



Accounting – Logical Reasoning – ICAI Module – Consignment

1. P of Delhi sends out 100 boxes of toothpaste costing Rs 200 each. Each boxes consist of 12 packets. 60 boxes were sold by consignee at Rs 20 per packet. Amount of sale value will be:

(a) Rs.14400 (b) Rs.12000 (c) Rs.13200 (d) Rs.14200

Ans. (a) Rs. 14400

No. Of Boxes Sold by consignee	60
Packets per Box	12
Total Packets Sold	720
Selling Price Per Packet	Rs. 20
Value of Sales	Rs. 14400/-

2. X of Kolkata sends out 2000 boxes to Y of Delhi costing Rs 100 each. Consignor's expenses Rs 5000. 1/10th of the boxes were lost in consignee's godown and treated as normal loss. 1200 boxes were sold by consignee. The value of consignment stock will be:

(a) Rs. 68333 (b) Rs.61500 (c) Rs.60000 (d) Rs.60250

Ans. (a) Rs. 68333

The loss which is associated with the inherent characteristic of the product is treated as normal loss. The cost of normal loss is consignment loss and is to be absorbed by the good units.

Hence the value of consignment stock can be calculated as:

i. Units in Stock	
Total no. of units sent	2000 Boxes
Normal Loss @ 1/10 th	200 Boxes
Units available for Sale	1800 Boxes
Units sold by Y	1200 Boxes
Units in Stock	600 Boxes

ii. Value of Stock

Value of Stock includes all product costs,

i.e. Basic cost of product + Prop. Exp. Of Consignor + Prop non recurring expenses of consignee in the given case,

Value can be calculated as:

Basic cost of Product Rs. 200000/1800 boxes x 600 boxes	66667
Prop. Expenses of consignor Rs. 5000/1800 x 600	1666
Prop. Non Rec. Exp. Of Consignee	0
Total Value of Stock on Consignment	68333

3. Goods costing Rs 2,00,000 sent out to consignee at Cost + 25%. Invoice value of the goods will be:

(a) Rs.250,000 (b) Rs.2,40,000 (c) Rs.300,000 (d) None

Ans. (a) Rs. 250000

Given is the cost of goods sent on consignment; and goods are sent on invoice value being cost + 25%

Hence, Invoice Value of Goods sent = Rs. 200000 + (25 % of Rs. 200000)
= Rs. 250000/-

4. Goods costing Rs 1,80,000 sent out to consignee to show a profit of 20% on Invoice Price. Invoice price of the goods will be:

(a) Rs.2,16,000 (b) Rs.2,25,000 (c) Rs.2,10,000 (d) None

Ans. (b) Rs. 225000/-

Let us assume that Invoice Value of Goods sent is 100
 Gross Profit/loading on consignment @ 20% of above is 20
 So, Cost price is 80
 Given is the cost of goods sent Rs. 180000
 Now, doing the cross multiplication
 Invoice value = Rs. 180000/80 x 100 = Rs. 225000/-

5. Goods of the Invoice value Rs 2,40,000 sent out to consignee at 20% profit on cost. The loading amount will be:

(a) Rs.40,000 (b) Rs.48,000 (c) Rs.50,000 (d) None

Ans. (a) Rs. 40000/-

Let us assume that Cost of Goods sent is 100
 Gross Profit/loading on consignment @ 20% of above is 20
 So, Selling price/Invoice Value is 120
 Given is the Invoice Value of goods sent Rs. 240000
 Now, doing the cross multiplication
 Loading value = Rs. 240000/120 x 20 = Rs. 40000/-

6. X sent out certain goods to Y of Delhi. 1/10 of the goods were lost in transit. Invoice value of goods lost Rs 12,500. Invoice value of goods sent out on consignment will be:

(a) Rs.120,000 (b) Rs.125,000 (c) Rs.140,000 (d) Rs.100,000

Ans. (b) Rs. 125000/-

- The goods lost in transit are an abnormal loss and is valued at the cost incurred up till the point of loss.
- But, in the given case the information is being supplied with respect to invoice value of goods lost in transit and the quantity of loss
- So the invoice value of Goods sent on consignment =
 Rs. 12500/(1/10) i.e. Rs. 125000/-

7. Rabin consigned goods for the value of Rs 8,250 to Raj of Kanpur paid freight etc. of Rs 650 and insurance Rs 400. Drew a bill on Raj at 3 months after date for Rs 3,000 as an advance against consignment, and discounted the bill for Rs 2960. Received Account Sales from Raj showing that part of the goods had realized gross Rs 8,350 and that his expenses and commission amounted to Rs 870. The stock unsold was valued at Rs 2750.

Consignee wants to remit a draft for the amount due. The amount of draft will be:

(a) Rs.2130 (b) Rs.4480 (c) Rs.5130 (d) Rs.5090

Ans. (b) Rs. 4480/-

The information relevant in this case is:

Value of Sales by Raj	Rs. 8350
Less: Amount Paid in Advance (Bill Accepted by Raj)	Rs. 3000
Less: Commission and other expenses of Raj	Rs. 870
 Net Amount to be remitted by Raj	 Rs. 4480

All other information is irrelevant for the given question (MBKL)

8. X of Kolkata sends out goods costing Rs 1,00,000 to Y of Delhi. 3/5th of the goods were sold by consignee for Rs 70,000. Commission 2% on sales plus 20% of gross sales less all commission exceeds cost price. The amount of Commission will be:
 (a) Rs.2833 (b) Rs.2900 (c) Rs.3000 (d) Rs.2800

Ans. (a) Rs. 2833/-

This can be derived as follows:

Normal Commission @ 2% of Sales i.e Rs. 70000 x 2% = Rs. 1400/-

Special Commission = 20% (Gross Sales – Cost of Goods Sold – All Commission)

