**WEEK TEN**

**TOPIC: CONSIGNMENT ACCOUNT**

**CONTENT**

1. Definition
2. Accounting Entries
3. Practical illustration

**Note**

Consignment of good means the sending of goods by a supplier to his agent to receive, store and sell them on behalf of the supplier after which the proceeds, having deducted all expenses incurred, will be remitted to supplier. The sender of the goods is called consignor while the agent to whom the goods are sent is called consignee.

**ACCOUNTING ENTRIES**

In the Books of the consignor you will open

(a) Consignment account

i. Debits all expenses relating to goods consigned

ii. Credits all revenue relating to goods consigned

(b) Goods sent on consignment account

i. Debit trading a/c with the value of goods consigned

ii. Credit consignment account

(c) Bank account (Extracts)

i. Debit proceed from consignee (agent) after deducting all expenses incurred.

ii. Credit all expenses incurred by the consignor.

(d) Consignee account i. Debit sales account

ii. Credit all expenses incurred in respect of sales

**EVALUATION QUESTION**

1. Define the term consignment of goods

2. Explain a. Consignor b. Consignee

**Practical Illustration**

On January 1, 1995, Pfizer Product Plc consigned 10 cartons of visine eye drop to Standard Pharmacy at N150 per carton. In the course he paid N400 for freight charges, N140 for insurance, and N850 for advertisement. On receiving the goods on January 5 Standard Pharmacy incurred the following expenses. Storage N100, wages N380, selling expenses N120. By January 24, Standard Pharmacy had sold all the articles and realized a total sum N21,500 in the following analysis is sales by cash N20,000, Credit sales to Kunle N1,500. The agreed commission was 3% and del-credere commission was 2% of the total sales. Required

1. Prepare the account submitted by consignee on 31/1/95

2. Prepare all necessary account to record the transaction in the books of the consignor.

**Solution**

1. Account sales submitted by Standard Pharmacy

N N

Sales 21,500

Less: Storage 100

Wages 380

Selling expenses 120

Commission: General (0.03 x 21,500) 645

‘’ Del-credere (0.02 x 21,500) 430 (1,675)

Sight draft enclosed 19,825

2. In the books of Pfizer Product Plc. (consignor)

**Good sent on consignment account**

Trading a/c (N1,500 x 10) 15,000 consignment 15,000

**Consignment Account**

Goods sent on consignment 15,000 standard pharmacy 21,500

Bank: freight cheque 400

Advertisement 850

Insurance 140

Standard Pharmacy

Storage 100

Wages 380

Selling expenses 120

Commission: General 645

Del-credere commission 430

P&L a/c (profit) 3,435

21,500 21,500

**Bank account (Extracts)**

Standard Pharmacy 19,825 Consignment N

Freight charges 400

Advertisement 850

Insurance 140

**Standard Pharmacy account (consignee)**

Consignment: sales 21,500 Consignment N

Storage 100

Wages 380

Selling expense 120

Comm. General 645

Del-credere 430

Bank 19,825

21,500 21,500

**EVALUATION QUESTION**

1. List the accounts that are opened to record consignment of goods.

2. Explain the treatment of consignment outwards in the balance sheet.

**Reading Assignment**

Simplified Bookkeeping and A/C, Femi Olatunji 260 -265

**Weekend Assignment**

1. The person that sends goods to another person for the purpose of selling it is (a) collector (b) consignor (c) consignee (d) none of the above
2. The person who received the goods on behalf of another is (a) consignor (b) collector (c) consignee (d) none of the above
3. Consignment of goods means (a) receiving of goods (b) producing of goods (c) sending of goods (d) all of the above
4. In Goods sent on consignment account, consignment is (a) Debited (b) credited (c) all of the above (d) none of the above
5. In consignment account, advertisement is (a) revenue (b) expenses (c) income (d) none of the above.

**SECTION B**

On February 1, 1997 Fadeke Stores consigned 100 cases of electric clippers to her agent Bimbo, at N3,000 per case sundry expenses N420. Bimbo expenses are: warehousing N20 Railways charges N150, selling expenses N50. On April, Bimbo sold the whole consignment for N380,000 and all receipt were taken in cash. Commission Bimbo 3% plus a delcredere commission to of 1% on sales. On 13th April Bimbo prepared his account sales which, together with bank draft for-remittance, was sent to Fadeke. Required to prepare.

a. The account sales sent by Bimbo

b. The necessary ledger accounts in the books of consignor (Fadeke)

**GENERAL EVALUATION/REVISION QUESTIONS**

1. What are books of prime entry
2. List any seven books of prime entry
3. Explain the following concepts (a) business entity (b) going – concern
4. What is a ledger
5. List and explain three classification of ledger accounts