

Trial Balance and Rectification of Errors

Trial Balance- Meaning and Objectives

Objectives

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

- Introduction
- Meaning of Trial Balance
- Preparation of Trial Balance-Objectives, Features and Limitations
- Specimen of Trial Balance

Introduction

As you have already learned that business transactions are first recorded in the Books of Original Entry (*i.e.* Journal or Subsidiary Books) and thereafter they are posted in to the ledgers. After posting the transactions in ledger accounts a business is required to prepare a Trial Balance in order to know the actual financial position of the business. This preparation of Trial Balance constitutes the next step of Accounting Cycle. After ledger posting and balancing of ledgers get complete we need to prepare a statement showing summary of all Ledger Account balances which is known as *Trial Balance*.

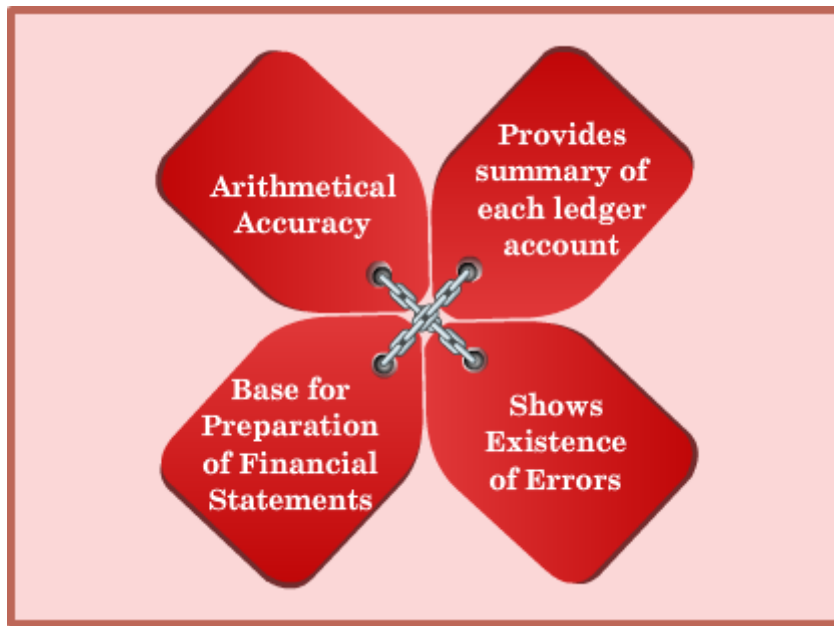
Meaning of Trial Balance

Simply stating, a Trial Balance is a statement showing summary of debit and credit balances of all Ledgers. Although it can be prepared on any date but usually it is prepared at the end of the accounting year. In the statement of Trial Balance we prepare four separate Columns, Column 1 represents List of Accounts, Column 2 represents Ledger Folio Number (L.F. No), Column 3 represents Amount of Ledgers having debit balance and Column 4 represents amount of Ledgers having Credit Balance. After this we write all ledger account name and their corresponding closing balances in their respective columns. Finally after all this we sum-up Column 3 and 4 and their final total should tally with each other.

Preparation of Trial Balance-Objectives

The trial balance is prepared to fulfil the following objectives.

- (1) It helps in ascertaining *arithmetical accuracy* of each ledger account.
- (2) A trial balance provides summary of each ledger account.
- (3) If trial balance doesn't tally it *shows existence of errors* that can be committed at the time of recording or at the time of posting of transactions.
- (4) It acts as a *base for preparation* of financial statements.



Features of a Trial Balance:

- 1) It is a tabular presentation of all the accounts of ledger and the cash book.
- 2) It is a statement not an account prepared on a particular date as and when required by the management or at the end of the financial year. Hence, it is not prepared for a period but rather on a particular date.
- 3) It records the closing balances of the ledger accounts.
- 4) It is merely a functional paper and does not follow the rules of Double Entry system of Book Keeping.
- 5) The purpose of preparing a Trial Balance is to check for the arithmetic accuracy of the books of accounts. Hence, if a Trial Balance does not match it is an indication of an anomaly in the preparation.
- 6) The balance of the closing stock is not shown in the Trial Balance because it is a leftover portion of Purchases that has been already recorded in the Trial Balance. Hence, it is shown by way of a footnote.
- 7) Trial Balance however fails to detect certain errors like compensating errors and errors of principle and hence cannot be completely relied upon for the accuracy of books.
- 8) It is a summary of all the accounts and thus helps in the preparation of the final accounts i.e. Trading Account, Profit and Loss Account and Balance Sheet.

Limitations of a Trial Balance:

The result of the Trial Balance should be taken with a pinch of salt and shouldn't be assumed to be an indication of absolute accuracy of the books of accounts. This is because as discussed in features, there are certain errors which go undetected during the preparation of a Trial Balance.

Hence, the limitations of the Trial Balance are as follows:

- 1) Transaction not recorded at all:** If a transaction goes completely unnoticed and no journal entry has been passed for it. Then a Trial balance cannot detect such an omission.
- 2) Compensating errors:** When a number of mistakes have been committed in ways that

they compensate each other then in such a case this statement will balance despite the errors. For example: Goods purchased for Rs. 4000 written as Rs. 2000 and Goods sold for Rs. 2000 written as Rs. 4000. Then such errors will not be detected by the Trial Balance.

3) Errors Of Principle: If an accountant has wrongly classified an account while posting in the ledger then in such a case Trial balance will agree despite the mistake. For example: Purchase of computer for office use wrongly debited to the purchases account. Then this statement will balance by showing a Debit in Purchases for the computer bought.

4) While recording a transaction if the **same amount is wrongly debited and credited** then it is not brought out by the Trial Balance. For example: Rent paid Rs. 3000 wrongly recorded in the Journal as Rs. 2000.

5) **Failure to post a transaction** in a ledger, then also the Trial balance will show arithmetic accuracy. For example: Purchase of stationery for Rs. 200 not posted in the ledger.

6) **Double posting of an entry** will go unnoticed by a Trial Balance.

Specimen of Trial Balance

The format of a trial balance is given below.

Trial Balance as on

List of Accounts	L.F.	Debit Balances Amount (Rs)	Credit Balances Amount (Rs)
1	2	3	4
Total			

Explanation

(1) List of Accounts (Column 1): This column shows name of Ledger Accounts.

(2) Ledger Folio (Column 2): This column shows Folio Number (or Page Number) of Ledger on which its Debit/Credit Closing balance is appearing.

(3) Debit Balance Amount (Column 3): This column indicates the amount of debit balance of the respective Ledger Account.

(4) Credit Balance Amount (Column 4): This column indicates the amount of credit balance of the respective Ledger Account.

After writing all above mentioned items in their respective Columns we just total Column 3(Debit balances) and Column 4(Credit Balances). The total of both Column must be tallied.

By tallying both the columns we can ensure the arithmetical accuracy of transactions entered.

Note: One should always remember that by tallying trial balance we cannot conclude that there are no errors in the books of accounts.

Example-1: Journalise the following transactions, post and balance them in ledger account and prepare Trial Balance in the books of YSR Ltd.

2013	Particulars	Rs
March 1	Rahul started business with cash	2,00,000
March 2	Goods Bought for Cash	61,000
March 3	Opened Bank Account with cash	1,00,000
March 4	Goods sold for Cash	80,000
March 7	Goods Bought on credit from Ramesh	30,000
March 10	Sold goods to Suresh on credit	25,000
March 15	Plant and Machinery purchased by cheque	33,200
March 19	Paid to Ramesh in cash	10,000
March 21	Received loan from Anish and deposited the same in bank	16,000
March 23	Goods returned to Ramesh	1,000
March 26	Withdrew from bank for personal use	10,000
March 27	Paid to Ramesh by cheque	8,000
March 29	Received Cash from Suresh	10,000
March 30	Purchased stationery by cash	400
March 30	Paid wages and salaries	20,000

Solution:

**Books of YSR Ltd
Journal**

Date	Particulars	L.F.	Debit Amount (Rs)	Credit Amount (Rs)
2013 Mar. 01	Cash A/c Dr. To Capital A/c (Business started with cash of Rs 2,00,000)		2,00,000	2,00,000
Mar. 02	Purchases A/c Dr. To Cash A/c (Goods Purchased for cash)		61,000	61,000

Mar. 03	Bank A/c To Cash A/c (Bank account opened by depositing cash in bank)	Dr.	1,00,000	1,00,000
Mar. 04	Cash A/c To Sales A/c (Goods sold on cash basis)	Dr.	80,000	80,000
Mar. 07	Purchases A/c To Ramesh (Goods purchased on credit basis)	Dr.	30,000	30,000
Mar. 10	Suresh To Sales A/c (Goods Sold to Suresh)	Dr.	25,000	25,000
Mar. 15	Plant & Machinery A/c To Bank A/c (Plant & Machinery purchased by cheque)	Dr.	33,200	33,200
Mar. 19	Ramesh To Cash A/c (Amount paid to Ramesh in cash)	Dr.	10,000	10,000
Mar. 21	Bank A/c To Anish's loan A/c (Loan received from Anish in cash)	Dr.	16,000	16,000
Mar. 23	Ramesh To Return Outwards A/c (Goods returned to Ramesh)	Dr.	1,000	1,000
Mar. 26	Drawings A/c To Bank A/c (Amount withdrawn from bank for personal use)	Dr.	10,000	10,000
Mar. 27	Ramesh To Bank A/c (Being amount paid by bank To Ramesh)	Dr.	8,000	8,000
Mar. 29	Cash A/c To Suresh (Cash received from Suresh)	Dr.	10,000	10,000
Mar. 30	Stationery A/c To Cash A/c	Dr.	400	400

	(Cash Paid for stationery)			
Mar. 30	Wages & Salaries A/c To Cash A/c (Wages and Salaries paid in cash)	Dr.	20,000	20,000

Cash Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount (Rs)	Date	Particulars	J.F.	Amount (Rs)
2013 Mar.01 Mar.04 Mar.29	Capital A/c Sales A/c Suresh		2,00,000 80,000 10,000	2013 Mar.02 Mar.03 Mar.19 Mar.30 Mar.30 Mar.31	Purchases A/c Bank A/c Ramesh Stationery A/c Wages & Salaries Balance c/d		61,000 1,00,000 10,000 400 20,000 98,600
			2,90,000				2,90,000

Capital A/c

Dr.				Cr.			
Date	Particulars	J.F.	Amount (Rs)	Date	Particulars	J.F.	Amount (Rs)
2013 Mar.31	Balance c/d		2,00,000	2012 Apr. 1	Cash A/c		2,00,000
			2,00,000				2,00,000

Purchases A/c

Dr.				Cr.			
Date	Particulars	J.F.	Amount (Rs)	Date	Particulars	J.F.	Amount (Rs)
2013 Mar. 2 Mar. 7	Cash A/c Ramesh		61,000 30,000	2013 Mar. 31	 Balance c/d		 91,000
			91,000				91,000

Bank A/c

Dr.				Cr.			
Date	Particulars	J.F.	Amount (Rs)	Date	Particulars	J.F.	Amount (Rs)
2013 Mar.3 Mar.21	Cash A/c Anish's Loan		1,00,000 16,000	2013 Mar. 15 Mar. 26 Mar. 27 Mar.31	Plant and Machinery A/c Drawings A/c Ramesh Balance c/d		33,200 10,000 8,000 64,800
			1,16,000				1,16,000

Sales A/c

Dr.				Cr.			
Date	Particulars	J.F.	Amount (Rs)	Date	Particulars	J.F.	Amount (Rs)
2013 Mar.31	Balance c/d		1,05,000	2013 Mar.4 Mar.10	Cash A/c Suresh		80,000 25,000
			1,05,000				1,05,000

Ramesh

Dr.				Cr.			
Date	Particulars	J.F.	Amount (Rs)	Date	Particulars	J.F.	Amount (Rs)
2013 Mar.19 Mar.23 Mar.27 Mar.30	Cash A/c Return Outward A/c Bank A/c Balance c/d		10,000 1,000 8,000 11,000	2013 Mar.07	Purchases		30,000
			30,000				30,000

Suresh

Dr.				Cr.			
Date	Particulars	J.F.	Amount (Rs)	Date	Particulars	J.F.	Amount (Rs)
2013				2013			

Mar.10	Sales		25,000	Mar.29	Cash A/c		10,000
				Mar.30	Balance c/d		15,000
			25,000				25,000

Plant and Machinery A/c

Dr.				Cr.			
Date	Particulars	J.F.	Amount (Rs)	Date	Particulars	J.F.	Amount (Rs)
2013 Mar.1 5	Bank A/c		33,200	2013 Mar.31	Balance c/d		33,200
			33,200				33,200

Anish's Loan A/c

Dr.				Cr.			
Date	Particulars	J.F.	Amount (Rs)	Date	Particulars	J.F.	Amount (Rs)
2013 Mar.31	Balance c/d		16,000	2013 Mar.21	Bank A/c		16,000
			16,000				16,000

Returns Outward A/c

Dr.				Cr.			
Date	Particulars	J.F.	Amount (Rs)	Date	Particulars	J.F.	Amount (Rs)
2013 Mar.31	Balance c/d		1,000	2013 Mar.23	Ramesh		1,000
			1,000				1,000

Drawings A/c

Dr.				Cr.			
Date	Particulars	J.F.	Amount (Rs)	Date	Particulars	J.F.	Amount (Rs)
2013 Mar. 26	Bank A/c		10,000	2013 Mar.31	Balance c/d		10,000

		10,000		10,000

Stationery A/c

Dr.				Cr.			
Date	Particulars	J.F.	Amount (Rs)	Date	Particulars	J.F.	Amount (Rs)
2013 Mar.30	Cash A/c		400	2013 Mar.31	Balance c/d		400
			400				400

Wages and Salaries

Dr.				Cr.			
Date	Particulars	J.F.	Amount (Rs)	Date	Particulars	J.F.	Amount (Rs)
2013 Mar 30	Cash A/c		20,000	2013 Mar.31	Balance c/d		20,000
			20,000				20,000

Trial Balance as at March 31, 2013

S. No.	Name of Accounts	L.F.	Debit Amount (Rs)	Credit Amount (Rs)
1	Cash A/c		98,600	
2	Capital A/c			2,00,000
3	Purchases A/c		91,000	
4	Bank A/c		64,800	
5	Sales A/c			1,05,000
6	Ramesh A/c			11,000
7	Suresh		15,000	
8	Plant and Machinery A/c		33,200	
9	Anish's Loan A/c			16,000
10	Returns Outward A/c			1,000
11	Drawings A/c		10,000	
12	Stationery A/c		400	
13	Wages and Salaries A/c		20,000	
			3,33,000	3,33,000

Example 2

Following are transactions of M/s Rajesh Traders

Date	Particulars
2012	
April 01	Rajesh started his business with cash Rs 1,00,000
April 10	Rajesh opened an account in a bank with cash Rs 30,000
May 10	Purchased goods from Mohan Singh on credit Rs 40,000 and also paid carriage of Rs 2,000
May 20	Sold goods to Rajeev Rs 20,000
May 25	Due to some quality defect goods of Rs 10,000 were returned to Mohan Singh
June 15	Sold goods to Ayesha for Rs 70,000
June 30	Paid rent of Rs 10,000
Aug.31	Purchased Furniture for cash of Rs 8,000
Sept.10	Paid through a cheque of Rs 5,000 for advertisement
Oct.05	Withdrawn Rs 6,000 from Bank for personal use
Nov.30	Recovered Rs 65,000 from Ayesha in full settlement of his account
Dec.12	Goods costing Rs 1,000 donated to NGO
Dec.31	Salaries paid to employees Rs 15,000
2013	
Jan.15	Interest received from Bank Rs 2,000
Feb.10	Rajeev has become insolvent Rs 80 paisa in the rupees on a debt of Rs 20,000 was recovered as a compensation
March 31	Stock of good at end of the year is Rs 32,000

Journalise the above transactions, post them in ledgers, balance them and prepare the Trial Balance as on March 31, 2013.

