

Correction of errors

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Read first: [The double entry system of book-keeping](#), [Books of prime entry](#), [The trial balance](#)

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What you need to know

By the end of this topic you should be able to:

1. **Correct errors with journal entries:** for any error, write the debit and credit entries that put the ledger right, with the correct account names and amounts.
2. **Explain the suspense account:** why a temporary account is opened when the trial balance totals do not agree, and what it lets the business do while the errors are found.
3. **Correct errors through the suspense account:** decide which corrections need a suspense entry, and write up the suspense account until it closes.
4. **Adjust the profit (or loss) for the year** once the errors have been corrected.
5. **Understand the effect of correcting errors on the statement of financial position:** assets such as bank, receivables and non-current assets, liabilities, and the owner's capital.

The trial balance itself, and the six errors it does not reveal (commission, compensating, complete reversal, omission, original entry, principle), are in the note on the trial balance. This note builds on it.

Understand it

Why errors are corrected through the journal

An error is never fixed by crossing out or rubbing out a ledger entry. The ledger must show a record of every change, so each correction is first written in the **journal** (the book of prime entry for unusual entries) and then posted to the ledger. A correcting journal entry looks like any other:

Details	Debit \$	Credit \$
Machinery repairs	380	
Machinery		380

The details column must name **ledger accounts** exactly: "Sales", not "Sales journal"; "Bank", not "bank transfer" or "cheque"; "T Mensah", not "supplier". A narrative (a short explanation such as "Repairs wrongly debited to machinery account") is written only if the question asks for one.

The method: what was done, what should have been done

Every correction comes from comparing two versions of the double entry.

1. Write down what **was** done, account by account.
2. Write down what **should** have been done.
3. The correcting entry is the **difference** for each account.

Wrong account (electricity \$180 paid by bank, debited to the rent account). Done: Dr Rent 180, Cr Bank 180. Should: Dr Electricity 180, Cr Bank 180. Bank is already right. Rent has a debit of 180 it should not have, so **credit Rent 180**; electricity is missing a debit of 180, so **debit Electricity 180**.

Complete reversal or wrong side (a cheque for \$250 paid to T Mensah, a supplier, debited to bank and credited to his account). Bank should have gone down by 250 and went up by 250: it is 500 too high. So **Dr T Mensah 500, Cr Bank 500**. Whenever an amount was put on the **wrong side** of an account, the correction is **twice** the amount: one lot to cancel the wrong entry, one lot to make the right one.

Wrong amount (a payment of \$124 recorded as \$150 in both accounts). Only the **difference**, \$26, is corrected. Doubling here is a common mistake.

Omission (nothing recorded). The correction is simply the full, normal double entry.

Two kinds of error

Before writing any correction, ask: **did the error make the debits and credits unequal?**

- **No** (the six errors of the trial balance note: commission, compensating, complete reversal, omission, original entry, principle). The trial balance still agreed, so the correction has one debit and one credit of the same amount, and **no suspense account**.
- **Yes** (one side left out, two debits or two credits, different amounts on each side, an account or journal total added up wrongly). The trial balance did not agree, so the correction is unbalanced on its own, and the **suspense account** makes up the difference.

A quick test: write the correcting entry for the ledger accounts only. If its debits and credits are equal, there is no suspense entry. If not, the suspense account takes whatever is needed to balance it.

Example. Postage of \$55 paid in cash was entered correctly on the credit side of the cash book, but the postage account was also credited. There were two credits and no debit. Correct: **Dr Postage 110** (55 to cancel the wrong credit, 55 for the missing debit). The ledger side of the entry is a debit of 110 alone, so **Cr Suspense 110**.

A three-line entry. Rent received of \$145, paid into the bank, was debited to the rent (paid) account; the bank entry was correct. Two things are wrong: rent has an extra debit of 145, and rent received is missing a credit of 145. So **Cr Rent 145, Cr Rent received 145**, and to balance, **Dr Suspense 290**.

A **casting error** (a book of prime entry or an account added up wrongly) affects one account only. If the sales returns journal was undercast by \$260, the sales returns account is \$260 too low but each customer's account is right: **Dr Sales returns 260, Cr Suspense 260**. The sales journal and purchases journal are books, not accounts, so they never appear in the journal entry.

