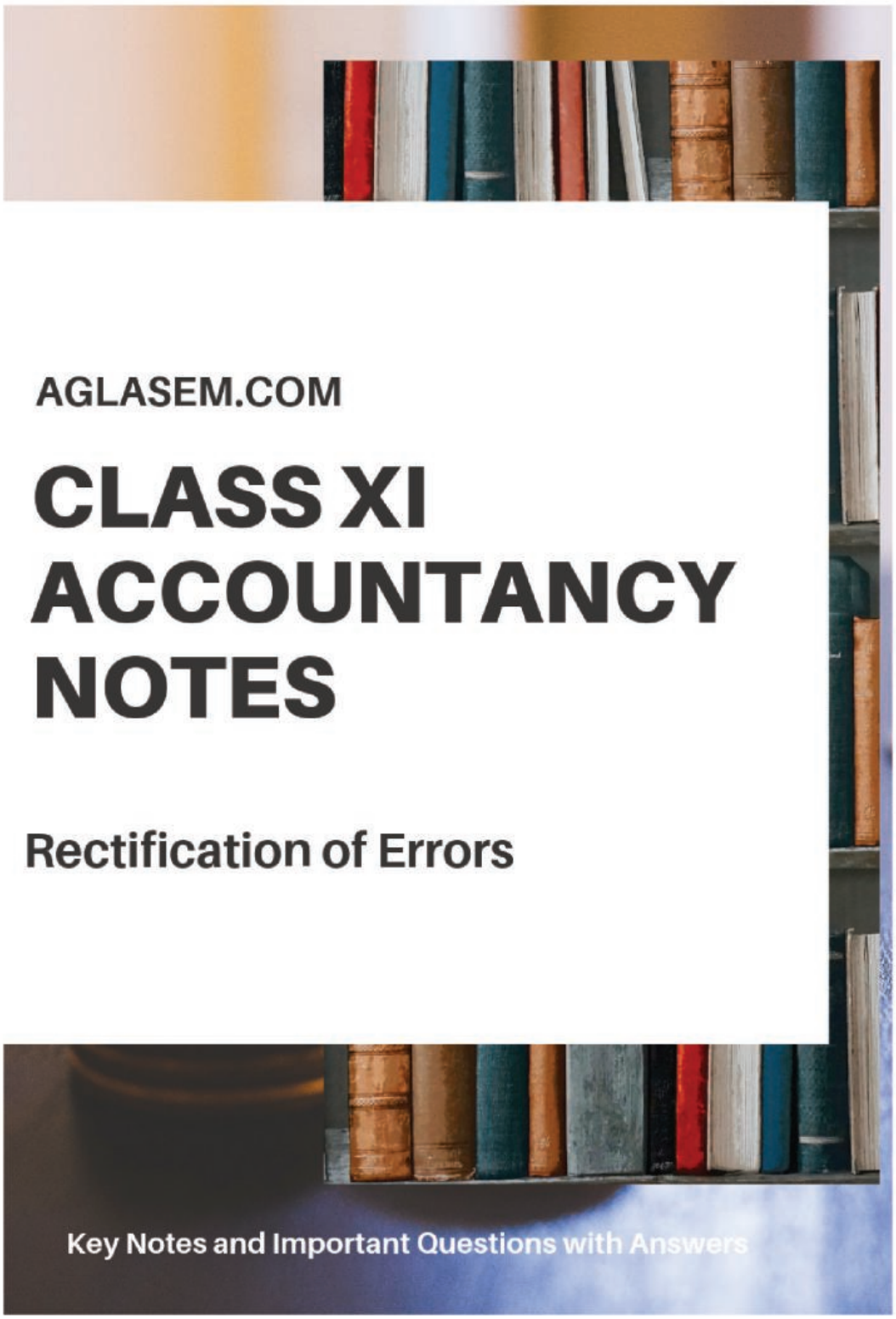


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# CLASS XI ACCOUNTANCY NOTES

## Rectification of Errors

Key Notes and Important Questions with Answers

# CHAPTER – 8

# RECTIFICATION OF ERRORS

**Introduction**

*Trial balance is a statement prepared with debit and credit totals or balances extracted form the ledger to verify the arithmatic accuracy of accounts. The objectives of Trial balance are :*

