# RECTIFICATION AND FINAL ACCOUNTS

## ERRORS NOT AFFECTING BALANCING OF TRIAL BALANCE

### **TYPES OF ERRORS**

1) Errors of complete omission – failure to record the transaction

Rectification – both debit and credit aspects are to be recorded

### **TYPES OF ERRORS**

- 2) Errors of commission wrong recording
- A) Lesser amount was recorded Rectification - pass same entry with difference amount
- B) Higher amount was recorded Rectification –pass reverse entry for difference amount
- C) Effect was given to wrong account Rectification – pass reverse entry to the wrong accounts and give effect to the correct accounts

#### **TYPES OF ERRORS**

3) Errors of principle

Wrong accounts were given effect not due to oversight or carelessness, but due to ignorance of accounting principles and rules.

Rectification – pass reverse entry for wrong accounts and give effect to correct accounts

#### **TYPES OF ERRORS**

4) Compensating Errors

Two errors of equal amount but on the opposite side

Rectification – pass reverse entry for wrong accounts and give effect to correct accounts

### TYPES OF ERRORS

1) Errors of Partial omission

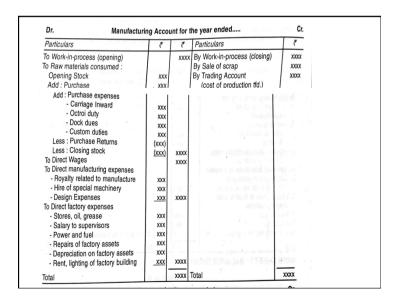
Only one part of the entry was recorded, other part was missed out

Rectification – Pass the missing entry

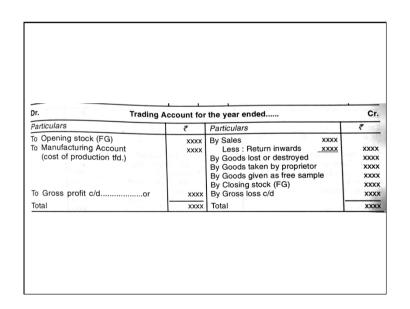
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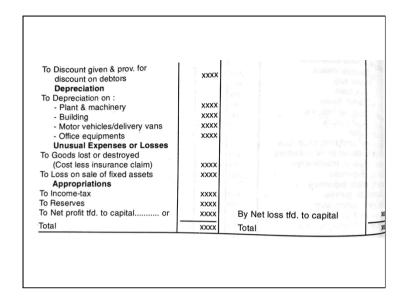


#### **FORMATS FOR FINAL ACCOUNTS**



Particulars	7	Particulars	7
To Gross loss b/d	XXXX XXXX XXXX XXXX XXXX XXXX XXXX XXXX XXXX	By Gross profit b/d Other Income or Gains By Commission received By Discount received By Provision for discount from creditors By Interest on loans given to outsiders By Income (dividend) on investments By Profit on sale of fixed assets	XXXXX XXXXX XXXXX XXXXX XXXXX

Laibilities	7	₹	Assets	₹	₹
Capital Account :			Fixed Assets		1984
Balance b/d (opening)	xxxx		Goodwill	Jee- T	XXX
- Add : Fresh capital brought in	xxxx		Land	127 2	XXX
- Add : Net profit for the year	xxxx	- 1	Plant & machinery	xxxx	
	(xxxx)		- Less : Depreciation	XXXX	XXX
- Less : Loss during the year	(xxxx)	xxxx	Premises / Building	xxxx	
Reserves			- Less : Depreciation	XXXX	XXX
General Reserve		xxxx	Vehicles	XXXX	
Loans	-	-	- Less : Depreciation	XXXX	XXX
Loans from bank		xxxx	Furniture & fittings	xxxx	
Bank overdraft		xxxx	- Less : Depreciation	xxxx	XXX
Current Liabilities		1.00	Investments	0.10(2)10	
Sundry creditors	xxxx		Investment in shares/bonds	- 1	XXX
Less : Provision for discount	xxxx	xxxx	Current Assets		
Bills payable		xxxx	Closing Stock		XXX
Outstanding expenses		xxxx	Debtors >	XXXX	
Income received in advance		xxxx	- Less : Prov. for bad debts	XXXX	
			- Recoverable	xxxx	
			- Less : Prov. for discounts	xxxx	
			- Realisable		XXX
			Loans and advance given	11132	XXX
			Bills receivable	and the second	XXX
			Prepaid expenses	THE PERSON NAMED IN	XXX
		no di alcono di	Cash at bank	manual .	XXX
	200	Section 7	Cash in hand	26.12.22	XXX
	STATE OF THE PARTY OF	AND THE PARTY	Fictitious assets	95	
	Marian Const	radjame origin	Capital account debit balance		XXX
Total		xxxx	Total	- 1-	XXX



### **FINAL ACCOUNT ADJUSTMENTS**

# OUTSTANDING EXPENSES NOT RECORDED IN FINAL ACCOUNTS

- 1) Add the amount to existing expense head on debit side of Mnfg, Trading or P&L Ac. OR Create new expense head on debit side of Mnfg, Trading or P&L Ac.
- 2) Create new head as 'Outstanding \_\_\_\_ expense' on Liability side of Balance sheet.

#### PREPAID EXPENSES NOT RECORDED

- 1) Deduct the amount from the existing expense head on debit side of Mnfg, Trading or P&L Ac.
- 2) Create new head as 'Prepaid \_\_\_\_\_ expenses' on Assets side of Balance Sheet.

# GOODS DISTRIBUTED AS FREE SAMPLES

- 1) Add amount to Advertisement expenses appearing on debit side of P&L Ac OR Create new head as Advertisement expenses on debit side of P&L Ac.
- 2) On credit side of Trading Account, create new head as Goods distributed as free samples.

#### **GOODS RECEIVED AS FREE SAMPLES**

**NO ENTRY** 

### **CLOSING STOCK**

- 1) Raw materials Deduct from Raw materials consumed on debit side of Mnfg Ac
- 2) Work in progress Create new head 'By Closing Stock of WIP' on credit side of Mnfg Ac
- Finished goods Create new head 'By Closing Stock of Finished goods' on credit side of Trading Ac
- 4) Entry on Assets side of Balance sheet for raw materials, WIP and finished goods

#### PROVISION FOR DOUBTFUL DEBTS

- 1) Calculate given percentage on amount of Debtors given in Assets side of Balance sheet.
- 2) Deduct the amount from Debtors.
- 3) Add the amount to Bad Debts on debit side of P&L Ac.

#### **DEPRECIATION**

- 1) Calculate given percentage on amount of said asset in Assets side of Balance sheet.
- 2) Deduct the amount from the asset.
- 3) Create entry on debit side of Mnfg Account (for factory related assets) or P&L Ac (for office or other assets)

# AMOUNT WITHDRAWN BY PROPRIETOR

- 1) Deduct the amount from Capital on Liabilities side of Balance sheet.
- 2) Deduct the amount from Cash or Bank on Assets side of Balance sheet.

## **EFFECT GIVEN TO WRONG ACCOUNT**

- 1) Give reverse entry to wrong account by either adding or subtracting amount from that account
- 2) Add or subtract amount from correct account