

Nalanda College – Colombo 10

Unit Evaluation

Grade 10

Business & Accounting studies

Unit 12

Correction of accounting errors- Part I

- **Select the most correct answer**

- 1) Which of the following statement is correct in relation to correcting accounting errors?
 1. If the debit and credit column's of the trial balance agreed it confirm that there are no errors in the accounting process
 2. The agreement of trial balance confirm that similar values of debits have been recorded as credits
 3. Accounting errors are occurred only when recording transactions in ledger accounts
 4. Accounting errors are occurred only when balancing ledger accounts
- 2) The total of the debit column and credit column were respectively Rs.420 000 and Rs.405 000
The accounting error caused to this difference is,
 1. Undercasting sales account by Rs.15 000
 2. Overcasting capital account by Rs.15 000
 3. Overcasting interest income account by Rs.15 000
 4. Undercasting electricity expense account by Rs.15 000
- 3) The correction entry of being recording the balance of the debtors account Rs.44 000 in the credit side of the trial balance is;

	Dr		Cr
1. Debtors account	Rs.44 000	Suspense account	Rs.44 000
2. Suspense account	Rs.44 000		
3. Debtors account	Rs.88 000	Suspense account	Rs.88 000
4.		Suspense account	Rs.88 000

- 4) The payment of electricity expense Rs.7 800 erroneously debited to the Rent expense account. (correctly recorded in the cash book) The correction entry of this error is;

	Dr		Cr
1. Electricity expense a/c	Rs.7 800	Cash a/ c	Rs.7 800
2. Electricity expense a/c	Rs.7 800	Suspense a/ c	Rs.7 800
3. Electricity expense a/c	Rs.7 800	Rent expense a/ c	Rs.7 800
4. Rent expense a/c	Rs.7 800	Suspense a/c	Rs.7 800

- Answer question no.05 and 06 using following information

- A. The balance of the rent expense account Rs.7 000 has not been posted to the trial balance
- B. Omitting a purchase invoice of Rs.4 000 from the books of account

C. Recording cash sales of Rs.5 000 only in the cash account

D. Payment of electricity expense of Rs.8 500 has been recorded in the electricity account as Rs.5 800

5) Which of the following category includes the errors which are revealed through the trial balance?

1. B and D 2. A, C and E 3. A, B and D 4. A, D and E

6) Which of the following category includes the errors which are not revealed through the trial balance?

1. A, B and E 2. A, C and E 3. C, D and E 4. A and B

Part 2

1) Write down 4 situations where accounting errors can occur.

2) Name the 2 categories which accounting errors can be divided.

3) The following is a summary of the trial balance debit and credit columns prepared by Malin business in 20xx.12.31

The balance of the debit column Rs. 625 000

The balance of the credit column Rs. 646 000

Find the value to be recorded in the suspense account and indicate which side of the account should be recorded

4) The balances of the trial balance prepared in Dinidu's business in 20xx.12.31 did not agree. The difference was transferred to a suspense account and the following errors were identified.

1. Complete omission of a sales invoice Rs. 20 000 from the books of accounts.
2. The purchase invoice of Rs. 35 000 was recorded in the purchase journal as Rs. 3 500.
3. The amount of Rs. 8 000 paid to a creditor was credited to both cash book and the relevant creditor's account.
4. Cash drawings of Rs. 8 000 have been recorded twice in the books of accounts
5. Purchase of a machine worth Rs. 23 000 is recorded in the debit side of the machine account as Rs. 32 000.
6. Insurance expense of Rs. 13 500 has been debited to the electricity bill account.
7. Paid salaries of Rs. 7 000 has been recorded only in the cash book.
8. The interest income of Rs. 13 000 has been recorded in the interest income account as Rs. 10 000
9. Rs. 80 000 of bank account balance has been recorded in the debit side of the trial balance.

Required:

1. Journal notes to correct the above errors.
2. Prepare the suspense account