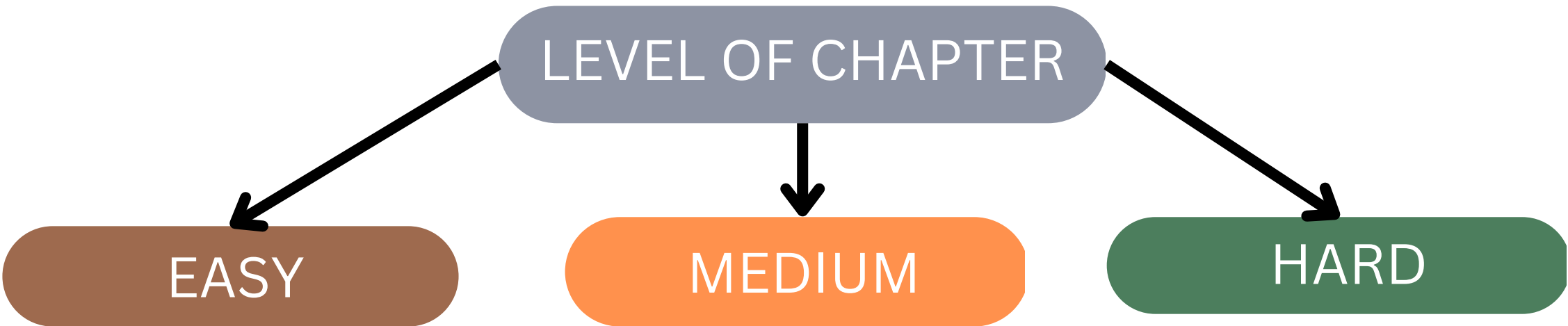


RECTIFICATION OF ERRORS



RECTIFICATION OF ERROR

Rectification of errors means adjusting/correcting the errors done in accounting. Errors are unintentional mistakes which can be found at any stage of accounting .

The way error will be rectified depends upon the stage at which the error is detected .

