

**Course Name: BBA / BCOM**

**Subject Name:  
Basic of Accounting**

**Prepared by Assistant Professor's Team  
of  
Microtek College of Management & Technology**

**Under Guidance of**

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## **Basics of Accounting**

“Accounting 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.”

--- American Institute of Certified Public Accountants (AICPA)

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### **Accounting Concepts or Assumptions:-**

The basic accounting concepts are referred to as the fundamental ideas or basic assumptions underlying the theory and practice of financial accounting and are broad working rules for all accounting activities and developed by the accounting profession. The important concepts have been listed as below:

- Business Entity Concept,
- Money Measurement Concept,
- Going Concern Concept,
- Accounting Period Concept,
- Cost Concept,
- Dual aspect (or Duality) Concept,
- Revenue recognition (Realization) Concept,
- Matching Concept,
- Objectivity Concept.

#### **1. Business Entity Concept:**

The business entity concept provides that the accounting for a business or organization be kept separate from the personal affairs of its owner, or from any other business or organization. This means that the owner of a business should not place any personal assets on the business balance sheet.

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In the other words, “we treat a business or an organization and its owners as two separately identifiable parties. This concept is called business entity concept. It means that personal transactions of owners are treated separately from those of the business.”

### **2. Money Measurement Assumption:**

The concept of money measurement states that only those transactions and happenings in an organization which can be expressed in terms of money such as sale of goods or payment of expenses or receipt of income, etc. are to be recorded in the book of accounts. All such transactions or happenings which can not be expressed in monetary terms, for example, the appointment of a manager, capabilities of its human resources or creativity of its research department or image of the organization among people in general do not find a place in the accounting records of a firm..

### **3. Going Concern Concept:**

The concept of going concern assumes that a business firm would continue to carry out its operations indefinitely, i.e. for a fairly long period of time and would not be liquidated in the foreseeable future. This is an important assumption of accounting as it provides the very basis for showing the value of assets in the balance sheet. On the basis of this concept, depreciation is charged on the fixed asset.

### **4. ACCOUNTING PERIOD CONCEPT:**

All the transactions are recorded in the books of accounts on the assumption that profits on these transactions are to be ascertained for a specified period. This is known as accounting period concept. The users of financial statements need periodical reports to know the operational result and the financial position of the business concern. Hence it becomes necessary to close the accounts at regular intervals. Thus, this concept requires that a balance sheet and profit and loss account should be prepared at regular intervals. This is necessary for different purposes like, calculation of profit, ascertaining financial position, tax computation etc.

### **5. Cost Concept**

The cost concept requires that all assets are recorded in the book of accounts at their purchase price, which includes cost of acquisition, transportation, installation and

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making the asset ready to use. The cost concept is also known as historical cost concept. To illustrate, on June 2005, an old plant was purchased for Rs. 50 lakh by Shiva Enterprise, which is into the business of manufacturing detergent powder. An amount of Rs. 10,000 was spent on transporting the plant to the factory site. In addition, Rs. 15,000 was spent on repairs for bringing the plant into running position and Rs. 25,000 on its installation. The total amount at which the plant will be recorded in the books of account would be the sum of all these, i.e. Rs. 50,50,000. Further, it may be clarified that cost means original or acquisition cost only for new assets and for the used ones, cost means original cost less depreciation.

### **6. DUAL ASPECT CONCEPT:**

Dual aspect is the foundation or basic principle of accounting. It provides the very basis of recording business transactions in the books of accounts. This concept assumes that every transaction has a dual effect, i.e. it affects two accounts in their respective opposite sides. Therefore, the transaction should be recorded at two places. It means, both the aspects of the transaction must be recorded in the books of accounts. For example, goods purchased for cash has two aspects which are (i) Giving of cash (ii) Receiving of goods. These two aspects are to be recorded in respect to Debit & Credit. In fact, this concept forms the core of Double Entry System of accounting.

Thus, the duality concept is commonly expressed in terms of fundamental accounting equation:

$$\text{Assets} = \text{Liabilities} + \text{Capital}$$

$$\text{Capital} = \text{Assets} - \text{Liabilities}$$

### **7. Revenue Recognition (Realization) Concept:**

This concept states that revenue from any business transaction should be included in the accounting records only when it is realized. The term realization means creation of legal right to receive money. Selling goods is realization, receiving order is not.

In other words, it can be said that: Revenue is said to have been realized when cash has been received or right to receive cash on the sale of goods or services or both has been created.

### **8. Matching Concept:**

Matching the revenues earned during an accounting period with the cost associated with the period to ascertain the result of the business concern is called the matching concept. It is the basis for finding accurate profit for a period which can be safely distributed to the owners.

Therefore, the matching concept implies that all revenues earned during an accounting year, whether received/not received during that year and all cost incurred, whether paid/not paid during the year should be taken into account while ascertaining profit or loss for that year.

### **9. Verifiable and Objective Evidence Concept:**

This principle requires that each recorded business transactions in the books of accounts should have an adequate evidence to support it. For example, cash receipt for payments made. The documentary evidence of transactions should be free from any bias. As accounting records are based on documentary evidences which are capable of verification, it is universally acceptable.

## **Accounting Conventions:-**

The term "accounting conventions" refer to the customs or traditions, which are used as a guideline in the preparation of meaningful financial records in the form of the income statement (Profit and Loss Account) and the position statement (Balance Sheet).

Accounting conventions are evolved through the regular and consistent practice over the years to facilitate uniform recording in the books of accounts. Accounting Conventions help in comparing accounting data of different business units or of the same unit for different periods. These have been developed over the years. The most important conventions which have been used for a long period are:

- Convention of consistency.
- Convention of full disclosure.
- Convention of materiality.
- Convention of conservatism.

- **Convention of Consistency:**

The aim of consistency principle is to preserve the comparability of financial statements. The rules, practices, concepts and principles used in accounting should be continuously observed and applied year after year. Comparisons of financial results of the business among different accounting period can be significant and meaningful only when consistent practices were followed in ascertaining them. For example, depreciation of assets can be provided under different methods, whichever method is followed, it should be followed regularly.

- **Full Disclosure Concept:**

Accounting statements should disclose fully and completely all the significant information. Based on this, decisions can be taken by various interested parties. It involves proper classification and explanations of accounting information which are published in the financial statements.

Disclosing of material facts does not mean leaking out the secrets of the business but disclosing *sufficient* information which is of material interest to the users of the financial statements.

- **Convention of Materiality:**

According to this convention, items having an insignificant effect or being irrelevant to the user need to be disclosed. These important items are either left out or merged with other items, otherwise accounting statement will be unnecessarily overburdened.

- **Convention of Conservatism/Prudence:**

Prudence principle takes into consideration all prospective losses but leaves all prospective profits. The essence of this principle is “anticipate no profit and provide for all possible losses”. For example, while valuing stock in trade, market price or cost price whichever is less is considered.

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### **Account:**

Every transaction has two aspects and each aspect has an account. It is stated that 'an account is a summary of relevant transactions at one place relating to a particular head'.

### **Classification of Accounts:**

Accounts can also be classified into Personal, Real and Nominal. The classification may be illustrated as follows:

#### **I. Personal Accounts:**

All the accounts which relates to persons are classified as Personal Account. Personal accounts include the following:

**i. Natural Persons:** Accounts which relate to individuals. For example: Mohan's A/c, Shyam's A/c etc.

**ii. Artificial Persons:** Accounts which relate to a group of persons or firms or institutions. For example, HMT Ltd., Indian Overseas Bank, Life Insurance Corporation of India, Cosmopolitan club etc.

**iii. Representative Persons:** Accounts which represent a particular person or group of persons. For example, outstanding salary account, prepaid insurance account, etc.

The proprietor being an individual his capital account and his drawings account are also personal accounts.

#### **II. Real Accounts:**

Accounts relating to properties and assets which are owned by the business concern are classified as Real Accountant. For example: Land, Building, Goodwill, Cash etc.

Real Account can further subdivided into two categories, i.e. Tangible Real Account, Intangible Real Account.

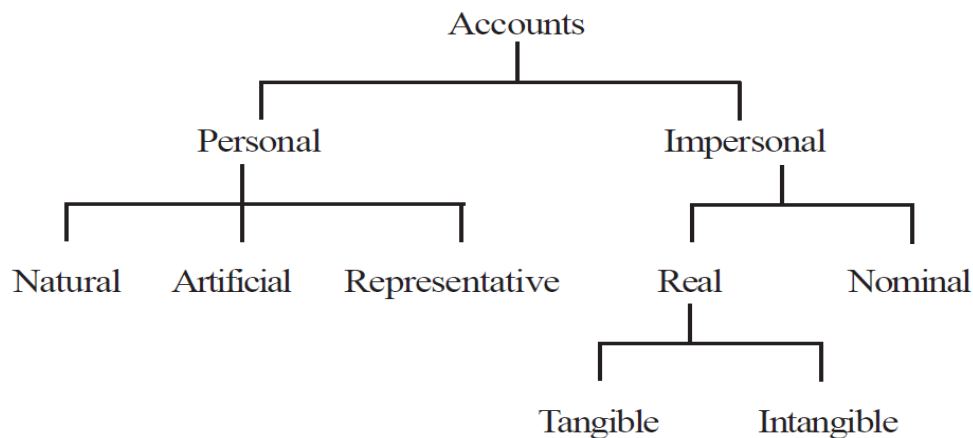
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**i. Tangible Real Account:** Assets which can be touched, felt and measured directly are classified as Tangible Real Account also called Tangible Assets. For Example: Land Account, Building Account, Cash Account, and Machinery Account etc.

