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Chapter 13
Accounting Errors and Reconciliation

Concept of Accounting Errors

Accounting errors may be defined as those mistakes which are generally committed while recording the finan-cial transactions in the books of accounts and preparing the financial statements.

Accounting errors may mislead the business results. Therefore, such errors must be properly located and rectified for ascertaining the true status of profit or loss and financial position of the business.

Causes of Accounting Errors

a. Lack of knowledge
b. Carelessness
c. Ineffective internal check
d. Dishonesty
e. Computer flaws

Types of accounting errors

Accounting errors can be classified into two categories according to their characteristics:

a. Errors based on their nature
b. Errors based on disclosure of trial balance

a. Error based on their nature

The accounting error based on their nature can be further subdivided into following types:

(i) Clerical errors

The error which are committed by accounting clerks are called clearical errors. Such errors are committed during the process of recording financial transactions. It may take place due to the carelessnes of the accountant while recording the financial transactions. Clerical errors are also called techni-cal errors. The different types of clerical errors are as follows:

a) Errors of Omission: The errors committed by not recording a transactions either in the books of original entry or in the ledger book are called errors of omission. Such omi-ssion may be partial or complete.
It can be:

- Complete omission: If a transaction is not recorded in the journal at all then it is complete omission. For eg: goods sold to Ram for Rs 20,000 were not recorded in the sales book at all.
- Partial Omission: ~~If~~ It occurs when a financial transaction is recorded showing only one aspect or when it is recorded only in one side. For e.g: partial error of omission occ-urs if goods ~~goods~~ sold to Ram for

Rs 4,000 is recorded in sales book but failed to be recorded in Ram's account. HW1. →

b) Error of Commission: The errors committed while recording or posting the amount of transactions are errors of commission. Error of commission may take place either in the form of journal or in the subsidiary book, or in the ledger. Such errors include posting of wrong amount, posting on wrong side, wrong totaling, or carring forward.

c) Error of compensation (compensating error): When one error ~~is~~ is compensated by another then such error is known as compensating error. In this case, the effect of one will be balanced by another.

d) Error of Duplication: Error of duplication are those errors which arise because of double recording. Double posting of a transaction from journal or subsidiary book to ledgers also create such errors. HW2. →

(ii) Error of Principle

Errors of principle are those errors which occur when the basic principles of accounting are violated. It may occur due to wrong concept and allocation between income & expenditure (capital or revenue expenditure) or wrong valuation of assets.

E.g.

Debiting the wages a/c instead of machinery a/c used for the installation of machinery.

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HW1.

→ Rectification of Errors

SN	Particulars	LF	Dr. Amount	Cr. Amount
a.	Cash a/c		1000	
	To Commission a/c			1,000
	(Being wrong entry rectified)			
b.	Krishna a/c		6,700	
	To Cash a/c			6,700
	(Being wrong entry rectified)			
c.	Buddha Enterprises a/c		90	
	To Cash a/c			90
	(Being wrong entry rectified)			
d.	Suman a/c		8,600	
	To Sales a/c			8,600
	(Being wrong entry rectified)			

HW2.

→ Rectification of Errors

SN	Particulars	LF	Dr. Amount	Cr. Amount
a.	Sohan a/c		18,000	
	To Purchase a/c			18,000
	(Being wrong amount rectified)			
b.	Drawing a/c		1,500	
	To General expenses a/c			1,500
	(Being wrong entry rectified)			
c.	Rent a/c		12,000	
	To Krishna a/c			12000
	(Being wrong entry rectified)			

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HW3.
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Rectification of Error

SN	Particulars	LF	Dr. Amount	Cr. Amount
a.	Commission a/c		4000	
	To Cash a/c			4,000
	(Being wrong entry rectified)			
b.	Dhurba a/c		5,000	
	To Rent a/c			5,000
	(Being wrong entry rectified)			
c.	Salary a/c		1600	
	To Hari a/c			1600
	(Being wrong entry rectified)			
d.	Purchase a/c		5,500	
	Sales a/c		5,500	
	To Sugar store a/c			11,000
	(Being wrong entry rectified)			

HW4.
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Rectification of error

SN	Particulars	LF	Dr. Amount	Cr. Amount
a.	Rohan a/c		18,000	
	To Sales a/c			18,000
	(Being wrong amount rectified)			
b.	Drawing a/c		5,000	
	To Purchase a/c			5,000
	(Being wrong entry rectified)			
c.	Interest a/c		12,000	
	To Cash a/c			12,000
	(Being double entry rectified)			
d.	Sita a/c		27,000	
	To Purchase a/c			27,000
	(Being wrong amount rectified).			

HW5.

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In the books of ______

(a) Bromers' Store a/c

Dr. | | | | | | | Cr.

SN ~~Date~~	Particulars	JF	Amount	SN ~~Date~~	Particulars	JF	Amount
•	To wrong posting in Brothers' Store a/c		500				

(b)

In the books of ______

Cash a/c

Dr. | | | | | | | Cr.

SN	Particulars	JF	Amount	SN	Particulars	JF	Amount
	To not posted in cash a/c		6,500				

(c)

In the books of ______

Stationery a/c

Dr. | | | | | | | Cr.

