

CBSE Test Paper 04
Ch-8 Trial Balance & Rectification Errors

1. If the amount is posted in the wrong account or it is written on the wrong side of the account, what is the error called?
2. What is one-sided error?
3. What is two-sided error?
4. Trial balance is an account or a statement?
5. Explain the errors of commission and give two examples with measures to rectify them.
6. Pass the necessary journal entries to rectify the following errors
 - i. Credit sale of Rs.1,700 to Raj was recorded as sales to Aryan.
 - ii. Credit sale of Rs.1,700 to Nisha was recorded as sale to Vishu as Rs.7,100.
 - iii. Credit sale of old machinery to Sohan for Rs.1,700 was entered in the sales book for Rs.7,100.
7. Rectify the following errors
 - i. Salary paid Rs 5,000 was debited to employee's personal account.
 - ii. Rent paid Rs 4,000 was posted to landlord's personal account.
 - iii. Goods withdrawn by proprietor for personal use Rs 1,000 were debited to sundry expenses account.
 - iv. Cash received from Kohli Rs 2,000 was posted to Kapur's account.
 - v. Cash paid to Babu Rs 1,500 was posted to Sabu's account.
8. Trial balance of Kohli did not agree and showed an excess debit of Rs 16,300. He put the difference to a suspense account and discovered the following errors.
 - i. Cash received from Rajat Rs 5,000 was posted to the debit of Kamal as Rs 6,000.
 - ii. Salaries paid to an employee Rs 2,000 were debited to his personal account as Rs 1,200.

- iii. Goods withdrawn by proprietor for personal use Rs 1,000 were credited to sales account as Rs 1,600.
 - iv. Depreciation provided on machinery Rs 3,000 was posted to machinery account as Rs 300.
 - v. Sales of old car for Rs 10,000 was credited to sales account as Rs 6,000. Rectify the errors and prepare suspense account.
9. Rectify the following errors and ascertain the amount of difference in trial balance by preparing suspense account.
- i. Credit sales to Mohan Rs 7,000 were posted as Rs 9,000.
 - ii. Credit purchase from Rohan Rs 9,000 were posted as Rs 6,000.
 - iii. Goods returned to Rakesh Rs 4,000 were posted as Rs 5,000.
 - iv. Goods returned from Mahesh Rs 1,000 were posted as Rs 3,000.
 - v. Cash sales Rs 2,000 were posted as Rs 200.
10. You are presented with a trial balance showing a difference, which has been carried to suspense account and the following errors are revealed
- i. Rs 350 paid in cash for a typewriter was charged to office expenses account.
 - ii. Goods amounting to Rs 660 sold to Arun, were correctly entered in the sales book but posted to Arun's Account as Rs 760. The total sales for the month were overcast by Rs 1,000.
 - iii. Goods worth Rs 130 returned by Monu, were entered in the sales book and posted therefrom to the credit of Monu's personal account.
 - iv. Goods sold for Rs 1,240 and debited on 20th December to Naina, were returned by him on 23rd and taken into stock on 31st December, no entries being made in the books for return.
 - v. Sales return book was overcast by Rs 100.

Journalise the necessary corrections and raise suspense account, assuming that there are no other errors.

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Answer

1. Error of commission. A mistake that consists of doing something wrong, such as including a wrong amount, or including an amount in the wrong place can be termed as error of commission.
2. One side error refers to those errors that do have an impact on the agreement and tallying of the trial balance. Such errors can be rectified.
3. Two-sided errors are those errors, that have been committed on both sides i.e., debit and credit. These errors refer to those errors that do not affect the agreement (tallying) of the trial balance.
4. Trial balance is a statement not an account. It is a statement showing the names and balances of all the accounts in the ledger and in the cash book.
5. These are the errors, which are committed due to wrong posting of transactions, wrong to tallying 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 accuracy of trial balance.

Errors of commission can be classified into the following

- i. **Error of Recording** This error arises when any transaction is incorrectly recorded in the books of original entry.
For example, Goods of Rs.1,000 purchased on credit from Raja are recorded in purchases book for Rs.10,000, now for correcting it purchase book is credited with Rs. 9,000.
- ii. **Error of Casting** It occurs when sum total of the line items in the balance sheet, income and expenditure or other financial statements or related disclosure notes is not equal to the sum total mentioned at the end of the column i.e., this error arises when a mistake is committed in totaling. This error affects the trial balance. For example, Sales book is totaled as Rs.1,000 instead of Rs.10,000, now

for correcting it Suspense account is debited with Rs. 9,000.

