

Trial Balance and Rectification of Errors

What is a Trial Balance?

A **Trial Balance** is a financial report that lists the balances of all general ledger accounts of a business at a specific point in time. It includes both debit and credit balances and is prepared at the end of an accounting period. The main purpose of a trial balance is to ensure that the total of debit balances equals the total of credit balances, which confirms that the ledger accounts are correctly balanced.

Rectification of Errors

Rectification of errors in the trial balance is the process of identifying and correcting mistakes in the accounting records that have caused the trial balance to be incorrect. Errors can occur for various reasons, such as wrong entries, omissions, or incorrect calculations. Here's a detailed look at the types of errors and the process to rectify them:

1. Types of Errors in Trial Balance

- 1. Errors of Omission:** When a transaction is completely omitted from the books of accounts. For example, if a sale of ₹10,000 is not recorded at all.
- 2. Errors of Commission:** When an entry is made in the wrong account or the wrong amount is entered. For example, posting ₹5,000 to the wrong customer's account.
- 3. Errors of Principle:** When a transaction is recorded in violation of accounting principles. For example, recording a capital expenditure as a revenue expense.
- 4. Compensating Errors:** When two or more errors cancel each other out. For example, if the sales account is understated by ₹1,000 and the purchase account is also understated by ₹1,000.
- 5. Errors of Duplication:** When a transaction is recorded twice in the books of accounts.
- 6. Errors of Entry Reversal:** When a debit entry is mistakenly recorded as a credit entry or vice versa.

2. Steps for Rectifying Errors

- 1. Identify the Error:** The first step is to identify where the error has occurred. This can be done by reviewing the accounts and trial balance.
- 2. Determine the Nature of the Error:** Once identified, determine the type of error. This helps in understanding the correct rectification method.

**Course
&
Test Series**

Manual Accounting - Module 23

 **CBSE**

 **ICSE**

 **NTSE**

 **Banking &
Insurance**

 **Central Govt.
Service**

 **State Govt.
Services**

 **LAW
Entrance**

 **MBA
Entrance**

 **Railways & Metro
Services**

...many more

abhyasonline.in

3. Rectify the Error: Depending on the nature of the error, you will need to pass rectifying journal entries. Here are examples of how to rectify different types of errors:

Errors of Omission:

The errors of omission may be committed at the time of recording the transaction in the books of original entry or while posting to the ledger. These can be of two types:

- (i) error of complete omission
- (ii) error of partial omission

When a transaction is completely omitted from recording in the books of original record, it is an error of complete omission. For example, credit sales to Mohan ` 10,000, not entered in the sales book. When the recording of transaction is partly omitted from the books, it is an error of partial omission.

If in the above example, credit sales had been duly recorded in the sales book but the posting from sales book to Mohan's account has not been made, it would be an error of partial omission.

Example: Credit sales to Mohan 10,000 were not recorded in the sales book. This is an error of complete omission. Its affect is that Mohan's account has not been debited and Sales account has not been credited. Accordingly, recording usual entry for credit sales will rectify the error.

Mohan's A/c	Dr.	10,000	
To Sales A/c			10,000

Errors of Commission:

These are the errors which are committed due to wrong posting of transactions, wrong totalling or wrong balancing of the accounts, wrong casting of the subsidiary books, or wrong recording of amount in the books of original entry, etc. For example: Raj Hans Traders paid Rs 25,000 to Preetpal Traders (a supplier of goods).

This transaction was correctly recorded in the cashbook. But while posting to the ledger, Preetpal's account was debited with Rs 2,500 only. This constitutes an error of commission. Such an error by definition is of clerical nature and most of the errors of commission affect in the trial balance.

**Course
&
Test Series**

Manual Accounting - Module 23

Example 1: Credit sales to Mohan Rs 10,000 were recorded as Rs 1,000 in the sales book. This is an error of commission. The effect of wrong recording is shown below:

Mohan's A/c	Dr.	1,000	
			1,000
To Sales A/c			
<hr/>			
Correct effect should have been:			
Mohan's A/c	Dr.	10,000	
			10,000
To Sales A/c			
<hr/>			
Now that Mohan's account has to be given an additional debit of ₹ 9,000 and sales account has to be credited with additional amount of ₹ 9,000, rectification entry will be:			
Mohan's A/c	Dr.	9,000	
			9,000
To Sales A/c			
<hr/>			

