

11

Trial Balance



The following facts are discussed in this chapter.

- 11.1 Introduction to the trial balance
- 11.2 Posting transactions from prime entry books to the ledger
- 11.3 Balancing off of ledger accounts
- 11.4 Preparation of the trial balance

11.1 Introduction to trial balance

When preparing ledger accounts based on the double entry principles, the value of a transaction is recorded in the debit side of one account and in the credit side of the other relevant account. As a result of this, after balancing off the ledger accounts, there are debit and credit balances. If the transactions are recorded and ledger accounts are balanced correctly the totals of debit and credit balances should be equal. The list which is prepared at the end of the period by including all the debit and credit balances of ledger accounts is called as the trial balance. The trial balance is not an account. It is mere a list of balances and could be considered as a summary of the ledger.

If the debit and credit entries have been recorded correctly in ledger accounts and those accounts have been balanced correctly, the total of the debit column of the trial balance should agree with the total of the credit column of the trial balance.

If the trial balance agrees, following two facts can be confirmed.

1. The values debited to the accounts are equal to the values credited to the accounts
2. Ledger accounts have been balanced correctly (i.e. there is mathematical accuracy).

Following are the balances of accounts of Janakantha's business as at 30.06.20xx who commenced his business on 01.01.20xx

	Rs.
Cash	40 000
Purchases	150 000
Sales	365 000
Debtors	35 000
Creditors	24 000
Insurance charges	6 000
Furniture	20 000
Discounts received	8 000
Discounts allowed	4 000
Motor vehicles	400 000
Rent payments	30 000
Stationery expenses	5 000
12 % Investments	50 000
Investment income	3 000
15 % Bank loan	90 000
Capital as at 01.01.20xx	250 000

The trial balance prepared by including the above balances is shown below.

Janakantha's Business
The trial balance as at 30.06.20xx

Description	L.P.	Debit Rs.	Credit Rs.
Cash		40 000	
Purchases		150 000	
Sales			365 000
Debtors		35 000	
Creditors			24 000
Insurance Charges		6 000	
Furniture		20 000	
Discounts received			8 000
Discounts allowed		4 000	
Motor vehicles		400 000	
Rent payments		30 000	
Stationery expenses		5 000	
12% Investment		50 000	
Investment income			3 000
15% Bank loan			90 000
Capital			250 000
		740 000	740 000

11.2 Posting transactions from prime entry books to the ledger

Transactions that take place in an accounting period are recorded in the prime entry books and thereafter recorded in the ledger accounts. Let us study how to record transactions in prime entry books, how to post transactions to the ledger and how to prepare a trial balance using the balances of the accounts in the ledger.

Example :-

The following are the transactions that had occurred in the month of January, 20xx of Samanala's Business.

Cash receipts and cash payments

- 01.01.20xx Started the business by investing Rs. 200 000.
- 02.01 Purchased goods on cash basis Rs. 85 000.
- 03.01 Opened a bank current account by depositing Rs. 20 000.

04.01	Obtained a bank loan of Rs. 50 000 in cash.
05.01	Cash sales Rs. 150 000.
08.01	Payment of shop rent Rs. 2 000.
10.01	Received Rs. 11 600 from Priyani (a debtor). Discount allowed Rs. 400.
12.01	Repayment of bank loan instalment Rs. 3 000.
20.01	Received a cheque worth of Rs. 9 000 from Imasha (a debtor)
25.01	Paid Rs. 7 600 to Surangi (a creditor) and the discount deducted was Rs. 400.
26.01	Received 5% discount when paid money to settle Rs. 12 000 debts of Vijitha (a creditor).

Transactions relevant to the bank current account

08.01.20xx	Purchased goods for sale by issuing a cheque of Rs. 15 000
11.01	Received a cheque amounting to Rs. 6 200 from Priyani and discount deducted was Rs. 300. This cheque was deposited in the bank current account immediately.
18.01	Issued a cheque amounting to Rs. 2 000 for shop rent
27.01	Deposited the cheque received from Imasha on 20.01.20xx in the bank current account.

Transactions relating to credit purchases of trading goods.

