

List and explain (6) Errors not disclosed by trial balance:

- 1.) Error of principle.
- 2.) Error of omission
- 3.) Error of posting to wrong account.
- 4.) Error of amount in original book
- 5.) Error of compensation
- 6.) Transposition error.

1.) Error of principle:

An error of principle is an error which violates the fundamentals of book-keeping. For instance, purchase of furniture is debited to Purchase Account, instead of Furniture Account; Wages paid for the erection of plant is debited to Wages Account, instead of Plant Account; the amount spent on extension of building is debited to Repairs Account instead of Building Account etc. These types of errors do not affect the total debits and total credits but affect the principle of book-keeping.

2.) Error of Omission:

___ If a transaction is completely omitted, there will be no effect on the Trial Balance. When a transaction goes completely unrecorded in both aspects or a transaction after being recorded in the books of primary entry is not at all posted in the ledger, the error is an error of omission. For instance, if a credit purchase is omitted to be recorded in the Purchase Day Book, then it will be omitted to be posted both in the Purchase Account and the Supplier's Account.

3.) Error of posting to wrong account:

Posting an item to wrong account, but on the correct side. For instance, if a purchase of Rs 200 from Ramu has been credited to Raman, instead of Ramu and this error will not affect the agreement of Trial Balance. Thus, Trial Balance will not detect such an error.

4.) Error of account in original book:

If an invoice for Rs 632 is entered in Sales Book as Rs 623, the Trial Balance will come out correctly, since the debit and credit have been recorded as Rs 623. The arithmetical accuracy is there, but in fact there is an error.

5.) Error of compensation:

If one account in the ledger is debited with Rs 500 less and another account in the ledger is credited Rs 500 less, these errors cancel themselves. That is, one error is neutralized by similar error on the opposite side.

6.) Transposition error:

___ Transposition errors is where the wrong sequence of the individual characters within a

number was entered. For example \$143 is recorded as \$134. This will likely occur when the error occurs in books of original entry.