Example 2: Credit sales to Mohan Rs 10,000 were recorded as Rs 12,000. This is an error of commission. The effect of wrong entry made has been

Mohan's A/c	Dr.	12,000	
			12,000
To Sales A/c			
<hr/>			
Correct effect should have been:			
Mohan's A/c	Dr.	10,000	
			10,000
To Sales A/c			
<hr/>			
You can see that there is an excess debit of ₹ 2,000 in Mohan's account and excess credit of ₹ 2,000 in sales account.			
The, rectification entry will be recorded as follows:			
Sales A/c	Dr.	2,000	
			2,000
To Mohan's A/c			
<hr/>			

 **CBSE**

 **ICSE**

 **NTSE**

 **Banking & Insurance**

 **Central Govt. Service**

 **State Govt. Services**

 **LAW Entrance**

 **MBA Entrance**

 **Railways & Metro Services**

...many more

abhyasonline.in

**Course
&
Test Series**

Manual Accounting - Module 23

Example 3: Credit sales to Mohan Rs 10,000 was correctly recorded in the sales book but was posted to Ram's account. This is an error of commission. The effect of wrong posting has been:

Ram's A/c	Dr.	10,000	
			10,000
<hr/>			
Correct effect should have been :			
Mohan's A/c	Dr.	10,000	
			10,000
<hr/>			
<p>Notice that there is no error in sales account. But Ram's account has been debited with ₹ 10,000 instead of Mohan's account.</p> <p>Hence rectification entry will be:</p>			
Mohan's A/c	Dr.	10,000	
			10,000
			To Ram's A/c

Errors of Principle:

Accounting entries are recorded as per the generally accepted accounting principles. If any of these principles are violated or ignored, errors resulting from such violation are known as errors of principle.

- An error of principle may occur due to incorrect classification of expenditure or receipt between capital and revenue.
- This is very important because it will have an impact on financial statements. It may lead to under/over stating of income or assets or liabilities, etc.
- For example, amount spent on additions to the buildings should be treated as capital expenditure and must be debited to the asset account. Instead, if this amount is debited to maintenance and repairs account, it has been treated as a revenue expense.
- This is an error of principle. Similarly, if a credit purchase of machinery is recorded in purchases book instead of journal proper or rent paid to the landlord is recorded in the cash book as payment to landlord, these errors of principle. These errors do not affect the trial balance.

Compensating Errors:

When two or more errors are committed in such a way that the net effect of these errors on the debits and credits of accounts is nil, such errors are called compensating errors. Such errors do not affect the tallying of the trial balance.

 **CBSE**

 **ICSE**

 **NTSE**

 **Banking & Insurance**

 **Central Govt. Service**

 **State Govt. Services**

 **LAW Entrance**

 **MBA Entrance**

 **Railways & Metro Services**

...many more

abhyasonline.in

Course
&
Test Series

Manual Accounting - Module 23



CBSE



ICSE



NTSE



Banking &
Insurance



Central Govt.
Service



State Govt.
Services



LAW
Entrance



MBA
Entrance



Railways & Metro
Services

...many more

abhyasonline.in

For example, if purchases book has been overcast by Rs 10,000 resulting in excess debit of Rs 10,000 in purchases account and sales returns book is undercast by Rs 10,000 resulting in short debit to sales returns account is a case of two errors compensating each other's effect. One plus is set off by the other minus, the net effect of these two errors is nil and so they do not affect the agreement of trial balance.

Errors of Duplication: If a transaction was recorded twice, simply reverse the duplicate entry. For example:

- Debit Sales Account ₹5,000
- Credit Debtor's Account ₹5,000

Errors of Entry Reversal: If a purchase of ₹15,000 was credited to the Purchases Account instead of debiting, the rectification would be:

- Debit Purchases Account ₹30,000 (to nullify the wrong credit and record the correct debit)
- Credit Supplier's Account ₹30,000

4. **Update the Trial Balance:** After rectifying the errors, the trial balance should be updated to ensure that the debit and credit balances are equal.

Solved Example

Question 1

- A. Credit sales to Rahul ₹6,000 were not recorded.
- B. Goods worth ₹2,000 returned by Rahul were not recorded.
- C. Credit purchases from Ankit ₹9,000 were recorded as ₹6,000.
- D. No entry was made for purchase returns of ₹1,500 from Ankit.



