

## **Rectification of Errors**

### **Errors- Meaning and Types**

#### **Objectives**

After going through this lesson, you shall be able to understand the following concepts.

- Meaning of Errors
- Types of Errors
- Steps to detect errors in the Trial Balance
- Alternate Classification of Errors
- Golden Rule of Rectification

#### **Introduction**

In the previous lesson we have learnt the preparation of Trial Balance. A tallied Trial Balance although ensures arithmetical accuracy of the recording of business transactions but on this basis it cannot be concluded that the Trial Balance is an error free statement. Some errors may still remain in the accounting records even if Trial Balance is tallied. In this lesson, we will discuss about these errors and also how to locate them in Trial Balance.

#### **Meaning of Errors**

Errors in simple terms are unintentional mistakes committed at the time of recording any business transactions or at the time of their posting in the Ledger Accounts. Examples of these errors are recording of wrong amount, recording in wrong account (Ledger), posting in wrong ledger, or incorrect calculations. These errors may or may not affect the agreement of Trial Balance. But still these errors must be identified and corrected because their presence will give an inaccurate and unreliable picture of the Books of accounts.

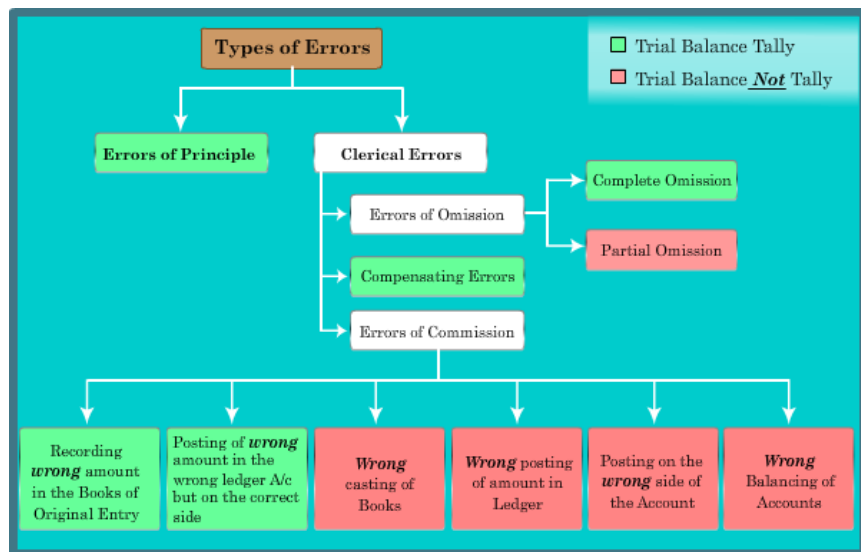
#### **Types of Errors**

Errors can be broadly classified as:

- (i) Errors of Principle
- (ii) Clerical Errors

Clerical errors can further be classified as:

- (a) Errors of Omission
  - 1) Partial Omission
  - 2) Complete Omission
- (b) Errors of Commission
- (c) Compensating Errors



(i) **Errors of Principle:** If a business transaction is recorded without following right accounting principles then the error it will create will be called as Errors of Principle. **For example-** Purchased goods worth Rs 5,000 in cash from Ravi, while recording this transaction instead of crediting Cash Account, Ravi's Personal Account is credited. So, this is an Error of Principle as Cash Purchases has been recorded as Credit Purchases. In the books their entries are somewhat like this:

Journal Books of .....			Journal Books of .....			Journal Books of ....		
Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)
Wrong Entry passed Purchases A/c Dr. To Ravi	5,000	5,000	Correct Entry that should have been passed Purchases A/c Dr. To Cash A/c	5,000	5,000	Rectifying Entry Ravi Dr. To Cash A/c	5,000	5,000

**Example** Wages paid of Rs 2,500 for installation of Machinery is debited to Wages Account: In this case instead of capitalising wages in the Machinery Account it is separately charged to the Wages Account, this show wrong application of accounting principle as Capital Expenditure (wages paid on installation) is treated as Revenue Expenditure (charged to Wages Account). So, entries are

Journal Books of ....			Journal Books of .....			Journal Books of ....		
Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)
Wrong Entry passed Wages A/c Dr. To Cash A/c	2,500	2,500	Correct Entry that should have been passed Machinery A/c Dr. To Cash A/c	2,500	2,500	Rectifying Entry Machinery A/c Dr. To Wages A/c	2,500	2,500

(ii) **Clerical Errors**

These errors arise due to the mistakes committed in ordinary course of accounting work. These can further be divided into three types of errors:

- (a) **Errors of Omission:** Whenever any transaction is altogether omitted to be recorded in the books then such type of an error will be called as Errors of Omission. These types of errors don't affect Trial Balance as such transaction is not at all recorded so neither debit nor credit aspect of transaction has been considered. If transaction is although recorded but omitted to be posted in their respective ledger accounts then such an error is also termed as Errors of Omission.

These errors are of two types:

- (1) **Complete Omission:** When a business transaction is in total omitted to be recorded in the books of accounts it will be called as Complete Omission. Such errors don't affect Trial Balance.

**Example** Payment to Suresh one of the creditors for Rs 4,500 is not recorded in the books. This is an error of complete omission as transaction is totally omitted to be recorded. It can be rectified by recording this transaction in the books:

Books of ..... Journal			Books of..... Journal			Books of .... Journal		
Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)
Wrong Entry passed No Entry Was Passed Dr.			Correct Entry that should have been passed Suresh A/c Dr. To Cash A/c	4,500	4,500	Rectifying Entry Suresh A/c Dr. To Cash A/c	4,500	4,500

- (2) **Partial Omission:** These types of errors are generally committed at the time of posting of transactions in the relevant Ledger Accounts. For example goods purchased in cash of Rs 5,000, duly recorded in the books. At the time of its posting Ledger of Cash Account was appropriately credited but no entry has been made in Purchases Account. So this is an Error of partial omission it can be rectified by writing on the debit side of Purchases Account as "Omission in posting of transaction" with Rs 5,000. Can you see there is a slight difference in the rectification of this error from above errors?? Here we didn't pass rectified entry this is because error is made at the time of Posting and not at the time of Recording. Therefore, it is rectified by correcting that Ledger Account in which such an error has been made.

- (b) **Errors of Commission:** These errors are commonly known as Clerical errors. As these errors are related to wrong recording of amount, wrong totaling, wrong calculation, wrong balancing of Ledgers etc. All these errors are either recorded wrongly or they may be recorded correctly but incorrectly posted in the Ledger Account.

**Example** Goods purchased from Sajid of Rs 1,050 but recorded in the book with Rs 1,500. In this case entry is to be recorded with Rs 1,050 but it is wrongly recorded with Rs 1,500, this means transaction is recorded with an excess amount of Rs 450 (1,500 – 1,050). Therefore to rectify this error we will reverse this transaction with an excess amount of Rs 450. Entries are

Books of ..... Journal			Books of..... Journal			Books of .... Journal		
Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)
Wrong Entry passed Purchases A/c Dr. To Sajid	1,500	1,500	Correct Entry that should have been passed Purchases A/c Dr. To Sajid	1,050	1,050	Rectifying Entry Sajid Dr. To Purchases A/c	450	450

**Example** Goods sold to Rishi for Rs 4,500 were entered in the Purchases Book. In this case Goods were sold for Rs 4,500 to Rishi but instead of recording in the Sales Book it was entered in the Purchases Book. This means instead of Debiting Rishi and Crediting Sales Account with Rs 4,500 we have debited Purchases Account and credited Rishi Account with Rs 4,500. Therefore to rectify this we will debit Rishi Account with Rs 9,000 (4,500 + 4,500) and Credit Sales A/c with Rs 4,500 as well as Purchases Account with Rs 4,500.

Books of ..... Journal			Books of ..... Journal			Books of ..... Journal		
Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)
<b>Wrong Entry passed</b> Purchases A/c Dr. To Rishi	4,500	4,500	<b>Correct Entry that should have been passed</b> Rishi Dr. To Sales A/c	4,500	4,500	<b>Rectifying Entry</b> Rishi Dr. To Sales A/c To Purchases A/c	9,000	4,500 4,500

(c) Compensating Errors: Compensating Errors are those errors in which effect of one error is compensated by the effect of another error or errors with the same amount. So in this way two different errors simultaneously counterbalance effect of each other. These errors do not affect Trial Balance.

**Example:**

The following are the three compensating errors:

- The total of one page of Purchases Book was carried forward as 1,298 instead of 1,928.
- Goods purchased from Mahesh for Rs 500 was debited to his account as Rs 50
- The total of Sales Return Book was overcast by Rs 80.

These three errors compensate each other. Therefore, in order to rectify such errors, we don't open Suspense Account (as they don't affect the Trial Balance). In fact, such errors nullify their mutual error-effects. The following is the rectifying Journal entry for the above compensating errors.

Purchases A/c	630	
To Sales Return A/c		80
To Mahesh		550

In this example, Purchases Book was debited short by Rs 630 (i.e. 1,928 – 1,298) which has to be debited now. In the second point, instead of crediting Mahesh's Account with Rs 500, his account was debited with Rs 50. So, total amount to be credited is Rs 550 (500 + 50). Finally, in the third point, Sales Return Book was overcast by Rs 80 which is to be rectified by debiting this account.

**Steps to Locate Errors in the Trial Balance**

The following are the steps to be considered to locate the errors.

- First of all check the totals of Debit balance Column and Credit balance Column of the Trial Balance.
- Check whether all Ledgers Accounts (having any amount of Closing Balances) have been entered in the Trial Balance with correct amount. Also verify correctness of closing balances of Ledger Account.
- After above two steps if errors are still not identified then calculate exact difference amount. Try to find this difference amount with the help of some calculation techniques such as:
  - Make the difference amount half by dividing it by 2. Then check whether any Ledger Account equal to this amount is appearing in the Trial Balance.
  - Check whether difference amount is completely divisible by number 9. If yes! Then, any one of the amount is not written correct. For e.g. difference is of 90 and it is divisible by 9 so it could happen that amount of 450 is written as 540.
  - Also if difference amount is like Rs 100, 1,000 or 10,000 then there are chances that it may be due to error in totaling.
- Even after above steps errors is not found then check the total of original books (Purchase book, Sales Book, Purchase Return Book and Sales Return Book) as well posting of this total in their respective Accounts on correct side. Such as whether Purchases Book total is correctly posted on debit side of Purchases Account with correct amount or not.
- Special attention must be given to compounding entries and their posting in the relevant ledgers.

**Alternate Classification of Errors**

From another point of view we can classify the errors into two categories:

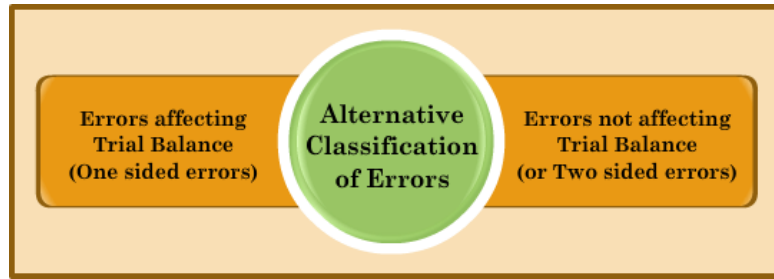
- 1) Errors affecting Trial Balance (or one sided errors)
- 2) Errors not affecting Trial Balance (or two sided errors)

#### **Errors affecting Trial Balance (or One Sided Errors)**

These are those errors that affect the agreement of a Trial Balance. Such errors are generally one sided errors as they effect only one side of Trial Balance and due to this the debit side of the Trial Balance does not match with the credit side of the Trial Balance.

#### **Errors not affecting Trial Balance (or Two Sided Errors)**

Agreement of Trial Balance never concludes that it is free from any error. Tallied Trial Balances gives arithmetical accuracy but cannot ensure that all accounting has been correctly done. There are always chances of presence of certain errors that although doesn't affect total of Trial Balance but affects accounting accuracy.



#### **Example:**

Identify from the following the types of errors.

- (i) Motor Car expenses entered in Motor car Account
- (ii) Sales to A. Raju entered in A Raja account
- (iii) Sales of Rs 50,000 to Raman completely omitted from books
- (iv) Purchase of Building entered in Purchases Account
- (v) Salary paid to engineers for making addition to machinery amounting to Rs 6,00,000 were debited to the Salary Account
- (vi) Recording Purchases of goods amounting to Rs 5,00,000 as Rs 50,00,000
- (vii) Cash Balance of Rs 9,00,000 carried forward as Rs 90,00,000

#### **Solution**

- (i) Errors of Principle
- (ii) Errors of Commission
- (iii) Errors of Omission
- (iv) Errors of Principle
- (v) Errors of Principle
- (vi) Errors of Commission
- (vii) Errors of Commission

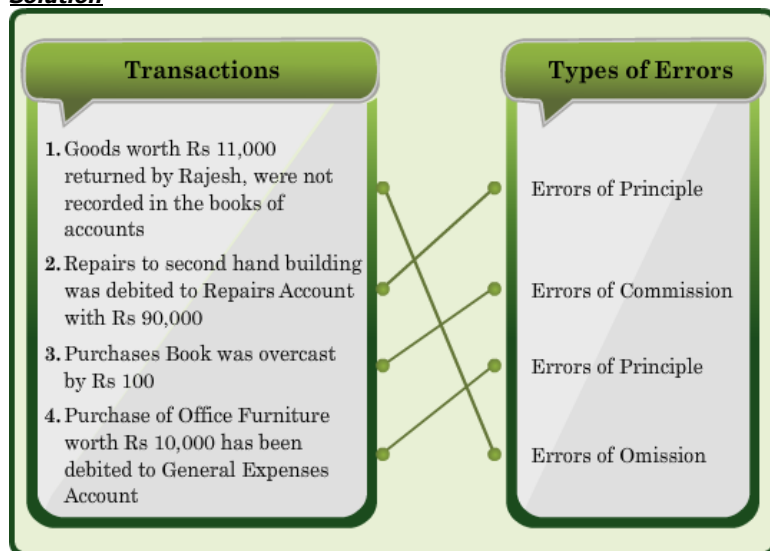
#### **Example:**

Match the following.

Transactions	Types of Errors
1) Goods worth Rs 11,000 were returned by Rajesh was not recorded in the books of accounts	a) Errors of Principle
2) Repairs to second hand building was debited to Repairs Account with Rs 90,000	b) Errors of Commission
3) Purchases Book was overcasted by Rs 100	c) Errors of Principle

4) Purchase of office furniture worth Rs 10,000 has been debited to General Expenses Account	d) Errors of Omission
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### **Solution**



Transactions	Types of Errors
1) Goods worth Rs 11,000 were returned by Rajesh was not recorded in the books of accounts	d) Errors of Omission
2) Repairs to second hand building was debited to repairs account with Rs 90,000	a) Errors of Principle
3) Purchases book was overcast by Rs 100	b) Errors of Commission
4) Purchase of office furniture worth Rs 10,000 has been debited to General Expenses account	c) Errors of Principle

### **Golden Rule of Rectification**

While solving a question of rectification of errors one must always follow a golden rule which is of 3 simple steps :

#### 1) Make Wrong Entry:

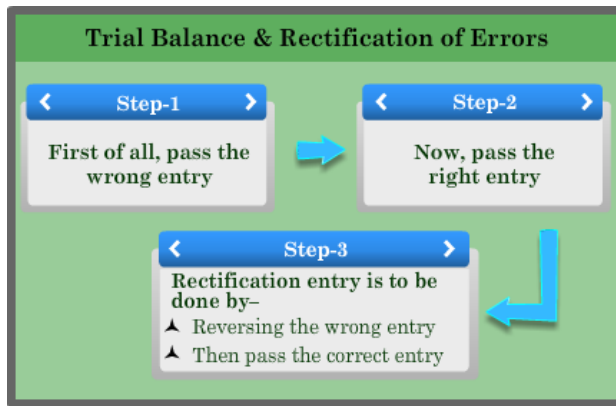
While solving a question of rectification of error a student must first of all pass a wrong journal entry in order to understand the error committed.

#### 2) Make Correct Entry:

After that the student must pass what should have been passed in the first place i.e. the correct entry in the books of account.

#### 3) Make the Rectification Entry:

By observing the first two steps a student must in the end pass a rectification entry by reversing the effect of a wrong entry and by passing a correct entry.



## Two Sided Errors and their Rectification

### Objective

After going through this lesson, you shall be able to understand how to rectify those errors that do not affect Trial Balance i.e. Two-Sided Errors.

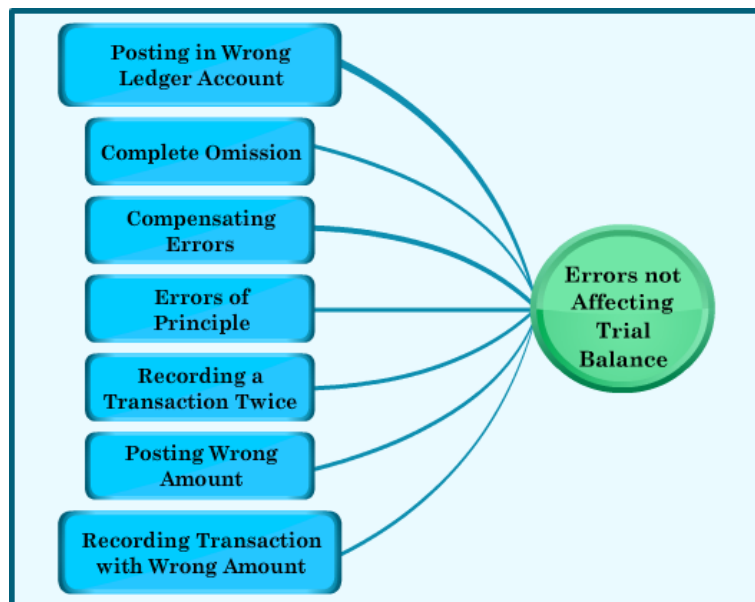
### Introduction

In the previous lesson we have learnt that what are errors, types of errors and how can we locate these errors in the Trial Balance. Now as you already know that errors may or may not affect trial balance. That means there are certain errors that effect tallying of debit and credit columns of the Trial Balance, these errors are commonly known as **one sided errors**. On the other hand, there are certain errors that do not affect Trial Balance these errors are commonly known as **two-sided errors**. In this lesson we will study various types of two-sided errors.

