**Foreword**

This resource material provides teachers with examples of graded assignments for reference and is by no means exhaustive. Teachers are advised to adapt the materials according to the diverse learning needs of students if deemed necessary.

Graded Assignment: Trial Balance

Elementary Level – Question Paper

|  |
| --- |
| The following accounts were extracted from the books of Peter Company as at 30 April 2020: |
|  |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Trade receivables | | | |  |  |
|  | 2020 |  | $ | 2020 |  | $ |  |
|  | Apr 1 | Balance b/d | 25,000 | Apr 25 | Cash at bank | 29,100 |  |
|  | 8 | Sales | 30,000 | 25 | Discounts allowed | 900 |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | |  | |  | |  | | |  | |  |  | | |  |
|  | |  | | Cash at bank | | | | | | | |  |  | | |
|  | | 2020 | |  | | $ | | 2020 |  | | | $ |  | | |
|  | | Apr 2 | | Capital | | 20,000 | | Apr 1 | Balance b/d | | | 10,000 |  | | |
|  | | 2 | | Loan from Susan Ltd | | | 40,000 | 15 | Loan from Susan Ltd | | | 130,000 |  | | |
|  | | 25 | | Trade receivables | | 29,100 | | 30 | Sundry expenses | | | 45,000 |  | | |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Loan from Susan Ltd | | | |  |  |
|  | 2020 |  | $ | 2020 |  | $ |  |
|  | Apr 15 | Cash at bank | 130,000 | Apr 1 | Balance b/d | 90,000 |  |
|  |  |  |  | 2 | Cash at bank | 40,000 |  |

**REQUIRED**

|  |  |
| --- | --- |
| (a) | Balance off the above accounts as at 30 April 2020. You are also required to show the opening balances of the next month. (2 marks) |
| (b) | From the above accounts, give one example for each of the following types of account balances:  (i) zero balance  (ii) debit balance  (iii) credit balance  (3 marks) |

|  |  |  |
| --- | --- | --- |
|  | | |
| Apart from the above accounts, the following balances were obtained from the books of Peter Company as at 30 April 2020: | | |
|  |  | $ |
|  | Motor van | 50,000 |
|  | Inventory | 60,000 |
|  | Capital | 190,000 |
|  | Purchases | 200,000 |
|  | Sales | 138,000 |
|  | Sundry expenses | 45,000 |
|  | Trade payables | 180,000 |
|  | Drawings | 40,000 |
|  | Rent | 30,000 |
|  | Carriage outwards | 70,620 |
|  | Returns outwards | 2,660 |
|  | Returns inwards | 6,540 |
|  | Discounts received | 14,500 |
|  | Discounts allowed | 900 |
|  | Rental deposit | 93,000 |

**REQUIRED**

(c) State two functions of a trial balance (2 marks)

(d) Prepare a trial balance as at 30 April 2020. (9 marks)

(e) Explain one limitation of a trial balance with an example. (2 marks)

(Total: 18 marks)

Graded Assignment: Trial Balance

Elementary Level – Student Worksheet

1. Balance off the following accounts as at 30 April 2020. You are also required to show the opening balances of the next month.

Hints: Steps to balance off an account

|  |
| --- |
| 1. Calculate the total on debit side and the total on credit side of the T-account. |
| 1. Deduct the smaller total from the larger total to find the difference. |
| 1. Record the difference (i.e. closing balance) on the side with smaller total as balance carried down (Balance c/d). |
| 1. Enter the total on debit side and the total on credit side (\*they must be the same) of the T-account. |
| 1. Start the next month’s record by entering the difference in Step 2 as balance brought down (Balance b/d) on the side opposite to the balance carried down (Balance c/d). |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Example:  *Step 1:*  *Credit side total: $182,660*    *Step 1:*  *Debit side total: $2,660* | | | | | | | | | | | | | | | | | | | | | | | | | |
|  | Trade payables | | | | | | |  | | | | | | | |  | | | | |  | | | |
| 2020 |  | $ | | | 2020 | |  | | $ | | | | | | | |  | | | | | |  | | |
| Apr 30 | Returns outwards | | 2,660 | | Apr 1 | | | | | Purchases | | | | | 100,000 | | | | |  | | | | |
| Apr 30 | Balance c/d | 180,000 | | | Apr 3 | | | | | Purchases | | | | | 82,660 | | |  | | | | | | |
|  |  | | | 182,660 |  | | | | | *Step 4:*  *Enter the total* | | | | 182,660 | | | | |  | | | | | | |
|  | *Step 2: Difference*  *= $182,660 - $2,660*  *= $180,000*  *Step 3:*  *Enter the difference on the side with smaller total* |  | | |  | | | | |  | |  | | | | | | | | | |  | |  | | |
|  |  |  | | |  | | | | |  | |  | | | | | | | | | |  | |  | | |
|  |  |  | | | May 1 | | | | | | Balance b/d | | 180,000 | | | | | | | | | | | | | | |
|  |  |  | | |  | |  | |  | | | | | | | |  | | | | | |  | | |
|  |  |  | | | |  | |  | | | | | | | |  | | | | |  | | | |
|  |  |  | | | |  | | *Step 5:*  *Enter the difference on the opposite side as Balance b/d of another month* | | | | | | | |  | | | | |  | | | |
|  |  |  | | | |  | |  | | | | | | | |  | | | | |  | | | |
|  |  |  | | | |  | |  | | | | | | | |  | | | | |  | | | |

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| **Fill in the following boxes and circle the correct answers for items with *(#)*.** |

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Trade receivables | | | | |  | |  |  |
|  | 2020 |  | $ | | 2020 |  | $ | |  |  |
|  | Apr 1 | Balance b/d | 25,000 | | Apr 25 | Cash at bank | 29,100 | |  |  |
|  | 8 | Sales | 30,000 | | 25 | Discounts allowed | 900 | |  |  |
|  |  |  |  | | 30 | # Balance c/d / Balance b/d | | 25,000 |  |  |
|  |  |  | | 55,000 |  |  | | 55,000 |  |  |
|  | May 1 | # Balance c/d / Balance b/d | | 25,000 |  |  |  | |  |  |

|  |  |  |  |  |  |  |
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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Cash at bank | | | | | | | |  | | |  |  |
|  | 2020 |  | $ | | | | 2020 | |  | $ | | |  |  |
|  | Apr 2 | Capital | 20,000 | | | | Apr 1 | | Balance b/d | 10,000 | | |  |  |
|  | 2 | Loan from Susan Ltd | | 40,000 | | | 15 | | Loan from Susan Ltd | 130,000 | | |  |  |
|  | 25 | Trade receivables | 29,100 | | | | 30 | | Sundry expenses | 45,000 | | |  |  |
|  | 30 | # Balance c/d / Balance b/d | | | | 95,900 |  | |  |  | | |  |  |
|  |  |  | | | 185,000 | |  | |  | | 185,000 | |  |  |
|  |  |  |  | | | | May 1 | # Balance c/d / Balance b/d | | | |  |  |  |

*Calculate the difference between the two sides*

*= - - -*

*=*

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Loan from Susan Ltd | | | | |  | |  |
|  | 2020 |  | $ | | 2020 |  | $ | |  |
|  | Apr 15 | Cash at bank | 130,000 | | Apr 1 | Balance b/d | 90,000 | |  |
|  |  |  |  | | 2 | Cash at bank | 40,000 | |  |
|  |  |  | |  |  |  | | 130,000 |  |

When total of debit side equals total of credit side, no balance will be carried down to the next month.

