



IMP QUESTION AND ANSWERS CONSIGNMENT ACCOUNTS [10 MARKS]

Q.1 Saumil of Surat consigned 4000 liters of oil at cost of ₹ 80 per liter to his agent Mihir of Mumbai. But the pro-forma invoice was made out at a figure so as to show a profit of 20% on invoice price. Samuel paid ₹ 5,000 for octroi and ₹ 15,000 for Insurance.

On 1-4-2013 Samuel drew a bill of ₹ 2,50,000 for three month on Mihir which was immediately returned by the later duly accepted. Samuel discounted this bill on 1-5-2013 at 12% discount p.a. Mihir reported in Account Sale that

- (1) He paid ₹ 5,000 for octroi, ₹ 5,000 for insurance and ₹ 7,820 for selling expenses.
- (2) 1800 liters oil were sold for cash 25% profit on invoice price.
- (3) 1000 liters oil were sold to Dax at 50% profit on invoice price.
- (4) 400 liters oil were sold to Yash as per recommendation of Samuel at 25% profit on invoice price.
- (5) 200 liters oil were purchased by him for his personal use at the invoice price.
- (6) 200 liter oil were destroyed in the godown for which the insurance company paid ₹ 10,500 for claim.
- (7) Both Dax and Yash were declared insolvent and 75% amount received from them. Mihir is entitled to receive a general commission of 5% on sales and 2% del credere on credit sales. 1/8 profit share after deducting both commission and share of profit.

From the above particulars prepare Consignment A/c. and Mihir's A/c. in the books of Samuel.

Q.1 Answer:

Ledger Accounts in the book of Saumil Consignment A/c.

Particulars	Amt.	Particulars	Amt.
To Goods sent on consignment	4,00,000	By P&L A/c. [Loss on oil destroyed]	7,000
To Cash	20,000	By Insurance Claim	10,500
To Bills [discounted]	5,000	By Consignee sales Cash : 1,800 × 125 = 2,25,000 Dax : 1,000 × 150 = 1,50,000 Yash : 400 × 125 = 50,000 Own : 200 × 100 = 20,000	4,45,000
To Consignee exp. Octroi 5,000 Insurance 5,000 Selling Exp. 7,820	17,820	By Closing Stock	43,000
To Consignee (Bad debts)	12,500	By Goods sent on Consignment (Profit)	80,000
To Consignee (Comm.) General – 22,250 Delcredere – 3,000	25,250		
To Closing Stock (Profit)	8,000		
To Consignee (Share in Profit)	10,770		
To Consignment Profit [net]	86,160		
	5,85,500		5,85,500



Consignee A/c.

Particulars	Amt.	Particulars	Amt.
To Consignment (Sales)	4,45,000	By Bills received	2,50,000
		By Consignment [Expenses]	17,820
		By Consignment (Bad debts)	12,500
		By Consignment [Commission]	25,250
		By Consignment (Profit)	10,770
		By Bank	1,28,660
Total	4,45,000	Total	4,45,000

Working Notes:

Working note : 1 Calculation Of Abnormal Loss

Particulars	Amount
Cost of oil destroyed [200 x 80]	16,000
Add: consignor exp. Proportionate [200 x 20,000] / 4,000	1,000
Add: consignee Exp. Proportionate [200 x 10,000] / 4,000	500
Total cost of oil destroyed	17,500
Less: insurance claim	10,500
Loss on oil destroyed	7,000

Working note : 2 Calculation Of Closing Stock

Particulars	Amount
Invoice price of stock [400 x 100]	40,000
Add: consignor exp. Proportionate [400 x 20,000] / 4,000	2,000
Add: consignee Exp. Proportionate [400 x 10,000] / 4,000	1,000
Total price of oil in stock	43,000
Valuation of profit on closing stock	
Profit on closing stock [40,000 x 20%]	8,000

