

ADJUSTMENT TRIAL BALANCE

20.1 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.	Heads of Account	Ref	Amount (Rs.)	
			Debit	Credit
Total				

Example # 20.1: 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

Date	Account Title and Explanations	Ref	Amount (Rs)	
			Debit	Credit
2016				
Dec 31				
31				
31				
31				
31				
31				
Total			Rs. 44,000	Rs. 44,000

Mishal Company
Adjusted Trial Balance
As on December 31st, 2016

Description	Debit	Credit

Adjustments:

1. Rent received includes a deposit of Rs. 1,000 refundable to shop-keeper when the premises are vacated (Credit Unearned rent).
2. Outstanding 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

S. No	Heads of Accounts	Ref	Amount (Rs.)	
			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

Date		Account Title and Explanations	Ref	Amount (Rs)	
				Debit	Credit
2007					
Dec	31				
	31				
	31				
	31				
Total					

Solution 3: Adjusted Trial Balance

AR Khan Co (Pvt.) Ltd.

Adjusted Trial Balance

As on 31st December, 2015

S. No	Heads of Accounts	Ref	Amount (Rs.)	
			Debit	Credit

