

Accounting Errors

There are mistakes in any place, however when the right side of trail balance sometimes agree with the left side means that all accounting procedure right and there are no mistakes, maybe there are compensating error.

Types of Accounting Errors

A trail balance is said to be a statement of proof done arithmetically to prove that proper double was observed in making accounting entries. The assumption is that the trail balance totals will not agree whenever there is an accounting error.

There are several errors in fact which will not affect the agreement of the trail balance totals this means that there are two basic types of accounting errors :

- Errors which do not affect the trail balance totals
- Errors which do affect the trail balance totals

The correction of all accounting errors must be journalized by way of the General Journal. The accounting errors not detected by the trail balance are listed below:

First : Error of omission'' this occurs when a transaction is completely left out or omitted from the accounting entries for example credit purchases worth ID500000 from AL Basra Co. AL Basra co. omitted from the records the omitted entries will need to be entered.

From\ Purchases	500000
To\ A/P	500000

(To record credit purchases omitted)

1- Error of commission

This error arise when wrong amount is written in the book original entry .Suppose if the company sold merchandise to Ahmad company for ID 60000 and wrongly record ID 50000 and posted to the ledger by ID 50000 .This error called error of commission in this transaction both the aspects amount is wrongly entered, therefore this error will not be disclosed by the trail balance.

2- Accounting error: for example cash of ID200000 received from debtor "Ahmad" entered correctly to cash but incorrectly to "Hameed" account. This error need to be corrected in "Hameed" account and entered correctly to "Ahmad's account", the correction will be as bellow.

Form\ Hammed A/C	200000
To\ Ahmad A/C	200000

Correction of purchases entered in wrong
Personal account

Second: Error in principles

This occurs where an entry is made to the wrong classification of account. for example paid cash for ID50000 for maintains expenses correctly credited to cash account but incorrectly debited to machine's account.

The incorrect entry will need to be subtracted from machine's account and correctly entered to maintains expenses account, so the correction entry will be:

Form\ Maintains expenses	50000
To\ Machines	50000

Correction of maintains expenses debited to machine A/C

Third: Compensating Errors

These occur where two or more accounting errors cancel out their effect on the trial balance for example

Purchases account is overcast or overstated by ID100000 while ID100000 is omitted from the rent account.

An account is said to be overcast when its total is in excess of the correct amount. And under – cast when the total is less than the correct amount.

ID100000 will need to be deducted from the purchases account and ID100000 added to the rent account so the correction entry will be:

From\ Rent 100000
To\ Purchases 100000

Correction of overcast of ID100000 in the purchases account and ID100000 omitted from rent account which compensated for each other

Fourth: Error of original entry

With this type of error the accounts are entered correctly except with the wrong figures, for example cash drawing of ID75000 entered to both cash and drawings accounts as ID57000.

ID18000 is needed to be added to both accounts to correct the errors, so the correction entry will be as below :

From\ Drawing 18000
To\ Cash 18000
Understatement of drawings by ID18000
Now corrected

Fifth: Complete reversal of Entries

When accounting entries are mistakenly reversed the entries are still debited to one account and credited to another. For example cash payment for equipment ID75000 debited to cash account and credited to equipment account.

The values of the entries to make corrections will need to be doubled. This is because the first entry is to correct the mistake and the second entry represents the actual entry.

So the correction entry will be as below:

From\ Equipment 150000
To\ Cash 150000
Correction of cash payment debited to cash and
Credited to equipment now corrected

Sixth Transposition Error:

A transposition error occurs when entries are made to the correct account but the figures are not entered in the correct order . for example merchandise ID78000 returned inwards from Ali company . entered to both accounts as ID87000 both accounts will need to be decreased by ID9000 to make correction , so the correction entry will be :

From\ Ali 9000
 To\ Returns inwards 9000
Overstatement of returns inwards by ID9000

One of accounting procedures prepare trail balance, sometimes the right side of trail balance not agree with the left side , that's mean most common there are two methods to correct the error , most of the accountants used these methods which are:

(1) Long method

Under this method there are four steps to rectify the error :

1. Pass the wrong entry
2. Pass the reverse of wrong entry.
3. Pass the correct entry
4. Combine or reconcile reverse entry and correct entry to – find out rectification entry, for example purchases merchandise on account worth ID60000 record as below.

Cash 60000
 Sales 60000

The correct entries according to long methods will be :

Sales 60000
 Cash 60000

To record to omitted wrong entry

Purchases 60000
 A/P 60000

To record the correct entry

2-Short method

According to this method, the error rectified direct by one accounting entry. Below a table show who we can correct errors

Error	Solution
1- If an account is not debit	Debit that account
2- If an account is not credit	Credit that account
3- If an account is wrongly debited	Credit that account
4- If an account is wrongly credited	Debit that account
5- Excess (over) debit in an account	Credit that account
6- Excess(over) credit in an account	Debit that account
7- Short(under) debit in an account	Debit that account
8- Short(under casting) credit in an account	Credit that account