The suspense account

When the trial balance totals do not agree and the error cannot be found straight away, the difference is put in a **suspense account**. It is a **temporary** account. It makes the trial balance totals agree so that **draft financial statements can be prepared** while the errors are being looked for.

- It is opened with the **difference on the trial balance**, on the side that makes the short column equal to the other. If the credit total is bigger, the suspense account has a **debit** balance; if the debit total is bigger, a **credit** balance.
- Each correction that needs a suspense entry is posted to it. The details column names the **other** account in the correction.
- When all the errors that affected the totals have been corrected, the two sides of the suspense account are equal and it **closes**. If a balance remains, there are **errors still to be found**. It is never a permanent account.

Example 3 below shows a complete suspense account. Working backwards is common in multiple choice: if you know the corrections, the opening difference is whatever makes the account balance. In Example 3 the corrections put a debit of 386 and credits of $1276 + 72 = 1348$ in the account, so the opening entry must be a **debit of \$962** ($1348 - 386$).

Effect on the profit for the year

Only errors in **income statement** accounts change the profit: sales, purchases, returns, carriage, expenses, discounts, other income, depreciation and the closing inventory. Errors that involve only **statement of financial position** accounts (bank, cash, trade receivables and payables, non-current assets, loans, capital, drawings) have **no effect** on profit.

For each error ask: was profit **overstated** (too high) or **understated** (too low), and by how much?

- An **expense** too high, or **income** too low: profit **understated**. The correction **adds** to profit.
- An expense too low, or income too high: profit **overstated**. The correction **subtracts** from profit.
- An expense wrongly put in a **non-current asset** account (repairs debited to machinery): expenses too low, so profit **overstated**. The reverse (a new van debited to motor expenses) **understates** profit by the full cost.
- **Closing inventory** too low: cost of sales too high, so profit **understated**. A closing inventory error is corrected in the financial statements, not by a ledger journal entry.
- A three-line error changes profit by **both** amounts: rent received debited to the rent account understates profit by twice the amount (rent too high and rent received too low).

- **Goods taken for own use** not recorded: purchases are too high, so profit is **understated**, and drawings are too low.

The corrected profit is set out as a statement: the draft profit, then one labelled line per error ("Add error 3", "Less error 5"), then the corrected profit. Example 4 shows the layout.

Gross profit and profit for the year. Errors in sales, purchases, returns, carriage inwards and inventory change **both**. Errors in expenses below gross profit (wages, rent, discounts, carriage outwards) change **profit for the year only**. Carriage inwards debited to carriage outwards overstates gross profit but leaves profit for the year unchanged.

Effect on the statement of financial position

Look at which statement of financial position figures the correction changes.

- **Bank:** start from the uncorrected balance and apply only the corrections that debit or credit the bank account. In Example 4, the loan left out adds \$3000 to bank and the insurance recorded \$200 too low takes \$200 off.
- **Trade receivables and payables:** corrections to personal accounts change these.
- **Non-current assets:** an expense capitalised by mistake overstates them; a non-current asset charged as an expense understates them.
- **Capital:** closing capital = opening capital + **corrected** profit + capital introduced – **corrected** drawings. Capital introduced wrongly credited to a loan understates capital and overstates liabilities.
- **The trial balance total** after correction: start from the given total of one column and adjust for each correction that changes a balance in **that column**. Corrections between two debit balances (such as bank and a customer) change nothing.

Key facts and formulas

There is no formula list in the IGCSE Accounting exam, so everything here must be learnt.

Formula	Status
Correcting entry = what should have been done – what was done, account by account	Learn it
Amount on the wrong side of an account (including a complete reversal): correct with 2× the amount	Learn it
Wrong amount on one or both sides: correct with the difference only	Learn it
Suspense entry needed only if the original error made total debits $\neq$ total credits	Learn it
Opening suspense balance: debit if the credit total of the trial balance was bigger; credit if the debit total was bigger	Learn it

Formula	Status
Corrected profit = draft profit + understatements – overstatements	Learn it
Closing capital = opening capital + profit + capital introduced – drawings	Learn it
Errors in statement of financial position accounts only (bank, receivables, payables, capital, drawings, non-current assets) do not change profit	Learn it

How to do it

We have 103 tagged questions for this topic from 2021 to 2025 (71 different, as many appear on two or three paper variants): 71 one-mark multiple-choice questions from Paper 1 and 32 twenty-mark Paper 2 questions. Paper 2 questions test several types in their parts, and 30 of them mix types, so the counts add up to 169.

