# Tilak Maharashtra Vidyapeeth, Pune

## Faculty of Distance Education

# Tally

(Notes)

# B.A. (Visharad) Social Sciences

SECOND YEAR FOURTH SEMESTER

# INDEX

# Tally.ERP 9

<table>
<tr><td>

**1**

**CHAPTER**

</td><td>

# INTRODUCTION TO ACCOUNTING

</td></tr>
</table>

**Need for Accounting** → Accounting is the language of business. It is the art of recording classifying and summarizing in a significant manner and in terms of money, transactions and events which are in part at least of a Financial Character and interpreting the result thereof. In simple terms accounting means :-

a)      recording

b)      classifying

c)      Summarizing all the transactions which take place in the day to day business.

This is done for a particular period of 12 months called a **'Financial Year'.** It generally starts on 1st April and ends on 31st March.

All the information of this period taken for Interpreting Financial events is helpful for decision making.
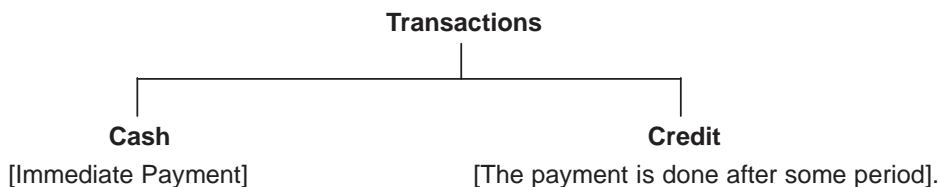
A person running a business needs to know his :-

1)      Assets [What he owns].

2)      Liabilities [What he owes].

3)      Profit or Loss.
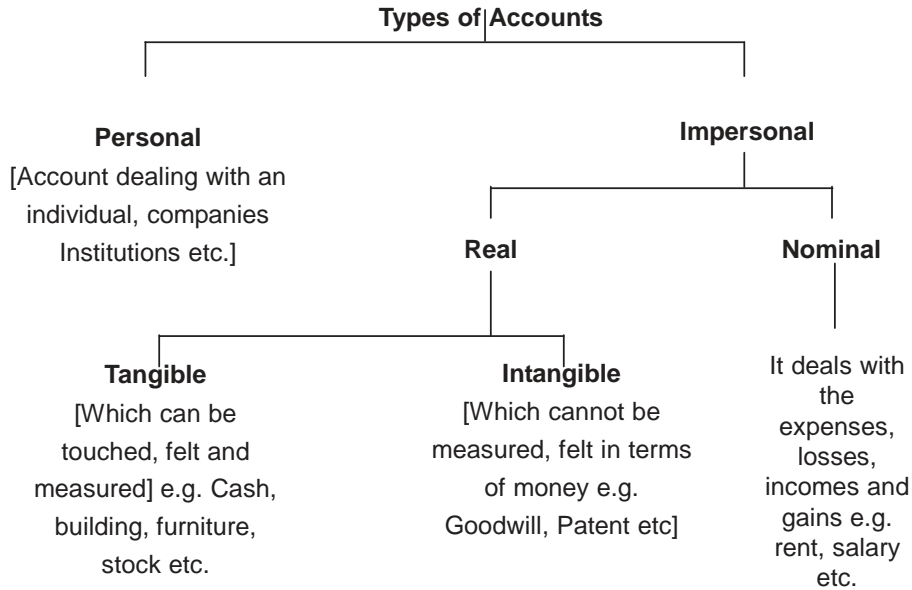
4)      Accordingly the future planning.

In short accounting means recording the transactions. So what is transaction?

Transaction is an event, which definitely affects the financial position of the business. Hence, to become a transaction the event must fulfill the condition of making some change in the expenditure, income owning and Owings. The event taking place must make effect on profit or loss of the business. Merely placing of an order or just an enquiry is not a transaction.

**Transactions are of two types**

**Transactions**

**Cash**
[Immediate Payment]

**Credit**
[The payment is done after some period].

2

**Types of Accounts**

Types of Accounts
```
                    Types of Accounts
            ┌──────────────────────────────┐
       Personal                        Impersonal
[Account dealing with an        ┌──────────────────┐
individual, companies         Real              Nominal
Institutions etc.]        ┌──────────┐
                     Tangible      Intangible      It deals with
               [Which can be     [Which cannot be      the
               touched, felt and  measured, felt in   expenses,
               measured] e.g. Cash, terms of money e.g.  losses,
               building, furniture,  Goodwill, Patent etc]  incomes and
               stock etc.                            gains e.g.
                                                     rent, salary
                                                     etc.
```

**Some Important Terms'**

ASSETS → Anything which will enable a business enterprise to get cash or a benefit in future is 'Asset'. These are of three types.

- **Fixed Assets** → Assets acquired relatively for a long period to carry the business e.g. land and building, furniture, plant and machinery etc.

- **Current Assets** → Assets which are held essentially for a short period and are meant for converting into cash. e.g. cash, inventories, bills receivable etc.

- **Liquid Assets** → Assets which are immediately convertible into cash without much loss. e.g. marketable securities, stamps etc.

LIABILITIES → It is the amount which a business owes or has to return. e.g. loans taken from banks etc.

- **Capital** → It refers to the amount invested in a business enterprise.

- **Revenue** → It refers to the income of a recurring nature from any source related to business.

- **Expenses** → It denotes the cost of services and things used for generating revenue

3.

**Capital Expenses** → An expenditure incurred for purchase of Fixed Assets.

- **Revenue Expenses** → Expenses incurred merely to maintain the business or to keep the Assets in good working condition.
- **Goods** → The term "goods" is used only to indicate the trading products and other products which we purchase for sale or trading and not for consumption. e.g. computer purchased for office use is an **'Asset'** but the computer purchased for selling is 'Goods'. Goods purchased is known as 'Purchases' and Goods sold is known as 'Sales'.
- **Stock** → Some of the goods purchased sometimes remains unsold, it is known as stock or stock in Trade.
- **Debtors** → A person to whom goods are sold on credit, means who owes money to the business is called a debtor.
- **Creditors** → A person from whom goods are purchased on credit and amount is payable is called a creditor.
- **Bad debt** → An amount due from a debtor but not likely to recover from him. e.g. An amount of Rs. 5000/- is receivable from Mr. Gore but he is unable to pay the amount back is called Bad debt.
- **Drawings** → Money or goods withdrawn from business for personal use or household purpose.

