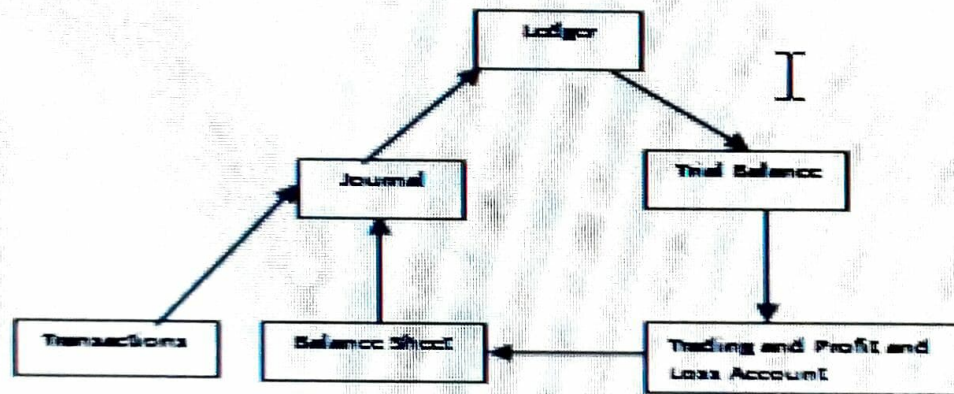


CHART 1.2

ACCOUNTING CYCLE



Trial Balance

A Trial Balance is a statement showing the debit and credit balances of the various ledger accounts as on a particular date. It is also called 'Statement of Balances'. In other words, it is a list of ledger balances extracted after completing the recording and posting of all transactions up to a certain date. A trial balance is not a ledger account but simply a statement. Note that preparation of a trial balance is the end point of recording the business transactions which consists of following four stages viz 1) Entering transactions in the journal 2) Posting transactions into the ledger 3) Balancing the ledger accounts 4) Preparing a trial balance and verifying the arithmetical accuracy of the balances.

Since the Trial Balance tests the arithmetical accuracy of the balances shown by the ledger accounts, it can be prepared as often as the accounts are balanced, say, once every three months, once in six months, or even more often.

Since, however, it is also an important preliminary step to finalising or completing the accounts of a concern, whether it is prepared more often or not, it must be prepared as on the last day of the accounting year.