

## \* Accounting of loss of goods

i) Normal loss → May arise due to loading/unloading of goods, evaporation, drying etc. Such loss is unavoidable even after taking all precautions → It is normal part of the cost of consignment, so an entry is passed in the books of consignor → The value of unsold stock may increase because the value of stock is the proportion of cost goods consigned of non-recurring exp

$$\text{Value of closing stock} = \frac{\text{Total value of goods sent}}{\text{Net quantity received by consignee}} \times \text{unsold stock}$$

## \* Important points for consignment numericals

- 1) Calculation of closing/unsold consignment stock
- 2) Invoice price (Goods sent on invoice price to the consignee).
- 3) Normal loss
- 4) Abnormal loss.

## I Calculation of closing/unsold consignment stock →

Cost of goods sent on consignment →	—	(i)
Add: Expenses included (non-recurring)	—	(ii)
	—	
less: Cost of abnormal loss (if any)	—	(iii)
Cost of remaining articles	—	(iv)
less: Cost of goods sold (if given)	—	(v)
Cost of unsold stock	—	

OR

(iv)  $\frac{\text{Cost of Remaining stock articles}}{\text{no of goods remaining}} \times \text{no of unsold stock}$

(After deducting normal loss, if any).

II If goods are consigned at higher price than invoice price  $\rightarrow$  calculating loading/reserve for opening consignment stock. Goods sent in consignment and closing consignment stock on the opposite side (Only for extra profit portion).

III Normal loss:  $\rightarrow$  No separate calculation is required

IV Calculation of Abnormal loss:  $\rightarrow$

Cost of goods destroyed -	-
Add: Proportionate non-recurring exp	-
Cost of destroyed articles.	-

Ques Rām 500 @ ₹ 25.   
 50 in transit (AL)   
 sold @ 70% of cost

Mohan 300 @ 30, Market   
 ₹ 200 storage   
 300 selling exp.   
 10% comm on sales.

freight 460

I Calculate the value of Abnormal loss.

Cost of 50 articles destroyed @ 25Rs -	1250
Add: Proportionate exp for goods destroyed =	46
Freight = $\frac{460}{500} \times 50$	
Cost of 50 articles.	1296

II Calculation of unsold consignment stock.

Cost of 500 articles sent on consignment -	12500
Add: Expenses accrued (Freight)	460
	12960
less: Cost of Abnormal loss	1296
Cost of remaining articles.	11664

$\frac{\text{Cost of remaining articles}}{\text{no of goods remaining}} \times \text{no of unsold stock}$

$\frac{11664 \times 15\%}{48\% \times 3} = \boxed{\text{₹} 3888}$

Consignment A/c			
Particulars	₹	Particulars	₹
TO goods sent on consignment	12,500	By Mohan's A/c (Sales)	9,000
TO Cash A/c (Exp)	460	By Abnormal loss	1,296
TO Mohan's A/c (Storage)	200	By unsold stock	3,888
TO Mohan's A/c (SE)	300	By loss on Cons A/c transferred to P/L A/c	176
TO Mohan's A/c (Comm)	900		
	14,360.		14,360

Abnormal loss A/c			
Particulars	₹	Particulars	₹
TO Consignment A/c	1,296	By Mohan's A/c (Sales 70% of 1,296)	907
TO Mohan's Commission (10% of 907)	91	By P/L A/c	480
	1,387		1,387

Mohan's A/c			
Particulars	₹	Particulars	₹
To Consignment (Sales)	9,000	By Cons A/c (Storage)	200
TO Abnormal loss A/c (Sales)	907	By " " (SE)	300
		By " " (Comm)	900
		By Abnormal loss	91
		By Bank A/c (B/F)	8,416
	9,907.		9,907

ques Calculation of Abnormal loss

Cost of goods lost	-	₹
Add: Non-Recurring exp.	-	20000
( $\frac{5000 \times 100}{1000}$ )	-	500
Abnormal loss.		<u>20,500</u>

