

REVISION SERIES

CA FOUNDATION

ACCOUNTS & ECONOMICS

SEP 25

#100Mein100

CA Hardik Manchanda

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Study Material ✓
PYQs / RTPs / MTPs

PDF Telegram

Rectification of Errors

Illustration 3: Give journal entries to rectify the following:

1. A purchase of goods from Ram amounting to Rs.150 has been wrongly entered through the Sales Book Recording
2. A Credit sale of goods amounting Rs.120 to Ramesh has been wrongly passed through the Purchase Book.
3. On 31st December, 2022 goods of the value of Rs. 300 were returned by Hari Saran and were taken into inventory on the same date but no entry was passed in the books. Sales Ret
4. An amount of Rs. 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 Rs. 100 received from Man Mohan was dishonoured and had been posted to the debit of Sales Returns Account.

Correct

Purch. Dr 150
To Ram 150

Wrong

Ram 150
To Sales 150

Rect

Purch. Dr 150
Sales Dr 150
To Ram 300

→ Ramesh 120
To Sales 120

Purch. Dr 120
To Ramesh 120

Ramesh Dr 240
To Purch 120
To Sales 120

4. Bank 200
To Bad debt Rec 200

Bank 200
To Mahesh Chand 200

Mahesh chand Dr 200
To Bad debt Rec 200

5. Man Mohan Dr 100
To Bank 100

Sales Ret Dr 100
To Bank 100

Man Mohan Dr 100
To Sales Ret 100

Journal

1. Purch. Dr. 150
 Sales Dr. 150
 To Ram 300

3. Sales Ret Dr 300
 To Hari Sonan 300

Sales Book

1. Singh & Co.
2.

200

⋮

Total

xxx

L Sales A/c

Susp Dr. 493

Illustration 5: Correct the following errors found in the books of Mr. Dutt. The Trial Balance was out by Rs. 493 excess credit. The difference thus has been posted to a Suspense Account.

1. An amount of Rs.100 was received from D. Das on 31st December, 2022 but has been omitted to enter in the Cash Book. - Rec - 100 Total
2. The total of Returns Inward Book for December has been casted short by Rs.100.
3. The purchase of an office table costing Rs. 300 has been passed through the Purchases Day Book.
4. Rs. 375 paid for Wages to workmen for making show-cases had been charged to "Wages Account".
5. A purchase of Rs. 67 had been posted to the trade payables' account as Rs. 60.
6. A cheque for Rs. 200 received from P. C. Joshi had been dishonoured and was passed to the debit of "Allowances Account".
7. Rs. 1,000 paid for the purchase of a motor cycle for Mr. Dutt for his personal use had been charged to "Miscellaneous Expenses Account".
8. Goods amounting to Rs.100 had been returned by customer and were taken into inventory, but no entry in respect thereof, was made into the books.
9. A sale of Rs. 200 to Singh & Co. was wrongly credited to their account. Entry was correctly made in sales book.

3. Furniture A/c Dr. — Purch Dr.
To Supp To Supp

4. Furniture Dr. — Wages Dr.

5. Purchase Dr 67
To Trade pay. 67 —→ Trade pay 60.

6. P.C. Joshi Dr 200 —→ Allowance Dr 200
To Bank Dr 200

7. Drawings Dr 1000 — Misc Exp Dr
To Bank A/c 1000

8. Singh & Co. Dr 200
To Sales A/c 200 —→ Singh & Co 200
Singh & Co Cr. + 200
400

Journal

1. Cash A/c Dr. 100
 To D. Das 100

2. Sales Ret A/c Dr. 100
 To Susp A/c 100

3. Furniture Dr. 300
 To purch A/c 300

4. Turn. A/c Dr. 375
 To Wages A/c 375

5. Susp Dr. 7
 To Trade pay. 7

6. P.C. Joshi Dr. 200
 To Allowance A/c 200

7. Drawings Dr. 1000
 To Misc Exp A/c 1000

8. Sales Return A/c Dr. 100
 To Debtor A/c 100

9. Singh & Co. Dr. 400
 To Susp A/c 400

Question 1: 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:

1. Purchase returns day book had been correctly entered and totalled at Rs. 6,160, but had not been posted to the ledger. **Cr**
2. Discounts received Rs. 1,320 had been debited to discounts allowed.
3. The Sales account had been under added by Rs. 10,000.
4. A credit sale of Rs. 1,470 had been debited to a customer account at Rs. 1,740. **By**
5. 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.
6. An accrual of Rs. 560 for telephone charges had been completely omitted.
7. 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.
8. Tools bought for Rs. 1,200 had been inadvertently debited to purchases.
9. The proprietor had withdrawn, for personal use, goods worth Rs. 1,960. No entries had been made in the books.

