***CORRECTION OF ERRORS***

* + 1. The trial balance of Askat Enterprises as at 31 December 2021 failed to agree. A suspense account was opened for the difference. Draft final accounts were prepared that revealed a net profit of GH¢80,000 for the year ended 31 December 2021. The following errors were subsequently discovered:
       1. The purchases day book total of GH¢160,000 had been posted to the ledger as GH¢320,000.
       2. The sales account has been understated by GH¢240,000.
       3. Discounts received of GH¢14,000 had been debited to discounts allowed account.
       4. An accrued salaries and wages of GH¢12,000 was omitted.
       5. Loose tools bought for GH¢8,000 had been debited to purchases account.
       6. Purchases of inventory for GH¢140,000 had not been posted to the ledger.
       7. Bad debts of GH¢19,000 written off in the trade receivables account had not been treated in the expense account.
       8. The proprietor had withdrawn goods worth GH¢6,000 for personal use. No entries had been made in the books.

**Required:**

Prepare for Askat Enterprise:

* + - * 1. The journal entries to correct the errors.
        2. The suspense account and show the difference in the books.
        3. A statement to show the correct net profit for the year.

***(ICAG DEC 2023)***

* + 1. Odaw Ltd operates a manual set of accounts. A trial balance was extracted for the year ended 31 March 2021. The trial balance did not agree. Odaw Ltd does not operate a system of control accounts. The following errors have now been discovered:
       1. A cheque for GHȼ4,300 received from Kwame, a debtor, had been correctly recorded in the cash book but posted as a credit to Kwamena.
       2. Goods purchased on credit for GHȼ2,600 from Birim Ltd. had been correctly recorded in the purchases account but the corresponding double entry had not been made.
       3. A payment of GHȼ820 for Motor Vehicle repairs was entered in error as a debit in the Motor Vehicles account. No entries have been made to record depreciations in relation to this payment. The correct depreciation has been made for motor vehicles held by the business.
       4. Discounts allowed of GHȼ910 had been entered as a credit entry in the discounts received account.
       5. A cheque received for GHȼ7,500 from Awuah, a debtor, had been processed for the correct amount in the cash book but entered as GHȼ5,700 in Awuah’s account.
       6. Sales for the year ending 31 March 2021 had been undercast by GHȼ750.

## Required:

* + - * 1. Prepare journal entries with narratives to correct the above errors.
        2. Prepare the Suspense Account.
        3. Explain the use of a Suspense Account.

***(ICAG DEC 2022)***

* + 1. The following list of balances was extracted from the books of Awatey at 30 April 2021.

**GHȼ**

|  |  |
| --- | --- |
| Sales | 134,200 |
| Purchases | 62,300 |
| Inventory at 1 May 2020 | 4,700 |
| Discounts received | 390 |
| Discounts allowed | 240 |
| Salaries and wages | 12,700 |
| Rent and rates | 8,100 |
| Motor vehicle expenses | 7,500 |
| Machinery repairs | 14,200 |
| General expenses | 2,600 |
| Machinery at cost | 45,000 |
| Machinery accumulated depreciation at 1 May 2020 | 8,000 |
| Motor vehicles at cost | 30,000 |
| Motor vehicles accumulated depreciation at 1 May 2020 | 6,000 |
| Bank | 4,400 |
| Trade receivables | 4,600 |
| Trade payables | 2,200 |
| Drawings | 7,400 |
| Capital at 1 May 2020 | 52,950 |

After the extraction of the above balances, the following errors and omissions were discovered:

1. A sale on credit to Ali Baba of GHȼ800 had been entered in the Sales Journal as GHȼ80 and had also been posted to the Sales Ledger at the same amount.
2. A new Motor Vehicle costing GHȼ15,000 bought during the year had been debited to the Purchases Account.
3. Purchase of goods on credit from Agyemang Duah, amounting to GHȼ600, had been omitted from the books.
4. A cheque for GHȼ435 paid for Motor Vehicle expenses was recorded in the Cash Book and the Motor Vehicle Expenses Account as GHȼ475.
5. Sales of goods on credit to Nii Ayi, amounting to GHȼ1,000, had been omitted from the books.
6. A cheque for GHȼ689 paid for general expenses was recorded in the Cash Book and the General Expenses Account as GHȼ698.
7. The purchase of machinery for GHȼ8,500 had been debited to Machinery Repairs Account.

