

CA FOUNDATION



CHANKYA
NITI

Subject : Accounts

RECTIFICATION OF ERRORS



By- CA Rishabh Rohra



TOPICS COVERED

- ➡ **Stages of Errors**
- ➡ **Types of Errors**
- ➡ **Steps to Locate Errors**
- ➡ **Rectification of Errors**

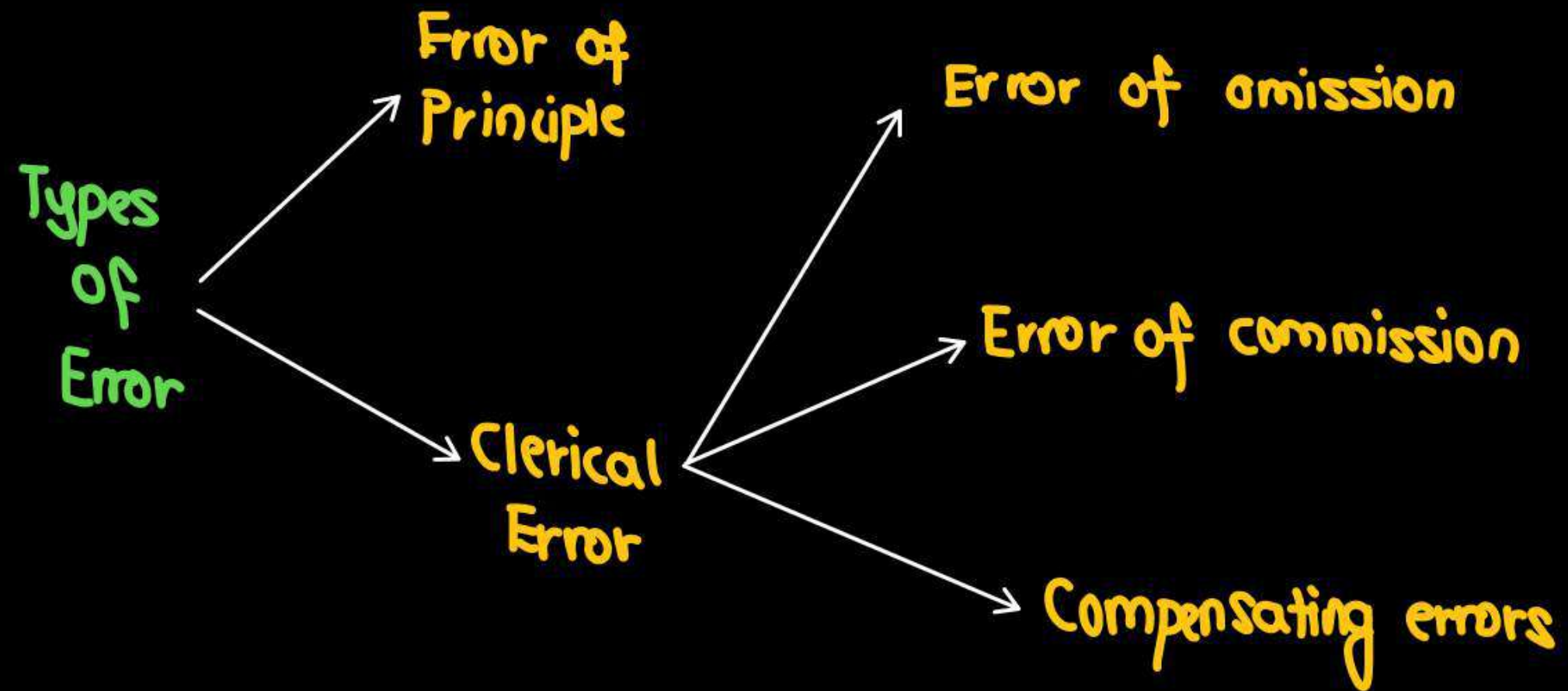


Journal
Entry

Ledger
Posting

Trial
Bal.

Trading
P&L BS





Error of Principle →

Asset Dr.	Expense Dr.
Expense Dr.	Asset Dr.
Income Cr.	Liability Cr.
Liability Cr.	Income Cr.