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 and also prepare suspense account.

4. Customer Dr 1470 ——— Dr 1740
To Sales A/c 1470

5. Bank A/c Dr 1500 ✓
To vehicle 1200
To gain on Sale 300

Trial Bal.

	Dr	Cr.
Trade Rec.	23390	
Prov. for DD		2320 ^{old}
		↓
	28L Dr. 2320	
	To prov. 2320	

1. Bad debt Dr 1560 ✓
To Debtor A/c 1560

2. Prov for DD 1560
to Bad debt Dr. 1560

$$\underline{\underline{WN}} \quad \text{Trade Rec} = \frac{23390}{(1560)}$$

(→ Bad debt

21830

(270)

21560

2156

10% provision

→ old provision

(760)

1396

Pr 86 Dr 1396

To prov 1396

Journal

1. Susp A/c Dr. 6160
To purch Ret A/c 6160
2. Susp A/c Dr. 2640 -
To Disc. allowed A/c 1320
To Disc Rec A/c 1320
3. Susp A/c Dr 10,000
To Sales A/c 10,000
4. Susp Dr. 270
To Customer A/c 270
5. Susp Dr 1500
To vehicle 1200
To gain on sale 300
6. Telephone charges Dr. 560
To o/s telep ch. 560
7. 1. Bad debt Dr. 1560
To Trade Rec. 1560
2. Prov. for D D Dr. 1560
To Bad debt 1560
3. P&L A/c Dr 1396
To prov. 1396

8. Pools Dr 1200
 To purch Alc 1200

9. Drawings Dr. 1960
 To purch Alc 1960

Susp Alc

Dr.			Cr.
To purch Ret Alc	6160	by diff in T/B	20570
To disc all.	1320		
To disc rec.	1320		
To Sales	10.000		
To vehicle	1200		
To gain on sale	300		
To customer	<u>270</u>		<u> </u>

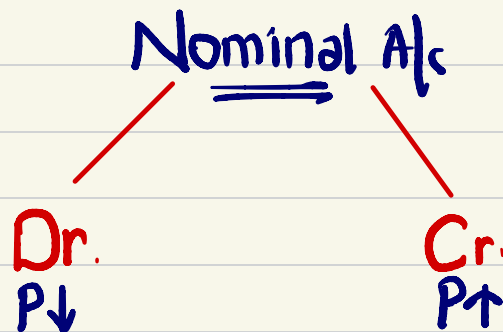
Susp Cr. 150

Question 2: On going through the Trial balance of Ball Bearings Co. Ltd. you find that the debit is in excess by Rs.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 casted in excess by Rs. 50.
2. The "Sales Account" has been totalled in short by Rs.100.
3. Supplier account has been overcast by 225.
4. The sale returns of Rs.100 from a party has not been posted to that account though the Party's account has been credited.
5. A cheque of Rs.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 Rs.50 has been credited to the Sales and also to the Trade Receivables Account.

You are required to

- a. Pass necessary journal entries for correcting the above;
- b. Show how they affect the Profits; and
- c. Prepare the "Suspense Account" as it would appear in the ledger



