

Cambridge AS & A Level · Accounting 9706 · Notes

Reconciliation and verification AS

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Read first: [The accounting system](#)

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What you need to know

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

1. **Explain why ledger accounts are reconciled and verified** by checking them against documents, both from inside the business (copies of invoices, credit notes, the cash book, delivery notes) and from outside it (bank statements, suppliers' statements of account).
2. **Give the benefits and limitations** of reconciliation and verification procedures.
3. **Name the errors a trial balance reveals**, and the six it does **not**: omission, commission, principle, original entry, complete reversal and compensating errors.
4. **Correct errors** with journal entries and ledger accounts, using a **suspense account** where the trial balance did not agree.
5. **Work out how correcting errors changes the financial statements**: the profit for the year, and assets, liabilities and capital.
6. **Give the benefits and limitations of a trial balance**.
7. **Update a cash book** from a bank statement, and **prepare a bank reconciliation statement**.
8. **Give the benefits and limitations of bank reconciliation statements**.
9. **Prepare sales ledger and purchases ledger control accounts**, knowing what is entered on each side and where it comes from.
10. **Reconcile a control account balance with the total of the ledger balances**, correcting errors in each, and work out how the corrections change the financial statements.
11. **Give the benefits and limitations of control accounts**.
12. **Use all of this to judge information and advise a business owner**.

Double entry, the books of prime entry and the purpose of a trial balance are in "The accounting system".

Preparing full financial statements after the corrections is in "Preparation of financial statements".

Understand it

Why check the records at all?

Bookkeepers make mistakes, and now and then someone is dishonest. **Reconciliation** means comparing two records of the same thing and explaining every difference between them: the cash book against the bank statement, or a control account against the list of customers' balances. **Verification** means checking a record against evidence: an invoice against the delivery note that proves the goods were sent, or a supplier's account against the **statement of account** the supplier sends each month.

Internal documents (made by the business)	External documents (from outside)
Copies of sales invoices and credit notes sent	Bank statements
Delivery notes and goods received notes	Suppliers' statements of account
The cash book, receipts, cheque counterfoils	Invoices and credit notes received
Payroll records, petty cash vouchers	Replies from customers confirming what they owe

External documents are the more reliable evidence, because nobody in the business wrote them.

Benefits: errors are found and corrected quickly; fraud is harder to hide and more likely to be found; the financial statements are more reliable, so owners, lenders and managers can trust them. **Limitations:** checking takes time and costs money; it does not find every error (an error of commission or a compensating error can survive); it only tests the records at one date; and it is only as good as the documents used.

The trial balance and the six hidden errors

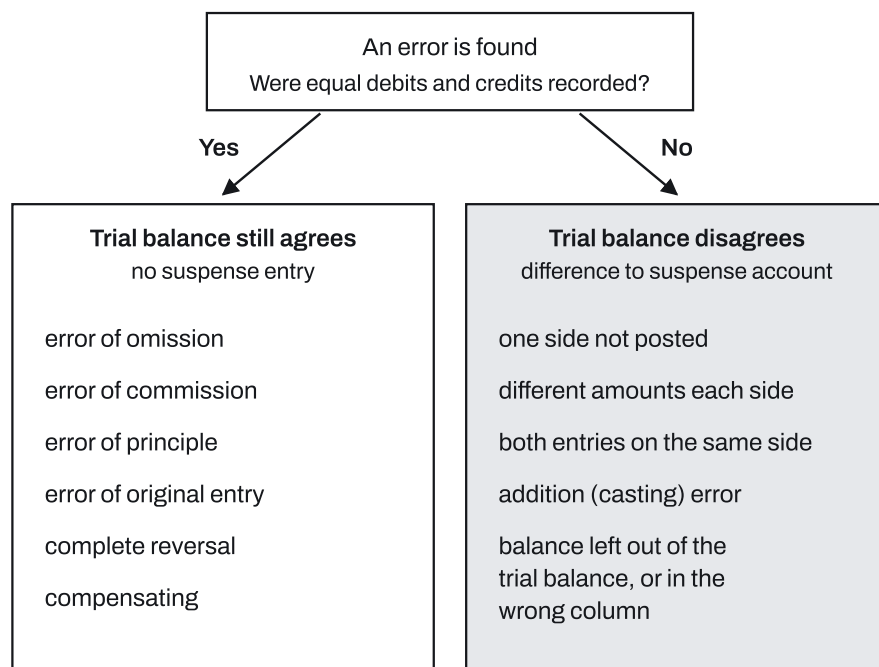
A trial balance lists every ledger balance, debits in one column and credits in the other. Because every transaction has an equal debit and credit, the columns should agree. It gives an **arithmetical check** of the double entry and a summary of balances to **prepare the financial statements** from.

But the totals agree whenever the debit and the credit are **equal**, even if both are wrong. So six kinds of error are hidden:

Error	What happened	Example
Omission	The transaction was left out completely	A sales invoice was never recorded
Commission	Right amount, right side, but the wrong account of the same class	A payment to J Khan debited to J Kahn's account
Principle	Entered in the wrong class of account	A new machine debited to repairs (a non-current asset treated as an expense)

Error	What happened	Example
Original entry	The wrong amount was used when it was first recorded, so both entries are wrong by the same amount	An invoice for \$540 entered in the sales journal as \$450
Complete reversal	Correct accounts and amount, but debit and credit swapped	Rent paid debited to bank and credited to rent
Compensating	Two errors of the same size cancel each other out	Sales undercast by \$100 and wages undercast by \$100

Errors that **do** make the totals disagree: only one side posted; different amounts on each side (a transposed figure on one side only); both entries on the same side; an addition (casting) error in an account or journal total; and a balance left out of the trial balance or put in the wrong column.



