

GRADE 10 | 2024

Accounting: Trial Balance and Financial Statements

Accounting

CAPS ALIGNED

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1. The Trial Balance

A trial balance is a list of all ledger account balances. It checks the mathematical accuracy of the ledger.

FORMULA: If total debits = total credits, the trial balance **BALANCES**.
Balance does **NOT** guarantee no errors - only arithmetic errors are caught.

2. Income Statement (Profit and Loss Account)

Shows the profit or loss for a specific period.

FORMULA: Gross Profit = Sales - Cost of Sales
Net Profit = Gross Profit + Other Income - Expenses

3. Balance Sheet

Shows the financial position of the business at a specific date.

FORMULA: ASSETS = EQUITY + LIABILITIES

Non-current assets (fixed): buildings, vehicles, equipment

Current assets: stock, debtors, bank, cash

Owner's equity: capital + net profit - drawings

Non-current liabilities: long-term loans

Current liabilities: creditors, bank overdraft

4. Closing Entries

At the end of the financial year, income and expense accounts are closed to the income summary account, which is then transferred to capital.

KEY POINT: The Balance Sheet shows a snapshot of what the business **OWNS** (assets) and **OWES** (liabilities) on a specific date. The Income Statement shows performance **OVER** a period.