**ii. Intangible Real Account:** Assets which can not be touched, but of course, their value can be measured in terms of money. For Example: Goodwill Account, Patent Account, Copyright Account, Trade Marks Account etc.

### III. Nominal Account: -

Accounts related to all expenses and incomes related to business concern are classified as nominal accounts. Salary Account, Wages Account, Rent Account, Discount paid, Commission paid etc. are the example of expenses in nominal account. Commission received, Interest received, Discount received, Appreciation on Assets Account etc. are the example of Income in Nominal Account.



### Rules for Debiting and Crediting:

In order to decide when to write on the debit side of an account and when to write on the credit side of an account, there are two approaches.

They are: 1) Accounting Equation Approach, 2) Traditional Approach.

#### 1) Accounting Equation (UK Approach):

The accounting equation is a statement of equality between the debits and the credits. The rules of debit and credit depend on the nature of an account. For this purpose,

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all the accounts are classified into the following five categories in the accounting equation approach:-

1. Assets Accounts
2. Capital Account
3. Liabilities Accounts
4. Revenues or Incomes Accounts
5. Expenses or Losses Accounts

Elements of Accounting Equation	Debit	Credit
Assets	Increase	Decrease
Liabilities	Decrease	Increase
Capital	Decrease	Increase
Revenues	Decrease	Increase
Expenses	Increase	Decrease

## 2) Traditional Approach (UK Approach):

In the traditional approach, all the accounts are classified into the following three types.

1. Personal Accounts
2. Real Accounts
3. Nominal Accounts

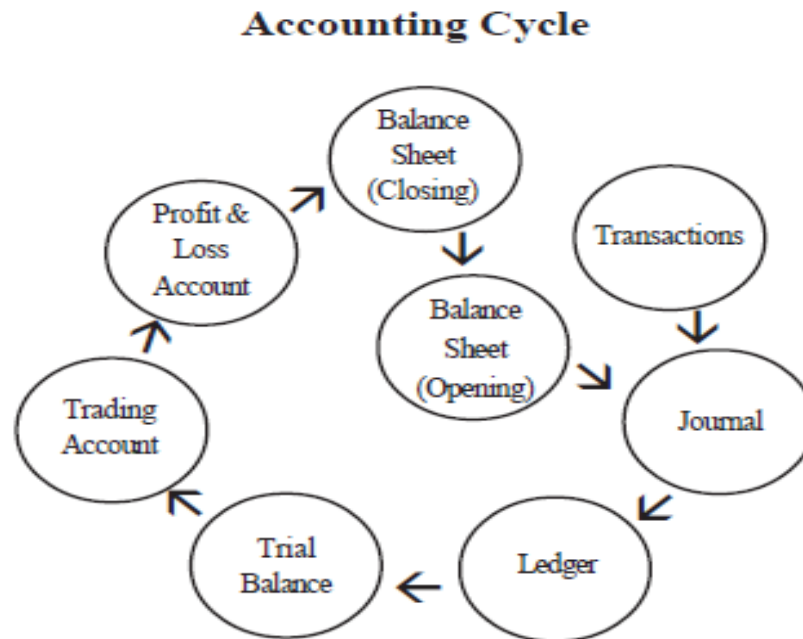
### *Golden Rules for Debit and Credit:*

<i>Nature of Account</i>	<i>Rule</i>
Nominal Account	Debit all expenses and losses Credit all incomes and profits
Real Account	Debit what comes in and Credit what goes out
Personal Account	Debit the receiver and Credit the giver.

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## Accounting Cycle:

An accounting cycle is a complete sequence of accounting process that begins with the recording of business transactions and ends with the preparation of final accounts.



**Note:** Tally automatically Post the recorded transaction into the Ledger & prepare the Final Account and all other related statements. We only need to provide Journal entry & Grouping of Ledgers.

## **Journal**

Journal is a book of accounts in which all day to day business transactions are recorded in a chronological order i.e. in the order of their occurrence. Transactions when recorded in a Journal are known as entries. It is the book in which transactions are recorded for the first time. Journal is also known as ‘Book of Original Record’ or ‘Book of Primary Entry’.

In small business houses generally, one Journal Book is maintained in which all the transactions are recorded. But in case of big business houses as the transactions are quite large in number, therefore journal is divided into various types of books called Special Journals in which transactions are recorded depending upon the nature of transaction i.e. all credit sales in Sales Book, all cash transactions in Cash Book and so on.

### **Format or Specimen of Journal:**

Each pages of Journal has 5 defined columns with its associate name, therefore, this book is known as columnar day book.

<b>Journal</b>				
Date	Particulars	Ledger Folio	Dr. Amount (Rs.)	Cr. Amount (Rs.)
(1)	(2)	(3)	(4)	(5)

### **PROCESS OF JOURNALISING:**

Following steps are taken for the preparation of a journal:

➤ ***Identify the Accounts:***

First of all, the affected accounts of an accounting transaction are identified. For example, if the transaction of “goods worth Rs.10000 are purchased for Cash”, then ‘Purchases’ A/c and ‘Cash’ A/c are the two affected accounts.

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➤ **Recognize the type of Accounts:**

Next we determine the type of the affected accounts e.g. in the above case, 'Purchases A/c and Cash A/c are both asset accounts.

➤ **Apply the Rules of Debit and Credit:**

Then the rules of 'debit' and 'credit' are applied to the affected accounts. You are aware of these rules. However, for the revision purposes, these are given below:

(a) Assets and Expenses Accounts are debited if there is an increase and credited if there is decrease.

(b) Liability, Capital and Revenue Accounts are debited if there is decrease and credited if there is increase.

**Illustration:**

Enter the following transactions in the Journal of Tarun at 2006 Amount (Rs):

January 1 :	Tarun started business with cash	1,00,000
January 2 :	Goods purchased for cash	20,000
January 4 :	Machinery Purchased from Vibhu	30,000
January 6 :	Rent paid in cash	10,000
January 8 :	Goods purchased on credit from Anil	25,000
January 10:	Goods sold for cash	40,000
January 15:	Goods sold on credit to Gurmeet	30,000
January 18:	Salaries paid.	12,000
January 20:	Cash withdrawn for personal use	5,000

**Solution:**

**Journal of Tarun**

Date	Particulars	L.F No.	Amount (Dr.)	Amount (Cr.)
2006				
Jan 1	Cash A/c	Dr.	100000	

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	To Capital (Business started with cash)			100000
Jan 2	Purchase A/c To Cash A/c (Goods purchased from cash)	Dr.	20000	20000
Jan 4	Machinery A/c To Vibhu (Machinery purchased from Vibhu)	Dr.	30000	30000
Jan 6	Rent A/c To Cash A/c (Rent paid in cash)	Dr.	10000	10000
Jan 8	Purchase A/c To Anil (Goods purchased on credit)	Dr.	25000	25000
Jan 10	Cash A/c To Sales A/c (Goods sold for cash)	Dr.	40000	40000
Jan 15	Gurmeet To Sales A/c (Goods sold on credit)	Dr.	30000	30000
Jan 18	Salary A/c To Cash (Salary paid)	Dr.	12000	12000
Jan 20	Drawing A/c To Cash (Cash withdrawn for personal use)	Dr.	5000	5000

## Ledger

A Ledger is a book which contains all the accounts whether personal, real or nominal, which are first entered in journal or special purpose subsidiary books.

**Ledger** is defined as a “Book which contains in a summarized and classified form of permanent record of all transactions. Ledger is called the principal book of account as final information pertaining to financial position of a business emerges from this book.

### Format of a ledger sheet

#### Title of an Account

Dr.				Cr.			
Date	Particulars	JF	Amount Rs.	Date	Particular	JF	Amount Rs.

Every account has a debit side and a credit side; Journal Folio or J.F. indicates the number of the page of the journal where the other affected account appears.

### **Ledger Posting:**

The process of transferring the entries recorded in the journal or subsidiary books to the respective accounts opened in the ledger is called Posting. In other words, “Posting means grouping of all the transactions relating to a particular account at one place”. It is necessary to post all the journal entries into various accounts in the ledger because posting helps us to know the net effect of various transactions during a given period on a particular account.

*Tally automatically posts the transaction into prepared ledger after completing recording of voucher entry.*

## **Financial Statement Final Account**

Financial statements are the statements that are prepared at the end of the accounting period, which is generally one year. These include income statement i.e. Trading and Profit & Loss Account and Position statement i.e. Balance Sheet. These two statements are also known as Final Accounts.

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After preparing the Trial Balance, the businessman is interested in knowing whether the business has resulted in profit or loss and what the financial position of the business is at a given period. In short, he wants to know the profitability and the financial soundness of the business. The trader can ascertain these by preparing the final accounts. The final accounts are prepared at the end of the year from the trial balance. Hence the trial balance is said to be the connecting link between the ledger accounts and the final accounts. Final Account includes the following two statements

1. Income Statement
2. Positional Statement

### ***Income Statement:***

Income statement includes mainly two parts, i.e. Trading Account, and Profit & Loss Account.