**Recording Transactions in a Journal** →

Journal Entry [recording] ® It is a primary book of accounting. It contains chronological record of transactions.

Every business has two fold aspects: 1) receiving and 2) giving aspects. One has to give something to other and in return has to receive something from him. Every receiving has 'equal' giving.

Now we will see how every transaction affects minimum two accounts.

**Transactions** →

1) Started business with cash Rs. 20,000/-
2) Purchased goods worth Rs. 5,000/- on credit from 'X'
3) Sold goods worth Rs. 3,000/- to 'Y' on credit.
4) Opened a bank account with State Bank of India by depositing Rs. 2,000/-.
5) Paid salary Rs. 1,000/- in cash to Ramesh.
6) Received a cheque of Rs. 3,000/- from 'Y'.
7) Received commission from Ankit Rs. 2,000/-.
8) Paid Rent Rs. 500/-
9) Withdrew from bank Rs. 1,000/-
10) Issued a cheque of Rs. 4,000/- to 'X'.

4

|  | Accounts Affected | Types of Accounts | Debit / Credit |
|---|---|---|---|
| 1) | Cash | Real | Debit – What comes in |
| 2) | Capital | Personal | Credit – the giver |
| 1) | Purchases | Real | Debit – What comes in |
| 2) | X | Personal | Credit – the giver |
| 1) | Y | Personal | Debit – receiver |
| 2) | Sales | Real | Credit – What goes out |
| 1) | State Bank of India | Personal | Debit – the receiver |
| 2) | Cash | Real | Credit – What goes out |
| 1) | Salary | Nominal | Debit – Expenses |
| 2) | Cash | Real | Credit – What goes out |
| 1) | State Bank of India [As cheque received] | Personal | Debit – the receiver |
| 2) | Y | Personal | Credit – the giver |
| 1) | Cash | Real | Debit – What comes in |
| 2) | Commission Received | Nominal | Credit – Incomes |
| 1) | Rent | Nominal | Debit – Expenses |
| 2) | Cash | Real | Credit – What goes out |
| 1) | Cash | Real | Debit – What comes in |
| 2) | State Bank of India | Personal | Credit – the giver |
| 1) | X | Personal | Debit – the receiver |
| 2) | State Bank of India | Personal | Credit – the giver |

Accordingly journal entries are done. Now we will write all the above entries in Journal

**Journal**

| Date | Particulars | L. F. | Debit (Rs.) | Credit (Rs.) |
|------|-------------|-------|-------------|--------------|
| 1.4.2009 | Cash A/c ---------- Dr<br>    To Capital A/c<br>[Being capital introduced] | | 20,000 | 20,000 |
| 2.4.2009 | Purchases A/c ---------- Dr<br>    To 'X' A/c<br>[Being credit purchases] | | 5,000 | 5,000 |
| 3.4.2009 | 'Y's A/c ---------- Dr<br>    To Sales A/c<br>[Being credit sales to 'Y'] | | 3,000 | 3,000 |
| 4.4.2009 | State Bank of India A/c --------- Dr<br>    To Cash  A/c<br>[Being new account opened with State Bank of India] | | 2,000 | 2,000 |
| 5.4.2009 | Salary A/c ---------- Dr<br>    To Cash A/c<br>[Being salary paid to Rames h] | | 1,000 | 1,000 |
| 6.4.2009 | State Bank of India A/c --------- Dr<br>    To 'Y's A/c<br>[Being credit purchases] | | 3,000 | 3,000 |
| 7.4.2009 | Cash A/c ---------- Dr<br>    To commission received<br>[Being commission received from Ankit] | | 2,000 | 2,000 |
| 8.4.2009 | Rent A/c ---------- Dr<br>    To Cash A/c<br>[Being rent paid for the month of  ------] | | 500 | 500 |
| 9.4.2009 | Cash A/c ---------- Dr<br>    To State Bank of India A/c<br>[Being Cash withdrawn] | | 1,000 | 1,000 |
| 10.4.2009 | 'X's A/c ---------- Dr<br>    To State Bank of India A/c<br>[Being cheque no --- issued to 'X'] | | 4,000 | 4,000 |

6

In the above journal entries the description of the transaction written in the braces is called **'Narration'.** It starts with the word **'Being'.** It should be written in short but should reflect the whole transaction.

**Ledger** → It is a book of account in which we get the **'clubbed information'** of an Individual A/c. Posting is done in the relevant side of the ledger based on journal entry. Posting we mean the transfer of debit and credit entries from the journal to the respective accounts in the Ledger.

### Ledger Posting of the above Journal Entries
### Capital A/c

| Dr Date | Particular | If | Amount (Rs.) | Date | Particulars | If | Cr Amount (Rs.) |
|---|---|---|---|---|---|---|---|
| | To balance old | | 20,000 | 1/4/09 | By cash A/c | | 20,000 |
| | | | 20,000 | | | | 20,000 |

### Cash A/c

| Date | Particular | If | Amount (Rs.) | Date | Particulars | If | Cr Amount (Rs.) |
|---|---|---|---|---|---|---|---|
| 1/4/09 | To Capital A/c | | 20,000 | 4/4/09 | By State Bank of India A/c | | 20,000 |
| 7/4/09 | To Commission received | | 2,000 | 5/4/09 | By Salary A/c | | 1,000 |
| 9/4/09 | To State Bank of India | | 1,000 | 8/4/09 | By Rent A/c | | 500 |
| | | | | 30/4/09 | By Balance C/d | | 19,500 |
| | | | 23,000 | | | | 23,000 |

### Purchases A/c

| Date | Particular | If | Amount (Rs.) | Date | Particulars | If | Cr Amount (Rs.) |
|---|---|---|---|---|---|---|---|
| 2/4/09 | To X's A/c | | 5,000 | 30/4/09 | By Balance C/d | | 5,000 |
| | | | 5,000 | | | | 5,000 |

### X's A/c

| Date | Particular | If | Amount (Rs.) | Date | Particulars | If | Cr Amount (Rs.) |
|---|---|---|---|---|---|---|---|
| 10/4/09 | To State Bank of India A/c | | 4,000 | 2/4/09 | By Purchases A/c | | 5,000 |
| 30/4/09 | To Balance C/d | | 1,000 | | | | |
| | | | 5,000 | | | | 5,000 |

