

Unit 9

RECTIFICATION OF ERRORS



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Learning Objectives

To enable the students to

- Understand the meaning and types of errors
- Analyse the steps involved in locating the errors
- Analyse the errors and rectify the errors at different stages



Points to recall

The following points are to be recalled before learning rectification of errors:

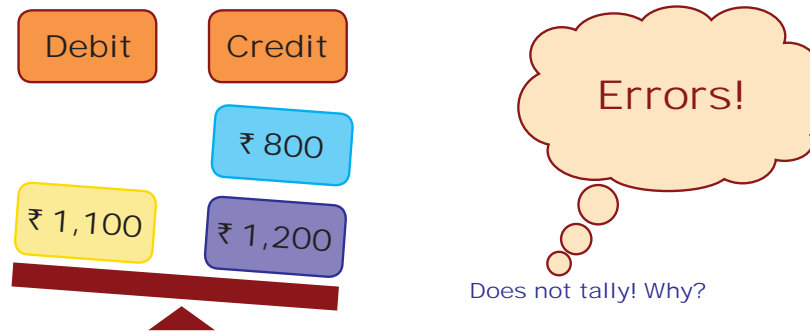
- The golden rules of accounting used in journalising
- Journalising of transactions
- Posting of entries from journal to ledger
- Preparation of cash book
- Preparation of other subsidiary books
- Procedure for posting from subsidiary books to ledger
- Procedure for balancing of ledger accounts
- Various accounts that normally show debit and credit balances
- Preparation of trial balance

Key terms to know

- Errors of commission
- Errors of omission
- Errors of principle
- Compensating errors
- Suspense account
- Rectification

9.1 Introduction

The very purpose of maintaining accounting records is to know the profit made or the loss incurred by a business entity and its financial position at the end of every accounting year. Accuracy is assured only when there are no errors in the books of accounts. To ensure accuracy, errors are identified and rectified. Many business enterprises have shifted from manual accounting to computerised accounting. Yet, errors in accounting are unavoidable. Hence, errors are to be located and rectified to find out the real profit or loss and financial position i.e., assets and liabilities at different periods, usually at the end of each financial year.



9.2 Meaning of errors

Error means recording or classifying or summarising the accounting transactions wrongly or omissions to record them by a clerk or an accountant unintentionally.

9.3 Errors at different stages of accounting

In the accounting process, errors may occur in any of the following stages:

A) At the stage of journalising

At this stage, the following types of errors may occur:

- (i) Error of omission (ii) Error of commission (iii) Error of principle

B) At the stage of posting

At this stage, the following types of errors may occur:

- (i) Errors of omission
 - (a) Error of complete omission (b) Error of partial omission
- (ii) Error of commission
 - (a) Posting to wrong account (b) Posting of wrong amount
 - (c) Posting to the wrong side

C) At the stage of balancing

At this stage, the following types of errors may occur:

- (i) Wrong totalling of accounts (ii) Wrong balancing of accounts

D) At the stage of preparing trial balance

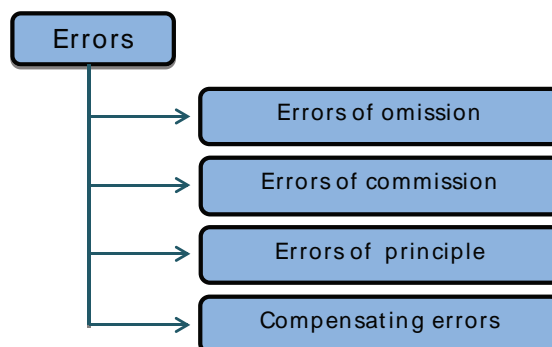
At this stage, following types of errors may occur:

- (i) Error of omission

(ii) Error of commission

- (a) Entering to wrong account
- (b) Entering wrong amount
- (c) Entering to the wrong side of trial balance, etc.

9.4 Classification of errors



The errors can be classified into four types as follows:

9.4.1 Error of omission

The failure of the accountant to record a transaction or an item in the books of accounts is known as an error of omission. It can be complete omission or partial omission.

(i) Error of complete omission

It means the failure to record a transaction in the journal or subsidiary book or failure to post both the aspects in ledger. This error affects two or more accounts.

Examples

a	Purchase of a machine from Aadhavan & Co. on credit is not recorded in the journal.
b	Sale of goods to Arivuchelvan on credit not recorded in the sales book.

(ii) Error of partial omission

When the accountant has failed to record a part of the transaction, it is known as error of partial omission. This error usually occurs in posting. This error affects only one account.

Examples

a	Cash received from Ponnarasan recorded in the cash book but not posted to Ponnarasan's account in the ledger.
b	Goods sold to Cheran on credit recorded in the sales book but not posted to Cheran's account in the ledger.



Student activity

Think: Is there any way to avoid the error of partial omission?

9.4.2 Error of commission

When a transaction is incorrectly recorded, it is known as error of commission. It usually occurs due to lack of concentration or carelessness of the accountant.

The following are the possibilities of error of commission:



(i) Entering a wrong amount in a correct subsidiary book

Example

Goods sold to Kumanan on credit for ₹ 234 entered in the sales book as ₹ 243.

(ii) Entering a correct amount in a wrong subsidiary book

Example

Goods sold to Athiyamaan on credit for ₹ 500 entered in the purchases book.

(iii) Entering a wrong amount in a wrong subsidiary book

Example

Goods sold to Palanisamy for ₹ 2,450 entered in the purchases book as ₹ 2,540.

(iv) Over-casting or under-casting in a subsidiary book

Example

Purchases book was undercast by ₹ 500, i.e., ₹ 500 less than the correct total.

(v) Posting a correct amount to the wrong side of an account in the Ledger

Example

The total of purchases returns book ₹ 10,500 were posted to the debit side of purchases returns account.

