

## Trial Balance

### MEANING OF KEY TERMS USED IN THE CHAPTER

#### 1. Trial Balance

It is a statement prepared with the debit and credit balances of the ledger accounts. The total of debit and credit columns should be equal. Specimen of a Trial Balance (with imaginary amounts) is as follows:

TRIAL BALANCE  
as on ...

Heads of Accounts	L.F.	Debit Balance ₹	Credit Balance ₹
Capital A/c		...	80,000
Cash A/c		47,700	...
Purchases A/c		79,000	...
Sales A/c		...	50,000
Drawings A/c		1,500	...
Discount Received A/c		...	200
Salaries A/c		2,000	...
<b>Total</b>		<b>1,30,200</b>	<b>1,30,200</b>

#### 2. Suspense Account

Suspense Account is an account in which the difference in the Trial Balance is transferred temporarily.

### CHAPTER SUMMARY

- **Trial Balance** is a statement which shows the heads and balances of all the accounts appearing in the Ledger and the Cash Book of an enterprise at any given date. It is not an account. It is prepared on a specific date by taking the balances of various accounts as on that date. It may be prepared *either* by taking the balance of each account *or* the total amounts of debit and credit items.
- **The agreement of Trial Balance** ensures arithmetical accuracy and not accounting accuracy.
- **Functions of a Trial Balance** are to:
  - ascertain arithmetical accuracy of Ledger Accounts.
  - provide summary of each Ledger Account.
  - facilitate preparation of financial statements.
  - help in locating errors.

- **Trial Balance** with given Ledger balances means Trial Balance preparing from the balances of Ledger Accounts.
- **Trial Balance** with given Ledger balances and additional information is prepared after recording unrecorded transactions in the books of account.

## FORMAT OF TRIAL BALANCE (With Possible Heads of Debit and Credit)

## TRIAL BALANCE as on ...

Heads of Accounts	L.F.	Dr. (₹)	Cr. (₹)
Capital			✓
Cash in Hand		✓	
Bank		✓	
Purchases		✓	
Purchases Return			✓
Sales			✓
Sales Return		✓	
Drawings		✓	
Discount Received			✓
Discount Allowed		✓	
Salaries		✓	
Furniture (Fixed Assets)		✓	
Raj Furniture House (Vendor)			✓
Electricity Charges		✓	
Cheques in Hand		✓	
Carriage Inwards		✓	
Carriage Outwards		✓	
Bad Debts		✓	
Bad Debts Recovered			✓
Bank Overdraft			✓
Interest (Paid)		✓	
Interest (Received)			✓
Bills Payable			✓
Bills Receivable		✓	
Opening Stock		✓	
Adjusted Purchases		✓	
Closing Stock		✓	
Rent (Paid)		✓	
Rent (Received)			✓
Investments		✓	
Provision for Doubtful Debts			✓
Wages		✓	
Power and Fuel		✓	
Reserve			✓
Insurance Premium		✓	
Land and Building		✓	
Plant and Machinery		✓	
Provision for Depreciation			✓
Expenses Payable			✓
<b>Total</b>		✓	✓

## Solved Questions

**Illustration 1.**

Following is the Trial Balance of S.K. Gupta on 30th September, 2019:

Hheads of Accounts	L.F.	Dr. Balance ₹	Cr. Balance ₹
Capital .....		...	4,50,000
A. Lal & Co. (Creditor) .....		...	20,000
B. Babu & Co. (Creditor) .....		...	25,000
C. Chand & Co. (Creditor) .....		...	25,000
Machinery .....		1,00,000	...
Building .....		3,00,000	...
Purchases .....		90,000	...
Vijay Sales .....		15,000	...
Akash Sales .....		10,000	...
Bank .....		5,000	...
<b>Total</b>		<b>5,20,000</b>	<b>5,20,000</b>

You are required to redraft the above Trial Balance as it would appear after following transactions had taken place:

- Mr. S.K. Gupta had taken a cash loan of ₹ 50,000 from Mr. K.G. Gupta, out of which he paid ₹ 20,000 towards his debts to A. Lal & Co. receiving no discount, and he banked the balance amount.
- He received ₹ 5,000 from Vijay Sales. No discount is allowed for this payment.
- He purchased goods of ₹ 20,000 on credit from Vikas Trading Co.
- He sold one-fifth of his stock on credit for ₹ 15,000 to Amit & Co.