7

### Y's A/c

| 3/4/09 | To Sales A/c | | 3,000 | 6/4/09 | By State Bank of India A/c | | 3,000 |
|---|---|---|---|---|---|---|---|
| | | | 3,000 | | | | 3,000 |

### Sales A/c

| 30/4/09 | To balance old | | 3,000 | 3/4/09 | By Y's A/c | | 3,000 |
|---|---|---|---|---|---|---|---|
| | | | 3,000 | | | | 3,000 |

### State Bank of India A/c

| 4/4/09 | To Cash A/c | | 2,000 | 9/4/09 | By Cash A/c | | 1,000 |
|---|---|---|---|---|---|---|---|
| 6/4/09 | To Y's A/c | | 3,000 | 10/4/09 | By X's A/c | | 4,000 |
| | | | 5,000 | | | | 5,000 |

### Salary A/c

| 5/4/09 | To Cash A/c | | 1,000 | 30/4/09 | By balance C/d | | 1,000 |
|---|---|---|---|---|---|---|---|
| | | | 1,000 | | | | 1,000 |

### Commission A/c

| 30/4/09 | To balance C/d | | 2,000 | 7/4/09 | By Cash A/c | | 2,000 |
|---|---|---|---|---|---|---|---|
| | | | 2,000 | | | | 2,000 |

### Rent A/c

| 8/4/09 | To Cash A/c | | 500 | 30/4/09 | By balance C/d | | 500 |
|---|---|---|---|---|---|---|---|
| | | | 500 | | | | 500 |

It is customary to use words 'To' with the accounts which appear on the debit side and 'By' with the accounts which appear on the credit side of the ledger account.

**Trial Balance →**

The entire ledger is summarized in the form of a Trial Balance. It is a statement containing the various ledger balances on a particular date.

**Trial Balance**
**[As on 30th April 2009]**

| Particulars | Debit Amount | Credit Amount |
|---|---|---|
| Capital A/c | --- | 20,000 |
| Cash A/c | 19,500 | |
| Purchases A/c | 5,000 | |
| X's A/c | --- | 1,000 |
| Y's A/c | --- | --- |
| Sales A/c | --- | 3,000 |
| State Bank of India A/c | --- | --- |
| Salary A/c | 1,000 | 3,000 |
| Commission Received A/c | --- | 2,000 |
| Rent A/c | 500 | --- |
| | 26,000 | 26,000 |

**Final Accounts →**

While trial balance checks the accuracy of the books of accounts, final accounts reveals two facts:

i)    Whether the business is in Profit or Loss during the period covered by the Trail Balance? A Trading and Profit and Loss Account is prepared for this purpose.

ii)   What is the financial position of the Business?

This is judged by preparing Balance sheet for the business.

**Final Accounts**

**Trading & Profit & Loss A/c**
It is a Nominal Account
[Gross profit / loss and Net Profit / loss
can be understood]

**Balance sheet**
It is a statement of Assets &
liabilities [The final position of
the business can be understood]

9
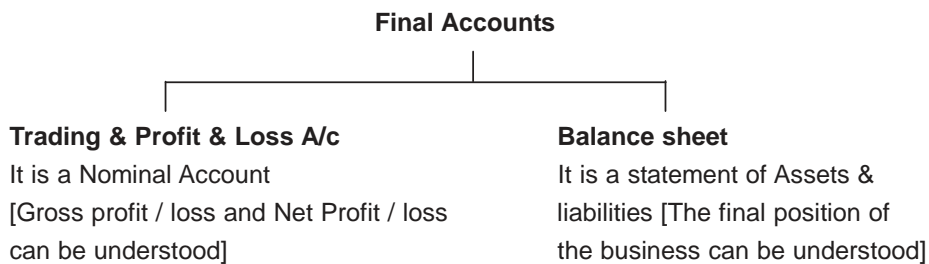
**Adjustment Entries:**

While preparing the Profit and Loss Account for a particular period it is absolutely essential that the expenses, losses, income and gains relating only to that period are considered. Therefore the figures in the Trail Balance must be adjusted before preparing Profit and Loss account and Balance sheet.

These entries usually relate to the following:

1) Closing stock
2) Outstanding expenses
3) Prepaid expenses
4) Outstanding or accrued income
5) Income received in advance
6) Depreciation
7) Bad debts
8) Provision for bad debts
9) Interest on capital

| 2 | Tally.ERP 9 |
|---|---|
| **CHAPTER** | |

Tally.ERP 9 has been designed with you in mind. Features of Tally.ERP 9.

1) Powerful connectivity makes information available with your staff, CA and other professionals, round-the-clock in any place.

2) It's also quick to install and allows incremental implementation a novel capability that lets you activate just as many of its functions when required even across locations.

3) Remote access that boost collaboration

4) Audit and compliance services

5) Integrated support centre and security management

6) In addition to silver edition, Gold edition there is now an additional Tally.ERP9-Auditors Edition which is available exclusively for practicing chartered accountants.

7) All the accounting requirements are fulfilled which we have discussed in the respected chapters.

8) By using Inventory feature you can keep a proper track of your stock of goods.

9) Financial Management and Control - The financial reports such as Cash and Funds Flow, Bank Reconciliation, Customer Credit Limits, Negative Cash, Stock or other ledger balances and many more.

10) Developed for all manufacturers, distributors, wholesalers or traders.

11) Tally.ERP 9 delivers the entire purchase cycle, i.e. Purchase order, goods-receipt - rejections and returns - advances debits and payments.

12) The efficiencies in sales operations which impacts growth and profitability of business is supported with several documents such as Quotations, Sales Orders, Delivery notes, Sales Invoices, Credit Notes, Rejections in and Receipts.

13) Tally.ERP 9 provides all the necessary Payroll Compliances. The new Payroll feature provides the following statutory Reports →

    a) Employees Provident Fund Computation and Support.

    b) ESI Computation and Support.

    c) Professional Tax Computation.

    d) The Income Tax on Salary Income.

14) Job Costing - In industries like manufacturing, printing construction etc where job costing plays an important role, Tally gives you, the job analysis report and a clear picture on various Financial Aspects of a particular project.

15) Statutory Aspects ' All the direct and indirect taxes i.e. CST, VAT, Service Tax, TDS, Excise for manufactures, Excise for Dealers, TCS, FBT are covered with all its required forms and reports.

