

Trial-balance

Meaning of Trial Balance in Accounting

As per the accounting cycle, preparing a trial balance is the next step after posting and balancing ledger accounts. It is a statement of debit and credit balances that are extracted on a specific date.

It is made as an attempt to prove that the total of ledger accounts with a debit balance is equal to the total of ledger accounts with the credit balance. As the name suggests, it is an actual “trial” of the debit and credit balances, they should be equal.

A journal and a ledger are maintained according to the double-entry concept of accounting. In a trial balance, the sum of debits and credits must match.

Sample Format of Trial Balance

Accounts	Debit	Credit
Purchases		
Sundry Debtors		
Stock (as on apr, YYYY)		
Sales		
Cash at bank		
Machinery		
Discount received		
Bank loan		
Bad debts		
Sundry Creditors		
Carriage Outwards		
Capital		
Provision for Doubtful Debts		
Rent		
Discount allowed		
TOTAL =		

Use of Trial Balance

- It acts as a base to create the final accounts of a business such as an Income statement, a Trading A/C, and a Balance Sheet.
- To prepare a trial balance it is important to ensure the arithmetic conceptual accuracy. Due to the dual aspect of accounting, the sum of total credits should be equal to the sum of total debits.
- Due to its accuracy, tallied Trial Balances offer significant peace of mind regarding the accuracy of ledger balances.
- It acts as a summarized form of all ledger balances, in case the debit and credit balances do not match then it is concluded that there is some error and the difference is temporarily transferred to a “Suspense A/C” and corrected afterwards.
- Auditors may decide to use it and transfer the account balances onto their auditing software.
- They can then perform various different kinds of inspections.