(vi) Posting a wrong amount to the correct side of an account

Example

The total of sales returns book ₹ 7,200 were posted to the debit side of the sales returns account as ₹ 2,700.

(vii) Posting a wrong amount to the wrong side of an account

Example

The total of sales book ₹ 9,240 was debited in the sales account as ₹ 9,420.

(viii) Posting a correct amount to a wrong account

Example

The total of purchases book ₹ 5,500 was credited to the purchases returns account.

(ix) Posting a wrong amount to a wrong account

Example

Goods sold to Naveen on credit for ₹ 545 was entered in the sales book and posted to Praveen's account as ₹ 554.

(x) Double posting in an account

Example

Goods sold to Parimalam on credit for ₹ 500 entered in the sales book and posted twice to Parimalam's account.

(xi) Entering a transaction twice in the journal

Example

Goods sold to Mohanambal for ₹ 2,000 was entered twice in the sales book.

(xii) Errors arising in carrying forward from one page to the next page of an account

While carrying forward the total of one page of a ledger account to the next page, the wrong amount may be recorded.

Example

The total of page No.15 of the sales account of ₹ 5,765 is carried forward to page No.16 as ₹ 5,675.



(xiii) Error arising in the balancing of an account

Sometimes, at the time of balancing a ledger account, the wrong balance may be written.

9.4.3 Error of principle

It means the mistake committed in the application of fundamental accounting principles in recording a transaction in the books of accounts.

The following are the possibilities of error of principle:

(i) Entering the purchase of an asset in the purchases book

Example

Machinery purchased on credit for ₹ 10,000 by M/s. Anbarasi garments manufacturing company entered in the purchases book.

(ii) Entering the sale of an asset in the sales book

Example

Sale of old furniture on credit for ₹ 500 was entered in the sales book.

(iii) Treating a capital expenditure as a revenue expenditure

Example

An amount of ₹ 3,000 spent on the construction of an additional room is debited to repairs account.

(iv) Treating a revenue expenditure as a capital expenditure

Example

An amount of ₹ 2,000 paid for repairs to a machine is debited to machinery account.

9.4.4 Compensating errors

The errors that make up for each other or neutralise each other are known as compensating errors. These errors may occur in related or unrelated accounts. Thus, excess debit or credit in one account may be compensated by excess credit or debit in some other account. These are also known as offsetting errors.

Example

Purchases book and sales book are overcast by ₹ 1,000 each.



Student activity

Think: Do you think that all the errors can be revealed by trial balance?

9.5 Errors disclosed by the trial balance and errors not disclosed by the trial balance

Generally, one-sided errors are revealed by trial balance. They will cause disagreement of totals of debit balances and credit balances. Two-sided errors are not revealed by trial balance. Thus, the errors can be classified on the basis of their effect on the trial balance as follows:

9.5.1 Errors disclosed by the trial balance

Certain errors affect the agreement of trial balance. If such errors have occurred in the books of accounts, the total of debit and credit balances will not be the same. The trial balance will not tally. Error of partial omission and error of commission affect the agreement of trial balance.



Examples of such errors are follows:

- (i) Entered in the journal but posted to one account and omitted to be posted to the other.
- (ii) Posting an amount to the wrong side of a ledger account.
- (iii) Posting twice in a ledger account
- (iv) Over-casting or Under-casting in a subsidiary book
- (v) Posting a wrong amount to the correct side of an account
- (vi) Posting a wrong amount to the wrong side of an account
- (vii) Errors arising in carrying forward the page total from one page to the next page of an account or subsidiary book.
- (viii) Errors arising in the balancing of an account.
- (ix) Omission to post an entry from a subsidiary book.

9.5.2 Errors not disclosed by the trial balance

Certain errors will not affect the agreement of trial balance. Though such errors occur in the books of accounts, the total of debit and credit balance will be the same. The trial balance will tally. Errors of complete omission, error of principle, compensating error, wrong entry in the subsidiary books are not disclosed by the trial balance. Examples of such errors are as follows:

- (i) Treating revenue expenditure as capital expenditure
- (ii) Omitting a transaction completely
- (iii) Entering a transaction in a wrong subsidiary book
- (iv) Entering a transaction twice in a subsidiary book or journal
- (v) Entering the amount of a transaction wrongly in the journal
- (vi) Entering the amount of a transaction wrongly in a subsidiary book
- (vii) Compensating error

9.6 Steps to locate errors

Errors can be located by going through various steps. Such steps are as follows:

9.6.1 Location of errors before preparation of trial balance

Errors may be located before preparing the trial balance either spontaneously or by intentional scrutiny of books of accounts.

The following are the steps to be followed to locate errors before preparing trial balance:

- (i) Scrutiny of entries made in the journal proper
- (ii) Scrutiny of entries made in the subsidiary books
- (iii) Checking the totals of the subsidiary books
- (iv) Scrutiny of postings made to the ledger accounts
- (v) Scrutiny of balancing of ledger accounts

The errors located at this stage are rectified by debiting or crediting the relevant accounts in the books.

9.6.2 Location of errors after the preparation of trial balance

While preparing trial balance, if it does not tally, it is an indication of presence of errors in the books of accounts. The difference in trial balance is transferred to suspense account and then errors are to be located and rectified.

The following are the steps to be followed to locate errors after preparing trial balance:

- (i) The totals of debit and credit columns of trial balance are to be checked.
- (ii) The balances of various ledger accounts shown in the trial balance are to be checked to ensure whether they are shown in the respective columns (debit or credit).
- (iii) The difference in the trial balance must be halved and compared with balances of ledger to verify whether any ledger balance is recorded on the wrong side of the trial balance.
- (iv) The totals of all the subsidiary books are to be checked, especially if the difference is ₹ 1, ₹ 100 etc.
- (v) If the difference is divisible by '9', the difference may be due to transposition of figures in the books. (Writing ₹ 127 as ₹ 172). Hence, the possibilities of transposition of figures shall be checked.
- (vi) The accounts of all the creditors and debtors are to be verified.
- (vii) Postings from the subsidiary books to different accounts in the ledger are to be checked.
- (viii) The correctness of the balances of various ledger accounts is to be ensured.
- (ix) All the amounts carried forward from one page to the next are to be verified.
- (x) If the difference still exists, as a final step all the entries in the journals should be verified.



