CONSIGNMENT

A. To calculate cost of Goods Sold

Process start → **Finished Goods**

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All Expense incurred to make product ready to sale at factory Gate*

Note: If any work is carried out by consignee on goods to make it saleable at his premise becomes COST of GOOD SOLD.

Example Mr. A and Mr. B entered into a consignment agreement whereby Mr. A was to purchase second hand cars from Mumbai and sent the same to Mr. B of delhi who was sell the car after reconditioning. Then such amount incurred by Consignee B on his premises also becomes COST of GOOD SOLD.

i. Mr. A purchased 102 cars-50% @ Rs30, 000 and the balance @ Rs 38,000.
ii. Mr. A paid freight & insurance charges of Rs 1, 02,000 on sending the cars to Mr. B.
iii. Mr. B reconditioned the cars by spending the following amounts:
    Air conditioning 10 (CARS) Rs 3, 00,000
    Labour, paint and other expenses Rs 15, 00,000
iv. Mr. B sold the cars as follows:
    9 AC cars at a profit of 100% on cost.
    81 Non AC cars at a profit of 60% on sales.
v. Mr. B was entitled to 5% commission on sales

Calculations of cost and sale price of AC and NON- AC car

	AC	NON AC
A. Average cost of purchase (51*Rs30,000+51*Rs38,000)/(51+51)	**34,000**	**34,000**
B. *Add:freight&insurance (rs)*	**1,000**	**1,000**
C. Total cost in transit	**35,000**	**35,000**
D. *Add:* Air conditioners (3,00,000/10)	**30,000**	**-**
Labour,paint& other expense(15,00,000/100)	**15,000**	**15,000**
E. Total Cost of a car	**80,000**	**50,000**
F. *Add:* profit @ 100% on Cost	**80,000**	**-**
Profit @ 60% on sales	**-**	**75,000**
G. Sale price	**1,60,000**	**1,25,000**

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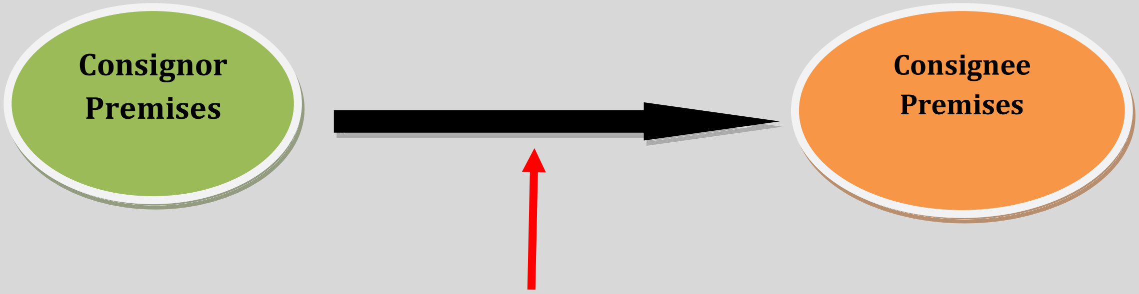
B. Valuation of Stock



All expense incurred till the goods reach the premises of the consignee include in Valuing the Stock on Hand.

In consignment valuation of stock, cost means not only the cost of goods as such to the consignor but also all expense incurred till the finished goods reach the premises of the consignee. Such expense includes packaging, freight, cartage, insurance in transit etc. But expenses incurred after the goods have reached the consignee's godown are not treated as part of purchase for valuing stock on hand.