LESSON

4-3 Journalizing Correcting Entries and Correcting Posting Errors

Learning Objectives

LO7 Analyze incorrect journal entries and prepare correcting entries.

LO8 Demonstrate how to correct errors made during the posting process.

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Memorandum for a Correcting Entry

LO7

- An incorrect journal entry should be corrected with an additional journal entry, called a **correcting entry**.
- A memorandum is prepared as the source document describing the correction to be made.

MEMORANDUM

DELGADO
WEB SERVICES
25402 Rimrock Road
Billings, MT 59102-1820

No. 15

A cash payment of $120.00 for Advertising, March 31, 20--, was debited in error to Miscellaneous Expense

Signed: *Michael Delgado* Date: *April 17, 20--*

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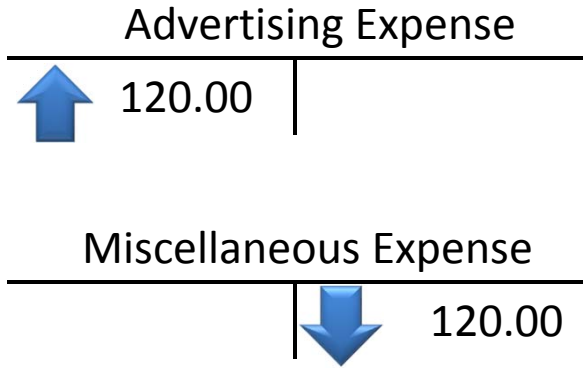
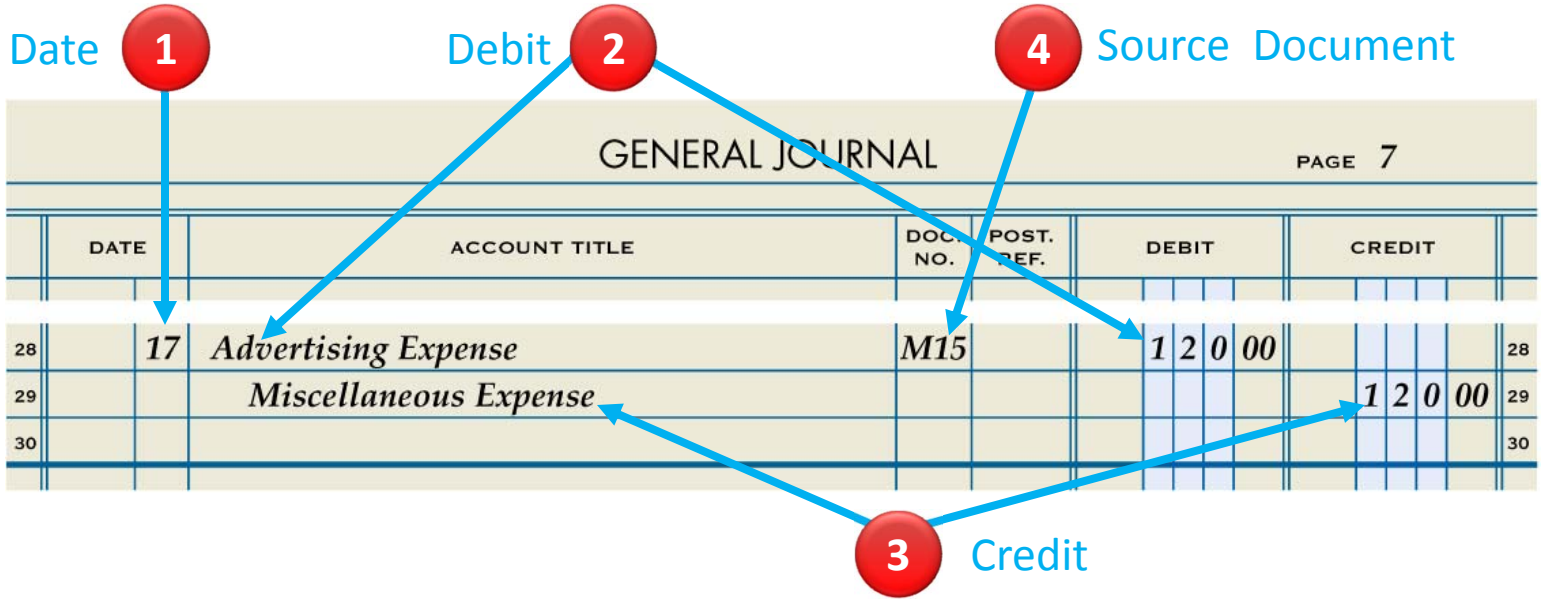
Journal Entry to Record a Correcting Entry

LO7

April 17. Discovered that a payment of cash for advertising in March was journalized and posted in error as a debit to Miscellaneous Expense instead of Advertising Expense, $120.00. Memorandum No. 15.





