

## TRIAL BALANCE

- At the end of accounting period, a list of all ledger balances or totals is prepared. This list is called trial balance
- Trial balance shows the mathematical accuracy of the books of accounts. For every transaction in the double entry system, equal amount of debit and credits are recorded in the books of account
- Both sides of trial balance i.e. Debit side and credit side must be equal. If both sides are not equal, there are errors in the books of accounts

### 9.1 Preparation of Trial Balance

For preparation of Trial Balance, following steps are followed.

- ❖ Write down the company / business name at the top middle of paper
- ❖ Write words 'Trial Balance' below company / business name at top middle of paper
- ❖ Write words ' as on ' with date of preparation in the next line just below
- ❖ Write down balances/totals of all ledger accounts

### 9.2 Form of Trial Balance

There are three types of Trial Balance

#### 9.2.1 Trial Balance with Balances

Under this method, the Trial Balance can be prepared on a loose sheet that may have five columns

- (a) Serial No.;
- (b) Heads of Account;
- (c) Reference;
- (d) Debit Balance and
- (e) Credit Balance

*Farhan Saleem and company*

#### *Trial Balance*

As on ...

S. No.	Heads of Account	Ref	Balance (Rs.)	
			Debit	Credit
<b>Total</b>				

**Example # 9.1:** From the following Ledger Account of Ms Anum Saleem, you are required to prepare Trial Balance as on June 30<sup>th</sup>, 2015

**Cash Account**

Jan. 2	10,000	Jan. 4	1,500
Jan. 2	10,000	Jan. 10	6,000
Jan. 5	8,500	Jan. 15	7,000
Jan. 20	2,200	Jan. 31	1,200
		<b>Bal</b>	<b>15,000</b>
<b>Total</b>	<b>30,700</b>	<b>Total</b>	<b>30,700</b>

**Supplies Account**

Jan. 4	3,500		
		<b>Bal</b>	<b>3,500</b>
<b>Total</b>	<b>3,500</b>	<b>Total</b>	<b>3,500</b>

**Accounts Receivables**

Jan. 5	6,000		
		<b>Bal</b>	<b>6,000</b>
<b>Total</b>	<b>6,000</b>	<b>Total</b>	<b>6,000</b>

**Fee Revenue**

		Jan. 5	14,500
<b>Bal</b>	<b>14,500</b>		
<b>Total</b>	<b>14,500</b>	<b>Total</b>	<b>14,500</b>

**Accounts Payable**

Jan. 31	1,200	Jan. 4	2,000
<b>Bal</b>	<b>800</b>		
<b>Total</b>	<b>2,000</b>	<b>Total</b>	<b>2,000</b>

**Note payable**

		Jan. 2	10,000
<b>Bal</b>	<b>10,000</b>		
<b>Total</b>	<b>10,000</b>	<b>Total</b>	<b>10,000</b>

**Unearned Revenues**

		Jan. 20	2,200
<b>Bal</b>	<b>2,200</b>		
<b>Total</b>	<b>2,200</b>	<b>Total</b>	<b>2,200</b>

**Common Stock**

		Jan. 2	10,000
<b>Bal</b>	<b>10,000</b>		
<b>Total</b>	<b>10,000</b>	<b>Total</b>	<b>10,000</b>

**Furniture and Fitting**

Jan. 10	6,000		
		<b>Bal</b>	<b>6,000</b>
<b>Total</b>	<b>6,000</b>	<b>Total</b>	<b>6,000</b>

**Machinery**

Jan. 15	7,000		
		<b>Bal</b>	<b>7,000</b>
<b>Total</b>	<b>7,000</b>	<b>Total</b>	<b>7,000</b>

**Anum Saleem****Trial Balance**As on June 30<sup>th</sup>, 2015

S. No.	Heads of Account	Ref	Balance (Rs.)	
			Debit	Credit
1	Cash			
2	Supplies			
3	Account Receivable			
4	Fee Revenue			
5	Account Payable			
6	Note Payable			
7	Unearned Revenue			
8	Common Stock			
9	Furniture and Fitting			
10	Machinery			
	<b>Total</b>			

### 9.2.2 Trial Balance with Totals

- Under this method, the trial balance is prepared by taking the total of each side of the accounts without balancing the accounts
- This method of preparing a trial balance is not commonly used because it cannot help in preparation of financial statements