1) *To ascertain the arithmatic accuracy of accounts.*
2) *To help in locating errors.*
3) *To help in preparation of single account.*

**Learning objectives :** *After studying this topic the students will be able to :*

- *Differentiate different types of errors and their examples.*
- *Rectify the Error : Two sided errors i.e. Error not affecting Trial Balance and One sided i.e. errors which affect Trial Balance.*
- *To understand meaning and Utility of Suspense A/c.*
- *Maintain the suspense A/c.*

**Important :** *The errors whether affecting the Trial Balance or not must be detected and rectified.*

**Need of Rectification**

1. *For the preparation of correct Accounting Records.*
2. *Preparation of P&L A/c with corrected figures to ascertain correct Profit or Loss.*
3. *To find out the true financial position of the firm by preparing Balance Sheet with corrected figures.*

## Classification of Errors
## (On the basis on Nature)

| Type of Error with Meaning | Sub-Types with Examples |
|---|---|
| **1. Error of Omission**<br>*(When a transaction is completely or partially omitted to be recorded in the books)* | **a) Error of complete Omission**<br>*Good-sold to X on credit but not recorded in Sales Book.*<br>**b) Partial Commission**<br>*Purchase machinery ₹ 5,000 in cash recorded in cash Book but not recorded in Machinery A/c.* |
| **2. Error of Commission**<br>*(These errors are caused due to wrong recording of transaction, wrong totalling of subsidiary books of Ledger A/c, Wrong posting and wrong carry forward)* | **a) Error of Recording in the Book of Original Entry**<br>*Goods purchased from Ravi for ₹ 450, but Goods recorded as ₹ 540, in the Purchases Book.*<br>**b) Wrong Totalling of Subsidiary Book Example :**<br>*Purchase Books has been undercast (short totalled) by ₹ 100.*<br>**c) Error in Totalling or Balancing of Ledger A/cs***<br>**Example :** *Creditors A/c has been balanced short by ₹ 500.*<br>**d) Error of Posting**<br>*i) Posting to the wrong side but correct account*<br>*Goods sold to X for ₹ 550, entered to the credit of ₹ X's A/c instead of posting to the debit side of his account.* |

*ii) Posting with wrong amount.*

*iii) Posting twice in an A/c*

*iv) Errors in posting to the wrong A/c but correct side don't affect Trial Balance.*

**e) Error in carrying forward**

*Total of purchases book ₹ 2,500 is carried forward as ₹ 2050.*

**3. Errors of Principal**

*(These error are caused due to the violation of accounting principal i.e. allocation between Capital and Revenue items)*

**a) Treating capital items as revenue item example :** *Wages paid for the installation of a new machinery charged to Wages A/c instead of machinery A/c.*

**b) Treating revenue items as Capital Item Example :** *₹ 200 paid for the repairs of an old Machinery but debited to Machinery A/c instead of Repairs A/c.*

**4. Compensating Errors**

*(Two or more errors committed in such a way that the net effect of these errors in nil).*

**Example :** *Cash paid to Ram ₹ 5,000 but debited-him as ₹ 500 and paid Mohan ₹ 500 but debited him as ₹ 5,000 so, net effect will be nill.*

## TYPES OF ERRORS FROM RECTIFICATION POINT OF VIEW

*From Rectification point of view, errors are classified into the following two categories only:*

**Case I** *: Errors which don't affect the Trial Balance*

*or*

*Two Sided Errors*

**Case II** *: Errors which affect the Trial Balance*

*Or*

*one Sided Errors.*

**Errors don't Affecting Trial Balance**

1. *Errors of complete commission.*
2. *Wrong recording in the books of original entry.*
3. *Complete commission from posting.*
4. *Errors of posting to the wrong A/c but on the correct side.*
5. *Compensating errors.*
6. *Errors of principle.*

**Errors Affecting Trial Balance**

1. *Error in totalling of subsidiary books as undercast and overcast.*
2. *Error in the balancing of ledger accounts.*
3. *Error in posting to the correct Account but wrong amount.*
4. *Error of partial ommission.*

