Chapter 6: Trial Balance and Rectification of Errors

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Short Answers — Questions for Practice — Short Answers

Q1 State the meaning of a trial balance.

SOLUTION

A trial balance is a statement prepared on a particular date showing the debit and credit balances of all the ledger accounts arranged in two columns.

It is a list of ledger balances, not an account.

Its main purpose is to check the arithmetical accuracy of the books of account: the total of the debit column should equal the total of the credit column, because every transaction is recorded on the basis of the double-entry system.

Answer: A trial balance is a statement of the debit and credit balances of all ledger accounts on a given date, prepared to verify the arithmetical accuracy of the ledger.

Q2 Give two examples of errors of principle.

SOLUTION

Errors of principle arise when a transaction is recorded in violation of accounting principles, such as treating a capital item as a revenue item or vice versa.

Example 1: Purchase of machinery (a capital expenditure) debited to the Purchases account (a revenue item).

Example 2: Repairs to building (a revenue expenditure) debited to the Building account (a capital item).

Answer: (i) Machinery purchased debited to Purchases account; (ii) Repairs to building debited to Building account.

Q3 Give two examples of errors of commission.

SOLUTION

Errors of commission are errors caused by wrong recording, wrong posting, wrong casting, wrong balancing or wrong carrying forward.

Example 1: Credit sales to Mohan Rs 7,000 recorded in the books as Rs 700 (wrong amount recorded).

Example 2: A credit sale to Mohan wrongly posted to the account of another person, Karan (wrong posting).

Answer: (i) Sales of Rs 7,000 recorded as Rs 700; (ii) An amount posted to the wrong person's account (e.g. to Karan instead of Mohan).

Q4 What are the methods of preparing trial balance?

SOLUTION

A trial balance can be prepared by the following methods:

1. Totals Method (Gross Trial Balance): the debit total and credit total of each ledger account are shown. The grand total of the debit column must equal the grand total of the credit column.

2. Balances Method (Net Trial Balance): only the net balance (debit or credit) of each account is shown. This is the most widely used method as it directly helps in preparing the final accounts.

3. Totals-cum-Balances Method: a combination of the above two methods, showing both the totals and the balances of each account in separate columns.

Answer: Three methods: (1) Totals method, (2) Balances method, and (3) Totals-cum-balances method. The balances method is the most commonly used.

Q5 What are the steps taken by an accountant to locate the errors in the trial balance?

SOLUTION

When a trial balance does not agree, the following steps are taken to locate the errors:

1. Recheck the totals of the debit and credit columns of the trial balance.

2. Check that the balance of each ledger account has been correctly written in the correct column of the trial balance.

3. Find the exact amount of difference and check whether any account of the same amount (or half of it) has been omitted or posted to the wrong column.
4. Recheck the totals and balances of all ledger accounts.
5. Verify the posting of entries from the subsidiary books and the journal to the ledger.
6. If the difference still persists, compare the current trial balance with that of the previous period.
7. As a last resort, place the difference in a Suspense account and locate the errors later.

Answer: Recheck column totals, check each balance is in the correct column, analyse the difference amount (and its half), re-total and re-balance ledger accounts, verify posting from subsidiary books, compare with the previous trial balance, and finally open a Suspense account.

Q6 What is a suspense account? Is it necessary that a suspense account will balance off after rectification of the errors detected by the accountant? If not, then what happens to the balance still remaining in the suspense account?

SOLUTION

A suspense account is a temporary account opened to carry forward the difference in the trial balance when the books are closed before all the errors causing the disagreement are located.

The difference is put on the shorter side: an excess credit difference is placed on the debit side of the suspense account, and an excess debit difference on its credit side, so that the trial balance agrees temporarily.

It is NOT necessary that the suspense account will balance off completely after the detected errors are rectified, because some errors causing the difference may still remain undetected.