Solution:

**Books of M/s Rajesh Traders
Journal**

Date	Particulars	L.F.	Debit Amount (Rs)	Credit Amount (Rs)
2012				
April 01	Cash A/c Dr. To Capital A/c (Business started with cash of Rs 1,00,000)		1,00,000	1,00,000
April 10	Bank A/c Dr. To Cash A/c (Opened a Bank Account)		30,000	30,000

May 10	Purchases A/c To Mohan Singh (Goods Purchased on credit)	Dr.	40,000	40,000
May 10	Carriage A/c To Cash A/c (Carriage paid on purchase of goods)	Dr.	2,000	2,000
May 20	Rajeev To Sales A/c (Goods sold to Rajeev)	Dr.	20,000	20,000
May 25	Mohan Singh To Purchases Return A/c (Goods returned to Mohan Singh)	Dr.	10,000	10,000
June 15	Ayesha To Sales A/c (Goods Sold to Ayesha)	Dr.	70,000	70,000
June 30	Rent A/c To Cash A/c (Rent Paid)	Dr.	10,000	10,000
Aug.31	Furniture A/c To Cash A/c (Furniture purchased)	Dr.	8,000	8,000
Sept.10	Advertisement A/c To Bank A/c (Advertisement expenses paid through cheque)	Dr.	5,000	5,000
Oct.05	Drawings A/c To Bank A/c (Withdrawn from bank for personal use)	Dr.	6,000	6,000
Nov.30	Cash A/c Discount Allowed A/c To Ayesha (Recovered from Ayesha in full settlement of his account)	Dr. Dr.	65,000 5,000	70,000
Dec.12	Donation A/c To Purchases A/c (Goods of Rs 1,000 donated to NGO)	Dr.	1,000	1,000

Dec.31	Salaries A/c To Cash A/c (Salaries Paid to employees)	Dr.	15,000	15,000
2013 Jan.15	Bank A/c To Interest A/c (Interest received)	Dr.	2,000	2,000
Feb.10	Cash A/c Bad debts A/c To Rajeev (Cash compensation of 80 paise in the rupees received from Rajeev)	Dr. Dr.	16,000 4,000	20,000
Mar.31	Closing Stock A/c To Trading A/c (Closing stock transferred in account)	Dr.	32,000	32,000

Cash Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount (Rs)	Date	Particulars	J.F.	Amount (Rs)
2012 April.01	Capital A/c		1,00,000	2012 April 10	Bank A/c		30,000
Nov.30	Ayesha		65,000	May 10	Carriage A/c		2,000
2013 Feb.10	Rajeev		16,000	June 30	Rent A/c		10,000
				Aug.31	Furniture A/c		8,000
				Dec.31	Salaries A/c		15,000
				2013 Mar.31	Balance c/d		1,16,000
			1,81,000				1,81,000

Bank A/c

Dr.				Cr.			
Date	Particulars	J.F.	Amount (Rs)	Date	Particulars	J.F.	Amount (Rs)
2012 April 10	Cash A/c		30,000	2012 Sept.10	Advertisement A/c		5,000
2013				Oct.05	Drawings A/c		6,000
				2013			

Jan.15	Interest A/c		2,000	Mar.31	Balance c/d		21,000
			32,000				32,000

Mohan Singh

Dr.

Cr.

Date	Particulars	J.F.	Amount (Rs)	Date	Particulars	J.F.	Amount (Rs)
2012 May 25	Purchase Return		10,000	2012 May 10	Purchases A/c		40,000
2013 Mar 31	Balance c/d		30,000				
			40,000				40,000

Purchases A/c

Dr.

Cr.

Date	Particulars	J.F.	Amount (Rs)	Date	Particulars	J.F.	Amount (Rs)
2012 May 10	Mohan Singh		40,000	2012 Dec.12	Donation A/c		1,000
				2013 Mar.31	Balance c/d		39,000
			40,000				40,000

Bad Debts A/c

Dr.

Cr.

Date	Particulars	J.F.	Amount (Rs)	Date	Particulars	J.F.	Amount (Rs)
2013 Feb.10	Rajeev		4,000	2013 Mar.31	Balance c/d		4,000
			4,000				4,000

Capital A/c

Dr.

Cr.

--	--	--	--	--	--	--	--

Date	Particulars	J.F.	Amount (Rs)	Date	Particulars	J.F.	Amount (Rs)
2013 Mar.31	Balance c/d		1,00,000	2012 April 1	Cash A/c		1,00,000
			1,00,000				1,00,000

Sales A/c

Dr.				Cr.			
Date	Particulars	J.F.	Amount (Rs)	Date	Particulars	J.F.	Amount (Rs)
2013 Mar.31	Balance c/d		90,000	2012 May 20 June 15	Rajeev Ayesha		20,000 70,000
			90,000				90,000

Purchases Return A/c

Dr.				Cr.			
Date	Particulars	J.F.	Amount (Rs)	Date	Particulars	J.F.	Amount (Rs)
2013 Mar.31	Balance c/d		10,000	2012 May.25	Mohan Singh		10,000
			10,000				10,000

Carriage A/c

Dr.				Cr.			
Date	Particulars	J.F.	Amount (Rs)	Date	Particulars	J.F.	Amount (Rs)
2012 May 10	Cash A/c		2,000	2013 Mar.31	Balance c/d		2,000
			2,000				2,000

Rent A/c**Dr.****Cr.**

Date	Particulars	J.F.	Amount (Rs)	Date	Particulars	J.F.	Amount (Rs)
2012 June 30	Cash A/c		10,000	2013 Mar.31	Balance c/d		10,000
			10,000				10,000

Furniture A/c**Dr.****Cr.**

Date	Particulars	J.F.	Amount (Rs)	Date	Particulars	J.F.	Amount (Rs)
2012 Aug.31	Cash A/c		8,000	2013 Mar.31	Balance c/d		8,000
			8,000				8,000

Advertisement A/c**Dr.****Cr.**

Date	Particulars	J.F.	Amount (Rs)	Date	Particulars	J.F.	Amount (Rs)
2012 Sept.10	Bank A/c		5,000	2013 Mar.31	Balance c/d		5,000
			5,000				5,000

Drawings A/c**Dr.****Cr.**

Date	Particulars	J.F.	Amount (Rs)	Date	Particulars	J.F.	Amount (Rs)
2012 Oct.05	Bank A/c		6,000	2013 Mar.31	Balance c/d		6,000
			6,000				6,000

Discount Allowed A/c

Dr.

Date	Particulars	J.F.	Amount (Rs)	Date	Particulars	J.F.	Amount (Rs)
2012 Nov.30	Ayesha		5,000	2013 Mar.31	Balance c/d		5,000
			5,000				5,000

Cr.

Donation A/c

Dr.

Date	Particulars	J.F.	Amount (Rs)	Date	Particulars	J.F.	Amount (Rs)
2012 Dec.12	Purchases A/c		1,000	2013 Mar.31	Balance c/d		1,000
			1,000				1,000

Cr.

Salaries A/c

Dr.

Date	Particulars	J.F.	Amount (Rs)	Date	Particulars	J.F.	Amount (Rs)
2012 Dec.31	Cash A/c		15,000	2013 Mar.31	Balance c/d		15,000
			15,000				15,000

Cr.

Interest A/c

Dr.

Date	Particulars	J.F.	Amount (Rs)	Date	Particulars	J.F.	Amount (Rs)
2013 Mar.31	Balance c/d		2,000	2013 Jan.15	Bank A/c		2,000
			2,000				2,000

Cr.

Rajeev

Dr.

Date	Particulars	J.F.	Amount (Rs)	Date	Particulars	J.F.	Amount (Rs)
2012				2013			

Cr.

May 20	Sales A/c		20,000	Feb 10	Cash A/c		16,000
				Feb 10	Bad debts A/c		4,000
			20,000				20,000

Ayesha

Dr.

Cr.

Date	Particulars	J.F.	Amount (Rs)	Date	Particulars	J.F.	Amount (Rs)
2012 June 15	Sales A/c		70,000	2012 Nov 30 Nov 30	Cash A/c Discount A/c		65,000 5,000
			70,000				70,000

Trial Balance

as at March 31, 2013

S.No.	Name of Accounts	L.F.	Debit Amount (Rs)	Credit Amount (Rs)
1	Cash A/c		1,16,000	
2	Capital A/c			1,00,000
3	Bank A/c		21,000	
4	Purchases A/c		39,000	
5	Sales A/c			90,000
6	Purchases Return A/c			10,000
7	Mohan Singh			30,000
8	Carriage A/c		2,000	
9	Rent A/c		10,000	
10	Furniture A/c		8,000	
11	Advertisement A/c		5,000	
12	Drawings A/c		6,000	
13	Discount Allowed A/c		5,000	
14	Donation A/c		1,000	
15	Salaries A/c		15,000	
16	Interest A/c			2,000
17	Bad Debts A/c		4,000	
			2,32,000	2,32,000

Trial Balance- Methods and Steps for Preparation

Important: The syllabus as prescribed by CBSE for the current academic session includes preparation of Trial Balance with Balance Method only. The other two methods (Totals Method and Totals cum Balances Method) have been discussed just for the knowledge purpose of the students'.

Objectives

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

- Methods of Preparing a Trial Balance
- Steps to Prepare a Trial Balance

Introduction

In the previous lesson we learnt the meaning of Trial Balance, objectives of preparing it and format of Trial Balance. In this lesson we will only extend the previous lesson by explaining methods of preparing Trial Balance, steps involved for preparing a trial balance and finally some examples in the later part of this lesson.

Methods of Preparing a Trial Balance

There are two methods to prepare a Trial Balance:

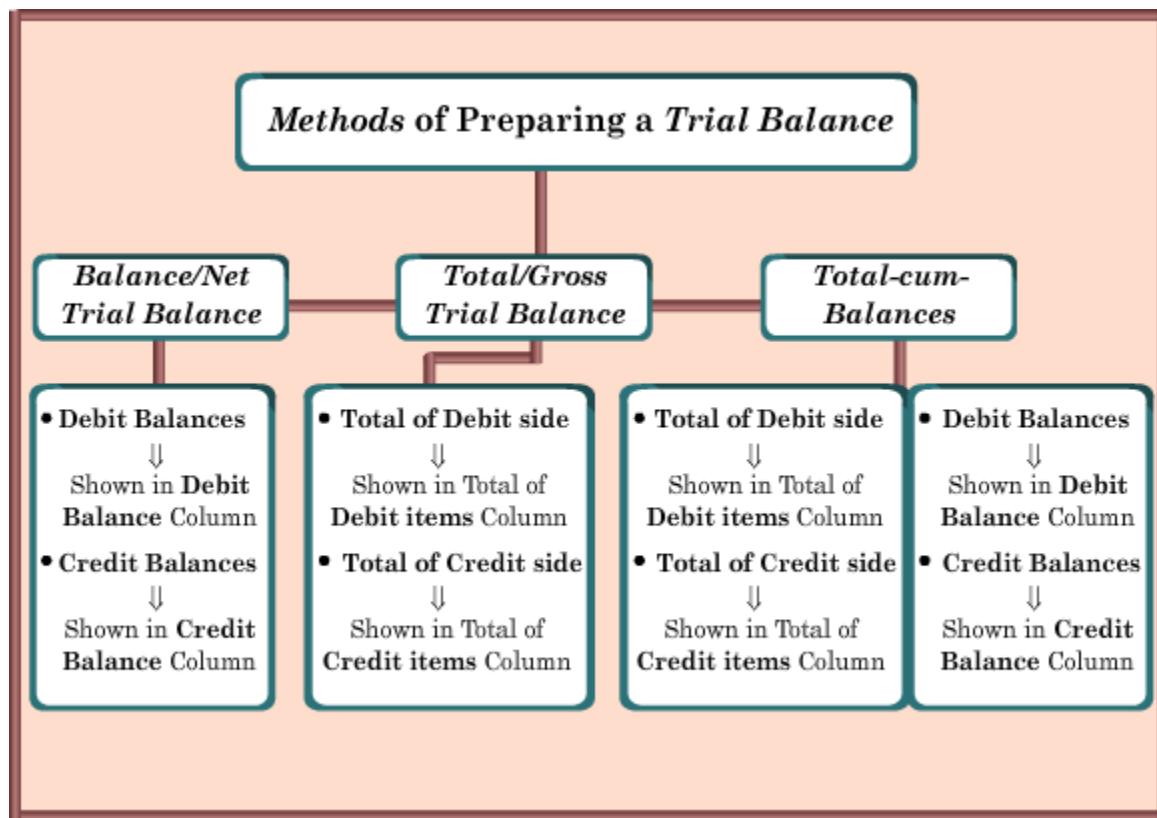
- (i) Balance Method
- (ii) Totals Method
- (iii) Totals-cum-Balances Method

(i) Balance or Net Trial Balance Method: It is the method we discussed in previous lesson as well. Under this method, Debit balances of ledger Accounts will be shown in the separate Column of debit balances amount. On the other hand, Ledgers with credit balance will be shown separately in the Column of Credit Balances amount. At last both these columns are sum up, their totals must be tallied with each other.

(ii) Totals or Gross Trial Balance Method: Under this method, each ledger account debit side as well as credit side total is entered in the Column of debit balances amount and Column of Credit Balances amount respectively.

(iii) Totals-cum-Balances Method: It is a combination of both the above methods and four columns are maintained to record the debit and credit balances and totals of these accounts as well. Totals of both the sides as well as balances of all the ledger accounts are entered in the Trial Balance. Lastly, all the columns are totaled which should match with each other.

Balances i.e. debit or credit of all the ledger accounts is entered in the Trial Balance. It is more of a theoretical concept and does not serve any special purpose.