**Rectification of Errors**

*When the errors are detected, these have to be rectified in the books of accounts. Rectification of errors depends upon.*

- *The Type of error and*
- *The time of depiction of an error.*

**Time of Depiction of an error means.**

i) *Errors detected before the preparation of* **Trial Balance.**

ii) *Errors detected after preparing Trial Balance but* **before** *preparing* **final** *accounts.*

iii) *Errors detected after preparing Final Accounts.*

**RECTIFICATION O OF TWO SIDED ERRORS**

*Two sided errors are those errors which affect two sides of Accounts. These errors don't affect trial Balance as discussed earlier.*

*These errors are rectified by passing a journal entry irrespective of the*

*time of depiction. In other words their rectifying entry will be same whether (a) the error is depicted before Trial Balance or (b) after the preparation of Trial Balance but before the Final A/cs are prepared.*

**Steps for Rectification**

1. *Locate the effect of Error on Different Accounts.*
2. *The Account showing excess Credit should be Debited.*
3. *The Account showing excess Debit should be Credited.*
4. *The Account showing short Debit should be Debited.*
5. *The Account showing short Credit should be Credited.*

**Examples (With Explanation)**

**i) When an account has wrongly been debited in place of another A/c.**

- *Rectification will be done by debiting the correct account and Crediting the A/c which was wrongly debited.*

  **Example** *: Machinery purchased for ₹ 10,000 has been debited to Purchases A/c.*

- *Machinery A/c is not debited hence its debit side is short by ₹ 10,000 whereas purchases A/c debited by mistake. Purchases A/c debit side is in excess by ₹ 10,000.*
- *While rectifying this mistake Machinery A/c will be debited by ₹ 10,000 because it was not debited earlier and Purchases A/c will be credited because it was wrongly debited.*

**Rectifying Entry is**

| *Date* | *Particulars* | *L.F.* | *Dr. (₹)* | *Cr. (₹)* |
|---|---|---|---|---|
| | *Machinery A/c* Dr. | | *10,000* | |
| | *To Purchases A/c* | | | *10,000* |
| | *(For Purchases of machinery wrongly debited to Purchases A/c)* | | | |

**ii) When an account has wrongly been Credited in place of another account.**

**Example :** *₹ 5,000 received from the sale of old furniture has been Credited to Sale A/c*

**Solution :** This error also affects the two A/c

- Furniture A/c is not Credited hence its credit side is short by ₹ 5,000.
- Sales A/c is credited by mistake its credit side is excess of ₹ 5,000.
- Therefore for rectifying this mistake Sales A/c will be debited because it was wrongly Credited and Furniture A/c which was not Credited earlier will now be credited by ₹ 5,000.

**Hence Rectifying Entry is**

| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|
| | Sales A/c Dr. | | 5,000 | |
| | To Furniture A/c | | | 5,000 |
| | (Sales of old Furniture wrongly Credited to Sales A/c) | | | |

**ii) When there is a short debit in one A/c and a short Credit another A/c.**

**Example :** Goods sold to Seema for ₹ 540 was entered in the Sales Book as ₹ 450.

**Solution :**

- Here Seema's A/c is debited by ₹ 90 short and Sales A/c is credited by ₹ 90 short.
- Therefore rectification will be done by Debiting Seema's A/c Crediting Sales A/c. Hence Rectifying entry is:

| Date | Particulars | L.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|
| | Seema A/c Dr. | | 90 | |
| | To Sales A/c | | | 90 |
| | (For goods sold to Seema for ₹ 540 wrongly entered ₹ 450.) | | | |

**IV) When there is an Excess Debit in on A/c and Excess Credit in an-other A/c.**

**Example :** Goods Purchases from Mohan is Debited and credited by ₹ 3,000instead of ₹ 300 i.e. ₹ 2,700 more.

- Here Purchases A/c is Debited by ₹ 3,000 instead or ₹ 300, i.e. ₹ 2,700 more.