Calculation of unsold stock

Cost of goods sent on consignment -		200,000
Add: Expenses included (non-recurring) -		5000
		<u>205000</u>
less: Cost of Abnormal loss (from q)		(20500)
Cost of remaining articles.		184500
<del>less: Cost of goods sold.</del>		<del>(180000)</del>
		<del>45000</del>
Add: Non-recurring exp incurred by B		1000
Cost of 895 articles.		<u>1,85,500</u>

$$\frac{185,500 \times 295}{895} = \boxed{₹61,142}$$

ques.	Consignment A/c			
	Particulars	₹	Particulars	₹
	TO Goods sent on Consig A/c	50000	By B's A/c (Sales)	60,000
	TO Bank A/c (freight + ins)	2000		
	TO B's A/c exp - 500			
	Rent - 500	1000		
	TO B's A/c (Comm)	3000		
	TO Profit of Consig trans	4000		
	to P&L A/c.			
		<u>60000</u>		<u>60000</u>

Particulars TO Consig (Sales)	₹ B's A/c 60000.	Particulars By Consig A/c (exp) By " " (Rent) By " " (Comm) By Bank A/c	₹ 500 500 2000 56000
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Rules valuation of closing consignment stock.  
Consignment A/c.

Particulars	₹	Particulars	₹
TO goods sent on consig <sup>A/c</sup>	80000	By B's A/c (Sales)	90000
TO Cash A/c (Frgt + Ins)	5000	By Consig Stock A/c	8500
TO B's A/c Rent	2200		
Adv exp	1300		
TO B's A/c (Comm)	4500		
TO Profit transf to P/L A/c	5500		
	<u>98500</u>		<u>98500</u>

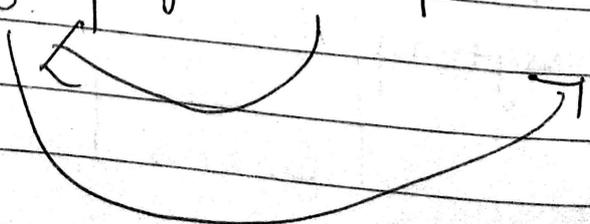
Total cost of goods sent on consign -	80000
Add: Exp (Non-recurring)	5000
	<u>85000</u>
Add: Exp incurred by consignee	12500
	<u>97500</u>

~~85000 x 100~~      ~~85000 x 100~~ = 85000

Banerjee's A/c.

Particulars	₹	Particulars	₹
TO Bank A/c (Sales) Consignment A/c	90000	By Consig A/c (Rent)	2200
		By " " (Adv exp)	1300
		By " " (Comm)	4500
		By B/R A/c (Adv)	50000
	<u>90000</u>	By Bank A/c	32000
			<u>90000</u>

Journal  
entries for  
Hire too





32,80,000 PK 2  
 98400  
 187

5088000

Consignment A/c.

Particulars		₹	Particulars		₹
TO Goods sent on consig		400,000	By M's A/c (Sales)		32,80,000
TO Cash A/c (Insur)		40000	By goods sent on consig		10,00,000
TO M's A/c Adv - 21000			A/c (loading)		(4000,000 x <del>2.5%</del> )
Rent - 5000		26000			48000
TO M's A/c (Comm)		98400	By Consig Stock A/c		808000
TO Consig Stock (loading)		200,000			
(800,000 x 1/4)					
TO P/L A/c		7,23,600			
		5088000			5088000

Calculation of unsold stock

500 sarees consigned for ₹8000 - 40,00,000

Add: Expenses - 40000

Total cost of 500 sarees - 40,40,000

Unsold stock =  $\frac{4040,000}{500} \times 100 = 808000$

Madhu's A/c

Particulars		₹	Particulars		₹
TO output GST A/c		480,000	By B/R A/c		30,00,000
(40,00,000 x 12.1%)			By Consig A/c		26000
TO Consig A/c		32,80,000	By Consig A/c		98400
			By Consig A/c		17,712
			(98400 x 18.1%)		
			By Bal c/d		6,17,888

3142112

123023

Calculation of Abnormal loss: →  
 Add: Cost of damaged bicycles - 15000  
 Expenses in Transit -  $1000 \times \frac{100}{1000} = 1000$   
 Insurance -  $150 \times \frac{100}{1000} = 150$

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Abnormal loss. 16150

\* Calculation of unsold stock

Add: Cost of goods sent for consign - 150,000  
 Expenses incurred 11500

161500

less: Abnormal loss - (16150)