(b)

(i) Zero balance: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

When debit side total > credit side total,

**balance c/d** would appear on the **credit side**, the account has a **debit balance.**

(ii) Debit balance: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

When credit side total > debit side total,

**balance c/d** would appear on the **dedit side**, the account has a **credit balance.**

(iii) Credit balance: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

|  |  |  |
| --- | --- | --- |
| (c) | State two functions of a trial balance. | |
|  | *Complete the following sentences with the words provided in the box.* | |
|  | *1. financial statements 2. double entry 3. arithmetical accuracy 4. debit 5. credit* | |
|  |  | |
|  | The functions are: | |
|  | 1. | to test the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ system by checking whether the total of the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ balances and the total of the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ balances are the same. |
|  | 2. | to serve as a basis on which \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ are prepared. |

(d)

Hint 1: Before preparing the trial balance, we need to determine the **types of account balances**.

Hint 2: In addition to getting balances from balancing off, we may determine the types of account balances based on the **accounting equation**.

|  |
| --- |
| Accounting Equation |
| ***Assets*** *= Capital + Liabilities*    ***Assets*** *= Capital + (Revenues –* ***Expenses****)* ***– Drawings*** *+ Liabilities* |
| ***Assets + Expenses + Drawings*** *= Capital + Liabilities + Revenues* |
|  |
|  |
|  |
| *‘Credit’ when there is an increase in these accounts.*  *‘Debit’ when there is an increase in these accounts increase.* |
|  |
|  |
|  |
|  |
| *These accounts normally have a* ***debit*** *balance.* |
|  |
| *These accounts normally have a* ***credit*** *balance.* |

Hint 3: Steps to prepare a trial balance

|  |  |
| --- | --- |
| 1. | Accounts with a Debit balance will be entered in Dr column. |
| 2. | Accounts with a Credit balance will be entered in Cr column. |
| 3. | Calculate the total of the debit column and the total of the credit column and check if they are equal. |

|  |  |  |  |
| --- | --- | --- | --- |
| Peter Company | | | |
| Trial Balance as at 30 April 2020 | | | |
|  | Dr  $ | Cr  $ | |
| Trade receivables *(hint: assets)* | (e.g.) 25,000 | |  |
| Sales *(hint: revenues)* |  |  | |
| Cash at bank (bank overdraft) *(hint: liabilities)\** |  |  | |
| Sundry expenses *(hint: expenses)* |  |  | |
| Motor van *(hint: assets)* |  |  | |
| Inventory *(hint: assets)* |  |  | |
| Capital |  |  | |
| Purchases *(hint: expenses)* |  |  | |
| Trade payables *(hint: liabilities)* |  |  | |
| Drawings |  |  | |
| Rent *(hint: expenses)* |  |  | |
| Carriage outwards *(hint: expenses)* |  |  | |
| Returns outwards *\*\** |  |  | |
| Returns inwards *\*\** |  |  | |
| Discounts received *(hint: revenues)* |  |  | |
| Discounts allowed *(hint: expenses)* |  |  | |
| Rental deposit *(hint: assets)* |  |  | |
|  | 621,060 |  | |

Notes:

\* Cash at bank is normally an asset account with a debit balance. However, when cash withdrawn from the cash at bank account is more than the account balance (i.e. bank overdraft), it becomes a liability account with a credit balance.

\*\* Double entry rules for recording returns inwards and returns outwards:

|  |  |  |
| --- | --- | --- |
| To record | returns inwards account | returns outwards account |
| an increase | Debit side | Credit side |
| a decrease | Credit side | Debit side |

|  |  |
| --- | --- |
| (e) | **Fill in the blanks to complete the following sentence about the limitation of a trial balance** |

There may still be\_\_\_\_\_\_\_\_\_\_\_\_\_ or \_\_\_\_\_\_\_\_\_\_\_\_\_\_ in accounting entries even though the total of the debit balances equals the total of the credit balances.

**Circle one of the following errors which could not be detected by a trial balance.**

|  |  |
| --- | --- |
| Scenario 1: | Cash sales was only recorded in the sales account. |
|  |  |
| Scenario 2: | Paid sundry expenses by cheque but no entries were made. |
|  |  |
|  |  |
|  |  |
|  |  |
|  |  |

Graded Assignment: Trial Balance

Elementary Level – Suggested Solution and Explanatory Notes

|  |  |  |
| --- | --- | --- |
| (a) |  |  |

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Trade receivables | | | | | |  | | |  |
| 2020 |  | $ | | 2020 | |  | $ | | |  |
| Apr 1 | Balance b/d | 25,000 | | Apr 25 | | Cash at bank | 29,100 | | |  |
| 8 | Sales | 30,000 | | 25 | | Discounts allowed | 900 | | |  |
|  |  |  | | 30 | # Balance c/d / Balance b/d | | | 25,000 | |  |
|  |  | | 55,000 |  | |  | | | **55,000** |  |
| May 1 | # Balance c/d / Balance b/d | | 25,000 |  | |  |  | | |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Cash at bank | | | | | | | |  | |  |  |
|  | 2020 |  | $ | | | | 2020 | |  | $ | |  |  |
|  | Apr 2 | Capital | 20,000 | | | | Apr 1 | | Balance b/d | 10,000 | |  |  |
|  | 2 | Loan from Susan Ltd | | 40,000 | | | 15 | | Loan from Susan Ltd | 130,000 | |  |  |
|  | 25 | Trade receivables | 29,100 | | | | 30 | | Sundry expenses | 45,000 | |  |  |
|  | 30 | # Balance c/d / Balance b/d | | | | **95,900** |  | |  |  | |  |  |
|  |  |  | | | **185,000** | |  | |  | | 185,000 |  |  |
|  |  |  |  | | | | May 1 | # Balance c/d / Balance b/d | | | **95,900** |  |  |

