UNIT :7
RECTIFICATION OF ERROR

"To err is human"

Unit at a Glance:

- **Introduction**
- **Error affecting or disclosed by trial balance** Meaning of Accounting
- **Errors not affecting by trail balance**
- **Clerical Errors**
- **Suspense account**
- Numerical questions

Introduction

Correcting the errors of accounting by passing journal entry is known as rectification of error.

Error affecting or disclosed by trial balance

1. Errors of additions and subtractions :- wrong totaling and balancing of ledger, totaling of trial wrong totaling of trial balance.

2.Posting at the wrong side of an account :- Instead of debiting amounts by mistake are written in credit.

3. Entering incorrect amount:- Incorrect copying ,Transposing figure(Writing 56 in place of 65), sliding figure (8000 in place of 800), doubling the wrong figure and duplicate posting.

4. Errors of omission:- Not posted in subsidiary accounts, accounts are not opened in the ledger.

5. Wrong posting in the trial balance:- Instead of writing debit side accounts has posted in credit side.

Errors not affecting by trail balance

1. Errors of omission:- Transactions not recorded in books. For example:- goods return to supplier not recorded.

2.Errors of principle:-Disobey of accounting principles, (salary paid to manager) manager's accounts are debited.

3.Compensating errors: - Sales of goods to Rani for Rs.100 debited to Rain's account with Rs.10 and Rs.100 cash received for Ajay was credited to Ajay with Rs.10.

4. Incorrect account in the original book: - Insteadof B . Babu's accountN.babu's account affected by writer.

5. Posting to wrong account: - Instead of writing in purchases book , sales book are opened.

CLERICAL ERRORS

1. Errors of omission: - Forget to write the transaction in books.
   Example:
   1. Goods worth Rs.5,000 returned by a customer was not recorded in the books.
   2. Goods worth Rs.3,000 sold to Anil was not recorded in the books.

Solution:

Journal Entry

1.	Return Inward A/C Dr. To Customer's A/C (Being goods returned was not passed in the books , now recorded.		5,000	5,000

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2.	Customer's A/C Dr. To Sales A/C (Being goods sold was not passed in the books , now recorded.		3,000	3,000

2. Errors of commission: - Under casting and Over casting.

Example:

1. Purchase book was under cast by Rs.5,000
2. Sales book was over cast by Rs.2,000

Journal Entry (By Raising Suspense Account)

1.	Purchase A/C Dr. To Suspense A/C (Being under casting of purchase book now rectified)		5,000	5,000
2.	Sales A/C Dr. To suspense A/C (Being Over casting of sales book now rectified.		2,000	2,000

3. **Errors of Principles**: - Mistake in posting such as instead of sale ,furniture account is credited, Wages is paid and posted in salary account.

Example:

1. Purchase of Building was passed in purchase book amounting Rs.10,000
2. Wages paid for extension of building was debited to wages account amounting Rs.6000

Journal Entry

1.	Building A/C Dr. To Purchase A/C (Being purchase of building wrongly debited in purchase account ,is now rectified)		10,000	10,000
2.	Building A/ C Dr. To wages A/C (Being payment of wages for extension of building wrongly debited in wages account, is now rectified)		6,000	6,000

4. Compensating errors : - Mistake in posting such as posting at wrong side of account.

Example:

1. Salary paid amounting Rs.500 was credited to salary account.
2. Rent paid amounting Rs.600 was credited to rent account as 60.

Solution:

Journal Entry (By Raising Suspense Account)

1.	Salary A/C Dr. To suspense A/C (Being payment of salary account wrongly credited ,is now rectified)		1,000	1,000
2.	Rent A/C Dr. To suspense A/C (Being payment of account wrongly credited , is now rectified)		660	660

Suspense account

When Trial balance does not agree, the difference of amount will be transferred into suspense account.

Treatment of Suspense account:-When mistakes are detected and rectified, Suspense account will be closed. Balance of suspense account will be transferred in to Balance sheet.

Point to be remembered:

(Debit balance of suspense account will be at assets side. Credit balance will be at liabilities side of balance sheet)

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Questions:

1. Explain the types of errors.
2. What do you mean by Suspense account?

Illustration:

Pass journal entry for following cases assuming the use of suspense account

1. Under casting in sales day book by Rs.5,000
2. Goods returned By Amit costing Rs.2,000 was not recorded in the books
3. Salary paid Rs.1500 was debited in wages account.
4. Interest due on investment Rs.2, 500 was not recorded in the books.

Journal Entry

1.	Suspense A/C Dr. To Sales A/C (Being under casting of sales book ,is now rectified)		5,000	5,000
2.	Returned inward A/C Dr. To Amit (Being omission of return inward book , is now rectified)		2,000	2,000
3.	Salary A/C Dr. To wages A/C (Being payment of salary account wrongly debited in wages account ,is now rectified)		1,500	1,500
4.	Accrued interest A/C Dr. To interestA/C (Being Interest due on investment is now recorded .)		2,500	2,500

Generally students commit these mistakes, please avoid:

1. Wrong selection in nature of error.
2. Focus on use of suspense account.
3. Do not write single amount in case of fundamental error.

Numerical questions:

Q.1 Pass journal entry for following cases

1. Purchase of Furniture was passed in purchase book amounting Rs.25,000
2. Wages paid for installation of machine posted to wages account amounting Rs.7000
3. Goods worth Rs.15,000 returned to supplier was not recorded in the books.
4. Goods worth Rs.23,000 sold to Anil was not recorded in the books.
5. Commission received from z Rs.2,500 not recorded in books.

Q.2 Pass journal entries for following cases assuming the use of suspense account

1. Under casting in purchase day book by Rs.3,,000
2. Goods returned to Prakash costing Rs.12,000 was not recorded in the books
3. Repair paid Rs.2,500 was debited in Rent account.
4. Interest due on investment Rs.4, 500 was not recorded in the books.

Q.3 Pass journal entries for following cases:

1. Interest paid amounting Rs.600 was credited to interest account as Rs. 60.
2. Salary paid to employee Rs.5,000 was debited to his personal account.
3. Goods purchased from AB limited costing Rs.8,000 not recorded in books.
4. Machinery sold for Rs.6,000 was wrongly credited in Furniture account

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