16) Special Needs ' Multi company, Multi period, Multi cost profit centers, Multi currency, Multi units, Multi location Inventory, Multi budgets and scenarios, Multilingual.

17) It works on the concepts of full access. But at the same time you can 'lock-down' the system as the need arises.

18) Remote Access can be done with Identity i.e. with Tally.NET ID, Authentication - you have to prove your identity with Tally.NET servers, Authorization. You decide what the user is authorized to do.

It is a friendly business accounting software. Let's see what makes Tally a popular software.

**Features of Tally →**

- A user-friendly package
- At any moment you get the results of the business.
- A codeless package.
- It has the complete range of book-keeping facilities.
- It has scenario management feature to analyse your business performance under varying assumptions.
- It is higly secured against data tampering. It has very powerful audit facility.
- Tally provides an interactive online help.
- As Open Database Connectivity [ODBC] facility is available it can be connected to other programs and exchange data dynamically.
- All the reports can be published on web and may be directly e-mailed.
- It is VAT, Service Tax, FBT, TDS, TCS compliant.
- It is multilingual. Accounts can be maintained in Hindi, Marathi, Tamil, Telgu, Kannda, Punjabi, Gujrathi, Bengali, Malayalam.
- It has complete Payroll management system and much more……..

**Starting Tally**

Like all installed software there would be an icon for Tally created on the computer. For starting Tally, position the cursor on the icon and double click the left button of the mouse. Tally is operated in Windows Environment. Tally can be configured to automatically load companies by appropriately setting the Tally.INI file.

While creating a company, Tally creates a sub-directory under its \DATA directory for the company. The directory is allotted a number in serial order starting with 0001. You may load more than one company at a time. When Tally.ERP 9 is opened the screen looks like this:



Company Info Screen

**Creating Company →**

13

**Step 1:** Select 'Create' company option from Company Info. Menu either by pressing C or by clicking on this option. The following screen will appear.



The above screen shows various fields. These are:-

i)    **Directory** → It asks you for the path where you intend to create your company. The default data directory is C:\TALLY\DATA

ii)   **Name** → Type the name of the company. This name will be displayed in the language in which the company is being created.

iii)  **Mailing Name & Address** → Type the full address of your company. This will appear on all the reports.

iv)   **Statutory Compliance for** → The countries are selected from the given list of countries. The statutory features and Base Currency Symbol are enabled in accordance with the country selected.

v)    **State** → Select the state from the drop down list of Indian state.

vi)   **PIN Code** → Type the Postal Index Number.

vii)  **Telephone Number** → Type office Telephone No.

viii) **E-mail Address** → Type the E-mail address of the company.

ix)   **Currency Symbol** → type Rs. For India.

x)    **Maintain** →  A window with two options pops up. These are :

a) Accounts only: → Where businesses do not deal with Inventory e.g. Professional.

b) Accounts with Inventory ' It maintains both Financial accounts as well as Inventory.

xi) **Financial Year From** → Type the starting date of the financial year. Tally considers 12 months from the given date e.g. 01/04/2009

xii) **Books Beginning From** → The date from actual transactions started but this date should be later than the starting date of Financial Year.

xiii) **Tally Vault Password (if any)** → If you wish to maintain company data in encrypted form.

xiv) **Use security Control** → This feature of Tally sets up authority levels that decides the right of the user for data manipulation.

xv) **Use Tally Audit features** → If set to 'yes' the changes in transactions or ledger masters can be tracked.

xvi) **Base Currency Information** →

a) Base currency symbol → Rs.

b) Formal name → Indian Rupees

c) Number of Decimal Places → 2

d) Show Amounts in Millions? → No

e) Is symbol SUFFIXED to Amount → No

f) Put a space between Amounts and Symbol → No

g) Symbol for Decimal Portion → It is paise by default for India.

h) Decimal Places for Printing Amounts in Words ' Specify the number of decimal places for printing the amounts in words.

**Step 2:** Press Enter and accept the screen. Now the company gets created which can be loaded from the Company Info. Menu as and when desired.

**Shutting a Company** → It means unloading it. Press [Alt + F3] for Company Info menu. Select the option shut company by pressing the hotkey H. Highlight the company you wish to shut down from the list of companies and press Enter.

**Altering / Modifying Existing Company** → You can modify, at any time, any information given whilst creating the company by Alt + F3 ' Enter. A company can be DELETED only in the alter mode by pressing Alt + D.

**Buttons on the Button Panel**

There are underlined and non-underlined buttons on the panel.

F1 → Select Company

<u>F1</u> → De-activates a company

F2 → To Change the date

<u>F2</u> → To change the period

F3 → Company - to switch from one company to another active company.

15

F3      →      This invokes company info menu.

F12     →      Configure

F11     →      Features. You can select or modify different features of a company.

When you select Accounting Features option, the following screen will appear.
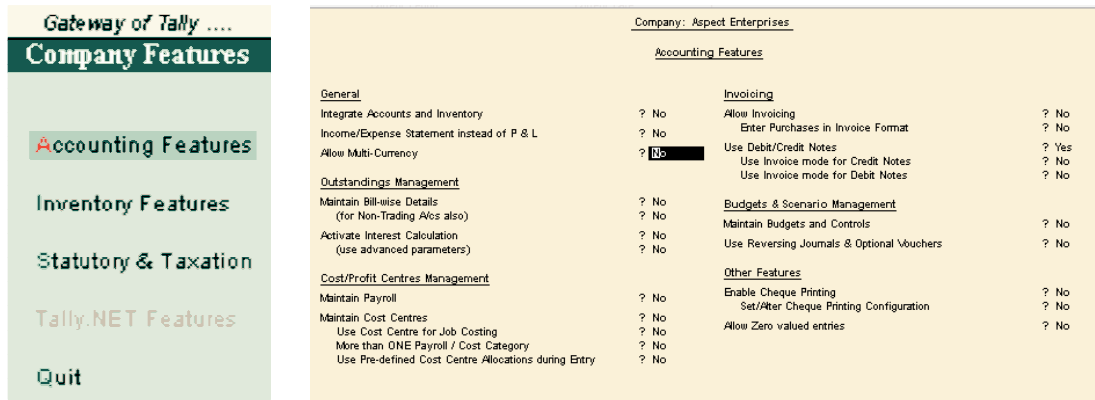


- **Integrate Accounts and Inventory** → If set to 'Yes' will consider the inventory / stock as entered in accounting entries. If set to 'No' will ignore the inventory books figures and picks up manually entered closing stock.

