

TRIAL BALANCE

In the double entry system every entry has its corresponding credit and debit. **It** follows that at any given point of time, the posting from Journal, day books and cash book to the ledger is completed, the debit balances standing in all the ledgers including the cash book will equal the credit balances.

At the end of the financial period (or at some other date) these balances are extracted and a schedule is prepared in journal form is called a Trial Balance. Thus the total of debit balances appearing in the Trial Balance must agree with the total of credit balances of appearing in the Trial Balance.

The next stage after posting accounts to the ledger is the preparation of a Trial Balance. The debit and credit balances of accounts are entered in this statement. The total of the debit and the total of the credit side must agree. An agreement indicates reasonable accuracy of the accounting work. The trial balance helps in ascertaining arithmetical accuracy of the ledger accounts, location of errors and in the preparation of financial statements.

Methods of locating errors in Trial Balance:

Where the debit and the credit totals of the trial balance do not agree **it** is an indication that one or more errors have been made. Following are four suggested aids in detecting errors revealed by differences between the debit and credit totals of the trial balance in a manual system (computerized systems are usually programmed to reject entries that would create a debit-credit imbalance).

1. If the difference between the totals is 0.1, 1.0, 100, and so for the, the error is probably in addition. Such an error is usually detected by re-adding the columns of the trial balance or, if necessary, the columns in the ledger accounts.
2. When the difference is an even number, the error may be the result of making a debit entry in a credit column, or vice versa. Divide the difference in totals by 2 and look through first the trial balance and then the ledger accounts for an amount corresponding to this quotient. The difference is divided by 2 because an item placed in the wrong column results in a difference of twice its amount.
3. If the difference is divisible by 9, the error is probably either a **transposition** or a **transplacement**, and the search can be narrowed down to numbers where these errors might have been made. A **transposition** occurs when 79 is written for 97, 318 for 813, and so on. A **transplacement**, or **slide**, occurs when the digits of the number are moved to the left or right, as when \$632 is written as \$63.2 or \$6.32.
4. When the source of error is not readily discernible, **it** is advisable to check the trial balance against the ledger to determine whether all the account balances have been copied properly. **This check** may reveal that certain accounts have been omitted. As a last resort, **it** may be necessary to check all of the numbers in the ledger with the journal and to check all additions and subtractions in the several accounts.

Care in making the entries—such as writing legibly, double-checking additions and subtractions as journalizing and posting proceed, and making sure all entries are entered properly—will save much time otherwise spent in hunting for errors. If the difference still persists, **it** should be transferred temporarily to Suspense Account and on locating the errors at a future date, the Suspense Account can be closed.

Suspense Account

The difference in the Trial Balance may be put in an account known as the Suspense Account, where the error causing difference cannot be located immediately and the books of accounts have to be closed. Suspense account is an account to which the difference in the trial balance has been put temporarily. If the debit side is short this account is debited and if the credit side is short **it** will be credited. However the opening of a suspense account does not mean that the errors need not be found out. All errors affecting the trial balance are corrected through the suspense account as these are one-sided errors. Previously one sided errors have been corrected by making a correcting entry in the account concerned without making an entry in any other account. Double entry will be complete where a suspense account is opened with a difference in the trial balance.