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PROGRAM: BTMM

Hospitality Finance and Cost Accounting
(HM 540)

Name - Kazi Mahirz Mehtaj

ID - 13220041

Ans to the Ques - No-1

Q) What are the purposes of a trial balance?

A) A trial balance is a list of accounts and their balances at a given time. The primary purpose of a trial balance is to prove (check) that the debits equal the credits after posting. In addition, it is useful in preparing financial statements. The debit and credit sides of trial balance must be equal to indicate that maintenance of the ledger accounts under the double

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entry system is accurate. The purposes of a trial balance includes:

Balancing of Books: The ending balances of all accounts of an entity for a given financial period are summarized in the trial balance. To ensure that the balances of the various business accounts are correct, the debit and credit totals must be equal. If this is not the case then some of some of the individual accounts are incorrect and hence company must carry out adjustments to address this anomaly.

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Identify ERRORS: ERRORS can be committed when preparing books of accounts. For example, employees who prepare the accounts may make mistake in adding the entries. Various errors can be committed when preparing the books of accounts, such as errors of omission and commission. However, the trial balance mainly detects arithmetical errors. Failure of the debit and credit sides of the trial balance to agree

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indicates that errors exist in the books of accounts.

Ans to the Ques No - 3

Adjusting entries: Entries made at the end of an accounting

period to ensure that companies

follow the revenue recognition

and matching principles. A entry

in financial reporting that occurs

at the end of a reporting period,

to record any unrecognized income

for the transaction.

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or expenses for the period. When a transaction is started in one accounting period and finished in a later period an adjusting journal entry is required to properly account for the transaction period to allocate income expenditure to the period in which they ~~are~~ actually ~~are~~ occurred.

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Ans to the Ques - No 4

Worksheet: A multiple-column form that may be used in making adjusting entries and in preparing

financial statements. An ~~acc~~ accounting

Worksheet is large table of data which may be prepared by accountants

as an optional intermediate step in an ~~acc~~ accounting cycle.

The main ~~purpose~~ purpose of a worksheet is that it reduces the likelihood of forgetting and ~~adjusting~~

adjustment and it reveals arithmetic errors.

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A worksheet acts as a tool for an ~~ee~~ accountant and it is not usually intended to be used by third parties. It is an informal document.

A typical worksheet consists of column on the left showing main account titles and 10 more columns of debits and credits showing trial balance, adjustments, adjusted trial balance, income statement and balance sheet.

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A worksheet, or also known as extended trial balance is a business form containing multiple columns that is sometimes prepared in the concluding stages of accounting cycle. It is prepared after ~~unad~~ unadjusted trial balance is extracted from the ledger's balances. Major purpose of the worksheet is incorporate adjustments to the closed accounts in a structured manner following a certain format. worksheets are prepared in situation where adjustments are in-

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number and it helps in reducing
accounting and arithmetic
errors in finalizing accounts

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Ans to the Ques No - 6

Closing entry:

Closing entries are those journal entries made in a manual accounting system at the end of an accounting period to shift the balances in temporary accounts to permanent ~~acc~~ accounts.

Closing entries are journal entries made at the end of an accounting period which transfer the balances of temporary accounts to permanent ~~acc~~ accounts. Closing entries are based on the account balances in an adjusted trial balance.

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Closing entries are journal entries used to empty temporary accounts the end of a reporting period and transfer their balances into permanent accounts.

The use of closing entries

resets the temporary accounts to begin accumulating new transactions in the next period. otherwise the balances in these accounts would be incorrectly included in the totals for the following reporting period.

Ans to the Qus No 5

The purpose of work sheet

Chart of Accounts: Every company keeps a chart of accounts that lists every account the company has. It is divided into five sections: assets, liabilities, equity, revenue, and expenses. Each of these accounts is in the company's general ledger where balances of each account are maintained. An accounting worksheet begins by listing each account and the balance each account has.

Adjusting Entries: one main purpose of an accounting worksheet is to record adjusting entries. Adjusting entries are made at the end of each period. They are not normal everyday type entries. They only take place at the end of a month or period. Examples of adjusting entries are those adjusting for supplies used, insurance used, revenue earned and interest earned. These entries are recorded on the worksheet.

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Trial Balance - After ~~at~~ adjusting entries are made each account is updated on the worksheet. If an account had an adjusting entry the previous amount in that account ~~is~~ needs to be adjusted. If no adjusting entry is made to an account the same balance transfers over to this column. The worksheet helps to keep the company's ledger in balance.

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Closing Entries: The worksheet is a 10-column ledger and is also used to calculate and record closing entries. Books are always column ledger and is also used to ~~Closing entries~~. Closed at the end of every fiscal year and the worksheet aids the closing process.

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Financial Statements: one of the primary uses for a worksheet is for the information it contains. After making adjusting entries and finalizing closing entries, the business can generate financial statements. After the worksheet contains all the information needed to prepare these statements, the after preparing the financial statements, the company begins a new worksheet for the following year.