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शक्तिउत्थानआश्रमलखीसरायबिहार

Class 11 commerce Sub. ACT Date 03.01.2021

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Trial Balance and Rectification of Errors

Question 1:

Describe the purpose for the preparation of trial balance.

ANSWER:

The important purposes for the preparation of Trial Balance are explained with the help of the following points.

1. **Ascertaining the arithmetical accuracy**– When the total of all debit balance accounts are equal to all credit balance accounts, it is assumed that at least posting from journal to the respective accounts is arithmetically correct.
2. **Summarising the ledger accounts**– Trial Balance acts as a consolidated statement, providing a comprehensive list of all the accounts. Thus, a Trial Balance provides a summarised version of each account.
3. **Preparing final accounts**– As the Trial Balance provides a summarised version of each account, so different accounts can be directly transferred to Trading, Profit and Loss Account, and Balance Sheet without referring to different ledgers.
4. **Locating and rectifying errors**– If the Trial Balance does **not** agree, it indicates the occurrence of arithmetical error, which can be easily located. However, Trial Balance only helps in locate and rectify arithmetical error and **not** other types of errors.

Question 2:

Explain errors of principle and give two examples with measures to rectify them.

ANSWER:

Errors of Principle refer to those errors that are committed when recording of transactions in the original book of entry is done against the accounting principle. These errors are **not** reflected in the Trial Balance. These errors are committed when proper

(Goods sold to Mr X of Rs 10,000 was wrongly posted as Rs 1,000,now rectified)

2. Purchase book was undercast by Rs 10,000.

This error can be rectified in any of the following two stages:

- a. If an error is located before preparing trial balance, then Rs 10,000 should be recorded in the debit side of Purchases Account.
- b. If an error is located after preparing Trial Balance, then the following entry need to be recorded.

Purchase A/c	Dr.	10,000	
			10,000
To Suspense A/c			