The Error can be found :-

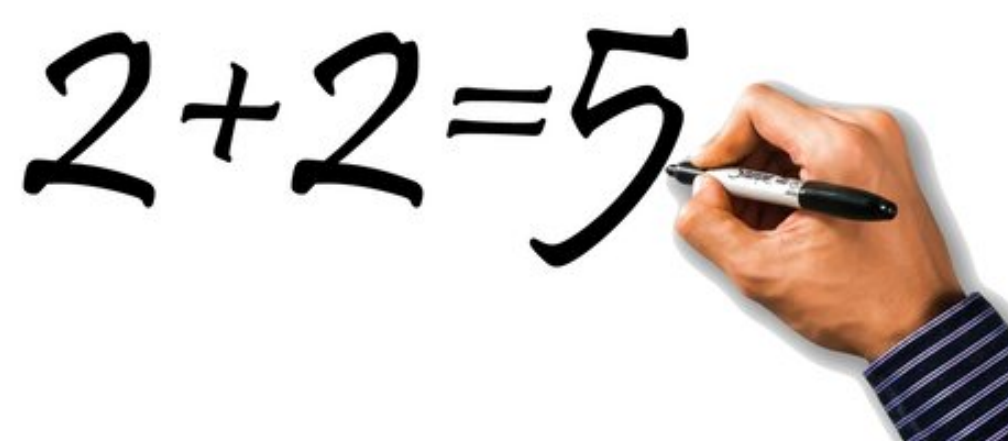
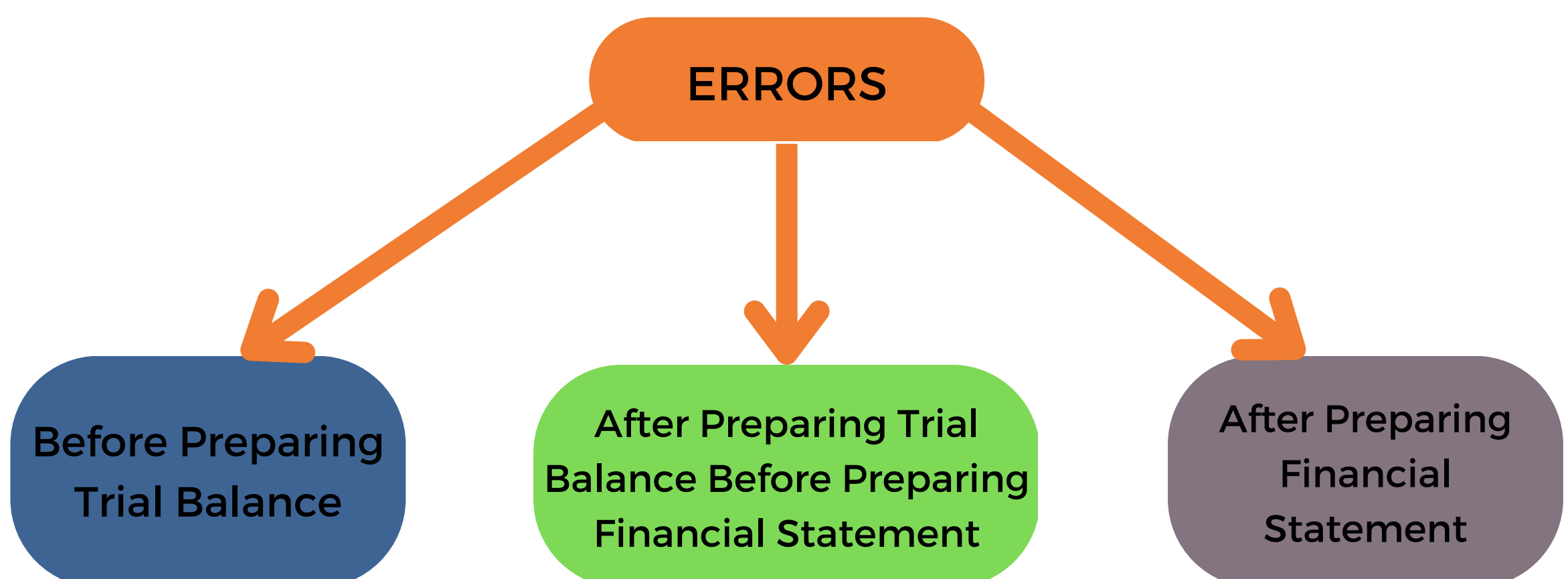
- (i) Before preparing Trial Balance
- (ii) After preparing trial Balance Before Financial Statements
- (iii) After preparing financial statements i.e. In next accounting year.

The types of error can be classified into the following categories :-

- (a) One sided error / Error which affects the trial balance.
- (b) Double sided error / Error which do not affect the trial balance.

The further classification can be done into :-

- (i) Errors of Commission.
- (ii) Errors of Omission.
- (iii) Principle errors.
- (iv) Compensating errors.



Notes : -

1. Double sided error will not affect the trial balance only if the error has affected both debits and credits with equal amounts in the same direction. therefore, general rule that error affecting 2 accounts with equal amounts can always be corrected by a double entry is not always valid .
2. If the error is detected before preparation of trial balance, then it has to be checked that double entry is possible for rectification or not. If double entry is not possible, then correction will be made in the ledger itself and answer will be given in the form of a line.
3. If the error is one sided error , then correction of error at the stage before preparing trial balance is not possible , correct the ledger itself.
4. The suspense account is opened when the trial balance does not tally after all the efforts and financial statements get delayed. In such a case, difference in trial balance on either side is transferred to suspense account.
5. If error is detected after opening suspense a/c but before preparation of financial statements, then rectification is done by reversing the suspense account and using the concerned account to complete the double entry. But if error is detected in the next accounting year, then income or expense account will be rectified by using P/L Adjustment A/C.
6. If any error do not affect trial balance, then rectification entry at first two stages will be same.
7. If any error do not affect trial balance and such error is not related to income or expenditure account , then rectification at all the three stages will be the same.
8. If only debit or only credit related to different account is affected with equal amounts but in opposite directions ,then also trial balance will remain tallied . It would also be a double sided error.

