

# Trial Balance and Errors

## LEARNING OBJECTIVES

*After studying this Chapter, you should be able to understand :*

- Meaning of Trial Balance
- Objectives of Preparing Trial Balance
- Preparation of Trial Balance
- Steps to Locate the Errors
- Types of Errors :
  - Errors Affecting Trial Balance
  - Errors Not Affecting Trial Balance

“Trial balance is a statement, prepared with the debit and credit balances of Ledger accounts to test the arithmetical accuracy of the books”. — J.R. Batliboi

**Meaning of Trial Balance :** All the businessmen after completion of postings from Journal or Subsidiary Books to the Ledger, want to verify accuracy of the posting. For this purpose a statement is prepared wherein the balances of all the accounts in the Ledger are incorporated. The statement so prepared is called ‘Trial Balance’. Accounts showing debit balances are put on the debit side of the trial balance and the accounts showing credit balances are put on its credit side. If the total of the debit side of the trial balance is equal to that of its credit side, it is presumed that the posting to the ledger is accurate.

The reason for agreement of a trial balance is that under the double entry system, each transaction is recorded two times, once on the debit side of an account and again on the credit side of another account. Thus, the total of all the entries on the debit side of all the accounts must be equal to the total of all the entries on the credit side of all the accounts. If the totals of both the sides of a trial balance are equal, it is proved that the books are atleast arithmetically correct.

### Definitions of Trial Balance

According to Carter, “Trial Balance is the list of debit and credit balances, taken out from ledger. It also includes the balances of cash and bank taken from cash book.”

According to William Pickles, “The statement prepared with the help of ledger balances, at the end of financial year (or at any other date) to find out whether debit total agrees with credit total is called Trial Balance.”

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### **Features or Characteristics of a Trial Balance**

1. It is a list of balances of all ledger accounts and the cash book.
2. It is just a statement, and not an account.
3. It is neither a part of double entry system, nor does it appear in the actual books of accounts. It is just a working paper.
4. It can be prepared at any time during the accounting period, say, at the end of every month, every quarter, every half year or every year. Usually it is prepared at the end of accounting year before preparing the final accounts.
5. It is always prepared on a particular date and not for a particular period.
6. It is prepared to check the arithmetical accuracy of the ledger accounts.
7. If the books are arithmetically accurate, the total of all debit balances of a trial balance will be equal to the total of all credit balances.
8. A tallied Trial Balance is not a conclusive proof of the accuracy of the books of accounts since certain type of errors remain even when the Trial Balance tallies.

### **Objectives or Need or Functions of Preparing Trial Balance**

The following are the objects or functions of preparing a trial balance :—

- (1) To ascertain the arithmetical accuracy of the ledger accounts.
- (2) To help in locating errors.
- (3) To obtain a summary of the ledger accounts.
- (4) To help in the preparation of Final Accounts.

**(1) To ascertain the arithmetical accuracy of the ledger accounts :**— The trial balance provides a useful check upon the ledger postings. If a trial balance tallies, it is proved that the posting to the ledger accounts is correct. In other words, it ensures that both the aspects of each transaction have been posted into the ledger *i.e.*, debit aspects have been posted on the debit side and the corresponding credit aspects on the credit side.

**(2) To help in the detection or location of errors :**— If a trial balance does not tally, it indicates that some errors have occurred and the accountant will then proceed to locate such errors. Even a small difference in the trial balance is to be given the same importance and attention as a large difference because it may be possible that there may be a number of errors which have offset the effect of one another, resulting in a small composite difference.

**(3) To obtain a summary of the ledger accounts :** A Trial Balance serves as a summary of all the ledger accounts. Scanning the Trial Balance enables one to know the assets, liabilities, expenses, incomes etc.

**(4) For the preparation of Final Accounts :**— As the trial balance contains the list of all the Ledger accounts, it provides a basis for further processing of accounting data, *i.e.*, preparation of final accounts namely Trading and Profit & Loss Account and a Balance Sheet.

