

Class : 9th Tender Heart High School
Commercial Studies
Lokesh Arora

classmate
Date 02/12/24
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Topic:- Trial Balance

Ch-21 Accounting Books and Statements

Good Morning Students,

This lesson is of class 9th for the subject of Commercial Studies. The topic for today is 'Trial Balance' which is covered in Ch-21 titled 'Accounting Books and Statements' of your book Commercial Studies.

This lesson is being submitted to you on 02.12.24 and the voice is of Mr. Lokesh Arora.

All the students now please open page number 205 of your book and listen attentively.

Trial Balance:-

Under Double Entry System of Book-keeping, for every debit there is a corresponding credit entry. Therefore, the sum total of debit balances in ledger accounts should be equal to the credit balances and vice-versa. This system enables a businessman to check the arithmetical accuracy of books of accounts. For this purpose, a trial balance is prepared at the end of the accounting period.

Definition of Trial Balance:-

"Trial balance is a list of those debit and credit balances which are extracted from various accounts in the ledger. It also includes the balances of cash in hand and at bank as shown by the cash book."

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Features of Trial Balance:-

- (i) Trial balance is a summary of all ledger accounts.
- (ii) It is prepared on a particular date.
- (iii) The totals of debit and credit balances of the trial balance should be the same.
- (iv) Tallying of trial balance indicates that there is no arithmetic error.
- (v) Trial balance provides arithmetical accuracy and not accounting accuracy.

Objectives of Trial Balance:-

- (1) To Ascertain Arithmetical Accuracy of Ledger Accounts:-

The trial balance helps to judge the arithmetical accuracy of the books of accounts. If the totals of the debit side and credit side tally then posting and other accounting processes can be presumed to be free from arithmetical errors.

If any error is detected by preparing a trial balance, the same can be rectified before preparing final accounts.

- (2) To help in preparation of Final Accounts:-

Financial statements, e.g., Trading and Profit and Loss Accounts, and Balance Sheet, are prepared on the basis of trial balance. This is because the trial balance contains all the ledger balances.

- (3) To present a Summary of Ledger:-

The trial balance serves as a summary of Balance

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what is contained in the ledgers. The ledgers may have to be referred to only when much detail is required from an account. Trial balance provides a ready reference.

(14) To Help in locating Error:-

Trial balance helps in locating errors in book-keeping work. However, it does not disclose all the errors in books of accounts.

(15) To Help Auditor:-

Trial balance enables the auditor to see whether any corrections were made after the accounts were checked. It includes ledger balances on a particular date.

Thus, the trial balance is a very useful document both for checking accuracy of accounts and for preparation of final accounts.

However, the agreement of the trial balance is not conclusive proof of accuracy of accounts. There are certain errors which are not revealed/disclosed by Trial Balance. They are :- as follows:-

- (1) An entry is not entered at all in the Journal.
- (2) An entry is not posted in the ledger at all.
- (3) A wrong account is mentioned in the Journal.

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- (4) A wrong amount has been written in both the columns of the journal.
- (5) An entry posted twice in the ledger.

Contents of Trial Balance

1. Heading:-

In the heading of a trial balance, the date on which the accounts have been closed and the trial balance extracted must be given.

2. Columns:-

In the first column the name of the account is written. In the second column the debit balances are given. In the third column the credit balances are given.

3. Totals:-

The two amount columns (debit and credit) are totalled at the end.

The format of the Trial Balance is given below:-

Trial Balance as on

Particulars	£	Debit £	Credit £
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Write the answers of following questions in your note-books

- Q1. What is Trial Balance?
- Q2. What are the objectives of preparing a trial balance?

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Preparation of Trial Balance

Normally the names and balances of different accounts are given without indicating whether the account given has a debit or credit balance. Therefore, it is necessary to identify the nature of the account and to find out whether the balance given is debit or credit balance. This can be decided with the help of the following rules:-

1. Personal Accounts:-

A personal account can have either debit or credit balance. A debtor's account will have debit balance while a creditor's account will have a credit balance. Capital account has a credit balance while Drawings account has a debit balance. Bank account generally has a debit balance but in case of overdraft it will show a credit balance. Loans taken show a credit balance while loans given will have a debit balance.

2) Real Accounts:-

Real Accounts are of two types (a) Real accounts relating to assets, and (b) Real accounts relating to goods.

Real accounts relating to Assets like Cash in hand, Cash at bank, Bills Receivable

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Investment, Buildings, Furniture, Car etc. always show a debit balance.

In case of real accounts relating to goods, purchases account, opening stock and sales returns account show a debit balance.

But sales account and purchases returns account have a credit balance.

Closing stock is given outside the trial balance.

(3) Nominal Accounts:-

Nominal accounts relating to expenses and losses show a debit balance. On the other hand, nominal accounts relating to incomes and profits have a credit balance. For example, discount allowed account has a debit balance whereas discount received account will show a credit balance.

Discount Account, Commission Account, Rent Account, Interest Account, generally have the words Dr. or Cr. written against their names. If these indications are not given these are assumed to be debit balance and therefore, these are treated as expenses.

Students before going further, I will give you few questions. You may pause the audio for few minutes and write the answers in your note books.

Ques 1 Define Trial Balance.

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- Ques 2. Give two features of Trial Balance.
- Ques 3. What are objectives behind preparing a Trial Balance?