Error of omission →

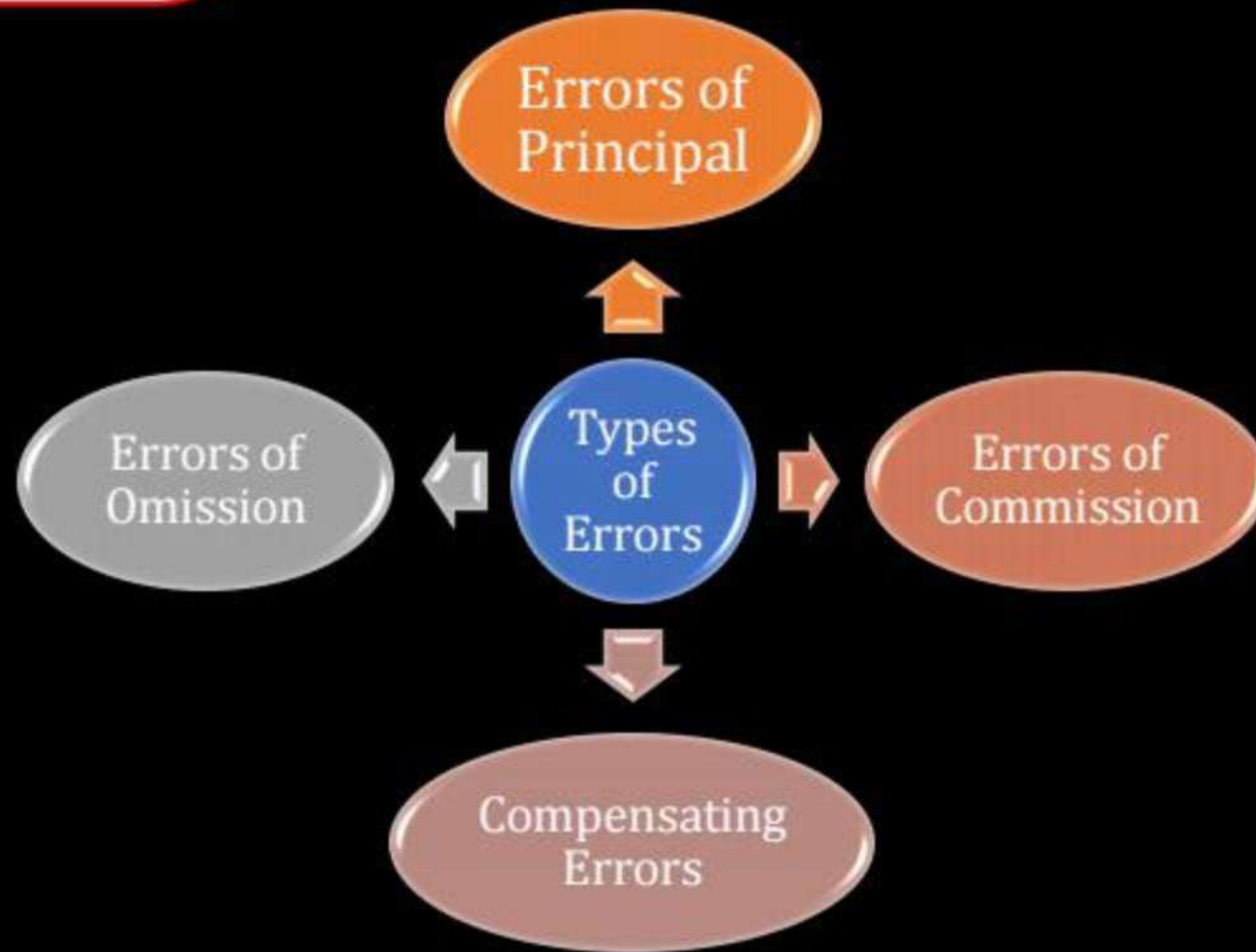
JE Pass X	
JE Pass ✓ LP X	
JE Pass ✓ LP → partial	Dr. ✓ Cr. X Dr. X Cr. ✓
JE Pass ✓ LP ✓ TB X	

Error of commission →

Wrong A/c	→ karna tha Mr. A Dr. , kardia Mr. B Dr.
Wrong side	→ karna tha Mr. A Dr. , Kardia Mr. A Cr
Wrong total	



Unit Overview





Stages Of Errors

Errors may occur at any of the following stages of the accounting process:

AT THE STAGE OF RECORDING THE TRANSACTIONS IN JOURNAL

Following types of errors may happen at this stage:

- i. Errors of principle, → only while passing JE
- ii. Errors of omission,
- iii. Errors of commission.

AT THE STAGE OF POSTING THE ENTRIES IN LEDGER

- i. Errors of omission:
 - a) Partial omission,
 - b) Complete omission.



- ii. Errors of commission:
 - a) Posting to wrong account,
 - b) Posting on the wrong side,
 - c) Posting of wrong amount.

AT THE STAGE OF BALANCING THE LEDGER ACCOUNTS

- i. Wrong Totalling of accounts,
 - ii. Wrong Balancing of accounts.
- } Error of commission

AT THE STAGE OF PREPARING THE TRIAL BALANCE

- i. Errors of omission,
- ii. Errors of commission:
 - a) Taking wrong account,
 - b) Taking wrong amount,
 - c) Taking to the wrong side.