### Errors not affecting Trial Balance

Agreement of Trial Balance never concludes that it is free from any error. Tallied Trial Balances gives arithmetical accuracy but cannot ensure that all accounting has been correctly done. There are always chances of presence of certain errors that although doesn't affect total of trial balance but affects accounting accuracy. These errors are listed below:

- (1) Complete Omission
- (2) Compensating Errors
- (3) Error of Principle
- (4) Posting in wrong ledger account
- (5) Recording transaction with wrong amount
- (6) Recording a transaction twice
- (7) Posting wrong amount.



(1) **Complete Omission:** When a business transaction is totally omitted to be recorded in the books of accounts it will be called as Complete Omission. Such errors don't affect trial balance.

**Example** Payment to Suresh one of the creditors for Rs 4,500 is not recorded in the books. This is an error of complete omission as transaction is totally omitted to be recorded. It can be rectified by recording this transaction in the books:

Books of ..... Journal			Books of..... Journal			Books of .... Journal		
Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)
Wrong Entry passed No entry was passed Dr.			Correct Entry that should have been passed Suresh A/c Dr. To Cash A/c	4,500	4,500	Rectifying Entry Suresh A/c Dr. To Cash A/c	4,500	4,500

(2) **Compensating Errors:** Compensating errors are those errors in which effect of one error is compensated by the effect of another error or errors with the same amount. So in this way two different errors simultaneously counterbalance effect of each other. These errors do not affect Trial Balance.

**Example:**

The following are the three compensating errors:

a) The total of one page of Purchase Book was carried forward as 1,298 instead of 1,928.

b) Goods purchased from Mahesh for Rs 500 was debited to his account as Rs 50

c) The total of Sales Return Book was overcast by Rs 80.

These three errors compensate each other. Therefore, in order to rectify such errors, we don't open Suspense Account (as they don't affect the Trial Balance). In fact, such errors nullify their mutual error-effects. The following is the rectifying Journal entry for the above compensating errors.



Purchase A/c	630	
To Sales Return A/c		80
To Mahesh		550

In this example, Purchase Book was debited short by Rs 630 (i.e. 1,928 – 1,298) which has to be debited now. In the second point, instead of crediting Mahesh's Account with Rs 500, his account was debited with Rs 50. So, total amount to be credited is Rs 550 (500 + 50). Finally, in the third point, Sales Return Book was overcast by Rs 80 which is to be rectified by debiting this account.

- (3) **Error of Principle:** If a business transaction is recorded without following right accounting principles of accounting then the error it will create will be called as Error of Principle. For example Purchased goods worth Rs 5,000 in cash from Ravi, while recording this transaction instead of crediting Cash Account, Ravi's personal Account is credited. So this is an error of principle as Cash Purchases has been recorded as Credit Purchases. In books their entries are somewhat like this

Books of ..... Journal			Books of..... Journal			Books of .... Journal		
Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)
<b>Wrong Entry passed</b> Purchases A/c Dr. To Ravi	5,000	5,000	<b>Correct Entry that should have been passed</b> Purchase A/c Dr. To Cash A/c	5,000	5,000	<b>Rectifying Entry</b> Ravi A/c Dr. To Cash A/c	5,000	5,000

**Example** Wages paid of Rs 2,500 for installation of Machinery is debited to Wages Account: In this case instead of capitalising wages in the Machinery Account it is separately charged to the Wages Account, this show wrong application of accounting principle as Capital Expenditure (wages paid on installation) is treated as Revenue Expenditure (Charged to the Wages Account). Its entries are:

Books of ..... Journal			Books of..... Journal			Books of .... Journal		
Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)
<b>Wrong Entry passed</b> Wages Dr. A/c To Cash	2,500	2,500	<b>Correct Entry that should have been passed</b> Machinery Dr. A/c To Cash A/c	2,500	2,500	<b>Rectifying Entry</b> Machinery Dr. A/c To Wages A/c	2,500	2,500

- (4) **Posting in Wrong Ledger Account:** In such cases although business transaction has been correctly recorded in the books but at the time of their posting they are posted under wrong Ledger Account.

**Example:** Payment made to Ram of Rs 1,800 but at the time of posting instead of debiting Ram Account, Ramesh Account was debited with the same amount. Now this mistake has no effect on the trial balance as on the credit side of the Cash Account correct amount with correct head has been posted i.e Ram with Rs 1,800 but instead of posting Cash Account on the debit side of Ram Account, it has been posted wrongly on the debit side of Ramesh Account. Therefore, Trial Balance will not be affected by this error. It can be rectified By writing on the credit side of Ramesh Account and on the debit side of Ram Account "Posting in wrong head" with Rs 1,800.

- (5) **Recording Transactions with Wrong Amount:** In such cases error is made at the time of recording a transaction. Transactions are recorded with wrong amount. This error does not affect trial balance because both debit and credit aspect of transactions were recorded as well as posted with wrong but same amount

**Example:** Goods purchased from Sajid of Rs 1,050 but recorded in the book with Rs 1,500. In this case entry is to be recorded with Rs 1,050 but it is wrongly recorded with Rs 1,500, this means transaction is recorded with an excess amount of Rs 450 (1,500 – 1,050). Therefore, to rectify this error we will reverse this transaction with an excess amount of Rs 450. Entries are

Books of ..... Journal			Books of..... Journal			Books of .... Journal		
Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)
<b>Wrong Entry passed</b> Purchases A/c Dr. To Sajid	1,500	1,500	<b>Correct Entry that should have been passed</b> Purchases A/c Dr. To Sajid	1,050	1,050	<b>Rectifying Entry</b> Sajid Dr. To Purchases A/c	450	450

- (6) **Recording a Transaction Twice:** Sometimes transactions are recorded twice in the books with same amount. This error does not affect trial balance as recording a transaction twice will lead to excess debit and excess credit of two ledger account with same amount. Let’s take an example Salaries paid Rs 5,000, were entered twice. This implies that Salaries paid in cash has been entered twice in the books that result in excess debit of salary with Rs 5,000 and excess credit of Cash with Rs 5,000. So trial balance is not affected by this error, due to dual effect of the transaction. Therefore this error can be rectified by reversing entry in this way:

<b>Rectifying Entry</b>		
Cash Dr.	5,000	
To Salaries A/c		5,000

- (7) **Posting Wrong Amount:** Sometimes transactions are although recorded correctly in the books but at the time of posting wrong amount was posted in the relevant ledger accounts. These errors still not affect trial balance total because though wrong but same amount is posted in the relevant ledgers. Example of this is Purchased goods from Rajeev Rs 1,820 and correctly recorded in the book but at the time of posting instead of writing amount Rs 1,820 in both Accounts it is written as 1,280. This also not effect Trial Balance as both the Accounts (one with debit and other is credit) are with short amount *that means* Purchases A/c is in short debit of Rs 540 (1,820 – 1,280) and Rajeev is in short credit of Rs 540.

<b>Rectifying Entry</b>		
Purchases A/c Dr.	540	
To Rajeev		540

### Example

Identify the type of errors in the following transactions.

- 1) Delivery van purchased for business use shown in the books as delivery expenses.
- 2) Cash paid to Mr. Raja Rs 700, but shown as Rs 70 only.
- 3) Goods worth Rs 10,00,000 returned by Rajat were taken back in stock but the transaction was not recorded in the books of accounts.
- 4) Total of credit side of Prerna’s account is Rs 40,250 and debit side total is Rs 30,500 Here the balancing figure would be Rs 9,750 but recorded as Rs 9,570 . Hence it will increase Prerna’s balance by Rs 180.
- 5) Repairs to second hand building were debited to repairs account with Rs 25,000.
- 6) Total of Purchases book is carried forward as Rs 1,00,000 instead of Rs 10,000
- 7) Goods purchased from Dara Singh was recorded in the purchases book but no entry was made in Dara Singh’s Account. The purchases was worth Rs 7,00,000.

- 8) Kirti & sons dealer in furniture took a table set from the firm to their Dining room . The table set costs Rs 5,00,000 . This transaction was recorded as sales in the books of accounts.
- 9) Goods purchased from Raman Lal and Co. not recorded in the books of account.
- 10) ABC Ltd did not follow the basic accounting assumption of accrual while preparing its books of accounts.
- 11) Sales to Heena Rs 500 was posted to meena as Rs 500.
- 12) Discount column of Cash Book has not been posted.

### **Solution**

- 1) Error of Principle
- 2) Errors of Commission
- 3) Errors of Omission
- 4) Errors of Commission
- 5) Error of Principle
- 6) Error of commission
- 7) Error of Omission
- 8) Error of Principle
- 9) Errors of Omission
- 10) Errors of Principle
- 11) Errors of Commission (Error of posting in wrong account)
- 12) Errors of Omission

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Errors of Omission

### **Objective**

After going through this lesson, you shall be able to understand the concept of ***"What is Error of Omission and how it is rectified"***.

### **Introduction**

In the previous lessons we have learned about different type of errors. Did you remember their names? Those were:

- (a) Error of Omission
- (b) Error of Commission
- (c) Error of Principle
- (d) Compensating Errors

In this lesson, we will discuss about errors of omission in detail.

**Error of Omission:** Whenever any transaction is altogether omitted to be recorded in the books, then such type of error will be called as Error of Omission. These types of errors don't effect trial balance as transaction is not at all recorded so neither debit nor credit aspect of transaction has been considered. If a transaction is although recorded but omitted to be posted in their respective ledgers, then such an error is also known as Error of Omission.

These errors are of two type:

- (a) Complete Omission: When a business transaction is in total omitted to be recorded in the books of accounts it will be called as Complete Omission. Such errors don't affect trial balance.

**Example-1:** Payment to Suresh one of the creditor for Rs 4,500 is not recorded in the books. This is an error of complete omission as transaction is totally omitted to be recorded. It can be rectified by recording this transaction in the books:

Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)
<b>Wrong Entry passed</b> No entry was passed			<b>Correct Entry that should have been passed</b> Suresh Dr. To Cash A/c	4,500	4,500	<b>Rectifying Entry</b> Suresh Dr. To Cash A/c	4,500	4,500

(b) Partial Omission: These types of errors are generally committed at the time of posting of transactions in the relevant Ledger Accounts. For example, goods purchased in cash of Rs 5,000, duly recorded in the books. At the time of its posting Ledger of Cash Account was appropriately credited but no entry recorded in the Purchase Account. So this is an error of partial omission it can be rectified by writing on the debit side of Purchase Account as "Omission in posting of transaction" with Rs 5,000. Can you see there is a slight difference in the rectification of this error from above errors?? Here, we didn't pass rectified entry this is because error is made at the time of Posting not at the time of Recording. Therefore, it is rectified by correcting that Ledger Account in which such an error has been made.

#### Examples of Errors of Omission

(1) Credit purchases of Rs 2,200 from Mohan omitted to be recorded in the books.

Solution: This is an error of omission as entry has altogether forgotten or omitted to be recorded in the books. This error can be rectified by passing the omitted entry in the books:

Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)
<b>Wrong Entry passed</b> No entry was passed			<b>Correct Entry that should have been passed</b> Purchases A/c Dr. To Mohan	2,200	2,200	<b>Rectifying Entry</b> Purchases A/c Dr. To Mohan	2,200	2,200

(2) Goods (Costing Rs 1,200, Sale Price Rs 1,900) were distributed as Free Samples to customers were not recorded in the books.

Solution: This is an error of omission, it can be rectified by passing the following entry:

Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)
<b>Wrong Entry passed</b> No entry was passed			<b>Correct Entry that should have been passed</b> Advertisement A/c Dr. To Purchases A/c	1,200	1,200	<b>Rectifying Entry</b> Advertisement A/c Dr. To Purchases A/c	1,200	1,200

(3) There was an Outstanding Rent of Rs 1,200, that is omitted to be recorded in the books.

Solution: This is an error of omission, it can be rectified by passing the following entry:

Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)
<b>Wrong Entry passed</b> No entry was passed			<b>Correct Entry that should have been passed</b> Rent A/c Dr. To Outstanding Rent A/c	1,200	1,200	<b>Rectifying Entry</b> Rent A/c Dr. To Outstanding Rent A/c	1,200	1,200

Particulars	Debit Amount (Rs)	Credit Amount (Rs)		Particulars	Debit Amount (Rs)	Credit Amount (Rs)		Particulars	Debit Amount (Rs)	Credit Amount (Rs)
<b>Wrong Entry passed</b> No entry was passed				<b>Correct Entry that should have been passed</b> Furniture A/c Dr. To Purchases A/c To Wages A/c	3,350			<b>Rectifying Entry</b> Furniture A/c Dr. To Purchases A/c To Wages A/c	3,350	
						2,100				2,100
						1,250				1,250

**Solution:** This is an error of omission, it can be rectified by passing the following entry:

**Example-2:** Following transactions were omitted to be recorded in the books, pass the necessary entries.

**Solution**

**Example-3:** Pass the journal entries to rectify the following errors.

(a) Salaries paid Rs 9,000 and salaries outstanding were Rs 3,000 but only entry for the payment of salary was passed.

(b) A showcase of Rs 4,500 was purchased but omitted to be recorded in the books.

(c) Purchased goods for Rs 22,000 in cash and paid Rs 1,500 for carriage on these goods but only entry for purchase of goods were passed.

(d) Goods worth Rs 1,200 were lost by fire but omitted to be recorded in the books.

**Solution**

	Particulars	Debit Amount (Rs)	Credit Amount (Rs)		Particulars	Debit Amount (Rs)	Credit Amount (Rs)		Particulars	Debit Amount (Rs)	Credit Amount (Rs)
(a)	<b>Wrong Entry passed</b> No entry was passed				<b>Correct Entry that should have been passed</b> Salaries A/c Dr. To Outstanding Salaries A/c	3,000	3,000		<b>Rectifying Entry</b> Salaries A/c Dr. To Outstanding Salaries A/c	3,000	3,000
(b)	<b>Wrong Entry passed</b> No entry was passed				<b>Correct Entry that should have been passed</b> Furniture A/c Dr. To Cash A/c	4,500	4,500		<b>Rectifying Entry</b> Furniture A/c Dr. To Cash A/c	4,500	4,500
(c)	<b>Wrong Entry passed</b> No entry was passed				<b>Correct Entry that should have been passed</b> Carriage A/c Dr. To Cash A/c	1,500	1,500		<b>Rectifying Entry</b> Carriage A/c Dr. To Cash A/c	1,500	1,500
(d)	<b>Wrong Entry passed</b> No entry was passed				<b>Correct Entry that should have been passed</b> Loss by Fire A/c Dr. To Purchases A/c	1,200	1,200		<b>Rectifying Entry</b> Loss by Fire A/c Dr. To Purchases A/c	1,200	1,200

**Example 4:** Fill in the omitted part of the transactions with the help of narrations.

Journal				
Date	Particulars	L.F.	Debit Amount (Rs)	Credit Amount (Rs)
(i)	Loss By Theft A/c Dr. To _____ (Goods of Rs 15,000 were stolen by employee)		15,000	15,000
(ii)	Bank A/c Dr. _____ Dr. To _____ (Insurance Claim of Rs 30,000 received against goods lost by fire of book value Rs 50,000)		30,000 20,000	50,000
(iii)	_____ Dr. To Sales A/c (Goods costing Rs 25,000 were sold at a profit of Rs 5,000 to Ritesh on credit)		?	?
(iv)	Cash A/c Dr. To _____ (Received Rs 2,500 of a bad debt written-off last year)		2,500	2,500
(v)	Computer A/c Dr. To _____ (Purchased a Computer costing Rs 20,000 at a discount of _____)		?	?

	15% from Mohan Singh in Cash)				
(vi)	Cash A/c	Dr.	12,000	?	?
	Profit and Loss A/c	Dr.			
	To _____ (Carcases of dead camel were sold at a loss of Rs 12,000, purchase cost of camel was Rs 15,000)				
(vii)		Dr.	7,500	?	4,500
	To Cash A/c To _____ (Cash of Rs 3,000 and goods of Rs 4,500 were given as a Charity)				
(viii)	Cash A/c	Dr.	?	?	?
	To _____ (Sale proceed of house furniture Rs 12,000 were deposited in the business)				
(ix)		Dr.	?	?	?
		Dr.			
	To Sachin (Goods purchased for Rs 12,000 plus Central Sales Tax @ 10% from Sachin)				
(x)	Salaries A/c	Dr.	?	?	?
	To _____ (Salaries unpaid of Rs 3,200)				
(xi)		Dr.	?	?	5,000
		Dr.			
	To Cash A/c (Paid Income Tax of Rs 3,200 and Central Sales Tax of Rs 1,800)				
(xii)		Dr.	?	?	?
	To _____ To _____ (Rent paid Rs 5,600 and due Rs 1,200)				
(xiii)	Bank Charges A/c	Dr.	?	?	?
	To _____ (Bank Charges for its services Rs 250)				
(xiv)	Cash A/c	Dr.	1,000	?	?
	To _____ (Received Rs 1,000 on sale of old chairs and tables)				
(xv)	Cash A/c	Dr.	6,000	?	?
		Dr.			
	To _____ (60 paise in a rupee was received from estate of Shankar on its insolvency)				

**Solution:**

Journal				
Date	Particulars	L.F.	Debit Amount (Rs)	Credit Amount (Rs)
(i)	Loss By Theft A/c To Purchases A/c (Goods of Rs 15,000 were stolen by employee)	Dr.	15,000	15,000
(ii)	Bank A/c Profit and Loss A/c To Insurance Company (Insurance Claim of Rs 30,000 received against goods lost by fire of book value Rs 50,000)	Dr. Dr.	30,000 20,000	50,000
(iii)	Ritesh Sales A/c (Goods costing Rs 25,000 were sold at a profit of Rs 5,000 to Ritesh on credit)	Dr.	30,000	30,000
(iv)	Cash A/c To Bad Debts Recovered A/c (Received Rs 2,500 of a bad debt written-off last year)	Dr.	2,500	2,500
(v)	Computer A/c To Cash A/c (Purchased a Computer costing Rs 20,000 at a discount of 15% from Mohan Singh in Cash)	Dr.	17,000	17,000
(vi)	Cash A/c Profit and Loss A/c To Livestock A/c (Carcases of dead camel were sold at a loss of Rs 12,000, purchase cost of camel was Rs 15,000)	Dr. Dr.	3,000 12,000	15,000
(vii)	Charity To Cash A/c To Purchases A/c (Cash of Rs 3,000 and goods of Rs 4,500 were given as a Charity)	Dr.	7,500	3,000 4,500
(viii)	Cash A/c To Capital A/c (Sale proceed of house furniture Rs 12,000 were deposited in the business)	Dr.	12,000	12,000
(ix)	Purchases A/c Central Sales Tax A/c To Sachin (Goods purchased for Rs 12,000 plus Central Sales Tax @ 10% from Sachin)	Dr. Dr.	12,000 1,200	13,200
(x)	Salaries A/c To Outstanding Salaries A/c (Salaries unpaid of Rs 3,200)	Dr.	3,200	3,200



(xi)	Drawings A/c	Dr.	3,200	
	Central Sales Tax A/c	Dr.	1,800	
	To Cash A/c (Paid Income Tax of Rs 3,200 and Central Sales Tax of Rs 1,800)			5,000
(xii)	Rent	Dr.	6,800	
	To Cash A/c To Rent Outstanding A/c (Rent paid Rs 5,600 and due Rs 1,200)			5,600 1,200
(xiii)	Bank Charges	Dr.	250	
	To Bank A/c (Bank Charges for its services Rs 250)			250
(xiv)	Cash A/c	Dr.	1,000	
	To Furniture A/c (Received Rs 1,000 on sale of old chairs and tables)			1,000
(xv)	Cash A/c	Dr.	6,000	
	Bad Debts A/c	Dr.	4,000	
	To Shankar (60 paisa in a rupee was received from estate of Shankar on its insolvency)			10,000

Errors of Commission

### Objective

After going through this lesson, you shall be able to understand the concept of Errors of Commission and the procedure of rectifying such errors.

