

RECTIFICATION OF ERROR

A Trial Balance is prepared to check the arithmetical accuracy of transactions recorded in a Journal, posting them into the Ledger and balancing the Ledger Accounts. If a Trial Balance agrees, it is assumed that recording, posting and balancing have been carried out correctly. However, if it does not agree, efforts are made to locate the errors. However, an agreed Trial Balance is not a conclusive proof of the accuracy of records. Even when the Trial Balance agrees, some errors may still remain in the accounting records. For example, non-recording of a credit purchase in the Purchases Book will not affect the agreement of the Trial Balance because both (debit as well as credit) aspects of the purchase transaction are not recorded.

Basically errors are of two types:

(a) **Errors of principle:** When a transaction is recorded in contravention of accounting principles, like treating the purchase of an asset as an expense, it is an error of principle. In this case there is no effect on the trial balance since the amounts are placed on the correct side, though in a wrong account. Suppose on the purchase of a typewriter, the office expenses account is debited; the trial balance will still agree.

(b) **Clerical errors:** These errors arise because of mistake committed in the ordinary course of the accounting work. These are of three types:

(i) *Errors of Omission:* If a transaction is completely or partially omitted from the books of account, it will be a case of omission. Examples would be: not recording a credit purchase of furniture or not posting an entry into the ledger.

(ii) *Errors of Commission:* If an amount is posted in the wrong account or it is written on the wrong side or the totals are wrong or a wrong balance is struck, it will be a case of "errors of commission."

(iii) *Compensating Errors:* If the effect of errors committed cancel out, the errors will be called compensating errors. The trial balance will agree. Suppose an amount of ₹ 10 received from A is not credited to his account and the total of the sales book is ₹ 10 in excess. The omission of credit to A's account will be made up by the increased credit to the Sales Account.

From another point of view, error may be divided into two categories:

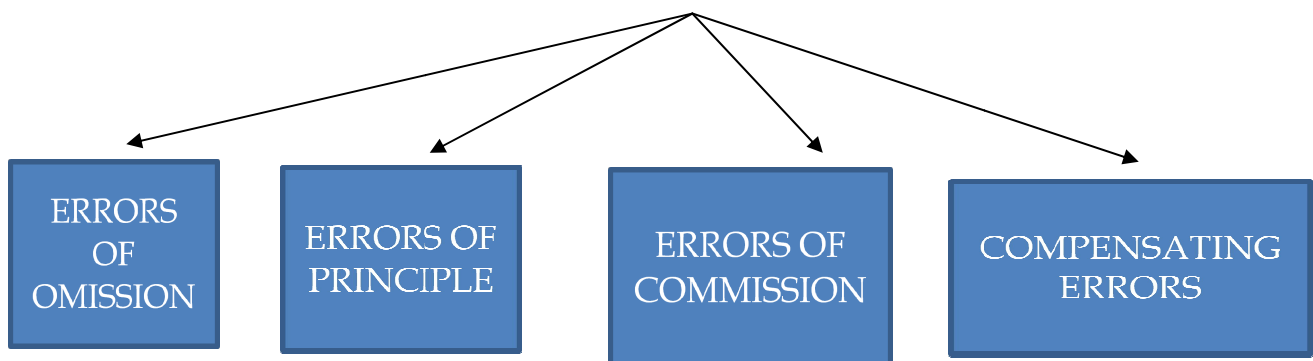
1 Errors disclosed by the Trial balance

- (i) Where one aspect of the journal entry in the ledger is posted.
- (ii) Where both the aspects of Journal entry are posted in one side of an account.
- (iii) Wrong totalling of subsidiaries book.
- (iv) Posting the correct amount in one account and wrong amount in the other account.
- (v) Wrong totalling or balancing of a ledger account.
- (vi) Omitting to post the totals of subsidiary books into the ledger.
- (vii) Omitting writing the balance of an account in the trail balance.
- (viii) Omitting to post the totals of subsidiary books into the ledger.
- (ix) Writing a balance in the wrong column of the trail balance.
- (x) Wrong totalling of trial balance.

2. Errors do not disclosed by the Trial balance

- (i) Error of Principle
- (ii) Compensating Errors
- (iii) Error of Complete Omission
- (iv) Recording wrong amount in the books of original entry (but the recorded amount is debited and credited)
- (v) Recording both aspects of a transaction twice in the books of accounts.

TYPES OF ERRORS



(i) Errors of Omission

- | | |
|----------------------|--|
| a) Complete Omission | Omitting entry completely from Subsidiary books
<i>(Trial Balance will Still Agree)</i> |
| b) Partial Omission | Omitting to post the ledger account from the subsidiary books
<i>(Trial Balance will not Agree)</i> |

(ii) Errors of Principle

An Error of Principle is an error committed in recording a transaction in contravention of Accounting Principles.

- | | |
|--|---|
| a) Treating Revenue Expenditure as capital Expenditure | |
| b) Treating Capital Expenditure as Revenue Expenditure | |
| c) Treating Revenue Receipts as capital Receipts | |
| d) Treating Capital Receipts as Revenue Receipts | |
| | <i>(Trial Balance will Still Agree)</i> |

(iii) Errors of Commission

- | | |
|--|---|
| a) Wrong casting of Subsidiary books | <i>(Trial Balance will not Agree)</i> |
| b) Wrong Balancing of an account | <i>(Trial Balance will not Agree)</i> |
| c) Wrong amount Posting into the ledger | <i>(Trial Balance will not Agree)</i> |
| d) Wrong Carry Forwarding the balance | <i>(Trial Balance will not Agree)</i> |
| e) Posting an amount on wrong side | <i>(Trial Balance will not Agree)</i> |
| f) Posting Correct amount on correct side of wrong Account | <i>(Trial Balance will Still Agree)</i> |
| g) Posting Wrong amount on both side of correct accounts | <i>(Trial Balance will Still Agree)</i> |

(iv) Compensating Errors

Compensating Errors are those errors the effect of which is nullified by another error of Equal Amount. For E.g. Shyam's Account was debited with Rs. 100 instead of Rs. 1,000 while Ram Prasad's Account was debited with Rs. 1,000 instead of Rs. 100. Thus shyam's account which was debited by Rs. 900 less was compensated by another error in Ram Prasad's Account whose account was debited excess of Rs. 900.

