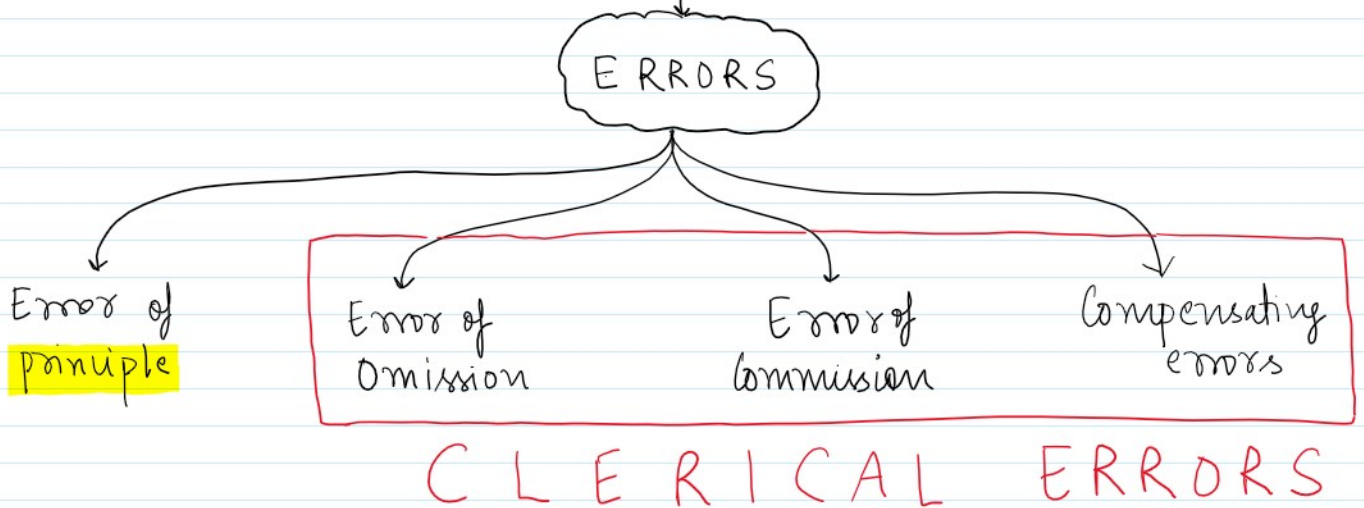
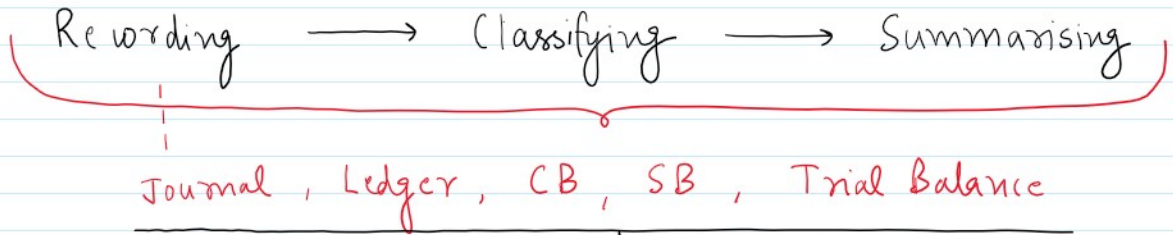


CH: 2 Unit 6 - Rectification of errors



① **Error of Principle** - When an accounting principle is **voilated** (मैट पाप)

When Revenue expenditure is treated as Capital expenditure
(RE → CE)

eg Salary paid ₹ 5,000

Dr.	P&L A/c
नहीं लिखा	
B/S	
	(Dr)
	Salary 5,000

(CE)