### Introduction

In the previous lesson, we learned about Error of Omission in detail. In this lesson, we will take up another error that is Error of Commission. Error of omission is related to a transaction which altogether omitted to be recorded in the books of accounts. On the other hand, an Error of Commission is related to errors committed at the time of recording a business transaction. Therefore, Error of Commission includes wrong recording of amount, wrong totaling, wrong calculation, etc. Let's understand difference between these two errors with the help of few examples.

S.No.	Errors of Omission	Errors of Commission
1.	Cash sales to Rajesh of Rs 10,000 were not recorded.	Cash sales to Rajesh of Rs 10,000 were recorded as Rs 1,000.
2.	Credit purchases from Vikas of Rs 12,000 were not recorded.	Credit purchases from Vikas of Rs 12,000 were recorded in the Sales Book.
3.	Goods sold to Manish on credit of Rs 5,000 were omitted to be recorded.	Goods sold to Manish on credit of Rs 5,000 have been debited to Manik's Account.
4.	Goods returned to Meenal Rs 2,500 were not recorded.	Goods returned to Meenal of Rs 2,500 were recorded in the Sales Return Book with Rs 250.

**Errors of Commission:** These errors are commonly known as Clerical errors. These errors are related to wrong recording of amount, wrong totaling, wrong calculation, wrong balancing of ledgers. All these errors are either recorded wrongly or may be recorded correctly but incorrectly posted in the Ledger Account.

### Some Common Errors of Commission

**1) Mistakes in Recording:** An error might occur when a transaction is wrongly recorded in the books of original entry. For example: Goods sold to Rekha for Rs. 2000 recorded in the Sales Book as Rs. 4000.

**2) Mistakes while Posting:** A transaction may be wrongly posted in the Ledger from the books of original entry. For example: The total of the Sales Return Book wrongly posted to

Purchases Return Account instead Sales Return Account.

**3) Totaling Error:** Errors can be committed calculating the total of transactions at the end of the financial period. This is known as error of casting.

**4) Mistake in Carrying Forward:** When the balance is carried forward from one page into the other error can be committed. Example: Total of Sales Return Book is carried forward as Rs. 4000 instead of Rs. 40,000.

**Example** Goods purchased from Sajid of Rs 1,050 but recorded in the books with Rs 1,500. In this case entry is to be recorded with Rs 1,050 but it is wrongly recorded with Rs 1,500, this means transaction is recorded with an excess amount of Rs 450 (1,500 – 1,050). Therefore, to rectify this error we will reverse this transaction with an excess amount of Rs 450. Journal entry for this will be

Journal			Journal			Journal		
Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)
<b>Wrong Entry passed</b> Purchases A/c Dr. To Sajid	1,500	1,500	<b>Correct Entry that should have been passed</b> Purchases A/c Dr. To Sajid	1,050	1,050	<b>Rectifying Entry</b> Sajid Dr. To Purchases A/c	450	450

**Example** Goods sold to Rishi for Rs 4,500 were entered in the Purchases Book. In this case, Goods were sold for Rs 4,500 to Rishi but instead of recording it in the Sales Book it was entered in the Purchases Book. This means instead of Debiting Rishi and Crediting Sales Account with Rs 4,500 we have debited Purchases Account and credited Rishi Account with Rs 4,500. Therefore, to rectify this we will debit Rishi's Account with Rs 9,000(4,500 + 4,500) and Credit Sales A/c with Rs 4,500 as well as Purchases Account with Rs 4,500. Journal entry for this will be

Journal			Journal			Journal		
Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)
<b>Wrong Entry passed</b> Purchases A/c Dr. To Rishi	4,500	4,500	<b>Correct Entry that should have been passed</b> Rishi Dr. To Sales A/c	4,500	4,500	<b>Rectifying Entry</b> Rishi Dr. To Sales A/c To Purchases A/c	9,000	4,500 4,500

### Examples of Errors of Commission

#### Example-1

(1) Credit purchases of Rs 1,280 from Sushant is recorded in the books as Rs 1,820.

**Solution:** This is an Error of Commission related to recording of wrong amount. In this case, Purchases A/c were debited with Rs 1,820 instead of Rs 1,280 and similarly, Sushant Account is also credited with Rs 1,820 instead of Rs 1,280. This shows Purchase Account is excess debited and Sushant Account is excess credited by Rs 540. Therefore, this can be rectified by debiting Sushant Account and crediting Purchases Account with Rs 540. Journal entry for this will be:

Journal			Journal			Journal		
Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)
<b>Wrong Entry passed</b> Purchases A/c Dr. To Sushant	1,820	1,820	<b>Correct Entry that should have been passed</b> Purchases A/c Dr. To Sushant	1,280	1,280	<b>Rectifying Entry</b> Sushant Dr. To Purchases A/c	540	540

(2) Credit sales to Rajan of Rs 3,600 was recorded as Credit sales to Rajat.

**Solution:** This is an error of recording as sales is made to Rajan but in the books it is recorded as sales to Rajat. That means, instead of Debiting Rajan Account with Rs 3,600, Rajat Account was debited with the same amount. Therefore, this can be rectified by debiting the Person to whom goods were actually sold (i.e. Rajan) and crediting the person who was wrongly debited (i.e. Rajat) with Rs 3,600. Journal entry for this will be

Journal			Journal			Journal		
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Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)
<b>Wrong Entry passed</b> Rajat Dr. To Sales A/c	3,600	3,600	<b>Correct Entry that should have been passed</b> Rajan Dr. To Sales A/c	3,600	3,600	<b>Rectifying Entry</b> Rajan Dr. To Rajat	3,600	3,600

(3) Credit sale of old furniture to Ishaan of Rs 1,850 was recorded in the Sales Book

**Solution:** This is an Error of Commission as entry is recorded in the wrong Account. Under this Ishaan is to be debited and Furniture is to be credited with Rs 1,850 but we have wrongly credited Sales Account. So, due to this error, Sales Account stands credited with Rs 1,850 and on the other hand Furniture Account is not yet credited. Therefore, in order to rectify this error we will debit Sales Account and credit Furniture Account with Rs 1,850. Journal entry for this will be

Journal			Journal			Journal		
Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)
<b>Wrong Entry passed</b> Ishaan Dr. To Sales A/c	1,850	1,850	<b>Correct Entry that should have been passed</b> Ishaan Dr. To Furniture A/c	1,850	1,850	<b>Rectifying Entry</b> Sales A/c Dr. To Furniture A/c	1,850	1,850

(4) Goods returned by Manjeet of Rs 1,250 was entered in the Return Outward Book with Rs 1,520.

**Solution:** This is an error of commission as transaction is recorded with wrong amount as well as in wrong account. In this case, Goods were returned by one of the customer Manjeet but instead of debiting Return Inward Account and crediting Manjeet Account with Rs 1,250 we have wrongly debited Manjeet Account and credited Return Outward Account with Rs 1,520. So, this error can be rectified by debiting Return Inward Account with Rs 1,250, Return Outward Account with Rs 1,520 and crediting Manjeet Account with Rs 2,770 (1,250 + 1,520). Journal entry for this will be:

Journal			Journal			Journal		
Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)
<b>Wrong Entry passed</b> Manjeet Dr. To Return Outward A/c	1,520	1,520	<b>Correct Entry that should have been passed</b> Return Inward A/c Dr. To Manjeet	1,250	1,250	<b>Rectifying Entry</b> Return Inward A/c Dr. Return Outward A/c Dr. To Manjeet	1,250 1,520	2,770

(5) Goods (Costing Rs 2,600, Sale Price Rs 3,500) were withdrawn by Proprietor but the amount was recorded in the books with Rs 3,500.

**Solution:** This is an Error of Commission as transaction is recorded with the wrong amount. In the transaction, goods withdrawn by the proprietor should be recorded at their Cost Price and not at their Sale Price. It can be rectified as

Journal			Journal			Journal		
Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)
<b>Wrong Entry passed</b> Drawings A/c Dr. To Purchases A/c	3,500	3,500	<b>Correct Entry that should have been passed</b> Drawings A/c Dr. To Purchases A/c	2,600	2,600	<b>Rectifying Entry</b> Purchases A/c Dr. To Drawings A/c	900	900

**Example-2:** Pass the Journal Entries to rectify the following errors.

- (i) Rs 3,500 received from Sachin, was recorded as received from Vinod.
- (ii) Rs 1,200 paid for proprietor's personal expenses, were wrongly recorded as Miscellaneous expenses.
- (iii) Rs 6,200 paid wages to Ghanshyam were recorded as Rs 260.
- (iv) Credit purchases from Mayank Rs 8,000 were recorded as Rs 8,800.
- (v) Cheque of Rs 1,200 received from Satish was dishonoured was wrongly recorded as Discount Allowed.

**Solution**

Journal				Journal				Journal			
	Particulars	Debit Amount (Rs)	Credit Amount (Rs)		Particulars	Debit Amount (Rs)	Credit Amount (Rs)		Particulars	Debit Amount (Rs)	Credit Amount (Rs)
(i)	<b>Wrong Entry passed</b>				<b>Correct Entry that should have been passed</b>				<b>Rectifying Entry</b>		
	Cash A/c Dr. 3,500 To Vinod 3,500	3,500	3,500		Cash A/c Dr. 3,500 To Sachin 3,500	3,500	3,500		Vinod Dr. 3,500 To Sachin 3,500	3,500	3,500
(ii)	<b>Wrong Entry passed</b>				<b>Correct Entry that should have been passed</b>				<b>Rectifying Entry</b>		
	Miscellaneous Expenses A/c Dr. 1,200 To Cash A/c 1,200	1,200	1,200		Drawings A/c Dr. 1,200 To Cash A/c 1,200	1,200	1,200		Drawings A/c Dr. 1,200 To Miscellaneous Expenses A/c 1,200	1,200	1,200
(iii)	<b>Wrong Entry passed</b>				<b>Correct Entry that should have been passed</b>				<b>Rectifying Entry</b>		
	Wages A/c Dr. 260 To Cash A/c 260	260	260		Wages A/c Dr. 6,200 To Cash A/c 6,200	6,200	6,200		Wages A/c (6,200 – 620) Dr. 5,940 To Cash A/c 5,940	5,940	5,940
(iv)	<b>Wrong Entry passed</b>				<b>Correct Entry that should have been passed</b>				<b>Rectifying Entry</b>		
	Purchases A/c Dr. 8,800 To Mayank 8,800	8,800	8,800		Purchases A/c Dr. 8,000 To Mayank 8,000	8,000	8,000		Mayank Dr. 800 To Purchases A/c 800	800	800
(v)	<b>Wrong Entry passed</b>				<b>Correct Entry that should have been passed</b>				<b>Rectifying Entry</b>		
	Discount Allowed A/c Dr. 1,200 To Bank A/c 1,200	1,200	1,200		Satish Dr. 1,200 To Bank A/c 1,200	1,200	1,200		Satish Dr. 1,200 To Discount Allowed A/c 1,200	1,200	1,200

**Example-3:** Pass the Journal Entries to rectify the following errors.

- (i) Bills Receivable of Rs 250 received from Mahesh was entered in the Bills Payable Book.
- (ii) Credit sale of Rs 950 to Pushkar was recorded in the Purchases Book.
- (iii) Goods returned by Ritesh for Rs 1,100 was passed through Sales Book.
- (iv) Return Inward from Suresh of Rs 820 were recorded in the Return Outward Book with Rs 75.

**Solution**

Journal				Journal				Journal			
	Particulars	Debit Amount (Rs)	Credit Amount (Rs)		Particulars	Debit Amount (Rs)	Credit Amount (Rs)		Particulars	Debit Amount (Rs)	Credit Amount (Rs)
(a)	<b>Wrong Entry passed</b>				<b>Correct Entry that should have been passed</b>				<b>Rectifying Entry</b>		
	Mahesh Dr. 250	250			Bills Receivable A/c Dr. 250	250			Bills Receivable A/c Dr. 250	250	

	To Bills Payable A/c		250	To Mahesh		250	Bills Payable A/c	Dr.	250	
							To Mahesh			500
(b)	Wrong Entry passed			Correct Entry that should have been passed			Rectifying Entry			
	Purchases A/c	Dr.	950	Pushkar	Dr.	950	Pushkar	Dr.	1,900	
	To Pushkar		950	To Sales A/c		950	To Sales A/c			950
							To Purchases A/c			950
(c)	Wrong Entry passed			Correct Entry that should have been passed			Rectifying Entry			
	Ritesh	Dr.	1,100	Sales Return A/c	Dr.	1,100	Sales Return A/c	Dr.	1,100	
	To Sales A/c		1,100	To Ritesh		1,100	Sales A/c	Dr.	1,100	
							To Ritesh			2,200
(d)	Wrong Entry passed			Correct Entry that should have been passed			Rectifying Entry			
	Suresh	Dr.	75	Return Inward A/c	Dr.	820	Return Inward A/c	Dr.	820	
	To Return Outward A/c		75	To Suresh		820	Return Outward A/c	Dr.	75	
							To Suresh			895

**Example-4:** Fill in the blanks, by completing the rectifying entries.

- Goods purchased from Suneet for Rs 8,150 were recorded in the sales book with Rs 1,850 by mistake.
- Goods of Rs 1,500 returned to Vineet were recorded in the Return Inward Book.
- Cash received of Rs 1,000 from Rohan was credited to the Account of Mohan and debited to Bank instead of Cash Account.
- Cheque paid to Rahul Rs 1,500 was recorded as paid to Sanjay.
- Purchases from Mohit Rs 2,500 was recorded in Purchase book but with Rs 250.
- Credit purchases from Vikram of Rs 1,800 were recorded as Rs 8,100 from Vikrant.
- Goods sold to Virender Rs 14,500 in cash but recorded as credit sale.
- Purchases Return of Rs 1,870 to Manik was recorded in the Purchases Book.
- Credit purchase of Machinery of Rs 10,000 was recorded in the Purchases Book.
- Bill drawn on Ankush Rs 1,800 was recorded in the Bills Payable book.
- Cash sale of Rs 4,200, were recorded as cash purchases Rs 1,600.
- Goods returned by Rana Rs 500, were recorded in the Purchases Return Book.

Journal Proper					
Date	Particulars		L.F.	Debit Amount (Rs)	Credit Amount (Rs)
(i)	Purchases A/c	Dr.		8,150	
		Dr.		?	
	To _____ (Goods purchased from Suneet for Rs 8,150 were wrongly entered in the Sales Book with Rs 1,850, now rectified)				?
(ii)	Vineet	Dr.		?	

	To _____ To _____ (Goods returned to Vineet of Rs 1,500 were wrongly entered in the Return Inward book, now rectified)		?	?
(iii)	Cash A/c	Dr.	1,000	
		Dr.	?	
	To _____ To _____  (Received cash from Rohan was wrongly credited in the Account of Mohan and further Bank Account is debited instead of cash, now rectified)			?
(iv)	Rahul	Dr.	?	
	To _____ (Cheque of Rs 1,500 paid to Rahul was wrongly debited to Sanjay, now rectified)			?
(v)	Purchases A/c	Dr.	?	
	To _____ (Goods purchased from Mohit Rs 2,500, was recorded in the Purchase Book as Rs 250, now rectified)			?
(vi)		Dr.	?	
	To _____ To Vikram (Credit purchases from Vikram Rs 1,800, were recorded with Rs 8,100 from Vikrant, now rectified)			?
			1,800	
(vii)		Dr.	14,500	
	To _____ (Goods sold to Virender in cash was recorded as credit sale, now rectified)			14,500
(viii)	Manik	Dr.	?	
	To _____ To _____ (Purchases return of Rs 1,870 to Manik was recorded in the Purchase Book, now rectified)			?
				?
(ix)		Dr.	10,000	
	To _____ (Machinery purchased on credit was recorded in the purchase book, now rectified)			10,000
(x)		Dr.	1,800	
		Dr.	?	
	To Ankush (Bill drawn on Ankush Rs 1,800, was wrongly recorded in the Bills payable book, now rectified)			?
(xi)	Cash A/c	Dr.	5,800	
	To _____ To _____ (Cash sales of Rs 4,200, were recorded as cash purchases			?
				?

	with Rs 1,600, now rectified)			
(xii)	Sales Return A/c	Dr.	?	
		Dr.	?	
	To _____ (Sales return by Rana Rs 500, was wrongly recorded in the Purchase return book, now rectified )			?