RECTIFICATION CHART**ERROR GIVEN IN QUESTION**

Check D/E Possible or Not

DR. & CR. affected - Same Amount Same Direction. OR

DR. affected in opposite directions with same amount. OR

CR. affected in opposite directions with same amount.

D/E Possible

First stage - Pass Rectification entry

Rectification at second stage will also be

Rectification at third stage will also be same .

Just use P&L adjustment A/C in place of

income/s and expense/s A/Cs.

D/E Not possible

First Stage - Correct Ledger/s itself

Journal entry is passed .

Rectification at second stage -

Copy one aspect from above stage and use

suspense A/C for other aspect.

Rectification at third stage will also be Same as

Second stage . Just use P&l adjustment A/C in

place of income/s and expense/s A/Cs.

Note :- General Rule that Error affecting two accounts can always be corrected with the help of a Journal Entry is not always valid.

1.Credit Purchases From Mr. A Rs. 10000 Entered in Purchase Book as Rs. 11000.

(a) Stage of error - At subsidiary book .

(b) Type of error - Error of Commission [Double sided error]

(c) Trial balance - Will remain tallied.

(d) Rectification

Before Preparation of Trial Balance

A A/C Dr. 1000

To Purchase A/C 1000

After Trial Balance Before Financial Statements

[Thakur stage]

A A/C Dr. 1000

To purchase A/C

After Financial Statements i.e In next Year

A A/C Dr. 1000

To P&L Adjustment A/C 1000

2. Credit Sales to Mr. Y Rs. 20000 less 10 % trade discount i.e net sales Rs. 18000 wrongly recorded in sales day book at Rs. 20000.

(a) Stage of error - At subsidiary book .

(b) Type of error - Error of Commission [Double sided error]

(c) Trial balance - Will remain tallied.

(d) Rectification

Before Preparation of Trial Balance

Sales A/C Dr. 2000

After Trial Balance Before Financial Statements

[Thakur stage]

Sales A/C Dr. 2000

To Mr. Y A/C 2000

After Financial Statements i.e In next Year

P & L Adjustment A/C Dr. 2000

To Mr. Y A/C 2000

3. For the month Of January 2020, total of credit sales in sales book are Rs. 175000 and wrongly totalled as Rs.

(a) Stage of error - At subsidiary book .

(b) Type of error - Error of Commission [one sided error]

(c) Trial balance - Will not tally

(d) Rectification

Before Preparation of Trial Balance = Error will be corrected by debiting Sales A/C with Rs. 10000 as

" To Wrong totalling of sales book "

After Trial Balance Before Financial Statements [Thakur stage]

Sales A/C Dr. 10000

To Suspense A/C 10000

After Financial Statements i.e In next Year

P&L Adjustment A/C Dr. 10000

To Suspense A/C 10000

4. Purchases made from Mr. A Rs. 8000 entered in Purchase book on A's name but wrongly posted to B's A/C.

(a) Stage of error - While posting to ledger.

(b) Type of error - Error of Commission [Double sided error]

(c) Trial balance - Will remain tallied.

(d) Rectification

Before Preparation of Trial Balance

B A/C Dr. 8000

To A A/C 8000

After Trial Balance Before Financial Statements [Thakur stage]

B A/C Dr. 8000

To A A/C 8000

After Financial Statements i.e In next Year

B A/C Dr. 8000

To A A/C 8000

5. Purchase made from MR.A 5000 entered in Purchase book on A's name but wrongly entered on other side of A's A/C.

(a) Stage of error - While posting to ledger.

(b) Type of error - Error of Commission [One sided error]

(c) Trial balance - Will not tally.