**Solution:** Before preparing the Trial Balance, please see the Working Notes.

TRIAL BALANCE OF MR. S.K. GUPTA as on 30th September, 2019

Hheads of Accounts	L.F.	Dr. Balance ₹	Cr. Balance ₹
Capital A/c.....		...	4,50,000
Cash A/c.....		5,000	...
Loan A/c.....		...	50,000
B. Babu & Co.....		...	25,000
C. Chand & Co.....		...	25,000
Vikas Trading Co.....		...	20,000
Vijay Sales.....		10,000	...
Akash Sales .....		10,000	...
Amit & Co.....		15,000	...
Purchases A/c.....		1,10,000	...
Sales A/c.....		...	15,000
Bank A/c.....		35,000	...
Machinery A/c .....		1,00,000	...
Building A/c.....		3,00,000	...
<b>Total</b>		<b>5,85,000</b>	<b>5,85,000</b>

**Working Notes:**

## 1. JOURNAL

Date	Particulars	J.F.	Dr. (₹)	Cr. (₹)
	Cash A/c ...Dr. To Loan A/c (Being received a loan from K.G. Gupta)		50,000	50,000
	A. Lal & Co. ...Dr. Bank A/c ...Dr. To Cash A/c (Being the payment to creditors ₹ 20,000 and balance of the loan, ₹ 30,000 deposited into bank)		20,000 30,000	50,000
	Cash A/c ...Dr. To Vijay Sales (Being the amount received from debtors)		5,000	5,000
	Purchases A/c ...Dr. To Vikas Trading Co. (Being the goods purchased on credit)		20,000	20,000
	Amit & Co. ...Dr. To Sales A/c (Being the goods sold on credit)		15,000	15,000

2. **Ledger**  
Dr. CASH ACCOUNT Cr.

Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
	To Loan A/c		50,000		By A. Lal & Co.		20,000
	To Vijay Sales		5,000		By Bank A/c		30,000
					By Balance c/d		5,000
			55,000				55,000

## Dr. LOAN ACCOUNT Cr.

Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
	To Balance c/d		50,000		By Cash A/c		50,000
			50,000				50,000

## Dr. A. LAL &amp; CO. Cr.

Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
	To Cash A/c		20,000		By Balance b/d		20,000

## Dr. B. BABU &amp; CO. Cr.

Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
	To Balance c/d		25,000		By Balance b/d		25,000

**Trial Balance**

**13.5**

Dr.				C. CHAND & CO.				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹				
	To Balance <i>c/d</i>		25,000		By Balance <i>b/d</i>		25,000				

Dr.				VIKAS TRADING CO.				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹				
	To Balance <i>c/d</i>		20,000		By Purchases A/c		20,000				

Dr.				VIJAY SALES				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹				
	To Balance <i>b/d</i>		15,000		By Cash A/c		5,000				
					By Balance <i>c/d</i>		10,000				
			15,000				15,000				

Dr.				AKASH SALES				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹				
	To Balance <i>b/d</i>		10,000		By Balance <i>c/d</i>		10,000				

Dr.				AMIT & CO.				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹				
	To Sales A/c		15,000		By Balance <i>c/d</i>		15,000				

Dr.				PURCHASES ACCOUNT				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹				
	To Balance <i>b/d</i>		90,000		By Balance <i>c/d</i>		1,10,000				
	To Vikas Trading Co.		20,000								
			1,10,000				1,10,000				

Dr.				SALES ACCOUNT				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹				
	To Balance <i>c/d</i>		15,000		By Amit & Co.		15,000				
			15,000				15,000				

Dr.				BANK ACCOUNT				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹				
	To Balance <i>b/d</i>		5,000		By Balance <i>c/d</i>		35,000				
	To Cash A/c		30,000								
			35,000				35,000				

**Illustration 2.**

From the following Trial Balance (containing errors), prepare a correct Trial Balance:

Ledger Balances	Dr. (₹)	Cr. (₹)
Purchases (Not Adjusted).....	60,000	...
Reserve .....	20,000	...
Sales .....	...	1,00,000
Purchases Return.....	1,000	...
Sales Return.....	...	2,000
Opening Stock.....	30,000	...
Closing Stock.....	...	40,000
Expenses .....	...	20,000
Outstanding Expenses .....	2,000	...
Bank Balance.....	5,000	...
Fixed Assets .....	50,000	...
Creditors .....	...	30,000
Debtors .....	...	80,000
Capital .....	94,000	...
Suspense A/c.....	10,000	...
<b>Total</b>	<b>2,72,000</b>	<b>2,72,000</b>

**Solution:**

TRIAL BALANCE  
as on ...