### Solution

Journal Proper				
Date	Particulars	L.F.	Debit Amount (Rs)	Credit Amount (Rs)
(i)	Purchases A/c	Dr.	8,150	
	Sales A/c	Dr.	1,850	
	To Suneet (Goods purchased from Suneet of Rs 8,150 were wrongly entered in the Sales Book with Rs 1,850, now rectified)			10,000
(ii)	Vineet	Dr.	3,000	
	To Return Outward A/c To Return Inward A/c (Goods returned to Vineet of Rs 1,500 were wrongly entered in the Return Inward book, now rectified)			1,500 1,500
(iii)	Cash A/c	Dr.	1,000	
	Mohan	Dr.	1,000	
	To Bank A/c To Rohan (Received cash from Rohan was wrongly credited in the Account of Mohan and further Bank Account is debited instead of cash, now rectified)			1,000 1,000
(iv)	Rahul	Dr.	1,500	
	To Sanjay (Cheque of Rs 1,500 paid to Rahul was wrongly debited to Sanjay, now rectified)			1,500
(v)	Purchases A/c	Dr.	2,250	
	To Mohit (Goods purchased from Mohit Rs 2,500, was recorded in the Purchases Book as Rs 250, now rectified)			2,250
(vi)	Vikrant	Dr.	8,100	
	To Purchases A/c To Vikram (Credit purchases from Vikram Rs 1,800, were recorded with Rs 8,100 from Vikrant, now rectified)			6,300 1,800
(vii)	Cash A/c	Dr.	14,500	
	To Virender (Goods sold to Virender in cash was recorded as credit sale, now rectified)			14,500
(viii)	Manik	Dr.	3,740	

	To Purchases Return A/c			1,870	
	To Purchases A/c			1,870	
	(Purchase return of Rs 1,870 to Manik was recorded in the Purchases Book, now rectified)				
(ix)	Machinery A/c	Dr.	10,000		10,000
	To Purchases A/c				
	(Machinery purchased on credit was recorded in the purchases book, now rectified)				
(x)	Bills Receivable A/c	Dr.	1,800		
	Bills Payable A/c	Dr.	1,800		
	To Ankush				3,600
	(Bill drawn on Ankush Rs 1,800, was wrongly recorded in the Bills payable book, now rectified)				
(xi)	Cash A/c	Dr.	5,800		
	To Sales A/c				4,200
	To Purchases A/c				1,600
	(Cash sales of Rs 4,200, were recorded as cash purchases with Rs 1,600, now rectified)				
(xii)	Sales Return A/c	Dr.	500		
	Purchases Return A/c	Dr.	500		
	To Rana				1,000
	(Sales return by Rana Rs 500, was wrongly recorded in the Purchases Return book, now rectified )				

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Errors of Posting

### Objective

After going through this lesson, you shall be able to understand the concept of Errors of Posting and the procedure to rectify such errors.

### Introduction

In the previous lesson, we learned about errors of commission and omission in detail along with its rectification. Errors of omission is related to a transaction which have not been recorded anywhere in the books of accounts. Errors of commission are related to errors committed at the time of recording of a business transaction. In this lesson, we will take up another error that is error of posting. This is an error related to incorrect posting of a correctly recorded entry. We'll try and understand the above mentioned errors with the help of few examples:

S.No.	Errors of Omission	Errors of Commission	Errors of Posting
1.	Sales to Suresh of Rs 5,000 were <b>not recorded.</b>	Sales to Suresh of Rs 5,000 were <b>recorded</b> as Rs 500.	Sales to Suresh of Rs 5,000 were <b>Posted</b> in Ramesh Account.
2.	Purchases from Neeraj fully made against cash of Rs 20,000 were not recorded.	Purchases from Neeraj of Rs 20,000 made against cash were recorded in the Sales Book.	Purchases from Neeraj of Rs 20,000 made against cash were posted to Ramesh's Account.
3.	Cash Sale of Goods to Shruti of Rs 5,000 were omitted to be recorded.	Cash Sale of Goods to Shruti of Rs 5,000 has been debited to Mishita's Account.	Cash Sale of Goods to Shruti of Rs 5,000 have been posted to Vidhi's Account.
4.	Goods returned from Ramesh of Rs 25,000 were not recorded.	Goods returned from Ramesh of Rs 25,000 were recorded in the sales return book with Rs 250.	Goods returned from Ramesh of Rs 25,000 were posted in Raju's Account.



**Errors of Posting:** It is an error under which although entry is recorded correctly in the books but error is committed at the time of posting of such an entry. So, the error could be related to the posting of wrong amount, posting under wrong head of Account, etc. All these are two sided errors of Posting as the error has been made at the time of posting in both the Accounts. For example - Goods sold to Rajesh for Rs 2,500 was posted to Ramesh's Account. This is an error of Posting as although entry is correctly recorded in the books but at the time of their posting it was posted in the Account of Ramesh instead of Rajesh. Due to this error debit balance of Ramesh stands increased by Rs 2,500 and debit balance of Rajesh is not affected. So, it can be rectified by debiting Rajesh Account and crediting Ramesh Account with Rs 2,500. In the books their entries are somewhat like this

Books of ..... Journal			Books of..... Journal			Books of .... Journal		
Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)
<b>Wrong Entry passed</b> Ramesh Dr. To Sales A/c	2,500	2,500	<b>Correct Entry that should have been passed</b> Rajesh Dr. To Sales A/c	2,500	2,500	<b>Rectifying Entry</b> Rajesh Dr. To Ramesh	2,500	2,500

#### Examples of Errors of Posting:

(1) Cash Sales of Rs 2,500 to Kapil was posted on the credit side of Kapil Account.

**Solution:** This is an error of posting as a Cash Sale to Kapil of Rs 2,500 has been posted on the credit side of Kapil Account instead of Sales Account. So, it can be rectified by Debiting Kapil Account and Crediting Sales Account with Rs 2,500. Entries for these are:

Books of ..... Journal			Books of..... Journal			Books of .... Journal		
Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)
<b>Wrong Entry passed</b> Cash A/c Dr. To Kapil	2,500	2,500	<b>Correct Entry that should have been passed</b> Cash A/c Dr. To Sales A/c	2,500	2,500	<b>Rectifying Entry</b> Kapil Dr. To Sales A/c	2,500	2,500

(2) Salary of Rs 4,500 paid to Surinder one of the employee, debited to Surinder Account.

**Solution:** This is an error of Posting, as payment of salary to Surinder instead of being posted on the debit side of Salary Account it was wrongly posted on the debit side of Surinder Account. This error can be rectified by debiting Salary Account and crediting Surinder Account. Entries are:

Books of ..... Journal			Books of..... Journal			Books of .... Journal		
Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)
<b>Wrong Entry passed</b> Surinder Dr. To Cash A/c	4,500	4,500	<b>Correct Entry that should have been passed</b> Salary A/c Dr. To Cash A/c	4,500	45,000	<b>Rectifying Entry</b> Salary A/c Dr. To Surinder	4,500	4,500

(3) Credit purchase of Machinery from Priya for Rs 7,580 was debited to Purchases Account.

**Solution:** This is an error of posting, as credit purchase of Machinery was instead of posting on the debit side of Machinery Account was wrongly posted on the debit side of Purchase Account. So, it can be rectified by debiting Machinery with Rs 7,580 and crediting Purchase Account with Rs 7,580. Entries for these are

Books of .....	Books of.....	Books of ....
----------------	---------------	---------------

Journal			Journal			Journal		
Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)
<b>Wrong Entry passed</b>			<b>Correct Entry that should have been passed</b>			<b>Rectifying Entry</b>		
Purchases A/c Dr.	7,580		Machinery A/c Dr.	7,580		Machinery A/c Dr.	7,580	
To Priya		7,580	To Priya		7,580	To Purchases A/c		7,580

(4) Rs 5,000 rent paid to Landlord Ankush, debited to Account of Ankush

**Solution:** This is an error of Posting, as payment of Rent to Ankush was instead of posting on the debit side of Rent Account it was wrongly posted on the debit side of Ankush Account. This error can be rectified by debiting Rent Account and crediting Ankush Account by Rs 5,000. Entries are:

Books of ..... Journal			Books of..... Journal			Books of .... Journal		
Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)
<b>Wrong Entry passed</b>			<b>Correct Entry that should have been passed</b>			<b>Rectifying Entry</b>		
Ankush Dr.	5,000		Rent A/c Dr.	5,000		Rent A/c Dr.	5,000	
To Cash A/c		5,000	To Cash A/c		5,000	To Ankush		5,000

(5) Credit sale of old Machinery to Niketan of Rs 6,210 was posted with Rs 2,610.

**Solution:** This is an error of posting as credit sale of machinery was instead of crediting to Machinery Account with Rs 6,210, it was credited with Rs 2,610. So it can be rectified by debiting Niketan Account and crediting Machinery Account with Rs 3,600 (6,210 – 2,610).

Books of ..... Journal			Books of..... Journal			Books of .... Journal		
Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)
<b>Wrong Entry passed</b>			<b>Correct Entry that should have been passed</b>			<b>Rectifying Entry</b>		
Niketani Dr.	2,610		Niketani Dr.	6,210		Niketani (6,210 – 2,610) Dr.	3,600	
To Machinery A/c		2,610	To Machinery A/c		6,210	To Machinery A/c		3,600

#### Example-1:

Pass necessary journal entries to rectify the following errors.

- A credit sale of Rs 5,000 to Ram was posted to Rama's account.
- A cash sale of Rs 2,500 to Richa was posted to the credit of Rachna.
- A credit sale of old furniture to Pranav for Rs 4,000 was credited to sales account.
- A Cheque of Rs 25,000 received from Farhan was dishonored and has been posted to the debit side of the Sales Returns Account.
- Sales to P amounted to Rs 3,500 credited to Q's account.

**Solution:**

Journal				Journal				Journal			
	Particulars	Debit Amount (Rs)	Credit Amount (Rs)		Particulars	Debit Amount (Rs)	Credit Amount (Rs)		Particulars	Debit Amount (Rs)	Credit Amount (Rs)
(a)	<b>Wrong Entry passed</b> Rama Dr. To Sales A/c	5,000	5,000	<b>Correct Entry that should have been passed</b>		5,000	5,000	<b>Rectifying Entry</b>		5,000	5,000
				Ram Dr.				Ram Dr.			
(b)	<b>Wrong Entry passed</b> Cash A/c Dr. To Rachna	2,500	2,500	<b>Correct Entry that should have been passed</b>		2,500	2,500	<b>Rectifying Entry</b>		2,500	2,500
				Cash A/c Dr.				Rachna A/c Dr.			
(c)	<b>Wrong Entry passed</b> Pranav Dr. To Sales A/c	4,000	4,000	<b>Correct Entry that should have been passed</b>		4,000	4,000	<b>Rectifying Entry</b>		4,000	4,000
				Pranav Dr.				Sales A/c Dr.			
(d)	<b>Wrong Entry passed</b> Sales Return A/c Dr. To Bank A/c	25,000	25,000	<b>Correct Entry that should have been passed</b>		25,000	25,000	<b>Rectifying Entry</b>		25,000	25,000
				Farhan A/c Dr.				Farhan A/c Dr.			
(e)	Refer to explanation			Refer to explanation				P's A/c- Debited with Rs 3,500 Q's A/c- Debited with Rs 3,500			

**Explanation to (e):** In case of such errors, rectification entry cannot be passed as accounts involved are different. Therefore, rectification shall be made by posting into respective accounts the required amount i.e. P's Account is to be debited and Q's Account which is wrongly credited should also be debited with the same amount in order to nullify the effect of this transaction.

**Example-2:**

Pass the necessary journal entries to rectify the following errors.

- An amount of Rs 2,500 due from Rahul written off as bad in a previous year, was recovered and credited to the personal account of Rahul.
- A discounted bill of exchange received for Rs 150 returned by the bank has been credited to the bank account and debited to Bills Receivable account. A cheque was received later from the customer (Dhanush) for Rs 150 and was duly paid.
- Rs 1,350 paid for the telephone bill of telephone at proprietor's residence was debited to Postage account.
- An amount of Rs 25,000 withdrawn from bank by the proprietor for his personal use has been charged to trade expenses account.

**Solution**

Journal				Journal				Journal			
	Particulars	Debit Amount (Rs)	Credit Amount (Rs)		Particulars	Debit Amount (Rs)	Credit Amount (Rs)		Particulars	Debit Amount (Rs)	Credit Amount (Rs)
(a)	<b>Wrong Entry passed</b> Bank A/c Dr.	2,500		<b>Correct Entry that should have been passed</b>		2,500		<b>Rectifying Entry</b>		2,500	
				Bank A/c Dr.				Rahul Dr.			

	To Rahul A/c		2,500	To Bad Debts Recovered A/c		2,500	To Bad Debt Recovered A/c		2,500
(b)	<b>Wrong Entry passed</b> Bills Receivable A/c	Dr.	150	<b>Correct Entry that should have been passed</b> Dhanush	Dr.	150	<b>Rectifying Entry</b> Dhanush	Dr.	150
	To Bank A/c		150	To Bank A/c		150	To Bills Receivable A/c		150
(c)	<b>Wrong Entry passed</b> Postage A/c	Dr.	1,350	<b>Correct Entry that should have been passed</b> Drawings A/c	Dr.	1,350	<b>Rectifying Entry</b> Drawings A/c	Dr.	1,350
	To Cash A/c		1,350	To Cash A/c		1,350	To Postage A/c		1,350
(d)	<b>Wrong Entry passed</b> Trade Expenses A/c	Dr.	25,000	<b>Correct Entry that should have been passed</b> Drawings A/c	Dr.	25,000	<b>Rectifying Entry</b> Drawings A/c	Dr.	25,000
	To Bank A/c		25,000	To Bank A/c		25,000	To Trade Expenses A/c		25,000

### Example

Pass the necessary journal entries to rectify the following errors.

- An amount of Rs 5,000 withdrawn from bank by the proprietor for office use has been debited to Drawings Account.
- Rs 2,000 paid as salary to Rajat, an employee, debited to Raja account.
- A credit sale of old furniture to Raman for Rs 570 posted as Rs 750.
- Bad debts amounting to Rs 9,000 recovered but credited to personal Account of the customer (Varun).
- Annual White wash of Rs 2,500 debited to Building account.
- Sales worth Rs 35,000 to ABC Ltd. wrongly passed through the Purchase day book.
- A credit sale of Rs 32,000 to A.Raja was debited to A.Raju.
- Sales worth Rs 75,000 to XYZ Ltd. but recorded as Rs 50,000.
- Wages paid for installation of machinery Rs 500 was wrongly debited to Wages A/c.
- An old Machinery (Book Value Rs 10,000) was sold for Rs 5,000 but has been wrongly credited to Sales A/c.
- A credit purchase from Rajesh of Rs 5,500 has been recorded twice in the books.
- Cash paid to G.Shekhar Rs 500 but debited to G.Sharma Account.
- Goods purchased from Vedansh amounted to Rs 2,600 was posted to the credit of Devansh as Rs 260.

### Solution:

Journal Proper				
Date	Particulars	L.F.	Debit Amount (Rs)	Credit Amount (Rs)
(a)	Cash A/c To Drawings A/c (Amount withdrawn from bank for office use debited to drawings account )	Dr.	5,000	5,000
(b)	Salary A/c To Raja (Salary paid to Rajat debited to Raja's Account )	Dr.	2,000	2,000

(c)	Furniture A/c To Raman (Credit sale to Raman)	Dr.	180	180
(d)	Varun To Bad Debts Recovered A/c (Bad debts recovered but credited to personal Account of customer (Varun))	Dr.	9000	9000
(e)	Repairs and Maintenance A/c To Building A/c (Annual building whitewash charges added to Building account now being rectified)	Dr.	2,500	2,500
(f)	ABC Ltd To Purchases A/c To Sales A/c (Goods sold but passed through the purchase day book, now rectified)	Dr.	70,000	35,000 35,000
(g)	A.Raja To A.Raju (Credit sale to A.Raja was debited to A.Raju , now rectified)	Dr.	32,000	32,000
(h)	XYZ Ltd To Sales A/c (Goods sold but posted with less amount )	Dr.	25,000	25,000
(i)	Machinery A/c To Wages A/c (Wages paid for installation of machinery debited to wages, now rectified)	Dr.	500	500
(j)	Sales A/c To Machinery A/c (Sale of an old machinery and sale proceeds credited to sales account)	Dr.	10,000	10,000
(k)	Rajesh To Purchases A/c (Purchase recorded twice in the books, now rectified)	Dr.	5,500	5,500
(l)	G.Shekhar To G.Sharma (Cash paid to G.Shekhar but debited to GSharma)	Dr.	500	500
(m)	Devansh's account should be debited with Rs 260 and Vedansh's account should be credited with Rs 2,600.			

*Note:* In the last point it is not possible to pass the rectification entry as the debit and credit amount differs from each other.

Thus, it can be concluded that, it is not always possible to pass the rectification entry in the case of error of posting and rectification could be done by stating the account that is to be debited or credited with the respective amounts.

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 Errors of Principle

## Objective

After going through this lesson, you shall be able to understand the concept of Error of Principle and the procedure of rectifying such errors.

## Introduction

In the previous lessons, we learnt about error of commission in detail along with its rectification. In this lesson, we will take up another error, that is, error of principle. This is an error related to application of wrong accounting principle while recording a business transaction.

**Errors of Principle:** If a business transaction is recorded without following right accounting principle then, these types of errors will be called as Errors of Principle. *For example*, purchased goods worth Rs 5,000 in cash from Ravi, while recording this transaction instead of crediting Cash Account, Ravi's personal Account is credited. Thus, it is an error of principle because Cash Purchases has been recorded as Credit Purchases. In the books, their entries are somewhat like this.

Journal			Journal			Journal		
Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)
<i>Wrong Entry passed</i> Purchases A/c Dr. To Ravi	5,000	5,000	<i>Correct Entry that should have been passed</i> Purchases A/c Dr. To Cash A/c	5,000	5,000	<i>Rectifying Entry</i> Ravi Dr. To Cash A/c	5,000	5,000

**Example** Wages paid amounted to Rs 2,500 for installation of Machinery is debited to Wages Account. In this case, instead of capitalising wages in the Machinery Account it is separately charged to the Wages Account, this shows the wrong application of accounting principle as Capital Expenditure (wages paid on installation) is treated as Revenue Expenditure (charged to the Wages Account). Its entries are:

Journal			Journal			Journal		
Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)
<i>Wrong Entry passed</i> Wages A/c Dr. To Cash A/c	2,500	2,500	<i>Correct Entry that should have been passed</i> Machinery A/c Dr. To Cash A/c	2,500	2,500	<i>Rectifying Entry</i> Machinery A/c Dr. To Wages A/c	2,500	2,500

## Examples of Errors of Principle

(1) Rs 12,600 spent on extension of Building were wrongly debited to Repair and Maintenance Account.