06.01.20xx	From Surangi under invoice No. 45	Rs. 24 000
08.01	From Vijitha under invoice No. 116	Rs. 20 000

Transaction relating to credit sales of trading goods

05.01.20xx	To Priyani under invoice No. 01	Rs. 19 000
09.01	To Imasha under invoice No. 02	Rs. 25 000

Required

Prepare following for the month ended 31.01.20xx

01. Cash book with discount columns
02. Bank account with discount columns
03. Purchases Journal
04. Sales Journal
05. Relevant ledger accounts
06. Trial balance as at 31.01.20xx

Dr.

Cash book

Cr.

Date	Description	Discount	Cash	Date	Description	Discount	Cash
01.01.20xx	Capital		200 000	02.01.20xx	Purchases		85 000
04.01	Bank loan		50 000	03.01	Bank		20 000
05.01	Sales		150 000	08.01	Rent		2 000
10.01	Priyani (Debtor)	400	11 600	12.01	Bank loan		3 000
20.01	Imasha (Cheque)		9 000	25.01	Surangi (Creditors)	400	7 600
				26.01	Wijitha (Creditors)	600	11 400
				27.01	Bank (Imasha)		9 000
				31.01	Balance c/d		282 600
		400	420 600			1000	420 600
01.02	Balance b/f		282 600				

Dr.

Bank account

Cr.

Date	Description	Discount	Cash	Date	Description	Discount	Cash
03.01.20xx	Cash		20 000	08.01.20xx	Purchases		15 000
11.01	Priyani (Debtors)	300	6 200	18.01	Rent		2 000
27.01	Cash (Imasha)		9 000	31.01	Balance c/d		18 200
			35 200				35 200
01.02	Balance b/f		18 200				

Purchases journal

Date	Invoice No.	Description	Value Rs.
06.01.20xx	45	Surangi	24 000
08.01	116	Wijitha	20 000
31.01		Debited to purchases account	44 000

Sales journal

Date	Invoice No.	Description	Value Rs.
05.01.20xx	01	Priyani	19 000
09.01	02	Imasha	25 000
31.01		Credited to sales account	44 000

Dr.

Capital Account

Cr.

Date	Description	Value Rs.	Date	Description	Value Rs.
31.01.20xx	Balance c/d	200 000	01.01.20xx	Cash	200 000
		200 000			200 000
			01.02	Balance b/f	200 000

Dr.			Purchases account			Cr.		
Date	Description	Value Rs.	Date	Description	Value Rs.			
02.01.20xx	Cash	85 000	31.01.20xx	Balance c/d	144 000			
08.01	Bank	15 000						
31.01	Creditors	44 000						
		<u>144 000</u>			<u>144 000</u>			
01.02	Balance b/f	144 000						

Dr.			Bank loan account			Cr.		
Date	Description	Value Rs.	Date	Description	Value Rs.			
12.01.20xx	Cash	3 000	04.01.20xx	Cash	50 000			
31.01	Balance c/d	47 000						
		<u>50 000</u>			<u>50 000</u>			
			01.02	Balance b/f	47 000			

Dr.			Priyani (Debtor)			Cr.		
Date	Description	Value Rs.	Date	Description	Value Rs.			
05.01.20xx	Sales	19 000	10.01.20xx	Cash	11 600			
			10.01	Discount	400			
			11.01	Bank	6 200			
			11.01	Discount	300			
			31.01	Balance c/d	500			
01.02	Balance b/f	<u>19 000</u>			<u>19 000</u>			
		500						

Dr.			Imasha (Debtor)			Cr.		
Date	Description	Value Rs.	Date	Description	Value Rs.			
09.01.20xx	Sales	25 000	20.01.20xx	Cash	9 000			
			31.01	Balance c/d	16 000			
		<u>25 000</u>			<u>25 000</u>			
01.02	Balance b/f	16 000						

Dr.			Surangi (Creditor)			Cr.		
Date	Description	Value Rs.	Date	Description	Value Rs.			
25.01.20xx	Cash	7 600	06.01.20xx	Purchases	24 000			
25.01	Discount	400						
31.01	Balance c/d	16 000						
		<u>24 000</u>			<u>24 000</u>			
			01.02	Balance b/f	16 000			

Dr.			Vijitha (Creditor)			Cr.		
Date	Description	Value Rs.	Date	Description	Value Rs.			
26.01.20xx	Cash	11 400	08.01.20xx	Purchases	20 000			
26.01	Discount	600						
31.01	Balance c/d	8 000						
		<u>20 000</u>			<u>20 000</u>			
			01.02	Balance b/f	8 000			
					<u>8 000</u>			