Heads of Accounts	L.F.	Dr. (₹)	Cr. (₹)
Purchases (Adjusted).....		50,000	...
Reserve .....		...	20,000
Sales .....		...	1,00,000
Purchases Return.....		...	1,000
Sales Return.....		2,000	...
Closing Stock.....		40,000	...
Expenses .....		20,000	...
Outstanding Expenses .....		...	2,000
Bank Balance.....		5,000	...
Fixed Assets .....		50,000	...
Creditors .....		...	30,000
Debtors .....		80,000	...
Capital .....		...	94,000
<b>Total</b>		<b>2,47,000</b>	<b>2,47,000</b>

**Note:** Adjusted Purchases = Opening Stock + Purchases – Closing Stock

$$= ₹ 30,000 + ₹ 60,000 - ₹ 40,000 = ₹ 50,000.$$

**Illustration 3.**

Shri S.K. Sharma extracted the following Trial Balance from his books on 31st March, 2020:

Heads of Accounts	Dr. (₹)	Cr. (₹)
Capital .....	...	14,90,000
Drawings .....	6,00,000	...
Stock (1st April, 2019).....	5,00,000	...
Trade Debtors .....	5,90,000	...
Trade Creditors .....	...	5,36,800
Fixed Assets .....	3,06,000	...
Purchases .....	10,28,000	...
Sales .....	...	14,92,000
Miscellaneous Expenses .....	1,72,000	...
Discount Received .....	...	8,000
Returns Outward .....	...	8,000
Cash at Bank.....	3,00,000	...
Cash in Hand .....	32,000	...
<b>Total</b>	<b>35,28,000</b>	<b>35,34,800</b>

Subsequently, the following errors and omissions were discovered:

- A purchase of fixed assets costing ₹ 64,000 had been debited to Purchases Account.
- A sales invoice of ₹ 30,000 entered in the Sales Book had not been posted to the customer's personal account.
- A credit note for ₹ 6,000 issued by Shri S.K. Sharma to a customer had been completely omitted from the books.
- A credit balance of ₹ 3,200 in the purchases ledger had been omitted from the Trial Balance.
- The Sales Book was undercast by ₹ 20,000 on 31st March, 2020.

Draw up a correct Trial Balance.

**Solution:**

TRIAL BALANCE as on 31st March, 2020

Heads of Accounts	L.F.	Dr. (₹)	Cr. (₹)
Capital .....		...	14,90,000
Drawings .....		6,00,000	...
Stock (1st April, 2019).....		5,00,000	...
Trade Debtors: ₹ (5,90,000 + 30,000 – 6,000) (Notes 2 and 3) .....		6,14,000	...
Trade Creditors: ₹ (5,36,800 + 3,200) (Note 4) .....		...	5,40,000
Fixed Assets: ₹ (3,06,000 + 64,000) (Note 1) .....		3,70,000	...
Purchases: ₹ (10,28,000 – 64,000) (Note 1) .....		9,64,000	...
Sales: ₹ (14,92,000 + 20,000) (Note 5).....		...	15,12,000
Miscellaneous Expenses .....		1,72,000	...
Discount Received .....		...	8,000
Returns Outward .....		...	8,000
Cash at Bank.....		3,00,000	...
Cash in Hand .....		32,000	...
Returns Inward (Note 3).....		6,000	...
<b>Total</b>		<b>35,58,000</b>	<b>35,58,000</b>

**Notes:**

1. Purchase of fixed assets should be debited to Fixed Assets Account and not to Purchases Account. So, balance of fixed assets should be increased and balance of Purchases Account should be decreased by ₹ 64,000.
2. Sales invoice of ₹ 30,000 should be posted to customer's personal account. So, trade debtors will increase by ₹ 30,000.
3. Credit note issued to a customer for ₹ 6,000 regarding sales return (or returns inward) will decrease balance of debtors and increase returns inward by the same amount.
4. A credit balance of ₹ 3,200 in the purchases ledger should be added in trade creditors.
5. Sales should be increased by ₹ 20,000 because Sales Book was undercast.

**Illustration 4.**

Total of the debit side of the Trial Balance of a machinery repairing company as on 31st March, 2020 is ₹ 1,66,590 and that of the credit side is ₹ 42,470. After checking following mistakes are discovered:

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

What will be the correct total of the Trial Balance?