Question type	Questions
Journal entries (or a correction table) to correct errors	47
Effect of errors on profit: corrected profit statement or effect table	36
Suspense account: prepare it, or find its opening balance or an entry	34
Effect of errors on the statement of financial position (bank, capital, receivables and payables, trial balance totals)	26
Explain the suspense account	10
Name or identify types of error	10
Identify the error from a correcting entry or from its effect	6

1. Journal entries to correct errors (47 questions)

1. **Read each error twice** and write down (in rough) what was done and what should have been done.
2. **Find the difference** for each account: the full amount for a wrong account, **double** for a wrong side or complete reversal, only the **difference** for a wrong figure.
3. **Check the entry balances.** If the ledger lines are unequal, add **Suspense** for the difference, on whichever side balances it.
4. **Write it in the journal:** error number, account names exactly as in the ledger, debit first then credit, amounts in the right columns. No narrative unless asked.

Variations you will meet:

- **A table instead of a journal** ("Entries required to correct the error: Debit account \$, Credit account \$"): the same entries, set out in the columns given.

- **One side of the bank wrong** (a bank payment for insurance debited to the bank account and nothing else): Cr Bank **double** (to cancel the debit and make the credit), Dr Insurance, and Dr Suspense for the gap. [0452/23/M/J/25 Q3](#) does this.
- **Invoice posted to the wrong person and the wrong side** (a purchase invoice from Maya debited to Moira and credited to purchases): Dr Purchases **double**, Cr Moira, Cr Maya ([0452/22/M/J/25 Q4](#)).
- **Goods taken for own use recorded as cash drawings**: drawings is already right; Dr Cash, Cr Purchases.
- **Private expenses paid by the business recorded as business expenses**: Dr Drawings, Cr the expense.
- **Capital introduced credited to a loan account**: Dr Loan, Cr Capital.
- These three appear together in [0452/22/M/J/25 Q4](#).
- **Closing inventory recorded wrongly**: no ledger entry; the mark scheme accepts "no entry" (it is corrected in the financial statements).
- **Multiple choice, "which entry corrects this error?"**: wrong options usually have the right accounts with the single amount instead of double, or the sides swapped. Work it out before looking at them.

2. Effect of errors on profit (36 questions)

1. **Take each error on its own.** Does it involve an income statement account? If not, write "no effect".
2. **Decide the direction:** was the profit overstated or understated by the error? (Expense too high or income too low → understated.)
3. **Decide the amount:** the same amount the correcting entry puts through the income statement account (double for a wrong side, the difference for a wrong figure).
4. **Build the statement:** draft profit, then add each understatement and subtract each overstatement, labelled by error number; finish with the corrected profit.

Variations you will meet:

- **Table of overstated / understated / no effect** with amounts: one mark each needs both the right column and the right amount.
- **Ticks for increase / decrease / no effect "after correcting"**: the effect of the **correction**, which is the opposite of the effect of the error. An error that overstated profit is corrected by a **decrease**.
- **Gross profit and profit for the year separately**: errors in trading accounts (sales, purchases, returns, carriage inwards, inventory) change both; expenses below gross profit change profit for the year only.
- **Multiple choice mixing in year-end adjustments**: a prepayment wrongly left in expenses understates profit; an accrual left out overstates it; an irrecoverable debt not written off overstates it. Deal with each on its own, as above.
- **Working back from the profit change**: if the corrected profit is \$236 higher, look for an error that understated income or overstated expenses by \$236 (commission received of \$236 left out of the books, for example).

3. Suspense account (34 questions)

1. **Open it with the difference on the trial balance**, labelled "Difference on trial balance", on the right side: **debit** if the trial balance credit column was bigger, **credit** if the debit column was bigger. If the difference is not given, it is the balancing figure.
2. **Post the suspense line of every correcting journal entry**, on the same side as in the journal, with the **other account's name** as the details.
3. **Leave out** every error that did not need a suspense entry.
4. **Total both sides**; they should be equal. If the question says a balance remains, carry it down (balance c/d) and bring it down on the next day.