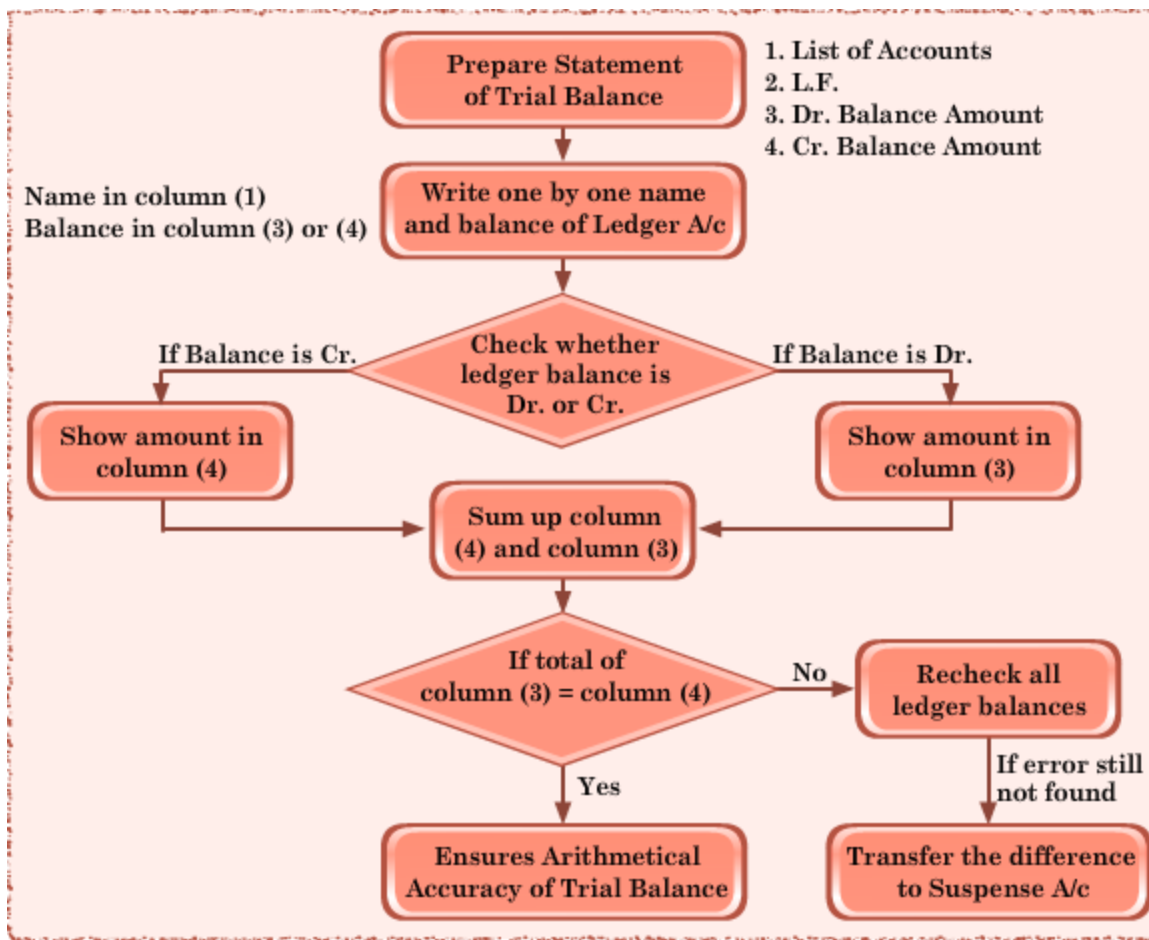


Steps to Prepare a Trial Balance

- (a) First of all prepare a statement of Trial Balance. This statement contains four Columns which are as follows:
 - (1) List of Accounts (Column 1)
 - (2) Ledger Folio (Column 2)
 - (3) Debit Balance Amount (Column 3)
 - (4) Credit Balance Amount (Column 4)
- (b) Now we write one by one each of the Ledger Account Name (in Column 1) along with their balances (in Column 3 or 4).
- (c) If balance of a Ledger Account is Debit then it will be shown in Column 3 whereas if balance of Ledger Account is Credit then it will be shown in Column 4. During this process ignore those Ledger Accounts which do not have any closing balance.
- (d) After writing all ledgers account balances in their respective columns, make a total of Column 3(*i.e.* Debit balances) and Column 4(*i.e.* Credit Balances). Both the columns will be tallied. By tallying them we can ensure arithmetical accuracy of transactions

recorded but this nowhere concludes that this tallied trial balance doesn't contain any error.

- (e) In case both columns (*i.e.* 3 and 4) don't tally then check whether all Ledger Balances have been included. Also ensure that whether balances have been shown at appropriate Columns only. If there exist a mismatch between debit and credit balances even after rechecking then, transfer the short amount or difference amount to the ***Suspense Account***.
- (f) Accounts which are having debit balances are Assets, Expenses and Losses and Drawings.
- (g) Accounts which are having credit balances Liabilities, Capital, Incomes and Gains
- (h) Usually, closing stock will appear outside the Trial Balance and will be posted on the credit side of Trading A/c and on the asset side of the Balance Sheet. If closing stock appears in the Trial Balance it signifies that it is already adjusted through purchases and will be shown only in the Balance Sheet.



Example 1 From the following Ledger Balances of Sahil Chopra, prepare Trial Balance as on March 31, 2013.

Particulars	Amount (Rs)	Particulars	Amount (Rs)
Sales	12,000	Computer	15,600
Purchases	11,800	Purchases Return	1,110
Sales Return	1,050	Bank Overdraft	2,680
Creditors	2,330	Capital	9,010
Wages	850	Carriage Outward	920
Bank Loan	3,650	Bad Debt	440
Opening Stock	980	Discount Received	860

Solution

Trial Balance
as on March 31, 2013

List of Accounts	L.F.	Debit Balances Amount (Rs)	Credit Balances Amount (Rs)
Sales			12,000
Purchases		11,800	
Sales Return		1,050	
Creditors			2,330
Wages		850	
Bank Loan			3,650
Opening Stock		980	
Computer		15,600	
Purchases Return			1,110
Bank Overdraft			2,680
Capital			9,010
Carriage Outward		920	
Bad Debt		440	
Discount Received			860
Total		31,640	31,640

Example 2 Correct the given Trial Balance.

Trial Balance
as on December 31, 2013

List of Accounts	L.F.	Debit Balances	Credit Balances Amount
------------------	------	-------------------	---------------------------

		Amount (Rs)	(Rs)
Opening Stock		6,500	
Sales		26,600	
Purchases			18,950
Debtors			4,120
Discount Allowed		1,250	
Bills Payables		4,750	
Cash		1,200	
Return Inward			960
Carriage Inward		610	
Return Outward		850	
Carriage Outward			700
Capital			8,150
Furniture		6,400	
Rent Received			1,240
Insurance paid			1,060
Rates and Taxes			290
Discount Received			450
Total		48,160	35,920

Solution

Trial Balance
as on December 31, 2013

List of Accounts	L.F.	Debit Balances Amount (Rs)	Credit Balances Amount (Rs)
Opening Stock		6,500	
Sales			26,600
Purchases		18,950	
Debtors		4,120	
Discount Allowed		1,250	
Bills Payables			4,750
Cash		1,200	
Return Inward		960	
Carriage Inward		610	
Return Outward			850
Carriage Outward		700	
Capital			8,150
Furniture		6,400	
Rent Received			1,240
Insurance paid		1,060	

Rates and Taxes		290	
Discount Received			450
Total		42,040	42,040

Example 3 From the following ledger balances of Sanjay Sharma, prepare Trial Balance.
Salary Outstanding Rs 2,500, Prepaid Insurance Rs 750, Discount Allowed Rs 1,060, Drawings Rs 2,100, Capital Rs 14,610, Bank Loan Rs 5,200, Bad Debts Rs 750, Bank Overdraft Rs 4,200, Loan from Rajat Rs 2,500, Loan to Priyanka Rs 4,500, Bills Receivables Rs 7,200, Debtors Rs 6,000, Rent Received Rs 2,160, Reserve for discount on creditors Rs 850, Cash in Hand Rs 5,100, Investments Rs 4,700, Accrued Commission Rs 580, Provisions for the Bad Debts Rs 720.

Solution

**Trial Balance
as on.....**

List of Accounts	L.F.	Debit Balances Amount (Rs)	Credit Balances Amount (Rs)
Salary Outstanding			2,500
Prepaid Insurance		750	
Discount Allowed		1,060	
Drawings		2,100	
Capital			14,610
Bank Loan			5,200
Bad Debts		750	
Bank Overdraft			4,200
Loan from Rajat			2,500
Loan to Priyanka		4,500	
Bills Receivables		7,200	
Debtors		6,000	
Rent Received			2,160
Reserve for discount on creditors			850
Cash in Hand		5,100	
Investments		4,700	
Accrued Commission		580	
Provisions for the Bad Debts			720
Total		32,740	32,740

Example 4 From the following Ledger Balances of Sandeep Singh, prepare Trial Balance as on March 31, 2013.

Particulars	Amount (Rs)	Particulars	Amount (Rs)
Octroi	750	Machinery	25,000
Bills Payable	2,600	Cash	2,200
Bills Receivable	4,100	Return Outward	1,820
Carriage Inward	1,550	Livestock	12,160
Purchases	4,500	Commission Received	1,020
Income Tax	890	Advertisement	1,260
Capital	59,800	Bank	5,600
Rent and Rates	650	Drawings	990
Income earned but not received		Cash at Bank	4,970
	760		
Accrued Interest	510	Wages Outstanding	650

Solution

Trial Balance
as on March 31, 2013

List of Accounts	L.F.	Debit Balances Amount (Rs)	Credit Balances Amount (Rs)
Octroi		750	
Bills Payable			2,600
Bills Receivable		4,100	
Carriage Inward		1,550	
Purchases		4,500	
Income Tax		890	
Capital			59,800
Rent and Rates		650	
Income earned but not received		760	
Accrued Interest		510	
Machinery		25,000	
Cash		2,200	
Return Outward			1,820
Livestock		12,160	
Commission Received			1,020
Advertisement		1,260	
Bank		5,600	
Drawings		990	
Cash at Bank		4,970	
Wages Outstanding			650

Total		65,890	65,890

Example 5 Prepare Trial Balance of Sachin as on December 31, 2013, also calculate balance of Capital Account.

Particulars	Amount (Rs)	Particulars	Amount (Rs)
Bank	4,600	Building	20,500
Purchases Return	1,040	Drawings	2,750
Cash	5,190	Interest on Drawings	770
Debtors	8,750	Sales Return	1,220
Interest on Capital	560	Equipment	8,070
Capital	?	Advance to Suppliers	3,120
Purchases	4,150	Sales	6,450
Excise Duty	1,090	Labour Charges	880
Sundry Expenses	850	Bad Debts Recovered	720
Interest paid	1,460	Rebate Received	1,220

Solution

Trial Balance
as on December 31, 2013

List of Accounts	L.F.	Debit Balances Amount (Rs)	Credit Balances Amount (Rs)
Bank		4,600	
Purchases Return			1,040
Cash		5,190	
Debtors		8,750	
Interest on Capital		560	
Capital (<i>Balancing Figure</i>)			52,990
Purchases		4,150	
Excise Duty		1,090	
Sundry Expenses		850	
Interest paid		1,460	
Building		20,500	
Drawings		2,750	
Interest on Drawings			770
Sales Return		1,220	

Equipment		8,070	
Advance to Suppliers		3,120	
Sales			6,450
Labour Charges		880	
Bad Debts Recovered			720
Rebate Received			1,220
Total		63,190	63,190

Example 3: From the following transactions, pass necessary Journal Entry in the books M/s Ram & Sons, post them into their ledger and then prepare a Trial Balance:

Date	Particulars	Rs.
2018		
April 1	Ram started business with cash	1,00,000
April 2	Purchased goods for Rs. 30,000 plus CGST and SGST @ 6% each	
April 4	Purchased goods worth Rs. 40,000 from Maneesh plus 12% IGST	
April 10	Sold goods for Rs. 10,000 plus CGST and SGST @ 6% each	
April 14	Rent paid for office	25,000
April 20	Withdrew for personal use	1,000
April 21	Sold goods to Mohan for Rs. 20,000 plus @ 12% IGST	
April 28	Cash Paid to Maneesh after allowing 2% discount	43,904
April 29	Cash received from Mohan	22,400
April 30	Paid salaries	1,500

Answer:

Journal of M/s Ram & Sons

Date	Particulars	L.F.	Dr. (Rs.)	Cr.(Rs.)
2018 Apr. 1	Cash A/c Dr. To Capital A/c (Being cash brought in as capital)		1,00,000	1,00,000
Apr. 2	Purchases A/c Input Dr. CGST A/c Dr. Input SGST A/c To Cash Dr. A/c (Being goods purchased for cash)		30,000 1,800 1,800	33,600
Apr. 4	Purchases A/c Dr. Input IGST A/c To Dr. Maneesh A/c (Being goods purchased for credit)		40,000 4,800	44,800

Apr. 10	Cash A/c To Sales A/c To Output CGST A/c To Output SGST A/c (Being goods sold)	Dr.		11,200	10,000 600 600
Apr. 14	Rent A/c To Cash A/c (Being rent paid)	Dr.		25,000	25,000
Apr. 20	Drawings A/c A/c (Being cash withdrawn for personal use)	To Cash Dr.		1,000	1,000
Apr. 21	Mohan A/c To Sales A/c To Output IGST A/c (Being sale of goods to Mohan)	Dr.		22,400	20,000 2,400
Apr. 28	Maneesh A/c To Cash A/c To Discount Received A/c (Being cash paid to Maneesh and discount allowed @2%)	Dr.		44,800	43,904 896
Apr. 29	Cash A/c Mohan A/c (Being cash received from Mohan)	To Dr.		22,400	22,400
Apr. 30	Salaries A/c A/c (Being salaries paid)	To Cash Dr.		1,500	1,500

Dr. Cash Cr.
A/c

Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
2018 Apr.1	To Capital A/c		1,00,000	2018 Apr.2	By Purchases A/c		30,000
Apr.10	To Sales A/c		10,000	Apr.2	By Input CGST A/c		1,800
Apr.10	To Output CGST A/c		600	Apr.2	By Input SGST A/c		1,800
Apr.10	To Output SGST A/c		600	Apr.14	By Rent A/c		25,000
Apr.29	To Mohan A/c		22,400	Apr.20	By Drawings A/c		1,000
				Apr.28	By Maneesh A/c		43,904
				Apr.30	By Salaries A/c		1,500
				Apr.30	By Balance c/d		28,596
			<u>1,33,600</u>				<u>1,33,600</u>

Dr. Capital Cr.

Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
2018 Apr.30	To balance c/d		1,00,000	2018 Apr.1	By Cash A/c		1,00,000
			<u>1,00,000</u>				<u>1,00,000</u>

Dr. Purchases Cr.

Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
2018 Apr.2	To Cash A/c		30,000	2018 Apr.30	By balance c/d		70,000
Apr. 4	To Maneesh A/c		40,000				
			<u>70,000</u>				<u>70,000</u>

Dr. Maneesh Cr.

Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
2018 Apr.28	To Cash A/c		43,904	2018 Apr.4	By Purchases A/c		44,800
Apr.28	To Discount Received A/c		896				
			<u>44,800</u>				<u>44,800</u>

Dr. Sales Cr.

Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
2018 Apr.30			30,000	2018 Apr.10	By Cash A/c		10,000

	To balance c/d						
				Apr.21	By Mohan A/c		20,000
			<u>30,000</u>				<u>30,000</u>

Dr. **Discount Received** Cr.

A/c							
Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
2018 Apr.30	To balance c/d		896	2018 Apr.28	By Maneesh A/c		896
			<u>896</u>				<u>896</u>

Dr. **Rent** Cr.

A/c							
Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
2018 Apr.14	To Cash A/c		25,000	2018 Apr.30	By balance c/d		25,000
			<u>25,000</u>				<u>25,000</u>

Dr. **Drawings** Cr.

A/c							
Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
2018 Apr.20	To Cash A/c		1,000	2018 Apr.30	By balance c/d		1,000
			<u>1,000</u>				<u>1,000</u>

Dr. **Mohan** Cr.

A/c							
Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.

2018 Apr.21	To Sales A/c		20,000	2018 Apr.29	By Cash A/c		22,400
Apr.21	To Output IGST A/c		2,400				
			<u>22,400</u>				<u>22,400</u>

Dr.

Salaries

Cr.

A/c							
Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
2018 Apr.30	To Cash A/c		1,500	2018 Apr.30	By balance c/d		1,500
			<u>1,500</u>				<u>1,500</u>

Dr.

Input CGST

Cr.

A/c							
Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
2018 Apr.2	To Cash A/c		1,800	2018 Apr.30	By balance c/d		1,800
			<u>1,800</u>				<u>1,800</u>

Dr.

Input SGST

Cr.

A/c							
Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
2018 Apr.2	To Cash A/c		1,800	2018 Apr.30	By balance c/d		1,800
			<u>1,800</u>				<u>1,800</u>

Dr. Output CGST Cr.

A/c

Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
2018 Apr.30	To balance c/d		600	2018 Apr.10	By Cash A/c		600
			<u>600</u>				<u>600</u>

Dr. Output SGST Cr.

A/c

Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
2018 Apr.30	To balance c/d		600	2018 Apr.10	By Cash A/c		600
			<u>600</u>				<u>600</u>

Dr. Input IGST Cr.