Student activity

Think: Is it possible to prepare final accounts, even when the trial balance does not tally?

9.7 Suspense account

9.7.1 Meaning of suspense account

When the trial balance does not tally, the amount of difference is placed to the debit (when the total of the credit column is higher than the debit column) or credit (when the total of the debit column is higher than the credit column) to a temporary account known as 'suspense account'.



Student activity

Think: If the suspense account is not balanced, what does it indicate?

9.7.2 Preparation of suspense account

Suspense account will remain in the books until the location and rectification of errors. After rectifying the errors and posting the rectification entries to the respective ledger accounts, the suspense account appearing in the ledger is to be balanced. If all the errors are located and rectified, the suspense account gets closed.

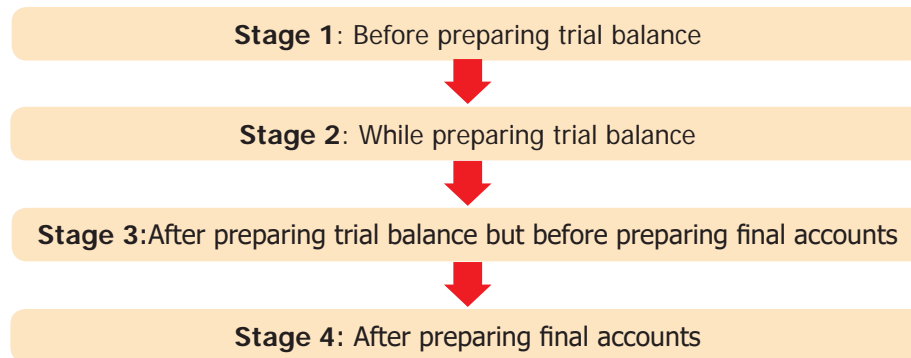
9.8 Rectification of errors



Depending on the stage at which errors are located, they are subsequently rectified at the respective stage itself.

9.8.1 Stages of rectification of errors

The following are the various stages of rectification of errors:



(i) Rectification of errors before preparing trial balance

If the accountant finds time before preparing trial balance to recheck the entries made in the journal, postings in the ledger accounts, amounts carried forward and balancing of ledger accounts with the intention of ensuring their correctness, he/she will be able to locate and rectify the errors at that stage itself.

(a) Rectification of one-sided errors before preparing trial balance

When one-sided error is detected before preparing the trial balance, no journal entry is required to be passed in the books. In such cases, the error can be rectified by giving an explanatory note in the account affected as to whether the concerned account is to be debited or credited.



Student activity

Think: How many times in a year and at what intervals, the trial balance needs to be prepared?

Illustration 1 (Errors in casting)

The following errors were detected before the preparation of trial balance. Rectify them.

- (a) Sales book is undercast by ₹ 100
- (b) Sales book is overcast by ₹ 200
- (c) Purchases book is undercast by ₹ 300
- (d) Purchases book is overcast by ₹ 400

Solution

- (a) Sales account should be credited with ₹ 100
- (b) Sales account should be debited with ₹ 200
- (c) Purchases account should be debited with ₹ 300
- (d) Purchases account should be credited with ₹ 400

Tutorial Note:

- (a) In this case, the sales book is undercast by ₹ 100. The total of sales book is posted to the credit side of sales account in the ledger. The undercasting has resulted in under-crediting of sales account by ₹ 100. This is an error of commission. The error is only in sales account. There is short credit in sales account by ₹ 100. Hence, it is rectified by crediting sales account by ₹ 100.



Illustration 2 (Errors in casting)

The following errors were detected before preparation of trial balance. Rectify them.

- (a) Purchases returns book is undercast by ₹ 500.
- (b) Purchases returns book is overcast by ₹ 600.
- (c) Sales returns book is undercast by ₹ 700.
- (d) Sales returns book is overcast by ₹ 800.

Solution

- (a) Purchases returns account should be credited with ₹ 500
- (b) Purchases returns account should be debited with ₹ 600
- (c) Sales returns account should be debited with ₹ 700
- (d) Sales returns account should be credited with ₹ 800

Illustration 3 (Errors in carry forward)

The following errors were detected before preparation of trial balance. Rectify them.

- (a) The total of purchases book is carried forward to the next page ₹ 100 short.
- (b) The total of purchases returns book is carried forward to the next page ₹ 200 excess.
- (c) The total of sales book is carried forward to the next page ₹ 300 excess.
- (d) The total of sales returns book is carried forward to the next page ₹ 400 short.

Solution

- (a) Purchases account should be debited with ₹ 100.
- (b) Purchases returns account should be debited with ₹ 200.
- (c) Sales account should be debited with ₹ 300.
- (d) Sales returns account should be debited with ₹ 400.

Illustration 4 (Errors in carry forward)

The following errors were detected before preparation of trial balance. Rectify them.

- (a) The total of rent received account is carried forward ₹ 900 short.
- (b) The total of rent received account is carried forward ₹ 1,000 excess.
- (c) The total of salary account is carried forward ₹ 1,100 short.
- (d) The total of salary account is carried forward ₹ 1,200 excess.

Solution

- (a) Rent received account is to be credited with ₹ 900
- (b) Rent received account is to be debited with ₹ 1,000
- (c) Salary account is to be debited with ₹ 1,100
- (d) Salary account is to be credited with ₹ 1,200

Illustration 5 (Errors in posting)

The following errors were detected before preparation of the trial balance. Rectify them.