- **Income / Expenses Statement Instead of Profit and Loss** → If non trading accounts then set to 'Yes'.

- **Allow Multi-currency?** → Accounts can be maintained in more than one currency.

- **Maintain Bill wise Details ?** → It set to 'Yes' will enable you to track the invoice wise details of the Debtors and Creditors.

  (for Non Trading A/cs also ?) → If required for other than debtors and creditors e.g. to track the installments of loan.

- **Activate Interest Calculation** → Interest can automatically be calculated by Tally based on the specified interest rates and style.

  (use advance parameter) → Useful where interest rates change from time to time.

- **Maintain Payroll** → If set to 'yes' salary register can be maintained.

- **Maintain Cost Centers** → Allocation of expenses or incomes is possible.

- **Use cost centers for job costing** → To track the expenses and incomes related to particular project.

- **More than one Payroll / Cost Category** → More than one Primary cost category.

- **Invoicing** → If set to 'yes' sales entries can be done in Invoice format in which taxes and duties are calculated automatically. These entries themselves can be treated              as              'Salebills        or        Tax              Invoices'.

- **Use Debit / Credit Notes** → Set 'yes' if required.
- **Enter Purchases in Invoice Format** → If set to 'yes' purchase entries can be done in Invoice format.
- **Use Invoice Mode for Debit / Credit Notes** → Set 'yes' if invoice format is required.
- **Budgets and Scenario Management** →
  - Maintain budgets & Controls - Set 'yes' if required.
  - Use Reversing Journals and optional Vouchers - Entries can be made optional if set to yes.
- **Other Features**
  - Enable Cheque Printing
  - Set / Alter Cheque Printing Configuration
  - Allow Zero Valued Entries

When you select Inventory features option in the above window, you have the following Inventory Features Window.

Company: Aspect Enterprises

Inventory Features

| General | | Invoicing | |
|---|---|---|---|
| Integrate Accounts and Inventory | ? Yes | Allow Invoicing | ? Yes |
| Allow Zero valued entries | ? No |    Enter Purchases in Invoice Format | ? Yes |
| | | Use Debit/Credit Notes | ? Yes |
| Storage & Classification | |    Use Invoice mode for Credit Notes | ? No |
| Maintain Multiple Godowns | ? Yes |    Use Invoice mode for Debit Notes | ? No |
| Maintain Stock Categories | ? Yes | Separate Discount column on Invoices | ? No |
| Maintain Batch-wise Details | ? No | | |
|   (set Expiry Dates for Batches) | ? No | Purchase Management | |
| Use different Actual & Billed Qty | ? No | Track additional costs of Purchase | ? No |
| Order Processing | | Sales Management | |
| Allow Purchase Order Processing | ? No | Use Multiple Price Levels | ? No |
| Allow Sales Order Processing | ? No | Additional Inventory Vouchers | |
| | | Use Tracking Numbers (Delivery/Receipt Notes) | ? No |
| | | Use Rejection Inward/Outward Notes | ? No |

Accept ?

Yes or No

F1: Accounts     F2: Inventory     F3: Statutory

17

**Configuring Company →**

**Options:**

1)  **Integrate Accounts and Inventory?** → Same as in Accounting features option.

2)  **Allow Zero Valued Entries** → Set it to 'yes' if you want to permit in vouchers.

3)  **Maintain Multiple Godowns** → If more than one locations are required then set the option to 'yes'.

4)  **Maintain Stock Categories?** → If your inventory hierarchy requires categories to be maintained then set this option to 'yes'.

5)  **Maintain Batchwise Details?** → If stock items are required to be stored according to batches then set this option to 'yes'.

6)  **Set Expiry Dates for Batches?** → If your goods have expiry dates like medicines and other perishables then this option is set to 'yes'.

7)  **Use different Actual and Billed Quantity?** → When goods billed are different than those from actually delivered or received then this is set to 'yes'. e.g. one on one free.

**Allow Purchase Order Processing?** → 'yes' if orders are required to be processed.

**Allow sales order Processing?** → 'yes' if sales order are required.

**Invoicing** → Same as explained in Accounting Features.
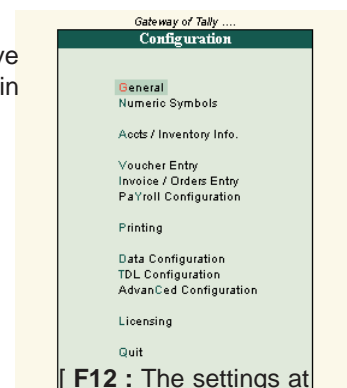
**Track Additional Costs of Purchase ?** → It displays a break up of purchase cost if set to 'yes'

**Set Multiple Price Level ?** → Multiple price lists can be maintained if set to yes.

**Use Tracking Numbers** → The relation between two sales, purchase documents can be maintained.

**Use Rejection Inward / Outward Notes ?** → Rejection of goods can be maintained separately and not through Debit / Credit Notes.

When you select statutory and Taxation option in the above window you get all the taxation option which we will discuss later in detail.



*Gateway of Tally ....*
**Configuration**

General
Numeric Symbols

Accts / Inventory Info.

Voucher Entry
Invoice / Orders Entry
PaYroll Configuration

Printing

Data Configuration
TDL Configuration
AdvanCed Configuration

Licensing

Quit

[ **F12 :** The settings at different levels can be set in the above screen. ]

---

**Problem / Exercise:**

Create a company - Aspect Enterprises with 'Accounts only' option.

18

| 4 | **ACCOUNTING INFORMATION** |
|---|---|
| **CHAPTER** | |

**Menu related to Accounts:**

Now we have already created a company. So we will have a following screen of  Gateway of Tally:-
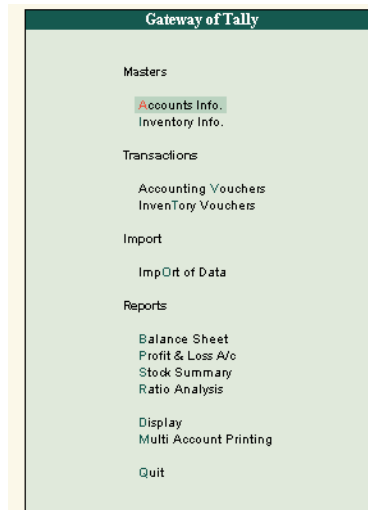


Select 'Accounts Info' option.

