

Rectification of Errors

PART 1

Objective Questions

• Multiple Choice Questions

1. Which error(s) does/do not affect the trial balance?

- (a) Error of commission (b) Error of principle (c) Error of complete omission (d) Both (b) and (c)

Ans. (d) Both (b) and (c)

2. Which of the following error(s) does/do affect trial balance?

- (a) Error of principle (b) Compensating errors
(c) Error of partial omission (d) Error of complete omission

Ans. (c) Error of partial omission

3. Raghu wrongly treated capital expenditure worth ₹ 10,000 as revenue expenditure worth ₹ 10,000.

Identify the error committed by Raghu.

- (a) Error of principle (b) Error of commission (c) Error of omission (d) Compensating error

Ans. (a) Treating a revenue expenditure as capital expenditure or vice-versa or treating a sale of a fixed asset as ordinary sale is error of principle.

4. Error in which effect of one error is nullified by the effect of another error is called error.

- (a) error of commission (b) compensating error (c) error of omission (d) None of these

Ans. (b) compensating error

5. If wages paid for installation of new machinery is debited to wages account, it is

(NCERT)

- (a) an error of commission (b) an error of principle (c) a compensating error (d) an error of omission

Ans. (b) an error of principle

6. are not disclosed by trial balance. Therefore, trial balance total will still agree.

- (a) One sided errors (b) Partial sided errors (c) Two sided errors (d) Biased sided errors

Ans. (c) Two sided errors like errors of complete omission are not disclosed by trial balance.

7. Which of the following is not an error of commission?

(NCERT)

- (a) Overcasting of sales book (b) Credit sales to Ramesh ₹ 5,000 credited to his account
(c) Wrong balancing of machinery account (d) Cash sales not recorded in cash book

Ans. (d) Cash sales not recorded in cash book is an error of omission.

8. Undercasting of sales book is corrected by sales account.

- (a) debiting (b) crediting (c) both debit/credit (d) None of these

Ans. (b) Suspense account will be made to debit and sales account will be made to credit with the same amount.

Suspense A/c Dr
To Sales A/c

9. Goods of ₹ 1,000 purchased on credit from Mr 'A' are recorded in purchases book for ₹ 10,000. Which type of error is this?

- (a) Error of casting (b) Error of recording (c) Error of carrying forward (d) Error of posting

Ans. (b) Error of recording

10. An item of ₹ 53 has been debited to a personal account as ₹ 35. It is an error of

- (a) commission (b) omission (c) complete error (d) principle

Ans. (a) commission

11. Which of the following statements is/are correct about suspense account?

- (i) Suspense account is a temporary account opened to rectify one sided errors.
(ii) Debit balance of suspense account is taken to balance sheet on the assets side.

Alternatives

- (a) Only (i) (b) Only (ii) (c) Both (i) and (ii) (d) None of these

Ans. (c) Both (i) and (ii)

12. Preeti was paid cash ₹ 2,800 but Jyoti was debited by ₹ 2,000. In rectifying entry, suspense account will be

- (a) debited by ₹ 2,800 (b) credited by ₹ 2,000 (c) credited by ₹ 800 (d) debited by ₹ 800

Ans. (c) Cash paid to Preeti wrongly debited to Jyoti, so Jyoti will be credited with ₹ 2,000 and Preeti will be debited with ₹ 2,800. Difference (2,800 – 2,000) = ₹ 800 will be put in credit side of suspense account.

13. Credit purchases from Rohan ₹ 9,000 was posted to the debit of Gobind as ₹ 10,000. In this case, suspense account will be debited with

- (a) ₹ 9,000 (b) ₹ 10,000 (c) ₹ 19,000 (d) None of these

Ans. (c) This is the double amount error, in this Rohan will be credited with ₹ 9,000 and Gobind with ₹ 10,000 and suspense account will be debited with ₹ 19,000 (9,000 + 10,000).

14. Repairs were debited to building account for ₹ 20,000. Which journal entry reflects correct rectification of error done by Manoj Enterprises?

- | | | | |
|------------------|----|--------|--------|
| (a) Repairs A/c | Dr | 20,000 | |
| To Building A/c | | | 20,000 |
| (b) Repairs A/c | Dr | 20,000 | |
| To Suspense A/c | | | 20,000 |
| (c) Building A/c | Dr | 20,000 | |
| To Suspense A/c | | | 20,000 |
| (d) Building A/c | Dr | 20,000 | |
| To Repairs A/c | | | 20,000 |

Ans. (a) Repairs A/c Dr 20,000
To Building A/c 20,000

15. Sales return book was overcast by ₹ 5,000. Which of the undermentioned options reflect correct rectifying entry for the above mistake?

- | | | | |
|----------------------|----|-------|-------|
| (a) Suspense A/c | Dr | 5,000 | |
| To Sales Return A/c | | | 5,000 |
| (b) Sales Return A/c | Dr | 5,000 | |
| To Suspense A/c | | | 5,000 |
| (c) Debtors A/c | Dr | 5,000 | |
| To Sales Return A/c | | | 5,000 |
| (d) Sales Return A/c | Dr | 5,000 | |
| To Debtors A/c | | | 5,000 |

Ans. (a) Suspense A/c Dr 5,000
To Sales Return A/c 5,000

16. Match the items given in column I with column II.

Column I	Column II
A. Old furniture sold recorded as sales of good	(i) Debit that account and credit the suspense account
B. Depreciation on computers not posted to depreciation account	(ii) Two sided error
C. Excess credit in one account	(iii) One sided error
D. Short credit in one account	(iv) Credit that account and debit the suspense account

Codes

	A	B	C	D		A	B	C	D
(a)	(ii)	(iii)	(i)	(iv)	(b)	(iv)	(i)	(ii)	(iii)
(c)	(iii)	(ii)	(iv)	(i)	(d)	(iii)	(i)	(ii)	(iv)

Ans. (a) (ii), (iii), (i), (iv)

• **Assertion-Reasoning MCQs**

Direction (Q. Nos. 1 to 5) There are two statements marked as Assertion (A) and Reason (R). Read the statements and choose the appropriate option from the options given below.