6.

Date	Wrong Entry	L.F.	Amount (Dr)	Amount (Cr)	Correct Entry	L.F.	Amount (Dr)	Amount (Cr)	Rectified Entry	L.F.	Amount (Dr)	Amount (Cr)
(i)	Aryan		1,700		Raj		1,700		Raj	Dr	1,700	
	To Sales A/c (Being goods sold wrongly recorded)			1,700	To Sales A/c (Being goods sold to raj correct entry)			1,700	To Aryan (Being the credit sale of Rs. 1,700 to Raj recorded as sales to Aryan, now rectified)			1,700
(ii)	Vishnu		7,100		Nisha		1,700		Sales A/c	Dr	5,400	
									Nisha	Dr	1,700	
	To sales A/c (Being goods sold wrongly recorded)			7,100	To Sales A/c (Being goods sold to Nisha correct entry)			1,700	To Vishu (Being the credit sale of Rs.1,700 to Nisha recorded as sale to Vishu as Rs.7,100, now rectified)			7,100
(iii)	Sohan		7,100		Sohan		1,700		Sales A/c	Dr	7,100	
									To Sohan			5,400
									To Machinery A/c			

To Sales A/c (Being machinery sold wrongly recorded)	7,100	To Machinery A/c (Being machinery sold correct entry)	1,700	(Being the credit sale of machinery to Sohan for Rs.1,700 entered in the sales book as Rs.7,100 now rectified)	1,700
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7.

Rectification Entries in Journal

Date	Particulars	LF	Amt(Dr)	Amt(Cr)
	Salaries A/c	Dr	5,000	
	To Employee's Personal A/c (Being salary paid to employee Rs 5,000, wrongly debited to his personal account, now rectified)			5,000
	Rent A/c	Dr	4,000	
	To Landlord's Personal A/c (Being rent paid to landlord Rs 4,000, wrongly posted to landlord's personal account, now rectified)			4,000
	Drawings A/c	Dr	1,000	
	To Sundry Expenses A/c (Being goods withdrawn by the proprietor for his personal use Rs 1,000 was wrongly debited to sundry expenses, now rectified)			1,000
	Kapur's capital A/c	Dr	2,000	
	To Kohli's Capital A/c			

	(Being cash received from Kohli, recorded in Kapur's account, now rectified)			2,000
	Babu's capital A/c	Dr	1,500	
	To Sabu's Capital A/c (Being cash paid to Babu was posted wrongly to Sabu's account, now rectified)			1,500

In the first entry, Salaries paid to an employee is a nominal account, therefore, salaries account should be debited. In the Second entry, Rent paid to the landlord is a nominal account, therefore, the rent account should be debited. In the third entry, the drawings account has been debited since the goods withdrawn for personal use is treated as drawings by the proprietor. In the fourth entry, cash, when received from Kohli, should be credited to Kohli's account. In the last entry, when cash is paid to Babu then Babu's account should be debited. All the above errors are two-sided errors and moreover errors of principle, therefore, there has been a rectifying effect on both the accounts.

This is how the rectifying entries have been passed.

8. Rectification Entries in Journal

Date	Particulars		L/F	Debit Amount (Rs)	Credit Amount (Rs)
	Suspense A/c To Rajat's A/c To Kamal's A/c (Being cash received from Rajat Rs 5,000, wrongly debited to Kamal's account as Rs 6,000, now rectified)	Dr		11,000	5,000 6,000
	Salaries A/c To Employee's A/c To Suspense A/c				1,200

	(Being salary paid Rs 2,000, wrongly entered in employee's personal account as Rs 1,200, now rectified)	Dr		2,000	800
	Sales A/c To Purchase A/c To Suspense A/c (Being goods withdrawn by proprietor Rs 1,000 wrongly credited to sales account as Rs 1,600, now rectified)	Dr		,600	1,000 600
	Suspense A/c To Machinery A/c (Being depreciation charged on machinery Rs 3,000 wrongly credited to machinery accounts Rs 300, now rectified).	Dr		2,700	2,700
	Sales A/c Suspense A/c To Car A/c (Being sales of old car for Rs 10,000 wrongly posted in sales account as Rs 6,000, now rectified)	Dr Dr		6,000 4,000	10,000
	Total			27,300 =====	27,300 =====

Suspense Account

Date	Particulars	J/F	Amount (Rs)	Date	Particulars	J/F	Amount (Rs)
	To Rajat's A/c		5,000		By Balance b/d		16,300
	To Kamal's A/c		6,000		By Salaries A/c		800
	To Machinery A/c		2,700		By Sales A/c		600

	To Car A/c		4,000				
			17,700				17,700
			=====				=====

In accounting practice there are some definite methods to rectify the accounting errors. These are based on accounting practices and procedures. Rectification of errors using these methods is called rectification of accounting errors.

