

X of Calcutta sent goods to Y of Bombay valued Rs.1,00,000. X incurs 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

Analysis:-

The consignor pays extra commission over and above the ordinary commission on the total sales proceeds

By doing this the consignor transfers the risk(of collections from Debtors on the credit sales made)to the consignee.

Simply stated the consignor does not make the distinction between cash sales and credit sales and treats the sales as cash sales

Hence the consignor need not concern himself with credit sales portion of the sales, collections from Debtors and bad debts

b) When 2½ Del-credere Commission was given

In the books of X

Consignment to Bombay Account

Dr.		Consignment to Bombay Account		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				
To Consignment Debtors A/c – Bad debts	1,000				
To Y A/c – Commission @5%	7,500				
(140,000+10,000) x 5%					
To Profit on consignment -					
Transferred to Profit & Loss A/c					

Y Account

Dr.	Y Account		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)	

Dr.	Goods Sent on consignment A/c		Cr.
		By Consignment to Bombay A/c	1,00,000
To Trading A/c - Transfer	1,00,000		
	1,00,000		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
		By Consignment to Bombay A/c – Bad debts	1,000
		By Balance c/d (amount due from debtors)	1,000
	10,000		10,000

Dr.		Goods Sent on consignment A/c	Cr.
To Trading A/c - Transfer		By Consignment to Bombay A/c	1,00,000
	1,00,000		
	1,00,000		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
		By Consignment to Bombay A/c – Bad debts	1,000
		By Balance c/d (amount due from debtors)	1,000
	10,000		10,000

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

b) When 2½ Del-credere Commission was given

In the books of X

Dr.		Consignment to Bombay Account		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%	7,500				
(140,000+10,000) x 5%					
To Profit on consignment -					
Transferred to Profit & Loss A/c					

Dr.		Y Account		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)			

b) When 2½ Del-credere Commission was given

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	1,50,000
To Y A/c --			
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%	7,500		
(140,000+10,000) x 5%			
To Profit on consignment -			
Transferred to Profit & Loss A/c			
Y Account			
Dr.			Cr.
To Consignment to Bombay A/c	1,50,000	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)	

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Consignment to Bombay Account

Dr.		Consignment to Bombay Account		Cr.	
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To Bank – Expenses	10,000	Sales proceeds			1,50,000
To Y A/c --					
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%	7,500				
(140,000+10,000) x 5%					
To Profit on consignment -					
Transferred to Profit & Loss A/c					

Y Account

Dr.	Y Account		Cr.
To Consignment to Bombay A/c	1,50,000	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)	

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To Y A/c --			
Clearing Charges	2,000		
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	3,000		
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(140,000+10,000) x 5%			
To Profit on consignment -			
Transferred to Profit & Loss A/c			
Y Account			
Dr.			Cr.
To Consignment to Bombay A/c	1,50,000	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)	

b) When 2½ Del-credere Commission was given

In the books of X			
Dr.		Cr.	
Consignment to Bombay Account			
To Goods sent on Consignment A/c	1,00,000	By Y A/c	
To Bank – Expenses	10,000	Sales proceeds	1,50,000
To Y A/c --			
Clearing Charges	2,000		
Godown Rent	1,000		
	3,000		
To Y A/c – Commission			
Ordinary commission 5%	7,500		
Del credere commission 2½	3,750		
	11,250		
To Profit on consignment -			
Transferred to Profit & Loss A/c			
Dr.		Cr.	
Y Account			
To Consignment to Bombay A/c	1,50,000	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	11,250
		By Balance C/d	
		(Amount due from Y)	

b) When 2½ Del-credere Commission was given

In the books of X					
Dr.		Consignment to Bombay Account		Cr.	
To Goods sent on Consignment A/c		1,00,000	By Y A/c		
To Bank – Expenses		10,000	Sales proceeds		1,50,000
To Y A/c --					
Clearing Charges	2,000				
Godown Rent	1,000	3,000			
To Y A/c – Commission					
Ordinary Commission 5%	7,500				
Del credere commission 2½	3,750	11,250			
To Profit on consignment -					
Transferred to Profit & Loss A/c					
Dr.		Y Account		Cr.	
To Consignment to Bombay A/c		1,50,000	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		11,250
			By Balance C/d		
			(Amount due from Y)		

