Ch 4: Trial Balance and Accounting Errors

Trial Balance :

Objectives:

(i) To Check arithmetic accuracy

(ii) To help in locating errors

(iii) To provides summary of Ledger

(iv) To help in preparation of Final Accounts( Financial Statements)

Q. 1. Prepare the Trial Balance with the following information:

|  |  |  |
| --- | --- | --- |
| S.N. | Name of Accounts | Balance (Rs) |
|  | Capital  Cash  Creditors (Liabilities)  Sales (Income)  Stock (Inventory)- Assets  Debtors (Assets)  Bank Loan (Liabilities)  Purchases (Expenses) | 2,00,000  1,80,000  1,00,000  3,00,000  70,000  3,00,000  1,50,000  2,00,000 |

Soln. Ans. 7,50,000

|  |  |  |
| --- | --- | --- |
|  | Dr. Balance | Cr. Balance |
| 1. Assets  2. Expenses/ Losses | Always Dr. balance  Same | -----  ------- |
| 3. Capital  4. Liabilities  5. Incomes/ Gains/Profits | ------- | Always Cr. Balance  Same  Same |

Trial Balance

As on 31st March ,

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| S.N. | Particulars | L.F. | Dr. Balance (Rs) | Cr. Balance  (Rs) |
| 1.  2.  3.  4.  5.  6.  7.  8. | Capital  Cash  Creditors  Sales  Stock (Assets)  Debtors  Bank Loan  Purchases |  | ----  1,80,000  70,000  3,00,000  2,00,000 | 2,00,000  ---  1,00,000  3,00,000  1,50,000 |
|  | Total |  | 7,50,000 | 7,50,000 |

Q. 3. . Prepare the Trial Balance of Ankit as on 31st March, 2019. He was omitted to open a Capital Account:

|  |  |  |
| --- | --- | --- |
| S.N. | Name of Accounts | Rs |
|  | Bank Overdraft  Sales  Purchase Return  Debtors  Wages Paid to Labour  Purchases  Cash in Hand  Creditors  Sales Return  Equipment  Opening Stock  Capital | 85,000  8,10,000  22,500  4,00,500  96,000  4,45,000  8,500  2,15,000  15,750  25,000  3,00,500  ? |

Capital 1,58,750 Ans

Rules of Dr. and Cr.:

Traditional Concept: 1. Personal a/c 2. Real a/c 3. Nominal a/c -All exp. Dr, All incomes Cr

Modern Concept:

1. Assets – Dr

2. Expenses – Dr

|  |
| --- |
| Cr |

3. Capital

4. Liabilities

5. Incomes

Q. 9. Following Trial Balance is given but it is not correct. Prepare correct Trial Balance.

|  |  |  |  |
| --- | --- | --- | --- |
| Debit balance | Rs | Credit balance | Rs |
| Building  Machinery  Returns outward(Purchase return)  Bad Debts  Cash  Discount received  Bank Overdraft  Creditors  Purchases | 300,000  85,000  13,000  14,000  2,000  15,000  50,000  2,50,000  5,00,000 | Capital  Furniture  Sales  Debtors  Interest received | 3,68,000  28,000  5,20,000  3,00,000  13,000 |
|  | 12,29,000 |  | 12,29,000 |

Ans. Total correct of Trial balance Rs 12,29,000

Adjusted Trial Balance 5 marks

An unadjusted Trial Balance of a company is given below:

|  |  |  |
| --- | --- | --- |
| Particulars | Dr. (Rs) | Cr. (Rs) |
| Sales  Capital  Creditor (Liabilities)  Purchase  Wages (Expenses)  Fixed Assets  Salaries (expenses)  Debtors  Cash | 5,00,000  1,00,000  1,50,000  100,000  80,000  1,20,000 | 7,00,000  3,00,000  50,000 |
| Total | 10,50,000 | 10,50,000 |

Adjustments:

1. Outstanding wages Rs. 5000.
2. Bad debts Rs. 2000 – Loss – Debtors amount will decreased

O/S Wages – (a) Expenses (+) Wages – Nominal a/c - Wages a/c Dr

(b) Liabilities (+) O/S Wages- Personal a/c (giver) – To O/S Wages a/c

- Bad Debts a/c Dr To Debtors a/c

Required: Adjusted Trial Balance

Soln. Adjusted Trial Balance

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| S.N. | Particulars | Unadjusted Trial Balance (1) | | Adjustments  (2) | | Adjusted Trial Balance (3 = 1+/-2) | |
| Dr. | Cr. | Dr. | Cr. | Dr. | Cr. |
| 1.  2.  3.  4.  5  6.  7.  8.  9.  (i)  (ii) | Sales  Capital  Creditor  Purchase  Wages  Fixed Assets  Salaries  Debtors  Cash  Adjustments:  Outstanding wages(Liab.)  Bad debts  (Loss) | 5,00,000  1,00,000  1,50,000  1,00,000  80,000  1,20,000 | 7,00,000  3,00,000  50,000 | --  5,000  2,000 | ---  2,000  5,000 | ---  5,00,000  1,05,000  1,50,000  1,00,000  78,000  1,20,000  2,000 | 7,00,000  3,00,000  50,000  ---  5,000 |
|  | Total | 10,50,000 | 10,50,000 | 7000 | 7000 | 10,55,000 | 10,55,000 |

Dr+Dr= post in dr. side

Dr- Cr = post in Dr. side

Cr – Dr. = post in Cr. Side

Cr + Cr = Cr Post in Crside

Furniture – Purchase – Furniture a/c Dr

Old Furniture sold in cash. Cash a/c Dr To Old Furniture a/c

Goods –Purchase

Goods- Sales

12. Consider the following trial balance as on 31st Chaitra 2074:

|  |  |  |
| --- | --- | --- |
| Particulars | Debit Rs. | Credit Rs. |
| Furniture | 22,000 |  |
| Opening stock | 2,200 |  |
| Debtors | 13,200 |  |
| Cash in hand | 19,800 |  |
| Prepaid insurance | 6,600 |  |
| Creditors |  | 8,800 |
| Unearned commission (Advance commission) |  | 3,300 |
| Capital |  | 49,500 |
| Purchases | 6,600 |  |
| Sales |  | 19,800 |
| Salaries | 2,200 |  |
| Electricity | 5,500 |  |
| Telephone Charge | 1,100 |  |
| Rent expense | 2,200 |  |

Additional information

a. Prepaid insurance expired Rs.200.

b. Depreciation on furniture Rs. 2,000.

c. Closing stock Rs. 4,200.

d. Outstanding salary Rs. 300.

e. Commission of Rs. 450 earned out of unearned commission.

Required: Adjusted trial balance

Ans: Adjustments Rs. 7,150; ATB Rs. 85,900

Soln. Adjusted Trial Balance

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| S.N. | Particulars | Unadjusted Trial Balance (1) | | Adjustments  (2) | | Adjusted Trial Balance (3 = 1+/-2) | |
| Dr. | Cr. | Dr. | Cr. | Dr. | Cr. |
| 1.  2.  3.  4.  5  6.  7.  8.  9.  10.  11.  12.  13.  14.  (i)  (ii)  (iii)  (iv)  (v) | Furniture  Opening stock  Debtors  Cash  Prepaid insurance  Creditors  Unearned commission  Capital  Purchases  Sales  Salaries  Electricity  Telephone exp.  Rent exp.  Adjustments:  Insurance exp (Dr)  Depreciation on furniture  Closing stock  Outstanding salary  Commission earned | 22,000  2,200  13,200  19,800  6,600    6,600    2,200  5,500  1,100  2,200 | 8,800  3,300  49,500  19,800 | (i)  450  300  200  2,000  4,200 | 2,000  200  (v)  (iv).  4,200  300  450 | 20,000  2200  13,200  19,800  6,400  6600  2500  5500  1100  2200  200  2000  4200 | 8800  2850  49,500  19800  4200  300  450 |
|  | Total | 81,400 | 81,400 | 7150 | 7150 | 85,900 | 85,900 |

Adjustment Entry:

(i) Insurance exp Dr 200

To Prepaid insurance 200 (Assets - )

Insurance paid in advance 6600- Prepaid Insurance Dr (Assets + Service receivable) To Cash

Prepaid insurance expired Rs.200.

