

"RECTIFICATION OF ERRORS"



TYPES OF ERRORS



! ERROR OF OMISSION -

▪ When a Transaction is omitted to be recorded, either in whole or in Part, it is known as an 'Error of Omission'.

▪ ERROR OF PARTIAL OMISSION

When either of the effect of a Transaction i.e. Debit or Credit is not given.

E.g. Goods purchased from Lakshya For RS. 68,000 recorded in Purchase book but not posted to Lakshya's A/c.

Debit effect given but credit effect not given – **TB will not Agree (Liabilities are understated), No Effect on Profitability**

▪ ERROR OF COMPLETE OMISSION

When both the effects of a Transaction i.e. Debit and Credit are not given.

E.g. Goods purchased from Lakshya For RS. 68,000 neither recorded in Purchase book nor posted to Lakshya's A/c

Both Debit and credit effect not given – **TB will Agree, Profits will be overstated (since expenses are understated)**

! ERROR OF COMMISSION -

▪ If an amount is posted in wrong account, wrong side of an account, wrong amount, wrong Casting, wrong balances carried/brought forward, it is known as an 'Error of Commission'.

E.g. Goods purchased from Lakshya for RS. 68,000 recorded in Purchase book at RS. 68,000 but posted to Lakshya's A/c as RS. 86,000 .

Debited with RS. 68,000 but credited with RS. 86,000
Since, DR. of TB \neq CR. Of TB
TB will not Agree (Liab. Are overstated) No effect on Profitability

E.g. Goods purchased from Lakshya for RS. 68,000 wrongly posted to Vishal's A/c.

Debited with RS. 68,000 and credited with RS. 68,000 (but in wrong account)
Since, DR. of TB = CR. Of TB
TB will Agree No effect on Profitability

! ERROR OF PRINCIPLE -

▪ When a transaction is recorded in contravention to the accounting principles i.e. accounting concepts, accounting conventions or accounting standards, it is known as an 'Error of Principle'.

E.g. Goods purchased from Lakshya for RS. 68,000 recorded as purchase of an asset.

Debited with RS. 68,000 and credited with RS. 68,000
Since, DR. of TB = CR. Of TB
TB will Agree Profits will be overstated (since expenses are understated)

! COMPENSATING ERROR -

▪ When one error is compensated by an another error, it is known as 'Compensating Error'.

E.g. Goods purchased from Lakshya for RS. 68,000 recorded in Purchase Book but not credited to Lakshya's Account. and Sales Book is over-casted by RS. 68,000.

In first error Purchase Account is Debited with RS. 68,000 but Lakshya's Account is not credited.
Therefore, Total DR. \neq CR.
But in second error there is excess CR. Of RS. 68,000.
By this way TB will Agree
Profits will be overstated (since Sales are overstated)

Q1. ICAI CA-Foundation RTP November 2018

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 Rs. 4,500 from M not recored 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 Rs. 5,000 purchased on credit from Ram recorded in the Purchase Book as Rs. 500.

Q2. ICAI CA-Foundation RTP May 2018 and RTP November 2019

The following errors were committed by the Accountant of Geete Dye-Chem.

- (i) Credit sale of Rs. 400 to Trivedi & Co. was posted to the credit of their account.
- (ii) Purchase of Rs. 420 from Mantri & Co. passed through Sales Day Book as Rs. 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 Accounts.

"पढ़ते रहो, सीखते रहो, आगे बढ़ते रहो, क्योंकि पढ़ना बंद तो सीखना बंद और सीखना बंद तो आगे बढ़ना बंद।"

Q.3. ICAI CA-Foundation November 2019 10 Marks

Correct the following errors

- (i) Without opening suspense account and
- (ii) With opening suspense account:
 - (1) The sales book has been totalled Rs. 2,100 short.
 - (2) Goods worth Rs. 1,800 returned by Gaurav & Co. have not been recorded anywhere.
 - (3) Goods purchased Rs. 2,250 have been posted to the debit of supplier Sen Brothers.
 - (4) Furniture purchased from Mary Associates, Rs. 15,000 has been entered in purchased day book.
 - (5) Discount received from Black and White Rs. 1,200 has not been entered in the books.
 - (6) Discount allowed to Radhe Mohan & Co. Rs. 180 has not been entered in the Discount Column of the cashbook. The account of Radhe Mohan & Co. has, however been correctly posted.

