

### 3. Correction of Errors and Suspense Account

The trial balance of Fletcher Ltd, a sports clothing retailer, failed to agree on 31/12/2021. The difference was entered in a suspense account.

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

- (i) Credit purchases by Fletcher for €2,400 from E Hegarty had been entered in the day books as €2,040 and was subsequently posted on the incorrect side of Hegarty's account as €4,020.
- (ii) A private debt €750 owed by Fletcher had been offset in full settlement against a business debt €800 owed to Fletcher Ltd. No entry had been made in the books in respect of this transaction.
- (iii) A payment of €1,000 was received from F Murtagh a former debtor, whose debt had previously been written off and wishes to trade with Fletcher Ltd again. This represents 80% of the original debt and Murtagh has undertaken to pay the remainder of the debt by February 2023. The only entry made in respect of this transaction was that the full amount written off was credited to the debtors account.
- (iv) A credit note sent to K Mullan for €240 had been misread as a credit note received from A Keogh and recorded as such.
- (v) Equipment which cost €8,400 and with a book value of €3,360 was sold for cash €3,300. This had been entered as €3,630 on the debit side of the sales account and on the credit side of a debtor's account.

#### Required:

- (a) Journalise the necessary corrections. (40)
- (b) Prepare a statement showing the corrected net profit if the original profit was €27,900. (12)
- (c)
  - (i) What is the purpose of preparing a trial balance?
  - (ii) Outline different types of errors that may affect the balancing of the trial balance. (8)

**(60 marks)**