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Prepare
Unadjusted
General Ledger
Trial Balance

A general ledger trial balance is a listing of general ledger account balances at a point of time, with the debits in one column and the credits in another. The total debits must equal the total credits. If they don't, the error in the general ledger or trial balance should be corrected. A trial balance is typically prepared whenever a company plans to prepare financial statements. A distinction should be made between an unadjusted and an adjusted trial balance. An unadjusted trial balance is the listing of account balances in the general ledger before adjusting journal entries are made for month- and year-end accruals, prepayments, and errors. An adjusted trial balance is the listing of account balances after all adjustments are made.

An unadjusted trial balance is prepared only as an aid in preparing adjusting entries and financial statements. Most accountants can prepare financial statements more efficiently after information is summarized on one or two pages rather than in the more detailed general ledger.

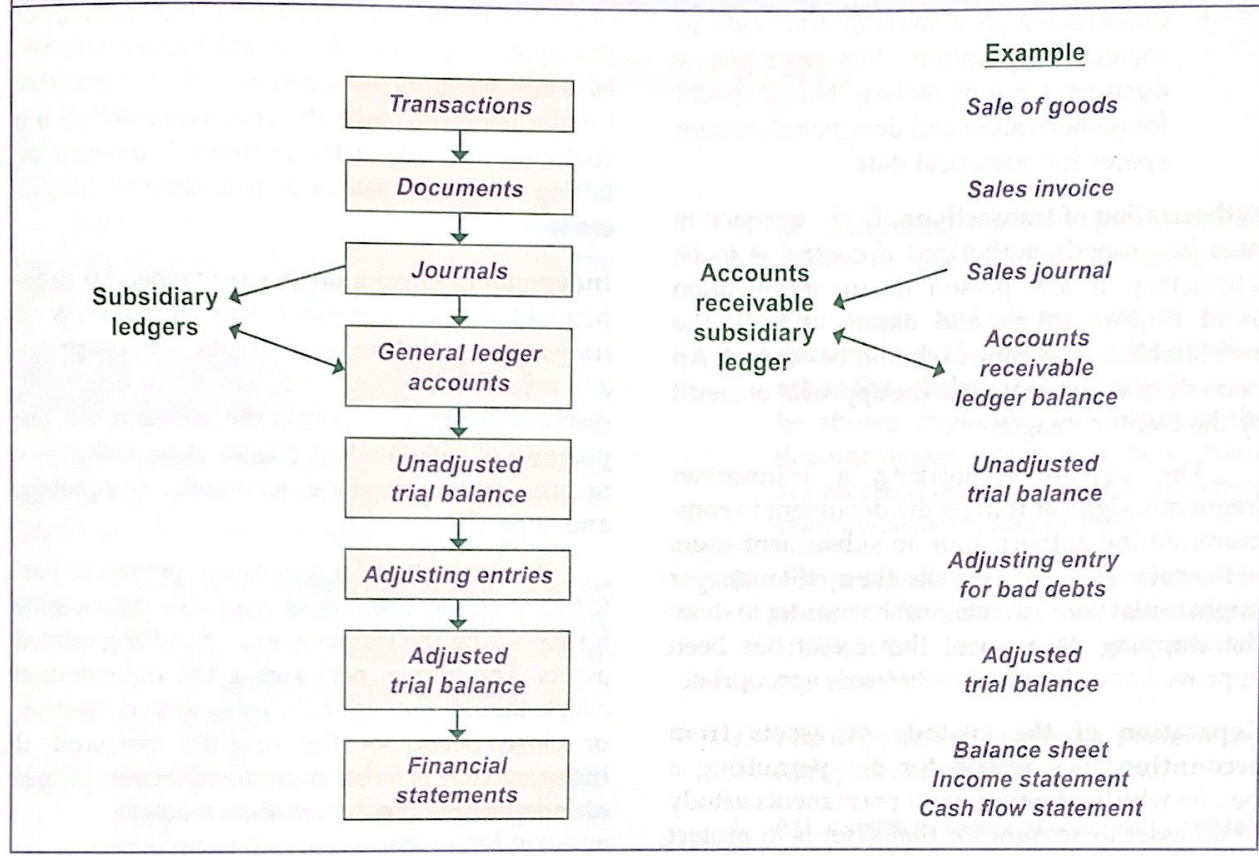
The most common method used by accountants to list the unadjusted trial balance is a worksheet. A worksheet is illustrated for Simple Example Company in Figure 1-8 (page 18). Although Figure 1-8 is a year-end worksheet, a similar worksheet can be prepared monthly or

quarterly. Notice that the worksheet typically includes the following columns:

- Account Number
- Account Title
- Prior Year Post-Closing Trial Balance – debit and credit columns
- Current Year Unadjusted Trial Balance – debit and credit columns
- Adjustments – debit and credit columns
- Adjusted Trial Balance – debit and credit columns
- Income Statement – debit and credit columns
- Balance Sheet – debit and credit columns

Columns 3 and 4 are the current year's unadjusted trial balance for Simple Example Company. Those account balances were taken directly from the general ledger. The unadjusted trial balance should not be prepared until all transactions, except adjusting entries, have been recorded in the journals and posted to the general and subsidiary ledgers. If the debits and credits in the unadjusted trial balance are not equal, it is inappropriate to continue until the error or errors are corrected. Similarly, the debits must equal the credits in the adjustments columns and the adjusted trial balance columns.

FIGURE 1-13
Relationships Among Financial Statements, Trial Balances, Ledgers, Journals, Documents, and Transactions



Internal Controls

Internal controls are the methods used by a company to safeguard its assets and provide reasonable assurance of the accuracy of accounting data. Most companies have internal controls at each stage of the accounting process.

The use of documents and records throughout a company is directly related to a company's internal controls. The following are the primary types of controls that need to be understood for the *Systems Understanding Aid*.

Adequate documents and records. The appropriate design and control of documents and records improves the likelihood of the correct transmission of information to users. Certain

principles dictate their design and use. Documents and records should be:

- Prenumbered consecutively. This helps determine whether documents are missing and helps locate documents when they are needed at a later date.
- Prepared before a transaction occurs, at the time it occurs, or as soon thereafter as possible. When there is a long time interval, the chance for error increases.
- Sufficiently simple to make sure that they are clearly understood.
- Designed for multiple uses whenever possible. This minimizes the number of different forms required. For example, a properly designed sales invoice can