<u>Basic Fundamental</u>

Why is closing stock not included in the year-end Trial Balance?

Answer:
The Trial Balance is a list of all accounts with debit or credit balances in the ledger at a given date. Based on this fundamental definition, it appears that closing stock should be included in the year-end Trial Balance but why it is not included?

<u>Firstly</u> the reason is: the opening stock balance is already included in the "Debit" column of the Trial Balance. Every account should either have a "Debit" or "Credit" balance but not both. Given the asset nature of stock, it should have a debit balance.

<u>Secondly</u>, in transactions-wise, the closing stock is only debited to the stock account in order to have a credit item to subtract from the total goods available for sale before arriving at the cost of goods sold in the Trading Account.

Thirdly, the actual closing stock figure is only available after the year-end because the stock-taking is tedious and often time-consuming. Therefore, the Finance Dept may not have the manpower to ascertain the actual closing stock figure at the year-end.
With the above reasons, the closing stock is often disclosed with a Note to the Trial Balance and NOT as an item in the Trial Balance.

Thanks & Regards

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