

## Consignment

### 1. Introduction

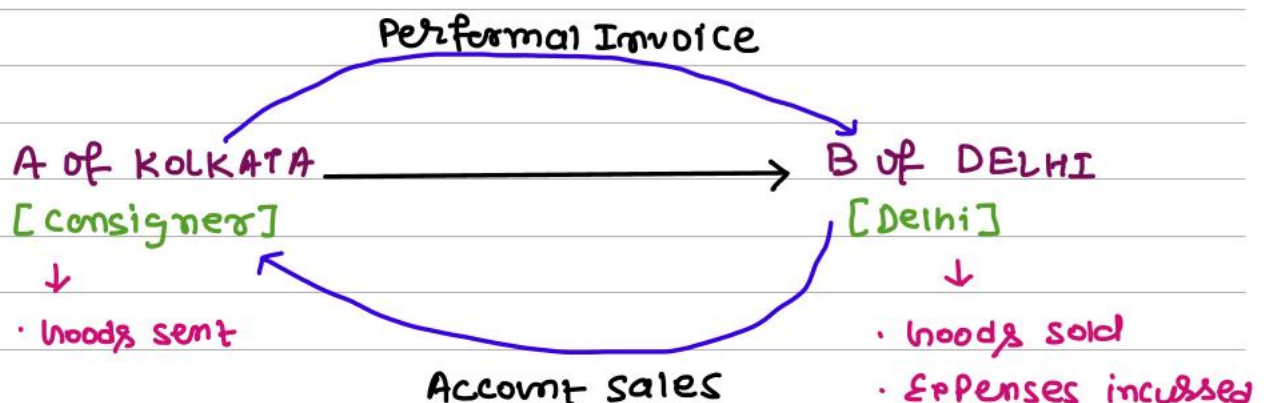
#### A. Meaning

Consignment is a kind of business expansion without actually opening a branch in a new potential area. Under this business owner (**Consigner**) sends goods to the agent (**Consignee**) to be sold by consignee on Commission basis.

- Ownership of the goods remains with the Consigner only until and unless goods sold by consignee and ownership transfers to buyers directly on selling of goods by consignee. Hence, the relationship of Consigner and Consignee is that of a **Principal and agent**.

#### B. Procedure

- Consigner sends goods to Consignee along with along with a document called **Performa Invoice** containing details of goods sent, Price at which it can be sold, by incurring expenses (Freight, insurance, etc.)
- Consignee receives goods by paying unloading charges and take the goods to the godown.
- Now Consignee sales goods and sends all details of various expenses incurred (Unloading charges, transport charges, godown rent, Electricity, selling expenses, etc.) and goods sold, in a document called **Account Sales**.



## 2. Basic Terms used in Consignment

### i) Performa Invoice

- A document sends by Consigner to the Consignee Containing the details of goods sent, minimum Selling Price, etc.

### ii) Account sales

- A document sends by Consignee to the Consigner Containing the details of goods sold, expenses incurred, unsold goods with consigner, remittance made, etc.

### iii) Expenses in Consignment

#### Expenses



#### Non-recurring Expenses



- Incurred only once on a Particular goods
- e.g. All Expenses of Consigner
- Consignee's Expenses till the goods reaches to the godown.



Used in calculation of Abnormal loss and unsold stock.