Q4. ICAI CA-Foundation RTP May 2019

Write out the Journal Entries to rectify the following errors, using a Suspense Account.

- (1) Goods of the value of Rs. 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 Rs. 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 Rs. 20,000 made to Mr. Ghanshyam was correctly entered in the Sales Day Book but wrongly posted to the debit of Mr. Radheshyam as Rs. 2,000;
- (4) Bad Debts aggregating Rs. 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, 2018 amounting to Rs. 25,000 was not posted.

Q5. ICAI CA-Foundation RTP May 2020 and November 2018 Exam

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:

- (i) Sales Day Book was overcast by Rs. 1,000.
- (ii) A sale of Rs. 5,000 to X was wrongly debited to the Account of Y.
- (iii) General expenses Rs. 180 was posted in the General Ledger as Rs. 810.
- (iv) A Bill Receivable for Rs. 1,550 was passed through Bills Payable Book. The Bill was given by P.
- (iv) Legal Expenses Rs. 1,190 paid to Mrs. Neetu was debited to her personal account.
- (v) Cash received from Ram was debited to Shyam Rs. 1,500.
- (vi) While carrying forward the total of one page of the Purchases Book to the next, the amount of Rs. 1,235 was written as Rs. 1,325.

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.

Q.6. CA-Foundation May 2018 Exam 4 Marks

Give journal entries (narrations not required) to rectify the following:

- (i) Purchase of Furniture on credit from Nigam for Rs. 3,000 posted to Subham account as Rs. 300.
- (ii) A Sales Return of Rs. 5,000 to Jyothy was not entered in the financial accounts though it was duly taken in the stock book.
- (iii) Investments were sold for Rs. 75,000 at a profit of Rs. 15,000 and passed through Sales account.
- (iv) An amount of Rs. 10,000 withdrawn by the proprietor (Darshan) for his personal use has been debited to Trade Expenses account.

Q.7. CA-Foundation May 2018 Exam 10 Marks

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.

- (i) Purchase account was undercast by Rs. 8,000.
- (ii) Sale of goods to Mr. Rahim for Rs. 2,500 was omitted to be recorded.
- (iii) Receipt of cash from Mr. Asok was posted to the account of Mr. Anbu Rs. 1,200.
- (iv) Amount of Rs. 4,167 of sales was wrongly posted as Rs. 4,617.
- (v) Repairs to Machinery was debited to Machinery Account Rs. 1,800.
- (vi) A credit purchase of goods from Mr. Paul for Rs. 3,000 entered as sale.

Suggest the necessary rectification entries.

Q.8. CA-Foundation May 2019 Exam 4 Marks

Give journal entries (with narrations) to rectify the following errors located in the books of a Trader after preparing the Trial Balance:

- (i) An amount of Rs. 4,500 received on account of Interest was credited to Commission account.
- (ii) A sale of Rs. 2,760 was posted from Sales Book to the Debit of M/s Sobhag Traders at Rs. 2,670
- (iii) Rs. 35,000 paid for purchase of Air conditioner for the personal use of proprietor debited to Machinery A/c.
- (iv) Goods returned by customer for Rs. 5,000. The same have been taken into stock but no entry passed in the books of accounts

Q.9. ICAI CA-Foundation Study Material Illustration 6

The following errors, affecting the account for the year 2022 were detected in the books of Jain Brothers, Delhi:

- (1) Sale of old Furniture Rs. 150 treated as sale of goods.
- (2) Receipt of Rs. 500 from Ram Mohan credited to Shyam Sunder.
- (3) Goods worth Rs. 100 brought from Mohan Narain have remained unrecorded so far.
- (4) A return of Rs. 120 from Mukesh posted to his debit.
- (5) A return of Rs. 90 to Shyam Sunder posted as Rs. 9 in his account.
- (6) Rent of proprietor's residence, Rs. 600 debited to rent A/c.
- (7) A payment of Rs. 215 to Mohammad Sadiq posted to his credit as Rs. 125.
- (8) Sales Book casted short by Rs. 900 .
- (9) The total of Bills Receivable Book Rs. 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

Q.10. ICAI CA-Foundation Study Material Illustration 7

Write out the Journal Entries to rectify the following errors, using a Suspense Account.

