

7. Correction of Errors and Suspense Account

The Trial Balance of M. Mead, a grocer, failed to agree on 31/12/2017. The difference was entered in a Suspense Account and the following Balance Sheet was prepared.

Balance Sheet as at 31/12/2017			
Fixed Assets	€	€	€
	Cost	Dep. to date	Net
Premises	525,000	–	525,000
Motor Vehicles	88,000	12,000	76,000
Equipment	55,000	10,000	45,000
	668,000	22,000	646,000
Current Assets			
Stock (including suspense)	95,000		
Debtors	32,300		
Cash	2,700	130,000	
Less Creditors: amounts falling due within 1 year			
Creditors	70,000		
Bank	21,000	(91,000)	
Net Current Assets			39,000
			685,000
Financed by			
Capital		600,000	
Net Profit		89,200	
		689,200	
Drawings		(4,200)	685,000
			685,000

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On checking the books, the following errors and omissions were discovered:

- (i) Groceries, purchased on credit for €3,600, had been entered on the incorrect side of the creditor's account and credited as €6,300 in the motor vehicles account.
- (ii) Insurance due €440 and rent prepaid €360 to Mead were not recorded in the books.
- (iii) Equipment which cost €3,200 and with a book value of €1,600 was sold for cash €1,400. This had been entered on the debit side of the sales account as €1,440 and on the credit side of the debtor's account as €1,040.
- (iv) Mead's private car valued at €7,800 was presented to the business. He took a used freezer from the business for an agreed value of €800. The only entry made in the books was a debit of €800 in the equipment account. The freezer had cost €2,000 and had a book value of €1,300.
- (v) A cheque for €4,500 was paid by Mead out of a private bank account to cover 15 months' hire of equipment for the business up to 31/03/2018. No entry had been made in the books.

You are required to:

- (a) Journalise the necessary corrections. (54)
- (b) Show the Suspense Account. (6)
- (c) Prepare a statement showing the corrected Net Profit. (14)
- (d) Prepare a corrected Balance Sheet. (20)
- (e) State and explain **three** types of errors **not** revealed by the Trial Balance. (6)

(100 marks)