

## 7. Correction of Errors and Suspense Account

The trial balance of J. Jones, a baker, failed to agree on 31/12/2021. The difference was entered in a suspense account and the following balance sheet was prepared:

<b>Balance Sheet as at 31/12/2021</b>			
	€	€	€
<b>Fixed Assets</b>	<b>Cost</b>	<b>Dep to date</b>	<b>NBV</b>
Premises	450,000	-	450,000
Equipment	<u>180,000</u>	<u>17,000</u>	<u>163,000</u>
	<u>630,000</u>	<u>17,000</u>	613,000
<b>Current Assets</b>			
Stock	44,000		
Debtors (including suspense)	<u>73,000</u>	117,000	
<b>Less Creditors: amounts falling due within 1 year</b>			
Creditors	42,000		
Bank	<u>41,000</u>	<u>83,000</u>	<u>34,000</u>
			<u>647,000</u>
<b>Financed by:</b>			
Capital		580,000	
Add: net profit		<u>90,000</u>	
		670,000	
Less: drawings		<u>(23,000)</u>	<u>647,000</u>
			<u>647,000</u>

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

- (i) Equipment which cost €5,000 and with a book value of €2,800 was sold for cash €2,500. This had been entered as €5,200 on the debit side of the sales account and on the credit side of the debtors account. These were the only entries made in the books.
- (ii) A new oven costing €31,000 purchased on credit from a supplier - BakeEquip Ltd, had been entered on the incorrect side of the supplier's account for the correct amount and credited to the purchases account as €13,000. These were the only entries made in the books in respect of this transaction.
- (iii) Goods previously sold to Savers Supermarket Ltd, for €800 had been returned but entered as €80 on the credit side of the customer's account with no other entry being made in the accounts.
- (iv) A private debt for €1,800, owed by Jones, had been offset in full against a business debt of €1,900, owed to the firm for sales. No entry had been made in the books in respect of this offset.
- (v) Jones had returned goods, previously purchased on credit from a supplier for €6,400, and had entered this transaction in the relevant ledger accounts incorrectly as €4,600. Subsequently the supplier disallowed €200 of the returns when they realised that the returned stock had gone beyond its 'use by' date. The only entry for this was to credit the purchases account with €1,150.

**Required:**

- (a) Journalise the necessary corrections. (54)
- (b) Show Jones' suspense account. (6)
- (c) Prepare a statement showing the corrected net profit for Jones. (14)
- (d) Prepare the corrected balance sheet of Jones. (20)
- (e) (i) What is the purpose of preparing a trial balance?  
(ii) State and explain two types of errors not revealed by the trial balance. (6)

**(100 marks)**