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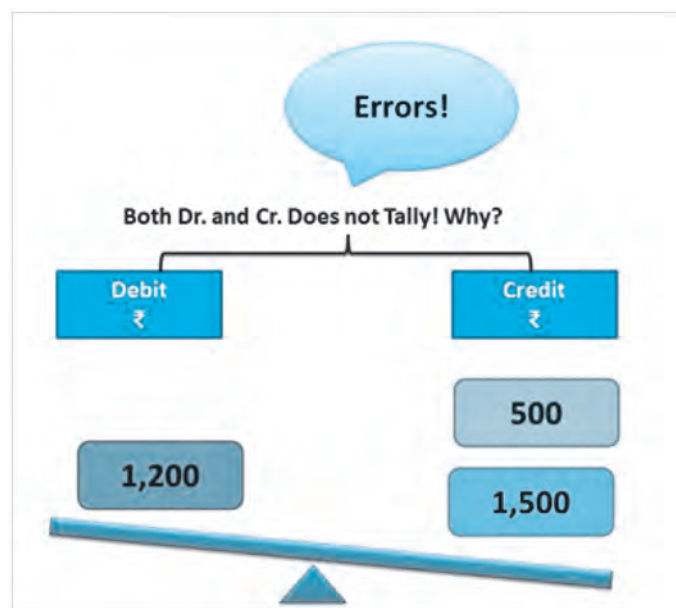
- 8.1 Meaning & Effects of errors
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Competency Statements

- Students will know the meaning and effects of Rectification of Errors*
- Students will know the different Types of Errors and their examples*
- Students are able to detect the errors and rectify them.*
- Students will learn the meaning and need of Suspense A/c*
- Students will know how to maintain Suspense A/c.*

8.1 Introduction and Meaning

In the previous chapter we have learnt that a Trial Balance is prepared to check the arithmetic accuracy of transactions recorded in a Journal posting them into the ledger and balancing the ledger account. If a Trial Balance agrees it is assumed that recording posting etc. have been done correctly. But this is only partly correct because even if Trial Balance agrees there may be some errors in the accounting records.



Accuracy is assured only when there are no errors in the books of accounts. To confirm accuracy errors are identified and rectified. Many business units have shifted from manual accounting to computerized accounting. Yet errors in accounting are unavoidable. Hence errors are to be located and rectified to find out the real profit or loss and financial position.

Reasons of Errors

1. Lack of Accounting Knowledge
2. Wrong Data Collections
3. Wrong Recording
4. Incorrect Arithmetical Calculations

Need of Rectification:

1. For the preparation of correct Accounting Entries/Records.
2. Preparation of Profit & Loss A/c with corrected figures to finalize correct Profit and Loss.
3. To find out the accurate financial position of the firm/enterprise by preparing Balance Sheet with corrected figures.

Types of Errors:

While writing the Books of Accounts it is likely that some mistakes are committed and they are required to be corrected. Errors can be classified in the following four categories.



- 1) **Errors of Omission:** This kind of error arises when a transaction is partially or completely omitted to be recorded in the books of accounts. e.g. failure to record credit purchases. As a result of this omission neither the creditor's account is credited nor is the Purchase account debited. This type of error does not affect the agreement of Trial Balance and hence the Trial Balance fails to disclose such type of errors.

These can be of two types:

- a) Error of complete omission which does not affect the agreement of Trial Balance.
- b) Error of partial omission which affects the agreement of Trial Balance.

| Type of Error with Meaning | Sub-Types with Examples |
|--|---|
| I. Error of Omission These errors are caused due to complete or partial omission. | (a) Error of Complete Omission Goods sold to Aditya on credit but not recorded in Sales Book. |
| | (b) Partial Omission Goods sold to Aditya on credit recorded in Sales Book but not posted to the A/c of Aditya thus Sales A/c is credited but Aditya's A/c is not debited. This error will affect the Trial Balance. |

- 2) **Errors of Commission:** These are the errors which are committed due to wrong Entries or Posting of transactions wrong totalling or wrong balancing of the accounts, wrong casting of the- Subsidiary Books or wrong recording of amount in the books of original entry. These errors affect the agreement of Trial Balance.

Errors of commission are classified into following:

- a) Errors of Recording
- b) Errors of Casting
- c) Errors of Carrying
- d) Errors of Posting

| Type of Error with Meaning | Sub-Types with Examples |
|---|---|
| II. Errors of Commission These errors are caused due to wrong recording of transactions, wrong totalling of Subsidiary Books or Ledger Accounts, Wrong posting and wrong carry forward | (a) Errors of Recording in the Book of Original Entry Goods purchased from Chaitanya for ₹850/- recorded as ₹580/- in the Purchase Book. (This error will not affect the agreement of Trial Balance as same amounts will be posted in both the accounts Purchase A/c and Chaitnaya's A/c.) (b) Wrong Totalling of Subsidiary Book. Example : Purchase Book has been under cast (total taken less) by ₹ 500/- Purchase A/c will be debited less by ₹500/- decreasing the debit side of Trial Balance by ₹500/-. |

| | |
|--|---|
| | <p>(c) Error in Totalling or Balancing of Ledger Accounts Example : Creditors A/c has been undercast by ₹700/-. In this case credit balance of Trial Balance will be less by ₹700/-</p> <p>(d) Error of Posting</p> <p>(i) Posting to the wrong side but correct account. Goods sold to Rohan for ₹900/- entered to the credit of Rohan's A/c instead of posting to the debit side of his account.</p> <p>(ii) Posting with wrong amount.</p> <p>(iii) Posting twice in an Account.</p> <p>(iv) Errors in posting to the wrong A/c but correct side..</p> <p>(e) Error in carrying forward. Total of Purchase Book ₹1,500/- is carried forward as ₹1,250/- Creates less debit of ₹250/- in Purchase A/c and also less debit in Trial Balance.</p> |
|--|---|

