

**CBSE Test Paper 05**  
**Ch-8 Trial Balance & Rectification Errors**

1. Give two example of compensating error.
2. Is it correct to say that trial balance facilitates the preparation of financial statements?
3. State one importance of trial balance.
4. Give two examples of errors of commission.
5. Explain compensating errors and give atleast one example of such errors.
6. Is a trial balance an absolute proof of the accuracy of books of accounts?
7. 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 not posted.
  - ii. Credit purchase from Rohan Rs 9,000 were not posted.
  - iii. Goods returned to Rakesh Rs 4,000 were not posted.
  - iv. Goods returned from Mahesh Rs 1,000 were not posted.
  - v. Cash paid to Ganesh Rs 3,000 was not posted.
  - vi. Cash sales Rs 2,000 were not posted.
8. Rectify the following errors assuming that there is no Suspense Account-
  - i. Salary of Rs.5,000 paid to Rahul was not posted to Salaries Account.
  - ii. Sales to Amrish of Rs.1,430 posted to his account as Rs.1,340.
  - iii. Sales to Vijay Rs.2,470 posted to his account as Rs.2740.
  - iv. Purchases from Pal of Rs.1,430 posted to his account as Rs.1340.
9. From the following list of balances extracted from the books of Shri Sahiram. Prepare a trial balance as at 31st March, 2013

Name of Accounts	Amt (Rs.)	Name of Accounts	Amt (Rs.)
Stock on 1st April, 2012	22,000	Investments	30,000
Purchases	2,57,500	Interest on Investment	2,700

Sales	3,61,800	Cash and Bank Balance	1,240
Carriage Inwards	300	Premises	60,000
Carriage Outwards	120	Fixtures	14,000
Return Inwards	8,500	Miscellaneous Expenses	520
Return Outwards	2,000	Miscellaneous Income	140
Debtors	32,000	Loan from Axis Bank	25,000
Creditors	17,400	Interest on above Loan	3,000
Bad Debts	600	Capital	70,000
Stationery	420	Proprietor's Withdrawals	6,000
Insurance	340	Computers	9,000
Wages and Salaries	18,500	Goodwill	15,000
		Stock on 31st March, 2013 (not adjusted)	31,000

10. On going through the trial balance of Vardhman Ltd you find that the debit is in excess by Rs 150. This was credited to suspense account. On a close scrutiny of the books the following mistakes were noticed.
- The total of debit side of 'expenses account' have been cast in excess by Rs 50.
  - The 'sales account' has been totalled in short by Rs 100.
  - One item of purchase of Rs 25 has been posted from the day book to ledger as Rs 250.
  - The sale return of Rs 100 from a party has not been posted to that account though the party's account has been credited.
  - A cheque of Rs 500 issued to the suppliers' account (shown under sundry creditors) towards his dues has been wrongly debited to the purchases.
  - A credit sale of Rs 50 has been credited to the sales and also to the sundry debtors account.
    - Pass necessary journal entries for correcting the above.
    - Prepare the 'suspense account' as it would appear in the ledger.

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**Answer**

1. Compensating error refers to the error that arises when two or more errors are recorded in a manner in which the total impact of the recorded errors is nullified in the trial balance.
  - i. Sales of Rs.10,000 recorded as Rs.1,000.
  - ii. Purchases of Rs.10,000 recorded as Rs.1,000.
2. Yes, it is absolutely true that the trial balance helps in preparing the financial statements by making available the balance of all the accounts at one place. Furthermore, it also helps in checking the arithmetic accuracy of the accounts.
3. Trial balance is an important financial tool to check the arithmetical accuracy of posting of ledger accounts. Trial Balance helps professional accountant to balance both debit and credit items of income, expenses, assets and liabilities.
4. The errors which are committed due to the wrong posting of transactions, wrong totalling or balancing of the accounts, wrong casting of the subsidiary books, or wrong recording of the amount in the books of original entry, etc. are called errors of commission.
  - i. Recording purchases of goods for Rs.5,000 as Rs.50,000.
  - ii. Cash balance of Rs.1,000 carried forward as Rs.10,000.
5. **Compensating Errors:-** When two or more errors are committed in such away that the net effect of these errors on the debits and credits of accounts is nil or nullified, such errors are called compensating errors. These errors can be difficult to spot when they occur within the same account and in the same reporting period, since the net effect is zero. A statistical analysis of an account may not find a compensating error. These errors do not affect the tallying of trial balance.

For example, If the total of purchase book is posted in the ledger as Rs.10,000 instead

of Rs.1,000 and at the same time Varsha's account is credited in the ledger as Rs.10,000 instead of Rs.1,000, as a result of these two errors done, there is an excess credit of Rs.9,000 in Varsha's account and an excess debit of Rs.9,000 in purchases account. Thus, these two errors nullify the effects of each other.

