



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 |
|---------------------------|-----------|---|---|

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

5. Commission Types (TOPIC WITH MOST MCQs)

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



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 |

🔑 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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