

VIDYA BHAWAN BALIKA VIDYA PITH

शक्तिउत्थानआश्रमलखीसरायबिहार

Class 11 commerce Sub. ACT Date 27.12.2020

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Trial Balance and Rectification of Errors

6.3 Preparation of Trial Balance

Theoretically spreading, a trial balance can be prepared in the following three ways :

- (i) Totals Method
- (ii) Balances Method
- (iii) Totals-cum-balances Method

6.3.1 Totals method

Under this method, total of each side in the ledger (debit and credit) is ascertained separately and shown in the trial balance in the respective columns. The total of debit column of trial balance should agree with the total of credit column in the trial balance because the accounts are based on double entry system. However, this method is not widely used in practice, as it does not help in assuming accuracy of balances of various accounts and preparation of the financial statements.

6.3.2 Balances Method

This is the most widely used method in practice. Under this method trial balance is prepared by showing the balances of all ledger accounts and then totalling up the debit and credit columns of the trial balance to assure their correctness. The account balances are used because the balance summarises the net effect of all transactions relating to an account and helps in preparing the financial statements. It may be noted that in trial balance, normally in place of balances in individual accounts of the debtors, a figure of sundry debtors is shown, and in place of individual accounts of creditors, a figure of sundry creditors is shown.

6.3.3 Totals-cum-balances Method

This method is a combination of totals method and balances method. Under this method four columns for amount are prepared. Two columns for writing the debit and credit totals of various accounts and two columns for writing the debit and credit balances of these accounts. However, this method is also not used in practice because it is time consuming and hardly serves any additional or special purpose.

Let us now learn how will the trial balance be prepared using each of these methods with the help of the following example :

Mr. Rawat's ledger shows the following accounts for his business. Help him in preparing the trial balance using : (i) Totals method, (ii) Balances method, (iii) Totals-cum-Balances method.

Rawat's Capital Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2014 Dec. 31	Balance c/d		60,000	2014 Jan. 01	Balance b/d		40,000
			60,000		Cash		20,000
				2015 Jan. 01	Balance b/d		60,000
							60,000

Rohan's Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2014 Dec. 31	Cash		40,000	2014 Jan. 01	Balance b/d		10,000
	Balance c/d		20,000		Purchases		50,000
			60,000	2015 Jan. 1	Balance b/d		20,000
							60,000

Machinery Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2014 Dec. 31	Balance b/d		20,000	2014 Dec. 31	Depreciation		3,000
			20,000		Balance c/d		17,000
2015 Jan. 01	Balance b/d		17,000				20,000

Rahul's Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2014 Jan. 01	Balance b/d		15,000	2014 Dec. 31	Cash		55,000
	Sales		60,000		Balance c/d		20,000
2015 Jan. 01	Balance b/d		75,000				75,000
			20,000				

Sales Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
				2014	Rahul		60,000
					Cash		10,000
							<u>70,000</u>

Cash Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2014 Jan. 01	Balanc e b/d		15,000	2014	Rohan		40,000
	Capital		20,000		Wages		5,000
	Rahul		55,000		Purchases		12,000
	Sales		10,000	Dec. 31	Balance c/d		43,000
			<u>1,00,000</u>				<u>1,00,000</u>
2015 Jan. 01	Balance b/d		43,000				

Wages Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2014	Cash		5,000				
			<u>5,000</u>				

Depreciation Account

Dr.				Cr.			
Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2014	Machinery		3,000				
			<u>3,000</u>				

Purchases Account

Dr.

Cr.

Date	Particulars	J.F.	Amount Rs.	Date	Particulars	J.F.	Amount Rs.
2014	Rohan		50,000				
	Cash		12,000				
			<u>62,000</u>				

The trial balance under the three methods is illustrated below:

**(i) Trial Balance as at March 31, 2014
(Using Totals Method)**

Account Title	L.F.	Debit Total Rs.	Credit Total Rs.
Rawat			60,000
Rohan		40,000	60,000
Machinery		20,000	3,000
Rahul		75,000	55,000
Sales			70,000
Cash		1,00,000	57,000
Wages		5,000	
Depreciation		3,000	
Purchases		62,000	
		<u>3,05,000</u>	<u>3,05,000</u>

**(ii) Trial Balance as at March 31, 2014
(Using Balances Method)**

Account Title	L.F.	Debit Balance Rs.	Credit Balance Rs.
Rawat's Capital			60,000
Rohan's Capital			20,000
Machinery		17,000	
Rahul		20,000	
Sales			70,000
Cash		43,000	
Wages		5,000	
Depreciation		3,000	
Purchases		62,000	
Total		<u>1,50,000</u>	<u>1,50,000</u>

**(iii) Trial Balance as at March 31, 2014
(Using Totals-cum-Balances Method)**

<i>Account Title</i>	<i>L.F.</i>	<i>Debit Total Rs.</i>	<i>Credit Total Rs.</i>	<i>Debit Balance Rs.</i>	<i>Credit Balance Rs.</i>
Rawat's Capital			60,000		60,000
Rohan		40,000	60,000		20,000
Machinery		20,000	3,000	17,000	
Rahul		75,000	55,000	20,000	
Sales			70,000		70,000
Cash		1,00,000	57,000	43,000	
Wages		5,000		5,000	
Depreciation		3,000		3,000	
Purchases		62,000		62,000	
Total		3,05,000	3,05,000	1,50,000	1,50,000