

### Trial balance and Correction of Errors

1 A purchase of furniture was debited to the office stationery account.

What type of error was made?

- A commission
- B compensating
- C omission
- D principle

2 Sales returns were incorrectly recorded as purchases returns in an income statement.

What was the **effect** of this error?

- A Capital employed was understated.
- B Cost of sales was overstated.
- C Gross profit was understated.
- D Profit for the year was overstated.

3 After the preparation of Abdul's draft financial statements two errors were discovered. The purchase of a machine on credit, \$5000, was omitted from the accounts. The purchase of a motor vehicle, \$15000, was entered in error in the motor vehicle repair account.

What effect will **correcting** these errors have on the non-current assets and the working capital?

	non-current assets	working capital
	\$	\$
<b>A</b>	increase 15 000	decrease 5000
<b>B</b>	increase 15 000	no effect
<b>C</b>	increase 20 000	decrease 5000
<b>D</b>	increase 20 000	no effect

4 A trial balance is a listing of which balances?

- A assets
- B closing balances of all accounts
- C liabilities
- D opening balances of all accounts

- 5 A business purchased a motor vehicle, \$8900, on credit from AKS Limited.

The book-keeper made an error of reversal when recording this purchase.

What was the **incorrect** debit entry he made?

	account	\$
<b>A</b>	AKS Limited	8900
<b>B</b>	AKS Limited	9800
<b>C</b>	motor vehicles	8900
<b>D</b>	motor vehicles	9800

- 6 After preparing a trial balance it was found that a cheque, \$300, received from Oliver, had been debited in Oliver's account and credited in the bank account.

No other errors were found.

Which statement about the trial balance **before** correcting the error is correct?

- A** The credit column was equal to the debit column.
  - B** The credit column was \$300 more than the debit column.
  - C** The debit column was \$300 more than the credit column.
  - D** The debit column was \$600 more than the credit column.
- 7 A cheque received from D Pawson, a trade receivable, was correctly debited to the bank account but was credited to the account of P Dawson, a trade payable.

What was the effect of correcting this error?

	trade receivables	trade payables
<b>A</b>	decrease	decrease
<b>B</b>	decrease	increase
<b>C</b>	increase	decrease
<b>D</b>	increase	increase

- 8 Which name is given to a statement of ledger balances on a particular date?

- A** bank reconciliation statement
- B** general ledger
- C** statement of financial position
- D** trial balance

- 9 The balance of which account will appear in the debit column of a trial balance?

- A** carriage inwards
- B** discounts received
- C** provision for doubtful debts
- D** purchases returns

10 A draft income statement showed a gross profit of \$12 200.

It was later found that carriage on purchases, \$260, and carriage on sales, \$230, had both been included as expenses in the profit and loss section of the income statement.

What was the corrected gross profit?

- A** \$11 710      **B** \$11 940      **C** \$12 460      **D** \$12 690

11 The totals of a trial balance did not agree. The total of the debit column was \$13 400.

It was found that the purchases journal had been overcast by \$195 and goods bought from supplier X for \$85 had been incorrectly credited to Y.

What was the total of the credit column of the trial balance?

- A** \$13 120      **B** \$13 205      **C** \$13 595      **D** \$13 680

12 Which error is an error of principle?

- A** A cheque for \$100 received from X was credited to Y's account.
- B** A purchase invoice of \$400 had not been entered in the ledger accounts.
- C** A purchase of a delivery vehicle, \$12 000, was debited to the purchases account.
- D** Rent paid, \$200, was debited to the bank account and credited to the rent account.

13 After the preparation of a trial balance it was found that both sales and purchases accounts were overcast by \$700.

Which journal entry corrects this error?

		debit \$	credit \$
<b>A</b>	trade payables trade receivables	700	700
<b>B</b>	trade receivables trade payables	700	700
<b>C</b>	purchases sales	700	700
<b>D</b>	sales purchases	700	700

14 Which type of error is corrected using a suspense account?

- A** commission
- B** compensating
- C** original entry
- D** single entry

15 The totals of a trial balance agreed.

What does this mean?

- A All the arithmetic in the ledger is correct.
- B All transactions have been entered in the correct ledger accounts.
- C All transactions have been entered on the correct sides of the ledger.
- D Total debit balances equal total credit balances in the ledger.

16 Mona paid \$32 000 for a new motor vehicle. This included \$100 for fuel and \$250 for road tax. She debited the purchases account and credited the cash book with \$32 000.

Which journal entry corrects this error?

		debit \$	credit \$
<b>A</b>	motor vehicle purchases	32 000	32 000
<b>B</b>	purchases motor vehicles	32 000	32 000
<b>C</b>	motor vehicles motor vehicle expenses purchases	31 650 350	32 000
<b>D</b>	purchases motor vehicles motor vehicle expenses	32 000	31 650 350

17 A trader incorrectly posted sales returns of \$100 to the credit of purchases returns account.

What was the effect on the gross profit?

- A overstated \$100
- B overstated \$200
- C understated \$100
- D understated \$200

18 A business purchased a motor vehicle and included it as a business expense in the income statement.

How did this affect the financial statements?

	profit for the year	non-current assets
<b>A</b>	overstated	overstated
<b>B</b>	overstated	understated
<b>C</b>	understated	overstated
<b>D</b>	understated	understated

19 Which is an error of omission?

- A No entries have been made for the purchase of stationery by cheque.
- B Purchase of stationery has been entered only in the cash book.
- C Purchase of stationery has been entered only in the stationery account.
- D The stationery account has been omitted from the trial balance.

20 The totals of a trial balance did not agree and a suspense account was opened. It was later found that the total of the discount allowed column in the cash book, \$100, had been credited to the discount allowed account.

Which journal entry corrects this error?

		debit \$	credit \$
<b>A</b>	discount allowed suspense	100	100
<b>B</b>	discount allowed suspense	200	200
<b>C</b>	suspense discount allowed	100	100
<b>D</b>	suspense discount allowed	200	200