SN	Particulars	JF	Amount	SN	Particulars	JF	Amount
					By wrong posting in stationery a/c		1,400

HW6.

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(a)

In the books of ______

Mr. Shrestha a/c

Dr. | | | | | | | Cr.

SN	Particulars	JF	Amount	SN	Particulars	JF	Amount
	To, amount not recorded in Mr. Shrestha's a/c		600				

(b)

In the books of ______

Depreciation a/c

Dr. | | | | | | | Cr.

SN	Particulars	JF	Amount	SN	Particulars	JF	Amount
	To Depreciation not recorded in Depn a/c		6,500				

(c)

In the books of ____

Repair a/c

Dr. SN	Particulars	JF	Amount	SN	Particulars	JF	Amount Cr.
					By double posting in Repair a/c		5,000

HW 7.

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(a)

In the books of ____

Purchase a/c

Dr. SN	Particulars	JF	Amount	SN	Particulars	JF	Amount Cr.
					By overcast in purchase a/c		1,500

(b)

In the books of ____

Purchase a/c

Dr. SN	Particulars	JF	Amount	SN	Particulars	JF	Amount Cr.
	To undercasting of Purchase a/c		1,650				

(c)

In the books of ____

Mr. Kunal a/c

Dr. SN	Particulars	JF	Amount	SN	Particulars	JF	Amount Cr.
					By wrong posting of Mr Kunal a/c		1,400

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HW8.

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Entries for rectification a/c

SN	Particulars	LF	Dr. Amount	Cr. Amount
a.	Krishna a/c		3,500	
	To Suspense a/c			3,500
	(Being wrong entry rectified)			
b.	Suspense a/c		4,000	
	To Sales a/c			4,000
	(Being wrong entry rectified)			
c.	Cash a/c		8,820	
	To Suspense a/c			8,820
	(Being wrong entry rectified)			

d.

HW9.

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Entries for rectification a/c

SN	Particulars	LF	Dr. Amount	Cr. Amount
a.	Suspense a/c		750	
	To Electricity a/c			750
	(Being wrong entry rectified)			
b.	Sales return a/c		850	
	To Suspense a/c			850
	(Being wrong entry rectified)			
c.	Rent a/c		2,200	
	To Suspense a/c			2,200
	(Being wrong entry rectified)			

HW10

→ Entries for rectification

SN	Particulars	LF	Dr. Amount	Cr. Amount
a.	Suspense a/c		180	
	To Rohan a/c			180
	(Being wrong entry rectified)			
b.	Suspense a/c		2,700	
	To Cash a/c			2,700
	(Being wrong entry rectified)			
c.	Suspense a/c		5,000	
	To Rent a/c			5,000
	(Being wrong entry rectified)			

HW11.

→ Entries for rectification

SN	Particulars	LF	Dr. Amount	Cr. Amount
a.	Wages a/c		4,00	
	To Machinery a/c			400
	(Being wrong entry rectified)			
b.	Machinery a/c		1,300	
	To Repair a/c			1300
	(Being wrong entry rectified)			
c.	Purchase a/c		1250	
	Sales a/c		1250	
	To Mohan a/c			2500
	(Being wrong entry rectified)			

(d)

In the books of ____

Dr. Sales a/c Cr.

SN	Particulars	JF	Amount	SN	Particulars	JF	Amount
	To overcast of sales a/c		1200				

HW12.

→ Entries for rectification

SN	Particulars	LF	Dr. Amount	Cr. Amount
a.	~~Cash a/c Equipment a/c~~ Sales a/c		8,400	
	~~To Sales a/c~~ To Equipment			8,400
	(Being wrong entry rectified)			
b.	Suspense a/c		400	
	To Hira a/c			400
	(Being wrong entry rectified)			
c.	~~Sup~~ Sundry expenses a/c		800	
	To Drawing a/c			800
	(Being wrong entry rectified)			
d.	Suspense a/c		3600	
	To Rent a/c			3600
	(Being wrong entry rectified)			

HW13. Entries for rectification

SN	Particulars	LF	Dr. Amount	Cr. Amount
a.	Furniture a/c		2,250	
	To Purchase a/c			2,250
	(Being wrong entry rectified)			
b.	Salary a/c		750	
	To wages a/c			750
	(Being wrong entry rectified)			
c.	Mr John a/c		1700	
	To Sales a/c			850
	To Purchase a/c			850
	(Being wrong entry rectified)			
d.	Purchase a/c		2500	
	To Suspense a/c			2500
	(Being wrong entry rectified)			

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Entries for rectification

SN	Particulars	CF	Dr. Amount	Cr. Amount
a.	Purchase a/c		2,000	
	To ~~cash~~ Suspense a/c			2,000
	(Being wrong amount rectified)			
b.	Suspense a/c		600	
	To Electricity a/c			600
	(Being wrong entry rectified)			
c.	Don a/c		1000	
	To Rent a/c			1000
	(Being wrong entry rectified)			
d.	Purchase a/c		5000	
	To Suspense a/c			5,000
	(Beng undercast rectified)			