A/c

Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
2018 Apr.4	To Maneesh A/c		4,800	2018 Apr.30	By balance c/d		4,800
			<u>4,800</u>				<u>4,800</u>

Dr. Output IGST Cr.

A/c

Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
2018 Apr.30	To balance c/d		2,400	2018 Apr.21	By Mohan A/c		2,400
			<u>2,400</u>				<u>2,400</u>

Trial Balance
as on 30th April, 2018

Heads of Accounts	L.F.	Debit Balance (Rs.)	Credit Balance (Rs.)
Capital A/c			1,00,000
Cash A/c		28,596	
Purchases A/c		70,000	
Sales A/c			30,000
Rent A/c		25,000	
Drawings A/c		1,000	
Salaries A/c		1,500	
Discount Received A/c			896
Input CGST A/c		1,800	
Input SGST A/c		1,800	
Output CGST A/c			600
Output SGST A/c			600

Input IGST A/c		4,800	
Output IGST A/c			2,400
		<u>1,34,496</u>	<u>1,34,496</u>

Errors- Meaning and Types

Objectives

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

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

Introduction

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

Meaning of Errors

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

Types of Errors

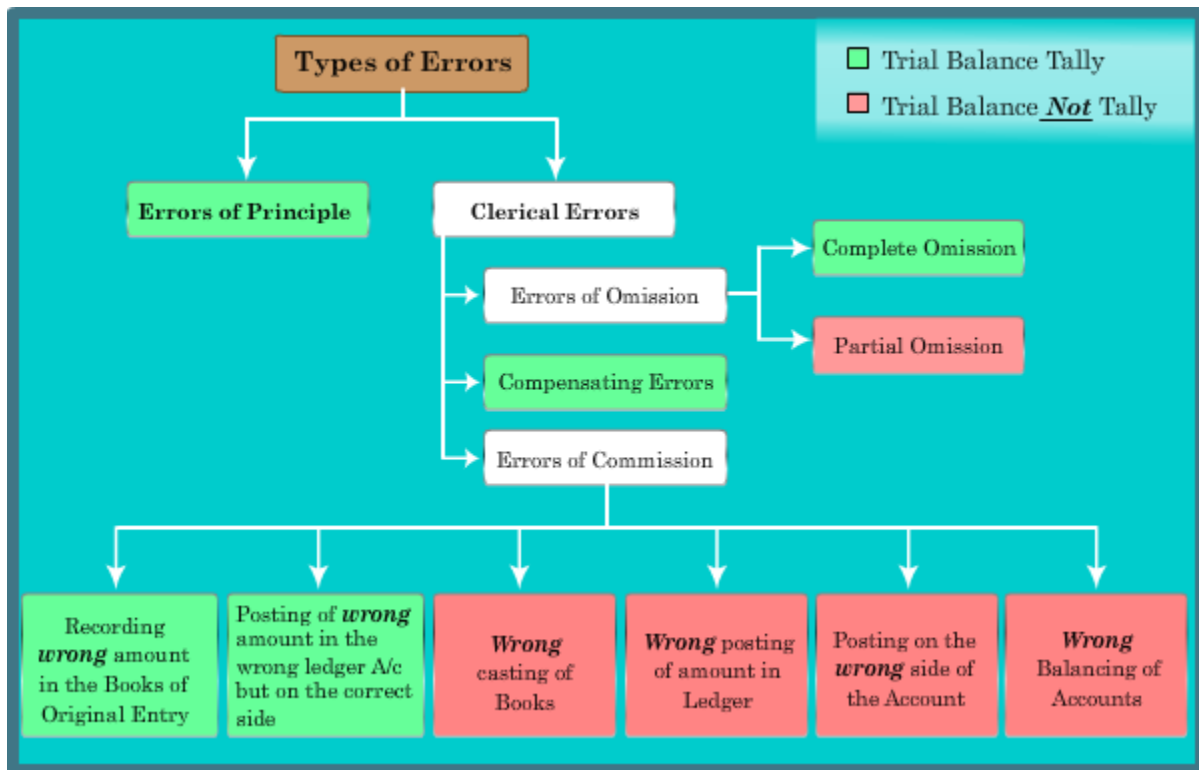
Errors can be broadly classified as:

- Errors of Principle
- Clerical Errors

Clerical errors can further be classified as:

- Errors of Omission
 - Partial Omission
 - Complete Omission

- (b) Errors of Commission
(c) Compensating Errors



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

Journal Books of			Journal Books of.....			Journal Books of		
Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)
Wrong Entry passed			Correct Entry that should have been passed			Rectifying Entry		

Purchases A/c	Dr.	5,000		Purchases A/c	Dr.	5,000		Ravi	Dr.	5,000	
To Ravi			5,000	To Cash A/c			5,000	To Cash A/c			5,000

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

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

(ii) Clerical Errors

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

- (a) Errors of Omission: Whenever any transaction is altogether omitted to be recorded in the books then such type of an error will be called as Errors of Omission. These types of errors don't affect Trial Balance as such transaction is not at all recorded so neither

debit nor credit aspect of transaction has been considered. If transaction is although recorded but omitted to be posted in their respective ledger accounts then such an error is also termed as Errors of Omission.

These errors are of two types:

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

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

Books of Journal			Books of..... Journal			Books of Journal		
Particulars	De bit Am ou nt (Rs)	Cre dit Am ou nt (Rs)	Particulars	De bit Am ou nt (Rs)	Cre dit Am ou nt (Rs)	Particulars	De bit Am ou nt (Rs)	Cre dit Am ou nt (Rs)
Wrong Entry passed No Entry D Was r Passed .			Correct Entry that should have been passed Suresh A/c Dr. To Cash A/c	4,5 00	4,5 00	Rectifying Entry Suresh D r. A/c To Cash A/c	4,5 00	4,5 00

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

Recording. Therefore, it is rectified by correcting that Ledger Account in which such an error has been made.

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

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

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

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

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

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

Example:

The following are the three compensating errors:

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

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

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

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

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

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

Steps to Locate Errors in the Trial Balance

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

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

Alternate Classification of Errors

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

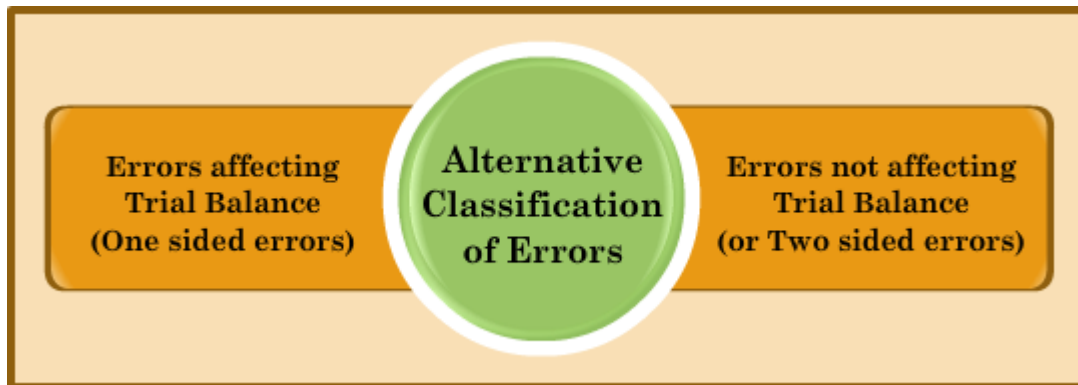
- 1) Errors affecting Trial Balance (or one sided errors)
- 2) Errors not affecting Trial Balance (or two sided errors)

Errors affecting Trial Balance (or One Sided Errors)

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

Errors not affecting Trial Balance (or Two Sided Errors)

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



Example:

Identify from the following the types of errors.

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

Solution

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

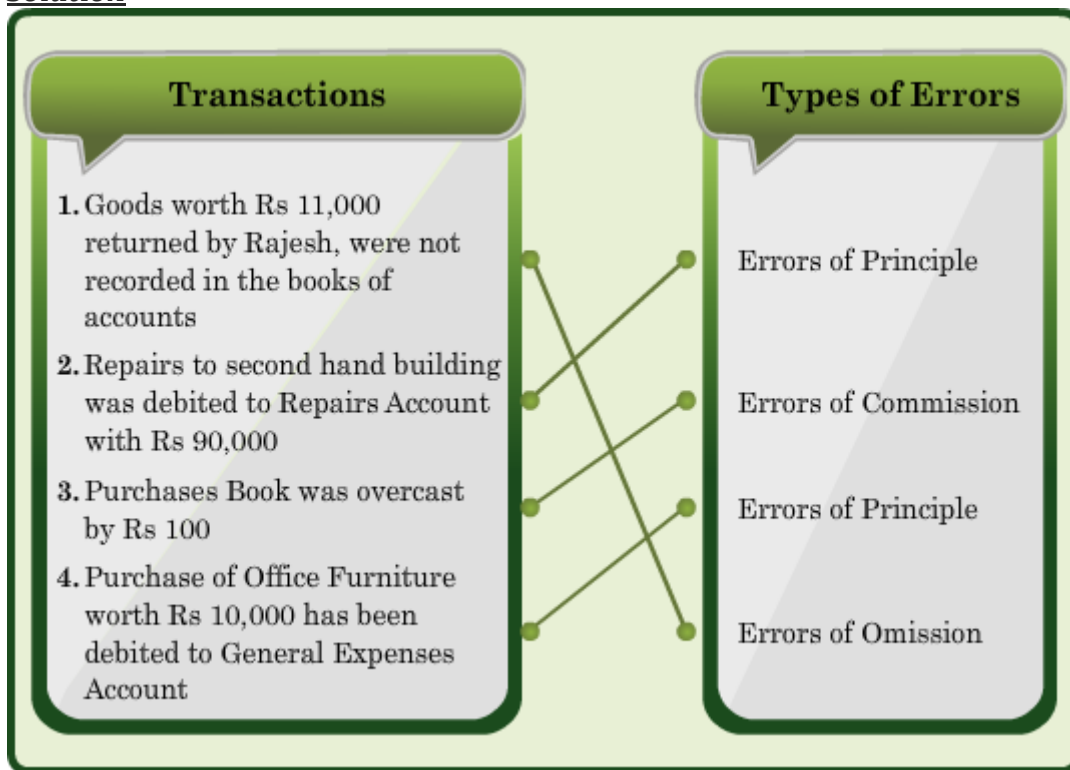
- (v) Errors of Principle
- (vi) Errors of Commission
- (vii) Errors of Commission

Example:

Match the following.

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

Solution



Transactions	Types of Errors
Goods worth Rs 11,000 were returned by Rajesh was not recorded in the books of accounts	d) Errors of Omission
Repairs to second hand building was debited to repairs account with Rs 90,000	a) Errors of Principle

Purchases book was overcast by Rs 100	b) Errors of Commission
Purchase of office furniture worth Rs 10,000 has been debited to General Expenses account	c) Errors of Principle

Golden Rule of Rectification

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

1) Make Wrong Entry:

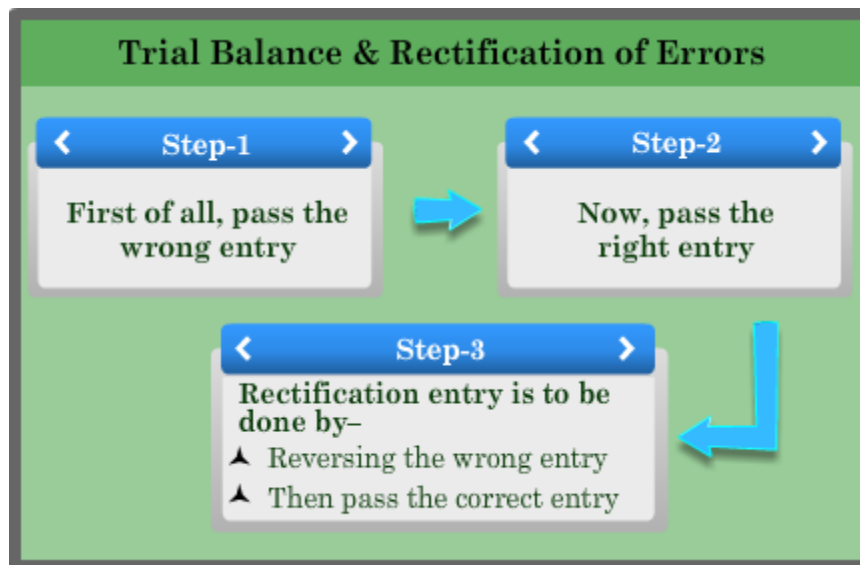
While solving a question of rectification of error a student must first of all pass a wrong journal entry in order to understand the error committed.

2) Make Correct Entry:

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

3) Make the Rectification Entry:

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



Two Sided Errors and their Rectification

Objective

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

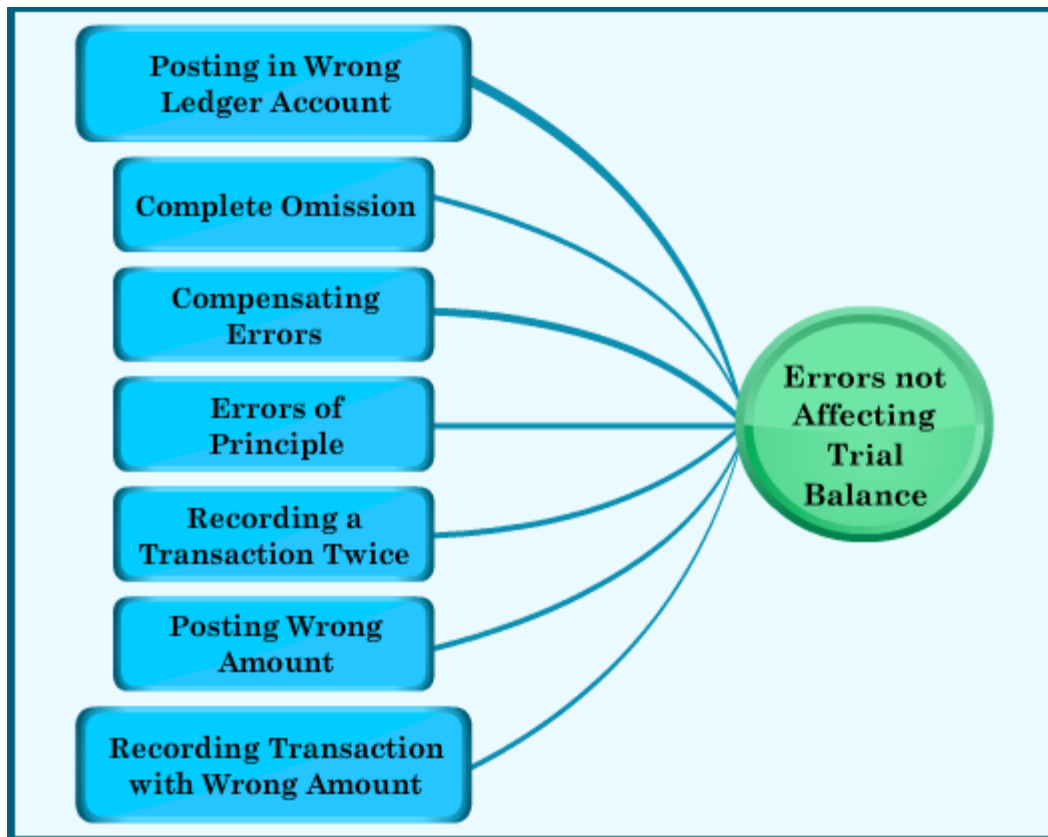
Introduction

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

Errors not affecting Trial Balance

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

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



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

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

Books of Journal				Books of..... Journal				Books of Journal		
Particulars	Debit Amount (Rs)	Credit Amount (Rs)		Particulars	Debit Amount (Rs)	Credit Amount (Rs)		Particulars	Debit Amount (Rs)	Credit Amount (Rs)
Wrong Entry passed				Correct Entry that should have been passed				Rectifying Entry		

No entry was passed	Dr.			Suresh A/c	Dr.	4,500		Suresh A/c	Dr.	4,500	
				To Cash A/c			4,500	To Cash A/c			4,500

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

Example:

The following are the three compensating errors:

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

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

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

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

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

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

(3) **Error of Principle:** If a business transaction is recorded without following right accounting principles of accounting then the error it will create will be called as Error of Principle. For example Purchased goods worth Rs 5,000 in cash from Ravi, while recording this transaction instead of crediting Cash Account, Ravi's personal Account

is credited. So this is an error of principle as Cash Purchases has been recorded as Credit Purchases. In books their entries are somewhat like this

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

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

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

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

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

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

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

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

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

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

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

Rectifying Entry			
Purchases A/c	Dr.	540	
To Rajeev			540

Example

Identify the type of errors in the following transactions.