When Capital expenditure is treated as Revenue expenditure
(CE → RE)

eg:- Wages paid ₹ 2000 on installation of **Machine**

Dr.	Trading A/c
Wages 2000	
B/S	
	Machine 2000

नहीं करा

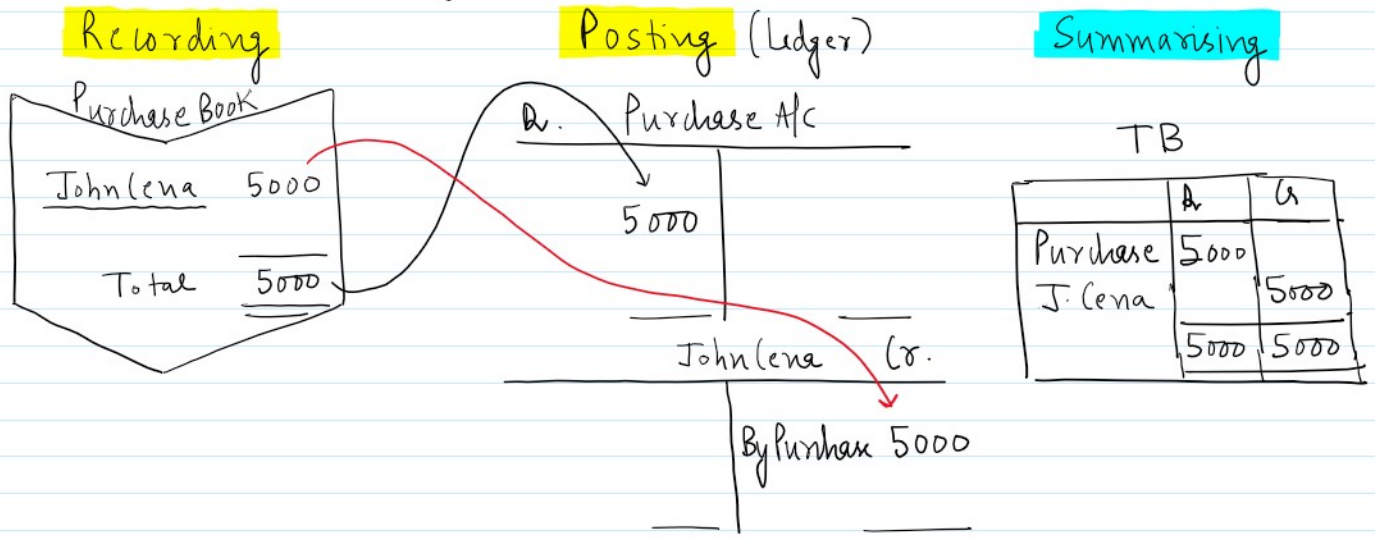
CE

~~मानने 1000~~
नहीं करा

② Error of Omission → भूल जाना

- Complete Omission : Reording (x) Posting (x)
- Partial Omission : Reording (✓) Posting (x)

eg:- Purchased goods worth ₹ 5000 from John Cena



Complete Omission

Reord (x)

Posting (x)

Partial Omission

Reord (✓)

Posting
(John Cena) (x)

(iii) Error of Commission (भ्रिण - 2 यतिर) - various types of errors

a) Error of reording

eg Goods purchased from Sallu ₹ 5000



To Sales A/c 5000

b) Error of Casting -- Total करना

10,000	10,000
(+ 5,000)	(+ 6,000)
(+ 2,000)	(+ 1,000)
<u>20,000</u>	<u>14,000</u>

Over Casting

Under Casting

(c) Error in Carrying forward

a	Machine A/c		b
		By bal fd	12,098
			<u>12000</u>
To bal b/d	12,089		<u>12000</u>

(d) Error in POSTING

eg:- Goods purchased from John Cena ₹ 5000

Rewording
Purchase A/c Dr
To J. Cena

Purchase Book	
John Cena	5000

SRK
By Purchase 5000

John Cena
By P 50,000

Dr. John Cena
To P 5000

"WRONG ACCOUNT"

"WRONG AMOUNT"

"WRONG SIDE"