- *Mohan's A/c is also Credited by ₹ 2,700 more.*
- *Rectification will be done by debiting Mohans' A/c & Crediting Purchases A/c by ₹ 2,700 i.e. the entry in the reverse direction.*

**Rectifying Entry**

| *Date* | *Particulars* | *L.F.* | *Dr. (₹)* | *Cr. (₹)* |
|---|---|---|---|---|
| | *Mohan* Dr. | | *2,700* | |
| | *To Purchases A/c* | | | *2,700* |
| | *(For purchases of goods from Mohan for ₹ 300 wrongly entered ₹ 3000)* | | | |

**Problem :**

**Rectify the following Errors :**

1. *₹ 5,000 paid for furniture purchased has been debited to purchases account.*
2. *Wages paid ₹ 7,000 for installation of new machinery were recorded in wages account.*
3. *Goods sold to Hari ₹ 10,000 not recorded.*
4. *₹ 2,500 received from Monu has been credited to Sonu A/c.*
5. *Rent paid ₹ 1,000 wrongly debited to Landlord Account.*
6. *Credit Purchase from Raman ₹ 15,000 were wrongly recorded in sales book.*
7. *Credit sales to Geeta ₹ 8800 were recorded as ₹ 8,000.*
8. *Goods ₹ 5,000 withdrawn by proprietor has not been recorded.*

**Solution :**

| *Date* | *Particulars* | *L.F.* | *Dr. (₹)* | *Cr. (₹)* |
|---|---|---|---|---|
| *1.* | *Furniture A/c* Dr. | | *5,000* | |
| | *To Purchases A/c* | | | *5000* |
| | *(The furniture purchase wrongly debited to purchases A/c)* | | | |

| | | | | | |
|---|---|---|---|---|---|
| 2. | *Machinery A/c* | *Dr.* | | *7,000* | |
| | *To Wages A/c* | | | | *7,000* |
| | *(The wages for installation machinery wrongly debited to wages A/c.)* | | | | |
| 3. | *Hari A/c* | *Dr.* | | *10,000* | |
| | *To Sales A/c* | | | | *10,000* |
| | *(The goods sold to Hari not recorded.)* | | | | |
| 4. | *Sonu A/c* | *Dr.* | | *2,500* | |
| | *To Monu A/c* | | | | *2,500* |
| | *(The amount wrongly credited to Sonu instead of Monu)* | | | | |
| 5. | *Rent A/c* | *Dr.* | | *1,000* | |
| | *To Landlord* | | | | *1,000* |
| | *(The rent paid but wrongly debited to landlord A/c)* | | | | |
| 6. | *Purchases A/c* | *Dr.* | | *15,000* | |
| | *Sales A/c* | *Dr.* | | *15,000* | *30,000* |
| | *To Raman* | | | | |
| | *(Credit purchase from Raman wrongly recorded in sales book)* | | | | |
| 7. | *Geeta* | *Dr.* | | *800* | |
| | *To Sales A/c* | | | | *800* |
| | *(Credit sales to Geeta recorded ₹ 800 short)* | | | | |
| 8. | *Drawing A/c* | *Dr.* | | *5,000* | |
| | *To Purchases A/c* | | | | *5,000* |
| | *(The goods withdraw by Proprietor for personal use)* | | | | |

**Important :** *Rectification of double sided errors can easily be understood by the students. These are rectified by passing the journal entries as given irrespective of the time of detection of the errors.*

## RECTIFICATION OF ONE SIDED ERRORS

*These errors affect only one side of an Account either debit or credit. Therefore these errors effect the Trial Balance.*

*Rectification of these errors is done differently, in these two cases i.e.*

*i) Before preparing the Trial Balance.*

*ii) After preparing the Trial Balance.*

### Case 1 : Rectification of one sided errors before preparing Trial Balance.

*When these errors are rectified before preparing Trial Balance i.e. transferring the difference in the Trial Balance to the Suspense Account. (Which will be explained late on), then it is done directly by debiting or crediting the concerned ledger account.*

*For Short Debit → Concerned A/c is Debited.*

*For Excess Credit → Concerned A/c is Debited.*

*For Short Credit → Concerned A/c is Credited.*

*For Excess Debit → Concerned A/c is Credited.*

**Example :** *(1) Purchases Book under cast by ₹ 150.*

**Analysis :** *It means that the total of the Purchases Book is ₹ 150 short.*

- *This total is posted to purchases A/c Debit side.*
- *Hence Purchases A/c is debited short by ₹ 150.*
- *No effect on any other A/c.*
- *Therefore purchases A/c will be debited by ₹ 150 to rectify this error as given below.*