**Solution:** This is an error of principle as a Capital Expenditure (extension of building) has been treated as Revenue Expenditure. Due to this error, instead of debiting Building Account we have debited Repairs and Maintenance Account.

Journal			Journal			Journal		
Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)
<i>Wrong Entry passed</i> Repairs and Maintenance A/c Dr. To Cash A/c	12,600	12,600	<i>Correct Entry that should have been passed</i> Building A/c Dr. To Cash A/c	12,600	12,600	<i>Rectifying Entry</i> Building A/c Dr. To Repairs and Maintenance A/c	12,600	12,600

(2) Rs 1,200 spent on repair of furniture but charged to Furniture Account.

**Solution:** This is an error of principle as Revenue Expenditure (repair of Furniture) has been treated as Capital Expenditure. Due to this error, instead of debiting Repair and Maintenance Account we have debited Furniture Account. It can be rectified as:

Journal			Journal			Journal		
Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)
<i>Wrong Entry passed</i> Furniture A/c Dr. 1,200 To Cash A/c 1,200			<i>Correct Entry that should have been passed</i> Repairs and Maintenance A/c Dr. 1,200 To Cash A/c 1,200			<i>Rectifying Entry</i> Repairs and Maintenance A/c Dr. 1,200 To Furniture A/c 1,200		

(3) Purchased typewriter of Rs 4,500 charged to Office Expenses Account.

**Solution:** This is an error of principle as Capital Expenditure (Purchase of Typewriter) has been treated as Revenue Expenditure (Office Expenses). Due to this error, instead of debiting Typewriter Account we have debited Office Expenses Account. It can be rectified as

Journal			Journal			Journal		
Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)
<i>Wrong Entry passed</i> Office Expenses A/c Dr. 4,500 To Cash A/c 4,500			<i>Correct Entry that should have been passed</i> Typewriter A/c Dr. 4,500 To Cash A/c 4,500			<i>Rectifying Entry</i> Typewriter A/c Dr. 4,500 To Office Expenses A/c 4,500		

(4) Rs 1,050 spent on repair and reconditioning of newly purchased Second hand Machinery has been debited to Repairs and Maintenance Account.

**Solution:** This is an error of principle as Capital Expenditure (repair and reconditioning of newly purchased Second Hand Machinery) has been treated as Revenue Expenditure. Due to this error instead of debiting Machinery Account we have debited Repair and Maintenance Account. It can be rectified as:

Journal			Journal			Journal		
Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)
<i>Wrong Entry passed</i> Repair and Maintenance A/c Dr. 1,050 To Cash A/c 1,050			<i>Correct Entry that should have been passed</i> Machinery A/c Dr. 1,050 To Cash A/c 1,050			<i>Rectifying Entry</i> Machinery A/c Dr. 1,050 To Repairs and Maintenance A/c 1,050		

(5) Some material purchased of Rs 3,200 for construction of additional floor on Office Building but it was charged to Purchases Account.

**Solution:** This is an error of principle as Capital Expenditure (material purchased for construction of floor) has been treated as Revenue Expenditure. Due to this error, instead of debiting Building Account we have debited Purchases Account. It can be rectified as:

Journal			Journal			Journal		
Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)
<i>Wrong Entry passed</i> Purchases A/c Dr. 3,200 To Cash A/c 3,200			<i>Correct Entry that should have been passed</i> Building A/c Dr. 3,200 To Cash A/c 3,200			<i>Rectifying Entry</i> Building A/c Dr. 3,200 To Purchases A/c 3,200		

**Example 2** Rectify the following errors.

(a) Payment of salaries to Manish was debited to his Personal Account with Rs 2,500.

(b) Expenses on erection of shed amounting Rs 1,850, was debited to Sundry Expenses.

(c) Rent Rs 4,500 paid to landlord was debited to his Personal Account.

(d) Repair charges of Rs 1,250 paid to Keshav for maintenance of motor car was debited to his account.

**Solution**

Journal				Journal				Journal			
	Particulars	Debit Amount (Rs)	Credit Amount (Rs)		Particulars	Debit Amount (Rs)	Credit Amount (Rs)		Particulars	Debit Amount (Rs)	Credit Amount (Rs)
(a)	<b>Wrong Entry passed</b> Manish Dr. To Cash A/c	2,500	2,500		<b>Correct Entry that should have been passed</b> Salaries A/c Dr. To Cash A/c	2,500	2,500		<b>Rectifying Entry</b> Salaries A/c Dr. To Manish	2,500	2,500
(b)	<b>Wrong Entry passed</b> Sundry Expenses A/c Dr. To Cash A/c	1,850	1,850		<b>Correct Entry that should have been passed</b> Building A/c Dr. To Cash A/c	1,850	1,850		<b>Rectifying Entry</b> Building A/c Dr. To Sundry Expenses A/c	1,850	1,850
(c)	<b>Wrong Entry passed</b> Landlord's Personal A/c Dr. To Cash A/c	4,500	4,500		<b>Correct Entry that should have been passed</b> Rent A/c Dr. To Cash A/c	4,500	4,500		<b>Rectifying Entry</b> Rent A/c Dr. To Landlord's Personal A/c	4,500	4,500
(d)	<b>Wrong Entry passed</b> Keshav Dr. To Cash A/c	1,250	1,250		<b>Correct Entry that should have been passed</b> Repairs and Maintenance A/c Dr. To Cash A/c	1,250	1,250		<b>Rectifying Entry</b> Repairs and Maintenance A/c Dr. To Keshav	1,250	1,250

**Example 3** Rectify the following errors.

(a) Rs 2,500 received on sale of old machinery has been credited to Sales Account.

(b) Rs 150 paid as carriage charges on the purchase of Machinery was debited to Carriage Account.

(c) An amount of Rs 1,350 spent on the annual white wash of the building was debited to Building Account.

(d) Purchase of scooter for Rs 25,000 was debited to Conveyance Account.

**Solution**

Journal				Journal				Journal			
	Particulars	Debit Amount (Rs)	Credit Amount (Rs)		Particulars	Debit Amount (Rs)	Credit Amount (Rs)		Particulars	Debit Amount (Rs)	Credit Amount (Rs)
(a)	<b>Wrong Entry passed</b> Cash A/c Dr. To Sales A/c	2,500	2,500		<b>Correct Entry that should have been passed</b> Cash A/c Dr. To Machinery A/c	2,500	2,500		<b>Rectifying Entry</b> Sales A/c Dr. To Machinery A/c	2,500	2,500
(b)	<b>Wrong Entry passed</b> Carriage A/c Dr. To Cash A/c	150	150		<b>Correct Entry that should have been passed</b> Machinery A/c Dr. To Cash A/c	150	150		<b>Rectifying Entry</b> Machinery A/c Dr. To Carriage A/c	150	150
(c)	<b>Wrong Entry passed</b> Building A/c Dr. To Cash A/c	1,350	1,350		<b>Correct Entry that should have been passed</b> Repairs and Maintenance A/c Dr. To Cash A/c	1,350	1,350		<b>Rectifying Entry</b> Repairs and Maintenance A/c Dr. To Building A/c	1,350	1,350



(d)	<b>Wrong Entry passed</b> Conveyance A/c Dr. 25,000 To Cash A/c	25,000	25,000	<b>Correct Entry that should have been passed</b> Scooter A/c Dr. 25,000 To Cash A/c	25,000	25,000	<b>Rectifying Entry</b> Scooter A/c Dr. 25,000 To Conveyance A/c	25,000	25,000
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**Example 4** Fill in the blanks, by completing the rectifying entries.

- (i) Amount of Rs 850 which is earlier written off as bad debt is recovered but credited to the Customer (Anand) Account.
- (ii) Cash withdrawn by the proprietor Rs 1,420 for personal use debited to Office Expenses Account.
- (iii) Proprietor's Life Insurance premium paid Rs 1,050 debited to Insurance Premium Account.
- (iv) Registration Charges of a land debited to Legal Charges Account Rs 5,200.
- (v) Sold an old computer for Rs 8,500, but credited to Sales Account.
- (vi) Old furniture (book value Rs 4,500) was sold for Rs 2,800, but proceeds had been wrongly credited to Sales Account.
- (vii) Annual whitewash expenses of Rs 2,500, was debited to Building Account.
- (viii) Salary paid to manager Rs 3,200 but debited to Manager's Personal Account.
- (ix) Rs 1,560 paid by a cheque for office chairs was charged to Office Expenses.
- (x) Rs 4,500 paid for the construction of office building was debited to Salaries Account.
- (xi) Rs 1,200 spent on repair of existing machinery, was charged to Machinery Account.
- (xii) Rs 2,460 spent on the purchase of materials for the construction of second floor debited to Purchases Account.
- (xiii) Rs 1,460 paid for the registration fees while purchasing building was debited to Repairs Account.
- (xiv) Commission received from Soojit was credited to his account with Rs 1,500.
- (xv) Interest paid to Vineet Rs 2,100 was debited to his Personal Account.

Journal Proper				
Date	Particulars	L.F.	Debit Amount (Rs)	Credit Amount (Rs)
(i)	_____ To _____ (Amount of Rs 850 which is earlier written off as bad debt is recovered but credited to the customer (Anand) Account.)	Dr.	850	850
(ii)	Drawings A/c To _____ (Cash withdrawn by the proprietor for his personal use was wrongly debited to office expenses, now rectified)	Dr.	?	?
(iii)	_____ To _____ (Life Insurance premium paid for the proprietor was wrongly debited to the Insurance Premium Account, now rectified )	Dr.	1,050	1,050
(iv)	_____ To Legal Charges A/c	Dr.	?	?

	(Registration Charges of a land were wrongly debited to Legal Charges account, now rectified)			
(v)	_____ Dr. To Computer A/c (Old computer sold was wrongly debited to sales account, now rectified)	?		?
(vi)	Sales A/c Dr. To _____ (Old furniture of Book Value 4,500 was sold for 2,800 but wrongly credited to Sales Account, now rectified)	4,500		?
(vii)	_____ Dr. To Building A/c (Annual whitewash expenses was wrongly debited to Building Account, now rectified)	2,500	2,500	
(viii)	Salary A/c Dr. To _____ (Salary paid to manager were debited to manager's personal account, now rectified)	?		?
(ix)	Furniture A/c Dr. To _____ (Office chairs purchased was wrongly debited to Furniture Account, now rectified)	?		?
(x)	_____ Dr. To Salaries A/c (Expenses incurred on the construction of office building was wrongly debited to Salaries Account, now rectified)	?		?
(xi)	Repairs A/c Dr. To _____ (Amount spend on the repair of existing machinery was debited to machinery account, now rectified)	?		?
(xii)	Building A/c Dr. To _____ (Amount spent on the purchase of material for the construction of second floor was wrongly debited to purchases account, now rectified)	?		?
(xiii)	_____ Dr. To Repairs A/c (Amount spent on the registration of building purchased was wrongly debited to repairs account, now rectified)	?		?
(xiv)	_____ Dr. To Commission Received A/c (Commission received from Soojit was wrongly credited to his account, now rectified)	?		?
(xv)	Interest A/c Dr. To _____ (Interest paid to Vineet was wrongly debited to his account, now rectified)	?		?

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**Solution**

Journal Proper				
Date	Particulars	L.F.	Debit Amount (Rs)	Credit Amount (Rs)
(i)	Anand To Bad debts recovered A/c (Amount of Rs 850 which is earlier written off as bad debt is recovered but credited to the customer (Anand) Account.)	Dr.	850	850
(ii)	Drawings A/c To Office Expenses A/c (Cash withdrawn by the proprietor for his personal use was wrongly debited to office expenses, now rectified)	Dr.	1,420	1,420
(iii)	Drawings A/c To Insurance Premium A/c (Life Insurance premium paid for the proprietor was wrongly debited to the Insurance Premium Account, now rectified )	Dr.	1,050	1,050
(iv)	Land A/c To Legal Charges A/c (Registration Charges of a land were wrongly debited to Legal Charges account, now rectified)	Dr.	5,200	5,200
(v)	Sales A/c To Computer A/c (Old computer sold was wrongly debited to sales account, now rectified)	Dr.	8,500	8,500
(vi)	Sales A/c To Furniture A/c (Old furniture of Book Value 4,500 was sold for 2,800 but wrongly credited to Sales Account, now rectified)	Dr.	4,500	4,500
(vii)	Repairs and Maintenance A/c To Building A/c (Annual whitewash expenses was wrongly debited to Building Account, now rectified)	Dr.	2,500	2,500
(viii)	Salary A/c To Manager's Personal A/c (Salary paid to manager were debited to manager's personal account, now rectified)	Dr.	3,200	3,200
(ix)	Furniture A/c To Office Expenses A/c (Purchase of furniture is wrongly debited to office expenses account, now rectified)	Dr.	1,560	1,560
(x)	Building A/c To Salaries A/c (Expenses incurred on the construction of office building was wrongly debited to Salaries Account, now rectified)	Dr.	4,500	4,500

(xi)	Repairs A/c To Machinery A/c (Amount spent on the repair of existing machinery was debited to machinery account, now rectified)	Dr.	1,200	1,200
(xii)	Building A/c To Purchases A/c (Amount spent on the purchase of material for the construction of second floor was wrongly debited to purchases account, now rectified)	Dr.	2,460	2,460
(xiii)	Building A/c To Repairs A/c (Amount spent on the registration of building purchased was wrongly debited to repairs account, now rectified)	Dr.	1,460	1,460
(xiv)	Soojit To Commission Received A/c (Commission received from Soojit was wrongly credited to his account, now rectified)	Dr.	1,500	1,500
(xv)	Interest A/c To Vineet (Interest paid to Vineet was wrongly debited to his account, now rectified)	Dr.	2,100	2,100

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Compensating Errors

### Objectives

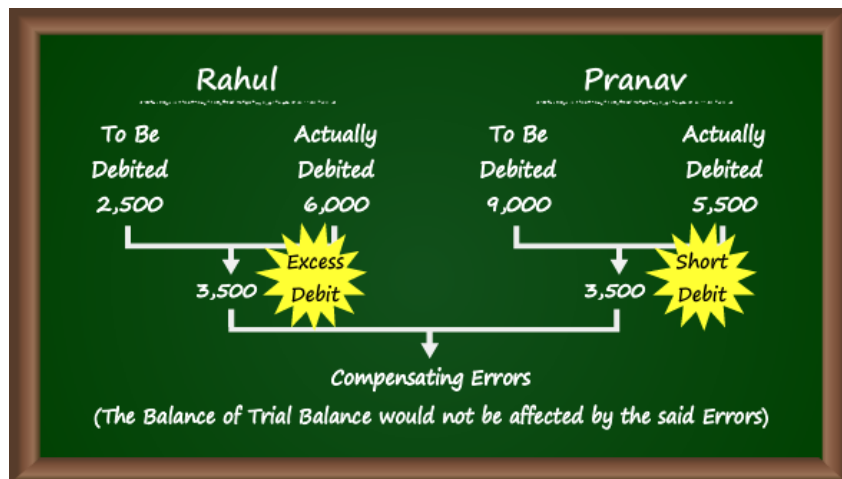
After going through this lesson, you shall be able to understand the concept of Compensating Errors and the procedure of rectifying such errors.

### Compensating Errors

When two or more errors are committed in such a way that the net effect of these errors is ***Nil*** on the debit and credit side of accounts i.e. they do not affect trial balance, such type of errors are known as Compensating errors. Let's take an example to gain a better understanding of such type of errors.

### Example

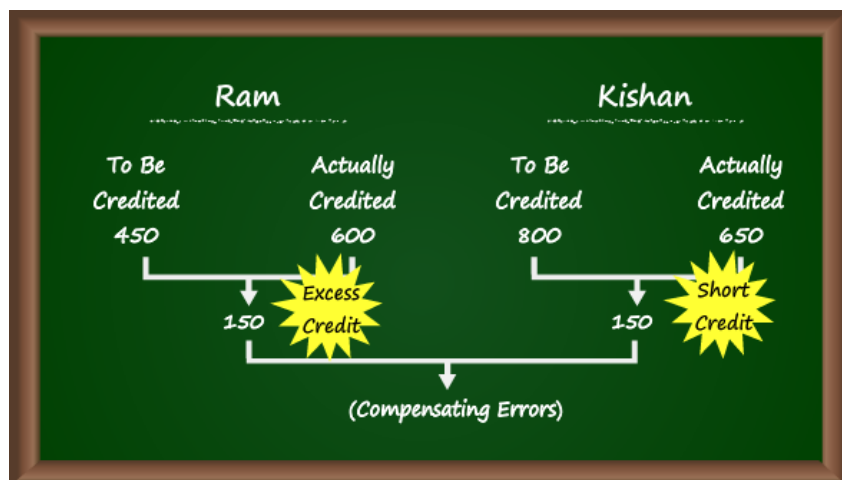
Pranav's A/c is debited by Rs 5,500, while it is to be debited by Rs 9,000 and Rahul's A/c was debited by Rs 6,000 while it is to be debited by Rs 2,500. Thus, the short debit of Pranav's A/c is compensated by excess debit in Rahul's A/c. As the Excess debit and short debit neutralize each other effect. Thus, these errors will not affect the trial balance, although the error still remains in the books which are required to be rectified.