If a balance still remains in the suspense account after rectification, it is carried forward to the next accounting period until the remaining errors are found. If it cannot be located, it is ultimately transferred to the Balance Sheet: a debit balance is shown on the assets side and a credit balance on the liabilities side.

Answer: A suspense account is a temporary account opened to balance the trial balance when its difference cannot be located. It need NOT close fully after rectification; any remaining balance is carried forward and, if still unexplained, shown in the Balance Sheet (debit balance on the assets side, credit balance on the liabilities side).

Q7 What kinds of errors would cause difference in the trial balance? Also list examples that would not be revealed by a trial balance.

SOLUTION

One-sided errors cause the trial balance to disagree. These include:

1. Wrong casting (totalling) of subsidiary books.
2. Posting of a wrong amount to a ledger account.
3. Posting to the wrong side of an account.
4. Omission to post an amount from a subsidiary book to the ledger.
5. Errors in carrying forward totals from one page to another.
6. Errors in balancing an account.

Errors NOT revealed by (that do not affect) the trial balance are two-sided errors, for example:

1. Errors of omission (a transaction completely omitted from the books).
2. Errors of principle (e.g. machinery purchase debited to Purchases account).
3. Compensating errors (one error is cancelled by another of the same amount on the opposite side).
4. Recording a transaction in the wrong subsidiary book (e.g. a credit sale recorded in the Purchases book).
5. Posting a correct amount to the correct side but in the wrong account (posting to the wrong person's account).

Answer: One-sided errors (wrong casting, wrong/partial posting, posting to the wrong side, balancing errors) cause disagreement. Errors NOT revealed: complete omission, errors of principle, compensating errors, recording in the wrong subsidiary book, and posting to the wrong account.

Q8 State the limitations of trial balance.

SOLUTION

The agreement of a trial balance is not conclusive proof of the accuracy of the books. Its limitations are:

1. A trial balance may agree even though certain errors exist, because two-sided errors do not affect it.
2. Errors of omission, errors of principle, compensating errors and recording in the wrong subsidiary book or wrong account do not disturb the agreement of the trial balance.
3. Therefore, the agreement of the trial balance does not guarantee that the accounts are free from all errors; it only proves the arithmetical accuracy of the ledger.

Answer: A trial balance only proves arithmetical accuracy; it can still agree despite errors of omission, principle, compensating errors, and wrong-book/wrong-account postings. Its agreement is therefore not conclusive proof of correctness.

Long Answers — Questions for Practice — Long Answers

Q1 Describe the purpose for the preparation of trial balance.

SOLUTION

The main purposes of preparing a trial balance are:

1. To ascertain the arithmetical accuracy of the ledger accounts: since it is based on the double-entry system, the total of debit balances must equal the total of credit balances.
2. To help in locating errors: if the two columns do not agree, it signals the presence of one or more errors that must be located and rectified.
3. To provide a summary of the ledger: it gives a condensed list of all ledger balances at one place, which is convenient for reference.
4. To facilitate the preparation of final accounts: the Trading and Profit & Loss Account and the Balance Sheet are prepared directly from the balances appearing in the trial balance.

Answer: A trial balance is prepared to (1) check the arithmetical accuracy of the ledger, (2) help locate errors, (3) provide a summary of all ledger balances, and (4) serve as the basis for preparing the final accounts.

Q2 Explain errors of principle and give two examples with measures to rectify them.

SOLUTION

Errors of principle occur when a transaction is recorded in violation of a fundamental accounting principle, most commonly by treating a capital item as a revenue item or a revenue item as a capital item. Such errors do not affect the agreement of the trial balance because the debit and credit remain equal.

Example 1: Furniture purchased for Rs 10,000 wrongly debited to the Purchases account.

Rectifying entry: Furniture A/c Dr. 10,000; To Purchases A/c 10,000. (Furniture, a capital asset, is correctly debited and the wrong debit to Purchases is removed.)

