**TOPIC 4**

**THE TRIAL BALANCE**

The trial balance is a simple report that shows the list of account balances classified as per the debits and credits. The purpose of the trial balance is to show the *accuracy* *of the double entries* made and to *facilitate the preparation of final accounts* i.e. the trading, profit & loss account and a balance sheet.

The debits of the trial balance should be the same as the credits, if not then there is an error in one or more of the accounts.

The trial balance in the example in topic 3 would be extracted as follows:

**Name**

|  |  |  |
| --- | --- | --- |
| **Trial balance as at 31 May 2020** | | |
|  | Debit | Credit |
|  | **£** | **£** |
| Rent – income |  | 5 |
| Debtor – U Foot | 7 |  |
| Motor vehicle | 300 |  |
| Bank | 1555 |  |
| Purchases | 289 |  |
| Wages | 117 |  |
| Capital |  | 2000 |
| Creditor – M Rooks |  | 152 |
| Furniture & Fittings | 150 |  |
| Sales |  | 352 |
| Cash in hand | 72 |  |
| Creditor – P Scot |  | 114 |
| Expenses – Rent | 15 |  |
| Expenses – Stationery | 27 |  |
| Returns Outwards |  | 23 |
| Drawings | 44 | . |
|  | 2464 | 2464 |

From the trial balance please note that assets and expenses are on the debit side. Capital, liabilities and incomes are normally listed on the credit side.

The next example is a detailed one that shows extracting of trial balance once all the postings have been made in the relevant accounts.

**Example**

Write up the following transactions in the books of S Pink:

2003

March 1 Started business with cash £1,000.

“ 2 Bought goods on credit from A Cliks £296.

“ 3 Paid rent by cash £28.

“ 4 Paid £1,000 of the cash of the firm into a bank account.

“ 5 Sold goods on credit to J Simpson £54.

“ 7 Bought stationery £15 paying by cheque.

“ 11 Cash sales £49.

“ 14 Goods returned by us to A Cliks £17.

“ 17 Sold goods on credit to P Lutz £29.

“ 20 Paid for repairs to the building by cash £18.

“ 22 J Simpson returned goods to us £14.

“ 27 Paid A Cliks by cheque £279.

“ 28 Cash purchases £125.

“ 29 Bought a motor vehicle paying by cheque £395.

“ 30 Paid motor expenses in cash £15.

“ 31 Bought fixtures £120 on credit from R west.

**Solutions**

Capital a/c Cash in hand a/c

2003 £ 2003 £ 2003 £ 2003 £

31/3 Bal c/d 1,500 1/3 Cash 1,500 1/3 Capital 1,500 3/3 Rent 28

11/3 Sales 49 4/3 Bank 1,000

20/3 Repairs 18

28/3 Purchases 125

30/3 Motor exp. 15

31/3 Bal c/d 363

1,549 1,549

Purchases a/c

2003 £ 2003 £

2/3 A Hanson 296 31/3 Bal c/d 421 Creditors – A Cliks ac

28/3 Cash 125

2003 £ 2003 £

421 421 14/3 Returns out 17 2/3 Purchases 296

27/3 Bank 279

296 296

Rent –Expenses a/c Bank a/c

2003 £ 2003 £ 2003 £ 2003 £

3/3 Cash 28 31/3 Bal c/d 28 4/3 Cash 1,000 5/3 Stationery 15

27/3 A. Hanson 279

29/3 Motor van 395

31/3 Bal c/d 311

1,000 1,000

Debtor – J Simpson a/c Sales a/c

2003 £ 2003 £ 2003 ` £ 2002 £

3/3 Sales 54 22/3 Returns in 14 31/3 Bal c/d 132 5/3 JSimpson 54

31/3 Bal c/d 40 11/3 Sales 49

17/3 P Lutz 29

54 54

132 132

Stationery a/c

2003 £ 2003 £ Returns outwards a/c

7/3 Bank 15 31/3 Bal c/d 15

2003 £ 2003 £

31/3 Bal c/d 17 14/3 A Cliks 17

P Lutz – Debtor a Building repairs - expenses

2003 £ 2003 £ 2003 £ 2003 £

17/3 Sales 29 21/3 Bal c/d 29 20/3 Cash 18 31/3 Bal c/d 18

Returns - Inwards

Motor vehicle

2003 £ 2003 £ 2003 £ 2003 £

22/3 J Simpson 14 31/3 Bal c/d 14 29/3 Bank 395 31/3 Bal c/d 395

R West – Creditor (others) Motor expenses

2003 £ 2003 £ 2003 £ 2003 £

31/3 Bal c/d 120 31/3 Fixtures 120 30/3 Cash 15 31/3 Bal c/d 15

Fixtures

2003 £ 2003 £

31/3 A. Webster 120 31/3 Bal c/d 120

**S PINKS**

**TRIAL BALANCE AS AT 31 MARCH 2003**

|  |  |  |
| --- | --- | --- |
|  | Debit (£) | Credit (£) |
| Capital |  | 1500 |
| Purchases | 421 |  |
| Cash in hand | 363 |  |
| Bank | 311 |  |
| Rent expense | 28 |  |
| Sales |  | 132 |
| Fixtures | 120 |  |
| Debtor – J Simpson | 40 |  |
| Debtor – P Lutz | 29 |  |
| Motor vehicle | 395 |  |
| Creditors | - | - |
| Motor expenses | 15 |  |
| Returns inwards | 14 |  |
| Creditors others – R West |  | 120 |
| Stationery | 15 |  |
| Returns outwards |  | 17 |
| Building repairs | 18 | - |
|  | 1769 | 1769 |