- (a) A sum of ₹ 5,000 written off as depreciation on buildings has not been posted to depreciation account.
- (b) Payment of wages ₹ 2,000 to Venkat was posted twice to wages account.
- (c) An amount of ₹ 250 for a credit sale of goods to Nila, although correctly entered in the sales book, has been posted as ₹ 200.



Solution

- (a) Depreciation account should be debited with ₹ 5,000.
- (b) Wages account should be credited with ₹ 2,000.
- (c) Nila account should be debited with ₹ 50.

(b) Rectification of two-sided errors before preparing the trial balance

When a two-sided error is detected before preparing the trial balance, it must be rectified by passing a rectifying journal entry in the journal proper after analysing the error.

Practical steps to be followed in rectifying two-sided errors

Step 1	Write the wrong entry (the entry which has already been passed in the books)	Wrongly done
Step 2	Write the correct entry (the entry that should have been passed in the books)	Not done
Step 3	Make the rectifying entry [the net effect by cancelling the wrong account (debit or credit) in the wrong entry by reversing it and recording the correct account in its place (debit or credit)]	To be done

Illustration 6

The following errors were located before the preparation of the trial balance. Rectify them.

- (a) Goods sold to Anand for ₹ 1,000 on credit was not entered in the sales book.
- (b) An amount of ₹ 400 paid for repairs to the machinery stands wrongly posted to machinery account.
- (c) Salaries ₹ 2,000 paid to Gandhiraj was wrongly debited to his personal account in the ledger.

Solution

Rectifying entries

	Particulars	L.F.	Dr. ₹	Cr. ₹
a	Anand A/c Dr. To Sales A/c (Sale of goods to Anand not entered in sales book, now rectified)		1,000	1,000
b	Repairs A/c Dr. To Machinery A/c (Repairs wrongly debited to machinery account, now rectified)		400	400
c	Salaries A/c Dr. To Gandhiraj A/c (Salaries paid to Gandhiraj wrongly debited to his account, now rectified)		2,000	2,000

Note: Method of deriving the rectifying entries

	Wrong Entry	Correct Entry	Rectifying Entry
a	Nil (Complete Omission)	Anand A/c Dr. 1,000 To Sales A/c 1,000	Anand A/c Dr. 1,000 To Sales A/c 1,000
b	Machinery A/c Dr. 400 To Cash A/c 400	Repairs A/c Dr. 400 To Cash A/c 400	Repairs A/c Dr. 400 To Machinery A/c 400
c	Gandhiraj A/c Dr. 2,000 To Cash A/c 2,000	Salary A/c Dr. 2,000 To Cash A/c 2,000	Salary A/c Dr. 2,000 To Gandhiraj A/c 2,000

Illustration 7

The following errors were located before the preparation of the trial balance. Rectify them.

- Paid ₹ 500 to Angappan were wrongly debited to Angannan's account.
- Sale of furniture for ₹ 750 was credited to sales account.
- Purchase of goods from Bagya for ₹ 2,100 was wrongly passed through sales book.
- Wages ₹ 1,000 paid on erection of machinery were debited to wages account.

Solution

Rectifying entries

	Particulars	L.F.	Dr. ₹	Cr. ₹
a	Angappan A/c Dr. To Angannan A/c (Amount paid to Angappan wrongly debited to Angannan's account, now rectified)		500	500
b	Sales A/c Dr. To Furniture A/c (Sale of furniture wrongly credited to sales account, now rectified)		750	750
c	Purchases A/c Dr. Sales A/c Dr. To Bagya A/c (Purchases from Bagya wrongly passed through sales book, now rectified)		2,100 2,100	4,200
d	Machinery A/c Dr. To Wages A/c (Wages paid for erection of machinery wrongly debited to wages account, now rectified)		1,000	1,000

Note: Method of deriving the rectifying entries

	Wrong Entry	Correct Entry	Rectifying Entry
a	Angannan A/c Dr. 500 To Cash A/c 500	Angappan A/c Dr. 500 To Cash A/c 500	Angappan A/c Dr. 500 To Angannan A/c 500
b	Cash A/c Dr. 750 To Sales A/c 750	Cash A/c Dr. 750 To Furniture A/c 750	Sales A/c Dr. 750 To Furniture A/c 750
c	Bagya A/c Dr. 2,100 To Sales A/c 2,100	Purchases A/c Dr. 2,100 To Bagya A/c 2,100	Purchases A/c Dr. 2,100 Sales A/c Dr. 2,100 To Bagya A/c 4,200
d	Wages A/c Dr. 1,000 To Cash A/c 1,000	Machinery A/c Dr. 1,000 To Cash A/c 1,000	Machinery A/c Dr. 1,000 To Wages A/c 1,000

(ii) Rectification of errors while preparing the trial balance

Errors can be rectified at the time of preparing the trial balance as follows:

(a) Rectification of one-sided errors while preparing the trial balance

While preparing the trial balance, if the total of debit balances and credit balances are not the same, there is disagreement of trial balance. It shows that there are errors in the books of accounts. As a consequence, the accountant may start locating errors before closing the trial balance. In such cases, the errors are rectified at that stage itself. At this stage, the rectification of one-sided errors is made in the same manner as in the case of rectification before preparing trial balance. Rectifying journal entries are not required to be passed in the books. In such cases, errors can be rectified by giving an explanatory note in the account affected.

Illustration 8

The following errors were located at the time of preparation of the trial balance. Rectify them.