Suspense accounts

When the totals don't agree, the difference is put into a **suspense account** so the financial statements can be drafted. If the debit column is short by \$500, the suspense account gets a **debit** balance of \$500 in the trial balance, and the other way round.

Each error is then corrected with a **journal entry**. Only errors that caused the difference involve the suspense account; when they are all corrected, the suspense account balances to nil.

To correct any error, compare **what was done** with **what should have been done**, then enter whatever is needed to get from one to the other. For example, discount received of \$130 was debited to the discount allowed account (the supplier's account was right):

- should have been: Cr discount received \$130;

- was: Dr discount allowed \$130;
- so correct with: Cr discount allowed \$130 (removes the wrong debit) **and** Cr discount received \$130 (makes the missing credit), with Dr suspense \$260.

An entry on the wrong side is always corrected with **twice** the amount: once to cancel it and once to put it right. If the entry was on the wrong side **and** for the wrong amount, cancel the wrong entry, then enter the right one.

A balance left out of the trial balance, or put in the wrong column, is an error in **extracting** the trial balance, not in the ledger. The ledger account is correct, so the only entry is in the suspense account (the full balance if it was left out, twice it if it was in the wrong column), and the trial balance is redrafted.

How corrections change the financial statements

Profit changes only when a correction touches an **income or expense** account (sales, purchases, returns, discounts, carriage, wages, rent, irrecoverable debts, and so on):

- a **credit** to an income or expense account (more income, or less expense) **increases** profit;
- a **debit** to an income or expense account (less income, or more expense) **decreases** profit;
- entries to assets, liabilities, capital, drawings, personal accounts, control accounts and the suspense account **don't** change profit.

A correction may still change the statement of financial position: trade receivables and payables, the bank balance, non-current assets, or capital (through profit and drawings).

Bank reconciliation statements

The **cash book** (bank columns) is the business's record of its bank account. The **bank statement** is the **bank's** record of the same account, so its sides are reversed: money the business has in the bank is a debit (an asset) in the cash book, but a **credit** on the bank statement, because the bank owes it to the business. An overdraft is a credit (a liability) in the cash book, but a **debit** on the bank statement, because it is an asset to the bank.

The two balances rarely agree on the same day, for three reasons.

1. **Items the business didn't know about yet**, on the bank statement only: bank charges, interest, direct debits, standing orders, credit transfers received and dishonoured cheques. These, and any **errors in the cash book**, are put right by **updating the cash book**.
2. **Timing differences**, in the cash book but not yet on the bank statement: **unpresented cheques** (cheques paid out and recorded, not yet cashed by the payee) and **lodgements not yet credited** (money paid in, not yet on the statement).
3. **Errors made by the bank**, such as another customer's cheque taken from this account.

Items 2 and 3 are not recorded in the cash book. They go on the **bank reconciliation statement**, which explains the difference between the **updated** cash book balance and the bank statement balance.

For example, an updated cash book shows \$3000 in the bank. Cheques of \$700 are unrepresented and \$400 paid in is not yet on the statement. The bank has not yet taken the \$700 out, so its figure is higher, and it has not yet added the \$400, so its figure is lower: $3000 + 700 - 400 = 3300$, the balance the bank statement should show.

Bank reconciliation statement at 30 June	\$
Balance as per bank statement	3 300
Less unrepresented cheques	(700)
Add lodgements not yet credited	400
Balance as per updated cash book	3 000

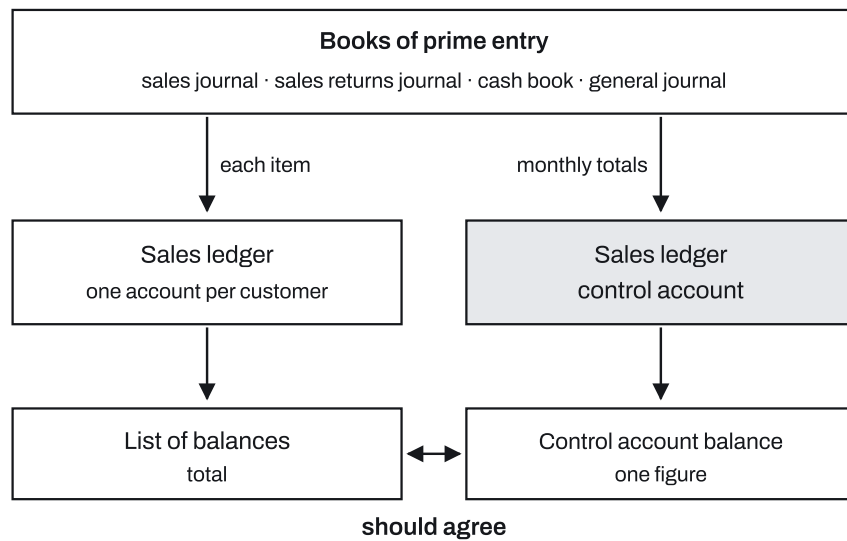
It can start from either balance. An overdraft is shown in brackets. The figure for bank in the statement of financial position is always the **updated cash book** balance: that is what the business really has, once the timing items clear.

Benefits: it explains the difference between the two balances; finds errors in the cash book and on the bank statement; shows unrepresented, out-of-date and dishonoured cheques; makes fraud harder; and gives a correct bank figure for the financial statements. **Limitations:** it is only correct at one date; it does not find every error (a payment posted to the wrong supplier's account still matches the bank); timing items may never clear (a cheque that is lost or stopped); and it takes time.

Direct debit and standing order. With a **direct debit**, the payer authorises the payee to take money from the account; the amount can vary, and the payments are regular. With a **standing order**, the payer instructs the bank to pay a fixed amount at regular intervals.

