

## Errors that do not affect the Trial Balance

Errors that do not affect the trial balance means that for every debit there is a credit and vice versa. So in this way the trial balance still balances off.

To arrange such errors it is important to use the journal, when they are posted into the journal they are then posted into the ledgers as over-casting (The amount higher than its original entry) or under-casting (The amount is lower than its original entry)

These errors are:

### Error of Omission

When a transaction is completely left out – that means neither the debit nor the credit was entered, thus it has to be corrected by entering the journal entries in the right order.

Example: the sale of goods, Lm 16 to M. Gauci, has been completely omitted from the books.

| Journal  |                      | Dr. | Cr. |
|----------|----------------------|-----|-----|
|          |                      | Lm  | Lm  |
| M. Gauci |                      | 16  |     |
|          | Sales <sup>a/c</sup> |     | 16  |

Correction of omission of sales Invoice No. ...  
from sales journal

### Error of Commission

This error is when both transactions are made but the wrong clients account was used thus causing complaints from clients about their statement that it is incorrect. To arrange such an error it is important to cancel out the wrong clients account and then entered in the right account.

Example: a Purchase of goods, Lm 17 from G. Bandi, was entered in error in G. Bambi's account.

| G. Bambi |                          |    |                            |
|----------|--------------------------|----|----------------------------|
|          |                          | Lm | Lm                         |
| 12-Nov   | G. Bandi error corrected | 17 |                            |
|          |                          |    | 12-Nov Purchases <u>17</u> |

| G. Bandi |   | Lm |
|----------|---|----|
|          | 12-Nov Purchases: entered originally<br>in G. Bambi a/c | 17 |

The journal entry would be:

| Journal  |          | Dr. | Cr. |
|----------|----------|-----|-----|
|          |          | Lm  | Lm  |
| G. Bambi |          | 17  |     |
|          | G. Bandi |     | 17  |

Purchase invoice No. ... entered in wrong personal account, now corrected

### **Error of Principle**

Error of principle is like error of commission, just that it is not referring to personal accounts. Thus such an error is when an item is entered into the wrong general ledger account. To cancel such an error one has to cancel the item which is wrong and then re enter the item in its right account and with its right amount.

Example: the purchase of a machine, Lm.18, is debited to purchases account instead of being debited to a machinery account.

The journal entry would be:

| Journal           |                   | Dr. | Cr. |
|-------------------|-------------------|-----|-----|
|                   |                   | Lm  | Lm  |
| Machinery account |                   | 18  |     |
|                   | Purchases account |     | 18  |

correction of error of purchases of fixed asset debited to purchases account

### **Error of Original Entry**

It is when an amount is written incorrectly but similar to the original, the wrong amount is put into both entries thus causing a balance. To arrange such an error the same transactions must be done but with the difference in amount.

Example: a sale of Lm 91 to S. Dalli was entered in the books as Lm 19. an entry of another Lm 72 of sales is needed.

| Journal   |     |     |
|---|-----|-----|
|   | Dr. | Cr. |
| S. Dalli  | Lm  | Lm  |
| Sales account   | 72  | 72  |
| Correction of error whereby sales were understated by Lm 72 |     |     |

**Compensating Errors.**

Such an error occurs when errors cancel out each other due to by coincidence having the same amounts. When this happens the other part of the transaction should be added.

Example: the sales account is overcast by Lm. 20, as also is the wages account. The trial balance therefore still ‘balances’

| Journal  |     |     |
|--|-----|-----|
|  | Dr. | Cr. |
| Sales account  | Lm  | Lm  |
| Wages Account  | 72  | 72  |
| Correction of overcasts of Lm 20 each in the sales account and the Wages account which compensated for each other. |     |     |

**Complete Reversal of Entries**

The debit is sent to the credit and the credit is sent to the debit but with the right amounts. To correct such an error it is first needed to delete the error made by putting the amount on the opposite side and also making the same transaction on the right side like the previous deletion – thus to make it easier the amount should be doubled and the correction is done once on the opposite side of the error made.

Example: a payment of cash of Lm 21 to R. Micallef was entered on the receipts side of the cash book error and credited to R. Micallef account.

The entries should have been:

| Cash        |    |    |
|-------------|----|----|
|             | Lm |    |
|             |    | Lm |
|             |    | 21 |
|             |    |    |
| R. Micallef |    |    |
|             | Lm |    |
| Cash        | 21 | Lm |

But were entered as:

| Cash        |          |    |
|-------------|----------|----|
| R. Micallef | Lm<br>21 | Lm |

| R. Micallef |    |                  |
|-------------|----|------------------|
|             | Lm | Cash<br>Lm<br>21 |

To arrange such an error we have to:

| Cash        |          |   |
|-------------|----------|---|
| R. Micallef | Lm<br>21 | R. Micallef error corrected<br>Lm<br>42 |

| R. Micallef |          |                         |
|-------------|----------|-------------------------|
| Cash        | Lm<br>42 | R. Micallef<br>Lm<br>21 |

| Journal     |      |          |     |
|-------------|------|----------|-----|
|             |      | Dr.      | Cr. |
| R. Micallef |      | Lm<br>42 | Lm  |
|             | Cash |          | 42  |

Payment of cash Lm 21 debited to cash and credited to R. Micallef in error on ... the error now corrected

### **Transposition Error**

This is when the amount is totally different from the one listed. This error is on both sides of the debit and credit thus making the trial balance, balance. To arrange such an error the difference of the amount must be placed on the debit and on the credit.

Example: a sale of Lm 221 to J. Ghirlando had been entered in the books, both debit and credit as 212

| Journal      |               |         |     |
|--------------|---------------|---------|-----|
|              |               | Dr.     | Cr. |
| J. Ghirlando |               | Lm<br>9 | Lm  |
|              | Sales account |         | 9   |

Error of Transposition - wrong sequence of characters.



Example:

Dr. Cash account Lm 100

Dr. Sales account Lm 100 – thus Cr. Suspense account Lm 100

Corrected by the following:

Dr. Suspense account Lm 200 Cr. Sales account Lm 200

### **Errors in balancing the accounts**

Such an error occurs when the balancing of the accounts is done wrongly.

### **Errors in transferring balances to trial balance.**

This error is worked like the “error of incorrect figures in one account” this is a slight error just that the error occurs when there is the transfer between the balances to the trial balance. Checking account balances transferred to the trial balance should corrected this error.