

# AccountAble™

Better Book-Keeping-IV

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In this mini-series on better book-keeping, we have already discussed vouchers, receipts, cash book, ledgers, and other records. We now take up another aspect: how to deal with mistakes.

## Cuts and Bruises

Cutting and erasing is the first option that people take. Is this all right?

There's nothing wrong with crossing out a figure. However, we must keep several things in mind:

### Avoid alterations

Alteration occurs when you change a figure. For example, '1' can be changed to '4' or '7' without much effort. Some other numbers can also be changed without the change being obvious. Sometimes the digits are also increased.

However, careful auditors can detect almost all alterations. Discovery of alterations can change their attitude and audit approach. This is because there is no distinction between a genuine alteration and a fake one.

Therefore, you should avoid altering figures in the vouchers or anywhere else. If a shopkeeper changes a figure, ask him or her to authenticate it by signing again.

## Throw out the Eraz-ex



Eraz-ex was not designed for the accounts department. It was meant for making corrections on typed documents. You should not use Eraz-ex or Liquid Paper at all anywhere in the account books or records.

## Use counter-balancing entries

What should we do if a mistake is made? If the mistake is in the cash book or ledger, you can use a counter-balancing entry. Similarly, you can pass a correction voucher also. This is discussed in the next section.

## The right place and time

However, counter-balancing entries cannot be used for some records such as salary register. In such a case, cutting may be the only option.

Even so, the correction<sup>1</sup> must be made before the audit is done or during the audit. Any changes in books after the audit is completed can be done only with the approval of the auditors.

## One slash is enough

When you have to make a correction, just cross out the figure neatly once. Don't mutilate the figure beyond recognition. The original number should continue to show. Write the new figure besides the old one and put your initials next to it.



Right	Wrong
2,220 2,320 A.B.Sinha	<del>2,220</del> 2,320

<sup>1</sup> The correction should also be authorized by your supervisor, if any.

## Counter-balancing entries: the path of *Ahinsa*

Which mistakes can be corrected without bloodshed and mayhem? These are listed below:

### Voucher made for wrong amount

Let's say that the supporting cash memo was for Rs.455. By mistake, the covering voucher was made for Rs.55 only. What can be done?

Make a supplementary voucher for Rs.400 on the day you discover the mistake. Enter it in the cash book that day and post it normally. On this voucher, give reference to the original voucher. Give reference to the supplementary voucher on the original voucher also.

Lok Jagran Manch	21-Apr-01
Dr. Travel	55
Cr. Cash	55
Traveling expenses of Ms. Shashi to Trivandrum. Also see supplementary voucher dtd. 10-Jun-01 for Rs.400	

Lok Jagran Manch	10-Jun-01
Dr. Travel	400
Cr. Cash	400
Supplementary voucher for traveling expenses of Ms. Shashi to Trivandrum. See original voucher dated 21-Apr-01 for Rs.55.	

Now let's say that the original voucher was made for a higher amount of Rs.555. What can be done in this case? The procedure is similar – except that a reversing entry is to be passed:

Lok Jagran Manch	18-Apr-01
Dr. Travel	555
Cr. Cash	555
Traveling expenses of Ms. Shashi to Trivandrum. Also see supplementary voucher dtd. 12-Jun-01 for Rs.100	

Lok Jagran Manch	12-Jun-01
Dr. Cash	100
Cr. Travel	100
Supplementary voucher for traveling exp. of Ms. Shashi to Trivandrum. See original voucher dated 18-Apr-01 for Rs.555.	

Such mistakes can be discovered the same day if you tally your physical cash with cash book every day. Even so, this procedure is useful if the cash tally is not done regularly. This procedure applies to non-cash transactions also.

### Forgot to enter a voucher

If you forget to enter a voucher in the cash book, do not try to insert that entry in between any blank space. You can enter such a voucher later, on the day you discover it.

Suppose you forgot to enter a voucher of Rs.245 dated 6-April-01. This is discovered on 8-June-01. You can enter it in the cash book on 8-6-01 as shown below:

Cash Book		Payments	
nt.	Date	Narration	Amt.
	8.6.01	Conveyance exp. Vr. of 6-Apr-01 entered now	245

The voucher should be filed in the April voucher file only. Just make a small note in the margin of the cash book on 6-Apr-01: 'Missing voucher entered on 8-Jun-01'.

