

CHAPTER 11

TRIAL BALANCE

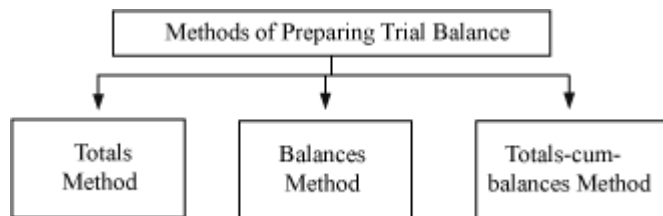
❖ Meaning

Trial Balance is a statement that shows different accounts corresponding to their balances. It also depicts the total of debit and credit balances of different accounts.

❖ Objectives

- To verify the arithmetical accuracy of recorded transactions
- To locate and rectify the various errors committed It helps in the preparation of financial statements
- It helps to present all the accounts in a summarised manner.

❖ Methods of Preparing Trial Balance



• Totals Method

According to this method, the total of debit and credit side of an account is shown in the debit and credit columns of the Trial Balance. If the total of the debit column and the total of credit column of Trial Balance are equal then the Trial Balance is said to agree, otherwise not.

Example:

Trial Balance (Totals Method)

Particulars	Debit Total Rs	Credit Total Rs
Capital		1,00,000
Salary	5,000	

Debtors	10,000	4,000
Creditors	6,000	20,000
Purchaser	80,000	
Cash	30,000	5,000
Bank	4,000	6,000
	1,35,000	1,35,000

- **Balances Method**

According to the Balances Method, the balance of ledger accounts is shown in the debit and credit column of the Trial Balance. The balance of ledger may be either debit balance or credit balance. If the sum of the balances in the debit column equals the sum of the balances in the credit column of the Trial Balance, then the arithmetical accuracy is ensured.

Example:

Trial Balance (Balances Method)

Particulars	Debit Balances Rs	Credit Balances Rs
Capital		1,00,000
Salary	5,000	
Debtors	6,000	
Creditors		14,000
Purchases	80,000	
Cash	25,000	
Bank (Overdraft)		2,000
	1,16,000	1,16,000

- **Totals cum Balances Method**

It is a combination of both the methods, i.e., totals method and balances method. Arithmetical accuracy is ensured if the sum of the **Debit Totals**

is equal to the sum of the ***Credit Totals*** and the sum of the ***Debit Balances*** is equal to the sum of the ***Credit Balances***.

Example:

Trial Balance (Totals cum Balances Method)

Particulars	Debit Total Rs	Credit Total Rs	Debit Balance Rs	Credit Balance Rs
Capital		1,00,000		1,00,000
Salary	5,000		5,000	
Debtors	10,000	4,000	6,000	
Creditors	6,000	20,000		14,000
Purchases	80,000		80,000	
Cash	30,000	5,000	25,000	
Bank	4,000	6,000		2,000
	1,35,000	1,35,000	1,16,000	1,16,000