

## Errors which do affect the Trial Balance (Suspense Account)

These are errors which cause the debit total of the Trial Balance to be a different amount to the credit total.

Journal entries are then made to correct the following types of errors:

1. Overcasting and undercasting errors – adding up Day Books incorrectly and balancing off ledger accounts incorrectly.  
Overcast – the amount is too large  
Undercast – the amount is too small

### Impact of Undercasting and Overcasting on Gross Profit & Net Profit

Sales Overcast	Gross Profit Overcast	Net Profit Overcast
Opening Stock Overcast	Gross Profit Undercast	Net Profit Undercast
Purchases Overcast	Gross Profit Undercast	Net Profit Undercast
Returns Inwards Overcast	Gross Profit Undercast	Net Profit Undercast
Return Outwards Overcast	Gross Profit Overcast	Net Profit Overcast
Carriage Inwards	Gross Profit Undercast	Net Profit Undercast
Expenses Overcast	Gross Profit Unchanged	Net Profit Undercast
Add. Income Overcast	Gross Profit Unchanged	Net Profit Overcast

2. Debit entry in one ledger account but no credit entry
3. Different amounts in the debit and credit entries

ALL journal entries must have the contra account as the Suspense account.

The Suspense Account should have a zero balance once all errors have been posted to it.

Example:

The difference between the debit and credit totals is put into a **SUSPENSE ACCOUNT** in the smaller of the two columns. If the debit column total is \$12 000 and the credit column total is \$11 500, then the difference of \$500 is put into the suspense account on the Credit (smaller) side.

**Trial Balance as at 31 December**

	\$	\$
Bank	1,000	
Wages	300	
Cash	500	
Capital		7,000
Drawings	200	
Purchases	2,000	
Sales		3,000
Vehicles	3,000	
Debtors	5,000	
Creditors	<u>12,000</u>	<u>11,500</u>

In 20X8 the errors were later found on the following dates:

- 1- February 5 - Motor expenses invoice was entered as \$400 instead of \$20 in the cash book.
- 2- March 8 - The total sales in the Sales Day Book was undercast by \$240.
- 3- March 28 – The total in the purchases day book was undercast by \$50.
- 4- April 15 – A cash withdrawal by the owner of the business of \$70 was entered in the cash book but was not recorded in the Journal.

Dr	<b>Suspense Account</b>		Cr
	\$		\$
31.12.X7 Bal. c/d	500	31.12.X7 Difference as per trial balance	500
	<u>500</u>		<u>500</u>
5.2.X8 Motor Expenses	380	1.1.X8 Bal. b/d	500
8.3.X8 Sales	240	28.3.X8 Purchases	50
	<u>620</u>	15.4.X8 Drawings	70
			<u>620</u>

In this case as the difference in the Trial Balance is on the credit side it will be entered under Current Liabilities so that the Balance Sheet will balance.

Dr	<b>Motor Expenses Account</b>		Cr
	\$		\$
		5.2.X8 Suspense	380

Dr	<b>Sales Account</b>		Cr
	\$		\$
		31.3.98 Suspense	240

Dr	<b>Purchases Account</b>		Cr
	\$		\$
28.3.X8 Suspense	50		

Dr	<b>Drawings Account</b>		Cr
	\$		\$
28.3.X8 Suspense	70		

Dr	<b>Suspense Account</b>		Cr
	\$		\$
31.12.X7 Bal. c/d	500	31.12.X7 Difference as per trial balance	500
	<u>500</u>		<u>500</u>
5.2.X8 Motor Expenses	380	1.1.X8 Bal. b/d	500
8.3.X8 Sales	240	28.3.X8 Purchases	50
	<u>620</u>	15.4.X8 Drawings	70
			<u>620</u>

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**Entries in the Journal****Journal**

<b>Date</b>	<b>Details</b>	<b>Dr</b>	<b>Cr</b>
20X8		\$	\$
February 5	Suspense	380	
	Motor Expenses		380
<b>Narrative</b>	Correction of overcasting of motor expenses		
March 8	Suspense	240	
	Sales		240
<b>Narrative</b>	Sales Day Book Undercast		
March 28	Purchases	50	
	Suspense		50
<b>Narrative</b>	Purchases Day Book undercast		
April 15	Drawings	70	
	Suspense		70
<b>Narrative</b>	Cash withdrawal not recorded in the Journal		