Types Of Errors

Basically errors are of two types:

- a) Errors of principle:** When a transaction is recorded in contravention of accounting principles, like treating the purchase of an asset as an expense, it is an error of principle. In this case, there is no effect on the trial balance since the amounts are placed on the correct side, though in a wrong account. Suppose on the purchase of a computer, the office expenses account is debited; the trial balance will still agree.
- b) Clerical errors:** These errors arise because of mistake committed in the ordinary course of the accounting process. These are of three types:



- i. **Errors of Omission:** If a transaction is completely or partially omitted from the books of account, it will be a case of omission. Examples would be: not recording a credit purchase of furniture or not posting an entry into the ledger.
- ii. **Errors of Commission:** If an amount is posted in the wrong account or it is written on the wrong side or the totals are wrong or a wrong balance is struck, it will be a case of “errors of commission.”
- iii. **Compensating Errors:** If the effect of errors committed cancel out, the errors will be called compensating errors. The trial balance will agree. Suppose an amount of ₹10 received from A is not credited to his account and the total of the sales book is ₹10 in excess. The omission of credit to A's account will be made up by the increased credit to the Sales Account.



Errors

Error of principal (Treating a revenue expenses as capital expenditure or vice versa or the sale of a fixed asset as ordinary sale)

Clerical Errors

Errors of Omission

Errors of Commission

Compensating Errors

Trial Balance will agree

Trial Balance will agree

Omitting an Entry completely from the subsidiary books

Omitting to post the ledger account from the subsidiary books.

Trial Balance will agree

Trial Balance will not agree

JE pass X

JE pass ✓ LP X

Asset Dr.
Exp. Dr.
Liability Cr.
Income Cr.



Errors of Commission



Cash A/c Dr. 2,000
To Sales 2,000

↳ LP Dr. Cash A/c
200

Sales A/c Cr.
200



The following errors were found in the book of Ram Prasad & Sons. Give the necessary entries to correct them.

1. ₹ 500 paid for furniture purchased has been charged to ordinary Purchases Account.
 Dr. Furniture Alc Dr. x Purchase Alc Dr.
 CE cash/Bank Cr.
2. Repairs made were debited to Building Account for ₹ 50. Repair Dr. Bldg Dr
3. An amount of ₹100 withdrawn by the proprietor for his personal use has been debited to Trade Expenses Account. Drawing Dr. Trade Exp. Dr.
4. ₹100 paid for rent debited to Landlord's Account. Rent Dr. Landlord Dr.
5. Salary ₹ 125 paid to a clerk due to him has been debited to his personal account. Salary Dr. Clerk Dr.
6. ₹ 100 received from Shah & Co. has been wrongly entered as from Shaw & Co.
7. ₹ 700 paid in cash for a typewriter was charged to Office Expenses Account.
 Dr. Type Write Alc Dr
 To cash Alc



Rectification Entry

(i) Furniture A/c Dr. 500
To Purchase A/c 500

→ Being, purchase wrongly Debited instead of Furniture, now rectified.

(ii) Repairs A/c Dr. 50
To Building A/c 50

→ Being, Building wrongly Debited instead of Repairs, now rectified.

(iii) Drawings A/c Dr. 100
To Trade Expense A/c 100

→ Being, Trade expense wrongly Debited instead of Drawing, now rectified.

(iv) Rent A/c Dr. 100
To Land Lord A/c 100

→ Being, Land Lord wrongly Debited instead of Rent, now rectified.



(v) Salary A/c Dr. 125
To Clerk A/c 125

→ Being clerk A/c wrongly debited instead of Salary A/c, now rectified

(vi) Shaw & Co. A/c Dr. 100
To Shah & Co. A/c 100

→ Being Shaw & Co. wrongly credited instead of Shah & Co., now rectified

(vii) Type writer A/c Dr. 700
To Office expense A/c 700

→ Being office exp. wrongly debited instead of Typewriter A/c, now rectified



Give journal entries to rectify the following:

1. A purchase of goods from Ram amounting to ₹150 has been wrongly entered through the Sales Book. Purchase credit → Treat Sale credit
2. A Credit sale of goods amounting ₹120 to Ramesh has been wrongly passed through the Purchase Book. Credit sale credit purchase
3. On 31st December, 2022 goods of the value of ₹ 300 were returned by Hari Saran and were taken into inventory on the same date but no entry was passed in the books. SR = Return Inward CE Return inward Dr To Hari Saran A/c
4. An amount of ₹ 200 due from Maresh 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 Maresh Chand.
5. A Cheque for ₹ 100 received from Man Mohan was dishonoured and had been posted to the debit of Sales Returns Account.