**Purchase A/c**

| Date | Particulars | J.F. | ₹ | Date | Particulars | J.F. | ₹ |
|---|---|---|---|---|---|---|---|
| | To Undercast of purchase book | | 150 | | | | |

**Here debit side of the Purchase A/c was short therefore the rectification is done by debiting the A/c.**

**Example :** *Purchases Book is overcast by ₹ 300.*

**Analysis**

- *Means total of the Purchases Book is in excess by ₹ 300 which is posted to the debit side of purchases A/c.*
- *Hence purchases A/c is debited in excess by ₹ 300.*
- *No effect on any other A/c.*
- *Therefore to rectify this error ₹ 300 will be credited to purchases A/c (i.e. opposite side)*

**Purchases A/c**

| *Date* | *Particulars* | *J.F.* | ₹ | *Date* | *Particulars* | *J.F.* | ₹ |
|---|---|---|---|---|---|---|---|
| | | | | | *To Overcast of purchase book* | | *300* |

- *Here debit side of the purchases A/c was in excess, therefore the rectification is done by entering the amount on the opposite side i.e., Credit side of the Purchases A/c.*

**Cash II : Rectification** *of one* **Sided** *Error* **after preparing Trial Balance.**

*When the errors are detected after the preparation of Trial Balance then every single sided error is rectified by passing a Journal entry through Suspense Account.*

- *Short debit in one Account → Debit that Account and Credit the Suspense A/c.*
- *Excess Credit in one Account → Credit that A/c and Debit the Suspense A/c.*
- *Short Credit in one Account → Credit that A/c and Debit the Suspense A/c.*
- *Excess Debit in one Account → Credit that A/c and Debit the Suspense A/c.*

**Example :** *Hence for the same error as given in example No. 1 in case I,*

*the following Journal Entry will be passed.*

| Date | Particulars | C.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|
| | *Purchases A/c Dr.* | | *150* | |
| | *To Suspense A/c* | | | *150* |
| | *(For undercast of purchases book, now corrected.)* | | | |

**Example 4 :** *Sales Book was undercast by ₹ 200.*

**Analysis**

- *Sales book totalled short by ₹ 200 which is posted to the credit side of sales A/c.*
- *Therefore Sales A/c credit side is short by ₹ 200.*
- *Hence rectification will be done by crediting the sales A/c and Debiting the Suspense A/c by ₹ 200.*

| Date | Particulars | C.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|
| | *Suspense A/c Dr.* | | *200* | |
| | *To Sales A/c* | | | *200* |
| | *(For undercast of sales books, now corrected)* | | | |

*Note : When nothing is mentioned in the question about the time of detection of an error, the student are advised to rectify one sided errors through Suspense A/c.*

**Problem** *: Rectify the following error*

*A) Without opening a Suspense A/c*

*B) By passing journal entries through Suspense A/c.*

*1) ₹ 5,000 paid to Mohit were entered in cash Book but omitted to be posted to the ledger.*

*2) ₹ 5,000 paid to Mohit were debited to his A/c as ₹ 500.*

*3) ₹ 5,000 paid to Mohit were debited to his A/c as ₹ 50,000.*

4) ₹ 5,000 paid to Mohit were credited to his A/c.

5) ₹ 5,000 paid to Mohit were credited to his A/c as ₹ 500.

6) Sales Books was to overcast by ₹ 2,000.

7) Sales Return Book undercast by ₹ 4,000.

8) Purchases Return book undercast by ₹ 5,000.

**Solution**

A) Without opening a suspense A/c. These errors are rectified in the concerned ledger A/c, as these errors before Trial Balance.

