Trial Balance and Rectification of Errors

Standard difficulty · 20 questions · 40 marks · Time: 47 minutes

Name: _____ Date: _____ Score: ____ / 40

Show your working for Sections B and C. Answers are on the last page — try every question first!

Section A — Choose the correct answer — 8 × 1 = 8 marks

1. A trial balance is a list of:

(a) cash receipts only **(b)** assets only
(c) journal entries **(d)** ledger balances on a date

2. In a trial balance, the balance of the Carriage Inwards account goes on the:

(a) neither side **(b)** either side **(c)** debit **(d)** credit

3. A trial balance has debit balances: Machinery ₹7,500, Bank ₹48,500, Carriage Inwards ₹8,500, Purchases ₹85,000, Sales Returns ₹4,000, Salaries ₹30,000; and credit balances: Sales ₹62,000, Purchases Returns ₹26,500, Bills Payable ₹13,000, and Capital. What is the capital?

(a) ₹1,21,500 **(b)** ₹1,83,500 **(c)** ₹1,44,000 **(d)** ₹82,000

4. Furniture bought for ₹15,500 was debited to the purchases account. This is an:

(a) compensating error **(b)** error of commission
(c) error of principle **(d)** error of omission

5. Goods costing ₹3,500 taken by the owner for personal use were not recorded. Does this error affect the agreement of the trial balance?

(a) Only if it is found after the year end **(b)** Yes: the trial balance will not agree
(c) No: the trial balance will still agree **(d)** Only the cash book is affected

6. The sales book was undercast by ₹17,500. Which entry rectifies it?

(a) Suspense A/c Dr.; To Sales A/c **(b)** Sales A/c Dr.; To Suspense A/c
(c) Suspense A/c Dr.; To Cash A/c **(d)** Cash A/c Dr.; To Sales A/c

7. A trial balance did not agree and the difference was put in a suspense account. These errors were found: Discount allowed of ₹3,000 to a customer was not posted to the discount allowed account. Cash of ₹2,500 received from Meera was posted to the debit of Meera's account. What was the difference in the trial balance?

(a) ₹4,000 **(b)** ₹2,000 **(c)** ₹10,000 **(d)** ₹1,000

8. The purchases book was overcast by ₹4,500. When it is rectified, what is the effect on the net profit?

(a) profit increases by ₹4,500 **(b)** profit decreases by ₹4,500
(c) profit increases by ₹9,000 **(d)** no effect on profit

Section B — Short answer — 8 × 2 = 16 marks

9. What is a trial balance?

10. On which side of the trial balance does each balance go? (a) Bank Loan (b) Discount Allowed

11. Rectify this error (found before the trial balance was prepared): Cash of ₹7,000 received from Anita was credited to Tara's account.

12. The trial balance did not agree and the difference was put in a suspense account. Rectify: Cash of ₹5,500 paid to Riya, a creditor, was not posted to Riya's account.

13. From these balances find (a) the capital (b) the total of the trial balance. Debit: Salaries ₹21,500, Carriage Inwards ₹12,000, Furniture ₹36,000, Insurance ₹8,000, Wages ₹37,500, Opening Stock ₹1,32,000. Credit: Sales ₹1,13,000, Commission Received ₹27,500, Creditors ₹10,000, Capital (to be found).

14. A credit sale of ₹4,000 to Pooja was not recorded at all. (a) Name the kind of error. (b) By how much does the net profit change when it is rectified, and in which direction?

15. A trial balance's difference was put in a suspense account. After these were rectified it closed: (1) Cash of ₹6,500 received from Nisha was posted to the debit of Nisha's account. (2) Discount allowed of ₹3,000 to a customer was not posted to the discount allowed account. What was its original balance? (a) the amount (b) debit or credit

16. Give an example of each: (a) error of omission (b) error of principle

Section C — Word problems — 4 × 4 = 16 marks

17. Explain the kinds of errors with an example of each.

18. Prepare a trial balance from these ledger balances, finding the capital: Opening Stock ₹1,20,500, Sales Returns ₹10,000, Rent ₹9,500, Debtors ₹26,000, Salaries ₹44,000, Cash ₹17,500, Bank ₹20,500, Furniture ₹12,500, Sales ₹71,000, Bills Payable ₹25,000, Purchases Returns ₹21,000, Commission Received ₹12,000.

19. A trial balance did not agree; the difference was put in a suspense account. Rectify these errors and find the original difference: (1) A credit sale of ₹5,000 to Vikram was not recorded at all. (2) Furniture bought for ₹19,500 was debited to the purchases account. (3) Cash of ₹14,000 paid to Varun, a creditor, was not posted to Varun's account. (4) Discount allowed of ₹3,000 to a customer was not posted to the discount allowed account.