1. S/R Dr. 100
To Customer 100

2. S/P Dr. 500 — Purch A/c Dr.
To Bank A/c 500

3. S/R Dr. 50 — Cr. 50 T/R Dr. 50 100
To Sales A/c 50

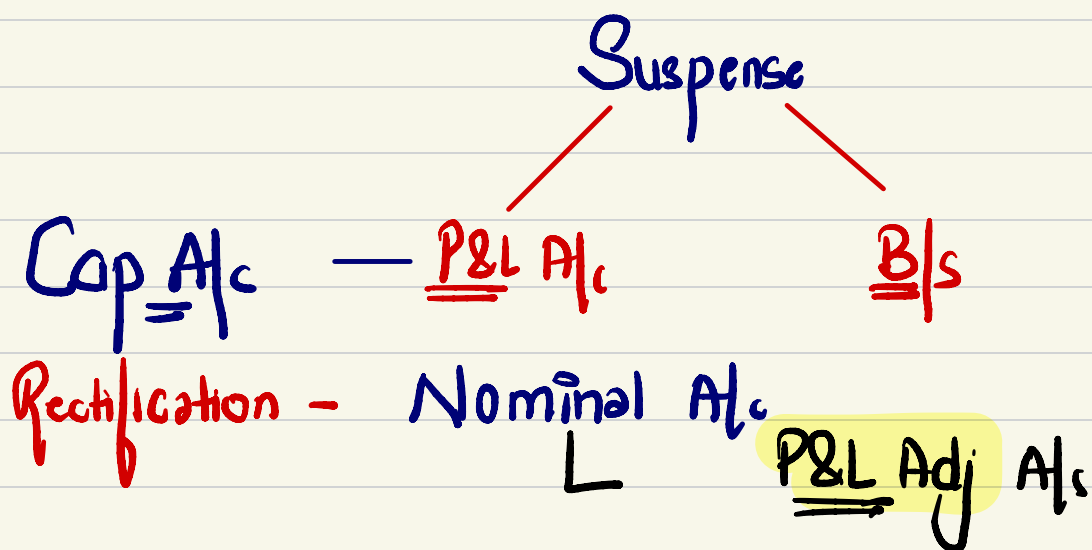
Dr.	TR	Cr.
100		50
		<u>Dr bal. 50</u>

S.No.	Part	Dr	Cr.	Effect on Profit
1.	Susp Dr. To Exp A/c	50	50	Increase by ₹50 ✓
2.	Susp To Sales A/c	100	100	Increase by ₹100 ✓
3.	Supplier A/c To Susp A/c	225	225	No effect
4.	Sales Ret Dr. To Susp A/c	100	100	Decrease by ₹100 ✓
5.	Trade Pay. Dr. To Purch A/c	500	500	Inc by ₹500 ✓
6.	Trade Rec Dr. To Susp A/c	100	100	No effect
	Net Impact on Profit			Inc. by ₹550

Susp A/c

			Cr.
To exp	50	by diff. in T.B.	150
To Sales	100	by supplies	225
To bal c/d	425	by Sales Ret	100
		by T/R	100
	<u>575</u>		<u>575</u>

↓
All the errors have not been rectified.



Question 3: Mr. A closed his books of account on September 30, 2021 in spite of a difference in the trial balance. The difference was Rs. 830 the credits being short; it was carried forward in a Suspense Account. In 2022 following errors were located:

L Susp - Cr.

L B/s

1. A sale of Rs. 2,300 to Mr. Lala was posted to the credit of Mrs. Mala.
2. The total of the Returns Inward Book for July, 2021 Rs. 1,240 was not posted in the ledger.
3. Freight paid on a machine Rs. 5,600 was posted to the Freight Account as Rs. 6,500. 10% Depreciation is charge on this machine.
4. While carrying forward the total in the Purchases Account to the next page, Rs. 65,590 was written instead of Rs. 56,950.
5. A sale of machine on credit to Mr. Mehta for Rs. 9,000 on 30th sept. 2021 was not entered in the books at all. The book value of the machine was Rs. 6,750.

Pass journal entries to rectify the errors. Have you any comments to make?

1. Mr. Lala 2300
 To Sales A/c 2300 Mrs Mala Cr

2.