Variations you will meet:

- **"What was the original balance on the suspense account?"** (multiple choice): write the suspense entry for each error, add them, and the opening balance is on the **opposite** side, the amount that makes it close. 0452/13/O/N/25 Q9 is typical.
- **"Which entry was made in the suspense account when this error was corrected?"**: the wages account undercast by \$162 needs Dr Wages \$162, so **Cr Suspense \$162**. Wrong options usually show the right amount on the wrong side.
- **"Which error caused a suspense account with a debit balance of \$6350?"**: a debit suspense balance means the trial balance **credit** column was \$6350 bigger. Find the error that took \$6350 from the debits or added \$6350 to the credits, such as the drawings balance of \$6350 left out of the trial balance.

4. Effect on the statement of financial position (26 questions)

1. **List every correction that touches the balance asked for** (bank, one supplier, capital, a total).
2. **Start from the uncorrected figure** given, and add or subtract each of those corrections, labelled.
3. **Finish with the corrected figure**; the last mark usually follows through from your own working.

Variations you will meet:

- **Corrected bank balance**: add bank debits in the corrections, subtract bank credits. A payment recorded too high (postage paid by bank, \$57, recorded as \$98) is **added back** (\$41).
- **Closing capital**: opening capital + corrected profit + capital introduced – corrected drawings (remember drawings found in the errors, such as private insurance).
- **Trial balance total after correction**: adjust one column for each correction that changes a balance in it. Moving an amount between two debit balances changes nothing; a correction between a debit balance and a credit balance (such as an expense account and a loan account) changes both totals by that amount.
- **Table of effect on profit and on bank**: judge each separately. A reversed receipt understates the bank but not profit; a telephone payment of \$71 recorded as \$49 overstates both by \$22.

- **Multiple choice on non-current assets, current assets or working capital:** an asset bought by cheque but recorded as an expense understates non-current assets; bank charges recorded too high understate current assets (the bank balance), as in 0452/12/M/J/25 Q10.

5. Explain the suspense account (10 questions)

- **Name the account opened when the totals don't agree:** suspense account.
- **Its purpose** (explain, not repeat the question): a temporary holding account for the trial balance difference, so the totals agree and **draft financial statements can be prepared** until the errors are found and corrected.
- **Why a balance may remain after the errors are corrected:** some errors have **not yet been found**.
- **Multiple choice, "which statement is not correct?":** errors of commission and original entry do **not** go through the suspense account; the difference **does**; the account stays open until those errors are corrected and then has no balance.

6. Name or identify types of error (10 questions)

1. **"Name two errors the trial balance does not reveal":** any two of the six, named in full ("error of principle"). See the trial balance note.
2. **"State the number of the error which is ...":** match each error to its type.
 - Capital and revenue mixed up (a repair debited to the asset account, or a new asset debited to an expense account): **principle**.
 - The wrong amount in both accounts: **original entry**.
 - Nothing recorded: **omission**.
 - Debit and credit swapped round (a supplier's cheque debited to bank and credited to the supplier): **complete reversal**.
 - The right type of account but the wrong one (two customers mixed up): **commission**.
 - Two equal errors that cancel out: **compensating**.

7. Identify the error from a correcting entry or its effect (6 questions)

1. **From a correcting entry**, read the entry backwards: the account debited in the correction had too little on its debit side (or too much on its credit side), and the account credited had the opposite.
2. **Check the amount:** if the correction is **double** the transaction, the original entry was on the wrong side; if it equals the transaction, it went to the wrong account or was left out.
 - **Between two personal accounts** (Dr Priya, Cr Pedro): Pedro had a debit that belonged to Priya, such as a sale to Priya debited to Pedro.
 - **Double the amount, with suspense** (Dr Rent 452, Cr Suspense 452, for a \$226 rent payment): the payment was right in the cash book but posted to the credit side of the rent account. Test each option with "what was done, what should have been done".