Control accounts

A business with hundreds of credit customers has a **sales ledger** full of personal accounts. To check them, the bookkeeper also keeps one summary account, the **sales ledger control account** (SLCA), made only from the **totals** in the books of prime entry. Every item posted one by one to the customers' accounts is also inside those totals, so the control account balance should equal the total of the list of customers' balances. The **purchases ledger control account** (PLCA) does the same for suppliers.



Error in a total, or in the control account:

control only

Error in one customer's account, or in the list:

ledger only

Error in the book of prime entry itself:

both

The control account can be **part of the double entry** (in the general ledger, with the personal accounts as memorandum records) or be a **memorandum** itself (with the personal accounts in the double entry). Either way, it must agree with the ledger.

Sales ledger control account: debit side	Source	Credit side	Source
Balance b/d (amounts owed by customers)		Balance b/d (customers who overpaid)	
Sales (credit sales)	Sales journal	Sales returns	Sales returns journal
Bank (dishonoured cheques)	Cash book	Bank (receipts from customers)	Cash book
Bank (refunds to customers who overpaid)	Cash book	Discounts allowed	Cash book
Interest charged on overdue accounts	General journal	Irrecoverable debts	General journal
Balance c/d (credit balances at the end)		Purchases ledger control (contra)	General journal
		Balance c/d (amounts owed at the end)	

Purchases ledger control account: debit side	Source	Credit side	Source
Balance b/d (suppliers we overpaid)		Balance b/d (amounts we owe)	
Bank (payments to suppliers)	Cash book	Purchases (credit purchases)	Purchases journal
Discounts received	Cash book	Interest charged by suppliers	General journal
Purchases returns	Purchases returns journal	Bank (refunds from suppliers)	Cash book
Sales ledger control (contra)	General journal	Balance c/d (debit balances at the end)	
Balance c/d (amounts owed at the end)			

Never in a control account: cash sales or cash purchases, the allowance (provision) for irrecoverable debts, trade discounts, and in the SLCA, discounts received.

A **contra** (set-off) happens when a customer is also a supplier: the business cancels what it owes the supplier against what the supplier owes it, so both control accounts go down (Dr PLCA, Cr SLCA).

Benefits of control accounts: an arithmetical check on the ledgers, so errors are found quickly and located in one ledger; totals of trade receivables and payables are ready at once for the trial balance and financial statements; and fraud is deterred when someone who doesn't keep the ledger keeps the control account (division of duties). **Limitations:** they don't reveal the six errors that also hide from a trial balance (omission, commission, principle, original entry, complete reversal, compensating); the control account itself can contain errors; and they take time to prepare.

Key facts and formulas

There is no formula list in the 9706 exam, so learn all of these.

Formula	Status
Updated cash book balance = original balance + receipts on the statement only – payments on the statement only ± cash book errors	Learn it
Bank statement balance = updated cash book balance + unpresented cheques – lodgements not yet credited ± bank errors	Learn it
SLCA closing balance = opening + credit sales + dishonoured cheques + interest charged + refunds – receipts – discounts allowed – returns inwards – irrecoverable debts – contras	Learn it
PLCA closing balance = opening + credit purchases + interest charged by suppliers + refunds received – payments – discounts received – returns outwards – contras	Learn it

Formula	Status
Entry on the wrong side: correct with $2 \times$ the amount	Learn it
Wrong side and wrong amount: cancel the wrong entry, then enter the right one (e.g. a \$415 payment entered on the debit side as \$451 needs Cr \$451 + Cr \$415 = \$866)	Learn it
Balance left out of the trial balance (or in the wrong column): suspense entry only, with the balance (or $2 \times$ it); the ledger account is not changed	Learn it
Wrong amount on one side: correct with the difference, (right amount – wrong amount)	Learn it
Revised profit = draft profit + corrections that credit income or expenses – corrections that debit them	Learn it

Key facts to learn:

- **Six errors a trial balance doesn't reveal:** omission, commission, principle, original entry, complete reversal, compensating.
- **Update the cash book** for what the bank knew first (charges, direct debits, standing orders, credit transfers, dishonoured cheques) and for cash book errors. **Reconcile** timing differences and bank errors.
- **The bank figure in the statement of financial position** is the updated cash book balance.
- **Totals** go to the control account; **individual items** go to the personal accounts.

How to do it

We have 175 tagged questions for this topic from 2021 to 2025 (169 different: six appear on two paper variants), 154 multiple-choice and 21 Paper 2 structured questions. 20 of the structured questions mix more than one type, so the counts add up to 215:

Question type	Questions
Correct a control account balance and/or the total of ledger balances after errors	37
Identify or describe types of error, and whether they affect the trial balance or suspense account	26
Calculate the suspense account balance or prepare the suspense account	24
Calculate a bank balance (bank statement, cash book or statement of financial position)	23
Benefits and limitations of control accounts	21
Which items go on which side of a control account, and where they come from	17
Prepare a control account from summary totals	12
Calculate revised profit after correcting errors	11
Classify bank items: update the cash book or show on the reconciliation (and define terms)	11

Question type	Questions
Purpose, benefits and limitations of a bank reconciliation statement	8
Prepare journal entries to correct errors	7
Choose the verification procedure or document	7
Trial balance: benefits, and which balances are credits	5
Effect of an error or correction on assets, liabilities or working capital	4
Update the cash book and prepare a full bank reconciliation statement	2

1. Correct a control account balance and/or the total of ledger balances after errors (37 questions)

1. **For each error, ask where the mistake was made** (the second diagram):

- in a **book of prime entry total**, or in posting a total, or in the control account itself: adjust the **control account** only;
- in **one personal account**, or in **listing** the balances: adjust the **ledger total** only;
- in the **book of prime entry itself** for one item (an invoice left out, a wrong amount entered in the journal): adjust **both**.