- 3) **Errors of Principle:** Transactions recorded without following the accounting principles and rules are known as Errors of Principle. An error of principle may occur due to the incorrect classification of expenditure or receipt between capital and revenue as it may lead to under/over stating of income or assets or liabilities. This error does not affect the Trial Balance as amounts are placed on the correct side but in a wrong account.

| Type of Error with Meaning | Sub-Types with Examples |
|---|--|
| III. Errors of Principles. These errors are caused due to the violation of accounting principles. | <p>(a) Treating Capital items as Revenue item Example: Wages paid for the installation of new Machinery debited to Wages Account instead of Machinery Account.</p> <p>(b) Treating Revenue items as Capital Item Example : ₹500/- paid for the repairs of an old Machinery is debited to Machinery Account instead of Repairs Account.</p> |

- 4) **Compensating Errors:** When two or more errors are committed in such a way that the net effect of these errors on the debit and credit of accounts is nil or nullified such errors are called compensating errors. These errors do not affect the agreement of Trial Balance.

| Type of Error with Meaning | Sub-Types with Examples |
|--|--|
| IV. Compensating Errors Two or more errors committed in such a way that the net effect of these errors of the debit and credit of the accounts is nil. | Example: On May 10th 2018 a sum of ₹3000/- paid to Ashok is posted as ₹300/- to the Debit of his A/c and on May 20th 2018 a sum of ₹300/- paid to Kumar has been posted as ₹3000/- to the Debit of his A/c. Net Effect will be zero. |

Errors may also be classified as One Sided Errors and Two Sided Errors.

One Sided errors affects only one account and affects the agreement of Trial Balance. These Errors can be rectified by giving a note for debiting or crediting the account, if it is located before preparation of Trial Balance.

When One Sided Errors are located after the preparation of Trial Balance then these errors will be rectified with help of Suspense Account.

Two sided errors affects two or more accounts and it does not affect the agreement of Trial Balance. It always be rectified with the help of Journal Entries.

Note : Rectified entries are recorded in Journal Proper.

ILLUSTRATIONS

- The following errors were located in the books of Anil & Sons before the preparation of the Trial Balance. Rectify them.
 - Goods sold to Aryan for ₹2,000 on credit were not entered in the Sales Book.
 - An amount of ₹ 600 paid for repairs to the Machinery stands wrongly posted to Machinery Account.
 - Salaries ₹ 2,500 paid to Shrikant was wrongly debited to his personal account in the ledger.

Rectifying Entry = Reverse Entry + Correct Entry

Working Note :

| Sr. No. | Wrong Entry | Reverse Entry | Correct Entry | Rectifying Entry |
|---------|---|--|---|---|
| 1 | Nil (Complete Omission) | Nil | Aryan's A/c Dr. 2,000 To Sales A/c 2,000 | Aryan's A/c Dr. 2,000 To Sales A/c 2,000 |
| 2 | Machinery A/c Dr. 600 To Cash A/c 600 | Cash A/c Dr. 600 To Machinery A/c 600 | Repairs A/c Dr. 600 To Cash A/c 600 | Repairs A/c Dr. 600 To Machinery A/c 600 |
| 3 | Shrikant's A/c Dr. 2,500 To Cash A/c 2,500 | Cash A/c Dr. 2,500 To Shrikant's A/c ,500 | Salary A/c Dr. 2,500 To Cash A/c 2,500 | Salary A/c Dr. 2,500 To Shrikant's A/c 2,500 |

Solution:

Journal Proper of Anil & Sons

| Date | Particulars | L.F. | Debit Amount (₹) | Credit Amount (₹) |
|------|--|------|---------------------|----------------------|
| (1) | Aryan's A/c Dr. To Sales A/c (Being the sale of goods to Aryan not entered in sales book, now rectified) | | 2,000 | 2,000 |
| (2) | Repairs A/c Dr. To Machinery A/c (Being the repairs wrongly debited to machinery account, now rectified) | | 600 | 600 |
| (3) | Salary A/c Dr. To Shrikant's A/c (Being salary paid to Shrikant wrongly debited to his account, now rectified) | | 2,500 | 2,500 |

2. Rectify the following errors which are located in the books of Mr. Anand

- 1) Sale of old Furniture for ₹2,000 treated as sale of goods.
- 2) ₹15,000 paid of Salary to Mr. Rohit ,stands debited to his Personal Account.
- 3) An amount of ₹7,000 withdrawn by the proprietor for his personal use has been debited to Trade Expenses a/c.
- 4) Cash received from Mr. Sawant ₹500 was credited to Mr. Shinde.
- 5) Repairs for Building was debited to Building account ₹500.
- 6) ₹1,500 received as interest was credited to Commission Account.
- 7) ₹5,000 paid for the purchase of Computer was charged to Office Expenses Account.

