FINDING ERRORS

To assure the accuracy of accounting records, care should be taken when transactions are recorded and posted and financial statements are prepared. Accuracy checks should be made periodically in the accounting cycle. These accuracy checks are presented with each of the following guides for finding errors.

Finding Arithmetic Errors

Column totals must be in balance. If the totals are not in balance, an arithmetic error may have been made. Follow the steps given below for finding an arithmetic error.

1. Find the difference between totals. The difference is the amount of the error. Look for an amount equal to the difference.
2. Divide the difference between totals by 2. Look for the resulting amount. If a debit amount has been recorded as a credit, the amount of the error will be twice the amount of the entry. The same situation occurs if a credit amount has been recorded as a debit.
3. Divide the difference between totals by 9. (a) If an amount has been transposed (reversed), the difference can be evenly divided by 9. An example of an amount that has been transposed is $29.00 written as $92.00. (b) If a decimal point has been placed in the wrong position, the difference can be evenly divided by 9. An example of this kind of error, known as a slide, is $55.00 written as $550.00.
4. Add the columns again. Begin with the last item and proceed from the bottom to the top of the column. The same mistake will seldom be made if the process originally used is reversed.

Finding Errors in a Journal

The sum of all debit column totals must equal the sum of all credit column totals in a journal.

If the totals are not equal, follow the steps given below.

1. Follow the steps for finding arithmetic errors given above.
2. Check to be sure that a debit entry has been recorded for each credit entry. Be sure that the debit entry equals the credit entry.
3. Compare each entry with the source document for the entry.

Finding Errors by Proving Cash

Cash is proved when the balance on hand at the end of the month is the same as the checkbook balance at the end of the month. Use the following procedure to prove cash:

Beginning cash balance plus total cash received less total cash payments equals cash balance on hand at the end of the month. If the cash on hand at the end of the month is not the same as the checkbook balance, follow the steps given below.

1. Check the addition and subtraction on the cash proof.
2. Compare the amounts listed on the cash proof with the amounts in the journal. (a) Be sure that the Cash column totals have been copied correctly. (b) Be sure that the beginning cash balance is correct.
3. Check the addition and subtraction on the check stubs.
4. Check the check stub entries against the entries in the Cash columns of the journal. (a) Be sure that the amount recorded in the journal is the same as the
amount on the check stub. (b) Be sure that all checks, deposits, and bank charges have been recorded.

**Finding Errors in a Ledger**
The total of debit balances must equal the total of credit balances in a general ledger. The total of all account balances in a subsidiary ledger must equal the controlling account balance in the general ledger. If the totals do not agree, follow the steps given below.
1. Check to be sure that account balances have been figured correctly.
2. Check to be sure that balances are listed correctly as either debits or credits.
3. Check to be sure that posting to accounts is correct. (a) Be sure that all amounts have been posted. (b) Be sure that amounts have been posted to the correct side of an account. (c) Be sure that amounts from special columns have not been posted individually to the account given in the column heading.

**Finding Errors on a Work Sheet**
Each pair of columns on a work sheet must be in balance. If any pair does not balance, follow the steps given below.
1. Follow the steps for finding arithmetic errors given on page 1.
2. Compare the amounts listed in the trial balance with the balances listed in the general ledger accounts. (a) Be sure that amounts have been copied correctly. (b) Be sure that all balances have been listed. (c) Check for errors in the ledger.
3. Check each extension to the Income Statement and Balance Sheet columns. (a) Be sure the ending inventory is listed in the Balance Sheet Debit column. (b) Be sure that adjustments have been added or subtracted correctly. (c) Be sure that debits have been extended as debits and credits have been extended as credits.

**Finding Errors on an Income Statement**
Net income or net loss on an income statement must be the same as net income or net loss on a work sheet. If the amounts are not the same, follow the steps given below.
1. Check the addition and subtraction on the income statement. Be sure that the proper mathematical operation has been performed.
2. Find the difference between net income or net loss on the income statement and on the work sheet. The difference is the amount of the error. Look for an amount equal to the difference.
3. Check the amounts listed on the income statement against the items listed in the income statement columns of the work sheet. (a) Be sure that all amounts have been recorded. (b) Be sure that a number has not been transposed. (c) Be sure that the decimal point is in the correct position in all amounts.