(Trial Balance will Still Agree)

STAGES FOR RECIFICATION OF ERRORS

- 1) Rectification of errors before the Preparation of Trial Balance

- a) One-Sided Errors (Errors affecting the Trail Balance)
 - b) Two Sided Errors (Errors not affecting The trial balance)
- 2) Rectification of errors after preparation of Trail Balance but before preparation of Final Accounts
- a) One-Sided Errors (Errors affecting the Trail Balance)
 - b) Two Sided Errors (Errors not affecting The trial balance)
- 3) Rectification of Errors in the next accounting year

Questions for Error of Omission

Q1 Pass the necessary Journal Entries to rectify the Following Errors:

- (i) Goods Purchased from Shyam not recorded anywhere Rs. 1,000.
- (ii) Good given as charity Rs. 200 not recorded.
- (iii) Goods sold to Ramesh not recorded anywhere Rs. 500.
- (iv) Goods withdrawn by owner for personal use Rs. 700 not recorded anywhere.
- (v) Amount due from Ajay Rs. 200 become bad debts not recorded.
- (vi) Cash received from hari Rs. 500 not recorded, which had been written off as bad debts in a previous year.
- (vii) Goods worth Rs.350 sold to Hari on credit were omitted from the accounts although cash received Subsequently from his stands posted to his credit.
- (viii) Goods returned by amit Rs. 500 not recorded in books of Account.
- (ix) Goods returned to sharma Rs. 400 not recorded in accounts.
- (x) Depreciation on furniture Rs. 500 not recorded in books of accounts.

Questions for Error of Principle

- Q2. i) Paid wages for the construction of office debited to wages account Rs. 20,000.
ii) Paid Cartage for the newly purchased furniture Rs. 500, posted to cartage account.
iii) Paid Rs. 50,000 for the installation of machinery debited to Wages account.
- Q3. i) Rs. 5000 paid for furniture purchased has been charged to the ordinary purchases account.
ii) Repairs made were debited to the building accounts for Rs. 500.
iii) An amount of Rs. 1,000 withdrew by the proprietor for his personal use has been debited to the trade expenses account.
iv) Rs. 1,000 paid for rent debited to the landlord's personal account.
v) Salary of Rs. 1,250 paid to a clerk, due to him, has been debited to his personal account.
vi) Rs. 1,000 received from shah & co., has been wrongly entered from shaw & co.
vii) Rs. 7,000 paid in cash for a typewriter was charged to the office expenses account.
- Q4. i) A purchase of goods from Ram amounting to Rs. 1,500 has been wrongly passed through the sales book.
ii) A credit sale of goods of Rs. 1,200 to ramesh has been wrongly passed through the purchase book.
iii) An amount of Rs. 2,000 due from Mahesh Chand, which had been written off as a bad debt in previous year was unexpectedly recovered and has been posted to the personal account of Mahesh chand.
iv) A Cheque for Rs. 1,000 received from Manmohan was dishonoured & had been posted to the debit of the sales return A/c.
- Q5. i) A return of goods worth Rs. 500 by a customer was taken into stock but no entry was passed in the books.
ii) A credit purchase of goods worth Rs. 1,500 from Mohan & Co., was not passed in the books although the

goods were taken into stock.

- iii) A return of goods worth Rs. 500 by mohan was entered in purchases return book.
- iv) A return of goods worth Rs. 800 to sohan was passed through the sales return book.
- v) A bills Receivable of Rs. 200 received from Ram was passed through the bill payable book.

Questions for Error of Commission

Q6. Rectify the following Errors

- i) Sales book Undercast by Rs. 500
- ii) Sales book Overcast by Rs. 500
- iii) Purchase book Undercast by Rs. 500
- iv) Purchase book Overcast by Rs. 500
- v) Sales Return Book Undercast by Rs. 500
- vi) Sales Return Book Overcast by Rs. 500
- vii) Purchase return book Undercast by Rs. 500
- viii) Purchase return book Overcast by Rs. 500

Q7. Rectify the following Errors

- i) Goods purchased worth Rs. 2,500 have been posted to the debit of supplier, Gupta & Co.
- ii) Cash received from A Rs. 2,500 has not been posted in his account.
- iii) Cash received from A Rs. 2,500 has been debited to his account.
- iv) Cash received from A Rs. 2,500 has been debited to his account as Rs. 250.
- v) Cash received from A Rs. 2,500 has been posted to his account as Rs. 250.
- vi) Cash received from A Rs. 2,500 has been credited to B's account.
- vii) Cash received from A Rs. 2,500 has been credited to his account as Rs. 3500.

Q8. Rectify the following Errors

- i) Goods of the Value of Rs. 2,000 returned by verma were entered in the sales day book and posted there from to the credit of his account.
- ii) An amount of Rs. 3,000 entered in the sales return book has been posted to the debit of sharma, who returned the goods.
- iii) A Sale of Rs. 2,000 made to mohan was correctly entered in sales book but wrongly posted to the debit of sohan as Rs. 200.