2. **Decide add or subtract** from the entry that puts the error right. In the sales ledger (debit balances), a correcting debit adds and a correcting credit subtracts. In the purchases ledger (credit balances) it is the other way round: a correcting credit adds.

3. **Size the adjustment**: the difference for a wrong amount, **twice** the amount for a wrong side or a credit balance listed as a debit, the full amount for something missed.

4. **Lay out two statements side by side**, starting from the original figures, one line per error with + or – (or brackets), and a corrected total for each. **Both corrected figures must be equal**: if they aren't, recheck.

For example, a credit note for \$150 sent to a customer was debited to the customer's account. It should have been a \$150 credit, so the ledger total falls by $2 \times 150 = 300$, and the control account (which used the correct journal total) is unchanged.

Variations you will meet:

- **Paper 2 "calculate the corrected figure for (i) ... (ii) ..."** with 4–6 errors: marks for each correct adjustment and for each corrected total (own figure). Some errors affect neither statement's figure in a way you'd expect: read each one twice.
- **Prepare an adjusted control account** instead of a statement: the corrections become entries (a missing discount allowed is a credit, "Discounts allowed"; a dishonoured cheque is a debit, "Bank"), with balance c/d and b/d. Then prepare the adjusted list of balances to agree with it, as in **9706/21/O/N/21 Q3**.
- **Miscalculated control balance**: if you are given the debit and credit totals, the balance is their difference.
- **"What was the ledger total before the errors were corrected?"**: work backwards, reversing the direction of each adjustment.

- **The trade receivables figure for the statement of financial position** is the corrected balance less the allowance for irrecoverable debts; a debit balance on the PLCA side is shown as a receivable.
- **Items that are not errors** in the ledger, such as an increase in the allowance for irrecoverable debts, don't adjust either figure.
- **Multiple choice**: usually only one figure is asked for; the distractors come from adjusting the wrong record or forgetting to double a wrong-side error.

2. Identify or describe types of error, and whether they affect the trial balance or suspense account (26 questions)

1. **Ask whether equal debits and credits were recorded** (the first diagram). If yes, it is one of the six hidden errors: no suspense entry.
2. **Name it** from the table in "Understand it": the key words are "completely omitted" (omission), "wrong customer or supplier" (commission), "capital as revenue or revenue as capital" (principle), "entered in the journal as" (original entry), "debit and credit reversed" (complete reversal), "two errors of the same amount" (compensating).

Variations you will meet:

- **"Which error would cause an entry in the suspense account?"** Test each option with step 1. Watch for errors that sound serious but balance (a vehicle repair debited to vehicles is principle) and small ones that don't (a credit posted to the debit side).
- **Where control accounts are part of the double entry**, a posting error in one personal account does **not** affect the trial balance (the personal accounts are memoranda), but a wrong total posted to the control account does.
- **"Which accounts are affected?"** An invoice left out of the sales journal is missing from both the customer's account and the SLCA.
- **Paper 2 "Explain the meaning of" an error**: one precise sentence, with the class of account where it matters (commission: wrong account of the **same** class; principle: wrong **class** of account). Add an example when the question asks for one.
- **"Explain why an error of principle doesn't affect the trial balance"**: equal debit and credit entries are still made, so the totals still agree.
- **A balance left out of the trial balance or put in the wrong column** does make the totals disagree, but the ledger account is correct: the correction is a suspense entry only, and the trial balance is redrafted.
- **"State two errors a trial balance reveals"**: a casting (addition) error, a transposition on one side only, a one-sided entry, entries on the same side.

3. Calculate the suspense account balance or prepare the suspense account (24 questions)

1. **Cross out** errors that don't affect the suspense account (the six hidden types).

2. **Write the correcting journal** for each remaining error, and note the suspense entry: Dr or Cr, and how much.
3. **Enter them in the suspense account**, each named after the **other** account in the correction ("Discount allowed", "Sales"), not "error 3".
4. **The opening balance is the balancing figure**: put it on whichever side is smaller, labelled "Balance b/d" (or "Difference in trial balance").

For example, the bank balance of \$2000 (debit) was put in the credit column of the trial balance. The credit column is \$2000 too high and the debit column \$2000 too low, a difference of \$4000, so the suspense account had a **debit** balance of \$4000. The bank account itself is correct. Credit suspense \$4000 (labelled "Bank") and redraft the trial balance; no other ledger entry is needed.

Variations you will meet:

- **"What was the original balance?"** or **"the updated balance after two corrections"**: start from the given balance and apply only the suspense entries.
- **The difference in the trial balance totals** is the same as the opening suspense balance: a debit balance means the debit column was short.
- **"Which error caused this balance?"**: work out the suspense entry each option would need and pick the one that matches in amount **and** side.
- **Interpreting a given suspense account**: each entry tells you the correction made, so read it as a journal.
- **Paper 2**: marks for each correct entry, plus the balance b/d (own figure). If the trial balance totals are given, the opening balance is simply their difference.

4. Calculate a bank balance (23 questions)

1. **Decide what is asked**: the updated cash book, the bank statement balance, the original cash book balance, or the bank figure for the statement of financial position (the updated cash book).
2. **Update the cash book first**: add credit transfers and interest received; subtract bank charges, direct debits, standing orders and dishonoured cheques; correct cash book errors (the difference, or twice the amount for the wrong side).
3. **Then reconcile** if the bank statement figure is wanted: add unpresented cheques, subtract lodgements not yet credited, and undo bank errors.
4. **Use signs for overdrafts**: treat money in the bank as positive and an overdraft as negative throughout. A bank statement "credit" balance is money in the bank.

For example, a bank statement shows \$5000 in credit, there are unpresented cheques of \$1200 and lodgements of \$700 not yet credited, and all the other items are already in the cash book. The bank figure for the statement of financial position is $5000 - 1200 + 700 = 4500$.

