ADJUSTED TRIAL BALANCE

18.1 Adjusted Trial Balance

- ❖ A list that contains all the accounts and their balances after adjustments have been made is called adjusted trial balance
- ❖ Adjusted trial balance = Trial balance plus or minus adjustments
- The adjusted trial balance is prepared after all adjusting entries have been journalized and posted
- The adjusted trial balance shows the balances of all accounts, including those that have been adjusted, at the end of the accounting period
- The purpose of the adjusted trial balance is to prove the equality of the total debit balances and total credit balances in the ledger after all adjustments
- The two columns of the adjusted trial balance should equal each other in the same way that the trial balance does
- ❖ Financial Statements can be prepared directly from the adjusted trial balance

Sadiqa Huma Adjusted Trial Balance

As on ...

S. No.	Hands of Associat	Dof	Amount (Rs.)		
S. 1VO.	Heads of Account	Ref	Debit	Credit	
	Total				

Example # 18.1: Prepare Adjusted Trial Balance for the year ending 31st December 2016 from the Trial Balance and adjustments of Mishal Company given below:

Mishal Company

Trial Balance

As on December 31st, 2016

Description	Debit	Credit
Drawings	14,000	
Capital Account		80,000
Supplies	55,000	
Purchases	485,000	
Sales		610,000
Sundry Debtors	80,000	
Sundry Creditors		60,500
Sales Returns	5,000	
Carriage Inwards	6,000	
Salaries	28,000	
Rent, Rates, Taxes	15,000	
Insurance Expense	4,000	
Machinery	50,000	
Furniture	5,000	
Cash in hand	3,500	
Total	Rs. 750,500	Rs. 750,500

Adjustments:

- ❖ Depreciate machinery @ 5% p.a. by written down method
- Outstanding Salaries Rs. 2,000
- ❖ Insurance paid in advance Rs. 500
- ❖ Maintain @ 5% allowance for doubtful debts on sundry debtors
- Supplies at the end of year of worth Rs. 20,000

Solution:

General Journal

			Amour	nt (Rs)
Date	Account Title and Explanations	Ref	Debit	Credit
2016				
Dec				
	Total			

Mishal Company

Adjusted Trial Balance As on December 31st, 2016

Description	Debit	Credit

	_
Total	
Total	

Example # 18.2: An inexperienced book-keeper has drawn up an Incorrect and Unadjusted Trial Balance, You are required to Correct Trial Balance, Pass Adjusting Entries and then prepare Adjusted Trial Balance.

AR Khan Co (Pvt.) Ltd. Incorrect and Unadjusted Trial Balance As on 31st December, 20015

	Heads of Accounts		Amount (Rs.)		
S. No		Ref	Debit	Credit	
1	Return outward		16,000		
2	Furniture		34,200		
3	Salaries		12,000		
4	Account Payables		28,000		
5	Bank		45,000		
6	Carriage Inward		6,000		
7	Rent Received		3,000		
8	Discount Allowed		2,000		
9	Purchases		100,000		
10	Bill Payable		20,000		
11	Account Receivables			15,000	
12	Carriage Outward			5,000	
13	Owner Equity			55,200	
14	Machinery			18,000	
15	Return Inward			3,000	
16	Discount Received			4,000	
17	Insurance Expenses			6,000	
18	Sales			140,000	
19	Building			20,000	
	Total		Rs. 266,200	Rs. 266,200	

Adjustments:

- Rent received includes a deposit of Rs. 1,000 refundable to shop-keeper when the premises are vacated (Credit Unearned rent).
- 2. Out Standing Salary of manager on December 31, 2015 is Rs. 1,500.
- 3. Inventory in the shop on December 31, is Rs. 60,000.
- 4. Insurance Expense for the period July 1, 2015 to June 30, 2016.

Solution 1: Corrected Trial Balance

AR Khan Co (Pvt.) Ltd.

Trial Balance

As on 31st December, 2015

	Heads of Accounts		Amount (Rs.)		
S. No		Ref	Debit	Credit	
1	Return outward				
2	Furniture				
3	Salaries				
4	Account Payables				
5	Bank				
6	Carriage Inward				
7	Rent Received				
8	Discount Allowed				
9	Purchases				
10	Bill Payable				
11	Account Receivables				
12	Carriage Outward				
13	Owner Equity				
14	Machinery				
15	Return Inward				
16	Discount Received				
17	Insurance Expenses				
18	Sales				
19	Building				
	Total				

Solution 2: Adjusted Entries

General Journal

				Amoui	nt (Rs)
Dat	te	Account Title and Explanations	Ref	Debit	Credit
200	7				
Dec					
		Total			

Solution 3: Adjusted Trial Balance

AR Khan Co (Pvt.) Ltd.

Adjusted Trial Balance

As on 31st December, 2015

			Amoun	t (Rs.)
S. No	Heads of Accounts	Ref	Debit	Credit
1				
2				
3				
4				
5				
6				
7				
8				
9				

Total			
	Total	Total	Total

Practice MCQs

www.accountancyknowledge.com/adjusted-trial-balance-mcqs/

Practice Problems with Solutions

www.accountancyknowledge.com/adjusted-trial-balance-problems-and-solutions/

PDF Download

www.accountancyknowledge.com/pdf-download/

Slides

www.accountancyknowledge.com/slides/

Workbooks

www.accountancyknowledge.com/workbooks/