

4. Correction of Errors and Suspense Account

(60)

The Trial Balance of Ron Daly failed to agree on 31/12/2018 and the difference was entered in a suspense account. On examination of the books, the following errors were revealed:

1. Goods sold on credit to Grady Ltd €10,700 had not been entered in the books.
2. Goods for resale, taken by Ron Daly for private use, €1,600 had not been entered in the books.
3. Interest received €600 had been treated as interest paid.
4. Wages paid, €900 by cheque, had not been entered in the books.
5. The Sales Returns Book had been under-totled by €350.

(a) Journalise the necessary corrections.

(35)

General Journal of Ron Daly

	Dr. €	Cr. €
1. Grady Ltd (1) [■] Sales (1) [■] ** Being correction of an error of omission of sales in the books. (1)	10,700 (2)	10,700 (2)
2. Drawings / Capital (1) [■] Purchases (1) [■] ** Being correction of an error of omitting goods taken for private use in the books. (1)	1,600 (2)	1,600 (2)
3. Suspense (1) [■] Interest Received (1) [■] Interest Paid (1) [■] ** Being correction of an error of treating interest received as interest paid in the books. (1)	1,200 (1)	600 (1) 600 (1)
4. Wages (1) [■] Bank (1) [■] ** Being correction of an error of omitting wages paid in the books. (1)	900 (2)	900 (2)
5. Sales Returns (1) [■] Suspense (1) [■] ** Being correction of an error of under-totting (the total in) the Sales Returns Book. (1)	350 (2)	350 (2)

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

■ Allow 1 mark for correct word(s) if figure is incorrect or omitted.

4. Correction of Errors and Suspense Account (cont'd.)

- (b) Prepare a
- Statement of Corrected Net Profit**
- if net profit as per accounts is €16,500. (25)

		€	€
Original Net Profit			16,500 (2)
<i>Add:</i> Sales	(1)	•10,700 (4)	
Purchases	(2)	•1,600 (4)	
Interest received	(3)	•600 (2)	
Interest paid	(3)	•600 (2)	13,500
			<u>30,000</u>
<i>Less:</i> Wages	(4)	•900 (4)	
Sales Returns	(5)	•350 (4)	(1,250)
Corrected Net Profit			<u>••28,750 (3)</u>

- Allow student's previous figure from journal entry.
- Accept correct figure only.
- Allow 4 marks for correct combined interest entry, *i.e.* 'Interest received/paid €1,200'.