Let us assume special commission to be x

So, x = 20% [Rs. 70000 – (3/5 x 100000) – Rs. 1400 – x]

i.e. x = 20% [Rs. 70000 – Rs. 60000 – Rs. 1400 – x]

= Rs. 1720 – 0.2 x

Or, 1.2x = Rs. 1720

Hence, x = Rs. 1433

So, Total Commission = Rs. 1400 + Rs. 1433 = Rs. 2833/-

9. X of Kolkata send out 1000 bag to Y of Delhi costing Rs 200 each. Consignor's expenses Rs 2000. Y's expenses non-selling Rs 1000, selling Rs 2000. 100 bags were lost in transit.
 Value of lost in transit will be:

(a) Rs.20,200 (b) Rs.20,300 (c) Rs.20,000 (d) Rs.23,000

Ans. (a) Rs. 20200/-

- The goods lost in transit are an abnormal loss and is valued at the cost incurred up till the point of loss.
- Value of 100 bags lost in transit will be

○ Basic Cost @ Rs. 200 per bag	20000
○ Consignors expenses (Rs. 2000/1000 bags x 100 bags)	200
Total Value of goods lost in transit	20200

10. X of Kolkata sends out 1000 bags to Y on Delhi costing Rs 2000 each. 600 bags were sold at 10% above cost price. Sale value will be:

(a) Rs.13,20,000 (b) Rs.13,00,000 (c) Rs.12,00,000 (d) 13,50,000

Ans. (a) Rs. 1320000/-

This can be calculated as:

Cost of Goods Sold	(600 bags x Rs. 2000 per bag)	1200000
Profit @ 10% of above		120000
Value of goods sold		1320000

11. Which of the following statement is not true:

- (a) If del-credere's commission is allowed, bad debt will not be recorded in the books of consignor
 (b) If del-credere's commission is allowed, bad debt will be debited in consignment account
 (c) Del-credere's commission is allowed by consignor to consignee
 (d) Del-credere's commission is generally relevant for credit sales

Ans. (b) If del credere commission is allowed, bad debts will be debited to the consignment a/c

- In the consignment agreement, the consignor is the legal owner of the goods sent on consignment to consignee, although the goods are in possession of consignee.
- Because of above, all the risks related to consignment are to be borne by the consignor.
- So if any loss is incurred due to bad debts on account of credit sales are to be borne by consignor.
- However, to avoid the loss on account of bad debts, the consignor may agree to pay a special commission to consignee called as del credere commission and transfer the risk on account of bad debts to consignee.
- As the risk of bad debts is transferred to consignee by paying him the del credere commission, loss on account of bad cannot be treated as the loss of consignment and hence, no recording for the same is done in the books of consignor in that case.

12. X of Kolkata sends out 400 bags to Y on Delhi costing Rs 200 each. Consignor expenses Rs 2000. Y expenses non selling Rs 2000, selling 1000. 300 bags were sold by Y. Value of consignment stock will be:
 (a) Rs.20,400 (b) Rs.20,200 (c) Rs.20,000 (d) Rs.21000

Ans. (d) Rs. 21000/-

The value of consignment stock can be calculated as:

i. Units in Stock

Total no. of units sent	400 Bags
Units sold by Y	300 Bags
Units in Stock	100 Bags

ii. Value of Stock

Value of Stock includes all product costs,

i.e. Basic cost of product + Prop. Exp. Of Consignor + Prop non recurring expenses of consignee

in the given case,

Value can be calculated as:

Basic cost of Product	100 Bags x Rs. 2000 per bag	20000
Prop. Expenses of consignor	Rs. 2000/400 x 100	500
Prop. Non Rec. Exp. Of Consignee	Rs. 2000/400 x 100	500
Total Value of Stock on Consignment		20400

13. X of Kolkata sent out 2000 boxes costing 100 each with the instruction that sales are to be made at cost + 45%. X draws a bill on Y for an amount equivalent to 60% of sales value.

The amount of bill will be:

- (a) Rs.1,74,000 (b) Rs.2,00,000 (c) Rs.2,90,000 (d) Rs.1,20,000

Ans. (a) Rs. 174000/-

Cost of Goods Sent	Rs. 100 x 2000 boxes	200000
Loading @ 45% on Cost		90000
So, Sales Value		290000
Amount of Bill @ 60% of above		174000

14. Which of the following statement is wrong:

- (a) Consignor is the owner of the consignment stock
 (b) Del-credere commission is allowed by consignor to protect himself for bad debt
 (c) Proportionate consignor's expenses is added up with consignment stock
 (d) All proportionate consignee's expenses will be added up for valuation of consignment stock.

Ans. (d) All proportionate consignee's expenses will be added up for valuation of consignment stock

In case of valuing the consignment stock following is considered

- i. Basic Cost of Product
 ii. All expenses of consignor
 iii. All NON RECURRING Expenses of consignee

So the recurring expenses, like rent of warehouse, salary of staff etc, are not included in valuing the stock of consignment. Hence, the given statement is not true.

15. X of Kolkata sends out 500 bags to Y costing Rs 400 each at an invoice price of Rs 500 each. Consignor's A/c expenses Rs 4000 consignee's expenses, non-selling Rs 1000, selling Rs. 2000. 400 bags were sold.