Dr.			Discount allowed account			Cr.		
Date	Description	Value Rs.	Date	Description	Value Rs.			
31.01.20xx	Debtors	400	31.01.20xx	Balance c/d	700			
31.01	Debtors	300						
		<u>700</u>			<u>700</u>			
01.02	Balance b/f	700						

Discount received account

Dr.			Cr.		
Date	Description	Value Rs.	Date	Description	Value Rs.
31.01.20xx	Balance c/d	1 000	31.01.20xx	Creditors	1 000
		<u>1 000</u>			<u>1 000</u>
			01.02	Balance b/f	1 000
					<u>1 000</u>

Dr.			Sales account			Cr.		
Date	Description	Value Rs.	Date	Description	Value Rs.			
31.01.20xx	Balance c/d	194 000	05.01.20xx	Cash	150 000			
		<u>194 000</u>	31.01	Debtors	44 000			
					<u>194 000</u>			
			01.02	Balance b/f	194 000			
					<u>194 000</u>			

Dr.			Shop rent account			Cr.		
Date	Description	Value Rs.	Date	Description	Value Rs.			
08.01.20xx	Cash	2 000	31.01.20xx	Balance c/d	4 000			
18.01	Bank	2 000						
		<u>4 000</u>			<u>4 000</u>			
01.02	Balance b/f	4 000						

Samanala Business
The trial balance as at 31.01.20xx

Description	L.P.	Dr. Rs.	Cr. Rs.
Cash		282 600	
Bank balance		18 200	
Capital			200 000
Discounts allowed		700	
Discounts received			1 000
Purchases		144 000	
Sales			194 000
Rent		4 000	
Debtors - Priyani		500	
Imasha		16 000	
Creditors - Surangi			16 000
Vijitha			8 000
Bank loan			47 000
		466 000	466 000



Activity 01

Prepare the trial balance using the following balances as at 30.09.20xx of Rosal's business

Debtors	80 000
Fixed deposits	158 000
Creditors	60 000
Discount allowed	4 000
Purchases	250 000
Machinery	120 000
Discount received	9 000
Bank overdraft	15 000
Salaries	20 000
Capital as at 01.01.20xx	200 000
Interest income	8 000
Cash	40 000
Sales	380 000



Activity 02

The following balances were available as at 31.03.20xx of Thisara enterprises, which is engaged in purchasing and selling of ready made garments.

Cash in hand	80 000
Bank balance	60 000
Debtors - Pubudu	50 000
- Kumudu	40 000
Capital	150 000
Creditors - Anushka	45 000
- Kanishka	35 000

The transaction occurred in March 20xx are as follows

Credit purchases

Date	Invoice No.	Listed Value Rs.	Other information
05.03.20xx	45 (Anushka)	38 000	Trade discount deducted 10%
08.03	56 (Kanishka)	42 000	-
12.03	48 (Anushka)	34 000	Trade discount deducted 5%
18.03	59 (Kanishka)	25 000	Trade discount deducted 4%

Credit sales

Date	Invoice No.	Other information
07.03.20xx	62 (Pubudu)	20 shirts at Rs. 1 500 each
10.03	63 (Kumudu)	25 trousers at Rs. 2 000 each
15.03	64 (Pubudu)	40 children ware at Rs. 600 each
20.03	65 (Kumudu)	20 sarees at Rs. 1 800 each

The sales policy of the business is to give a 10% trade discount for all credit sales.

Receipts and other related information

Date	Cash Rs.	Cheque Rs.	Other information
02.03 Sales	20 000	5 000	Deposited the cheque immediately in the bank
03.03 From Pubudu	8 500		
06.03 From Kumudu		12 400	This cheque was deposited on 06.03.20xx in the bank current account
07.03 From Pubudu	16 000	12 000	Cheque was deposited on 10.03.20xx in the bank current account
13.03 From Kumudu	8 000		

Payments and related information

Date	Cash Rs.	Cheque Rs.
09.03 To Anushka	-	13 000
10.03 To Kanishka	15 400	-
11.03 Purchases	16 000	14 000
20.03 Salary	8 000	12 000
22.03 To Kanishka		16 000

Required :-

01. Cash book
02. Bank account
03. Purchase journal
04. Sales journal
05. Relevant ledger accounts
06. The trial balance as at 31.03.20xx