60 Questions 60 Marks 60 Minutes

15. Consignment Account

Select best choice to answer the following questions:

1. In case of consignments, the person who is sending the goods is called
   a) The consignee b) the seller
   c) the consignor d) the agent
2. An 'account sales' is sent by
   a) The consignor to the consignee
   b) The consignee to the credit customers
   c) The consignor to the credit customers
   d) The consignee to the consignor
3. A proforma invoice
   a) Is a demand for payment
   b) A not a memorandum invoice
   c) Is a document giving details of goods sold
   d) Is a document to show what the invoice would be
4. The balance of the consignment account is transferred to the
   a) Profit & loss on consignment account
   b) Trading account
   c) Profit and loss Account
   d) Capital account
5. Which of the following statement is true?
   a) The receipt of goods by the consignee from the consignor will make the consignee a debtor of the consignor
   b) Mere receipt of the goods does not make the consignee a debtor of the consignor
   c) The receipt of goods by the consignee from the consignor will make the consignee liable to pay immediately
   d) For sale of goods on consignment basis, the consignee is entitled to get a portion of the sale proceeds
6. Stock on consignment is a (an)-
   a) Liability b) asset
   c) Expense d) income
7. Overriding commission is calculated on-
   a) Cash sales b) credit sales
   c) Total sales d) cash received
8. Consignment stock is valued at-
   a) Cost price b) market price
   c) Cost or net realizable value (NRV), whichever is higher
   d) Cost or net realizable value (NRV), which is lower
9. At the end of the financial year, the 'goods sent on consignment account' is closed by passing the following entry:
   a) Purchases Account Dr.
   To goods sent on consignment account
   b) Trading Account Dr.
   To goods sent on consignment A/c
   c) Goods sent on consignment A/c Dr.
   To sales A/c
   d) Goods sent on consignment A/c Dr.
   To Purchases/Trading Account
10. Overriding commission is allowed by the
    a) Consignor to the buyer
    b) Consignee to the buyer
    c) Consignor to the consignee
    d) Consignor to the debtor
11. Abnormal losses may occur
    a) In transit
    b) At th consignee's place
    c) Either in transit or at the consignee's place
    d) Either in consignor's or consignee's place
12. The discounting charges should be charged to the
    a) Profit and loss account
    b) Discount account
    c) Consignment account
    d) Consignee A/c
13. In connection with a consignment, consignor and consignee incurred the following expenses:
    i) Freight
    ii) Loading expeses
    iii) Unloading expenses
    iv) Godown expenses

    At the end of the financial year, for valuation of stock on consignment which of the above expenses are to be taken into consideration?

    a) All four b) i & ii only
    c) i & ii & iii only d) i & iv only
14. which of the following is not true?
    a) There is difference between account sales and sales account.
    b) There is difference between the normal commission and the del credere commission paid to consignee.
    c) The dispatch of goods on consignment is not a sale by the consignor
    d) Discount for bill discounted is not treated as a financial expense and debited to consignment account.

15. Which of the following is not true?
    a) When the goods are sent on consignment, the entry is normally done at market price
    b) For unsold stock lying with the consignee, no entry is made in his books
    c) The relationship between the consignor and the consignee is that of principal and agent
    d) Consignment debtors account is prepared by the consignor when no del credere commission is given.
16. Which of the following is true?
    a) Overriding commission is calculated on credit sales only
    b) The abnormal loss on consignment is credited to profit and loss account.
    c) When the consignee received goods from the consignor, no entry is to be passed in the books of the consignee
    d) The unsold stock on consignment is valued at original cost of the goods.

17. Which of the following is true?
    a) Loss of stock on consignment is said to be normal when it is natural and unavoidable
    b) Del credere commission is allowed to cover normal loss
    c) Discount on bills is debited to consignment account
    d) The consignee can be treated as consignor's debtors for the goods received on consignment.

18. Which of the following is true?
    a) A loss caused by evaporation is called abnormal loss.
    b) Abnormal loss is debited to h consignment account.
    c) When goods are sent on consignment, consignee;s account is debited
    d) Stock on consignment appears in the balance sheet of the consignor.