The amount of consignment stock at Invoice Price will be:

- (a) Rs.50,900 (b)Rs.50,800 (c) Rs.50,000 (d) Rs.51,000

Ans. (d) Rs. 51000/-

This can be valued as follows:

Invoice value of goods in stock (Rs. 500 x 100 bags)	50000
Proportionate expenses of Consignor (Rs. 4000 / 500 bags x 100 bags)	800
Proportionate Non rec. Exp. of Consignee (Rs. 1000 / 500 bags x 100 bags)	200
Value of closing stock	51000

16. X of Kolkata sends out 500 bags to Y costing Rs 400 each at an invoice price of Rs 500 each. Consignor's A/c expenses Rs 4000 consignee's expenses, non-selling Rs 1000, selling Rs. 2000. 400 bags were sold. The amount of Stock Reserve will be

- (a) Rs.10,000 (b) Nil (c) Rs.20,000 (d) Rs.20,400

Ans. (a) Rs. 10000/-

This can be calculated as follows:

$$\begin{aligned} \text{Loading} &= \text{Invoice price} - \text{Cost Price} \\ &= \text{Rs. 500} - \text{Rs. 400} \quad \text{i.e. Rs. 100 p.u.} \end{aligned}$$

$$\begin{aligned} \text{Stock on consignment: Goods sent} - \text{Goods Sold} \\ &= 500 \text{ Bags} - 400 \text{ Bags} \\ &= 100 \text{ Bags} \end{aligned}$$

$$\begin{aligned} \text{Stock reserve} &= \text{Stock} \times \text{Loading per unit} \\ &= 100 \text{ Bags} \times 10 / \text{bag} \\ &= \text{Rs. 10000/-} \end{aligned}$$

All other information is MBKL

17. Commission will be shared between:

- (a) Consignor & Consignee (b) Only Consignee (c) Only Consignor (d) Third Party

Ans. (b) Only Consignee

- Commission is the reward paid by the consignor to the consignee for the goods sold by him on behalf of consignor.
- Commission becomes an income for consignee, and it is not shared by him with any other party.

18. X of Kolkata sends out certain goods to Y of Mumbai at cost + 25%. 1/2 of the goods received by Y is sold at 1,76,000 at 10% above IP. Invoice value of goods send out is:

- (a) Rs.300,000 (b) Rs.3,20,000 (c) Rs.180,000 (d) Rs.340,000

Ans. (b) Rs. 320000/-

Let us assume the Invoice price of goods sent is	100
Selling Price is 10 % above IP so selling price is	110
Given is Sales value of goods sold	176000/-

Now doing the cross multiplication (Kilwish), let us find out the IP of goods sold

$$\begin{aligned} \text{IP of goods sold} &= \text{Selling price} \times 100/110 \\ &= \text{Rs. 176000} \times 100/110 \\ &= \text{Rs. 160000/-} \end{aligned}$$

$$\begin{aligned} \text{Half of the goods are sold, so the IP of goods sent on consignment} \\ &= \text{Rs. 160000} \times 2 \\ &= \text{Rs. 320000} \end{aligned}$$

19. X of Kolkata sends out goods costing 300,000 to Y of Mumbai at cost + 25%. Consignor's expenses Rs 5000. 1/10th of the goods were lost in transit. Insurance claim received Rs 3000. The net loss on account of abnormal loss is:

- (a) Rs.27,500 (b) Rs.25,500 (c) Rs.30,500 (d) Rs.27,000

Ans. (a) Rs. 27500

- The insurance company will indemnify the loss to the extent of cost of goods lost by fire as maximum.
- The cost of goods lost by fire = (Rs. 300000 + Rs. 5000) x 1/10
= Rs. 30500/-
- Amount Recovered as Insurance Claim Rs. 3000
- So loss by Fire = Rs. 30500 – Rs. 3000
= Rs. 27500/-

20. Rahim of Kolkata sends out 1000 boxes to Ram of Delhi costing Rs 100 each at an IP of Rs 120 each. Goods sent out on consignment to be credited in general trading will be:

- (a) Rs.100,000 (b) Rs.120,000 (c) Rs.20,000 (d) None

Ans. (a) Rs. 100000/-

The amount to be credited to trading account will be the balance of "Goods sent on consignment account" this can be derived as follows:

Goods sent on consignment A/c			
Particulars	Amount	Particulars	Amount
		By Consignment A/c	120000
To Consignment A/c	20000	(Rs. 120 x 1000 Boxes)	
(Rs. 20 x 1000 Boxes)			
To Trading A/c	100000		
	120000		120000

21. In the books of consignor, the profit of consignment will be transferred to:

- (a) General Trading A/c (b) General P/L A/c (c) Drawings A/c (d) None of these

Ans. (b) General Profit & Loss Account

- The purpose of preparing the consignment account is to know the profitability of each Consignment.
- Consignment account is a nominal account. Any balance appearing on consignment account is transferred to general P/L account by the entity.
- When the credit side of consignment is higher it is profit on consignment to be transferred to credit of P/L a/c and balance on credit side is loss to be transferred to debit side of P/L Account.

22. Ram of Kolkata sends out 1000 boxes to Y of Delhi, costing Rs 200 each. 1/10th of the boxes were lost in transit. 2/3rd of the boxes received by consignee is sold at cost + 25%.

The amount of sale value will be:

- (a) Rs.1,00,000 (b) Rs.1,50,000 (c) Rs.1,20,000 (d) Rs.1,40,000

Ans. (b) Rs. 150000/-

Sale Value of Goods is Cost + 25 %

$$= \text{Rs. } 200 + (\text{Rs. } 200 \times 25\%) \quad \text{i.e. Rs. } 250 \text{ per box}$$

No. of Boxes Sold = [Units sent – Loss in transit] x 2/3

$$= [1000 \text{ boxes} - (1/10 \times 1000)] \times 2/3$$

$$= 600 \text{ boxes}$$

So, Amount of Sale Value = 600 Boxes x Rs. 250 Per unit

$$= \text{Rs. } 150000/-$$

Let us assume invoice value of goods is 100
 Profit @ 20% of above will be 20
 So Cost Price will be 80
 Now doing cross Multiplication(Kilwish)
 Stock reserve = Rs. 45000 x 20/80 i.e. Rs. 11250/-