(i) WE Ram Alc Dr. 150
✓ To Sales Alc 150

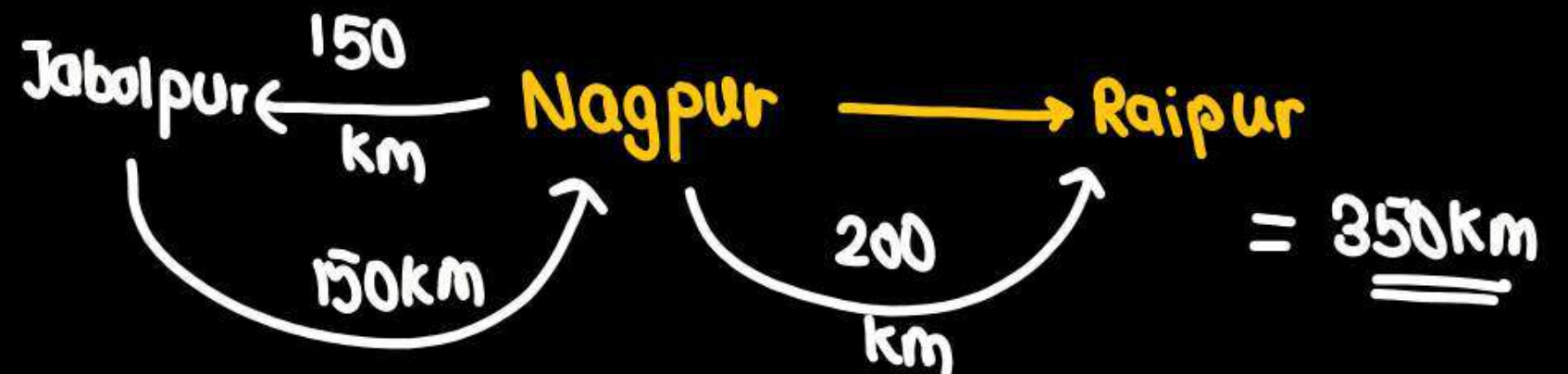
CE ✓ Purchase Alc Dr. 150
To Ram Alc 150

Correct	Wrong
Ram	Ram
cr.	Dr.
150	150
+ = 300	

RE :- Sales Alc Dr. 150
Purchase Alc Dr. 150
To Ram Alc 300

JIS Alc ko Dr. karna tha lekin Cr. kardiya
or
JIS Alc ko Cr. karna tha lekin Dr. kardiya

↓
Aise scenario mein amount
plus hojenga.





(ii) WE Purchase A/c Dr. 120
To Ramesh A/c 120

CE Ramesh A/c Dr. 120
To Sales A/c 120

CE	WE	
Ramesh	Ramesh	
Dr.	Cr.	
120	120	= 240

RE :- Ramesh A/c Dr. 240
To Purchase A/c 120
To Sales A/c 120

JIS A/c ko Dr. karna tha lekin Cr. kardiya
or

JIS A/c ko Cr. karna tha lekin Dr. kardiya

↓
Aise scenario mein amount
plus hojenga.

(iii) Return Inward A/c Dr. 300
To Hari Soren A/c 300



(iv) Previous year

BS → Mahesh Chand 200

Debtor



BSA

PY JE:- BD A/c Dr. 200
To Mahesh Chand A/c 200

P&L A/c Dr. 200
To BD A/c 200

CE:- Cash / Bank A/c Dr. 200
To Bad Debt Recovered A/c 200

INE:- Cash / Bank A/c Dr. 200
To Mahesh Chand A/c 200

RE:- Mahesh Chand A/c Dr. 200
To Bad Debt Recovered A/c 200



Man-Mohan Chq.
Recd. →
(N) Bank A/c Dr. 100
To Man Mohan A/c 100

Cheque Dishonoured.

CE:- Man Mohan A/c Dr. 100
To Bank A/c 100

WE:- Sales Return A/c Dr.

RE:- Man Mohan A/c Dr. 100
To Sale Return A/c 100



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

Return inward A/c Dr. 100 To Mr. Sharma A/c 100
To Mr. Sharma A/c 100 To Sales A/c 100

1. Goods of the value of ₹ 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 ₹150 entered in the Sales Returns Book, has been posted to the debit of Mr. Philip, who returned the goods; SR A/c Dr. 150 + 150 = 300
To Mr. Philip
3. A sale of ₹ 200 made to Mr. Ghanshyam was correctly entered in the Sales Day Book but wrongly posted to the debit of Mr. Radheshyam as ₹ 20; and
4. The total of "Discount Allowed" column in the Cash Book for the month of September, 2022 amounting to ₹ 250 was not posted. CB → Discount coln

Exp → Dr.