Working note : 3 Calculation Of Share In profit

Particulars	Amount
Profit before commission & share in profit	1,22,180
Less: Commission [total]	(25,250)
Profit Before share in profit	96,930
Reverse calculation	
Suppose profit after charging share in profit	100
Add: share in profit $1/8 = \text{i.e. } 12.5 \%$	12.5
Profit before charging share in profit	112.5
So if profit before charging share in profit is 112.5 than share in profit is 12.5	10,770
If profit before charging share in profit is 96,930 than share in profit is [96,930 x 12.5] / 112.5	



Q.2 Akshar of Ahmedabad consigned "60" TV sets, each of ₹ 20,000 at an invoice price of ₹ 25,000 to Vijay of Vadnagar on 1st April 2015 and incurred the following expenses : Insurance Premium ₹ 10,000, Freight ₹ 8,000 and other expenses ₹ 12,000. Vijay is entitled to get 5% commission total sales and 2% Del-credere commission on credit sales.

Vijay accepted a four months bill of ₹ 3,00,000 drawn by Akshar and returned it immediately. Akshar discounted it on the same day @12% per annum in a bank.

During transit, 05 (five) TV sets were heavily damaged due to accident and the Insurance company admitted a claim of ₹ 85,800.

Vijay paid ₹ 5,500 for clearing charges and ₹ 9,700 for selling expenses.

According to "Account Sale" sent by Vijay on 31-10-2015,

"40", TV sets were sold at ₹ 30,000 each for cash.

"10", TV sets were sold at ₹ 32,000 each on credit to Jitendra and

"03", TV sets were sold at ₹ 30,000 each to Uday on recommendation and responsibility of Akshar.

Uday was declared insolvent and 0.80 paise per rupee was received from the receiver.

Vijay sent a bank draft for the payment due from him.

From the above information, prepare consignment Account and Vijay (Consignee) Account in the books of Akshar (Consignor).

ANSWER:

Ledger accounts in the book of Akshar [Consignor]

Consignment A/c.

Particulars	Amount	Particulars	Amount
To Goods sent on Consignment A/c. (60 × 25,000)	15,00,000	By P & L A/c. [loss on TV] [W.N.1]	16,700
To Consignee exp.	15,200	By Insurance Claim	85,800
To Cash Insurance premium 10,000 Frieght 8,000 Other exp. 12,000	30,000	By Consignee sales Cash : 40 × 30,000 = 12,00,000 Jitendra 10 × 32,000 = 3,20,000 Uday 3 × 30,000 = <u>90,000</u>	16,10,000
To Bills [discounted] [3,00,000 X 12% X4/12]	12,000	By Goods sent on Consignment (Profit)	3,00,000
To Consignee (Bad debts)	18,000	By Closing Stock [W.N.2]	51,200
To Consignee (Comm.) General – 80,500 Delcredere – <u>6,400</u>	86,900		
To Closing stock (Profit) [W.N.2]	10,000		
To Consignment profit [Difference]	3,91,600		
	20,63,700		20,63,700



Consignee A/c [Vijay]

Particulars	Amount	Particulars	Amount
To Consignment (Sales)	16,10,000	By Bills Receivable	3,00,000
		By Consignment (Bad debts)	18,000
		By Consignment (Commission)	86,900
		By Consignment (Expenses)	15,200
		By Bank [Difference]	11,89,900
	16,10,000		16,10,000

Working Notes:

Working note : 1 Calculation Of Abnormal Loss	
Particulars	Amount
Cost of T.V destroyed [5 x 20,000]	1,00,000
Add: consignor exp. Proportionate [5 x 30,000] / 60	2,500
Total cost of T.V destroyed	1,02,500
Less: insurance claim	85,800
Loss on T.V destroyed	16,700

Working note : 2 Calculation Of Closing Stock	
Particulars	Amount
Invoice price of stock [2 x 25,000]	50,000
Add: consignor exp. Proportionate [2 x 30,000] / 60	1,000
Add: consignee Exp. Proportionate [2 x 5,500] / 55	200
Total price of TV in stock	51,200
Valuation of profit on closing stock	
Profit on closing stock [2 X (Invoice price – Cost price)] = 2 x (25,000 – 20,000)	10,000

Q.3 Viraat consigned 20 computers to Anushka at an invoice price of ₹ 50,000 each on 1-4-2015. The invoice price is arrived at after adding 25% profit on cost price. Viraat paid ₹ 10,000 while sending the goods.