26. C of Bangalore consigned goods costing Rs 3,000 to his agent at Delhi. Freight and insurance paid by consignor Rs 100. Consignee’s expenses Rs 200. 4/5th of the goods were sold for Rs 3,000. Commission 2% on sales. Consignee wants to settle the balance with the help of a bank draft. The amount of draft will be:
 (a) Rs.2740 (b) Rs.2800 (c) Rs.3000 (d) Rs.1800

Ans. (a) Rs. 2740/-

This can be calculated as follows:

Sale Proceeds received by consignee 3000
 Less: Commission of Consignee @ 2% on above 60
 Less: Consignee’s Expenses 200
 Net Amount Payable by Bank Draft 2740

27. Out of the following at which point the treatment of “Sales” and “Consignment” is same:
 (a) Ownership transfer (b) Money receive (c) Stock outflow (d) Risk

Ans. (c) Stock Outflow:

- When the goods are sold or transferred on consignment, the value of stock in trade available in the books of account is reduced in both the cases.
- At the time of ownership transfer entry is:

Sales	Consignment
Customer A/c Dr To Sales A/c (Being the amount receivable from customer for goods sold to him)	Consignee A/c.....Dr To Consignment A/c (Being the amount receivable from consignee for goods sold by him)

- At the time of receipt of money:

Sales	Consignment
Cash/Bank A/c Dr To Customer A/c (Being the amount Received from customers)	Cash/Bank A/c Dr To Consignee A/c (Being the amount received from consignee)

- In case of sale the risk gets transferred immediately, while in case of consignment the risk gets transferred on sale by consignee and not on sending the goods to consignee.

28. If del-credere commission is allowed for bad debt, consignee will debit the bad debt amount to:

- (a) Commission Earned A/c (b) Consignor A/c
 (c) Debtors A/c (d) General Trading A/c

Ans. (a) Commission Earned A/c

- When the consignee is in receipt of del credere commission, the risk of loss due to bad debts is with the consignee and that cannot be transferred to consignor, hence consignor account cannot be debited.
- Debtors are debited when goods are sold to them, in case of loss on account of bad debts the debtors account will be credited.
- General trading account of consignor cannot be debited, as this is the loss specifically on account of consignment, so the amount will be debited to commission earned account, the balance of which will be transferred to general profit and loss account of consignee.

29. A proforma invoice is sent by:
- (a) Consignee to Consignor (b) Consignor to Consignee
(c) Debtors to Consignee (d) Debtors to Consignor

Ans. (b) Consignor to Consignee

- A Proforma Invoice is a document, which is **like invoice**, but not the actual invoice.
- This document is the source document for recording the transactions with respect to consignment, which provides the details about the value at which the goods can be sold by consignee, the quantity sent by consignor etc.
- This document is sent by consignor to consignee.

30. Which of the following statement is correct:
- (a) Consignee will pass a journal entry in his books at the time of receiving goods from consignor.
(b) Consignee will not pass any journal entry in his books at the time of receiving goods from consignor.
(c) The ownership of goods will be transferred to consignee at the time of receiving the goods.
(d) Consignee will treat consignor as creditor at the time of receiving goods.

Ans. (b) Consignee will not pass any journal entry in his books at the time of receiving goods from consignor

- Consignment is the kind of arrangement, in which a person sends the goods to other to sell on behalf of the former.
- The person sending the goods is called as consignor, and the person receiving the goods is consignee.
- The relationship between consignor & consignee is that of Principal & Agent.
- Just by sending the goods on consignment the consignee does not become the owner of goods and hence, he cannot record the same in his books as his stock.
- As the goods are sent for sale on behalf of consignor, just by that the consignor does not become the creditor of consignee.

31. 1000 kg of apples are consigned to a wholesaler, the cost being Rs 3 per kg plus Rs 400 of freight, it is known that a loss of 15% is unavoidable. The cost per kg will be:
- (a) Rs 5 (b) Rs 4 (c) Rs 3.40 (d) Rs 3

Ans. (b) Rs. 4

- A loss associated with the inherent characteristic of goods and which cannot be avoided is treated as normal loss.
- No accounting entry is required to be made for normal loss
- The cost incurred for normal loss is spread over, i.e. added to the cost of, the good units
- In given case, Good Units = 1000 Kg – (15% of 1000 Kgs) i.e. 850 Kgs
- Total Cost Incurred = (1000 Kgs x Rs. 3) + Rs. 400 i.e. Rs. 3400/-
- Hence the cost per Kg = Rs. 3400/850 kgs i.e. Rs. 4/kg

32. A of Mumbai sold (**should be sent**) goods to B of Delhi, the goods are to be sold at 125% of cost which is invoice price. Commission 10% on sales at IP and 25% (should be 20%) of any surplus realized above IP. 10% of the goods sent out on consignment, invoice value of which is Rs 12,500 were destroyed. 75% of the total consignment is sold by B at Rs 1,00,000. What will be the amount of commission payable to B?
- (a) Rs.11,562.50 (b) Rs.10,000 (c) Rs.9000 (d) Rs.9700

Ans. (a) Rs. 11562.50

- i. Invoice value of goods sent
- | | |
|-----------------------------|-----------------------------|
| IP of Goods lost in transit | 12500 |
| %age of Goods lost | 10% |
| Value of Goods Consigned | 12500/10 x 100 = Rs. 125000 |
- ii. IP of Goods Sold (Rs. 125000 – Rs. 12500) x 75% = Rs. 84375

- iii. Normal Commission 10% of IP of goods Sold
 = Rs. 84375 x 10% i.e. Rs. 8437.5
- iv. Special Commission = 20% of (Sale Value – IP of Goods Sold)
 = 20% (Rs. 100000 – Rs. 84375)
 = Rs. 3125/-
- v. Total Commission = Normal Commission + Special Commission
 = Rs. 8437.5 + Rs. 3125

i.e. **Rs. 11562.50**

In some versions of ICAI Module the above option is not given instead the option is (a) Rs. 10937.50:

The answer in that case will be:

- i. Invoice value of goods sent
- | | |
|-----------------------------|-----------------------------|
| IP of Goods lost in transit | 12500 |
| %age of Goods lost | 10% |
| Value of Goods Consigned | 12500/10 x 100 = Rs. 125000 |
- ii. IP of Goods Sold Rs. 125000 x 75% = Rs. 93750
- iii. Normal Commission 10% of IP of goods Sold
 = Rs. 93750 x 10% i.e. Rs. 9375
- iv. Special Commission = 25% of (Sale Value – IP of Goods Sold)
 = 25% (Rs. 100000 – Rs. 93750)
 = Rs. 1562.50
- v. Total Commission = Normal Commission + Special Commission
 = Rs. 9375 + Rs. 1562.50 i.e. **Rs. 10937.50**

33. Consignment A/c is prepared in the books of :

- (a) Consignor (b) Consignee (c) Third Party (d) None

Ans. (a) Consignor

- Consignment account is a nominal account, which discloses the profitability of goods sent on consignment.
- As the consignor is the person who sends the goods on consignment, he will be interested to know the profitability on account of consignment, hence the account is prepared in the books of consignor.

34. Goods sent on consignment Invoice value 2,00,000 at cost + 33 1/3 %. 1/5th of the goods were lost in transit. Insurance claim received Rs 10,000. The amount of abnormal loss to be transferred to General P/L is:

- (a) Rs.30,000 (b) Rs.20,000 (c) Rs.35,000 (d) Rs.20,000

Ans. (b) Rs. 20000/-

- i. IP of Goods lost in transit Rs. 200000/5 i.e. Rs. 40000
- ii. Let us assume the cost of goods sent be 100
 Profit is 1/3rd of above 33.33
 Selling value will be 133.33
- iii. So, the cost of goods lost = Rs. 40000/133.33 x 100
 = Rs. 30000/-
- iv. Amount of Claim received = Rs. 10000/-
- v. Value of loss in transit = Rs. 20000/-

35. X of Kolkata sends out 100 boxes to Y of Delhi costing Rs 200 each. Consignor's expenses Rs 4000. Consignee's expenses non-selling 900, selling 500. 1/10th of the boxes were lost in transit. 2/3rd of the boxes received by consignee were sold. The amount of consignment stock will be:

- (a) Rs.7200 (b) Rs.7500 (c) Rs.7000 (d) Rs.6000

Ans. (b) Rs. 7500/-

i. Goods in stock

Total units Consigned	100 Boxes
Goods Lost in Transit (1/10 of above)	10 Boxes
Goods received by Consignee	90 Boxes
Goods Sold by Consignee (2/3 rd of above)	60 Boxes
Goods in Stock	30 Boxes

ii. Value of Closing Stock = Basic Cost + Prop. Expenses of consignor + Prop. Non recurring expenses of consignee

$$= (\text{Rs. } 200 \times 30 \text{ Boxes}) + (\text{Rs. } 4000/100 \times 30) + (\text{Rs. } 900/90 \times 30)$$

$$= \text{Rs. } 6000 + \text{Rs. } 1200 + \text{Rs. } 300$$

$$= \text{Rs. } 7500/-$$

36. X of Kolkata sends out goods costing 100,000 to Y of Mumbai at cost + 25%. Consignor's expenses Rs 2000. 3/5th of the goods were sold by consignee at 85000. Commission 2% on sales + 20% of gross sales less all commission exceeds invoice value. Amount of commission will be:

- (a) Rs.3083 (b) Rs.3000 (c) Rs.2500 (d) Rs.2000

Ans. (a) Rs. 3083/-

i. Normal Commission = Rs. 85000 x 2%
= Rs. 1700/-

ii. Special Commission = 20% (Sales Value – IP of goods sold – NC – SC)

$$x = 20\% [85000 - 75000^* - 1700 - x]$$

$$x = 20\% (8300 - x)$$

$$1.2x = 1660$$

$$x = \text{Rs. } 1383$$

$$* \text{ IP of goods sold} = (\text{Cost of Goods Sold} + 25\%) \times 3/5$$

$$= [100000 + (100000 \times 25\%)] \times 3/5$$

$$= \text{Rs. } 75000$$

iii. Total Commission = Rs. 1700 + Rs. 1383

$$= \text{Rs. } 3083/-$$

37. Consignment stock will be recorded in the balance sheet of consignor on asset side at:

- (a) Invoice Value (b) At Invoice value less stock reserve
(c) At lower than cost price (d) At 10% lower than invoice value

Ans. (b) At invoice value less stock reserve

- As per Accounting Standard 2 "Accounting for inventory" the closing stock of goods is to be shown at cost or market value whichever is earlier.
- When the goods sent on consignment are at Invoice price, it includes the profit/loading, which is to be reduced while disclosing in final accounts.
- Hence, stock reserves are to be reduced from the Invoice Price while disclosing in balance sheet. (Jahan Miyan Wahan Biwi)

38. Which of the following expenses of consignee will be considered as non-selling expenses:

- (a) Advertisement (b) Insurance (c) Selling Expenses (d) None of the above

Ans. (d) Non of the above

- Non selling expenses of the consignee are nothing but the non recurring expenses.
- In the given case all expenses i.e. Advertisement, Insurance and selling expense are recurring expenses, as these are to be incurred by the entity on regular basis.

