

Double Entry

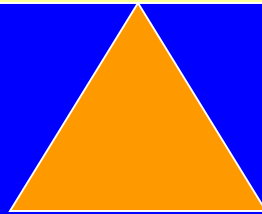
System 3



TRIAL BALANCE

5

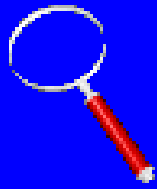
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Objectives

At the end of the lesson, students should be able to :

- **know what is a Trial Balance.**
- **know the uses and limitations of Trial Balance.**
- **identify and explain those errors that will affect and those that will not affect the Trial Balance.**
- **know how to extract a simple Trial Balance.**



An Overview...

**General
Journal**

**Special
Journals**

Ledger Accounts

Trial Balance

Adjustments

Prepare Simple Financial Statements



What is a Trial Balance?

- It is a statement of all the balances from the ledger and cash book on a particular date.
- Total debits should be equal to total credits.

**Total
Debits**



**Total
Credits**

NEXT ▶

A trial balance looks like this...

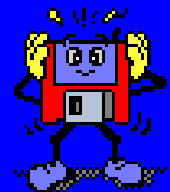
Trial Balance as at 31 Dec 2000

	Debit	Credit
	\$	\$
Capital ----->		10,500
Cash ----->	700	
Bank ----->	7,650	
Purchases ----->	3,900	
Returns Outwards ----->		150
Sales ----->		5,680
Debtors ----->	2,930	
Returns Inwards ----->	450	
Drawings ----->	100	
Wages ----->	600	
	<u>16,330</u>	<u>16,330</u>

Uses and Limitations of Trial Balance...

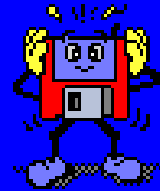
Uses

- **Test the equality of the recorded debits and credits.**
- **If the total debit is not equal to the credit, it reveals the presence of some errors during the process of journalising or posting.**



Uses and Limitations of Trial Balance...

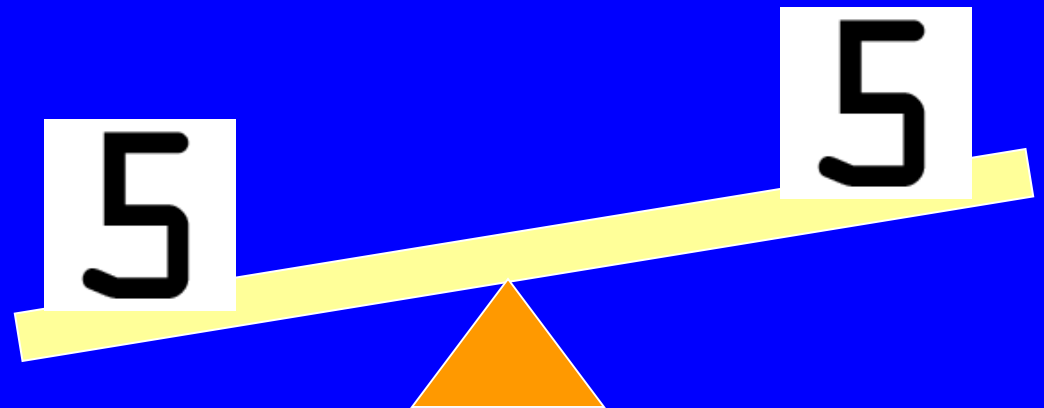
Limitations



- **A Trial Balance that balances does not necessarily prove that all the transactions have been recorded.**
- **There are some kinds of error that can still cause the Trial Balance to balance and not easy to detect.**

Errors that can affect the Trial Balance:

- **Errors of calculation**
- **Errors of omission of one entry**
- **Posting to the wrong side of an account**
- **Errors in amount**



Errors not revealed by the Trial Balance:

- Errors of omission
- Errors of commission
- Errors of principle
- Complete reversal of entries
- Compensating errors
- Errors of original entry