- (a) Both Assertion (A) and Reason (R) are correct
 (b) Both Assertion (A) and Reason (R) are wrong
 (c) Assertion (A) is correct, but Reason (R) is wrong
 (d) Assertion (A) is wrong, but Reason (R) is correct

1. Assertion (A) Trial balance is not a conclusive proof of accuracy of records.

Reason (R) Errors of complete omission and compensating errors do not affect the agreement of trial balance.

Ans. (a) Both Assertion (A) and Reason (R) are correct

2. Assertion (A) Inspite of the fact that trial balance tallies, some errors may still be there in accounting records.

Reason (R) Error of partial omission and error of casting do not affect the agreement of trial balance.

Ans. (c) Omitting to post the ledger account from the subsidiary books is an error of partial omission which will affect the trial balance. Mistake committed in totalling is error of casting which will affect the trial balance.

3. Assertion (A) Expectancy account is opened to rectify one sided errors.

Reason (R) One sided errors cannot be rectified by recording a journal entry.

Ans. (d) Suspense account is opened to rectify one sided errors.

4. Assertion (A) Error of incorrectly recording transaction in the books of accounts is rectified by opening suspense account.

Reason (R) Suspense account is opened to rectify one sided errors.

Ans. (d) Error of recording is a two sided error which will be rectified by passing rectifying journal entry.

5. Assertion (A) Purchase book overcast by ₹ 700 is rectified by opening suspense account.

Reason (R) One sided errors cannot be rectified by recording a journal entry unless a suspense account is opened.

Ans. (a) Both Assertion (A) and Reason (R) are correct

• **Case Based MCQs**

1. Direction Read the following case study and answer the question no. (i) to (iv) on the basis of the same.

Tanvi Kaur, after completing her M.Com from Delhi School of Economics, decided to open her own boutique at Kamla Nagar. She buys clothes from Ramesh park in bulk and sell them in retail.

Due to wide knowledge of accounts, she is also handling books of accounts herself. On 31st March 2020, she prepared the trial balance and she was very elated as both sides were tallied. On the same day in afternoon, Neha, her friend who is a CA in PWC, visited her boutique to buy designer clothes. To Ensure accuracy of records, Tanvi requested her friend Neha to recheck the books of accounts. Neha happily agreed to check them at night. Next day, in the morning Neha informed Tanvi about two sided errors that were discovered by her.

Following two sided errors were discovered by Neha

- (a) Credit sales to Priya ₹ 10,000 were recorded as ₹ 1,000.
- (b) Purchases return of ₹ 25,000 to ABC Limited was not recorded.
- (c) Purchased furniture for cash worth ₹ 1,00,000 but debited to building account.
- (d) Credit purchases from Rohan for ₹ 2,00,000 were not recorded.

- (i) Which of the undermentioned options reflect correct rectification entry for 'Credit sales to Priya ₹ 10,000 were recorded as ₹ 1,000'?

- | | | |
|-----------------|-----------|--------|
| (a) Priya | Dr 10,000 | |
| To Suspense A/c | | 10,000 |
| (b) Priya | Dr 9,000 | |
| To Sales A/c | | 9,000 |
| (c) Priya | Dr 9,000 | |
| To Suspense A/c | | 9,000 |
| (d) Priya | Dr 10,000 | |
| To Sales A/c | | 10,000 |

Ans. (b) Priya Dr 9,000

 To Sales A/c 9,000

- (ii) Read the following statements carefully.

I Suspense account is temporary account which is opened to rectify errors that affect the trial balance.

II Posting twice in an account, error of partial omission, error in carrying forward, etc affect the agreement of trial balance.

In context of above two statements, which of them is incorrect?

- (a) Only I (b) Only II (c) Both I and II (d) None of these

Ans. (d) None of these

- (iii) Which of the following journal entries reflect correct rectification entry for 'Purchases return of ₹ 25,000 to ABC Limited was not recored'?

- | | | |
|--------------------------|-----------|--------|
| (a) ABC Limited | Dr 25,000 | |
| To Purchases Return A/c | | 25,000 |
| (b) Purchases Return A/c | Dr 25,000 | |
| To ABC Limited | | 25,000 |
| (c) ABC Limited | Dr 25,000 | |
| To Suspense A/c | | 25,000 |
| (d) Suspense A/c | Dr 25,000 | |
| To Purchases Return A/c | | 25,000 |

Ans. (a) ABC Limited Dr 25,000

 To Purchases Return A/c 25,000

- (iv) Which of the following options reflect correct rectification entry for 'Purchased furniture for cash worth ₹ 1,00,000 but debited to building account'?

- | | | |
|-------------------|-------------|----------|
| (a) Furniture A/c | Dr 1,00,000 | |
| To Building A/c | | 1,00,000 |
| (b) Building A/c | Dr 1,00,000 | |
| To Cash A/c | | 1,00,000 |
| (c) Building A/c | Dr 1,00,000 | |
| To Suspense A/c | | 1,00,000 |
| (d) Suspense A/c | Dr 1,00,000 | |
| To Furniture A/c | | 1,00,000 |

Ans. (a) Furniture A/c Dr 1,00,000

 To Building A/c 1,00,000

2. Direction Read the following case study and answer the question no. (i) to (iv) on the basis of the same.

Niharika, a B.Com graduate from Dyal Singh College got job as an accountant at Anuj Furniture Enterprises, Kriti Nagar. She is very diligent girl who is working hard to earn her livelihood as she is sole bread earner of her family.

Anuj, CEO of Anuj Furniture Enterprises asked Niharika to make trial balance and then to prepare final accounts. She prepared all the subsidiary books and ledger accounts and then put in place final balances of them in format of trial balance. Unexpectedly, trial balance total didn't agree. At the same time, Anuj came to her cabin and Niharika shared her problem with him.

Anuj being a benevolent person asked her not to worry and called his brother Rahul, who is a CA in PWC. Rahul asked Niharika to mail him all accounting records. Then, she went home.

Next day, Rahul mailed Niharika all errors that she has committed while making trial balance.

Following errors were identified

- (a) Purchases book under cast by ₹ 3,000.
- (b) Goods withdrawn for personal use by Anuj worth ₹ 20,000 were not recorded in books.
- (c) A credit sale of ₹ 16,500 credited to the sales account and also to the sundry debtors account.
- (d) A cheque for ₹ 9,000 received from Ashok was dishonoured and posted to the debit of sales return account.