↳ Total → Dis A/c
Dr. Cr

Ghanshyam Dr
To Sales A/c → ✓



(1) Sales A/c Dr. 100
Dr. \neq Cr. Return Inward A/c Dr. 100
To suspense A/c 200

(2) Suspense A/c Dr. 300
To Mr. Philip A/c 300

(3) ghanshyam A/c Dr. 200
To Radheshyam A/c 20
To suspense A/c 180

(4) Discount A/c Dr. 250
To suspense A/c 250

Suspense A/c

Particulars	Amt (£)	Particulars	Amt (£)
To Mr. Philip A/c	300	By Sales A/c	100
To Bal c/d	330	By Return Inward A/c	100
		By ghanshyam A/c	180
		By Discount A/c	250
	630		630



cash Book →

Dr.		Discount allowed		Cash Book		Discount recd.	
	C	D	B		C	D	B
	Dr. 500000		Dr. 150000	By Bal Cd	Cr. 300000 200000		Cr. 140000 10000
		Total 250				Total	

Discount
A/c

Post x

Discount A/c Dr. X



BOA ✓

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

- a) An amount of ₹100 was received from D. Das on 31st December, 2022 but has been omitted to enter in the Cash Book. → Cash coln → Cash Alc X CB → Dis coln
→ Bank coln → Bank Alc X → Dis Alc
- b) The total of Returns Inward Book for December has been casted short by ₹100. Sale Cr. Sale Return or Return inward Dr. ₹100
- c) The purchase of an office table costing ₹ 300 has been passed through the Purchases Day Book. Asset purchase good purchase
- d) ₹ 375 paid for Wages to workmen for making show-cases had been charged to "Wages Account". Furniture Asset Dr.
- e) A purchase of ₹ 67 had been posted to the trade payables' account as ₹ 60.
Purchase Alc Dr. 67
To Trade payable Alc 67

Recd. → Bank Dr.
To P.C. Joshi

Dishonoured :- P.C. Joshi Dr.
To Bank



- f) A cheque for ₹ 200 received from P. C. Joshi had been dishonoured and was passed to the debit of "Allowances Account".
- g) ₹ 1,000 paid for the purchase of a motor cycle for Mr. Dutt for his personal use had been ^{Dr.}charged to "Miscellaneous Expenses Account". owner → motor cycle ↘
- h) Goods amounting to ₹100 had been returned by customer and were taken into inventory, but no entry in respect thereof, was made into the books.
- i) A sale of ₹ 200 to Singh & Co. was wrongly credited to their account. Entry was correctly made in sales book.

✓ Singh & Co. Dr 200
✓ To Sales A/c 200
↓ properly Cr.
Singh & Co. Cr. 200

	Dr.	Cr.
Suspense A/c	493	
	200493	200493



(a) Cash A/c Dr. 100
To D. Das A/c 100

✓ (b) Return Inward A/c Dr. 100
To Suspense A/c 100

(c) Office Table A/c Dr. 300
To Purchase A/c 300

(d) Furniture A/c Dr. 375
To Wages A/c 375

✓ (e) Suspense A/c Dr. 7
To Trade payable A/c 7

(f) P.C. Joshi A/c Dr. 200
To Allowance A/c 200

(g) Drawing A/c Dr. 1000
To Misc. Expense A/c 1000

(h) Return Inward A/c Dr. 100
To Customer (Debtor) A/c 100

✓ (i) Singh & Co. A/c Dr. 400
To Suspense A/c 400



TO Bal bld from TB	493	By Return Inward A/c	100
TO Trade payable A/c	7	By Singh 2 Co.	400
	500		500



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

1. Sale of old Furniture ₹ 150 treated as sale of goods. Furniture sale goods sales
 2. Receipt of ₹ 500 from Ram Mohan credited to Shyam Sunder. C/B Dr. RM Cr.
 3. Goods worth ₹ 100 brought from Mohan Narain have remained unrecorded so far. Pur Dr. MN Cr. → JE x
 4. A return of ₹ 120 from Mukesh posted to his debit. Ret. I Alc Dr 120 To mukesh 120
 5. A return of ₹ 90 to Shyam Sunder posted as ₹ 9 in his account. Shy Sunde Dr. 90 To Ret out 90
 6. Rent of proprietor's residence, ₹ 600 debited to rent A/c.
 7. A payment of ₹ 215 to Mohammad Sadiq posted to his credit as ₹125. Md Sadiq Dr. 215 To C/B Alc 215 Cr. 125
 8. Sales Book casted short by ₹ 900. Cr. Asset Dr.
 9. The total of Bills Receivable Book ₹ 1,500 left unposted.
- You are required to pass the necessary rectifying entries



