



Accounting – Logical Reasoning – ICAI Module – Rectification of Errors

1. (i) Goods purchased from A for Rs. 10,000 passed through the sales book. The error will result in
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|--------------------------------|-------------------------------|
| (a) Increase in gross profit. | (b) Decrease in gross profit. |
| (c) No effect on gross profit. | (d) Either (a) or (b). |

Ans.: (a) Increase in gross profit

As the income is increased and expense on account of purchase is decreased.

- (ii) If a purchase return of Rs.1,000 has been wrongly posted to the debit of the sales returns account, but has been correctly entered in the suppliers' account, the total of the
- | | |
|---|---|
| (a) trial balance would show the debit side to be Rs.1,000 more than the credit | (b) trial balance would show the credit side to be Rs.1,000 more than the debit. |
| (c) the debit side of the trial balance will be Rs.2,000 more than the credit side. | (d) the credit side of the trial balance will be Rs.2,000 more than the debit side. |

Ans.: (c) The debit side of trial balance will be Rs. 2000 more than the credit side

First increase due to debit to sales return and as the supplier account is debited correctly the total effect will be credit short by Rs. 2000

- (iii) If the amount is posted in the wrong account or it is written on the wrong side of the account, it is called
- | | |
|-------------------------|--------------------------|
| (a) error of omission. | (b) error of commission. |
| (c) error of principle. | (d) compensating error. |

Ans.: (b) Error of commission, it being a clerical error

- (iv) If a purchase return of Rs.84 has been wrongly posted to the debit of the sales return account, but had been correctly entered in the suppliers account, the total of the trial balance would show:
- | | |
|--|--|
| (a) the credit side to be Rs.84 more than debit side. | (b) the debit side to be Rs.84 more than credit side. |
| (c) the credit side to be Rs.168 more than debit side. | (d) the debit side to be Rs.168 more than credit side. |

Ans.: (d) The debit side to be Rs. 168 more than credit side, see explanation to (ii) above

2. State which statements complete correctly the sentences given below :

- (i) Rs. 200 paid as wages for erecting a machine should be debited to
- | | |
|----------------------|-----------------------|
| (a) Repair account. | (b) Machine account. |
| (c) Capital account. | (d) Furniture account |

Ans.: (b) Machine account, as the expense incurred to make the asset ready to use is a capital exp.

(ii) On purchase of old furniture, the amount of Rs. 1,000 spent on its repair should be debited to

- (a) Repair account; (b) Furniture account;
(c) Cash account; (d) Bank account

Ans.: (b) Furniture account, same as (i) above

(iii) Goods worth Rs. 50 given as charity should be credited to

- (a) Charity account; (b) Sales account;
(c) Purchase account. (d) Cash account

Ans.: (c) Purchase account, as the purchase account will be debited while purchasing the goods

(iv) Goods worth Rs. 100 taken by proprietor for domestic use should be credited to

- (a) Sales account; (b) Proprietor's personal expenses;
(c) Purchases account (d) Expenses account.

Ans.: (c) Purchases account, as the purchase account will be debited while purchasing the goods

(v) Errors of commission do not permit;

- (a) Correct totalling of the balance sheet; (b) Correct totalling of the trial balance;
(c) The trial balance to agree. (d) None of the above

Ans.: (d) None of the above, as the errors of commission may or may not affect trial balance

(vi) The preparation of a trial balance is for:

- (a) Locating errors of commission; (b) Locating errors of principle;
(c) Locating clerical errors. (d) All of the above

Ans.: (c) Locating Clerical errors, if any clerical errors are made with respect to wrong amount being posted, the same can be identified through the trial balance.

(vii) Rs. 200 received from Smith whose account, was written off as a bad debt should be credited to :

- (a) Bad Debts Recovered account; (b) Smith's account;
(c) Cash account. (d) Bad debts account

Ans.: (a) Bad debts recovered account, as the books of accounts do not show the amount receivable from smith and the bad debts are earlier transferred to profit and loss account, the amount now recovered will be transferred to bad debts recovered account and the balance in said account will be transferred to profit and loss account.

(viii) Purchase of office furniture Rs. 1,200 has been debited to General Expense Account.

It is :

- (a) A Clerical error; (b) An error of principle;
(c) An error of omission. (d) Compensating error.

Ans.: (b) An error of principle, as the capital expenditure is recorded as a revenue expenditure.

- (ix) Goods destroyed by fire should be credited to
- | | |
|---------------------------------|--------------------|
| (a) Goods lost by fire account; | (b) Sales account. |
| (c) Purchase account | (d) Cash account |

Ans.: (a) Goods lost by fire account

Entry for the same will be:

Stock in trade A/c Dr.
 To Goods lost by fire A/c

- (x) Sales of office furniture should be credited to
- | | |
|-----------------------|------------------------|
| (a) Sales Account; | (b) Furniture Account. |
| (c) Purchase Account. | (d) Cash Account |

Ans.: (b) Furniture A/c, rule for real account is credit what goes out.

III. Given below are the questions containing multiple answers. Choose the correct answer(s).

- 1 Below some errors are mentioned. State which of these will not be revealed by the Trial Balance:
- | | |
|------------------------------------|------------------------------------|
| (a) compensating errors; | (b) errors of principle; |
| (c) wrong balancing of an account; | (d) wrong totalling of an account; |

Ans.: (a) & (b) will not be revealed as due to the compensating errors and errors of principle, the trial balance does not get affected, i.e. it does not disagree

2. Below some errors are mentioned. State which of these will be revealed by the Trial Balance:
- | | |
|------------------------------------|------------------------------------|
| (a) compensating errors; | (b) errors of principle; |
| (c) wrong balancing of an account; | (d) wrong totalling of an account; |

Ans.: (c) & (d) will be revealed as due to the wrong balancing of an account or wrong totaling of an account, the trial balance does not agree and hence will be revealed.