Q9. Rectify the following errors found in the books of Mr. Dutt. The trial balance was out by Rs. 493 excess credit. The difference has been posted to the Suspense account.

- i) The total of sales return book for December had been cast by Rs. 100 short.
- ii) The purchase of an office table costing Rs. 300 had been passed through the purchase book.
- iii) Rs. 375 paid for wages to workmen for making showcases had been charged to wages account.
- iv) A Purchase of Rs. 67 had been posted to the creditor's account as Rs. 60
- v) A cheque for Rs. 200 received from P.C. Joshi had been dishonoured and was debited to allowances account.
- vi) Rs. 1,000 paid for the purchases of a motor cycle for Mr. Dutt had been charged to Miscellaneous Expenses Account.
- vii) Goods amounting to Rs. 100 had been returned by a customer and were taken into stock, but no entry in respect thereof was made in the books.
- viii) A sale of Rs. 200 to Singhi & Co., was wrongly credited to their account.

Que 10 Give journal entries (narrations not required) to rectify the following:

- (i) Purchase of Furniture on credit from Nigam for ₹3,000 posted to Shubham account as ₹300.

- (ii) A Sales Return of ₹5,000 to jyothy was not entered in the financial accounts through it was duly taken in the stock book.
- (iii) Investments were sold for ₹75,000 at a profit of ₹15,000 and passed through Sales Account.
- (iv) An amount of ₹10,000 withdrawn by the proprietor (Darshan) for his personal use has been debited to Trade Expenses account.

4 Marks

(May 2018)

Ques.11 Miss Daisy was unable to agree the Trial Balance last year and wrote off the difference to the profit and loss account of that year. On verifying the old books by a Chartered Accountant next year, the following mistakes were found.

- (i) Purchase account was under cast by ₹8,000.
- (ii) Sale of goods to Mr. Rahim for ₹2,500 was omitted to be recorded.
- (iii) Receipt of cash from Mr. Ashok was posted to the account of Mr. Anbu ₹1,200.
- (iv) Account of ₹4,167 of sales wrongly posted as ₹4,617.
- (v) Repairs to Machinery was debited to Machinery Account ₹1,800.
- (vi) A credit purchase of goods from Mr. Paul for ₹3,000 entered as sale.

Suggest the necessary rectification entries.

10 Marks

(May 2018)

Que 12 The following mistakes were located in the books of a concern after its books were closed and a Suspense Account was opened in order to get the Trial Balance agreed:

- (i) Sales day Book was overcast by ₹1,000.
- (ii) A sale of ₹5,000 to X was wrongly debited to the Account of Y.
- (iii) General expenses ₹180 was posted in the General Ledger as ₹810.
- (iv) A Bill Receivable for ₹1,550 was passed through Bills Payable Book. The Bill was given by P.
- (v) Legal Expenses ₹1,190 paid to Mrs. Neetu was debited to her personal account.
- (vi) Cash received from Ram was debited to Shyam ₹1,500.
- (vii) While carrying forward the total of one page of the Purchases Book to the next, the amount of ₹1,235 was written as ₹1,325.

Find out the nature and amount of the Suspense Account and pass entries (including narration) for the rectification of the above errors in the subsequent year's books.

10 Marks

(Nov 2018)

Que 13 Give journal entries (with narrations) to rectify the following errors located in the books of a Trader after preparing the Trail Balance:

- (i) An amount of ₹4,500 received on account of Interest was credited to Commission account.
- (ii) A sale of ₹2,760 was posted from Sales Book to the Debit of M/s Sobhag Traders at ₹2,670.
- (iii) ₹35,000 paid for purchase of Air conditioner for the personal use of proprietor debited to Machinery A/c.
- (iv) Goods returned by customer for ₹5,000. The same have been taken into stock but no entry passed in the books of accounts.

4 Marks

(JUNE 2019)

Que 14 Correct the following errors (i) without opening a Suspense Account and (ii) with opening a Suspense Account:

- (1) The Sales book has been totalled ₹2,100 short.
- (2) Goods worth ₹1,800 returned by Gaurav & Co. have not been recorded anywhere.
- (3) Goods purchased ₹2,250 have been posted to the debit of the supplier Sen Brothers.
- (4) Furniture purchased from Mary Associates, ₹15,000 has been entered in the purchase Daybook.
- (5) Discount received from Black and White ₹1,200 has not been entered in the books.
- (6) Discount allowed to Radhe Mohan & Co. ₹180 has not been entered in the Discount Column of the Cashbook. The account of Radhe Mohan & Co. has, however, been correctly posted.

10 Marks

(Nov 2019)

Que 15 An inexperienced book keeper has drawn up a Trial balance for the year ended 31st March, 2019.

Particulars	Debit (₹)	Credit (₹)
Provision for Doubtful Debts	250	-
Cash Credit Account	1,654	-
Capital	-	4,591
Trade Payables	-	1,637
Due from customers	2,983	-
Discount Received	252	-
Drawings	-	733
Office Furniture	1,200	-
Carriage Inward	2,155	-
Purchases	-	829
Returns Inward	10,923	-
Rent & Rates	-	330
Salaries	314	-
Sales	2,520	-
Inventory	-	16,882
Provision for Depreciation on Furniture	2,418	-
Total	364	-
	25,033	25,002

Draw up a corrected Trial Balance by debiting or crediting any residual errors to a Suspense account.

5 MARKS (CA FOUND. NOV 2019)

STUDY MATERIAL QUESTION

Que 1

How would you rectify the following errors in the book of Rama & Co.?