**Required:**

* 1. Prepare journal entries ***with appropriate narratives*** to correct each of the errors and omissions.
  2. Prepare the Trial Balance of Awatey as at 30 April 2021 after adjusting for the errors and omission
  3. Explain **TWO (2)** types of errors which would not affect the balancing of a trial balance.

***(ICAG AUG 2022)***

* + 1. The trial balance of Naana Akyeaa failed to agree. The credit exceeded the debit by GHȼ5,760. The was placed in a suspense account. After a review, the following errors were discovered:
  + The total of the purchase account was undercast by GHȼ2,000
  + Cash sales of GHȼ2,470 were recorded by debiting sales with GHȼ2,470 and crediting cash with GHȼ6,430.
  + Mr Samson, whose debt was the subject of a specific provision for bad debt, paid his debt of GHȼ1,080 in full. The only entry made for this transaction was to credit receivables with GHȼ1,080.
  + An invoice for rates for GHȼ2,250 was found behind the bookkeeper’s desk. The invoice had not been accounted for.
  + The total of the sales returns day book was overcast by GHȼ1,280.
  + Discounts received of GHȼ840 was recorded by crediting receivables and debiting discounts received.
  + A new piece of machinery valued at GHȼ24,300 was written off to repairs in error. The depreciation policy of Naana Akyeaa is to depreciate machinery by 10% on straight line basis. The sole trade charges a full year’s depreciation in the year of purchase and none in the year of sale.

## Required:

1. Prepare journal entries, with the appropriate narratives, necessary to correct the above errors.
2. Prepare a Suspense Account.

***(ICAG APR 2022)***

1. K. Avuledor is a sole trader with a small business. The trial balance extracted as at 31 December 2018 failed to agree. The credits exceeded the debits by GH¢26,180.

A detailed examination of the books was undertaken and the following issues were uncovered:

* + - * No entry had been made for expenses paid with cash from the petty cash till. The expenses amounted to GH¢826.
      * Discount received of GH¢770 was debited to discounts allowed. The entry in the payables personal account was correct.
      * Sales returns of GH¢6,860 was treated correctly in the customer’s account and credited to the sales returns account as GH¢6,230.
      * The total in the purchases day book of GH¢120,050 was debited to the purchases returns account.
      * The bookkeeper forgot to post the wages and salaries journal for December 2018. No payment has yet been made to employees or the Statutory Authorities. The relevant figures are as follows:

Wages and salary costs (gross) - GH¢71,050 Employers Social Security - GH¢6,300 Employee income taxes (PAYE) - GH¢21,315

* + - * A sales invoice of GH¢7,350 was entered in the sales day book as GH¢6,650.
      * A payment for building repairs of GH¢7,315 was credited to both the Buildings account and the cash account.

## Required:

1. Prepare journal entries, with appropriate narratives, necessary to correct the above errors.
2. Prepare a suspense account to clear the difference.
3. Prepare a working schedule showing the effect on the proprietor’s loss in correcting each of the above errors assuming that the loss before these adjustments was GH¢293,090.

***(ICAG NOV 2020)***

1. Sodzedo is sole proprietor with a small business. Below is a list of balances of the trial balance extracted as at 30 June 2019 which failed to agree:

# GH¢

|  |  |
| --- | --- |
| Purchases | 66,450 |
| Payables | 44,520 |
| Sales | 213,390 |
| Discount allowed | 2,220 |
| Receivables | 158,550 |
| Sales Returns | 6,300 |
| Expenses | 32,130 |
| Non-Current Assets | 68,250 |
| Bank Overdraft | 9,420 |
| Capital | 37,500 |
| VAT Liabilities | 18,960 |

**Required:**

* + 1. Prepare the trial balance for Sodzedo as at 30 June 2019 and derive the balance in suspense account as at 30 June 2019.
    2. A detailed examination of the books was undertaken and the following matters were uncovered:
       1. The total in the purchases day book was GH¢126,450, but the figure used when posting to the purchases account was GH¢66,450.
       2. An invoice from a supplier for goods amounting to GH¢25,500 plus VAT at 10% was not recorded in the books and records of Sodzedo.
       3. During the bank reconciliation process it came to light that GH¢525.70 was earned in interest during the year and has not been accounted for.
       4. A review of the ledgers revealed that receivables were overcast by GH¢75,720.
       5. Cash drawings by Sodzedo of GH¢5,610 were treated as cash sales in error.

**Required:**

Prepare a ***suspense account*** to clear the difference.

