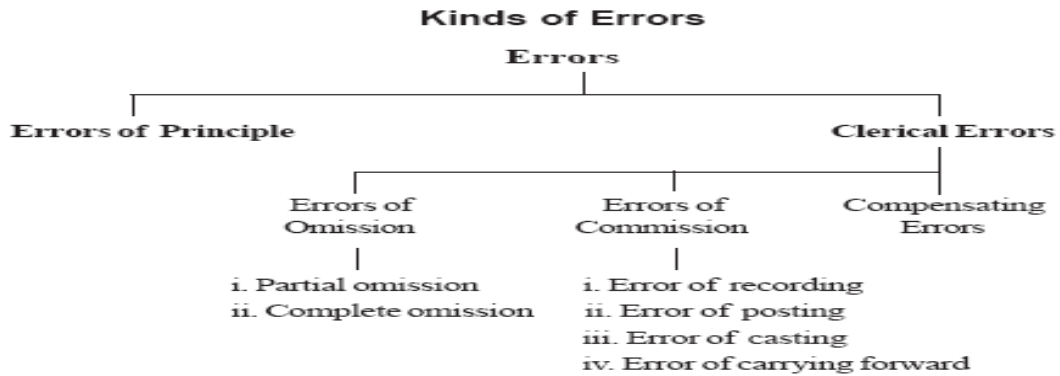


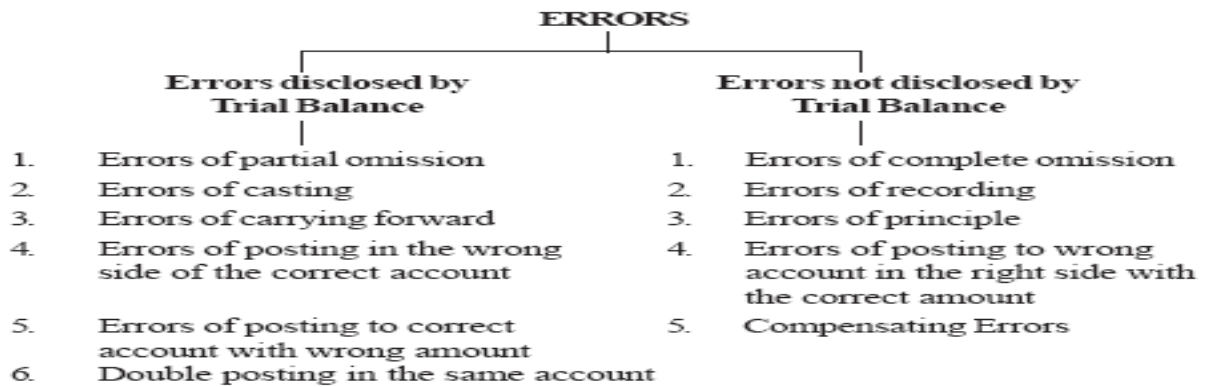
### RECTIFICATION OF ERRORS

- ❖ Errors are unintentional misstatement or omission or mistake committed in book-keeping
- ❖ The mistakes may be one relating to routine or one relating to Principle
- ❖ Following are most common error encountered in accounting records



#### 10.1 Errors in Trial Balance

Errors in trial balance are classified as errors disclosed by trial balance and errors not disclosed by trial balance



#### 10.2 Locating Errors

Following nine steps will follow in order to locate errors

**Step 1:** Make sure balances in trial balance in correct sides

**Step 2:** Check whether the Debit and Credit sides added correctly by opposite direction

**Step 3:** Divide the difference by 9. If divisible by 9, so transposition error or slide error. If digits are place wrongly i.e. 5,760..... 5,670

Or

6,250 ..... 62.50 (decimal point transposition error)

**Step 4:** Divide the difference by 2, and check the identical amount in the bigger columns of trial balance

**Step 5:** Check ledger account if shows an account equal to difference

**Step 6:** Cross checking the amount in trial balance and ledger accounts

**Step 7:** Re-compute the balance of each ledger

**Step 8:** Check posting from journal to ledger

**Step 9:** Check journal entries in detail

**Example # 10.1:** The clerk of ABC business wrongly prepared the following Trial Balance. You are required to draw up a trial balance correctly

S. No	Heads of Accounts	Ref	Amount (Rs.)	
			Dr	Cr
1	Owner's Equity			60,000
2	Opening Stock		5,000	
3	Discount Allowed			500
4	Commission Received			700
5	Fixed Assets			60,000
6	Sales		85,000	
7	Purchases			45,000
8	Purchases Return			1,000
9	Sales Return		2,000	
10	Carriage Inward			700
11	Carriage Outward			600
12	Wages & Salaries		25,000	
13	Bill Receivables		7,000	
14	Debtors		9,000	
15	Bill Payable			7,000
16	Rent		3,000	
17	Interest Paid			2,000
18	Cash		800	
19	Creditors		6,900	
20	Ending Stock		33,800	
<b>Total</b>			<b>Rs. 177,500</b>	<b>Rs. 177,500</b>

