

ACCOUNTING FOR
CONSIGNMENTS
AND
JOINT VENTURES

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Reference:

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UNIT - 4

- 1) Jain of Delhi consigned 300 tins of coconut oil to Narang of Chandigarh invoiced at Rs. 200 per tin. Jain paid Rs. 2000 as cartage and other expenses. The consignor drew a bill of exchange for Rs. 16000 which was later discounted at Rs. 15,700. The consignee rendered an account sales showing the following details:
- 280 tins sold at Rs. 250 per tin
 - 20 tins sold at Rs. 260 per tin
 - Storage and selling expenses Rs. 5000
 - Clearing and cartage Rs. 1600.
 - Commission at 6% on sales
- The consignee sent a sight draft for the balance. Show the entries and important ledger accounts in books of both parties.

Solution

In the books of Jain (consignor)

Date	Particular	L.F	Debit	Credit
	Consignment A/c	Dr	60000	
	To Goods sent on consignment [300 tins of coconut oil consigned to Narang at Rs 200 per tin],			60000

Consignment A/c	Dr	2000	
to Bank A/c.			2000
[freight and other expenses paid]			
Bills receivable a/c	Dr	16000	
to Narang a/c.			16000
(B/R received from Narang)			
Bank A/c	Dr	15700	
Consignment (Discount) A/c	Dr	300	
to Bills receivable a/c.			16000.
[The bill discounted and the discount charged to consignment]			
Narang A/c	Dr	75200	
to consignment A/c			75200
[The gross proceeds of sale as per a/c sales].			
Consignment A/c	Dr	6600	
to Narang a/c.			6600
[Expenses paid by the consignee]. Storage & selling expense Rs 200 clearing & cartage Rs 1600].			
Consignment a/c	Dr	4512	
to Narang a/c			4512
[commission due to the consignee @ 6% on 75200.			

Consignment a/c	Dr	1788	
To profit & loss a/c			1788
[Profit on consignment transferred]			
Bank a/c	Dr	48088	
To Narsing a/c			48088
[Sight draft received from the consignee for the balance due]			
Goods sent on consignment a/c		60000	
To purchases a/c			60000
[Goods sent on consignment a/c is closed by transfer to purchases a/c].			

Date	Particular	Consignment a/c Rs	Date	Particular	Rs
	To Goods sent on consignment a/c	60000		By Narsing a/c (Sales)	75200
	To Bank a/c (expenses)	2000			
	To Bills receivable a/c (Discount)	300			
	To Narsing a/c (consignee expenses)	6600			
	To Narsing a/c (commission)	4512			
	To Profit & loss a/c (transfer of Profit)	1788			
		<u>75200</u>			<u>75200</u>

Narlang a/c.

To consignment a/c	75200	By bills receivable	16000
		By consignment a/c	6600
		By consignment a/c	4512
		By bank a/c (bal fig)	48088
	<u>75200.</u>		<u>75200</u>

Goods sent on consignment

To purchases a/c	60000	By consignment a/c	60000
	<u>60000</u>		<u>60000</u>

In the books of Narlang (consignee)

Date	Particulars	L.F	Debit	Credit
	Jain a/c	Dr	16000	
	To bills payable a/c			16000
	[Jain's bill accepted and sent]			
	Jain a/c		6600	
	To cash a/c.			6600
	[expenses incurred on consignment storage etc. Rs. 5000 + clearing etc. Rs 1600].			
	cash a/c	Dr	75200	
	To Jain a/c			75200.
	[Goods proceeds of sale of the consignment]			

Jain a/c	Dr	4512	
To Commission a/c			4512
[Commission due at 6% on 75200]			
Jain a/c	Dr	48088	
To Bank a/c			48088
[sight draft sent in final settlement]			
Bills payable a/c	Dr	16000	
To cash a/c			16000
[Payment of the bill on maturity].			

Jain a/c.			
	Rs	Date	particulars Rs
To bills payable a/c	16000		By cash a/c (sales) 75200
To cash a/c	6600		
To Commission a/c	4512		
To bank a/c (bal fig)	48088		
	<u>75200</u>		<u>75200</u>

Commission a/c.			
To P & L A/c (transfer)	4512	By Jain a/c	4512
	<u>4512</u>		<u>4512</u>

2) Balan of Bangalore consigned 190 bags of sugar to Raghu of Chennai, invoicing goods at Rs 180 per bag. Balan paid Rs 1200 as cartage and other expenses. The consignee drew a bill of exchange for Rs 12000 which was later discounted at 11800. The consignee rendered an account sales showing the following details.