### **Trading Account:**

Trading means buying and selling. The trading account shows the result of buying and selling of goods.

Trading Account is prepared to ascertain the results of the trading activities of the business enterprise. It shows whether the selling of goods purchased or manufactured has earned profit or incurred loss for the business unit. Cost of goods sold is subtracted from the net sales of the business of that accounting year. In case the total sales value exceeds the cost of goods sold, the difference is called Gross Profit. On the other hand, if the cost of goods sold exceeds the total net sales, the difference is Gross Loss.

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Cost of goods sold = Opening stock + Net purchases + All direct expenses – Closing stock  
***Gross Profit = Net Sales – Cost of Goods Sold***

**Format of Trading Account:****Trading Account for the year ending 31st March 2003**

<i>Debit</i>			<i>Credit</i>		
Particulars	Rs.	Rs.	Particulars	Rs.	Rs.
To Opening Stock		xxx	By Sales	xxx	
To Purchases	xxx		Less : Returns		
Less: Returns			Inward	xxx	xxx
outward	xxx	xxx	By Closing stock		xxx
To Wages		xxx	By Gross Loss c/d		xxx
To Freight		xxx	(transferred to		
To Carriage			P&L A/c)		
Inwards		xxx			
To Clearing					
charges		xxx			
To Packing charges		xxx			
To Dock dues		xxx			
To Power (factory)		xxx			
To Octroi Duty		xxx			
To Gross Profit c/d		xxx			
(transferred to					
P&L A/c)					
		xxx			xxx

**Profit & Loss Account:**

After calculating the gross profit or gross loss the next step is to prepare the profit and loss account. To earn net profit a trader has to incur many expenses apart from those spent for purchases and manufacturing of goods. If such expenses are less than gross profit, the result will be net profit. When total of all these expenses are more than gross profit the result will be net loss.

The aim of profit and loss account is to ascertain the net profit earned or net loss suffered during a particular period.

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**Format of Profit and Loss Account:***Profit and Loss Account  
for the year ended .....*

<i>Debit</i>		<i>Credit</i>	
Particulars	Rs.	Particulars	Rs.
To Trading A/c (Gross Loss)	x x x	By Trading A/c (Gross profit)	x x x
To Salaries	x x x	By Commission earned	x x x
To Rent & rates	x x x	By Rent received	x x x
To Stationeries	x x x	By Interest received	x x x
To Postage expenses	x x x	By Discount received	x x x
To Insurance	x x x	By Net Loss (Transferred to Capital A/c)	x x x
To Repairs	x x x		
To Trading expenses	x x x		
To Office expenses	x x x		
To Interest paid	x x x		
To Bank charges	x x x		
To Sundry expenses	x x x		
To Commission paid	x x x		
To Discount allowed	x x x		
To Advertisement	x x x		
To Carriage outwards	x x x		
To Travelling expenses	x x x		
To Distribution expenses	x x x		
To Repacking charges	x x x		
To Bad debts	x x x		
To Depreciation	x x x		
To Net Profit (transferred to Capital A/c)	x x x		
	x x x		x x x

**Illustration:**

Prepare Trading and Profit Loss Account for the year ending 31st March 2012 from the books of Mr. Siva Subramanian.

Stock (31.3.2001)	15,000	Carriage outwards	4,000
Purchases	1,65,000	Wages	30,000
Purchases return	10,000	Sales return	5,000
Postage	3,000	Salaries	20,000
Discount received	5,000	Stationeries	2,000
Bad debts	1,000	Interest	8,000
Sales	3,00,000	Insurance	4,000
Stock (31.3.2002)	80,000		

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**Solution:**

**Trading and Profit & Loss A/c of Mr. Siva Subramanian**  
**for the year ended 31st March 2012**

<i>Debit</i>		<i>Credit</i>	
Particulars	Rs.	Particulars	Rs.
To Opening stock	15,000	By Sales	3,00,000
To Purchases	1,65,000	Less returns	5,000
Less Returns	10,000		2,95,000
	1,55,000	By Closing stock	80,000
To Wages	30,000		
To Gross profit (transferred to P&L A/c)	1,75,000		
	3,75,000		3,75,000
To Salaries	20,000	By Gross profit (transferred from trading A/c)	1,75,000
To Postage	3,000	By Discount received	5,000
To Bad debts	1,000		
To Carriage outwards	4,000		
To Stationeries	2,000		
To Interest	8,000		
To Insurance	4,000		
To Net profit (transferred Capital A/c)	1,38,000		
	1,80,000		1,80,000

**Cost Centre:**

Cost Centre can be defined as a department or other section of a company where managers are directly responsible for costs. For example, consider a company that has a manufacturing department, a research and development department, and a payroll department. Each department could be a cost center, and the directors of each department would be responsible to keep costs to as low a level as possible. The company thus accounts for each cost center separately, which allows managers to take immediate responsibility for cost growth and credit for cost cutting.

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***Some examples of Cost Centres are:***

- **Departments** of an organisation - Finance, Manufacturing, Marketing, and so on.
- **Products** of a company.
- **Individuals** such as Salesman A, Salesman B.

## **Tally**

Tally is the most popular financial accounting software in India and abroad initially launched by Peutronic Pvt. Ltd. And now this name is changed with the new name Tally Solution Pvt. Ltd.

### ***Tally Configuration with INI file:***

Tally stores its configuration and startup details in Tally.INI, windows configuration file. You can edit the INI file to configure Tally to suit your environment.

#### **Data = C:\Tally\Data:**

This tells Tally that you want to save data in “c:\Tally\Data\” Folder. You change this folder to other hard disk partition or even in network shared folders. It is not recommended to save data in C drive which commonly holds windows system files. In the event of corruption of C drive partition you will loose data.

#### **Default Companies = Yes**

This will tell Tally that it should Load default companies on startup. If you want no companies to be loaded when you open Tally give ‘No’.

#### **Load = 10000**

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This will tell Tally which company to be load during startup. The number 10000 denotes first company. Companies have numbers 10001, 10002 and so on. You can load more than one company during startup. Give Load = 100001 to load the second company in the next line.

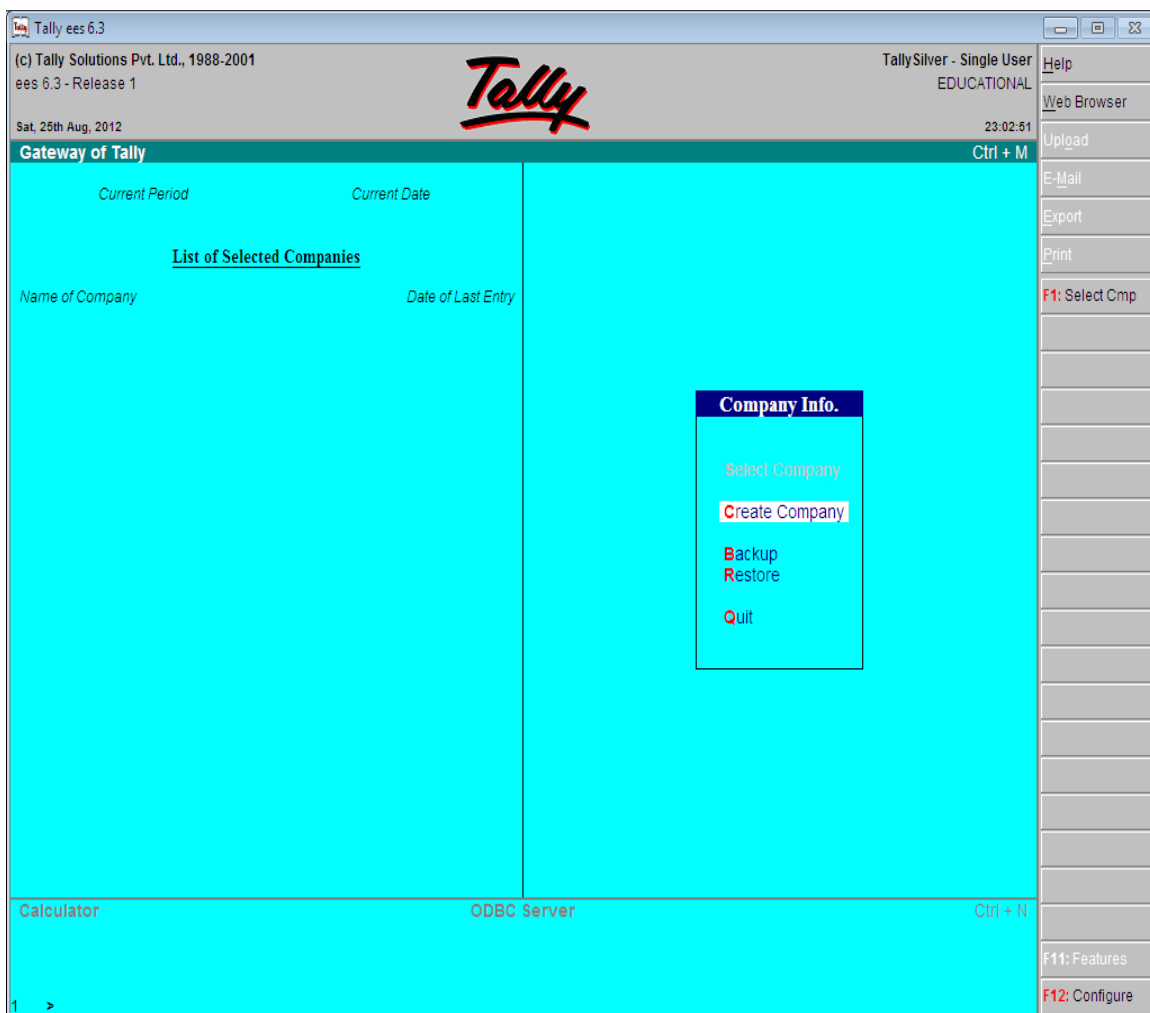
### Color = Yes

If you don't want color give Color = No.