*difference between the two sides*

*= $185,000 - $20,000 - $40,000 - $29,100*

*= $95,900*

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Loan from Susan Ltd | | | | |  | |  |
|  | 2020 |  | $ | | 2020 |  | $ | |  |
|  | Apr 15 | Cash at bank | 130,000 | | Apr 1 | Balance b/d | 90,000 | |  |
|  |  |  |  | | 2 | Cash at bank | 40,000 | |  |
|  |  |  | | **130,000** |  |  | | **130,000** |  |

(b) (i) Zero balance: Loan from Susan Ltd

(ii) Debit balance: Trade receivables

When debit side total > credit side total,

**balance c/d** would appear on the **credit side**, the account has a **debit balance.**

(iii) Credit balance: Cash at bank (bank overdraft)

When credit side total > debit side total,

**balance c/d** would appear on the **dedit side**, the account has a **credit balance.**

|  |  |  |
| --- | --- | --- |
| (c) | The functions are: | |
|  | 1. | to test the arithmetical accuracy of double entry system by checking whether the total of the debit balances and the total of the credit balances are the same. |
|  | 2. | to serve as a basis on which financial statements are prepared. |
|  |  |  |

(d)

|  |  |  |  |
| --- | --- | --- | --- |
| Peter Company | | | |
| Trial Balance as at 30 April 2020 | | | |
|  | Dr  $ | Cr  $ | |
| Trade receivables *(hint: assets)* | (e.g.) 25,000 | |  |
| Sales *(hint: revenues)* |  | 138,000 | |
| Cash at bank (bank overdraft) *(hint: liabilities)* |  | 95,900 | |
| Sundry expenses *(hint: expenses)* | 45,000 |  | |
| Motor van *(hint: assets)* | 50,000 |  | |
| Inventory *(hint: assets)* | 60,000 |  | |
| Capital |  | 190,000 | |
| Purchases *(hint: expenses)* | 200,000 |  | |
| Trade payables *(hint: liabilities)* |  | 180,000 | |
| Drawings | 40,000 |  | |
| Rent *(hint: expenses)* | 30,000 |  | |
| Carriage outwards *(hint: expenses)* | 70,620 |  | |
| Returns outwards |  | 2,660 | |
| Returns inwards | 6,540 |  | |
| Discounts received *(hint: revenues)* |  | 14,500 | |
| Discounts allowed *(hint: expenses)* | 900 |  | |
| Rental deposit *(hint: assets)* | 93,000 |  | |
|  | 621,060 | 621,060 | |

(e) There may still be errors or omissions in accounting entries even though the total of the debit balances equals the total of the credit balances.

Scenario 2 is an example of error which could not be detected by a trial balance.

|  |  |
| --- | --- |
| Scenario 2: | Paid sundry expenses by cheque but no entries were made. |

|  |
| --- |
| Explanatory notes:  As both debit entry and credit entry for the transaction were omitted, total debit balances and total credit balances in the trial balance would still agree.  Hence, a trial balance is not able to detect all errors or omissions in the accounting record. |

**Points to note:**

|  |
| --- |
| Determination of types of account balances based on the accounting equation |
| ***Assets + Expenses + Drawings*** *= Capital + Liabilities + Revenues* |
|  |
|  |
| *‘Credit’ when there is an increase in these accounts.*    *‘Debit’ when there is an increase in these accounts increase.* |
|  |
|  |
|  |
| *Debit total < Credit total*  *=>* ***Credit*** *balance*  *Debit total > Credit total =>* ***Debit*** *balance* |
|  |
|  |
|  |
| *All these accounts normally have a* ***credit*** *balance.*  *All these accounts normally have a* ***debit*** *balance.* |
|  |
|  |
|  |
| *Note: If Debit total = Credit total, the account has a zero balance* |

|  |
| --- |
| Steps to balance off an account |
| 1. Calculate the total on debit side and the total on credit side of the T-account. |
| 1. Deduct the smaller total from the larger total to find the difference. |
| 1. Record the difference (i.e. closing balance) on the side with smaller total as balance carried down (Balance c/d). |
| 1. Enter the total on debit side and the total on credit side (\*they must be the same) of the T-account. |
| 1. Start the next month’s record by entering the difference in Step 2 as balance brought down (Balance b/d) on the side opposite to the balance carried down (Balance c/d). |

|  |
| --- |
| Steps to prepare a trial balance: |
| 1. Accounts with a Debit balance will be entered in Dr column. |
| 1. Accounts with a Credit balance will be entered in Cr column. |
| 1. Calculate the total of the two columns and check if they are equal.   Common mistakes:  1. Unable to identify bank overdraft as liabilities.  2. Mix up the balancing figure and the total figure in a T-account.  3. Mix up errors affecting and errors not affecting trial balance agreement. |
|  |

Graded Assignment: Trial Balance

Standard Level – Question Paper

|  |
| --- |
| The following accounts were extracted from the books of Peter Company as at 30 April 2020: |
|  |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Trade receivables | | | |  |  |
|  | 2020 |  | $ | 2020 |  | $ |  |
|  | Apr 1 | Balance b/d | 25,000 | Apr 25 | Cash at bank | 29,100 |  |
|  | 8 | Sales | 30,000 | 25 | Discounts allowed | 900 |  |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Cash at bank | | | | |  |  |
|  | 2020 |  | $ | | 2020 |  | $ |  |
|  | Apr 2 | Capital | 20,000 | | Apr 1 | Balance b/d | 10,000 |  |
|  | 2 | Loan from Susan Ltd | | 40,000 | 15 | Loan from Susan Ltd | 130,000 |  |
|  | 25 | Trade receivables | 29,100 | | 30 | Sundry expenses | 45,000 |  |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Loan from Susan Ltd | | | |  |  |
|  | 2020 |  | $ | 2020 |  | $ |  |
|  | Apr 15 | Cash at bank | 130,000 | Apr 1 | Balance b/d | 90,000 |  |
|  |  |  |  | 2 | Cash at bank | 40,000 |  |

