sent on consignment A/c

Dr.		Cr.	
		By Consignment to Bombay A/c	1,00,000
To Trading A/c - Transfer	1,00,000		
	1,00,000		1,00,000

Consignment Debtors A/c

Dr.		Cr.	
To consignment to Bombay A/c – Credit Sale	10,000	By Y a/c	8,000
		By Consignment to Bombay A/c – Bad debts	1,000
		By Balance c/d (amount due from debtors)	1,000
	10,000		10,000

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