100 bags sold at Rs 240 each on credit
 90 bags sold at Rs 230 each for cash
 Freight & cartage Rs 2000
 Transit insurance Rs 600
 Storage & Insurance Rs 1000
 Commission at 5%.

The consignee sent a sight draft for the amount due, you are required to prepare ledger accounts in the books of both the parties assuming that the consignee incurred a bad debt of Rs 400.

Books of Balan (Consignor)
 Consignment a/c.

Particular	Amount	Particular	Amount
To Goods sent on consignment (190 x Rs 180)	34200	By Raghu a/c (sales) (100 x Rs 240 + 90 x Rs 230)	44700
			<u>44700</u>

To bank (expenses)	1200	
To B/R a/c (Discount)	200	
To Raghu a/c (expenses)	3600	
To Raghu a/c (commission) (44700 x 5%)	2235	
To Raghu a/c (Bad debts)	400	
To profit & loss a/c	2865	
	<u>44700</u>	<u>44700</u>

Raghu a/c			
Particulars	Amt	Particulars	Amt
To consignment A/c (sales)	44700	By B/R a/c	12000
		By consignment a/c (expenses)	3600
		By consignment a/c (commission)	2235
		By consignment a/c (Bad debts)	400
		By bank a/c bal. fig	26465
	<u>44700</u>		<u>44700</u>

Books of Raghu (consignee)
 Balan a/c.

Particulars	Rs	Particulars	Rs
To B/P a/c	12000	By bank a/c (cash sales 100 X Rs. 240)	24000
To Bank a/c (expense)	3600	By sundry debtors a/c (credit sales 90 X Rs. 230)	20700
To Commission a/c	2235		
To sundry debtors a/c (Bad debts)	400		
To bank (Final payment) bal fig.	26465		
	<u>44700</u>		<u>44700</u>

Commission a/c.

To profit & loss a/c (transfer)	2235	By balan a/c	2235
	<u>2235</u>		<u>2235</u>

3) Prem consigned 200 boxes of medicines @ Rs. 100 per box to Ram. He incurred the following expenses

Insurance Rs. 1000

Loading charges Rs 1600

Freight Rs. 1400.

An account sales was received from Ram which showed that 160 boxes were sold @ Rs 200 per box.

Ram incurred the following expenses

clearing charges Rs 1000

Godown rent Rs 400

Advertisement Rs. 600

other selling expenses Rs. 1000.

Computation of value of unsold stock.

value of unsold stock as per proforma invoice (40 boxes @ Rs. 100 each)		4000.
Add $\frac{40}{200}$ or $\frac{1}{5}$ th of non-recurring expenses		

Consignor's (Prem) expenses.

Insurance

Loading charges

Freight

1000

1600

1400

Consignee's (Ram) expenses:

clearing charges .

1000

value of unsold stock

$5000 \times \frac{1}{5}$

1000

5000

Particulars
stock on Consignment a/c

Dr

Debit

5000

Credit

To Consignment a/c.

5000

(unsold stock valued at cost and brought into books),

4) Indian oil Ltd. Tuticorin Consigned 2000 barrels of lubricant oil costing Rs. 800 per barrel to Central oil Company, Mumbai on 1-1-99. Indian oil Ltd. paid Rs. 1,00,000 as freight and insurance 50 barrels were destroyed in transit on 8-1-99. The insurance claim was settled at Rs. 30,000 and was paid directly to the consignee.

Central oil co. took delivery of the consignment on 20-1-99. and accepted a bill drawn upon them by Indian oil Ltd for Rs 10,00,000 for 3 months

on 2-3-99, central oil co. reported as follow
 a) 1500 barrels were sold at Rs 1200 per barrel
 b) the other expenses were unloading Rs 5000
 wages of salesmen Rs 1,00,000; Printing Rs 42600.
 Godown rent Rs 20000

c) 50 barrels of oil were lost due to leakage
 which is considered to be a normal loss

central oil co. is entitled to a commission of
 5% on all sales effected by them. central oil co
 paid the amount due in respect of the consignment
 on 31-3-99. show the consignment a/c, central
 oil co. a/c and loss in transit a/c in the books
 of Indian oil Ltd and the consignor's a/c in
 central oil co's books.

Books of Indian co. Ltd (consignor)

Consignment a/c.