WRONG ACCOUNT

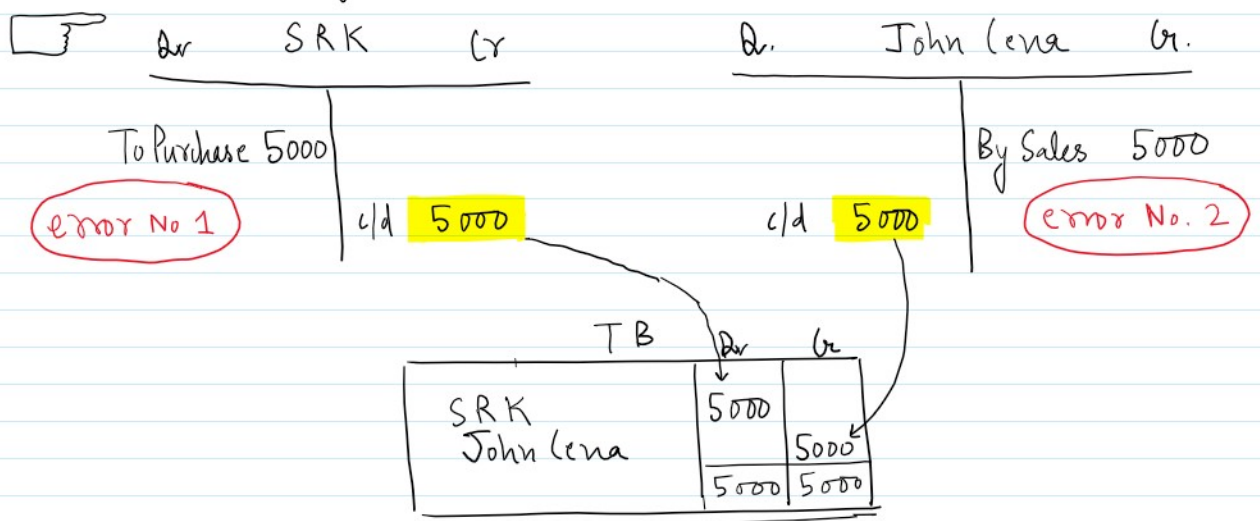
AMOUNT

WRONG SIDE

Etc Etc.

(iv) **Compensating errors** - Those errors in which effect of one error is nullified by other error

eg:- Purchased goods from SRK 5000
Sold goods to J. Cena 5000



TRIAL BALANCE TALLIES

Q:- Which error affects Trial Balance ?

- (i) Compensating error - TB **WILL** tally
- (ii) Principle error - TB **WILL** tally
- (iii) Complete Omission - TB **WILL** tally
- (iv) Partial Omission - TB **WILL NOT** tally
- (v) Posting on Wrong Side - TB **WILL NOT** tally
- (vi) Posting in Wrong A/c - TB **WILL** tally
- (vii) Posting wrong amount - TB **WILL NOT** tally
- (viii) Reversing error - TB **WILL** tally

(viii) Reording error - TB **WILL** tally

* **Stages of Rectification of Errors** *

Stage I

Before Preparation of trial Balance

- NO Journal entry
 - Only statement
- { Not relevant for exam }

Stage II

After Trial Balance but before financial statements

- Journal entry is passed
- Suspense A/c will be used (if required)

Stage III

After financial statements i.e. Next accounting period

- Same concept as of Stage II, just replace Nominal A/c with **P&L adjustment A/c** (Prior Period item A/c)

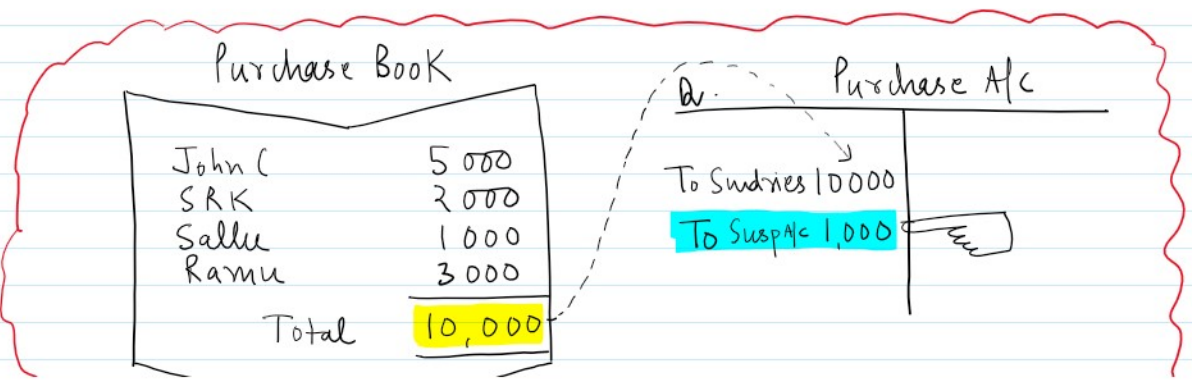
* Balance of Suspense A/c & P&L adjustment A/c is to be transferred to **CAPITAL A/c**.

