



PREPARATION OF TRIAL BALANCE

TRIAL BALANCE



- Trial Balance is a statement which consists of various debit balances and credit balances.
- Trial Balance is made at the end of the accounting period, which is mostly of a year.

TRIAL BALANCE

- This statement is the link between the primary accounts and the final accounts.
- Trial balance makes the work of the accountant easy by summarizing the ledger information in one place.



OBJECTIVES OF TRIAL BALANCE



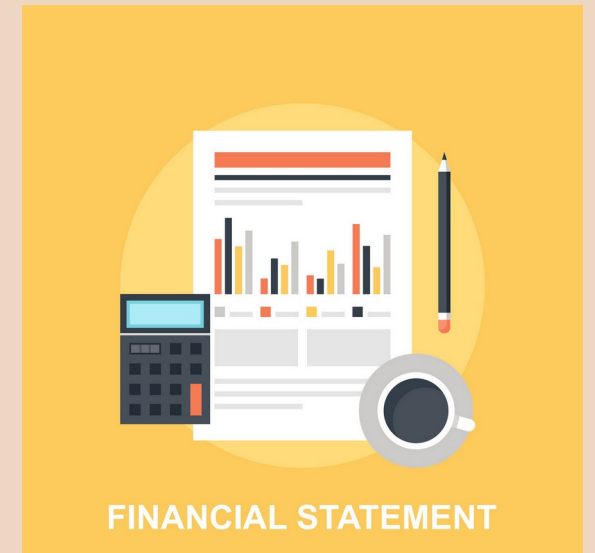
Ascertains Arithmetic Accuracy of the Accounting Entries

- Trial Balance is the summary of all ledger balances, both debit and credit.
- A balanced trial balance where credit and debit totals are equal shows arithmetic accuracy of accounts.

OBJECTIVES OF TRIAL BALANCE

Helps in Preparing Financial Statements

- All revenue and expense accounts of the trial balance are transferred to the trading and profit and loss account.
- All liabilities, capital and assets in trial balance are transferred to the balance sheet.



OBJECTIVES OF TRIAL BALANCE

Summaries Ledger

- Trial balance is the summary of all ledger entries and the specific account position on the ledger can be found easily.
- When the accountant is preparing the final accounts he / she does not need to refer to the ledger.



OBJECTIVES OF TRIAL BALANCE

Helps in Identifying Errors

- When the debit side of trial balance is not equal to the credit side of the trial balance then it indicates that there is some error in the accounts.



LIMITATIONS OF TRIAL BALANCE



1. Trial Balance can only be prepared if the company follows double entry system of maintaining accounts.
2. The trial balance may show arithmetic accuracy in some cases but certain errors cannot be detected through the trial balance.

LIMITATIONS OF TRIAL BALANCE

3. If the trial balance is not accurate then the final accounts will not be correctly prepared and the true state of the company cannot be shown.



STEPS TO PREPARE TRIAL BALANCE



1. Calculate balances of all ledger accounts.
2. Place the ledger balances in the debit and credit columns of trial balance accordingly.

STEPS TO PREPARE TRIAL BALANCE

3. Calculate the total of the debit and credit columns in the trial balance.
4. Verify that the credit total is equal to the debit total and the debit and credit entries are correct.



PREPARATION OF TRIAL BALANCE



Total Method of Preparing Trial Balance

- In total method the total of both the debit side and the credit side are determined separately.
- Then they are posted in separate columns in the trial balance.

PREPARATION OF TRIAL BALANCE

Balance Method of Preparing Trial Balance

- In this method the balances of all the ledgers are shown in the trial balance and then they are totaled.
- This method is the most popularly used method by the companies.



PREPARATION OF TRIAL BALANCE



Total and Balance Method of Preparing Trial Balance

- This method is a combination of the total method and the balance method.
- Here four columns are made: credit total, debit total, credit amount and debit amount.

EXAMPLE

From the given data prepare the trial balance using:

- Total Method
- Balance Method
- Total and Balance Method





CAPITAL A/C

DATE	PARTICULARS	AMOUN T	DATE	PARTICULARS	AMOUN T
			APRIL 1	By Cash A/c	140000
MAR 31	To Balance c/d	150000	SEPT 1	By Cash A/c	10000
		150000			150000



CASH A/C

DATE	PARTICULARS	AMOUNT	DATE	PARTICULARS	AMOUNT
APRIL 1	To Capital A/c	140000	MAR 31	By Salary A/c	40000
SEPT 1	To Capital A/c	10000	MAR 31	By Bank A/c	50000
			MAR 31	By Drawings A/c	10000
			MAR 31	By Balance c/d	50000
		150000			150000



