

**Question 3 Correction of Errors and Suspense Account**

**(a) General Journal**

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|-----------|
| <b>40</b> |
|-----------|

| <b>(i) 8</b>   | <b>Dr</b> | <b>Cr</b> |
|--|-----------|-----------|
|  | <b>€</b>  | <b>€</b>  |
| Purchases  | 360 [2]   |           |
| Creditors  |           | 6,420 [3] |
| Suspense   | 6060 [2]  |           |
| <i>Being Correction of incorrect treatment of Credit Purchases. [1]</i>                                      |           |           |
| <b>(ii) 6</b>  | <b>€</b>  | <b>€</b>  |
| Drawings   | 750[1]    |           |
| Debtors  |           | 800 [2]   |
| Discount Allowed   | 50 [2]    |           |
| <i>Being omission of private debt owed by Fletcher, offset against a business debt owed to Fletcher. [1]</i> |           |           |
| <b>(iii) 12</b>  | <b>€</b>  | <b>€</b>  |
| Debtors  | 1,250 [2] |           |
| Suspense   |           | 1,250 [2] |
| Bank   | 1,000 [2] |           |
| Debtors  | 250 [2]   |           |
| Bad Debt Recovered   |           | 1,250 [3] |
| <i>Being Correction of incorrect treatment of a Bad Debt Recovered. [1]</i>                                  |           |           |
| <b>(iv) 7</b>  | <b>€</b>  | <b>€</b>  |
| Purchases Returns  | 240 [1]   |           |
| Creditors/ A. Keogh  |           | 240 [1]   |
| Sales Returns  | 240 [2]   |           |
| Debtors / K. Mullen  |           | 240 [2]   |
| <i>Being Correction of Sales Returns treated as Purchases Returns. [1]</i>                                   |           |           |
| <b>(v) 7</b>   | <b>€</b>  | <b>€</b>  |
| Sales  |           | 3,630 [1] |
| Debtors  | 3,630 [1] |           |
| Equipment  |           | 8,400 [1] |
| Provision for depreciation   | 5,040 [1] |           |
| Cash   | 3,300 [1] |           |
| Loss on Disposal   | 60 [1]    |           |
| <i>Being Correction of incorrect treatment of disposal of equipment [1]</i>                                  |           |           |

**(b) Statement of Corrected Net Profit**

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|              |                          | €         | €          |
|--------------|--------------------------|-----------|------------|
| <b>Add:</b>  | Original Net Profit      |           | 27,900     |
|              | (iii) Bad Debt Recovered | 1,250 [1] |            |
|              | (v) Sales                | 3,630 [1] | 4,880      |
| <b>Less:</b> |                          |           |            |
|              | (i) Purchases            | 360 [2]   |            |
|              | (iv) Purchases Returns   | 240 [1]   |            |
|              | (ii) Discount            | 50 [2]    |            |
|              | (iv) Sales Returns       | 240 [1]   |            |
|              | (v) Loss on Sale         | 60 [2]    | (950)      |
|              | Corrected Net Profit     |           | 31,830 [2] |

**(c) (i) What is the purpose of preparing a trial balance?**

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- A Trial Balance is prepared in order to test/check the accuracy of double entry bookkeeping before preparing the Income Statement, (Final Accounts) and the Statement of Financial position. (Balance Sheet).
- A Trial Balance should have the same total of debits and credits because under double entry bookkeeping every debit entry should have a corresponding credit entry.

**(ii) Outline different types of errors that may affect the balancing of the trial balance**

1. Entering one figure on one side of a ledger account, but entering a different figure on the other side of another ledger account
2. Entering one figure on one side of a ledger account, but entering any figure on the same side of another ledger account
3. Entering one figure on one side of a ledger account but entering nothing on the other side of another ledger account
4. Mathematical Errors/errors of calculation, addition, subtraction in totalling or closing off.