

Chapter 2

CONSIGNMENT ACCOUNTS

(کنسائنمنٹ اکاؤنٹ)

Mostly producers or manufactures do not sell their products directly. For the sale purpose, they appoint agents in the country (in case of national trade) and abroad (in the case of international trade). The goods sent by the owner to his agent for sale on behalf of owner is called consignment.

The word consignment can be generally defined as the act of sending a quantity of goods from producers to agent at the risk of owner for sales purpose. So goods sent by producer to his agent for sale purpose are called consignment. Consignment are of two kinds.

- (i) Outward consignment
- (ii) Inward Consignment

(i) Outward consignment:

When a quantity of goods is sent from one consignor to consignee for sale purpose, it is called outward consignment from consigner point of view.

(ii) Inward Consignment

When a quantity of goods sent from consignor to consignee for sale purpose, it is inward consignment from consigner point of view.

Consignor: The person who sends the goods (producer) to his agent for sale purpose, is called consignor.

Consignee: In consignment account the agent is called consignee.

کنسائنمنٹ اکاؤنٹ:

زیادہ تر صنعت کار / پیدا کار اپنا بنایا ہوا مال خود فروخت نہیں کرتے بلکہ اس مقصد کے لیے ملک بھر میں (ملکی تجارت میں) اور دنیا بھر میں (غیر ملکی تجارت میں) اپنے لیجنٹ مقرر کرتے ہیں۔ اس مقصد کے لیے مالک جو سامان لیجنٹ کو بھیجتا ہے اس کو کنسائنمنٹ کہتے ہیں۔ عام زبان میں لفظ کنسائنمنٹ کے مطابق ہے کہ سامان بنانے والا اس کی فروخت کے لیے اپنے مقررہ کردہ لیجنٹ کو جو سامان اپنے رسک پر بھیجتا ہے اس کو کنسائنمنٹ کہتے ہیں۔

پس پیدا کار کی طرف سے مال کی فروخت کے لیے اپنے مقررہ کردہ لیجنٹ کو بھیجے گئے سامان کو کنسائنمنٹ کہتے ہیں۔ اس کی مندرجہ ذیل دو اقسام ہیں:

(i) بیرون ملک سامان کا بھیجنا

ایسا سامان لیجنٹ کو بھیجے out word consignment کہلاتا ہے۔

(ii) اندرون ملک سامان کا بھیجنا

اگر پیدا کار / صنعت کار فروخت کے لیے اپنا سامان ملک کے اندر ہی اپنے مقررہ لیجنٹ کو بھیجے گا اس کو inward consignment کہتے ہیں۔

کنسائیز (Consignor)

سامان کے مالک (پیدا کار / صنعت کار) کو کنسائیز کہتے ہیں۔

کنسائینی (Consignee)

کنسائینٹ اکاؤنٹ میں لیجنٹ کو کنسائینی کہتے ہیں۔

Difference between consignment and sales

کنسائینٹ اور فروخت میں فرق

Points	Consignment	Sales
(1) Ownership (ملکیت)	The legal ownership of the goods remain vested the consignor till the goods are sold by the consignee. قانونی طور پر جب تک مال فروخت نہیں ہوتا حقوق ملکیت کنسائیز کے پاس ہی رہتے ہیں۔	The legal ownership of the goods sold is transferred to the purchaser of goods. قانونی طور پر سامان کے حقوق ملکیت فروخت کرنے والے سے خریدنے والے کو منقول ہو جاتے ہیں۔
(2) Relationship (تعلقات)	The relationship between consignor and consignee is principal and agent. کنسائیز اور کنسائینی کے درمیان تعلق پر نسل (مالک) اور لیجنٹ کے ہوتے ہیں۔	The relationship between seller and purchaser is debtor and creditor. مال فروخت کرنے والے اور خریدار کے درمیان تعلق Debtor اور Creditor کے ہوتے ہیں۔
(3) Risk (رک)	Consignee holds the goods at the risk of consignor. کنسائینی کے پاس پڑے مال کا ہر رک کنسائیز کا ہوتا ہے۔	Risk after sale transferred to purchaser. مال کے فروخت کے ساتھ ہی ہر رک خریدار کو منتقل ہو جاتا ہے۔
(4) Return of goods (سامان کی واپسی)	If the goods are not sold by the consignee, may be returned to consignor. مال اگر فروخت نہ ہو تو کنسائینی آسانی سے اس کو واپس کر سکتا ہے۔	Goods once sold are not easy to return it to seller. مال فروخت کرنے کے بعد اس کی فروخت کار کو واپسی مشکل ہوتی ہے۔
(5) Expenses (اخراجات)	All expenses till sales must bear by the consignor فروخت تک کے تمام اخراجات کنسائیز برداشت کرتا ہے۔	Expenses after sales born by purchaser. فروخت کے بعد کے اخراجات خریدار برداشت کرتا ہے۔
(5) Document	After sale the consignee submit	No statement is required in

(دستاویزات)	account of sale statement to consignor. مال فروخت کرنے کے بعد کنسائیٹی فروخت کا گوشوارہ مالک کو پیش کرتا ہے۔	sale and purchase of goods. سلمان کی خرید و فروخت میں کوئی گوشوارہ درکار نہیں ہوتا۔
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Important Terms اہم اصطلاحات

- (1) **Commission:** The word commission used in consignment account means the remuneration of the consignee for selling the goods of the consignor. This is generally calculated at a rate percentage on the gross sale proceeds.

کیشن: کنسائنٹ اکاؤنٹ میں کیشن کا لفظ کنسائیٹی کے معاوضہ کے لیے استعمال ہوتا ہے۔ یہ عام طور پر خام فروخت پر فیصد کے حساب سے معلوم کی جاتی ہے۔

- (2) **Del credere commission:** The consignee can sell the goods either for cash or on credit. If the consignee sold the goods on credit, the consignee may guarantee that they will be dully paid for and he will be liable to indemnify the consignor for all bad debts. In such cases, the consignor pays the consignee an extra commission for this guarantee. This extra commission is called Del credere commission.

