

Rectification of Errors Assignment

Q. No.	Questions & Solutions
1.	<p>How would you rectify the following errors in the book of Rama & Co before preparation of trial balance?</p> <ol style="list-style-type: none"> 1) The total to the Purchases Book has been undercast by ₹ 100. 2) The Returns Inward Book has been undercast by ₹ 50. 3) A sum of ₹ 250 written off as depreciation on machinery has not been debited to depreciation account. 4) A payment of ₹ 75 for salaries (to Mohan) has been posted twice to Salaries Account. 5) The total of Bills Receivable Book ₹ 1,500 has been posted to the credit of Bills Receivable Account. 6) An amount of ₹ 151 for a credit sale to Hari, although correctly entered in the Sales Book, has been posted as ₹ 115. 7) Discount allowed to Satish ₹ 25 has not been entered in the Discount Column of the Cash Book. the amount has been posted correctly to the credit of his personal account. <p style="text-align: right;">[ICAI SM]</p>
Sol.	<ol style="list-style-type: none"> 1) The Purchases Account should receive another debit of ₹ 100 since it was debited short previously: "To Undercasting of Purchases Book for the month of --- ₹ 100." 2) Due to this error the Returns Inward Account has been posted short by ₹ 50: the correct entry will be: "To Undercasting of Returns Inward Book for the month of --- ₹ 50." 3) The omission of the debit to the Depreciation Account will be rectified by the entry: "To Omission of posting on ₹ 250". 4) The excess debit will be removed by a credit in the Salaries Account by the entry: "By double posting on ₹ 75". 5) ₹ 1,500 should have been debited to the Bills Receivable Account and not credited. To correct the mistake, the Bills Receivable Account should be debited by ₹ 3,000 by the entry: "To Wrong posting of B/R received on ₹ 3,000" 6) Hari's personal A/c is debited ₹ 36 short. The rectification entry will be: "To Wrong posting ₹ 36". 7) Due to this error, the discount account has been debited short by ₹ 25. The required entry is: "To Omission of discount allowed to Satish on ₹ 25."
2.	<p>The following errors were found in the book of Ram Prasad & Sons. Give the necessary entries to correct them.</p> <ol style="list-style-type: none"> 1) ₹ 500 paid for furniture purchased has been charged to ordinary Purchases Account. 2) Repairs made were debited to Building Account for ₹ 50. 3) An amount of ₹ 100 withdrawn by the proprietor for his personal use has been debited to Trade Expenses Account.

- 4) ₹ 100 paid for rent debited to Landlord's Account.
- 5) Salary ₹ 125 paid to a clerk due to him has been debited to his personal account.
- 6) ₹ 100 received from Shah & Co. has been wrongly entered as from Shaw & Co.
- 7) ₹ 700 paid in cash for a typewriter was charged to Office Expenses Account.

[ICAI SM]

Journal Entries					
S.No.	Particulars		L.F.	Debit (₹)	Credit (₹)
1)	Furniture A/c To Purchases A/c (Correction of wrong debit to Purchases A/c for furniture purchased.)	Dr.		500	500
2)	Repairs A/c To Building A/c (Correction of wrong debit to building A/c for repairs made.)	Dr.		50	50
3)	Drawings A/c To Trade Expenses A/c (Correction of wrong debit to Trade Expenses A/c for cash withdrawn by the proprietor for his personal use.)	Dr.		100	100
4)	Rent A/c To Landlord's Personal A/c (Correction of wrong debit to landlord's A/c for rent paid.)	Dr.		100	100
5)	Salaries A/c To Clerk's (Personal) A/c (Correction of wrong debit to Clerk's personal A/c for salaries paid.)	Dr.		125	125
6)	Shaw & Co. To Shah & Co. (Correction of wrong credit to Shaw & Co. Instead of Shah & Co.)	Dr.		100	100
7)	Typewriter A/c To Office Expenses A/c (Correction of wrong debit to Office Expenses A/c for purchase of typewriter.)	Dr.		700	700

3. Give journal entries to rectify the following:
- 1) A purchase of goods from Ram amounting to ₹ 150 has been wrongly entered through the Sales Book.
 - 2) A Credit sale of goods amounting ₹ 120 to Ramesh has been wrongly passed through the Purchase Book.
 - 3) On 31st December, 20X0 goods of the value of ₹ 300 were returned by Hari Saran and were taken into inventory on the same date but no entry was passed in the books.
 - 4) An amount of ₹ 200 due from Mahesh Chand, which had been written off as a bad debt in a previous year, was unexpectedly recovered, and had been posted to the personal account of Mahesh Chand.
 - 5) A Cheque for ₹ 100 received from Man Mohan was dishonoured and had been posted to the debit of Sales Returns Account.

[ICAI SM/Nov. 2006/Dec. 2021 (M)]

Sol.	Journal Entries				
	S.No.	Particulars	L.F.	Debit (₹)	Credit (₹)
	1)	Purchases A/c Sales A/c To Ram (Correction of wrong entry in the sales Book for a purchase of goods from Ram.)	Dr. Dr.	150 150	300
	2)	Ramesh To Purchases A/c To Sales A/c (Correction of wrong entry in the Purchases Book of a credit sale of goods to Ram.)	Dr.	240	120 120
	3)	Returns Inwards A/c To Hari Saran (Entry of goods returned by him and taken in inventory omitted from records.)	Dr.	300	300
	4)	Mahesh Chand To Bad Debts Recovered A/c (Correction of wrong credit to Personal A/c in respect of recovery of previously written off bad debts.)	Dr.	200	200
	5)	Man Mohan To Sales Return A/c (Correction of wrong debit to Sales Returns A/c for dishonour of cheque received from Man Mohan.)	Dr.	100	100
4.	<p>Correct the following errors (i) without opening a suspense account and (ii) opening a suspense account:</p> <p>a) The Sales Book has been totalled ₹ 100 short.</p> <p>b) Goods worth ₹150 returned by Green & Co. have not been recorded anywhere.</p> <p>c) Goods purchased ₹ 250 have been posted to the debit of the supplier Gupta & Co.</p> <p>d) Furniture purchased from Gulab & Bros, ₹ 1,000 has been entered in Purchases Day Book.</p> <p>e) Discount received from Red & Black ₹ 15 has not been entered in the Discount Column of the Cash Book.</p> <p>f) Discount allowed to G. Mohan & Co. ₹ 18 has not been entered in the Discount Column of the Cash Book. The account of G. Mohan & Co. has, however, been correctly posted.</p> <p style="text-align: right;">[ICAI SM/Nov. 2019]</p>				

Sol. i) Without opening a suspense account:

a) Since sales book has been cast ₹ 100 short, the Sales Account has been similarly credited ₹ 100 short. The correcting entry is to credit the Sales Account by ₹ 100 as "By wrong totalling of the Sales Book ₹ 100".