**REQUIRED**

|  |  |
| --- | --- |
| (a) | Balance off the above accounts as at 30 April 2020. You are also required to prepare the opening balances of the next month. (2 marks) |
| (b) | From the above accounts, give one example for each of the following types of account balances:  (i) zero balance  (ii) debit balance  (iii) credit balance  (3 marks) |

|  |  |  |
| --- | --- | --- |
|  | | |
| Apart from the above accounts, the following balances were obtained from the books of Peter Company as at 30 April 2020: | | |
|  |  | $ |
|  | Motor van | 50,000 |
|  | Inventory | 60,000 |
|  | Capital | 190,000 |
|  | Purchases | 200,000 |
|  | Sales | 138,000 |
|  | Sundry expenses | 45,000 |
|  | Trade payables | 180,000 |
|  | Drawings | 40,000 |
|  | Rent | 30,000 |
|  | Carriage outwards | 70,620 |
|  | Returns outwards | 2,660 |
|  | Returns inwards | 6,540 |
|  | Discounts received | 14,500 |
|  | Discounts allowed | 900 |
|  | Rental deposit | 93,000 |
|  |  |  |

**REQUIRED**

(c) State two functions of a trial balance (2 marks)

(d) Prepare a trial balance as at 30 April 2020. (9 marks)

(e) Explain one limitation of a trial balance with an example. (2 marks)

(Total: 18 marks)

Graded Assignment: Trial Balance

Standard Level – Student Worksheet

|  |  |
| --- | --- |
| (a) | Balance off the above accounts as at 30 April 2020. You are also required to prepare the opening balances of the next month |

**Hints: Arrange the following steps to balance off an account in a correct sequence:**

|  |
| --- |
| 1. Deduct the smaller total from the larger total to find the difference. 2. Start the next month’s record by entering the difference as balance brought down (Balance b/d) on the side opposite to the balance carried down (Balance c/d). |
| 1. Enter the total on debit side and the total on credit side (\*they must be the same) of the T-account. 2. Calculate the total on debit side and the total on credit side of the T-account. |
| 1. Record the difference (i.e. closing balance) on the side with smaller total as balance carried down (Balance c/d). |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Steps to balance off an account** \_\_\_\_\_\_\_\_ > \_\_\_\_\_\_\_\_ > \_\_\_\_\_\_\_\_ > \_\_\_\_\_\_\_\_ > \_\_\_(b)\_\_\_ | | | | | | | | |
| |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | | *Example*  *Debit side total: $2,660*  *Credit side total: $182,660* | | | | | | | | | | | | | | | | | | | | | | | |  | *Trade payables* | | | | | |  | | | | | | | |  | | | |  | | | | *2020* |  | *$* | | | *2020* |  | | *$* | | | | | | | |  | | | |  | | | | *Apr 30* | *Returns outwards* | | *2,660* | | *Apr 1* | | | | *Purchases* | | | | | *100,000* | | |  | | | | | | *Apr 30* | *Balance c/d* | *180,000* | | | *Apr 3* | | | | *Purchases* | | | | | *82,660* | | | |  | | | | |  |  | | | *182,660* |  | | | | *Enter the total* | | | | *182,660* | | | |  | | | | | | |  | *Difference between debit side and credit side*  *= $182,660 - $2,660*  *= $180,000*  *The* ***difference*** *is stated as* ***Balance c/d*** *of this month and* ***Balance b/d*** *of next month.* |  | | |  | | | |  | |  | | | | | |  | | | |  | | | |  |  |  | | | *May 1* | | | | | *Balance b/d* | | *180,000* | | | | | | | | | | | | |   Example:  *Step 2: D ifferenceBank overdraft is a liability, has CR balance* | | | | | | | | |
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| **Balance off the following accounts and complete the steps in the boxes provided.**  Credit side total: \_\_\_\_\_\_\_\_\_\_\_\_\_\_  Debit side total: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |

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|  |  | Trade receivables | | | | |  | |
|  | 2020 |  | $ | | 2020 |  | $ | |
|  | Apr 1 | Balance b/d | 25,000 | | Apr 25 | Cash at bank | 29,100 | |
|  | 8 | Sales | 30,000 | | 25 | Discounts allowed | 900 | |
|  |  |  |  | |  |  |  | |
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|  |  |  |  | |  | Which side is greater: Debit / Credit  Difference: \_\_\_\_\_\_\_\_\_\_\_\_\_\_ |  | |

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|  |  | Debit side total: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  Credit side total: \_\_\_\_\_\_\_\_\_\_\_\_\_\_  Cash at bank | | | | |  |  |
|  | 2020 |  | $ | | 2020 |  | $ |  |
|  | Apr 2 | Capital | 20,000 | | Apr 1 | Balance b/d | 10,000 |  |
|  | 2 | Loan from Susan Ltd | | 40,000 | 15 | Loan from Susan Ltd | 130,000 |  |
|  | 25 | Trade receivables | 29,100 | | 30 | Sundry expenses | 45,000 |  |
|  |  |  |  | |  |  |  |  |
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|  |  |  |  | |  | Which side is greater: Debit / Credit  Difference: \_\_\_\_\_\_\_\_\_\_\_\_\_\_ |  |  |

Debit side total: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Credit side total: \_\_\_\_\_\_\_\_\_\_\_\_\_\_

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Loan from Susan Ltd | | | |  |  |
|  | 2020 |  | $ | 2020 |  | $ |  |
|  | Apr 15 | Cash at bank | 130,000 | Apr 1 | Balance b/d | 90,000 |  |
|  |  |  |  | 2 | Cash at bank | 40,000 |  |
|  |  |  |  |  |  |  |  |
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|  |  |  |  |  | Difference: \_\_\_\_\_\_\_\_\_\_\_\_\_\_ |  |  |

(b) Hint: Identify the types of account balances by comparing debit side total and credit side total.

* When debit side total > credit side total, the account has a \_\_\_\_\_\_\_\_\_\_ balance.
* When credit side total > debit side total, the account has a \_\_\_\_\_\_\_\_\_\_ balance.
* When debit side total = credit side total, the account has a \_\_\_\_\_\_\_\_\_\_ balance.

**From the above accounts, give one example for each of the following types of account balances:**

(i) Zero balance: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

(ii) Debit balance: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

(iii) Credit balance: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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| --- | --- | --- |
| (c) | The functions are: | |
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|  | 1. | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |
|  |  | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |
|  | 2. | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |

(d) Hint 1: Before preparing the trial balance, we need to determine the **types of account balances**.