- The total to the Purchases Book has been undercast by ₹100.
- The Returns Inward Book has been undercast by ₹50.
- A sum of ₹250 written off as depreciation on Machinery has not been debited to Depreciation Account.
- A payment of ₹75 for salaries (to Mohan) has been posted twice to Salaries Account.
- The total of Bills Receivable Book ₹1,500 has been posted to the credit of Bills Receivable Account.
- An amount of ₹151 for a credit sale to Hari, although correctly entered in the Sales Book, has been posted as ₹115.
- Discount allowed to Satish ₹25 has not been entered in the Discount Column of the Cash Book. The amount has been posted correctly to the credit of his personal account.

Ans.1

- The Purchases Account should receive another debit of ₹100 since it was debited short previously:

“To Undercasting of Purchases Book for the month of --- ₹100.”

- Due to this error the Returns Inward Account has been posted short by ₹50: the correct entry will be:

“To Undercasting of Returns Inward Book for the month of --- ₹50.”

- The omission of the debit to the Depreciation Account will be rectified by the entry:

“To Omission of posting on ₹250”.

- The excess debit will be removed by a credit in the Salaries Account by the entry:

“By double posting on ₹75”.

5. ₹1,500 should have been debited to the Bills Receivable Account and not credited. To correct the mistake, the Bills Receivable Account should be debited by ₹3,000 by the entry:

“To Wrong posting of B/R received on ₹3,000”

6. Hari’s personal A/c is debited ₹36 short. The rectification entry will be:

“To Wrong posting ₹36”.

7. Due to this error, the discount account has been debited short by ₹25. The required entry is:

“To Omission of discount allowed to Satish on ₹25.”

Que 2

The following errors were found in the book of Ram Prasad & Sons. Give the necessary entries to correct them.

- (1) ₹500 paid for furniture purchased has been charged to ordinary Purchases Account.
- (2) Repairs made were debited to Building Account for ₹50.
- (3) An amount of ₹100 withdrawn by the proprietor for his personal use has been debited to Trade Expenses Account.
- (4) ₹100 paid for rent debited to Landlord’s Account.
- (5) Salary ₹125 paid to a clerk due to him has been debited to his personal account.
- (6) ₹100 received from Shah & Co. Has been wrongly entered as from Shaw & Co.
- (7) ₹700 paid in cash for a typewriter was charged to Office Expenses Account.

Ans: 2

Journal

Particulars	L.F.	Dr. ₹	Cr. ₹
(1) Furniture A/c Dr. To Purchases A/c (Correction of wrong debit to Purchases A/c for furniture purchased)		500	500
(2) Repairs A/c Dr. To Building A/c (Correction of wrong debit to building A/c for repairs made)		50	50
(3) Drawings A/c. Dr. To Trade Expenses A/c (Correction of wrong debit to Trade Expenses A/c for cash withdrawn by the proprietor for his personal use)		100	100
(4) Rent A/c Dr. To Landlord’s Personal A/c (Correction of wrong debit to landlord’s A/c for rent paid)		100	100
(5) Salaries A/c Dr. To Clerk’s (Personal) A/c (Correction of wrong debit to Clerk’s personal A/c for salaries paid)		125	125
(6) Shaw & Co. Dr. To Shah & Co. (Correction of wrong credit to Shaw & Co. Instead of Shah & Co.)		100	100
(7) Typewriter A/c Dr. To Office Expenses A/c (Correction of wrong debit to Office Expenses A/c for purchase of typewriter)		700	700

Que3

Give journal entries to rectify the following:

- (1) A purchase of goods from Ram amounting to ₹150 has been wrongly entered through the Sales Book.
- (2) A Credit sale of goods amounting ₹120 to Ramesh has been wrongly passed through the Purchase Book.
- (3) On 31st December, 2016 goods of the value of ₹300 were returned by Hari Saran and were taken inventory on the same date but no entry was passed in the books.
- (4) An amount of ₹200 due from Mahesh Chand, which had been written off as a Bad Debt in a previous year, was unexpectedly recovered, and had been posted to the personal account of Mahesh Chand.
- (5) A Cheque for ₹100 received from Man Mohan was dishonoured and had been posted to the debit of Sales Returns Account.

Ans 3**Journal**

Particulars	L.F.	Dr. ₹	Cr. ₹
(1) Purchases A/c Dr.		150	
Sales A/c Dr.		150	
To Ram			300
(Correction of wrong entry in the sales Book for a purchases of goods from Ram)			
(2) Ramesh Dr.		240	
To Purchases A/c			120
To Sales A/c			120
(Correction of wrong entry in the Purchases Book of a credit sale of goods to Ram)			
(3) Returns Inwards A/c Dr.		300	
To Hari Saran			300
(Entry of goods returned by him and taken in inventory omitted from records)			
(4) Mahesh Chand Dr.		200	
To Bad Debts Recovered A/c			200
(Correction of wrong credit to Personal A/c in respect of recovery of previously written off bad debts)			
(5) Man Mohan Dr.		100	
To Sales Return A/c			100
(Correction of wrong debit to Sales Returns A/c for dishonour of cheque received from Man Mohan)			

Thus, it can be said that errors detected before the preparation of trial balance can be rectified either through rectification statements (not entries) or through rectification entries.

Que 4

Correct the following errors

- (i) without opening a Suspense Account and
- (ii) opening a Suspense Account:
 - (a) The Sales Book has been totalled ₹100 short.
 - (b) Goods worth ₹150 returned by Green & Co. Have not been recorded anywhere.
 - (c) Goods purchased ₹250 have been posted to the debit of the supplier Gupta & Co.
 - (d) Furniture purchased from Gulab & Bros, ₹1,000 has been entered in Purchases Day Book.
 - (e) Discount received from Red & Black ₹15 has not been entered in the Discount Column of the Cash Book.
 - (f) Discount allowed to G. Mohan & Co. ₹18 has not been entered in the Discount Column of the Cash Book. The account of G. Mohan & Co. Has, however, been correctly posted.

