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What are the errors not disclosed by trial balance

Accounting errors means the errors and mistakes which are committed in recording or posting the transactions due to carelessness, lack of accounting knowledge or bad intention of the staffs. On the basis of disclosure by trial balance, accounting errors are of following types: Errors disclosed by Trial Balance The errors, which affect the agreement of the trial balance, are called the errors disclosed by the trial balance. The following errors can be disclosed by the trial balance: - Omitting to post in an accountWhile posting a transaction from a subsidiary book to the ledger, if the amount of the transaction is omitted to post in one account, it affects the agreement of the trial balance. Posting wrong amount in an accountIf the amount of a transaction is posted in one account wrongly, it affects the agreement of the trial balance. Posting of amount in a wrong side of an accountIf the amount of a transaction is posted on the wrong side of an account, it makes trial balance unequal. The wrong side posting affects the trial balance twice. Obtaining wrong total of a subsidiary bookIf the total of the subsidiary book is obtained wrongly, it is disclosed by the trial balance. For example, if the total of the sales book is obtained wrongly as Rs. 3,300 instead of Rs. 3,000, it makes credit total of the trial balance heavier by Rs. 300. Obtaining wrong balance of an accountIf the balance of an account is obtained wrongly, it affects the agreement of the trial balance. Bringing down a balance wronglyIf the balance of an account is brought down wrongly, it affects the agreement of the trial balance. The accounting clerk may replace the balance of an account on the wrong side or with the wrong amount or omit to bring down the balance at all which make the trial balance disagreement. Committing errors in the trial balanceThe following errors, if committed in the trial balance itself, are disclosed by it: Omitting to include a balance of an account in the trial balance Entering the balance of an account in the wrong side or with the wrong amount in the trial balance Obtaining wrong total of the trial balance Errors not disclosed by Trial Balance The agreement of the trial balance is not the complete evidence that the book of accounts is free from all accounting errors. It is because the trial balance cannot disclose all types of accounting errors. It means that there are certain types of errors that do not affect the agreement of the trial balance. The following errors cannot be disclosed by the trial balance: - Errors of complete omissionIt occurs due to non-recording a transaction at all in the concerned primary book. These errors also occur due to omitting to post both accounts of a transaction in the ledger. Errors of commissionIt occurs due to wrong recording or posting a transaction. These errors occur due to the following reasons: - If a transaction is recorded in the primary book including the wrong amount If a transaction is recorded in the primary book including wrong account If a transaction is posted in wrong account Errors of principlesIt occurs due to wrong application of the Generally Accepted Accounting Principles (GAAP). The accounting personnel who are lacking the knowledge of principles and practices of accounting may record the transactions against these principles. Errors of duplicationIt occurs due to the recording of the transaction twice or more in the primary book. These errors also occur due to posting both aspects of the transactions against these principles. Compensating errorsThe errors which are compensated by committing other errors in the books of accounts are called compensating errors. Thus, two or more errors, which mutually compensate the effect of one another is called compensating errors. Introducing the concept Remember; the old statement - "To err is human"? This statement has its significance in accountancy also. In the case of accounting, human beings often commit mistakes like a - commission, omission and principles. These mistakes occur while maintaining the books of accounting. Some omit to record their entire financial transaction either partially or wholly. Some even make mistakes while calculating, like- adding, subtracting, multiplying and dividing. While calculating in a hurry, some tend to make a mistake while carrying forward the total from one page to another. For example, while carrying forward the sum from a previous page to the next page, one may often miss a number or copy it wrongly. Another common mistake is while posting from subsidiary book to ledger account. It often happens that revenue expenditure is recorded as capital expenditure or a capital expenditure gets wrongly recorded as revenue expenditure. These are the mistakes which are going to be committed to the books of accounting. Mistakes which are made in the accounting books need to be rectified at first. It needs to be kept in mind that errors in accounts cannot be rectified by using a rubber or an ink remover to remove this fault. It cannot