Variations you will meet:

- **Bank errors** (an amount recorded twice by the bank, another customer's cheque) are adjusted on the reconciliation only, never in the cash book.

- **Working backwards** to the original cash book balance: reverse each update.
- **Test your answer:** if you have time, reconcile the bank statement figure back to your cash book figure.

5. Benefits and limitations of control accounts (21 questions)

1. **State:** one short, different point per mark. **Explain:** the point (1) and why it helps (1), for example "they give an arithmetical check on the sales ledger (1), so an error is found quickly and located in that ledger (1)".
2. **Benefits:** arithmetical check on the ledgers; locate errors quickly; totals of trade receivables and payables for the trial balance and financial statements; deter or detect fraud through division of duties; information for managers (credit control).
3. **Limitations:** the six hidden errors are not revealed; the control account itself may contain errors; they take time.

Variations you will meet:

- **"Explain how a control account helps prevent fraud":** a person who doesn't keep the ledger (a supervisor) keeps the control account, so the two records are independent and a false entry by one person shows up as a difference.
- **"Other than checking arithmetical accuracy":** give a different benefit, or the answer scores nothing.
- **Multiple choice:** reject "reveals all errors", "detects errors of commission" and "ensures customers pay promptly".

6. Which items go on which side of a control account, and where they come from (17 questions)

1. **Think of the control account as one big personal account.** Anything that increases what customers owe is a debit in the SLCA; anything that reduces it is a credit. In the PLCA, increases in what we owe are credits.
2. **Use the two tables in "Understand it",** including the source of each item.
3. **Reject items that never appear:** cash sales or purchases, the allowance for irrecoverable debts, trade discount, and discounts received in the SLCA (or discounts allowed in the PLCA).

Variations you will meet:

- **Opening and closing balances:** in the SLCA, the debit balance b/d is what customers owe at the start, and a **credit** balance b/d is customers who overpaid.
- **Books of prime entry:** discounts allowed come from the **cash book**; irrecoverable debts, interest charged and contra from the **general journal** (the sales ledger is not a book of prime entry).
- **Why a contra is made:** the customer is also a supplier, so the amounts owed each way are set off and only the difference is paid.
- **"State two items on the credit side of a PLCA":** write "credit purchases" and "interest charged by suppliers", not just "purchases".

7. Prepare a control account from summary totals (12 questions)

1. **Sort the list** with the tables in "Understand it"; cross out cash sales or purchases and any allowance for irrecoverable debts.
2. **Enter each item on its side**, named after the other account: "Sales", "Bank", "Discounts allowed", "Sales returns", "Irrecoverable debts", "Purchases ledger control" (contra), "Interest".
3. **Balance it**: add the larger side, put the balancing figure as "Balance c/d", total both sides and bring down "Balance b/d" on the other side.

Variations you will meet:

- **Both an opening debit and an opening credit balance**: two separate entries, never netted. The same for closing balances: a closing credit balance in the SLCA goes as "Balance c/d" on the **debit** side, as well as the usual one on the credit side.
- **Refunds**: a refund to a customer who overpaid is a debit ("Bank") in the SLCA; a refund from a supplier is a credit in the PLCA.
- **Errors folded in**: an "adjusted" control account adds only the corrections that belong to the control account.
- **Multiple choice**: find the closing balance, or a missing figure (such as receipts) as the balancing figure.

8. Calculate revised profit after correcting errors (11 questions)

1. **Write the correction** for each error (or at least which accounts it credits and debits).
2. **Keep only corrections touching income or expense accounts**. A credit to one increases profit; a debit decreases it.
3. **Lay out a table**: draft profit, then one line per error in an increase or a decrease column, then the revised profit.

For example, discount received of \$200 was debited to the discount allowed account. Correcting it credits discount allowed \$200 (less expense) and credits discount received \$200 (more income), so profit increases by \$400.

Variations you will meet:

- **Goods taken by the owner, not recorded**: Cr purchases, so profit **increases** by their cost.
- **An error of principle**: moving a capital item out of an expense account increases profit (ignoring depreciation unless told); moving a revenue expense out of a non-current asset account decreases it.
- **Irrecoverable debt recovered, not recorded**: Cr irrecoverable debts recovered, profit up.
- **Errors in personal accounts, drawings or the bank** don't change profit.
- **Gross profit only**: count just sales, returns, purchases, carriage inwards and inventory.
- **Inventory**: closing inventory understated means profit is understated.

9. Classify bank items: update the cash book or show on the reconciliation (11 questions)

1. **Did the business know about it before the statement arrived?** No (bank charges, direct debits, standing orders, credit transfers, dishonoured cheques, interest): **update the cash book.**
2. **Is it a cash book error?** Correct it in the **cash book.**
3. **Is it a timing difference** (unpresented cheques, lodgements not yet credited) **or a bank error?** Show it on the **bank reconciliation statement** only.

Variations you will meet:

- **Definitions:** an **unpresented cheque** is a cheque paid out and entered in the cash book but not yet presented to the bank for payment; a **dishonoured cheque** is one the payer's bank refuses to pay (usually lack of funds); a **lodgement not yet credited** (uncredited deposit) is money paid in and recorded in the cash book but not yet on the bank statement.
- **"Why is an overdraft a debit on the bank statement?":** each record is kept from its owner's point of view; an overdraft is money owed to the bank, an asset to the bank.
- **Features of a direct debit:** the payee is authorised to collect; payments are regular; the amount can vary.
- **After updating,** only unpresented cheques, uncredited lodgements and bank errors appear on the statement.

