

Assume: Suman of Kolkata consigned goods to the value of Rs. 50 Lakh to you, Sachin of Delhi. This was made by adding 25 % on the cost. Suman paid Rs. 250000 for freight and Rs. 150000 for insurance . During transit 1/10 th of the goods was totally destroyed and a sum of Rs. 240000 was realised from the insurnace company.

On arrival of the goods Sachin paid Rs. 180000 as carriage to godown. You paid Rs. 100000 for godown rent and Rs. 190000 for selling expenses. 1/9th of the remaining goods were again destroyed by fire in godown and nothing was recovered from the insurnace company.

Now I found that you sold half of the original goods for Rs. 32Lakh and charged a commission of 10% on sales. You, Sachin sent a bank draft to me for the amount so far due from you. Now see how I am going to record all of above in my books

Dr	Consignment to Delhi Account		Cr
Particulars	₹	Particulars	₹
To Goods sent on Consignment A/C (Invoice price)	50,00,000.00	BY Goods sent on Consignment A/C (5000000*25/125)	10,00,000.00
To Bank A/C -Freight	2,50,000.00		
-Insurance	1,50,000.00		
To Goods destroyed in transit A/C	1,00,000.00	By Goods destroyed in transit A/C	5,40,000.00
To Sachin A/C -carriage to godown	1,80,000.00		
-godown rent	1,00,000.00		
-selling expenses	1,90,000.00		
To Goods destroyed in godwon A/C	1,00,000.00	By Goods destroyed in godown A/C	5,60,000.00
To Sachin A/C -commission on sales	3,20,000.00	By Sachin A/C -sale proceeds	32,00,000.00
To Stock Reserve A/C	3,00,000.00	By Consignment Stock A/C	16,80,000.00
To Profit and Loss on Consignment A/C	2,90,000.00		
	69,80,000.00		69,80,000.00

When Cost = 100
Add : Profit= 25
Invoice Price= 125

Workings: Calculation for valuation of Goods destroyed in transit, destroyed in godown, and value of Unsold stock

	Qty.	Invoice Value(Rs.)	Loading
Goods sent on consignment	1	5000000	1000000
Add : Consignor's exp.		400000	
	1	5400000	1000000
Less: Goods destroyed in transit (1*1/10)	1/10	540000	100000
	(1-1/10)	4860000	900000
Add: Consignee's Non-recurring exp.	9/10	180000	
	9/10	5040000	900000
Goods destroyed by fire in godown (9/10*1/9)	1/10	560000	100000
(5040000/ 9/10*1/10)			
Less: sold (1/2 of Original i.e.1)	8/10		
(8/10-1/2)	1/2		
Unsold Stock	3/10		
Consignment stock (5040000/ 9/10*3/10)		1680000	300000
			Stock Reserve (900000*3/9)