کنسائیٹی مال اُدھار اور نقد دونوں طریقے سے فروخت کر سکتا ہے۔ اگر کنسائیٹی مال اُدھار فروخت کرے اور تمام اُدھار فروخت کی مکمل وصولی کی ضمانت دے۔ تو اس کے صلہ میں اس کو اضافی کیشن ادا کی جاتی ہے اس اضافی کیشن کو Del credere commission کہتے ہیں۔

- (3) **Expenses Borne by Consignee:** Consignee will borne only that expenses which are written in agreement and any loss occurs due to negligence of consignee will not be debited to consignment account by consignor. Such expenses will be debited in the profit and loss account of the consignee.

اخراجات جو کنسائیٹی برداشت کرتا ہے:

کنسائیٹی صرف وہ اخراجات برداشت کرتا ہے جو معاہدہ میں شامل ہوں اور ایسے تمام نقصانات جو کنسائیٹی کی لاپرواہی یا غفلت سے سرزد ہوں۔ ایسے اخراجات کو نفع و نقصان اکاؤنٹ میں کنسائیٹی کی کتابوں میں ڈیٹ کیا جاتا ہے۔

- (4) **Advance Against consignment :**

Usually consignee paid to consignor a part of payment of consignment in advance or accepted a bill of exchange as advance. When consignment is sold and consignee sent an account sale and balance account, he adjust this advance in it.

سال کے بدلے پیشگی کی وصولی:

عام طور پر کنسائیٹی مال کے بدلے کچھ رقم مالک کو بطور پیشگی ادا کر دیتا ہے یا ہنڈی قبول کر لیتا ہے۔ جب مال فروخت ہو جاتا ہے اور کنسائیٹی فروخت کی رپورٹ مالک کو ارسال کرتا اور ہتھیار رقم ادا کرتا ہے تو پیشگی ادا شدہ رقم کو ایڈجسٹ کر لیتا ہے۔

- (5) **Proforma Invoice:**

When consignor sent the consignment to consignee he forward a statement showing the particulars such as quality, quantity and price of goods. This statement is called proforma Invoice.

پرو فارما انوائس:

جب پر ٹیل (مالک) اپنے لیجنٹ کو سامان بھیجتا ہے تو اس کو ساتھ ایک گوشوارہ جس میں سامان کی کوالٹی، مقدار اور قیمت درج ہوتی ہے ارسال کرتا ہے، اس گوشوارہ کو Proforma Invoice کہتے ہیں۔

Book-Keeping for consignment:

The recording of consignment transactions in the books of the consignor and consignee will be made as following.

کنسائمینٹ لین دین کو مالک (Consignor) اور لیجنٹ (Consignee) کی کتابوں میں مندرجہ ذیل طریقہ سے درج کیا جاتا ہے۔

Consignor	Consignee
(1) When goods are sent on consignment. Consignment a/c ——— DR Goods sent on consignment CR	No Entry
(2) Consignor incurred Expenses on consignment Consignment a/c ——— DR Cash a/c ——— CR	No Entry
(3) When cash or Bill received from consignee as advance. جب لیجنٹ سے پیشگی کے طور پر بل یا رقم وصول کی جاتی ہے۔ Bank or Bill Receivable – DR Consignee's Personal A/c – CR	Consignor's personal a/c ——— DR Bank ——— CR Or Bills Payable
(4) Consignee incurred expenses on consignment مال پر لیجنٹ جو رقم خرچ کرتا ہے۔ Consignment (DR) Consignee Personal A/c (CR)	Consignor's Personal A/c ——— DR Cash ——— CR
(5) When bill of Exchange is discounted from bank. جب بینڈی کو بینک سے بے لکوا یا جاتا ہے۔ Bank a/c ——— DR Discount a/c ——— DR Bill Receivable ——— CR	No Entry
(6) When consignee sold the goods and sent account sales. جب لیجنٹ سامان فروخت کر دیتا ہے اور فروخت کا گوشوارہ مالک کو ارسال کرتا ہے۔	Bank ——— DR Consignor's Personal a/c ——— CR

Consignee's Personal A/c ——— DR Consignment a/c ——— CR	
(7) When commission paid to consignee. Consignment a/c — DR Consignee's Personal a/c — CR	Consignor's Personal a/c — DR Commission a/c — CR
(8) Expenses paid by Consignee. Consignment ——— DR Consignee's Personal a/c ——— OR	Consignor's Personal a/c — DR Cash a/c ——— CR
(9) Record the value of unsold stock Stock on consignment — DR Consignment a/c — CR	No Entry
(10) If there is profit. Consignment a/c ——— DR Profit and loss a/c ——— CR	No Entry
(11) If there is loss. Profit and loss a/c ——— DR Consignment a/c ——— CR	No Entry
(12) When consignee send the balance to consignor in full statement Bank a/c ——— DR Consignee's personal ——— CR	Consignor's Personal a/c — DR Bank ——— CR
(13) When goods sent on consignment are closed. Good sent on consignment a/c — Dr Trading a/c ——— CR	No Entry

Illustration-1:

The Brothers sugar Mills. Faisalabad consigned to Mr. Ali of Lahore 40 bags of sugar at Rs.250. per bag. They also paid cartage, freight, etc.; Rs. 250. The consignor drew on the consignee as an advance against the consignment at 3 months for Rs. 6,000 which he discounted at his bank at 5 per cent. The consignee sold off the goods and an Account Sales showing that the goods realised Rs. 12,000, out of which he deducted his charges amounting to Rs. 80 and his commission at 5 per cent. Make Entries and ledger Accounts in respect of the above transactions in the books of the consignor as well as the consignee.

Solution:

Brothers Sugar Mills Faisalabad Book

(Consignor's Books)

	Rs	Rs.
Consignment to Lahore A/c To Good sent on Consignment A/c (Cost of 40 bags of sugar sent to Ali to be sold on consignment)	10,000	10000
Consignment to Lahore Account To Bank Account (Expenses incurred on consignment)	250	250
Bills Receivable Account To Ali (Acceptance received from Ali as advance.)	6,000	6,000
Bank A/c Discount A/c To Bill Receivable a/c (Discounted Ali's bill at 5 per cent p.a.)	5,925 75	6,000
Ali To Consignment to Lahore Account (Being sales effected by Ali as per A/S)	12,000	12,00
Consignment to Lahore Account To Ali (For expenses and commission at 5 per cent on Rs. 12,000 due to the consignee as per A/S)	680	680
Bank a/c To Ali (Amount received from Ali in settlement.)	5320	5,320
Consignment to Lahore Account Profit and Loss Account Profit on consignment transferred to P & L account.	Rs. 1,070	1,070
Goods sent on Consignment Account Trading Account (Transfer of goods sent on consignment to Trading Account)	10,000	10,000