### **Defects of a Trial Balance**

A Trial Balance in which the credit and debit accounts match does not prove that :

1. All transactions have been correctly analysed and recorded in the proper accounts. If, for example, the wages paid for the installation of plant had been erroneously recorded by debiting the wages account in place of the plant account, the Trial Balance would still agree.
2. All transactions have been recorded in the books of original entry. If, for example, a sales invoice were to be completely omitted from being recorded in the sales day book, the error would not be disclosed in the Trial Balance.

We can say that a Trial Balance should not be regarded as conclusive proof of the correctness of the books of account.

### **Construction of a Trial Balance**

The Trial Balance is generally prepared on a loose sheet that may have five columns :

(a) Serial Nos.; (b) Heads of Account; (c) Ledger Folio (L.F.); (d) Debit Balance; and (e) Credit Balance.  
For the preparation of a Trial Balance, the following steps are followed:

- Step 1** Calculate the balances of the cash book and all ledger accounts.
- Step 2** Write down the heading—'Trial Balance of ... as at ...' at the top of the loose sheet.
- Step 3** Write down : (a) Serial numbers of the accounts in the 1st column; (b) Names of the accounts in the 2nd column; (c) L.F. number in the 3rd column; and (d) the balances in the respective columns.
- Step 4** Add both the debit and credit columns to see whether they agree.

**Illustration 1**

Enter the following transactions in the ledger of Mr Alpha

		₹	2010		₹		
Jan.	1	Started business with cash	6,000	Jan.	19	Sold goods for cash	350
	4	Bought goods for resale	500		20	Bought stationery	80
	7	Bought stationery	50		21	Paid wages	100
	10	Bought goods for resale	750		23	Bought goods for resale	200
	12	Paid wages	100		24	Sold goods for cash	600
	15	Sold goods for cash	350		25	Paid Postage	80
	16	Sold goods for cash	300		26	Paid for Advertisement	30
	17	Paid Electricity Bill	70		31	Sold goods for cash	700
					31	Paid wages	150

You are required to extract a Trial Balance as on 31st January 2010.

**Solution**

Dr.

**Ledger of Mr Alpha**  
**Cash Account**

Cr.

Date	Particulars	₹	Date	Particulars	₹
2010 Jan. 1	To Capital A/c	6,000	2010 Jan. 4	By Purchases A/c	500
15	To Sales A/c	350	7	By Stationery A/c	50
16	To Sales A/c	300	10	By Purchases A/c	750
19	To Sales A/c	350	12	By Wages A/c	100
24	To Sales A/c	600	17	By Electricity Charges A/c	70
31	To Sales A/c	700	20	By Stationery A/c	80
			21	By Wages A/c	100
			23	By Purchases A/c	200
			25	By Postage A/c	80
			26	By Advertisement A/c	30
			31	By Wages A/c	150
				By Balance c/d	6,190
		8,300			8,300

Dr.

**Purchases Account**

Cr.

Date	Particulars	₹	Date	Particulars	₹
2010 Jan. 4	To Cash A/c	500	2010 Jan. 31	By Balance c/d	1,450
10	To Cash A/c	750			
23	To Cash A/c	200			1,450

Dr.

**Sales Account**

Cr.

Date	Particulars	₹	Date	Particulars	₹
2010 Jan. 31	To Balance c/d	2,300	2010 Jan. 15	By Cash A/c	350
			16	By Cash A/c	300
			19	By Cash A/c	350
			24	By Cash A/c	600
			31	By Cash A/c	700
		2,300			2,300

Dr.

**Capital Account**

Cr.

Date	Particulars	₹	Date	Particulars	₹
2010 Jan. 31	To Balance c/d	6,000	2010 Jan. 1	By Cash A/c	6,000

Dr.

**Stationery Account**

Cr.