- **From the profit change:** find the option whose error moves profit by exactly the difference and in the right direction.
- **Gross profit and profit for the year both given:** the trading error (such as closing inventory) explains the gross profit change and carries on into profit for the year; an expense error (such as depreciation) explains what is left. If gross profit is \$285 too low but profit for the year is \$105 too high, an expense below gross profit must be \$390 too low ($285 + 105$).

Worked examples

The bold codes show where marks are earned, as in Cambridge mark schemes. The number is how many marks.

- **B1** mark for a correct result on its own, with no method needed.

Example 1

Farida repairs bicycles and sublets part of her workshop. Her trial balance totals did not agree, so she opened a suspense account. She then found three errors.

1. Commission of \$265 paid to a sales agent by bank transfer had been entered in the cash book only.
2. The rent received account had been undercast by \$410.
3. Sales returns of \$138 from Spokes Café, a credit customer, had been debited to the sales returns account and also debited to Spokes Café's account.

After these three errors were corrected, the suspense account had no balance. What was the opening entry in the suspense account? **[1]**

A \$283 credit B \$421 debit C \$421 credit D \$951 credit

Error 1: the debit to commission paid is missing, so Dr Commission paid 265, Cr Suspense 265. Error 2: only the rent received account is wrong, and it is too low, so Dr Suspense 410, Cr Rent received 410. Error 3: Spokes Café was debited instead of credited, so Cr Spokes Café 276 (double), Dr Suspense 276. The corrections put debits of $410 + 276 = 686$ and a credit of 265 in the suspense account, so it must have opened with a **credit of \$421** ($686 - 265$). **Answer C B1**

(Option A forgets to double error 3; option B has the right amount on the wrong side.)

Example 2

Tomasz runs a catering business. His draft profit for the year was \$26 740. He then found these errors.

1. A new commercial oven, \$2380, paid by bank transfer, had been debited to the kitchen repairs account.

2. A cheque for \$210 received from Rosa Lim, a credit customer, had been credited to the account of Rosa's Deli, another credit customer.
3. An invoice for \$475 for food supplied on credit to the Delmar Hotel had not been recorded.

What was Tomasz's corrected profit for the year (ignore depreciation)? [1]

A \$29 385 B \$29 595 C \$29 805 D \$27 215

Error 1: a non-current asset charged as an expense, so profit understated by \$2380. Error 2: only two customers' accounts are wrong, and they are statement of financial position items, so there is no effect on profit. Error 3: a sale left out, so profit understated by \$475. $26740 + 2380 + 0 + 475 = 29595$. **Answer B B1**

Example 3

Nomvula runs a pet grooming salon. Her trial balance at 30 June 2026 did not agree: the debit column totalled \$64 043 and the credit column \$65 005. She put the difference in a suspense account and later found these errors.

1. Grooming equipment, \$1460, bought on credit from PetPro Supplies, had been debited to the purchases account.
2. A bank transfer of \$638 to Kestrel Ltd, a supplier, had been entered correctly in the cash book but credited to Kestrel Ltd's account.
3. The total of the purchases returns journal for May, \$386, had not been posted to the purchases returns account.
4. A bank payment of \$1480 for insurance had been entered in both the cash book and the insurance account as \$1280.
5. Carriage outwards of \$36, paid in cash, had been entered correctly in the cash book, but the carriage outwards account had also been credited.
6. A loan of \$3000 from Mrs Dube, paid into the business bank account, had not been recorded.

(a) Prepare the journal entries to correct errors 1–6. Narratives are not required. [12]

(b) Prepare the suspense account. [4]

(c) Name the type of error in errors 1, 4 and 6. [3]

(a) Nomvula: Journal

Error	Details	Debit \$	Credit \$
1	Equipment	1460	
	Purchases		1460
2	Kestrel Ltd	1276	
	Suspense		1276
3	Suspense	386	

Error	Details	Debit \$	Credit \$
	Purchases returns		386
4	Insurance	200	
	Bank		200
5	Carriage outwards	72	
	Suspense		72
6	Bank	3000	
	Loan: Mrs Dube		3000

B1 for each correct line (account and amount): 12 marks. Error 1: PetPro Supplies was credited correctly, so only the debit moves. Error 2 needs \$1276, twice the payment, because it went on the wrong side of the supplier's account; the bank entry was right, so suspense takes the other side. Error 4 corrects only the \$200 difference ($1480 - 1280$), and both accounts were wrong by the same amount, so there is no suspense entry. Error 5: \$72, twice \$36, because carriage outwards was credited instead of debited.