Working Note : Formula Reverse Entry + Correct Entry = Rectified entry

| Sr. No. | Wrong Entry | Reverse Entry | Correct Entry | Rectifying Entry |
|---------|--|--|--|--|
| 1 | Cash A/c Dr. 2,000 To Sales A/c 2,000 | Sales A/c Dr. 2,000 To Cash A/c 2,000 | Cash A/c Dr. 2,000 To Furniture A/c 2,000 | Sales A/c Dr. 2,000 To Furniture A/c 2,000 |
| 2 | Mr. Rohit A/c Dr. 15,000 To Cash A/c 15,000 | Cash A/c Dr. 15,000 To Mr. Rohit A/c 15,000 | Salary A/c Dr. 15,000 To Cash A/c 15,000 | Salary A/c Dr. 15,000 To Mr. Rohit A/c 15,000 |
| 3 | Trade Expenses A/c Dr. 7,000 To Cash A/c 7,000 | Cash A/c Dr. 7,000 To Trade Expenses A/c 7,000 | Drawings A/c Dr. 7,000 To Cash A/c 7,000 | Drawings A/c Dr. 7,000 To Trade Expenses A/c 7,000 |
| 4 | Cash A/c Dr. 500 To Shinde A/c 500 | Shinde A/c Dr. 500 To Cash A/c 500 | Cash A/c Dr. 500 To Sawant A/c 500 | Shinde A/c Dr. 500 To Sawant A/c 500 |
| 5 | Building A/c Dr. 500 To Cash A/c 500 | Cash A/c Dr. 500 To Building A/c 500 | Repairs A/c Dr. 500 To Cash A/c 500 | Repairs A/c Dr. 500 To Building A/c 500 |
| 6 | Cash A/c Dr. 1,500 To Commission A/c 1,500 | Commission A/c Dr. 1,500 To Cash A/c 1,500 | Cash A/c Dr. 1,500 To Interest A/c 1,500 | Commission A/c Dr. 1,500 To Interest A/c 1,500 |
| 7 | Office Expenses A/c Dr. 5,000 To Cash A/c 5,000 | Cash A/c Dr. 5,000 To Office Expenses A/c 5,000 | Computer A/c Dr. 5,000 To Cash A/c 5,000 | Computer A/c Dr. 5,000 To Office Expenses A/c 5,000 |

Solution:

Journal of Anand & Sons

| Date | Particulars | L.F. | Debit Amount (₹) | Credit Amount (₹) |
|------|---|------|------------------|-------------------|
| (1) | Sales A/c Dr. To Furniture A/c (Being sold old Furniture recorded as sale of goods now rectified) | | 2,000 | 2,000 |
| (2) | Salary A/c Dr. To Rohit A/c (Being Paid salary paid to Mr. Rohit debited to his personal account now rectified) | | 15,000 | 15,000 |
| (3) | Drawings A/c Dr. To Trade Expenses A/c (Being Cash withdrew for personal use debited to Trade Expenses account now rectified) | | 7,000 | 7,000 |
| (4) | Shinde A/c Dr. To Sawant A/c (Being cash received from Sawant credited Shinde account now rectified) | | 500 | 500 |
| (5) | Repairs A/c Dr. To Building A/c (Being paid repair to Building debited Building account, now rectified) | | 500 | 500 |
| (6) | Commission A/c Dr. To Interest A/c (Being interest received credited to commission account, now rectified) | | 1,500 | 1,500 |
| (7) | Computer A/c Dr. To Office Expenses A/c (Being computer purchased debited to office expenses account, now rectified) | | 5,000 | 5,000 |

8.3 Detection & Rectification of errors

Stages of Detecting Errors:

Rectifying errors depends generally on when the error is detected. Errors can be detected at any one of the following stages.

Stage 1 - Before preparation of Trial Balance

Stage 2 - After preparation of the Trial Balance but before preparing Final Accounts.

Stage 3- After preparing Final Accounts.



ILLUSTRATIONS

Illustration 1 :

Following are some accounting errors, rectify them.