- Sale of goods to Akila on credit for ₹ 1,520 posted to her account as ₹ 1,250.
- Bought goods from Narendran on credit for ₹ 5,500, credited to his account as ₹ 5,050.
- Purchase of furniture from Ravivarman for ₹ 404 on credit were debited to furniture account as ₹ 440.
- Purchased machinery for cash ₹ 2,000 was not posted to machinery account.
- The total of purchases book ₹ 899 was carried forward as ₹ 989.

Solution

- Akila account should be debited with ₹ 270
- Narendran account should be credited with ₹ 450
- Furniture account should be credited with ₹ 36
- Machinery account should be debited with ₹ 2,000
- Purchases account should be credited with ₹ 90

(b) Rectification of two-sided errors while preparing the trial balance

Rectification of two-sided errors at the time of preparing the trial balance is just similar to that of their rectification before preparation of trial balance.

Illustration 9

The following errors were located at the time of preparation of the trial balance. Pass rectifying entries.

- Goods of the value of ₹ 100 returned by Bhuvana were included in stock, but no entry was made in the books.
- Sale of goods to Mani on credit for ₹ 475 has been wrongly entered in the sales book as ₹ 745.
- A cheque of ₹ 500 received from Sandhiya was dishonoured and debited to allowances account.
- A sum of ₹ 300 drawn by the proprietor for personal use was debited to wages account.

Solution

Rectifying entries

	Particulars	L.F.	Dr. ₹	Cr. ₹
a	Sales Returns A/c Dr. To Bhuvana A/c (Goods returned by Bhuvana not entered in the books, now rectified)		100	100
b	Sales A/c Dr. To Mani A/c (Goods sold to Mani for ₹ 475 wrongly entered in the sales book as ₹ 745, now rectified)		270	270
c	Sandhiya A/c Dr. To Allowances A/c Dr. (Dishonour of cheque received from Sandhiya wrongly debited to allowances A/c, now rectified)		500	500
d	Drawings A/c Dr. To Wages A/c (Cash drawn by the proprietor for his personal use wrongly debited to wages account, now rectified)		300	300

Note: Method of deriving the rectifying entries

	Wrong Entry	Correct Entry	Rectifying Entry
a	---	Sales Returns A/c Dr. 100 To Bhuvana A/c 100	Sales Returns A/c Dr. 100 To Bhuvana A/c 100

b	Mani A/c Dr. 745 To Sales A/c 745	Mani A/c Dr. 475 To Sales A/c 475	Sales A/c Dr. 270 To Mani A/c 270
c	Allowances A/c Dr. 500 To Bank A/c 500	Sandhiya A/c Dr. 500 To Bank A/c 500	Sandhiya A/c Dr. 500 To Allowances A/c 500
d	Wages A/c Dr. 300 To Cash A/c 300	Drawings A/c Dr. 300 To Cash A/c 300	Drawings A/c Dr. 300 To Wages A/c 300

(iii) Rectification of errors after preparing the trial balance but before preparing the final accounts

(a) Rectification of one-sided errors after preparing the trial balance

If there is disagreement of trial balance and if it is not possible immediately to locate errors, the accountant may place the difference to 'suspense account'. After that, before the preparation of final accounts, the entries, postings, castings, balancing of accounts and amounts carried forward are scrutinised to locate the errors.

At this stage, every one-sided error is rectified by passing a rectifying journal entry with the respective account (debited or credited) and suspense account (credited or debited). The suspense account is used to rectify such errors so that the difference in trial balance placed to that account gets adjusted. Once all the one-sided errors are completely rectified, the balance in the suspense account gets eliminated.

Illustration 10

The following errors were located after the preparation of the trial balance. Assume that there exists a suspense account. Rectify them.

- Sale of goods on credit to Arun for ₹ 152 posted to his account as ₹ 125.
- Bought goods from Lakshmi on credit for ₹ 550, credited to her account as ₹ 505.
- Purchase of furniture from Abirupa for ₹ 404 on credit was debited to furniture account as ₹ 440.
- Purchased machinery for cash ₹ 200 was not posted to machinery account.
- The total of purchases book ₹ 89 was carried forward as ₹ 98.

Solution

Rectifying entries

	Particulars	L.F.	Dr. ₹	Cr. ₹
a	Arun A/c Dr. To Suspense A/c (Wrong amount posted to Arun account rectified)		27	27
b	Suspense A/c Dr. To Lakshmi A/c (Short credit to Lakshmi account rectified)		45	45

c	Suspense A/c To Furniture A/c (Excess debit to furniture account rectified)	Dr.		36	36
d	Machinery A/c To Suspense A/c (Omission to debit machinery account rectified)	Dr.		200	200
e	Suspense A/c To Purchases A/c (Excess amount carried forward to purchases account rectified)	Dr.		9	9

Illustration 11

The following errors were located after the preparation of the trial balance. Assume that there exists a suspense account. Pass journal entries to rectify them.

- The total of purchases book was undercast by ₹ 100.
- The total of the discount column on the debit side of cash book ₹ 575 were not posted.
- The total of one page of the sales book for ₹ 5,975 were carried forward to the next page as ₹ 5,795.
- Salaries ₹ 1,800 were posted as ₹ 18,000.
- Purchase of goods on credit from Mukilan for ₹ 150 have been posted to his account as ₹ 1,500.

Solution

Rectifying entries

	Particulars	L.F.	Dr. ₹	Cr. ₹
a	Purchases A/c To Suspense A/c (Under casting of purchases book rectified)	Dr.	100	100
b	Discount allowed A/c To Suspense A/c (Omission to post the total of discount allowed, now rectified)	Dr.	575	575
c	Suspense A/c To Sales A/c (Lesser amount carried forward in the sales book rectified)	Dr.	180	180
d	Suspense A/c (18,000 – 1,800) To Salaries A/c (Excess amount posted to the salaries account rectified)	Dr.	16,200	16,200

e	Mukilan A/c (1,500 –150) To Suspense A/c (Excess amount posted to Mukilan account rectified)	Dr.	1,350	1,350
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(b) Rectification of two-sided errors after preparing the trial balance

At this stage, every two-sided error is rectified by passing a rectifying journal entry by debiting one of the accounts affected and crediting the other account. As these errors do not cause difference in trial balance, the suspense account is not used in the rectifying journal entries. Therefore, the rectifying entries passed for rectifying two-sided errors before preparation of trial balance and after preparation of trial balance are the same.