S. No	Heads of Accounts	Ref	Amount (Rs.)	
			Dr	Cr
1	Owner's Equity			
2	Opening Stock			
3	Discount Allowed			
4	Commission Received			
5	Fixed Assets			
6	Sales			
7	Purchases			
8	Purchases Return			
9	Sales Return			
10	Carriage Inward			
11	Carriage Outward			
12	Wages & Salaries			
13	Bill Receivables			
14	Debtors			
15	Bill Payable			
16	Rent			
17	Interest Paid			
18	Cash			
19	Creditors			
<b>Total</b>				

**Example # 10.2:** The Make corrected Trial Balance after anticipating hidden errors

**Sabeela Meer**

Trial Balance

As on 31<sup>st</sup> December, 2016

S. No	Heads of Accounts	Ref	Amount (Rs.)	
			Dr	Cr
1	Owner's Equity			60,000
2	Inventory 01-01-2016		3,000	
3	Wages			500
4	Commission earned			700
5	Tangible Assets			60,000
6	Sales		85,000	
7	Purchases			45,000
8	Return Outward			1,000
9	Sales Return		2,000	
10	Carriage Inward			700
11	Fuel and Power Expense			600
12	Wages & Salaries		25,000	
13	Note Receivables		7,000	
14	Account Receivable		9,000	
15	Bill Payable			5,000
16	Rent		3,000	
17	Discount Allowed			2,000
18	Cash		800	
19	Creditors		6,900	
20	Inventory 31-12-16		33,800	
<b>Total</b>			<b>Rs. 175,500</b>	<b>Rs. 175,500</b>

**Errors:**

- (i) Credit sales of worth Rs. 4,500 was omitted to record in the book of original entry.
- (ii) Wages and Salaries account should be separate to Rs. 15,000 and 10,000 respectively.
- (iii) Drawing of worth Rs. 2,000 wrongly charged to Note Receivable Account.
- (iv) Unearned Sales of Rs. 15,000 was incorrectly credited to Sales Account.

Following accounts are used for correction and adjusting the transactions.

*Sales; Account Receivable; Wages; Salaries; Drawing; Note Receivable; Unearned Sales*



### 10.3 Rectification of Error

- An accountant can also commit errors while recording business transactions in books of accounts, in their recording, posting or balancing the accounts and so on
- These errors should be located and corrected as soon as possible so that accounts give true and fair results of the operations of the business enterprise
- There are certain errors which will disturb the Trial Balance in the sense that the Trial Balance will not agree. These errors are easy to detect and their rectification is also simple
- However, there are certain errors which are not detected through a Trial Balance. In other words, a Trial Balance would agree in spite of these errors. These errors are very difficult to detect

**Example # 10.3:** Rectify the following journal entries in the book of Aroosa & Brothers Co.

<i>S. No</i>	<i>Wrong Entry / Transaction</i>	<i>Correct Entry</i>	<i>Rectifying Entry</i>
<i>1</i>			
<i>2</i>			
<i>3</i>			
<i>4</i>			
<i>5</i>			
<i>6</i>			
<i>7</i>			

**Example # 11.4:** Pass Rectification entries for the following transactions at end April, 2016

1. A builder's bill for Rs. 4,600 for the erection of a small shed was debited to Repairs Expense Account
2. Repairs to plant amounting to Rs. 900 had been charged to Plant and Machinery Account
3. Purchase Day Book undercast by Rs. 1,000
4. Check for Rs. 750 received from Hussain Ltd. Was credit to account of Hassan Ltd
5. The total of Return Inward Book has been overcast Rs. 2,000
6. Goods to the value of Rs. 4,000 returned by X were included in closing stock, but no entry was made in the books
7. Received Rs.2,000 from Shankar debited to his account
8. The sales book undercast by Rs.1,500

#### General Journal

Date		Account Title and Explanations	Ref	Amount (Rs)	
				Debit	Credit
<b>2016</b>					
<i>April</i>	<b>1</b>				
	<b>2</b>				
	<b>3</b>				
	<b>4</b>				
	<b>5</b>				
	<b>6</b>				
	<b>7</b>				
	<b>8</b>				
<b>Total</b>				<b>Rs. 18,750</b>	<b>Rs. 18,750</b>

#### Practice MCQs

[www.accountancyknowledge.com/rectification-of-errors-mcqs/](http://www.accountancyknowledge.com/rectification-of-errors-mcqs/)