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Subject:- Financial Accounting

Topic

Consignment



**"Nothing is more
important than
Education"**

Problem 2

Ram of Agra sent to Suresh of Gwalior 200 units @ ₹ 20 per unit at invoice price. Suresh sold 50 units @ ₹ 20 per unit and 120 units @ ₹ 25 per unit. The rate of general commission is 10% on sales and over-riding commission is 4%. Calculate general commission and over-riding commission.

Solution

$$(A) \text{ Sale Proceeds of 50 units} = 50 \times 20 = \text{₹ } 1,000$$

$$\text{Add : (B) Sale Proceeds of 120 units} = 120 \times \text{₹ } 25 = \text{₹ } 3,000$$

$$\text{Total Sales (A + B)} \quad \underline{\underline{4,000}}$$

$$\text{General Commission} = \frac{\text{Total Sales} \times \text{Rate}}{100}$$

$$= 4,000 \times 10/100 = \text{₹ } 400$$

$$\text{Over-riding Commission} = \frac{(\text{Invoice Price} - \text{Cost Price}) \times \text{Rate}}{100}$$

$$= \text{₹ } 3,000 - (120 \times 20) \times \frac{4}{100}$$

$$= \text{₹ } 3,000 - 2,400 \times \frac{4}{100}$$

$$= \text{₹ } 600 \times \frac{4}{100} = 24$$

$$\text{Total commission } \text{₹ } 400 + 24 = \text{₹ } 424$$

(B) Valuation of Unsold Stock

Problem 3

A consignor consigned 200 kgs. of oil ₹ 47.50 per kg. to his agent and paid ₹ 1,900 for freight etc. Agent took the delivery and paid ₹ 950 for octroi etc. "

consignee informed to sale 150 kgs. of oil and remaining stock 40 kgs. Calculate the value of consignment stock.

Solution

Cost of 200 kgs. of Oil = $200 \times ₹ 47.50$	=	₹ 9,500
Add : Consignor's Exps. : Freight etc.	=	1,900
Add : Consignee's Exps. : Petrol etc.	=	950
Total Cost of (150 + 40 kgs.)		<u>12,350</u>
Closing Stock = 40 kgs.		
Therefore, Value of Unsold Stock	=	$\frac{12,350 \times 40}{190}$
		= ₹ 2,600

Long Answer Type Questions

(A) Consignment of Goods at Cost Price

Problem 1