b) To rectify the omission, the Returns Inwards Account has to be debited and the account of Green & Co. credited. The entry:

Returns Inward Account	Dr.	150	
To Green & Co.			150
(Goods returned by the firm, previously omitted from the Returns Inward Book.)			

c) Gupta & Co. have been debited ₹ 250 instead of being credited. This account should now be credited by ₹ 500 to remove the wrong debit and to give the correct debit. The entry will be on the credit side... "By errors in posting ₹ 500".

d) By this error Purchases Account has to be debited by ₹ 1,000 whereas the debit should have been to the Furniture Account. The correcting entry will be:

Furniture Account	Dr.	1,000	
To Purchases Account			1,000
(Correction of the mistake by which of the Furniture Account.)			

e) The discount of ₹ 15 received from Red & Black should have been entered on the credit side of the cash book. Had this been done, the Discount Account would have been credited (through the total of the discount column) and Red & Black would have been debited. This entry should not be made:

Red & Black	Dr.	15	
To Discount Account			15
(Rectification of the error by which the discount allowed by the firm was not entered in Cash Book.)			

f) In this case the account of the customer has been correctly posted; the Discount Account has been debited ₹ 18 short since it has been omitted from the discount column on the debit side of the cash book. The discount account should now be debited by the entry; "To Omission of entry in the Cash Book ₹ 18."

ii) If a Suspense Account is opened:**Journal Entries**

S.No.	Particulars		L.F.	Debit (₹)	Credit (₹)
1)	Suspense Account To Sales Account (Being the correction arising from under-casting of Sales Day Book.)	Dr.		100	100
2)	Return Inward Account To Green & Co (Being the recording of unrecorded returns.)	Dr.		150	150
3)	Suspense Account To Gupta & Co. (Being the correction of the error by which Gupta & Co. was debited instead of being credited by ₹ 250.)	Dr.		500	500

4)	Furniture Account To Purchases Account (Being the correction of recording purchase of furniture as ordinary purchases.)	Dr.		1,000	1,000
5)	Red & black To Discount Account (Being the recording of discount omitted to be recorded.)	Dr.		15	15
6)	Discount Account To Suspense Account (Being the correction of omission of the discount allowed from Cash Book customer's account already posted correctly.)	Dr.		18	18
Dr. Suspense A/c Cr.					
Date	Particulars	₹	Date	Particulars	₹
	To Sales A/c	100		By Difference in Trial Balance	582
	To Gupta & Co.	500		(Balancing figure)	
		600		By Discount A/c	18
					600
Notes:					
<p>i) One should note that the opening balance in the Suspense Account will be equal to the difference in the trial balance.</p> <p>ii) If the question is silent as to whether a Suspense Account has been opened, the student should make his assumption, state it clearly and then proceed.</p>					
5.	<p>Correct the following errors found in the books of Mr. Dutt. The Trial Balance was out by ₹ 493 excess credit. The difference thus has been posted to a Suspense Account.</p> <p>a) An amount of ₹ 100 was received from D. Das on 31st December, 20X0 but has been omitted to enter in the Cash Book.</p> <p>b) The total of Returns Inward Book for December has been cast ₹ 100 short.</p> <p>c) The purchase of an office table costing ₹ 300 has been passed through the Purchases Day Book.</p> <p>d) ₹ 375 paid for Wages to workmen for making show-cases had been charged to "Wages Account".</p> <p>e) A purchase of ₹ 67 had been posted to the trade payables' account as ₹ 60.</p> <p>f) A cheque for ₹ 200 received from P. C. Joshi had been dishonoured and was passed to the debit of "Allowances Account".</p> <p>g) ₹ 1,000 paid for the purchase of a motor cycle for Mr. Dutt had been charged to "Miscellaneous Expenses Account".</p> <p>h) Goods amounting to ₹ 100 had been returned by customer and were taken into inventory, but no entry in respect thereof, was made into the books.</p> <p>i) A sale of ₹ 200 to Singh & Co. was wrongly credited to their account. Entry was made correctly made in sales book.</p>				
[ICAI SM]					

Sol.		Journal Entries				
S.No.	Particulars		L.F.	Debit (₹)	Credit (₹)	
1)	Cash Account To D. Das (Being the amount received.)	Dr.		100	100	
2)	Returns Inward Account To Suspense Account (Being the mistake in totalling the Returns Inward Book corrected.)	Dr.		100	100	
3)	Furniture Account To Purchases Account (Being the rectification of mistake by which purchase of furniture was entered in Purchases book and hence debited to Purchases Account.)	Dr.		300	300	
4)	Furniture Account To Wages Account (Being the wages paid to workmen for making show-cases which should be capitalized and not to be charged to Wages Account.)	Dr.		375	375	
5)	Suspense Account To Creditors (personal) Account (Being the mistake in crediting the Trade payables Account less by ₹ 7, now corrected.)	Dr.		7	7	
6)	P.C. Joshi To Allowances Account (Being the cheque of P.C. Joshi dishonoured, previously debited to Allowances Account.)	Dr.		200	200	
7)	Drawings Account To Miscellaneous Expenses (Being the motor cycle purchased for Mr. Dutt debited to his Drawings Account instead of Miscellaneous Expenses Account as previously done by mistake.)	Dr.		1,000	1,000	
8)	Returns Inward Account To Debtors (Personal) Account (Correction of the omission to record return of goods by customers.)	Dr.		100	100	
9)	Singh & Co. To Suspense Account (Being the correction of mistake by which the account of Singh & Co. was credited by ₹ 200 instead of being debited.)	Dr.		400	400	

Dr.		Suspense A/c		Cr.	
Date	Particulars	₹	Date	Particulars	₹
20X0	To Difference in Trial Balance	493	20X0	By Returns Inwards A/c	100
	To Trade payables	7		By Singh & Co.	400
		500			500

6. The following errors, affecting the account for the year 20X0 were detected in the books of Jain Brothers, Delhi:
- 1) Sale of old Furniture ₹ 150 treated as sale of goods.
 - 2) Receipt of ₹ 500 from Ram Mohan credited to Shyam Sunder.
 - 3) Goods worth ₹ 100 brought from Mohan Narain have remained unrecorded so far.
 - 4) A return of ₹ 120 from Mukesh posted to his debit.
 - 5) A return of ₹ 90 to Shyam Sunder posted as ₹ 9 in his account.
 - 6) Rent of proprietor's residence, ₹ 600 debited to rent A/c.
 - 7) A payment of ₹ 215 to Mohammad Sadiq posted to his credit as ₹ 125.
 - 8) Sales Book added ₹ 900 short.
 - 9) The total of Bills Receivable Book ₹ 1,500 left unposted.
- You are required to pass the necessary rectifying entries and show how the trial balance would be affected by the errors. **[ICAI SM]**