- 1) Sales for ₹15,000/- made to Vaishnavi was not entered in the Sales Book.
- 2) Salary of ₹9,000/- paid to Accountant Varundas was debited to his personal account
- 3) Old Furniture sold for ₹3,500/- was entered in the Sales Book.
- 4) Carriage paid ₹500 on purchase of a Machine was debited to Carriage A/c
- 5) Cash ₹45,000/- paid to Aditya Verma was debited to Kumar Verma's A/c

Journal Proper

| Date | Particulars | L.F. | Debit Amount (₹) | Credit Amount (₹) |
|------|---|------|------------------|-------------------|
| (1) | Vaishnavi's A/c Dr. To Sales A/c (Being Sale to Vaishnavi's omitted to be entered in Sales Book is now corrected) | | 15,000 | 15,000 |
| (2) | Salary A/c Dr. To Varundas A/c (Being Salary paid to Varundas was debited to his personal account is now corrected) | | 9,000 | 9,000 |

| | | | | | |
|-----|--|-----|--|--------|--------|
| (3) | Sales A/c To Furniture A/c (Being Old furniture sold was wrongly entered in the sales Book is now corrected) | Dr. | | 3,500 | 3,500 |
| (4) | Machinery A/c To Carriage A/c (Being amount paid for carriage on purchase of machine debited to carriage account is now corrected) | Dr. | | 500 | 500 |
| (5) | Aditya Verma's A/c To Kumar Verma's A/c (Being Amount paid to Aditya Verma was debited to Kumar verma is corrected) | Dr. | | 45,000 | 45,000 |

Illustration 2:

Rectify the following errors.

- 1) Total of the Return Inward book was overcast by ₹200/-
- 2) Rent of ₹800/- paid to Mr. Amit has been debited to his Personal Account.
- 3) Goods sold to Mr. Abhiraj ₹350/- have been entered in the Purchases Day Book as ₹530/-
- 4) Repairs to Furniture ₹300/- have been debited to Furniture and Fixtures A/c
- 5) Commission received ₹200/- has been posted to the debit of Commission Account.
- 6) A cheque for ₹320/- issued to Mr. Ram has been wrongly entered in the cash column of the Cash Book.

Journal Proper

| Date | Particulars | L.F. | Debit Amount (₹) | Credit Amount (₹) |
|------|--|------|------------------|-------------------|
| (1) | No Journal entry is required as it is affecting only one account. Returns Inwards A/c is to be credited with ₹200/- to cancel excess debit given | | | |
| (2) | Rent A/c To Amit's A/c (Being Rent paid to Amit debited to his personal account now rectified) | Dr. | 800 | 800 |
| (3) | Abhiraj A/c To Purchases A/c To Sales A/c (Being credit sales to Abhiraj ₹350/- wrongly entered through Purchases Book as ₹530/- . now rectified) | Dr. | 880 | 530 350 |

| | | | | |
|-----|--|-----|-----|-----|
| (4) | Repairs A/c To Furniture & Fixtures A/c (Being Repairs to Furniture debited to Furniture & Fixtures now rectified) | Dr. | 300 | 300 |
| (5) | No Journal Entry is required as it is affecting only one account Commission A/c is to be credited with ₹400/- | | | |
| (6) | Cash A/c To Bank A/c (Being cheque issued wrongly entered in cash column of the Cash Book, now rectified) | Dr. | 320 | 320 |

Illustration 3:

Rectify the following errors.

- 1) Sales return book was overcast by ₹ 800/-
- 2) Factory electricity bill ₹ 7,000/- paid but recorded twice in the books.
- 3) Total of Sales book was undercast by ₹ 900/-
- 4) Paid for Rent ₹ 825/- was wrongly posted to Rent account as ₹ 325/-
- 5) Wages paid for extension of Building ₹ 9,900/- was charged to wages account.
- 6) Paid carriage for purchase of Machinery ₹ 2,000/- was charged to carriage account.
- 7) Life insurance premium of proprietor paid ₹ 1,500/- wrongly debited to Insurance A/c

Journal Proper

| Date | Particulars | L.F. | Debit Amount (₹) | Credit Amount (₹) |
|------|---|------|------------------|-------------------|
| (1) | No Journal entry is required as it affects only one account so Sales Return Account should be credited with ₹800/- | | | |
| (2) | Cash A/c To Factory Electricity A/c (Being rectification of double recording of factory electricity bill now rectified) | Dr. | 7,000 | 7,000 |
| (3) | No Journal Entry as it affects only one account so Sales Account should be credited with ₹900/- | | | |
| (4) | No Journal Entry as it affects only one account so Rent account should be debited with ₹500/- | | | |
| (5) | Building A/c To Wages A/c (Being Wages paid for extension of Building wrongly debited to Wages Account, now rectified.) | Dr. | 9,900 | 9,900 |

| | | | | | |
|-----|---|-----|--|-------|-------|
| (6) | Machinery A/c To Carriage A/c (Being carriage paid for Machinery wrongly debited to carriage account, now rectified) | Dr. | | 2,000 | 2,000 |
| (7) | Drawings A/c To Insurance A/c (Being rectification of wrong debit given to Insurance Account instead of Drawings Account now rectified) | Dr. | | 1,500 | 1,500 |

Illustration 4:

Rectify the following errors:

- 1) Goods for ₹7,500/- were purchased from Vaishali Traders on credit, but no entry has yet been passed.
- 2) Purchase return for ₹ 2,000/- not recorded in the books.
- 3) Goods for ₹ 3,000/- sold to Anjali Traders on Credit were entered in Sales Book as ₹ 300 only
- 4) Goods of the value of ₹ 2,000/- returned by Sumit & Co. were included in stock, but no entry was passed in the books.
- 5) Goods purchased for ₹ 1,200/- entered in the Purchases Book as ₹12,000/-
- 6) An invoice for goods sold to Neeta was overcast by ₹200/-