145350

Add: Expenses incurred by consignee 1530

146880

Unsold stock =  $\frac{146880 \times 100}{900} = 16320$

### Consignment A/c

Particulars	₹	Particulars	₹
TO Goods sent on consig	150,000	By S's A/c (Sales)	176,000
TO Cash A/c (Freight + Ins)	11,500	By Abnormal loss	16,150
TO S's A/c Rent - 2000		By Unsold stock	16,320
Octroi - 1530			
Comm - 8800	12,330		
TO P&L A/c.	34,640		
	<u>208,470</u>		<u>208,470</u>

### Superior premium A/c.

PR	₹	PR	₹
TO Consig A/c (Sales)	176,000	By Bank A/c (Adv)	50,000
		By Consig A/c (Exp)	3,530
		By Consig A/c (Comm)	8,800
		By Bal c/d	113,670
	<u>176,000</u>		<u>176,000</u>

\* Royalty → It is the periodic payment made by one person (lessee) to another person (lessor) using the right by the lessee vested in the lessor. Royalty means sum payable,

generally based on output or sale to the owner of mine, a patentee or an author or any such person for use of rights vested in him.

Types of Royalty: ① Mining Royalty → Based on quantity of coal produced

② Patent Royalty → Based on output, made by lessor of a patent or patent right to be lessor or the patentee.

③ Copyright Royalty → Based on sales

④ Lease → lease is an agreement, whereby the lessor conveys to the lessee in return for a payment or series of payments, the right to use an asset for an agreed period of time.

\* Short Working → It represents the excess of minimum rent over the Actual Royalty

$$SW = \text{Minimum Rent} - \text{Actual Royalty}$$

Basis	Rent	Royalty
Nature of assets	It is the consideration payable for the use of land, building, plant etc.	It is the consideration payable for the use of tangible & intangible assets.
Basis of Payment	The amount of rent is generally fixed & paid weekly, monthly or yearly.	The amount of royalty is variable & calculated on the basis of output of sales or generally given on sales.
Parties	Known as tenant & landlord	Known as lessee or lessor
Minimum Rent	In case of rent, there is no clause of minimum Rent.	In case of Royalty, there is clause of making payment



### Analytical Table

Yr	Prod <sup>m</sup>	Royalty	MR	SW	Surplus	SW Received	SW not Recd	Paid to Landlord
2017	28000	14000	24000	10000				24000
2018	36000	18000	24000	6000				24000
2019	60000	30000	24000	-	6000	6000	4000	24000
2020	44000	22000	18000	-	4000	4000	2000	18000

2017 MR > AR

Royalties A/c	Dr	<del>14000</del>	14000	
Shortworking A/c	Dr	<del>10000</del>	10000	
TO Minimum Rent A/c				24000
Minimum Rent A/c	Dr		24000	
TO Landlord's A/c				24000
Landlord A/c	Dr		24000	
TO Bank A/c				24000
Production A/c	Dr		14000	
TO Royalties A/c				14000

2018

Royalties A/c	Dr		18000	
Shortworking's A/c	Dr		6000	
TO Minimum Rent A/c				24000
Minimum Rent A/c	Dr		24000	
TO Landlord's A/c				24000
Landlord's A/c	Dr		24000	
TO Bank A/c				24000
Production A/c	Dr		18000	
TO Royalties				18000

2019

Royalties A/c	Dr		30000	
TO Landlord's A/c				30000
Landlord's A/c	Dr		30000	

TO Shortworking A/c			6000
TO Bank A/c			24000
<del>By</del> Production A/c	Dr	30000	
TO Royalties			30000
PfL A/c	Dr	4000	
TO S.W A/c			4000
2020 Royalties A/c	Dr	22000	
TO landlord A/c			22000
landlord A/c	Dr	22000	
TO Shortworking A/c			4000
TO Bank A/c			18000
Production A/c	Dr	22000	
TO Royalties			22000
PfL A/c	Dr	2000	
TO S.W A/c			2000

Royalties A/c.

Particulars	₹	Particulars	₹
TO Mini Rent A/c	<u>14000</u>	By Production A/c	<u>14000</u>
TO Mini Rent A/c	<u>18000</u>	By Production A/c	<u>18000</u>
TO landlord A/c	<u>30000</u>	By Production A/c	<u>30000</u>
TO landlord A/c	<u>22000</u>	By Production A/c	<u>22000</u>

Minimum Rent A/c.