SOLUTION If a Suspense Account is not opened.

(a) Since sales book has been cast ₹100 short, the Sales Account has been similarly credited ₹100 short. The correcting entry is to credit the Sales Account by ₹100 as "By wrong totalling of the Sales Book ₹100".

(b) To rectify the omission, the Returns Inwards Account has to be debited and the account of Green & Co. Credited.

The entry:

Returns Inward Account Dr.	₹150	
To Green & Co.		₹150

(Goods returned by the firm, previously omitted from the Returns Inward Book)

(c) Gupta & Co. Have been debited ₹250 instead of being credited. This account should now be credited by 500 to remove the wrong debit and to give the correct debit. The entry will be on the credit side... "By errors in posting ₹500".

(d) By this error Purchases Account has to be debited by ₹1,000 whereas the debit should have been to the Furniture Account. The correcting entry will be:

Furniture Account Dr.	₹1,000	
To Purchases Account		₹1,000

(Correction of the mistake by which of the Furniture Account)

(e) The discount of ₹15 received from Red & Black should have been entered on the credit side of the cash book. Had this been done, the Discount Account would have been credited (through the total of the discount column) and Red & Black would have been debited. This entry should not be made: Red & Black Dr. ₹15 To Discount Account ₹15 (Rectification of the error by which the discount allowed by the firm was not entered in Cash Book)

(f) In this case the account of the customer has been correctly posted; the Discount Account has been debited ₹18 short since it has been omitted from the discount column on the debit side of the cash book. The discount account should now be debited by the entry; "To Omission of entry in the Cash Book ₹18."

If a Suspense Account is opened:

Particulars	L.F.	Dr. ₹	Cr. ₹
(a) Suspense Account Dr.		100	
To Sales Account			100
(Being the correction arising from under- casting of Sales Day Book)			
(b) Return Inward Account Dr.		150	
To Green & Co .			150
(Being the recording of unrecorded returns)			
(c) Suspense Account Dr.		500	
To Gupta & Co.			500
(Being the correction of the error by which Gupta & Co. Was debited instead of being credited by ₹250).			
(d) Furniture Account Dr.		1,000	
To Purchases Account			1,000
(Being the correction of recording purchase of furniture as ordinary purchases)			
(e) Red & black Dr.		15	
To Discount Account			15
(Being the recording of discount omitted to be recorded)			

- (f) Discount Account Dr. 18
 To Suspense Account 18
 (Being the correction of omission of the discount allowed from Cash Book customer's account already posted correctly).

Suspense Account

Date	Particulars	Amount	Date	Particulars	Amount
	To Sales A/c	100		By Difference in Trial Balance	582
	To Gupta & Co.	500		By Discount A/c	18
		600			600

Notes:

- (i) One should note that the opening balance in the Suspense Account will be equal to the difference in the trial balance.
 (ii) If the question is silent as to whether a Suspense Account has been opened, the student should make his assumption, state it clearly and then proceed.

Que 5 Correct the following errors found in the books of Mr. Dutt. The Trial Balance was out by ₹493 excess credit. The difference thus has been posted to a Suspense Account.

- (a) An amount of ₹100 was received from D. Das on 31st December, 2015 but has been omitted to enter in the Cash Book.
 (b) The total of Returns Inward Book for December has been cast ₹100 short.
 (c) The purchase of an office table costing ₹300 has been passed through the Purchases Day Book.
 (d) ₹375 paid for Wages to workmen for making show-cases had been charged to "Wages Account".
 (e) A purchase of ₹67 had been posted to the trade payables' account as ₹60.
 (f) A cheque for ₹200 received from P. C. Joshi had been dishonoured and was passed to the debit of "Allowances Account".
 (g) ₹1,000 paid for the purchase of a motor cycle for Mr. Dutt had been charged to "Miscellaneous Expenses Account".
 (h) Goods amounting to ₹100 had been returned by customer and were taken in to inventory, but no entry in respect there of, was made into the books.
 (i) A sale of ₹200 to Singh & Co. Was wrongly credited to their account. Entry was made correctly made in sales book.

SOLUTION

(a) Particulars	Journal Entries	L.F.	₹	₹
(a) Cash Account Dr. To D. Das (Being the amount received)			100	100
(b) Returns Inward Account Dr. To Suspense Account (Being the mistake in totalling the Returns Inward Book corrected)			100	100
(c) Furniture Account Dr. To Purchases Account (Being the rectification of mistake by which purchase of furniture was entered in Purchases book and hence debited to Purchases Account)			300	300
(d) Furniture Account Dr. To Wages Account			375	375

(Being the wages paid to workmen for making show-cases which should be capitalised and not to be charged to Wages Account)

(e) Suspense Account Dr.	7	
To Creditors (personal) Account		7
(Being the mistake in crediting the Trade payables Account less by ₹7, now corrected)		
(f) P.C. Joshi Dr.	200	
To Allowances Account		200
(Being the cheque of P.C. Joshi dishonoured, previously debited to Allowances Account)		
(g) Drawings Account Dr.	1,000	
To Miscellaneous Expenses		1,000
(Being the motor cycle purchased for Mr. Dutt debited to his Drawings Account instead of Miscellaneous Expenses Account as previously done by mistake)		
(h) Returns Inward Account Dr.	100	
To Debtors (Personal) Account		100
(Correction of the omission to record return of goods by customers)		
(i) Singh & Co. Dr.	400	
To Suspense Account		400
(Being the correction of mistake by which the account of Singh & Co. Was credited by ₹200 instead of being debited)		