Illustration 12

The following errors were located after the preparation of the trial balance. Rectify them.

- Paid ₹ 50 to Anitha was wrongly debited to Vanitha account.
- Sale of furniture for ₹ 500 was credited to sales account.
- Purchased goods from Natarajan on credit for ₹ 750 were wrongly passed through sales book.
- Wages ₹ 1,000 paid on erection of machinery was debited to wages account.

Solution

Rectifying entries

	Particulars	L.F.	Dr. ₹	Cr. ₹
a	Anitha A/c To Vanitha A/c (Amount paid to Anitha wrongly debited to Vanitha account, now rectified)	Dr.	50	50
b	Sales A/c To Furniture A/c (Sale of furniture wrongly credited to sales account, now rectified)	Dr.	500	500
c	Purchases A/c Sales A/c To Natarajan A/c (Purchases from Natarajan wrongly passed through sales book, now rectified)	Dr. Dr.	750 750	1,500
d	Machinery A/c To Wages A/c (Wages paid for erection of machinery wrongly debited to wages account, now rectified)	Dr.	1,000	1,000

Illustration 13

Rectify the following journal entries.

	Particulars	L.F.	Dr. ₹	Cr. ₹
a	Purchases A/c Dr. To Cash A/c (Furniture purchased for cash)		5,000	5,000
b	Nila A/c Dr. To Cash A/c (Salary paid to Nila)		8,000	8,000
c	Kuralamudhu A/c Dr. To Cash A/c (Rent paid to Kuralamudhu)		2,000	2,000
d	Cash A/c Dr. To Sales A/c (Furniture sold for cash)		9,000	9,000
e	Cash A/c Dr. To Kothaimalar A/c (Goods sold to Kothaimalar for cash)		6,000	6,000

Solution

Rectifying entries

	Particulars	L.F.	Dr. ₹	Cr. ₹
a	Furniture A/c Dr. To Purchases A/c (Purchase of furniture wrongly debited to purchases account rectified)		5,000	5,000
b	Salaries A/c Dr. To Nila A/c (Salary paid to Nila wrongly debited to her account rectified)		8,000	8,000
c	Rent A/c Dr. To Kuralamudhu A/c (Rent paid to Kuralamudhu wrongly debited to her account rectified)		2,000	2,000
d	Sales A/c Dr. To Furniture A/c (Furniture sold for cash wrongly credited to sales account rectified)		9,000	9,000
e	Kothaimalar A/c Dr. To Sales A/c (Goods sold to Kothaimalar for cash wrongly credited to her account rectified)		6,000	6,000

Illustration 14 (One-sided errors and two-sided errors)

Pass journal entries to rectify the following errors located after the preparation of the trial balance. Assume that there exists a suspense account.

- (a) The total of sales book was undercast by ₹ 2,000.
- (b) The purchase of machinery for ₹ 3,000 was entered in the purchases book.
- (c) A credit sale of goods for ₹ 45 to Mathi was posted in his account as ₹ 54.
- (d) The purchases returns book was overcast by ₹ 200.
- (e) The total of sales book ₹ 1,122 were wrongly posted in the ledger as ₹ 1,222.

Solution

Rectifying entries

	Particulars	L.F.	Dr. ₹	Cr. ₹
a	Suspense A/c Dr. To Sales A/c (Under casting in the sales book rectified)		2,000	2,000
b	Machinery A/c Dr. To Purchases A/c (Purchase of machinery wrongly entered in the purchases book rectified)		3,000	3,000
c	Suspense A/c Dr. To Mathi A/c (Excess amount posted to the debit of Mathi rectified)		9	9
d	Purchase returns A/c Dr. To Suspense A/c (Overcasting in the purchase returns book rectified)		200	200
e	Sales A/c Dr. To Suspense A/c (Excess amount carried forward in the sales book rectified)		100	100

Illustration 15 (One-sided errors and two-sided errors with preparation of suspense account)

A book-keeper finds that the debit column of the trial balance is short by ₹ 308 and the difference is put to a suspense account. Subsequently, the following errors were located.

- (a) An entry for sale of goods on credit for ₹ 102 to Mekala was posted to her account as ₹ 120.
- (b) ₹ 100 being the monthly total of discount allowed to customers was credited to discount received account in the ledger.
- (c) ₹ 275 paid by Mannan was credited to Kannan account.
- (d) ₹ 26 appearing in the cash book as paid for the purchase of stationery for office use has not been posted to ledger.
- (e) The purchases book was undercast by ₹ 100.

Rectify the errors and prepare suspense account.