Sol. Journal Entries					
S.No.	Particulars	L.F.	Debit (₹)	Credit (₹)	
1)	Sales Account To Furniture Account (Rectification of sales of furniture treated as sales of goods.)	Dr.	150		150
2)	Shyam Sunder To Rama Mohan (Rectification of a receipt from Ram Mohan credited to Shyam Sunder.)	Dr.	500		500
3)	Purchases Account To Mohan Narain (Purchases of goods from Mohan Narain unrecorded.)	Dr.	100		100
6)	Drawing Account To Rent Account (Rectification of Payment of rent of proprietor's residence treated as payment of office rent.)	Dr.	600		600

Note: For 4, 5, 7, 8, 9 no journal entry can be passed as they affect a single account. The correction will be as under:

- 4) Credit Mukesh's Account with ₹ 240.
- 5) Debit the account of Shyam Sunder by ₹ 81.
- 7) Debit the account of Mohammad Sadiq by ₹ 340.
- 8) Credit Sales Account by ₹ 900.
- 9) Debit Bills Receivable Account with ₹ 1,500.

Effect of the Errors on Trial Balance

- 1) No effect
- 2) No effect
- 3) No effect
- 4) Trial Balance credit total short by ₹ 240.
- 5) Trial Balance debit total short by ₹ 81.
- 6) No effect
- 7) Trial Balance debit total short by ₹ 340.
- 8) Trial Balance credit total short by ₹ 900.
- 9) Trial Balance debit total short by ₹ 1,500.

7.	<p>Write out the Journal Entries to rectify the following errors, using a Suspense Account.</p> <ol style="list-style-type: none"> 1) Goods of the value of ₹ 100 returned by Mr. Sharma were entered in the Sales Day Book and posted therefrom to the credit of his account; 2) An amount of ₹ 150 entered in the Sales Returns Book, has been posted to the debit of Mr. Philip, who returned the goods; 3) A sale of ₹ 200 made to Mr. Ghanshyam was correctly entered in the Sales Day Book but wrongly posted to the debit of Mr. Radheshyam as ₹ 20; 4) Bad Debts aggregating ₹ 450 were written off during the year in the Sales ledger but were not adjusted in the General Ledger; and 5) The total of "Discount Allowed" column in the Cash Book for the month of September, 20X0 amounting to ₹ 250 was not posted. <p style="text-align: right;">[ICAI SM]</p>																														
Sol.	Journal Entries																														
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 5%;">S.No.</th> <th style="width: 55%;">Particulars</th> <th style="width: 5%;">L.F.</th> <th style="width: 15%;">Debit (₹)</th> <th style="width: 20%;">Credit (₹)</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1)</td> <td> Sales Account Sales Returns Account To Suspense Account (The value of goods returned by Mr. Sharma wrongly posted to Sales and omission of debit to Sales Returns Account, now rectified.) </td> <td style="text-align: center;">Dr. Dr.</td> <td style="text-align: right;">100 100</td> <td style="text-align: right;">200</td> </tr> <tr> <td style="text-align: center;">2)</td> <td> Suspense Account To Mr. Philip (Wrong debit to Mr. Philip for goods returned by him, now rectified.) </td> <td style="text-align: center;">Dr.</td> <td style="text-align: right;">300</td> <td style="text-align: right;">300</td> </tr> <tr> <td style="text-align: center;">3)</td> <td> Mr. Ghanshyam To Mr. Radheshyam To Suspense Account (Omission of debit to Mr. Ghanshyam and wrong credit to Mr. Radheshyam for sale of ₹ 200, now rectified.) </td> <td style="text-align: center;">Dr.</td> <td style="text-align: right;">200</td> <td style="text-align: right;">20 180</td> </tr> <tr> <td style="text-align: center;">4)</td> <td> Bad Debts Account To Suspense Account (The amount of Bad Debts written off not adjusted in General Ledger, now rectified.) </td> <td style="text-align: center;">Dr.</td> <td style="text-align: right;">450</td> <td style="text-align: right;">450</td> </tr> <tr> <td style="text-align: center;">5)</td> <td> Discount Account To Suspense Account (The total of Discount allowed during September, 20X0 not posted from the Cash Book; error now rectified.) </td> <td style="text-align: center;">Dr.</td> <td style="text-align: right;">250</td> <td style="text-align: right;">250</td> </tr> </tbody> </table>	S.No.	Particulars	L.F.	Debit (₹)	Credit (₹)	1)	Sales Account Sales Returns Account To Suspense Account (The value of goods returned by Mr. Sharma wrongly posted to Sales and omission of debit to Sales Returns Account, now rectified.)	Dr. Dr.	100 100	200	2)	Suspense Account To Mr. Philip (Wrong debit to Mr. Philip for goods returned by him, now rectified.)	Dr.	300	300	3)	Mr. Ghanshyam To Mr. Radheshyam To Suspense Account (Omission of debit to Mr. Ghanshyam and wrong credit to Mr. Radheshyam for sale of ₹ 200, now rectified.)	Dr.	200	20 180	4)	Bad Debts Account To Suspense Account (The amount of Bad Debts written off not adjusted in General Ledger, now rectified.)	Dr.	450	450	5)	Discount Account To Suspense Account (The total of Discount allowed during September, 20X0 not posted from the Cash Book; error now rectified.)	Dr.	250	250
S.No.	Particulars	L.F.	Debit (₹)	Credit (₹)																											
1)	Sales Account Sales Returns Account To Suspense Account (The value of goods returned by Mr. Sharma wrongly posted to Sales and omission of debit to Sales Returns Account, now rectified.)	Dr. Dr.	100 100	200																											
2)	Suspense Account To Mr. Philip (Wrong debit to Mr. Philip for goods returned by him, now rectified.)	Dr.	300	300																											
3)	Mr. Ghanshyam To Mr. Radheshyam To Suspense Account (Omission of debit to Mr. Ghanshyam and wrong credit to Mr. Radheshyam for sale of ₹ 200, now rectified.)	Dr.	200	20 180																											
4)	Bad Debts Account To Suspense Account (The amount of Bad Debts written off not adjusted in General Ledger, now rectified.)	Dr.	450	450																											
5)	Discount Account To Suspense Account (The total of Discount allowed during September, 20X0 not posted from the Cash Book; error now rectified.)	Dr.	250	250																											
8.	<p>Mr. Roy was unable to agree the Trial Balance last year and wrote out the difference to the Profit and Loss Account of that year. Next Year, he appointed a Chartered Accountant who examined the old books and found the following mistakes:</p> <ol style="list-style-type: none"> 1) Purchase of a scooter was debited to conveyance account ₹ 3,000. 2) Purchase account was over-cast by ₹ 10,000. 3) A credit purchase of goods from Mr. P for ₹ 2,000 entered as a sale. 4) Receipt of cash from Mr. A was posted to the account of Mr. B ₹ 1,000. 5) Receipt of cash from Mr. C was posted to the debit of his account, ₹ 500. 6) ₹ 500 due by Mr. Q was omitted to be taken to the trial balance. 7) Sale of goods to Mr. R for ₹ 2,000 was omitted to be recorded. 8) Amount of ₹ 2,395 of purchase was wrongly posted as ₹ 2,593. <p>Mr. Roy used 10% depreciation on vehicles. Suggest the necessary rectification entries.</p> <p style="text-align: right;">[ICAI SM/ July 2021]</p>																														