Hint 2: In addition to getting balances from balancing off, we may determine the types of account balances based on the **accounting equation**.

|  |
| --- |
| Accounting Equation |
| ***Assets*** *= Capital + Liabilities*    ***Assets*** *= Capital + (Revenues –* ***Expenses****)* ***– Drawings*** *+ Liabilities* |
| ***Assets + Expenses + Drawings*** *= Capital + Liabilities + Revenues* |
|  |
|  |
|  |
| *‘Credit’ when there is an increase in these accounts.*  *‘Debit’ when there is an increase in these accounts increase.* |
|  |
|  |
|  |
|  |
| *These accounts normally have a* ***credit*** *balance.*  *These accounts normally have a* ***debit*** *balance.* |
|  |

Hint 3: Steps to prepare a trial balance

|  |  |
| --- | --- |
| 1. | Accounts with a Debit balance will be entered in Dr column. |
| 2. | Accounts with a Credit balance will be entered in Cr column. |
| 3. | Calculate the total of the debit column and the total of the credit column and check if they are equal. |

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| Peter Company | | |
| Trial balance | | |
|  | $ | $ |
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| (e) | Explain one limitation of a trial balance with an example. | | |
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|  |  |  | |
| \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ | | |
| \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ | | |
| \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ | | |
| \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ | | |
|  | | |

Graded Assignment: Trial Balance

Standard Level – Suggested Solution and Explanatory Notes

(a)

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Steps to balance off an account: (d) > (a) > (e) > (c) > (b)**   |  |  | | --- | --- | | Step 1 | Calculate the total on debit side and the total on credit side of the T-account. | | Step 2 | Deduct the smaller total from the larger total to find the difference. | | Step 3 | Record the difference (i.e. closing balance) on the side with smaller total as balance carried down (Balance c/d). | | Step 4 | Enter the total on debit side and the total on credit side (\*they must be the same) of the T-account. | | Step 5 | Start the next month’s record by entering the difference as balance brought down (Balance b/d) on the side opposite to the balance carried down (Balance c/d). | |  |  | |  |  | |  | *Debit side total: $55,000 (Step 1)*  *Credit side total: $30,000 (Step 1)* | |  |  | |  |  | |

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|  |  | Trade receivables | | | | |  | |  |  |
|  | 2020 |  | $ | | 2020 |  | $ | |  |  |
|  | Apr 1 | Balance b/d | 25,000 | | Apr 25 | Cash at bank | 29,100 | |  |  |
|  | 8 | Sales | 30,000 | | 25 | Discounts allowed | 900 | |  |  |
|  |  |  |  | | 30 | Balance c/d *(Step 3)* | 25,000 | |  |  |
|  |  |  | | 55,000 |  |  | | 55,000 |  |  |
|  | May 1 | Balance b/d *(Step 5)*  *(Step 4)* | | 25,000 |  |  | *(Step 4)* | |  |  |

*Which side is greater: Debit / ~~Credit~~*

*Difference: $25,000 (Step 2)*

*As* ***debit side total > credit side total****, trade receivables account has a* ***debit*** *balance.*

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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|  | |  | |  | |  | | | |  | |  |  | | | |  | |  |
|  | |  | | *Credit side total: $185,000 (Step 1)*  *Debit side total: $89,100 (Step 1)*  Cash at bank | | | | | | | | |  | |  | |  | | |
|  | | 2020 | |  | | $ | | | 2020 |  | | | $ | |  | |  | | |
|  | | Apr 2 | | Capital | | 20,000 | | | Apr 1 | Balance b/d | | | 10,000 | |  | |  | | |
|  | | 2 | | Loan from Susan Ltd | | | 40,000 | | 15 | Loan from Susan Ltd | | | 130,000 | |  | |  | | |
|  | | 25 | | Trade receivables | | 29,100 | | | 30 | Sundry expenses | | | 45,000 | |  | |  | | |
|  | | 30 | | Balance c/d *(Step 3)* | | 95,900 | | |  |  | | | *(Step 4)* | |  | |  | | |
|  | |  | | *(Step 4)* | | | | 185,000 |  |  | | | | 185,000 |  | |  | | |
|  | |  | |  | |  | | | May 1 | Balance b/d *(Step 5)* | | | 95,900 | |  | |  | | |

*Which side is greater: ~~Debit~~ / Credit*

*Difference: $95,900 (Step 2)*

*As* ***credit side total > debit side total****, cash at bank account has a* ***credit*** *balance.*

*It means the amount of cash withdrawn from the bank account* ***exceeds*** *the amount balance.* ***Bank overdraft*** *occurs and it is a liability.*

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*(Step 4)*

*(Step 4)*

*Debit side total: $130,000 (Step 1)*

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Loan from Susan Ltd | | | | | *Credit side total: $130,000 (Step 1)* | |  |
|  | 2020 |  | $ | | 2020 |  | $ | |  |
|  | Apr 15 | Cash at bank | 130,000 | | Apr 1 | Balance b/d | 90,000 | |  |
|  |  |  |  | | 2 | Cash at bank | 40,000 | |  |
|  |  |  | | 130,000 |  |  | | 130,000 |  |

*Difference: $0 (Step 2)*

*As* ***debit side total = credit side total****, Loan from Susan has a* ***zero*** *balance.*

(b) (i) Zero balance: Loan from Susan Ltd

(ii) Debit balance: Trade receivables

(iii) Credit balance: Cash at bank (bank overdraft)

Explanatory notes: Comparison between debit balance and credit balance

|  |  |  |
| --- | --- | --- |
|  | Account with a Debit balance | Account with a Credit balance |
| 1. Which side’s total is greater | Debit | Credit |
| 2. Balance c/d appears on | Credit side | Debit side |
| 3. Balance b/d appears on | Debit side | Credit side |
| 4. Examples | Assets, Drawings, Expenses, Purchases, Returns inwards | Liabilities, Capital, Revenues, Sales, Returns outwards |

|  |
| --- |
| Accounting Equation |

|  |
| --- |
| ***Assets + Expenses + Drawings*** *= Capital + Liabilities + Revenues* |
|  |
|  |
| *‘Credit’ when there is an increase in these accounts.*    *‘Debit’ when there is an increase in these accounts increase.* |
|  |
|  |
|  |
| *Debit total < Credit total*  *=>* ***Credit*** *balance*  *Debit total > Credit total =>* ***Debit*** *balance* |
|  |
|  |
|  |
| *These accounts normally have a* ***credit*** *balance.*  *These accounts normally have a* ***debit*** *balance.* |
|  |
|  |
|  |
| *Note: If Debit total = Credit total, the account has zero balance* |

|  |  |  |
| --- | --- | --- |
| (c) | The functions are: | |
|  | 1. | to test the arithmetical accuracy of double entry system by checking whether the total of the debit balances and the total of the credit balances are the same. |
|  | 2. | to serve as a basis on which financial statements are prepared. |

