

**Subject:** Book Keeping **Topic:** Rectification of Errors **Name of the Teacher:** Jaishree Teli **Date:**

FYJC COMMERCE

Error means a mistake done without any intention, which can be rectified or corrected.

Fraud means a mistake done with some bad intention.

Rectification of errors is an accounting process of correcting a mistake or error which is done without any bad intention.

Following are the different types of error that may be committed while recording the business transaction:-

- I. Error which effects the Trial Balance are as follows(one sided error):-
  - a) Partial Omission of transaction.
  - b) Posting of wrong amount on one side of an account.
  - c) Posting entry on wrong side of an account.
  - d) Wrong casting (totaling) or balancing of an account.
  - e) Omission of transferring the balance of an account to Trial Balance.
  
- II. Error which do not effects the Trial Balance are as follows(two sided error):-
  - a) Complete omission of transaction.
  - b) Posting wrong amount on both the sides of an account.
  - c) Posting wrong heads of account.
  - d) Compensating Errors.
  - e) Recording wrong amount in original books.
  - f) Errors of Principles.
  - g) Recording the entry twice in original books.

An account which is opened to transfer the difference in the totals of trial balance is known as Suspense Account.

The following are the different types of Accounting Errors:

- a) Error of Principle: When the basic rule of accounting are not correctly followed to record the transaction. For example: old furniture sold for INR 7,500 was posted to sales account.
- b) Error of Commission: When incorrect entries are passed in the journal, wrong posting is done in the ledger, wrong casting is done, wrong calculation is done, mistake made in carrying forward etc. For example: Credit purchase of furniture is recorded in purchase account.
- c) Error of Omission: When the transaction is not recorded in any books of accounts.
- d) Compensating Errors: When one error cancels the effect of another error. An excess debit in one account will be set off by an excess credit of the same amount in another account and so the trial balance will not be affected.

Answer the following:

Q1. Give one word/term/phrase for each of the following statements:

- a) Error of incorrect entries or wrong posting.
- b) Transaction remained to be recorded at all in the books of account.
- c) Error in which the effect of one mistake is nullified by another mistake.
- d) Errors which affect the agreement of Trial Balance.

Q2. State whether the following statements are TRUE OR FALSE:

- a) A Trial Balance can agree in spite of certain errors.
- b) There is no need to open a Suspense Account if the Trial Balance agrees.
- c) Compensating errors affect the agreement of trail balance.
- d) Single sided errors affect only one account.
- e) Error of omission is disclosed by the Trial Balance.

Q3. Rectify the following errors:

- a) Rent of INR 900 paid to Rajesh has been debited to his personal account.
- b) An amount of INR 1,500 drawn by the proprietor for his personal use stands debited to sundry expenses account.
- c) A payment of INR 2,000 made to Naina for cash purchase of goods from her stands debited to her personal account.
- d) Goods returned to Mr. Pratik as they were defective INR 590 were not recorded in the books.
- e) A goods sold to Krishna INR 8,000 on credit was not posted at all.

Q4. Rectify the following errors:

- a) Purchase of Building was passed through Purchase Book as INR 70,000.
- b) Wages paid for construction of building IINR 20.000 was wrongly debited to wages account.
- c) Expenses of installation of machinery was debited to installation charges account INR 50,000.
- d) Brokerage paid INR 6,000 for purchase of investment were debited to brokerage account.
- e) Old motor car purchased was debited to repairs account INR 8,000.
- f) Materials purchased for construction of Building was debited to purchase account INR 9,000.

Q5. Rectify the following errors:

- a) Purchase of stationery INR 4,000 was debited to purchase's account.
- b) INR 5,000 received from Seema has been wrongly posted to Reena's account.
- c) Goods INR 6,000 returned by Priti were not recorded in the books of accounts.
- d) Credit side of Sandeep account has been overcast by INR 2,000.
- e) Freight paid for purchase of furniture INR 1,000 is debited to freight account.