***(ICAG MAY 2020)***

1. Nene Koba, is a sole trader with a small business. The trial balance extracted as at 30 June 2018 did not agree. The credits exceeded the debits by GH¢3,275 and the difference was entered in a suspense account.

A detailed examination of the books was undertaken and the following matters were uncovered:

* Purchases returns of GH¢19,350 has been credited to sales returns as GH¢11,175, and the corresponding entry was correctly entered.
* An addition error was discovered in the sales returns day book and as a result, the posting to the ledger was understated by GH¢1,600.
* An amount of GH¢245 cash received from a customer was debited to the customer's ac- count and credited to the cash account.
* The cash at hand balance of GH¢5,350 as at 30 June 2018 was omitted from the trial bal- ance in error.
* Building repairs of GH¢4,300 were undertaken during the month ended 30 June 2018, the amount was paid by cheque. The entry was correctly treated in the bank account but GH¢1,800 was credited to building.
* On 1 January 2017, rent for the year ended 31 December 2017 of GH¢ 22,500 was paid and accounted for correctly. Nene Koba's landlord has indicated that rent for 2018 will increase to GH¢ 30,000 but no invoice has been received. Nene Koba however, has not paid any rent for 2018 and has made no accounting entry for it because he has not received an invoice from the landlord.
* A credit sale of GH¢12,500 (excluding tax) was recorded by debiting sales with GH¢12,500 and crediting receivable with GH¢12,500. The rate of tax is 15%.

**Required:**

* + - 1. Prepare journal entries with appropriate narrations necessary to correct the above errors.
      2. Prepare the Suspense account.

***(ICAG NOV 2019)***

1. The trial balance is an internal control check to confirm the arithmetic accuracy of the general ledger. Control accounts are impersonal accounts and part of the double-entry system. If the control accounts do not balance, then it is obvious that a mistake has taken place in the respective ledger.

**Required:**

With suitable explanations each, explain **TWO (2)** errors that can be detected by the trial balance.

***(ICAG MAY 2019)***

1. State and explain **TWO (2)** errors that will not affect the balancing of the trial balance.

***(ICAG NOV 2018)***

1. The trial balance of Pak Ltd has an excess of credit over debit of GH¢12,500. A suspense account has been opened to balance the accounts. The following transactions were later discovered:
   1. Interest paid of GH¢5,000 and Interest received of GH¢8,000 have both been entered on the wrong side of the trial balance.
   2. The receivable control account balance of GH¢224,387 had been included in the trial balance as GH¢242,387
   3. Sales of GH¢2,000 had been omitted from the sales records (i.e from the sales day book).
   4. Purchase of raw material of GH¢4,005 was entered in the purchase account as GH¢4,500.
   5. The balance on the current account with the Proprietor’s wife had been omitted from the trial balance. This item when corrected will clear the suspense account.

**Required:**

Open a suspense account and correct the above transaction in it.

***(ICAG NOV 2018)***

1. When there is a difference in a trial balance, a suspense account is opened with the amount of the difference so that the trial balance agrees (pending the discovery and correction of the errors causing the difference). This is the only time an entry is made in the records without a corresponding entry elsewhere. Not all types of errors affect the balancing of the records and the suspense account.

**Required:**

Identify and explain **THREE** errors which does not affect the suspense account.

***(ICAG MAY 2018)***

1. The trial balance drawn up for the year ended 31 December 2016 for AB Ltd failed to agree with a difference of GH¢7,200. The difference was credited to the suspense account pending investigations.

During 2017 the following errors were identified:

* 1. GH¢10,000 received from sale of an old machinery has been entered in the sales account
  2. Purchase day book has been overstated by GH¢16,000.
  3. A private purchase by the director amounting to GH¢12,000 has been included in the purchases of the company
  4. Bank charges of GH¢4,800 in the cash book have not been posted to the bank charges account
  5. Sale of goods to Kofi amounting to GH¢69,000 was correctly entered in the sales day book but entered in the personal account as GH¢96,000.
  6. The draft account for the year ended for AB Ltd showed a net profit of GH¢145,000.
  7. Discount received of GH¢4,500 have been posted to the debit side of discount allowed account.
  8. Wages of GH¢40,000 paid has not been posted from the cash book.
  9. Stationery amounting to GH¢24,000 has not been accounted for in the books of AB Ltd.

**Required:**

1. Show the journal entries to correct the errors
2. Write up the suspense account to eliminate the errors
3. Prepare a statement to show the revised profit

***(ICAG NOV 2017)***