

AccountAble™

ASIA

Tallying the Trial Balance

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Accountaid™
Accounting for Aid. Aid in Accounting

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In the last issue of AccountAble (# 17), we discussed how a Trial Balance is made. Here we continue the discussion on tallying the Trial Balance

Tracking the difference

A trial balance will always tally. This is quite unfortunate. You can't just make up an excuse like 'I don't know, there must be something wrong with it', or 'Never mind, we'll tally it next time around'.

So you really have only two choices: find the difference or hide it. If you take the second option, the auditors might find¹ it. Even if they don't, you will always have a guilty feeling. Remember Dostoevsky's 'Crime and Punishment'?



Assuming you will want to take the first

option, try these tricks. After each one of these, you should see whether the Trial Balance is tallied. If yes, you can stop there.

Use a coloured pencil for ticking as you go through the ledger and cash book. Use any colour you wish, except those used by auditors in your region (often green, red or purple).

Asian Agricultural Research Institute			
Cumulative Trial Balance As on 31-12-2009			
Account	L.F.	Debit	Credit
Grant received	9		<300,000
<i>General Fund</i>	10		175,000
General Donations	11		< 54,000
<i>Secured Loan</i>	15		50,000
<i>Building</i>	18	<150,000	
<i>Furniture</i>	21	<25,000	
<i>Vehicle</i>	24	50,000	
Misc. Income	28		15,500
Postage	33	2,000	
Telephone	37	4,500	
Salary and Wages	42	55,000	
Stationery	48	11,500	
Travel & Conveyance	53	<16,800	
Audit Fees	66	5,000	
Training Expenses	68	25,000	
Educational Material	72	17,000	
Research Expenses	75	28,000	
Cash in Hand	109	8,500	
Cash at Bank	125	196,200	
Total		594,500	594,500

Common Errors

The best way to tally a trial balance is to work systematically. But sometimes you can get lucky. Look for the following before you start on the long trail:

¹ Mind you, it's not easy to hide a trial balance difference.

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Cash book balance not taken

Common and very obvious mistake. Still many people forget to include this in the trial balance.

Transposition errors

Accounting is a lot like juggling with numbers. And the balls sometimes get mixed up. Similarly, accounting number also get mixed up sometimes. Look at the numerals in the difference. Do these add up to 9?

For example, let's say that the difference is Rs.6,120. Add these up: 6+1+2+0. What do you get? You get 9.

This means that there has been a transposition somewhere. A transposition happens when digits remain the same but change position: for example, when 9,318 is posted as 3,198.

Look for transposition in posting as also in copying down the



balances in trial balance.

Compensating Errors

Sometimes, two errors cancel out each other. This is very rare but happens. What is more common is that the net difference is composed of many mistakes. So the difference will keep increasing or decreasing as you go along.

Entries not posted

Many accountants follow a procedure during posting from cash book to ledger. They first mark the ledger folios against all cash book entries to be posted.

Then they start the actual posting. At the time of posting, they put a line under the ledger folio for each cash book entry they post.

If you also follow this procedure, you can easily find unposted entries by looking for those where the ledger folio is not underlined.

Double your money errors

Sometimes, entries are posted to the wrong side i.e. on debit instead of credit (or vice versa).

Divide the difference by two. Look for the resulting figure in the cash book, ledger and trial balance. If you find it, see whether it is on the correct side.

Cash Book						
Receipts			Payments			
Date	Particulars	Amount	Date	Particulars	L. F.	Amount
			4.12.09	Salaries (DFID)	56	8,600
				Salary to teachers for Nov '09		
			4.12.09	Salaries (US Aid)		14,200
				Salary to US Aid project staff per details	58	
			6.12.09	Travel (DFID)	72	1,230
				Visit to Dhaka by Md. Mufazzal for meeting		
			10.12.09	Sapling purchase (DFID)	48	780
				Mango saplings purchased by Md. Mufazzal from rolling imprest		

Ledger Folio number written before posting

The Long Trail

If the above short cut of tracing common errors did not work then you have to work systematically. See if any of the following 8 steps help. You can tick off each as you go along:

1. Check the totalling

Before you get deeper, check the totalling of the Trial Balance. Try adding up from the bottom upwards this time².

2. Have you included all the ledger balances?

Open the ledger again and go through it page by page. Put a small tick on the ledger balance and another on the Trial Balance sheet.

- Are all the balances there, including closing balance of cash

book?

- Are these the right ones, meaning for 31-Dec-09?
- Have you put Debit balances on the left and Credit balances on the right in the Trial Balance?