Date	Particulars	₹	Date	Particulars	₹
2010 Jan. 7	To Cash A/c	50	2010 Jan. 31	By Balance c/d	130
20	To Cash A/c	80			130

#### 4.4 The Trial Balance

Dr.	Wages Account			Cr.	
Date	Particulars	₹	Date	Particulars	₹
2010 Jan. 12	To Cash A/c	100	2010 Jan. 31	By Balance c/d	350
Jan. 21	To Cash A/c	100			
Jan. 31	To Cash A/c	150			
		350			350

Dr.	Electricity Charges Account			Cr.	
Date	Particulars	₹	Date	Particulars	₹
2010 Jan. 17	To Cash A/c	70	2010 Jan. 31	By Balance c/d	70

Dr.	Postage Account			Cr.	
Date	Particulars	₹	Date	Particulars	₹
2010 Jan. 25	To Cash A/c	80	2010 Jan. 31	By Balance c/d	80

Dr.	Advertisement Account			Cr.	
Date	Particulars	₹	Date	Particulars	₹
2010 Jan. 26	To Cash A/c	30	2010 Jan. 31	By Balance c/d	30

Trial Balance of Mr Alpha as at 31st January, 2010					
Sl. No.	Heads of Account	L.F.	Debit Balance (₹)	Credit Balance (₹)	
1.	Cash Account		6,190	10	
2.	Purchases Account		1,450		
3.	Sales Account			2,300	
4.	Capital Account			6,000	
5.	Stationery Account		130		
6.	Wages Accounts		350		
7.	Electricity Charges Account		70		
8.	Postage Account		80		
9.	Advertisement		30		
	<b>TOTAL</b>		<b>8,300</b>	<b>8,300</b>	

## **Errors Disclosed by a Trial Balance**

The disagreement of a Trial Balance indicates the presence of one or more of the following errors in the books of account.

1. **Omission to Post an Amount in the Ledger** The two sides of a Trial Balance will not agree, when a transaction has been correctly recorded in the books of original entry but has not been posted in the ledger. If a cash receipt of ₹ 500 from X has been properly recorded in the cash book, but has not been posted on the credit side of X Account, the credit side of the Trial Balance will fall short by ₹ 500.
2. **Debit or Credit Entries are not Posted at all or Posted Twice** If only one side of the transaction is recorded, the Trial Balance will not agree. If stationery purchased on credit from X for ₹ 300 has been properly recorded in the Stationery Account but not in the account of X, the Trial Balance will fail to agree. Similarly, if X Account is correctly credited but Stationery Account has been wrongly debited twice, the Trial Balance will not agree.
3. **Debits are Wrongly Posted as Credits and Vice Versa** A Trial Balance will be in disagreement when a transaction is recorded on the wrong side of an account. If a cash receipt of ₹ 1,000 as interest is properly debited in the cash book but has been recorded on the debit side of the interest account by mistake, the credit side of the Trial Balance will fall short by ₹ 2,000.
4. **Wrong Totalling of Subsidiary Books** If the total of any subsidiary books has been cast wrongly, it will cause a disagreement in the Trial Balance. If the sales day book is wrongly totalled as ₹ 1,800 (instead of ₹ 1,700), sales account will be credited by ₹ 1,800 but the debtor's account will be debited by ₹ 1,700, in which case the Trial Balance will fail to agree.
5. **Difference in Amount between the Entries** If different values of an item are posted in two different accounts, the Trial Balance will not agree. A cash receipt of ₹ 2,000 from X is correctly recorded in the cash book but the account of X is incorrectly credited by ₹ 200, the credit side of the Trial Balance would fall short by ₹ 1,800.
6. **Error in the Computation of an Account Balance** If the balance of an account is not correctly computed, the balance of the ledger will not show the true position and will cause disagreement of the Trial Balance.
7. **Omission of Account Balance** If the balance of an account is not listed in the Trial Balance at all, it will fail to agree.
8. **Balance of an Account Wrongly Recorded in the Trial Balance** If the balance of an account is wrongly recorded in the Trial Balance, it will not agree. For example, if the actual balance of purchase account is ₹ 1,000 but has been recorded in the Trial Balance as ₹ 100, the debit side of the Trial Balance will fall short by ₹ 900.
9. **Errors in Extraction of the Trial Balance** The Trial Balance will not tally if any or both the columns are wrongly totalled.