Suspense Account

Date	Particulars	Amount	Date	Particulars	Amount
2015			2015		
Dec.31	To Difference in Trial Balance	493	Dec. 31	By Returns Inwards A/c	100
" "	To Trade Payables A/c	7	" "	By Singh & Co.	400
		500			500

Que 6

The following errors, affecting the account for the year 2015 were detected in the books of Jain Brothers, Delhi:

- (1) Sale of old Furniture ₹150 treated as sale of goods.
- (2) Receipt of ₹500 from Ram Mohan credited to Shyam Sunder.
- (3) Goods worth ₹100 brought from Mohan Narain have remained unrecorded so far.
- (4) A return of ₹120 from Mukesh posted to his debit.
- (5) A return of ₹90 to Shyam Sunder posted as ₹9 in his account.
- (6) Rent of proprietor's residence, ₹600 debited to rent A/c.
- (7) A payment of ₹215 to Mohammad Sadiq posted to his credit as ₹125.
- (8) Sales Book added ₹900 short.
- (9) The total of Bills Receivable Book ₹1,500 left unposted.

You are required to pass the necessary rectifying entries and show how the trial balance would be affected by the errors.

Ans

Journal

Particulars	L.F.	Dr. Amount ₹	Cr. Amount ₹
(1) Sales Account Dr.		150	
To Furniture Account			150
(Rectification of sales of furniture treated as sales of goods)			

(2) Shyam Sunder Dr.	500	
To Rama Mohan		500
(Rectification of a receipt from Ram Mohan credited to Shyam Sunder)		
(3) Purchases Account Dr.	100	
To Mohan Narain		100
(Purchases of goods from Mohan Narain unrecorded)		
(6) Drawing Account Dr.	600	
To Rent Account		600
(Rectification of Payment of rent of proprietor's residence treated as payment of office rent)		

N.B.: For 4, 5, 7, 8, 9 no journal entry can be passed as they affect a single account. The correction will be as under:

- (4) Credit Mukesh's Account with ₹240.
- (5) Debit the account of Shyam Sunder by ₹81.
- (7) Debit the account of Mohammad Sadiq by ₹340.
- (8) Credit Sales Account by ₹900.
- (9) Debit Bills Receivable Account with ₹1,500.

Effect of the Errors on Trial Balance

1. No effect
2. No effect
3. No effect
4. Trial Balance credit total short by ₹240.
5. Trial Balance debit total short by ₹81.
6. No effect
7. Trial Balance debit total short by ₹340.
8. Trial Balance credit total short by ₹900.
9. Trial Balance debit total short by ₹1,500.

Que 7

Write out the Journal Entries to rectify the following errors, using a Suspense Account.

- (1) Goods of the value of ₹100 returned by Mr. Sharma were entered in the Sales Day Book and posted therefrom to the credit of his account;
- (2) An amount of ₹150 entered in the Sales Returns Book, has been posted to the debit of Mr. Philip, who returned the goods;
- (3) A sale of ₹200 made to Mr. Ghanshyam was correctly entered in the Sales Day Book but wrongly posted to the debit of Mr. Radheshyam as ₹20;
- (4) Bad Debts aggregating ₹450 were written off during the year in the Sales ledger but were not adjusted in the General Ledger; and
- (5) The total of "Discount Allowed" column in the Cash Book for the month of September, 2015 amounting to ₹250 was not posted.

Ans

Journal

Particulars	L.F.	Dr. ₹	Cr. ₹
(1) Sales Account Dr.		100	
Sales Returns Account Dr.		100	
To Suspense Account			200

(The value of goods returned by Mr. Sharma wrongly posted to Sales and omission of debit to Sales Returns Account, now rectified)

(2) Suspense Account Dr.	300	
To Mr. Philip		300

(Wrong debit to Mr. Philip for goods returned by him, now rectified)

(3) Mr. Ghanshyam Dr.	200	
To Mr. Radheshyam		20
To Suspense Account		180

(Omission of debit to Mr. Ghanshyam and wrong credit to Mr. Radhesham for sale of ₹200, now rectified)

(4) Bad Debts Account Dr.	450	
To Suspense Account		450

(The amount of Bad Debts written off not adjusted in General Ledger, now rectified)

(5) Discount Account Dr.	250	
To Suspense Account		250

(The total of Discount allowed during September, 2015 not posted from the Cash Book; error now rectified)

Que 8

Mr. Roy was unable to agree the Trial Balance last year and wrote off the difference to the Profit and Loss Account of that year. Next Year, he appointed a Chartered Accountant who examined the old books and found the following mistakes:

- (1) Purchase of a scooter was debited to conveyance account ₹3,000.
 - (2) Purchase account was over-cast by ₹10,000.
 - (3) A credit purchase of goods from Mr. P for ₹2,000 entered as a sale.
 - (4) Receipt of cash from Mr. A was posted to the account of Mr. B ₹1,000.
 - (5) Receipt of cash from Mr. C was posted to the debit of his account, ₹500.
 - (6) ₹500 due by Mr. Q was omitted to be taken to the trial balance.
 - (7) Sale of goods to Mr. R for ₹2,000 was omitted to be recorded.
 - (8) Amount of ₹2,395 of purchase was wrongly posted as ₹2,593. Mr. Roy used 10% depreciation on vehicles.
- Suggest the necessary rectification entries.