Example 2: Repairs on machinery Rs 1,400 wrongly debited to the Machinery account.

Rectifying entry: Repairs A/c Dr. 1,400; To Machinery A/c 1,400. (Repairs, a revenue expense, is correctly debited and the wrong debit to Machinery is removed.)

Answer: Errors of principle arise from treating a capital item as revenue (or vice versa) and do not affect the trial balance. Example entries: Furniture A/c Dr. 10,000 To Purchases A/c 10,000; and Repairs A/c Dr. 1,400 To Machinery A/c 1,400.

Q3 Explain the errors of commission and give two examples with measures to rectify them.

SOLUTION

Errors of commission are errors arising from wrong recording, wrong posting, wrong casting, wrong balancing or wrong carrying forward of amounts. Some of these errors affect the trial balance (one-sided) while others do not (two-sided).

Example 1 (two-sided): Credit sales to Mohan Rs 7,000 recorded in the books as Rs 700. Here both the debit to Mohan and the credit to Sales are short by Rs 6,300.

Rectifying entry: Mohan A/c Dr. 6,300; To Sales A/c 6,300. (The short amount is recorded to complete the entry.)

Example 2 (one-sided): Sales book overcast by Rs 700. Only the Sales account was over-credited by Rs 700; the customers' accounts were posted correctly.

Rectifying entry: Sales A/c Dr. 700; To Suspense A/c 700. (The excess credit to Sales is cancelled and the difference is routed through the Suspense account as it is a one-sided error.)

Answer: Errors of commission arise from wrong recording, posting, casting or balancing. Example entries: Mohan A/c Dr. 6,300 To Sales A/c 6,300 (sale of Rs 7,000 recorded as Rs 700); and Sales A/c Dr. 700 To Suspense A/c 700 (Sales book overcast by Rs 700).

Q4 What are the different types of errors that are usually committed in recording business transactions?

SOLUTION

The errors committed in recording business transactions are broadly classified as follows:

1. Errors of Commission: arising from wrong recording, wrong posting, wrong casting, wrong balancing or wrong carrying forward of amounts.
2. Errors of Omission: when a transaction is either completely omitted (complete omission) or partly omitted (partial omission) from the books.

3. Errors of Principle: when a transaction is recorded against accepted accounting principles, e.g. treating a capital item as a revenue item or vice versa.
4. Compensating Errors: when two or more errors of equal amount occur in such a way that the effect of one is cancelled by the other, so the trial balance still agrees.
From the point of view of the trial balance, errors are also classified as one-sided errors (affect the trial balance) and two-sided errors (do not affect the trial balance).

Answer: The main types are: (1) errors of commission, (2) errors of omission (complete and partial), (3) errors of principle, and (4) compensating errors. They may also be grouped as one-sided (affect the trial balance) and two-sided (do not).

Q5 As an accountant of a company, the totals in your new trial balance are not equal. After analysis, you discovered only one error: the Office Equipment account has a debit balance of Rs 15,600. However, a correctly recorded credit purchase of a pendrive for Rs 3,500 was posted from the journal to the ledger with a Rs 3,500 debit to Office Equipment and another Rs 3,500 debit to the Creditors account.
Answer: (a) Is the Office Equipment balance over/understated or correctly stated? (b) Is the Creditors balance over/understated or correctly stated? (c) Is the debit column total over/understated or correctly stated? (d) Is the credit column total over/understated or correctly stated? (e) If the debit column total is Rs 2,40,000 before correcting the error, what is the total of the credit column?