## **Errors Not Disclosed by a Trial Balance**

1. **Errors of Omission** If a particular transaction is omitted altogether from the books of original entry, it will not disturb the agreement of the Trial Balance. If a sum of ₹ 100 paid to X, is not recorded either in the Cash Book or in the account of X, only the total of the Trial Balance will fall short by ₹ 100, but the debit and credit columns will show no difference.

**2. Errors of Principle** These errors arise because of an incorrect application of the principles of accounting, for instance, failure to differentiate between capital and revenue expenditure. The existence of this type of error is not disclosed by the Trial Balance. Examples are : (a) Wages paid for installation of machinery being debited to Wages Account; and, (b) Repairs of the building debited to Building Account and the like.

**3. Compensating Errors** These are a group of errors, the total effect of which is not reflected in the Trial Balance. These errors are of a neutralizing nature, i.e., one error is compensated by another error or by errors of an opposite nature. For example, an extra debit in Salary Account for ₹ 100 may be compensated by an extra credit of ₹ 100 in Sales Account.

**4. Recording Wrong Amount in the Books of Original Entry** If a transaction is wrongly recorded in the books of original entry and is subsequently carried through the ledgers, it will not cause disagreement in the Trial Balance. For example, if stationery purchased for cash ₹ 175 is recorded in the cash book as ₹ 751 and posted to Stationery Account in the ledger as ₹ 751, the Trial Balance will still agree.

**5. Recording Both Aspects of a Transaction more than once in the Books of Account** The Trial Balance will agree if both aspects of a transaction are recorded twice in the books of original entry. For example, if a credit purchase of ₹ 4,000 from Tata Chemicals Ltd. is entered in the purchase day book twice, the error will not cause a disagreement in the totals of the Trial Balance.

**6. Errors in Recording a Transaction on the Correct Side of a Wrong Account** If a transaction is recorded on the correct side of a wrong account, it will not cause a disagreement in the Trial Balance. For example, if ₹ 500 cash paid to Ram, is wrongly debited to Raman Account, it will not affect the agreement of the Trial Balance.

## 4.8 The Trial Balance

### Suspense Account

A Suspense Account is a Ledger Account in which entries are made on a temporary basis when the correct account cannot be immediately identified. This may be so because further information has to become available or while preparing the accounts, the accountant is unsure of how to proceed with it. It is opened in the following cases: (i) to balance a disagreed Trial Balance; (ii) to post doubtful items; and (iii) to record incomplete transactions.

(i) **To Balance a Disagreed Trial Balance** : Sometimes, a Trial Balance does not tally despite all efforts; but one cannot wait indefinitely as accounts must be closed at the end of a financial year. In such a case, the amount of difference is entered in the lighter column against Suspense Account. The point to note is that no double entry will be possible. Later, when the mistakes are detected, the rectifying entries are passed.

(ii) **To Post Doubtful Items** : Sometimes, an item cannot be posted to the correct account for one reason or another. For instance, you may receive a remittance of ₹ 1,500 but you may not know who has sent it. You then pass the following entry :

		Journal	Dr.	Cr.
Date	Particulars		₹	₹
	Cash A/c To Suspense A/c (Being the remittance received from unknown sender)	Dr.	1,500	1,500

Later, you get the information that Ram, Shyam & Co has sent this amount. Then you should pass the following entry:

		Journal	Dr.	Cr.
Date	Particulars		₹	₹
	Suspense A/c To Ram, Shyam & Co. A/c (Being credit given to the sender for a remittance which had been credited previously to Suspense Account)	Dr.	1,500	1,500

(iii) **To Record Incomplete Transactions** : Sometimes a Suspense Account is opened to record a balance that has not yet been finalised because a particular deal has not been concluded. For example, an advance of ₹ 10,000 received from X for the goods to be delivered in the future, subject to availability. A Suspense Account can include many transactions of this nature, without involving any error.

