

MEANING OF KEY TERMS USED IN THE CHAPTER

Trial Balance

It is a statement prepared with the debit and credit balances of the ledger accounts. It also includes the balances of cash and Bank taken from the Cash Book. The total of debit and credit columns should be equal. Specimen of a Trial Balance with imaginary amounts is as follows:

TRIAL BALANCE *as at ...*

Heads of Accounts	L.F.	Debit Balance ₹	Credit Balance ₹
Capital A/c		...	80,000
Cash A/c		47,700	...
Purchases A/c		79,000	...
Sales A/c		...	50,000
Drawings A/c		1,500	...
Discount Received A/c		...	200
Salaries A/c		2,000	...
Total		1,30,200	1,30,200

CHAPTER SUMMARY

- A **Trial Balance** is a statement of accounts appearing in the Ledger. It may be prepared either by taking the balance of each account or the total amounts of debit and credit items.
- The agreement of **Trial Balance** ensures arithmetical accuracy and not accounting accuracy.
- **Objectives or Functions of a Trial Balance** are to:
 - (i) ascertain arithmetical accuracy.
 - (ii) facilitate preparation of Financial Statements.
 - (iii) provide summary of Ledger Accounts.
 - (iv) help in locating errors.
- **Guidelines**, which help in the preparation of Trial Balance, are as follows:
 - (i) Accounts of expenses and losses have a *debit* balance.
 - (ii) Accounts of incomes and gains have a *credit* balance.
 - (iii) Accounts of assets have a *debit* balance.
 - (iv) Accounts of liabilities have a *credit* balance.
 - (v) Capital Account usually has a *credit* balance.