SOLUTION

The pendrive purchase on credit should have been: Office Equipment A/c Dr. 3,500; To Creditors A/c 3,500.
Instead, Office Equipment was debited Rs 3,500 (correct) and Creditors was also debited Rs 3,500 (wrong — Creditors should have been credited).
(a) Office Equipment account: the Rs 3,500 debit to Office Equipment is correct, so its balance of Rs 15,600 is CORRECTLY STATED.
(b) Creditors account: it has been debited Rs 3,500 instead of being credited Rs 3,500. So the credit balance of Creditors is short by Rs 3,500 (the missing credit) + Rs 3,500 (the wrong debit) = Rs 7,000. The Creditors balance is UNDERSTATED by Rs 7,000.
(c) Debit column total: an extra debit of Rs 3,500 (to Creditors) has been included. So the debit column total is OVERSTATED by Rs 3,500.

(d) Credit column total: the Rs 3,500 that should have been credited to Creditors was not credited. So the credit column total is UNDERSTATED by Rs 3,500.
(e) The correct (agreed) total = debit total minus the Rs 3,500 overstatement = 2,40,000 − 3,500 = Rs 2,36,500. The credit column, being understated by Rs 3,500 relative to the correct total, stands at 2,36,500 − 3,500 = Rs 2,33,000.
So the total of the credit column is Rs 2,33,000.

Answer: (a) Correctly stated. (b) Understated by Rs 7,000. (c) Overstated by Rs 3,500. (d) Understated by Rs 3,500. (e) Credit column total = Rs 2,33,000.

Numerical Questions — Questions for Practice — Numerical Questions

Q1 Rectify the following errors: (i) Credit sales to Mohan Rs 7,000 were not recorded. (ii) Credit purchases from Rohan Rs 9,000 were not recorded. (iii) Goods returned to Rakesh Rs 4,000 were not recorded. (iv) Goods returned from Mahesh Rs 1,000 were not recorded.

SOLUTION

These are errors of complete omission (two-sided), so the correct entry is simply recorded now. No suspense account is needed.

(i) The sale was never entered — pass the full sale entry.

(ii) The purchase was never entered — pass the full purchase entry.

(iii) Goods returned to the supplier (purchases return) was never entered — pass it.

(iv) Goods returned from the customer (sales return) was never entered — pass it.

Rectifying Journal Entries:

	Particulars	L.F.	Debit (Rs)	Credit (Rs)
(i)	Mohan A/c Dr.		7,000	
	To Sales A/c			7,000
(ii)	Purchases A/c Dr.		9,000	
	To Rohan A/c			9,000
(iii)	Rakesh A/c Dr.		4,000	
	To Purchases Return A/c			4,000
(iv)	Sales Return A/c Dr.		1,000	
	To Mahesh A/c			1,000

Answer: (i) Mohan A/c Dr. 7,000 To Sales A/c 7,000; (ii) Purchases A/c Dr. 9,000 To Rohan A/c 9,000; (iii) Rakesh A/c Dr. 4,000 To Purchases Return A/c 4,000; (iv) Sales Return A/c Dr. 1,000 To Mahesh A/c 1,000.

Q2 Rectify the following errors: (i) Credit sales to Mohan Rs 7,000 were recorded as Rs 700. (ii) Credit purchases from Rohan Rs 9,000 were recorded as Rs 900. (iii) Goods returned to Rakesh Rs 4,000 were recorded as Rs 400. (iv) Goods returned from Mahesh Rs 1,000 were recorded as Rs 100.

SOLUTION

Each transaction was recorded in the correct accounts but at a lower amount (two-sided errors). Record the shortfall only. No suspense account is needed.

(i) Short by 7,000 − 700 = Rs 6,300.

(ii) Short by 9,000 − 900 = Rs 8,100.

(iii) Short by 4,000 − 400 = Rs 3,600.

(iv) Short by 1,000 − 100 = Rs 900.

