

## 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       |    |    |
| 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 |

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