SALARY A/C

DATE	PARTICULARS	AMOUNT	DATE	PARTICULARS	AMOUNT
MAR 31	To Cash A/c	40000	MAR 31	By Balance c/d	40000
		40000			40000



DRAWINGS A/C

DATE	PARTICULARS	AMOUNT	DATE	PARTICULARS	AMOUNT
MAR 31	To Cash A/c	10000	MAR 31	By Balance c/d	10000
		10000			10000



BANK A/C

DATE	PARTICULARS	AMOUNT	DATE	PARTICULARS	AMOUNT
MAR 31	To Cash A/c	50000	JAN 1	By Furniture A/c	30000
			MAR 31	By Balance c/d	20000
		50000			50000



FURNITURE A/C

DATE	PARTICULARS	AMOUNT	DATE	PARTICULARS	AMOUNT
JAN 1	To Bank A/c	30000	MAR 31	By Balance c/d	30000
		30000			30000



PURCHASES A/C

DATE	PARTICULARS	AMOUNT	DATE	PARTICULARS	AMOUNT
MAY 15	To A's A/c	50000			
NOV 26	To B's A/c	20000			
FEB 1	To C's A/c	30000	MAR 31	By Balance c/d	100000
		100000			100000



A'S A/C

DATE	PARTICULARS	AMOUNT	DATE	PARTICULARS	AMOUNT
MAR 31	To Balance c/d	50000	MAY 15	By Purchases A/c	50000
		50000			50000



B'S A/C

DATE	PARTICULARS	AMOUNT	DATE	PARTICULARS	AMOUNT
MAR 31	To Balance c/d	20000	NOV 26	By Purchases A/c	20000
		20000			20000

C'S A/C



DATE	PARTICULARS	AMOUNT	DATE	PARTICULARS	AMOUNT
MAR 31	To Balance c/d	30000	FEB 1	By Purchases A/c	30000
		30000			30000

SALES A/C



DATE	PARTICULARS	AMOUNT	DATE	PARTICULARS	AMOUNT
			JUN 25	By X's A/c	40000
MAR 31	To Balance c/d	70000	Nov 15	By Y's A/c	30000
		70000			70000



X'S A/C

DATE	PARTICULARS	AMOUNT	DATE	PARTICULARS	AMOUNT
JUN 25	To Sales A/c	40000	MAR 31	By Balance c/d	40000
		40000			40000



Y'S A/C

DATE	PARTICULARS	AMOUNT	DATE	PARTICULARS	AMOUNT
NOV 15	To Sales A/c	30000	MAR 31	By Balance c/d	30000
		30000			30000

SOLUTION: TOTAL METHOD

TRIAL BALANCE AS ON			
NAME OF ACCOUNT	L.F.	DEBIT TOTAL	CREDIT TOTAL
Capital A/c			150000
Cash A/c		150000	100000
Drawings A/c		10000	
Bank A/c		50000	30000
Salary A/c		40000	
Furniture A/c		30000	

SOLUTION: TOTAL METHOD

Purchases A/c		100000	
A's A/c			50000
B's A/c			20000
C's A/c			30000
Sales A/c			70000
X's A/c		40000	
Y's A/c		30000	
		450000	450000

SOLUTION: BALANCE METHOD

TRIAL BALANCE AS ON			
NAME OF ACCOUNT	L.F.	DEBIT AMT.	CREDIT AMT.
Capital A/c			150000
Cash A/c		50000	
Drawings A/c		10000	
Bank A/c		20000	
Salary A/c		40000	
Furniture A/c		30000	

SOLUTION: BALANCE METHOD

Purchases A/c		100000	
A's A/c			50000
B's A/c			20000
C's A/c			30000
Sales A/c			70000
X's A/c		40000	
Y's A/c		30000	
		320000	320000

SOLUTION: TOTAL AND BALANCE METHOD

TRIAL BALANCE AS ON					
NAME OF ACCOUNT	L.F.	DR TOTAL	CR TOTAL	DR AMT	CR AMT
Capital A/c			150000		150000
Cash A/c		150000	100000	50000	
Drawings A/c		10000		10000	
Bank A/c		50000	30000	20000	
Salary A/c		40000		40000	
Furniture A/c		30000		30000	

SOLUTION: TOTAL AND BALANCE METHOD

Purchases A/c		100000		100000	
A's A/c			50000		50000
B's A/c			20000		20000
C's A/c			30000		30000
Sales A/c			70000		70000
X's A/c		40000		40000	
Y's A/c		30000		30000	
		450000	450000	320000	320000

*Thank
you!*