39. The consignment accounting is made on the following basis:

- (a) Accrual (b) Realisation (c) Cash Basis (d) None

Ans. (a) Accrual

- The transactions to be recorded in the consignment account are as and when they happen, and not on the basis of receipt of money against the consignment.
- One is said to be following cash basis, when he records the transactions only when the cash is received or paid against the transaction

40. Goods sent on consignment Rs 7,60,000. Opening consignment stock Rs 48,000. Cash sales Rs 7,00,000. Consignor's expenses Rs 20,000. Consignee's expenses Rs 12,000. Commission Rs 20,000. Closing consignment stock Rs 3,00,000. The profit on consignment is:

- (a) Rs.150,000 (b) Rs.140,000 (c) Rs.92,000 (d) None

Ans. (b) Rs. 140000/-

This can be observed from following consignment account:

In the books of consignor			
Consignment Account			
Particulars	Amount	Particulars	Amount
To Consignment Stock	48000		
(Opening)			
To Goods sent on consignment	760000	By Consignee A/c (Sales)	700000
To Cash/Bank	20000	By Consignment Stock	300000
To Consignee A/c (Expenses)	12000	(Closing)	
To Consignee A/c (Commission)	20000		
To Profit/Loss A/c	140000		
	1000000		1000000

41. X of Kolkata sends out 100 boxes to Y of Delhi costing Rs 100 each. Consignor's expenses Rs 1000. Consignees' expenses selling Rs 500. 3/5th of the goods sold by consignee, 1/2 of the balance goods were lost in consignee's godown due to fire. The value of abnormal loss will be:

- (a) Rs.3000 (b) Rs.2200 (c) Rs.4000 (d) None

Ans. (b) Rs. 2200/-

- Goods lost by fire at consignee's warehouse are to be treated as abnormal loss.
- The Value of Abnormal loss is same as the valuation of closing stock, but only upto the point of loss, so value in this case will be
= Basic Cost + Prop. Exp. Of consignor + Prop. Non Rec. exp. of consignee
- Goods lost by fire = $(\text{Goods Sent} - \text{Goods Sold}) / 2$
= $[100 \text{ Boxes} - (3/5 \times 100)] / 2$
= 20 Boxes
- Value = $(20 \text{ Boxes} \times \text{Rs. } 100) + (\text{Rs. } 1000 / 100 \text{ Boxes} \times 20 \text{ Boxes}) + \text{NIL}$
= Rs. 2000 + Rs. 200 = Rs. 2200/-

42. X of Kolkata sends out 1000 (**Should be 100 Boxes**) boxes costing Rs.2000 each to Y of Delhi. 1/10th of the boxes were lost in transit. 2/3rd of the remaining boxes sold by consignee at cost + 25%. The sale value will be:

- (a) Rs.1,50,000 (b) Rs.1,40,000 (c) Rs.1,20,000 (d) Rs.1,00,000

Ans. (a) Rs. 150000/-

- i. Goods Sold by Consignee = Goods Received x 2/3
 ii. Goods Received = Goods Sent – Lost in Transit
 = 100 Boxes – (1/10 x 100 Boxes)
 = 90 Boxes

$$\begin{aligned} \text{So, Cost of Goods Sold} &= \text{Rs. } 2000 \times (90 \times 2/3) \\ &= \text{Rs. } 120000/- \end{aligned}$$

$$\begin{aligned} \text{Hence Value of Sales} &= \text{Rs. } 120000 + (25\% \text{ of Rs. } 120000) \\ &= \text{Rs. } 150000/- \end{aligned}$$

43. Which of the following item is not credited to consignment account?

- (a) Cash sales made by consignee (b) Credit sales made by consignee
 (c) Consignment Stock (d) Stock Reserve

Ans. (d) Stock Reserve

- Stock reserve is the value of loading on closing stock held in consignment.
- When the closing stock is valued at IP, the loading on the same is reversed by debiting the consignment account and the name given to the account is stock reserve.

44. Goods sent out on consignment Rs 2,00,000. Consignor's expenses 5,000. Consignee's expenses 2000. Cash sales Rs 1,00,000, credit sales Rs 1,10,000. Consignment stock Rs 40,000. Ordinary commission payable to consignee Rs 3,000. Del-credere commission Rs 2000. The amount irrecoverable from customer Rs 2,000. What will be the profit on consignment?

- (a) Rs.38,000 (b) Rs.40,000 (c) Rs.36,000 (d) Rs.43000

Ans. (a) Rs. 38000/-

Following accounting disclose the same:

In the books of consignor			
Consignment Account			
Particulars	Amount	Particulars	Amount
To Goods sent on consignment	200000	By Consignee A/c (Sales)	210000
To Cash/Bank	5000	By Consignment Stock	40000
To Consignee A/c (Expenses)	2000	(Closing)	
To Consignee A/c (Commission)	5000		
To Profit/Loss A/c	38000		
	250000		250000

Note: It is observed that the consignee is in receipt of del credere commission, hence the loss on account of amount irrecoverable from customer, will be the loss of consignee, hence cannot be recorded in the books of consignor.

45. The commission received from consignor will be transferred to which account?
 (a) General Trading (b) General P/L (c) Balance Sheet (d) None of these

Ans. (b) General P/L

- Commission received on consignment is the income for consignee, i.e. a nominal account and the rule applicable is credit all incomes and gains.
- The balance in commission received account at the end of year will be transferred to general P/L account as this income is not related to the trading of consignee's goods.
- It is given that commission is received, if that would have been receivable the same would have been transferred to balance sheet asset side.