Groups    →    Ledgers    →    Voucher Types    →    Quit

**Groups** → It is advisable to Group / Classify ledger information based on their functions. Groups are helpful in classifying and identifying account heads based on their nature. Grouping helps in presenting summarized information. Regrouping is also permitted in Tally. Tally provides you with a number of pre-defined groups i.e. 28

**Predefined Groups**

| Capital in Nature | | | | Revenue in Nature | |
|---|---|---|---|---|---|
| 1 | | Capital Account | | 1 | Sales Account |
| | 1 | Reserves and Surplus [Retained Earning] | | 2 | Purchase Account |
| | 2 | Current Assets | | 3 | Direct Income [Income direct] |
| | | i) Bank Accounts | | | |
| | | ii) Cash in Hand | | 4 | Indirect Income [Income Indirect] |
| | | iii) Deposits (Asset) | | | |
| | | iv) Loans & Advances (Asset) | | 5 | Direct Expenses [Expenses Direct] |
| | | v) Stock – in – hand | | | |
| | | vi) Sundry Debtors | | | |
| | 3 | Current Liabilities | | 6 | Indirect Expenses [Expenses Indirect] |
| | | i) Duties and Taxes | | | |
| | | ii) Provisions | | | |
| | | iii) Sundry Creditors | | | |
| | 4 | Fixed Assets | | | |
| | 5 | Investments | | | |
| | 6 | Loans (Liability) | | | |
| | | i) Bank OD Accounts [Bank OCC Accounts] | | | |
| | | ii) Secured Loans | | | |
| | | iii) Unsecured Loans | | | |
| | 7 | Suspense Account | | | |
| | 8 | Miscellaneous Expenses (Asset) | | | |
| | 9 | Branch / Divisions | | | |

**Step 3:** Studying the above predefined groups:

Gateway of Tally  →  Account Info  →  Groups  →  Quit

**Step 4:** Press D for 'display' and Tally will show you all the list in alphabetical order. Some explanation about these groups :

1)   **Capital** → It means the capital of a Proprietor, partner or share capital.

2)   **Reserve and Surplus [Retained Earnings]** → When some part of the profit is kept aside e.g. Capital reserve, depreciation reserve etc.

20

**Current Assets** → It is further divided into following subgroups:

a)      **Bank Accounts** → All savings and current accounts

b)      **Cash in hand** → Cash, Petty cash etc.

c)      **Deposits (Assets)** → Deposits made by the company e.g. FDS, Tender deposits, security deposits etc.

d)      **Loans and Advances (Assets)** → Any loans or advances given by the company. Loan to ---- is always an Asset.

e)      **Stock-in-Hand** → Opening and closing stock.

f)      **Sundry Debtors** → All the parties to whom goods are sold on credit and amount is receivable from them.

g)      **Current Liabilities** → Anything Payable by the company falls under this groups

h)      **Duties and Taxes** → Custom, excise duties, VAT, CST etc.

i)      **Provision** → Provision for taxation, depreciation etc.

j)      **Sundry Creditors** → All such parties from whom goods are purchased on credit and to whom amount is payable.

k)      **Fixed Assets** → All the long term Assets e.g. Land and Building, Plant and Machinery, Computers etc.

l)      **Investments** → Shares, debentures, bonds etc.

m)      **Loans (Liability)** → All such loans taken by the company i.e. secured loans, unsecured loans, overdraft facility etc.

n)      **Suspense Account** → Advances or expenses for which account head can be decided only after submission of bills.

o)      **Miscellaneous Expenses (Assets)** → Company formation expenses.

p)      **Branch / Divisions** → Company's branches or sister concerns.

q)      **Sales Account** → Sale of goods and sale return.

r)      **Purchase Account** → Purchase of goods and purchase return.

s)      **Direct Income** → Income directly related to sales or professional fees.

t)      **Indirect Income** → e.g. Interest received, Dividend received etc.

u)      **Direct Expenses** → Which directly affect the production e.g. wages, transport and octroi, Factory rent etc.

v)      **Indirect Expenses** → All the Administrative Expenses such as salary, telephone, printing and stationery etc.

## Creating a Group

You can also create a New Group under the predefined group if you want.

Single Group   →   Create

**Name** →

**Alias** →


**Under**

**Nature of Group '**

-      **Group behaves like a subledger** ' 'Yes' ' Then you get group balances like ledgers

-      Net Debit / Credit Balances ' Set 'No' to display both side balances.

**Altering a Group** →

Gateway of Tally  →  Accounts Info  →  Groups  →  Single Alter

*But you cannot alter the parent of a predefined group.*

**Deleting of Group** →

Gateway of Tally  →  Accounts Info  →  Groups  →  Single Alter

Select the group to be deleted from pop-up list  Alt + D for deletion

*But you cannot delete predefined groups or groups having subgroups or ledgers under it. And you cannot **delete groups** in **Multiple Alter** mode.*

### Ledgers

Ledgers means actual Account Head. Ledgers have to be created for voucher entries under certain groups. There are **two** ledger accounts **inbuilt** in the Tally package. These are 1) Cash account 2) Profit and Loss account.

### Single Ledger Creation

Gateway of Tally  →  Accounts Info  →  Ledgers  →  Create



You will have a following screen in which details are to be filled e.g.
-        Name → R K Traders
-        (Alias) → Give an alternate name to ledger if required
-        Under → Sundry Debtors
         (a list of groups will pop-up on your screen)
-        Opening Balance → 1,00,000 - Dr

- Mailing Details → You have to give these details if you are opening the accounts of Debtors, Creditors or Advances.
- Tax Information → PAN / IT / TIN numbers.
- Cost Centres are applicable ? → If activated in F11 features this option will appear on the screen. So if the details of ledger accounts are required to be given then set this option to Yes.
- Inventory Values are Affected? → Inventory values get affected only by sales and purchase ledgers so only in those ledgers this option will remain yes.

*YOU CAN CONFIGURE THE LEDGER SCREEN BY PRESSING F12.*

**Displaying Ledgers →**
Gateway of Tally → Accounts Info → Ledgers → Single → Display
**Altering Ledgers →**
Gateway of Tally → Accounts Info → Ledgers → Single

Alter [Select a ledger account to be altered and press Enter]

**Deleting a Ledger** → It can be deleted only in alter mode by pressing 'Alt + D' and it can be deleted only if no accounting transaction has taken place.

