



 Document Style

Trial Balance

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- A trial balance separates debit and credit accounts to allow for ease of separation of individual accounts as well as to easily identify errors later on

- **Format**

- **Chapter 5 Trial Balance and Financial Statements**
 - 5.1 Trial Balance**
 - 5.2 Financial Statements**

The amounts from ledger accounts with debit balances are recorded in the **debit** column.

The amounts from ledger accounts with credit balances are recorded in the **credit** column.

Name of business		Debit	Credit
Trial Balance as at 31 January 20X1		\$	\$
Classify into AED LCI ↓			
A	Equipment	13,000	
A	Fixtures and fittings	100,000	
A	Motor vehicle	90,000	
A	Inventory	50,000	
A	Trade receivables	43,000	
A / L	Cash at bank / Bank overdraft	52,000 (A)	520 (L)
A	Cash in hand	3,000	
L	Trade payables		39,000
L	Bank loan		100,000
C	Capital, 1 Jul 20X2		180,000
D	Drawings	5,600	
I	Discount received		14,200
I	Sales revenue		350,000
-I	Sales returns	4,500	
Ex	Cost of sales	120,000	
Ex	Discount allowed	13,800	
Ex	General expenses	3,300	
Ex	Utilities expense	6,000	
Ex	Insurance expense	11,000	
Ex	Rent expense	60,000	
Ex	Salaries expense	108,000	
		683,200	683,200

When the total amount in the debit column is the **same** as the total amount in the credit column, the trial balance is **balanced**.

- **Limitations of a Trial Balance**

- Trial Balance only matches the total of all debit balances against the total of all credit balances. A trial balance in spite of errors such as omissions of entire journal entries or wrong journal entries with correct amounts on each of the debit and credit sides. Even when a trial balance is balanced, it is not an absolute proof of accuracy. There may be errors not revealed by trial balance.