Consignment to Lahore Account

	Rs.		Rs.
Goods sent on Consignment	10,000	Ali A/c (Sale proceeds)	12,000
Bank-Expenses	250		
Ali	680		
Profit & Loss Account	<u>1,070</u>		
	12,000		12,000

Goods Sent on Consignment Account

	Rs.		Rs.
Trading Account-transfer	10,000	Consignment to Lahore	10,000

Bank Account

Bills Receivable a/c	5925	Consignment to Lahore a/c	Rs.
			250
	5925		5925

Ali (consignee)

	Rs.		Rs.
Consignment to Lahore	12,000	Bills Receivable	6,000
		Consignment to Lahore	680
		Bank Account	5,320
	12,000		12,000

Bill Receivable Account

	Rs.		Rs.
Ali	6,000	Bank Discount	5,925
			75
	6,000		6,000

Discount Account

	Rs.		Rs.
Bills Receivable	75	Profit & Loss A/c Transfer	75
	75		75

Profit & Loss Account

	Rs.		Rs.
		Consignment to Lahore	1,070

Trading Account

	Rs.		Rs.
		Goods sent on Consignment	10,000

**All's Book
(Consignee's Books)**

	Rs.	Rs.
Brother Sugar Mills To Bills Payable Account (Acceptance sent to consignor as advance against consignment. Rs.6000)	6,000	6,000
Brother Sugar Mills Bank Account (Expenses incurred on the consignment)	80	80
Bank Account Brothers sugar Mills (Being the sale proceed of 40 bags of sugar)	12,000	12,000
Brothers Sugar Mills Commission Account (Commission at 5 per cent on sale proceeds. Rs. 12,000)	600	600
Brothers Sugar Mills Bank Account (Remittance of the amount due to Brothers sugar Mills to settle the account.)	5,320	5,320
Bills Payable Account Bank Account (Amount paid against acceptance.)	6,000	6,000

**Brothers Sugar Mills
(Consignor)**

	Rs.		Rs.
Bills payable	6,000	Bank – Sale proceeds	12,000
Bank-Expenses	80		
Commission	600		
Bank-Balance	5,320		
	12,000		12,000

Bank Account

	Rs.		Rs.
Brother sugar mills	12,000	Bros. Sugar Mills	80
		Brös. Sugar Mills	5,320
		Bills Payable	6,000

Commission Account

	Rs.		Rs.
P & L Account	6,00	Brothers Sugars Mills	500
Transfer			

Bills Payable Account

	Rs.		Rs.
Bank Account	6,000	Brothers Sugars Mills	6,000

Illustration-2

Ali sends out a consignment of the value of Rs. 5,000 to Basher drawing on the latter for Rs. 4,000 as an advance against the same. Ali also pays Rs. 400 for freight etc. Basher clears the goods paying Rs. 300 for duty, dock dues. etc. He sells the goods for Rs. 6200. B's remuneration is 5 percent on gross proceeds.

Basher sends out an Account Sales and a draft to Ali for the balance as shown therein. Rs. 1,250 worth of goods are on hand with Basher. Open the necessary accounts in the Books of Ali to record the above transactions.

Solution:

Consignment Account

	Rs.		Rs.
Goods sent on segment	5,000	Basher Gross proceeds	6,200
Bank-Freight	400	Stock on consignment:	
Basher-duty, dock dues etc.	300	Cost 1,250	
Basher Commission	310	Exp. 175	
P & L Account	1615	$= \left(\frac{700}{5000} \times 1250 = 175 \right)$	1,425
	7625		7625

Basher

	Rs.		Rs.
Consignment Account	6,200	B/R Account	4,000
		Consignment Account (Exp.)	300
		Consignment Account (Commission)	310
		By Bank (draft)	1590
	6,200		6,200

Loss of Stock OR Goods: ہٹا یا سامان کا نقصان

When part of the goods sent on consignment are damaged or lost in transit the treatment in the books of account will depend upon the nature of loss ----- whether normal or abnormal.

جب ایکٹ کو بھیجا گیا سامان راستہ میں خراب ہو جائے یا کسی وجہ سے اس کا نقصان ہو جائے تو اس کو اکاؤنٹس کی کتابوں میں نقصان کی نوعیت کے لحاظ سے ڈیل کیا جاتا ہے کہ آیا یہ قدرتی نقصان ہے یا انسانی فعلی / کو تباہی کا شکار۔

Normal Loss. Normal loss of goods should also be considered while valuing the stock. Normal Loss means inherent and unavoidable loss. For instance if a certain quantity of coal is consigned, some of it is bound to be lost because of loading and unloading and because of some of it turning into dust. In the nature of coal shortage is unavoidable. Suppose 100 K.g of coal are despatched. The cost of one K.g of coal is Rs.20 and the freight incurred is Rs. 470. To the consignor the total cost is Rs. 2,470. Suppose, the consignee receives only 95 K.g. In that case the consignor can say that the cost coal is Rs. 2,470/95 or Rs. 26. If 20 K.g. of coal is left unsold with the consignee, the value of stock will be $20 \times 26 = \text{Rs. } 520$.

معمول کا نقصان:

معمول کے نقصان کا تحمینہ بتایا سلمان کی قیمت معلوم کرتے ہوئے لگایا جاتا ہے۔ معمول کا نقصان کا مطلب ہے ایسا نقصان جس سے بچنا ناممکن ہو۔ مثال کے طور پر اگر کوئلہ کی کچھ مقدار اپنے لیٹ کو بھیجی جائے تو اس میں سے کچھ کوئلہ لوڈ ان لوڈ کرتے ہوئے چورہ (ناقابل استعمال) بن جاتا ہے یہ وہ نقصان ہے جس سے بچنا ممکن نہیں۔

فرض کیا 100 کلو کوئلہ لیٹ کو بھیجا گیا۔ ایک کلو کی قیمت 20 روپے اور اس کا کرایہ 470 روپے ہے۔ کنسائر کا کل خرچہ 2470 روپے ہو۔ فرض کیا کہ کنسائر نے 95 کلو گرام کوئلہ وصول کیا۔ اس کا مطلب ہے کہ کوئلہ کی کل قیمت 2475/- روپے یا 26 روپے کلو ہوئی۔ اگر 20 کلو کوئلہ فروخت نہیں ہوا تو اس کی قیمت ہوئی۔ $20 \times 26 = 520$ روپے

Illustration-3:

Lahore Corporation sent 1000kg. Ghee to Moez Sons Sialkot at Rs. 100 Per.k.g on consignment basis. They incurred Rs. 2000 on loading and Rs. 8000 as freight. After 10 days Moez informed to Lahore Corporation that 10 k.g. ghee was lost due to leakage. Moez sold 800 K.g. of Ghee @ Rs. 150 Per.k.g Moez expenses were Rs. 5000 and commission 10%.