3. Check the ledger totals & balancing

If you still have a difference, check the totals of the ledger accounts. This means you should total the columns and work out the closing balance on 31-Dec-09.

Also check that no entries beyond 31-Dec-09 have been

² Strange but true. Changing the direction of totalling helps break the jinx of wrong totalling sometimes.

Cash Book						
Receipts			Payments			
Date	Particulars	Amount	Date	Particulars	L. F.	Amount
			4.12.09	Salaries (DFID)	<u>56</u>	8,600
				Salary to teachers for Nov '09		
			4.12.09	Salaries (US Aid)		14,200
				Salary to US Aid project staff per details	58	
			6.12.09	Travel (DFID)	<u>72</u>	1,230
				Visit to Dhaka by Md. Mufazzal for meeting		
			10.12.09	Sapling purchase (DFID)	48	780
				Mango saplings purchased by Md. Mufazzal from rolling imprest		

This underscore shows that entry has been posted

included in the totalling.

The closing balance will be the difference between total of debit column and the credit column. You have a debit balance when debits total up to more than credit. You have a credit balance when the credits add up more than the debits.

Also check whether you have marked each balance in ledger correctly as debit or credit.

4. Check the cash book totalling

If this doesn't help, check the totalling of cash book. This involves three things:



- Check the totals on each page (Receipts side and Payments side),
- Work out the closing balance on each page (deduct total payments from total receipts),
- Check the carry forward - the closing balance will be next day's opening balance.

5. Make an opening Trial Balance

Before going to the next step, make an opening Trial Balance on another sheet. This is prepared from the opening balances appearing in this year's ledger and the cash book.

Account of Travel and Conveyance Expenses						
Date	Particulars	CBF	Debit	Credit	Dr./Cr.	Balance
04.12.2009	Paid to Ms. Sophie		2,435			
04.12.2009	Paid to Mr. Daniel		3,646			
07.12.2009	Local Conveyance to Ms. Nilema		5,534			
15.12.2009	Hire of Taxi		3,147			
29.12.2009	Office to Station for guest		138		Dr.	<14,900
			14,900			
03.01.2010	Paid to Ms. Sophie		1,205			
06.01.2010	Paid to Mr. Daniel		2,221			
25.01.2010	Local Conveyance for Stationery		2,011		Dr.	20,337
			5,437			

Running balance as on 31.12.2009 ticked with Trial Balance

Does this tally? If yes, you can go straight to step 7. If the totals do not tally, then you have to do step 6 also.

6. Check the opening balances³

For this take out the last year's Balance Sheet, its Schedules⁴ and Groupings⁵.

Compare last year's closing balances⁶ with the opening balances in this year.

The opening balances will appear on the first line of each ledger account this year. Put a tick mark on both⁷ as you proceed.

7. Check the posting

The difference continues? Well, bad luck. Now you will have to check the posting of entries from the cash book to the ledger.

Open the cash book and check all the postings for Payments side (right side) first. These will always appear on the left side (debit side) in the ledger. Put a tick on both the cash book entry and the ledger entry as you go along.

Now check the Receipts side (left side). The postings will be made on the right side in the ledger (credit).

After completing this, go through the cash book and the ledger carefully. Are there any unticked entries in the cash book?

If yes, re-check the entry. Was it really not posted or did you just forget to tick it?

Now look for unticked entries in the ledger. If you find



an unticked entry in the ledger, it may mean that you have made a double-posting⁸. Or it may mean that you forgot to tick it. Check carefully before making a correction.

8. Does it tally now?

With any degree of luck and careful work, the Trial Balance should be tallied by now. If a difference still exists, close

the books and go home.

9. Do it again

Start again next morning, with a fresh mind. You will probably need to go over all the 8 steps again. Good luck.

And if you find all this very boring, it is time you computerized your accounts!

³ This check is not needed for Periodic Trial Balance.

⁴ Schedules give additional detail for main Balance Sheet figures.

⁵ Groupings provide breakup of items showing in Schedules.

⁶ You will find these in last year's groupings, schedules and the Balance Sheet.

⁷ On opening balance in the ledger as also the closing balance in last year's Balance Sheet etc.

⁸ Only one entry in the cash book but posted twice into ledger by mistake.

About AccountAid: AccountAid is a private consulting firm based in New Delhi. It works on accounting and regulatory issues concerning NPOs. For this purpose, it conducts research, workshops, and publishes reference material relevant for NPOs and grant-makers. It also provides advice to donor agencies on grant management systems.

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