### Tally Screen:

Tally Screen can be broadly divided into two the following 5 broad parts:

1. Title Bar
2. Product Info,
2. Work Area,
4. Button Bar,
5. Calculator



### **1. Title Bar:**

Like other windows program's screen, at top Title Bar is displayed which contain at left application name of the Tally and at right side there are three controls buttons are placed i.e. minimize, restore, & close but here only minimize button is enable to use.

### **2. Product Info:**

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### ***Load a company:***

A newly created company loads automatically. However, for subsequent working on the same - you must load or select the company (Select and Load are synonymous). A company can be loaded in two ways:

- **Automatically** by Tally.
- Using the **Select Company** option (Company Information).

### **Tally Loading the Company Automatically:**

When 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 (example – 0001, 0002...0009..0020, etc ? these are system generated codes for the company).

In order to automatically load a company – Tally has to be configured appropriately by setting the TALLY.INI file (available in the Tally directory).

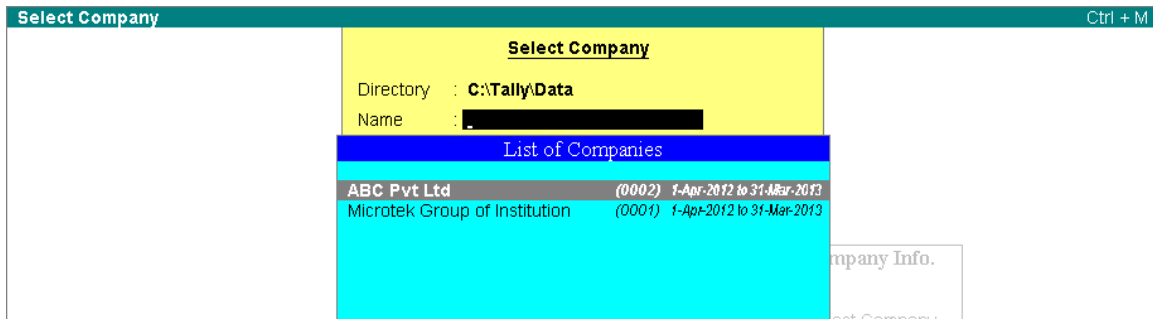
Ensure that **Default Companies** is set to **YES** and specify the company number which has to be loaded automatically – for example, Load = 0001

### **Select Company option for Loading A Company:**

You can use the Select Company option in two ways - from the **Company Information** Menu OR using the button **F1: Select Cmp** (available on the Gateway of Tally screen on the button bar on the right-hand side).

Press [Enter] on **Select Company** or using the button **F1: Select Cmp** > Tally displays this screen:

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Tally displays:

- **Company Name** (All the companies created are displayed).
- **System-generated code** for each company displayed.
- **The Financial Year information** – relating to the number of years data present in the company (for example, 1-4-2012 to 31-3-2013; 1-4-99 to 31-3-2001; 1-4-96 to 31-3-97, etc).

### ***Alter a Company:***

Tally provides facility to modify any information at any time that is set while creating a company.

- Go to **Gateway of Tally**
- **Select F3: Cmp Info. (ALT+F3)** from the button bar
- Select **Alter** and **press Enter** and then choose the company in which changes is to be done.
- After changing the required information say **Yes** and **Accept** the changes.

### **Accounts Classification in Tally / Grouping of Ledgers:**

Traditionally, grouping of accounts is a post-accounting activity that is done only when reports are needed. This has an inherent drawback of delayed reports that are not

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available at hand when required. Tally gives you great flexibility in setting up your chart of accounts.

It allows you to group your ledger accounts right at time of creating your accounts chart. Your reports and statements will reflect the desired classification at all times. Further, Tally permits you to re-group your ledgers anytime (with some minimal restrictions), should re-classification be necessary. We acknowledge that re-grouping is always possible and would, in practice, be resorted to, when there are changes in the nature of information. However, re-grouping can be done only by a user account that has requisite authority under the access control list.

Tally provides a set of reserved groups and allows you to modify their names or create sub-groups. Groups have a hierarchical structure. The main group of accounts that determine the entire accounting and their presentation are the asset, liability, income or the expenditure. These main groups ascertain whether a ledger affects Profit & Loss Account as a revenue item or if it affects the Balance Sheet.

### **Primary Groups of capital nature:**

1. Capital Account
  - a. Reserves and Surplus [Retained Earnings]
2. Current Assets
  - a. Bank Accounts
  - b. Cash-in hand
  - c. Deposits (Asset)
  - d. Loans & Advances (Asset)
  - e. Stock-in-hand
  - f. Sundry Debtors
3. Current Liabilities
  - a. Duties and Taxes
  - b. Provisions

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- c. Sundry Creditors
- 4. Fixed Assets
- 5. Investments
- 6. Loans (Liability)
  - a. Bank OD Accounts [Bank OCC Accounts]
  - b. Secured Loans
  - c. Unsecured Loans
- 7. Suspense Account
- 8. Miscellaneous Expenses (Asset)
- 9. Branch/Divisions
- 10. Sales Account
- 11. Purchase Account
- 12. Direct Income [Income Direct]
- 13. Indirect Income [Income Indirect]
- 14. Direct Expenses [Expenses Direct]
- 15. Indirect Expenses [Expenses Indirect]

## List of Accounts (Chart of Accounts):

A chart of accounts is created from an Accounts menu. To view an existing chart:

The List of Ledgers displays in alphabetical order of the main groups. Hence, Branch/Divisions is listed first, not the account name Anil, which is under the group Capital. Note the indentation and change in font. The groups are in bold and begin on the extreme left; sub-groups are slightly indented towards the right and still in bold, while at the lowest level it is the ledger account which is in italics.

Go to *Gateway of Tally > Display > List of Accounts*

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List of Accounts	MCMT	Ctrl + M
List of Ledgers		for 1-Apr-96
<b>Branch / Divisions</b>		
<b>Capital Account</b>		
Reserves & Surplus (Retained Earnings)		
<i>Capital A/c</i>		
<b>Current Assets</b>		
<b>Bank Accounts</b>		
<i>Bank A/c</i>		
<b>Cash-in-hand</b>		
<i>Cash</i>		
<b>Deposits (Asset)</b>		
<b>Loans &amp; Advances (Asset)</b>		
<b>Stock-in-hand</b>		
<b>Sundry Debtors</b>		
<i>Yogesh</i>		
<b>Current Liabilities</b>		
<b>Duties &amp; Taxes</b>		
<b>Provisions</b>		
<b>Sundry Creditors</b>		
<i>Ramesh</i>		
<b>Direct Expenses (Expenses (Direct))</b>		
<i>Wages A/c</i>		
<b>Direct Incomes (Income (Direct))</b>		
<b>Fixed Assets</b>		
<i>Computer A/c</i>		
<i>Furniture A/c</i>		
<b>Indirect Expenses (Expenses (Indirect))</b>		
<i>Salary A/c</i>		
<b>Indirect Incomes (Income (Indirect))</b>		
<b>Investments</b>		
<b>Loans (Liability)</b>		
<i>Bank OD A/c (Bank OCC A/c)</i>		
<a href="#">8 more ...</a> □		
28 Group(s) and 12 Ledger(s)		

## Reserved Groups:

### 1. *Capital Account*

This holds the Capital and Reserves of the company. Examples of ledgers that may be opened under this group are Share Capital, Partners' Capital A/c, Proprietor's Capital Account.

### **Reserves and Surplus [Retained Earnings]**

Open ledgers like Capital Reserve, General Reserve, Reserve for Depreciation, etc.

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## **2. Current Assets:**

Directly under Current Assets, you may find place for assets that do not fall under the following sub-groups:

### **→ Bank Accounts**

For Current, savings, short term deposit accounts, etc.

### **→ Cash-in hand**

Tally automatically opens one Cash A/c under this group. You are permitted to open more cash accounts, if necessary.

*Note:* An account under Cash-in-hand group or Bank Accounts/Bank OCC A/c group is printed as separate Cash Book in the traditional Cash Book format and does not form part of the Ledger.

### **→ Deposits (Asset)**

In essence, a place for Fixed Deposits, Security Deposits, or any deposit made by the company (not received by the company, which is a liability).

