MASTERING CORRECTION OF ACCOUNTING ERRORS LESSON 2
SOLUTIONS TO HOMEWORK EXERCISES

Section 3–FINDING AND CORRECTING ERRORS USING THE UNADJUSTED TRIAL BALANCE

1. In the trial balance below, total debits do not equal total credits. Find and correct the likely error(s) to bring the totals into balance.

	Debit	Credit
Cash	410	
Accounts Receivable	740	
Supplies on Hand	1,850	
Prepaid Insurance	6,500	
Equipment	154,000	
Accounts Payable		23,000
Long-term Notes Payable		30,000
W. Worthington, Capital		46,260
Constuction Revenues		112,000
Wage Expense	29,400	
Interest Expense	900	
Rent Expense	10,800	
Totals	204,600	211,260

When you scan the accounts, all appear to have normal balances. But there is a difference between total debits and credits of $6,660. When we divided this by 2, we get $3,330. Yet there is no account balance for this amount. When we divide $6,660 by 9, we get $740. Scanning the columns, we see that Accounts Receivable has a balance of $740, so this is a slide error. The correct Accounts Receivable balance is $7,400. When we make the correction, the trial balance appears as follows:

	Debit	***Credit***
Cash	***410***	
Accounts Receivable	***7,400***	
Supplies on Hand	***1,850***	
Prepaid Insurance	***6,500***	
Equipment	***154,000***	
Accounts Payable		***23,000***
Long-term Notes Payable		***30,000***
W. Worthington, Capital		***46,260***
Constuction Revenues		***112,000***
Wage Expense	***29,400***	
Interest Expense	***900***	
Rent Expense	***10,800***	
Totals	***211,260***	***211,260***

2. In the trial balance below, total debits do not equal total credits. Find and correct the likely error(s) that bring the totals into balance.

	Debit	Credit
Cash	22,500	
Accounts Receivable	30,000	
Allowance for Doubtful Accounts	2,000	
Supplies on Hand	1,850	
Prepaid Insurance	6,500	
Equipment	144,000	
Accum. Depreciation – Equipment	48,500	
Accounts Payable		3,000
Long-term Notes Payable		50,000
J. Smith, Capital		57,300
Consulting Revenues		102,000
Wage Expense	39,400	
Interest Expense	900	
Rent Expense	10,800	
Repairs Expense	100	
Utilities Expense	6,750	
Totals	313,300	212,300

Eyeballing the accounts for normal balances, we see that Allowance for Doubtful Accounts and Accumulated Depreciation, both contra asset accounts, are in the debit column. But both of these accounts have a normal credit balance. When we move these two balances into the credit column and recompute, total debits equal total credits.

	Debit	***Credit***
Cash	***22,500***	
Accounts Receivable	***30,000***	
Allowance for Doubtful Accounts		***2,000***
Supplies on Hand	***1,850***	
Prepaid Insurance	***6,500***	
Equipment	***144,000***	
Accum. Depreciation – Equipment		***48,500***
Accounts Payable		***3,000***
Long-term Notes Payable		***50,000***
J. Smith, Capital		***57,300***
Consulting Revenues		***102,000***
Wage Expense	***39,400***	
Interest Expense	***900***	
Rent Expense	***10,800***	
Repairs Expense	***100***	
Utilities Expense	***6,750***	
Totals	***262,800***	***262,800***

3. In the trial balance below, total debits do not equal total credits. Find and correct the likely error(s) that bring the totals into balance.

	Debit	**Credit**
Cash	27,500	
Accounts Receivable	40,000	
Allowance for Doubtful Accounts		2,000
Supplies on Hand	1,850	
Prepaid Insurance	6,500	
Equipment	104,000	
Accum. Depreciation – Equipment		82,500
Accounts Payable		13,000
Long-term Notes Payable		40,000
S. Jones, Capital		47,300
Consulting Revenues		122,000
Wage Expense	38,400	
Interest Expense	6,900	
Rent Expense	15,400	
Repairs Expense	5,500	
Utilities Expense	6,750	
Totals	252,800	306,800

All the accounts appear to have their normal balance, but there is a difference between total debits and credits of $54,000. When we divide this by 2, we get $27,000. But there is no balance for this amount, so it's not a doubling error. However, when we divide $54,000 by 9, we get $6,000. If this is a transposition, the difference between the 4th and 5th digits from the right will be 6 (5 [first digit in $54,000] +1). The only candidate is Accumulated Depreciation. The correct balance for Accumulated Depreciation must be $28,500. When we correct this, the trial balance appears as follows.