9. The Journal entries for the Rectification of above errors are as follows:

Journal

Date	Particulars		LF	Amt(Dr)	Amt(Cr)
	Suspense A/c	Dr		2,000	
	To Mohan (Being rectification entry for the credit sales to Mohan for Rs 7,000, wrongly posted in his personal account as Rs 9,000)				2,000
	Suspense A/c	Dr		3,000	
	To Rohan (Being rectification entry for the credit purchase from Rohan for Rs 9,000, wrongly posted in his personal account as 6,000)				3,000
	Suspense A/c	Dr		1,000	
	To Rakesh (Being rectification entry for the goods returned to Rakesh Rs 4,000, wrongly posted as Rs 500)				1,000
	Mahesh	Dr		2,000	
	To Suspense A/c (Being goods returned from Mahesh for Rs 1,000, wrongly posted as Rs 3,000, now rectified)				2,000

	Suspense A/c	Dr	1,800	
	To Sales A/c (Being cash sales for Rs 2,000 wrongly posted as Rs 200, now rectified)			1,800

The Suspense Account of the above errors will be prepared in the following manner:

Suspense Account

Dr							Cr
Date	Particulars	JF	Amt(Rs)	Date	Particulars	JF	Amt(Rs)
	To Mohan		2,000		By Mahesh		2,000
	To Rohan		3,000		By Balance c/d(Difference as per Trial Balance)		5,800
	To Rakesh		1,000				
	To Sales A/c		1,800				
			7,800				7,800

10. When an error is committed in the books of accounts the same should be corrected to show true numbers in financial statements. If the error is immediately identified it may be fixed by striking out the wrong entry and replacing it with a correct one. However, if the error is identified at a later stage, the correction should be made by passing a suitable journal entry, such entries used to fix an accounting error are called rectification entries.

Nowadays with software packages if a journal entry has been posted to the ledger it usually requires rectification entry, however, if it is still at a preliminary stage of validation it may still be corrected without the need of an additional entry. Errors are required to be rectified before finalization of books of account.

Journal Entries to Rectify the Errors

			Debit	Credit
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Date	Particulars	LF	Amount(Rs.)	Amount(Rs.)
1.	Office Equipments A/c Dr.		350	
	To Office Expenses A/c			350
	(Being cash paid for a typewriter, wrongly charged to Office expenses, now rectified)			
2.	Suspense A/c Dr.		100	
	To Arun A/c			100
	(Being Sale of Rs.660 to Arun wrongly entered in Arun's Account as Rs.770, now rectified)			
	Sales A/c Dr.		1,000	
	To Suspense A/c			1,000
	(Being Sales book overcast by Rs.1,000, now rectified)			
3.	Sales Return A/c Dr.		130	
	Sales A/c Dr.		130	
	To Suspense A/c			260
	(Being goods returned from Monu, wrongly entered in sales book and entered to the credit side of Monu, now rectified)			
4.	Sales Return A/c Dr.		1,240	
	To Naina A/c			1,240
	(Being Goods returned by Naina omitted, now entered in the books of accounts)			
5.	Suspense A/c Dr.		100	
	To Sales Return A/c			100

	(Being sales return book overcast by Rs.100, now rectified)			
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A suspense account is a general ledger account in which amounts are temporarily recorded. The suspense account is used because the appropriate general ledger account could not be determined at the time that the transaction was recorded.

As soon as possible, the amount(s) in the suspense account should be moved to the proper account(s).

An accountant was instructed to record a significant number of journal entries written by the controller of a large company. Unfortunately, there was one amount that did not have an account designated. In order to complete the assignment by the deadline, the accountant recorded the "mystery" amount in the general ledger Suspense account. When the controller is available, the accountant will get clarification and will move the amount from the Suspense account to the appropriate account.

Particulars	Amount(Rs.)	Particulars	Amount(Rs.)
To Arun A/c	100	By Sales A/c	1,000
To Balance c/d	1,260	By Sales Return A/c	130
		By Sales A/c	130
		By Sales Return A/c	100
Total	1,360	Total	1,360