### **→ Loans & Advances (Asset)**

For all loans given by the company and advances of a non-trading nature, e.g., advance against salaries, or even for purchase of Fixed Assets. We do not recommend you to open Advances to Suppliers account under this group. Doing so gives rise to the difficulty in ascertaining advance position of a particular supplier and to adjust future bills against such advances. For further details, please refer to the section on Common Errors.

### **→ Stock-in-hand**

This is a special group. You may wish to open accounts like Raw Materials, Work-in-Progress and Finished Goods. How the balances are controlled depends on whether you opted to maintain an **integrated account-cum-inventory** system in the

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company features. (Refer to Company creation section for more details) Let's consider the options:

### **Integrated Accounts-cum-Inventory**

You are allowed transactions in Inventory records and the account balances are automatically reflected in the Balance Sheet as Closing Stock. You are not allowed to directly change the closing balance of an account under this group.

### **Non-integrated Accounts-cum-Inventory**

Accounts that fall under this group are not permitted any transactions. It allows you to hold opening and closing balances only. Since no vouchers can be passed for these accounts, they are the only accounts for which the closing balances can be directly altered (by an authorized user only)

#### **→ Sundry Debtors**

For your customer accounts. Do not open them under the Sales Account group, which is a revenue account. For more information on common and possible errors in grouping of accounts, please refer below to the separate paragraph on the topic.

### **3. Current Liabilities**

You may open accounts like Outstanding Liabilities, Statutory Liabilities and other minor liabilities directly under this group. Sub-groups under Current Liabilities are Duties and Taxes, Provisions and Sundry Creditors.

#### **→ Duties and Taxes**

For all tax accounts like VAT, MODVAT, Excise, Sales and other trade taxes. A convenient place to find the total liability (or asset in case of advances paid), as well as the break-up of individual items.

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### → Provisions

For provision accounts like Provision for Taxation, Provision for Depreciation, etc.

### → Sundry Creditors

For trade creditors of the company. Do not open your supplier accounts under the Purchases Account group, which is a revenue account. For more information on common and possible errors in grouping of accounts, please refer below to the separate paragraph on the topic.

## **4. Fixed Assets**

In this primary group all the long term assets are used to classify. Like: Land & Building, Plant & Machinery, Furniture, Computer, Goodwill etc.

## **5. Investments**

To group your investment accounts like Investment in Shares, Bonds, Govt. securities, long term Bank deposit accounts, etc. A convenient place to view the total investments made by the company.

## **6. Loans (Liability)**

For loans, typically long term, taken by the company.

### → Bank OD Accounts [Bank OCC Accounts]

Tally gives two distinct types of Bank Accounts, The Bank OCC A/c is meant to record the company's overdraft accounts with banks. e.g., Bill Discounted A/Cs, Hypothecation A/Cs etc.

**Note:** An account under Bank OCC A/c group is printed as separate Cash Book in the traditional Cash Book format and does not form part of the Ledger.

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### → Secured Loans

For term loans and other long/medium term loans that have been obtained against security of some asset. Tally does not verify the existence of the security. Typical accounts would be Debentures, Term Loans, etc.

### → Unsecured Loans

For loans obtained without any security .e.g., Loans from Directors/partners or outside parties.

## **7. Suspense Account**

Theoretically speaking, this group should not exist. However, in modern accounting, many large corporations use a Suspense Ledger to track moneys paid or recovered, the nature of which is not yet known. The most common example is money paid for Travelling Advance whose details would be known only upon submission of the TA bill. Some companies may prefer to open such accounts under

## **8. Miscellaneous Expenses (Asset)**

This group is typically used more for legal disclosure requirements, like Schedule VI of the Indian Companies Act. It should hold incorporation and pre-operative expenses. Companies would write off a permissible portion of the account every year. A balance would remain to the extent not written off in Profit & Loss Account. Tally does not, however, show a loss, carried forward in the Profit & Loss Account, under this group. The Profit & Loss Account balance is shown separately in the Balance Sheet.

## **9. Branch/Divisions**

This group is provided to keep the ledger accounts of all companies that are your company's branches, divisions, affiliates, sister concerns, subsidiaries, etc. This is a group of convenience. You may not wish to utilise it in this manner. Note that Tally permits Sales and Purchase transactions to take place with accounts opened here. Remember, these are their accounts in your books and not their books of accounts. Just treat them as you would any party account. If you wish to maintain the books of that branch/division

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on your computer, you must open a separate company. (Tally allows maintenance of multiple company accounts).

## **Revenue Primary Groups:**

### **10. Sales Account**

For different sales accounts. The natural segregation of your sales accounts could be based on Tax slabs or type of sales. This also becomes a simple mechanism for preparation of Tax returns.

#### **An example of such classification may be helpful:**

Classify under Sales Accounts the following sub-groups

- Domestic Sales
- Export Sales
- Now under Domestic Sales open the following ledgers:
  - Sales (10%)
  - Sales (5%)
  - Sales (exempt)

You may even open an account Sales Returns under the group Domestic Sales to view your net sales after returns (or the returns may be directly passed through journal against the specific sales account).

Please do not open customer accounts under this group. For more details on possible errors in this regard, please refer to the paragraph given below.

### **11. Purchase Account**

This is similar to sales accounts, except for the purpose of the transaction.

### **12. Direct Income [Income Direct]**

For non-trade income accounts that affect Gross Profit. All trade income accounts would naturally fall under Sales Accounts. You may wish to use this group for accounts like Servicing Contract Charges that follow sales of equipment.

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If yours is a professional services company, you may not use the Sales Account group at all. Instead, open accounts like Professional Fees under this group.

### ***13. Indirect Income [Income Indirect]***

For miscellaneous non-sale income accounts, e.g., Rent Received and Interest Received.

### ***14. Direct Expenses [Expenses Direct]***

For manufacturing or direct trading expenses. These accounts determine the Gross Profit of the company.

### ***15. Indirect Expenses [Expenses Indirect]***

For all other administrative, selling or non-direct expenses.

Tally automatically opens the Profit & Loss Account which is a reserved primary account. You may use this account to pass adjustment entries through journal vouchers .e.g., transfer of profit or loss to Capital or Reserve account.

## **Activate Company Features [F11]:**

The different features of a company can be selected or modified by F11 button. This button is available in almost all screens of Tally as you might wish to modify it as your requirements change. The Company Features screen is reproduced below:-

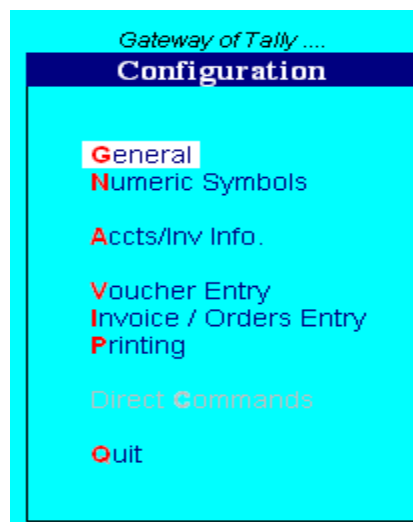
## MCMT

Company Operations Alteration		Ctrl + M
Company: <b>MCMT</b>		
Integrate Accounts and Inventory ? <b>No</b>	Allow Purchase Order Processing ? <b>No</b>	
Allow Multi-Currency ? <b>No</b>	Allow Sales Order Processing ? <b>No</b>	
Maintain Budgets and Controls ? <b>No</b>	Allow Invoicing ? <b>No</b>	
Allow 0 valued entries in Vouchers ? <b>No</b>	Enter Purchases in Invoice Format ? <b>No</b>	
<b>Accounting Features</b>		<b>Inventory Features</b>
Maintain Billwise Details ? <b>No</b>	Maintain Stock Categories ? <b>No</b>	
(for Non-Trading A/cs also) ? <b>No</b>	Maintain Batch-wise Details ? <b>No</b>	
Maintain Cost Centres ? <b>No</b>	(set Expiry Dates for Batches) ? <b>No</b>	
(more than ONE Cost Category) ? <b>No</b>	Maintain Multiple Godowns ? <b>No</b>	
Use Rev. Journals & Optional Vouchers ? <b>No</b>	Use Tracking Numbers ? <b>No</b>	
Use Debit/Credit Notes ? <b>No</b>	Use Rejection Notes ? <b>No</b>	
Use Invoice mode for Credit Notes ? <b>No</b>	Use different Actual & Billed Qty ? <b>No</b>	
Use Invoice mode for Debit Notes ? <b>No</b>	Track additional costs of Purchase ? <b>No</b>	
Activate Interest Calculation ? <b>No</b>		
(use advanced parameters) ? <b>No</b>		
Income/Expense Stmt instead of P & L ? <b>No</b>		
Set/Modify other Company Features ? <b>No</b>		

**Note:** → Please note that certain features like multi-currency and multi-locations, once set to Yes, cannot be modified if the feature has been used. However, other features like Cost Centres and Bill-wise details can be modified even if they are used. If you reset the option after having used the feature in transactions, it is advisable to rewrite the company by [CTRL+ALT+R].