Sol.	In the Books of Mr. Roy Journal Entries				
	S.No.	Particulars	L.F.	Debit (₹)	Credit (₹)
	1)	Motor Vehicles Account To Profit and Loss Adjustment A/c (Purchase of scooter wrongly debited to conveyance account now rectified capitalization of ₹ 2,700, i.e., ₹ 3,000 less 10% depreciation.)	Dr.	2,700	2,700
	2)	Suspense Account To Profit & Loss Adjustment A/c (Purchase Account overcast in the previous year; error now rectified.)	Dr.	10,000	10,000
	3)	Profit & Loss Adjustment A/c To P's Account (Credit purchase from P ₹ 2,000, entered as sales last year; now rectified.)	Dr.	4,000	4,000
	4)	B's Account To A's Account (Amount received from A wrongly posted to the account of B; now rectified.)	Dr.	1,000	1,000
	5)	Suspense Account To C's Account (₹ 500 received from C wrongly debited to his account; now rectified.)	Dr.	1,000	1,000
	6)	Trade receivables To Suspense Account (₹ 500 due by Q not taken into trial balance; now rectified.)	Dr.	500	500
	7)	R's Account To Profit & Loss Adjustment A/c (Sales to R omitted last year; now adjusted.)	Dr.	2,000	2,000
	8)	Suspense Account To Profit & Loss Adjustment A/c (Excess posting to purchase account last year, ₹ 2,593, instead of ₹ 2,395, now adjusted.)	Dr.	198	198
	9)	Profit & Loss Adjustment A/c To Roy's Capital Account (Balance of Profit & Loss Adjustment A/c transferred to Capital Account.)	Dr.	10,898	10,898
	10)	Roy's Capital Account To Suspense Account (Balance of Suspense Account transferred to the Capital Account.)	Dr.	10,698	10,698

Profit and Loss Adjustment Account			
Dr.		Cr.	
(Prior Period Items)			
Particulars	₹	Particulars	₹
To P	4,000	By Motor Vehicles A/c	2,700
To Roy's Capital (transfer)	10,898	By Suspense A/c	10,000
		By R	2,000
		By Suspense Account	198
	14,898		14,898

Dr.	Suspense Account		Cr.
	Particulars	₹	
To Profit & Loss Adjustment Account	10,000	By Trade Receivables (Q)	500
To C	1,000	By Roy's Capital Account (Transfer)	10,698
To Profit & Loss Adjustment Account	198		
	11,198		11,198

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:

- Purchase returns day book had been correctly entered and totalled at ₹ 6,160, but had not been posted to the ledger.
- Discounts received ₹ 1,320 had been debited to discounts allowed.
- The Sales account had been under added by ₹ 10,000.
- A credit sale of ₹ 1,470 had been debited to a customer account at ₹ 1,740.
- A vehicle bought originally for ₹ 7,000 four years ago and depreciated to ₹ 1,200 had been sold for ₹ 1,500 in the beginning of the year but no entries, other than in the bank account had been passed through the books.
- An accrual of ₹ 560 for telephone charges had been completely omitted.
- A bad debt of ₹ 1,560 had not been written off and provision for doubtful debts should have been maintained at 10% of trade receivables which are shown in the trial balance at ₹ 23,390 with a credit provision for bad debts at ₹ 2,320.
- Tools bought for ₹ 1,200 had been inadvertently debited to purchases.
- The proprietor had withdrawn, for personal use, goods worth ₹ 1,960. No entries had been made in the books.

Required:

- Pass rectification entries without narration to correct the above errors before preparing annual accounts.
- Prepare a statement showing effect of rectification on the reported net profit before correction of these errors. **[ICAI SM]**

Sol. i) **Journal Entries**

S.No.	Particulars		Debit (₹)	Credit (₹)
i)	Suspense A/c To Return Outward A/c	Dr.	6,160	6,160
ii)	Suspense A/c To Discount Allowed A/c To Discount Received A/c	Dr.	2,640	1,320 1,320
iii)	Suspense A/c To Sales A/c	Dr.	10,000	10,000
iv)	Suspense A/c To Customer A/c	Dr.	270	270
v)	Suspense A/c To Vehicle A/c To Profit on Sale of Vehicle A/c	Dr.	1,500	1,200 300
vi)	Telephone Charges A/c To Outstanding Expenses A/c	Dr.	560	560
vii)	Bad Debts A/c To Trade receivables A/c	Dr.	1,560	1,560
	Provision for Doubtful Debts A/c To Profit and Loss A/c	Dr.	164	164