Rectifying Journal Entries:

	Particulars	L.F.	Debit (Rs)	Credit (Rs)
(i)	Mohan A/c Dr.		6,300	
	To Sales A/c			6,300
(ii)	Purchases A/c Dr.		8,100	
	To Rohan A/c			8,100
(iii)	Rakesh A/c Dr.		3,600	
	To Purchases Return A/c			3,600
(iv)	Sales Return A/c Dr.		900	
	To Mahesh A/c			900

Answer: (i) Mohan A/c Dr. 6,300 To Sales A/c 6,300; (ii) Purchases A/c Dr. 8,100 To Rohan A/c 8,100; (iii) Rakesh A/c Dr. 3,600 To Purchases Return A/c 3,600; (iv) Sales Return A/c Dr. 900 To Mahesh A/c 900.

Q3 Rectify the following errors: (i) Credit sales to Mohan Rs 7,000 were recorded as Rs 7,200. (ii) Credit purchases from Rohan Rs 9,000 were recorded as Rs 9,900. (iii) Goods returned to Rakesh Rs 4,000 were recorded as Rs 4,040. (iv) Goods returned from Mahesh Rs 1,000 were recorded as Rs 1,600.

SOLUTION

Each transaction was recorded in the correct accounts but at a higher amount (two-sided errors). Reverse the excess only. No suspense account is needed.

(i) Excess = 7,200 − 7,000 = Rs 200 (Mohan over-debited, Sales over-credited).

(ii) Excess = 9,900 − 9,000 = Rs 900 (Purchases over-debited, Rohan over-credited).

(iii) Excess = 4,040 − 4,000 = Rs 40 (Rakesh over-debited, Purchases Return over-credited).

(iv) Excess = 1,600 − 1,000 = Rs 600 (Sales Return over-debited, Mahesh over-credited).

Rectifying Journal Entries:

	Particulars	L.F.	Debit (Rs)	Credit (Rs)
(i)	Sales A/c Dr.		200	
	To Mohan A/c			200
(ii)	Rohan A/c Dr.		900	
	To Purchases A/c			900
(iii)	Purchases Return A/c Dr.		40	
	To Rakesh A/c			40
(iv)	Mahesh A/c Dr.		600	
	To Sales Return A/c			600

Answer: (i) Sales A/c Dr. 200 To Mohan A/c 200; (ii) Rohan A/c Dr. 900 To Purchases A/c 900; (iii) Purchases Return A/c Dr. 40 To Rakesh A/c 40; (iv) Mahesh A/c Dr. 600 To Sales Return A/c 600.

Q4 Rectify the following errors: (a) Salary paid Rs 5,000 was debited to employee's personal account. (b) Rent paid Rs 4,000 was posted to landlord's personal account. (c) Goods withdrawn by proprietor for personal use Rs 1,000 were debited to sundry expenses account. (d) Cash received from Kohli Rs 2,000 was posted to Kapur's account. (e) Cash paid to Babu Rs 1,500 was posted to Sabu's account.

SOLUTION

All are errors of posting to a wrong account (two-sided), with the correct debit/credit amount. No suspense account is needed — remove the wrong account and bring in the right one.

(a) Salary A/c should be debited, not the employee's account.

(b) Rent A/c should be debited, not the landlord's account.

(c) Drawings A/c should be debited, not Sundry Expenses.

(d) Cash received from Kohli should credit Kohli's A/c, but Kapur was credited by mistake.

(e) Cash paid to Babu should debit Babu's A/c, but Sabu was debited by mistake.

Rectifying Journal Entries:

	Particulars	L.F.	Debit (Rs)	Credit (Rs)
(a)	Salary A/c Dr.		5,000	
	To Employee's Personal A/c			5,000
(b)	Rent A/c Dr.		4,000	
	To Landlord's Personal A/c			4,000
(c)	Drawings A/c Dr.		1,000	
	To Sundry Expenses A/c			1,000
(d)	Kapur's A/c Dr.		2,000	
	To Kohli's A/c			2,000
(e)	Babu's A/c Dr.		1,500	
	To Sabu's A/c			1,500

Answer: (a) Salary A/c Dr. 5,000 To Employee's A/c 5,000; (b) Rent A/c Dr. 4,000 To Landlord's A/c 4,000; (c) Drawings A/c Dr. 1,000 To Sundry Expenses A/c 1,000; (d) Kapur's A/c Dr. 2,000 To Kohli's A/c 2,000; (e) Babu's A/c Dr. 1,500 To Sabu's A/c 1,500.

