

Accounts Payable Trial Balance



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One of the more common reports run at month-end is the trial balance report.

Running a trial balance is usually one of the first steps in the month-end closing process, allowing you to review account balances and locate possible errors.

The trial balance report is run as a summary report, displaying only the ending balance in each general ledger account.

What Is a Trial Balance?

A trial balance is used to determine whether all posted debit transactions equal posted credit transactions.

The trial balance provides you with the ending balance of each account in the general ledger but does not provide any additional detail on other errors that may have occurred during that accounting period.

For anyone using accrual-based accounting, which requires both a debit and a credit entry for every transaction, the trial balance provides reassurance that debit and credit totals are in balance.

A trial balance report is not able to identify all posting errors but will catch those where a debit entry and a credit entry do not match.

While smaller businesses may run a trial balance quarterly, or even annually, others find it useful to run a trial balance report before each month-end closing.

What Are the Different Types of Trial Balance Reports?

There are three types of trial balances that are typically run, with each one building off of the other.

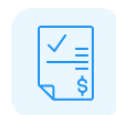
■ The Different Types Of Trial Balance Reports



Unadjusted
Trial Balance



Adjusted
Trial Balance



Post-closing
Trial Balance

1. Unadjusted Trial Balance

The unadjusted trial balance is the first trial balance you'll run, which includes the ending balances of all of your general ledger accounts before any adjustments have been made.

The unadjusted trial balance is an excellent starting point for reviewing ending balances and determining what adjustments need to be made.

Below is an example of an unadjusted trial balance for the period ending June 30, 2023.

Account Number	Account Name	Debit	Credit
1000	Checking Account	\$125,200	
1005	Accounts Receivable	\$27,000	
1020	Inventory	\$6,000	
2000	Accounts Payable		\$15,450
2005	Notes Payable		\$51,000
3000	Stock		\$45,000
4000	Revenue		\$57,000
5000	Wages	\$8,000	
5005	Postage Expense	\$1,500	
5020	Insurance Expense	\$750	
	Totals	\$168,450	\$168,450

The unadjusted trial balance reflects ending account balances before any adjusting entries have been posted.

Let's say you find an accounts payable invoice that has not yet been posted.

First, you'll have to make a journal entry to record the AP invoice and the expense.

Date	Account Name	Debit	Credit
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6-30-2023	Postage Expense	\$160	
6-30-2023	Accounts Payable		\$160

2. Adjusted Trial Balance

The adjusted trial balance is run after making any adjusting entries.

After you record the above journal entry, you're ready to run the adjusted trial balance for June 30, 2023.

Notice that the accounts payable and postage expense amounts are different.

Account Number	Account Name	Debit	Credit
1000	Checking Account	\$125,200	
1005	Accounts Receivable	\$27,000	
1020	Inventory	\$6,000	
2000	Accounts Payable		\$15,610
2005	Notes Payable		\$51,000
3000	Stock		\$45,000
4000	Revenue		\$57,000
5000	Wages	\$8,000	
5005	Postage Expense	1,660	
5020	Insurance Expense	\$750	
	Totals	\$168,610	\$168,610

Other common adjusting entries include deferred revenue, prepaid expenses, and depreciation expense.

3. Post-Closing Trial Balance

The post-closing trial balance is the final trial balance you'll run after temporary accounts such as revenue and expense accounts have been closed for the accounting period.

Once this is complete, the post-closing trial balance will reflect beginning balances as of July 1, 2023.

Account Number	Account Name	Debit	Credit
1000	Checking Account	\$125,200	
1005	Accounts Receivable	\$27,000	
1020	Inventory	\$6,000	
2000	Accounts Payable		\$15,610
2005	Notes Payable		\$51,000
3000	Stock		\$45,000
4000	Retained Earnings		\$46,590
	Totals	\$158,200	\$158,200

You can see that the post-closing trial balance has removed all temporary expense accounts as well as the revenue account.

This is done by subtracting your expenses from your revenue, which becomes retained earnings.

It's important to remember that all of the accounts in your general ledger will be included in your trial balance.

What Are the Debits and Credits Included on a Trial Balance?

The debits and credits on the trial balance represent the end balances of your general ledger accounts.

In accrual accounting, a transaction should always have a debit entry and a corresponding credit entry.

The following is a list of the debits and credits found on a trial balance.

