



Accounting Leaving Certificate Higher Level

Past Exam Questions on:

Correction of errors.

Q7 2004

7. Correction of errors and suspense account

The Trial Balance of S. Craddock, a furniture and carpet trader, failed to agree on 31/12/2003. The difference was entered in a Suspense Account and the following Balance Sheet was prepared.

Balance Sheet as at 31/12/2003			
		€	€
Fixed Assets			
Premises		650,000	
Fixtures & fittings		<u>72,000</u>	722,000
Current Assets			
Stock (including suspense)		88,600	
Debtors		33,300	
Cash		<u>400</u>	
		122,300	
Less: Current Liabilities			
Creditors	52,000		
Bank	<u>27,000</u>	79,000	43,300
			<u>765,300</u>
Financed by:			
Capital		730,000	
Add: Net profit		<u>63,300</u>	
		793,300	
Less: Drawings		<u>28,000</u>	765,300
			<u>765,300</u>

On checking the books, the following errors were discovered

- (i) Furniture, purchased on credit from J. Dolan for €16,500, had been entered as €6,500 on the incorrect side of Dolan's account and credited as €1,650 in the Fixtures & Fittings account.
- (ii) A debtor who owed Craddock €900 sent a cheque for €750 and €100 in cash in full settlement. This was correctly recorded in the books. However, no entry had been made in the books of the subsequent dishonouring of this cheque or of the writing off of the remaining debt in full because of bankruptcy.
- (iii) Bedside Lockers, previously sold on credit for €340, had been returned to Craddock. These goods had been incorrectly entered as €34 on the credit of the Fixtures & fittings account and as €40 on the debit of the Purchases account.
- (iv) A private debt for €1,600, owed by Craddock, had been offset in full against a business debt of €1,700, owed to the firm for carpet repairs previously carried out. No entry had been made in the books in respect of this offset.
- (v) Craddock had returned furniture, previously purchased on credit from a supplier for €8,800, and had entered this transaction in the relevant ledger accounts incorrectly as €8,880. However, a credit note subsequently arrived from the supplier in respect of the return showing a transport charge of €200 to cover the cost of the return. The only entry made in respect of this credit note was a credit of €8,600 in the creditor's account.

You are required to:

- (a) Journalise the necessary corrections. (55)
 - (b) Show the Suspense Account. (10)
 - (c) Prepare a Statement showing the correct net profit. (15)
 - (d) Prepare a corrected Balance Sheet. (20)
- (100 marks)**

Q7 2006

7. Correction of errors and suspense account

The Trial Balance of M. O'Meara, a garage owner, failed to agree on 31/12/2005. The difference was entered in a Suspense Account and the following Balance Sheet was prepared.

Balance Sheet as at 31/12/2005

Fixed Assets	€	€	€
Premises		700,000	
Equipment		60,000	
Furniture		<u>20,000</u>	780,000
Current Assets			
Stock (including suspense)		91,400	
Debtors		35,200	
Cash		<u>500</u>	
		127,100	
Less: Current Liabilities			
Creditors	54,000		
Bank	<u>28,000</u>	<u>82,000</u>	45,100
			<u>825,100</u>
Financed by:			
Capital		790,000	
Add: Net profit		<u>64,100</u>	
		854,100	
Drawings		<u>29,000</u>	<u>825,100</u>
			<u>825,100</u>

On checking the books, the following errors were discovered

- A motor car, purchased on credit from D. Foran for €13,000, had been entered on the incorrect side of Foran's account as €1,300 and credited as €3,100 in the Equipment account.
- O'Meara had returned a motor car, previously purchased on credit for €14,600 from a supplier. O'Meara entered this transaction as €16,400 on the correct sides of the correct accounts in the ledger. A credit note subsequently arrived from the supplier showing a restocking charge of €500 to cover the cost of the return. The only entry made in respect of this credit note was a credit of €14,100 in the creditor's account.
- A debtor who owed O'Meara €1,000 sent a cheque for €800 and €150 in cash in full settlement. This was correctly recorded in the books. However, no entry has been made in the books of the subsequent dishonouring of this cheque or of the writing off of the remaining debt in full because of bankruptcy.
- A private debt for €770, owed by O'Meara, had been offset in full against a business debt of €820 owed to the firm for car repairs previously carried out. No entry had been made in the books in respect of this offset.
- A cheque for €2,250 paid by O'Meara out of a private bank account for 15 months hire of diagnostic equipment up to 31/3/2006 had not been entered in the books.

You are required to:

- Journalise the necessary corrections. (50)
- Show the Suspense Account. (6)
- Prepare a Statement showing the correct net profit. (14)
- Prepare a corrected Balance Sheet. (20)
- Explain with examples the difference between 'error of commission' and 'error of principle'. (10)

(100 marks)

7. Correction of errors and suspense account

The Trial Balance of L. O’Shea, a boutique owner, failed to agree on 31/12/2007. The difference was entered in a suspense account and the following Balance Sheet was prepared.:

Balance Sheet as at 31/12/2007

Fixed Assets	€	€	€
Premises		400,000	
Motor Vehicles		20,000	
Furniture and equipment		<u>16,000</u>	436,000
Current Assets			
Stock		17,000	
Debtors		5,600	
Cash		<u>3,200</u>	
		25,800	
Less: Current Liabilities			
Creditors (including suspense)	12,200		
Bank	<u>5,600</u>	<u>(17,800)</u>	8,000
			<u>444,000</u>
Financed by:			
Capital		441,000	
Add: Net profit		<u>15,000</u>	
		456,000	
Drawings		<u>12,000</u>	444,000
			<u>444,000</u>

