

7. Correction of Errors and Suspense Account

(100)

(a) General Journal of C. Long

(50)

	Dr €	Cr €
(i) Bank a/c	800 (2)	
Discount a/c	50 (2)	
Creditor a/c		850 (2)
Creditor a/c	400 (2)	
Cash a/c		400 (2)
*Being recording of dishonoured cheque issued and payment on account of €400 in cash. (1)		
(ii) Equipment a/c	790 (2)	
Premises a/c	960 (2)	
Repairs a/c	790 (2)	
Drawings a/c	960 (2)	
Suspense a/c		3,500 (2)
*Being recording of payments of repairs and drawings and cancellation of incorrect entries in equipment and premises accounts. (1)		
(iii) Purchases a/c	16,000 (3)	
Equipment a/c		6,100 (3)
Suspense a/c	7,700 (2)	
Creditors a/c		17,600 (2)
*Being correction of incorrect recording of the purchase of a motor car on credit. (1)		
(iv) Creditor a/c	1,400 (2)	
Capital a/c		1,250 (2)
Discount a/c		150 (2)
*Being recording of a private debt owed to the owner offset against a debt owed by the business. (1)		
(v) Sales Returns a/c	2,500 (3)	
Debtor a/c		10,800 (3)
Suspense a/c	8,300 (3)	
*Being recording of return of motor car and credit note incorporating a restocking charge. (1)		

\* Accept student's own wording if equivalent meaning conveyed.

(b) Suspense Account

(6)

Date	Details	€	Date	Details	€
	Creditors (iii)	*7,700 (2)		Equipment & Premises (ii)	*3,500 (2)
	Debtors (v)	*8,300 (2)		Original Difference	12,500
		<u>16,000</u>			<u>16,000</u>

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

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

		€	€
Original Net Profit as per books			85,000 (2)
Add Discount	(iv)		*150 (2)
			85,150
Less Discount	(i)	*50 (2)	
Repairs	(ii)	*790 (2)	
Purchases	(iii)	*16,000 (2)	
Sales Returns	(v)	*2,500 (2)	(19,340)
Corrected Net Profit			<u>**65,810 (2)</u>

\* Penalise 1m for each incorrect entry in part (c), if it has been transferred correctly from part (a).

⇒ Every entry wrong, but transferred correctly from part (a), would get max. 7/14.

\*\* Accept correct figure only.

(d) **Balance Sheet of C. Long as at 31/12/2013** (20)

	€	€	€
<u>Fixed Assets</u>			
Premises	[€650,000 (1) + €960 (1)]	650,960 (2)	
Equipment	[€37,000 (1) + €790 (1) – €6,100 (1)]	31,690 (3)	
Furniture		<u>13,000 (1)</u>	695,650
<u>Current Assets</u>			
Stock	[€174,000 (1) + €12,500 (1)]	186,500 (2)	
Debtors	[€32,800 (1) – €10,800 (1)]	22,000 (2)	
Cash	[€1,200 – €400 (1)]	800 (1)	
		<u>209,300</u>	
<u>Less: Creditors: Amounts falling due within 1 year</u>			
Creditors	[€46,000 + €450 (1) + €17,600 (1) – €1,400 (1)]	62,650 (3)	
Bank	[€35,000 – €800 (1)]	<u>34,200 (1)</u>	(96,850)
			<u>112,450</u>
			<u>808,100</u>
<u>Financed by:</u>			
Capital	[€750,000 (1) + €1,250 (1)]	751,250 (2)	
Add Net Profit		*65,810 (1)	
		<u>817,060</u>	
Less Drawings	[€8,000 (1) + €960 (1)]		(8,960)(2)
			<u>808,100</u>

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

\*\* Allow full marks for incorrect entries consistent with previous work.

(e) (i) What is the purpose of preparing a Trial Balance? (4) (10)

- to test the accuracy of double entry book-keeping (1) before preparing final accounts (1)
- it should have the same total of debits and credits (1) because under double entry book-keeping, every debit entry should have a corresponding credit entry (1)

\*\* Accept other appropriate material.

\*\* Figures in brackets show breakdown of marks if answer incomplete.

(ii) Identify **three** different types of errors that may affect the balancing of a Trial Balance. (3 × 2)

- 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