Debit Side of Trial Balance	Credit Side of Trial Balance
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<p>All assets, including current liabilities such as:</p> <ul style="list-style-type: none"> • Cash • Accounts receivable • Inventory <p>Long-term assets such as:</p> <ul style="list-style-type: none"> • Building • Land • Equipment 	<p>All current liabilities including:</p> <ul style="list-style-type: none"> • Accounts payable • Notes payable • Accrued liabilities • Unearned revenue <p>Long-term liabilities such as:</p> <ul style="list-style-type: none"> • Long-Term Loans • Bonds Payable • Deferred Revenue
<p>Expenses such as:</p> <ul style="list-style-type: none"> • Rent • Utilities • Wages • Insurance • Taxes • Depreciation • Cost of goods sold 	<p>Owner's equity such as:</p> <ul style="list-style-type: none"> • Common stock • Retained earnings • Treasury stock
	<p>Income accounts such as revenue</p>

Debits And Credits Included On A Trial Balance

DEBIT SIDE OF TRIAL BALANCE	CREDIT SIDE OF TRIAL BALANCE
<p>All assets, including current liabilities such as:</p> <ul style="list-style-type: none">• Cash• Accounts receivable• Inventory <p>Long-term assets such as:</p> <ul style="list-style-type: none">• Building• Land• Equipment	<p>All current liabilities including:</p> <ul style="list-style-type: none">• Accounts payable• Notes payable• Accrued liabilities• Unearned revenue <p>Long-term liabilities such as:</p> <ul style="list-style-type: none">• Long-term loans• Bonds payable• Deferred revenue
<p>Expenses such as:</p> <ul style="list-style-type: none">• Rent• Utilities• Wages• Insurance• Taxes• Depreciation• Cost of goods sold	<p>Owner's equity such as:</p> <ul style="list-style-type: none">• Common stock• Retained earnings• Treasury stock
	<p>Income accounts such as revenue</p>

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One way to review a trial balance is to see if the balances are in the correct column.

For example, your accounts receivable account should always be a debit balance.

If your trial balance shows a credit balance, that indicates that you've received more money than you have billed for.

What Is an Accounts Payable Trial Balance Report?

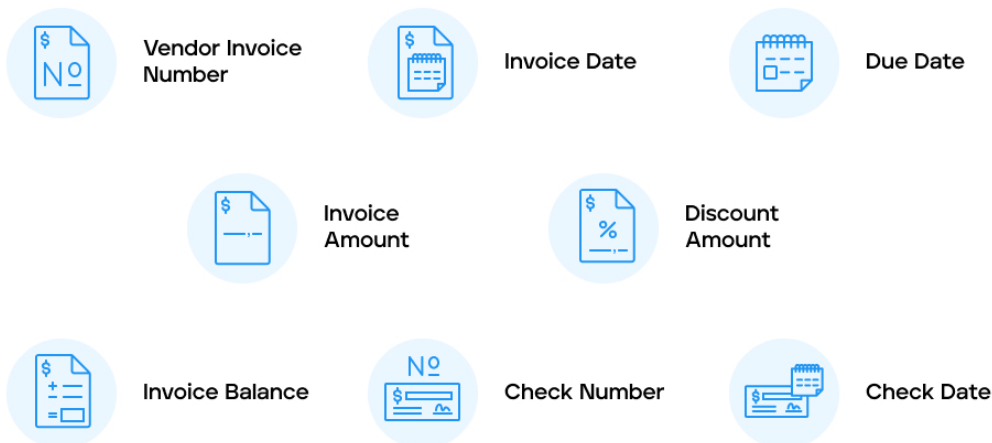
An accounts payable trial balance is different from a regular trial balance report, which provides an ending balance for all general ledger accounts.

The accounts payable trial balance is a report that provides a detailed list of all open invoices as of a specific date.

The accounts payable trial balance includes the following information:

- Vendor Invoice Number
- Invoice Date
- Due Date
- Invoice Amount
- Discount Amount (If Any)
- Invoice Balance
- Check Number
- Check Date

What An Accounts Payable Trial Balance Report Includes



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The accounts payable trial balance report ending total should match the total in the general ledger. If it doesn't, you'll need to determine why.

There is also an accounts receivable trial balance report that can be run if you need detailed information on invoices issued, balance due amounts, and payments made by customers.

Is Accounts Payable a Debit or Credit on

the Trial Balance?

Because accounts payable is a liability account, it always appears on all financial reports as a credit, including the trial balance.

The only time accounts payable are posted as a credit is when a payment, adjustment, or reversing entry is made to the account.

For instance, if you purchased office supplies, you would debit the office supply account and credit the accounts payable account, which increases the AP balance.