viii)	Loose Tools A/c To Purchases A/c	Dr.	1,200	1,200																																																						
ix)	Drawings A/c To Purchases A/c	Dr.	1,960	1,960																																																						
<p>1) Bad debts will be debited in the profit and loss account. 2) Provision @ 10% of ₹ 21,560 i.e. 2,156; Excess provision ₹ 164 (2320 - 2156 = ₹ 164).</p> <p>Working Notes:</p> <table border="1"> <thead> <tr> <th>S.No.</th> <th>Particulars</th> <th>₹</th> </tr> </thead> <tbody> <tr> <td>i)</td> <td>Trade receivables as per books</td> <td>23,390</td> </tr> <tr> <td></td> <td>Deduction vide item (iv) 270</td> <td>270</td> </tr> <tr> <td></td> <td>Bad Debts</td> <td>1,560</td> </tr> <tr> <td></td> <td></td> <td><u>1,830</u></td> </tr> <tr> <td></td> <td></td> <td>21,560</td> </tr> </tbody> </table> <p>ii) Suspense Account</p> <table border="1"> <thead> <tr> <th>Particulars</th> <th>₹</th> <th>Particulars</th> <th>₹</th> </tr> </thead> <tbody> <tr> <td>To Return outward Account</td> <td>6,160</td> <td>By balance b/d</td> <td>20,570</td> </tr> <tr> <td>To Discount allowed Account</td> <td>1,320</td> <td></td> <td></td> </tr> <tr> <td>To Discount Received Account</td> <td>1,320</td> <td></td> <td></td> </tr> <tr> <td>To Sales Account</td> <td>10,000</td> <td></td> <td></td> </tr> <tr> <td>To Customers Account</td> <td>270</td> <td></td> <td></td> </tr> <tr> <td>To Vehicles Account</td> <td>1,200</td> <td></td> <td></td> </tr> <tr> <td>To Profit on Sale of Vehicle</td> <td>300</td> <td></td> <td></td> </tr> <tr> <td></td> <td>20,570</td> <td></td> <td>20,570</td> </tr> </tbody> </table>					S.No.	Particulars	₹	i)	Trade receivables as per books	23,390		Deduction vide item (iv) 270	270		Bad Debts	1,560			<u>1,830</u>			21,560	Particulars	₹	Particulars	₹	To Return outward Account	6,160	By balance b/d	20,570	To Discount allowed Account	1,320			To Discount Received Account	1,320			To Sales Account	10,000			To Customers Account	270			To Vehicles Account	1,200			To Profit on Sale of Vehicle	300				20,570		20,570
S.No.	Particulars	₹																																																								
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To Profit on Sale of Vehicle	300																																																									
	20,570		20,570																																																							
10.	<p>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:</p> <ol style="list-style-type: none"> 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) One item of purchase of ₹ 25 has been posted from the day book to ledger as ₹ 250. 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. <p>You are required to :-</p> <ol style="list-style-type: none"> 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. 																																																									

[ICAI SM]

Sol. i) Journal Entries					
S.No.	Particulars		L.F.	Debit (₹)	Credit (₹)
1)	Suspense Account To Expenses Account (Being the mistake in totaling of Expenses Account rectified.)	Dr.		50	50
2)	Suspense Account To Sales Account (Being the mistake in totaling of Sales Accounts rectified.)	Dr.		100	100
3)	Supplier To Suspense Account (Being the mistake in posting from Day Book to Ledger rectified.)	Dr.		225	225
4)	Sales Returns Account To Suspense Account (Being the sales return from a party not posted to "Sales Returns" now rectified.)	Dr.		100	100
5)	Trade payables Account To Purchases Account (Being the payments made to supplier wrongly posted to purchases now rectified.)	Dr.		500	500
6)	Trade receivables Account To Suspense Account (Being the sales wrongly credited to Customer's Account now rectified.)	Dr.		100	100

ii) As a result of the above corrections the Net Profit will be:

Particulars	Increased by (₹)	Decreased by (₹)
Mistake in totalling in "Expenses"	50	
Mistake in totalling in "Sales"	100	
Mistake in posting from day book to Ledger under "Purchases"	500	
Omission in posting under "Sales Returns"		100
Total	650	100
Net Increase	₹ 550	

As a result of these adjustments, the Profits will be increased by ₹ 550.

iii)

Suspense Account			
Dr.	₹	Cr.	₹
To Expenses Account	50	By Difference in Trial Balance	150
To Sales Account	100	By Trade payables	225
To Balance c/d	425	By Sales Returns Account	100
		By Trade receivables	100
	575		575
		By Balance b/d	425

Since the Suspense Account does not balance, it is clear that all the errors have not been traced.

11.	<p>Mr. A closed his books of account on September 30, 20X0 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 20X1, following errors were located:</p> <p>i) A sale of ₹ 2,300 to Mr. Lala was posted to the credit of Mrs. Mala.</p> <p>ii) The total of the Returns Inward Book for July, 20X0 ₹ 1,240 was not posted in the ledger.</p> <p>iii) Freight paid on a machine ₹ 5,600 was posted to the Freight Account as ₹ 6,500.</p> <p>iv) White carrying forward the total in the Purchases Account to the next page, ₹ 65,590 was written instead of ₹ 56,950.</p> <p>v) A sale of machine on credit to Mr. Mehta for ₹ 9,000 on 30th Sept. 20X0 was not entered in the books at all. The book value of the machine was ₹ 6,750.</p> <p>Pass journal entries to rectify the errors. Have you any comments to make?</p> <p style="text-align: right;">[ICAI SM]</p>
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Sol.	Journal Entries				
S.No.	Particulars	L.F.	Debit (₹)	Credit (₹)	
1)	Mrs. Mala Mr. Lala To Suspense A/c (Correction of error by which a sale of ₹ 2,300 to Mr. Lala was posted to the Credit of Mrs. Mala.)	Dr. Dr.	2,300 2,300		4,600
2)	Profit and Loss Adjustment A/c To Suspense A/c (Rectification of omission to post the total of Returns Inward Book for July, 20X0.)	Dr.	1,240		1,240
3) a)	Machinery A/c Suspense A/c To Profit & Loss Adjustment A/c (Correction of error by which freight paid for a machine ₹ 5,600 was posted to Freight Account at ₹ 6,500 instead of capitalizing it.)	Dr. Dr.	5,600 900		6,500
3) b)	Profit & Loss Adjustment A/c To Plant and Machinery A/c (Depreciation @ 10% charged on freight paid on a machine capitalized.)	Dr.	560		560
4)	Suspense A/c To Profit & Loss Adjustment A/c (Correction of wrong carry forward of total in the purchase Account to the next page ₹ 65,590 instead of ₹ 56,950.)	Dr.	8,640		8,640
5)	Mr. Mehta To Plant & Machinery A/c To Profit & Loss Adjustment A/c (Correction of omission of a sale of machine on credit to Mr. Mehta for ₹ 9,000.)	Dr.	9,000		6,750 2,250

Comments:

The Suspense Account will now appear as shown below:

Dr.		Suspense Account		Cr.	
Particulars	₹	Particulars	₹		
To Profit and Loss Adjustment A/c	900	By Difference in Trial Balance	830		
To Profit and Loss Adjustment A/c	8,640	By Sundries			
		Mrs. Mala	2,300		
		Mr. Lala	2,300		
		By Profit and Loss Adjustment A/c	1,240		
		By balance c/d	2,870		
	9,540				9,540

Since the Suspense Account still shows a balance, it is obvious that there are still some errors left in the books.

Dr.		Profit and loss Adjustment A/c (For Prior Period Items)		Cr.	
Particulars	₹	Particulars	₹		
To Suspense A/c	1,240	By Machinery A/c	5,600		
To Plant and Machinery A/c	560	By Suspense A/c	900		
To Balance c/d	15,590	By Suspense A/c	8,640		
		By Mr. Mehta	2,250		
	17,390				17,390

12. A merchant's trial balance as on June 30, 20X0 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. Das, ₹ 620 was posted to the debit of G. Das.
- v) Goods worth ₹ 840 were despatched to a customer before the close of the year but no invoice was made out.
- vi) Goods worth ₹ 1,000 were sent on sale or return basis to a customer and entered in the Sales Book. At the close of the year, the customer still had the option to return the goods. The sale price was 25% above cost.