Journal				
Date	Particulars	L.F.	Debit Amount (Rs)	Credit Amount (Rs)
	Pranav Dr. To Rahul (Rectification entry passed )		3,500	3,500

#### Example

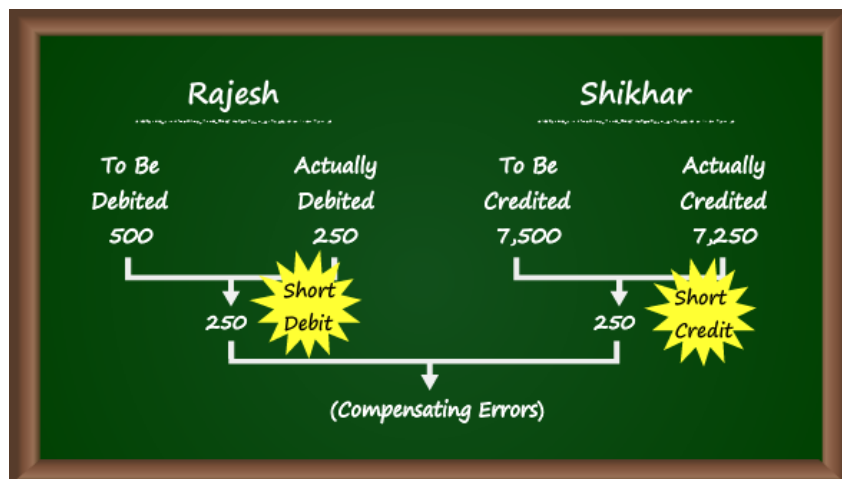
Kishan's A/c is credited by Rs 650 while it is to be credited by Rs 800 and Ram's A/c was credited by Rs 600 while it is to be credited by Rs 450. Thus, the short credit of Kishan's A/c is compensated by excess credit in Ram's A/c. As the Excess credit and short credit neutralize each other's affect but the fact remains that there is still an error.



Journal				

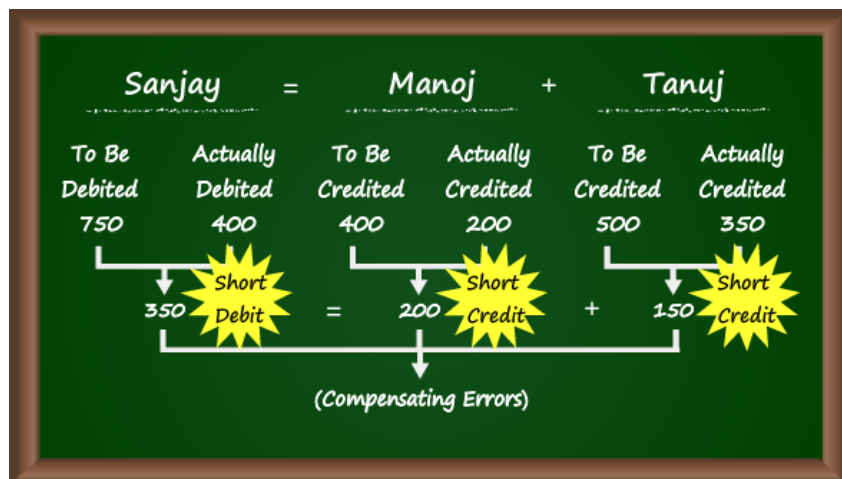
Date	Particulars	L.F.	Debit Amount (Rs)	Credit Amount (Rs)
	Ram To Kishan (Rectification entry passed )	Dr.	150	150

**Example:** Sale of goods made to Rajesh for Rs 500 was posted to the debit side of Rajesh's Account with Rs 250 only. This will lead to a reduction in the debit side of trial balance by Rs 250. Incidentally receipt of Rs 7,500 from Shikhar was wrongly credited to his account as Rs 7,250. This leads to a reduction of Rs 250 on the credit side of the trial balance, hence both the errors neutralized each other's affect which will not affect the total of trial balance.



Journal				
Date	Particulars	L.F.	Debit Amount (Rs)	Credit Amount (Rs)
	Rajesh To Shikhar (Rectification entry passed )	Dr.	250	250

**Example :** Sale of goods made to Sanjay for Rs 750 was debited to Sanjay's Account with Rs 400 only . This will lead to a reduction in the debit side of the trial balance by Rs 350. There was also a receipt of Rs 400 from Manoj which was wrongly credited to Manoj's Account as Rs 200 and a receipt of Rs 500 from Tanuj was credited as Rs 350. Thus, they together compensate Rs 350 of Sanjay (Rs 200 from Manoj + Rs 150 from Tanuj) . This will lead to no effect on agreement of trial balance.



Journal				
Date	Particulars	L.F.	Debit Amount (Rs)	Credit Amount (Rs)
	Sanjay Dr. To Manoj To Tanuj (Rectification entry passed )		350	200 150

**Example:** Rectify the following errors.

- 1) Purchases Book was overcast by Rs 900 and Sales Book was also overcast by Rs 900.
- 2) Purchases Return of Rs 2,500 were recorded as Rs 3,000, Sales Return of Rs 8,900 were recorded as Rs 9,400.
- 3) Purchases of Rs 7,200 were passed through Sales Book, Purchase Return of Rs 7,200 were passed through Sales Return Book.
- 4) Machinery purchased for Rs 5,000 not recorded in books of accounts also, Creditors for Rs 5,000 were not recorded.

**Solution**

Journal				
Date	Particulars	L.F.	Debit Amount (Rs)	Credit Amount (Rs)
(1)	Sales A/c Dr. To Purchases A/c (Rectification entry passed )		900	900
(2)	Purchase Return A/c Dr. To Sales Return A/c (Adjustment entry passed )		500	500

(3)	Sales A/c	Dr.	7,200	
	Purchases A/c	Dr.	7,200	
	To Sales Return A/c			7,200
	To Purchase Return A/c (Rectification entry passed )			7,200
(4)	Machinery A/c	Dr.	5,000	
	To Creditors A/c (Machinery and creditors are now recorded in the books)			5,000

## Single Sided Errors and its Types

### Objectives

After going through this lesson, you shall be able to understand the different types of 'Errors affecting Trial Balance i.e. One Sided Errors'.

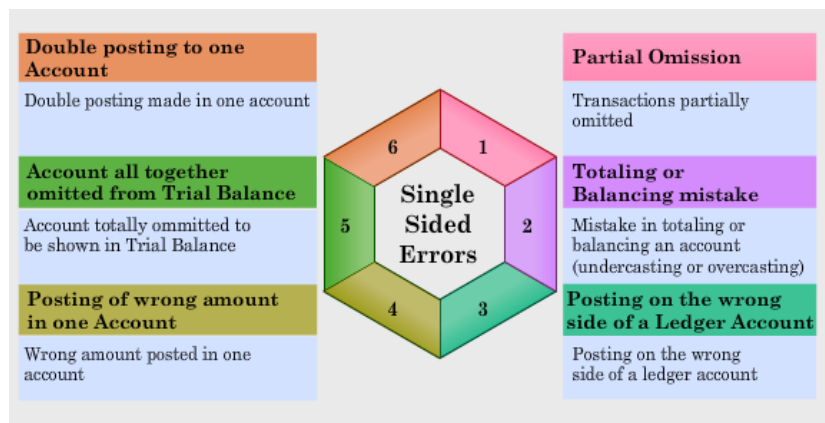
### Introduction

In the previous lessons, we have learned about those errors which do not affect the Trial Balance. These were generally two sided errors that were bifurcated into Error of Omission, Error of Commission, Error of Recording or Error of Posting, Error of Principle. We have already discussed all these errors in previous lessons in detail. In this lesson, we will cover those errors which do affect the trial balance.

### Errors affecting Trial Balance

There are some errors which may affect agreement of Trial Balance. These errors are known as *Errors affecting Trial Balance*. Such errors are generally One-Sided Errors as they affect only one account and due to which both the columns of Trial Balance never match with each other. These errors are listed below:

- (1) Partial Omission
- (2) Mistake in totaling or balancing an account (Undercasting or Overcasting)
- (3) Posting on the wrong side of Ledger Account
- (4) Posting of wrong amount in one account only
- (5) An account is altogether omitted to be shown in the Trial Balance
- (6) Double posting to one account.





(1) **Partial Omission:** Whenever a business transaction is correctly recorded in the books, but, at the time of its posting it is posted in only one of the Ledger Account. So, this error will be called Partial Omission. In simple words, under Partial Omission only one part of transaction (debit/credit) is posted and the other part is omitted (or ignored).

**Example** Credit sale to Raghuveer Singh of Rs 2,850 was not posted to Raghuveer Singh's Account. In this case, journal entry is correctly recorded in the books. However, at the time of its posting only one aspect of transaction has been posted, other aspect is totally omitted. Therefore, it is a case of Partial Omission. Look below to understand exactly what was happened:

Raghuveer Singh To Sales A/c (Credit sale made)	Dr.	2,850	2,850
---	-----	-------	-------

Above entry was correctly recorded in the books. Now look carefully what happened at the time of its posting:

Here two accounts are involved in the transaction:

Sales Account			
Dr.		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
		Raghuveer Singh	2,850

You can see Raghuveer Singh Account has been correctly posted on the credit side of Sales Account. Now let's see the position of Raghuveer Singh's Ledger Account:

Raghuveer Singh Account			
Dr.		Cr.	
Particulars	Amt.	Particulars	Amt.
??	??		

In the Account of Raghuveer Singh no posting is made  
 ↓  
 This shows *partial omission* as only credit aspect is considered without considering its debit aspect.  
 Therefore, it will *not allow* Trial Balance to agree.

This shows Partial Omission, as only credit aspect of the transaction is considered without considering its debit aspect. Therefore, this will also not allow the Trial Balance to agree.

(2) **Mistake in totaling or balancing an account:** Sometimes errors are committed at the time of totaling a ledger account or a trial balance, such type of errors is called errors of totaling or casting. Like totaling errors, there can be balancing errors and carry forwarding errors as well, the balancing errors are the mistakes committed at the time of calculating closing balance figure of any Ledger Account.

**Example** Closing balance of Sales Account is wrongly calculated as Rs 45,600 while the actual balance was Rs 48,600, so this is an error of balancing. On the other hand, error of carry forwarding balances are the errors committed at the time of carry forwarding balance of one page to the other. For example, Sales Book total of a page of Rs 4,820 was carry forwarded to the next page as Rs 4,280. All these errors are single sided errors, so they affect agreement of Trial Balance.

(3) **Posting on the wrong side of Ledger Account:** Whenever a correctly recorded business transaction is posted on the wrong side of Ledger Account. Then such an error is called error of posting on the wrong side of Ledger Account.

**Example** Paid Salary of Rs 8,000, and it is posted on the credit side of the Salary Account. In this case, there is an error committed at the time of posting of the transaction and that also in one account; therefore, it is a single sided error. Look below to understand exactly what was happened:

Salary A/c	Dr.	8,000	
------------	-----	-------	--

To Cash A/c (Salary paid)		8,000
------------------------------	--	-------

This shows business transaction has been correctly recorded in the books. Now let's see its Ledger Posting. Here two accounts are involved in this transaction:

#### Cash Account

Dr.			Cr.
Particulars	Amount (Rs)	Particulars	Amount (Rs)
		Salary A/c	8,000

This shows Salary A/c has been correctly posted on the credit side of the Cash Account. Now let's see position of Salary Ledger Account:

Salary Account			
Dr.			Cr.
Particulars	Amt.	Particulars	Amt.
		Cash A/c	8,000

This shows instead of recording 'Cash A/c' on the Debit side of 'Salary A/c' it is recorded on its Credit side.

⇓

This is an error of posting on the wrong side of the Account.

This shows, instead of recording 'Cash Account' on the debit side of 'Salary Account', it has been recorded on its credit side. This is an error of posting on the wrong side of account.

(4) **Posting of wrong amount in one account only:** When a business transaction is posted with wrong amount in one Ledger Account and correctly in its corresponding Ledger Account. Then such an error is called error of posting wrong amount in one of the account. This is a single sided error as only a part of transaction is affected. Thus, it will lead to mismatch in the total of the trial balance.

**Example** Sold goods on credit to Vansh for Rs 3,500, is posted as Rs 5,300 in Ledger Account of Vansh. The transaction for the sale of goods has been correctly recorded in the books. While posting the transaction, Sales Account is credited correctly with Rs 3,500. On the other hand, in the Ledger Account of Vansh, Sales Account is debited with the amount of Rs 5,300 instead of Rs 3,500. This is an error of posting of wrong amount in one account only. It is a single sided error as only one account is affected. Look below to understand exactly what was happened:

Vansh	Dr.	3,500	
To Sales A/c (Credit sale made)			3,500

This shows business transaction has been correctly recorded in the books. Now let's see its ledger posting. Here two accounts are involved in the transaction:

#### Sales Account

Dr.			Cr.
Particulars	Amount (Rs)	Particulars	Amount (Rs)
		Vansh	3,500

This shows Vansh's Account is correctly recorded on the credit side of Sales Account with Rs 3,500. Now let's see position of Ledger Account of Vansh

Vansh			
Dr.			Cr.
Particulars	Amt.	Particulars	Amt.
Sales A/c	5,300		

'Sales A/c' has been correctly posted on the Debit side of 'Vansh A/c' but error has been made in posting the amount.

⇓

This is an error of posting wrong amount in one Account. This is a single sided error and will *not allow* Trial Balance to agree.

This shows Sales A/c has been correctly posted on the debit side of Vansh's Account but error has been made in posting amount of Sales that is Rs 3,500 not 5,300. This is an error of posting wrong amount in one account. This is a single sided error and will not allow Trial Balance to agree.

(5) **An account is altogether omitted to be shown in the Trial Balance:** As we learnt that closing balances of all Ledger Accounts are transferred to the Trial Balance. Sometimes it happens that one of the Ledger Account is altogether omitted to be recorded in the Trial Balance. So due to this error trial balance will not agree.

(6) **Double posting to one account:** There may be a situation when a correctly recorded business transaction is posted twice in one Ledger Account. Such an error is double posting to one account. Due to this error, one account balance is increased without affecting its corresponding Ledger Account. This is a single sided error, as only single account is affected and therefore, it will not allow Trial Balance to be tallied.

**Important Note:** All the above mentioned single sided errors can be rectified with the help of a Suspense Account. We are going to learn about this account in our next lesson.

Single Sided Errors and their Rectification

### Objective

After going through this lesson, you shall be able to understand how to rectify those errors that affect Trial Balance.

### Introduction

In the previous lessons, we learnt about single sided errors affecting Trial Balance. In this lesson, we will discuss how these single sided errors are rectified.

### Rectification of Single-sided Errors

Single-sided errors are rectified with the help of Suspense Account. Such errors are corrected by recording on the debit/credit side of Suspense Account.

### Suspense Account

When Trial Balance does **not** agree, i.e., when the total of the debit column does **not** match that of the credit column, then the difference of the Trial Balance is transferred to a temporary account in order to avoid delay in preparation of the financial statements. This temporary account is termed as Suspense Account. If the debit column falls short of the credit column, then the Suspense Account is debited and if the credit column falls short of the debit column then the Suspense Account is credited.

If all the errors are detected and rectified, then the Suspense Account automatically gets closed (i.e. becomes zero). However, if still there exists any difference, then, it should be transferred to the Balance Sheet. If the Suspense Account shows a debit balance, then it is shown on the Assets side and if the Suspense Account shows a credit balance, then it is shown on the Liabilities side of the Balance Sheet.

**For example:** Purchase Book is undercasted by Rs 500. This implies that Purchases Book is under totaled by Rs 500, so in order to rectify it, we will debit Purchases Account and Credit Suspense Account with Rs 500.

**Example 1** Pass the necessary Journal Entries for rectifying the following errors.

(1) Bad Debts written off amounting to Rs 500, but not posted to Bad Debts Account.

- (2) Return Outward Book was overcasted by Rs 250.
- (3) Rs 850 paid to the landlord for rent wrongly debited to Landlord's Personal Account.
- (4) Rs 1,000 due from customer omitted, to be taken to schedule of Sundry Debtors.
- (5) Cash of Rs 1,200 withdrawn by the proprietor for personal use debited to Miscellaneous Expenses Account.
- (6) Discount Allowed of Rs 150, was credited to Discount Received Account.

**Solution:**

Journal Proper				
Date	Particulars	L.F.	Debit Amount (Rs)	Credit Amount (Rs)
(1)	Bad Debts A/c	Dr.	500	
	To Suspense A/c (Bad-debt were written off but omitted to be posted in Bad Debts Account, now rectified)			500
(2)	Return Outward A/c	Dr.	250	
	To Suspense A/c (Return Outward book was overcasted, now rectified )			250
(3)	Rent A/c	Dr.	850	
	To Landlord's Personal A/c (Rent paid but wrongly debited to Personal Account of Landlord, now rectified)			850
(4)	Sundry Debtors A/c	Dr.	1,000	
	To Suspense A/c (Amount due from Customer was omitted to be taken into schedule of Sundry Debtors, now rectified)			1,000
(5)	Drawings A/c	Dr.	1,200	
	To Miscellaneous Expense A/c (Personal expenses were wrongly charged to Miscellaneous Expenses, now rectified)			1,200
(6)	Discount Allowed A/c	Dr.	150	
	Discount Received A/c	Dr.	150	
	To Suspense A/c (Discount allowed of Rs 150 was wrongly credited as Discount Received Account, now rectified)			300

**Example 2** Pass Journal Entries for rectifying following errors.

- (1) Purchase of Rs 1,500 from Manish Singh were wrongly passed through Sales Book.
- (2) Balance of Sales Book was carried forward to next page as Rs 560 instead of Rs 650.
- (3) Cash of Rs 800 paid to Shabbir Singh, but only Rs 80 were debited to his account.
- (4) Goods purchased for Rs 7,000 were posted as Rs 700 to the Purchases Account.

(5) One item of Rs 250 relating to Prepaid Insurance Account was omitted to be brought forward from the books of previous year.

**Solution:**

Journal Proper				
Date	Particulars	L.F.	Debit Amount (Rs)	Credit Amount (Rs)
(1)	Purchases A/c	Dr.	1,500	
	Sales A/c	Dr.	1,500	
	To Manish Singh (Goods purchased from Manish Singh was wrongly passed through Sales Account, now rectified)			3,000
(2)	Suspense A/c	Dr.	90	
	To Sales A/c (Sales day book total of one page Rs 560 was carried forward to next page as Rs 650, now rectified)			90
(3)	Shabbir Singh	Dr.	720	
	To Suspense A/c (Cash paid to Shabbir Singh Rs 800 was wrongly debited to his Account as Rs 80, now rectified)			720
(4)	Purchases A/c	Dr.	6,300	
	To Suspense A/c (Goods purchased of Rs 7,000 were wrongly posted as Rs 700 in Purchase Account, now rectified)			6,300
(5)	Prepaid Insurance A/c	Dr.	250	
	To Suspense A/c (Prepaid Insurance was omitted to be brought forwarded from Previous Year, now rectified)			250

**Example 3** Pass Journal Entries for rectifying following errors.

- (1) Cash received from Aneek Rs 670, but debited to him Rs 760.
- (2) Goods worth Rs 850 returned by Pankaj, one of the customer were taken into stock but omitted to be recorded in the books.
- (3) Cash of Rs 3,200 was paid to Ranjeet but Rajneesh was debited with Rs 3,000.
- (4) A discount of Rs 800 allowed to a customer has been credited to his account as Rs 80.
- (5) Sales Return of Rs 800 from a customer has not been posted to Sales Return Account, though Customer's Account has been correctly credited.
- (6) Total of debit side of Expenses Account has been casted short of Rs 250.