Prepare consignment account and Moez account in the books of consignors.

Consignment Account

	Rs.		Rs.
Goods sent on consignment (100x1000)	100,000	Moez a/c (Sales)	120,000
Cash a/c (Expenses)	10,000	Stock on consignment	21090
Moez (Exp)	5000		
Moez (Commission)	12,000		
Profit & Loss Account	14090		
	141090		141,090

(w-1) Total consignment = 1000 k.g

Sale = $\frac{800}{200}$

Lakage = 10 k.g

Balance = 190 k.g

Adjustment Per unit = $\frac{\text{Total cost of goods} + \text{Direct Expenses}}{\text{Total units} - \text{unit lost}}$

$$= \frac{100,000 + 1000}{1000 - 10} = \frac{110,000}{990} = \text{Rs. } 111 \text{ Ap.}$$

$$= 190 \times 111 = 21090$$

Abnormal Loss: غیر معمولی نقصان

Some losses many arise out of carelessness or by storm, fire, accident, theft, inefficiency etc. These are called abnormal loss.

Abnormal loss is ascertained in the same way as the value of ending/closing stock. The abnormal loss should be shown separately in the books of account.

The entry will —————

Profit and loss a/c ——— DR

Consignment a/c ————— CR

کاروبار میں بعض نقصانات غفلت طوفان۔ آگ لگنے، حادثہ ہونے، چوری ہونے یا لاپرواہی سے ہوتے ہیں۔ ایسے نقصانات کو غیر معمولی نقصانات کہتے ہیں۔ غیر معمولی نقصانات کا تخمینہ لگانے کا طریقہ کار وہی ہے جیسے ہم فروخت نہ ہونے والے بیج جانے والے مال کی قیمت معلوم کرتے ہیں۔

غیر معمولی نقصانات کو اکاؤنٹس کی کتب میں الگ ہی درج کیا جاتا ہے اور اس کے لیے مندرجہ ذیل انٹری پاس کی جاتی ہے۔

Profit and loss a/c ——— DR

Consignment a/c ————— CR

- When the goods are uninsured جب مال کا بیمہ نہ کرایا گیا ہو

Profit and loss a/c ——— DR

Consignment a/c ————— CR

- When the goods are partially insured

جب مال کا بیمہ تو کروایا گیا ہو مگر بیمہ کمپنی مال کے کچھ حصہ کی تلافی کو تسلیم کرے

Cash/Bank (Insurance claim) ——— DR

Profit and loss a/c ——— DR

Consignment a/c ————— CR

- When the goods are fully insured

جب مال مکمل طور پر بیمہ شدہ ہو اور بیمہ کمپنی تمام نقصان کا زر تلافی ادا کر دے۔

Bank (insurance claim) ——— DR

Consignment a/c ————— CR

Illustration-4:

1,000 bicycles were consigned by A & Co., of Lahore to Bashir of Karachi at an invoice cost of Rs. 150 each. A & Co., paid freight Rs. 10,000 and insurance Rs. 1,500. During transit 100 bicycles were totally destroyed. Bashir took delivery of the remaining bicycles and paid Rs. 14,400 as duty.

Bashir sent a bank draft to A & Co., for Rs. 50,000 as an advance payment and later sent an Account Sale showing that 800 bicycles were sold at Rs. 220 each. Expenses incurred by Bashir on godown rent and advertisement etc., amounted to Rs. 2,000. Bashir is entitled to Commission of 5 per cent. Prepare consignment account, Bashir's account,

assuming that nothing has been recovered from the insurers due to the defect in the policy. (P.U. 2004)

Solution:

Consignment to Karachi Account

	Rs.		Rs.
Goods sent on Consignment	1,50,000	Sales (800 x 220)	1,76,000
Bank-Freight & Insurance	11,500	P & L Account – Loss (W)	16,150
Bashir-Duty	14,400	Stock on Consignment (W)	17,750
Bashir-Expenses	2,000		
Bashir-Commission	8,800		
Profit & Loss Account	23,200		
	2,09,900		2,09,900

Bashir

	Rs.		Rs.
Consignment Account	1,76,000	Bank	50,000
		Consignment Account:	
		Duty 14,400	
		Expenses 2,000	
			16,400
		Consignment Account (Commission)	8800
		Balance c/d	1,00,800
	1,76,000		1,76,000

Working:

(1) The value of loss has been valued as follows:-

100 bicycles at Rs. 150 each	Rs. 15,000
Add 100/1,000 of freight & insurance	Rs. 1,150 $(11,500 \times \frac{100}{1,000})$
Loss	<u>16,150</u>

(2) The value of closing stock has been calculated as follows:

100 bicycles at Rs. 150 each	Rs. 15,000
freight and insurance	Rs. 1,150 $(\frac{11,500}{1,000} \times 100)$
100/900 of duty	Rs. 1,600 $(\frac{14,400}{900} \times 100)$
	<u>17,750</u>

Illustration-5:

Ali of Lahore consigned goods costing Rs. 93,000 to Javed of Karachi, Ali paid insurance and other forwarding charges amounting to Rs. 7,510. Javed was allowed Rs. 1,500 being the establishment cost; 4% commission on gross sales and 4% deleredere commission. Javed of paid Rs. 1,502 as landing charges. On 30th June 2015 the position was:

Three-fourth of the goods were sold at Rs. 93,000. One-sixth of the goods consigned were destroyed by fire and Insurance Company admitted the claim for Rs. 15,000. One twelfth (1/12) goods were unsold. Show the consignment account in the books of Ali. Ali closes his books on 30th June every years.

(P.U. 2000), (B.Z.U. 2002)

Solution:

Dr.