When the invoice is paid, you then debit the accounts payable account, which reduces the balance.

Why Is Accounts Payable a Liability?

Assets are things of value that companies own, while liabilities are what people owe.

Accounts payable is considered a current liability account because it represents money owed to a vendor or supplier that is due within a short period of time.

A liability represents the amount of money that is or will be leaving your company, making accounts payable a liability.

The accounts payable balance on your trial balance represents all accounts payable activity for the specific accounting period and should be a credit balance.

If the current accounts payable total has a debit balance, it can indicate several things:

- An invoice has been paid twice in error
- Accounts payable expenses have been recorded improperly
- An invoice was paid in the wrong amount

While it's possible that your accounts payable balance can be zero, if it has a debit balance, you'll have to investigate to determine why.

What Are Common Errors With Trial Balances?

Your trial balance debits and credits balance, so everything is correct, right? Not necessarily.

Just because the debit and credit column balance doesn't mean that there aren't errors.

Unfortunately, the trial balance only shows out-of-balance errors, while other errors not impacting the trial balance report can go undetected. These include:

• Transactions Posted to the Wrong Account

If you post an expense to rent instead of utilities, the trial balance won't display that error, but the totals in your general ledger will be inaccurate.

• Errors of Omission

The trial balance only displays transactions that have been recorded. It doesn't alert you if a transaction hasn't been posted at all.

• Reverse Error

If you enter an expense amount as a credit and debit accounts payable, your trial balance will still be in balance, though both accounts will be inaccurate.

■ Common Errors With Trial Balances



Transactions
Posted To The
Wrong Account



Errors Of
Omission



Reverse Error

If used for the sole purpose of determining whether debits and credits are balanced, the trial balance is a handy resource.

Beyond that, you'll need to review other financial statements to locate other possible errors.

How To Create a Manual Trial Balance Report

If you're not using an automated accounting software application, you'll need to create your trial balance manually using a spreadsheet application such as Microsoft Excel.

To begin, follow these steps:

1. Prepare a worksheet with four columns for your general ledger account number, account name, debit, and credit columns.
2. Record the totals of all of the ledger accounts that have been used during that period.

Account balances will have to be recorded for all five account types; Assets, Liabilities, Income, Expenses, and Revenue.

For example, a positive balance in an asset account would be posted in your trial balance as a debit, while a positive revenue balance would be posted as a credit.

3. After the balances have been entered, the debit and credit columns will need to be added to ensure they are in balance.
4. If both column totals match, you can move on to reconcile your account balances to look for other possible errors, such as account balances that appear to be too high or too low.

You'll also need to research any unexpected expenses that may appear in your financial statements.

However, if the ending debit and credit balances don't match, you will need to

research what accounts are out of balance and make any corrections before moving on to other financial statements such as the balance sheet and income statement.

What Are the Challenges When Creating an Accounts Payable Trial Balance Report?

If you're using a manual accounting system, preparing an accurate accounts payable trial balance can be challenging.

The following can contribute to an inaccurate AP trial balance report:

- Late Invoices
- Invoices Not Yet Accounted For
- Goods And Services Received Without an Invoice
- Credit Memos Not Recorded
- Partial Payments
- Payments Made in Error

What Can Cause an Inaccurate Accounts Payable Trial Balance



Late Invoices



Invoices Not Yet Accounted For



Products Received Without an Invoice



Credit Memos Not Recorded



Partial Payments



Payments Made in Error

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Even reports like the Payables Invoice Register and Payables Payments Register can be inaccurate if a single invoice is missing.

Luckily, there is a solution; accounts payable automation software.

How Does Improved Invoice Processing Help With the AP Trial Balance Report?

Using an automated AP system, like PLANERGY, can alleviate many of the problems you may encounter when creating a manual AP trial balance.

This includes:

- Multiple Invoices Recorded in Error
- Increased Number Of Invoice Exceptions
- Lack of Visibility on Spend for AP Accruals
- Difficulty In Reconciling AP When Dealing With Multiple Departments Or Locations
- Misstated Payable Liability
- Invoice Amounts That Are Overstated Or Understated

■ AP Trial Balance Problems Solved By AP Automation



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Best of all, using an automated AP application eliminates the need for your

bookkeeping or accounting staff to create an AP trial balance manually, eliminating many of these common issues.

What's your goal today?

1. Use PLANERGY to manage purchasing and accounts payable

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- Learn about us, and our long history of helping companies just like yours.

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2. Download our guide "Preparing Your AP Department For The Future"

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