**Course
&
Test Series**

Manual Accounting - Module 23



CBSE



ICSE



NTSE



**Banking &
Insurance**



**Central Govt.
Service**



**State Govt.
Services**



**LAW
Entrance**



**MBA
Entrance**



**Railways & Metro
Services**

...many more

abhyasonline.in

Error A: Credit Sales to Rahul ₹6,000 Were Not Recorded

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
XYZ Date	Rahul A/c Dr.		6,000	
	To Sales A/c			6,000

Error B: Goods Worth ₹2,000 Returned by Rahul Were Not Recorded

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
XYZ Date	Sales Returns A/c Dr.		2,000	
	To Rahul A/c			2,000

Error C: Credit Purchases from Ankit ₹9,000 Were Recorded as ₹6,000

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
XYZ Date	Purchases A/c Dr.		3,000	
	To Ankit A/c			3,000

Error D: No Entry Was Made for Purchase Returns of ₹1,500 from Ankit

Date	Particulars	L.F.	Debit (₹)	Credit (₹)
XYZ Date	Ankit A/c Dr.		1,500	
	To Purchase Returns A/c			1,500



Course
&
Test Series

Manual Accounting - Module 23

Assignment

Ques 1: Rectify the following errors:

- A. Credit sales to Preeti ₹10,000 were not recorded.
- B. Goods purchased on credit from Neha ₹7,000 were recorded as ₹3,000.
- C. Goods worth ₹1,000 returned by Preeti were not recorded.
- D. No entry was made for purchase returns of ₹2,000 to Neha.

Ques 2: Record the rectification entry for the following transactions:
Credit sales to Rajni Rs 5,000 recorded in Purchases book:

- This is an error of _____
- State the wrong entry recorded in the book of accounts
- Correct effect should have been:
- The rectification entry will be:

Ques 3: Furniture purchased from M/s Rao Furnishigs for Rs 8,000 was entered into the purchases book.

- This is the error of _____
- State the wrong entry recorded in the book of accounts
- Correct effect should have been:
- The rectification entry will be:

Ques 4: Rectify the following errors:

- A. Credit sales to Aman ₹8,500 were not recorded.
- B. Goods purchased on credit from Mohan ₹12,000 were not recorded.
- C. Goods worth ₹1,500 returned by Aman were not recorded.
- D. No entry was made for purchase returns of ₹3,000 from Mohan.

Ques 5: Rectify the following errors:

- A. Credit sales to Kavita ₹5,500 were not recorded.
- B. Goods purchased on credit from Pooja ₹10,000 were recorded as ₹8,000.
- C. Goods worth ₹2,500 returned by Kavita were not recorded.
- D. No entry was made for purchase returns of ₹2,200 to Pooja

Ques 6: Rectify the following errors:

- A. Goods worth ₹3,000 were purchased on credit from Mohan, but no entry was made in the books.
- B. Goods worth ₹1,200 were returned to Mohan, but no entry was made for the purchase return.

...many more
abhyasonline.in

Course
&
Test Series

Manual Accounting - Module 23



CBSE

Ques 7: Rectify the following errors:

- A. Credit sales of ₹5,000 to Priya were not recorded in the books.
- B. Goods worth ₹2,500 returned by Priya were not recorded in the books.
- C. No entry was made for cash sales of ₹7,000.
- D. Sales returns of ₹1,000 were not recorded in the books.



ICSE

Ques 8: Rectify the following errors:

- A. Machinery worth ₹10,000 was purchased on credit from Ajay & Co., but no entry was made in the books.
- B. No entry was made for the return of defective machinery worth ₹2,000 to Ajay & Co.
- C. Office supplies worth ₹500 were purchased for cash but were not recorded.



NTSE

Ques 9: Rectify the following errors:

- A. Goods costing ₹4,000 were purchased on credit from Ravi, but no entry was made in the books, although the goods were added to the inventory.
- B. A payment of ₹2,000 to Ravi was made, but no entry was recorded.
- C. Goods worth ₹800 were returned by a customer, but no entry was made in the books.



Banking &
Insurance

Ques 10: Rectify the following errors:

- A. Credit purchases of ₹8,000 from Shyam were not recorded.
- B. Goods worth ₹3,000 were returned to Shyam, but no entry was made for the purchase return.
- C. Sales of ₹6,500 were made on credit to Karan, but no entry was made.
- D. No entry was made for a cash purchase of ₹2,500.



Central Govt.
Service



State Govt.
Services



LAW
Entrance



MBA
Entrance



Railways & Metro
Services

...many more

abhyasonline.in