(1) Sales A/c Dr. 150
To Furniture A/c 150

(2) Shyam Sunder A/c Dr. 500
To Ram Mohan A/c 500

(3) Purchase A/c Dr. 100
To Mohan Narain A/c 100

(4) Suspense A/c Dr. 240
To Mukesh A/c 240

Also prepare Suspense A/c

(5) Shyam Sunder A/c Dr. 81
To Suspense A/c 81

(6) Drawing A/c Dr. 600
To Rent A/c 600

(7) Md. Sadiq A/c Dr. 340
To Suspense A/c 340

(8) Suspense A/c Dr. 900
To Sales A/c 900

(9) Bill Receivable A/c Dr. 1500
To Suspense 1500



If Question says, Show how the error will effect TB in that Scenario

- Don't use suspense Alc, write one liner to Rectify error
- Show the effect on TB, before Rectification



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

1. Sale of old Furniture ₹ 150 treated as sale of goods. Furniture sale goods sales
2. Receipt of ₹ 500 from Ram Mohan credited to Shyam Sunder. C/B Dr. RM Cr.
3. Goods worth ₹ 100 brought from Mohan Narain have remained unrecorded so far. Pur Dr. MN Cr. → JE x
4. A return of ₹ 120 from Mukesh posted to his debit. Ret. I Alc Dr 120 To mukesh 120
5. A return of ₹ 90 to Shyam Sunder posted as ₹ 9 in his account. Shy Sunde Dr. 90 To Ret out 90
6. Rent of proprietor's residence, ₹ 600 debited to rent A/c.
7. A payment of ₹ 215 to Mohammad Sadiq posted to his credit as ₹125. Md Sadiq Dr. 215 To C/B Alc 215 Cr. 125
8. Sales Book casted short by ₹ 900. Cr. Asset Dr.
9. The total of Bills Receivable Book ₹ 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.



(1) Sales A/c Dr. 150
To Furniture A/c 150

(2) Shyam Sunder A/c Dr. 500
To Ram Mohan A/c 500

(3) Purchase A/c Dr. 100
To Mohan Narain A/c 100

(4) Credit Mukesh A/c by
₹ 240

(5) Debit Shyam Sunder by
₹ 81 A/c

(6) Drawing A/c Dr. 600
To Rent A/c 600

(7) Debit Md. Sadiq by ₹340
A/c

(8) Credit Sales A/c by ₹900

(9) Debit Bill Receivable A/c by
₹1500



Effect on TB

(1) NO effect

(2) NO effect

(3) NO effect

(4) TB credit side short ₹240

(5) TB Debit side short ₹81

(6) NO effect

(7) TB Debit side short by ₹340

(8) TB credit side short ₹900

(9) TB Debit side short ₹1500



one liner

Correct the following errors (i) without opening a Suspense Account and (ii) opening a Suspense Account: **IF Dr. ≠ Cr. → use suspense**

- a) The Sales Book has been totalled ₹100 short.
- b) Goods worth ₹150 returned by Green & Co. have not been recorded anywhere.
**Ret. Inward A/c Dr
To green & co**
- c) Goods purchased ₹250 have been posted to the debit of the supplier Gupta & Co.
**Pur. Dr.
To Gupta A/c Gupta Dr.**
- d) Furniture purchased from Gulab & Bros, ₹1,000 has been entered in Purchases Day Book.
- * e) Discount received from Red & Black ₹15 has not been entered in the Discount Column of the Cash Book.
**R & B
To Dis A/c**
- * f) Discount allowed to G. Mohan & Co. ₹18 has not been entered in the Discount Column of the Cash Book. The account of G. Mohan & Co. has, however, been correctly posted.
**Dis A/c Dr
To G. Mohan → correct Cr.**



With Suspense A/c

(a) Suspense A/c Dr. 100
To Sales A/c 100

(b) Return Inward A/c Dr. 150
To Green & Co. A/c 150

(c) Suspense A/c Dr. 500
To Gupta & Co. A/c 500

Without Suspense A/c

(a) Sales book casted short by ₹100
to Rectify we will credit ₹100 in
Sales A/c "By total short"

(b) Return Inward A/c Dr. 150
To Green & Co. A/c 150

(c) Gupta & Co. is wrongly debited by ₹250
to Rectify credit Gupta & Co. A/c by ₹500
"By wrongly debited"



