

SUSPENSE ACCOUNTS



When my trial balance doesn't balance, I have a little weep.

Trial Balance	Dr	Cr
Totals	£12,560	£12,000

Then I put in a suspense account, and that makes me feel better, except that I still have more work to do.

Trial Balance	Dr	Cr
Suspense		£560
Totals	£12,560	£12,560

I need to know where the £560 came from – I calculated it as the difference between the two totals, but what caused it? Well, what happens is that when there is an error (let's say someone debits £20 into the bank account but doesn't double enter it into sales), the bookkeeping system effectively credits the £20 to the suspense account because it has not been told where else to put it. The £20 is held in suspension until someone decides where it should be.

Suspense			
		Bank	£20

Other errors that cause a suspense include double debits or double credits. For example, if we bought stationery for £250 and debited both the bank and stationery accounts, there is a total debit of £500, and the corresponding credits automatically go to suspense.

Suspense			
		Bank	£20
		Bank	£250
		Stationery	£250

Sometimes figures are entered incorrectly – perhaps we credited the bank £870 and debited purchases £780. That means the debit entry is £90 lower than the credit entry, so the missing £90 ends up in suspense.

Suspense			
Bank	£90	Bank	£20
		Bank	£250
		Stationery	£250

Finally, we might simply have miss-totaled a day book – perhaps the payables column was short, or undercast by £130 and ended up in suspense.

Balance the suspense account and now we can see why the trial balance was out by £560.

Suspense			
Bank	£90	Bank	£20
Balance c/d	£560	Bank	£250
		Stationery	£250
		Purchases day book	£130
	£650		£650
		Balance b/d	£560

What we must do is correct the errors to clear the suspense.

Let's start with the £20. It should have been credited to sales, so we need to debit suspense to remove it from that account, and credit it to sales. We will use the journal to make this correction.

Journal	Dr	Cr
Suspense	£20	
Sales		£20

Now the double debit where £250 was debited to both the bank and stationery. The debit to stationery was correct but the bank should have been credited. Here we can see the incorrect entry in red.

Bank			
Bank	£250		

Firstly, we cancel out the incorrect entry in the bank by crediting the bank.

Bank			
Bank	£250	Suspense	£250

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Journal	Dr	Cr
Suspense	£20	
Sales		£20
Suspense	£250	
Bank		£250

Then we credit the bank with £250, which is what should have been done in the first place!

Bank			
Bank	£250	Suspense	£250
		Suspense	£250

Journal	Dr	Cr
Suspense	£20	
Sales		£20
Suspense	£250	
Bank		£250
Suspense	£250	
Bank		£250

We can move onto the mistake of crediting the bank £870 and debiting purchases £780. Firstly, check which figure is wrong – it could be either. Our check tells us that the purchase figure is wrong, so we must add £90 to purchases, removing it from suspense.

Journal	Dr	Cr
Suspense	£20	
Sales		£20
Suspense	£250	
Bank		£250
Suspense	£250	
Bank		£250
Purchases	£90	
Suspense		£90

You may be asked to fully remove the £780 and replace it with £870, but the effect is the same. Make sure that you write a good explanation or narrative for the journal if you simply post the missing £90.

Finally, let's sort out the undercast payables column. We need to add £130 to payables, removing it from suspense.

Journal	Dr	Cr
Suspense	£20	
Sales		£20
Suspense	£250	
Bank		£250
Suspense	£250	
Bank		£250
Purchases	£90	
Suspense		£90
Suspense	£130	
Payables		£130

We are ready to review the suspense account, posting the journals shows that it is now clear.

Suspense			
Bank	£90	Bank	£20
Balance c/d	£560	Bank	£250
		Stationery	£250
		Purchases day book	£130
	£650		£650
Sales	£20	Balance b/d	£560
Bank	£250	Purchases	£90
Bank	£250		
Payables	£130		
	£650		£650

Once all the other accounts have been updated, the trial balance will balance, and I will be happy again!

Compiled by Cath Littler, accountancy learning specialist working with AAT and Mindful Education.