

ERRORS AND ITS RECTIFICATIONS

Normally, after preparing the ledger account, a statement called trial balance is prepared to find out the arithmetic accuracy. If the debit balance total and credit balance total agrees, we believe that there is no errors. If the two totals do not agree, it is definite that there have been some errors. Such errors may be because of wrong entry, wrong posting from subsidiary books, wrong casting of subsidiary books, and wrong casting of ledger accounts.

If it not possible to find out the reason for the difference, then such amount will temporarily placed in an account called suspense account. If the debit total is shorter than credit side then the difference is placed on the debit side of the trial balance and shown on the asset side of the balance sheet. If the credit side shorter than the debit side, then the difference is placed on the credit side of the trial balance and shown on the liabilities side of the balance sheet.

Even, if the trial balance agrees, there may be some errors, such as if a particular entry is not posted in the book which is called error of omission, the trial balance will agree. Similarly, if you treat purchase of goods as purchases of assets which is called error of principle, the trial balance will agree.

Therefore, it is necessary to find out the errors which may be committed at various stages i.e.

At the time of recording the transactions

At the time of posting in the ledger accounts

At the time of balancing the ledger accounts

At the time of preparation of trial balance

At the time of preparation of final accounts

After the preparation of final accounts

And rectify the same.

Objects:

The main purpose of findout errors and rectify the same are

- 1] Preparing correct accounting records
- 2] Ascertain correct profit and loss account for the particular period
- 3] Show the true financial position of the concern on a particular date.

Types of Errors:

Errors may be broadly classified into two

1] Errors of Principles: Recording transactions in contravention of accounting principle, such as treating purchase of asset as a revenue expense which will not affect the trial balance.

2] Clerical errors: While preparing accounts some errors may be committed this may be further classified into three.

2a) Errors of Omission: It may be complete omission or partial omission. If a particular transaction is not at all recorded in the books, it is called complete omission and which will not affect the trial balance. If a part of particular transaction is not recorded, then it is called partial omission which will affect the trial balance.

2b) Errors of commission: If an amount wrongly recorded in the subsidiary book, or ledger accounts, posted in the wrong account or wrong balance in the account are called errors of commission. For example, purchase book under cast by Rs,10000/-. Sales account over-cast by Rs.15000/-

2c) Compensating errors: One error is compensated by another error of same amount. For example, ram account is debit with Rs.10000 instead of Rs.1000. Similarly, Ganesh account is debited with Rs.1000 instead of Rs.10000. Such errors will not affect the agreement of trial balance.

Rectification of Errors:

Rectification of errors before preparation of trial balance

Rectification of errors after preparation of trial balance but before preparation of final accounts

Rectification of errors, after preparation of final accounts.

1. Error of omission arises when

A] Any transaction is left to be recorded	B] any transaction is recorded in fundamentally wrong manner	C] Any transaction is incorrectly recorded	D] all of the above
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2] Error of commission arises when

A] Any transaction is left to be recorded	B] any transaction is recorded in fundamentally wrong manner	C] Any transaction is incorrectly recorded	D] all of the above
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3] Error of principle arises when

A] Any transaction is left to be recorded	B] any transaction is recorded in fundamentally wrong manner	C] Any transaction is incorrectly recorded	D] all of the above
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4. While preparing the trial balance, if it doesn't agree the difference will be

A] ignored	B] kept in a suspense account	C] adjusted with some account	D] none of the above
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5. Rs.5000/- paid as wages for erecting a machine should be debited to

A] wages account	B] Capital Account	C] Machinery account	D] to be shown separately
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6. On purchase of old furniture, the amount of Rs.10000/- spent on its repairs should be debited to

A] Repairs account	B] Furniture Account	C] P and L account	D] Cash account
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7. Purchase of office furniture worth Rs.15000/- has been debited to general expenses account, it is a

A] clerical error	B] error of omission	C] error of commission	D] error of principle
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8. Sale of machinery should be credited to

A] sales account	B] machinery account	C] cash account	D] P and L account
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9. After preparation of trial balance, it is found that Rs.1200/- payable by a customer has been omitted from the sundry debtors, what would be entry?

A] Sundry Debtors A/c. To suspense A/c.	B] Suspense A/c. To sun. debtors A/c.	B] No entry required	C] Just add with the debtors a/c.
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10. Goods of the value of Rs.2500/- purchased from Ram were recorded as sales, what would be the entry?

A] Purchase A/c 2500 To Ram A/c.2500	B] Purchase A/c. 2500 Sales A/c. 2500 To Ram A/c. 5000	B] Sales A/c. 2500 To Ram A/c. 2500	C] sales A/c. 2500 To Ram A/c.2500
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ANSWERS

1] a	2] c	3] b	4] b	5] c	6] b	7] d	8] b	9] a	10] b
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