Q5 Rectify the following errors: (a) Credit sales to Mohan Rs 7,000 were recorded in purchases book. (b) Credit purchases from Rohan Rs 900 were recorded in sales book. (c) Goods returned to Rakesh Rs 4,000 were recorded in the sales return book. (d) Goods returned from Mahesh Rs 1,000 were recorded in purchases return book. (e) Goods returned from Nahesh Rs 2,000 were recorded in purchases book.

SOLUTION

These are errors of recording in the wrong subsidiary book (two-sided). The party's account is usually posted correctly, but the nominal/goods account is wrong and its effect is reversed. No suspense account is needed.

(a) Wrong: Purchases Dr 7,000, Mohan Cr 7,000. Correct: Mohan Dr 7,000, Sales Cr 7,000. Rectify by debiting Mohan Rs 14,000 and crediting both Sales and Purchases Rs 7,000 each.

(b) Wrong: Rohan Dr 900, Sales Cr 900. Correct: Purchases Dr 900, Rohan Cr 900. Rectify by crediting Rohan Rs 1,800 and debiting both Purchases and Sales Rs 900 each.

(c) Wrong: Sales Return Dr 4,000, Rakesh Cr 4,000. Correct: Rakesh Dr 4,000, Purchases Return Cr 4,000. Rectify by debiting Rakesh Rs 8,000 and crediting both Purchases Return and Sales Return Rs 4,000 each.

(d) Wrong: Mahesh Dr 1,000, Purchases Return Cr 1,000. Correct: Sales Return Dr 1,000, Mahesh Cr 1,000. Rectify by crediting Mahesh Rs 2,000 and debiting both Sales Return and Purchases Return Rs 1,000 each.

(e) Wrong: Purchases Dr 2,000, Nahesh Cr 2,000. Correct: Sales Return Dr 2,000, Nahesh Cr 2,000 (Nahesh's credit is already correct). Rectify by debiting Sales Return and crediting Purchases Rs 2,000.

Rectifying Journal Entries:

	Particulars	L.F.	Debit (Rs)	Credit (Rs)
(a)	Mohan A/c Dr.		14,000	
	To Sales A/c			7,000
	To Purchases A/c			7,000

	Particulars	L.F.	Debit (Rs)	Credit (Rs)
(b)	Purchases A/c Dr.		900	
	Sales A/c Dr.		900	
	To Rohan A/c			1,800
(c)	Rakesh A/c Dr.		8,000	
	To Purchases Return A/c			4,000
	To Sales Return A/c			4,000
(d)	Sales Return A/c Dr.		1,000	
	Purchases Return A/c Dr.		1,000	
	To Mahesh A/c			2,000
(e)	Sales Return A/c Dr.		2,000	
	To Purchases A/c			2,000

Answer: (a) Mohan A/c Dr. 14,000 To Sales A/c 7,000 To Purchases A/c 7,000; (b) Purchases A/c Dr. 900, Sales A/c Dr. 900 To Rohan A/c 1,800; (c) Rakesh A/c Dr. 8,000 To Purchases Return A/c 4,000 To Sales Return A/c 4,000; (d) Sales Return A/c Dr. 1,000, Purchases Return A/c Dr. 1,000 To Mahesh A/c 2,000; (e) Sales Return A/c Dr. 2,000 To Purchases A/c 2,000.

Q6 Rectify the following errors: (a) Sales book overcast by Rs 700. (b) Purchases book overcast by Rs 500. (c) Sales return book overcast by Rs 300. (d) Purchase return book overcast by Rs 200.

SOLUTION

Overcasting a subsidiary book affects only the concerned nominal account (one-sided errors), since the individual party postings are correct. Each is rectified through the Suspense account.

