

### ✓ Week 3: Correction of Errors

**Class:** SS2

**Subject:** Accounting

**Topic:** Correction of Errors

**Time Duration:** 40–45 mins

**Week Focus:** Deep understanding and practical correction of accounting errors using journal entries, ledger postings, and suspense accounts.

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#### ✓ STEP 1: Introduction and Lesson Objectives (5 mins)

##### ◆ Review of Previous Lesson

Recall the types of accounting errors:

- Errors of omission, commission, principle, original entry, and compensating errors
- Errors affecting and not affecting the trial balance

Ask students questions like:

- "Which type of error causes an imbalance in the trial balance?"
  - "What is an error of principle?"
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##### ◆ Objectives of This Lesson

Students should be able to:

1. Identify the correct method to fix each type of error
  2. Write correction entries in the journal
  3. Apply the suspense account where necessary
  4. Understand the process of reversing wrong entries and posting correct ones
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#### ✓ STEP 2: Methods of Correcting Errors (10 mins)

##### ◆ A. Correction Before Posting to Ledger

If an error is discovered before posting, the journal entry can simply be corrected without complications.

#### Example 1:

Wrong Entry:

- Cash purchase of goods worth ₦5,000 recorded as ₦500

Correction:

- Rewrite the correct journal entry:
  - Debit: Purchases A/C ₦5,000
  - Credit: Cash A/C ₦5,000

#### Example 2:

A customer payment of ₦12,000 was wrongly entered as ₦1,200 in the journal.

Correct Entry:

- Debit: Cash A/C ₦12,000
- Credit: Debtor's A/C ₦12,000

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#### ◆ B. Correction After Posting to Ledger

If an error is discovered after it has been posted, two actions are necessary:

1. Reverse the wrong entry
2. Post the correct entry

This helps maintain proper audit trail and transparency.

#### Example 3:

Repairs expense of ₦4,000 was wrongly posted to Motor Vehicle A/C.

Correction:

- Debit: Repairs A/C ₦4,000
- Credit: Motor Vehicle A/C ₦4,000

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✅ STEP 3: Journal Entries for Corrections (10 mins)

◆ 1. Error of Commission

Meaning: Correct class of account but wrong individual account.

📄 Example 4:

₦2,000 received from Mr. Alex was posted to Mr. Ade's account.

Correction Entry:

- Debit: Mr. Ade A/C ~~₦2,000~~
- Credit: Mr. Alex A/C ~~₦2,000~~

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◆ 2. Error of Principle

Meaning: Amount posted to the wrong type of account (e.g., capital vs expense)

📄 Example 5:

Machine repairs of ~~₦3,000~~ posted to Machinery A/C (capital instead of expense)

Correction Entry:

- Debit: Repairs A/C ~~₦3,000~~
- Credit: Machinery A/C ~~₦3,000~~

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◆ 3. Transposition Error

Meaning: Reversal of digits when recording (e.g., ~~₦730~~ as ~~₦370~~)

📄 Example 6:

~~₦4,300~~ recorded as ~~₦3,400~~ (Difference is ~~₦900~~)

Correction (assuming it was understated):

- Debit: Affected A/C ~~₦900~~

- Credit: Suspense A/C ₦900
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#### ✓ STEP 4: Suspense Account and Its Use (10 mins)

##### ♦ What is a Suspense Account?

A suspense account is a temporary holding account used to record discrepancies when the trial balance does not balance. It allows the preparation of final accounts to continue while the error is being investigated.

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##### ♦ When to Use It:

- When only one side of an entry is made
  - When the trial balance does not agree
  - When the cause of error is unknown initially
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##### ♦ Example 7:

Trial balance is short by ₦1,500 on the credit side.

Correction Entry (to open suspense account):

- Credit: Suspense A/C ₦1,500

Later, if the error is found to be:

- Rent expense of ₦1,500 was posted only to the debit side

Correction:

- Credit: Rent A/C ₦1,500
  - Debit: Suspense A/C ₦1,500 (to close suspense account)
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##### ♦ Suspense Account Must Be Closed

Once all corrections are made, suspense account should have a zero balance.

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✓ STEP 5: Practice Examples with Corrections (10 mins)

♦ Example 8:

Wages of ₦8,000 were debited to Rent A/C instead of Wages A/C

Correction Journal Entry:

- Debit: Wages A/C ₦8,000
- Credit: Rent A/C ₦8,000

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♦ Example 9:

A cash sale of ₦10,000 was partially recorded — only cash was debited, no credit entry.

Correction:

- Credit: Sales A/C ₦10,000  
(Or)  
If suspense account had already been credited:
- Debit: Suspense A/C ₦10,000
- Credit: Sales A/C ₦10,000

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♦ Example 10:

Furniture bought for ₦20,000 was recorded as Purchases (i.e., as goods meant for resale).

Correction Entry:

- Debit: Furniture A/C ₦20,000
- Credit: Purchases A/C ₦20,000

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♦ Example 11:

Amount of ~~₦~~7,600 written in the books as ~~₦~~6,700

Correction Entry (~~₦~~900 understatement):

- Debit: Affected Account ~~₦~~900
- Credit: Suspense A/C ~~₦~~900

#### ✓ STEP 6: Class Activity & Homework

##### ◆ Classwork (Practice Journal Entries)

1. Goods bought for ~~₦~~15,000 wrongly posted to Stationery A/C
2. Cash received from Mr. Ken ~~₦~~5,000 wrongly credited to Mr. Ben
3. Purchase of motor vehicle ~~₦~~50,000 entered as repairs

*Students write correction entries for each.*

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##### ◆ Homework

Prepare journal entries to correct the following:

1. A cash payment of ~~₦~~12,000 was completely omitted
  2. The amount ~~₦~~7,600 was written as ~~₦~~6,700
  3. Salaries of ~~₦~~10,000 debited to Wages A/C
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#### ✓ Assessment / Evaluation

Students should be able to:

- Identify errors in journal/ledger entries
  - Explain and apply the double-entry principle in corrections
  - Prepare and close a suspense account
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#### ✓ Conclusion (2 mins)

- Corrections are a vital part of accounting accuracy
- Suspense accounts help keep the records moving even when errors exist
- Proper correction ensures correct financial reporting and decision-making