	Debit	***Credit***
Cash	***27,500***	
Accounts Receivable	***40,000***	
Allowance for Doubtful Accounts		***2,000***
Supplies on Hand	***1,850***	
Prepaid Insurance	***6,500***	
Equipment	***104,000***	
Accum. Depreciation – Equipment		***28,500***
Accounts Payable		***13,000***
Long-term Notes Payable		***40,000***
S. Jones, Capital		***47,300***
Consulting Revenues		***122,000***
Wage Expense	***38,400***	
Interest Expense	***6,900***	
Rent Expense	***15,400***	
Repairs Expense	***5,500***	
Utilities Expense	***6,750***	
Totals	***252,800***	***252,800***

4. In the trial balance below, total debits do not equal total credits. Find and correct the likely error(s) to bring the totals into balance.

	Debit	Credit
Cash	24,732	
Accounts Receivable	75,109	
Land		647,604
Accounts Payable		54,811
Note Payable		176,400
JT Howzer, Capital		587,332
Revenues		649,998
Wage Expense		423,788
Rent Expense	110,000	
Interest Expense	7,308	
Totals	217,149	2,539,933

Both Land and Wages Expense both have a normal debit balances so these two are in the wrong column. When these errors are corrected, the trial balance appears as follows.

	Debit	***Credit***
Cash	***24,732***	
Accounts Receivable	***75,109***	
Land	***647,604***	
Accounts Payable		***54,811***
Note Payable		***176,400***
JT Howzer, Capital		***587,332***
Revenues		***649,998***
Wage Expense	***423,788***	
Rent Expense	***110,000***	
Interest Expense	***7,308***	
Totals	***1,288,541***	***1,468,541***

The difference between total debits and total credits is $180,000 which, when divided by 9, equals $20,000. Take the first digit of the difference, 1, add 1 and you get 2. If it is a transposition error, there will be a difference of 2 between the 5th and 6th digits from the right. On the trial balance, we see three possible candidates: Land, Wage Expense and Revenues. But if we flip the first two digits of Land or Wage Expense, total debits go down and that does not solve the problem. That leaves Revenues. When we flip the 4 and the 6, we get $469,998 and the trial balance appears as follows.

	Debit	***Credit***
Cash	***24,732***	
Accounts Receivable	***75,109***	
Land	***647,604***	
Accounts Payable		***54,811***
Note Payable		***176,400***
JT Howzer, Capital		***587,332***
Revenues		***469,998***
Wage Expense	***423,788***	
Rent Expense	***110,000***	
Interest Expense	***7,308***	
Totals	***1,288,541***	***1,288,541***

5. In the trial balance below, total debits do not equal total credits. Find and correct the likely error(s) to bring the totals into balance.

	Debit	Credit
Cash	158,000	
Office Supplies		25,000
Equipment	180,000	
Accum. Depreciation— Equipment		44,000
Accounts Payable		47,700
Wages Payable		13,000
W. Shannon, Capital		20,970
W. Shannon, Withdrawals	25,000	
Entertainment Revenue		338,000
Rent Expense	26,800	
Gas and Oil Expense	3,000	
Wage Expense	219,700	
Advertising Expense	12,500	
Legal Expense	11,400	
Totals	636.400	488,670

Office Supplies is an asset account, so it should have a normal debit balance. When this error is corrected, the trial balance appears as follows.

	Debit	***Credit***
Cash	***158,000***	
Office Supplies	***25,000***	
Equipment	***180,000***	
Accum. Depreciation— Equipment		***44,000***
Accounts Payable		***47,700***
Wages Payable		***13,000***
W. Shannon, Capital		***20,970***
W. Shannon, Withdrawals	***25,000***	
Entertainment Revenue		***338,000***
Rent Expense	***26,800***	
Gas and Oil Expense	***3,000***	
Wage Expense	***219,700***	
Advertising Expense	***12,500***	
Legal Expense	***11,400***	
Totals	***661.400***	***463,670***

The difference between total debits and credits is now $197,730. Divide it by 9, and you get $21,970. If it is a slide error, we need to find a balance in which the decimal point was moved. Wage Expense has the right digits for a slide error and, when corrected to $21,970, changes the trial balance to appear as follows.

	Debit	Credit
Cash	158,000	
Office Supplies	25,000	
Equipment	180,000	
Accum. Depreciation— Equipment		44,000
Accounts Payable		47,700
Wages Payable		12,000
W. Shannon, Capital		21,970
W. Shannon, Withdrawals	25,000	
Entertainment Revenue		338,000
Rent Expense	26,800	
Gas and Oil Expense	3,000	
Wage Expense	21,970	
Advertising Expense	12,500	
Legal Expense	11,400	
Totals	463,670	463,670