Journal Proper

| Date | Particulars | L.F. | Debit Amount (₹) | Credit Amount (₹) |
|------|---|------|------------------|-------------------|
| (1) | Purchases A/c To Vaishali Traders A/c (Being Credit purchases from Vaishali Traders were omitted to be recorded, now rectified) | Dr. | 7,500 | 7,500 |
| (2) | Creditors A/c To Purchase Return A/c (Being Purchases return was not recorded, now rectified) | Dr. | 2,000 | 2,000 |
| (3) | Anjali Traders A/c To Sales A/c (Being Goods sold to Anjali Traders were wrongly recorded now rectified) | Dr. | 2,700 | 2,700 |
| (4) | Sales Return A/c To Sumit & Co. (Being Good returned by Sumit & Co. were omitted to be recorded now rectified) | Dr. | 2,000 | 2,000 |

| | | | | | |
|-----|--|-----|--|--------|--------|
| (5) | Creditors A/c To Purchase A/c (Being Goods purchased wrongly recorded now rectified) | Dr. | | 10,800 | 10,800 |
| (6) | Sales A/c To Neeta's A/c (Being Invoice for goods sold overcast now rectified) | Dr. | | 200 | 200 |

Illustration 5:

Give Journal Entries to rectify the following errors:

- 1) Goods purchased from Sujit for ₹ 3,000/- were recorded in Sales Book.
- 2) Goods for ₹5,200/- sold to Sachin was passed through Purchase Book.
- 3) A customer returned goods worth ₹800/- was recorded in Purchase Return Book.
- 4) A credit sale of ₹ 240/- to Ajit was entered in the Sales books as ₹ 420/-
- 5) Sale of old Table and Chairs for ₹ 900/- was treated as sale of goods.
- 6) Rent paid for proprietor's residence ₹ 1,200/- , debited to Rent A/c.

Journal Proper

| Date | Particulars | L.F. | Debit Amount (₹) | Credit Amount (₹) |
|------|---|------------|------------------|-------------------|
| (1) | Purchases A/c Sales A/c To Sujit's A/c (Being Goods purchased from Sujit were wrongly recorded in Sales Book, now rectified) | Dr. Dr. | 3,000 3,000 | 6,000 |
| (2) | Sachin's A/c To Sales A/c To Purchases A/c (Being Goods sold to Sachin wrongly recorded in Purchases Book, now rectified) | Dr. | 10,400 | 5,200 5,200 |
| (3) | Sale Return A/c Purchases Return A/c To Customer's A/c (Being Goods returned by a customer recorded in Purchases Return Book, now rectified) | Dr. Dr. | 800 800 | 1,600 |
| (4) | Sales A/c To Ajit's A/c. (Being Credit sales to Ajit were wrongly recorded, now rectified) | Dr. | 180 | 180 |

| | | | | | |
|-----|---|-----|--|-------|-------|
| (5) | Sales A/c To Furniture A/c (Being sale of furniture was recorded as sale of goods, now rectified) | Dr. | | 900 | 900 |
| (6) | Drawings A/c To Rent A/c (Being Rent paid for proprietor's residence, debited to Rent Account, now rectified) | Dr. | | 1,200 | 1,200 |

8.4 Suspense account

Meaning of Suspense Account :

When the Trial Balance does not tally the amount of difference is located 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'. Errors affecting only one account is known as one sided errors. These errors will now be rectified with the help of Suspense Account. When all one sided errors are located and rectified Suspense Account automatically closes.

Illustration 6:

The Trial Balance of Shri. Kishorilal did not agree and the difference of debit balance of ₹ 620 was temporarily transferred to Suspense A/c. Later on following errors were located. Give the Journal entries to rectify the following errors and show the Suspense A/c.

- 1) An amount of ₹840/- received from M/s Singh & Co. was posted to the debit as ₹50/-
- 2) ₹530/- spent for repairs to Machinery were posted to the debit of Machinery A/c ₹150/-
- 3) Discount of ₹25/- allowed by Shah & Co. to us was posted to their credit.
- 4) An Amount of ₹730/- paid to Chetan & Co was wrongly credited to Lalit & Co. as ₹250/-
- 5) The total of Purchase Day Book has been undercast ₹100

Journal Proper

| Date | Particulars | L.F. | Debit Amount (₹) | Credit Amount (₹) |
|------|---|------|------------------|-------------------|
| (1) | Suspense A/c To M/s Singh & Co. (Being the rectification entry for wrong debit of M/s Singh & Co., now rectified.) | Dr. | 890 | 890 |
| (2) | Repairs to Machinery A/c To Machinery A/c To Suspense A/c (Being repairs to Machinery was wrongly debited to Machinery A/c, now rectified) | Dr. | 530 | 150 380 |

| | | | | | |
|-----|---|------------|--|------------|-----|
| (3) | Shah & Co. A/c To Suspense A/c (Being Rectification of wrong credit given to Shah & co. now rectified.) | Dr. | | 50 | 50 |
| (4) | Chetan & Co. A/c Lalit & Co. A/c To Suspense A/c (Being paid to Shah & Co. credited to Lalit & Co. with wrong amount now rectified.) | Dr. Dr. | | 730 250 | 980 |
| (5) | Purchase A/c To Suspense A/c (Being Purchase Day Book undercast now rectified.) | Dr. | | 100 | 100 |