20. A firm's net profit before finding these errors was ₹1,80,000. (1) Salary of ₹7,000 paid was posted to the salary account as ₹3,500. (2) The sales book was undercast by ₹13,000. (3) Discount allowed of ₹3,000 to a customer was not posted to the discount allowed account. (4) The purchases book was overcast by ₹1,500. Find the effect of each on profit when rectified, and the correct net profit.

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Answer key

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Q	Answer	Working
1	**(d) ledger balances on a date**	—
2	**(c) debit**	—
3	**(d) ₹82,000**	Capital = ₹1,83,500 − ₹1,01,500
4	**(c) error of principle**	A capital item and a revenue item have been mixed up
5	**(c) No: the trial balance will still agree**	Equal debits and credits are still recorded
6	**(a) Suspense A/c Dr.; To Sales A/c**	Suspense A/c Dr. ₹17,500 To Sales A/c ₹17,500 (Being sales book undercast, now rectified)
7	**(b) ₹2,000**	Suspense had a credit balance of ₹2,000 (the credit side of the trial balance was short)
8	**(a) profit increases by ₹4,500**	Suspense A/c Dr. ₹4,500 To Purchases A/c ₹4,500 (Being purchases book overcast, now rectified)
9	**A statement of the debit and credit balances of all ledger accounts on a date, to check the arithmetical accuracy of the books.**	—
10	**(a) credit (b) debit**	—
11	**Tara A/c Dr. ₹7,000 To Anita A/c ₹7,000 (Being cash from Anita wrongly credited to Tara, now rectified)**	error of commission; no effect on profit
12	**Riya A/c Dr. ₹5,500 To Suspense A/c ₹5,500 (Being payment to Riya not posted, now rectified)**	A one-sided error is rectified through the suspense account
13	**(a) ₹96,500; (b) ₹2,47,000**	₹2,47,000 − ₹1,50,500
14	**(a) error of omission (b) profit increases by ₹4,000**	Pooja A/c Dr. ₹4,000 To Sales A/c ₹4,000 (Being credit sale to Pooja omitted, now recorded)
15	**(a) ₹10,000; (b) credit**	Suspense A/c Dr. ₹13,000 To Nisha A/c ₹13,000 (Being cash from Nisha posted to the wrong side, now rectified); Discount Allowed A/c Dr. ₹3,000 To Suspense A/c ₹3,000 (Being discount allowed not posted, now rectified)
16	**(a) a credit sale not recorded at all (b) furniture bought debited to purchases**	—
17	**Commission: wrong amount posted; omission: a credit sale not recorded; principle: furniture bought debited to purchases; compensating: an excess debit in one account cancelled by an**	—

Q	Answer	Working
	excess debit elsewhere on the other side.	
18	**Debit: Opening Stock ₹1,20,500, Sales Returns ₹10,000, Rent ₹9,500, Debtors ₹26,000, Salaries ₹44,000, Cash ₹17,500, Bank ₹20,500, Furniture ₹12,500; total ₹2,60,500** **Credit: Capital ₹1,31,500, Sales ₹71,000, Bills Payable ₹25,000, Purchases Returns ₹21,000, Commission Received ₹12,000; total ₹2,60,500**	Capital is the balancing figure: ₹2,60,500 − ₹1,29,000
19	**(i) Vikram A/c Dr. ₹5,000** **To Sales A/c ₹5,000** **(Being credit sale to Vikram omitted, now recorded)** **(ii) Furniture A/c Dr. ₹19,500** **To Purchases A/c ₹19,500** **(Being furniture wrongly debited to purchases, now rectified)** **(iii) Varun A/c Dr. ₹14,000** **To Suspense A/c ₹14,000** **(Being payment to Varun not posted, now rectified)** **(iv) Discount Allowed A/c Dr. ₹3,000** **To Suspense A/c ₹3,000** **(Being discount allowed not posted, now rectified)** **Total of the journal: Dr. ₹41,500 = Cr. ₹41,500** **Suspense A/c had a debit balance of ₹17,000 (the debit side of the trial balance was short); entries (iii) and (iv) close it.**	Two-sided errors need no suspense account
20	**(1) profit decreases by ₹3,500** **(2) profit increases by ₹13,000** **(3) profit decreases by ₹3,000** **(4) profit increases by ₹1,500** **Correct net profit = ₹1,80,000 + ₹8,000 = ₹1,88,000**	An expense wrongly made larger understated profit; an income left out understated it