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Shareholders' Capital Account

Dr.			Cr.		
Date	Particulars	Amount	Date	Particular	Amount
-	To Balance c/d (balancing figure)	100	Tran 1	By Bank A/c	100
		<u>100</u>			<u>100</u>

$Cr\ total > Dr\ total \Rightarrow Credit\ Balance$

Bank Loan Account

Dr.			Cr.		
Date	Particulars	Amount	Date	Particular	Amount
	To balance c/d (balancing figure)	200	Tran 2	By Bank A/c	200
		<u>200</u>			<u>200</u>

$Cr\ total > Dr\ total \Rightarrow Credit\ Balance$

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So, likewise we have all the balances here. Shareholders' capital account has a credit balance of 100, bank loan account has a credit balance of 200.

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Purchase Account

Dr.			Cr.		
Date	Particulars	Amount	Date	Particular	Amount
Tran 3	To Bank A/c	50			
Tran 4	To ABC Ltd's A/c	50		By balance c/d	100
		<u>100</u>			<u>100</u>

$Dr\ total > Credit\ total \Rightarrow Debit\ Balance$

ABC Ltd's Account



Dr.			Cr.		
Date	Particulars	Amount	Date	Particular	Amount
Tran 4	To Bank A/c	50	Tran 4	By Purchase A/c	50
		<u>50</u>			<u>50</u>

$Dr\ total = Cr\ total \Rightarrow No\ Balance$

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Purchase account has a debit balance of 100 and so on.

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Sales Account

Dr.			Cr.		
Date	Particulars	Amount	Date	Particular	Amount
	To balance c/d	100	Trans 5	By Bank A/c	50
			Trans 6	By PQR's A/c	50
		100			100

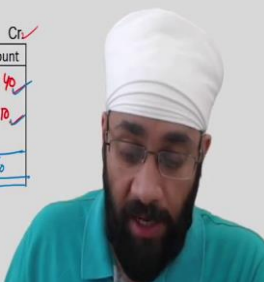
$Cr\ total > Dr\ total \Rightarrow Credit\ Balance$
 (Customer) ✓

PQR Ltd's Account



Dr.			Cr.		
Date	Particulars	Amount	Date	Particular	Amount
Trans 6	To Sales A/c	50	Trans 1	By Bank A/c	40
			Trans 13	By Bad Debt A/c	10
		50			50

No Balance

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Building Account

Dr.			Cr.		
Date	Particulars	Amount	Date	Particular	Amount
Trans 8	To Bank A/c	100	Trans 9	By Bank A/c	50
			Trans 11	By Depreciation A/c	10
				By balance c/d	60
		100			100

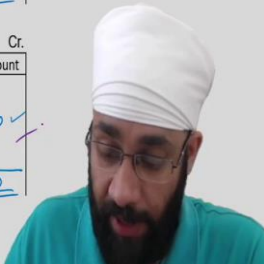
$Dr\ total > Cr\ total \Rightarrow Debit\ balance$

Depreciation Account

Dr.			Cr.		
Date	Particulars	Amount	Date	Particular	Amount
Trans 11	To Building A/c	10		By balance c/d	10
		10			10

$Dr\ total > Cr\ total \Rightarrow Debit\ balance$



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Rent Account					
Dr.			Cr.		
Date	Particulars	Amount	Date	Particular	Amount
Trans 7	To Bank A/c ✓	20			
				By balance c/d	20 ✓
		20			20


Dr total > Cr total ⇒ Debit Balance

Interest Income Account					
Dr.			Cr.		
Date	Particulars	Amount	Date	Particular	Amount
			Trans 10	By Bank A/c	10
	To balance c/d	10			
		10			10

Cr total > Dr total ⇒ Credit Balance



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Bad Debts Account					
Dr.			Cr.		
Date	Particulars	Amount	Date	Particular	Amount
Trans 15	To PQR's A/c	10 ✓			
				By balance c/d	10 ✓
		10			10

Dr total > Cr total ⇒ Debit Balance

Bad Debts Account					
Dr.			Cr.		
Date	Particulars	Amount	Date	Particular	Amount

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So, all the balances are with us in these slides; all accounts are with us.