| Dr. | | Suspense A/c | | Cr. | |
|------------------------|---------|-----------------------------|---------|-----|--|
| Particulars | Amt (₹) | Particulars | Amt (₹) | | |
| To Balance b/d | 620 | By Repairs to Machinery A/c | 380 | | |
| To M/s Singh & Co. A/c | 890 | By Shah & Co. A/c | 50 | | |
| | | By Chetan & Co. A/c | 730 | | |
| | | By Lalit & Co. A/c | 250 | | |
| | | By Purchases A/c | 100 | | |
| | 1,510 | | 1,510 | | |

Illustration 7 :

Rectify the following errors through Suspense Account :

- 1) Purchase of goods from Sachin for ₹ 3,000/- was entered in the Sales Book, however Sachin's Account was correctly credited.
- 2) Cash received from Anilkumar a debtor ₹4,500/- was correctly entered in the Cash Book but was omitted to be posted to his account.
- 3) Sales Book was overcast by ₹ 2,000/-.
- 4) Cash of ₹5000 paid to Sadik was credited to Sabir A/c as ₹ 1,800/-.
- 5) The total of Purchase Returns Book of ₹3,150/- was carried forward as ₹1,530/-
- 6) Cash paid to Shweta ₹ 7,500/- was debited to Ankita A/c by ₹7,000/-.

Journal Proper

| Date | Particulars | L.F. | Debit Amount (₹) | Credit Amount (₹) |
|------|--|------|---------------------|----------------------|
| (1) | Purchase A/c Dr. Sales A/c Dr. To Suspense A/c (Being Purchase of good was entered in the the Sale Book now retified) | | 3,000 3,000 | 6,000 |
| (2) | Suspense A/c Dr. To Anilkumar's A/c (Being Anilkumar's account omitted to be credited, now rectified) | | 4,500 | 4,500 |
| (3) | Sales A/c Dr. To Suspense A/c (Being Sales Book overcast rectified) | | 2,000 | 2,000 |
| (4) | Sadik A/c Dr. Sabir A/c Dr. To Suspense A/c (Being cash paid to Sadik was wrongly credited to Sabir is now rectified) | | 5,000 1,800 | 6,800 |
| (5) | Suspense A/c Dr. To Purchase Return A/c (Being Purchase Return Book is undercast now rectified) | | 1,620 | 1,620 |
| (6) | Shweta's A/c Dr. To Ankita A/c To Suspense A/c (Being cash paid to Shweta wrongly debited to Ankita, now rectified) | | 7,500 | 7,000 500 |

Illustration 8:

Rectify the following errors.

- 1) A sale of goods of the value of ₹8,000/- to Sharma has been wrongly debited to Verma's Account.
- 2) A purchase of ₹ 1,200/- from S.Kumar instead of being credited to him from the Purchase book has been wrongly debited to him.
- 3) Cash ₹ 350/- received from G.Ramesh and entered on the Receipts side of the Cash Book has not been posted.
- 4) A payment of ₹ 800/- made to K.Mayur for cash purchase of goods from him stands debited to his Account.
- 5) An amount of ₹ 1,500/- drawn by the proprietor for his personal use stands debited to General Expenses Account.

Journal Proper

| Date | Particulars | L.F. | Debit Amount (₹) | Credit Amount (₹) |
|------|---|------|------------------|-------------------|
| (1) | Sharma's A/c Dr. To Verma's A/c (Being Sale of goods to Sharma wrongly debited to Varma's A/c, now rectified) | | 8,000 | 8,000 |
| (2) | No Journal entry is required S.Kumar's A/c is to be credited with ₹2 400/- | | | |
| (3) | No Journal entry is required G.Ramesh's A/c is to be credited with ₹350/- | | | |
| (4) | Purchase A/c Dr. To K.Mayur's A/c (Being Payment of K. Mayur for cash purchases, debited to his account now rectified) | | 800 | 800 |
| (5) | Drawings A/c Dr. To General Expenses A/c (Being amount drawn for personal use wrongly debited General expenses account now rectified) | | 1,500 | 1,500 |

In the above example if it would have been stated that "The Trial Balance did not agree and the difference was put to Suspense Account." The correction entries (2) & (3) would be as follows:

| | | | |
|-------------------|-----|-------|-------|
| | | ₹ | ₹ |
| 2) Suspense A/c | Dr. | 1,200 | |
| To S.Kumar's A/c | | | 1,200 |
| 3) Suspense A/c | Dr. | 350 | |
| To G.Ramesh's A/c | | | 350 |

And the Suspense Account would be:

| Dr. | | Suspense A/c | | Cr. | |
|--------------------|---------|--------------------------------|---------|-----|-------|
| Particulars | Amt (₹) | Particulars | Amt (₹) | | |
| To S.Kumar's A/c | 1,200 | By Difference in Trial balance | 1,550 | | |
| To G. Ramesh's A/c | 350 | | | | |
| | 1,550 | | | | 1,550 |

Illustration 9:

Trial Balance of Amitabh did not agree. Amitabh put the difference to Suspense Account.