(d) Rectification

Before Preparation of Trial Balance = Error will be corrected by crediting A A/C with Rs. 10000

"By posting on wrong side"

After Trial Balance Before Financial Statements [Thakur stage] =

Suspense A/C Dr. 10000

To A A/C 10000

After Financial Statements i.e In next Year =

Suspense A/C Dr. 10000

To A A/C 10000

6. Mr. A , a creditor's A/C is balanced short by Rs. 10000.

(a) Stage of error - While balancing the ledger.

(b) Type of error - Error of Commission [One sided error]

(c) Trial balance - Will not tally

(d) Rectification

Before Preparation of Trial Balance = Error will be corrected by crediting Mr. A's A/C with Rs. 10000 as

"By Wrong balancing"

After Trial Balance Before Financial Statements [Thakur stage] =

Suspense A/C Dr. 10000

To Mr. A A/C 10000

After Financial Statements i.e In next Year =

Suspense A/C Dr. 10000

To Mr. A A/C 10000

7. Purchase made from Bhuvan Rs. 8000 omitted to be recorded.

(a) Stage of error - At subsidiary book / Journal

(b) Type of error - Error of Complete Omission [Double sided error]

(c) Trial balance - Will remain tallied.

(d) Rectification

Before Preparation of Trial Balance = Purchase A/C Dr. 8000

To Bhuvan A/C 8000

After Trial Balance Before Financial Statements =

Purchase A/C Dr. 8000

[Thakur stage] To Bhuvan A/C 8000

After Financial Statements i.e In next Year =

P&L Adjustment A/C Dr. 8000

To Bhuvan A/C 8000

8. Purchase made from Bhuvan Rs. 8000 omitted to be posted to Bhuvan's A/C.

(a) Stage of error - At subsidiary book / Journal

(b) Type of error - Error of Partial Omission [one sided error]

(c) Trial balance - Will not tally.

(d) Rectification

Before Preparation of Trial Balance = Error will be corrected by crediting Bhuvan A/C with Rs.8000 as

"By omission in posting"

After Trial Balance Before Financial Statements =

Suspense A/C Dr. 8000

[Thakur stage] To Bhuvan A/C 8000

After Financial Statements i.e In next Year =

Suspense A/C Dr. 8000

To Bhuvan A/C 8000

9. (i) Purchase of machinery Rs. 50000 is debited to purchase A/C.

(a) Stage of error - At Journal

(b) Type of error - Principle Error .

(c) Trial balance - Will remain tallied.

(d) Rectification

Before Preparation of Trial Balance =

Machinery A/C Dr. 50000

To Purchase A/C 50000

After Trial Balance Before Financial Statements =

Machinery A/C Dr. 50000

[Thakur stage] To Purchase A/C 50000

After Financial Statements i.e In next Year =

Machinery A/C dr. 50000

To P&L Adjustment A/C

9. (ii) Repairs of Machinery 4000 debited to Machinery A/C.

(a) Stage of error - At Journal

(b) Type of error - Principle Error.

(c) Trial balance - Will remain tallied.

(d) Rectification

Before Preparation of Trial Balance =

Repairs A/C Dr. 4000

To Machinery A/C 4000

After Trial Balance Before Financial Statements =

Repairs A/C Dr. 4000

[Thakur stage] To Machinery A/C 4000

After Financial Statements i.e In next Year =

P&L Adjustment A/C Dr. 4000

To Machinery A/C 4000

10. Goods are Purchased on credit from M/S Saurabh & co. for 10000 and from M/S Gaurav & co. Rs. 1000

.

(a) Stage of error - At subsidiary book .

(b) Type of error - Compensating Error.

(c) Trial balance - Will remain tallied.