**Example # 9.2:** From the Ledger Account of Ms Anum Saleem in example 9.1; prepare Trial Balance with Totals

*Anum Saleem*  
**Trial Balance**  
As on June 30<sup>th</sup>, 2015

S. No.	Heads of Account	Ref	Total (Rs.)	
			Debit	Credit
1	Cash			
2	Supplies			
3	Account Receivable			
4	Fee Revenue			
5	Account Payable			
6	Note Payable			
7	Unearned Revenue			
8	Common Stock			
9	Furniture and Fitting			
10	Machinery			
	<b>Total</b>			

### 9.2.3 Trial Balance with Balances & Totals

Under this method, the Trial Balance is prepared by combining the first and second methods

**Example # 9.3:** From the example 9.1; prepare Trial Balance with Balances & Totals

*Anum Saleem*  
**Trial Balance**  
As on June 30<sup>th</sup>, 2015

S. No.	Heads of Account	Ref	Balances (Rs.)		Totals (Rs.)	
			Debit	Credit	Debit	Credit
1	Cash		15,000		30,700	15,700
2	Supplies		3,500		3,500	
3	Account Receivable		6,000		6,000	
4	Fee Revenue			14,500		14,500
5	Account Payable			800	1,200	2,000
6	Note Payable			10,000		10,000
7	Unearned Revenue			2,200		2,200
8	Common Stock			10,000		10,000
9	Furniture and Fitting		6,000		6,000	
10	Machinery		7,000		7,000	
	<b>Total</b>		<b>Rs. 37,500</b>	<b>Rs. 37,500</b>	<b>Rs. 54,400</b>	<b>Rs. 54,400</b>

**Example # 9.4:** Make Trial Balance from mixed transactions for Iram Shehzadi Ltd at year-end (June 30<sup>th</sup>, 2016)

**Iram Shehzadi Ltd**

**Accounts**

*As on June 30<sup>th</sup>, 2016*

<i>Description</i>	<i>Amount</i>	<i>Description</i>	<i>Amount</i>	<i>Description</i>	<i>Amount</i>
Account Payable	Rs. 200	Owner Equity	Rs. 300	Land	Rs. 200
Account Receivables	350	Cost of Goods Sold	820	Long-term Debts	1,300
Accrued Liabilities	150	Dep. Expense	110	Prepaid Expenses	40
Acc. Depreciation	250	Interest Expense	80	Salaries Expense	660
Building	1,400	Unearned Revenue	130	Sales Revenue	2,400
Cash	120	Interest Revenue	50	Rent Expense	400
Income Tax Expense	110	Inventories	610	Retained Earning	120

**Iram Shehzadi Ltd**

**Trial Balance**

*As on June 30<sup>th</sup>, 2016*

<i>S. No</i>	<i>Description</i>	<i>Ref</i>	<i>Amount (Rs.)</i>	
			<i>Dr.</i>	<i>Cr.</i>
1	Account Payable			
2	Account Receivables			
3	Accrued Liabilities			
4	Acc. Depreciation			
5	Building			
6	Cash			
7	Income Tax Expense			
8	Owner Equity			
9	Cost of Goods Sold			
10	Dep. Expense			
11	Interest Expense			
12	Unearned Revenue			
13	Interest Revenue			
14	Inventories			
15	Land			
16	Long-term Debts			
17	Prepaid Expenses			
18	Salaries Expense			
19	Sales Revenue			
20	Rent Expense			
21	Retained Earning			
<b>Total</b>				

**Example # 9.5:** Correct following Trial Balance?

S. No	Heads of Accounts	Ref	Amount (Rs.)	
			Dr	Cr
1	Ahmed Owner's Equity			1,556
2	Ahmed Drawing		564	
3	Leasehold Premises		750	
4	Sales			2,750
5	Due from Customer			530
6	Purchases		1,259	
7	Purchases Return		264	
8	Loan from Bank			256
9	Creditors		528	
10	Trade Expenses		700	
11	Cash		226	
12	Bill Payable		100	
13	Salaries and Wages		600	
14	Stock Opening			264
15	Rent and Rates		463	
16	Sales Return			98
<b>Total</b>			<b>Rs. 5,454</b>	<b>Rs. 5,454</b>

S. No	Heads of Accounts	Ref	Amount (Rs.)	
			Dr	Cr
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
<b>Total</b>			<b>Rs. 5,454</b>	<b>Rs. 5,454</b>