(a) Sales book overcast means Sales A/c was over-credited by Rs 700 — debit Sales to cancel.

(b) Purchases book overcast means Purchases A/c was over-debited by Rs 500 — credit Purchases to cancel.

(c) Sales return book overcast means Sales Return A/c was over-debited by Rs 300 — credit Sales Return to cancel.

(d) Purchase return book overcast means Purchases Return A/c was over-credited by Rs 200 — debit Purchases Return to cancel.

Rectifying Journal Entries:

	Particulars	L.F.	Debit (Rs)	Credit (Rs)
(a)	Sales A/c Dr.		700	
	To Suspense A/c			700
(b)	Suspense A/c Dr.		500	
	To Purchases A/c			500
(c)	Suspense A/c Dr.		300	
	To Sales Return A/c			300
(d)	Purchases Return A/c Dr.		200	
	To Suspense A/c			200

Answer: (a) Sales A/c Dr. 700 To Suspense A/c 700; (b) Suspense A/c Dr. 500 To Purchases A/c 500; (c) Suspense A/c Dr. 300 To Sales Return A/c 300; (d) Purchases Return A/c Dr. 200 To Suspense A/c 200.

Q7 Rectify the following errors: (a) Sales book undercast by Rs 300. (b) Purchases book undercast by Rs 400. (c) Return Inwards book undercast by Rs 200. (d) Return outwards book undercast by Rs 100.

SOLUTION

Undercasting a subsidiary book affects only the concerned nominal account (one-sided errors). Each is rectified through the Suspense account.

(a) Sales book undercast means Sales A/c was under-credited by Rs 300 — credit Sales to complete.

(b) Purchases book undercast means Purchases A/c was under-debited by Rs 400 — debit Purchases to complete.

(c) Return Inwards (Sales Return) undercast means Sales Return A/c was under-debited by Rs 200 — debit Sales Return to complete.

(d) Return Outwards (Purchases Return) undercast means Purchases Return A/c was under-credited by Rs 100 — credit Purchases Return to complete.

Rectifying Journal Entries:

	Particulars	L.F.	Debit (Rs)	Credit (Rs)
(a)	Suspense A/c Dr.		300	
	To Sales A/c			300
(b)	Purchases A/c Dr.		400	
	To Suspense A/c			400
(c)	Sales Return A/c Dr.		200	
	To Suspense A/c			200
(d)	Suspense A/c Dr.		100	
	To Purchases Return A/c			100

Answer: (a) Suspense A/c Dr. 300 To Sales A/c 300; (b) Purchases A/c Dr. 400 To Suspense A/c 400; (c) Sales Return A/c Dr. 200 To Suspense A/c 200; (d) Suspense A/c Dr. 100 To Purchases Return A/c 100.

Q8 Rectify the following errors and ascertain the amount of difference in trial balance by preparing suspense account: (a) Credit sales to Mohan Rs 7,000 were not posted. (b) Credit purchases from Rohan Rs 9,000 were not posted. (c) Goods returned to Rakesh Rs 4,000 were not posted. (d) Goods returned from Mahesh Rs 1,000 were not posted. (e) Cash paid to Ganesh Rs 3,000 was not posted. (f) Cash sales Rs 2,000 were not posted.

SOLUTION

"Not posted" means only the posting to one account was omitted (one-sided errors); the correct amount is simply posted now with the Suspense account carrying the other side.

(a) Mohan's account (debit) was not posted — debit Mohan, credit Suspense.

(b) Rohan's account (credit) was not posted — debit Suspense, credit Rohan.

(c) Rakesh's account (debit) was not posted — debit Rakesh, credit Suspense.

(d) Mahesh's account (credit) was not posted — debit Suspense, credit Mahesh.

(e) Ganesh's account (debit) was not posted — debit Ganesh, credit Suspense.
(f) Sales account (credit) was not posted — debit Suspense, credit Sales.