1. Mohit's A/c will debited by ₹ 5,000 as it is a case of partial omission.
2. Mohit's A/c was debited ₹ 4500 (5,000-500) therefore the rectification will be done by debiting Mohit's A/c by ₹ 4,500.
3. Mohit's A/c was debited in excess by ₹ 45,000 (50,000-5,000) therefore rectification will be done by crediting the Mohit's A/c by ₹ 45,000.
4. Mohit A/c was credited by ₹ 5,000 instead of debited by ₹ 5,000 therefore rectification will be done by debiting Mohit's A/c by ₹ 10,000 (5,000+5,000)
5. Mohit's A/c was wrongly credited by ₹ 500 instead of debiting it by ₹ 5,000 so rectification will be done by debiting the Mohit's A/c by ₹ 5,500.
6. Sales book overcast means sales A/c is credited is excess by ₹ 2,000. Hence rectification will be done by debiting sales A/c by 2000.
7. Sales Return Book total undercast by ₹ 4,000 means sales return A/c debit is short by ₹ 4,000 Hence rectification will be done by debiting sales return A/c by ₹ 4,000.
8. Purchases Return Book undercast by ₹ 5,000 means purchases return A/c is credited short by ₹ 5,000.

   Hence rectification will be done by crediting the purchases return A/c by ₹ 5,000.

B) By opening suspense A/c.

## Rectifying Journal Entry

| Error | Particulars | C.F. | Dr. (₹) | Cr. (₹) |
|---|---|---|---|---|
| 1. | Mohan Dr. | | 5,000 | |
| | To Suspense A/c | | | 5,000 |
| | (For cash paid to Mohit omitted to be posted to his A/c) | | | |
| 2. | Mohit Dr. | | 4,500 | |
| | To Suspense A/c | | | 4,500 |
| | (For Mohit A/c was debited with excess amount) | | | |
| 3. | Suspense A/c Dr. | | 4,5000 | |
| | To Mohit A/c | | | 4,5000 |
| | (For Mohit A/c was crdited with excess amount.) | | | |
| 4. | Mohit Dr. | | 10,000 | |
| | To Suspense A/c | | | 10,000 |
| | (For posting to Mohit's A/c was done on wrong side) | | | |
| 5. | Mohit A/c Dr. | | 5,500 | |
| | To Suspense A/c | | | 5,500 |
| | (For posting made with wrong amount and wrong side) | | | |
| 6. | Sales A/c Dr. | | 2,000 | |
| | To Suspense A/c | | | 2,000 |
| | (For overdraft of sales book rectified) | | | |
| 7. | Sales Return A/c Dr. | | 4,000 | |
| | To Suspense A/c | | | 4,000 |
| | (For undercast of sales return book rectified) | | | |
| 8. | Suspense A/c Dr. | | 5,000 | |
| | To Purchases Return A/c | | | 5,000 |
| | (For undercast of purchase return Book, rectified) | | | |

**Suspense Account and its Disposal**

*In the chapter of Trial Balance we have learnt about the Suspense A/c.*

**Important**

- *When inspite of all the efforts the Trial Balance does not tally, the difference is put to a newly opened account named Suspense A/c.*
- *Suspense A/c is an imaginary account, opened temporarily for the purpose of reconciling a Trial Balance.*
- *Later on when the errors affecting the Trial Balance are located, rectification entries are passed through the Suspense A/c.*
- *When all the errors are located and rectified, the Suspense A/c will be Automatically closed i.e., it will show zero balance.*
- *But if suspense A/c still shows a balance it will indicated that some error are still to be discovered and rectified.*

**Problem :** *An accountant of a trading concern could not agree the Trial Balance. There was an excess credit of ₹ 100 which he transferred to the suspense A/c. The following errors were subsequently discovered.*

1. *Received ₹ 550 from X, were posted to the debit of his account.*
2. *₹ 100 being purchases return were posted to the debit of purchases A/c.*
3. *Discount received ₹ 200 Correctly entered in the Cash Book but posted to the debit of the discount A/c.*
4. *Salary paid ₹ 3,500 to X were posted to the salary A/c as ₹ 2,500.*
5. *A purchase of ₹ 400 has been passed through Sales Book. However the customer's account has been correctly credited.*