Niharika quickly rectified above errors and prepared a corrected trial balance.

- (i) Which of the following options reflect correct rectification entry for 'A cheque for ₹ 9,000 received from Ashok was dishonoured and posted to the debit of sales return account'?

(a) Suspense A/c	Dr	9,000	
To Sales Return A/c			9,000
(b) Ashok	Dr	18,000	
To Sales Return A/c			9,000
To Suspense A/c			9,000
(c) Ashok	Dr	9,000	
To Sales Return A/c			9,000
(d) Suspense A/c	Dr	18,000	
To Sales Return A/c			9,000
To Ashok			9,000

Ans. (c) Ashok Dr 9,000
 To Sales Return A/c 9,000

- (ii) Read the following statements carefully.

I Error due to partial omission, error of casting, error in carrying forward and error of principle are one sided errors.

II Suspense account is used for rectifying the errors which do not affect trial balance while errors which affect trial balance are not rectified with the help of suspense account.

In the context of above two statements, which of them is correct?

- (a) Only I (b) Only II (c) Both I and II (d) None of these

Ans. (d) Error of principle is not a one sided error. Suspense account is used for rectifying errors which affect the trial balance.

- (iii) Which of the undermentioned options reflect correct rectification entry for 'A credit sale of ₹ 16,500 credited to the sales account and also to the Sundry debtors account'?

(a) Sundry Debtors A/c	Dr	33,000	
To Suspense A/c			33,000
(b) Sundry Debtors A/c	Dr	16,500	
To Suspense A/c			16,500
(c) Suspense A/c	Dr	33,000	
To Sundry Debtors A/c			33,000
(d) Suspense A/c	Dr	16,500	
To Sundry Debtors A/c			16,500

(iv) Which of the following options reflect correct rectification entry for 'Purchase book undercast by ₹ 3,000'?

(a) Purchases A/c	Dr	3,000	
To Suspense A/c			3,000
(b) Suspense A/c	Dr	3,000	
To Purchases A/c			3,000
(c) Purchases A/c	Dr	3,000	
To Creditors A/c			3,000
(d) Suspense A/c	Dr	3,000	
Purchase A/c	Dr	3,000	
To Creditors A/c			6,000

PART 2

Subjective Questions

- **Short Answer (SA) Type Questions**

- 1.** Write a short note on error of omission.

(i) **Error of Complete Omission** When a transaction is completely omitted from being recorded in the books of original record, it is an error of complete omission. This error does not affect the trial balance.

(ii) **Error of Partial Omission** When a transaction is partially omitted from being recorded in the books, it is an error of partial omission. This error affects the trial balance.

- 2.** What is a suspense account? Is it necessary that a suspense account will balance off after rectification of the errors detected by the accountant? If not, then what happens to the balance still remaining in suspense account? (NCERT)

Ans. Suspense account is an account which is opened on a temporary basis to balance the trial balance. No, it is not necessary that a suspense account will balance after rectification of errors detected by the accountant. Suspense account can remain unbalanced if all the errors are not detected. Balance remaining in the suspense account is transferred to the balance sheet on the assets side, if there is a debit balance or to the liabilities side if there is a credit balance.

- 3.** Describe in brief about errors of commission.

(i) **Error of Recording** This error arises when any transaction is incorrectly recorded in the books of original entry. This error will not affect the trial balance.

(ii) **Error of Casting** This error arises when a mistake is committed in totalling. This error affects the trial balance.

(iii) **Error of Carrying Forward** It is an error which arises when a mistake is committed in carrying forward a total of one page to the next page. This error affects the trial balance.

(iv) **Error of Posting** When the information recorded in the books of original entry are incorrectly entered in the ledger, it is an error of posting.

- 4.** Rectify the following errors.

- (i) Cash received from Karim ₹ 6,000 posted to Nadeem.
- (ii) Cash sales to Radhika ₹ 15,000 was shown as receipt of commission in the cash book.
- (iii) Furniture purchased from M/s Rao, for ₹ 8,000 was entered into the purchases book.

Ans.

Rectification Entries in Journal

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
(i)	Nadeem To Karim (Being cash received from Karim ₹ 6,000 posted to Nadeem account wrongly, now rectified)	Dr	6,000	6,000
(ii)	Commission A/c To Sales A/c (Being the cash sales treated wrongly as commission, now rectified)	Dr	15,000	15,000
(iii)	Furniture A/c To Purchases A/c (Being the furniture purchased wrongly recorded in purchases book, now rectified)	Dr	8,000	8,000

5. Pass the necessary journal entries to rectify the following errors.

- Credit sale of ₹ 1,700 to Raj was recorded as sales to Aryan.
- Credit sale of old machinery to Sohan for ₹ 1,700 was entered in the sales book for ₹ 7,100.
- Credit sales to Mohan ₹ 7,000 were not recorded.

Ans.

Rectification Entries in Journal

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
(i)	Raj To Aryan (Being the credit sale of ₹ 1,700 to Raj recorded as sales to Aryan, now rectified)	Dr	1,700	1,700
(ii)	Sales A/c To Sohan To Machinery A/c (Being the credit sale of machinery to Sohan for ₹ 1,700 entered in the sales book as ₹ 7,100, now rectified)	Dr	7,100	5,400 1,700
(iii)	Mohan To Sales A/c (Being the goods sold to Mohan not recorded, now rectified)	Dr	7,000	7,000

6. Rectify the following errors.

- Credit sales to Mohan ₹ 7,000 were recorded as ₹ 700.
- Credit purchases from Rohan ₹ 9,000 were recorded as ₹ 900.
- Goods returned to Rakesh ₹ 4,000 were recorded as ₹ 400.

Ans.

