

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.

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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:** If a purchase of ₹10,000 was omitted, the entry would be:
 - Debit Purchases Account ₹10,000
 - Credit Supplier's Account ₹10,000

- **Errors of Commission:** If ₹5,000 was posted to the wrong customer account, the rectification would be:

- Debit Correct Customer's Account ₹5,000
- Credit Incorrect Customer's Account ₹5,000

- **Errors of Principle:** If machinery purchased for ₹50,000 was wrongly debited to Repairs and Maintenance Account, the rectification would be:

- Debit Machinery Account ₹50,000
- Credit Repairs and Maintenance Account ₹50,000

- **Compensating Errors:** Since compensating errors cancel each other out, identify each error and correct them individually. For example:

- Debit Sales Account ₹1,000
- Credit Purchases Account ₹1,000

- **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



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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.

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

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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: 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 3: 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 4: 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.

Ques 5: 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.

Ques 6: 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.

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Ques 7: 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.

Ques 8: 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.



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