**Give Rectifying entries and Suspense A/c**

**Rectifying Journal Entries**

| *Error* | *Particulars* | *L.F.* | *Dr. (₹)* | *Cr. (₹)* |
|---|---|---|---|---|
| *1.* | *Suspense A/c* Dr. | | *1,100* | |
| | *To X* | | | *1,100* |
| | *(Amount receive from X was posted to the wrong side now corrected)* | | | |

| | | | | |
|---|---|---|---|---|
| 2. | *Suspense A/c* Dr. | | 200 | |
| | *To Purchase A/c* | | | 100 |
| | *To Purchases Return A/c* | | | 100 |
| | *(For the purchases return wrongly posted to the purchases A/c)* | | | |
| 3. | *Suspense A/c* Dr. | | 400 | |
| | *To Discount A/c* | | | 400 |
| | *(Discount received was posted to the wrong side discount A/c)* | | | |
| 4. | *Salary A/c* Dr. | | 1,000 | |
| | *To Suspense A/c* | | | 1,000 |
| | *(Salary paid was posted to Salary A/c with lesser amount)* | | | |
| 5. | *Purchases A/c* Dr. | | 400 | |
| | *Sales A/c* Dr. | | 400 | |
| | *To Suspense A/c* | | | 800 |
| | *(Purchases has been passed through sales book but the customer's A/c has been correctly credited)* | | | |

**Suspense A/c**

*Dr.* *Cr.*

| Date | Particulars | J.F. | ₹ | Date | Particulars | J.F. | ₹ |
|---|---|---|---|---|---|---|---|
| | To Difference in the Trial Balance | | 100 | (4) | By Salary A/c | | 1,000 |
| | | | | (5) (i) | By Purchases A/c | | 400 |
| | | | | (5) (ii) | By Sales A/c | | 400 |
| (1) | To X | | 1,100 | | | | |
| (2) | To Purchases A/c | | 100 | | Balance c/d | | Nil |
| (3) | To Purchases Return A/c | | 100 | | | | |
| (4) | To Discount A/c | | 400 | | | | |
| | | | 1,800 | | | | 1,800 |

*Since the Balance of the suspense A/c is Nil, indicates that all the errors has been rectified*

## Rectification of Errors (Practical Questions)

**A) Rectify the following errors.**

1. *Salary paid ₹ 50,000 wrongly debited to Sundry Expenses A/c.*
2. *₹ 75,000 paid by Cheque as salary, debited to personal A/c.*
3. *A sale of old furniture for ₹ 2,00,000 has been credited to sales A/c.*
4. *Sales of ₹ 10,000 to Ramesh were recorded as ₹ 1,000 in the Sales Book.*
5. *Goods for ₹ 2,50,000 were purchases from Kashmir Singh Trader on credit, but no entry has yet been passed.*
6. *Purchases return for ₹ 15,000 not recorded in the book.*
7. *An invoice for goods sold to X was overcast by ₹ 22,000.*
8. *A credit sales of good to Sunil ₹ 50,000 has been wrongly passed through the Purchases Book.*
9. *Bill for ₹ 9990 received from Rahul for repairs to machinery was entered in the purchases book 999.*
10. *A bill payable ₹ 81,000 given to Vijay was wrongly passed through bill receivable book.*
11. *Goods costing ₹ 4,000 market price ₹ 5,000 taken by the proprietor have not been entered in the books at all.*
12. *A return of goods worth ₹ 25,000 from Pradeep was entered in the Purchases Return Book.*
13. *Goods work ₹ 500 were given as charity by the owner of the firm not recorded in the books of accounts.*
14. *₹ 20,000 paid for proprietor life insurance were debited to Miscellaneous Expenses Account.*
15. *A Cheque for ₹ 30,000 received from Sonakshi was dishonored and debited to Discount Allowed Account.*

**B) There was a difference of ₹ 50,000 in a Trial Balance. It was placed on the debit side of a Suspense A/c. Later on the**

**following errors were discovered. Pass rectifying Journal entries and prepare Suspense A/c.**

1. *Purchases Book was overcast by ₹ 2,000.*
2. *Sale books was overcast by ₹ 5,000.*
3. *Goods for ₹ 20,000 purchases from Vijay through entered in the purchases book, has not been posted to his account.*
4. *An amount of ₹ 5,000 has been posted to the credit side of commission account instead of 5700.*
5. *Goods sold to B for ₹ 4,400 has been posted to his account as ₹ 4,000.*
6. *Cash ₹ 3,000 paid by Raman posted to Raja's Account.*