With Suspense Alc

(d) Furniture Alc Dr. 1,000
To Purchase Alc 1,000

(e) Red & Black Alc Dr. 15
To Discount Alc 15

(f) Discount Alc Dr. 18
To Suspense Alc 18

Do make suspense Alc ✓

Without Suspense Alc

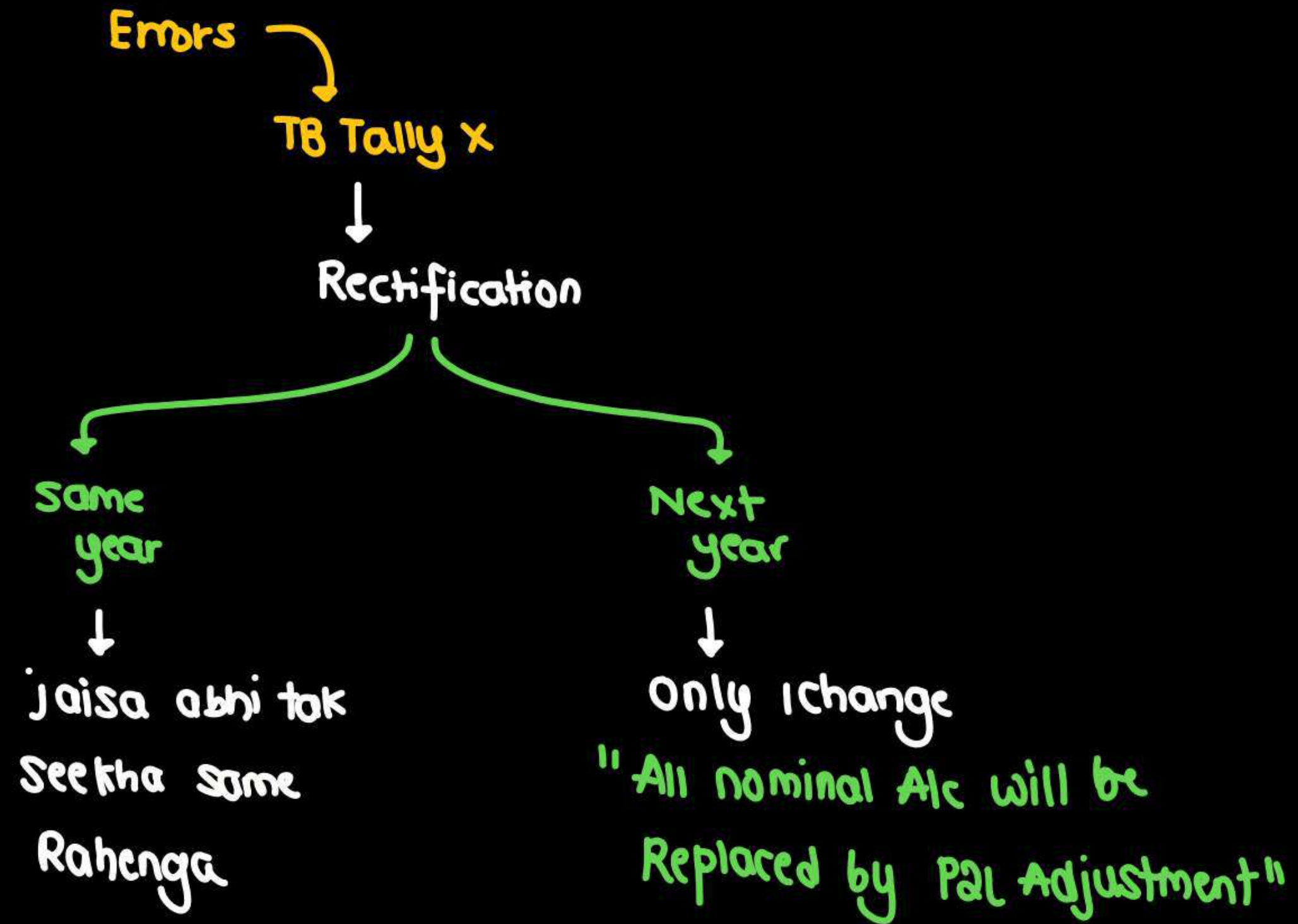
(d) Furniture Alc Dr. 1,000
To Purchase Alc 1,000

(e) Red & Black Alc Dr. 15
To Discount Alc 15

(f) Discount Alc was not debited by £18
to Rectify we will Debit Discount Alc
by £18 "To Disc. Alc not debited"