- 1) Delivery van purchased for business use shown in the books as delivery expenses.
- 2) Cash paid to Mr. Raja Rs 700, but shown as Rs 70 only.
- 3) Goods worth Rs 10,00,000 returned by Rajat were taken back in stock but the transaction was not recorded in the books of accounts.

- 4) Total of credit side of Prerna's account is Rs 40,250 and debit side total is Rs 30,500
Here the balancing figure would be Rs 9,750 but recorded as Rs 9,570 . Hence it will increase Prerna's balance by Rs 180.
- 5) Repairs to second hand building were debited to repairs account with Rs 25,000.
- 6) Total of Purchases book is carried forward as Rs 1,00,000 instead of Rs 10,000
- 7) Goods purchased from Dara Singh was recorded in the purchases book but no entry was made in Dara Singh's Account. The purchases was worth Rs 7,00,000.
- 8) Kirti & sons dealer in furniture took a table set from the firm to their Dining room .
The table set costs Rs 5,00,000 . This transaction was recorded as sales in the books of accounts.
- 9) Goods purchased from Raman Lal and Co. not recorded in the books of account.
- 10) ABC Ltd did not follow the basic accounting assumption of accrual while preparing its books of accounts.
- 11) Sales to Heena Rs 500 was posted to meena as Rs 500.
- 12) Discount column of Cash Book has not been posted.

Solution

- 1) Error of Principle
- 2) Errors of Commission
- 3) Errors of Omission
- 4) Errors of Commission
- 5) Error of Principle
- 6) Error of commission
- 7) Error of Omission
- 8) Error of Principle
- 9) Errors of Omission

10) Errors of Principle

11) Errors of Commission (Error of posting in wrong account)

12) Errors of Omission

Errors of Omission

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

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

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

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

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

Solution

	Particulars	Debit Amount t (Rs)	Credit Amount t (Rs)		Particulars	Debit Amount (Rs)	Credit Amount t (Rs)		Particulars	Debit Amount t (Rs)	Credit Amount t (Rs)
(a)	Wrong Entry passed No entry was passed				Correct Entry that should have been passed Salaries Dr 3,000 A/c . To Outstanding Salaries A/c				Rectifying Entry Salaries Dr 3,000 A/c . To Outstanding Salaries A/c		
(b)	Wrong Entry passed No entry was passed				Correct Entry that should have been passed Furniture Dr 4,500 A/c . To Cash A/c				Rectifying Entry Furniture Dr 4,500 A/c . To Cash A/c		

(c)	Wrong Entry passed								
	No entry was passed								
(d)	Wrong Entry passed								
	No entry was passed								

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

Journal

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

(v)	Computer A/c To _____ (Purchased a Computer costing Rs 20,000 at a discount of 15% from Mohan Singh in Cash)	Dr.	?	?
(vi)	Cash A/c Profit and Loss A/c To _____ (Carcases of dead camel were sold at a loss of Rs 12,000, purchase cost of camel was Rs 15,000)	Dr. Dr.	? 12,000	?
(vii)	_____ To Cash A/c To _____ (Cash of Rs 3,000 and goods of Rs 4,500 were given as a Charity)	Dr.	7,500	? 4,500
(viii)	Cash A/c To _____ (Sale proceed of house furniture Rs 12,000 were deposited in the business)	Dr.	?	?
(ix)	_____ _____ To Sachin (Goods purchased for Rs 12,000 plus Central Sales Tax @ 10% from Sachin)	Dr. Dr.	? ?	?
(x)	Salaries A/c To _____ (Salaries unpaid of Rs 3,200)	Dr.	?	?
(xi)	_____ _____ To Cash A/c (Paid Income Tax of Rs 3,200 and Central Sales Tax of Rs 1,800)	Dr. Dr.	? ?	5,000
(xii)	_____ To _____ To _____ (Rent paid Rs 5,600 and due Rs 1,200)	Dr.	?	? ?
(xiii)	Bank Charges A/c To _____ (Bank Charges for its services Rs 250)	Dr.	?	?

(xiv)	Cash A/c To _____ (Received Rs 1,000 on sale of old chairs and tables)	Dr.		1,000	?
(xv)	Cash A/c _____ To _____ (60 paisa in a rupee was received from estate of Shankar on its insolvency)	Dr. Dr.		6,000 ?	?

Solution:

Journal

Date	Particulars	L.F.	Debit Amount (Rs)	Credit Amount (Rs)
(i)	Loss By Theft A/c To Purchases A/c (Goods of Rs 15,000 were stolen by employee)	Dr.	15,000	15,000
(ii)	Bank A/c Profit and Loss A/c To Insurance Company (Insurance Claim of Rs 30,000 received against goods lost by fire of book value Rs 50,000)	Dr. Dr.	30,000 20,000	50,000
(iii)	Ritesh Sales A/c (Goods costing Rs 25,000 were sold at a profit of Rs 5,000 to Ritesh on credit)	Dr.	30,000	30,000
(iv)	Cash A/c To Bad Debts Recovered A/c (Received Rs 2,500 of a bad debt written-off last year)	Dr.	2,500	2,500
(v)	Computer A/c To Cash A/c (Purchased a Computer costing Rs 20,000 at a discount of 15% from Mohan Singh in Cash)	Dr.	17,000	17,000
(vi)	Cash A/c Profit and Loss A/c To Livestock A/c	Dr. Dr.	3,000 12,000	15,000

	(Carcases of dead camel were sold at a loss of Rs 12,000, purchase cost of camel was Rs 15,000)			
(vii)	Charity Dr. 7,500 To Cash A/c 3,000 To Purchases A/c 4,500 (Cash of Rs 3,000 and goods of Rs 4,500 were given as a Charity)			
(viii)	Cash A/c Dr. 12,000 To Capital A/c 12,000 (Sale proceed of house furniture Rs 12,000 were deposited in the business)			
(ix)	Purchases A/c Dr. 12,000 Central Sales Tax A/c Dr. 1,200 To Sachin 13,200 (Goods purchased for Rs 12,000 plus Central Sales Tax @ 10% from Sachin)			
(x)	Salaries A/c Dr. 3,200 To Outstanding Salaries A/c 3,200 (Salaries unpaid of Rs 3,200)			
(xi)	Drawings A/c Dr. 3,200 Central Sales Tax A/c Dr. 1,800 To Cash A/c 5,000 (Paid Income Tax of Rs 3,200 and Central Sales Tax of Rs 1,800)			
(xii)	Rent Dr. 6,800 To Cash A/c 5,600 To Rent Outstanding A/c 1,200 (Rent paid Rs 5,600 and due Rs 1,200)			
(xiii)	Bank Charges Dr. 250 To Bank A/c 250 (Bank Charges for its services Rs 250)			
(xiv)	Cash A/c Dr. 1,000 To Furniture A/c 1,000 (Received Rs 1,000 on sale of old chairs and tables)			
(xv)	Cash A/c Dr. 6,000 Bad Debts A/c Dr. 4,000 To Shankar 10,000			

	(60 paisa in a rupee was received from estate of Shankar on its insolvency)			
--	---	--	--	--

Errors of Commission

Objective

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

Introduction

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

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

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

Some Common Errors of Commission

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

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

3) Totaling Error: Errors can be committed calculating the total of transactions at the end

of the financial period. This is known as error of casting.

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

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

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

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

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

To Rishi		4,500		To Sales A/c		4,500		To Sales A/c		4,500
								To Purchases A/c		4,500

Examples of Errors of Commission

Example-1

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

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

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

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

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

Journal			Journal			Journal		
Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)

Wrong Entry passed				Correct Entry that should have been passed				Rectifying Entry		
Rajat Dr. To Sales A/c	3,600		3,600	Rajan Dr. To Sales A/c	3,600		3,600	Rajan Dr. To Rajat	3,600	3,600

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

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

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

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

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

Journal	Journal	Journal
---------	---------	---------

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

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

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

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

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

(i) Rs 3,500 received from Sachin, was recorded as received from Vinod.

(ii) Rs 1,200 paid for proprietor's personal expenses, were wrongly recorded as Miscellaneous expenses.

(iii) Rs 6,200 paid wages to Ghanshyam were recorded as Rs 260.

(iv) Credit purchases from Mayank Rs 8,000 were recorded as Rs 8,800.

(v) Cheque of Rs 1,200 received from Satish was dishonoured was wrongly recorded as Discount Allowed.

Solution

Journal					Journal				Journal		
	Particulars	Debit Amount (Rs)	Credit Amount (Rs)		Particulars	Debit Amount (Rs)	Credit Amount (Rs)		Particulars	Debit Amount (Rs)	Credit Amount (Rs)
	Wrong Entry passed				Correct Entry that should have been passed				Rectifying Entry		
(i)	Cash A/c Dr. To Vinod	3,500	3,500		Cash A/c Dr. To Sachin	3,500	3,500		Vinod Dr. To Sachin	3,500	3,500
(ii)	Wrong Entry passed				Correct Entry that should have been passed				Rectifying Entry		
	Miscellaneous Expenses A/c Dr. To Cash A/c	1,200	1,200		Drawings A/c Dr. To Cash A/c	1,200	1,200		Drawings A/c Dr. To Miscellaneous Expenses A/c	1,200	1,200
(iii)	Wrong Entry passed				Correct Entry that should have been passed				Rectifying Entry		
	Wages A/c Dr.	260			Wages A/c Dr.	6,200			Wages Dr. A/c	5,940	

	To Cash A/c		260	To Cash A/c	6,200	(6,200 – 620) To Cash A/c	5,940
(iv)	Wrong Entry passed			Correct Entry that should have been passed		Rectifying Entry	
	Purchases A/c Dr. 8,800 To Mayank		8,800	Purchases A/c Dr. 8,000 To Mayank	8,000	Mayank Dr. 800 To Purchases A/c	800
(v)	Wrong Entry passed			Correct Entry that should have been passed		Rectifying Entry	
	Discount Allowed A/c Dr. 1,200 To Bank A/c		1,200	Satish Dr. 1,200 To Bank A/c	1,200	Satish Dr. 1,200 To Discount Allowed A/c	1,200

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

(i) Bills Receivable of Rs 250 received from Mahesh was entered in the Bills Payable Book.

(ii) Credit sale of Rs 950 to Pushkar was recorded in the Purchases Book.

(iii) Goods returned by Ritesh for Rs 1,100 was passed through Sales Book.

(iv) Return Inward from Suresh of Rs 820 were recorded in the Return Outward Book with Rs 75.

Solution

Journal		Journal		Journal
---------	--	---------	--	---------

	Particulars	Debit Amount (Rs)	Credit Amount (Rs)		Particulars	Debit Amount (Rs)	Credit Amount (Rs)		Particulars	Debit Amount (Rs)	Credit Amount (Rs)
(a)	Wrong Entry passed				Correct Entry that should have been passed				Rectifying Entry		
	Mahesh Dr.	250			Bills Dr.	250			Bills Dr.	250	
	To Bills Payable A/c		250		Receivable A/c To Mahesh		250		Receivable A/c To Mahesh		250
											500
(b)	Wrong Entry passed				Correct Entry that should have been passed				Rectifying Entry		
	Purchases Dr.	950			Pushkar Dr.	950			Pushkar Dr.	1,900	
	To Pushkar		950		To Sales A/c		950		To Sales A/c To Purchases A/c		950
											950
(c)	Wrong Entry passed				Correct Entry that should have been passed				Rectifying Entry		
	Ritesh Dr.	1,100			Sales Dr.	1,100			Sales Dr.	1,100	
	To Sales A/c		1,100		Return A/c To Ritesh		1,100		Return A/c To Ritesh		1,100
											2,200
(d)	Wrong Entry passed				Correct Entry that should have been passed				Rectifying Entry		

Suresh Dr.	75		Return Inward A/c	D r.	820		Return Inward A/c	D r.	820	
To Return Outward A/c		75	To Suresh			820	Return Outward A/c	D r.	75	
							To Suresh			895

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

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

Journal Proper

Date	Particulars	L.F.	Debit Amount (Rs)	Credit Amount (Rs)
(i)	Purchases A/c Dr.		8,150	
	To _____ Dr.		?	?

	(Goods purchased from Suneet for Rs 8,150 were wrongly entered in the Sales Book with Rs 1,850, now rectified)			
(ii)	Vineet Dr. To _____ To _____ (Goods returned to Vineet of Rs 1,500 were wrongly entered in the Return Inward book, now rectified)	?		? ?
(iii)	Cash A/c Dr. _____ Dr. To _____ To _____ (Received cash from Rohan was wrongly credited in the Account of Mohan and further Bank Account is debited instead of cash, now rectified)	1,000 ?		? ?
(iv)	Rahul Dr. To _____ (Cheque of Rs 1,500 paid to Rahul was wrongly debited to Sanjay, now rectified)	?		? ?
(v)	Purchases A/c Dr. To _____ (Goods purchased from Mohit Rs 2,500, was recorded in the Purchase Book as Rs 250, now rectified)	?		? ?
(vi)	_____ Dr. To _____ To Vikram (Credit purchases from Vikram Rs 1,800, were recorded with Rs 8,100 from Vikrant, now rectified)	?		? 1,800
(vii)	_____ Dr. To _____ (Goods sold to Virender in cash was recorded as credit sale, now rectified)	14,500		14,500
(viii)	Manik Dr. To _____ To _____ (Purchases return of Rs 1,870 to Manik was recorded in the Purchase Book, now rectified)	?		? ?