(d)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Peter Company | | | |  |
| Trial balance as at 30 April 2020 | | | |  |
|  | Dr  $ | | Cr  $ |  |
| Trade receivables | 25,000 | |  |  |
| Sales |  | | 138,000 |  |
| Cash at bank (bank overdraft\*) |  | | 95,900 |  |
| Sundry expenses | 45,000 | |  |  |
| Motor van | 50,000 | |  |  |
| Inventory | 60,000 | |  |  |
| Capital |  | | 190,000 |  |
| Purchases | 200,000 | |  |  |
| Trade payables |  | | 180,000 |  |
| Drawings | 40,000 | |  |  |
| Rent | 30,000 | |  |  |
| Carriage outwards | 70,620 | |  |  |
| Returns outwards |  | | 2,660 |  |
| Returns inwards | 6,540 | |  |  |
| Discounts received |  | | 14,500 |  |
| Discounts allowed | 900 | |  |  |
| Rental deposit | 93,000 | |  |  |
|  | | **621,060** | **621,060** |  |
|  |  | |  |  |

*Note\*: Cash at bank is normally an asset account with a debit balance. However, when cash withdrawn from the cash at bank account is more than the account balance (i.e. bank overdraft), it becomes a liability account with a credit balance.*

|  |  |
| --- | --- |
| (e)  Limitation of a trial balance:  There may still be errors or omissions in accounting entries even though the total of the debit balances equals the total of the credit balances.  Examples of errors not affecting trial balance agreement are as follows: | |
| 1. | Cash sales had been completely omitted from the books. *(Error of omission)* |
| 2. | A credit purchase of goods from Andy Company was wrongly entered into Anton Company’s account. *(Error of commission)* |

|  |  |
| --- | --- |
| 3. | Both sales account and rent account were overcast by $1,000. (*Compensating errors*) |

|  |  |
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| 4. | A credit sale of goods amounting $500 to Betty Ltd was entered in the books as $50.  *(Error of original entry*) |
| 5. | Payment of cash of $2,000 to Apple Company was wrongly debited to cash in hand account and credited to Apple Company account. *(Complete reversal of entries)* |
| 6. | Acquisition of motor van was debited to purchases account instead of motor van account.  *(Error of principle)*  Only errors of single entry or unequal debit and credit entries can be detected by a trial balance. |

**Points to note:**

Common mistakes:

1. Unable to identify bank overdraft as liabilities.

2. Mix up the balancing figure and the total figure in a T-account.

3. Mix up errors affecting and errors not affecting trial balance agreement.

Graded Assignment: Trial Balance

Advanced Level – Question Paper

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| --- |
| The following accounts were extracted from the books of Peter Company as at 30 April 2020: |
|  |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Trade receivables | | | |  |  |
|  | 2020 |  | $ | 2020 |  | $ |  |
|  | Apr 1 | Balance b/d | 25,000 | Apr 25 | Cash at bank | 29,100 |  |
|  | 8 | Sales | 30,000 | 25 | Discounts allowed | 900 |  |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Cash at bank | | | | |  |  |
|  | 2020 |  | $ | | 2020 |  | $ |  |
|  | Apr 2 | Capital | 20,000 | | Apr 1 | Balance b/d | 10,000 |  |
|  | 2 | Loan from Susan Ltd | | 40,000 | 15 | Loan from Susan Ltd | 130,000 |  |
|  | 25 | Trade receivables | 29,100 | | 30 | Sundry expenses | 45,000 |  |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Loan from Susan Ltd | | | |  |  |
|  | 2020 |  | $ | 2020 |  | $ |  |
|  | Apr 15 | Cash at bank | 130,000 | Apr 1 | Balance b/d | 90,000 |  |
|  |  |  |  | 2 | Cash at bank | 40,000 |  |

**REQUIRED**

|  |  |
| --- | --- |
| (a) | Balance off the above accounts as at 30 April 2020. You are also required to prepare the opening balances of the next month. (2 marks) |
| (b) | From the above accounts, give one example for each of the following types of account balances:  (i) zero balance  (ii) debit balance  (iii) credit balance  (3 marks) |

|  |  |  |
| --- | --- | --- |
|  | | |
| Apart from the above accounts, the following balances were obtained from the books of Peter Company as at 30 April 2020: | | |
|  |  | $ |
|  | Motor van | 50,000 |
|  | Inventory | 60,000 |
|  | Capital | 190,000 |
|  | Purchases | 200,000 |
|  | Sales | 138,000 |
|  | Sundry expenses | 45,000 |
|  | Trade payables | 180,000 |
|  | Drawings | 40,000 |
|  | Rent | 30,000 |
|  | Carriage outwards | 70,620 |
|  | Returns outwards | 2,660 |
|  | Returns inwards | 6,540 |
|  | Discounts received | 14,500 |
|  | Discounts allowed | 900 |
|  | Rental deposit | 93,000 |
|  |  |  |

**REQUIRED**

(c) State two functions of a trial balance (2 marks)

(d) Prepare a trial balance as at 30 April 2020. (9 marks)

(e) Explain one limitation of a trial balance with an example. (2 marks)

(Total: 18 marks)

Challenging questions

|  |  |
| --- | --- |
| Assuming that the financial year for Peter Company ended on 30 April 2020 with closing inventory value amounting to $100,000, explain the necessary accounting treatments in the following accounts before the preparation of financial statements: | |
| (i) Inventory  (ii) Sales  (iii) Sundry expenses (4 marks) | |
|  | |
|  | |
|  | |
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Graded Assignment: Trial Balance

Advanced Level – Student Worksheet

|  |  |
| --- | --- |
| (a) | Balance off the following accounts as at 30 April 2020. You are also required to prepare the opening balances of the next month. |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | Trade receivables | | | |  |
|  | 2020 |  | $ | 2020 |  | $ |
|  | Apr 1 | Balance b/d | 25,000 | Apr 25 | Cash at bank | 29,100 |
|  | 8 | Sales | 30,000 | 25 | Discounts allowed | 900 |
|  |  |  |  |  |  |  |
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|  | |  | |  | |  | | |  | |  |  | | |  |
|  | |  | | Cash at bank | | | | | | | |  |  | | |
|  | | 2020 | |  | | $ | | 2020 |  | | | $ |  | | |
|  | | Apr 2 | | Capital | | 20,000 | | Apr 1 | Balance b/d | | | 10,000 |  | | |
|  | | 2 | | Loan from Susan Ltd | | | 40,000 | 15 | Loan from Susan Ltd | | | 130,000 |  | | |
|  | | 25 | | Trade receivables | | 29,100 | | 30 | Sundry expenses | | | 45,000 |  | | |
|  | |  | |  | |  | |  |  | | |  |  | | |
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| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Loan from Susan Ltd | | | |  |  |
|  | 2020 |  | $ | 2020 |  | $ |  |
|  | Apr 15 | Cash at bank | 130,000 | Apr 1 | Balance b/d | 90,000 |  |
|  |  |  |  | 2 | Cash at bank | 40,000 |  |
|  |  |  |  |  |  |  |  |
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| (b) | (i) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  (ii) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  (iii) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |

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| Challenging questions | |
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Graded Assignment: Trial Balance

Advanced Level – Suggested Solution and Explanatory Notes

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| (a) |  |  |

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|  |  | Trade receivables | | | | |  | |  |  |
|  | 2020 |  | $ | | 2020 |  | $ | |  |  |
|  | Apr 1 | Balance b/d | 25,000 | | Apr 25 | Cash at bank | 29,100 | |  |  |
|  | 8 | Sales | 30,000 | | 25 | Discount allowed | 900 | |  |  |
|  |  |  |  | | 30 | Balance c/d | 25,000 | |  |  |
|  |  |  | | 55,000 |  |  | | 55,000 |  |  |
|  | May 1 | Balance b/d | | 25,000 |  |  |  | |  |  |

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|  | |  | |  | | Note: Cash at bank is normally an asset account with a debit balance. However, when cash withdrawn from the cash at bank account is more than the account balance (i.e. bank overdraft), it becomes a liability account with a credit balance. | | | |  | |  |  | | | |  | |  |
|  | |  | |  | |  | | | |  | |  |  | | | |  | |  |
|  | |  | | Cash at bank | | | | | | | | |  | |  | |  | | |
|  | | 2020 | |  | | $ | | | 2020 |  | | | $ | |  | |  | | |
|  | | Apr 2 | | Capital | | 20,000 | | | Apr 1 | Balance b/d | | | 10,000 | |  | |  | | |
|  | | 2 | | Loan from Susan Ltd | | | 40,000 | | 15 | Loan from Susan Ltd | | | 130,000 | |  | |  | | |
|  | | 25 | | Trade receivables | | 29,100 | | | 30 | Sundry expenses | | | 45,000 | |  | |  | | |
|  | | 30 | | Balance c/d | | 95,900 | | |  |  | | |  | |  | |  | | |
|  | |  | |  | | | | 185,000 |  |  | | | | 185,000 |  | |  | | |
|  | |  | |  | |  | | | May 1 | Balance b/d | | | 95,900 | |  | |  | | |

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|  |  | |  |  | |  |  |  | |  |  |
|  |  | Loan from Susan Ltd | | | | | |  | |  |
|  | 2020 |  | | $ | | 2020 |  | $ | |  |
|  | Apr 15 | Cash at bank | | 130,000 | | Apr 1 | Balance b/d | 90,000 | |  |
|  |  |  | |  | | 2 | Cash at bank | 40,000 | |  |
|  |  |  | | | 130,000 |  |  | | 130,000 |  |

(b) (i) Zero balance: Loan from Susan Ltd

(ii) Debit balance: Trade receivables

(iii) Credit balance: Cash at bank (Bank overdraft)

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| (c) | The functions are: | |
|  | 1. | to test the arithmetical accuracy of double entry system by checking whether the total of the debit balances and the total of the credit balances are the same. |
|  | 2. | to serve as a basis on which financial statements are prepared. |

(d)

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| --- | --- | --- | --- | --- |
| Peter Company | | | |  |
| Trial balance as at 30 April 2020 | | | |  |
|  | Dr ($) | | Cr ($) |  |
| Trade receivables | 25,000 | |  |  |
| Sales |  | | 138,000 |  |
| Cash at bank (bank overdraft) |  | | 95,900 |  |
| Sundry expenses | 45,000 | |  |  |
| Motor van | 50,000 | |  |  |
| Inventory | 60,000 | |  |  |
| Capital |  | | 190,000 |  |
| Purchases | 200,000 | |  |  |
| Trade payables |  | | 180,000 |  |
| Drawings | 40,000 | |  |  |
| Rent | 30,000 | |  |  |
| Carriage outwards | 70,620 | |  |  |
| Returns outwards |  | | 2,660 |  |
| Returns inwards | 6,540 | |  |  |
| Discounts received |  | | 14,500 |  |
| Discounts allowed | 900 | |  |  |
| Rental deposit | 93,000 | |  |  |
|  | | **621,060** | **621,060** |  |

(e)

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| Limitation of a trial balance:  There may still be errors or omissions in accounting entries even though the total of the debit balances equals the total of the credit balances.  Examples of errors not affecting trial balance agreement are as follows: | |
| 1. | Cash sales had been completely omitted from the books. *(Error of omission)* |
| 2. | A credit purchase of goods from Andy Company was wrongly entered into Anton Company’s account. *(Error of commission)* |

|  |  |
| --- | --- |
| 3. | Both sales account and rent account were overcast by $1,000. *(Compensating errors)* |

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| 4. | A credit sale of goods amounting $500 to Betty Ltd was entered in the books as $50.  *(Error of original entry*) |
| 5. | Payment of cash of $2,000 to Apple Company was wrongly debited to cash in hand account and credited to Apple Company account. *(Complete reversal of entries)* |
| 6. | Acquisition of motor van was debited to purchases account instead of motor van account. *(Error of principle)* |

Explanatory notes:

Only errors of single entry or unequal debit and credit entries could be detected by a trial balance, for example:

1. Cash sales was only recorded in the sales account.

2. A credit sale of goods amounting $500 to Betty Ltd was entered in the Betty Ltd account as $50.

3. Payment of cash of $2,000 to Apple Company was wrongly debited to both cash in hand account and Apple Company account.