**Solution:**

## ASCERTAINMENT OF CORRECT TOTAL OF TRIAL BALANCE

as on 31st March, 2020

Particulars	Dr. (₹)	Cr. (₹)
Total as per Trial Balance	1,66,590	42,470
Opening Stock Undercast (₹ 14,900 – ₹ 14,800)	(+) 100	...
Repair being Credit Balance (income) but shown as debit balance	(-) 61,780	(+) 61,780
Rent overstated (₹ 2,400 – ₹ 2,160)	(-) 240	...
Sundry Creditors undercast (₹ 6,070 – ₹ 5,900)	...	(+) 170
Sundry Debtors overstated (₹ 8,310 – ₹ 8,060)	(-) 250	...
<b>Correct Total of the Trial Balance</b>	<b>1,04,420</b>	<b>1,04,420</b>



**Illustration 5.**

Following Trial Balance as on 31st January, 2020 was prepared from the books of A.K. Paul:

Heads of Accounts	L.F.	Dr. Balance ₹	Cr. Balance ₹
Capital .....		...	6,00,000
Stock (1st January, 2020).....		3,82,500	...
Purchases/Sales.....		4,48,700	6,18,100
Creditors .....		...	37,000
Reserve .....		...	18,000
Wages and Office Expenses.....		54,250	...
Building .....		3,80,000	...
Bank .....		7,650	...
<b>Total</b>		<b>12,73,100</b>	<b>12,73,100</b>

The undermentioned transactions took place during the month of February, 2020:

Feb. 3	Cash received from Sampat in part payment of an old account, previously written off as bad debts.....	₹ 2,800
Feb. 5	Credit Sales .....	37,750
Feb. 15	Cash Purchases.....	41,000
Feb. 20	Cash Received from Debtors.....	5,000
	Allowed him discount.....	250
Feb. 21	Paid to Creditors .....	10,000
Feb. 28	Cash Sales.....	16,300
Feb. 29	Paid wages and Office Expenses for the month.....	13,100

All payments are made by cheque and all amounts received are paid into the bank on receipt.

- Required:**
1. Post the opening balances and transactions into the Ledger.
  2. Prepare a Trial Balance as on 29th February, 2020.

**Solution:**

**Ledger**

Dr.		CAPITAL ACCOUNT				Cr.	
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
2020				2020			
Feb. 29	To Balance c/d		6,00,000	Feb. 1	By Balance b/d		6,00,000
				March 1	By Balance b/d		6,00,000

Dr.				STOCK ACCOUNT				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹				
2020				2020							
Feb. 1	To Balance <i>b/d</i>		3,82,500	Feb. 29	By Balance <i>c/d</i>		3,82,500				
March 1	To Balance <i>b/d</i>		3,82,500								

Dr.				PURCHASES ACCOUNT				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹				
2020				2020							
Feb. 1	To Balance <i>b/d</i>		4,48,700	Feb. 29	By Balance <i>c/d</i>		4,89,700				
Feb. 15	To Bank A/c		41,000								
			4,89,700				4,89,700				
March 1	To Balance <i>b/d</i>		4,89,700								

Dr.				SALES ACCOUNT				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹				
2020				2020							
Feb. 29	To Balance <i>c/d</i>		6,72,150	Feb. 1	By Balance <i>b/d</i>		6,18,100				
				Feb. 5	By Debtors A/c		37,750				
				Feb. 28	By Bank A/c		16,300				
			6,72,150				6,72,150				
				March 1	By Balance <i>b/d</i>		6,72,150				

Dr.				CREDITORS ACCOUNT				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹				
2020				2020							
Feb. 21	To Bank A/c		10,000	Feb. 1	By Balance <i>b/d</i>		37,000				
Feb. 29	To Balance <i>c/d</i>		27,000								
			37,000				37,000				
				March 1	By Balance <i>b/d</i>		27,000				

Dr.				RESERVE ACCOUNT				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹				
2020				2020							
Feb. 29	To Balance <i>c/d</i>		18,000	Feb. 1	By Balance <i>b/d</i>		18,000				
				March 1	By Balance <i>b/d</i>		18,000				

Dr.				WAGES AND OFFICE EXPENSES ACCOUNT				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹				
2020				2020							
Feb. 1	To Balance <i>b/d</i>		54,250	Feb. 29	By Balance <i>c/d</i>		67,350				
Feb. 29	To Bank A/c		13,100								
			67,350				67,350				
March 1	To Balance <i>b/d</i>		67,350								

