

7. Correction of Errors and Suspense Account

(100)

(a) General Journal of T. O'Connell

(50)

	Dr €	Cr €
(i) Debtors a/c	1,050 (2)	
Bank a/c		900 (2)
Discount a/c		150 (2)
Bad Debts a/c	1,050 (2)	
Debtors a/c		1,050 (2)
** Being recording of dishonoured cheque and bad debt. (1)		
(ii) Creditors a/c	2,000 (2)	
Equipment a/c	2,000 (2)	
Suspense a/c		4,000 (2)
Repairs a/c	800 (2)	
Drawings a/c	1,200 (2)	
Creditors a/c		2,000 (2)
** Being corrections of incorrect recording in both creditors and equipment accounts and omission from cash book and drawings account. (1)		
(iii) Purchases a/c	18,000 (3)	
Equipment a/c	1,800 (3)	
Suspense a/c	6,300 (2)	
Creditors a/c		26,100 (3)
** Being corrections of incorrect recording of the purchase of a motor car on credit. (1)		
(iv) Drawings a/c	980 (2)	
Discount Allowed a/c	120 (2)	
Debtors a/c		1,100 (2)
** Being omission of private debt offset in full against a business debt from the books. (1)		
(v) Rent / Hire a/c (Profit and Loss a/c)	2,400 (2)	
Rent a/c (Balance Sheet)	1,200 (2)	
Capital a/c		3,600 (2)
** Being private funds used to pay twelve months' rent for the current year and six months' rent for the following year. (1)		

(b)

Suspense Account

(6)

Date	Details	€	Date	Details	€
	Creditors (iii)	*6,300 (3)		Creditors & Equipment (ii)	*4,000 (3)
				Original Difference	2,300
		6,300			6,300

* Allow marks for student's own figure if consistent with journal entries.

(c) **Statement of Corrected Net Profit** (14)

	€	€
Original Net Profit as per books		95,000
<i>Add</i>		
Discount (i)	150 (2)	150
		95,150
<i>Less</i>		
Bad Debts (i)	1,050 (2)	
Repairs (ii)	800 (2)	
Purchases (iii)	18,000 (2)	
Discount Allowed (iv)	120 (2)	
Rent / Hire (v)	2,400 (2)	(22,370)
Corrected Net Profit		<u>*72,780 (2)</u>

* Accept correct figure only.

** Penalty of 1 mark for each incorrect entry in part (c), if it has been transferred correctly from part (a).

⇒ Every entry wrong, but transferred correctly from (a), would get 6/14.

(d) **Balance Sheet of T. O'Connell as at 31/12/2011** (20)

	€	€	€
<u>Fixed Assets</u>			
Premises (€640,000)		640,000 (1)	
Equipment (€32,000 + €2,000 (1) + €1,800 (1))		35,800 (2)	
Furniture (€18,000)		<u>18,000 (1)</u>	639,800
<u>Current Assets</u>			
Stock (€24,000)		24,000 (1)	
Debtors (€12,800 + €1,050 (1) – €1,050 (1) – €1,100 (1))		11,700 (3)	
Cash (€9,400)		*9,400 (1)	
Rent prepaid		<u>1,200 (2)</u>	
		46,300	
<u>Less: Creditors: Amounts falling due within 1 year</u>			
Creditors (€16,200 – €2,300 (1) – €2,000 (1) + €26,100 (1))		38,000 (3)	
Bank (€5,000 + €900 (1) + €2,000 (1))		<u>*7,900 (2)</u>	<u>(45,900)</u>
			400
			<u>694,200</u>
<u>Financed by:</u>			
Capital (€650,000 + €3,600 (1))		** 653,600 (1)	
Add Net Profit		<u>*72,780 (1)</u>	
		726,380	
Less Drawings (€30,000 + €1,200 (1) + €980 (1))		<u>(32,180)(2)</u>	<u>694,200</u>
			<u>694,200</u>

* Accept €7,400 for Cash (2m) and €5,900 for Bank (1m).

* Accept student's own figure for Net Profit from part (c).

** Allow marks for student's own figure consistent with journal entries.

(e) Identify **three** different types of errors that affect the balancing of a Trial Balance. (4 + 3 + 3) (10)

- entering one amount on the debit side of one ledger account and entering a different amount on the credit side of another ledger account
- mathematical errors - figures and additions
- posting only one side of the double entry