

01. Rectification Of Errors



ERRORS COMMITTED DURING THE FOLLOWING STAGES NEED RECTIFICATION



STAGES OF RECTIFICATION ERRORS

Before Preparation of trial balance

After preparation of trial Balance

After preparation of final Accounts (i.e. Next F.Y.)



RECTIFICATION OF ERRORS DURING PREPARATION OF TRIAL BALANCE

a. Error made while recording in Journal/Subsidiary Books



Example:- Purchase of goods for cash ₹5000 recorded as credit purchase from Ram.



Correct → As it is → supposed to be recorded but not recorded → so now we record.
Wrong → Reverse → not supposed to be recorded, but recorded → so now reverse by mistake

Solution:

Purchase A/c Dr. 5000

Cash A/c Cr. 5000

As it is

Purchase A/c Dr. 5000

Ram A/c Cr. 5000

Reverse this entry

~~Purchase a/c Dr. 5000~~

~~Cash a/c Cr. 5000~~

~~Ram a/c Dr. 5000~~

~~Purchase a/c Cr. 5000~~

Rectification entry to be passed : - Ram a/c Dr. 5000

Cash a/c Cr. 5000

APOTB
No suspense
D.E complete



Example...

Routine repairs to machine ₹3000 were Debited to Machine A/c

Solution:

Repair a/c Dr. 3000

Cash a/c Cr. 3000

As it is

Machine a/c Dr. 3000

Cash a/c Cr. 3000

Reverse this

~~Repair Dr. 3000~~

~~Cash Cr. 3000~~

~~Machine Cr. 3000~~

~~Cash Dr. 3000~~

Rectification entry to be passed : - Repair Dr. 3000

Machine Cr. 3000



Example....

Credit purchase of goods from Rohan ₹10,000 recorded in Sales Book

Solution:

Purchase A/c Dr. 10000
Rohan A/c Cr. 10000

As it is

Rohan A/c Dr. 10000
Sales A/c Cr. 10000

Reverse this

Purchase a/c Dr. 10000
Rohan a/c Cr. 10000
Rohan a/c Cr. 10000
Sales a/c Dr. 10000

Rectification Entry will be:- Purchase a/c Dr. 10000
Sales a/c Dr. 10,000
Rohan a/c Cr. 20000



Example....

Sales Return from Sumit ₹50000 recorded in Sales Book

Solution:

Sales Return Dr. 50000
Sumit Cr. 50000

As it is

Sumit A/c Dr. 50000
Sales A/c Cr. 50000

Reverse this

Sales Return Dr. 50000
Sumit Cr. 50000
Sumit Cr. 50000
Sales Dr. 50000

Rectification Entry will be :- Sales Return Dr. 50000
Sales Dr. 50000
Sumit Cr. 100,000

APOTB

↓

No suspense a/c



Example....

Total of purchase book was overcast by 1000.

Assume: Correct Total = 1,00,000

Solution:

E → SB : Totaling
R → B4 p of TB

(c)

Purchase A/c Dr. 1,00,000

As it is

Purchase A/c Dr. 1,00,000
Purchase A/c Cr. 1,01,000

Reverse this

Purchase A/c Dr. 1,01,000

Rectification Entry will be :- Purchase a/c Cr. 1000



C Purchase a/c Dr. 100000

Example....

W Purchase a/c Dr. 90000

(R)

Purchase a/c Dr. 100000
Purchase a/c Cr. 90000

↑ under total

Total of purchase book undercast by 10000.
Assume: Correct Total = 1,00,000

Purchase a/c Dr. 10000

Solution:

Purchase A/c Dr. 1,00,000

As it is

Purchase A/c Dr. 90,000

Reverse this

Purchase A/c Dr. 10000
Purchase A/c Cr. 90000

Rectification Entry will be:- Purchase a/c Dr. 10000

E: SB → Totaling
R: But Prep of TB



Example....

C Sales a/c Cr. 100,000 W Sales a/c Cr. 105,000

R Sales a/c Cr. 100,000

Sales a/c Dr. 105,000

Total of Sales Book overcast by 5000
Assume: Correct Total = 1,00,000

Sales a/c Dr. 5000

Suspen. Cr. (APOTB)

Sales a/c Cr. 105000

Sales A/c Cr. 1,00,000

As it is

Sales a/c Cr. 100000
Sales a/c Dr. 105000

Reverse this

Rectification Entry will be:- Sales a/c Dr. 5000

C Sales a/c Cr. 100,000

W Sales a/c Cr. 97,000

R Sales a/c Cr. 100,000

Sales a/c Dr. 97,000

Example....