1-1-99	To Goods sent on Consignment a/c (2000 x 800)	1600000	8-1-99	By Abnormal loss a/c. (W.N.I)	42500
1-1-99	To Bank a/c (expenses)	100000		By central oil Co. A/c (Sales 1500 x 1200)	1800000

31-2-99	To central oil co. A/c	167600	By stock on consignment	350000
	To central oil co. A/c (commission) (1800000 x 5%)	90000.		
	To profit & loss a/c (profit (bal. fig))	234900		
		<u>21,92500</u>		<u>2192500</u>

Central oil a/c.

31-1-99	To consignment a/c	1800000	By B/R a/c	1000000
			By consignment (expenses)	167600
			By consignment (commission)	90000
			By bank a/c (bal. fig)	542400
		<u>1800000</u>		<u>1800000</u>

Abnormal Loss A/c

Date	particular	Rs	Date	particular	Rs
8-1-99	TO consignment A/c (W.N.I)	12,500	31-12-99	By Insurance A/c	30,000
				By Profit & Loss A/c	12,500
		<u>12,500</u>			<u>12,500</u>

Books of central oil co. (consignee) indian oil Ltd. A/c

Date	particular	Rs	Date	particular	Rs
20-1-99	TO B/P A/c	10,00,000	31-3-99	By Bank A/c (Sales)	18,00,000
31-3-99	TO Bank A/c (Expenses)	1,67,600			
	TO commission A/c	90,000			
	TO Bank (Bal. Ftg)	5,42,400			
		<u>18,00,000</u>			<u>18,00,000</u>
		commission A/c			
Date	particular	Rs	Date	particular	Rs
31-3-99	TO Profit & Loss A/c	90,000	31-3-99	By Indian oil Ltd A/c	90,000
		<u>90,000</u>			<u>90,000</u>

Goods sent on consignment etc.

31-3-99 To trading a/c 160000 1-1-99. By consignment 160000
160000 160000

~~Books of center~~

working notes

Computation of value of abnormal loss

cost of 50 barrels destroyed in transit (50 x Rs. 800) 40000

Add $\frac{50}{2000}$ or $\frac{1}{40}$ share of non-recurring

expenses of consignor only. since the loss is before taking delivery by the consignee

Freight + insurance $100000 \times \frac{1}{40}$ 2500

value of abnormal loss 42500

Computation quantity of unsold stock

	Barrels of oil consigned	2000
less	Barrels destroyed	50
	Barrels meant for sale	<u>1950</u>
less	leakage (normal loss)	50
	Barrels available for sales	<u>1900</u>
less	sale	1500
	Barrels unsold	<u>400</u>

Del Credere commission

Date	particular	Rs	Date	particular	Rs
31-12-99	To bad debts	6000	31-12-99	By Vinayak sales Corporation	4500
				By P+L A/c (transfer of loss)	1500
		<u>6000</u>			<u>6000</u>

5) Karthik sold goods on behalf of Vinayak Sales Corporation on consignment basis. On 1-1-99, he had with him a stock Rs. 40,000 on consignment.

Karthik had instruction to sell goods at cost plus 25% and was entitled to a commission of 4% on sales, in addition to 1% deb-credit commission on total sales, for guaranteeing collection of all the proceeds.

During the year ended 31-12-99 cash sales were Rs. 2,40,000 credit sales Rs. 2,10,000 and Karthik expenses in relation to consignment Rs. 6,000 being salaries and insurance. Bad debts were Rs. 6,000 and goods sent on consignment Rs. 4,00,000

You are required to prepare consignment A/c in the books of Vinayak Sales Corporation and important ledger accounts in the books of Karthik.

Solution:-

Books of Vinayak Sales Corporation (consignment A/c)

Date	Particular	Rs.	Date	Particular	Rs.
1-1-99	To Stock on consignment A/c	40000	31-12-99	By Karthik A/c (Sales - 2,40,000 + 2,10,000)	4,50,000
1-1-99	To Goods sent on consignment A/c	4,00,000		By Stock on consignment A/c	80,000

31-12-99	TO Karthik A/c (expenses)	6,000	
	TO Karthik A/c	22,500	
	[Ordinary + sel credence commission (18,000 + 4,500)]		
	TO PROFIT & LOSS A/C	61,500	
	(Profit) (Bal. fig)		
		<u>5,30,000</u>	<u>5,30,000</u>

working note - 1

computation of value of unsold stock :-

	Rs.
opening stock of goods	10,000
add: Goods sent on consignment	4,00,000
	<u>4,40,000</u>
LESS: cost of goods sold $\frac{4,50,000}{100} \times 80$	3,60,000
	<u>80,000</u>
value of unsold stock	<u>80,000</u>

Books of Karthik (consignee)