**Multiple ledger Creation :-**

Gateway of Tally --------- Accounts Info -------Ledgers-------------Multiple-------Create or just press highlighted alphabet 'R'. You will have a following ledger creation screen :-



The fields in this screen are

i. Under Group : Type the name of the group under which you desire to create the ledgers.
ii. Name of Ledger : Type the ledger name
iii. Under : It will take the copy of the same group-name, which you have recently selected for Under Group Screen in the current screen.
iv. Opening balance : Type the opening balance.
v. Dr/Cr : Specify whether Debit or Credit balance.

23

You can also Display and Alter the ledgers in Multiple mode.

The ledger may also be created during the Voucher Entry. You get a ledger creation (secondary) screen by pressing Alt + C key combination.

**Cost Categories and Cost Centers** → This option appear only if set to 'yes' in F11 features. You can give the 'details' of revenue items by option yes. e.g. paid salary Rs. 25,000/- to Mr A of Marketing Department Then.
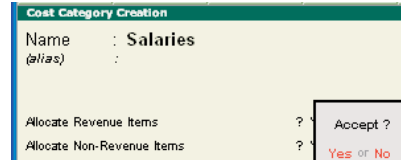
Salary A/c -----------------                 Dr----- 25,000/-

        Category ' Marketing Department

        Cost Centre ' Mr. A.

          To Cash / Bank                        25,000/-

Gateway of Tally → Accounts Info → Cost Category → Single → Create. You will get the following screen.

**Cost Category Creation** →

**Name** →

**(Alias)** →



**Allocate Revenue Items** → 'Yes' so you can allocate all sales, purchases, income and expenditure accounts.

**Allocate Non-revenue Items** → If you want to have the details of Capital Expenditure (balancesheet items)

**Displaying Cost Categories** → Gateway of Tally → Accounts Info → Cost Categories → Single → Display.

**Altering a Cost Category** → Gateway of Tally → Account Info → Cost Category → Single → Alter.

**Deleting a Cost Category** → In Alter mode you can delete a cost category by 'Alt + D'.

**Cost Centers** → These are used to give additional information to the accounts. They can be organized in primary and secondary levels eg. salary expenses can be allocated personwise, departmentwise etc. Telephone Expenses can be allocated numberwise, branchwise, or personwise. In such transactions the hierarchy is →

| **Ledgers** | → | **Cost Category** | → | **Cost Centers** |
|---|---|---|---|---|
| Salary | | Accounts Department | → | Mr. Gokhale |
| | | Marketing Department | → | Mr. Vaidya |
| Telephone Expenses | → | Land Line | → | 25440898 |
| | | Mobile Phone | → | 9823923491 |

24

**Creating a Cost Centre →**

Gateway of Tally → Accounts Info → Cost Centre → Create Category → Select the category from the above created list which will pop-up on the screen.

Name → Type the name of the cost centre.

Alias → Optional

Under → Primary

**Displaying a Cost Centre** → Gateway of Tally → Accounts Info → Cost Centre → Single → Display.

**Altering a Cost Centre** → Gateway of Tally Accounts Info → Cost Centre → Single → Alter.

Deleting a Cost Centre → In Alter mode by pressing 'Alt + D'.

*You can also create and alter the cost centers and cost categories in multiple mode but cannot 'delete' them.*

---

| **Problem / Exercise:** |

In the above created company i.e. Aspect Enterprises create following 'Ledger Accounts' under appropriate groups ' [All the options in F11 will remain 'No'.]

| Name of the Ledger Accounts | Group |
|---|---|
| Capital | Capital |
| Share Capital | Capital |
| ICICI Bank Overdraft Account | Bank OD Account |
| Cash Credit with HDFC Bank | Bank OCC Account |
| Swan Enterprises | Sundry Creditors |
| State Bank of India | Bank Accounts |
| Y Company | Sundry Debtors |
| Manish Enterprises | Sundry Creditors |
| Purchase Return | Purchases |
| Sales Return | Sales |
| Land and Building | Fixed Assets |
| Machinery | Fixed Assets |
| Computer | Fixed Assets |
| Office Equipments | Fixed Assets |
| Mobile Phone | Fixed Assets |
| Jeet Enterprises | Sundry Debtors |
| Closing Stock | Stock in Hand |
| Prepaid Expenses | Current Assets |
| Purchases | Purchase Account |

| Name of the Ledger Accounts | Group |
|---|---|
| Wages | Direct Expenses |
| Transport Freight and Octroi | Direct Expenses |
| Sales | Sales Account |
| Salary | Indirect Expenses |
| Advertisement | Indirect Expenses |
| Postage and Telephone | Indirect Expenses |
| Professional and Consultation Charges | Indirect Expenses |
| Commission Received | Indirect Income |

**Problem of Cost Centre**

Create a Company 'Anish Enterprises' with Accounts only option.

| | | |
|---|---|---|
| Financial Year | : | 1.4.2009 |
| Books Beginning From | : | 1.4.2009 |
| Address | : | 21 Mayur Complex Shivajinagar, Pune-411 005 |

- Gateway of Tally ' F11 ' Accounting Features ' 'Set Yes' to Maintain Cost Centers and more than one cost categories.
- Create following cost categories ' Accounts Department, Marketing Department, Savings Bank Interest Received, Factory Electricity Charges, Office Electricity Charges.
- Create following cost centers under respective cost categories

| Cost Category | Cost Centers |
|---|---|
| Accounts Department | Mr. Sane |
| Marketing Department | Mr. Shete |
| Savings Bank Interest Received | Indian Bank |
| Savings Bank Interest Received | Dena Bank |
| Factory Electricity Charges | Meter no. 57011210 |
| Office Electricity Charges | Meter no. 57011220 |

**Voucher Entries**

| 1/7/2009 | Started business with Cash Rs. 30,000/-, building Rs. 75,000/- and Furniture Rs. 20,000/- |
|---|---|
| 2/7/2009 | Opened a Bank account with Indian Bank by depositing Rs. 5,000/- |
| 5/7/2009 | Paid salary to Mr. Sane Rs. 3,000/- and Mr. Shete Rs. 2,500/- |
| 12/7/2009 | Paid commission Rs. 1,500/- to Anand. |
| 28/7/2009 | Paid electricity bill of meter no 57011210 Rs. 750/- and meter no. 57011220 Rs. 1,250/- |
| 31/7/2009 | Received interest Rs. 350/- from Indian Bank and Rs. 250/- from Dena Bank. |

| 5 | **VOUCHER ENTRIES IN TALLY** |
|---|---|
| **CHAPTER** | |

A voucher is the basic recording document. They are used for recording day to day transactions with which several books of accounts are formed.