Sales Cr. 3000

↑ under total

Total of Sales Book undercast by ₹3000.

Assume: -Correct Total = 100000



Solution:

Sales A/c Cr. 1,00,000

As it is

Sales a/c Cr. 1,00,000

Sales a/c Dr. 97000

Reverse this

APOTB

Rectification Entry will be:- Sales a/c Cr. 3000

Suspen. Dr. 3000
P&L adj. Cr. 3000

b. Errors made while posting in Ledger



Example....

₹50,000 received from Shyam Cr. to Ram A/c

C Cash Dr. 50000
Shyam Cr. 50000

W Cash Dr. 50000
Ram Cr. 50000

Cash a/c Dr. 50000
Ram a/c Cr. 50000

Solution: Cash a/c Dr. 50000

Shyam a/c Cr. 50000

As it is

R
Cash a/c Dr. 50000
Shyam a/c Cr. 50000
Cash a/c Cr. 50000
Ram a/c Dr. 50000

Reverse this

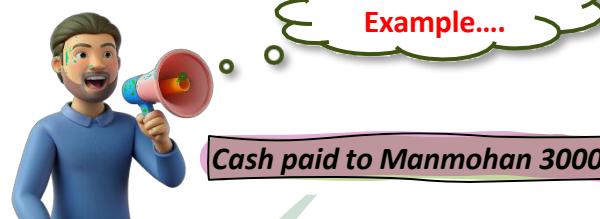
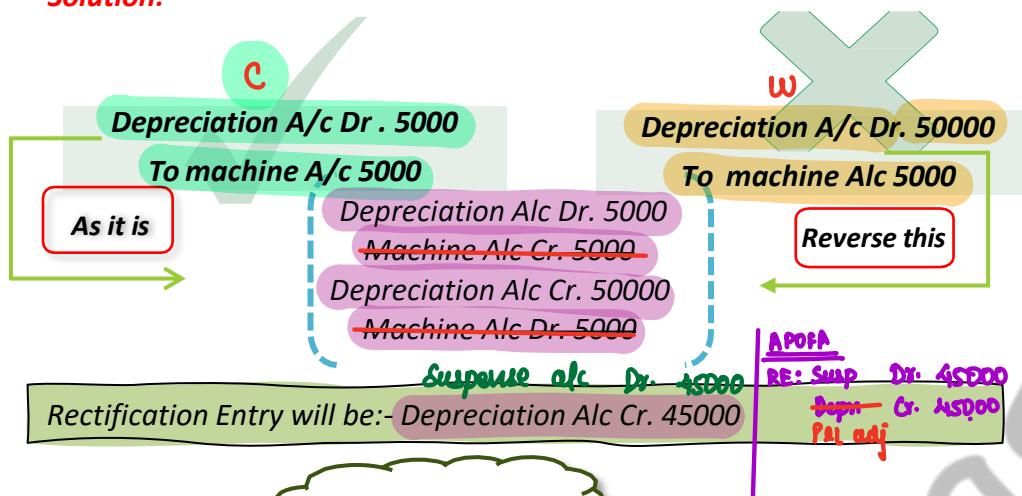
Rectification Entry will be:- Ram a/c Dr. 50000
Shyam a/c Cr. 50000



Example....

Depreciation to Machine 5000, dr. to Depreciation a/c as 50000.