be removed even by striking off a mistake or over-writing it or by tearing off a page. Instead, it should be accepted as a fault and a corresponding journal entry for rectification is made. This rectified entry neutralizes the effect of that wrongly passed entry. Further, it even brings the correct effect of a financial transaction. Thus, rectification of errors should be made as early as possible. Thus, it is important that while passing a rectification entry, the nature and types of accounting errors are taken into consideration. Types of Accounting Errors which affect or get disclosed Whenever the trial balance fails to match, it means that some errors must have been made while working on it. The accounting errors which affect the trial balance are as follows- These are the mistakes which are made in the treatment of revenue and capital expenditure and receipts. These mistakes remain undetected by the trial balance. Further, these do not even have an effect on a trial balance as both its credit and debit record remains complete. Since this completes the double entry, trial balance tallies. These errors can further be divided into three categories. These mistakes are- Errors of omission- Errors of commission can be of two types- A partial omission of record in the subsidiary books is easily detected by the trial balance as it has an effect on it. A complete omission of record in the original books of accounts is undetected by the trial balance and does not even affect it. Errors of commission- Posting incorrect values in ledger accounts. These are detected by trial balance as it has an effect on it. Recording incorrect values in the subsidiary books. These do not have any effect and are not even detected by trial balance. Improper balancing of ledger accounts has an effect on trial balance as it can be detected. Posting at the other side of ledger accounts has an effect on the trial balance as it can easily be detected. Incorrect totaling of subsidiary books like overcasting or under casting affects the trial balance and gets noticed too. Compensating Errors- These errors do not cause any effect on the trial balance and remain unaffected as the trial balance cannot detect it. This is because it tallies at the end. Links of Previous Main Topic:- Links of Next Book-Keeping Topics:- April 16, 2021 April 16, 2021/ Steven Bragg The trial balance is a summary-level of listing of the debit or credit total in each account. You normally use the initial, or unadjusted, trial balance for two reasons:This unadjusted trial balance may contain a number of errors, only a few of which are easy to spot in the trial balance report format. Here are the more common errors, with suggestions on how to find them:Entries made twice. If an entry is made twice, the trial balance will still be in balance, so that is not a good document for finding it. Instead, for an ongoing transaction, you may have to wait for the issue to resolve itself. For example, a duplicate invoice to a customer will be rejected by the customer, while a duplicate invoice from a supplier will (hopefully) be spotted during the invoice approval process.Entries not made at all. Impossible to find on the trial balance, since it is not there (!). Your best bet is to maintain a checklist of standard entries, and verify that all of them have been made.Entries to the wrong account. This may be apparent with a quick glance at the trial balance, since an account that previously had no balance at all now has one. Otherwise, the best form of correction is preventive - use standard journal entry templates for all recurring entries.Reversed entries. An entry for a debit may be mistakenly recorded as a credit, and vice versa. This issue may be visible on the trial balance, especially if the entry is large enough to change the sign of an ending balance to the reverse of its usual sign.Transposed numbers. The digits in a number may have been switched. This is easy to find, since the underlying entry is unbalanced, and so should not have been accepted by the accounting software. If a manual system is being used, journal entry totals must be compared to the totals in the trial balance. This issue relates to the following one.Unbalanced entries. This is listed last, since it is impossible in a computerized environment, where entries must be balanced or the system will not accept them. If you are using a manual system, then the issue will be apparent in the column totals of the trial balance. However, locating the exact entry is vastly more difficult, and will call for a detailed review of every entry, or at least of the totals in every subsidiary ledger that rolls into the general ledger.Whenever you correct an error, be sure to use a clearly labeled journal entry with supporting documentation, so that someone else can trace through your work at a later date.Related CoursesBookkeeping Guidebook Closing the Books The Year-End Close April 16, 2021/ Steven Bragg/ what are the errors not disclosed by trial balance give examples. what are the errors disclosed by trial balance

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