Consignment Sales

Costs:

1. Unit Cost = CGS
2. Freight (Consignor to Consignee) = CGS
3. Freight (Consignee to Customers) = Selling Expense

Sale or return – an arrangement whereby a seller entity sends goods to a customer and gives them the option to either approve and retain the goods or return them within an agreed period of time.

Revenue is recognized when:

1. There is historical evidence/data present – reliable estimate;
2. The item was acknowledged by the customer; or
3. When the period of return has lapsed, therefore, it is deemed sold.

Journal Entries:

1. For items deemed sold
   
   Cash/AR xx
   Sale xx
   CGS xx
   Inventory xx

2. For items for possible return
   
   Cash/AR xx
   Liab for possible return xx
   Asset for possible return xx
   Inventory xx

3. Date of Delivery
   
   Cash/AR xx
   Sale xx
   Liab for possible return xx
   CGS xx
   Asset for possible return xx
   Inventory xx