

What is the suspense account?

Karen Groves explains a concept students taking the Principles of Bookkeeping Controls assessment need to know

The suspense account is used as a temporary holding account if the bookkeeper is unsure about one side of a transaction, or if the Trial Balance doesn't balance. This applies to both manual and computerised accounting systems.

The suspense account will be used until either the error has been identified, or correct double entry established. It is a holding account until the discrepancies are resolved.

For your Level 2 AAT Principles of Bookkeeping Controls assessment you may be required to open a suspense account and process entries to clear the suspense account.

Example

While preparing the company cash book you find a cheque stub with no details regarding who the cheque for £250 has been paid to. The bank account will be credited with £250; however, the debit entry is uncertain at this stage, so a suspense account will be opened:

SUSPENSE ACCOUNT					
DATE	DETAIL	£	DATE	DETAIL	£
01.11.2023	Bank	250			

You later find out that the cheque was for stationery, and can now clear the suspense account as follows:

SUSPENSE ACCOUNT					
DATE	DETAIL	£	DATE	DETAIL	£
01.11.2023	Bank	250	01.11.2023	Stationery	250

STATIONERY ACCOUNT					
DATE	DETAIL	£	DATE	DETAIL	£
01.11.2023	Suspense	250			

Example

The bookkeeper has prepared a Trial Balance, and the debits and credits do not balance. The errors need to be investigated and corrected; in the meantime, the difference between the debit and credit totals of £500 will be entered as a suspense account balance, to balance the Trial Balance until the errors are identified:

	DR £	CR £
Bank	14,300	
Cash	100	
Capital		19,400
Delivery vehicle	25,000	
Computer	1,200	
Advertising	5,500	
Sales		42,100
Purchases	8,040	
Cleaning	350	
Wages	6,000	
Electricity	510	
Suspense	500	
	61,500	61,500

The error has been caused by a payment for advertising of £500 being credited from the bank account only, with the debit to the advertising account not entered. The accounts and Trial Balance can be updated to reflect the required adjustment:

SUSPENSE ACCOUNT					
DATE	DETAIL	£	DATE	DETAIL	£
01.11.2023	Bank	500	01.11.2023	Advertising	500

ADVERTISING ACCOUNT					
DATE	DETAIL	£	DATE	DETAIL	£
01.11.2023	Suspense	500			



	DR £	CR £
Bank	14,300	
Cash	100	
Capital		19,400
Delivery vehicle	25,000	
Computer	1,200	
Advertising	6,000	
Sales		42,100
Purchases	8,040	
Cleaning	350	
Wages	6,000	
Electricity	510	
	61,500	61,500

Question

While preparing the company cash book you find a cash withdrawal with no details regarding who the cash for £150 had been paid to. The bank account will be credited with £150, although the debit entry is uncertain at this stage. You are required to open a suspense account and then show the necessary adjustment when you establish later that day that the £150 was taken by the business owner as drawings.

Today's date is 1 November 2023.

SUSPENSE ACCOUNT					
DATE	DETAIL	£	DATE	DETAIL	£

DRAWINGS ACCOUNT					
DATE	DETAIL	£	DATE	DETAIL	£

Answers

SUSPENSE ACCOUNT					
DATE	DETAIL	£	DATE	DETAIL	£
01.11.2023	Bank	150	01.11.2023	Drawings	150

DRAWINGS ACCOUNT					
DATE	DETAIL	£	DATE	DETAIL	£
01.11.2023	Suspense	150			

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