**Solution:**

Journal Proper				
Date	Particulars	L.F.	Debit Amount (Rs)	Credit Amount (Rs)
(1)	Suspense A/c	Dr.	1,430	

	To Aneek (670 + 760) (Cash received from Aneek Rs 670, was debited to him with Rs 760, now rectified)			1,430
(2)	Sales Return A/c	Dr.	850	850
	To Pankaj (Goods returned by Pankaj were taken into Stock but omitted to be recorded in the books, now rectified)			
(3)	Ranjeet	Dr.	3,200	3,000 200
	To Rajneesh To Suspense A/c (Cash paid to Ranjeet Rs 3,200 was wrongly debited to Rajneesh Account with Rs 3,000, now rectified)			
(4)	Discount Allowed A/c	Dr.	720	720
	To Customer A/c (Customer Account was short credited by Rs 720, now rectified)			
(5)	Sales Return A/c	Dr.	800	800
	To Suspense A/c (Sales Return has not been posted to the Account, now rectified)			
(6)	Expenses A/c	Dr.	250	250
	To Suspense A/c (Expenses has been cast short by Rs 250, now rectified)			

**Example 4** Pass Journal Entries for rectifying following errors found in the books of Sameer Sharma. The Trial Balance shows difference by excess of Credit side with Rs 2,220. This difference was transferred to Suspense Account.

- (1) Credit Sales of Rs 1,000 has been credited to Sales and Sundry Debtors' Account simultaneously.
- (2) Cheque of Rs 1,800 received from Sachin has been dishonoured and was debited to Miscellaneous Expenses Account.
- (3) Sales of Rs 360 made to Abhimanyu were wrongly credited to his account.
- (4) Purchases Return of Rs 700 to Rishi was omitted to be recorded in the books.
- (5) Rs 500 charged as depreciation of Furniture was not posted to Depreciation Account.
- (6) Cheque of Rs 600 received from Mahinder was dishonoured and is posted to the debit of Sales Return Account.

**Solution:**

Journal Proper				
Date	Particulars	L.F.	Debit Amount (Rs)	Credit Amount (Rs)
(1)	Sundry Debtors	Dr.	1,000	1,000
	To Suspense A/c (Credit Sales has been credited to Sales Account as well as Sundry Debtors Account, now rectified )			
(2)	Sachin	Dr.	1,800	

	To Miscellaneous Expenses A/c (Cheque of Sachin was dishonoured but wrongly debited to Miscellaneous Expenses Account, now rectified)		1,800
(3)	Abhimanyu Dr.	720	720
	To Suspense A/c (Sales of Rs 360 to Abhimanyu was instead of debiting credited to his Account, now rectified )		
(4)	Rishi Dr.	700	700
	To Purchases Return A/c (Purchase Return to Rishi was not recorded in the books, now rectified)		
(5)	Depreciation A/c Dr.	500	500
	To Suspense A/c (Depreciation on Furniture was omitted to be posted in Depreciation Account, now rectified )		
(6)	Mahinder Dr.	600	600
	To Sales Return A/c (Cheque from Mahinder was dishonoured and wrongly posted on the debit side of Sales Return Account, now rectified)		

Suspense Account							
Dr.				Cr.			
Date	Particulars	J.F.	Amount (Rs)	Date	Particulars	J.F.	Amount (Rs)
	Difference in Trial Balance		2,220		Sundry Debtors		1,000
					Abhimanyu		720
					Depreciation A/c		500
			2,220				2,220

### Important Assumptions for Rectifying Errors

#### Objectives

After going through this lesson, you shall be able to understand the assumptions that are made while rectifying errors.

#### Introduction

In the previous lessons, we have considered different errors that can occur in the books and also how these errors are rectified. In this lesson, we will study some important assumptions that are kept in mind while rectifying errors.

#### Assumptions to be made while rectifying the errors

- (1) If it is not provided in the question that any difference arising in the Trial Balance is transferred to Suspense Account. In such cases assume this difference is transferred to *Suspense Account* and rectify the one sided errors with the help of this *Suspense Account*.
- (2) If errors occurred at the time of recording an entry in the books of original entry itself such as Sales Book, Purchase Book, Return Inward Book, Return Outward Book. In such case, assume that posting of such entries has been done on the basis of their recording in the original books.

*For Example:* Goods purchased from Rahul for Rs 2,000 has been recorded with Rs 200. In this situation, we will assume at the time of posting of this transaction, Purchases Account was debited with Rs 200 and Rahul's Account was credited with Rs 200.

(3) If error took place at the time of posting of a transaction. In such case, we will assume recording of this transaction in the original books of entry was correctly done.

*For Example:* Goods purchased from Rahul for Rs 2,000 has been posted with Rs 200. In this situation, we will assume that recording of entry of purchase of goods has been correctly made in the books with Rs 2,000 but at the time of its posting Rahul's Account has been credited with Rs 200.

(4) If error is committed at the time of posting in form of posting to wrong account. And it is not stated that on which side and with what amount posting is done. In such a situation, we will assume that posting of such transaction has been made on the right side with right amount.

*For Example:* Goods purchased from Rahul for Rs 2,000 has been posted to Ranjeet's Account. In this situation, we will assume that posting is made on the credit side of Ranjeet's Account with Rs 2,000 i.e. correct side (Credit) with correct amount (2,000)

(5) If error is committed at the time of posting in form of posting with wrong amount. And it is not stated that on which side and to which account posting is made. In such situation, we will assume that posting of such transaction has been made on the correct side of correct account.

*For Example:* Goods purchased from Rahul for Rs 2,000 posted as Rs 200. In this situation, we will assume that posting is made on the credit side of Rahul's Account (i.e. correct side of correct Account) but with Rs 200 (wrong amount)

(6) If error is committed at the time of posting in form of posting on a wrong side. And it is not stated to which account and with what amount posting has been made. In such situation, we will assume that posting of such transaction has been made to correct account with the correct amount.

*For Example:* Goods purchased from Rahul for Rs 2,000 were debited. In this situation, we will assume that posting is made in the correct account (i.e. Rahul's Account) with correct amount (i.e. 2,000) but on the wrong side of the account (i.e. on debit side of Rahul's Account).

(7) If error is regarding omission of posting a transaction from Journal Proper. In such cases, we will assume that no posting of recorded transaction has been made in any of the account.

*For Example:* Depreciation of Rs 1,500 charged on the Machinery was not posted. In this situation, we will assume that this transaction has not been posted neither in Depreciation Account nor in Machinery Account.

**Example 1** Pass the Journal Entries to rectify the following errors.

(1) Goods valued Rs 850 returned by Sudhir were entered in the Sales Book and posted there to the credit of his account.

(2) An amount of Rs 2,100 entered in the Sales Return Book, has been posted to the debit of Manjeet, who returned the goods.

(3) Sale of Rs 1,800 made to Ranjeet was correctly entered in the Sales Book but wrongly posted to the debit of Shakti as Rs 180.

(4) Bad debts aggregating Rs 900 written off during the year were not adjusted in the General Ledger.

(5) Total of Discount Allowed Column in the Cash Book of Rs 1,500 was not posted.

(6) Cheque of Rs 1,960 received from Rahul got dishonoured and was posted to the debit of the Sales Return Account.

(7) Goods (cost Rs 1,050, Sale Price Rs 1,500) taken by the proprietor Sudesh for his personal use, were recorded in the Sales Book.

(8) Return Outward Book was over-casted by Rs 950.

### Solution

Journal Proper				
Date	Particulars	L.F.	Debit Amount (Rs)	Credit Amount (Rs)
(1)	Sales Return A/c Dr. Sales A/c Dr. To Suspense A/c (Goods valued Rs 850 returned by Sudhir entered in sales book and posted		850 850	1,700



	to the credit of Sudhir's Account, now rectified)			
(2)	Suspense A/c To Manjeet (Sales return of Rs 2,100 from Manjeet wrongly posted on the debit side of his account, now rectified )	Dr.	4,200	4,200
(3)	Ranjeet To Shakti To Suspense A/c (Sales to Ranjeet of Rs 1,800 was correctly entered in the Sales book but wrongly posted to the debit of Shakti Account with Rs 180, now rectified)	Dr.	1,800	180 1,620
(4)	Bad Debts A/c To Suspense A/c (Bad debt written off in sales ledger but not recorded in the general ledger, now rectified)	Dr.	900	900
(5)	Discount Allowed A/c To Suspense A/c (Discount allowed column in the cash book was not posted, now rectified)	Dr.	1,500	1,500
(6)	Rahul To Sales Return A/c (Cheque got dishonoured and was wrongly posted to the credit of the Sales Return Account, now rectified)	Dr.	1,960	1,960
(7)	Sales A/c Drawings A/c To Sudesh To Purchases A/c (Goods used by proprietor for his personal use was wrongly recorded in the sales book, now rectified)	Dr. Dr.	1,500 1,050	1,500 1,050
(8)	Return Outwards A/c To Suspense A/c (Return Outward book was over-casted, now rectified)	Dr.	950	950

**Example 2** Pass the Journal Entries to rectify the following errors.

- (1) Amount of Rs 12,000 owing by a customer had been omitted from the list of the Sundry Debtors.
- (2) Bills Receivable from Mohit of Rs 10,800, was posted to the credit of Bills Payable Account and also credited to Mohit.
- (3) Goods sold to Mahesh for Rs 5,200 was passed through Purchase Book but correctly debited in Mahesh Account.
- (4) Goods of Rs 4,150 purchased from Rajesh was wrongly passed through Return Outwards Book.

- (5) Material from Stores of Rs 4,100 and Wages of Rs 1,450 had been used in making tools and equipment for use in the own factory, but no adjustment for this has been passed in the books.
- (6) Cash sale of Rs 850 to Shekhar was recorded as credit Sales.
- (7) Bill drawn on Sanjeev of Rs 2,150 was passed through Bills Payable Book.
- (8) Total of debit side of the Expenses Account has been cast in excess by Rs 1,250.

### Solution

#### Journal Proper

Date	Particulars	L.F.	Debit Amount (Rs)	Credit Amount (Rs)
(1)	Sundry Debtors A/c Dr. To Suspense A/c (Customer had been omitted from the list of sundry debtors, now included)		12,000	12,000
(2)	Bills Receivable A/c Dr. Bills Payable A/c Dr. To Suspense A/c (Bill received from Mohit was wrongly posted to the credit of Bills payable Account, now rectified )		10,800 10,800	21,600
(3)	Suspense A/c Dr. To SalesA/c To Purchases A/c (Sales to Mahesh was wrongly passed through purchase book but correctly debited in the Mahesh Account, now rectified)		10,400	5,200 5,200
(4)	Purchases A/c Dr. Return Outwards A/c Dr. To Rajesh (Goods purchased from Rajesh was wrongly passed through return outward book , now rectified)		4,150 4,150	8,300
(5)	Tools and Implements A/c Dr. To Purchases A/c To Wages A/c (Material and wages used in making tools and equipment for use in factory, was not adjusted in books, now rectified)		5,550	4,100 1,450
(6)	Cash A/c Dr. To Shekhar (Cash sale of Rs 850 to Shekhar, was wrongly recorded as credit sales, now rectified)		850	850
(7)	Bills Receivable A/c Dr. Bills Payable A/c Dr.		2,150 2,150	

	To Sanjeev (Bill drawn on Sanjeev has been passed through Bills Payable book , now rectified)			4,300
(8)	Suspense A/c To Expenses A/c (Total of debit side of the expenses have been cast in excess by Rs 1,250, now rectified)	Dr.	1,250	1,250

**Example 3** Pass the Journal Entries to rectify the following errors.

- (1) Total of Purchase Book Rs 13,415 was omitted to be posted.
- (2) Total of Return Outwards Book Rs 4,156 on page 24 was brought forwarded as Rs 456 on page 25.
- (3) Sale of old furniture Rs 2,120 was recorded as the credit sales of finished goods.
- (4) One item of sale Rs 149 was posted from the Sales Book to the Customer Account as Rs 1,820.
- (5) Cash of Rs 2,450 paid to Surbhi was debited to Renu as Rs 1,990.
- (6) Rs 3,999 received from a customer was debited to his account.
- (7) Cheque of Rs 1,120 received from Tarun had been dishonoured and was passed to the debit of "Allowance Account"
- (8) Total of Purchase Return Book was added Re 1 higher.

**Solution**

**Journal Proper**

Date	Particulars	L.F.	Debit Amount (Rs)	Credit Amount (Rs)
(1)	Purchases A/c Dr. To Suspense A/c (Total of purchase book was omitted to be posted, now rectified)		13,415	13,415
(2)	Suspense A/c (4,156 – 456) Dr. To Return Outwards A/c (Total of Return outward book is short by Rs 3,700, now rectified )		3,700	3,700
(3)	Sales A/c Dr. To Furniture A/c (Sales of old furniture was recorded as sales of goods, now rectified)		2,120	2,120
(4)	Suspense A/c (1,820 – 149) Dr. To Customer's A/c (Wrong posting from the sales book to ledger account, now rectified)		1,671	1,671

(5)	Surbhi To Renu To Suspense A/c (Cash paid to Surbhi was wrongly debited to Renu, now rectified)	Dr.	2,450	1,990 460
(6)	Suspense A/c To Customer's A/c (Cash received from customer was wrongly debited to his account, now rectified)	Dr.	7,998	7,998
(7)	Tarun To Allowances A/c (Cheque dishonoured was debited to allowance, now rectified)	Dr.	1,120	1,120
(8)	Purchases Return A/c To Suspense A/c (Total of purchase return book was added Re 1 higher, now rectified)	Dr.	1	1

**Example 4** Pass the Journal Entries to rectify the following errors.

- (1) A contractor's bill of Rs 8,550 for building a small store was debited to Repairs Account.
- (2) Goods invoiced Rs 2,860 and debited on March 24, 2013 to Vivek were returned on the March 28, 2013 and were taken into stock on March 31, 2013 but it was not recorded in the books.
- (3) Rs 1,560 written off as depreciation on Computer was not posted to Depreciation Account.
- (4) Receipt side of the bank column of the Cash Book has been short totaled by Rs 3,160.
- (5) Credit sale of Rs 4,190 to Vikram posted to debit of his account.
- (6) Goods returned by Ritvik Rs 2,150 were entered in the Return Outward Book. However, Ritvik's Account is correctly posted.
- (7) Machinery of book value Rs 3,560 (original cost Rs 5,140) was sold for cash Rs 2,510 but credited to Machinery Account only with the sale proceeds.
- (8) Credit sale of Rs 2,220 was credited to Sales and also to Sundry Debtors Account.

**Solution**

Journal Proper					
Date	Particulars		L.F.	Debit Amount (Rs)	Credit Amount (Rs)
(1)	Building A/c	Dr.		8,550	8,550
	To Repairs A/c (Small store of Rs 8,550 was constructed but debited to repairs account, now rectified)				
(2)	Sales Returns A/c	Dr.		2,860	2,860
	To Vivek (Goods returned by Vivek but not recorded in the books, now rectified )				

(3)	Depreciation A/c	Dr.	1,560	
	To Suspense A/c (Depreciation written off on computer was not posted to depreciation account, now rectified)			1,560
(4)	Bank A/c	Dr.	3,160	
	To Suspense A/c (Receipt side of the bank column of the Cash Book was short totaled, now rectified)			3,160
(5)	NO ENTRY (As transaction is correctly posted on the debit side of the sales account, therefore, there is no error)			
(6)	Return Inwards A/c	Dr.	2,150	
	Return Outwards A/c	Dr.	2,150	
	To Suspense A/c (Goods returned were wrongly entered in the Return Outwards book but correctly posted in Ritvik's Account, now rectified)			4,300
(7)	Profit and Loss A/c (3,560 – 2,510)	Dr.	1,050	
	To Machinery A/c (Machinery Account is credited with sale proceeds, now rectified)			1,050
(8)	Sundry Debtors A/c	Dr.	4,440	
	To Suspense A/c (Sales were wrongly credited to the Sundry Debtors Account, now rectified)			4,440

**Example 5** Pass the Journal Entries to rectify the following errors.

- (1) Total of Purchase Day Book of Rs 756 on page 99 is brought forward on page 100 as Rs 576.
- (2) Return Inwards Book is under-casted by Rs 250 and Return Outwards Book is over-casted by Rs 250.
- (3) Discount column on the receipts side of the Cash Book is overtoted by Rs 175.
- (4) Goods of the value Rs 710 returned by Surinder were included in the Closing Stock but no entry was made in the books.
- (5) Rs 2,150 paid towards the cost of second hand radio purchased was debited to Repairs Account.
- (6) Debit balance of Rs 2,090 on the personal account of Kabir has been omitted while extracting a Trial Balance.
- (7) Cheque of Rs 650, issued to the Supplier's Account (shown under Creditors) towards his dues has been wrongly debited to the Purchases.
- (8) Rs 1,055 paid for wages to workmen for making showcases had been charged to Wages Account.