19. If del credere commission is given to the consignee, the bad debt loss will be borne by
    a) The consignor only
    b) The consignor and consignee equally
    c) The consignee in full
    d) The consignee up to a certain amount

20. Del credere commission is generally paid at a fixed rate on
    a) Credit sales   b) cash sales
    c) Total sales   d) invoice price
21. Which of the following is true?
    a) An account sales is a statement
    b) A proforma invoice is an account
    c) Consignment account is a personal account
    d) Cost or market price refers to net realizable value.
22. Which of the following is true?
    a) Consignment stock is valued at market price
    b) Abnormal loss is treated separately in the consignment account
    c) Normal loss is treated separately in the consignment account.
    d) Del credere commission is paid on credit sales.
23. Which of the following is not true?
    a) Del credere commission is an additional commission
    b) Del credere commission is a form of credit insurance
    c) Normal loss is eliminated from the consignment account
    d) A consignee may make an advance as a security of the goods.

24. Which of the following is not true?
    a) A proportionate adjustment cannot be made against the advance give by the consignee
    b) For normal loss, there will be no accounting treatment
    c) Abnormal losses reduce the profit on consignment
    d) Overriding commission is extra commission

25. Which of the following is not true?
    a) Profit of the consignment is calculated for each consignment separately
    b) Consignee does not contribute anything as capital
    c) The relationship between the consignor and the consignee is that of partners
    d) For determining profit on consignment, only consignment account is prepared.

26. If the del credere commission is paid to the consignee, the bad debts loss is debited to ____.
    a) Profit & loss b) commission received
    c) Bad debts d) consignor

27. In case of a consignment, goods remain the property of ____ until they are sold.
    a) The consignee
    b) Neither the consignor nor the consignee
    c) The consignor
    d) Local authority

28. Consignment account is a _____ account.
    a) Real b) personal
    c) Nominal d) valuation

29. Mere receipt of the goods does not make the consignee a _____ of the consignor.
    a) Creditor b) debtor
    c) Partner d) payee

30. The consignor sends goods to the consignee along with______.
    a) An invoice b) a proforma invoice
    c) A debit note d) a credit note

31. An 'account sales' is a (an) ____.
    a) Account b) statement
    c) Payment voucher d) receipt note

32. When there is no consignment stock remaining unsold, there will be no treatment for _____.
    a) Abnormal loss in transit
    b) Normal loss
    c) Abnormal loss in godown of the consignee
    d) Normal loss and abnormal loss

33. Consignment stock is valued at cost or net realizable value (NVR) which is _____.
    a) Lower b) higher
    c) Acceptable d) available

34. If the del credere commission is paid to the consignee, in the books of the consignor bad debt is_______.
    a) Ignored
    b) Debited to profit and loss account
    c) Debited to consignment account
    d) Debited to consignee account.

35. Overriding commission is normally granted_____.
    a) For credit sales
    b) For prompt payment
    c) For cash sales
    d) In case sales exceed a specified amount or quantity.

36. From the following information, calculate the amount due from the consignee:
    Stock in hand- Rs. 8,000; Goods received- Rs. 20,000; Goods sold- Rs. 24,000; Expenses paid by the consignee- Rs. 600; Commission- 10% of Sales; Remittance by consignee- Rs. 20,000.
    a) Rs. 1,100 b) Rs. 100
    c) Rs. 1,000 d) Rs. 2,100.

37. From the following information, calculate the amount due from the consignee:
    Cash sales: Rs. 1,20,000; Credit sales: Rs. 30,000; Bad debts Rs. 500; Ordinary omission: 10% Amount collected by the consignee from the debtors Rs. 25,000.
    a) Rs. 1,30,000 b) Rs. 1,35,000
    c) Rs. 1,45,000 d) Rs. 1,25,000

38. From the following information, calculate the amount due from the consignee:
    Cash sales-Rs. 1,20,000; Credit sales- Rs. 30,000; Bad debts-Rs. 5,000; Ordinary omission-Rs. 16,000; Del credere commission- Rs. 6,500
    a) Rs. 1,30,000 b) Rs. 1,27,500
    c) Rs. 1,30,500 d) Rs. 1,32,500.