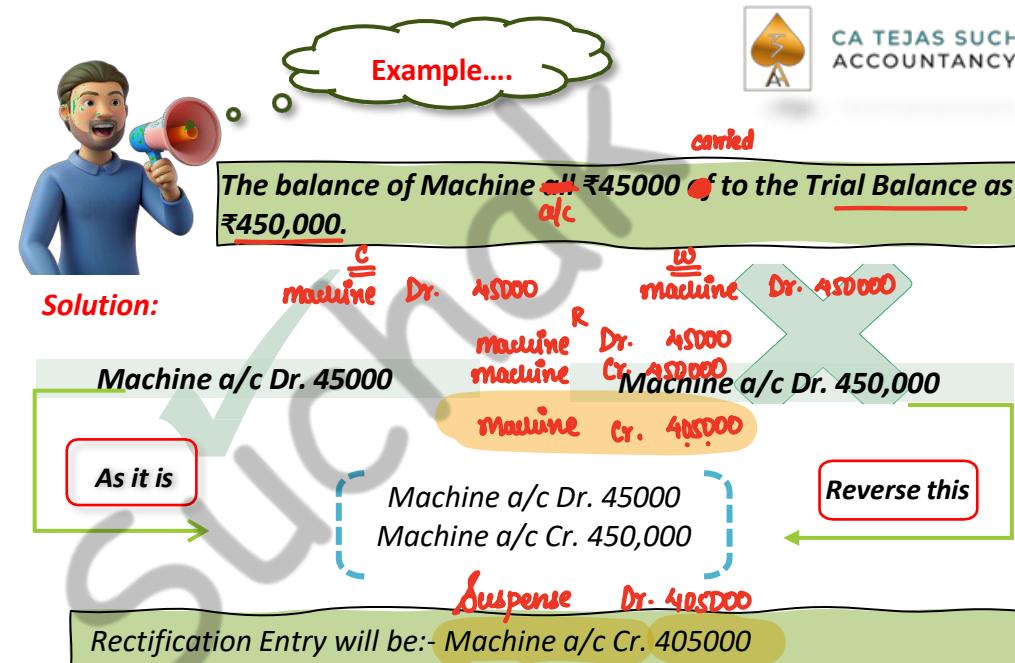
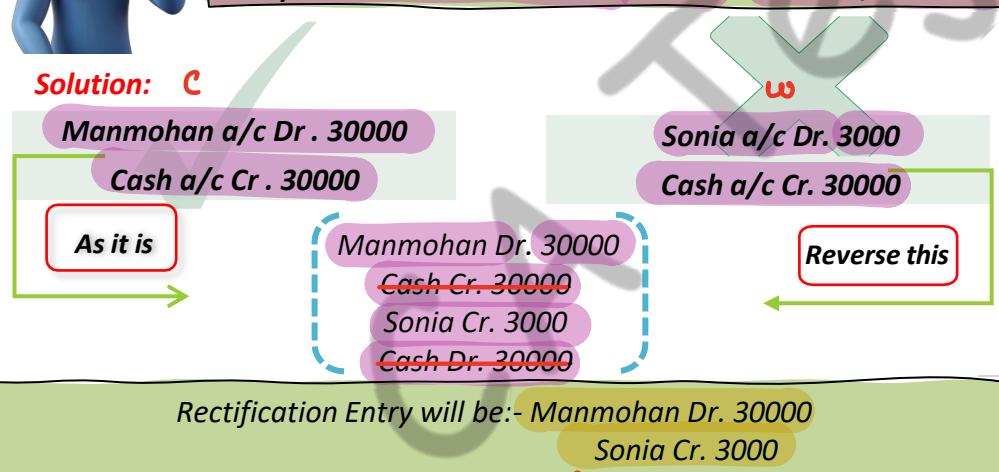
Solution:



Example....

Cash paid to Manmohan 30000 debited to Sonia a/c as 3000.

Solution: C





SUMMARY OF THE ABOVE PROCEDURE

01 Derive the correct entry

This entry was supposed to be recorded but is not recorded yet

Now, derive the wrong entry

02

This entry was not supposed to be recorded but is unfortunately recorded.

03 Now with the help of above two entries arrive at the rectification entry.

Record the correct entry as it is. Reverse the wrong entry already passed.



The net effect of the above will be the rectification entry



TYPES OF ERRORS

1: Errors of Principle :-

If an accounting entry is passed in contravention of the rules of accounting , it is called an error of principle.

Example :Routine repairs to machine dr. to Machine a/c scooter purchased Dr. to conveyance a/c Wages paid for installation of machine dr. to wages a/c

2. Clerical Errors :-

a) Errors of omission

b) Errors of Commission

c) Compensating Errors

a) Errors of omission: -

Complete Omission

- An accounting effect is not recorded altogether

Partial Omission

- A part of the accounting is recorded Whereas another part is not recorded.

b) Errors of Commission

Subsidiary Books

- When an amount is recorded incorrectly in the subsidiary books or the total of subsidiary books is incorrect.