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. **[ICAI SM/January 2021 (modified)]**

Sol.	Journal Entries				
	S.No.	Particulars	L.F.	Debit (₹)	Credit (₹)
	1)	Suspense A/c To Profit and Loss Adjustment A/c (Correction of error by which Purchase Account was over debited last year- ₹ 4,593 carried forward instead of ₹ 4,539.)	Dr.	54	54
	2)	Profit & Loss Adjustment A/c Customer's A/c To Suspense Account (Correction of the entry by which (a) Sales A/c was over credited by ₹ 180 (b) customer was credited by ₹ 753 instead of being debited by ₹ 573.)	Dr. Dr.	180 1,326	1,506
	3)	Suspense A/c To Profit & Loss Adjustment A/c (Correction of error by which Returns Inward Account was debited by ₹ 510 instead of Returns Outwards Account being credited by ₹ 510.)	Dr.	1,020	1,020
	4)	Suspense A/c To C. Das To G. Das (Removal or wrong debit to G. Das and giving credit to C. Das from whom cash was received.)	Dr.	1,240	620 620
	5)	Customer's Account To Profit & Loss Adjustment A/c (Rectification of the error arising from non-preparation of invoice for goods delivered.)	Dr.	840	840
	6)	Profit & Loss Adjustment A/c Inventory A/c To Customer's A/c (The Customer's A/c credited with ₹ 1,000 for goods not yet purchased by him; cost of the goods debited to inventory and "Profit" debited to Profit & Loss Adjustment Account.)	Dr. Dr.	200 800	1,000
	7)	Profit & Loss Adjustment A/c To Capital A/c (Transfer of Profit & Loss Adjustment A/c balance to the Capital Account.)	Dr.	1,534	1,534
13.	<p>M/s Suman & Co. find the following errors in their books of account before preparation of Trial Balance. You are required to pass necessary journal entries:</p> <p>i) A purchase of ₹ 5,600 from M/s Minu & Co. was recorded in the accounts of M/s Mintu & Co. as ₹ 6,500. Day Book entry has also been passed incorrectly.</p> <p>ii) A sale of ₹ 9,800 to M/s Bantu Bros. was recorded in M/s Bindu & Co.'s account as ₹ 8,900. Day Book entry has also been incorrectly passed.</p> <p>iii) Discount allowed ₹ 560 (as per Cash Book) has been posted to Commission Account. But the Cash Book total should be ₹ 650, because discount allowed of ₹ 90 to M/s Bantu Bros. has been omitted.</p> <p>iv) A cheque of ₹ 9,700 drawn by M/s Bantu Bros. has been dishonoured, but wrongly debited to M/s Bhakt & Co.</p> <p>Should the Trial Balance tally without rectification of errors? (May 2019 RTP)</p>				

Sol.	Journal Proper of Suman & Co. Rectification entries			
	S.NO.	Particulars	Dr. (₹)	Cr. (₹)
	i)	M/s Mintu & Co. A/c To M/s Minu & Co. A/c To Purchases A/c (Rectification of purchase entry for ₹ 5,600 dated....as ₹ 6,500 in M/s Mintu & Co.'s Account in place of M/s Minu & Co. A/c.)	6,500	5,600 900
	ii)	M/s Bantu Bros. A/c To Sales A/c To M/s Bindu & Co. A/c (Rectification of sale entry for ₹ 9,800 datedas ₹ 8,900 in M/s Bindu & Co.'s Account in place of M/s Bantu Bros. A/c)	9,800	900 8,900
	iii)	Discount Allowed A/c To Commission A/c To M/s Bantu Bros. A/c (Rectification of wrong posting of discount in commission account and omission of discount transaction dated....)	650	560 90
	iv)	M/s Bantu Bros. A/c To Bhakt & Co. A/c (Wrong posting for the dishonoured cheque dated.... is being rectified.)	9,700	9,700
	*Since all the errors are two-sided in nature, Trial Balance would have tallied even if the rectifications are not done.			
14.	Classify the following errors under the three categories - Errors of Omission, Errors of Commission and Errors of Principle. i) Sale of furniture credited to Sales Account. ii) Purchase worth ₹ 4,500 from M not recorded in subsidiary books. iii) Credit sale wrongly passed through the Purchase Book. iv) Machinery sold on credit to Mohan recorded in Journal Proper but omitted to be posted. v) Goods worth ₹ 5,000 purchased on credit from Ram recorded in the Purchase Book as ₹ 500. [Nov. 2018 RTP/Nov. 2021 RTP/Oct. 2021 MTP]			
Sol.	i) Error of Principle. ii) Error of Omission. iii) Error of Commission. iv) Error of Omission. v) Error of Commission.			
15.	The following errors were committed by the Accountant of Geete Dye-Chem. i) Credit sale of ₹ 400 to Trivedi & Co. was posted to the credit of their account. ii) Purchase of ₹ 420 from Mantri & Co. passed through Sales Day Book as ₹ 240. How would you rectify the errors assuming that: a) they were detected before preparation of Trial Balance. b) they were detected after preparation of Trial Balance but before preparing Final Accounts, the difference was taken to Suspense A/c. c) they were detected after preparing Final Account. [May 2018 RTP/Nov. 2019 RTP/Nov. 2020 RTP]			

