

(a) **True/False**

1. Rectifying errors in subsequent accounting periods always affect the profit or loss of that period.
2. Errors of principle involve an incorrect allocation of expenditure or receipt between capital and revenue.
3. Wrong casting of subsidiary books does not affect the trial balance.

(b) **MCQ Question:**

4. Goods purchased from A for Rs 10,000 passed through the sales book. The error will result in
  - (1) Increase in gross profit.
  - (2) Decrease in gross profit.
  - (3) No effect on gross profit.
  - (4) None of the above
5. If a purchase return of Rs 1,000 has been wrongly posted to the debit of the sales returns account but has been correctly entered in the suppliers' account, the total of the-
  - (1) Trial balance would show the debit side to be Rs 1,000 more than the credit.
  - (2) Trial balance would show the credit side to be Rs 1,000 more than the debit.
  - (3) The debit side of the trial balance will be Rs 2,000 more than the credit side.
  - (4) None of the above

(c) **SUB**

6. How do errors of omission differ from errors of commission?
7. What is an error of principle and how does it affect Trial Balance?



## Answer Key

1. **False**
2. **True**
3. **False**
4. **(1)**
5. **(3)**
6. **(H & S)**
7. **(H & S)**

(a) **True/False**

1. If the amount is posted in the wrong account or it is written on the wrong side of an account, it is called an error of commission.
2. Under or over casting of a subsidiary book is an example of error of commission.

(b) **MCQ Question:**

3. If the amount is posted in the wrong account or it is written on the wrongside of the account, it is called
  - (1) Error of omission
  - (2) Error of commission
  - (3) Error of principle
  - (4) Compensating Error
4. Rs 200 paid as wages for erecting a machine should be debited to
  - (1) Repair account
  - (2) Machine account
  - (3) Capital account
  - (4) Wages account

(c) **SUB**

5. Pass Journal Entries to rectify the following errors:

Goods costing Rs. 1, 000 have been purchased on credit from Sohan, but no entry has been made in the books, although the goods were taken into stock.

Goods amounting to Rs. 4, 000 have been sold on credit, but no entry has been made in the books. No entry has been made for Purchases Return of Rs. 200.

No entry has been made for Sales Return of Rs. 450.

Goods purchased from Ramesh Chandra on Credit for Rs. 5, 000 was recorded in the purchase book as Rs. 500.

Sales of Rs. 600 to Siya Ram were recorded as Rs. 60 in the Sales Book.

Goods purchased on Credit from Pawan for Rs. 400 was recorded as Rs. 4, 000 in the purchase book.



6. Rectify the following errors which were detected before preparing the Trial Balance:

- (i) Purchase book has been undercast by Rs. 10, 000.
- (ii) Purchase from X Rs. 15, 000 has been omitted to be posted to his account.
- (iii) Purchase from Y Rs. 20, 000 has been wrongly posted to his account as Rs. 30, 000
- (iv) Purchase from Z Rs. 40, 000 has been posted to the wrong side of his account.



## Answer Key

1. True
2. True
3. (2)
4. (2)
5. (H & S)
6. (H & S)

1. Any type of error affects the agreement of trial balance..
2. Purchase of office furniture has been debited to the general expenses account. It is a compensating error.
3. Errors of complete omission will be located, if trial balance is prepared.
4. Errors of principle will affect trial balance.
5. Error of carry-forward of totals of purchase journal affects two accounts.
6. On purchase of old furniture, the amount of Rs 1,000 spent on its repair should be debited to
  - (1) Repair account
  - (2) Furniture account
  - (3) Cash account
  - (4) Capital account
7. Goods worth Rs 50 given as charity should be credited to
  - (1) Charity account
  - (2) Sales account
  - (3) Purchase account
  - (4) Stock account
8. Goods worth Rs 100 taken by the proprietor for domestic use should be credited to
  - (1) Sales account
  - (2) Proprietor's personal expenses
  - (3) Purchases account
  - (4) Capital account
9. Sales of office furniture should be credited to:
  - (1) Sales Account
  - (2) Furniture Account
  - (3) Purchase Account
  - (4) Cash Account
10. Write a short note on Suspense A/c .