Ledger

- When an amount is posted in the wrong a/c posted on the wrong side, Or an incorrect amount is posted.

c) Compensating Errors

- When two or more Errors nullify the effect of one another, it is called compensating errors.

Errors that do not affect the Trial Balance

- Errors of Principle .
- Errors of Omission : complete omission
- Errors of commission : subsidiary - recording the wrong amount- ; ledger : wrong a/c post (Ram-Shyam)
- Compensating Errors

STAGES OF RECTIFICATION

Before Preparation of Trial Balance

Just apply the master logic for rectification as mentioned above.

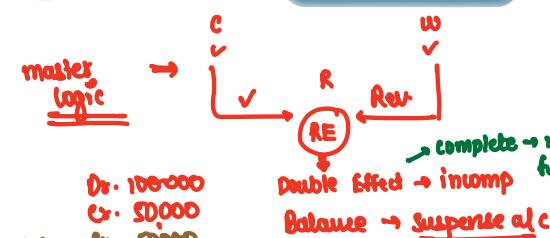
Nothing additional needs to be done

After Preparation of Trial Balance

Apply the master logic for rectification as mentioned above.

If the rectification entry does not complete the double entry , then in that case we will pass the balancing effect to suspense a/c Account to complete the double entry.

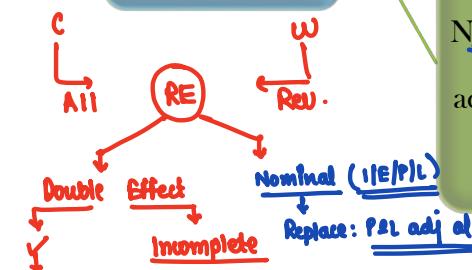
Suspense Dr. 100000 Cr. 50000 Cr. 5000



After preparation of final Accounts

apply the master logic for rectification as mentioned above.

If the rectification entry does not complete the double entry, then in that case, we will pass the balancing effect to suspense a/c to complete the double entry



No suspense Balance: Susp a/c



Rectification of Errors

Question 1. Write out the Journal Entries to rectify the following errors, using a suspense account. R: APOTB

- (1) Goods of the value of ₹15,000 returned by Mr. Aman were entered in the Sales Day Book and posted therefrom to the credit of his account; ~~SR Dr. 15000~~ ~~W~~ ~~Sales Dr. 15000~~ ~~Amnt Cr.~~ ~~Amnt Dr.~~
- (2) An amount of ₹7,500 entered in the Sales Returns Book, has been posted to the debit of Mr. Ashish, who returned the goods; ~~SR C Dr. 7500~~ ~~SR Dr. 7500 Cr. 7500~~ ~~Amnt Cr.~~ ~~Amnt Dr.~~ ~~SR Dr. 7500~~ ~~Amnt Dr.~~ ~~Amnt Cr.~~ ~~Amnt Dr.~~
- (3) The total of "Discount Allowed" column in the Cash Book for the month of June, 2025 amounting to ₹27,500 was not posted though correctly recorded in Debtors Account. ~~C → D.A. Dr. 27500~~ ~~W → X~~ ~~R → D.A. Dr. 27500~~ ~~Amnt Cr.~~ ~~Amnt Dr.~~
- (4) Bad Debts aggregating ₹8,000 were written off during the year was not posted to Bad Debts Account.
- (5) A sale of ₹30,000 made to Ms. Aavya was correctly entered in the Sales Day Book but wrongly posted to the debit of Ms. Aadya as ₹3,000; ~~Creditor~~ ~~Supplier account has been overcast by Rs. 225.~~ ~~C → Creditor Cr. 1000~~ ~~W → Creditor Dr. 1225~~ ~~R → Creditor Dr. 225~~ ~~Assume = 1000~~ ~~Aavya Dr. 30000~~ ~~Sales Cr. 30000~~ ~~Aadya Dr. 3000~~ ~~Sales Cr. 27000~~ ~~Dr.~~ ~~Dr.~~ ~~Dr.~~ ~~Dr.~~ (CA Foundation RTP September 2025)

Solution:

	Particulars	L.F.	Dr. ₹	Cr. ₹
(1)	<u>Sales A/c</u> <u>Sales Returns A/c</u> <u>To Suspense A/c</u> (Goods returned by Mr. Aman wrongly posted to Sales and omission of debit to Sales Returns Account, now rectified)	Dr.	15,000 15,000	30,000
(2)	<u>Suspense A/c</u> <u>To Mr. Ashish</u> (Wrong debit to Mr. Ashish for goods returned by him, now rectified)	Dr.	15,000	15,000
(3)	<u>Discount A/c</u> <u>To Suspense A/c</u> (The total of Discount allowed during June, 2025 not posted from the Cash Book; error now rectified)	Dr.	27,500	27,500
(4)	<u>Bad Debts A/c</u> <u>To Suspense A/c</u> (Bad Debts written off not posted to bad debts A/c, now rectified)	Dr.	8,000	8,000



(5)	Ms. Aavya To Ms. Aadya To Suspense A/c (Omission of debit to Ms. Aavya and wrong credit to Ms. Aadya for sale of ₹ 30,000, now rectified)	Dr.	30,000	3,000 27,000
(6)	Supplier A/c To Suspense A/c (Supplier account overcast by ₹225 now rectified)	Dr.	225	✓225

① OML ② DE ③ N → P&I adj

Question 2. Mr. Mathur's trial balance as on 31st March, 2024 did not agree. The difference was put to a Suspense Account. During the next trading period, the following errors were discovered:

- The total of the Purchases Book of one page, ₹ 7,165 was carried forward to the next page as ₹ 7,615. **C → Palc Dr. 7165 W → P A/c Dr. 7615 R → P Cr. 450**
- A sale of ₹ 281 was entered in the Sales Book as ₹ 821 and posted to the credit of the customer.
- A return to creditor, ₹ 1,595 was entered in the Returns Inward Book; however, the creditor's account was correctly posted. **Creditor Dr. 1595 Creditor Cr. 1595 Sales Ret Dr. 1595 Sales Cr. 1595 PR Cr. 1595 SR Cr. 1595**
- A cheque of ₹ 500 issued to a suppliers A/c (shown under trade payables) towards his dues has been wrongly debited to purchases. **Susp Dr. 3140**
- Goods worth ₹ 1,400 were dispatched to a customer before the close of the year but no invoice was made out.
- Goods worth ₹ 1,600 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 gross profit margin was 20% on sale.
- Sale of goods to Mr. R for ₹ 3,000 was omitted to be recorded.

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.

(CA Foundation RTP May 2025)

Solution:

Journal Entries in the books of Mr. Mathur

	Particulars	Debit (₹)	Credit (₹)
(i)	Suspense A/c Dr. To Profit and Loss Adjustment A/c (N) 450 (Correction of error by which purchase account was over debited last year - ₹ 7,615 carried forward instead of ₹ 7165)	450	450
(ii)	(N) Profit and loss adjustment Customer's A/c To Suspense A/c (Correction of the entry by which (a) Sales A/c was over credited by ₹ 540 (b) customer was credited by ₹ 821 <i>Customer Dr. 281 Sales Cr. 281 Sales Dr. 821 Sales Cr. 821 Profit and loss adjustment Dr. 540 Susp Cr. 1642</i>	540 1102	1642



	instead of being debited by 281)		
(iii)	Suspense A/c 1595 + 2 = 3190 To Profit & Adjustment A/c (N) *(Correction of error by which Returns Inward Account was debited by 1,595 instead of Returns Outwards Account being credited by ₹1,595)	3190	+ 3190
(iv)	Trade payables A/c To Purchases A/c (P&L adjustment) (Being payments made to a supplier wrongly credited to purchases now rectified)	500	+ 500
(v)	Customer's (debtors) A/c (N) To Profit & Loss Adjustment A/c (The Customer's A/c credited goods not yet with purchased by him)	1400	+ 1400
(vi)	Profit & Loss Adjustment A/c (N) To Customer's A/c (The Customer's A/c credited with goods not yet with purchased by him)	- 1600	1600
(vii)	Inventory A/c (N) To Profit & Loss Adjustment A/c (Cost of goods debited to inventory and credited to Profit & Loss Adjustment A/c)	1280	+ 1280
(viii)	P/S A/c/Trade receivable A/c To Profit & Loss Adjustment A/c (N) (Sales to R omitted, now rectified)	3000	+ 3000
(ix)	Profit & Loss Adjustment A/c To Mathur's Capital A/c ✓ 20 ✓ (Transfer of the Profit & Loss Adjustment A/c balance to the Capital Account)	7180	7180