x ————— x ————— x ————— x ————— x

STAGE I (Before Trial Balance)

eg ① Total of Purchase Book is undercast by 1,000

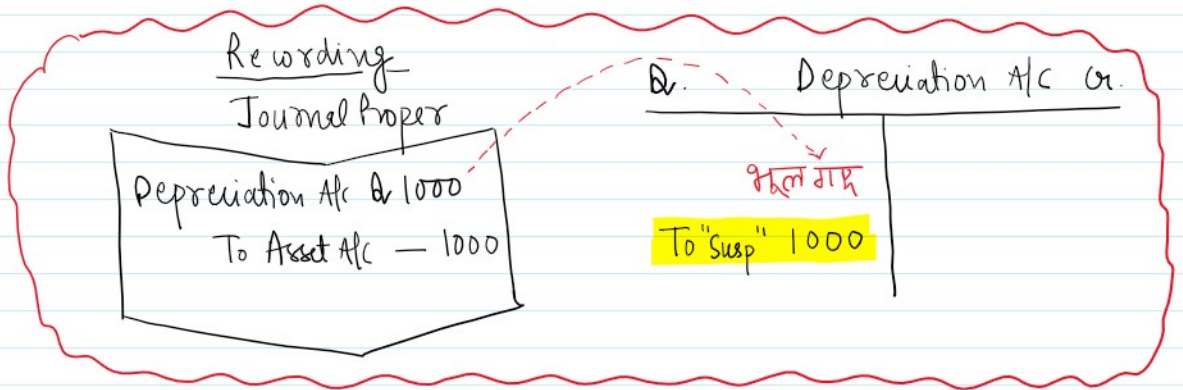
Ans :- To "undercasting of PB" ₹ 1000



Total 10,000

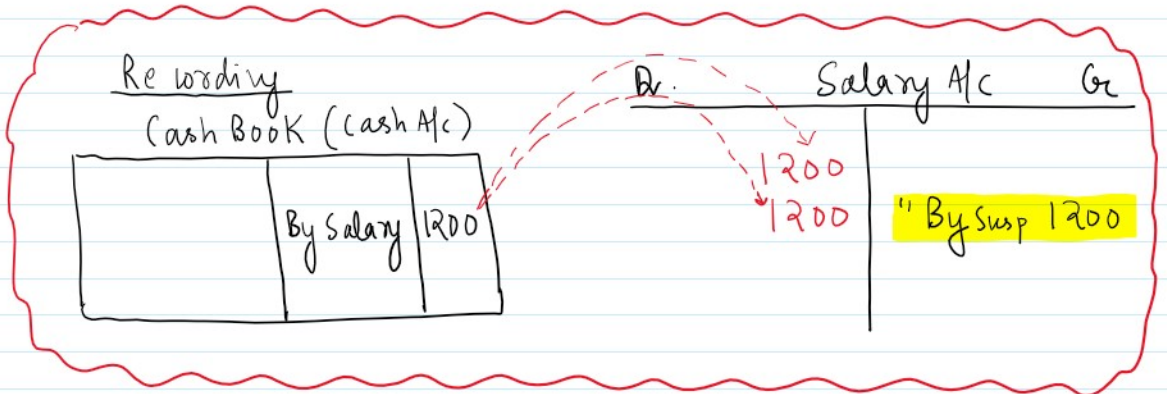
eg ② Sum of ₹1000 written off as depreciation has not been posted to Depreciation A/c