(b) The credit column was \$962 bigger ($65005 - 64043 = 962$), so the suspense account opens with a **debit** of \$962.

Nomvula: Suspense account

Date	Details	\$	Date	Details	\$
2026 Jun 30	Difference on trial balance	962	2026 Jun 30	Kestrel Ltd	1276
Jun 30	Purchases returns	386	Jun 30	Carriage outwards	72
		1348			1348

B1 difference on trial balance \$962 debit; **B1** purchases returns; **B1** Kestrel Ltd; **B1** carriage outwards. Errors 1, 4 and 6 did not affect the totals, so they are not in this account.

(c) Error 1: error of principle (a non-current asset recorded as a trading expense). **B1** Error 4: error of original entry (the wrong amount in both accounts). **B1** Error 6: error of omission. **B1**

Example 4

Use Nomvula's errors from Example 3. Before the errors were corrected:

- her draft profit for the year was \$24 380;
- her bank balance (debit) was \$5217;
- her capital at 1 July 2025 was \$42 600 and her drawings for the year were \$15 300.

(a) Calculate Nomvula's corrected profit for the year (ignore depreciation). **[5]**

(b) Calculate her corrected bank balance at 30 June 2026. **[2]**

(c) Calculate her capital at 30 June 2026. [2]

(a)

	\$
Draft profit for the year	24 380
Add error 1 (the equipment is not a purchase of goods)	1 460
Add error 3 (purchases returns understated)	386
Less error 4 (insurance understated)	(200)
Less error 5 (carriage outwards understated)	(72)
Corrected profit for the year	25 954

B1 for each of the four adjustments; **B1** \$25 954 (follows through from your adjustments). Errors 2 and 6 affect only a supplier, the bank and a loan, so they have no effect on profit.

(b) Errors 4 and 6 change the bank account: $5217 - 200 + 3000 = 8017$. Corrected bank balance **\$8017** (debit). **B1** for both adjustments, **B1** for 8017.

(c) The loan is a liability, not capital, and no error changes drawings.

	\$
Capital at 1 July 2025	42 600
Add corrected profit for the year	25 954
	68 554
Less drawings	(15 300)
Capital at 30 June 2026	53 254

B1 corrected profit (own figure); **B1** \$53 254 (follows through).

Common mistakes

- **Using a book as an account.** "Sales journal", "purchases journal" or "cash book discount column" are not ledger accounts; write "Sales", "Purchases", "Discount allowed". Examiners have also reported "electronic transfer" or "cheque" used instead of "Bank".
- **Single amount where double is needed.** A complete reversal or an entry on the wrong side needs twice the amount. Examiners have reported this every year.
- **Doubling where only the difference is needed.** \$208 recorded as \$251 is corrected with \$43; a transaction left out completely is corrected with its own amount.

- **Putting every error in the suspense account.** Only errors that stopped the totals agreeing go there. Examiners have reported suspense accounts full of extra items such as errors of commission and principle.
- **Missing a suspense entry.** When the bank entry was right but the other account was wrong (commission received, paid into the bank, debited to the insurance account), the correction is unbalanced and needs suspense. Crediting bank instead of suspense is a reported mistake.
- **One-sided journal entries.** Every correction has a debit and a credit that balance, using suspense where needed.
- **Opening the suspense account on the wrong side.** If the credit column was bigger, the opening entry is a debit. Examiners have reported many answers choosing the wrong side for the right amount.
- **Saying an error with only balance sheet accounts changes profit** (a reversed receipt from a customer, a loan left out). These have no effect on profit.
- **Mixing up gross profit and profit for the year.** Expenses such as wages or discounts change profit for the year only.
- **Repeating the question** when asked how a suspense account helps. Say that it makes the totals agree so **draft financial statements can be prepared** while the errors are found.