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Dr.		Cr.	
Consignment to Bombay Account			
To Goods sent on Consignment A/c	1,00,000	By Y A/c	
To Bank – Expenses	10,000	Sales proceeds	1,50,000
To Y A/c --			
Clearing Charges	2,000		
Godown Rent	1,000		
	3,000		
To Y A/c – Commission			
Ordinary Commission 5%	7,500		
Del credere commission 2½	3,750		
	11,250		
To Profit on consignment -			
Transferred to Profit & Loss A/c			
Dr.		Cr.	
Y Account			
To Consignment to Bombay A/c	1,50,000	By Bank – Advance	30,000
		By Consignment to Bombay A/c – Expenses	3,000
		By Consignment to Bombay A/c – Commission	11,250
		By Balance C/d	
		(Amount due from Y)	

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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		1,50,000
To Y A/c --					
Clearing Charges	2,000				
Godown Rent	1,000	3,000			
To Y A/c – Commission					
Ordinary Commission 5%	7,500				
Del credere commission 2½	3,750	11,250			
To Profit on consignment -					
Transferred to Profit & Loss A/c		25,750			
		1,50,000			1,50,000
Y Account					
Dr.					Cr.
To Consignment to Bombay A/c		1,50,000	By Bank – Advance		30,000
			By Consignment to Bombay A/c – Expenses		3,000
			By Consignment to Bombay A/c – Commission		11,250
			By Balance C/d		
			(Amount due from Y)		

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In the books of X					
Dr.		Consignment to Bombay Account		Cr.	
To Goods sent on Consignment A/c		1,00,000	By Y A/c		
To Bank – Expenses		10,000	Sales proceeds		1,50,000
To Y A/c --					
Clearing Charges	2,000				
Godown Rent	1,000	3,000			
To Y A/c – Commission					
Ordinary Commission 5%	7,500				
Del credere commission 2½	3,750	11,250			
To Profit on consignment -					
Transferred to Profit & Loss A/c		25,750			
		1,50,000			
Dr.		Y Account		Cr.	
To Consignment to Bombay A/c		1,50,000	By Bank – Advance		30,000
			By Consignment to Bombay A/c – Expenses		3,000
			By Consignment to Bombay A/c – Commission		11,250
			By Balance C/d		
			(Amount due from Y)		1,05,750
		1,50,000			1,50,000

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Dr.		Cr.	
Consignment to Bombay Account			
To Goods sent on Consignment A/c	1,00,000	By Y A/c	
To Bank – Expenses	10,000	Sales proceeds	1,50,000
To Y A/c --			
Clearing Charges	2,000		
Godown Rent	1,000		
	3,000		
To Y A/c – Commission			
Ordinary Commission 5%	7,500		
Del credere commission 2½	3,750		
	11,250		
To Profit on consignment -			
Transferred to Profit & Loss A/c	25,750		
	1,50,000		1,50,000
Dr.		Cr.	
Y Account			
To Consignment to Bombay A/c	1,50,000	By Bank – Advance	30,000
		By Consignment to Bombay A/c – Expenses	3,000
		By Consignment to Bombay A/c – Commission	11,250
		By Balance C/d	
		(Amount due from Y)	1,05,750
	1,50,000		1,50,000

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

Del credere commission:-

The consignor pays del credere commission over and above the ordinary commission on sales by the consignee.

By doing so he transfers the risks concerning credit sales to the consignee

He makes no distinction between cash sales and credit sales and treats the entire sales proceeds as cash sales

Hence the consignor need not concern himself with Collections from debtors and bad debts