Solution

Rectifying entries

	Particulars	L.F.	Dr. ₹	Cr. ₹
a	Suspense A/c Dr. To Mekala A/c (Excess amount posted to Mekala account rectified)		18	18
b	Discount allowed A/c Dr. Discount received A/c Dr. To Suspense A/c (Discount allowed wrongly posted to discount received account rectified)		100 100	200
c	Kannan A/c Dr. To Mannan A/c (Wrong credit to Kannan account instead of Mannan account rectified)		275	275
d	Stationery A/c Dr. To Suspense A/c (Purchase of stationery not posted to stationery account rectified)		26	26
e	Purchases A/c Dr. To Suspense A/c (Undercasting in the purchases book rectified)		100	100

Dr. Suspense Account Cr.			
Particulars	₹	Particulars	₹
To Balance b/d	308	By Discount allowed A/c	100
To Mekala A/c	18	By Discount received A/c	100
		By Stationery A/c	26
		By Purchases A/c	100
	326		326

(iv) Location and rectification of errors after preparing the final accounts

Sometimes, though there is disagreement of trial balance, due to lack of time and urgency in the completion of final accounts, the accountant may not locate and rectify the errors. Under such circumstances, the difference in trial balance is placed to the suspense account, which may show either debit balance or credit balance. If it shows a debit balance, it is shown on the assets side. If it shows a credit balance, it is shown on the liabilities side. The errors will be located and rectified by the accountant during the next accounting period. If the error to be rectified is in a nominal account, it affects the profit or loss of the business. Hence, instead of debiting or crediting them for rectification, profit and loss adjustment account is debited or credited. If the error to be rectified is in a real account or personal account, the respective real

account or personal account itself is debited or credited for rectification. After all the errors are rectified, the net effect on profit is calculated by preparing profit and loss adjustment account and the balance is transferred to capital account.

9.9 Errors in computerised accounting

In the recent years, because of the technological developments, many firms have computerised their accounting. It is done to save time and to have accuracy. Though certain errors of commission such as casting errors, errors in carrying forward, etc. and errors of partial omissions can be avoided, the following errors become unavoidable:

- Errors of complete omission
- Errors of principle
- Errors of making wrong entry in the books of original entry
- Errors of entering wrong amounts in the books of original entry
- Errors of entering wrong accounts in the books of original entry
- Errors of duplication



The duality concept is applied in locating and rectifying errors.



Student activity

Think: Prepare 10 transactions with errors and ask your friend to solve.

Points to remember

- Error means recording or classifying or summarising the accounting transactions wrongly or omissions to record them by a clerk or accountant unintentionally.
- In the accounting process, errors may occur at the stage of journalising, posting, balancing or preparing trial balance.
- The failure of an accountant to record a transaction or an item in the books of accounts is known as error of omission. It may be complete omission or partial omission.
- Error of principle means the mistake committed in the application of fundamental accounting principles in recording a transaction in the books of accounts.
- The errors that make up for each other or neutralise each other are known as compensating errors.
- Certain errors are disclosed by the trial balance and certain errors are not disclosed by the trial balance.
- When the trial balance does not tally, the amount of difference is placed to a temporary account known as 'suspense account'.
- Errors can be rectified before preparing the trial balance or while preparing the trial balance or after preparing the trial balance but before preparing the final accounts or after preparing the final accounts.



Self-examination questions

I Multiple choice questions

Choose the correct answer



1. Error of principle arises when
 - (a) There is complete omission of a transaction
 - (b) There is partial omission of a transaction
 - (c) Distinction is not made between capital and revenue items
 - (d) There are wrong postings and wrong castings
2. Errors not affecting the agreement of trial balance are
 - (a) Errors of principle
 - (b) Errors of overcasting
 - (c) Errors of undercasting
 - (d) Errors of partial omission
3. The difference in trial balance is taken to
 - (a) The capital account
 - (b) The trading account
 - (c) The suspense account
 - (d) The profit and loss account
4. A transaction not recorded at all is known as an error of
 - (a) Principle
 - (b) Complete omission
 - (c) Partial omission
 - (d) Duplication
5. Wages paid for installation of machinery wrongly debited to wages account is an error of
 - (a) Partial omission
 - (b) Principle
 - (c) Complete omission
 - (d) Duplication
6. Which of the following errors will not affect the trial balance?
 - (a) Wrong balancing of an account
 - (b) Posting an amount in the wrong account but on the correct side
 - (c) Wrong totalling of an account
 - (d) Carried forward wrong amount in a ledger account
7. Goods returned by Senguttuvan were taken into stock, but no entry was passed in the books. While rectifying this error, which of the following accounts should be debited?
 - (a) Senguttuvan account
 - (b) Sales returns account
 - (c) Returns outward account
 - (d) Purchases returns account
8. A credit purchase of furniture from Athiyaman was debited to purchases account. Which of the following accounts should be debited while rectifying this error?
 - (a) Purchases account
 - (b) Athiyaman account
 - (c) Furniture account
 - (d) None of these
9. The total of purchases book was overcast. Which of the following accounts should be debited in the rectifying journal entry?
 - (a) Purchases account
 - (b) Suspense account
 - (c) Creditor account
 - (d) None of the above



10. Which of the following errors will be rectified using suspense account?
- (a) Purchases returns book was undercast by ₹ 100
 - (b) Goods returned by Narendran was not recorded in the books
 - (c) Goods returned by Akila ₹ 900 was recorded in the sales returns book as ₹ 90
 - (d) A credit sale of goods to Ravivarman was not entered in the sales book.

Answer

1. (c)	2. (a)	3. (c)	4. (b)	5. (b)	6. (b)	7. (b)	8. (c)	9. (b)	10. (a)
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II Very short answer questions

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

III Short answer questions

1. Write a note on error of principle by giving an example.
2. Write a note on suspense account.
3. What are the errors not disclosed by a trial balance?
4. What are the errors disclosed by a trial balance?
5. Write a note on one-sided errors and two sided errors.

IV Exercises

1. State the account/s affected in each of the following errors:
 - (a) Goods purchased on credit from Saranya for ₹ 150 was posted to the debit side of her account.
 - (b) The total of purchases book ₹ 4,500 was posted twice.
2. Rectify the following errors discovered before the preparation of the trial balance:
 - (a) Sales book was undercast by ₹ 100
 - (b) Purchases returns book was overcast by ₹ 200
3. Rectify the following errors assuming that the trial balance is yet to be prepared:
 - (a) Sales book was undercast by ₹ 400
 - (b) Sales returns book was overcast by ₹ 500
 - (c) Purchases book was undercast by ₹ 600
 - (d) Purchases returns book was overcast by ₹ 700
 - (e) Bills receivable book was undercast by ₹ 800
4. Rectify the following errors before preparing trial balance:
 - (a) The total of purchases book was carried forward ₹ 90 less.
 - (b) The total of purchases book was carried forward ₹ 180 more.
 - (c) The total of sales book was carried forward ₹ 270 less.
 - (d) The total of sales returns book was carried forward ₹ 360 more.
 - (e) The total of purchase returns book was carried forward ₹ 450 less.