Rectification Entries in Journal

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
(i)	Mohan To Sales A/c (Being the goods sold to Mohan for ₹ 7,000 recorded as ₹ 700, now rectified)	Dr	6,300	6,300
(ii)	Purchases A/c To Rohan (Being the goods purchased from Rohan on credit for ₹ 9,000 recorded as ₹ 900, now rectified)	Dr	8,100	8,100
(iii)	Rakesh To Purchases Return A/c (Being the goods returned to Rakesh ₹ 4,000 recorded as ₹ 400, now rectified)	Dr	3,600	3,600

7. Rectify the following errors.

- (i) A credit purchases of ₹ 3,120 from Vihan was passed in the books as ₹ 4,200.
- (ii) Goods (cost ₹ 2,500 sales price ₹ 3,000) distributed as free samples among prospective customers were not recorded.
- (iii) Wages paid to the firm's workmen for making additions to machinery amounting to ₹ 1,050 were debited to the wages account.

Ans.

Rectification Entries in Journal

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
(i)	Vihan Dr To Purchases A/c (Being the rectification of purchases of ₹ 3,120 from Vihan passed as ₹ 4,200)		1,080	1,080
(ii)	Free Samples A/c Dr To Purchases A/c (Being the goods distributed as free samples omitted to be recorded, now recorded)		2,500	2,500
(iii)	Plant and Machinery A/c Dr To Wages A/c (Being the wages for additions to machinery wrongly treated as revenue expenditure, now rectified by capitalising the same)		1,050	1,050

8. The following errors, affecting the account for the year 2020 were detected in the books of Raj Brothers, Meerut.

- (i) Sale of old furniture ₹ 300 treated as sale of goods.
- (ii) Receipt of ₹ 1,000 from A credited to B.
- (iii) Goods worth ₹ 200 bought from Z have remained unrecorded so far.
- (iv) Rent of proprietor, ₹ 1,200 debited to rent account.

Ans.

Rectification Entries in Journal

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
(i)	Sales A/c Dr To Furniture A/c (Being the rectification of sales of furniture treated as sales of goods)		300	300
(ii)	B Dr To A (Being the rectification of a receipt from A credited to B)		1,000	1,000
(iii)	Purchases A/c Dr To Z (Being the purchases of goods from Z unrecorded)		200	200
(iv)	Drawings A/c Dr To Rent A/c (Being the rectification of payment of rent of proprietor's residence treated as payment of office rent)		1,200	1,200

9. Rectify the following errors.

- (i) Credit purchases from Rohan ₹ 9,000 were recorded in sales book.
- (ii) Goods returned to Rakesh ₹ 4,000 were recorded in the sales return book.
- (iii) Good returned from Mahesh ₹ 1,000 were recorded in purchases return book.
- (iv) Goods returned from Mahesh ₹ 2,000 were recorded in purchases book.

Ans.

Rectification Entries in Journal

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
(i)	Sales A/c Dr Purchases A/c Dr To Rohan (Being the goods purchased from Rohan on credit were recorded in sales book, now rectified)		9,000 9,000	18,000
(ii)	Rakesh Dr To Purchases Return A/c To Sales Return A/c (Being the goods returned to Rakesh, wrongly recorded in sales return book, now rectified)		8,000 4,000 4,000	
(iii)	Sales Return A/c Dr Purchases Return A/c Dr To Mahesh (Being the goods returned by Mahesh were recorded in purchases return book, now rectified)		1,000 1,000	2,000
(iv)	Sales Return A/c Dr To Purchases A/c (Being the goods returned from Mahesh, recorded in purchases book, now rectified)		2,000	2,000

10. Rectify the following errors.

- (i) Depreciation provided on machinery ₹ 4,000 was not recorded.
- (ii) Bad debts written-off ₹ 5,000 were not recorded.
- (iii) Discount allowed to a debtor ₹ 100 on receiving cash from him was not recorded.
- (iv) Bills receivable for ₹ 2,000 received from a debtor was not recorded.

Ans.

Rectification Entries in Journal

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
(i)	Depreciation A/c Dr To Machinery A/c (Being the depreciation charged on machinery not recorded, now rectified)		4,000	4,000
(ii)	Bad Debts A/c Dr To Debtor's A/c (Being the bad debts written-off on debtors were not recorded, now rectified)		5,000	5,000
(iii)	Discount Allowed A/c Dr To Debtor's A/c (Being the discount allowed to debtor was not recorded, now rectified)		100	100
(iv)	Bills Receivable A/c Dr To Debtor's A/c (Being the bills receivable from debtors not recorded, now rectified)		2,000	2,000

11. Rectify the following errors.

- (i) Sales return from Megha ₹ 1,600 was posted to her account as ₹ 1,000.
- (ii) Cash paid to Neha ₹ 2,000 was not posted to her account.
- (iii) Depreciation written-off on furniture ₹ 1,500 was not posted to depreciation account.
- (iv) Credit sales to Mohan ₹ 10,000 were posted to his account as ₹ 12,000.

Ans.

Rectification Entries in Journal

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
(i)	Suspense A/c To Megha (Being the short credit in Megha's account, now rectified)	Dr	600	600
(ii)	Neha To Suspense A/c (Being the omission of entry in the debit of Neha's account, now rectified)	Dr	2,000	2,000
(iii)	Depreciation A/c To Suspense A/c (Being the omission of posting of amount to the depreciation account, now rectified)	Dr	1,500	1,500
(iv)	Suspense A/c To Mohan (Being the excess debit in Mohan's account, now rectified)	Dr	2,000	2,000

12. Rectify the following errors.

- (i) Credit sales to Mohan ₹ 7,000 were recorded as ₹ 7,200.
- (ii) Credit purchase from Rohan ₹ 9,000 were recorded as ₹ 9,900.
- (iii) Goods returned to Rakesh ₹ 4,000 were recorded as ₹ 4,040.
- (iv) Goods returned from Mahesh ₹ 1,000 were recorded as ₹ 1,600.

Ans.