(d) Rectification

Before Preparation of Trial Balance =

Gaurav A/C dr. 9000

To Saurav A/C 9000

After Trial Balance Before Financial Statements =

Gaurav A/C Dr. 9000

[Thakur stage] To Saurav A/C 9000

After Financial Statements i.e In next Year =

Gaurav A/C Dr. 9000

To Saurav A/C 9000

11. Following credit purchases have been made by Mr. Galti Ram :-

Jan.11 Purchases from S & Co. 200000 LESS 1% Trade discount

Jan.16 Purchases from S & Co. 120000 LESS 1% Trade discount

And M/S S& co. A/C Wrongly totalled short by 6800.

(a) Stage of error - At the time of balancing the account.

(b) Type of error - Error of Commission [One sided error]

(c) Trial balance - Will not tally.

(d) Rectification

Before Preparation of Trial Balance = Error will be corrected by crediting S&co.s A/C with Rs. 6800 as

"By Wrong totalling"

After Trial Balance Before Financial Statements =

Suspense A/C Dr. 6800

[Thakur stage] To S&Co. A/C 6800

After Financial Statements i.e In next Year =

Supense A/C Dr.6800

To S&Co. A/C 6800

12. While posting discount column on Dr. side of cash book , discount allowed to Ramesh Rs. 10 has not been posted to Ramesh A/C.

(a) Stage of error - While posting to ledger.

(b) Type of error - Error of Partial Omission [One sided Error]

(c) Trial balance - Will not tally.

(d) Rectification

Before Preparation of Trial Balance = Error will be corrected by crediting Ramesh A/C with Rs.10

as " By omission in posting"

After Trial Balance Before Financial Statements =

Suspense A/C Dr. 10

[Thakur stage] To Ramesh A/C 10

After Financial Statements i.e In next Year =

Suspense A/C Dr.10

To Ramesh A/C 10

13. Rs. 100 Received from Laxman has been entered by mistake on debit side of his A/C.

(a) Stage of error - While posting .

(b) Type of error - Error of Commission [One sided error]

(c) Trial balance - Will not tally.

(d) Rectification

Before Preparation of Trial Balance = Error will be corrected by crediting Laxman A/C with Rs.200 as

"By posting on wrong side"

After Trial Balance Before Financial Statements =

Suspense A/C Dr. 200

[Thakur stage] To Laxman A/C 200

After Financial Statements i.e In next Year =

Suspense A/C Dr. 200

To Laxman A/C 200

14. Cheque issued Rs. 10000 wrongly entered in the credit of bank column as Rs. 1000 only.

(a) Stage of error - While preparing Cash Book.

(b) Type of error - Error of Commission [One sided error]

(c) Trial balance - Will not tally.

(d) Rectification

**Before Preparation of Trial Balance = Error will be corrected by crediting Bank A/C with Rs. 9000
as " By short posting"**

**After Trial Balance Before Financial Statements =
Suspense A/C dr. 9000
[Thakur stage] To Bank A/C 9000**

**After Financial Statements i.e In next Year =
Suspense A/C Dr. 9000
To Bank A/C 9000**

15. Rs. 100 received from Yogesh and entered on debit side of cash book but not posted to Yogesh A/C.

(a) Stage of error - While posting to ledger.

(b) Type of error - Error of Partial Omission [One sided Error]

(c) Trial balance - Will not tally.

(d) Rectification

**Before Preparation of Trial Balance = Error will be corrected by crediting Yogesh A/C with Rs.100 as
"By omission in posting"**

**After Trial Balance Before Financial Statements =
Suspense A/C Dr. 100
[Thakur stage] To Yogesh A/C 100**

**After Financial Statements i.e In next Year =
Suspense A/C Dr. 100
To Yogesh A/C 100**

16. Rs. 51 paid to shyam has been posted as Rs. 15 to debit of his A/C.

(a) Stage of error - While posting to ledger.

(b) Type of error - Error of Commission [One sided error]

(c) Trial balance - Will not tally.