These are 1) Cash book 2) Bank Book 3) Ledger 4) Sales Register 5) Purchase Register Journal

Following keys are used to record the transactions →

| **Keys** | **Voucher Type** |
|---|---|
| **F1** | Inventory button |
| **F2** | To change the date of a voucher |
| **F4** | Contra |
| **F5** | Payment |
| **F6** | Receipt |
| **F7** | Journal |
| **F8** | Sales |
| **F9** | Purchases |
| <u>F8</u> | Credit note |
| <u>F9</u> | Debit note |
| **F10** | Reverse Journal [If activated 'Yes' in F11] |
| <u>F10</u> | Memo vouchers |
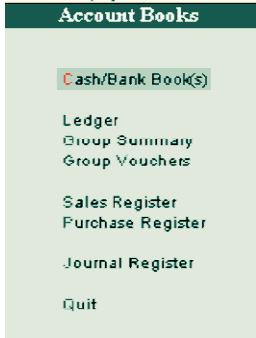
You can configure a voucher by pressing 'F12' and you will have a following screen.
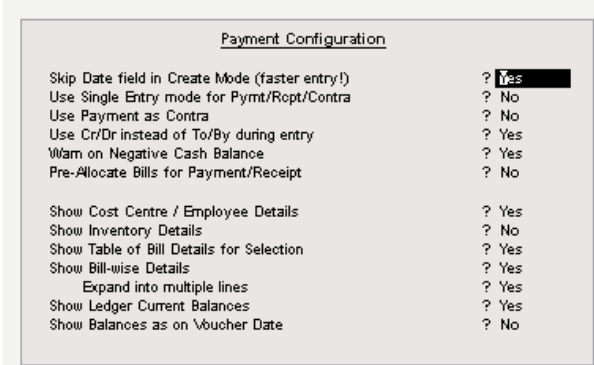
*Creating a new voucher type or customizing the existing one → You can create a new voucher type under the existing one but cannot a completely new one.*

Let us see the examples of each voucher type.

1) Started business with cash Rs. 20,000/-
   Cash A/c ----------- Dr                20,000
         To Capital A/c                                   20,000
   [Voucher Type: 'F6' - Receipt]

2) Deposited cash in State Bank of India Rs. 5,000/-
   State Bank of India A/c ----------- Dr    5,000
         To Cash A/c                                    5,000
   [Voucher Type : 'F4' Contra]

3) Paid Salary Rs. 2,000/-
   Salary A/c ----------- Dr               2,000
         To Cash A/c                                    2,000
   [Voucher Type : 'F5' Payment]

4) Purchased computer on credit from
   Hi-Tech for Rs. 40,000/-
   Computer A/c ----------- Dr             40,000
         To Hi-Tech A/c                                 40,000
   [Voucher Type : 'F7' Journal]

5) Credit Sales of Rs. 10,000/- to Mr X
   X's  A/c ----------- Dr                 10,000
         To Sales A/c                                   10,000
   [Voucher Type : 'F8' Sales]

6) Credit Purchases of Rs. 15,000/- from Mr Y
   Purchases A/c ----------- Dr            15,000
         To Y's A/c                                     15,000
   [Voucher Type : 'F9' Purchases]

7) Received goods returned by Mr X
   Sales Return A/c ----------- Dr         1,000
         To X's  A/c                                    1,000
   [Voucher Type : 'Ctrl + F8' Credit Note]

8) Returned goods to 'Y' Rs. 2,000/-
   Y's  A/c ----------- Dr                 2,000
         To Purchase Return A/c                         2,000
   [Voucher Type : 'Ctrl + F9' Debit Note]

28

**Memo Voucher** → It is a non accounting voucher whose entries do not affect your accounts at all.

**Optional Vouchers** → This is not a separate voucher type. You can mark a Regular voucher as optional and then can be regularized the same.

**Reversing Journals** → These are the vouchers for a single day.

**Post-dated Vouchers** → You can mark voucher as post-dated while entering it. Tally will include the same on the due date.

| Problem / Exercise: |
| --- |

In the same company Aspect Enterprises

Pass, following Voucher Entries

Now go to F11   →   Accounting Features   →   Set 'Yes' to use Debit / Credit Notes

| 1.4.2009 | 1) | Started business with cash Rs. 50,000/-<br>Hint ' F6 ' Receipt |
| --- | --- | --- |
| 2.4.2009 | 2) | Deposited cash in State Bank of India Rs. 15,000/-<br>Hint ' F4 ' Contra |
| 3.4.2009 | 3) | Paid Salary Rs. 5,000/- to Mrs. Asmita<br>Hint ' F5 ' Payment |
| 4.4.2009 | 4) | Purchase Goods worth Rs. 45,000/- on credit from Swan Enterprises.<br>Hint ' F9 ' Purchase |
| 5.4.2009 | 5) | Credit Sales of goods worth Rs. 75,000/- to 'Y' Company<br>Hint ' F8 ' Sales |
| 6.4.2009 | 6) | Returned goods to 'Swan Enterprise' Rs. 5,000/-<br>Hint ' F9 ' Debit Note |
| 7.4.2009 | 7) | Received goods returned by 'Y' Company.<br>Hint ' F8 ' Credit Note |
| 8.4.2009 | 8) | Purchased Machinery on Credit Rs. 40,000/- from Manish Enterprises<br>Hint ' F7 ' Journal |
| 9.4.2009 | 9) | Received commission in cash Rs. 2,000/-<br>Hint ' F6 ' Receipt |
| 10.4.2009 | 10) | Withdrawn from State Bank of India Rs. 5,000/-<br>Hint ' F4 ' Contra |

**Answers:**

**Trail Balance:** 2,12,000        **Gross Profit :** 32,000

**Net Profit :** 29,000        **Balance Sheet :** 1,59,000