Ans

Journal Entries in the books of Mr. Roy

Date	Particulars	Dr. ₹	Cr. ₹
	(1) Motor Vehicles Account Dr.	2,700	
	To Profit and Loss Adjustment A/c		2,700
	(Purchase of scooter wrongly debited to conveyance account now rectified-capitalisation of ₹2,700, i.e., ₹3,000 less 10% depreciation)		
	(2) Suspense Account Dr.	10,000	
	To Profit & Loss Adjustment A/c		10,000
	(Purchase Account overcast in the previous year; error now rectified).		
	(3) Profit & Loss Adjustment A/c Dr.	4,000	
	To P's Account		4,000
	(Credit purchase from P ₹2,000, entered as sales last year; now rectified)		
	(4) B's Account Dr.	1,000	
	To A's Account		1,000
	(Amount received from A wrongly posted to the account of B; now rectified)		

(5) Suspense Account Dr. To C's Account (₹500 received from C wrongly debited to his account; now rectified)	1,000 1,000	1,000 1,000
(6) Trade receivables Dr. To Suspense Account (₹500 due by Q not taken into trialbalance; now rectified)	500 500	500 500
(7) R's Account Dr. To Profit& Loss Adjustment A/c (Sales to R omitted last year; now adjusted)	2,000 2,000	2,000 2,000
(8) Suspense Account Dr. To Profit& Loss Adjustment A/c (Excess posting to purchase account last year, ₹2,593, instead of ₹2,395, now adjusted)	198 198	198 198
(9) Profit& Loss Adjustment A/c Dr. To Roy's Capital Account (Balance of Profit& Loss Adjustment A/c transferred to Capital Account)	10,898 10,898	10,898 10,898
(10) Roy's Capital Account Dr. To Suspense Account (Balance of Suspense Account transferred to the Capital Account)	10,698 10,698	10,698 10,698

Note: Entries No. (2) and (8) may even be omitted; but this is not advocated.

Profit and Loss Adjustment Account
(Prior Period Items)

Date	Particulars	Amount	Date	Particulars	Amount
	To P	4,000		By Motor Vehicles A/c	2,700
	To Roy's Capital (transfer)	10,898		By Suspense A/c	10,000
				By R	2,000
				By Suspense Account	198
		14,898			14,898

Suspense Account

Date	Particulars	Amount	Date	Particulars	Amount
	To Profit& Loss Adjustment A/c	10,000		By Trade Receivables (Q)	500
	To C	1,000		By Roy's Capital A/c(Transfer)	10,698
	To Profit& Loss Adjustment A/c	198			
		11,198			11,198

EXTRA PRACTICE QUESTION

Error of Principle

Ques.1 Rectify the following errors:

- Printer Purchased from R. Ltd. for ₹4,000 on credit was entered in the Purchase Book.
- Paid wages for the construction of office debited to Wages Account ₹20,000.
- Paid Cartage for the newly purchased furniture ₹500, posted to Cartage Account.
- Paid ₹5,000 for the installation of machinery debited to Wages Account.

5. Purchased machinery for ₹50,000 was passed through the Purchased Book.
6. Sold old furniture for ₹5,000 was passed through the Sales Book.
7. Paid ₹2,000 for newly purchased table fan posted to Purchase Account.
8. A purchase of office furniture for ₹500 from Salwan Furniture was entered through the Purchases Book.
9. An old machine sold for ₹4,200 was entered in the Sales Book.
10. Repair of Building for ₹2,900 was debited to the Building Account.
11. Bill for ₹800 received from Mukesh for repairs of Machinery was entered in the Purchases Book as ₹700.
12. Credit purchase of goods from Mohan amounting to ₹2,000 has been wrongly passed through the Sales Book.
13. Return of goods worth ₹500 by a customer was entered in 'Purchase Return Book'.
14. A purchase of goods from David amounting to ₹150 has been wrongly passed through the Sales Book.
15. A credit sale of goods of ₹120 to Peter has been wrongly passed through the Purchases Book.
16. ₹200, salary paid to Cashier, B. Naidu, stands wrongly debited to his Personal Account.
17. ₹100 received from Shaw & Co. have been wrongly entered as from Shah & Co.
18. An amount of ₹3,000 withdrawn by the proprietor of the firm for his personal use was posted to the Travelling Expense Account.
19. A cheque of ₹400 received from Mohan was dishonoured and had been posted to the debit side of the 'Allowance Account'.
20. Return of goods worth ₹5,000 by a customer was entered in the Purchases Return Book.
21. Salary Paid to an employee, Mr. Ajay, is debited to his Personal Account ₹3,000.
22. Goods sold to Shashi on credit ₹300 have been wrongly passed through the Purchases Book.
23. An amount of ₹25,000 spent for the extension of machinery has been debited to the Wages Account.
24. Goods of ₹3,000 sold to Mahesh were recorded in the Purchases Book.

Error of Commission

Ques.2 Correct the following errors:

1. Sales Book has been totalled ₹1,000 short.
2. Goods worth ₹1,500 returned by Green & Co., have not been recorded anywhere.
3. Goods purchased of ₹2,500 have been posted to the debit of the supplier, Gupta & Co.
4. Furniture purchased from Gulab & Co., of ₹10,000 has been entered in Purchases Book.
5. Cash received from A ₹2,500 has not been posted in his account.
6. The Sales Book of December was added short by ₹500.
7. The periodical total of the Purchases Book was cast short by ₹5,000.
8. The total of Purchases Return Book has been undercast by ₹1,500.
9. The Sales Return Book is added ₹200 short.
10. The Returns Inward Book has been overcast by ₹200.
11. Purchases Book carried forward ₹75 less.
12. Sales Book carried forward ₹41 less on Page 10 and ₹43 more on Page 12.
13. Goods sold to Gautam were posted as ₹215 instead of ₹251. (error of posting)
14. Total of one page of the Sales Book was carried forward to the next page as ₹2,785 instead of ₹2,587.
15. A payment of ₹5,000 for salaries (to Mr. Ram) has been posted twice to the Salaries Account.
16. ₹750 received from Rajesh's are entered on the debit side of the Cash Book. No posting was done in Rajesh's Account.
17. Sales Book was overcast by ₹3,000.
18. Goods (Cost ₹2,000, Sales Price ₹2,500) distributed as free samples among prospective customers were not recorded anywhere.
19. Purchases Book is overcast by ₹500.
20. Sales to Vinod worth ₹143 posted to his account as ₹134.
21. Sales to Vinod worth ₹143 debited to his account as ₹134.
22. Sales to Vinod worth ₹143 credited to his account as ₹134.
23. Sales of ₹20,000 to Manoj were recorded as ₹2,000 in the Sales Book.
24. An amount of ₹25,000 spent for extension of machinery has been debited to the Wages Account.