39. From the following information, calculate the value of stock on consignment:
    Value of goods sent-Rs. 1,12,000; Quantity received by the consignee- 10,000 units; Normal loss-100 units; Units sold-8,000 units.
    a) Rs. 21,459 b) Rs. 21,954
    c) Rs. 21594 d) Rs. 21,495

40. A consignee is entitled to a commission @ 6% on normal selling price plus 20% of any surplus over and above the normal selling price. From the following information, calculate the amount of commission.
    Sales proceeds- Rs. 1,16,400; Unit sold- 54; Normal selling price per unit-Rs. 1,740.
    a) Rs. 10,126 b) Rs. 10,216

c) Rs. 612 d) Rs. 10,261

41. From the following, calculate the value of abnormal loss to be transferred to Profit and loss account: Cost of the goods lost: Rs. 750; Proportionate expenses: Rs. 125; Insurance claim received: Rs. 500.
    a) Rs. 735 b) Rs. 375
    c) Rs. 573 d) Rs. 537

42. From the following information, calculate the value of consignment stock:
    Cost of goods before loss- Rs. 51,000; Value of goods lost-in-transit-Rs. 5,100; Non-recurring expenses after loss in transit- Rs. 2,000; Goods sent-100 units; Goods lost-10 units; Stock-10 units.
    a) Rs. 5,232 b) Rs. 5,223
    c) Rs. 5,322 d) Rs. 5,320

43. From the following information, calculate the final payment made by the consignee;
    Sales- Rs. 5,10,000; Consignee paid: Octroi- Rs. 1,800; Sales expenses-Rs. 600; Commission to the consignee-Rs. 51,000.
    a) Rs. 4,56,600 b) Rs. 4,65,600
    c) Rs. 4,66,500 d) Rs. 4,65,500

The following information is relevant to Question Nos. 44 and 45.
Tilak of Tatanagar consigned goods costing Rs. 2,00,000 to his agent Pulak of Patna the invoice was made proforma so as to show a profit of 25% on cost. Tilak paid freight and insurance Rs 4,000. Pulak sold part of the consignment for Rs. 1,76,000 at a uniform price of 10% over invoice price and spent Rs. 6,000 as warehousing charges and Rs. 2,000 as selling expenses. Pulak is entitled to a commission of 5% on sales and 20% of the net profit after charging commission on sales

44. Value of closing stock at invoice price:
    a) Rs. 90,000 b) Rs. 92,880
    c) Rs. 91,440 d) Rs. 94,330

45. Loading on stock on consignment is:
    a) Rs. 50,000 b) Rs. 19,440
    c) Rs. 22,320 d) Rs. 18,000

46. D of Delhi consigned 100 cases of goods to L of Lucknow. The cost price of goods was Rs. 200 per case. The consignor's expenses were: Railway freight Rs. 3,500; Insurance Rs. 500; and Packing Rs 2,000. 10 cases were damaged in transit. Insurance company accepted the clai for Rs. 1,000.
    Abnormal loss transferred to the profit and loss account is:
    a) Rs. 2,600 b) Rs. 1,000
    c) Rs. 1,600 d) Nil

The following information is relevant to Question Nos. 47, 48 and 49.
Following transactions took place between Allen and Stuart:

2.2.2007	Allen consigned goods to Stuart costing Rs. 80,000 and incurred Rs. 10,000 on various expenses.
5.2.2007	Allen came to know that goods costing Rs. 16,000 (original cost) were lost in transit for which the insurance claim was settled for Rs. 12,000.
8.2.2007	Stuart took delivery of the remaining goods at original cost and incurred Rs. 8,000 on freight and duty.
12.2.2007	80% of the remaining goods at a profit of 20% on selling price and he was entitled to a commission of 5% on sales.
16.2.2007	Stuart remitted the balance due to Allen by a bank draft

47. The amount of abnormal loss is:
    a) Rs. 16,000 b) Rs. 6,000
    c) Rs. 18,000 d) Rs. 12,000

48. Sale proceeds is:
    a) Rs. 80,000 b) Rs. 61,440
    c) Rs. 62,000 d) Rs. 64,000

49. Value of stock on consignment is:
    a) Rs. 18,000 b) Rs. 16,000
    c) Rs. 20,000 d) Rs. 22,000

The following information is relvant to Question Nos. 50 and 51.
Debasis Mohanty of Cuttack consigned to Donald of Durbun 200 cricket bats costing Rs. 1,500 each, and paid for Rs. 20,000 as outward charges on transit 5 cricket bats were damaged due to bad handling. Insurance claim of Rs. 7,000 was realized by Mohanty. The consignee took delivery of the rest and incurred carriage expenses Rs.