Consignment Account

Date	References	Rs.	Date	References	Rs.
2015 Jan.1	Goods sent on Consignment	93,000	2015 June 30	Javed account; Sales	93,000
	Bank (Insurance and forwarding charges)	7,510		Insurance company	15,000
June 30	Javed Account: Establishment Exp 1,500			Profit and Loss account (loss of stock not covered by the insurance company)	2,002
	Landing charges 1,502			Stock on consignment (w)	8,501
	Commission (4%) 3720				
	Delcredere Commission (4%) 3720				
	Profit transferred to General P & L A/c	10,442			
		7,551			
		1,18,503			1,18,503

Note:

This represents 'abnormal loss' therefore is to be credited to the consignment account. Out of which Rs. 15,000 worth claim has been admitted by the insurance company (debit the insurance company account) balance of loss Rs. 2,002 should be debited to profit and loss account.

Calculation of Abnormal Loss

Cost price goods destroyed by fire Rs. 15,500

$$\text{Rs. } 93,000 \times \frac{1}{6}$$

Add: Proportionate direct expenses

$$7510 + 1502 = 9012 \times \frac{1}{6} \quad \underline{1,502}$$

17,002

Less: Claim admitted by Insurance Co. 15,000

Profit & loss account (Loss) 2,002

Delcredere commission, unless otherwise stated, should be calculated on total sales including cash

Calculation of Stock on Consignment:

Cost price of unsold stock Rs. 7,750

$$\text{Rs. } 93,000 \times \frac{1}{12}$$

Add: Proportionate direct expenses

751

$$7510 + 1502 = \text{Rs. } 9012 \times 1/2$$

Stock on consignment

8501

invoicing Goods Higher than Cost. Sometimes in place of sending the goods to the consignee at cost price the consignor invoices them at a higher price, the object being not to disclose to the consignee the amount of consignor's profit. The real cost of the goods is not disclosed, therefore, the entries made in this case are a little different from those if goods are invoiced at cost. The difference in entries is only in respect of goods sent on consignment and stock. When goods are invoiced at selling price, the following entries are made:

اصل قیمت سے زیادہ:

بعض اوقات مالک اپنے لیجنٹ کو اصل قیمت (Cost Price) کی بجائے کچھ زیادہ قیمت پر مال (Invoice price) بھیجتا ہے۔ مقصد صرف یہ ہوتا ہے کہ لیجنٹ کو مالک کے اصل منافع کا علم نہ ہو۔ لیجنٹ کو اصل قیمت سے مطلع نہیں کیا جاتا۔ اس سلسلہ میں عام انٹریوں میں معمولی فرق ہوتا ہے۔ فرق کی انٹری صرف (Goods sent on consignment) اور سٹاک کی ہوتی ہے۔ اگر مال قیمت فروخت پر بھیجا جائے تو مندرجہ ذیل انٹریاں پاس کی جاتی ہیں۔

- (1) On sending goods at invoice price i.e., higher than cost
 Consignment Account
 To Goods sent on Consignment Account.
- (2) At the end of the year difference between the invoice price and the cost will be credited to the Consignment Account by debiting goods sent on Consignment Account, if the goods costing Rs. 10,000 are invoiced at Rs. 15000 an entry will have to be made at the end of the year for Rs. 5000
 Goods sent on Consignment Account (DR)
 To Consignment Account (CR)
 The purpose of this entry is to show the cost of goods sent out and calculate the profit on consignment.
- (3) The stock in hand at the end of the year (unsold stock) with the consignee will be valued according to the invoice price plus the share of expenses. The usual entry is:-
 Stock on Consignment Account
 To Consignment Account.
- (4) As the stock should not be shown at more than the cost therefore, the difference in entry No. 3 above will be calculated and the following entry will be passed:
 Consignment Account
 To Stock Reserve Account

In the balance sheet the Stock Reserve Account will appear on the asset side as reduced from the Stock on Consignment Account.

Illustration 6

Pak charger Lahore sends 100 chargers on Consignment to Qureshi at Jehlum. The cost of each charger is Rs. 130 but the invoice price is at the rate of Rs. 160 each. Pak charger spends Rs. 400 on packing and despatch. Qureshi receives the consignment and immediately accepts Rashid's draft for Rs. 8,000. Subsequently, Qureshi informs Qureshi

that 80 machines have been sold at Rs. 175 each. Expenses paid by Qureshi are; Freight Rs. 600, Godown Rent Rs. 50, and insurance Rs. 100. Qureshi is to a commission of 6 per cent on sales and 1½ per cent as del credere commission.

Give journal entris in the books of Pak charger Co, Lahore. Also prepare necessary Ledger Accounts.

Solution:

Journal

	Rs.	Rs.
Consignment to Jehlum Account Goods sent on Consignment account 100 machines at 160 each sent on consignment	16,000	16,000
Consignment to Jehlum Account Cash Account Expenses incurred on Consignment.	400	400
Bills Receivable Account Qureshi a/c Qureshi acceptance received.	8,000	8,000
Qureshi a/c Consignment to Jehlum Account 80 machines sold be Qureshi at Rs. 175 each	14,000	14,000
Consignment to Jehlum Account Qureshi Expenses incurred by Qureshi	750	750
Consignment to Jehlume Account Qureshi Commission at 6% plus 1½ on sales.	1,050	1,050
Consignment to Jehlume Account Stock Reserve Account Difference in closing stock adjusted	600	600
Stock on consignment Account Consignment to Jehlume Value of 20 machines in the hands of Qureshi	3,400	34,00
Goods sent on Consignment Account Consignment to Jehlume The difference in the invoice value and cost, Rs. 30 per machine adjusted.	3,000	3,000
Goods sent on Consignment Account Trading Account Transfer of Goods sent on consignment to Trading A/c.	13,000	13,000
Consignment to Jehlume Account Profit and Loss Account Transfer of profit on Consignment	1,600	1,600

Consignment to Jehlume Account

	Rs.		Rs.
Goods sent on consignment	16,000	Qureshi-Sale proceed	14,000
Cash-Expenses	400	Stock on Consignment	3,400
Qureshi-Expenses		Goods sent on Consignment	3,000
Freight	600		
Rent	50		
Insurance	100		
	750		
Qureshi-Commission	1,050		
Consignment Stock			
Reserve	600		
Profit & Loss Account	1,800		
	20,400		20,400

Qureshi

	Rs.		Rs.
Consignment to Jehlume Account	14,000	Bills Receivable A/c	8,000
		Consignment to Jehlume Account:	
		Expenses	750
		Commission	1,050
		Balance c/d	4,200
	14,000		14,000

MULTIPLE CHOICE QUESTIONS

Encircle the Correct Answer.