## Operations Configuration:

Before starting work on the company, it is advisable to configure it by pressing **F12** button at the end of the button bar, which will bring up the following screen:



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## Accounts Master / Accounts Info:

All options for Accounting masters can be accessed through **Accounts Info.** at **Gateway of Tally.** There are some common factors applicable for both Accounts and Inventory masters:

**Accounts Info** menu consists of options related to Account Masters and **Inventory Info** menu consists of options to Inventory Masters. On selection of an option, a sub-menu opens up. All the menus have similar options (barring few exceptions) and look. Some menus have 2 sets of options, one for single master and another for multiple masters.

### Regular / Default View:



### Advanced / Full View:



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## Main Functions in Masters Menu:

Accounts Information contains the masters as listed in the menu above. Each master has to have the following functions, besides others and is consistent in all Masters Menus throughout Tally:-



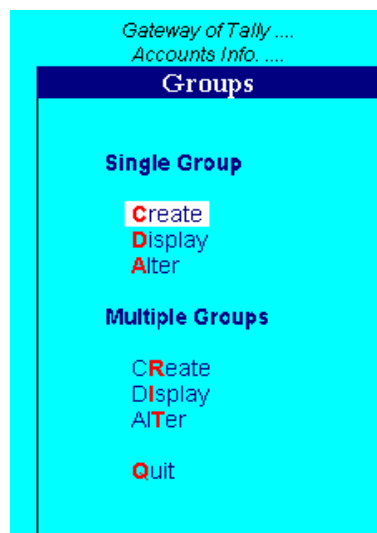
**Create:** This enables creation of new masters. Once a master has been created, any modification to it must be done through the Alter mode.

**Display:** Use this mode to view Master information. Changes are not permitted.

**Alter:** Use this mode to view and change master information. You cannot create a new master. We shall begin discussion on Accounts Information with how to build Groups and then follow with other accounts masters.

## Account Groups:

Tally allows you to group ledger information to generate meaningful reports that are compliant with laws. Groups in Tally classify and identify account heads according to their nature. This helps in presenting summarized information.



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Tally provides a list of 28 predefined groups to classify the ledger according to their nature. But we can also create any no. of new group as & when needed.

You may create, alter, or display a single Group or multiple Groups. Single group option is useful when you wish to work on one group at a time. Multiple is a time and labour saving option in a list format and is useful when working on many sub-groups at a time. Once a sub-group is created, it behaves exactly like a group. Any reference to group would deem to include a sub-group.

### ***Creating a group:***

Go to **Gateway of Tally > Accounts Info. > Groups > Create (under Single Group)**

The Group Creation screen displays

Group Creation	
Name :	[Redacted]
(alias) :	[Redacted]
Under :	Capital Account
Group behaves like a Sub-Ledger	? No
Nett Debit/Credit Balances for Reporting	?

### **Name of Group:**

Enter the name of the desired group or sub-group. (e.g., Administrative expenses).

### **Alias:**

Give an alias to allow access the group using the Alias in addition to its name; or leave it blank. (e.g., for Administrative expenses, you can give 'Office

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### **Under:**

Specify under which existing (Parent) group the sub-classification is needed. You may create a new Parent Group by using <Alt>+<C>. The use of <Alt>+<C> is explained in the Annexure "Key operations".

### **Group behaves like sub-ledger?:**

To display **Sundry Debtors** without Ledger break-up in statements. Normally Sundry Debtors would have a large number of ledger accounts under it and it can be exploded during display to show ledger balances. To avoid this detailed display, choose **Yes**.

### ***Deleting a Group:***

*Gateway of Tally > Accounts Info > Groups > Single/Alter*

The Delete function is performed through the single alteration mode. You cannot delete groups from the multiple alteration modes.

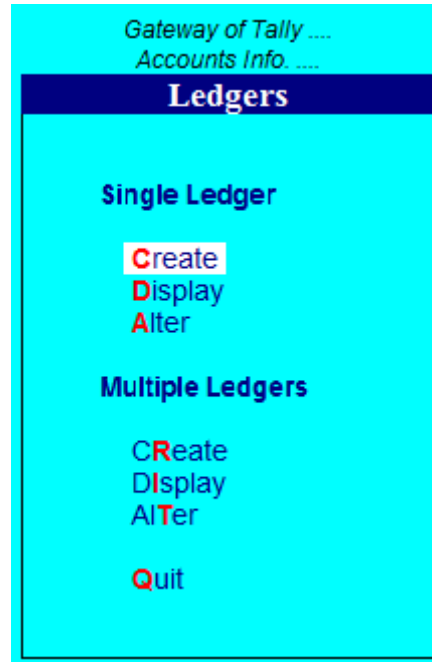
1. Select the group to be deleted.
2. Press <Alt>+<D> to delete.

You will not be allowed to delete a group if: it is a reserved group; or there are sub-groups or ledgers under it.

### **Account Ledgers:**

A Ledger is the actual account head to which you identify a transaction. You pass all accounting voucher entries using ledgers. However, as mentioned in the introduction to Groups, all ledgers have to be classified into groups. Hence, a thorough understanding of account classification is important for working with ledgers.

Go to *Gateway of Tally > Accounts Info. > Ledgers*



### ***Creation of a ledger account:***

Ledgers can be created in single and multiple modes. In multiple mode you can create multiple ledgers at a time.

It should be noted that Tally automatically creates two ledger accounts, viz., Cash (under Cash-in-hand) and Profit & Loss Account (direct Primary account). It does not make any other presumptions. You must create all other account heads. There are no restrictions in ledger creation except that you cannot create another Profit & Loss A/c (actually an account that behaves like one). You may create any number of Cash accounts (by another name like "Petty Cash").

For Creating a Ledger Account with minimal information:

Go to *Gateway of Tally > Accounts Info. > Ledgers > Create (under Single Ledger)*

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Ledger Creation		Microtek	Ctrl + M
Name :	Share Capital A/c	<b>List of Groups</b> Bank Accounts Bank OCC A/c Bank OD A/c Branch / Divisions <b>Capital Account</b> Cash-in-hand Current Assets Current Liabilities Deposits (Asset) Direct Expenses Direct Incomes Duties & Taxes Expenses (Direct) Expenses (Indirect) Fixed Assets Income (Direct) Income (Indirect) Indirect Expenses Indirect Incomes Investments Loans & Advances (Asset) Loans (Liability) Misc. Expenses (ASSET) Provisions Purchase Accounts Reserves & Surplus Retained Earnings Sales Accounts Secured Loans Stock-in-hand Sundry Creditors 3 more ...	
(alias) :			
Under :	Capital Account		
Inventory values are affected	? No		
Opening Balance (on 1-Apr-2012) :			
<b>Mailing &amp; Related Details</b>			
Name :		Income Tax No. :	
Address :		Sales Tax No. :	

## Name

Feel free to give the full name of the account. Tally fits it all in. Press <enter> to move to the next field. Tally does not allow duplicate names. The uniqueness check is made here itself instead of after you have entered all other information.

You notice that Tally converts the first letter of all relevant words to upper case which helps you speed up your data entry. You need not bother about changing the case every time it is a different word.

## Alias

Enter an alias name if required. You can access the Ledgers using the original name or the alias name.

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## **Under**

All accounts must be classified under their appropriate Groups. Select the Group under which the Ledger is created from the List of Groups. To create a new Group from this field press [ATL + C]

A Group is not important by itself, but because it controls the usage of Ledger accounts. A wrong classification would affect the treatment of the Ledger account in final statements and during voucher entry.

## **Opening Balance**

If yours is an existing company whose books you are entering onto Tally, Opening Balance would be applicable in circumstances such as when the Ledger is an asset or a liability and if it has a balance in the account as on the date of beginning of books in Tally.

*Tip to speed up data entry: You may use <Ctrl>+<A> at the field following which the information in other fields do not need to be changed.*

## **Creating Multiple Ledgers:**

You can create multiple Ledgers at a time in this mode. Tally will set the settings of the Ledger created as default for other Ledger to be created in multiple mode.

Go to *Gateway of Tally > Accounts Info > Ledgers > Create (under Multiple Ledgers)*

The Multiple Ledger Creation screen is displayed. A brief description on each of the fields in the Multiple Ledger Creation screen follows:

## **Under Group**

Select the name of the group under which you want to create the Ledgers from the **List of Groups**.

## **S.No**

This is auto generated.

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## Name of Ledger

Enter the name of the Ledger.

## Under

This field defaults to the parent group selected in Under Group. The selected group in Under Group gets displayed here automatically and the cursor skips this column. However, if you select **All Items** in **Under Group** field, the cursor does not skip this column and you have the option to select the group. You can even create a new group from this field by pressing **Alt +C**.

## Opening Balance

This is the balance remaining when you first enter your books on Tally, i.e., the date of beginning of books.

Multi Ledger Creation		Microtek	Ctrl + M
Under Group : All Items		For 1-Apr-2012	
S.No.	Name of Ledger	Under	Opening Balance DirCr
1.	ABC & Sons	Sundry Debtors	
2.	Sales A/c	Sales Accounts	
3.	Purchase A/c	Purchase Accounts	
		<b>List of Groups</b> [...] 7 more Current Liabilities Deposits (Asset) Direct Expenses Direct Incomes Duties & Taxes Expenses (Direct) Expenses (Indirect) Fixed Assets Income (Direct) Income (Indirect) Indirect Expenses Indirect Incomes Investments Loans & Advances (Asset) Loans (Liability) Misc. Expenses (ASSET) Provisions <b>Purchase Accounts</b> Reserves & Surplus Retained Earnings Sales Accounts Secured Loans Stock-in-hand	

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### ***Display or Alter a Ledger Account:***

Information in display and alter is the same, hence only alter is discussed. Display option does not permit any modification. Alter option is accessible only to authorized users.