Ans :- To "Omission of depreciation" ₹1000



eg ③ Payment of ₹1,200 salary to employee has been posted twice in Salary A/c

Ans :- By "double posting" ₹1200



STAGE II (After TB)

eg ① Same

Ans :-

Purchase A/c	Dr. 1000
To Suspense A/c	1000

eg ② Same

eg (2) Same

Ans:-

Depreciation A/c	Dr.	1000
To Suspense A/c		1000

eg (3) Same

Ans:-

Suspense A/c	Dr.	1200
To Salary A/c		1200

(A) Error of Reording / Principle error

In these cases we can follow the (4) steps :-

- WN →
- Step (1) Wrong entry
 - Step (2) Reverse of wrong entry
 - Step (3) Correct entry

Ans: Step (4) $\boxed{=}$ Step (2) + step (3)
(Rectifying entry)

eg :- Credit Sale of ₹ 1800 to SRK was reorded as Credit purchase of ₹ 1200 from J. Cena

Sol:- 1) Wrong entry

Purchase A/c	Dr.	1200
To J. Cena		1200

2) Reverse of Step 1

J. Cena	Dr.	1200
To Purchase A/c		1200

3) Correct entry

SRK	Dr.	1800
To Sales A/c		1800

SRK	Dr.	1800
J. Cena	Dr.	1200
To Purchase A/c		1200
To Sales A/c		1800

eg (2) Wages paid on Installation of machine ₹ 2000

eg ② Wages paid on Installation of machine ₹ 2000 was recorded (debited) as Wages A/c 2000

Sol:-

Step 1 (WE) Wages A/c Dr. 2000
To Cash A/c 2000

Step 2 (Reverse) Cash A/c Dr. 2000
To Wages A/c 2000

Step 3 (CE) Machine A/c Dr. 2000
To Cash A/c 2000

Machine A/c Dr. 2000
To Wages A/c 2000

(B) Error of Complete Omission

- In these cases, we have to pass correct journal entry

eg:- Goods purchased ₹ 700 from Sonu has not been recorded.