1. The act of sending goods by the producer to his agent is called:
(a) Consignment (b) Sales
(c) Consignor (d) Consignee
2. The producer who sends his goods for sale purpose is known as
(a) Consignee (b) Consignor
(c) Agent (d) Draper
3. Consignee is
(a) Principal (b) Owner
(c) Debtor of the consignee (d) agent
4. The person to whom the goods are sent for sale is known as
(a) Consignor (b) Consignee
(c) Drawer (d) Drawee
5. Consignor is;
(a) Principal (b) Agent
(c) Creditor of the consignor (d) Name of the above
6. The consignee sells the goods on behalf of
(a) Drawer (b) Drawee
(c) Consignor (d) Agent
7. It is paid to consignee if he takes the risk of bad debts
(a) Commission (b) General commission
(c) Ordinary commission (d) Delcredre commission
8. In consignment expenses after delivery of goods to consignee are borne by
(a) Purchaser (b) Seller
(c) Consignor (d) Consignee
9. In consignment the risk attached to goods delivered is with
(a) Seller (b) Buyer
(c) Consignor (d) Consignee
10. Account sales is submitted by
(a) Consignee to consignor (b) Debtor to creditor
(c) Principal to agent (d) 'a' and 'c'
11. In case of delcredre commission the liability for bad debts will be on
(a) Consignee (b) Consignor
(c) Insurance company (d) None of these
12. It is paid to agent to work hard to push a new line of product in the market
(a) Commission (b) Delcredre commission
(c) Overriding commission (d) Ordinary commission
13. In consignment it is prepared to find out the value of profit or loss
(a) Consignee account (b) Consignor account
(c) Consignment account
(d) Goods sent on consignment account

14. **Abnormal loss occurs due to**
 - (a) Loss by fire
 - (b) Accident
 - (c) Theft
 - (d) All of these
15. **Normal loss occurs due to**
 - (a) Leakage
 - (b) Loss in weight due to nature
 - (c) Accident
 - (d) 'a' and 'b'
16. **Forwarding letter send by consignor to consignee along with the goods consigned**
 - (a) Invoice
 - (b) Proforma invoice
 - (c) Bill of exchange
 - (d) Voucher
17. **It shows the detail about sale of goods, expenses paid by consignee etc**
 - (a) Account sales
 - (b) Sales account
 - (c) Sales book
 - (d) Purchases account
18. **Consignment account is a nature of**
 - (a) Personal account
 - (b) Real account
 - (c) Nominal account
 - (d) 'a' and 'b'
19. **Goods sent on consignment is a nature of**
 - (a) Personal account
 - (b) Real account
 - (c) Nominal account
 - (d) 'a' and 'b'
20. **In the books of consignor, on receiving advance in cash from consignee should be debited to**
 - (a) Cash account
 - (b) Consignment account
 - (c) Consignee's account
 - (d) None of these
21. **In the books consignee on payment of advance to consignor should be debited to**
 - (a) Consignee's account
 - (b) Consignor's account
 - (c) Consignment account
 - (d) Cash accounts
22. **In the book of consignor, if the consignee has accepted a bill of exchange should be debited**
 - (a) Bill receivable account
 - (b) Bill payable account
 - (c) Consignment account
 - (d) Consignee's account
23. **In consignee's book, the acceptance given of a bill should be debited to**
 - (a) Bill receivable account
 - (b) Bill payable account
 - (c) Consignee's account
 - (d) Consignor's account
24. **In consignee's book, the payment of expenses by consignee should be debited to**
 - (a) Consignment account
 - (b) Consignor's account
 - (c) Cash account
 - (d) Expenses account
25. **The relationship between consignor and consignee is that of**
 - (a) Principal and agent
 - (b) Debtor and creditor
 - (c) Buyer and seller
 - (d) None of these
26. **The act of sending goods by owner to his agent for sale is called**
 - (a) Consignment
 - (b) Sales
 - (c) Purchases
 - (d) Partnership

27. Consignment outward book treatment is similar to
 - (a) Purchases book
 - (b) Cash book
 - (c) Sales book
 - (d) Pass book
28. In consignment all the expenses, either paid by the consignor himself or by the consignee are borne by the
 - (a) Consignor
 - (b) Consignee
 - (c) Purchases
 - (d) All of these
29. Consignee
 - (a) Bear expenses or losses in consignment
 - (b) Share profit made on the sale of goods
 - (c) Receives his commission from the consignor
 - (d) All of the above
30. In case of consignment, risk attached to the goods consigned lies with the
 - (a) Consignee
 - (b) Consignor
 - (c) Buyer
 - (d) Debtor
31. The remuneration of the consignee for selling the goods of the consignor is called
 - (a) Salary
 - (b) Interest
 - (c) Dividend
 - (d) Commission
32. The entry for goods sent on consignment in consignor's book will be
 - (a) Goods sent on consignment account Dr.
Consignment account Cr.
 - (b) Consignment account Dr.
Goods sent on consignment account Cr.
 - (c) Consignment account Dr.
Sales account Cr.
 - (d) No Entry
33. In book of consignor the goods sold by consignee for cash should be debited to
 - (a) Consignee's account
 - (b) Debtor's account
 - (c) Cash account
 - (d) Consignment account
34. In book of the consignee goods sold by consignee for credit should be debited to
 - (a) Cash account
 - (b) Consignment account
 - (c) Consignor's account
 - (d) Sundry debtors account
35. In book of consignee commission should be credited to
 - (a) Consignor's account
 - (b) Consignee's account
 - (c) Cash account
 - (d) Commission account
36. In book of consignee, commission on consignment should be credited to
 - (a) Commission account
 - (b) Cash account
 - (c) Consignment account
 - (d) Consignee's account
37. In book of consignee, Del-credere commission should be debited to
 - (a) Commission account
 - (b) Consignor's account
 - (c) Del-credere commission account
 - (d) Cash account

38. In book of consignor, the unsold stock with the consignee should be debited to
 (a) Stock on consignment (b) Consignment account
 (c) Stock account (d) Consignee's account
39. In book of consignor's Abnormal loss of goods should be credited to
 (a) Loss of goods account (b) Profit and loss account
 (c) Consignment account (d) Consignee account
40. In book of consignor's profit on consignment should be credited to
 (a) Profit and loss account (b) Cash account
 (c) Consignee's account (d) Consignment account