6. The agreement of the two sides of the trail balances, though of prima facie test of arithmetical accuracy, is not a conclusive or absolute proof of the accuracy of the entries in the books of original entry and their postings to the ledger. In other words, the trial balance may agree without disclosing certain errors.

#### 7. Rectification Entries in Journal

Date	Particulars		L/F	Debit Amount (Rs)	Credit Amount (Rs)
	Mohan's A/c To Suspense A/c (Being goods sold to Mohan on credit were not posted in his personal account, now rectified)	Dr		7,000	7,000
	Suspense A/c To Rohan's A/c (Being goods purchased from Rohan were not posted in his personal account, now rectified)	Dr		9,000	9,000
	Rakesh's A/c To Suspense A/c (Being goods returned to Rakesh were not posted to his personal account, now rectified)	Dr		4,000	4,000
	Suspense A/c To Mahesh's A/c (Being goods returned by Mahesh were not posted to his personal account, now rectified)	Dr		1,000	1,000
	Ganesh's A/c				

	To Suspense A/c (Being cash paid to Ganesh was not posted to his personal account, now rectified)	Dr		3,000	3,000
	Suspense A/c To Sales A/c (Being cash sales was not posted to sales account, now rectified)	Dr		2,000	2,000
	Total			26,000 =====	26,000 =====

### Suspense Account

Date	Particulars	J/F	Amount (Rs)	Date	Particulars	J/F	Amount (Rs)
	To Rohan's A/c		9,000		By Mohan's A/c		7,000
	To Mahesh's A/c		1,000		By Rakesh's A/c		4,000
	To Sales A/c		2,000		By Ganesh's A/c		3,000
	To Balance c/d		2,000				
			14,000 =====				14,000 =====

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.

8.

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Date	Particulars		L/F	Dr. (Rs.)	Cr.(Rs.)
(i)	Salary A/c	Dr.		5,000	
	To Suspense A/c				5,000
	(Being salary paid, not posted.)				

(ii)	Amrish	Dr.	90	
	To Suspense Ac			90
	(Being short amount posted.)			
(iii)	Suspense A/c	Dr.	270	
	To Vijay			
	(Being Vijay's a/c over posted.)			
(iv)	Suspense A/c	Dr.	90	
	To Pal			90
	(Being Pal's a/c under credited posted.)			

9. The trial balance of Shri Sahiram will be prepared as under:

**Trial Balance**  
as on 31st March, 2013

Name of Accounts	LF	Dr. Balance (Rs.)	Cr. Balance (Rs.)
Opening Stock on 1st April, 2012		22,000	
Purchases		2,57,500	
Sales			3,61,800
Carriage Inwards		300	
Carriage Outwards		120	
Return Inwards		8,500	
Return Outwards			2,000
Debtors		32,000	
Creditors			17,400
Bad Debts		600	

Stationery		420	
Insurance		340	
Wages and Salaries		18,500	
Investments		30,000	
Interest on Investments			2,700
Cash and Bank Balance		1,240	
Premises		60,000	
Fixtures		14,000	
Miscellaneous Expenses		520	
Miscellaneous Income			140
Loan from Axis Bank			25,000
Interest on Loan		3,000	
Capital			70,000
Proprietor's Withdrawals (Drawings)		6,000	
Computers		9,000	
Goodwill		15,000	
<b>Total</b>		<b>4,79,040</b>	<b>4,79,040</b>

Value of Closing Stock on 31st March, 2013 is Rs.31,000

Note: The amount of Closing Stock has not been adjusted from the Purchases account. Hence, it has been shown outside the trial balance.

10. The entries for the rectification of the errors are as follows:

### Journal

				Dr.	Cr.
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Date	Particulars		LF	(₹)	(₹)
	Suspense A/c	Dr.		50	
	To Expenses A/c (Being rectification of overcasting of expenses account)				50
	Suspense A/c	Dr.		100	
	To Sales A/c (Being rectification of the under casting of the sales account)				100
	Creditors A/c	Dr.		225	
	To Suspense A/c (Being the mistake in posting from day book to ledger, now rectified)				225
	Sales Returns A/c	Dr.		100	
	To Suspense A/c (Being rectification of the omission of posting to sales return account)				100
	Sundry Creditors A/c	Dr.		500	
	To Purchases A/c (Being the payments made to supplier wrongly posted to purchases, now rectified)				500
	Sundry Debtors A/c	Dr.		100	
	To Suspense A/c (Being the sales wrongly credited to customer's account, now rectified)				100

The Suspense Account will be prepared in the following manner:

### Suspense Account

[illegible]

Dr							Cr
Date	Particulars	JF	Amt(₹)	Date	Particulars	JF	Amt((₹)
	To Expenses A/c		50		By Difference in Trial Balance		150
	To Sales A/c		100		By Sundry Creditors		225
	To Balance c/d		425		By Sales Returns A/c		100
					By Sundry Debtors		100
			575				575