(a) Insurance exp. (Dr) 200 (b) Prepaid Insurance (CR)

2064. Adjusted Trial Balance

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| S.n. | Particulars | Unadjusted Trial Balance (given) | | Adjustments | | Adjusted Trial Balance | |
|  |  | Dr. | Cr. | Dr. | Cr. | Dr. | Cr. |
| 1.  2  3  4  5  6  7  8  9  I  Ii  Iii  iv | Bank (Assets)  Purchases(exp  Debtors  Furnitures  Salary  Rent  Sales  Capital  Creditors  Adjustments:  O/S salary(liab)  Dep.on Furniture(loss)  Prepaid rent  Prov.for d.d. | 20,000  46,000  22,000  50,000  40,000  12,000 | (iv)  (ii)  (i)  (iii)  90,000  60,000  40,000 | -  3000  5000  2000  1100 | -  1100  5000  2000  3000 | 20000  46000  20900  45000  43000  10000  5000  2000  1100 | 90,000  60000  40000  3000 |
|  | Total | 1,90,000 | 190,000 | 11,100 | 11,100 | 1,93,000 | 193,000 |

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Illustratio 2:

Sales Book and Sales A/C

Sales A/c

|  |  |  |  |
| --- | --- | --- | --- |
| Par… | Rs | Par.. | Rs |
|  |  | Feb 10 By Cash a/c (w.n.)  By Discount  Feb 28: By Sundry Debtors | 33,986  1789  2,68,100 |

Cash a/c Dr 33,986

Dis. Allowed Dr 1789

To Sales a/c 35,775

|  |  |
| --- | --- |
| 25x950  20x800 | 23,750  16,000 |
| Less, T.D 10% | 39,750  3,975 |
| Net Sales Value  Less, Cash Di. 5% x 35,775 | 35,775  1.789 |
| Cash received | 33,986 |

40 Marks

Section A – 10 Marks (MCQ) 10 questios

Section B 5maks x 6 = 30 Marks

11. Journal

12. Ledger

13. Purchase and Sales Book and A/C

14. Adjusted Trial Balance

15. Double/Triple Column Cash Book

16. Trial Balance

Ledger:

From the following trasactions :

Prepare Cash A/C and Ramesh A/c

Jan 1: Started Business with cash 40,000

2: Goods purchase from Ramesh Rs 30,000

5: Goods return to Ramesh Rs 3000

8: Goods purchase From Ramesh Rs 40,000 and 40% paid in cash.

Journal : Purchase a/c Dr 40,000 To Cash a/c 16,000 To Ramesh A/c 24,000

Dr 1. Cash A/c Cr

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Date | Par.. | J.F. | Amount | Date | Par.. | JF. | Amt. |
| Jan 1 | To Capital a/c |  | 40,000 | Jan 8  Jan 31 | By Purchase a/c  By Balance c/d |  | 16,000  24,000 |
|  |  |  | 40,000 |  |  |  | 40,000 |
| Feb 1 | To Balance b/d |  | 24,000 |  |  |  |  |

Dr Ramesh a/c Cr

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Date | Par.. | J.F. | Amount | Date | Par.. | JF. | Amt. |
| Jan 5  Jan 31 | To Purchase Return a/c  To Balance c/d (bal. fig.) |  | 3,000  51,000 | Jan 2  Jan 8 | By Purchase a/c  By Purchase a/c |  | 30,000  24,000 |
|  |  |  | 54,000 |  |  |  | 54,000 |
|  |  |  |  | Feb 1 | By Balance b/d |  | 51,000 |

MCQ

1. A withdrawal of Cash Rs 3,000 from the business by the Proprietor should be credited to :

a. Drawing a/c b. Cash a/c c. Capital a/c d. Purchase a/c

Journal :

Drawings Dr To Cash (Credited)

Q. 9

a. Cash a/c Dr 5,000

Shree Ram a/c Dr 5,000

To Sales 10,000

b. Cash a/c Dr 4500

Discount allowed Dr 5000x10% =500

To Shree Ram 5,000

c. Goods Lost a/c Dr

To Purchase a/c

At the end of accounting period

Profit & Loss a/c Dr

To Goods Lost

D. Goods Lost Dr 25,000

To Purchase a/c 25,000

Insurance Co. Dr 15,000

Profit & Loss Dr 10,000

To Goods Lost 25,000

f. Machinery Dr

To Cash

To Bank