Rectifying Journal Entries:

	Particulars	L.F.	Debit (Rs)	Credit (Rs)
(a)	Mohan A/c Dr.		7,000	
	To Suspense A/c			7,000
(b)	Suspense A/c Dr.		9,000	
	To Rohan A/c			9,000
(c)	Rakesh A/c Dr.		4,000	
	To Suspense A/c			4,000
(d)	Suspense A/c Dr.		1,000	
	To Mahesh A/c			1,000
(e)	Ganesh A/c Dr.		3,000	
	To Suspense A/c			3,000
(f)	Suspense A/c Dr.		2,000	
	To Sales A/c			2,000

Suspense Account:

Particulars	Debit (Rs)	Credit (Rs)
To Rohan A/c	9,000	
To Mahesh A/c	1,000	
To Sales A/c	2,000	
By Mohan A/c		7,000
By Rakesh A/c		4,000
By Ganesh A/c		3,000
By Difference in Trial Balance (bal. fig.)		2,000

Particulars	Debit (Rs)	Credit (Rs)
Total	14,000	14,000

The debit side of the suspense account (Rs 12,000) falls short of the credit side by Rs 2,000, so the difference in the trial balance was Rs 2,000 (excess credit).

Answer: Difference in trial balance Rs 2,000 (excess credit). Suspense account totals Rs 14,000 on each side.

Q9 Rectify the following errors and ascertain the amount of difference in trial balance by preparing suspense account: (a) Credit sales to Mohan Rs 7,000 were posted as Rs 9,000. (b) Credit purchases from Rohan Rs 9,000 were posted as Rs 6,000. (c) Goods returned to Rakesh Rs 4,000 were posted as Rs 5,000. (d) Goods returned from Mahesh Rs 1,000 were posted as Rs 3,000. (e) Cash sales Rs 2,000 were posted as Rs 200.

SOLUTION

Only the amount posted to one account is wrong (one-sided errors). Adjust the difference through the Suspense account.

(a) Mohan over-debited by 9,000 − 7,000 = Rs 2,000 — credit Mohan, debit Suspense.

(b) Rohan under-credited by 9,000 − 6,000 = Rs 3,000 — credit Rohan, debit Suspense.

(c) Rakesh over-debited by 5,000 − 4,000 = Rs 1,000 — credit Rakesh, debit Suspense.

(d) Mahesh over-credited by 3,000 − 1,000 = Rs 2,000 — debit Mahesh, credit Suspense.

(e) Sales under-credited by 2,000 − 200 = Rs 1,800 — credit Sales, debit Suspense.

Rectifying Journal Entries:

	Particulars	L.F.	Debit (Rs)	Credit (Rs)
(a)	Suspense A/c Dr.		2,000	
	To Mohan A/c			2,000
(b)	Suspense A/c Dr.		3,000	

	Particulars	L.F.	Debit (Rs)	Credit (Rs)
	To Rohan A/c			3,000
(c)	Suspense A/c Dr.		1,000	
	To Rakesh A/c			1,000
(d)	Mahesh A/c Dr.		2,000	
	To Suspense A/c			2,000
(e)	Suspense A/c Dr.		1,800	
	To Sales A/c			1,800

Suspense Account:

Particulars	Debit (Rs)	Credit (Rs)
To Mohan A/c	2,000	
To Rohan A/c	3,000	
To Rakesh A/c	1,000	
To Sales A/c	1,800	
By Mahesh A/c		2,000
By Difference in Trial Balance (bal. fig.)		5,800
Total	7,800	7,800

The debit side of the suspense account (Rs 7,800) exceeds the credit side (Rs 2,000) by Rs 5,800, so the difference in the trial balance was Rs 5,800 (excess debit).

Answer: Difference in trial balance Rs 5,800 (excess debit). Suspense account totals Rs 7,800 on each side.