To: [The name of your fictional supervisor]

From: Kelsey Berta

Date: 3/12/2022

Subject: Accounting Error For Year 5

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

I am writing to you to inform you that there has been an accounting error on the equipment bought by the company.

This error if not changed will affect your capital. Your capital will be overstated, and the Income Statement will be understated because everything is put in the expense account, Statement of Retained Earnings will be understated because your income is lower than it should be. and Balance Sheet will be understated as well because your asset account should be increased.

With all the statements being overstated, the company will be misleading and spend more money than is available. They will have inaccurate information and the cost of the equipment is wrong.

To fix the error the extraordinary repairs should have been debited in the assets because they are extending the life on the equipment while the ordinary repairs should have been debited to expense account.