### Preparation of The Trial Balance from Given Ledger Balances

For the purpose of preparing the Trial Balance from a given list of ledger balances, the following rules should be followed:

1. The balances of all accounts relating to:  
(a) Assets; (b) Expenses; (c) Losses; (d) Drawings; and (e) Debtors, should be placed in the **Debit** column of the Trial Balance.
2. The balances of all accounts relating to:  
(a) Liabilities; (b) Income and Revenue; (c) Gain; and (d) Creditors, should be placed in the **Credit** column of the Trial Balance.

### Some Important Items

#### Closing Stock

Generally, closing stock does not appear in the Trial Balance because a separate account for this is not opened in the general ledger. It represents the balance of goods unsold out of opening stock and purchases. When goods are purchased, Purchases Account is debited and Cash/Creditors Account is credited (Closing Stock Account is not coming into picture). At the end of the year, if the following adjustment entry is passed, then closing stock will appear in the Trial Balance.

Closing Stock Account  
To Purchases Account

**Cost of Goods Sold**

**Cost of Goods Sold = Opening Stock + Purchases – Closing Stock.**

Cost of Goods Sold will appear in the Trial Balance if the following entry is passed :

Cost of Goods Sold Account Dr.

Closing Stock Account Dr.

To Opening Stock Account

To Purchases Account

**Illustrative Example**

Opening Stock ₹ 5,000; Purchases ₹ 30,000; Closing Stock ₹ 10,000.

$$\text{Cost of Goods Sold} = ₹ 5,000 + 30,000 - 10,000 = ₹ 25,000.$$

**Journal entry will be :**

Cost of Goods Sold Account Dr. ₹ 25,000

Closing Stock Account Dr. ₹ 10,000

To Opening Stock Account 5,000

To Purchases Account 30,000

In the Trial Balance Cost of Goods Sold will be shown as a debit balance ₹ 25,000 and Closing Stock will be shown as debit balance ₹ 10,000.

**Note :** Cost of Goods Sold will be debited to Trading Account and Closing Stock will be shown in the Balance Sheet as a current asset.

**Carriage Inwards and Carriage Outwards**

Carriage paid for purchase of goods is called carriage inwards whereas carriage paid for sale of goods is called carriage outwards. Both are *expenses*. Therefore, both carriage inward and carriage outward will be shown in the debit column of the Trial Balance.

**Returns Inwards and Returns Outwards**

Goods returned by customer is called the Returns Inwards. When goods are returned by the customer, Returns Inwards Account is debited and Customer Account is credited. Returns Inwards Account always will show a debit balance. Therefore, in the Trial Balance it will be shown in the debit column.

Goods returned to suppliers is called Returns Outwards. When goods are returned to supplier, Suppliers (Creditors) Account is debited and Returns Outwards Account is credited. Returns Outwards Account will always show a credit balance. Therefore, in the Trial Balance it will be shown in the credit column.

**Illustration 3**

From the following list of balances, prepare a Trial Balance as on 30.6.2010 :

	₹		₹
1. Opening Stock	18,000	13. Plant and Machinery	7,500
2. Wages	10,000	14. Loose Tools	1,800
3. Sales	1,20,000	15. Lighting	2,300
4. Bank Loan	4,400	16. Creditors	8,000
5. Coal and Coke	3,000	17. Capital	40,000
6. Purchases	75,000	18. Miscellaneous Receipts	600
7. Repairs	2,000	19. Office Salaries	2,500
8. Carriage	1,500	20. Office Furniture	600
9. Income Tax	1,500	21. Patents	1,000
10. Debtors	20,000	22. Goodwill	15,000
11. Leasehold Premises	6,000	23. Cash at Bank	5,100
12. Cash in Hand	200	24. Closing Stock	6,000