10. Purpose, benefits and limitations of a bank reconciliation statement (8 questions)

1. **Purpose:** to explain the difference between the cash book balance and the bank statement balance at a date.
2. **Benefits** (one per mark): finds errors in the cash book or bank statement; identifies unpresented, out-of-date and dishonoured cheques; helps detect or deter fraud; gives an accurate bank figure for the financial statements.
3. **Reject** "eliminates fraud", "finds all errors", "prevents an overdraft" and "checks the cash in the till".

11. Prepare journal entries to correct errors (7 questions)

1. **What was done** against **what should have been done** (see "Suspense accounts").
2. **Write the entries needed to get from one to the other**, Dr lines first, then Cr lines, amounts in the right column. No narratives unless asked.
3. **Use suspense** for the missing or extra side of any error that caused the trial balance difference; never for the six hidden errors.

Variations you will meet:

- **Error of commission** (wrong customer): Dr the right customer, Cr the wrong one. If control accounts are part of the double entry, this is a correction in the sales ledger only.
- **Goods for own use not recorded:** Dr drawings, Cr purchases (at cost).

- **A debt written off earlier is paid:** Dr bank, Cr irrecoverable debts recovered.
- **One error, three lines:** a discount received posted to the discount allowed account needs Dr suspense with both credits (discount allowed and discount received).
- **Control accounts in the double entry:** a dishonoured cheque not recorded is Dr SLCA, Cr bank; a credit note received posted with the wrong amount to the PLCA is corrected in the PLCA with the suspense account.
- **Multiple choice:** "which accounts are used to correct this error?" Write the correction, then match.

12. Choose the verification procedure or document (7 questions)

1. **Match the record to independent evidence.** A sale is verified by the **delivery note** (goods were sent) and the **sales invoice** (the customer was charged). A purchase by the purchase order, goods received note and supplier's invoice.
2. **To find missing credit notes received or wrong postings to suppliers,** compare each supplier's **statement of account** with their account in the purchases ledger.
3. **To find money received but not recorded,** for example a clerk who kept a customer's cash, send **statements to customers:** the customer will query a balance that ignores their payment.
4. **Why verify?** To locate errors and deter fraud. **Limitation:** some errors (such as commission) can still remain.

13. Trial balance: benefits, and which balances are credits (5 questions)

1. **Credit column:** liabilities, capital, income and the accounts that reduce an expense: sales, **discounts received, purchases returns** (returns outwards), rent received, a bank overdraft.
2. **Debit column:** assets, expenses, drawings, sales returns (returns inwards), discounts allowed, carriage inwards and outwards.
3. **Benefits:** an **arithmetical** check of the double entry; a summary of balances to prepare the financial statements; reveals some errors. It does not prove the records are correct.

14. Effect of an error or correction on assets, liabilities or working capital (4 questions)

1. **Write the correction as a journal.**
2. **Classify each account:** asset, liability, capital (profit and drawings count here), and say whether it goes up or down.

For example, a trader settled a \$500 debt by paying \$475 and forgot to record the \$25 discount received. The correction is Dr supplier \$25, Cr discount received \$25: payables go down \$25 and profit (so capital) goes up \$25. The bank is unchanged.

Variations you will meet:

- **A trade discount left off an invoice:** sales and receivables are both overstated by the same amount (an error of original entry, no suspense entry).

- **Working capital:** a contra cuts both receivables and payables by the same amount, so working capital is unchanged; a bigger allowance for irrecoverable debts cuts receivables, so working capital falls.

15. Update the cash book and prepare a full bank reconciliation statement (2 questions)

1. **Cash book (bank columns):** start with the balance b/d on the correct side (an overdraft on the credit side). Debit: credit transfers, interest received, corrections that increase the balance. Credit: bank charges, direct debits, standing orders, dishonoured cheques, corrections that reduce it. Balance it and bring the balance down.
2. **Correct cash book errors carefully:** a payment of \$385 entered as \$358 needs a further credit of \$27; a receipt entered on the wrong side needs twice the amount; wrong side **and** wrong amount: cancel the wrong entry, then enter the right one (a \$415 payment entered on the debit side as \$451 needs Cr \$451 + Cr \$415 = \$866); a cheque received put in the **cash** column is moved into the bank column (a debit in the bank column).
3. **Reconciliation statement:** start from the balance the question gives (bank statement or updated cash book), adjust for bank errors, unpresented cheques and lodgements not yet credited, and finish with the other balance, labelled. Overdrafts go in brackets.

Worked examples

Example 1

A trial balance did not agree and a suspense account was opened. The following errors were then found, and correcting them cleared the suspense account.

1. The total of the sales returns journal, \$840, had been posted to the sales returns account as \$480.
2. A payment of \$250 for repairs had been entered correctly in the cash book but not posted to the repairs account.
3. Discount received of \$130 had been debited to the discount allowed account. The supplier's account was correct.
4. Office furniture costing \$900 had been debited to the purchases account.

What was the opening balance on the suspense account?

A \$350 debit B \$350 credit C \$480 debit D \$1250 debit **[1]**

Error 4 is an error of principle, so it has no suspense entry. The others:

Error	Correction	Suspense
1	Dr sales returns \$360	Cr 360
2	Dr repairs \$250	Cr 250
3	Cr discount allowed \$130, Cr discount received \$130	Dr 260

The corrections credit suspense with $360 + 250 = 610$ and debit it with 260, so the opening balance must have been a debit of $610 - 260 = 350$. The answer is **A** (1).

C counts error 3 only once, and D also puts error 4 through the suspense account.

Example 2

Kiran maintains a sales ledger control account as part of the double entry. At 31 March 2026 the control account balance was \$36 480, and the total of the balances in the sales ledger was \$34 545. The following errors explain the difference.