11. Ganesh drew a Trial Balance of his operations for the year ended 31.03.2016. There was a difference in the Trial Balance which he closed with a Suspense Account. On a scrutiny by the Auditors, the following errors were found:
  1. Purchases day book for the month of April, was undercast by Rs.1,000 .
  2. Sales day book of October, was overcast by Rs.10,000 .
  3. A furniture purchased for Rs.8,100 was entered in the Furniture Account as Rs.810
  4. A bill for Rs.10,000 drawn by Ganesh was not entered in the Bills Receivable Book.
  5. A machinery purchased for Rs.10,000 was entered in the Purchase book.Pass necessary Journal Entries to rectify the same and ascertain the difference in the Trial Balance that was shown under the Suspense Account in respect of the above items.
12. The accountant of X prepared the Trial Balance for the year ended 31st March, 2016. But there was a difference and the accountant put the difference in the Suspense Account. Rectify the following errors found and prepare the Suspense Account.
  - (1) The total of the Returns outward book, Rs.420 has not been posted in the ledger.
  - (2) Purchase of Rs.350 from Y has been entered in the sales book. However Y's a/c has been correctly entered.
  - (3) A sale of Rs.390 to Z has been credited to his account as Rs.290.
  - (4) Old furniture sold for Rs.5400 had been entered as Rs.4500 in the sales account.
  - (5) Goods taken by proprietor, Rs.500 have not been entered in the books at all.



## Answer Key

**1.** (False)

**2.** (False)

**3.** (False)

**4.** (False)

**5.** (False)

**6.** (2)

**7.** (3)

**8.** (3)

**9.** (2)

**10.** With discussion

**11.** With discussion

**12.** With discussion

**13.** With discussion



1. The method of rectification of errors depends on the stage at which the errors are detected.
2. In case of error of complete omission, the trial balance does not tally.
3. When errors are detected after the preparation of the trial balance, a suspense account is opened.
4. When the purchase of an asset is treated as an expense, it is known as an error of principle.
5. Trial balance agrees in case of compensating errors.
6. The preparation of a trial balance is for:
  - (1) Locating errors of commission
  - (2) Locating errors of principle
  - (3) Locating clerical errors
  - (4) All of the above
7. Rs 200 received from Smith whose account, was written off as a bad debt should be credited to:
  - (1) Bad Debts Recovered account
  - (2) Smith's account
  - (3) Cash account
  - (4) None of the above
8. Purchase of office furniture Rs 1,200 has been debited to the General Expense Account. It is:
  - (1) A clerical error
  - (2) An error of principle
  - (3) An error of omission
  - (4) None of the above
9. The trial balance of Mr. W & H failed to agree and the difference ₹ 20,570 was put into suspense pending investigation which disclosed that:
  - (i) Purchase returns day book had been correctly entered and totalled at ₹ 6,160, but had not been posted to the ledger.
  - (ii) Discounts received ₹ 1,320 had been debited to discounts allowed.
  - (iii) The Sales account had been under added by ₹ 10,000.
  - (iv) A credit sale of ₹ 1,470 had been debited to a customer account at ₹ 1,740.
  - (v) An accrual of ₹ 560 for telephone charges had been completely omitted.
  - (vi) Tools bought for ₹ 1,200 had been inadvertently debited to purchases.
  - (vii) The proprietor had withdrawn, for personal use, goods worth ₹ 1,960. No entries had been made in the books.



You are required to give rectification entries without narration to correct the above errors before preparing annual accounts.

10. On going through the Trial balance of Ball Bearings Co. Ltd. you find that the debit is in excess by ₹ 150. This was credited to "Suspense Account". On a close scrutiny of the books the following mistakes were noticed:
  - (1) The totals of debit side of "Expenses Account" have been cast in excess by ₹ 50.
  - (2) The "Sales Account" has been totalled in short by ₹ 100.
  - (3) Supplier account has been overcast by ₹ 225.
  - (4) The sale return of ₹ 100 from a party has not been posted to that account though the Party's account has been credited.
  - (5) A cheque of ₹ 500 issued to the Suppliers' account (shown under Trade payables) towards his dues has been wrongly debited to the purchases.
  - (6) A credit sale of ₹ 50 has been credited to the Sales and also to the Trade receivables Account.You are required to
  - (i) Pass necessary journal entries for correcting the above;
  - (ii) Show how they affect the Profits; and
  - (iii) Prepare the "Suspense Account" as it would appear in the ledger.