#### Recurring Expenses



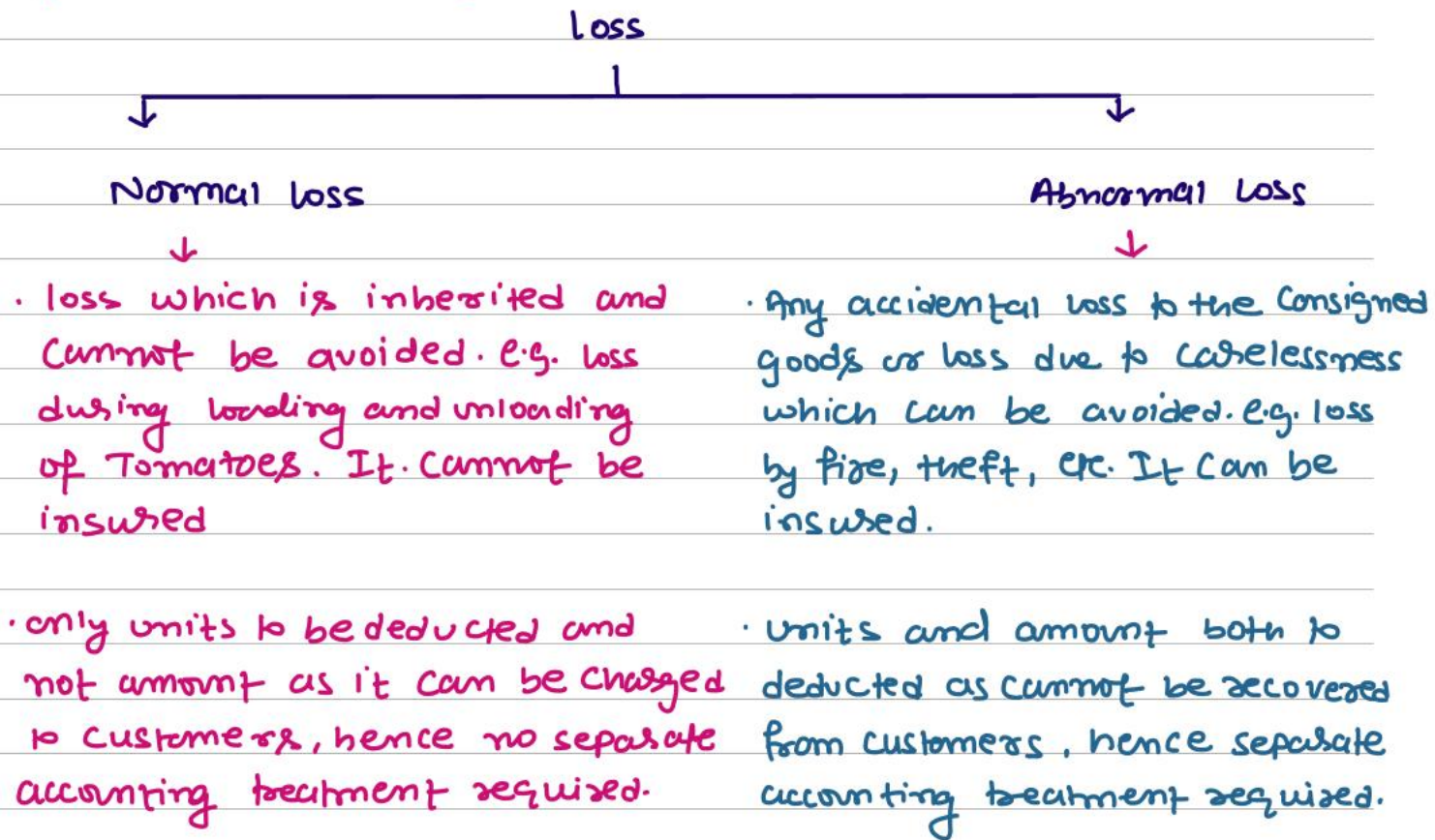
- That being incurred Periodically on same goods again and again till goods sold by the consignee.

All Expenses of Consignee after goods reaches the godown. e.g. godown rent, lighting, selling Expenses, etc.