Sol.	i) This is one sided error. Trivedi & Co. Account is credited instead of debit. Amount posted to the wrong side and therefore while rectifying the account, double the amount (₹ 800) will be taken.				
	Before Trial Balance		After Trial Balance		After Final Accounts
	No Entry	Trivedi & Co. A/c	Dr. 800	Trivedi & Co. A/c	Dr. 800
	Debit Trivedi A/c with ₹ 800	To Suspense A/c	800	To Suspense A/c	800
Sol.	ii) Purchase of ₹ 420 is wrongly recorded through sales day book as ₹ 240.				
	Correct Entry			Entry Made Wrongly	
	Purchase A/c	Dr. 420	Mantri & Co.	Dr. 240	
	To Mantri & Co.	420	To Sales	240	
Rectification Entry					
Before Trial Balance		After Trial Balance		After Final Accounts	
	Sales A/c	Dr. 240	Sales A/c	Dr. 240	Profit & Loss Adj. A/c
	Purchase A/c	Dr. 420	Purchase A/c	Dr. 420	To Mantri & Co.
	To Mantri & Co.	660	To Mantri & Co.	660	660
16.	Write out the Journal Entries to rectify the following errors, using a Suspense Account.				
	1) Goods of the value of ₹ 10,000 returned by Mr. Sharma were entered in the Sales Day Book and posted therefrom to the credit of his account;				
	2) An amount of ₹ 15,000 entered in the Sales Returns Book, has been posted to the debit of Mr. Philip, who returned the goods;				
	3) A sale of ₹ 20,000 made to Mr. Ghanshyam was correctly entered in the Sales Day Book but wrongly posted to the debit of Mr. Radheshyam as ₹ 2,000;				
	4) Bad Debts aggregating ₹ 45,000 were written off during the year in the Sales ledger but were not adjusted in the General Ledger; and				
	5) The total of "Discount Allowed" column in the Cash Book for the month of September, 20X0 amounting to ₹ 25,000 was not posted.				
[May 2019 RTP/May 2021 RTP]					
Sol.	Journal Entries				
	S.No.	Particulars	L.F.	Debit (₹)	Credit (₹)
	1)	Sales A/c Sales Returns A/c To Suspense A/c (The value of goods returned by Mr. Sharma wrongly posted to Sales and omission of debit to Sales Returns Account, now rectified.)	Dr.	10,000 10,000	20,000
	2)	Suspense A/c To Mr. Philip (Wrong debit to Mr. Philip for goods returned by him, now rectified.)	Dr.	30,000	30,000
	3)	Mr. Ghanshyam To Mr. Radheshyam To Suspense A/c (Omission of debit to Mr. Ghanshyam and wrong credit to Mr. Radhesham for sale of ₹ 20,000, now rectified.)	Dr.	20,000	2,000 18,000

	4	Bad Debts A/c To Suspense A/c (The amount of Bad Debts written off not adjusted in General Ledger, now rectified.)	Dr.		45,000	45,000
	5	Discount A/c To Suspense A/c (The total of Discount allowed during September, 20X1 not posted from the Cash Book; error now rectified.)	Dr.		25,000	25,000
17.	<p>Give journal entries (narrations not required) to rectify the following:</p> <p>i) Purchase of furniture on credit from Nigam for ₹ 3,000 posted to Subham account as ₹ 300.</p> <p>ii) A Sales Return of ₹ 5,000 to Jyoti was not entered in the financial accounts though it was duly taken in the stock book.</p> <p>iii) Investments were sold for ₹ 75,000 at a profit of ₹ 15,000 and passed through Sales account.</p> <p>iv) An amount of ₹ 10,000 withdrawn by the proprietor (Darshan) for his personal use has been debited to Trade Expenses account.</p> <p style="text-align: right;">(May 2018/ May 2020 RTP)</p>					
Sol.	Journal Entries					
	S. NO.	Particulars	L.F.	Dr. (₹)	Cr. (₹)	
	i)	Subham A/c Furniture A/c To Nigam	Dr. Dr.	300 2,700		3,000
	ii)	Sales Returns A/c To Jyoti	Dr.	5,000		5,000
	iii)	Sales A/c To P & L A/c (Gain on sale of investments) To Investments A/c	Dr.	75,000		15,000 60,000
	iv)	Drawings A/c To Trade Expenses A/c	Dr.	10,000		10,000
18.	<p>The following mistakes were located in the books of a concern after its books were closed and a Suspense Account was opened in order to get the Trial Balance agreed:</p> <p>i) Sales Day Book was overcast by ₹ 1,000.</p> <p>ii) A sale of ₹ 5,000 to X was wrongly debited to the Account of Y.</p> <p>iii) General expenses ₹ 180 was posted in the General Ledger as ₹ 810.</p> <p>iv) A Bill Receivable for ₹ 1,550 was passed through Bills Payable Book. The Bill was given by P.</p> <p>v) Legal Expenses ₹ 1,190 paid to Mrs. Neetu was debited to her personal account.</p> <p>vi) Cash received from Ram was debited to Shyam ₹ 1,500.</p> <p>vii) While carrying forward the total of one page of the Purchases Book to the next, the amount of ₹ 1,235 was written as ₹ 1,325.</p> <p>Find out the amount of the Suspense Account and Pass entries (including narration) for the rectification of the above errors in the subsequent year's books.</p> <p style="text-align: right;">[Nov. 2018/May 2020 RTP/Nov. 2021 MTP]</p>					

Sol.	Journal Entries																												
	S.NO.	Particulars		Dr. (₹)	Cr. (₹)																								
	i)	P & L Adjustment A/c To Suspense A/c (Correction of error by which sales account was overcast last year.)	Dr.	1,000	1,000																								
	ii)	X To Y (Correction of error by which sale of ₹ 5,000 to X was wrongly debited to Y's account.)	Dr.	5,000	5,000																								
	iii)	Suspense A/c To P & L Adjustment A/c (Correct of error by which general expenses of ₹ 180 was wrongly posted as ₹ 810.)	Dr.	630	630																								
	iv)	Bills Receivable A/c Bills Payable A/c To P (Correction of error by which bill receivable of ₹ 1,550 was wrongly passed through BP book.)	Dr. Dr.	1,550 1,550	3,100																								
	v)	P & L Adjustment A/c To Mrs. Neetu (Correction of error by which legal expenses paid to Mrs. Neetu was wrongly debited to her personal account.)	Dr.	1,190	1,190																								
	vi)	Suspense A/c To Ram To Shyam (Removal of wrong debit to Shyam and giving credit to Ram from whom cash was received.)	Dr.	3,000	1,500 1,500																								
	vii)	Suspense A/c To P&L Adjustment A/c (Correction of error by which Purchase A/c was excess debited by ₹ 90/-, i.e., ₹ 1,325 - ₹ 1,235.)	Dr.	90	90																								
	Suspense A/c																												
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 40%;">Particulars</th> <th style="width: 10%;">₹</th> <th style="width: 40%;">Particulars</th> <th style="width: 10%;">₹</th> </tr> </thead> <tbody> <tr> <td>To P&L Adjustment A/c</td> <td style="text-align: center;">630</td> <td>By P&L Adjustment A/c</td> <td style="text-align: center;">1,000</td> </tr> <tr> <td>To Ram</td> <td style="text-align: center;">1,500</td> <td>By Difference in Trial</td> <td style="text-align: center;">2,720</td> </tr> <tr> <td>To Shyam</td> <td style="text-align: center;">1,500</td> <td>Balance</td> <td></td> </tr> <tr> <td>To P&L Adjustment A/c</td> <td style="text-align: center;">90</td> <td>(Balancing figure)</td> <td></td> </tr> <tr> <td></td> <td style="text-align: center;">3,720</td> <td></td> <td style="text-align: center;">3,720</td> </tr> </tbody> </table>					Particulars	₹	Particulars	₹	To P&L Adjustment A/c	630	By P&L Adjustment A/c	1,000	To Ram	1,500	By Difference in Trial	2,720	To Shyam	1,500	Balance		To P&L Adjustment A/c	90	(Balancing figure)			3,720		3,720
Particulars	₹	Particulars	₹																										
To P&L Adjustment A/c	630	By P&L Adjustment A/c	1,000																										
To Ram	1,500	By Difference in Trial	2,720																										
To Shyam	1,500	Balance																											
To P&L Adjustment A/c	90	(Balancing figure)																											
	3,720		3,720																										
19.	<p>Miss Daisy was unable to agree the Trial Balance last year and wrote off the difference to the profit and loss account of that year. On verifying the old books by a Chartered Accountant next year, the following mistakes were found.</p> <p>i) Purchase account was undercast by ₹ 8,000. ii) Sale of goods to Mr. Rahim for ₹ 2,500 was omitted to be recorded. iii) Receipt of cash from Mr. Ashok was posted to the account of Mr. Anshu ₹ 1,200. iv) Amount of ₹ 4,167 of sales was wrongly posted as ₹ 4,617. v) Repairs to Machinery was debited to Machinery Account ₹ 1,800. vi) A credit purchase of goods from Mr. Paul for ₹ 3,000 entered as sale.</p> <p>Suggest the necessary rectification entries. (May 2018)</p>																												