*Gateway of Tally > Accounts Info. > Ledgers > Display > select ledger [under Single Ledger]*

*Gateway of Tally > Accounts Info. > Ledgers > Alter > select ledger [under Single Ledger]*

### ***Deleting a ledger account:***

You can delete a ledger from the alteration mode by pressing <Alt>+<D>. Tally does not allow deletion of accounts that have transactions. Therefore, should you wish to delete an account, which has transactions, you must first delete all its voucher entries.

### **Voucher Entry:**

A Voucher is a document that contains details of a financial transaction. For every transaction, you can use appropriate Tally Voucher to enter the details into the ledgers and update the financial position of the company.

Mainly there are two types of Voucher Entry:

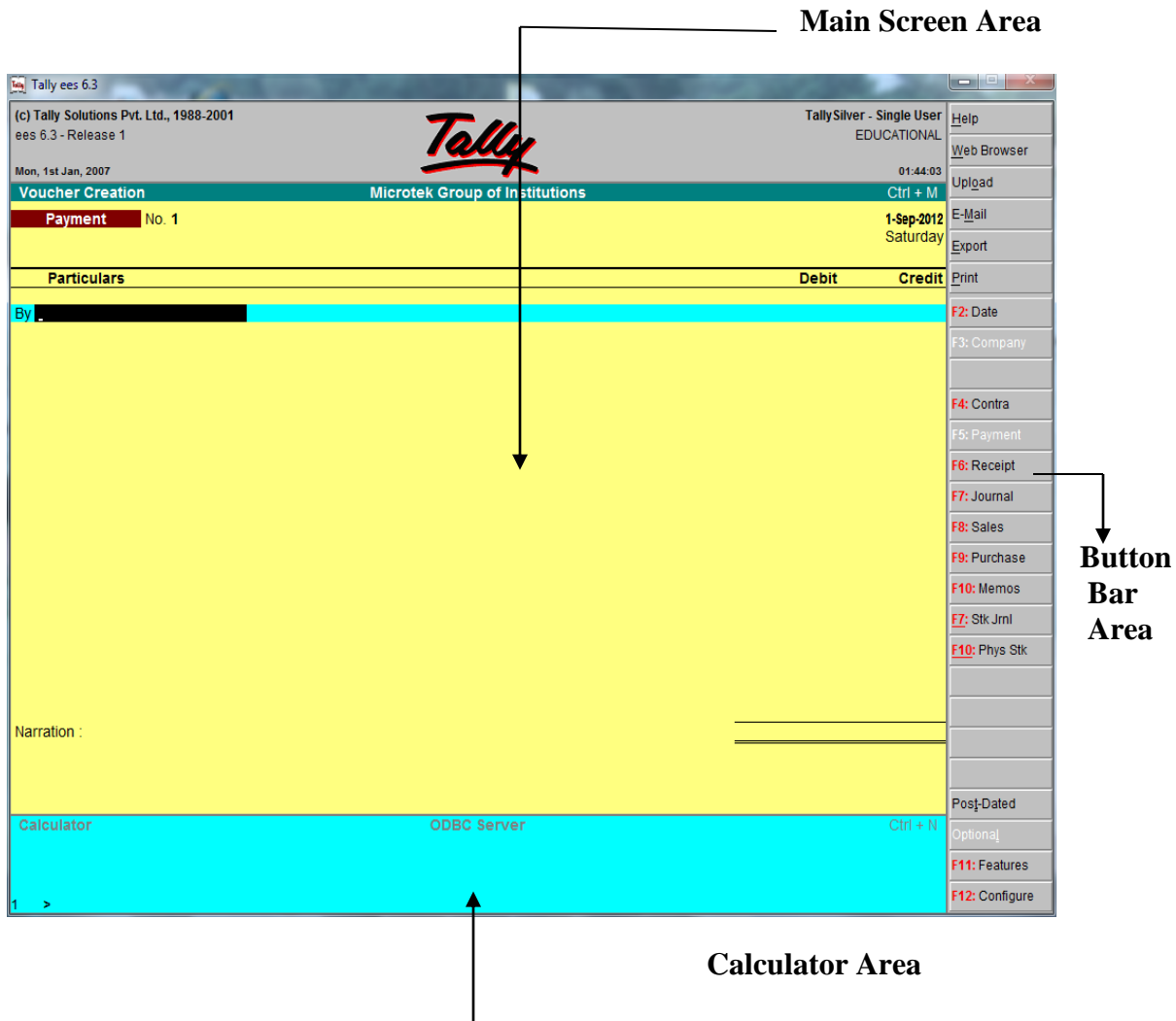
- Accounting Vouchers
- Inventory Vouchers

### **Voucher Creation Screen:**

This screen is divided into three parts

- Main Voucher Entry Area
- Button Bar Area
- Calculator Area

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**Main Voucher Entry Area:** The Main Voucher Entry Area is where you enter all your transactions. This area provides fields for Date, Ledger Name and Amount as well as additional pop-up screens that are dependent on your voucher configuration and the nature of transactions you make.

**Button Bar Area:** The Button Bar area displays buttons that provide quick interaction with Tally. Buttons that are relevant to the current task are enabled and the other buttons are disabled.

**Calculator Area:** The Calculator area provides the calculator functions where you can enter any number of mathematical formulae for complex calculations.

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## **Voucher Types:**

A voucher is the primary online document for recording transactions. Transaction recording and analysis are greatly facilitated by having specific formats for different types of transactions. Tally provides 16 different predefined voucher formats or what it calls predefined types of vouchers.

These predefined vouchers fulfil your normal transaction needs. They pertain to both accounting and inventory. Some of these vouchers can also be used differently according to the situation, e.g., sales vouchers can be used as invoices, vouchers can be post-dated, etc. Such use can be decided at the time of voucher entry by selecting the appropriate button.

Tally is pre-programmed with a variety of accounting vouchers, each designed to perform a different job.

### ***Accounting Vouchers***

**F4:Contra Voucher**

**F5:Payment Voucher**

**F6:Receipt Voucher**

F7:Journal. This is split into Journal, Debit Notes and Credit Notes

**F8:Sales**

**F9:Purchase**

**F10:Memos**

**F7: Stock Journal**

**F10: Phys. Stock.** This allows recording of physical stock in hand as distinct from computed stock figures.

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**Contra Entry (F4):**

According to accounting rules, Contra Entry is a transaction indicating transfer of funds from:

- Cash account to Bank account
- Bank account to Cash account
- Bank account to Bank account

To view the Contra Voucher Entry Screen:

1. Go to *Gateway of Tally > Accounting Vouchers*
2. Select **F4: Contra** from the button bar or press **F4**

Here cash is transferred from **Cash** account to **Bank** account.

The screenshot displays the Tally 6.3 interface for creating a Contra Voucher. The window title is 'Tally ees 6.3'. The header shows '(c) Tally Solutions Pvt. Ltd., 1988-2001 ees 6.3 - Release 1' and 'TallySilver - Single User EDUCATIONAL'. The date is 'Mon, 1st Jan, 2007' and the time is '02:52:48'. The voucher is for 'Microtek Group of Institutions' and is a 'Contra' type, No. 1, dated '1-Sep-2012 Saturday'. The voucher details are as follows:

Particulars	Debit	Credit
To Cash Cur Bal : 1,80,000.00 Dr		20,000.00
By SBI's Current A/c Cur Bal : 20,000.00 Dr	20,000.00	
Narration :	20,000.00	20,000.00

The bottom of the screen shows a calculator and ODBC Server status. The right-hand side features a vertical menu with various function keys: Help, Web Browser, Upload, E-Mail, Export, Print, F2: Date, F3: Company, F4: Contra, F5: Payment, F6: Receipt, F7: Journal, F8: Sales, F9: Purchase, F10: Memos, F7: Stk Jrnl, F10: Phys Stk, Post-Dated, Optional, F11: Features, and F12: Configure.

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## Payment Entry (F5):

Payment transactions can be entered using Tally's Payment Voucher. To view the Payment Voucher entry screen:

1. Go to *Gateway of Tally > Accounting Vouchers*
2. Select **F5: Payment** from the Button Bar or press **F5**

Here cash is paid for Wages.