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

Solution

Journal Proper

Date	Particulars	L.F.	Debit Amount (Rs)	Credit Amount (Rs)
(i)	Purchases A/c Dr. Sales A/c Dr. To Suneet (Goods purchased from Suneet of Rs 8,150 were wrongly entered in the Sales Book with Rs 1,850, now rectified)		8,150 1,850	10,000
(ii)	Vineet Dr. To Return Outward A/c To Return Inward A/c (Goods returned to Vineet of Rs 1,500 were wrongly entered in the Return Inward book, now rectified)		3,000	1,500 1,500
(iii)	Cash A/c Dr. Mohan Dr. To Bank A/c		1,000 1,000	1,000

	To Rohan (Received cash from Rohan was wrongly credited in the Account of Mohan and further Bank Account is debited instead of cash, now rectified)			1,000
(iv)	Rahul Dr. To Sanjay (Cheque of Rs 1,500 paid to Rahul was wrongly debited to Sanjay, now rectified)		1,500	1,500
(v)	Purchases A/c Dr. To Mohit (Goods purchased from Mohit Rs 2,500, was recorded in the Purchases Book as Rs 250, now rectified)		2,250	2,250
(vi)	Vikrant Dr. To Purchases A/c To Vikram (Credit purchases from Vikram Rs 1,800, were recorded with Rs 8,100 from Vikrant, now rectified)		8,100	6,300 1,800
(vii)	Cash A/c Dr. To Virender (Goods sold to Virender in cash was recorded as credit sale, now rectified)		14,500	14,500
(viii)	Manik Dr. To Purchases Return A/c To Purchases A/c (Purchase return of Rs 1,870 to Manik was recorded in the Purchases Book, now rectified)		3,740	1,870 1,870
(ix)	Machinery A/c Dr. To Purchases A/c (Machinery purchased on credit was recorded in the purchases book, now rectified)		10,000	10,000
(x)	Bills Receivable A/c Dr. Bills Payable A/c Dr. To Ankush (Bill drawn on Ankush Rs 1,800, was wrongly recorded in the Bills payable book, now rectified)		1,800 1,800	3,600
(xi)	Cash A/c Dr. To Sales A/c To Purchases A/c		5,800	4,200 1,600

	(Cash sales of Rs 4,200, were recorded as cash purchases with Rs 1,600, now rectified)			
(xii)	Sales Return A/c Purchases Return A/c To Rana (Sales return by Rana Rs 500, was wrongly recorded in the Purchases Return book, now rectified)	Dr. Dr.	500 500	1,000

Errors of Posting

Objective

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

Introduction

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

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

Errors of Posting: It is an error under which although entry is recorded correctly in the books but error is committed at the time of posting of such an entry. So, the error could be

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

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

Examples of Errors of Posting:

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

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

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

To Kapil		2,500	To Sales A/c		2,500	To Sales A/c		2,500
----------	--	-------	--------------	--	-------	--------------	--	-------

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

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

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

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

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

Books of Journal			Books of..... Journal			Books of Journal		
Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)

Wrong Entry passed				Correct Entry that should have been passed				Rectifying Entry		
Purchases A/c Dr. To Priya	7,580		7,580	Machinery A/c Dr. To Priya	7,580		7,580	Machinery A/c Dr. To Purchases A/c	7,580	7,580

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

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

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

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

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

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

Example-1:

Pass necessary journal entries to rectify the following errors.

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

Solution:

Journal				Journal				Journal		
Particulars	Debit Amount (Rs)	Credit Amount (Rs)		Particulars	Debit Amount (Rs)	Credit Amount (Rs)		Particulars	Debit Amount (Rs)	Credit Amount (Rs)

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

								with Rs 3,500		
--	--	--	--	--	--	--	--	------------------	--	--

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

Example-2:

Pass the necessary journal entries to rectify the following errors.

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

Solution

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

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

Example

Pass the necessary journal entries to rectify the following errors.

- An amount of Rs 5,000 withdrawn from bank by the proprietor for office use has been debited to Drawings Account.
- Rs 2,000 paid as salary to Rajat, an employee, debited to Raja account.
- A credit sale of old furniture to Raman for Rs 570 posted as Rs 750.

- d) Bad debts amounting to Rs 9,000 recovered but credited to personal Account of the customer (Varun).
- e) Annual White wash of Rs 2,500 debited to Building account.
- f) Sales worth Rs 35,000 to ABC Ltd. wrongly passed through the Purchase day book.
- g) A credit sale of Rs 32,000 to A.Raja was debited to A.Raju.
- h) Sales worth Rs 75,000 to XYZ Ltd. but recorded as Rs 50,000.
- i) Wages paid for installation of machinery Rs 500 was wrongly debited to Wages A/c.
- j) An old Machinery (Book Value Rs 10,000) was sold for Rs 5,000 but has been wrongly credited to Sales A/c.
- k) A credit purchase from Rajesh of Rs 5,500 has been recorded twice in the books.
- l) Cash paid to G.Shekhar Rs 500 but debited to G.Sharma Account.
- m) Goods purchased from Vedansh amounted to Rs 2,600 was posted to the credit of Devansh as Rs 260.

Solution:

Journal Proper

Date	Particulars	L.F.	Debit Amount (Rs)	Credit Amount (Rs)
(a)	Cash A/c Dr. To Drawings A/c (Amount withdrawn from bank for office use debited to drawings account)		5,000	5,000
(b)	Salary A/c Dr. To Raja (Salary paid to Rajat debited to Raja's Account)		2,000	2,000
(c)	Furniture A/c Dr. To Raman (Credit sale to Raman)		180	180
(d)	Varun Dr. To Bad Debts Recovered A/c		9000	9000

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

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

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

Errors of Principle

Objective

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

Introduction

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

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

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

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

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

Examples of Errors of Principle

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

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

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

							Maintenance A/c		
--	--	--	--	--	--	--	--------------------	--	--

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

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

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

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

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

Journal			Journal			Journal		
Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)

Wrong Entry passed			Correct Entry that should have been passed			Rectifying Entry		
Office Expenses A/c	D	4,500	Typewriter A/c	D	4,500	Typewriter A/c	D	4,500
To Cash A/c			To Cash A/c			To Office Expenses A/c		
		4,500			4,500			4,500

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

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

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

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

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

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

Example 2 Rectify the following errors.

- (a) Payment of salaries to Manish was debited to his Personal Account with Rs 2,500.
- (b) Expenses on erection of shed amounting Rs 1,850, was debited to Sundry Expenses.
- (c) Rent Rs 4,500 paid to landlord was debited to his Personal Account.
- (d) Repair charges of Rs 1,250 paid to Keshav for maintenance of motor car was debited to his account.

Solution

Journal			Journal			Journal		
Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)	Particulars	Debit Amount (Rs)	Credit Amount (Rs)

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

Example 3 Rectify the following errors.

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

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

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

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

Solution

Journal					Journal				Journal		
	Particulars	Debit Amount (Rs)	Credit Amount (Rs)		Particulars	Debit Amount (Rs)	Credit Amount (Rs)		Particulars	Debit Amount (Rs)	Credit Amount (Rs)
(a)	<i>Wrong Entry passed</i>				<i>Correct Entry that should have been passed</i>				<i>Rectifying Entry</i>		
	Cash A/c Dr. To Sales A/c	2,500			Cash A/c Dr. To Machinery A/c	2,500			Sales A/c Dr. To Machinery A/c	2,500	
(b)	<i>Wrong Entry passed</i>				<i>Correct Entry that should have been passed</i>				<i>Rectifying Entry</i>		
	Carriage A/c Dr. To Cash A/c	150			Machinery A/c Dr. To Cash A/c	150			Machinery A/c Dr. To Carriage A/c	150	
(c)	<i>Wrong Entry passed</i>				<i>Correct Entry that should have been passed</i>				<i>Rectifying Entry</i>		
	Building A/c Dr. To Cash A/c	1,350			Repairs and Maintenance A/c Dr. To Cash A/c	1,350			Repairs and Maintenance A/c Dr. To Building A/c	1,350	
(d)	<i>Wrong Entry passed</i>				<i>Correct Entry that should have been passed</i>				<i>Rectifying Entry</i>		
	Conveyance A/c Dr. To Cash A/c	25,000			Scooter A/c Dr. To Cash A/c	25,000			Scooter A/c Dr. To Cash A/c	25,000	

	To Cash A/c		25,000	To Cash A/c		25,000	To Conveyance A/c		25,000
--	-------------	--	--------	-------------	--	--------	-------------------	--	--------

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

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

Journal Proper

Date	Particulars	L.F.	Debit	Credit
------	-------------	------	-------	--------

			Amount (Rs)	Amount (Rs)
(i)	_____ Dr. To _____ (Amount of Rs 850 which is earlier written off as bad debt is recovered but credited to the customer (Anand) Account.)		850	850
(ii)	Drawings A/c Dr. To _____ (Cash withdrawn by the proprietor for his personal use was wrongly debited to office expenses, now rectified)		?	?
(iii)	_____ Dr. To _____ (Life Insurance premium paid for the proprietor was wrongly debited to the Insurance Premium Account, now rectified)		1,050	1,050
(iv)	_____ Dr. To Legal Charges A/c (Registration Charges of a land were wrongly debited to Legal Charges account, now rectified)		?	?
(v)	_____ Dr. To Computer A/c (Old computer sold was wrongly debited to sales account, now rectified)		?	?
(vi)	Sales A/c Dr. To _____ (Old furniture of Book Value 4,500 was sold for 2,800 but wrongly credited to Sales Account, now rectified)		4,500	?
(vii)	_____ Dr. To Building A/c (Annual whitewash expenses was wrongly debited to Building Account, now rectified)		2,500	2,500
(viii)	Salary A/c Dr. To _____ (Salary paid to manager were debited to manager's personal account, now rectified)		?	?
(ix)	Furniture A/c Dr.		?	

	To _____ (Office chairs purchased was wrongly debited to Furniture Account, now rectified)			?
(x)	_____ Dr. To Salaries A/c (Expenses incurred on the construction of office building was wrongly debited to Salaries Account, now rectified)		?	?
(xi)	Repairs A/c Dr. To _____ (Amount spend on the repair of existing machinery was debited to machinery account, now rectified)		?	?
(xii)	Building A/c Dr. To _____ (Amount spent on the purchase of material for the construction of second floor was wrongly debited to purchases account, now rectified)		?	?
(xiii)	_____ Dr. To Repairs A/c (Amount spent on the registration of building purchased was wrongly debited to repairs account, now rectified)		?	?
(xiv)	_____ Dr. To Commission Received A/c (Commission received from Soojit was wrongly credited to his account, now rectified)		?	?
(xv)	Interest A/c Dr. To _____ (Interest paid to Vineet was wrongly debited to his account, now rectified)		?	?

Solution

Journal Proper

Date	Particulars	L.F.	Debit Amount (Rs)	Credit Amount (Rs)
(i)	Anand Dr. To Bad debts recovered A/c		850	850

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

	To Salaries A/c (Expenses incurred on the construction of office building was wrongly debited to Salaries Account, now rectified)			4,500
(xi)	Repairs A/c To Machinery A/c (Amount spent on the repair of existing machinery was debited to machinery account, now rectified)	Dr.	1,200	1,200
(xii)	Building A/c To Purchases A/c (Amount spent on the purchase of material for the construction of second floor was wrongly debited to purchases account, now rectified)	Dr.	2,460	2,460
(xiii)	Building A/c To Repairs A/c (Amount spent on the registration of building purchased was wrongly debited to repairs account, now rectified)	Dr.	1,460	1,460
(xiv)	Soojit To Commission Received A/c (Commission received from Soojit was wrongly credited to his account, now rectified)	Dr.	1,500	1,500
(xv)	Interest A/c To Vineet (Interest paid to Vineet was wrongly debited to his account, now rectified)	Dr.	2,100	2,100

Compensating Errors

Objectives

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

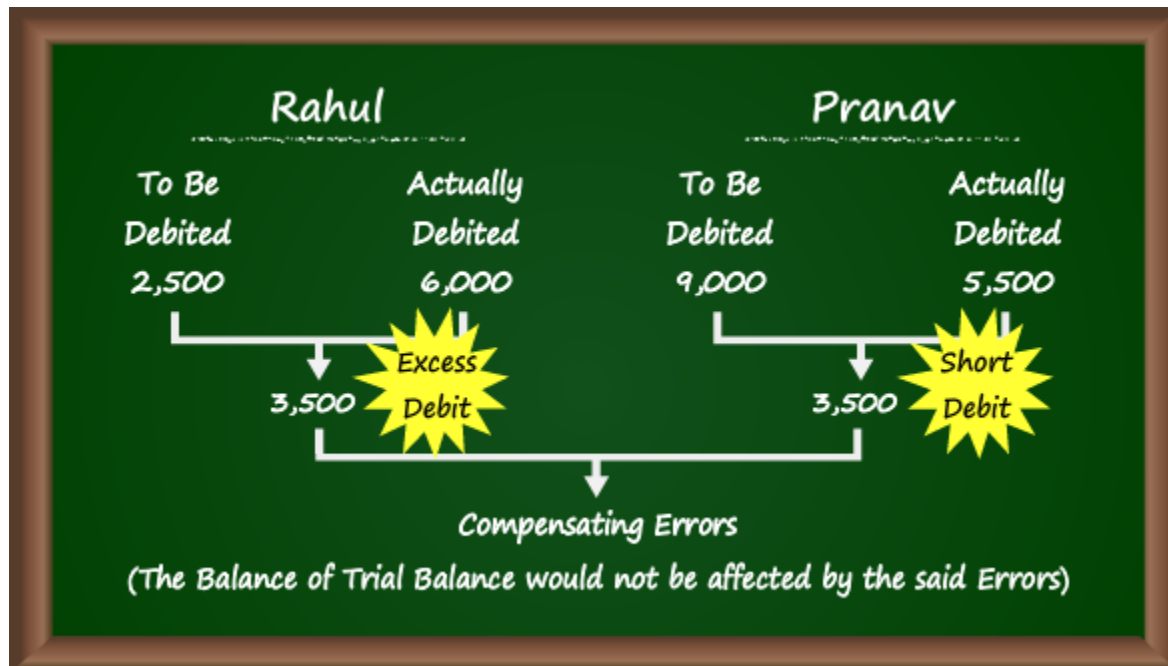
Compensating Errors

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

Example

Pranav's A/c is debited by Rs 5,500, while it is to be debited by Rs 9,000 and Rahul's A/c