**Solution**

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Journal Proper				
Date	Particulars	L.F.	Debit Amount (Rs)	Credit Amount (Rs)
(1)	Purchases A/c (756 – 576) Dr. To Suspense A/c (Total of purchase day book of Rs 756 was brought forwarded as Rs 576, now rectified)		180	180
(2)	Return Inward A/c Dr. Return Outward A/c Dr. To Suspense A/c (Return Inward book is under-casted and return outward book is over-casted, now rectified )		250 250	500
(3)	Suspense A/c Dr. To Discount Allowed A/c (Discount Allowed Account was over-totaled, now rectified)		175	175
(4)	Sales Return A/c Dr. To Surinder (Sales return were not recorded in the books, now rectified)		710	710
(5)	Radio A/c Dr. To Repairs A/c (Second hand radio purchased was wrongly debited to Repairs Account, now rectified)		2,150	2,150
(6)	Kabir Dr. To Suspense A/c (Kabir omitted from the list of debtors, now included)		2,090	2,090
(7)	Sundry Creditors A/c Dr. To Purchases A/c (Payment made to Suppliers was posted to purchases, now rectified)		650	650
(8)	Furniture and Fixtures A/c Dr. To Wages A/c (Wages paid for making showcases was wrongly charged to wages account, now rectified)		1,055	1,055

**Example 6** Pass the Journal Entries to rectify the following errors.

- Purchase of a Car for personal use costing Rs 2,80,000 had been posted to the Car Account.
- Discount received from Veeru Rs 250 on paying Rs 1,750 to him was not recorded in the books.

- (3) Salary paid Rs 8,200 was debited Employee's Personal Account.
- (4) An item of Rs 450 written off as bad debt from Vishwas has not been debited to Bad Debt Account.
- (5) An amount of Rs 21,000 on account of claim against the customer was in dispute and was estimated that Rs 13,500 would probably have to be paid on this account.
- (6) Rs 2,820 stolen by an ex-employee stood debited to the Suspense Account.
- (7) Return Outward Book was undercasted by Rs 180 and Sales Day Book is overcasted by Rs 180.
- (8) Cash received Rs 9,000 from Kumar was posted to his account as Rs 199.

### Solution

#### Journal Proper

Date	Particulars	L.F.	Debit Amount (Rs)	Credit Amount (Rs)
(1)	Drawings A/c Dr. To Car A/c (Car purchased for the personal use was wrongly posted to Car Account, now rectified)		2,80,000	2,80,000
(2)	Veeru Dr. To Discount Received A/c (Discount received from Veeru not posted, now rectified)		250	250
(3)	Salary A/c Dr. To Employee's Personal A/c (Salaries paid debited to Employees personal Account rectified)		8,200	8,200
(4)	Bad Debt A/c Dr. To Suspense A/c (Bad debts not recorded in the books, now rectified)		450	450
(5)	Profit and Loss Account Dr. To Provision for Contingencies A/c (Provision created for a contingent liability)		13,500	13,500
(6)	Loss by Theft A/c Dr. To Suspense A/c (Cash stolen by ex employees stood debited to suspense account, now rectified)		2,820	2,820
(7)	Sales A/c Dr. To Return Outwards A/c (Return outward book is under-cast and sales book is over-casted, now rectified)		180	180
(8)	Suspense A/c Dr. To Kumar (Cash received from Kumar Rs 9,000)		8,801	8,801

	wrongly posted to his account as Rs 199, now rectified)			
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**Example 7** Pass the Journal Entries to rectify the following errors.

- (1) Goods returned by Chirag costing Rs 7,880 was posted to the credit of Sales Account.
- (2) Furniture purchased for office from Hassan Furniture House on credit for Rs 18,190 was recorded in the Purchase Day Book. At the time of posting their account was credited with Rs 19,180.
- (3) Purchases of Rs 11,150 has been posted to Creditors Account as Rs 1,115.
- (4) Rs 8,450 due from Raina was written off as bad debts in the previous year, but unexpectedly it was recovered in the current year and posted to Personal Account of Raina.
- (5) Total of Return Inwards Book was added Re 1 lower.
- (6) Payment side of the Cash Book is under-casted by Rs 850.
- (7) Total of credit side of the incomes has been casted in excess by Rs 750.
- (8) Total of Bills Receivable Book Rs 2,590 was left un-posted.

**Solution**

Journal Proper				
Date	Particulars	L.F.	Debit Amount (Rs)	Credit Amount (Rs)
(1)	Sales Return A/c	Dr.	7,880	
	Sales A/c	Dr.	7,880	
	To Suspense A/c (Goods returned but sales account wrongly credited, now rectified)			15,760
(2)	Furniture A/c	Dr.	18,190	
	Hassan Furniture House	Dr.	990	
	To Purchases A/c To Suspense A/c (Furniture purchased was passed through Purchase book, now rectified)			18,190 990
(3)	Suspense A/c	Dr.	10,035	
	To Creditors A/c (Purchase of Rs 11,150 were posted in the account of creditors with Rs 1,115, now rectified)			10,035
(4)	Raina	Dr.	8,450	
	To Bad Debts Recovered A/c			8,450
	(Raina Account was wrongly credited in respect of recovery of bad debt previously written off, now rectified)			
(5)	Return Inwards A/c	Dr.	1	
	To Suspense A/c (Total of return inward book is added Re 1 lower,			1



	now rectified)			
(6)	Suspense A/c	Dr.	850	
	To Cash A/c (Payment side of the cash book is under-casted, now rectified)			850
(7)	Income A/c	Dr.	750	
	To Suspense A/c (Credit side of the incomes has been over-casted, now rectified)			750
(8)	Bills Receivable A/c	Dr.	2,590	
	To Suspense A/c (Bills Receivable books total left un-posted, now posted)			2,590

**Example 8** Pass the Journal Entries to rectify the following errors.

- (1) Credit sale to Akash for Rs 3,820 was recorded through the Purchase Book as Rs 1,470.
- (2) An amount of Rs 1,050 paid for stationery expenses, was posted twice to Stationery Account.
- (3) Bills Receivable Book was under-casted by Rs 250 and Bills Payable Book was over-casted by Rs 150.
- (4) Credit sale of old machine for Rs 890 to Abhay, was recorded as sales of goods.
- (5) An amount of Rs 8,200 owing to a supplier was omitted from the list of Sundry Creditors.
- (6) Discount Allowed Rs 1,560 was posted to Discount Received.
- (7) Credit sales of goods of Rs 1,160 to John entered in the Purchases Book as Rs 1,610 and from there posted to the credit of Jignesh as Rs 1,610.
- (8) Old Car (Book Value Rs 35,000) originally purchased for Rs 1,20,000 was sold for cash Rs 38,500 and only sale proceeds were credited to Car Account.

**Solution**

Journal Proper				
Date	Particulars	L.F.	Debit Amount (Rs)	Credit Amount (Rs)
(1)	Akash	Dr.	5,290	
	To Sales A/c			3,820
	To Purchases A/c (Credit sales of Rs 3,820 was recorded through the Purchase Book as Rs 1,470, now rectified)			1,470
(2)	Suspense A/c	Dr.	1,050	
	To Stationery A/c (Amount of stationery was posted twice, now rectified)			1,050
(3)	Bills Receivable A/c	Dr.	250	
	Bills Payable A/c	Dr.	150	
	To Suspense A/c			400

	(Bills Receivable book was under-casted and Bills Payable book was over-casted, now rectified)			
(4)	Sales A/c	Dr.	890	
	To Machinery A/c (Machine sold was wrongly shown as goods sold, now rectified)			890
(5)	Suspense A/c	Dr.	8,200	
	To Sundry Creditors (Amount owing to supplier was omitted from the list of sundry creditors, now rectified)			8,200
(6)	Discount Allowed A/c	Dr.	1,560	
	Discount Received A/c	Dr.	1,560	
	To Suspense A/c (Discount allowed was wrongly posted as discount received, now rectified)			3,120
(7)	John	Dr.	1,160	
	Jignesh	Dr.	1,610	
	To Sales A/c To Purchases A/c (Goods sold were recorded as purchases with the wrong amount and also wrongly posted, now rectified)			1,160 1,610
(8)	Car A/c	Dr.	3,500	
	To Profit and Loss A/c (38,500 – 35,000) (Sale proceeds were credited to Car Account, now rectified)			3,500

**Example 9** Rectify the following errors:

- 1) Goods sold to Ramesh for Rs 5,000 was wrongly passed through Purchases Book.
- 2) Goods Purchased from Manoj for Rs 500 was passed through Sales Book.
- 3) Goods returned by Raina for Rs 250 were passed through Return Outwards Book.
- 4) Bills drawn on Amir for Rs 2,500 passed through Bills Payable Book.
- 5) Goods returned to Gunwani for Rs 720 was passed through Sales Book.
- 6) Goods purchased from Shyam Lal for Rs 250 was passed through Return Inwards Book.
- 7) Credit balance of Rs 950 of Vivek Account has been omitted while preparing Trial Balance.
- 8) Purchases return of Rs 1,050 from Kapoor & Sons was posted to their credit.

**Solution**

Journal				
Date	Particulars	L.F.	Debit Amount (Rs)	Credit Amount (Rs)

(1)	Ramesh	Dr.	10,000	
	To Purchases A/c			5,000
	To Sales A/c			5,000
	(Rectification entry passed )			
(2)	Purchase A/c	Dr.	500	
	Sales A/c	Dr.	500	
	To Manoj			1,000
	(Goods purchased from Manoj wrongly passed through sales book, now rectified)			
(3)	Return Inwards A/c	Dr.	250	
	Return Outwards A/c	Dr.	250	
	To Raina			500
	(Goods returned by Raina wrongly passed through purchase return book, now rectified)			
(4)	Bills Receivable A/c	Dr.	2,500	
	Bills Payable A/c	Dr.	2,500	
	To Amir			5,000
	(Bills drawn on Amir was passed through bills payable book, now rectified)			
(5)	Sales A/c	Dr.	720	
	To Purchases Return A/c			720
	(goods returned to Gunwani was wrongly passed through sales book, now rectified )			
(6)	Purchase A/c	Dr.	250	
	To Return Inwards			250
	(Goods purchased from Shyam Lal was wrongly passed through return inwards book, now rectified)			
(7)	Suspense A/c	Dr.	950	
	To Vivek			950
	(Account of Vivek was omitted at the time of preparing trial balance, now rectified)			
(8)	Kapoor & Sons	Dr.	2,100	
	To Suspense A/c			2,100
	(Purchase return from Kapoor and Sons is posted to the credit of their account, now rectified)			

## Rectification of Errors after the Preparation of Final Accounts

### Objective

After going through this lesson, you shall be able to understand the concept of 'Rectification of Errors after the Preparation of Final Accounts'.

### Introduction

In this lesson, we will learn the rectification of errors after the preparation of final accounts or rectification of errors in the next accounting year.

## Rectification of Errors after the Preparation of Final Accounts

Till now, we have learnt the rectification of errors before the books of accounts of a particular year are closed. But sometimes, rectification of errors is performed in the subsequent year, that is, after the books of accounts are closed.

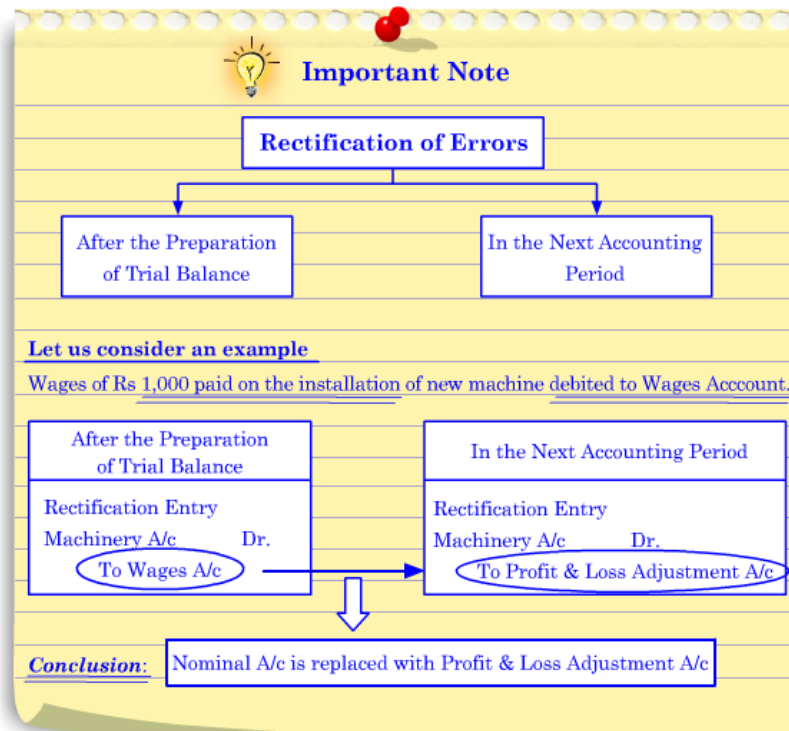
Consider the example given below to understand the effect of rectification (in the next period) if done through a Suspense Account.

Suppose the total of the Sales Book was overcasted by Rs 500 in December 2012. To rectify this error, we debit the Sales Account and credit the Suspense Account. Passing this entry in the subsequent year would mean that the Sales Account for the year 2013 will appear less than the actual sales for the year 2013. Consequently, the profit for the year will also appear less by Rs 500.

Based on the above example, we can conclude that rectification (in the next accounting period) through a suspense account unintentionally affects the actual profit figures in the year of rectification, that is, the succeeding year. Thus, to avoid this, the correction of errors involving **nominal accounts** is done through a separate account known as **Profit & Loss Adjustment Account**. The balance of this account is transferred to the Profit & Loss Account.

**Disclosure:** Such items related to the preceding year require a separate disclosure in the current year's Statement of Profit or Loss in which the errors are rectified.

The following diagram explains the accounting treatment in case of rectification of errors in the next accounting period.



**Example 1:** Pass Journal entries to rectify the given errors assuming corrections are made in the next accounting period.

1. The total of Sales Book was casted short by Rs 1,500.
2. The total of Returns Outward Book is carried forward as Rs 5,400 instead of Rs 4,500.
3. Sale of Rs 122 was entered in the Sales Book as Rs 212 and posted to the credit of the customer.
4. Sold goods on credit to Aditi for Rs 4,500 were not recorded anywhere.
5. Goods purchased for Rs 6,800 were wrongly posted as Rs 8,600.

6. Purchase of Rs 398 was recorded in the Purchases Book as Rs 98 and posted to the debit of Supplier Account as Rs 89.

**Solution**

Journal				
Date	Particulars	L.F.	Debit Amount (Rs)	Credit Amount (Rs)
1.	Suspense A/c	Dr.	1,500	
	To Profit & Loss Adjustment A/c			1,500
2.	Profit & Loss Adjustment A/c	Dr.	900	
	To Suspense A/c			900
3.	Profit & Loss Adjustment A/c	Dr.	90	
	Customer A/c		334	
	To Suspense A/c			424
4.	Aditi	Dr.	4,500	
	To Profit & Loss Adjustment A/c			4,500
5.	Suspense A/c	Dr.	1,800	
	To Profit & Loss Adjustment A/c			1,800
6.	Profit & Loss Adjustment A/c	Dr.	300	
	Suspense A/c	Dr.	187	
	To Supplier A/c			487

**Example 2:** Pass Journal entries to rectify the given errors assuming corrections are made in the next accounting period.

1. Wages of Rs 2,300 paid for the installation of new machinery were posted to the Wages Account as Rs 3,200.
2. Purchases Return of Rs 300 were passed through the Sales Return Book. However, the Creditor's Account was correctly posted.
3. Purchase of a motor van for Rs 30,000 was debited to the Running and Maintenance Account.
4. Sale of old machine for Rs 15,000 was passed through the Sales Book.
5. Goods purchased from Shyam for Rs 1,000 were entered in the Sales Book. However, Creditor's Account was correctly posted.

**Solution**

Journal				
Date	Particulars	L.F.	Debit Amount (Rs)	Credit Amount (Rs)
1.	Machinery A/c	Dr.	2,300	
	Suspense A/c	Dr.	900	
	To Profit & Loss Adjustment A/c			3,200
2.	Suspense A/c	Dr.	600	
	To Profit & Loss Adjustment A/c			600
3.	Motor Van A/c	Dr.	30,000	
	To Profit & Loss Adjustment A/c			30,000
4.	Profit & Loss Adjustment A/c	Dr.	15,000	
	To Machine A/c			15,000
5.	Profit & Loss Adjustment A/c	Dr.	2,000	
	To Suspense A/c			2,000

**Example 3:** Pass Journal entries to rectify the given below errors assuming corrections are made in the next accounting period.

1. A cheque of Rs 2,200 received from Vijay (after allowing a discount of Rs 200) was endorsed to Rakhi in full settlement for Rs 2,500. The cheque was dishonoured, but no entry was passed.
2. Goods worth Rs 2,000 were dispatched to a customer before the close of the year, but no invoice was raised for the same.
3. Goods of Rs 2,000 (costing Rs 1,500) sent to a customer on approval basis were included in Sales. However, the customer did not confirm his consent on the goods sent by year end.
4. Sale of furniture to Mr. Lal for Rs 15,000 was completely omitted from the records. The book value of furniture was Rs 12,000. Depreciation @ 15% is charged on the balance every year.
5. Discount of Rs 150 received from a supplier was correctly recorded in the Cash Book but was omitted from the ledger.
6. Discount of Rs 100 allowed to a customer was not debited to the Discount Account.

### **Solution**

<b>Journal</b>				
<b>Date</b>	<b>Particulars</b>	<b>L.F.</b>	<b>Debit Amount (Rs)</b>	<b>Credit Amount (Rs)</b>
1.	Vijay	Dr.	2,400	
	Profit & Loss Adjustment A/c	Dr.	100	
	To Rakhi			2,500
2.	Customer A/c	Dr.	2,000	
	To Profit & Loss Adjustment A/c			2,000
3.	Profit & Loss Adjustment A/c	Dr.	500	
	Stock A/c	Dr.	1,500	
	To Customer A/c			2,000
4.	Mr. Lal	Dr.	15,000	
	To Furniture A/c			10,200
	To Profit & Loss Adjustment A/c			4,800
5.	Suspense A/c	Dr.	150	
	To Profit & Loss Adjustment A/c			150
6.	Profit & Loss Adjustment A/c	Dr.	100	
	To Suspense A/c			100

### Topics

- Errors- Meaning and Types
- Two Sided Errors and their Rectification
- Errors of Omission
- Errors of Commission
- Errors of Posting
- Errors of Principle
- Compensating Errors
- Single Sided Errors and its Types
- Single Sided Errors and their Rectification
- Important Assumptions for Rectifying Errors
- Rectification of Errors after the Preparation of Final Accounts