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शक्तिउत्थानआश्रमलखीसरायबिहार

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Trial Balance and Rectification of Errors

Question 6:

What is a suspense account? Is it necessary that suspense account will balance off after rectification of the errors detected by the accountant? If not, then what happens to the balance still remaining in suspense account?

ANSWER:

When Trial Balance does **not** agree, i.e., when the total of the debit column does **not** match that of the credit column, then the difference of the Trial Balance is transferred to a temporary account in order to avoid delay in preparation of the financial statements. This temporary account is termed as Suspense Account. If the debit column falls short of the credit column, then the Suspense Account is debited and if the credit column falls short of the debit column then the Suspense Account is credited.

If all the errors are detected and rectified, then the Suspense Account automatically gets closed (i.e. becomes zero). However, if still there exists any difference, then it should be transferred to the Balance Sheet. If the Suspense Account shows a debit balance, then it is shown in the Assets side and if the Suspense Account shows a credit balance, then it is shown in the Liabilities side of the Balance Sheet

Question 7:

What kinds of errors would cause difference in the trial balance? Also list examples that would not be revealed by a trial balance?

ANSWER:

The errors that lead to the differences in the Trial Balance are termed as one-sided errors. These are those errors that affect only one account. Below are given the errors that cause differences in the Trial Balance.

1. Wrong casting of any account, this is termed as the error of casting.
2. Wrong carrying forward of the balances from previous year's books or from one end of page to another. These types of errors are termed as the errors in carrying forward.

3. If entries are posted in the wrong side of accounts.
4. Posting of a wrong amount in account, this is termed as the error of posting.
5. If entries are recorded partially, i.e., the entries are **not** recorded completely, then due to the error of partial omission, Trial Balance does **not** agree.

Here are a few examples that would not be revealed in a Trial Balance:

1. Sales to Mr. X, omitted to be recorded in the Sales Day Book
 2. Purchases made from Mukesh, recorded in Mahesh's Account, who is an other creditor
 3. Wages paid for construction of building, recorded in the Wages Account
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Question 8:

State the limitations of trial balance?

ANSWER:

If the Trial Balance agrees, then it should not be taken for granted, that there is absolutely no errors. In fact, there do exist some errors that are **not** revealed by a Trial Balance. Such ineffectiveness of the Trial Balance is termed as the limitations of Trial Balance. The various limitations of the Trial Balance are given below.

1. It does **not** assist to detect errors that arise if an entry is **not** recorded in the Journal. Such errors are termed as the Errors of Complete Omission.
 2. If the effect of one error is cancelled by the effect of another error, then it **cannot** be ascertained by the Trial Balance. Such types of errors are termed as Compensatory Errors, which are rare to find.
 3. If correct amount is posted in the correct side; however, in the wrong account and if wrong amount is posted in the wrong side, but in the correct account, then the Trial Balance fails to reflect these errors.
 4. If there arises any error of principle, like capital expenditure mistakenly regarded as revenue expenditure or vice-versa, then such errors may **not** be revealed in form of mismatch between the two columns of the Trial Balance.
 5. If any transaction is recorded wrongly in the books of original entry, then such mistakes lead to the errors of recording which are **not** revealed by Trial Balance.
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