**Solution****Trial Balance as at 30th June, 2010**

Sl. No.	Heads of Account	L.F.	Debit Balance (₹)	Credit Balance (₹)
1.	Opening Stock		18,000	
2.	Wages		10,000	
3.	Sales			1,20,000

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4.	Bank Loan	3,000	4,400
5.	Coke and Coal	75,000	
6.	Purchases	2,000	
7.	Repairs	1,500	
8.	Carriage	1,500	
9.	Income Tax	20,000	
10.	Debtors	6,000	
11.	Leasehold Premises	200	
12.	Cash in hand	7,500	
13.	Plant and Machinery	1,800	
14.	Loose Tools	2,300	
15.	Lighting	8,000	
16.	Creditors	40,000	
17.	Capital	600	
18.	Miscellaneous Receipts	2,500	
19.	Office Salaries	600	
20.	Office Furniture	1,000	
21.	Patents	15,000	
22.	Goodwill	5,100	
23.	Cash at Bank	1,73,000	1,73,000
	<b>TOTAL</b>		

## Correction of Trial Balance

### Illustration 4

The clerk of a businessman wrongly prepared the following Trial Balance. You are required to draw up a Trial Balance correctly stating reasons in brief:

Sl. No.	Heads of Account	L.F.	Debit Balance (₹)	Credit Balance (₹)
1.	Capital			60,000
2.	Stock at Commencement		5,000	
3.	Discount Allowed		500	
4.	Commission Received		700	
5.	Fixed Assets		60,000	
6.	Sales		85,000	
7.	Purchases			45,000
8.	Return Outward			1,000
9.	Return Inward		2,000	
10.	Carriage Inward			600
11.	Carriage Outward			700
12.	Wages & Salary		25,000	
13.	Bills Receivable		7,000	
14.	Debtors		9,000	
15.	Bills Payable			7,000
16.	Rent		3,000	
17.	Interest Paid			2,000
18.	Cash		800	
19.	Creditors		6,900	
20.	Stock at the End		33,800	
	<b>TOTAL</b>		1,77,500	1,77,500

### Solution

#### Trial Balance as at ...

Sl. No.	Heads of Account	L.F.	Debit Balance (₹)	Credit Balance (₹)
1.	Capital			60,000
2.	Stock at Commencement		5,000	
3.	Discount Allowed		500	

4.	Commission Received		700
5.	Fixed Assets	60,000	
6.	Sales		85,000
7.	Purchases	45,000	
8.	Return Outward		1,000
9.	Return Inward	2,000	
10.	Carriage Inward	600	
11.	Carriage Outward	700	
12.	Wages & Salary	25,000	
13.	Bills Receivable	7,000	
14.	Debtors	9,000	
15.	Bills Payable		7,000
16.	Rent	3,000	
17.	Interest Paid	2,000	
18.	Cash	800	
19.	Creditors		6,900
	<b>TOTAL</b>	<b>1,60,600</b>	<b>1,60,600</b>

**Reasons**

- Discount Allowed is an expense, so its balance will be a debit balance.
- Fixed Assets always reflect debit balance because assets coming in are debited.
- Sales are income, so its balance will be a credit balance.
- Purchases are expenses, so its balance will be a debit balance.
- Carriage Inwards is an expense, so its balance will be a debit balance.
- Carriage Outwards is an expense, so its balance will be a debit balance.
- Interest Paid is an expense, so its balance will be a debit balance.
- Creditor is a liability, so its balance will be a credit balance.
- Closing Stock is not an account, so it cannot have any balance and consequently, it cannot find a place in the Trial Balance. Only when closing stock is adjusted against purchases, it appears in the Trial Balance.