46. X of Kolkata sends out 1000 boxes to Y of Delhi costing Rs 20 each. Consignor's expenses 2000. 4/5th of the boxes were sold at 25 each. The profit on consignment will be:
 (a) Rs.2400 (b) Rs.2000 (c) Rs.3000 (d) Rs.3500

Ans. (a) Rs. 2400/-

Following Account will show the same

In the books of consignor			
Consignment Account			
Particulars	Amount	Particulars	Amount
To Goods sent on consignment (1000 Boxes x Rs. 20)	20000	By Consignee A/c (Sales) (1000 x 4/5) x Rs. 25	20000
To Cash/Bank (Expenses)	2000	By Consignment Stock (200 Boxes x Rs. 20) +	4400
To Profit/Loss A/c	2400	(Rs. 2000 x 200/1000 boxes)	
	24400		24400

47. If del-credere commission is allowed by consignor to consignee the bad debt treatment will be (In the books of Consignor):
 (a) Will not be recorded in consignor's books
 (b) Bad Debt will be debited in Consignor's A/c
 (c) Bad Debt will be charged to General P/L A/c
 (d) Bad Debt will be recoverable along with credit sales

Ans. (a) will not be recorded in consignor's books

- The basic purpose of allowing the del credere commission is to transfer the risk of bad debts by consignor to consignee.
- So, if a loss occurs on account of bad debts, it is the loss of consignee and not the consignor.
- Hence, as bad debts in the given case is not the loss of consignor, will not be recorded in the books of consignor.

48. The owner of the consignment stock is:
 (a) Consignor (b) Consignee (c) Debtors (d) None

Ans. (a) Consignor

- When the goods are sent on consignment, the consignor transfer mere possession of goods to consignee.
- The ownership in goods is transferred is transferred only when the consignee sells the goods on behalf of consignor.
- Till the time the goods are actually sold, as informed by account sale statement from consignee to consignor, the owner of the consignment stock is the consignor only.

49. The nature of the consignment account is:

- (a) Capital in nature (b) Revenue in nature
(c) Realisation A/c in nature (d) Bank A/c in nature

Ans. (b) Revenue in nature

- The transactions recorded in consignment account are those related to incomes and expenses on account of consignment.
- The consignment account reflects the profitability on account of consignment.
- Hence, the account is of revenue in nature.

50. Goods sent out on consignment Rs 2,00,000. Consignor's expenses 5,000. Consignee's expenses 2000. Cash sales Rs 1,00,000, credit sales Rs 1,10,000. Consignment stock Rs 40,000. Commission payable to consignee Rs 3,000. The amount irrecoverable from customer Rs 2,000. What will be the profit on consignment?

- (a) Rs.38,000 (b) Rs.40,000 (c) Rs.43,000 (d) None

Ans. (a) Rs. 38000/-

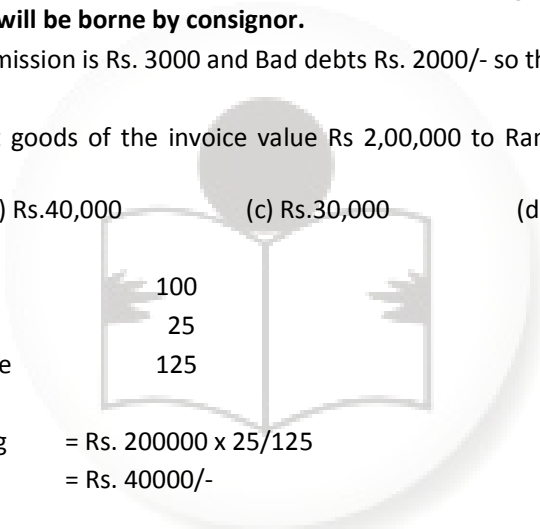
- This question is similar to question 44 above.
- **Major difference/twist is that the del credere commission is not given in this case, so the loss on account of bad debts will be borne by consignor.**
- In the given case commission is Rs. 3000 and Bad debts Rs. 2000/- so the answer remains the same.

51. Rahim of Kolkata sends out goods of the invoice value Rs 2,00,000 to Ram of Delhi at cost + 25%. The amount of loading will be:

- (a) Rs.50,000 (b) Rs.40,000 (c) Rs.30,000 (d) Rs.60,000

Ans. (b)Rs. 40000/-

Let us assume the Cost be
Loading on above @ 25%
Therefore, Sales Value will be



100
25
125

Now, (Doing Kilwish) Loading = Rs. 200000 x 25/125
= Rs. 40000/-

52. Goods sent to consignment at cost + 33 1/3 %. The percentage of loading on invoice price will be:

- (a) 25% (b) 33 1/3 % (c) 20% (d) None

Ans. (a) 25%

Let us assume the Cost be 100
Loading on above @ 33 1/3rd % 33.33
Therefore, Sales Value will be 133.33

So, Loading %age on Sale Value = 33.33/133.33 x 100
= 25%

53. The balance of goods sent out on consignment will be transferred to:

- (a) General P/L (b) General Trading (c) Balance Sheet (d) Capital A/c

Ans. (b) General Trading A/c

- Goods sent on consignment account are prepared to take, the value of goods sent on consignment, out of the general trading account.
- As the profitability of consignment account is found out through consignment account separately, and consignment account is debited by the goods sent on consignment.
- The balance in the goods sent on consignment account is then transferred to the credit of trading account.

54. X of Kolkata purchased 1000 boxes costing Rs 100 each. 200 boxes were sent out to Y of Delhi at cost + 25%. 600 boxes were sold at 120 each. The amount of gross profit to be recorded in general trading will be:
 (a) Rs.12,000 (b) Rs.17,000 (c) Rs. (3,000) (d) None

Ans. (a) Rs. 12000/-

- The amount of gross profit to be transferred to general trading account is asked in the question.
- So goods sent on consignment will not be considered for the same, as the net result of consignment account will be transferred to general profit and loss account.
- So, Gross Profit = Sale Value – Cost of Goods Sold
 = (600 Boxes x Rs. 120) – (600 Boxes x Rs. 100)
 = Rs. 12000/-

55. In the books of consignee, the profit of consignment will be transferred to:

- (a) General Trading A/c (b) General Profit and Loss A/c
 (c) Drawings A/c (d) None of the above

Ans. (d) None of the Above

- As the **consignee** is the person who receives the goods on consignment, no account called as consignment A/c is prepared in the books of consignee.
- Hence, there will be no profit on consignment in the books of consignee; he is eligible only to receive the commission for goods sold by him.
- As there is no consignment profit in the books of consignee, no transfer as well will be there.