On checking the books, the following errors were discovered:

- (i) An overdraft of €400 in the bank account had been brought down on the incorrect side of the nominal ledger and consequently had been entered on the incorrect side of the trial balance.
- (ii) O’Shea sold privately owned jewellery to a debtor of the business on credit for €2,800. This sale had been treated in error as a cash sale of stock. O’Shea intended that the proceeds of this sale were to be retained in the business.
- (iii) A debtor who owed L. O’Shea €700 sent a cheque for €550 and €100 in cash in full settlement. This was correctly entered in the books. However, no entry had been made in the books of the subsequent dishonouring of this cheque or of the writing off of the remaining debt in full because of bankruptcy.
- (iv) O’Shea won a motor vehicle valued at €20,000 in a grand prize draw. L O’Shea gave the vehicle to the business and took an old van from the business valued at €8,000, which was to be used for private purposes. The only entry made in the firm’s books regarding both motor vehicles was a debit in the cash book of €8,000.
- (v) Cash payments of €160 for repairs to the business motor vehicle and €100 for repairs to private motor vehicles had both been credited to the creditors account and also credited to motor vehicles account. **You are required to:**

- (a) Journalise the necessary corrections. (50)
- (b) Show the Suspense account. (6)
- (c) Prepare a Statement showing the correct Net profit. (14)
- (d) Prepare a corrected Balance Sheet. (20)
- (e) Explain with examples what is meant by:
 - (i) Error of Commission;
 - (ii) Error of Principle. (10)

(100 marks)

Q7 Correction of Errors 2010

7. Correction of errors and suspense account

The Trial Balance of C. McCarthy, a motor dealer, failed to agree on 31/12/2009. The difference was entered in a suspense account and the following Balance Sheet was prepared:

Balance Sheet as at 31/12/2009

	€	€	€
Fixed Assets			
Premises		600,000	
Equipment		30,000	
Motor Vehicles		<u>60,000</u>	690,000
Current Assets			
Stock (including suspense)		182,400	
Debtors		38,200	
Cash		<u>1,000</u>	
		221,600	
Less: Creditors: amounts falling due within 1 year			
Creditors	56,000		
Bank	<u>31,000</u>	<u>(87,000)</u>	<u>134,600</u>
			<u>824,600</u>
Financed by:			
Capital		750,000	
Net profit		<u>81,200</u>	
		831,200	
Drawings		<u>(6,600)</u>	<u>824,600</u>
			<u>824,600</u>

On checking the books the following errors were discovered:

- (i) McCarthy sent a cheque for €620 in full settlement of a business debt of €660 and this was recorded correctly in the books. However, no entry had been made in the books of the subsequent dishonouring of this cheque and the payment on account of €300 cash by McCarthy.
- (ii) McCarthy had returned a motor car previously purchased on credit for €15,600 from a supplier. McCarthy entered this transaction as €16,500 on the correct sides of the correct accounts in the ledger. A credit note subsequently arrived from the supplier showing a transport charge of €600 to cover the cost of the return. The only entry made in respect of this credit note was a credit of €15,000 in the creditor's account.
- (iii) McCarthy won a motor vehicle valued at €30,000 in a draw. McCarthy gave this vehicle to the business and took an old vehicle from the business valued at €22,500 which was to be used for private purposes. The only entry made in the firm's books regarding both vehicles was a debit in the cash book of €22,500.
- (iv) Cash payments of €450 for repairs to equipment had been credited to the creditors account and also credited to the motor vehicles account.
- (v) A cheque for €5,250 paid by McCarthy out of a private bank account for 15 months hire of diagnostic equipment up to 31/03/2010 had not been entered in the books.

You are required to:

- (a) Journalise the necessary corrections. (50)
- (b) Show the Suspense Account. (6)
- (c) Prepare a Statement showing the correct net profit. (14)
- (d) Prepare a corrected Balance Sheet. (20)
- (e) Identify **three** different types of errors that affect the balancing of a Trial Balance. (10)

(100 marks)

Q2 Correction of Errors 2012

2. Correction of errors and suspense account

The Trial Balance of N. O'Connell, a garage owner, failed to agree on 31/12/2011. The difference was entered in a Suspense Account and the final accounts were prepared which showed a net profit of €41,000.

On checking the books, the following errors and omissions were discovered:

- (i) O'Connell's private car valued at €7,000 was presented to the business. This car was later sold on credit to a debtor of the business for €7,600. The sale had been treated as a cash sale.
- (ii) O'Connell had returned a motor car, previously purchased on credit from a supplier, for €9,000 and had entered this transaction in the relevant ledger accounts incorrectly as €9,900. However, a credit note subsequently arrived from a supplier showing a restocking charge of €300 to cover the cost of the return. The only entry made in respect of this credit note was a credit entry of €8,700 in the creditors account.
- (iii) A private debt of €1,000 owed to O'Connell had been offset in full settlement against a business debt of €1,260 owed by O'Connell. No entry had been made in the books in respect of this transaction.
- (iv) Payments from a business bank account for repairs to business premises €600 and insurance of private dwelling €520 were entered correctly in the bank account but respectively credited to premises account and credited to insurance account.
- (v) Car parts, previously sold on credit for €920, had been returned to O'Connell. These returns had been incorrectly entered as €20 on the credit of equipment account and as €290 on the debit of purchases account.

Required:

- (a) Journalise the necessary corrections. (40)
- (b) Prepare a statement showing the corrected net profit. (14)
- (c) (i) What is the purpose of preparing a Trial Balance?
(ii) State and explain **two** types of errors **not** revealed by the Trial Balance. (6)

(60 Marks)