**Illustration 5**

The total of the debit side of the Trial Balance of a large boot and shoe repairing company as at 31st December, 2009 is ₹ 1,66,590 and that of the credit side is ₹ 42,470.

After several checkings and re-checkings the following mistakes are discovered :

Name of Accounts	Correct Figure (as it should be)	Figure as it appears in the Trial Balance
Opening Stock	14,900	14,800
Repairs	61,780	61,780
Rent & Rates		(But appear on the debit side)
Sundry Creditors	2,160	2,400
Sundry Debtors	6,070	5,900
	8,060	8,310

Ascertain the correct total of the Trial Balance.

**Solution Ascertainment of Correct Total of Trial Balance as at 31st December, 2009**

Debit Side	₹	Credit Side	₹
Total as per Trial Balance	1,66,590	Total as per Trial Balance	42,470
Less: Wrong amount of Opening Stock	14,800	Add: Repairs (Note 1)	61,780
	1,51,790		
Add: Correct amount of Opening Stock	14,900		1,04,250
	1,66,690	Less: Wrong amount of Creditors	5,900
Less: Repairs (Note 1)	61,780		
	1,04,910	Add: Correct amount of Creditors	98,350
Less: Wrong amount of Rent & Rates	2,400		6,070

#### 4.12 The Trial Balance

Add: Correct amount of Rent & Rates	1,02,510	
	2,160	
Less: Wrong amount of Sundry Debtors	1,04,670	
	8,310	
Add: Correct amount of Sundry Debtors	96,360	
	8,060	
	1,04,420	
		1,04,420

Note :

(1) Repairs is an income in the case of a shoe manufacturing, therefore it will appear on the credit side of the Trial Balance.

## 4.16 The Trial Balance

### PRACTICAL QUESTIONS

1. Enter the following transactions in the subsidiary books and post them into ledger and prepare a Trial Balance for the month of November 2009 and bring down the balances on 1st December, 2009. (all figures in rupees)

1 Mr X started a business with	60,000	11 Sold goods to Zakir Khan	10,000
4 Bought furniture from Modern Furniture	5,000	14 Goods returned by Zakir Khan	2,000
5 Purchased goods for cash	10,000	15 Payment to B.Sen & Co by cheque	5,000
8 Purchased from B.Sen & Co for ₹ 15,000. Trade discount 20%	20	Goods purchased on credit from Din Dayal & Co	10,000
9 Opened a bank account by depositing	14,000	25 Goods returned to Din Dayal & Co worth	1,000
10 Sold goods for cash	20,000	28 Paid electricity bill	100
10 Purchased stationery from Bharat Stationery Mart.	500	29 Cash sales	9,000
		30 Withdraw for private use from bank.	1,000

2. Correct the following Trial Balance : (all figures in rupees)

Dr.		Credit
Return Outward	16,000	Debtors
Opening Stock	34,200	Carriage Outward
Salaries	12,000	Capital
Creditors	28,000	Machinery
Bank	45,000	Return Inward
Carriage Inward	6,000	Discount Received
Rent Received	3,000	Trade Expenses
Discount Allowed	2,000	Sales
Purchases	1,00,000	Building
Bills Payable	20,000	
	<u>2,66,200</u>	

3. An inexperienced bookkeeper has drawn up a Trial Balance for the year ended 30th June, 2010 :

Dr.		Credit
Provision for doubtful debts	200	Capital
Bank overdraft	1,654	Creditors
Debtors	2,983	Discount allowed
Discount received	252	General expenses
Drawings	1,200	Return Inwards
Office Furniture	2,155	Sales
Purchases	10,923	
Rent and Rates	314	
Salaries	2,520	
Stock	2,418	
Provision for depreciation on Furniture	364	
	<u>24,983</u>	
		<u>25,002</u>

Draw up a 'corrected' Trial Balance, debiting or crediting any residual errors to a Suspense Account.