25. Total of Sales Return Book was undercast by ₹4,750.
26. Returns Outwards Journal has been overcast by ₹85.
27. Basudev returned goods worth ₹500; his account was debited by this amount.
28. Purchase from Krishna Mohan of ₹2,250 has been debited to his account.
29. Credit sale of ₹132 to R. Krishan correctly entered in Sales Journal but posted to his account as ₹312.
30. The total of the credit side of Ramesh's Account was overcast by ₹2,000.
31. Total of the Purchases Journal of ₹5,250 has been posted to Purchases Account ₹5,205.
32. A credit sale of ₹257 to M/s. Goodluck & Co. was recorded as ₹275.
33. Credit sales to Ram ₹170 debited to his account as ₹710.
34. Credit purchases from Shyam ₹229 recorded as ₹292.
35. Sales Book was undercast by ₹200.
36. Credit purchase of goods of ₹2,100 from Sohan posted as ₹1,200.
37. An addition in the Returns (Inward) Book had been cast ₹100 short.
38. Sales Return Book is undercast by ₹2,000.
39. ₹2,050 paid to Rohit, a creditor is posted to the debit of Mohit, another creditor as ₹5,020.
40. Bill for ₹820 received from Ramesh for repair of machinery was entered in the purchases book as ₹720.
41. Sales of goods to Madan ₹6,000 were entered in the Sales Book as ₹600.
42. ₹2,050 paid to Rohit is posted to the debit of Mohit's Account as ₹5,020.
43. Purchases Return Book is overcast by ₹400.
44. The total of Sales Return Book overcast by ₹800.
45. ₹2,740 paid for repairs to motor car was debited to Motor Car Account as ₹1,740.
46. Repair bill off machinery was recorded as ₹100 against the bill amount of ₹1,000.
47. Sales Book has been totalled ₹1,000 short.
48. Total of Returns Inward Book was added by ₹200 instead of ₹250.
49. Sales Book was overcast by ₹500.
50. Ramesh Account was credited with ₹840 twice instead of once.
51. A credit item of ₹349 has been debited to a Personal Account as ₹439.
52. A sale of ₹594 was posted as ₹495 in the Sales Account.
53. The total of Returns Inward Book has been added ₹10 short.
54. Furniture purchased for ₹8,100 was posted to furniture account as ₹810.
55. Goods amounting to ₹10,000 sold to Red were correctly entered in Sales Book but posted to Red's Account for ₹18,000.
56. Sales Return Book was overcast by ₹100.
57. A discount of ₹178 was allowed to Ramesh but in his account only ₹100 is recorded.
58. The total of the Purchase Book was ₹1,000 short.
59. A sale of ₹375 to Kohli was entered in the Sales Book as ₹735.
60. From the Purchases Book, Bose's Account was debited with ₹175.
61. While carrying forward the total of the sales Book from one page to another the amount of ₹11,358 was written as ₹11,538.
62. A purchase of ₹670 had been posted to the Creditors' Account as ₹600.
63. Goods worth ₹200 purchased from Sohan had been posted to his account as ₹250.
64. Instead of Gian's Account with ₹512, it was debited with ₹215.
65. Furniture costing ₹500, purchased from Jyoti, was wrongly entered in Purchases Book as ₹450.
66. Sales Book added ₹5,000 short.
67. ₹5,100 spent on legal expense for the newly acquired Building was debited to the Building Account as ₹1,500.
68. A sum of ₹1,500 written off as depreciation on furniture has not been debited to the Depreciation Account.

Error of Omission

Ques.3 Pass the necessary Journal entries to rectify the following errors:

1. Credit sale of ₹5,000 to Ram omitted to be recorded in the Books.
2. Goods (Cost ₹2,000, Sale Price ₹2,400) taken by the proprietor were not recorded anywhere.

3. Goods sold to Hari on credit amounting to ₹350 were omitted from the accounts although cash received subsequently from him stands posted to his credit.
4. Credit sale of old furniture to Mahesh for ₹500 omitted to be posted.
5. On 31st March, 2017 goods of the value of ₹3,000 were returned by Hari and were taken into stock on the same date but entry was not passed in the books.
6. Goods worth ₹1,500 returned by Green & Co. have not been recorded anywhere.
7. A purchase of ₹5,000 from Ram was omitted to be entered in the Purchases Book.
8. Furniture worth ₹5,000 purchased from X on credit omitted from being recorded in the books.
9. Goods given as charity ₹5,000 (Cost), ₹6,000 sales price not recorded.
10. A credit sale of old furniture to Mohan ₹1,000 omitted to be recorded.
11. ₹500 paid as wages on installation of machine not recorded.
12. Credit purchase of ₹500 from Ram not recorded.
13. Depreciation on furniture ₹1,000 not recorded.
14. Bad debts of ₹1,000 from Ram not recorded.
15. Salary of ₹1,000 due but not paid.
16. Bad debts recovered from Ram ₹5,000 not recorded.