## Answer Key

1. (True)
2. (False)
3. (True)
4. (True)
5. (True)

6. (3)
7. (1)
8. (2)
9. With discussion
10. With discussion

1. When the amount is written on the wrong side, it is known as an error of principle.
2. On purchase of furniture, the amount spent on repairs should be debited to the repairs account.
3. 'Profit & Loss adjustment account' is opened to rectify the errors detected in the current accounting period.
4. Rent paid to the landlord of the proprietors' house, must be debited to the 'Rent account'
5. If the errors are detected after preparing the trial balance, then all the errors are rectified through a suspense account.
6. Which of the following is a one-sided error ?
  - (1) Subsidiary book undercast
  - (2) Omission of posting to an account
  - (3) Posting to the wrong side of an account
  - (4) All of the above
7. An amount of Rs.5,000 received from X was posted to the debit of Y .  
In rectifying entry \_\_\_\_\_ account will be debited by Rs.\_\_\_\_\_.
  - (1) X Rs.5,000
  - (2) Y Rs.5,000
  - (3) Suspense A/c Rs.10,000
  - (4) Suspense A/c Rs.5,000
8. A Discount of Rs.750 allowed to a customer has been posted to his account as Rs.570 . Rectifying entry will be :
  - (1) Customer Dr. 180  
    To Suspense A/c 180
  - (2) Suspense A/c Dr. 180  
    To Customer 180
  - (3) Customer Dr. 1,320  
    To Suspense A/c 1,320
  - (4) Suspense A/c Dr. 1,320  
    To Customer 1,320
9. Goods returned to Ajit Rs.2,000 were recorded in Sales return book as Rs.200 . In rectifying entry , Ajit A/c will be \_\_\_\_\_ .
  - (1) Debited by Rs.2,200
  - (2) Credited by Rs.2,200
  - (3) Debited by Rs.1,800



- (4) Credited by Rs.1,800
10. Mr. A closed his books of account on September 30, 2020 in spite of a difference in the trial balance. The difference was ₹ 830 the credits being short; it was carried forward in a Suspense Account. In 2021 following errors were located:
  - (i) A sale of ₹ 2,300 to Mr. Lala was posted to the credit of Mrs. Mala. (ii) The total of the Returns Inward Book for July 2020 ₹ 1,240 was not posted in the ledger.
  - (iii) Freight paid on a machine ₹ 5,600 was posted to the Freight Account as ₹ 6,500. 10% Depreciation is charge on this machines.
  - (iv) While carrying forward the total in the Purchases Account to the next page, ₹ 65,590 was written instead of ₹ 56,950.
  - (v) A sale of machine on credit to Mr. Mehta for ₹ 9,000 on 30th sept. 2020 was not entered in the books at all. The book value of the machine was ₹ 6,750.
 Pass journal entries to rectify the errors. Have you any comments to make?
11. A merchant's trial balance as on June 30, 2020 did not agree. The difference was put to a Suspense Account. During the next trading period, the following errors were discovered:
  - (i) The total of the Purchases Book of one page, ₹ 4,539 was carried forward to the next page as ₹ 4,593.
  - (ii) A sale of ₹ 573 was entered in the Sales Book as ₹ 753 and posted to the credit of the customer.
  - (iii) A return to a creditor, ₹ 510 was entered in the Returns Inward Book; however, the creditor's account was correctly posted.
  - (iv) Cash received from C. Dass, ₹ 620 was posted to the debit of G. Dass.
 You are required to give journal entries to rectify the errors in a way so as to show the current year's profit or loss correctly.





## Answer Key

1. (False)

2. (False)

3. (False)

4. (False)

5. (False)

6. (4)

7. (3)

8. (2)

9. (1)

10. With discussion

11. Journal Entries