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Correcting an Error in Posting to the Wrong Account

LO8

ACCOUNT *Supplies* ACCOUNT NO. *150*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE DEBIT	BALANCE CREDIT
20-- Feb.	2		G3	250 00		250 00	
	15		G3	150 00		400 00	
	12		G4	100 00		500 00	

2

ACCOUNT *Prepaid Insurance* ACCOUNT NO. *160*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE DEBIT	BALANCE CREDIT
20-- Feb.	3		G3	325 00		325 00	
	~~12~~		~~G4~~	~~100 00~~		~~425 00~~	

1

1. Draw a line through the entire incorrect entry.
2. Record the posting in the correct account. Recalculate the account balance.

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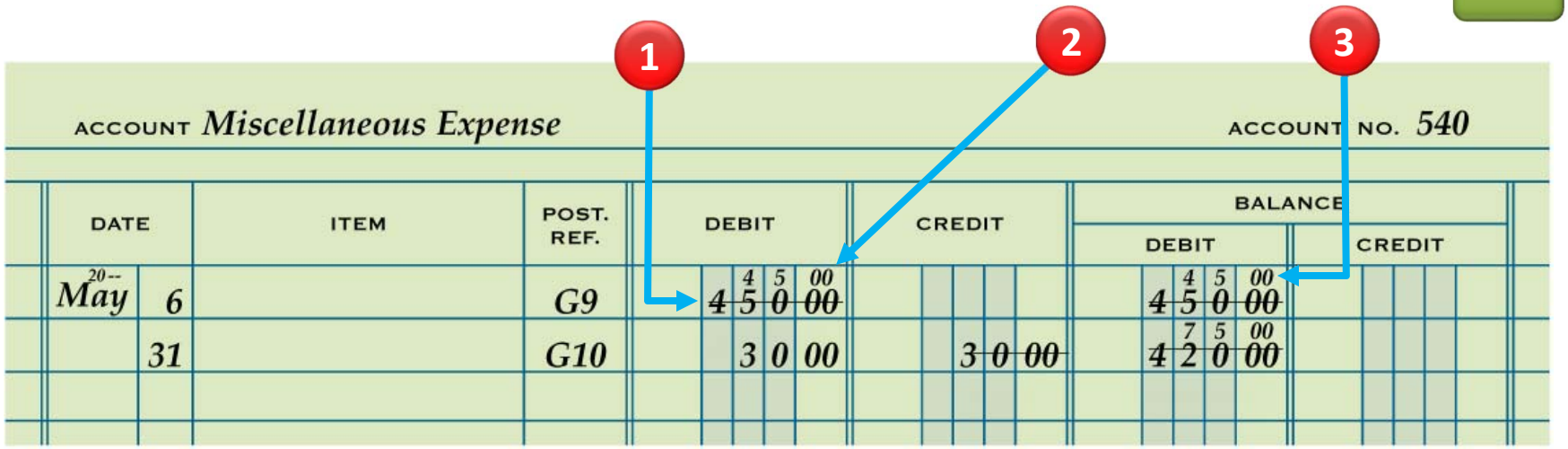
Correcting an Incorrect Amount

LO8



1. Draw a line through the incorrect amount.
2. Write the correct amount just above the incorrect amount in the same space.
3. Recalculate the account balance.

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Correcting an Amount Posted to the Wrong Column

LO8

ACCOUNT *Miscellaneous Expense* ACCOUNT NO. *540*

DATE		ITEM	POST. REF.	DEBIT	CREDIT	BALANCE DEBIT	BALANCE CREDIT
20-- May	6		G9	450 00		450 00	
	31		G10	300 00	300 00	150 00	

5 4 6

4. Draw a line through the incorrect item in the account.
5. Record the posting in the correct amount column.
6. Recalculate the account balance.

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Lesson 4-3 Audit Your Understanding

1. What is a correcting entry?

ANSWER

A journal entry made to correct an error in the ledger

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Lesson 4-3 Audit Your Understanding

2. When is a correcting entry necessary?

ANSWER

When a transaction has been improperly journalized and posted to the ledger

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Lesson 4-3 Audit Your Understanding

3. What are the three steps for correcting an incorrect amount posted to an account?

ANSWER

1. Draw a line through the incorrect amount.
2. Write the correct amount just above the correction in the same space.
3. Recalculate the account balance.

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Lesson 4-3 Audit Your Understanding

4. What are the three steps for correcting an amount posted to an incorrect column?

ANSWER

1. Draw a line through the incorrect item in the account.
2. Record the posting in the correct amount column.
3. Recalculate the account balance.

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