Journal

1. Mrs. Mala Dr. 2300
Mr. Lala Dr. 2300
To Susp. A/c. 4600

2. P&L Adj Dr. 1240
To Susp A/c. 1240

3. a Mach Dr. 5600
Susp Dr. 900
To P&L Adj A/c. 6500

b. P&L Adj Dr. 560
To Mach A/c. 560

4. Susp Dr. 8640
To P&L Adj Dr. 8640

5. Mr. Mehta Dr. 9000
To Machine 6750
To P&L Adj A/c. 2250

WN

P&L Adj A/c

To Susp A/c	1240	by Mach.	5600
To Mach A/c	560	by Susp.	900
To bal cld	15590	by Susp	8640
		by Mr. Mehta.	9250

Susp A/c

To P&L Adj	900	by bal b/d	830
To P&L Adj	8640	by Mrs. Mala	2300
		by Mr. Lala	2300
		by P&L Adj	1240
		by bal cld	2870
	=		=

↓
All errors have not been rectified.

Question 4: A merchant's trial balance as on June 30, 2022 did not agree. The difference was put to a Suspense Account. During the next trading period, the following errors were discovered:

1. The total of the Purchases Book of one page, Rs. 4,539 was carried forward to the next page as Rs. 4,593. **54**
2. A sale of Rs. 573 was entered in the Sales Book as Rs. 753 and posted to the credit of the customer.
3. A return to a creditor, Rs. 510 was entered in the Returns Inward Book; however, the creditor's account was correctly posted.
4. Cash received from C. Dass, Rs. 620 was posted to the debit of G. Dass.
5. Goods worth Rs. 840 were despatched to a customer before the close of the year but no invoice was made out.
6. Goods worth Rs. 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

2. Debtor 573
To Sales A/c 573

Debtor 753
To Sales A/c 753

Dr. 753
Cr. 573
Dr 180

Debtor Dr 1326
Sales Dr 180

3. Creditor Dr 510
To P/R 510

S/R Dr 510

Nominal
P/L Adj

Susp 1020
To S/R A/c 510
To P/R A/c 510

4. Cash 620
To C. Dass 620

C. Dass Dr 620

Journal

1. Susp Dr. 54
To P&L Adj A/c 54.

2. Debtor Dr. 1326
P&L Adj Dr. 180
To Susp A/c 1506

3. Susp Dr. 1020
To P&L Adj 1020.

4. Susp Dr. 1240
To G. Dass 620
To C. Dass 620

5. Customer Dr. 840
To P&L Adj A/c 840

6. a. P&L Adj Dr. 1000 ^{SP}
To Customer A/c 1000

b. Closing stock Dr. 800
↓
Cost To P&L Adj A/c 800 ↓

$$\begin{aligned} x + 0.25x &= 1000 \\ 1.25x &= 1000 \\ x &= 800 \end{aligned}$$

Trading A/c
by d/s

7. P&L Adj Dr 1534
 To Cap Adj 1534

WN

P&L Adj Adj

To Susp	180	by Susp	54
To customer	1000	by Susp	1020
To Cap Adj	1534	by customer	840
	<u>1534</u>	by clos. stock	800
			<u>1534</u>

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.

3. Purch Dr 2000 Mr. P 2000
 To Mr. P 2000 To Sales 2000

↓

Sales Dr 2000 P&L Adj
Purch Dr 2000
 To Mr. P 4000

Cash
To Mr. A 1000 Mr. B

- Cash 500 Mr. C Dr 500
 To Mr. C 500 ↓

To Mr. C 1000

Journal

1. a. Scooter Dr. 3000
To P&L Adj A/c 3000
- b. P&L Adj Dr. 300
To Scooter 300
2. Susp Dr. 10,000
To P&L Adj A/c 10,000
3. P&L Adj Dr. 4000
To Mr. P 4000
4. Mr. B Dr. 1000
To Mr. A 1000
5. Susp Dr. 1000
To Mr. C 1000
6. Mr. Q Dr. 500
To Susp A/c 500
7. Mr. R Dr. 2000
To P&L Adj A/c 2000
8. Susp Dr. 198
To P&L Adj 198

9. P&L Adj To Roy cap 10898 10898
10. Mr. Roy Cap 10698 10698
To Susp

P&L Adj A/c

To Scooter To Mr. P	300 4000	By Scooter by Susp	3000 10.000
To Roy cap A/c	10898 <u> </u>	by Mr. R by Susp	2000 198 <u> </u>

Susp A/c

To P&L Adj To Mr. C To P & L Adj	10.000 1000 198 <u> </u>	By Mr. Q by Roy cap	500 10698 <u> </u>
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