



RECTIFICATION OF ERRORS — SUMMARY NOTES

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1. Meaning of Errors

Errors are mistakes committed in accounting records due to incorrect recording, posting, or omission.

Types of Errors

1. Errors of Omission
2. Errors of Commission
3. Errors of Principle
4. Compensating Errors

2. Classification of Errors

(A) Errors affecting Trial Balance

These cause the debit \neq credit.

Error	Meaning	Example
Error of Posting	Posted with wrong amount / wrong side	Sale ₹5,000 posted as ₹500
Error in Casting	Wrong total	Purchases total added wrongly
Posting in one side only	Only debit / only credit	Salary debited but no credit to cash
Wrong Balancing	Ledger balance wrong	Balance shown as ₹600 instead of ₹960

(B) Errors NOT affecting Trial Balance

Trial balance still agrees.



Error	Meaning	Example
Error of Omission	Transaction fully omitted	Cash sale ₹3,000 not recorded
Error of Commission	Wrong person's account	Debiting Amit instead of Sumit
Error of Principle	Wrong accounting head	Furniture purchase treated as expense
Compensating Error	Errors offset each other	Purchase total +100, Sales total -100

3. Rectification Stages

Stage 1: Before Trial Balance (Suspense A/c NOT needed)

Correct entries directly.

Stage 2: After Trial Balance but before Final Accounts (Suspense A/c may be used)

Difference is placed in Suspense A/c.

Stage 3: After Final Accounts (Profit effect goes to P&L A/c)

Debit or Credit Profit & Loss Adjustment A/c.

4. Rectification Rules (Golden Approach)

Rule 1: Find What Is Wrong

(Incorrect entry)

Rule 2: Find What Should Be Correct

(Correct entry)

Rule 3: Difference = Rectification Entry

(Use Suspense A/c only if Trial Balance difference exists)

5. Rectification Entry Style

Type of Error	Use Suspense A/c?	Entry
Two-sided error	✗ No	Correct debit & credit
One-sided error	✓ Yes	A/c Dr. To Suspense / Suspense Dr. To A/c

6. Practical Examples (Exam Focus)



☆ **Example 1: Error of Omission**

Cash sale ₹5,000 not recorded.

Correct Entry:

Cash A/c Dr 5000

To Sales A/c 5000

Rectification:

Same entry (no suspense as complete omission).

☆ **Example 2: Error of Principle**

Wages for construction of building ₹20,000 debited to Wages A/c.

Correct: Building A/c Dr

Wrong: Wages A/c Dr

Rectification Entry:

Building A/c Dr 20,000

To Wages A/c 20,000

(No Suspense A/c needed)

☆ **Example 3: Partial Posting Error**

Purchases ₹7,000 posted to purchases as ₹700.

Excess short debit 6,300.

Rectification:

Purchases A/c Dr 6,300

To Suspense A/c 6,300

☆ **Example 4: Commission Error**

Sales to Raj ₹4,000 posted to Vijay.

Rectification:

Vijay A/c Dr 4,000

To Raj A/c 4,000

(No suspense)



☆ **Example 5: Wrong amount posted on one side**

Cash paid to Ramesh ₹3,500 posted to his A/c as ₹350.

Difference = 3,150 (short credit)

Rectification:

Suspense A/c Dr 3,150

To Ramesh A/c 3,150

☆ **Example 6: Compensating Error**

Purchases overcast by ₹1,000

Sales overcast by ₹1,000

Trial Balance = still equals.

Rectification:

Purchases A/c Dr 1,000

Sales A/c Dr 1,000

(To reduce both)

■ **7. Suspense Account — Summary**

Opened When

- Trial balance does not agree.

Closed When

- All one-sided errors rectified.

■ **8. Impact on Profit**

Error	Effect on Profit
Expense under-debited	Profit overstated
Expense over-debited	Profit understated
Income under-credited	Profit understated
Income over-credited	Profit overstated



9. MCQs for Practice

Q1. Error of principle means—

- A. Wrong amount posted**
- B. Wrong person's account**
- C. Violation of accounting rule**
- D. Compensating error**

Answer: C

Q2. Purchases of ₹5,000 recorded in Sales book. This is:

- A. Error of omission**
- B. Error of principle**
- C. Error of commission**
- D. Error of recording**

Answer: D

Q3. If a transaction is completely omitted, Trial Balance—

- A. Will not agree**
- B. Will agree**
- C. Doubtful**
- D. None**

Answer: B

Q4. Suspense account is opened when—

- A. Journal entry missing**
- B. Ledger missing**
- C. Trial balance does not agree**
- D. Cash book not prepared**

Answer: C



Q5. Wages for installation of machinery treated as wages expense is –

- A. Error of principle**
- B. Error of commission**
- C. Error of posting**
- D. Error of omission**

Answer: A

Q6. If Sales A/c is undercast by ₹2,000, rectifying entry—

- A. Sales A/c Dr 2000**
To Suspense
- B. Suspense A/c Dr 2000**
To Sales A/c
- C. Suspense A/c Dr 1000**
To Sales A/c 1000
- D. None**

Answer: B

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10. Ultra-Short Revision (Exam Day)

- **Two-sided error → No Suspense**
- **One-sided error → Use Suspense**
- **Error of principle → Capital vs Revenue**
- **Omission complete → TB agrees**
- **Compensating → TB agrees**
- **Effect on Profit? Adjust P&L**