### Entered a smaller amount

Suppose you entered a smaller amount in the cash book? This is similar to a missed voucher. In the example below, a voucher of Rs.500 has been entered as Rs.300:

Cash Book		Payments	
nt.	Date	Narration	Amt.
	9.5.01	Repair exp. Paid to Smt. Shailja	300

To correct this, we have to pass another entry for the difference, on the same side of the cash book:

Cash Book		Payments	
nt.	Date	Narration	Amt.
	2.6.01	Repair exp. Short entry made for Rs.300 instead of Rs.500 on 9-5-01, now corrected	200

A small note should be given in the cash book margin on 9-May-01: "Entry corrected on 2-Jun-01" This shows that the correction has been made later.

### Entered a larger amount

Suppose you have entered a larger amount in the cash book? Pass an entry for the difference on the other side. In the example below, a voucher of Rs.260 has been entered as Rs.660:

Cash Book		Payments	
nt.	Date	Narration	Amt.
	3.6.01	Conveyance exp. Paid to Sri Arvind	660

How much is the difference? Rs.400. So we pass a counter balancing entry for Rs. 400 on Receipts side. This entry may be passed later, when you find the mistake:

Cash Book		Receipts	
Date	Narration	Amt.	Da
7.7.01	Conveyance Exp. Correction for entry dated 3-6-01 for Rs.660 instead of Rs.260	400	

This entry will be posted to the credit side of 'Conveyance A/c'. The net debit to 'Conveyance A/c' will now be Rs.260 only.

You should also make a small note in the margin of the cash book on 3-Jun-01: "Entry corrected on 7-Jul-01".

### Made an entry on the wrong side

If you make an entry on the wrong side of the cash book, this can be corrected by passing an entry on the other side.

Cash Book		Payments	
nt.	Date	Narration	Amt.
	3.6.01	Donations Recd. from Km. Radha	501

Is this right? No. A donation has been received but entered on the payments side. This can be corrected as below, on the date it is discovered:

Cash Book		Receipts	
Date	Narration	Amt.	Da
8.6.01	Donation.	501	
	Donation.	501	
	Correction for entry passed on payment side on 3.6.01		

Why do we make the correction entry twice: once to nullify the effect of the wrong entry, second time to record the actual donation.

You may ask: why don't we pass the entry as Rs.1,002 instead? We can do that also – but the first method shows the trail more clearly. Also it will remain possible to identify the donation easily from the ledger.

### Made a totalling or carry forward mistake

Suppose you make a totalling mistake in the cash book. The effect of this mistake will be continued in subsequent totals also. How can this be corrected?

Cash Book		Payments	
nt.	Date	Narration	Amt.
	3.6.01	Repair exp. For switch repair	200
	4.6.01	Conveyance exp. Paid to Sri Venkat	78
	5.6.01	Misc. exp. Dusters for office	35
		Total payments*	513
		Cash in hand c/f	467
		Total	980

\* mistake of Rs.200 corrected 30 Jun.01

The mistake can be corrected on the date it is discovered. This is shown below:

Cash Book			
nt.	Date	Narration	Payments Amt.
	28.6.01	Salary exp. To Sri Venkat	3,200
	30.6.01	Prog. exp. Mahila mela	4,335
		Total payments	7,535
		Less: Totaling mistake 5.Jun.01	-200
			7,335
		Cash in hand c/f	1,625
		Total	8,960

A note regarding this should also be made in the cashbook for 5-Jun-01, as shown above.

### Entry not posted

If you forget to post an entry from the cash book into the ledger, the solution is simple. Post the entry when you discover it. However, also show the original date when you post the entry:

Ledger			
Account of Conveyance			
Date	Narration	Dr..	Cr.
3.6.01	Paid to Ramesh	48	
4.6.01	To Kumar for May	220	
8.6.01	To Venkat for May	355	
5.5.01	To Venkat for		
/8.6.0	April / not posted	330	
1	earlier		

### Posted on the wrong side

This can be corrected by making a double posting on the opposite side:

Ledger			
Account of Misc. Expenses			
Date	Narration	Dr..	Cr.
4.6.01	Paid to Zakir	48	
5.6.01	For dusters		35
8.6.01	Signboard for office	200	
5.6.01	Wrong Posting reversed	35	
5.6.01	For dusters	35	

### Posted a larger amount

This can be corrected by posting the difference on the opposite side:

Ledger			
Account of Misc. Expenses			
Date	Narration	Dr..	Cr.
6.7.01	Paid to Ramesh	48	
8.7.01	For doormat	450	
9.7.01	For moth balls	20	
9.7.01	Excess posting 8-7-01 of Rs.450 corrected		200

### Posted a smaller amount

This can be corrected by posting the difference again:

Ledger			
Account of Misc. Expenses			
Date	Narration	Dr..	Cr.
5.8.01	For bulb	12	
6.8.01	Bouquet for function	16	
7.8.01	For cleaning supplies	45	
7.8.01	Short posting 6.8.01 of Rs.16 corrected	144	

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