Particulars	₹	Particulars	₹
To landlord A/c	24000	By Royalties	14000
	<u>24000</u>	By S.W A/c	10000
TO landlord's A/c	24000		<u>24000</u>
	<u>24000</u>	By Royalties	18000
		By S.W A/c	6000
			<u>24000</u>

Landlord's A/c

Particulars	₹	Particulars	₹
TO Bank A/c	<u>24000</u>	By Min Rent A/c	<u>24000</u>
TO Bank A/c	<u>24000</u>	By Min Rent A/c	<u>24000</u>
TO SW A/c	6000	By Royalties A/c	<u>30000</u>
TO Bank A/c	<u>24000</u>	By Royalties A/c	<u>22000</u>
TO SW A/c	4000		
TO Bank A/c	<u>22000</u>		

Shortworkings A/c

Particulars	₹	Particulars	₹
TO Min Rent A/c	<u>10000</u>	By Bal c/d	<u>10000</u>
TO Bal b/d	10000	By Bal c/d	16000
TO Min Rent A/c	6000		
	<u>16000</u>		
TO Bal b/d	16000	By Landlord A/c	6000
		By P/L A/c	4000
		By Bal c/d	<u>6000</u>
	<u>16000</u>		
TO Bal b/d	6000	By Landlord A/c	4000
		By P/L A/c	2000
	<u>6000</u>		<u>6000</u>

Year	Royalty	M.R	SW	SW Recoged	SW not Recoged	Paid to landlord
1	—	10000	10000	—	—	10000
2	8000	10000	2000	—	10000	10000
3	8000	—	—	—	2000	8000
4	9000	10000	1000	—	—	10000

Particulars	Dr (₹)	Cr (₹)
<u>I</u> Minimum Rent A/c Dr	10000	
TO Landlord A/c		10000
SW A/c Dr	10000	
TO Min Rent A/c		10000
Landlord A/c Dr	10000	
TO Bank A/c		10000
<u>II</u> Minimum Rent A/c Dr	10000	
TO Landlord A/c		10000
Royalties A/c Dr	8000	
SW A/c Dr	2000	
TO Mini Rent A/c		10000
Landlord A/c Dr	10000	
TO Bank A/c		10000
PfL A/c Dr	10000	
TO SW A/c		10000
<u>III</u> Royalties A/c Dr	8000	
TO Landlord A/c		8000
Landlord A/c Dr	8000	
TO SW A/c Bank A/c		8000
PfL A/c Dr	2000	
TO SW A/c		2000
Production A/c Dr	8000	
TO Royalties		8000

IV	Minimum Rent A/c	Dr	10000	
	TO Landlord A/c			10000
	Royalties A/c	Dr	9000	
	SW A/c	Dr	1000	
	TO Min Rent A/c			10000
t	Landlord A/c	Dr	10000	
	TO Bank A/c			10000
	Production A/c	Dr	9000	
	TO Royalties A/c			9000

Royalties A/c.

Particulars	₹	Particulars	₹
TO Landlord A/c	8000	By Prod A/c	8000
TO Landlord A/c	8000	By Prod A/c	8000
TO Min Rent A/c	9000	By Prod A/c	9000

Minimum Rent A/c

Particulars	₹	Particulars	₹
TO Landlord A/c	10000	By SW A/c	10000
TO Landlord A/c	10000	By Royalties A/c	8000
		By SW A/c	2000
TO Landlord A/c	10000	By Royalties A/c	9000
		By SW A/c	1000
	10000		10000

18850  
14339

Short working A/c

Particulars	₹	Particulars	₹
TO Min Rent A/c	10000	Bal b/d	10000
TO Bal c/d	10000	By P & L A/c	10000
TO Min Rent A/c	2000	By Bal b/d	2000
	<u>12000</u>		<u>12000</u>
TO Bal c/d	2000	By Bal b/d	2000
			<u>2000</u>

Landlord's A/c

Particulars	₹	Particulars	₹
TO Bank A/c	10000	By Min Rent A/c	10000
TO Bank A/c	10000	By Min Rent A/c	10000
TO Bank A/c	8000	By Royalties	8000
TO Bank A/c	10000	By Min Rent A/c	10000

Dues

Voyage A/c

Particulars	₹	Particulars	₹
TO ship Insur	4000	By Passage Money	10000
TO Port dues	5000	Freight <del>out</del>	
TO salaries & wages	50000	Outward - 100000	
TO Misc Exp	11600	Add: Bimage - 5000	105000
TO Bunker Cost	30000	By Freight	
TO Stores - 16800		Inward - 70000	
less: Wares Stock - 3000	13800	Add: Bimage - 3500	73500
TO Annual Dep	16000		
TO Lightage charges	5000		
TO Add Comm (out)	5050		
TO Add Comm (Ret)	<del>2000</del> 2940		
TO Manager Comm	2139		
TO P & L A/c	42,771		

5250

13500

2,34,440

ques.

