

HOW TO CORRECT A JOURNAL ENTRY

Carefully examine all entries recorded for each period and when an error is found use the following correction procedure:

1. **Back the transaction out using the date used in the error entry.**
2. **Enter the correct transaction using the correct date of the original entry.**

If, for example, you find that a cash sales transaction entered for December 3 was entered without including the 7% sales tax, as a debit to Cash and a credit to Sales, simply **back out (reverse)** the error entry as follows:

Dec. 3	Sales	300.00	
	Cash		300.00

Enter **ERROR** at the check number prompt since this is a **correction** to cash and **does not** involve the issuance of another check. When the entry has been verified and posted, the accounts will now show the original balances in place before the error entry.

3. **Using the same December 3 date, record the correct entry.**

Dec. 3	Cash	321.00	
	Sales		300.00
	Sales Tax Payable		21.00

The error entry, the back-out entry, and the correction entry will appear in the journal in the order that they have been recorded, leaving a clear, easy-to-follow audit trail.