

Little Flower Matriculation Higher Secondary School
Nathakkarai, Thalaivasal - 636112

M.Varadarajan, M.Com., M.Ed., M.Phil.,
PG Assistant in Commerce
E-mail: mvaradarajan76@gmail.com
Mobile: 9786868699 & 9842868699

11 – Accountancy
Unit – 9 Rectification of Errors

I. Choose the Correct Answers

1. Error of principle arises when
 - (a) There is complete omission of a transaction
 - (b) There is partial omission of a transaction
 - (c) Distinction is not made between capital and revenue items**
 - (d) There are wrong postings and wrong castings
2. Errors not affecting the agreement of trial balance are
 - (a) Errors of principle**
 - (b) Errors of overcasting
 - (c) Errors of undercasting
 - (d) Errors of partial omission
3. The difference in trial balance is taken to
 - (a) The capital account
 - (b) The trading account
 - (c) The suspense account**
 - (d) The profit and loss account
4. A transaction not recorded at all is known as an error of
 - (a) Principle
 - (b) Complete omission**
 - (c) Partial omission
 - (d) Duplication
5. Wages paid for installation of machinery wrongly debited to wages account is an error of
 - (a) Partial omission
 - (b) Principle**
 - (c) Complete omission
 - (d) Duplication
6. Which of the following errors will not affect the trial balance?
 - (a) Wrong balancing of an account
 - (b) Posting an amount in the wrong account but on the correct side**
 - (c) Wrong totalling of an account
 - (d) Carried forward wrong amount in a ledger account

7. Goods returned by Senguttuvan were taken into stock, but no entry was passed in the books. While rectifying this error, which of the following accounts should be debited?
(a) Senguttuvan account **(b) Sales returns account**
(c) Returns outward account (d) Purchases returns account
8. A credit purchase of furniture from Athiyaman was debited to purchases account. Which of the following accounts should be debited while rectifying this error?
(a) Purchases account (b) Athiyaman account
(c) Furniture account (d) None of these
9. The total of purchases book was overcast. Which of the following accounts should be debited in the rectifying journal entry?
(a) Purchases account **(b) Suspense account**
(c) Creditor account (d) None of the above
10. Which of the following errors will be rectified using suspense account?
(a) Purchases returns book was undercast by ₹ 100
(b) Goods returned by Narendran was not recorded in the books
(c) Goods returned by Akila ₹ 900 was recorded in the sales returns book as ₹ 90
(d) A credit sale of goods to Ravivarman was not entered in the sales book

II. Very short answer questions

1. What is meant by rectification of errors?

- (i) The correction of accounting errors in a systematic manner is called the rectification of errors.
- (ii) In other words, the process of systematically correcting the accounting errors is known as rectification of errors.

2. What is meant by error of principle?

- ⇒ Error of principle means the mistake committed in the application of fundamental accounting principles in recording a transaction in the books of accounts.

3. What is meant by error of partial omission?

- (i) When the accountant has failed to record a part of the transaction, it is known as error of partial omission.
- (ii) This error usually occurs in posting.
- (iii) This error affects only one account.

4. What is meant by error of complete omission?

- (i) It means the failure to record a transaction in the journal or subsidiary book or failure to post both the aspects in ledger.
- (ii) This error affects two or more accounts.

5. What are compensating errors?

- (i) The errors that make up for each other or neutralise each other are known as compensating errors.
- (ii) These errors may occur in related or unrelated accounts.
- (iii) Thus, excess debit or credit in one account may be compensated by excess credit or debit in some other account.
- (iv) These are also known as offsetting errors.

III. Short answer questions**1. Write a note on error of principle by giving an example.****Error of principle**

⇒ Error of principle means the mistake committed in the application of fundamental accounting principles in recording a transaction in the books of accounts.

❖ The following are the possibilities of error of principle:

- (i) Entering the purchase of an asset in the purchases book.

Example:

Machinery purchased on credit for Rs.10,000 by M/s. Anbarasi garments manufacturing company entered in the purchases book.

- (ii) Entering the sale of an asset in the sales book.

Example:

Sale of old furniture on credit for Rs.500 was entered in the sales book.

2. Write a note on suspense account.

- (i) When the trial balance does not tally, the amount of difference is placed to the debit (when the total of the credit column is higher than the debit column) or credit (when the total of the debit column is higher than the credit column) to a temporary account known as 'suspense account'.
- (ii) Suspense account will remain in the books until the location and rectification of errors.
- (iii) If all the errors are located and rectified, the suspense account gets closed.

3. What are the errors not disclosed by a trial balance?

- (i) Certain errors will not affect the agreement of trial balance.
- (ii) Though such errors occur in the books of accounts, the total of debit and credit balance will be the same.
- (iii) The trial balance will tally.
- (iv) Errors of complete omission, error of principle, compensating error, wrong entry in the subsidiary books are not disclosed by the trial balance.

❖ Examples of such errors are as follows:

- (a) Treating revenue expenditure as capital expenditure.
- (b) Omitting a transaction completely.
- (c) Entering a transaction in a wrong subsidiary book.
- (d) Entering the amount of a transaction wrongly in the journal.
- (e) Compensating error

4. What are the errors disclosed by a trial balance?

- (i) Certain errors affect the agreement of trial balance.
- (ii) If such errors have occurred in the books of accounts, the total of debit and credit balances will not be the same.
- (iii) The trial balance will not tally.
- (iv) Error of partial omission and error of commission affect the agreement of trial balance.

❖ Examples of such errors are follows:

- (a) Entered in the journal but posted to one account and omitted to be posted to the other.
- (b) Posting an amount to the wrong side of a ledger account.
- (c) Posting twice in a ledger account.
- (d) Over-casting or Under-casting in a subsidiary book.
- (e) Posting a wrong amount to the correct side of an account.
- (f) Posting a wrong amount to the wrong side of an account.

5. Write a note on one-sided errors and two sided errors.

One-sided errors

- (i) When one-sided error is detected before preparing the trial balance, no journal entry is required to be passed in the books.
- (ii) In such cases, the error can be rectified by giving an explanatory note in the account affected as to whether the concerned account is to be debited or credited.

Two sided errors

- ⇒ When a two-sided error is detected before preparing the trial balance, it must be rectified by passing a rectifying journal entry in the journal proper after analysing the error.

M.Varadarajan, M.Com., M.Ed., M.Phil.,
PG Assistant in Commerce
E-mail: mvaradarajan76@gmail.com
Mobile: 9786868699 & 9842868699