Rectification Entries in Journal

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
(i)	Sales A/c To Mohan (Being the goods sold to Mohan for ₹ 7,000 were recorded as ₹ 7,200, now rectified)	Dr	200	200
(ii)	Rohan To Purchases A/c (Being the goods purchased from Rohan for ₹ 9,000 recorded as ₹ 9,900, now rectified)	Dr	900	900
(iii)	Purchases Return A/c To Rakesh (Being the goods returned to Rakesh ₹ 4,000 recorded as ₹ 4,040, now rectified)	Dr	40	40
(iv)	Mahesh To Sales Return A/c (Being the goods returned by Mahesh for ₹ 1,000 recorded as ₹ 1,600, now rectified)	Dr	600	600

13. Rectify the following errors.

- (i) Salary paid ₹ 5,000 was debited to employee's personal account.
- (ii) Rent paid ₹ 4,000 was posted to landlord's personal account.
- (iii) Goods withdrawn by proprietor for personal use ₹ 1,000 were debited to sundry expenses account.
- (iv) Cash received from Kohli ₹ 2,000 was posted to Kapur's account.

Ans.

Rectification Entries in Journal

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
(i)	Salaries A/c To Employee A/c (Being the salary paid to employee ₹ 5,000, wrongly debited to employee's personal account, now rectified)	Dr	5,000	5,000
(ii)	Rent A/c To Landlord A/c (Being the rent paid to landlord ₹ 4,000 wrongly posted to landlord's personal account, now rectified)	Dr	4,000	4,000

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
(iii)	Drawings A/c Dr To Sundry Expenses A/c (Being the goods withdrawn by proprietor for his personal use ₹ 1,000 were wrongly recorded as sundry expenses, now rectified)		1,000	1,000
(iv)	Kapur Dr To Kohli (Being the cash received from Kohli, recorded in Kapur's account, now rectified)		2,000	2,000

14. Give journal entries to rectify the following.

- A purchase of goods from Varun amounting to ₹ 300 has been wrongly entered through the sales book.
- On 31st December, goods of the value of ₹ 600 were returned by X and were taken into stock on the same date but no entry was passed in the books.
- An amount of ₹ 400 due from Y which had been written-off as a bad debt in a previous year, was unexpectedly recovered and had been posted to the personal account of Y.
- A cheque for ₹ 200 received from Z was dishonoured and had been posted to the debit of sales return account.

Ans.

Rectification Entries in Journal

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
(i)	Purchases A/c Dr Sales A/c Dr To Varun (Being the correction of wrong entry in the sales book for a purchases of goods from Varun)		300 300	600
(ii)	Returns Inwards A/c Dr To X (Being the entry of goods returned by him and taken in stock omitted from records)		600	600
(iii)	Y Dr To Bad Debts Recovered A/c (Being the correction of wrong credit to personal account in respect of recovery of previously written-off bad debts)		400	400
(iv)	Z Dr To Sales Return A/c (Being the correction of wrong debit to sales return account for dishonour of cheque received from Z).		200	200

15. The following errors were found in the books of Rajan & Sons. Give the necessary entries to correct them.

- Repairs made were debited to building account ₹ 100.
- ₹ 200 paid for rent, debited to landlord's account.
- Salary ₹ 250 paid to a clerk due to him has been debited to his personal account.
- ₹ 200 received from Rina & Co. has been wrongly entered as from Reena & Co.

Ans.

Rectification Entries in Journal

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
(i)	Repairs A/c Dr To Building A/c (Being the correction of wrong debit to building account for repairs made)		100	100
(ii)	Rent A/c Dr To Landlord's (Personal) A/c (Being the correction of wrong debit to landlord's account for rent paid)		200	200
(iii)	Salaries A/c Dr To Clerk's (Personal) A/c (Being the correction of wrong debit to clerk's personal account for salaries paid)		250	250
(iv)	Reena & Co. Dr To Rina & Co. (Being the correction of wrong credit to Reena & Co. instead of Rina & Co.)		200	200

16. Pass journal entries to rectify the following errors.

- Credit purchase of goods of ₹ 3,000 from Viraj & Co. was not recorded in the books although the goods were taken into stock.
- Credit sale of goods to Harish amounting to ₹ 10,000 was posted to the account of Haneef.
- Acquisition charges on the purchase of a new building amounting to ₹ 10,000 were debited to the sundry expenses account.
- Outstanding telephone charges of ₹ 6,000 had been completely omitted.

Ans.

Rectification Entries in Journal

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
(i)	Purchases A/c Dr To Viraj & Co. (Being the rectification of purchase of goods from Viraj & Co omitted from books)		3,000	3,000
(ii)	Harish Dr To Haneef (Being the sale made on credit to Harish posted wrongly to the debit of Haneef, now rectified)		10,000	10,000
(iii)	Building A/c Dr To Sundry Expenses A/c (Being the rectification of wrong debit to sundry expenses account for acquisition charges on purchases of new building)		10,000	10,000
(iv)	Telephone Charges A/c Dr To Outstanding Telephone Charges A/c (Being the outstanding telephone charges omitted to be recorded, now recorded)		6,000	6,000

17. Rectify the following errors and use suspense account where necessary.

- (i) ₹ 2,500 paid for office furniture was debited to office expenses account.
- (ii) A cash sale of ₹ 7,500 to Saksham was correctly entered in the cash book but was posted to the credit of Saksham's account.
- (iii) Goods amounting to ₹ 1,800, returned by Aryan, were entered in the sales book and posted therefrom to the credit of Aryan's account.
- (iv) Bills receivable received from Sangeet for ₹ 5,000 was posted to the credit of bills payable account and credited to Sangeet's account.

Ans.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
(i)	Office Furniture A/c To Office Expenses A/c (Being the capital expenditure treated as revenue, now rectified)	Dr	2,500	2,500
(ii)	Saksham To Sales A/c (Being the cash sale credited to Saksham's account, now rectified)	Dr	7,500	7,500
(iii)	Sales A/c Returns Inwards A/c To Suspense A/c (Being the sales return wrongly credited to sales account, now rectified)	Dr	1,800 1,800	3,600
(iv)	Bills Receivable A/c Bills Payable A/c To Suspense A/c (Being the bills receivable wrongly recorded as bills payable, now rectified)	Dr	5,000 5,000	10,000

• Long Answer (LA) Type Questions

1. What kinds of errors would cause difference in the trial balance? Also give an example that would not be revealed by a trial balance. (NCERT)

Ans. The errors that lead to the differences in the trial balance are termed as one sided errors. These are those errors that affect only one account. Below are given the errors that cause differences in the trial balance

- (i) Wrong casting of any account, this is termed as the error of casting.
- (ii) Wrong carrying forward of the balances from previous year's books or from one end of page to another. These types of errors are termed as the errors in carrying forward.
- (iii) If entries are posted in the wrong side of accounts.
- (iv) Posting of a wrong amount in account, this is termed as the error of posting.
- (v) If entries are recorded partially, i.e., the entries are not recorded completely, then due to the error of partial omission, trial balance does not agree.