Question 3. Mr. Satvik 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:

Satvik

- Purchase of a scooter was debited to conveyance account ₹ 30,000. Mr. ~~satvik~~ charges 10% depreciation on scooter.
- The total of return inward book for July, 2024 ₹ 12,400 was not posted to the ledger.
- A credit purchase of goods from Mr. X for ₹ 20,000 was entered as sale.
- Receipt of cash from Mr. Preetish was posted to the account of Mr. Ravish ₹ 10,000.
- Receipt of cash from Mr. Chandu was posted to the ~~debit of his account~~, ₹ 5,000.
- While carrying forward the total in the Purchases Account to the next Page ₹ 65,950 was written instead of ₹ 55,950.

~~C~~ Purch Dr. 55950 ~~W~~ Purch Dr. 65950 P Dr. 20000 ✓ X Dr. Cr. 20000
R= X Cr. 20000 S Cr. Dr. 20000 P Dr. 20000 } P&L adj
~~S~~ Dr. 20000 } Cr. 40000

TS \longrightarrow Sales or Rel
Sales Record
Approved by
customer

Till the time
 customer can
return goods
↓
no sales

C
X

W
 Customer Dr.
 To, Sales

R
 Cash Dr. 1600 } SP
 Sales Dr. 1600
 (P&L adj)

CS Dr.
 To, Trading \Rightarrow Cost 1280
1280

C	P	SP
80	20	100
<u>X</u>		1600
$= 1280$		



(vii) Sale of goods to Mr. Rohan for ₹ 20,000 was omitted to be recorded.

(viii) Freight paid on a machine ₹ 5,600 was posted to the freight Account as ₹ 6,500.

Pass the necessary rectification entries.

(CA Foundation RTP January 2025)

Solution:

Scooter Dr 30000	(Depn) P&L adj Dr. 3000
P&L adj Cr. 30000	Scooter Cr. 3000

Date	Particulars	Dr. ₹	Cr. ₹
(1)	Scooter A/c To Profit and Loss Adjustment A/c (Purchase of scooter wrongly debited to conveyance account now rectified-capitalization of ₹ 27,000, i.e., ₹30,000 less 10% depreciation)	27,000	27,000
(2)	Profit & Loss adjustment A/c To suspense A/c (Total of return inward book for July, 2024 omitted to be recorded now rectified).	12,400	12,400
(3)	Profit & Loss Adjustment A/c To X's A/c (Credit purchase from X ₹20,000, entered as sales last year, now rectified)	40,000	40,000
(4)	Ravish's A/c To Preetish's A/c (Amount received from Mr. Preetish wrongly posted to the account of Mr. Ravish; now rectified)	10,000	10,000
(5)	Suspense A/c To Chandu's A/c (₹ 5,000 received from Chandu wrongly debited to his account; now rectified)	10,000	10,000
(6)	Suspense A/c ✓ To Profit & Loss Adjustment A/c (Carry forward of total of purchase a/c to next page 65,950 instead of 55,950 now rectified)	10,000	10,000
(7)	Rohan's A/c ✓ To Profit & Loss Adjustment A/c (Sales to Rohan omitted last year; now adjusted)	20,000	20,000
(8)	Machinery A/c Suspense A/c To Profit & Loss Adjustment A/c	5,600 900	6,500



	(Freight paid for machine 5,600 was posted to freight A/c at 6,500 now rectified)			
(9)	Profit & Loss Adjustment A/c To Satvik's Capital A/c (Balance of Profit & Loss Adjustment A/c transferred to Capital Account)	Dr.	11,100	11,100
(10)	Satvik's Capital A/c To Suspense A/c (Balance of Suspense Account transferred to Capital Account)	Dr.	8,500	8,500

Question 4. Following errors were found in the books of XYZ. Give necessary entries to correct them:

- (i) A purchase of goods from R amounting to ₹ 10,000 has been wrongly entered through the sales book.
~~C furn Dr. 25000~~
~~(cash Cr. 25000)~~
~~Supplier~~
~~W Purch Dr. 25000~~
~~Supp Cr. 25000~~
~~Dr.~~
- (ii) Furniture purchased for office use amounting to ₹ 25,000 has been entered in the purchase day book.
- (iii) Minor repairs to the Furniture Account amounting to ₹ 1,500 were debited to Furniture Account.
- (iv) Wages amounting to ₹ 3,000 paid to workmen for making Office Furniture has been charged to wages account.
- (v) Tuition Fees of proprietor's son ₹ 25,000 has been debited to Audit fees A/c.
- (vi) An amount of ₹ 10,000 due from Mohan which had been written off as bad debt in the previous year was unexpectedly recovered and has been posted to the personal account of Mohan.
- (vii) Goods (Cost being ₹ 7,000 and sales price being ₹ 10,000) distributed as free samples among prospective customers were not recorded anywhere.
- (viii) Goods amounting to ₹ 1,000 returned by a customer, G & Co. were entered in the Sales Day Book and posted there from to the credit of his account.
- (ix) A bill of Exchange (received from SS & Co.) for ₹ 10,000 had been returned by the bank as dishonoured and had been credited to the bank and debited to bills receivable account.
- (x) A Bills Receivable for ₹ 2,500 was passed through Bills Payable Book. The Bill was given by Jack.

(CA Foundation PYQ May 2025) (10 Marks)

Solution:

~~$$\begin{array}{r}
\text{C} \\
\text{SR Dr. 1000} \\
\text{Gd to Ex. 1000}
\end{array}$$~~
~~$$\begin{array}{r}
\text{W Dr.} \\
\text{Sales Cr. 1000} \\
\text{Gd to Cr. 1000}
\end{array}$$~~

$$\begin{array}{r}
\text{W Dr.} \\
\text{Sales Cr. 1000} \\
\text{Gd to Cr. 1000} \\
\text{Dr.}
\end{array}$$

*In the books of XYZ**Journal*

	<i>Particulars</i>	<i>L.F.</i>	<i>Dr.</i> ₹	<i>Cr.</i> ₹
(i)	<i>Purchases A/c</i> Dr. <i>Sales A/c</i> Dr. To R (Purchases from R wrongly entered in Sales Book now rectified)		10,000 10,000	20,000
(ii)	<i>Furniture A/c</i> Dr. To Purchases A/c (Furniture purchased was wrongly debited to purchases daybook now rectified)		25,000	25,000
(iii)	<i>Repairs A/c</i> Dr. To Furniture A/c (Minor repairs to the furniture wrongly debited to furniture now rectified)		1,500	1,500
(iv)	<i>Furniture A/c</i> Dr. To Wages A/c (Wages paid for making furniture wrongly charged to wages now rectified)		3,000	3,000
(v)	<i>Drawings A/c</i> Dr. To Audit Fees A/c (Tuition fees of proprietor's son wrongly debited to Audit fees A/c now rectified)		25,000	25,000
(vi)	<i>Mohan A/c</i> Dr. To Bad Debts Recovered A/c (Bad debts recovered had been wrongly posted to Personal A/c now rectified)		10,000	10,000
(vii)	<i>Advertisement Expenses/Free Sample A/c</i> Dr. To Purchases A/c (Goods distributed as free samples were not recorded anywhere now rectified)		7,000	7,000
(viii)	<i>Returns Inwards / Sales Return A/c</i> Dr. <i>Sales A/c</i> Dr. To Suspense A/c (Goods returned wrongly posted to sales book now rectified)		1,000 1,000	2,000
(ix)	<i>SS & Co A/c</i> Dr. To Bills Receivable A/c (Bills of Exchange dishonoured and had credited to bank and debited to Bills receivable a/c now rectified)		10,000	10,000
(x)	<i>Bills Receivable A/c</i> Dr. BR DR. 2500 J Cr. 2500		2,500	

BR DR. 2500
J Cr. 2500

T Dr. 2500
BP Cr. 2500
Dr.



<i>Bills Payable A/c</i> <i>To Jack A/c</i> <i>(Bills receivable wrongly passed through Bills payable now rectified)</i>	<i>Dr.</i>	<i>2,500</i>	<i>5,000</i>
--------------------------------------------------------------------------------------------------------------------------------	------------	--------------	--------------

ROE → Goodnight