How to get the marks

- **Journal entries:** usually one mark per correct line, so each line needs the right account **and** the right amount in the right column. Keep the error number beside each entry; leave a line blank rather than guess an account name. Narratives only when asked (then one short sentence, such as "Carriage outwards wrongly debited to carriage inwards account").
- **Suspense account:** one mark per correct entry, including the opening "Difference on trial balance". Label each entry with the other account's name; the date is the year end. Totals must be equal (or a balance carried down if the question says one remains).
- **Corrected profit:** show every adjustment on its own labelled line (error number, add or less). Own-figure marks are given for the final profit and for later parts using it (capital), so set out the working even if one line is wrong.
- **Effect tables:** each mark needs both the direction (overstated / understated) and the amount. Write "no effect" (or 0) where the table asks for it; a blank earns nothing.
- **"State" and "Name":** one short answer each, in full ("error of original entry").
- **"Explain":** give the reason, not the name. "It allows draft financial statements to be prepared" earns the mark; "it makes the trial balance balance" repeats the question.
- **Calculate:** a clear labelled calculation from the given figure to the answer ("bank balance before corrections 1260, add 45, less 325, corrected 980").

Quick check

1. Rent of \$725 from a tenant who uses the flat above the shop was paid into the bank and credited to the sales account. Write the journal entry to correct it.
2. Commission of \$346 paid by bank was entered correctly in the cash book but posted to the commission paid account as \$246. Write the journal entry to correct it.
3. A trial balance did not agree. The only errors were: a bank payment of \$930 for electricity had been debited to the electricity account but not entered in the cash book; the carriage outwards account had been undercast by \$64. What was the opening balance of the suspense account, and on which side?
4. A trader's draft profit was \$13 870. Then these errors were found: (a) sales returns of \$290 had been debited to the purchases account; (b) the closing inventory count included goods costing \$400 that had been counted twice; (c) wages of \$1200 paid to builders who put up a new storeroom had been debited to the wages account. Calculate the corrected profit for the year (ignore depreciation), and say which error changes gross profit.
5. Which of these errors needs an entry in the suspense account to correct it? (a) a credit sale of \$395 to Hollis Ltd left out of the sales journal; (b) a bank payment of \$176 for repairs entered in the repairs account but not in the cash book; (c) a payment of \$46 for window cleaning debited to the advertising account; (d) a credit purchase of \$412 from Tanaka Ltd entered correctly in the purchases journal but not posted to Tanaka Ltd's account.

Answers

1. Dr Sales \$725, Cr Rent received \$725. Both accounts are income accounts and the debit equals the credit, so there is no suspense entry. Profit for the year does not change, but gross profit was \$725 too high.
2. The commission paid account has \$100 too little on the debit side ($346 - 246 = 100$), and the cash book is right. Dr Commission paid \$100, Cr Suspense \$100.
3. Corrections: Dr Suspense 930, Cr Bank 930 (the credit column was short); Dr Carriage outwards 64, Cr Suspense 64 (the debit column was short). The suspense account has a debit of 930 and a credit of 64, so it must have opened with a **credit of \$866** ($930 - 64$). (The debit column of the trial balance was bigger.)
4. (a) No effect on profit: purchases are \$290 too high and sales returns \$290 too low, and both are in cost of sales or net sales, so gross profit is right too. (b) Closing inventory overstated by \$400, so cost of sales is \$400 too low and profit overstated: less \$400. (c) The storeroom is a non-current asset charged as an expense, so profit understated: add \$1200. Corrected profit = $13870 + 0 - 400 + 1200 = 14670$, so **\$14 670**. Only error (b) changes gross profit (wages are below gross profit).
5. (b) and (d). In (b) the credit to bank is missing, and in (d) the credit to Tanaka Ltd is missing (Dr Suspense \$412, Cr Tanaka Ltd \$412). (a) is an error of omission and (c) puts an expense in the wrong expense account: in both the debits still equalled the credits.

Past questions to try

- **0452/23/M/J/25 Q3**: a correction table, the suspense account and the corrected bank balance.
- **0452/23/M/J/24 Q3**: journal entries, a suspense account with a balance to bring down, and a corrected profit.
- **0452/22/O/N/21 Q4**: journal entries, a suspense account and a statement of corrected profit.
- **0452/12/F/M/25 Q12**: the opening entry in the suspense account after a wrong-side cash book entry.