

Suspense Theory

What errors are revealed by the trial balance?

1. Double Entry errors

An entry on the credit side of an account without a corresponding entry on the debit side in another account. (Posting one side of the double entry)

Entering one amount on the debit side of one ledger account and entering a different amount on the credit side of another ledger account.

2. Arithmetical errors: An error is made in the addition or subtraction of an account.

What errors are not revealed by the trial balance?

1. Errors of original entry

The error was first recorded in the books of first entry and then entered in the ledger.

For example, sales of €207 treated as €702 in both the sales account and the cash account

2. Errors of Omission

These are transactions that have been completely omitted from the books.

For example, cash sales of €400 is not entered into any account.

3. Errors of Commission

These occur when entries are posted to the wrong account but to the correct side of correct type of account.

Example: Credit sales of €300 debited to J. Fagan instead of M. Fagan.

4. Errors of Principle

These occur when the correct amount is posted to the incorrect type of account.

Example: The purchase of a fixed asset is recorded as a purchase of stock.

5. **Compensating Errors**

This is when errors of equal value in unrelated accounts cancel each other out.

Posting the wrong amount into the correct account on the correct side.

Example: a payment of €600 for cleaning entered as €60 on the debit of the cleaning account and on the credit side of the cash account.

6. **Complete reversal of entries**

This occurs when the correct amount is posted to the incorrect side of the correct accounts. The debit entry is on the credit side and the credit entry is on the debit.

Example: Rent received is recorded on the credit side of the bank account, and on the debit side of the rent account.

Errors that affect the balancing of a trial balance consist of:

1. Errors in figures and additions
2. Posting only one side of the double entry
3. Entering one amount on the debit side of one ledger account and entering a different amount on the credit side of another ledger account. Or vice-versa.