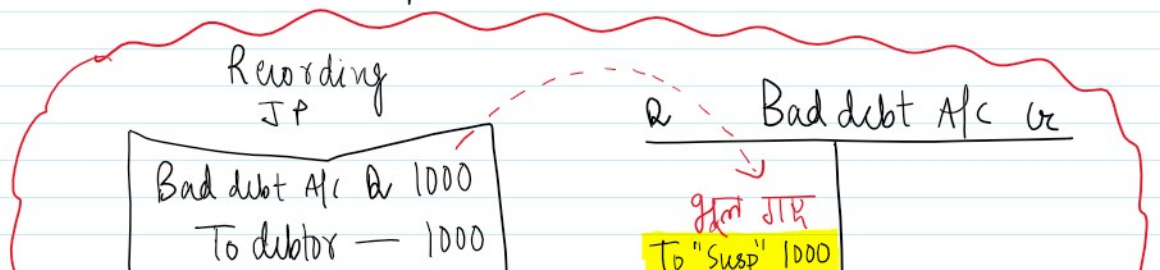
Sol:- Purchase A/c Dr. 700
To Sonu 700

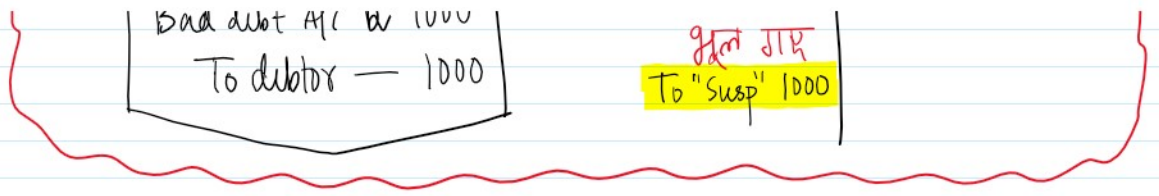
(C) Error of Partial Omission

{ Recording ✓ Posting X }

eg: A Sum of 1000 written off as Bad debt, is not posted to Bad debt A/c

Sol:- Bad debt A/c Dr. 1000
To Suspense A/c 1000

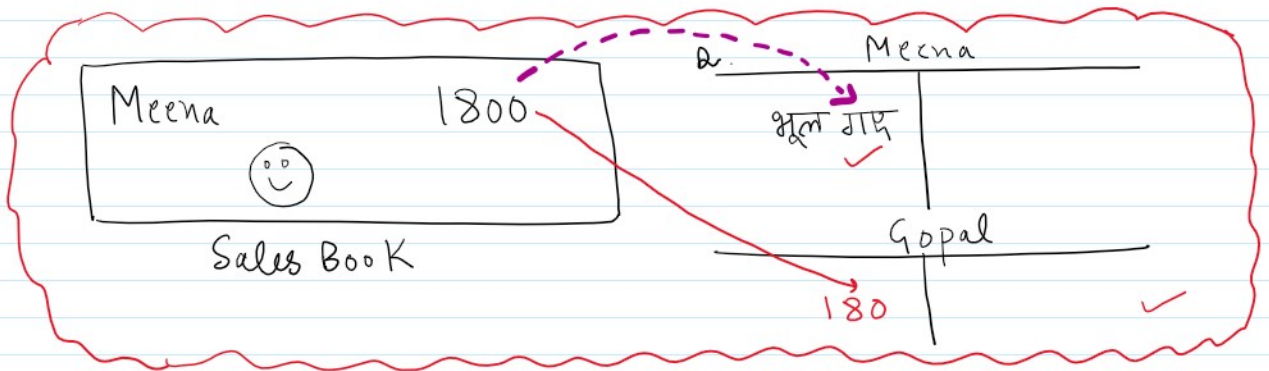




(D) Error of Commission - Critical thinking

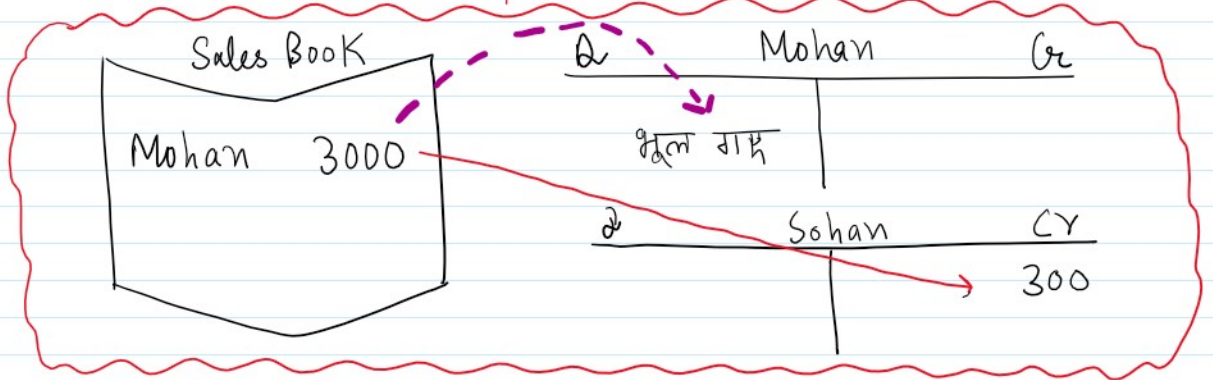
eg ① Sale of ₹ 1800 to Meena was posted as ₹ 180 to Gopal

Sol:- Meena Dr. 1800
 To Suspense A/c ——— 1620
 To Gopal ——— 180



eg ② Sales to Mohan ₹ 3000 was credited to Sohan A/c as ₹ 300

Ans:- Mohan Dr. 3000
 Sohan Dr. 300
 To Suspense A/c ——— 3300



STAGE III : After preparation of financial statements
 (Next Accounting period)

Step 2 Reverse :- Sonu Dr. 5000
To Purchase A/c ————— 5000

Step 3 C.E :- Sonu Dr. 6000
To Sales A/c ————— 6000

Step 4 R.E :- Sonu Dr. 11000
(2+3) To Purchase A/c ————— 5000
To Sales A/c ————— 6000

SONU Dr. 11000
To P+L adjustment A/c ————— 11000

* Balance of Suspense A/c + P+L adjustment A/c is transferred to Capital A/c

* One sided errors affects Trial Balance (i.e. it will NOT tally)
जिसमें Suspense A/c आ जाय

Two sided errors will not affect Trial Balance (i.e. it will tally)
जिसमें Suspense A/c नहीं आय

X ————— X ————— X ————— X