In the books of Miss Daisy				
Journal Entries				
Date	Particulars		Dr. (₹)	Cr. (₹)
i)	Profit & Loss Adjustment A/c To Suspense* A/c (Purchase Account under cast in the previous year; error now rectified.)	Dr.	8,000	8,000
ii)	Rahim's Account To Profit & Loss Adjustment A/c (Sales to Rahim omitted last year; now adjusted.)	Dr.	2,500	2,500
iii)	Anshu's Account To Ashok's Account (Amount received from Ashok wrongly posted to the account of Anshu; now rectified.)	Dr.	1,200	1,200
iv)	Profit & Loss Adjustment A/c To Suspense* A/c (Excess posting to sales account last year, ₹ 4,617, instead of ₹ 4,167 now adjusted.)	Dr.	450	450
v)	Profit & Loss Adjustment A/c To Machinery A/c (Repairs to machinery was wrongly debited to machinery account, now rectified.)	Dr.	1,800	1,800
vi)	Profit & Loss Adjustment A/c To Mr. Paul Account (Credit purchase of goods from Mr. Paul sale last year, now rectified.)	Dr.	6,000	6,000
vii)	Daisy's Capital A/c To Profit and Loss Adjustment Account (Being balance in P&L Adjustment Account transferred to Daisy's Capital A/c - Refer W.N. 1.)	Dr.	13,750	13,750
viii)	Suspense A/c To Daisy's Capital A/c (Being balance of Suspense A/c transferred to Capital A/c- Refer W.N. 2)	Dr.	8,450	8,450

*Considering that the difference was posted to Suspense account.

Working Notes

1)

Profit and Loss Adjustment Account			
Dr.		Cr.	
Particulars	₹	Particulars	₹
To Suspense A/c	8,000	By Rahim's A/c	2,500
To Suspense A/c To Machinery A/c	450	By Daisy's Capital A/c	13,750
To Mr. Paul's A/c	1,800	(Balance Transfer)	
	6,000		
	16,250		16,250

2)

Suspense Account			
Dr.		Cr.	
Particulars	₹	Particulars	₹
To Daisy's Capital A/c (Balance Transfer)	8,450	By P & L Adj. A/c	8,000
		By P & L Adj. A/c	450
	8,450		8,450

- 20.** Give journal entries (with narrations) to rectify the following errors located in the books of a Trader after preparing the Trial Balance:
- An amount of ₹ 4,500 received on account of interest was credited to Commission account.
 - A sale of ₹ 2,760 was posted from Sales Book to the Debit of M/s Sobhag Traders at ₹ 2,670.
 - ₹ 35,000 paid for purchase of Air conditioner for the personal use of proprietor debited to Machinery A/c.
 - Goods returned by customer for ₹ 5,000. The same have been taken into stock but no entry passed in the books of accounts. **(June 2019)**

Sol. Journal Entries			
S.No.	Particulars	Debit (₹)	Credit (₹)
1)	Commission A/c Dr. To Interest Received (Correcting wrong entry of interest received into commission account.)	4,500	4,500
2)	M/s Sobhag Traders A/c Dr. To Suspense A/c (Being credit sale of ₹ 2,760 posted as ₹ 2,670 i.e. debiting M/s Sobhag Traders A/c less by ₹ 90, now rectified.)	90	90
3)	Drawing A/c Dr. To Machinery A/c (Correction of wrong debit to machinery account for purchase of air-conditioner for personal use.)	35,000	35,000
4)	Return Inward A/c Dr. To Debtors (Personal) A/c (Correction of omission to record return of goods by customers.)	5,000	5,000

- 22.** M/s. Applied Laboratories were unable to agree the Trial Balance as on 31st March, 20X0 and have raised a suspense account for the difference. Next year the following errors were discovered:
- Repairs made during the year were wrongly debited to the building A/c 12,500.
 - The addition for the 'freight' column in the purchase journal was short by ₹1,500.
 - Goods to the value of ₹1,050 returned by a customer, Rani & Co., had been posted to the debit of Rani & Co. and also to sales returns.
 - Sundry items of furniture sold for ₹30,000 had been entered in the sales book, the total of which had been posted to sales account.
 - A bill of exchange (received from Raja & Co.) for ₹2,00,000 had been returned by the bank as dishonoured and had been credited to the bank and debited to bills receivable account.

You are required to pass journal entries to rectify the above mistakes.

[Nov. 2020]

Sol. Rectification entries in the books of M/s Applied Laboratories;			
S. No.	Particulars	Dr. (₹)	Cr. (₹)
1.	Profit and Loss Adj. A/c Dr. To Building A/c (Repairs amounting ₹12,500 wrongly debited to building account, now rectified)	12,500	12,500

2.	Profit and Loss Adj. A/c Dr. To Suspense A/c (Addition of freight column in purchase journal was under casted, now rectified entry made)	1,500	1,500
3.	Suspense A/c Dr. To Rani & Co. (Goods returned by Rani& Co. had been posted wrongly to the debit of her account, now rectified)	2,100	2,100
4.	Profit and Loss Adjustment A/c Dr. To Furniture A/c (Being sale of furniture wrongly entered in sales book, now rectified)	30,000	30,000
5.	Raja & Co. A/c Dr. To Bills Receivable A/c (Bill receivable dishonoured debit to bills receivable account instead of customer account, now rectified)	20,000	20,000

