

TRIAL BALANCE

A trail balance is a statement that shows the balances of all ledgers. It is the statement that shows both the debit and credit balances of the ledger. Its extracted before the preparation of final account to test the arithmetical accuracy of the ledger.

Uses of Trial Balance

- i. Trial balance is used to test the arithmetical accuracy of ledgers
- ii. Final account can be prepared using trial balance
- iii. It is used to correct errors or to reveal errors

Rules for preparing Trial Balance

- i. Post all the items to the necessary ledger accounts
- ii. Balance the ledger to extract their balances
- iii. Rule your trial balance

Particulars	Dr	Cr
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- iv. Any account without any balance should not be posted to trial balance because it has been closed
- v. If your debit side of the trial balance is not equal to the credit side, you have committed one of the following error:-
 - a. Error of omission
 - b. Error of commission
 - c. Error of principle
 - d. Error of original entry
 - e. Compensating error
 - f. Complete reversal of entry

Second method of preparing Trial Balance:

- i. Debit items: all assets must be debited e.g. stock, building, motor van, debtors, cash etc.
- ii. Expenses – all expenses must be debited e.g. wages, rates, depreciation, insurance etc.
- iii. Credit item – credit all the liabilities e.g. bank loan, creditors, bills payables, capital, accrual expenses, gross profit, net profit, discount received etc.

1st Method

From the following information of Madam cash Nig. Ltd, open necessary ledger accounts and extract trial balance as at July, 2005.

July 1	started business with	950 cash
July 5	sold goods worth	7000 cash
July 7	purchase a motor van by cash	3200
July 10	pays salaries by cash	400
July 12	paid wages by cash	200
July 14	cash sales	2000

CASH BOOK

Date	Particulars	F	Cash	Date	Particular	F	Cash
July 1	Capital		950	July 7	Motor van		3,200
July 5	Sales		7,000	July 10	Salary		400
July 14	Sales		2,000	July 12	Wages		200
					Bal. c/d		6,150
			9,950				9,950
Aug. 1	Bal. b/d		6,150				

LEDGER ACCOUNT

Capital Account

Bal. c/d	950	July 1	Cash	950
	950			950
		Bal. b/d		950

Sales Account

Bal. c/d	9000	July 5	Cash	7000
		July 14	Cash	2000
	9000			9000
		Bal. b/d		9000

Motor Van Account

July 7	Cash	3200	Bal. c/d	3200
		3200		3200
Bal. b/d		3200		

Salary Account

July 10	Cash	400	Bal. c/d	400
		400		400
Bal. b/d		400		

Wages Account

July 12	Cash	200	Bal. c/d	200
		200		200
Bal. b/d		200		

Madam Cash Trial Balance as at 30 July, 2008

Particular	(DR) #	(CR) #
Capital		950
Sales		9000
Motor van	3,200	
Salary	400	
Wages	200	
Cash	6150	
	9,950	9,950

2nd Method

If the balance of the ledger are given, you should prepare the trial balance quickly.

Examples:

Prepare trial balance from the following: #

Building	2000
Capital	2000
Equipment	5000
Stock of finished goods	1000
Motor van	3000
Creditor	7000
Accrued	2000

Trial Balance

Particular	2000	
Capital		2000
Equipment	5000	
Stock	1000	
Motor Van	3000	
Creditor		7000
Accrued		2000
	11,000	11,000