ANSWERS

1. (a)	2. (b)	3. (d)	4. (b)	5. (a)	6. (c)	7. (d)
8. (c)	9. (c)	10. (a)	11. (a)	12. (c)	13. (c)	14. (d)
15. (d)	16. (b)	17. (a)	18. (c)	19. (b)	20. (a)	21. (b)
22. (a)	23. (d)	24. (b)	25. (a)	26. (a)	27. (c)	28. (a)
29. (c)	30. (b)	31. (d)	32. (b)	33. (a)	34. (d)	35. (d)
36. (a)	37. (b)	38. (a)	39. (c)	40. (a)		

QUESTIONS WITH SHORT ANSWERS

Write short answers to the following questions:

مندرجہ ذیل سوالات کے مختصر جوابات تحریر کریں۔

Q. 1. Define consignment.

Ans. The act of sending goods by the producer to his agent for sale purpose is called consignment.

پیدا کار کی طرف سے اپنے لیجنٹ کو فروخت کے نقطہ نظر سے بھیجے جانے والے سامان تجارت کو Consignment کہتے ہیں۔

Q. 2. Define consignor.

Ans. The producer, who sent his goods to agent for sale purpose is called consignor.

پیدا کار جو سامان تجارت کو اپنے لیجنٹ کے پاس فروخت کے لیے بھیجتا ہے اسے Consignor کہتے ہیں۔

Q. 3. Define consignee.

Ans. The person (agent) to whom consignor sent the goods for sale purpose is called consignee.

وہ شخص (لیجنٹ) جس کو پیدا کار فروخت کے لیے سامان تجارت بھیجتا ہے۔ Consignee کہلاتا ہے۔

Q. 4. How many kinds of consignment.

Ans. There are two kinds of consignment i.e

(i) outward consignment (ii) inward consignment

کنسائنمنٹ کی دو اقسام ہیں۔

Q.5. Define outward consignment.

Ans. When the goods are dispatched by the consignor, it will consignment outward from consignor point of view.

جب مالک سامان کو بھیجتا ہے تو اس کے نقطہ نظر سے یہ consignment out word ہے۔

Q.6. Define consignment inward.

Ans. When the goods are de dispatched by consignor by the consignee it is consignment inward according to consignee point of view.

جب مالک سامان، تجارت لیجنٹ کو بھیج دیتا ہے اور لیجنٹ اس کو وصول کر لیتا ہے تو یہ لیجنٹ کے نقطہ نظر سے Consignment inward کہتے ہیں۔

Q.7. Commission.

Ans. The remuneration received by Consignee in consignment account is called commission.

کنسائنمنٹ اکاؤنٹ میں لیجنٹ اپنے کام کا جو معاوضہ وصول کرتا ہے اس کو کمیشن کہتے ہیں۔

Q.8. Define Delcredere commission.

Ans. The extra commission of consignee received on account of taxing the risk of bad debts is called Del-credre Commission.

اگر لیجنٹ مال اُدھار فروخت کر کے اس کی وصولی کا ذمہ دار بن جائے تو اس کو اضافی کمیشن ادا کی جاتی ہے جس کو Delereditre Commission کہتے ہیں۔

Q.9. Define accounts sales.

Ans. The report prepared by consignee and sent to consignor about the consignment (sales Expenses etc) is called accounts sales.

لیجنٹ کنسائنمنٹ پر وصول ہونے والے مال اس کی فروخت اور اس سلسلہ کے دیگر اور (مثلاً اخراجات، کمیشن وغیرہ) کے بارے ایک رپورٹ تیار کر کے مالک کو ارسال کرتا ہے جس کو اکاؤنٹ سیلز کہتے ہیں۔

Q.10. Define proforma Invoice.

Ans. When consignor sent goods to consignee on consignment, he sent the details of goods (Name of items, quantity, weight, price) in a letter, which is called proforma invoice.

جب مالک کنسائنمنٹ پر لیجنٹ کو سامان بھیجتا ہے تو اس کے ساتھ ایک لیٹر جس میں مال کی تفصیل (تعداد۔ کوالٹی۔ وزن اور قیمت) درج ہوتی ہے اس لیٹر کو Proforma invoice کہتے ہیں۔

Q. 11. Normal Loss.

Ans. Some losses in business are unavoidable and unable to protect. Just like a part of coal become dust in transit, these are called normal loss.

کاروبار میں کچھ نقصانات ایسے ہوتے ہیں کہ ان سے بچنا ناممکن ہوتا ہے جیسے کوئلے کا کچھ حصہ سپلائی کے دوران خاکہ بن جاتا ہے۔ ایسے نقصانات کی وجہ سے Closing stock کی قیمت کم ہو جاتی ہے۔

Q.12. Define Abnormal loss.

Ans. Any loss in business which is occurs due to fire accident, theft or negligence etc called abnormal loss of stock. Due to this loss consignment profit is not reduced.

کاروبار میں وہ نقصانات جو آگ لگنے، حادثہ ہونے، چوری ہونے یا انسانی غفلت کی وجہ سے ہوں غیر معمولی نقصانات کہلاتے ہیں اور اکاؤنٹ میں ان نقصانات سے منافع کم ہو جاتا ہے۔

Q.13. Define the relation of consignor and consignee.

Ans. Consignor is owner and consignee is agent. Relation is owner and agent.

کنسائر مالک اور کنسائیمنٹی لیجنٹ ہوتا ہے۔ دونوں کے درمیان مالک اور لیجنٹ کا تعلق ہوتا ہے۔

Q.14. Define consignment account.

Ans. It is just the copy of Profit and loss account. All expenses are debited and all incomes are credited. The result is profit or loss.