5. The following errors were located by the accountant before preparation of trial balance. Rectify them.
 - (a) The total of the discount column of ₹ 1,100 on the debit side of the cash book was not yet posted.
 - (b) The total of the discount column on the credit side of the cash book was undercast by ₹ 500.
 - (c) Purchased goods from Anbuchelvan on credit for ₹ 700 was posted to the debit side of his account.
 - (d) Sale of goods to Ponmukil on credit for ₹ 78 was posted to her account as ₹ 87.
 - (e) The total of sales returns book of ₹ 550 was posted twice.
6. Rectify the following errors which were located before preparing the trial balance.
 - (a) Wages paid ₹ 2,000 for the erection of machinery was debited to wages account.
 - (b) Sales returns book was short totalled by ₹ 1,000.
 - (c) Goods purchased for ₹ 200 was posted as ₹ 2,000 to purchases account.
 - (d) The sales book was overcast by ₹ 1,500.
 - (e) Cash paid to Mukil ₹ 2,800 which was debited to Akhil's account as ₹ 2,000.
7. The following errors were located at the time of preparing trial balance. Rectify them.
 - (a) A personal expense of the proprietor ₹ 200 was debited to travelling expenses account.
 - (b) Goods of ₹ 400 purchased from Ramesh on credit was wrongly credited to Ganesh's account.
 - (c) An amount of ₹ 500 paid as salaries to Mathi was debited to his personal account.
 - (d) An amount of ₹ 2,700 paid for extension of the building was debited to repairs account.
 - (e) A credit sale of goods of ₹ 700 on credit to Mekala was posted to Krishnan's account.
8. Rectify the following errors discovered after the preparation of the trial balance:
 - (a) Rent paid was carried forward to the next page ₹ 500 short.
 - (b) Wages paid was carried forward ₹ 250 excess.
9. Give journal entries to rectify the following errors discovered after the preparation of trial balance:
 - (a) Purchases book was overcast by ₹ 10,000.
 - (b) Repairs to furniture of ₹ 500 was debited to furniture account.
 - (c) A credit sale of goods to Akilnilavan for ₹ 456 was credited to his account as ₹ 654.



10. The following errors were located after the preparation of trial balance. Pass journal entries to rectify them. Assume that there exists a suspense account.

- The total of sales book was undercast by ₹ 350.
- The total of the discount column on the debit side of cash book ₹ 420 was not posted.
- The total of one page of the purchases book of ₹ 5,353 was carried forward to the next page as ₹ 5,533.
- Salaries ₹ 2,400 was posted as ₹ 24,000.
- Purchase of goods from Sembianmadevi on credit for ₹ 180 was posted to her account as ₹ 1,800

11. Rectify the following journal entries.

	Particulars	L.F.	Dr. ₹	Cr. ₹
a	Kumanan A/c Dr. To Cash A/c (Salary paid to Kumanan)		10,000	10,000
b	Senguttuvan A/c Dr. To Cash A/c (Rent paid to Senguttuvan)		6,000	6,000
c	Cash A/c Dr. To Sales A/c (Furniture sold for cash)		2,000	2,000
d	Cash A/c Dr. To Kumararaja A/c (Goods sold to Kumararaja for cash)		10,000	10,000
e	Manimaran A/c Dr. To Purchases A/c (Goods taken by the proprietor Mr. Manimaran for his personal use)		1,000	1,000

12. The accountant of a firm located the following errors after preparing the trial balance. Rectify them assuming that there is a suspense account.

- Machinery purchased for ₹ 3,500 was debited to purchases account.
- ₹ 1,800 paid to Raina as salary was debited to his personal account.
- Interest received ₹ 200 was credited to commission account.
- Goods worth ₹ 1,800 purchased from Amudhanila on credit was not recorded in the books of accounts.
- Used furniture sold for ₹ 350 was credited to sales account.

13. The book-keeper of a firm found that the trial balance was out by ₹ 922 (excess credit). He placed the amount in the suspense account and subsequently found the following errors:

- (a) The total of discount column on the credit side of the cash book ₹ 78 was not posted in the ledger.
- (b) The total of purchases book was short by ₹ 1,000.
- (c) A credit sale of goods to Natarajan for ₹ 375 was entered in the sales book as ₹ 735.
- (d) A credit sale of goods to Mekala for ₹ 700 was entered in the purchases book.

You are required to give rectification entries and prepare suspense account.

(Answer: Total of suspense account: ₹ 1,000)

CASE STUDY

Rameela, a class 11 student, visited one of her relative's furniture shop. She met the accountant of the shop. He was busy with preparing final accounts. At that time, one of the staff approached the accountant with a list of errors found in ledger postings.

Rameela asked the accountant, in a surprised tone, "Is it possible to rectify the errors before preparing the final accounts?"

The accountant replied, "Yes, it is!"

Rameela was curious to analyse the errors. She found the following:

- Furniture sold on credit to Siva and company for ₹ 12,000 was debited to Sam and company.
- Rent paid ₹ 2,500, was debited to rent account as ₹ 250.
- The total of purchase journal was undercast by ₹ 1,000.
- A sales invoice for ₹ 2,000, completely omitted from the books.
- Stationery bought for ₹ 250, was posted to purchases account.

Can you help Rameela to identify and rectify the errors?

To explore further

Is there any possible way to reduce the errors in trial balance?

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