Hidden Errors of a Trial Balance: Explained

There are 6 different kinds of hidden errors that can occur in a Trial Balance that will make it appear as though the accounts are balanced.

1. Error of Entry: The entry was made successfully but in the incorrect amount (a bill of £10 was recorded as £100). If both double-entries are the same amount there would be no way of finding the error other than checking against the original information. This is the most common type of error and is caused by simple human error and negligence.
2. Reversal of Entries: The entry was made successfully and to the correct account but the debit and credit entries are reversed. The account will appear to be correct and balanced but the transaction will be non-existent and therefore incorrect. This can often happen due to misunderstanding
3. Error of Omission: The entry was not entered into the records anywhere. Impossible to spot unless checked against the original data
4. Error of Commission: The entry was entered into the wrong account. This can happen when there are many accounts with similar names, e.g. when you have a Purchase, a Van Purchase and a Car Purchase account, you may misplace one of the entries without meaning to.
5. Error of Principal/Understanding: The entry was made in the correct amount and on the correct side of the account, but was entered into the wrong account. E.g. Mistaking Fixtures & Fittings for Premises, or mistaking expenses as assets. This is an error of understanding and so cannot be fixed if the person making the double-entry system doesn’t understand what they are doing.
6. Compensating Error: When two errors seemingly balance each other out. An entry for £1000 and an entry for £600 when both should be £800.

There is a method of remembering the structure of a Trial Balance, which can be used to double check and therefore prevent some of these basic errors, such as the Error of Omission or the Reversal of Entries. It is as follows:

[1]

Debit (left) side will always be in the following order: **PEDARI**

**P**urchases

**E**xpenses

**D**ebtors

**A**ssets

**R**eturn **I**nwards

While the credit (right) side will always be: SCROLG

**S**ales

**C**reditors

**R**eturn **O**utwards

**L**iabilities

**G**ains

[1]  AccountExplained.wordpress.com,(2011). Trial Balance. [online] Available at : **https://accountingexplained.wordpress.com/2011/07/03/trial-balance/**  [Accessed 28/02/2017]