1. The sales journal had been undercast by \$400.
2. A credit note for \$260 sent to a customer had been entered in the customer's account as \$620.
3. A cheque for \$750 from a customer was dishonoured. It had been recorded in the cash book and the control account, but not in the customer's account.
4. The discounts allowed column in the cash book, \$315, had been entered in the customers' accounts but not in the control account.
5. A contra of \$540 with the purchases ledger had been entered on the debit side of the control account.
6. A customer's credit balance of \$85 had been included in the list of balances as a debit balance.
7. A sales invoice for \$600 had been completely omitted from the books.

(a) Calculate the corrected sales ledger control account balance. **[5]**

(b) Calculate the corrected total of the sales ledger balances. **[4]**

(a)

	\$
Original control account balance	36 480
Sales journal undercast	400
Discounts allowed	(315)
Contra, wrong side (2×540)	(1 080)
Invoice omitted	600
Corrected control account balance	36 085

(1) for each of the four adjustments; (1) for \$36 085 (own figure).

(b)

	\$
Original total of sales ledger balances	34 545
Credit note ($620 - 260$ credited too much)	360

	\$
Dishonoured cheque	750
Credit balance listed as debit (2×85)	(170)
Invoice omitted	600
Corrected total	36 085

(1) for the credit note, (1) for the cheque and the credit balance, (1) for the invoice, (1) for \$36 085 (own figure). The two corrected figures agree, which confirms the working. Errors 1, 4 and 5 were in totals or in the control account, so they don't touch the list; errors 2, 3 and 6 were in single accounts or the list; error 7 was never recorded anywhere, so it goes in both.

Example 3

On 30 June 2026 Lena's cash book (bank columns) showed a debit balance of \$1245. Her bank statement showed a balance of \$1104 in credit. Comparing them showed:

1. bank charges of \$64 were on the bank statement only;
2. a credit transfer of \$520 from a customer was on the bank statement only;
3. a standing order of \$400 for rent had not been entered in the cash book;
4. a cheque for \$385 paid to a supplier had been entered in the cash book as \$358;
5. a cheque for \$290 from a customer had been dishonoured; the cash book has no record of this;
6. the bank had taken \$150 from Lena's account in error, for a cheque drawn by another business;
7. unrepresented cheques totalled \$1130;
8. lodgements not yet credited totalled \$860.

(a) Prepare the updated cash book (bank columns). Dates are not required. [6]

(b) Prepare a bank reconciliation statement at 30 June 2026, starting with the balance as per the bank statement. [4]

(a)

Details	\$	Details	\$
Balance b/d	1 245	Bank charges	64
Credit transfer (customer)	520	Rent	400
		Supplier	27
		Customer (dishonoured cheque)	290
		Balance c/d	984
	1 765		1 765
Balance b/d	984		

(1) credit transfer; (1) bank charges and rent; (1) supplier \$27 (385 – 358); (1) customer \$290; (1) totals; (1) balance b/d \$984 on the debit side (own figure).

(b)

Bank reconciliation statement at 30 June 2026	\$
Balance as per bank statement	1 104
Add cheque wrongly debited by the bank	150
	1 254
Less unrepresented cheques	(1 130)
Add lodgements not yet credited	860
Balance as per updated cash book	984

(1) bank error; (1) unrepresented cheques; (1) lodgements; (1) \$984 labelled (own figure). The bank error is not entered in the cash book: the bank will correct it.

Example 4

Omar's trial balance at 31 December 2025 did not agree, and the difference was entered in a suspense account. His draft profit for the year was \$48 200. Control accounts are part of the double entry. Then these errors were found.

1. Goods costing \$450, taken by Omar for his own use, had not been recorded.
2. Rent received of \$1200, correctly entered in the cash book, had been debited to the rent payable account.
3. Repairs to machinery, \$700, had been debited to the machinery account. (Ignore depreciation.)
4. The total of the discounts allowed column in the cash book, \$380, had been posted to the discounts allowed account as \$830. The control account was correct.
5. Cash sales of \$560 had been entered in the cash book but not posted to the sales account.

(a) Prepare journal entries to correct the errors. Narratives are not required. **[8]**

(b) Prepare the suspense account, showing the opening balance. **[4]**

(c) Calculate the revised profit for the year. **[5]**

(d) Name the type of error in 1 and in 3. **[2]**

(a)

Error	Account	Dr \$	Cr \$
1	Drawings	450	
	Purchases		450
2	Suspense	2 400	

Error	Account	Dr \$	Cr \$
	Rent payable		1 200
	Rent received		1 200
3	Repairs	700	
	Machinery		700
4	Suspense	450	
	Discounts allowed		450
5	Suspense	560	
	Sales		560

(1) error 1; (1) suspense \$2400, (1) both rent credits; (1) error 3; (1) suspense \$450, (1) discounts allowed \$450 (830 – 380); (1) suspense \$560, (1) sales \$560.

(b)

Details	\$	Details	\$
Rent payable	1 200	Balance b/d	3 410
Rent received	1 200		
Discounts allowed	450		
Sales	560		
	3 410		3 410

(1) both rent entries; (1) discounts allowed; (1) sales; (1) opening balance \$3410 **credit**, labelled (own figure).

(c)

	Increase \$	Decrease \$	\$
Draft profit for the year			48 200
Error 1: purchases reduced	450		
Error 2: rent payable reduced, rent received added	2 400		
Error 3: repairs added		700	
Error 4: discounts allowed reduced	450		
Error 5: sales added	560		
	3 860	700	3 160
Revised profit for the year			51 360

(1) for errors 1 and 2, (1) error 3, (1) error 4, (1) error 5, (1) for \$51 360 (own figure).

(d) 1: error of omission (1). 3: error of principle (1).