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

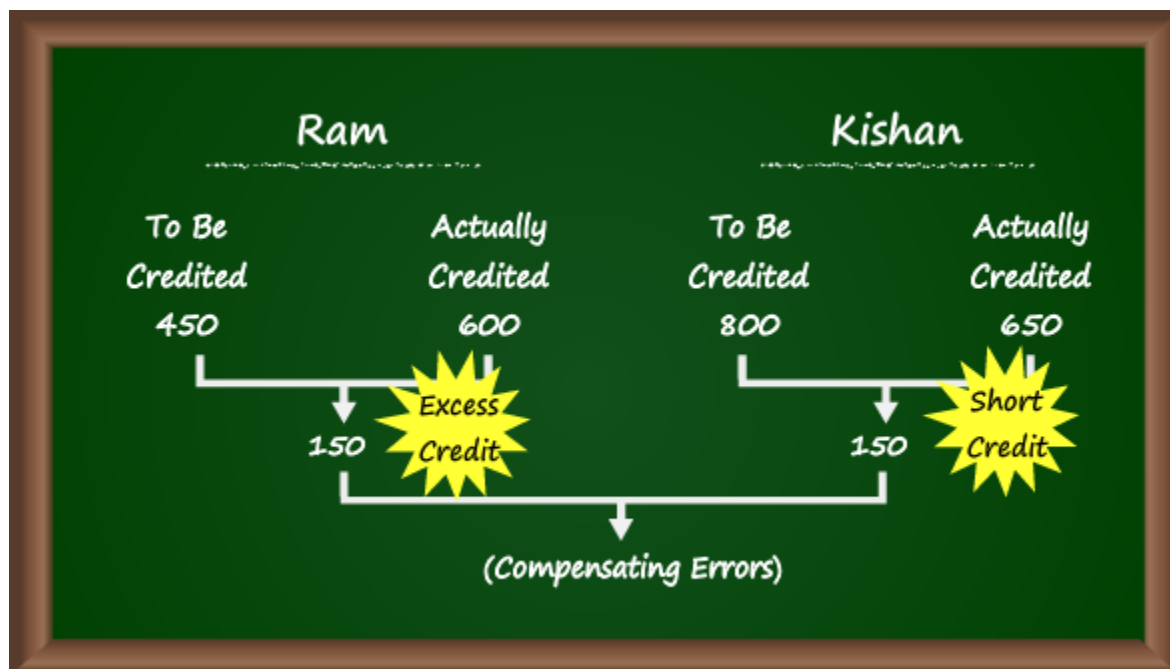


Journal

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

Example

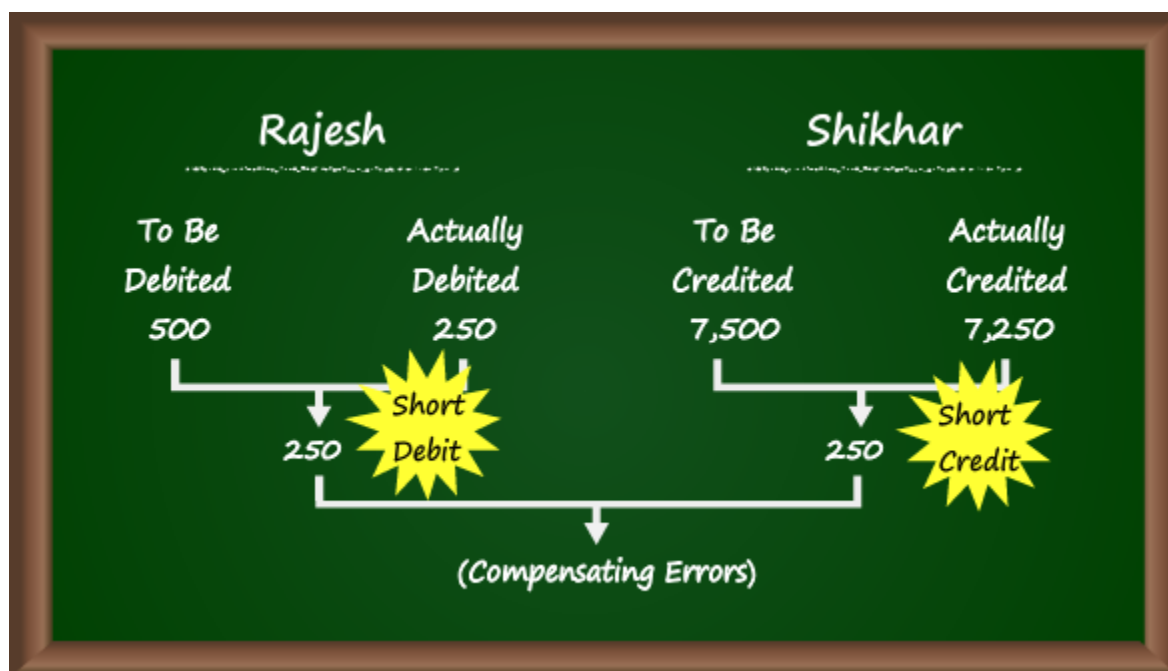
Kishan's A/c is credited by Rs 650 while it is to be credited by Rs 800 and Ram's A/c was credited by Rs 600 while it is to be credited by Rs 450. Thus, the short credit of Kishan's A/c is compensated by excess credit in Ram's A/c. As the Excess credit and short credit neutralize each other's affect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



Journal

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

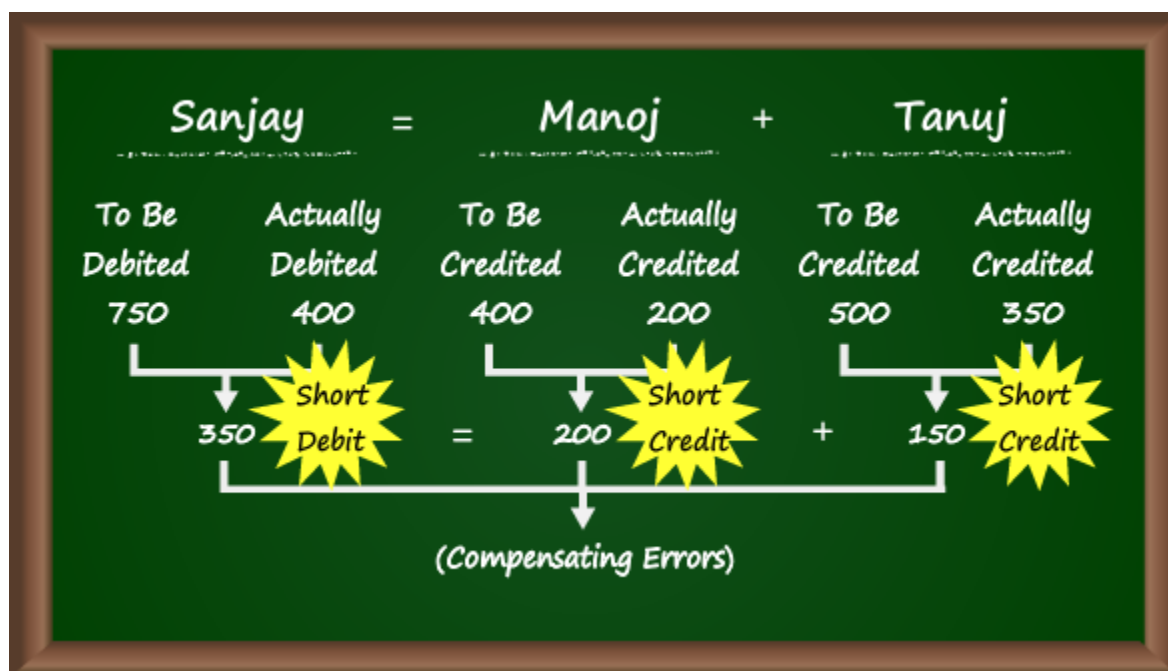
Example: Sale of goods made to Rajesh for Rs 500 was posted to the debit side of Rajesh's Account with Rs 250 only. This will lead to a reduction in the debit side of trial balance by Rs 250. Incidentally receipt of Rs 7,500 from Shikhar was wrongly credited to his account as Rs 7,250. This leads to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



Journal

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

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



Journal

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

Example: Rectify the following errors.

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

Solution

Journal

Date	Particulars	L.F.	Debit Amount (Rs)	Credit Amount (Rs)
(1)	Sales A/c Dr. To Purchases A/c (Rectification entry passed)		900	900
(2)	Purchase Return A/c Dr. To Sales Return A/c (Adjustment entry passed)		500	500
(3)	Sales A/c Dr. Purchases A/c Dr. To Sales Return A/c To Purchase Return A/c (Rectification entry passed)		7,200 7,200	7,200 7,200
(4)	Machinery A/c Dr. To Creditors A/c (Machinery and creditors are now recorded in the books)		5,000	5,000

Single Sided Errors and its Types

Objectives

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

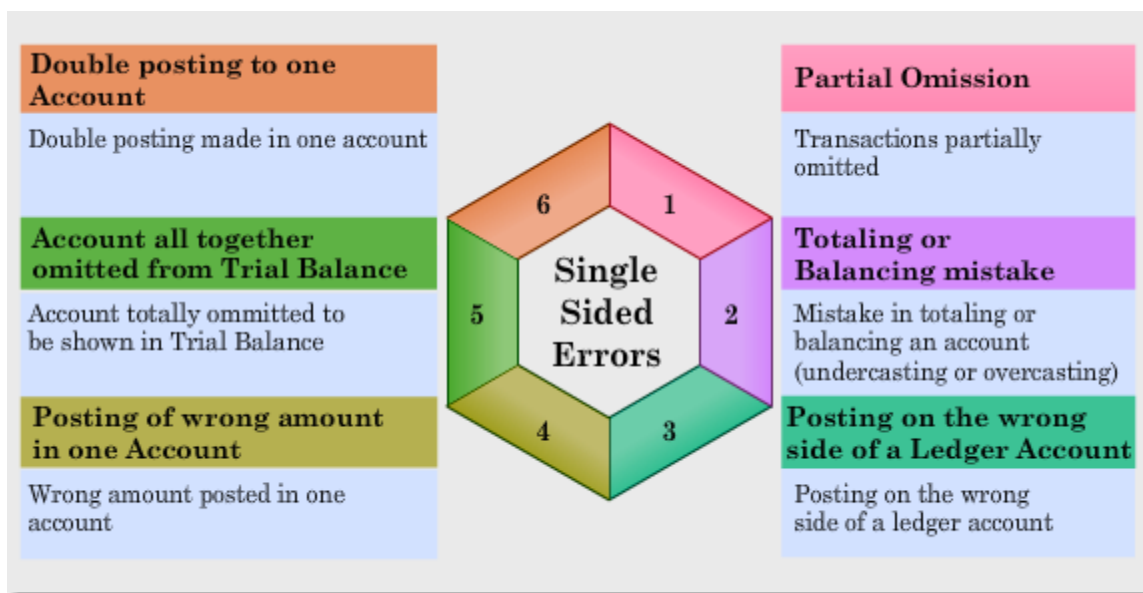
Introduction

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

Errors affecting Trial Balance

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

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



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

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

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

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

Here two accounts are involved in the transaction:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

⇓

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

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

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

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

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

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

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

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

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

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

⇓

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

This shows Sales A/c has been correctly posted on the debit side of Vansh's Account but error has been made in posting amount of Sales that is Rs 3,500 not 5,300.

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

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

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

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

Single Sided Errors and their Rectification

Objective

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

Introduction

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

Rectification of Single-sided Errors

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

Suspense Account

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

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

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

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

- (1) Bad Debts written off amounting to Rs 500, but not posted to Bad Debts Account.
- (2) Return Outward Book was overcasted by Rs 250.
- (3) Rs 850 paid to the landlord for rent wrongly debited to Landlord's Personal Account.
- (4) Rs 1,000 due from customer omitted, to be taken to schedule of Sundry Debtors.
- (5) Cash of Rs 1,200 withdrawn by the proprietor for personal use debited to Miscellaneous Expenses Account.
- (6) Discount Allowed of Rs 150, was credited to Discount Received Account.

Solution:

Journal Proper

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

Example 2 Pass Journal Entries for rectifying following errors.

(1) Purchase of Rs 1,500 from Manish Singh were wrongly passed through Sales Book.

- (2) Balance of Sales Book was carried forward to next page as Rs 560 instead of Rs 650.
- (3) Cash of Rs 800 paid to Shabbir Singh, but only Rs 80 were debited to his account.
- (4) Goods purchased for Rs 7,000 were posted as Rs 700 to the Purchases Account.
- (5) One item of Rs 250 relating to Prepaid Insurance Account was omitted to be brought forward from the books of previous year.

Solution:

Journal Proper

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

Example 3 Pass Journal Entries for rectifying following errors.

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

Solution:

Journal Proper

Date	Particulars	L.F.	Debit Amount (Rs)	Credit Amount (Rs)
(1)	Suspense A/c Dr. To Aneek (670 + 760) (Cash received from Aneek Rs 670, was debited to him with Rs 760, now rectified)		1,430	1,430
(2)	Sales Return A/c Dr. To Pankaj (Goods returned by Pankaj were taken into Stock but omitted to be recorded in the books, now rectified)		850	850
(3)	Ranjeet Dr. To Rajneesh To Suspense A/c (Cash paid to Ranjeet Rs 3,200 was wrongly debited to Rajneesh Account with Rs 3,000, now rectified)		3,200	3,000 200
(4)	Discount Allowed A/c Dr. To Customer A/c (Customer Account was short credited by Rs 720, now rectified)		720	720
(5)	Sales Return A/c Dr.		800	

	To Suspense A/c (Sales Return has not been posted to the Account, now rectified)			800
(6)	Expenses A/c To Suspense A/c (Expenses has been cast short by Rs 250, now rectified)	Dr.	250	250

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

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

Solution:

Journal Proper

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

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

Suspense Account

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

Important Assumptions for Rectifying Errors

Objectives

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

Introduction

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

Assumptions to be made while rectifying the errors

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

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

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

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

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

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

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

For Example: Goods purchased from Rahul for Rs 2,000 posted as Rs 200. In this

situation, we will assume that posting is made on the credit side of Rahul's Account (*i.e.* correct side of correct Account) but with Rs 200 (wrong amount)

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

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

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

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

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

- (1) Goods valued Rs 850 returned by Sudhir were entered in the Sales Book and posted there to the credit of his account.
- (2) An amount of Rs 2,100 entered in the Sales Return Book, has been posted to the debit of Manjeet, who returned the goods.
- (3) Sale of Rs 1,800 made to Ranjeet was correctly entered in the Sales Book but wrongly posted to the debit of Shakti as Rs 180.
- (4) Bad debts aggregating Rs 900 written off during the year were not adjusted in the General Ledger.
- (5) Total of Discount Allowed Column in the Cash Book of Rs 1,500 was not posted.
- (6) Cheque of Rs 1,960 received from Rahul got dishonoured and was posted to the debit of the Sales Return Account.
- (7) Goods (cost Rs 1,050, Sale Price Rs 1,500) taken by the proprietor Sudesh for his personal use, were recorded in the Sales Book.
- (8) Return Outward Book was over-casted by Rs 950.

Solution

Journal Proper

Date	Particulars	L.F.	Debit Amount (Rs)	Credit Amount (Rs)
(1)	Sales Return A/c Dr. Sales A/c Dr. To Suspense A/c (Goods valued Rs 850 returned by Sudhir entered in sales book and posted to the credit of Sudhir's Account, now rectified)		850 850	1,700
(2)	Suspense A/c Dr. To Manjeet (Sales return of Rs 2,100 from Manjeet wrongly posted on the debit side of his account, now rectified)		4,200	4,200
(3)	Ranjeet Dr. To Shakti To Suspense A/c (Sales to Ranjeet of Rs 1,800 was correctly entered in the Sales book but wrongly posted to the debit of Shakti Account with Rs 180, now rectified)		1,800	180 1,620
(4)	Bad Debts A/c Dr. To Suspense A/c (Bad debt written off in sales ledger but not recorded in the general ledger, now rectified)		900	900
(5)	Discount Allowed A/c Dr. To Suspense A/c (Discount allowed column in the cash book was not posted, now rectified)		1,500	1,500
(6)	Rahul Dr. To Sales Return A/c (Cheque got dishonoured and was wrongly posted to the credit of the Sales Return Account, now rectified)		1,960	1,960

(7)	Sales A/c	Dr.	1,500	
	Drawings A/c	Dr.	1,050	
	To Sudesh			1,500
	To Purchases A/c			1,050
	(Goods used by proprietor for his personal use was wrongly recorded in the sales book, now rectified)			
(8)	Return Outwards A/c	Dr.	950	
	To Suspense A/c			950
	(Return Outward book was over-casted, now rectified)			

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

- (1) Amount of Rs 12,000 owing by a customer had been omitted from the list of the Sundry Debtors.
- (2) Bills Receivable from Mohit of Rs 10,800, was posted to the credit of Bills Payable Account and also credited to Mohit.
- (3) Goods sold to Mahesh for Rs 5,200 was passed through Purchase Book but correctly debited in Mahesh Account.
- (4) Goods of Rs 4,150 purchased from Rajesh was wrongly passed through Return Outwards Book.
- (5) Material from Stores of Rs 4,100 and Wages of Rs 1,450 had been used in making tools and equipment for use in the own factory, but no adjustment for this has been passed in the books.
- (6) Cash sale of Rs 850 to Shekhar was recorded as credit Sales.
- (7) Bill drawn on Sanjeev of Rs 2,150 was passed through Bills Payable Book.
- (8) Total of debit side of the Expenses Account has been cast in excess by Rs 1,250.