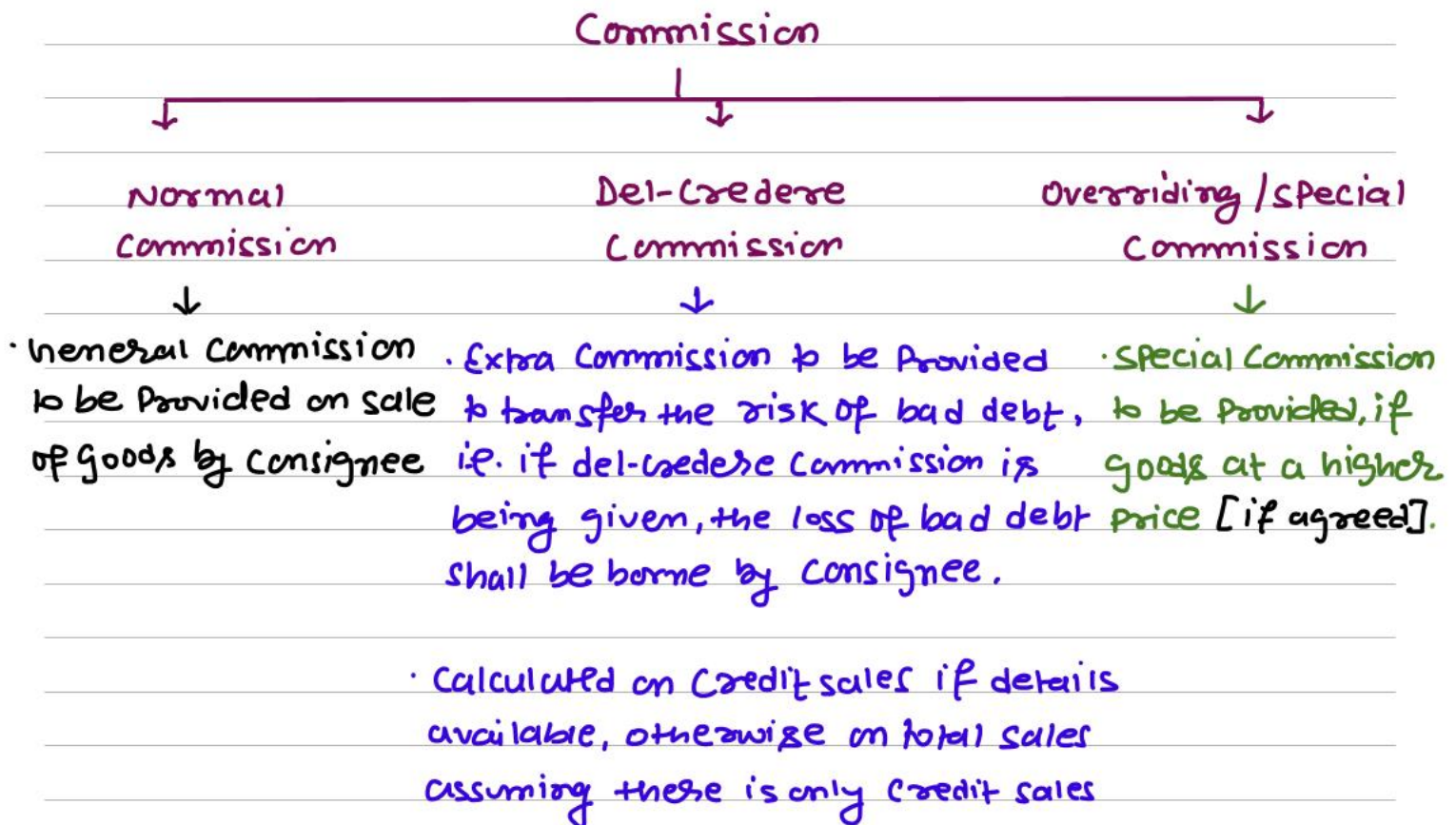


Not to be used in calculation of Abnormal loss and unsold stock.

iv) Losses in Consignment



v) Commission Charged by Consignee





iii) Advance received from Consignee

Cash/Bank/Bill Receivable	✓	
To Consignee A/c		✓

iv) Account Sales received from consignee

a. Goods sold by Consignee

- with del-credere Commission

Consignee A/c --- Dr.		
To Consignment to... A/c		[ Cash + Credit Sales ]