3,900 and selling expenses of Rs. 2,000. He sold 180 cricket bats at Rs. 3,60,000.

50. Abnormal loss debited to Profit and loss account is:
    a) Rs 500 b) Rs.800
    c) Rs. 1,000 d) Rs. 7,000

51. Value of closing stock is:
    a) Rs. 22,500 b) Rs. 24,000
    c) Rs. 24,293 d) Rs. 24,300.

The following information is relevant to Question Nos. 52, 53 and 54.

Niresh consigns 1,000 bats costing Rs. 500 each to Swaroop for sales and incurs Rs. 4,000 towards freight and Rs. 1,000 for insurance. Swaroop was able to take delivery of 900 bats only and 100 bats were destroyed in transit. Insurance company admitted the claim in full and paid the same. Swaroop will be entitled to a commission of 5% on sales. 2% del credere commission on credit sales only. He will be entitled for additional commission of 25% of the excess if the sale price exceeds the cost price by more that 20%. Swaroop has spent Rs. 2,000 towards sales expenses. The sales account is as under:
500 bats at Rs. 600 per bat cash
200 bats at Rs. 700 per bat credit

52. The amount of abnormal loss is:
    a) Rs. 50,500 b) Rs. 50,000
    c) Rs. 51,000 d) Rs. 52,000.

53. Total commission received by Swaroop:
    a) Rs. 27,000 b) Rs. 22,000
    c) Rs. 24,800 d) Rs. 29,800.

54. Value of closing stock is:
    a) Rs. 1,00,000 b) Rs. 1,01,400
    c) Rs. 1,01,000 d) Rs. 1,01,200.

55. X of Kolkata sent 80 machines to Y of Mumbai on 1st January, 2006 on the following terms:
    1) All the machines were to be sold 25% above the cost price of Rs. 20,000 each. Any deficit in selling price was to be borne by Y and 50% of the surplus selling price was to be retained by him.
    2) Y would get 3% commission and 2% del credere commission on all sales. X incurred transport charges of Rs. 80,000.

    Y sent Account sales on 31st December, 2006 as: (i) 20 machines sold for Rs. 24,000 each; (ii) 40 machines sold for Rs. 30,000 each; (iii) 5 machines sold for Rs. 25,000 each.
    The total amount of commission is:
    a) Rs. 1,00,000 b) Rs. 90,250
    c) Rs. 1,90,250 d) Rs. 1,70,250

56. X of Kolkata sent a consignment of 500 toys costing Rs. 100 each to Y of Mumbai.
    Y was entitled to a commission of Rs. 25 per toy sold plus ¼ of the amount by which gross sales proceeds less total commission theron, exceeded a sum calculated @ Rs. 125 per toy sold.
    Y sold in April 2007- 300 toys @ Rs. 160 each
    Y sold in June 2007- 150 toys @ Rs. 172 each.
    Total commission payable to Y is:
    a) Rs. 11,250 b) Rs. 12,510
    c) Rs. 12,000 d) Rs. 11,000

The following information is relevant for Question Nos. 57, 58, 59 and 60.

P of Kolkata consigned goods costing Rs. 45,000 to Q of Delhi. The invoice was made so as to Show a profit of 33 1/3% on cost. P paid Rs. 300 as carriage and Rs. 1,200 as freight and insurance. Goods costing Rs. 5,000 were destroyed in transit and the insurance company admitted the full claim.

In Delhi, Q paid Rs. 240 as carriage and Rs. 600 as godown rent. Two-thirds of the goods received by Q were sold by him.

57. Value of abnormal loss at invoice price is:
    a) Rs. 6,667 b) Rs. 6,833
    c) Rs. 6,000 d) Rs. 6,500.

58. Sale proceed is:
    a) Rs. 35,000 d) Rs. 36,000
    c) Rs. 35,556 d) Rs. 26,667

59. Value of unsold goods at invoice price:
    a) Rs. 1,822 b) Rs. 20,500
    c) Rs. 18,302 d) Rs. 17,722

60. Loading on goods unsold:
    a) Rs. 5,000 b) Rs. 4,444
    c) Rs. 1,667 d) Rs. 2,667