

Principles of Accounting - ICOM Part 2 Principles of Accounting Chapter 3 Short Questions Preparation

Q1. What is meant by consignment commission?

Ans 1: Consignment commission is the remuneration or money of the consignee for selling the goods of the consignor is called commission or consignment commission.

Example : Consignee sale good and earn Rs 5000 as commission.

Q2. How many parties are involved in consignment? Write their names.

Ans 1: There are two parties involved in consignment:

1. Consignor

2. Consignee

Q3. Define direct expense of consignment.

Ans 1: Direct expenses are all those expenses which are incurred before searching the goods in the godown of consignee, it does not matter if these expenses are paid by consignor or consignee.

Example: Carriage, Freight etc.

Q4. What is difference between "Account sales" and "Sales Account"?

Ans 1: Account Sales: Account sales is a report by consignee which shows the detail about the sales of goods, the sale price of goods.

Ans 2: Sales Account: Sales account show the cash and credit sales of goods, it is prepared by seller of goods.

Q5. What is "Outward Consignment"?

Ans 1: When goods are dispatched by the consignor to the consignee for the purpose of sale on commission, it will be consignment outwards from consignor view point

Example Asad (Consignor) send goods to Mr. Qasim for sale purpose (Outwards consignment for Asad).

Q6. What is difference between "Del-credere commission" and "Overriding commission"?

Ans 1: Del-credere commission: Del-credere commission is an extra commission, which is paid to consignee if loss on account of bad debts is borne by him.

Ans 2: Overriding commission: Overriding commission is normally granted by consignor, when he desire his agent to work hard to push a new line of product in market.

Q7. Write characteristics of consignment?

Ans 1: Some characteristics of consignment are given below:

1. Ownership not transfer to consignee ,it remain with consignor.
2. Relationship between consignor and consignee is that principle and agent.
3. Consignee earns commision on sale of goods.

Q8. Define Del-credere commision.

Ans 1: Del-credere commission is the extra commission ,which is paid to the consignee,if loss account of Bad debts is borne by him.

Example : Consignee took delcredere commission by consignor as ad debts borne by him.

Q9. What is Performa Invoice?

Ans 1: Performa invoice is a forwarding letter sent by consignor to consignee along with the goods containing particular as the name of items ,number and the price.

Example: Amir sent good to consignee along with the list(Performa invoice.)

Q10. What is normal loss?

Ans 1: Normal loss is any kind of loss which is occured due to natural cause,such as normal leakage,loss in weight etc, Such loss inflated the values of closing stock.

Example: Goods are sent back by buyer due to leakage.