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Preparing Trial Balance

Trial Balance as on

Account	Dr. Amount	Cr. Amount
Bank	210	
Shareholder Capital		100
Purchase	100	
Sales		100
ABC Ltd		
PQR Ltd		
Bad Debt	10	
Rent	20	
Interest Income		10
Depreciation	10	
Building	60	
Bank loan		200
	<u>410</u>	<u>410</u>

Assets - Dr
Expense - Dr
Liabilities - Cr
Income - Cr



And, in the ledger posting videos we also discussed that some of these accounts are going to have debit balance, some are going to have credit balance, and there are rules and let me just write those rules here. All assets are going to have a debit balance; all expenses are going to have a debit balance. On the other hand, all liabilities and all incomes are going to have credit balance. These are the rules that we figured out in the ledger posting video.

Now, let us start posting the account balances into the trial balance. So, this is trial balance trial balance as on and if we had the date we would write here, but we do not have the dates right now. So, I go to the very first account, which is bank account and bank account has a balance of 210, a debit balance. The first thing to do is just list all the possible accounts that we have. So, we have bank, shareholders' capital, and so on. So, I will just write all the account names here. In this column we write the account name. So, we have a bank account, a shareholder capital account, a purchase account, a sales account, we have ABC Limited's account, we have PQR Limited's account, I think we had a bad debt account, we have a rent account, we had interest income, then we have depreciation. The order does not matter: which accounts are you writing first, which accounts are you writing later, that does not matter. We have a building account, sale, purchase is done, shareholder, bank loan account.

So, after the 14 transactions that we did, we came upon 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12 accounts involved in the 14 transactions. In the 14 transactions you had a minimum of 14x2 accounts that were involved, but bank account was involved in multiple places, purchase may

be involved at multiple places. So, in total we have about 12 accounts that you need to worry about.

Now, we just look at the bank account and we say, what is the amount, what is the balance in the bank account. The balance in the bank account was 210 and I am writing it in the first column, which is the column for debit balances. Bank balance is an asset, it has a debit balance, we will write this in the first column. Then, the next account is shareholders' capital account, it has a balance of 100. Shareholder's capital has a balance of 100 and it is a credit balance. I am writing this in the second column which is designated for all the credit balances.

Next step, you have a bank loan account which has a balance of 200. So, bank loan account: 200 credit balance because it is a liability. Then, we have purchase account which has 100 and ABC has no balance. So, purchase is 100, a debit balance and ABC has no balance. We also know that PQR also does not have any balance, we will just write it as nil. Then, we have sales account which has 100 as balance. Then, we have building account which has 60 as the balance and depreciation which has 10. So, building has 60 and depreciation has 10. Debit balances: depreciation is an expense, building is an asset. Then rent is 20 and interest income is 10; rent 20, interest income 10. Interest income is an income, a credit balance, rent is an expense 20, debit balance, and bad debts have 10.

Now we have brought all the account balances to the trial balance. That is it. This is possibly the easiest statement to prepare. Most of the work had to be done in writing the journal entries and posting them into the ledger, after that we just have to bring all the closing balances, all the balancing figures from the ledger accounts and put them in this statement like this.

The next step is to just do a total, total of the two sides. The total of the two sides you have 310 here. We have made a mistake here: sales should be on the credit side as well because sale is an income. So, this should be 410 instead. So, we have 210, 310 and we have 60, 70, 80 and 100. So, this also comes out to be 410 and then you close it with the conventional two underlines.

There you go, the trial balance is agreeing in the sense that debits are equal to credits. You do not have to put in this equal to sign here, this is just for the discussion. So, the debit amount is equal to the credit amount means the double entry system has been followed, at least arithmetically. There is no mistake possibly. There could be mistakes, we will talk about those in the future videos.

So, that is how you prepare trial balance. In this video I took you through the process of preparing trial balance using the same 14 journal entries, which we have been using since the beginning, since the journal entries.

I will see you in the next video.