On 1-4-2015 Viraat drew a bill of ₹ 5,00,000 for 4 months on Anushka which the latter duly accepted. On 4-5-2015 Viraat discounted the bill with the bank at the rate of 12% discount p.a.

On 31-3-2016 Anushka sent an Account Sales in which it was reported that :

- (1) She paid ₹ 4,000 for unloading charges, ₹ 6,000 for carriage and ₹ 15,000 for advertisement.
- (2) She sold 10 computers for ₹ 55,000 each on cash.
- (3) She sold 5 computers at ₹ 60,000 each to Ranbir on credit.
- (4) Ranbir was declared insolvent and only 50% amount could be recovered from him.



(5) One computer was destroyed due to mishandling and insurance company admitted a claim of ₹ 37,500.

(6) Out of the unsold computers, 2 computers were damaged and repairing charges for both were estimated at ₹ 6,500.

Anushka is entitled to a general commission of 5% on total sales, 2% del credere commission on credit sales and 10% of net profit as a share in profit. In the books of Viraat, Prepare :

Consignment Account and Anushka's Account

ANSWER:

Consignment A/c.

Particulars	Amount	Particulars	Amount
To Goods sent on consignment (50,000×20)	10,00,000	By Consignee (Sales)	
		Cash $10 \times 55,000 = 5,50,000$	
		Ranbir $5 \times 60,000 = 3,00,000$	8,50,000
To Cash [Expenses]	10,000	By P&L A/c. [W.N.1]	3,500
To Bills [discounted]	15,000	By Insurance claim	37,500
To Consignee (exp.)		By Closing stock [W.N.2]	1,97,500
Unloading 4,000			
Carriage 6,000			
Advertisement 15,000	25,000		
To Consignee (Comm.)		By Goods sent on consignment (profit)	
G.C. $8,50,000 \times 5\% = 42,500$		(20 × 40,000) × 25%	2,00,000
D.C. $3,00,000 \times 2\% = 6,000$	48,500		
To Closing stock (profit) [W.N.2]	40,000		
To Share [1,50,000 × 10%]	15,000		
To Consignment profit	1,35,000		
	12,88,500		12,88,500

Consignee A/c.

Particulars	Amount	Particulars	amount
To Consignment	8,50,000	By Bills receivable	5,00,000
		By Consignment	25,000
		By Consignment (Commission)	48,500
		By Consignment (Share in profit)	15,000
		By Bank [Difference]	2,61,500
	8,50,000		8,50,000

Working note : 1 Calculation Of Abnormal Loss

Particulars	Amount
Cost of Computer destroyed [1 × 40,000]	40,000
Add: consignor exp. Proportionate [1 × 10,000] / 20	500
Add: consignee Exp. Proportionate [1 × 10,000] / 20	500
Total cost of Computer destroyed	41,000



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Less: insurance claim	37,500
Loss on Computer destroyed	3,500

Working note : 2 Calculation Of Closing Stock	
Particulars	Amount
Cost of stock $[20 - 15 - 1] = 4 \times 50,000$	2,00,000
Add: consignor exp. Proportionate $[4 \times 10,000] / 20]$	2,000
Add: consignee Exp. Proportionate $[4 \times 10,000] / 20]$	2,000
Total price of stock	2,04,000
Less: repairing cost	(6,500)
Cost of stock	1,97,500
Calculation of profit on stock	
Profit on closing stock If cost is 100 + profit 25 = Invoice 125 If invoice is 125 than profit is 25 If closing stock invoice is 2,00,000 than profit $[2,00,000 \times 25/125]$	40,000

Calculation of Cost price

If cost is 100 + profit 25 = Invoice 125

If invoice is 125 than Cost is 100

If invoice price is 50,000 than cost price is $[50,000 \times 100]/125 = 40,000$

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