- without del-credere Commission

Consignee A/c --- Dr.		Cash sales	
Consignment Debtors A/c --- Dr.		Credit sales	
To Consignment to... A/c			Total sales

Note:- No Entry for bad debt shall be passed in the books of Consignor if del-credere Commission is provided.

b. Expenses incurred by Consignee (including Commission)

Consignment to... A/c --- Dr.	✓	
To Consignee A/c		✓

c. Receiving remittance from Consignee

Cash/Bank A/c --- Dr.	
To Consignee A/c	

d. unsold Stock with Consignee

Stock on Consignment A/c --- Dr.	✓	
To Consignment to... A/c		✓

v) Normal loss

- NO Entry -

v) Abnormal Loss

Abnormal Loss (Insurance Claim) A/c -- Dr	Claim Admitted
Abnormal Loss (Profit and Loss) A/c -- Dr	Claim not Admitted
To Consignment A/c	Total Loss

Note:- If goods are not insured then whole amount shall be transferred to P/L A/c.

vii) Removing load item in goods

If goods are sent to consignee at Invoice Price then load should be remove from following items -

a. Good sent on consignment

Goods sent on Consignment A/c -- Dr	Load
To Consignment to... A/c	Part

b. Unsold Stock with consignee

Consignment to A/c... Dr	Load
To Closing Stock Reserve A/c	Part

viii) Profit or loss on Consignment

Profit on Consignment

Consignment to... A/c -- Dr
To Profit on Consignment

Loss on Consignment

Loss on Consignment A/c -- Dr
To Consignment to... A/c

B. In the books of Consignee

↳ Goods received on Consignment

- NO Entry -

Note:- As consignee hold these goods on behalf of Consigner, he is not required to Pass entry for receiving goods. He, may however record the details in a separate book.

ii) Advance made to Consigner

Consigner A/c --- Dr.

To Cash / Bank / Bills Payable A/c

iii) Expenses incurred on consignment and Commission earned

Consigner A/c --- Dr. ✓

To Cash / Bank A/c ✓

To Commission Received A/c ✓

iv) Good sold

Cash / Bank

Cash sales

Consignment Debtors

Credit sales

To Consigner A/c ✓

Note:- Credit sales shall be recorded by consignee only if del credere Commission is given to consignee, otherwise consignee will not record credit sales.

• If del-cedere Commission received then loss of bad debt shall be borne by consignee and he should adjust the same with Commission income.

v) Sending Remittance

Consigner A/c --- Dr.

To Bank / Cash

vi) Unsold stock

- NO Entry -

4. Ledger Accounts

In the books of Consignor

Consignment To.... Account

Dr.			Cr.		
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
	To Goods sent on Consignment	✓		By Consignee - Sales	✓
	To Bank			By Abnormal loss - Claim	✓
	- Freight	✓		By Abnormal loss - P/L	✓
	- Carriage	✓		By Stock on Consignment	✓
	- Insurance	✓		By Goods sent on Consignment - Wast	✓
	To Consignee A/c			By P/L on Consignment	✓
	- Clearing charges	✓			
	- Carriage	✓			
	- Godown Rent	✓			
	- Lighting	✓			
	- Selling Exp	✓			
	- Commission	✓			
	To Stock Reserve - Wast	✓			
	To P/L on Consignment	✓			
		✓			✓
		✓			✓

Dr.			Cr.		
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
	To Consignment to ... A/c - Sales	✓		By Consignment to A/c	✓
				By Bank	✓
				By B/R	✓
				By Bal c/d	✓
		✓			✓
		✓			✓

In the books of consignee

Dr.		Consignee's Account		Cr.	
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
	To cash/Bank/BP - Advance	✓		By cash/Bank - Sales	✓
	To cash/Bank - Expenses	✓			
	To Commission	✓			
	To cash/Bank Remittances	✓			
	-				
	To bal c/d	✓			