Students now we will take few examples and prepare a trial balance.

Exam 1. Prepare a trial balance from the following balances extracted from the books of Shri Anmol Chatterjee as on 31st March 2020.

₹		₹	
Capital	1,50,000	Salaries	10,750
Stock on 1.4.2019	41,000	Insurance	2,650
Land and Buildings	50,000	Discount received	300
Furniture	3,125	Salaries	
Plant and Machinery	39,075	Returns Outward	16,000
Purchases	80,400	Bank Charges	8,425
Sales	2,13,000	Travelling Exp.	2,475
Bills Receivable	3,675	Rates and Taxes	2,100
Bills Payable	10,225	Telephone Exp.	2,475
Cash at hand	2,000	Repairs.	1,000
Cash at Bank	13,150	Sundry Exp.	1,225
Debtors	89,500		
Creditors	25,925		
Drawings	6,200		
Returns Inward	10,000		
Gas and Water	2,100		
Wages	33,100		
Commission	3,675		
Carrage	8,425		
Rent received	1,075		

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Trial Balance as on 31st March 2020

Particulars	LF	Debit ₹	Credit ₹
Capital			1,50,000
Stock on 1.4.2019.		41,000	
Land and Buildings		50,000	
Furniture		3,125	
Plant and Machinery		39,075	
Purchases		80,400	
Sales			2,13,000
Bills Receivable		3,675	
Bills Payable			10,225
Cash in hand		2,000	
Cash at Bank		13,150	
Debtors		89,500	
Creditors			25,925
Drawings		6,200	
Gas and Water		2,100	
Wages		33,100	
Commission		3,675	
Carriage		8,425	
Rent Received			1,075
Salaries		10,750	
Insurance		2,650	
Discount Received			300
Returns Outwards			16,000
Bank Charges		8,425	
Travelling Expenses		2,475	
Rates and Taxes		2,100	
Telephone Expenses		2,475	
Repairs		1,000	
Sundry Expenses		1,225	
Returns Inwards		10,000	
		4,16,525	4,16,525

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Expt. 2. Prepare a Trial Balance from the following Balances

Capital	90,000
Investments	10,800
Advances (Dr.)	6,000
Cash	3,600
Creditors	41,940
Bills Payable	21,600
Wages	50,600
Purchases	2,16,000
Return Inward	1,800
Discount on Purchases	7,200
Income Tax	9,600
Audit fees	2,000
Office Expenses	8,000
Provision for bad debts	9,000
Interest on overdraft	360
Drawings	9,000
Plant and Machinery	36,000
Patents	6,000
Debtors	63,000
Stock	1,72,800
Bank overdraft	7,200
Railway Charges	900
Sales	4,50,000
Repairs	2,400
Discount on Sales	9,000
Bad debts	1,000
Freight	500
Advertisement	7,000
Travelling Expenses	7,000
Rent	3,580

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Particulars	LF	Debit ₹	Credit ₹
Capital			90,000
Investment		10,800	
Advances (Dr.)		6,000	
Cash		3,600	
Creditors			41,940
Bills Payable			21,600
Wages		50,600	
Purchases		2,16,000	
Return Inward		1,800	
Discount on Purchases			7,200
Income Tax		9,600	
Audit Fees		2,000	
Office Expenses		8,000	
Provision for bad debts			9,000
Interest on Overdraft		360	
Drawings		9,000	
Plant and Machinery		36,000	
Patents		6,000	
Debtors		63,000	
Stock		1,72,800	
Bank Overdraft			7,200
Railway Charges		900	
Sales			4,50,000
Repairs		2,400	
Discount on Sales		9,000	
Bad debts		1,000	
Freight		500	
Advertisement		7,000	
Travelling Expenses		7,000	
Rent		3,580	
		6,26,940	6,26,940

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Students, I am ending my topic here. I will give you two questions. You are requested to prepare Trial Balance in your note books.

Ques 4. Prepare a Trial Balance from the following Balances

Opening Stock	₹ 5,000	Sales	1,00,000
Purchases	75,000	Drawings	15,000
Creditors	7,500	Carriage Inward	8,000
Capital	1,00,000	Returns Inward	12,000
Return Outward	5,000	Debtors	7,500
Carriage Outward	5,000	Discount Allowed	2,500
Interest Received	10,000	Bad debts	2,500
Provision for bad debts.	4,000	Travelling Exp	10,000
Wages	25,000	Goodwill	15,000
Investments	25,000	Plant and Machinery	25,000
Loan	5,000		

Ques 5. The following balances are extracted from the books of Dhirey Kumar. Prepare a Trial Balance

	₹		₹
Capital	1,28,000	Drawings	12,000
Purchases	1,00,000	Sundry Creditors	6,000
Sundry Debtors	1,02,000	Bills Payable	8,000
Bills Receivable	10,000	Loan to Rental	20,000
Sales	2,56,000	Fixtures and fitting	9,000
Land and Buildings	94,000	Cash in hand	1,800
Cash at Bank	25,000	Bank loan	12,000
Salaries	19,000	Duty and	7,000
Returns from Customers	2,000	Clearing charges	
Returns to Creditors	2200	Commission	9,400
Trade Expenses	1,000	Rent	4,000
Discount received	8,000	Travelling Expenses.	4,000
Closing Stock	10,000		