The total of debit side of the Trial Balance of a daily newspaper firm at 31st December, 2009 is ₹ 1,80,590 and that of the credit side is ₹ 36,470. After several checkings and re-checkings the following mistakes are discovered :

Name of Accounts	Correct Figure (as it should be)	Figure as it appears in the Trial Balance
Opening Stock	12,700	12,600
Advertisement Income	71,780	71,780
Rent & Rates	2,260	(But appear on the debit side) 2,500
Sundry Creditors	6,170	6,000
Sundry Debtors	8,150	8,400

Ascertain the correct total of the Trial Balance.

5. The following Trial Balance of Sri A K Das was drafted by his son, Sri Provat Sundar Das, a Higher Secondary student. But due to his defective knowledge of the subject, it had been done incorrectly. You are now required to re-draft the Trial Balance correctly stating your reasons for correction.

Trial Balance as on 31.3.2010

Sl.No.	Heads of Account	Debit Balance (₹)	Credit Balance (₹)
1.	Capital		1,00,000
2.	Opening Stock	16,590	

3.	Closing Stock		—	20,580
4.	Creditors		—	12,500
5.	Debtors		—	—
6.	Fixed Assets		20,670	—
7.	Gross Purchases		79,000	—
8.	Gross Sales		60,920	—
9.	Returns Inwards		—	1,02,600
10.	Returns Outwards		2,400	—
11.	Carriage Inwards		800	—
12.	Carriage Outwards		—	1,850
13.	Import Duty		1,200	—
14.	Export Duty		—	800
15.	Wages and Salaries		31,400	—
16.	Bills Receivable		15,000	—
17.	Bills Payable		—	8,000
18.	Rent Receivable		3,800	—
19.	Interest Paid		—	1,100
20.	Bank Overdraft		11,000	—
21.	Cash		380	—
22.	Commission Received		—	870
23.	Rates and Taxes		7,130	—
24.	Discount Allowed		—	760
	<b>Total</b>		<b>2,50,290</b>	<b>2,50,290</b>

6. The following Trial Balance of a sole trader, although it adds up to the same total on both sides, is incorrect :

Trial Balance as on 31st December, 2009

Sl. No.	Heads of Account	LF	Debit Balance ₹)	Credit Balance ₹)
1.	Capital, 1st January		4,47,500	—
2.	Drawings		—	52,500
3.	Stock, 1st January		1,86,250	—
4.	Purchases		11,55,000	—
5.	Sales		—	19,71,250
6.	Wages and Salaries		3,10,250	—
7.	Lighting and Heating		15,500	—
8.	Equipment		1,80,000	—
9.	Carriage Outwards		—	11,500
10.	Returns Inwards		5,250	—
11.	Returns Outwards		—	14,500
12.	Provision for Bad Debts		17,500	—
13.	Discount Allowed		14,250	—
14.	Discount Received		—	15,750
15.	Rent, Rates and Insurance		55,750	—
16.	Motor Vehicles		73,750	—
17.	Sundry Debtors		—	6,96,000
18.	Sundry Creditors		2,46,250	—
19.	Bank Overdraft		48,750	—
20.	Cash in hand		5,500	—
	<b>Total</b>		<b>27,61,500</b>	<b>27,61,500</b>

Stock in hand at 31st December ₹ 1,95,000. Draw up a corrected Trial Balance.

## Guide to Answers

### Multiple Choice

1. C 2. B 3. B 4. C 5. D 6. C 7. B 8. C 9. C 10. C.

### Practical Questions

1. Trial Balance Total ₹ 1,21,500.
2. Trial Balance Total ₹ 2,66,200.
3. Trial Balance Total ₹ 25,550. Suspense Account (Dr.) ₹ 1,175.
4. Trial Balance Total ₹ 1,08,420.
5. Corrected Trial Balance ₹ 2,40,000.
6. Corrected Trial Balance ₹ 27,61,500.
7. Trial Balance Total ₹ 6,68,000.