Example of error that would not be revealed in a trial balance

Sales to Mr X, omitted to be recorded in the sales day book.

2. You are presented with a trial balance showing a difference which has been carried to suspense account and the following errors are revealed.

- (i) ₹ 17,000 paid in cash for a typewriter was charged to office expenses account.
- (ii) A cash sale of ₹ 50,000 to Pluto, correctly entered in the cash book, was posted to the credit of Pluto's account in the sales ledger.
- (iii) Goods amounting to ₹ 8,000, returned by Sky, were entered in the sales book and posted therefrom to the credit of Sky's account.
- (iv) Bills receivable from Star for ₹ 30,000 posted to the credit of bills payable account and credited to Star's account.
- (v) Goods amounting to ₹ 1,00,000 sold to Sun were correctly entered in sales book but posted to Sun's account for ₹ 1,80,000.
- (vi) Sales returns book was overcast by ₹ 1,000.

Journalise the necessary corrections.

Ans.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
(i)	Office Equipment A/c (Typewriter) Dr To Office Expenses A/c (Being the expenditure that should have been capitalised wrongly shown as revenue expenditure, now rectified)		17,000	17,000
(ii)	Pluto Dr To Sales A/c (Being the cash sales wrongly posted to customer's account, now rectified)		50,000	50,000
(iii)	Sales A/c Dr Returns Inward A/c Dr To Suspense A/c (Being the returns inward wrongly credited to sales, now rectified)		8,000 8,000	16,000
(iv)	Bills Payable A/c Dr Bills Receivable A/c Dr To Suspense A/c (Being the bills receivable wrongly recorded as bills payable, now rectified)		30,000 30,000	60,000
(v)	Suspense A/c Dr To Sun (Being the wrong amount posted to his account, now rectified)		80,000	80,000
(vi)	Suspense A/c Dr To Returns Inward A/c (Being the overcasting of sales returns book rectified)		1,000	1,000

3. From the following information, complete the missing rectification entries.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
(i)	..... Dr (Being sale of old furniture ₹ 20,000 treated as sales of goods, now rectified)		20,000	20,000
(ii)	..... Dr To (Being jewellery purchased worth ₹ 10,00,000 from Manmohan have remained unrecorded so far, now recorded)		10,00,000	10,00,000
(iii)	Sohanlal & Sons Co. Dr To Suspense A/c (Being purchase return of ₹ 2,50,000 to Sohanlal & Sons Co's, was posted to their credit now rectified)		...	...
(iv)	..... Dr (Being typewriter worth ₹ 1,200 purchased debited to repair account, now rectified)		1,200	1,200
(v)	Sanjeev & Co. Dr To Suspense A/c (Being cash ₹ 25,000 paid to Sanjeev & Co. wrongly credited to their account, now rectified)		...	...
(vi)	..... Dr To (Being no adjustment entry passed for goods worth ₹ 50,000 used for construction of equipments for business use, now rectified)		50,000	50,000

Ans.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
(i)	Sales A/c To Furniture A/c (Being sale of old furniture ₹ 20,000 treated as sales of goods, now rectified)	Dr	20,000	20,000
(ii)	Purchases A/c To Manmohan (Being jewellery purchased worth ₹ 10,00,000 from Manmohan have remained unrecorded so far, now recorded)	Dr	10,00,000	10,00,000
(iii)	Sohanlal & Sons Co. To Suspense A/c (Being purchase return of ₹ 2,50,000 to Sohanlal & Sons Co's, was posted to their credit, now rectified)	Dr	5,00,000	5,00,000
(iv)	Typewriter A/c To Repair A/c (Being typewriter worth ₹ 1,200 purchased debited to repair account, now rectified)	Dr	1,200	1,200
(v)	Sanjeev & Co. To Suspense A/c (Being cash ₹ 25,000 paid to Sanjeev & Co wrongly credited to their account, now rectified)	Dr	50,000	50,000
(vi)	Equipment A/c To Purchase A/c (Being no adjustment entry passed for goods worth ₹ 50,000 used for construction of equipments for business use, now rectified)	Dr	50,000	50,000

4. In taking out a trial balance, a book-keeper finds that debit total exceeds the credit total by ₹ 7,040. The amount is placed to the credit of a newly opened suspense account. Subsequently, the following mistakes were discovered. You are required to pass the necessary entries for rectifying the mistakes and show the suspense account.

- Sales day book was overcast by ₹ 2,000.
- A sale of ₹ 1,000 to Gokul Prasad was wrongly debited to Kanti Prasad.
- General expenses ₹ 360 was posted as ₹ 1,600.
- Cash received from Shanti Prasad was debited to his account ₹ 3,000.
- While carrying forward the total of one page of the purchase book to the next, the amount of ₹ 24,700 was entered as ₹ 26,500.

Ans.

Rectification Entries in Journal

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
(i)	Sales A/c To Suspense A/c (Being the sales book overcast, now rectified)	Dr	2,000	2,000
(ii)	Gokul Prasad To Kanti Prasad (Being the sales debited to Kanti Prasad, now rectified)	Dr	1,000	1,000
(iii)	Suspense A/c To General Expenses A/c (Being the general expenses overcasted, now rectified)	Dr	1,240	1,240

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
(iv)	Suspense A/c To Shanti Prasad (Being the cash received ₹ 3,000 debited to Shanti Prasad, now rectified)	Dr	6,000	6,000
(v)	Suspense A/c To Purchase A/c (Being the purchases book overcasted, now rectified)	Dr	1,800	1,800

Dr		Suspense Account		Cr	
Particulars	Amt (₹)	Particulars	Amt (₹)		
To General Expenses A/c	1,240	By Difference in Trial Balance	7,040		
To Shanti Prasad	6,000	By Sales A/c	2,000		
To Purchase A/c	1,800				
	9,040				9,040

5. Rectify the following errors assuming that suspense account was opened.

- Purchase of ₹ 4,000 from Bheem was entered in sales book. Although Bheem's personal account was rightly credited.
- Sales to Nakul of ₹ 4,300 credited to his account as ₹ 3,400.
- Sale of old furniture of ₹ 5,400 was credited to sales account as ₹ 4,500.
- Goods worth ₹ 1,000 taken by proprietor for personal use was omitted from being recorded.
- Sale to Arjun worth ₹ 2,960 was entered in sales book as ₹ 2,690.
- Sales return book balance of ₹ 2,100 was not included in books.