Subsequently he located the following errors.

- 1) Amount paid on registration of Motor Car ₹ 800 was recorded as legal charges.
- 2) Repairs to Machinery ₹ 300 debited to Machinery account.
- 3) Repairs paid for the overhauling of second hand machinery purchased ₹1,000/- was debited to repairs account.
- 4) Purchased material ₹ 90,000/- and paid wages of ₹ 10,000/- for construction of building, not recorded in the books.
- 5) Furniture purchased for ₹ 6,000/- was posted to purchase account ₹ 400/-
- 6) Old Machinery sold to Sumit at ₹ 1,000/- was recorded through Sales Book.
- 7) Total of Sales Returns Book ₹ 2,000/- was not posted to the ledger.

Rectify the above errors and prepare Suspense Account to ascertain the original difference in Trial Balance.

Solution:**Journal Proper**

| Date | Particulars | L.F. | Debit Amount (₹) | Credit Amount (₹) |
|------|---|------|------------------|-------------------|
| (1) | Motor Car A/c Dr. To Legal charges A/c. (Being amount paid for registration of Motor Car wrongly debited to legal charges account ,now rectified.) | | 800 | 800 |
| (2) | Repairs A/c Dr. To Machinery A/c (Being Repairs paid wrongly debited to machinery account, now rectified) | | 300 | 300 |
| (3) | Machinery A/c Dr. To Repairs A/c (Being Repairs for overhauling of second hand machinery purchased wrongly debited to repairs account, now rectified) | | 1,000 | 1,000 |
| (4) | Building A/c Dr. To Cash A/c (Being Material and Wages paid for construction of Building not debited to building account, now rectified.) | | 1,00,000 | 1,00,000 |

| | | | | | |
|-----|--|-----|--|-------|--------------|
| (5) | Furniture A/c To Purchases A/c To Suspense A/c (Being Furniture purchased wrongly debited to purchases account, now rectified.) | Dr. | | 6,000 | 400 5,600 |
| (6) | Sales A/c To Machinery A/c (Being sale of Machinery wrongly recorded in Sales Book, now rectified) | Dr. | | 1,000 | 1,000 |
| (7) | Sales Return A/c To Suspense A/c (Being total of Sales Returns Book not posted to ledger now rectified) | Dr. | | 2,000 | 2,000 |

| Dr. | | Suspense A/c | | Cr. | |
|--------------------------------------|---------|---------------------|---------|-----|--|
| Particulars | Amt (₹) | Particulars | Amt (₹) | | |
| To Balance b/d (Balancing figure) | 7,600 | By Furniture A/c | 5,600 | | |
| | | By Sales return A/c | 2,000 | | |
| | 7,600 | | 7600 | | |

Hence original difference in Trial Balance was ₹7,600 excess credited.

EXERCISE

Q.1 Answer in One Sentence:

- 1) What is meant by rectification of errors?
- 2) What is meant by error of principle?
- 3) What is meant by error of partial omission?
- 4) What is meant by error of complete omission?
- 5) What are compensating errors?

Q.2 Give one word/term or phrase for each of the following statements.

- 1) Errors which affect the agreement of Trial Balance.
- 2) Taking the total more while closing books of accounts.
- 3) Error which arises when a transaction is partially or completely omitted to be recorded in the books of accounts.
- 4) Transactions recorded due to violating of the accounting principles.

- 5) Accounts to which difference in Trial Balance is transferred.
- 6) Error in which the effect of one mistake is nullified by another mistake.
- 7) Error which are not disclosed by the Trial Balance.
- 8) Errors of incorrect entries or wrong posting.

Q.3 Select the most appropriate alternative from those given below and rewrite the sentence.

- 1) Rectification entries are passed in -----.
 a) Journal Proper b) Ledger c) Balance sheet d) Cash Book
- 2) The type of error for which journal entry is always required for rectification -----.
 a) over casting b) one sided error c) under casting d) two sided error
- 3) Errors occurred due to wrong posting are called as errors of -----.
 a) principle b) commission c) compensating d) omission
- 4) If transaction is totally omitted from the Books, it is called -----
 a) Error of recording b) Error of omission
 c) Error of principle d) Error of commission
- 5) Suspense Account is opened when ____ does not tally
 a) Balance sheet b) Trading account c) Profit and Loss d) Trial Balance

Q.4 State whether the following statements are True or False with reasons.

- 1) Trial Balance is prepared from the balance of ledger accounts.
- 2) A Trial Balance can agree in spite of certain errors.
- 3) Rectification entries are passed in Cash Book.
- 4) There is no need to open a Suspense Account if the Trial Balance agrees.
- 5) All the errors can be rectified only through Suspense Account.

Q.5 Do you agree or disagree with the following statements.

- 1) The unintentional omission or commission of amounts and accounts while recording the transactions are known as an error.
- 2) The errors committed due to wrong recording, wrong posting, wrong totalling, wrong balancing, wrong calculations are known as Arithmetical errors.
- 3) When one or more debit errors happen to equal one or more credit errors it is said to be a Compensating error.

