



CONSIGNMENT ACCOUNTING REVISION

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1. Meaning of Consignment

Point	Key MCQ Crux
Consignment	Goods sent by Consignor to Consignee for sale.
Ownership	Remains with Consignor till goods are sold.
Relationship	Principal-Agent, NOT Buyer-Seller .
Risk & Reward	Borne by Consignor .

2. Key Parties

Consignor

- Owner of goods
- Records purchases, expenses, sales, profit/loss

Consignee

- Agent
- Does **not** record purchase, only:
 - Expenses (non-recurring/recurring)
 - Commission income
 - Remittance to consignor

3. Types of Expenses (VERY IMPORTANT FOR MCQs)

Type	Who Bears?	Examples	Impact
Non-Recurring Expenses	Consignor (sometimes consignee but added to cost)	Freight, insurance, packing, customs	Increase cost of goods sent, used for Valuation of closing stock



Recurring Expenses	Consignee	Godown rent, salaries, selling expenses	Not added to cost of goods, charged to P&L
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MCQs often ask:

Which expense forms part of cost for stock valuation?

Answer: Only Non-recurring expenses.

4. Account Used (Consignor Books)

Account	Purpose
Consignment A/c	<i>Nominal account → find profit/loss</i>
Consignee A/c	<i>Personal account → track amount due/received</i>
Goods Sent on Consignment A/c	<i>Shown on credit side of Trading A/c</i>

5. Commission Types (TOPIC WITH MOST MCQs)

Type	Meaning
Ordinary Commission	<i>% on sales</i>
Del-credere Commission	<i>Extra % to bear bad debts responsibility (consignee takes risk)</i>
Overriding Commission	<i>% for achieving higher sales/promotion</i>
Special Commission	<i>On non-return of goods/Bulk sales etc.</i>

❖ MCQ Trap:

If **Del-credere commission** given → **Bad debts borne by consignee (NOT consignor)**.

6. Valuation of Closing Stock on Consignment

Formula used in MCQs:

Stock on Consignment = Cost + Proportionate non-recurring expenses

Where cost =

- Invoice price (if goods sent on cost)
- Cost + loading (if goods sent at invoice price)



Unsold Stock Includes:

- proportional NR expenses by consignor
- - proportional NR expenses by consignee

Do NOT Include:

- ✗ Recurring expenses
- ✗ Commission
- ✗ Abnormal loss items

Abnormal Loss (Most Tested Area)

Topic	Crux
Cause	Fire, accident, theft
Valuation	Same as stock valuation (Cost + proportionate non-recurring expenses)
Insurance Claim	Credited to Consignment A/c
Uninsured loss	Transferred to P&L

❖ MCQ example:

"If abnormal loss is uninsured?"

☞ Debit P&L A/c

8. Normal Loss (Important Logic for MCQs)

Point	Crux
Causes	Evaporation, leakage
Treatment	No separate entry
Impact	Increases cost per unit of remaining stock

Formula for Revised Cost per unit:

$$\text{Revised Cost per unit} = \frac{\text{Total Cost}}{\text{Quantity after Normal Loss}}$$



9. Goods Sent at Invoice Price

Item	Treatment
Goods sent at invoice price	Consignor inflates price
Loading = Invoice Price – Cost Price	Must remove loading
Remove loading on:	(i) Goods sent (ii) Closing stock (iii) Goods returned

KEY VERY HIGH MCQ AREA

“Adjustments for loading” always needed to find **true profit**.

10. Consignee Books (Simple MCQs)

Consignee records:

- Expenses paid
- Commission earned
- Amount remitted/ payable to consignor



Does **not** record:

- Purchases
- Sales profit
- Closing stock

11. Proforma Invoice & Account Sales

Term	Meaning
Proforma Invoice	Sent by consignor → contains description/prices
Account Sales	Sent by consignee → contains actual sales, expenses, commission, remittances

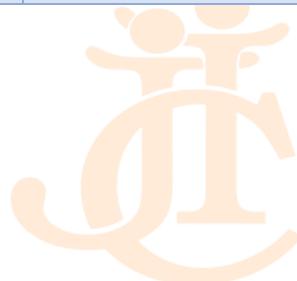
MCQs:

“Account Sales is prepared by?” → **Consignee**



12. Common MCQ Traps

MCQ Question Type	Correct Logic
Who bears bad debts?	If del-credere commission → consignee
Which expense adds to stock value?	Only non-recurring
Goods sent @ invoice price?	Always remove loading
Normal loss treatment?	Adjust cost per unit (no entry)
Abnormal loss?	Separate entry, valuation like stock
Who owns goods?	Consignor
Relationship?	Principal–agent



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