Voyage A/c

Particulars	₹	Particulars	₹
TO Brokerage (159500 x 5%)	7975	By Freight	
TO Coal & diesel	20000	for grains - 135000	
TO Port charges	11000	Engineering - 10000	
TO Godown charges	4000	145000	
TO Loading charges	2000	Add: Bunkerage - 14500	159,500
TO Stores	10000		
TO Discharging exp	2000		
TO Postage	1000		
TO Salaries	10000		
TO Ship Insurance	10000		
TO Freight Ins	798		
TO Dep	10000		
TO P & L A/c	70727		

246460

23750

ques

Voyage A/c

Particulars	₹	Particulars	₹
TO Post charges	5600	By Freight	
TO Coal	<del>80000</del> 43800	Outward - 100000	
<del>TO wages</del>	<del>45000</del>	Add: Bunkerage - 5000	105000
TO stores purchased	4800	By Freight	
TO Sundry exp	11600	Inward - 70000	
TO depreciation	16000	Add: Bunkerage - 3500	73500
TO Ad Commission	8190	By Passage money	10000
TO Ship Insurance	4000	By voyage in progress	45940
TO Bro for Incomp	73500		
TO Manager Com (23750 x 5/100)	1130		
TO P & L A/c	22620		

412???

① Time Expenses

Stores Wages 5000  
 Sundry exp 16800 42000  
 Dep 11000  
 coal 16000  
 43800  
 Ship ins 4000

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 Date: / /

$129000 \times \frac{1}{3} = 43000$

② Freight Exp. Freight Address comm (Inward) - 2940

③ Total voyage in progress = 43000 + 2940  
 = 45940

Voyage A/c.		Voyage A/c.	
Particulars	₹	Particulars	₹
to coal consumed	70000	By Freight - 402,000	
to stores consumed	30000	Add: Prime - 40000	442,000
to Post charges	15000	By Voyage in progress.	118750
to Salaries	40000		
to Dep	40000		
to Ins of ship	20000		
to Ins of freight	8000		
to Add comm	22000		
to Adv <sup>pro</sup> Inc			
115,000 + 10% of 150000	165000		
to N.P	148750		
	558750		558750

① Time Ratio =  $\frac{1}{2}$

② Freight Ratio =  $\frac{150000}{402,000} = \frac{3}{8}$

- ③ Time Based exp + Coal cons - 70000  
 Store cons - 30000  
 Post charges - 15000  
 Salaries - 40000  
 Dep - 40000

Ins of ship -  $\frac{20000}{215000} \times 1/2 = 107500$

(D) Freight Based exp  $\rightarrow$  Ins on Freight =  $8000 \times \frac{3}{8} = 3000$

(E) Other expens - Add Comm -  $16500 \times \frac{5}{100} = 8250$

(F) Total Prov for incomplete voyage =  $107500 + 3000 + 8250 = 118750$

Voyage A/c		Voyage A/c	
Particulars	₹	Particulars	₹
TO Coal	14000	By Freight - 8000	
TO Stores	6000	Add: Insurance - 8000	88000
TO Post charges	3000	By voyage in progress	27650
TO Salaries	8000		
TO Dep	8000		
TO Ins of ship	10000		
TO Ins of freight	4000		
TO Add Comm	4400		
TO Prov for Adv Inc	33000		
TO N.P	25,250.		

(A) Time Ratio -  $1/2$

(B) Freight Ratio =  $\frac{30000}{80000} = \frac{3}{8}$

(10%) Add Comm

(C) Time Based Exp - Coal - 14000

Stores - 6000

Post charges - 3000

Salaries 8000 Ship Ins

Dep - 8000

$89000 \times 1/2 = 29500$

(D) Freight Based exp  $\rightarrow$  Ins on Freight -  $4000 \times \frac{3}{8} = 1500$

(E) Other Exp = Add Comm,  $30000 \times 10\% = 3000$