- How would you rectify the following errors in the book of Rama & Co.?
1. The total to the Purchases Book has been undercast by ₹ 100. ✓ with suspense ✓ without suspense
 2. The Returns Inward Book has been undercast by ₹ 50.
 3. A sum of ₹ 250 written off as depreciation on Machinery has not been debited to Depreciation Account. Depn Dr. To suspense Depn not debited ∴ Dr. To Amt not deb
 4. A payment of ₹ 75 for salaries (to Mohan) has been posted twice to Salaries Account. Salary Dr To C/B Alc RE Suspense Alc 75 To salary 75 without Susp. — —
 5. The total of Bills Receivable Book ₹ 1,500 has been posted to the credit of Bills Receivable Account.
 6. An amount of ₹151 for a credit sale to Hari, although correctly entered in the Sales Book, has been posted as ₹ 115.
 7. Discount allowed to Satish ₹ 25 has not been entered in the Discount Column of the Cash Book. the amount has been posted correctly to the credit of his personal account.





Tally is Error

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 ₹3,000.
 2. Purchase account was over-cast by ₹10,000.
 3. A credit purchase of goods from Mr. P for ₹ 2,000 was entered as a sale.
 4. Receipt of cash from Mr. A was posted to the account of Mr. B ₹ 1,000.
 5. Receipt of cash from Mr. C was posted to the debit of his account, ₹ 500.
 6. ₹ 500 due by Mr. Q was omitted to be taken to the trial balance.
 7. Sale of goods to Mr. R for ₹ 2,000 was omitted to be recorded.
 8. Amount of ₹ 2,395 of purchase was wrongly posted as ₹ 2,593.
- Mr. Roy used 10% depreciation on vehicles. Suggest the necessary rectification entries.

Pur Dr. To P
P Dr. To sale

Mr. C → Cr. 500
L galti Dr 500

Pur. Dr. 2395
Dr. 2593
198 Dr. ↑



Error in same year 2024
Rectification is same year 2024

Error in last year 2023
Rectification in current year 2024

(1) Scooter A/c Dr. 3,000
 To conveyance A/c 3,000

Depreciation A/c Dr. 300
 To Scooter A/c 300

(1) Motor vehicle A/c Dr. 2700
 To P&L Adj. A/c 2700
 (3000 Cr. (-) 300 Dr.)

(2) Suspense A/c Dr. 10,000
 To Purchase A/c 10,000

(2) Suspense A/c Dr. 10,000
 To P&L Adj A/c 10,000

Error in same year 2024
Rectification is same year 2024

(3) Sales Alc 2,000
Purchase Alc Dr. 2,000
To Mr. P Alc 4,000

(4) Mr. B Alc Dr. 1,000
To Mr. A Alc 1,000

(5) Suspense Alc Dr. 1,000
To Mr. C 1,000

(6) Mr. Q Alc Dr. 500
To suspense Alc 500

Error in last year 2023
Rectification in current year 2024



(3) PAL Adjustment Alc Dr. 4,000
To Trade Payable [Mr. P] Alc 4,000

(4) Mr. B Alc Dr. 1,000
To Mr. A Alc 1,000

(5) Suspense Alc Dr. 1,000
To Mr. C 1,000

(6) Trade Receivable [Mr. Q] Alc Dr. 500
To suspense Alc 500



Error in same year 2024
Rectification is same year 2024

(T) Mr. R A/c Dr 2,000
To sales A/c 2,000

(B) Suspense A/c 198
To Purchase A/c 198

Do make suspense A/c
irrespective of anything

Error in last year 2023
Rectification in current year 2024

(7) Trade Receivable [Mr. R] A/c Dr. 2,000
To P&L Adj. A/c 2,000

(8) Suspense A/c 198
To P&L Adj. A/c 198

(9) Capital A/c Dr. 10,698
To suspense A/c 10,698

(10) P&L Adj. A/c Dr. 10,898
To Capital A/c 10,898

Error 2023 Rectification 2024



Suspense		Dr.	P&L Adj. A/c
To P&L Adj. A/c 10,000	By Trade Receivable [Mr. Q] A/c 500	To Trade payable [Mr. P] A/c 4000	By motor vehicle A/c 2,700
To Mr. C A/c 1,000			By suspense A/c 10,000
To P&L Adj. A/c 198	By capital A/c 10,698	To Capital A/c 10,898	By Trade Receivable [Mr. R] A/c 2,000
			By suspense A/c 198
<u>11,198</u>	<u>11,198</u>	<u>14,898</u>	<u>14,898</u>



ILL 8 → ICAI module

If the difference in TB is transferred to

Profit & Loss A/c

P&L Adj. A/c

Suspense A/c

} Diff of A/c

trf

Capital A/c

Capital A/c

JE

Suspense A/c

Practical Question 3

P&L Adj. A/c → Diff. of A/c → Balcd

Suspense A/c → Diff of A/c → Balcd

∴ i.e No JE



THANK
YOU