Dr.				BUILDING ACCOUNT				Cr.
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹	
2020				2020				
Feb. 1	To Balance <i>b/d</i>		3,80,000	Feb. 29	By Balance <i>c/d</i>		3,80,000	
			3,80,000				3,80,000	
March 1	To Balance <i>b/d</i>		3,80,000					

Dr.				BANK ACCOUNT				Cr.
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹	
2020				2020				
Feb. 1	To Balance <i>b/d</i>		7,650	Feb. 15	By Purchases A/c		41,000	
Feb. 3	To Bad Debts Recovered A/c (Note)		2,800	Feb. 21	By Creditors A/c		10,000	
Feb. 20	To Debtors A/c		5,000	Feb. 29	By Wages and Office Expenses A/c		13,100	
Feb. 28	To Sales A/c		16,300					
Feb. 29	To Balance <i>c/d</i>		32,350					
			64,100				64,100	
				March 1	By Balance <i>b/d</i>		32,350	

Dr.				BAD DEBTS RECOVERED ACCOUNT				Cr.
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹	
2020				2020				
Feb. 29	To Balance <i>c/d</i>		2,800	Feb. 3	By Bank A/c (Note)		2,800	
				March 1	By Balance <i>b/d</i>		2,800	

Dr.				DEBTORS ACCOUNT				Cr.
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹	
2020				2020				
Feb. 5	To Sales A/c		37,750	Feb. 20	By Bank A/c		5,000	
				Feb. 20	By Discount Allowed A/c		250	
				Feb. 29	By Balance <i>c/d</i>		32,500	
			37,750				37,750	
March 1	To Balance <i>b/d</i>		32,500					

Dr.				DISCOUNT ALLOWED ACCOUNT				Cr.
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹	
2020				2020				
Feb. 20	To Debtors A/c		250	Feb. 29	By Balance <i>c/d</i>		250	
March 1	To Balance <i>b/d</i>		250					

## TRIAL BALANCE OF A.K. PAUL

as on 29th February, 2020

Heads of Accounts	L.F.	Dr. Balance	Cr. Balance
		₹	₹
Capital A/c .....		...	6,00,000
Stock A/c .....		3,82,500	...
Purchases A/c.....		4,89,700	...
Sales A/c .....		...	6,72,150
Creditors A/c .....		...	27,000
Reserve A/c.....		...	18,000
Wages and Office Expenses A/c.....		67,350	...
Building A/c.....		3,80,000	...
Bank A/c .....		...	32,350
Bad Debts Recovered A/c.....		...	2,800
Debtors A/c.....		32,500	...
Discount Allowed A/c.....		250	...
<b>Total</b>		<b>13,52,300</b>	<b>13,52,300</b>

**Note:** Any amount recovered regarding an old account, previously written off as bad debts, will be recorded in the books of account by passing the following accounting entry:

Bank A/c	...Dr.	₹ 2,800	
To Bad Debts Recovered A/c			₹ 2,800

### Unsolved Question

1. The following Trial Balance of Mr. Pradeep Chamoli was drafted by his Accountant. But due to imperfect knowledge of the subject, it was prepared incorrectly. You are asked to redraft it.

TRIAL BALANCE  
for the year ended 31st March, 2020

Heads of Accounts	Dr. (₹)	Cr. (₹)
Opening Stock.....	49,770	...
Closing Stock.....	...	61,740
Capital.....	...	3,00,000
Fixed Assets .....	2,37,000	...
Sundry Creditors.....	...	37,500
Sundry Debtors.....	62,010	...
Returns Inward .....	7,200	...
Sales .....	...	3,07,800
Purchases .....	1,82,760	...
Discount Allowed.....	...	2,280
Taxes.....	21,390	...
Commission Received.....	...	2,610
Cash in Hand .....	1,140	...
Bank Overdraft .....	33,000	...
Interest Paid.....	...	3,300
Rent Received .....	11,400	...
Bills Payables .....	...	24,000
Wages and Salaries .....	94,200	...
Bills Receivables .....	45,000	...
Export Duty .....	...	2,400
Returns Outward .....	...	3,690
Carriage Inwards.....	2,400	...
Import Duty.....	3,600	...
Carriage Outwards.....	...	5,550
<b>Total</b>	<b>7,50,870</b>	<b>7,50,870</b>

### GUIDE TO ANSWER

1. Correct Total of Trial Balance—₹ 7,20,000.