**Finding Errors on a Balance Sheet**
Total assets must equal total liabilities and owner’s equity on a balance sheet. If the totals are not equal, follow the steps given below.
1. Check the addition and subtraction on the balance sheet. Be sure that the proper mathematical operation has been performed.
2. Find the difference between total assets and total liabilities and owner’s equity. The difference is the amount of the error. Look for an amount equal the difference.
3. Check the amount of owner’s equity shown on the balance sheet against the
ending amount of owner’s equity on the statement of owner’s equity. If the amount of owner’s equity was taken from the work sheet, the amount of the error will be the same as the net increase or net decrease in owner’s equity shown on the statement of owner’s equity.

4. Check the amounts listed on the balance sheet against the items listed in the balance sheet columns of the work sheet. (a) Be sure that all amounts have been recorded. (b) Be sure that a number has not been transposed. (c) Be sure that the decimal point is in the correct position in all amounts.

Finding Errors on a Post-Closing Trial Balance
The total of debit balances must equal the total of credit balances on a post-closing trial balance. Account balances on the post-closing trial balance must agree with the balances on the balance sheet. If the amounts do not agree, follow the steps given below.

1. Follow the steps for finding arithmetic errors given on page 1.
2. Compare the amounts listed on the post-closing trial balance with the balances listed in the general ledger accounts. (a) Be sure that amounts have been copied correctly. (b) Be sure that all balances have been listed.
3. Check to be sure that all adjusting and closing entries have been properly posted.
4. Check to be sure that account balances have been figured correctly. Only asset, liability, and owner’s equity accounts have balances after closing entries are posted.

Finding Errors on a Bank Reconciliation
The adjusted check stub balance must equal the adjusted bank balance on the reconciliation of a bank statement. If the adjusted balances do not agree, follow the steps given below.

1. Check the addition and subtraction on the reconciliation.
2. Check to be sure that all bank charges have been deducted from the check stub balance.
3. Check to be sure that all outstanding deposits have been listed.
4. Check to be sure that all outstanding checks have been listed.
6. Check addition and subtraction on check stubs.

Finding Errors in a Payroll Register and an Employee Earnings Record
The total of the Total Earnings column less the total of the Total Deductions column must equal the total of the Net Pay column on either a payroll register or an employee earnings record. Also on an employee earnings record, the first amount shown in the Accumulated Earnings column plus the total of the Total Earnings column must equal the last amount shown in the Accumulated Earnings column. If the amounts do not agree, follow the steps given below.

1. Follow the steps for finding arithmetic errors given on page 1.
2. Check the addition of the earnings entries across each line.
3. Check the addition of the deduction entries across each line.
4. Check the subtraction of the total deductions from total earnings across each line.
5. Compare amounts on the employee earnings record with amounts on the payroll register. Be sure that amounts have been copied correctly.
6. Check to be sure that total earnings, not net pay, has been added to accumulated earnings for each entry on the employee earnings record.
CORRECTING ERRORS
An error in accounting records must be corrected. Errors in permanent records should never be erased.

Correcting Errors in a Journal
If an error is found in a journal before posting to the ledger, make the correction by following the steps given below.
1. Draw a line through the amount or part of an entry that is incorrect.
2. Write the correction immediately above the canceled item.
3. Refigure any totals affected by the correction.
If an error is found in a journal after posting has been completed, a correcting entry should be made. Follow the steps given below.
1. Prepare a memorandum to show the correction to be made.
2. Record the correcting entry in the general journal if special journals are used.
3. Post the correcting entry to the ledger.

Correcting Errors in a Ledger
If an error is found in a ledger after posting has been completed, make the correction by following the steps given below.
1. Draw a line through the incorrect posting.
2. Record the correct posting.
3. Refigure the account balance for any account affected by the correction.

Correcting Errors on a Work Sheet
If an error is found on a work sheet, make the correction by following the steps given below.
1. Erase the error. A work sheet is not a permanent record and is prepared in pencil.
2. Write the correction on the work sheet.
3. Refigure any totals affected by the correction.

Correcting Errors on a Financial Statement
If an error is found on a financial statement, make the correction by following the steps given below.
1. Draw a line through the incorrect item.
2. Write the correction immediately above the canceled item.
3. Refigure any totals affected by the correction.