Ans.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
(i)	Purchases A/c Sales A/c To Suspense A/c (Being the purchase of ₹ 4,000 from Bheem was entered in sales book, but Bheem's personal account was rightly credited, now rectified)	Dr Dr	4,000 4,000	8,000
(ii)	Nakul To Suspense A/c (Being the sales to Nakul of ₹ 4,300 credited to his account as ₹ 3,400, now rectified)	Dr	7,700	7,700
(iii)	Sales A/c Suspense A/c To Furniture A/c (Being the sale of old furniture of ₹ 5,400 was credited to sales account as ₹ 4,500, now rectified)	Dr Dr	4,500 900	5,400
(iv)	Drawings A/c To Purchases A/c (Being the goods worth ₹ 1,000 taken by proprietor for personal use was not recorded)	Dr	1,000	1,000
(v)	Suspense A/c To Sales A/c (Being the sale of ₹ 2,960 to Arjun was entered in sales book as ₹ 2,690, now rectified)	Dr	270	270
(vi)	Sales Return A/c To Suspense A/c (Being the sales return book balance of ₹ 2,100 not included in books, now included)	Dr	2,100	2,100

6. Rectify the following errors assuming that suspense account was opened to ascertain the difference in trial balance.

- (i) Depreciation provided on machinery ₹ 6,250 was not posted to depreciation account.
- (ii) Bad debts written-off ₹ 5,890 were not posted to debtor's account.
- (iii) Discount allowed to a debtor ₹ 175 on receiving cash from him was not posted to discount allowed account.
- (iv) Goods withdrawn by proprietor for personal use ₹ 2,520 were not posted to drawings account.
- (v) Bills receivable for ₹ 10,000 received from a debtor was not posted to bills receivable account.

Ans.

JOURNAL

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
(i)	Depreciation A/c To Suspense A/c (Being the depreciation on machinery was not posted to depreciation account, now rectified)	Dr	6,250	6,250
(ii)	Suspense A/c To Debtor's A/c (Being the bad debts written-off were not posted to debtor's account, now rectified)	Dr	5,890	5,890
(iii)	Discount Allowed A/c To Suspense A/c (Being the discount allowed to customer, not posted to discount account, now rectified)	Dr	175	175
(iv)	Drawings A/c To Suspense A/c (Being the goods withdrawn for personal use, not recorded in drawings account, now rectified)	Dr	2,520	2,520
(v)	Bills Receivable A/c To Suspense A/c (Being the bills receivable received from debtors was not recorded in bills receivable account, now rectified)	Dr	10,000	10,000

Dr				Suspense Account				Cr	
Date	Particulars	JF	Amt (₹)	Date	Particulars	JF	Amt (₹)		
	To Debtor's A/c		5,890		By Depreciation A/c		6,250		
	To Difference as per Trial Balance (Balancing Figure)		13,055		By Discount Allowed A/c		175		
					By Drawings A/c		2,520		
					By Bills Receivable A/c		10,000		
			18,945				18,945		

7. Correct the following errors found in the books of Siddharth. The trial balance was out by ₹ 493 excess credit. The difference thus, has been posted to a suspense account.

- (i) An amount of ₹ 100 was received from Parth on 31st December, 2020 but has been omitted to enter in the cash book.
- (ii) The total of returns inward book for December has been cast ₹ 100 short.
- (iii) The purchase of an office table costing ₹ 300 has been passed through the purchases day book.
- (iv) ₹ 375 paid for wages to workmen for making show-cases had been charged to wages account.

- (v) A purchase of ₹ 67 had been posted to the creditors account as ₹ 60.
- (vi) A cheque for ₹ 200 received from Kanav had been dishonoured and was passed to the debit of 'allowances account'.
- (vii) ₹ 1,000 paid for the purchase of a motor cycle for Siddharth had been charged to 'miscellaneous expenses account'.
- (viii) Goods amounting to ₹ 100 had been returned by customer and were taken into stock, but no entry in respect thereof, was made into the books.
- (ix) A sale of ₹ 200 to Rahul & Co. was wrongly credited to their account.

Ans.

Rectification Entries in Journal

Date	Particulars	LF	Amt (Dr)	Amt (Cr)
(i)	Cash A/c Dr To Parth (Being the amount received)		100	100
(ii)	Returns Inward A/c Dr To Suspense A/c (Being the mistake in totalling the returns inward book, now rectified)		100	100
(iii)	Furniture A/c Dr To Purchases A/c (Being the rectification of mistake by which purchase of furniture was entered in purchases book and hence, debited to purchases account)		300	300
(iv)	Furniture A/c Dr To Wages A/c (Being the wages paid to workmen for making showcases which should be capitalised and not to be charged to wages account)		375	375
(v)	Suspense A/c Dr To Creditor's (Personal) A/c (Being the mistake in crediting the creditor's account less by ₹ 7, now rectified)		7	7
(vi)	Kanav Dr To Allowances A/c (Being the cheque of Kanav dishonoured, previously debited to allowance account)		200	200
(vii)	Drawings A/c Dr To Miscellaneous Expenses (Being the motor cycle purchased for Siddharth debited to his drawings account instead of miscellaneous expenses account as previously done by mistake)		1,000	1,000
(viii)	Returns Inward A/c Dr To Customer's (Personal) A/c (Being correction of the omission to record return of goods by customers)		100	100
(ix)	Rahul & Co. Dr To Suspense A/c (Being the correction of mistake by which the account of Rahul & Co was credited by ₹ 200 instead of being debited)		400	400

Dr				Cr			
Date	Particulars	JF	Amt (₹)	Date	Particulars	JF	Amt (₹)
2021				2020			
Dec 31	To Differene in Trial Balance		493	Dec 31	By Returns Inward A/c		100
Dec 31	To Creditor's A/c		7		By Rahul & Co.		400
			500				500

Chapter Test

Multiple Choice Questions

1. If the amount is posted in the wrong account or it is written on the wrong side of an account, what type of error is it?
 - (a) Error of principle
 - (b) Error of commission
 - (c) Error of omission
 - (d) Compensating errors
2. Which of the following are two sided errors?
 - (a) Machinery purchased recorded in purchase book
 - (b) Old furniture sold recorded as sale of goods
 - (c) Both (a) and (b)
 - (d) None of these
3. What will be the rectifying entry, if a credit purchase of ₹ 460 from Sudhakar was recorded as ₹ 640?