Vinayak Sales Corporation A/c

Date	Particulars	Rs.	Date	Particulars	Rs.
31-1-99	TO Bank A/c (exp) TO commission A/c;	6000	31-12-99	By Bank / cash A/c (Sales)	2,40,000

ordinary Debit Credite	18,000		By sundry Deb A/c	
To Bank A/c (Bal. f)	4,500		(creditsales)	2,10,000
	4,21,500			
	4,50,000			4,50,000

Ordinary commission A/c

Date	Particulars	Rs.	Date	Particulars	Rs.
31-1-99	TO PROFIT & LOSS A/c (Transfer)	18,000	31-12-99	By Vinayak Sales Corporation A/c	18,000
		18,000			18,000

Del Credite commission A/c

Date	Particulars	Rs.	Date	Particulars	Rs.
31-12-99	To Bad debts A/c	6,000	31-12-99	By Vinayak Sales Corporation A/c	4,500
				By P&L A/c (Transfer of loss)	1,500
		6,000			6,000

6) S and P entered into a joint venture and agreed to divide the profit as to S 60% & P 40%. S and P contributed Rs. 1,80,000 & Rs. 1,20,000 respectively for carrying on transactions relating to the venture. They opened a joint bank account with the above contributions. They purchased three old state buses for Rs. 2,40,000. S and P personally paid Rs. 45,000 & Rs. 30,000 respectively for repairs and renewals. They purchased a few tyres and tubes costing Rs. 24,000. Two buses were sold for Rs. 2,10,000 and the third one was taken by P at cost price, pass necessary journal entries and prepare joint venture

In the Book of Joint venture
Journal entries

Date	Particulars			Cr
	Joint Bank A/c	Dr	3,00,000	
	TO S A/c			1,80,000
	TO P A/c			1,20,000
	[Being the capital contributed by coventurers]			
	Joint venture A/c	Dr	2,40,000	
	TO Joint Bank A/c			2,40,000

Date	Particulars	LF	Dr	Cr
	[Being purchase of Three old buses]			
	Joint venture A/c	Dr	75,000	
	To S A/c			45,000
	To P A/c			30,000
	[Being purchase of Tyres and Lubes] renewals expenses Paid by S and P]			
	Joint venture A/c	Dr	54,000	
	To Joint Bank A/c			54,000
	[Being purchase of Tyres and Lubes]			
	Joint Bank	Dr	2,70,000	
	To Joint venture A/c			2,70,000
	[Being sale of Two buses]			
	P A/c	Dr	1,23,000	
	To Joint venture A/c (W.N.I)			1,23,000
	[Being the remaining one bus taken over by Pat cost]			

Date	Particulars	Lf	Dr	Cr
	Joint venture A/c Dr TO S A/c (24,000 x 60%) TO P A/c (24,000 x 40%) [Being profit of venture transferred to capital A/c of S & P in the ratio 6:4]		24,000	14,400 9,600
	S A/c Dr P A/c Dr To Joint Bank A/c [Being the final settlement between the co-venturers]		2,39,400 36,600	2,76,000

Joint venture's A/c

Particulars	Rs		Particulars	Rs
TO Joint Bank A/c		2,10,000	By Joint Bank A/c	2,10,000
TO S A/c		45,000	By P A/c (Bustakan)	1,23,000
TO P A/c		30,000		
TO Joint Bank A/c		54,000		
TO S A/c (Profit)	14,400			
TO P A/c (Profit)	9,600	24,000		
		3,93,000		3,93,000

Co-venture's Accounts

Particulars	S RS	P RS	Particulars	S RS	P RS
TO Joint venture A/c		1,23,000	By Joint Bank A/c	1,80,000	1,20,000
TO Joint Bank A/c	2,39,400	36,600	By Joint venture A/c	45,000	30,000
(Bal fig)			By Joint venture A/c		
			(Profit)	14,400	9,600
	2,39,400	1,59,600		2,39,400	1,59,600

Joint Bank A/c

Particulars	RS	Particulars	RS
TO S A/c	1,80,000	By Joint Venture A/c	2,40,000
TO P A/c	1,20,000	By Joint Venture A/c	54,000
TO Joint Venture A/c	2,70,000	By S A/c	2,39,400
		By P A/c	36,600
	5,70,000		5,70,000

working note : value of Bus taken over by P

$$\text{Purchase price : } \frac{2,40,000}{3}$$

$$\begin{array}{l} \text{Add cost} \\ \text{of Tyres and Tubes} \end{array} \quad \frac{54,000}{3}$$

$$\text{Add cost of Repairs \& Renewals} \quad \frac{75,000}{3}$$