- (1) Goods of the value of Rs. 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 Rs. 150 entered in the Sales Returns Book, has been posted to the debit of Mr. Philip, who returned the goods;
- (3) A sale of Rs. 200 made to Mr. Ghanshyam was correctly entered in the Sales Day Book but wrongly posted to the debit of Mr. Radheshyam as Rs. 20; and
- (4) The total of "Discount Allowed" column in the Cash Book for the month of September, 2022 amounting to Rs. 250 was not posted.

Q.11. ICAI CA-Foundation Study Material Illustration 8

Mr. Roy was unable to agree the Trial Balance last year and wrote off 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:

- (1) Purchase of a scooter was debited to conveyance account Rs. 3,000.
- (2) Purchase account was over-cast by Rs. 10,000.
- (3) A credit purchase of goods from Mr. P for Rs. 2,000 was entered as a sale.
- (4) Receipt of cash from Mr. A was posted to the account of Mr. B Rs. 1,000.
- (5) Receipt of cash from Mr. C was posted to the debit of his account, Rs. 500.
- (6) Rs. 500 due by Mr. Q was omitted to be taken to the trial balance.
- (7) Sale of goods to Mr. R for Rs. 2,000 was omitted to be recorded.
- (8) Amount of Rs. 2,395 of purchase was wrongly posted as Rs. 2,593.

Mr. Roy used 10% depreciation on vehicles. Suggest the necessary rectification entries.

Q.12. ICAI CA-Foundation Study Material Q1

The trial balance of Mr. W & H failed to agree and the difference Rs. 20,570 was put into suspense account pending the investigation which disclosed that:

- (i) Purchase returns day book had been correctly entered and totalled at Rs. 6,160, but had not been posted to the ledger.
- (ii) Discounts received Rs. 1,320 had been debited to discounts allowed.
- (iii) The Sales account had been under added by Rs. 10,000.
- (iv) A credit sale of Rs. 1,470 had been debited to a customer account at Rs. 1,740.
- (v) A vehicle bought originally for Rs. 7,000 four years ago and depreciated to Rs. 1,200 had been sold for Rs. 1,500 in the beginning of the year but no entries, other than in the bank account had been passed through the books.
- (vi) An accrual of Rs. 560 for telephone charges had been completely omitted.
- (vii) A bad debt of Rs. 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 Rs. 23,390 with a credit provision for bad debts at Rs. 2,320.
- (viii) Tools bought for Rs. 1,200 had been inadvertently debited to purchases.
- (ix) The proprietor had withdrawn, for personal use, goods worth Rs. 1,960. No entries had been made in the books.

Q.13. CA-Foundation June 204 Exam Q2(a) 12 Marks

The Trial Balance of Mr. Sarvesh Kumar as on 31st March, 2024 did not tally and the difference was posted to Suspense Account. On a scrutiny of the books, the following errors were detected:

- (i) The total of Sales Returns Book for January 2024 has been casted short by Rs. 1,000.
- (ii) Freight paid for installation of a Machine Rs. 6,500 was posted to the Freight accounts as Rs. 5,600.
- (iii) Goods of the value of Rs. 2,500 returned by a customer were entered in the Sales day Book and posted there from to the credit of his account.
- (iv) Rs. 18,000 paid for purchase of old Motorcycle for personal use of Mr. Sarvesh Kumar was debited to conveyance account.
- (v) A purchase of Rs. 6,700 had been posted to creditor's account as Rs. 6,000.
- (vi) Receipt of cash Rs. 5,000 from Mr. Avinash was posted to the debit of his account.
- (vii) A cheque for Rs. 2,500 received from Mr. Alok had been dishonoured and was posted to the debit of Mr. Ashok.
- (viii) Sale of Rs. 8,500 to Mr. Deepak was recorded in the sales book correctly but while posting in ledger credited to his account.
- (ix) The total of "Discount Allowed" column in the cash book for the month of December 2023 amounting to Rs. 3,800 was not posted.
- (x) Sale of old office table for Rs. 2,200 treated as sale of goods.

You are required to pass necessary journal entries with narrations to rectify the above errors.



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