(a) Sudhakar	Dr 180	
To Purchases A/c		180
(b) Sudhakar	Dr 460	
To Purchases A/c		460
(c) Sudhakar	Dr 640	
To Purchases A/c		640
(d) Purchases A/c	Dr 460	
To Sudhakar		460
4. If suspense account shows a credit balance, it will be taken to
 - (a) liability side of balance sheet
 - (b) asset side of balance sheet
 - (c) capital side of balance sheet
 - (d) credit side of profit and loss account
5. If suspense account does not balance off even after rectification of errors, it implies that
 - (a) there are some one sided errors only in the books yet to be located
 - (b) there are no more errors yet to be located
 - (c) there are some two sided errors only yet to be located
 - (d) there may be both one sided errors and two sided errors yet to be located
6. Which of these errors will be rectified through suspense account?
 - (a) Sales return book undercast by ₹ 1,000.
 - (b) Sales return by Madhu ₹ 1,000.
 - (c) Sales return by Madhu ₹ 1,000 recorded as ₹ 100.
 - (d) Sales return by Madhu ₹ 1,000 recorded through purchase return account.
7. Rectifying entry for a computer purchased wrongly debited to the purchase account of ₹ 1,00,000 will be

(a) Cash A/c	Dr 1,00,000	
To Computer A/c		1,00,000
(b) Computer A/c	Dr 1,00,000	
To Purchases A/c		1,00,000
(c) Purchases A/c	Dr 1,00,000	
To Computer A/c		1, 00,000
(d) Computer A/c	Dr 1,00,000	
To Suspense A/c		1,00,000
8. Material ₹ 10,000 and wages ₹ 3,000 were used for construction of building. No adjustment entry was made in the books. Rectifying entry will be

(a) Wages A/c	Dr 10,000	
To Building A/c		10,000
(b) Material A/c	Dr 10,000	
Building A/c	Dr 3,000	
To Cash A/c		13,000
(c) Building A/c	Dr 13,000	
To Purchases A/c		10,000
To Wages A/c		3,000
(d) None of the above		

Short Answer (SA) Type Questions

1. Rectify the following errors.
 - (i) Credit sales to Rajiv for ₹ 6,66,500 recorded in purchases book.
 - (ii) Furniture purchased on credit from Aryan for ₹ 70,000 posted to Ayan's account.
 - (iii) Credit Purchase from Priya for ₹ 10,000 was not recorded.
2. Explain compensating errors and give atleast one example of such errors.
3. Name the errors, which do not affect the trial balance.
4. Rectify the following errors
 - (i) Credit sales to Manas ₹ 16,000 were recorded in the purchases book as ₹ 10,000 and posted to the debit of Manas as ₹ 1,000.
 - (ii) Repair on overhauling of second hand machinery purchased ₹ 2,000 was debited to repair account as ₹ 200.
 - (iii) Old machinery sold for ₹ 2,000 to Manish recorded through sales book as ₹ 1,800 and posted to the credit of Manish as ₹ 1,200.
 - (iv) Furniture purchased from Noor ₹ 6,000 was recorded through purchases book as ₹ 5,000 and posted to the debit of Noor ₹ 2,000.
5. An accountant, while balancing his books found that there was a difference of ₹ 85.95 in the trial balance. Being required to prepare the final accounts, he placed this difference to a newly opened suspense account which was carried forward to the next year, when the following errors were discovered.
 - (i) Goods bought from a merchant for ₹ 5.50 had been posted to the credit of his account as ₹ 55.
 - (ii) An item of ₹ 10.62 entered in the sales return book had been posted to the debit of the customer who returned the goods.
 - (iii) ₹ 60 owing by a customer had been omitted from the schedule of sundry debtors.
 - (iv) ₹ 2.31 discount received from a creditor had been duly entered in his account but not posted to discount received account.Give journal entries necessary to correct these errors.

Long Answer (LA) Type Questions

1. Rectify the following errors.
 - (i) Goods worth ₹ 4,000 returned by X entered in sales book and therefrom posted to the credit of his account.
 - (ii) Goods worth ₹ 3,000 bought by owner for personal use, debited to purchases account.
 - (iii) Cheque of ₹ 1,000 from Pankaj Kapoor dishonoured has been debited to sales return account.
 - (iv) Total of sales book ₹ 52,600 wrongly carried forward to next page as ₹ 25,600.
 - (v) Prepaid insurance ₹ 1,000 omitted to be bought forward from previous years' books.
 - (vi) Goods worth ₹ 12,000 returned by Ankit taken into stock on same date but omitted to be recorded.
2. Correct the following errors by opening a suspense account.
 - (i) The sales book has been totalled ₹ 100 short.
 - (ii) Goods worth ₹ 150 returned by Vishal & Co. have not been recorded anywhere.
 - (iii) Goods purchased ₹ 250 have been posted to the debit of the supplier Raja & Co.
 - (iv) Furniture purchased from Narayan & Brothers ₹ 1,000 has been entered in purchases day book.
 - (v) Discount received from Monu & Sonu ₹ 15 has not been entered in the discount column of the cash book.
 - (vi) Discount allowed to Naveen & Co. ₹ 18 has not been entered in the discount column of the cash book.
The account of Naveen & Co. has, however, been correctly posted.

Answers

Multiple Choice Questions

1. (b) 2. (c) 3. (a) 4. (a) 5. (a) 6. (a) 7. (b) 8. (c)