(d) Rectification

Before Preparation of Trial Balance = Error will be corrected by debiting shyam A/C with Rs. 36 as "To short posting"

**After Trial Balance Before Financial Statements =
Shyam A/C Dr. 36
[Thakur stage] To suspense A/C 36**

**After Financial Statements i.e In next Year =
Shyam A/C Dr. 36
To suspense A/C 36**

17. Goods sold to Deepak 2000 was wrongly posted from sales day book to debit of purchase A/C .

(a) Stage of error - While posting to ledger.

(b) Type of error - Error of Commission [Double sided error]

(c) Trial balance - Will not tally.

(d) Rectification

Before Preparation of Trial Balance = Error will be corrected by Crediting Sales and Purchase A/C both With Rs.2000 each as " By wrong posting"

**After Trial Balance Before Financial Statements =
Suspense A/C Dr. 4000
[Thakur stage] To Sales A/C 2000
To purchase A/C 2000**

**After Financial Statements i.e In next Year =
Suspense A/C Dr. 4000
To P&L Adjustment A/C 4000**

18. B/R From MR. X of Rs. 250 was posted to credit of B/P A/C.

(a) Stage of error - While posting to Ledger.

(b) Type of error - Error of Commission [Double sided error]

(c) Trial balance - Will not tally.

(d) Rectification

**Before Preparation of Trial Balance = Error will be corrected by
Debiting both B/P and B/R A/c with Rs.250 each
as "To posting to wrong account"**

After Trial Balance Before Financial Statements =

B/P A/C Dr. 250

[Thakur stage] B/R A/C Dr. 250

To suspense A/C 500

After Financial Statements i.e In next Year =

B/P A/C Dr. 250

B/R A/C Dr. 250

To Suspense A/C 500

**19. Goods Purchased from Vinod for Rs. 1000 was wrongly credited to
Vimal A/C by Rs. 100**

(a) Stage of error - While preparing Journal / posting to ledger .

(b) Type of error - Error of Commission [Double sided error]

(c) Trial balance - Will not tally.

(d) Rectification

**Before Preparation of Trial Balance = Error will be corrected by
debiting Vimal A/C with 100 and
Crediting Vinod A/C with Rs. 1000 as "Posting to wrongA/C"**

After Trial Balance Before Financial Statements =

Vimal A/C Dr.100

[Thakur stage] Suspense A/C Dr. 900

To Vinod A/C 1000

After Financial Statements i.e In next Year =

Vimal A/C Dr. 100

Suspense A/C Dr. 900

To Vinod A/C 1000

18. B/R From MR. X of Rs. 250 was posted to credit of B/P A/C.

(a) Stage of error - While posting to Ledger.

(b) Type of error - Error of Commission [Double sided error]

(c) Trial balance - Will not tally.

(d) Rectification

**Before Preparation of Trial Balance = Error will be corrected by
Debiting both B/P and B/R A/c with Rs.250 each
as "To posting to wrong account"**

After Trial Balance Before Financial Statements =

B/P A/C Dr. 250

[Thakur stage] B/R A/C Dr. 250

To suspense A/C 500

After Financial Statements i.e In next Year =

B/P A/C Dr. 250

B/R A/C Dr. 250

To Suspense A/C 500

**19. Goods Purchased from Vinod for Rs. 1000 was wrongly credited to
Vimal A/C by Rs. 100**

(a) Stage of error - While preparing Journal / posting to ledger .

(b) Type of error - Error of Commission [Double sided error]

(c) Trial balance - Will not tally.

(d) Rectification

**Before Preparation of Trial Balance = Error will be corrected by
debiting Vimal A/C with 100 and
Crediting Vinod A/C with Rs. 1000 as "Posting to wrongA/C"**

After Trial Balance Before Financial Statements =

Vimal A/C Dr.100

[Thakur stage] Suspense A/C Dr. 900

To Vinod A/C 1000

After Financial Statements i.e In next Year =

Vimal A/C Dr. 100

Suspense A/C Dr. 900

To Vinod A/C 1000