یہ بالکل نفع و نقصان اکاؤنٹ کی کاپی ہے۔ اس کی ڈیبٹ میں اخراجات اور کریڈٹ میں آمدنی درج کی جاتی ہے۔ دونوں اطراف کا فرق نفع یا نقصان ہوتا ہے۔

EXERCISES

- No.1** Tariq sends goods to Umar for Rs. 27,000 to be sold on consignment basis. He spent Rs. 1,300 on cartage. Umar sold all goods for Rs. 50,000 and spent Rs. 2,000 on expenses. He is entitled to a commission of 10% on sales.
Pass journal entries in the books of Tariq and prepare necessary accounts. (LHR Board: 2008, 2009, 2010)
(Ans: Profit on consignment Rs. 14,700)
- No.2** Musa consigned 200 radios to Arif costing Rs. 100 each and paid freight Rs. 100. Consignee spent Rs. 200 on insurance. Arif sold all radios at Rs. 125 each. Consignee settled the account after deducting 10% commission on sale.
Pass journal entries in the books of consignor and prepare consignment account. (LHR Board: 2011)
(Ans: Profit on consignment Rs. 2200)
- No.3** Saleem consigned 200 radio sets to Bashir @ Rs. 500 per set. He paid cartage Rs. 4,000.
Bashir paid Rs. 1,000 as duty and Rs. 2,000 as godown rent. Bashir is entitled to receive a commission of 5% on sales. Bashir sold all radio sets for Rs. 1,50,000. Bashir sent a bank draft for the balance along with account sales.
Give journal entries in the books of Saleem and prepare consignment account and Bashir's account. (LHR Board: 2004, 2005, 2006, GRW Board: 2010)
(Ans: Profit on consignment Rs. 35,500)
- No.4** Golden pumps Gujranwala consigned 100 piston pumps costing Rs. 1,500 each to Farooq Traders of Karachi drawing on the later a bill for Rs. 1,00,000 as an advance. The consignor paid Rs. 4,500 for freight etc.
Farooq Traders received delivery paying Rs. 2,500 for carriage and octroi duty. They sold of the pumps for Rs. 2,200 each. They also charged Rs. 7,500 as warehouse charges and their commission @ 5% of gross sale proceeds. They sent an account sales and bank draft to golden pumps for the balance.
Record journal entries and prepare necessary ledger accounts in the books of Golden pumps. (GRW Board: 2004)
(Ans: Profit on consignment Rs. 31,500)
- No.5** Nasir of Gujrat sends 100 ceiling fans on consignment to Malik at Karachi. The cost of each fan is Rs. 1,000. Nasir spends Rs. 2,000 on dispatch. Malik receives the consignment and immediately accepts Nasir's draft for Rs. 70,000. Subsequently, Malik informs Nasir that 80 fans have been sold at Rs. 1,200 each. Expenses paid by Malik are; freight Rs. 2,000, godown rent Rs. 1,000 and insurance Rs. 500. Malik is entitled to a commission of 6% on sales and 2% as del credere commission. Malik settles his account for balance due.
Give journal entries in the books of Nasir and prepare necessary ledger accounts. (GRW Board: 2005)
(Ans: Profit on consignment Rs. 4,100)
- No.6** On 1st January 1990, Mehmood and Company of Lahore consigned to Chand and Company of Karachi 250 gramophones invoiced at Rs. 75 each. Mahmood and Company paid packing Rs. 100, insurance Rs. 50 and carriage Rs. 300. On 21st March Chand and Company sold 225 gramophones @ Rs. 182.00 the expenses

thereon being Rs. 530. Their commission was 5% and $2\frac{1}{2}\%$ delcredere on sales. They remitted Rs. 15,000 on account.

Enter the above transactions in the consignor's books and prepare ledger accounts. (GRW Board- 2007)

(Ans: Loss on consignment Rs. 975)

- No.7 Mufti radio house of Faisalabad consigned 100 radios to Karim and Co. of Lahore invoiced at Rs. 150 each. The expenses amounting to Rs 300 on freight and packing were paid. The consignee is entitled to commission at 10% of gross sale proceeds. They incurred Rs. 1,150 as all inclusive expenses and also sent a draft of Rs. 10,000 as an advance to the consignor. Karim and Co. sold all the radios at Rs. 200 each and submitted a final cheque with the account sale. You are required to give journal entries and a consignment account showing profit made through this deal in the books of consignor. (LHR Board: 2012; GRW Board: 2008)

(Ans- Profit on consignment Rs. 1,550)

- No.8 Riaz-ur-Rehman sends 100 T.V. sets to Kamal Khan to be sold on consignment basis. Riaz-ur-Rehman spends Rs. 300 on packing etc. The cost of each set was Rs. 5,000. Kamal Khan sends a bank draft as advance to Riaz-ur-Rehman for Rs. 40,000. He spends Rs. 800 on freight, Rs. 200 on salesmen's salary and Rs. 150 as rent and insurance. Kamal Khan sells all the T.V. sets at Rs. 5,500 each. He is entitled to a commission of 15% on sales. He settled his account. Show the various ledger accounts in the books of Riaz-ur-Rehman. (LHR Board- 2009)

(Ans- Loss on consignment Rs. 33,950)

- No.9 Mujtaba sends 100 toys to Behzad to be sold on consignment basis. Mujtaba spends Rs. 300 on packing etc. The cost of each toy is Rs. 150. Behzad sends a bank draft as advance to Mujtaba for Rs. 10,000. He spends Rs. 800 on freight, Rs. 200 on salesmen's salary and Rs. 150 as rent and insurance. Behzad sells 80 toys at Rs. 200 each. He is entitled to a commission of 10% on sales. He settled his account. Show the consignment account and Behzad's account in the books of Mujtaba. (GRW Board- 2009)

(Ans: Profit on consignment Rs. 1,170)

- No.10. Ahmad consigned 100 bicycles to Shakir at Rs. 300 each. He paid Rs. 400 for freight charges and Rs. 200 for insurance. Shakir paid Rs. 100 for godown rent and Rs. 50 for selling expenses. Shakir sold 90 bicycles for Rs. 500 each. Shakir is entitled to 5% commission on sales. Shakir sends a bank draft for Rs. 30,000 to Ahmad. Prepare necessary accounts in the books of Ahmad. (LHR Board: 2003,2004)

(Ans-Profit on consignment Rs. 15,060)

- No.11 Imran consigned goods to Irshad for Rs. 40,000. He paid sundry expenses Rs. 2,000. Irshad spent Rs. 5,000 on godown rent. Irshad sold the whole consignment for Rs. 60,000. Irshad is entitled to 10% commission on sales. A cheque for the balance was sent by Irshad. Pass journal entries in the books of Imran and prepare necessary accounts. (GRW Board- 2011)

(Ans- Profit on consignment Rs. 7,000)

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