Common mistakes

- **Wrong labels in control and suspense accounts.** Examiners report this often: receipts from customers and a dishonoured cheque are both "Bank", credit sales are "Sales", interest charged is "Interest". Descriptions such as "receipts", "dishonoured cheque" or "error 2" earn nothing, even with the right figure.
- **Adjusting the wrong record.** Many candidates put a control-account error into the ledger total, or the other way round. Ask where the mistake was made (a total, one account, or the book of prime entry) before adjusting.
- **Adding instead of subtracting.** Decide what the correct entry does to a debit (sales ledger) or credit (purchases ledger) balance, and write the sign on every line.
- **Forgetting to double a wrong-side error**, or doubling a wrong-amount error. Wrong side: twice. Wrong amount: the difference.
- **Netting opening balances.** An opening debit and an opening credit balance in a control account are two separate entries.
- **Putting cash sales, cash purchases or the allowance for irrecoverable debts in a control account.** They never go there.
- **Putting the six hidden errors through the suspense account.** A new machine debited to repairs, or an invoice left out completely, has no suspense entry. Candidates often list these "alien" entries anyway.
- **The same amount on both sides of the suspense account.** Each correction has one suspense entry, on one side.
- **Reversed journal entries**, especially for a payment posted to the wrong personal account. Write "should be" and "was" before the correction.
- **Getting the direction of profit changes wrong.** A credit to an income or expense account increases profit; a debit decreases it.
- **Vague definitions of errors.** "Wrong account" is not enough: commission is the wrong account **of the same class**; principle is the wrong **class** of account.
- **Forgetting the structure of a bank reconciliation statement.** Update the cash book first; the statement then has only unpresented cheques, uncredited lodgements and bank errors. Check your answer by reconciling back.
- **Using the bank statement balance in the statement of financial position.** Use the updated cash book balance.
- **Saying the sales ledger is where irrecoverable debts are first recorded.** The book of prime entry is the general journal.

How to get the marks

- **Ledger accounts** (control, suspense, cash book): the other account's name in the details column, amounts on the correct side, totals level, and "Balance c/d" and "Balance b/d" on opposite sides. The final balance is usually an own-figure (**OF**) mark, so finish the account even if an earlier figure is wrong.
- **Suspense account**: label the opening balance clearly ("Balance b/d" or "Difference in trial balance"); it earns its own mark.
- **Correcting balances**: set out the original figure, one line per adjustment with a sign or brackets, and the corrected figure. Each adjustment usually earns a mark on its own.
- **Journal entries**: debit column first, account names in full, both lines of each entry. No narrative unless asked.
- **Revised profit**: use the increase and decrease columns the question gives, one line per error, and show the revised figure.
- **Bank reconciliation**: label the starting and final balances ("Balance as per bank statement", "Balance as per updated cash book"), show overdrafts in brackets, and group the unrepresented cheques.
- **"State"**: one short, different point per mark. **"Explain"**: the point plus its development (why it matters, or what it leads to). **"Define"**: a precise one-sentence meaning.
- **Multiple choice**: work out the answer fully before looking at the options. Most distractors come from one slip (a missed doubling, the wrong side, an error that shouldn't be counted).

Quick check

1. Name the type of error: (a) a payment to J Khan posted to the account of J Kahn; (b) an invoice for \$540 entered in the sales journal as \$450; (c) a new delivery van debited to motor expenses; (d) rent paid of \$300 debited to the bank account and credited to the rent account.
2. Before updating, a cash book shows a debit balance of \$2300. The bank statement shows bank charges of \$45, a direct debit of \$180 and a credit transfer received of \$600, none in the cash book. Unrepresented cheques total \$940 and lodgements not yet credited total \$860. Calculate (a) the updated cash book balance and (b) the bank statement balance.
3. From the following, calculate the closing balance of the purchases ledger control account: opening credit balance \$12 400; credit purchases \$30 600; cash purchases \$2000; payments to suppliers \$28 100; discounts received \$520; purchases returns \$870; contra with the sales ledger \$350; interest charged by a supplier \$45.
4. A trial balance's debit total is \$1250 more than its credit total. The only error is that purchases returns of \$625 were debited to the sales returns account (the suppliers' accounts were correct). (a) Give the journal entry to correct it. (b) State the effect of the correction on gross profit.
5. A sales ledger control account has a balance of \$18 600. Then these errors are found: the sales journal was overcast by \$500; a discount allowed of \$120 was entered in a customer's account as \$210; an irrecoverable debt of \$340 was written off in the customer's account but not in the control account. Calculate the corrected control account balance.

Answers

1. (a) Commission. (b) Original entry. (c) Principle. (d) Complete reversal.
2. (a) $2300 - 45 - 180 + 600 = 2675$, so \$2675 debit. (b) $2675 + 940 - 860 = 2755$, so \$2755 in credit on the bank statement.
3. Cash purchases are left out. $12\,400 + 30\,600 + 45 - 28\,100 - 520 - 870 - 350 = 13\,205$, a credit balance of \$13 205.
4. (a) Dr suspense \$1250; Cr sales returns \$625; Cr purchases returns \$625. The suspense account had a credit balance of \$1250. (b) Gross profit increases by $625 + 625 = 1250$ (sales returns down \$625, purchases returns up \$625).
5. The discount error is in one customer's account only, so it doesn't affect the control account. $18\,600 - 500 - 340 = 17\,760$.

Past questions to try

- **9706/23/O/N/24 Q2**: a sales ledger control account with opening balances on both sides, then correcting a purchases ledger control account and its ledger.
- **9706/21/O/N/23 Q3**: error definitions, a suspense account and a revised profit table.
- **9706/22/M/J/23 Q2**: updating an overdrawn cash book and a bank reconciliation statement.
- **9706/21/O/N/21 Q3**: an adjusted sales ledger control account and list of balances, fraud and control-account limitations.