56. P of Faridabad sent out goods costing Rs. 45,000 to Y of Delhi at cost + 33 1/3 %. 1/10th of goods were lost in transit. 2/3rd of the goods are sold at 20% above IP. The amount of sale value will be:

- (a) Rs.54,000 (b) Rs.43,200 (c) Rs.60,000 (d) Rs.36,000

Ans. (b) Rs. 43200/-

- i. Cost of Goods Sold = $\frac{2}{3}$ [Total Cost – (1/10 of Total Cost)]
 = $\frac{2}{3}$ [45000 – (1/10 x 45000)]
 = Rs. 27000
- ii. IP of Goods sold = Rs. 27000 + (33 1/3rd of Rs. 27000)
 = Rs. 36000/-
- iii. SP of Goods Sold = Rs. 36000 + (20% of Rs. 36000)
 = Rs. 43200/-

57. M of Kolkata sent out goods costing Rs. 45,000 to N of Mumbai at cost + 33 1/3 %. 1/10th of goods were lost in transit. 2/3rd of the goods are sold at 20% above IP. 1/2 of the sales are on credit. The amount of credit sales will be:

- (a) Rs.21,600 (b) Rs.18,000 (c) Rs.21,000 (d) Rs.22,500

Ans. (a) Rs. 21600/-

- For Sales Value of total sales please see the calculations given in above question
- Value of Credit sales = Rs. 43200 x 1/2
 = Rs. 21600/-

58. A of Ahmedabad sent out certain goods so as to show a profit of 20% on IP. 1/10th of the goods were lost in transit. The cost price of goods lost is Rs.20,000. The invoice value of goods sent out is:

- (a) Rs.250,000 (b) Rs.2,00,000 (c) Rs.225,000 (d) Rs.2,40,000

Ans. (a) Rs. 250000/-

- i. IP of goods lost in transit
 Let us assume IP of goods be 100
 Less: Profit @ 20% on above 20
 So, Cost Price will be 80

So, IP of Goods lost in Transit = Rs. 20000 x 100/80
 = Rs. 25000/-

- ii. Goods lost in transit are $1/10^{\text{th}}$ of Total Goods
 Hence IP of Goods sent = Rs. 25000/(1/10) or, Rs. 25000 x 10
 = Rs. 250000/-

59. Ram of Delhi sends out goods costing Rs.2,00,000 to Krishna of Brindaban. Consignor's expenses Rs.5000. Consignee's expenses in relation to sales Rs 2000. 4/5th of the goods were sold at 20% above cost. The profit on consignment will be:

- (a) Rs.26,000 (b) Rs.32,000 (c) Rs.26,200 (d) Rs.(6,000)

Ans. (a) Rs. 26000/-

Observe the following account:

In the books of Ram			
Consignment Account			
Particulars	Amount	Particulars	Amount
To Goods sent on consignment	200000	By Krishna A/c (Sales)	192000
		(Rs. 200000 x 4/5) x 120%	
To Cash/Bank (Expenses)	5000	By Consignment Stock	41000
To Krishna A/c (NR Expenses)	2000	(Rs. 200000/5) + (Rs. 5000/5)	
To Profit/Loss A/c	26000		
	233000		233000

60. Overwriting (*Should be Overriding*) commission is a commission payable to consignee by consignor for:

- (a) For protecting himself from bad debt (b) For making sales above specific price
 (c) As good friend (d) As loyalty payment

Ans. (b) For making sales above specific price

- Overriding commission is the commission given by consignor to consignee, to incentivize him to sale the goods at a price higher than specific price.
- Consignor pays del credere commission to protect himself from loss due to bad debts.

61. A of Kolkata sends out 500 boxes to B of Delhi costing Rs 200 each. Consignor's expenses Rs 5000. 1/5th of the boxes were still in transit. 3/4th of the goods received by consignee, were sold. The amount of goods still in transit will be:

- (a) Rs.20,000 (b) Rs.21,000 (c) Rs.21,200 (d) None

Ans. (b) Rs. 21000/-

- The value of goods in transit = Basic Cost + (1/5th of Consignor Expenses)
 = (100 Boxes x Rs. 200) + (1/5th x 5000) i.e. **Rs. 21000/-**

62. Consignment account is

- (a) Real account (b) Personal account (c) Nominal account (d) None of the above

66. If consignor draws a bill on consignee and discounted it with the banker the discounting charges will be debited in:

- (a) General P/L (b) Consignment A/c (c) Consignee (d) Debtors

Ans. (a) General P/L Account

- The consignee can pay the advance, if the terms of consignment provide so, by cash/bank or by accepting a bill of exchange.
- If, the consignor is in need of funds, the consignor may get the bill discounted through bank.
- The expense on account of discount charges of bank cannot be treated as the expense of consignment and hence, the discount charges are debited to general P/L account.

67. X of Kolkata sends out goods costing Rs 3,00,000 to Y of Delhi. Commission agreement – 2% on sales + 3% on sales as del-credere commission. The entire goods is sold by consignee for Rs 4 lacs. However, consignee is able to recover Rs 3,95,000 from the debtors. The amount of profit to be transferred to P/L as net commission by consignee will be:

- (a) Rs.15,000 (b) Rs.22,000 (c) Rs.21,000 (d) Rs.20,000

Ans. (a) Rs. 15000/-

- When the consignee is in receipt of del credere commission, loss on account of bad debts is born by the consignee. The amount to be transferred to P/L A/c by consignee in that case will be : Gross Commission Received – Loss on account of Bad Debts

- So, in given Case

Gross Commission Received (Rs. 400000 x 5%)	20000
Less: Loss on Account of Bad Debts (Rs. 400000 – Rs. 395000)	5000
Net amount to be transferred to General P/L	15000