Solution

Journal Proper

Date	Particulars	L.F.	Debit	Credit
------	-------------	------	-------	--------

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

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

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

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

Solution

Journal Proper

Date	Particulars	L.F.	Debit Amount (Rs)	Credit Amount (Rs)
(1)	Purchases A/c To Suspense A/c (Total of purchase book was omitted to be posted, now rectified)	Dr.	13,415	13,415

(2)	Suspense A/c (4,156 – 456) To Return Outwards A/c (Total of Return outward book is short by Rs 3,700, now rectified)	Dr.	3,700	3,700
(3)	Sales A/c To Furniture A/c (Sales of old furniture was recorded as sales of goods, now rectified)	Dr.	2,120	2,120
(4)	Suspense A/c (1,820 – 149) To Customer's A/c (Wrong posting from the sales book to ledger account, now rectified)	Dr.	1,671	1,671
(5)	Surbhi To Renu To Suspense A/c (Cash paid to Surbhi was wrongly debited to Renu, now rectified)	Dr.	2,450	1,990 460
(6)	Suspense A/c To Customer's A/c (Cash received from customer was wrongly debited to his account, now rectified)	Dr.	7,998	7,998
(7)	Tarun To Allowances A/c (Cheque dishonoured was debited to allowance, now rectified)	Dr.	1,120	1,120
(8)	Purchases Return A/c To Suspense A/c (Total of purchase return book was added Re 1 higher, now rectified)	Dr.	1	1

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

(1) A contractor's bill of Rs 8,550 for building a small store was debited to Repairs Account.

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

Solution

Journal Proper

Date	Particulars	L.F.	Debit Amount (Rs)	Credit Amount (Rs)
(1)	Building A/c Dr. To Repairs A/c (Small store of Rs 8,550 was constructed but debited to repairs account, now rectified)		8,550	8,550
(2)	Sales Returns A/c Dr. To Vivek (Goods returned by Vivek but not recorded in the books, now rectified)		2,860	2,860
(3)	Depreciation A/c Dr. To Suspense A/c (Depreciation written off on computer was not posted to depreciation account, now rectified)		1,560	1,560

(4)	Bank A/c To Suspense A/c (Receipt side of the bank column of the Cash Book was short totaled, now rectified)	Dr.	3,160	3,160
(5)	NO ENTRY (As transaction is correctly posted on the debit side of the sales account, therefore, there is no error)			
(6)	Return Inwards A/c Return Outwards A/c To Suspense A/c (Goods returned were wrongly entered in the Return Outwards book but correctly posted in Ritvik's Account, now rectified)	Dr. Dr.	2,150 2,150	4,300
(7)	Profit and Loss A/c (3,560 – 2,510) To Machinery A/c (Machinery Account is credited with sale proceeds, now rectified)	Dr.	1,050	1,050
(8)	Sundry Debtors A/c To Suspense A/c (Sales were wrongly credited to the Sundry Debtors Account, now rectified)	Dr.	4,440	4,440

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

- (1) Total of Purchase Day Book of Rs 756 on page 99 is brought forward on page 100 as Rs 576.
- (2) Return Inwards Book is under-casted by Rs 250 and Return Outwards Book is over-casted by Rs 250.
- (3) Discount column on the receipts side of the Cash Book is overtotaled by Rs 175.

- (4) Goods of the value Rs 710 returned by Surinder were included in the Closing Stock but no entry was made in the books.
- (5) Rs 2,150 paid towards the cost of second hand radio purchased was debited to Repairs Account.
- (6) Debit balance of Rs 2,090 on the personal account of Kabir has been omitted while extracting a Trial Balance.
- (7) Cheque of Rs 650, issued to the Supplier's Account (shown under Creditors) towards his dues has been wrongly debited to the Purchases.
- (8) Rs 1,055 paid for wages to workmen for making showcases had been charged to Wages Account.

Solution

Journal Proper

Date	Particulars	L.F.	Debit Amount (Rs)	Credit Amount (Rs)
(1)	Purchases A/c (756 – Dr. 576) To Suspense A/c (Total of purchase day book of Rs 756 was brought forwarded as Rs 576, now rectified)		180	180
(2)	Return Inward A/c Dr. Return Outward A/c Dr. To Suspense A/c (Return Inward book is under-casted and return outward book is over-casted, now rectified)		250 250	500
(3)	Suspense A/c Dr. To Discount Allowed A/c (Discount Allowed Account was over-totaled, now rectified)		175	175

(4)	Sales Return A/c To Surinder (Sales return were not recorded in the books, now rectified)	Dr.	710	710
(5)	Radio A/c To Repairs A/c (Second hand radio purchased was wrongly debited to Repairs Account, now rectified)	Dr.	2,150	2,150
(6)	Kabir To Suspense A/c (Kabir omitted from the list of debtors, now included)	Dr.	2,090	2,090
(7)	Sundry Creditors A/c To Purchases A/c (Payment made to Suppliers was posted to purchases, now rectified)	Dr.	650	650
(8)	Furniture and Fixtures A/c To Wages A/c (Wages paid for making showcases was wrongly charged to wages account, now rectified)	Dr.	1,055	1,055

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

- (1) Purchase of a Car for personal use costing Rs 2,80,000 had been posted to the Car Account.
- (2) Discount received from Veeru Rs 250 on paying Rs 1,750 to him was not recorded in the books.
- (3) Salary paid Rs 8,200 was debited Employee's Personal Account.

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

Solution

Journal Proper

Date	Particulars	L.F.	Debit Amount (Rs)	Credit Amount (Rs)
(1)	Drawings A/c Dr. To Car A/c (Car purchased for the personal use was wrongly posted to Car Account, now rectified)		2,80,000	2,80,000
(2)	Veeru Dr. To Discount Received A/c (Discount received from Veeru not posted, now rectified)		250	250
(3)	Salary A/c Dr. To Employee's Personal A/c (Salaries paid debited to Employees personal Account rectified)		8,200	8,200
(4)	Bad Debt A/c Dr. To Suspense A/c (Bad debts not recorded in the books, now rectified)		450	450
(5)	Profit and Loss Account Dr. To Provision for Contingencies A/c (Provision created for a contingent liability)		13,500	13,500

(6)	Loss by Theft A/c To Suspense A/c (Cash stolen by ex employees stood debited to suspense account, now rectified)	Dr.	2,820	2,820
(7)	Sales A/c To Return Outwards A/c (Return outward book is under-cast and sales book is over-casted, now rectified)	Dr.	180	180
(8)	Suspense A/c To Kumar (Cash received from Kumar Rs 9,000 wrongly posted to his account as Rs 199, now rectified)	Dr.	8,801	8,801

Example 7 Pass the Journal Entries to rectify the following errors.

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

Solution

Journal Proper

Date	Particulars	L.F.	Debit Amount (Rs)	Credit Amount (Rs)
(1)	Sales Return A/c Dr. Sales A/c Dr. To Suspense A/c (Goods returned but sales account wrongly credited, now rectified)		7,880 7,880	15,760
(2)	Furniture A/c Dr. Hassan Furniture House Dr. To Purchases A/c To Suspense A/c (Furniture purchased was passed through Purchase book, now rectified)		18,190 990	18,190 990
(3)	Suspense A/c Dr. To Creditors A/c (Purchase of Rs 11,150 were posted in the account of creditors with Rs 1,115, now rectified)		10,035	10,035
(4)	Raina Dr. To Bad Debts Recovered A/c (Raina Account was wrongly credited in respect of recovery of bad debt previously written off, now rectified)		8,450	8,450
(5)	Return Inwards A/c Dr. To Suspense A/c (Total of return inward book is added Re 1 lower, now rectified)		1	1
(6)	Suspense A/c Dr. To Cash A/c (Payment side of the cash book is under-casted, now rectified)		850	850
(7)	Income A/c Dr. To Suspense A/c (Credit side of the incomes has been over-casted, now rectified)		750	750
(8)	Bills Receivable A/c Dr. To Suspense A/c		2,590	2,590

	(Bills Receivable books total left un-posted, now posted)			
--	---	--	--	--

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

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

Solution

Journal Proper

Date	Particulars	L.F.	Debit Amount (Rs)	Credit Amount (Rs)
(1)	<div style="display: flex; justify-content: space-between;"> Akash Dr. </div> <div style="display: flex; justify-content: space-between;"> To Sales A/c </div> <div style="display: flex; justify-content: space-between;"> To Purchases A/c </div> <div> (Credit sales of Rs 3,820 was recorded through the Purchase Book as Rs 1,470, now rectified) </div>		5,290	<div style="display: flex; justify-content: space-between;"> 3,820 </div> <div style="display: flex; justify-content: space-between;"> 1,470 </div>
(2)	<div style="display: flex; justify-content: space-between;"> Suspense A/c Dr. </div> <div style="display: flex; justify-content: space-between;"> To Stationery A/c </div>		1,050	1,050

	(Amount of stationery was posted twice, now rectified)			
(3)	Bills Receivable A/c Dr. 250 Bills Payable A/c Dr. 150 To Suspense A/c 400 (Bills Receivable book was under-casted and Bills Payable book was over-casted, now rectified)			
(4)	Sales A/c Dr. 890 To Machinery A/c 890 (Machine sold was wrongly shown as goods sold, now rectified)			
(5)	Suspense A/c Dr. 8,200 To Sundry Creditors 8,200 (Amount owing to supplier was omitted from the list of sundry creditors, now rectified)			
(6)	Discount Allowed A/c Dr. 1,560 Discount Received A/c Dr. 1,560 To Suspense A/c 3,120 (Discount allowed was wrongly posted as discount received, now rectified)			
(7)	John Dr. 1,160 Jignesh Dr. 1,610 To Sales A/c 1,160 To Purchases A/c 1,610 (Goods sold were recorded as purchases with the wrong amount and also wrongly posted, now rectified)			
(8)	Car A/c Dr. 3,500 To Profit and Loss A/c (38,500 – 35,000) 3,500 (Sale proceeds were credited to Car Account, now rectified)			

Example 9 Rectify the following errors:

- 1) Goods sold to Ramesh for Rs 5,000 was wrongly passed through Purchases Book.

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

Solution

Journal				
Date	Particulars	L.F.	Debit Amount (Rs)	Credit Amount (Rs)
(1)	Ramesh Dr. To Purchases A/c To Sales A/c (Rectification entry passed)		10,000	5,000 5,000
(2)	Purchase A/c Dr. Sales A/c Dr. To Manoj (Goods purchased from Manoj wrongly passed through sales book, now rectified)		500 500	1,000
(3)	Return Inwards A/c Dr. Return Outwards A/c Dr. To Raina (Goods returned by Raina wrongly passed through purchase return book, now rectified)		250 250	500
(4)	Bills Receivable A/c Dr. Bills Payable A/c Dr. To Amir (Bills drawn on Amir was passed through bills payable book, now rectified)		2,500 2,500	5,000

(5)	Sales A/c To Purchases Return A/c (goods returned to Gunwani was wrongly passed through sales book, now rectified)	Dr.	720	720
(6)	Purchase A/c To Return Inwards (Goods purchased from Shyam Lal was wrongly passed through return inwards book, now rectified)	Dr.	250	250
(7)	Suspense A/c To Vivek (Account of Vivek was omitted at the time of preparing trial balance, now rectified)	Dr.	950	950
(8)	Kapoor & Sons To Suspense A/c (Purchase return from Kapoor and Sons is posted to the credit of their account, now rectified)	Dr.	2,100	2,100

Rectifying One-Sided Errors without Suspense Account

Objective

After going through this lesson, you shall be able to understand how to rectify Single-Sided Errors without opening Suspense Account.

Introduction

We have learnt in the previous lessons that if there are single sided errors in the books then such errors can be rectified by opening Suspense Account. This is done when such errors are rectified ***after the preparation of Trial Balance but before the preparation of final accounts. However, if the errors are detected before a Trial Balance is drafted, then such errors are rectified without Opening Suspense Account.*** That is, in such cases the errors are rectified by making necessary posting on the debit/credit side (as the case may be) of the relevant account.

Rectification of Single Sided Errors without opening Suspense Account

Example Rectify the errors without opening suspense account under different cases:

Case 1. The periodical total of sales book was added short by Rs.250.

Solution: As the Sales Book was added short by Rs 250, so this mistake is rectified by crediting Sales Account. Without opening Suspense Account, the error can be rectified as:

Sales A/c

Dr.			Cr.		
Date	Particulars	Amount (Rs)	Date	Particulars	Amount (Rs)
				Undercasting of Sales Book	250

Case 2. A sum of Rs.120 written off from furniture as depreciation has not been debited to depreciation account.

Solution: Depreciation on Furniture is not debited in Depreciation Account. It is rectified as follows:

Depreciation A/c

Dr.			Cr.		
Date	Particulars	Amount (Rs)	Date	Particulars	Amount (Rs)
	Omission of Posting	120			

Case 3. Goods purchased from M/s Amarnath for Rs.670 have been debited to their account.

Solution: Goods purchased from M/s Amarnath was wrongly debited in their Account. It is rectified as follows:

M/s Amarnath

Dr.			Cr.		
Date	Particulars	Amount (Rs)	Date	Particulars	Amount (Rs)
				Error in Posting	1,340

Case 4. Rs.20 received as Discount from a Creditor was duly entered in his Account but it was omitted to be posted to Discount A/c.

Solution: Discount received from creditor is not posted to Discount Received Account. This error is rectified by posting on Credit side of Discount A/c as follows:

Discount Received A/c

Dr.			Cr.		
Date	Particulars	Amount (Rs)	Date	Particulars	Amount (Rs)
				Omission of Posting	20

Case 5. A payment of Rs. 450 for wages has been posted twice to Wages Account.

Solution: Payment for wages is wrongly posted twice in Wages A/c. This error is rectified by posting on credit side of Wages A/c as follows:

Wages A/c

Dr.			Cr.		
Date	Particulars	Amount (Rs)	Date	Particulars	Amount (Rs)
				Double Posting	450

Case 6 Goods sold to Ramachander for Rs.150 have been posted to Ramsingh 's Account at Rs.105.

Solution: Goods sold to Ramchander for Rs 150 have been posted to Ram Singh's A/c at Rs 105. This error is rectified by crediting Ram Singh's A/c with Rs 105 and debiting Ramchander's A/c with Rs 150.

Ram Singh

Dr.			Cr.		
Date	Particulars	Amount (Rs)	Date	Particulars	Amount (Rs)
				Wrong Posting	105

Ramachander

Dr.	Cr.
-----	-----

Date	Particulars	Amount (Rs)	Date	Particulars	Amount (Rs)
	Omission of Posting	150			

Case 7. A sale of Rs.450 to Y was entered correctly in the sales book but was posted to the debit of Z as Rs 45.

Solution: Goods sold to Y for Rs 450 have been posted to debit of Z's A/c by Rs 45. This error is rectified by crediting Z's A/c with Rs 45 and debiting Y's A/c with Rs 450.

Z

Dr.			Cr.		
Date	Particulars	Amount (Rs)	Date	Particulars	Amount (Rs)
				Wrong Posting	45

Y

Dr.			Cr.		
Date	Particulars	Amount (Rs)	Date	Particulars	Amount (Rs)
	Omission of Posting	450			

Case 8 An item of Rs.30 entered in sales return book had been posted to the debit of the customer who returned the goods.

Solution: Item of Rs 30 in Sales Return Book had been posted on debit side of Customer A/c. This error is rectified by crediting Customer A/c with Rs 60.

Customer

Dr.			Cr.		
Date	Particulars	Amount (Rs)	Date	Particulars	Amount (Rs)
				Wrong posting of goods returned by customer	60

Case 9 Goods worth Rs.520 sold to Sushil were correctly entered in the sales book but posted to Sushil Account as Rs.250.

Solution: Sales of Rs 520 to Sushil posted in his Account as Rs 250. Here Sushil's Account is short debited by Rs 270 (520 – 250). This error is rectified by debiting Sushil's Account with Rs 270 as follows:

Sushil

Dr.			Cr.		
Date	Particulars	Amount (Rs)	Date	Particulars	Amount (Rs)
	Error of posting wrong amount	270			