- Q.6 Complete the following sentence.**

- ## PRACTICAL PROBLEMS

- 1) A credit sales of goods to Sanjay ₹ 3,000/- has been wrongly passed through the 'Purchase Book'.
- 2) A credit purchase of goods from Sheetal amounting to ₹ 2,000/- has been wrongly passed through the 'Sales Book'.
- 3) A return of goods worth ₹ 500/- to Umesh was passed through the 'Sales Return Book'.
- 4) A return of goods worth ₹ 900/- by Ganesh were entered in 'Purchase Return Book'.
- 5) Credit Purchases from Neha ₹ 10,000/- were recorded as ₹ 11,000/-

4. Rectify the Following errors

- 1) Paid Rent ₹ 2,000/- to Nikhil has been debited to his personal account.
- 2) Total of the Sales Return Book is wrongly taken more by ₹ 200/-
- 3) Goods sold to Dhanraj ₹ 6,500/- on credit was not posted to his personal account.
- 4) Old Computer purchased was debited to Repairs account ₹ 8,000/-
- 5) Repairs to Furniture of ₹ 500/- has been debited to Furniture account.

5. Rectify the Following errors

- 1) Wages paid for construction of Building ₹ 10,000/- was wrongly debited to Wages Account.
- 2) Cash received from Patel ₹ 5,000/- though recorded in Cash Book was not posted to his personal account in the Ledger.
- 3) Sold goods worth ₹ 9,000/- to Rohini has been wrongly debited to Mohini's Account.
- 5) Material purchased for construction of Building was debited to Purchase Account ₹5,000/-

6. There was a difference of ₹ 1,230/- in a Trial Balance. It was placed on the Debit side of Suspense A/c. Later on the following errors were discovered. Pass rectifying entries and prepare Suspense A/c.

- 1) Sales Book was overcast by ₹ 1,000/-
- 2) Goods sold to Aarti for ₹ 4,400/- has been posted to her account as ₹4,000/-
- 3) Purchases Book was overcast by ₹100/-
- 4) An amount of ₹ 500/- received from Ranjeet, has not been posted to his account.
- 5) Goods sold to Sameer for ₹ 750/- were recorded in Purchase Book.
- 6) An amount of ₹ 500/- has been posted to the credit side of Commission Account instead of ₹ 570/-

7. A book-keeper finds that the debit side of the Trial Balance is short of ₹ 308/- and so for the time being, he balance of the side by putting the difference to Suspense Account. The following errors were disclosed.

- 1) The debit side of purchases account was undercast by ₹100/-
- 2) ₹ 100/- being the monthly total of discount allowed to customer were credited to discount account in the ledger.
- 3) An entry for goods sold of ₹ 102/- to Mihir was posted to his account as ₹ 120/-
- 4) ₹ 26/- appearing in the Cash Book as paid for the purchase of Stationery for office use have not been posted to Ledger.
- 5) ₹ 275/- paid by Mihir were credited to Mithali's Account.

You are required to make the necessary Journal Entries and the Suspense Account.

8. Trial Balance of Anurag did not agree. It showed an excess credit of ₹ 6,000/-. He put the difference to Suspense Account. He discovered the following errors.

- 1) Cash received from Ramakant ₹ 8,000/- posted to his account as ₹6,000/-
- 2) Credit purchases from Naman ₹ 7,000/- were recorded in Sales Book. However, Naman's Account was correctly credited.
- 3) Return Inwards Book overcast by ₹ 1,000/-

- 4) Total of Sales Book ₹ 10,000/- was not posted to Sales Account.
 - 5) Machinery purchased for ₹ 10,000/- was posted to Purchases Account as ₹ 5,000/-.
- Rectify the errors and prepare Suspense Account.

9. There was an error in the Trial Balance of Mr. Yashwant on 31st March 2019, and the difference in Books was carried to a Suspense Account. On going through the Books you found that.

- 1) ₹ 1,000/- being purchases return were posted to the debit of Purchase Account.
- 2) ₹ 4,000/- paid to Badrinath was debited to Kedarnath's Account.
- 3) ₹ 5,400/- received from Kishor was posted to the debit of his account.
- 4) Discount received ₹ 2,000/- was posted to the debit of Discount Allowed Account.
- 5) ₹ 2,740/- paid to Repairs to Motor Cycle was debited to Motor Cycle Account ₹ 1,740/-

Give Journal Entries to rectify the above errors and ascertain the amount transferred to Suspense Account on 31st March, 2019 by showing the Suspense Account, assuming that the Suspense Account is balanced after the above corrections.

10. Rectify the following errors.

- 1) Goods purchased from Kishor ₹ 700/- was passed through Sales Book.
- 2) An item of ₹ 120/- in respect of purchase returns, has been wrongly entered in the Purchase Book.
- 3) Amount payable to Subhash for repairs done to Printer ₹ 180/- and new Printer supplied for ₹ 1,920/- , were entered in the Purchase Book as ₹ 2,000/-
- 4) Returned goods to Nitin ₹ 1,500/- was passed through Returns Inward Book.
- 5) An item of ₹ 450/- relating to Prepaid Rent account was omitted to be brought forward.