Challenging questions:

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| (i) The opening inventory should be written off at the financial year end. At the same time, the value of closing inventory would be debited to the inventory account and credited to the profit and loss account after physical inventory count.  Explanatory notes:   * Under periodic inventory system, inventory account is not updated for each transaction of inventory movement (i.e. purchases, sales, returns inwards, returns outwards). * At the end of each financial period, the closing inventory is determined by a physical inventory count and subtracted from the cost of goods available for sale to compute the cost of goods sold. * The opening inventory carried forward from last financial period would be written off and become cost of goods sold for the current financial period.   The equation to compute cost of goods sold is:  Cost of goods sold = Opening inventory\* + Purchases – Closing inventory\*\*  *Write off the opening inventory:*  *Dr Profit and loss $60,000*  *Cr Inventory $60,000*  *Valuation of the closing inventory:*  *Dr Inventory $100,000*  *Cr Profit and loss $100,000*  (ii) Closing entry should be recorded by debiting the sales account and crediting the profit and loss account.  **Example:** |
| |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | |  | Sales | | | | | |  | | | | 2020 |  | | $ | | 2020 |  | $ | | | | Apr 30 | | Profit and loss | 138,000 | | Apr 1 | Balance b/d | 108,000 | | | |  |  | |  | | 8 | Trade receivables | | 30,000 | | |  |  | | | 138,000 |  |  | | | 138,000 |   (iii) Closing entry should be recorded by debiting the profit and loss account and crediting the sundry expenses account.  **Example:** |

|  |  |  |  |  |  |  |  |  |  |  |
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|  |  | Sundry expenses | | | | | |  | |  |
|  | 2020 |  | | $ | | 2020 |  | $ | |  |
|  | Apr 30 | | Cash at bank | | 45,000 | Apr 30 | Profit and loss | | 45,000 |  |

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**Points to note:**

Common mistakes:

1. Unable to identify bank overdraft as liabilities.

2. Mix up the balancing figure and the total figure in a T-account.

3. Mix up errors affecting and errors not affecting trial balance agreement.

Graded Assignment: Trial Balance

Marking Scheme

(a)

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|  |  | Trade receivables | | | | |  | | *Mark* |  |
|  | 2020 |  | $ | | 2020 |  | $ | |  |  |
|  | Apr 1 | Balance b/d | 25,000 | | Apr 25 | Cash at bank | 29,100 | |  |  |
|  | 8 | Sales | 30,000 | | 25 | Discounts allowed | 900 | |  |  |
|  |  |  |  | | 30 | Balance c/d | 25,000 | | *0.5* |  |
|  |  |  | | 55,000 |  |  | | 55,000 |  |  |
|  | May 1 | Balance b/d | | 25,000 |  |  |  | | *0.5* |  |

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|  | |  | |  | |  | | | |  | |  |  | | | |  | |  |
|  | |  | | Cash at bank | | | | | | | | |  | |  | |  | | |
|  | | 2020 | |  | | $ | | | 2020 |  | | | $ | |  | |  | | |
|  | | Apr 2 | | Capital | | 20,000 | | | Apr 1 | Bal b/d | | | 10,000 | |  | |  | | |
|  | | 2 | | Loan from Susan Ltd | | | 40,000 | | 15 | Loan from Susan Ltd | | | 130,000 | |  | |  | | |
|  | | 25 | | Trade receivables | | 29,100 | | | 30 | Sundry expenses | | | 45,000 | |  | |  | | |
|  | | 30 | | Balance c/d | | 95,900 | | |  |  | | |  | | *0.5* | |  | | |
|  | |  | |  | | | | 185,000 |  |  | | | | 185,000 |  | |  | | |
|  | |  | |  | |  | | | May 1 | Balance b/d | | | 95,900 | | *0.5* | |  | | |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Loan from Susan Ltd | | | | |  | |  |
|  | 2020 |  | $ | | 2020 |  | $ | |  |
|  | Apr 15 | Cash at bank | 130,000 | | Apr 1 | Bal b/d | 90,000 | |  |
|  |  |  |  | | 2 | Cash at bank | 40,000 | |  |
|  |  |  | | 130,000 |  |  | | 130,000 |  |

\*Inappropriate account format (e.g. missing total, wrong date), overall deduct 1 mark

(b) (i) Zero balance: Loan from Susan Ltd (1)

(ii) Debit balance: Trade receivables (1)

(iii) Credit balance: Cash at bank (Bank overdraft) (1)

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| (c) | The functions are: | |
|  | 1. | to test the arithmetical accuracy of double entry system by checking whether the total of the debit balances and the total of the credit balances are the same. |
|  | 2. | to serve as a basis on which financial statements are prepared. |

*(1 mark each, total 2 marks)*

(d)

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|  | | | | Mark |
| Peter Company | | | |  |
| Trial balance as at 30 April 2020 | | | |  |
|  | Dr  $ | | Cr  $ |  |
| Trade receivables | 25,000 | |  | *0.5* |
| Sales |  | | 138,000 | *0.5* |
| Cash at bank (bank overdraft) |  | | 95,900 | *0.5* |
| Sundry expenses | 45,000 | |  | *0.5* |
| Motor van | 50,000 | |  | *0.5* |
| Inventory | 60,000 | |  | *0.5* |
| Capital |  | | 190,000 | *0.5* |
| Purchases | 200,000 | |  | *0.5* |
| Trade payables |  | | 180,000 | *0.5* |
| Drawings | 40,000 | |  | *0.5* |
| Rent | 30,000 | |  | *0.5* |
| Carriage outwards | 70,620 | |  | *0.5* |
| Returns outwards |  | | 2,660 | *0.5* |
| Returns inwards | 6,540 | |  | *0.5* |
| Discounts received |  | | 14,500 | *0.5* |
| Discounts allowed | 900 | |  | *0.5* |
| Rental deposit | 93,000 | |  | *0.5* |
|  | | **621,060** | **621,060** | *0.5* |
|  |  | |  | *(9)* |

\*Inappropriate trial balance format (e.g. wrong heading, no indication of debit and credit columns),

overall deduct 1 mark

(e)

|  |  |
| --- | --- |
| Limitation of a trial balance:  There may still be errors or omissions in accounting entries even though the total of the debit balances equals the total of the credit balances. (1)  Examples of errors not affecting trial balance agreement are as follows: | |
| 1. | Cash sales had been completely omitted from the books. *(Error of omission)* |
| 2. | A credit purchase of goods from Andy Company was wrongly entered into Anton Company’s account. *(Error of commission)* |

|  |  |
| --- | --- |
| 3. | Both sales account and rent account were overcast by $1,000. (*Compensating errors*) |

|  |  |
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| 4. | A credit sale of goods amounting $500 to Betty Ltd was entered in the books as $50.  *(Error of original entry*) |
| 5. | Payment of cash of $2,000 to Apple Company was wrongly debited to cash in hand account and credited to Apple Company account. *(Complete reversal of entries)* |
| 6. | Acquisition of motor van was debited to purchases account instead of motor van account.  *(Error of principle)* |

(1)

Challenging questions

(i) The opening inventory should be written off at the financial year end. *(1 mark)* At the same time, the value of closing inventory would be debited to the inventory account and credited to the profit and loss account after physical inventory count. *(1 mark)*

(ii) Closing entry should be recorded by debiting the sales account and crediting the profit and loss account. *(1 mark)*

(iii) Closing entry should be recorded by debiting the profit and loss account and crediting the sundry expenses account. *(1 mark)*