Particulars	Debit	Credit
By Wages A/c Cur Bal : 5,000.00 Dr	5,000.00	
To Cash Cur Bal : 1,75,000.00 Dr		5,000.00
Narration :	5,000.00	5,000.00

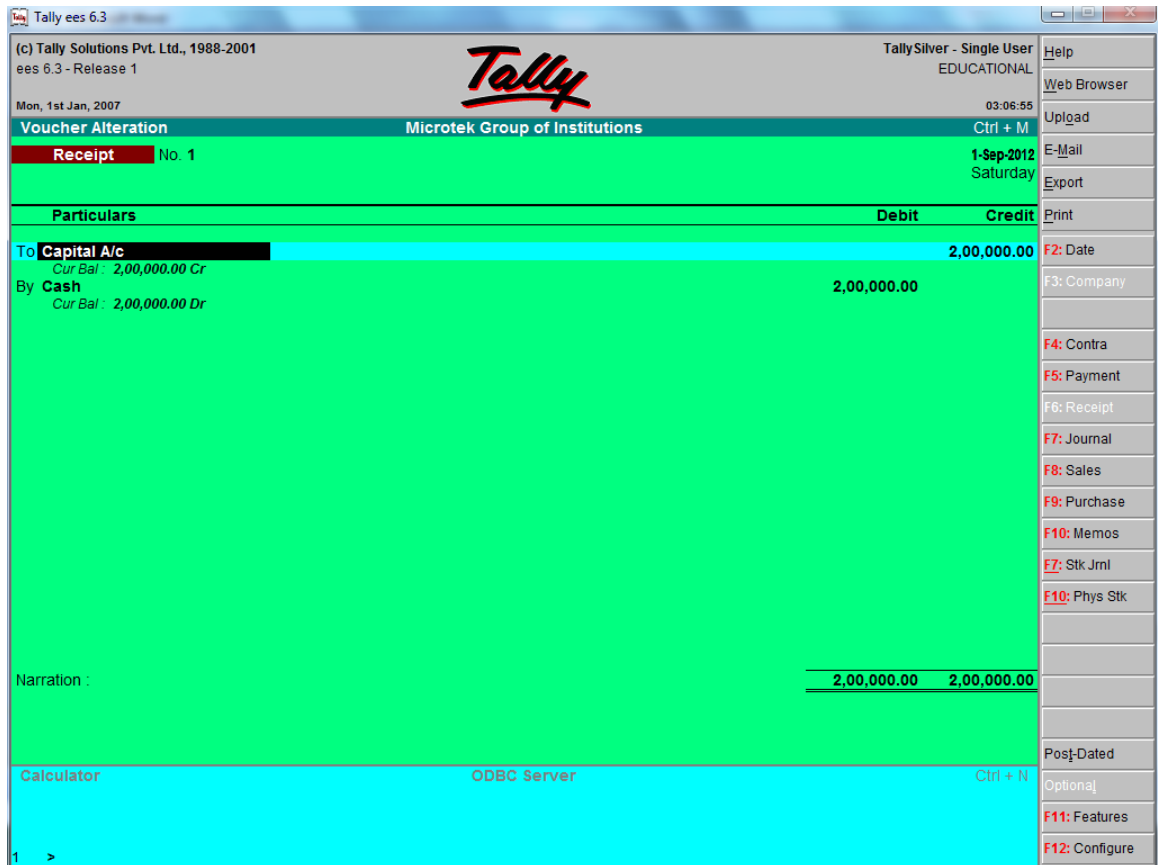
## Receipt Entry (F6)

Transactions accounting for money received are entered into Tally through the Receipt voucher. To view the Receipt Entry screen:

1. Go to *Gateway of Tally > Accounting Vouchers*
2. Select **F6: Receipt** from the button bar or press **F6**

Here Business is started through cash investing in business by owner.

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### **Journal Entry (F7)**

Journal entries are used to adjust the debit and credit amounts without involving the cash or bank accounts. Hence, they are referred to as adjustment entries. To go to the Journal Entry Screen:

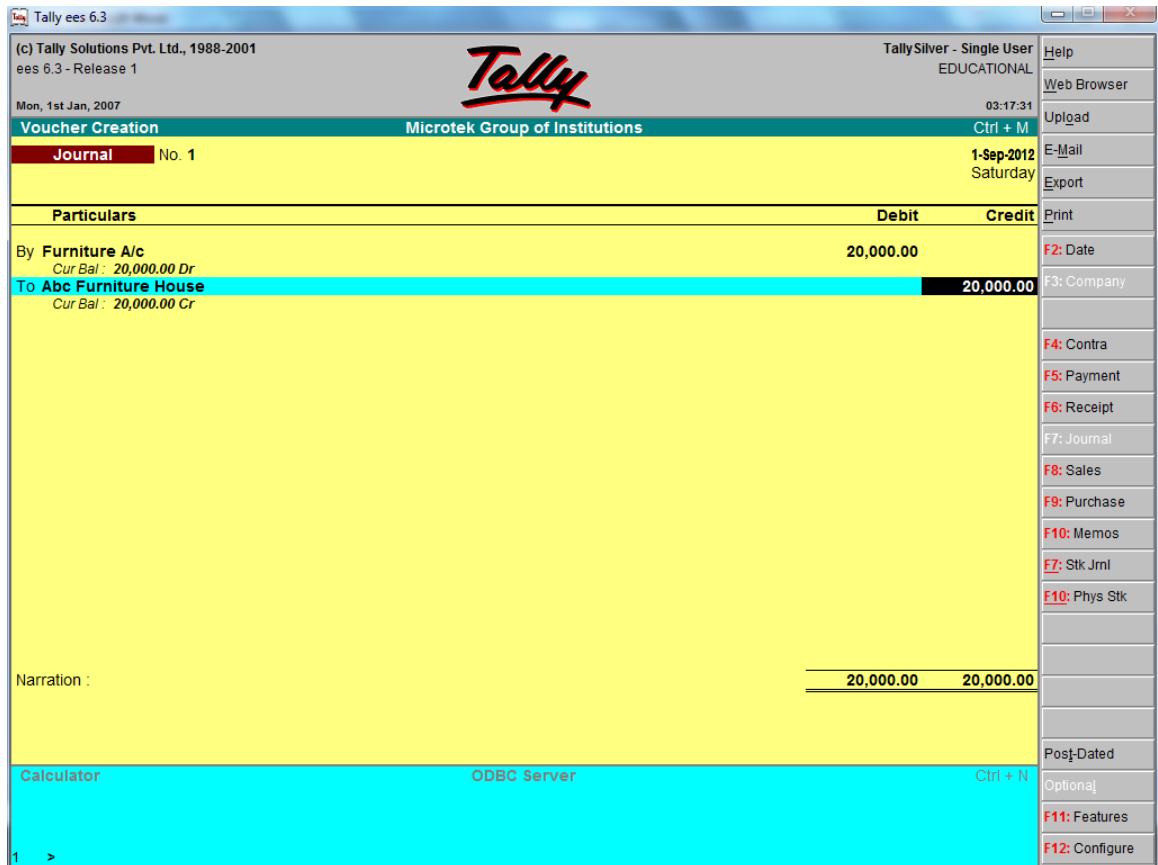
1. Go to *Gateway of Tally > Accounting Vouchers*
2. Click on **F7: Journal** on the Button Bar or press **F7** key

For example, there may be entries made for Furniture purchased in credit & Party name is mentioned, for such a transaction the entry will be:

1. Debit the **Furniture A/c**
2. Credit the **Party**

The entry appears as shown below:

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### **Sales Entry (F8):**

Sales vouchers are used when the company sells some goods to customers.

To view the Sales Voucher Creation Screen:

Go to *Gateway of Tally > Accounting Vouchers > Select F8: Sales*

When a sales transaction is made, a document detailing the transaction (item name, tax, etc) has to be given to the buyer or debtor as proof of purchase by him. This document is called "Invoice" or "Bill" or "Cash Memo". Tally provides the option of creating Invoices.

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The screenshot shows the Tally 6.3 Voucher Creation screen. The voucher is a Sales Voucher (No. 1) dated 1-Sep-2012 (Saturday) for the company Microtek Group of Institutions. The voucher details are as follows:

Particulars	Debit	Credit
By XYZ Trading Co. Cur Bal : 30,000.00 Dr	30,000.00	
To Sales A/c Cur Bal : 30,000.00 Cr		30,000.00
Narration :	30,000.00	30,000.00

The interface includes a menu bar with options like Help, Web Browser, Upload, E-Mail, Export, Print, F2: Date, F3: Company, F4: Contra, F5: Payment, F6: Receipt, F7: Journal, F8: Sales, F9: Purchase, F10: Memos, F7: Stk Jml, F10: Phys Stk, Post-Dated, Optional, F11: Features, and F12: Configure. The status bar at the bottom shows 'Calculator', 'ODBC Server', and 'Ctrl + N'.

### ***Purchase Voucher (F9):***

Purchase Vouchers are used when the company Purchases some goods from Supplier.

To view the Purchase Voucher Creation Screen:

Go to *Gateway of Tally > Accounting Vouchers > Select F9: Purchase*

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Tally ees 6.3

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ees 6.3 - Release 1

Mon, 1st Jan, 2007

Voucher Creation Microtek Group of Institutions

Purchase No. 1

Ref :

1-Sep-2012 Saturday

Particulars	Debit	Credit
To Qwe Enterprises Cur Bal : 25,000.00 Cr		25,000.00
By Purchase A/c Cur Bal : 25,000.00 Dr	25,000.00	
Narration :	25,000.00	25,000.00

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**Memorandum Vouchers (F10):**

This is a non-accounting voucher and the entries made using it will not affect your accounts. That is, Tally does not post these entries to ledgers but stores them in a separate Memorandum Register.

To view all the memorandum vouchers:

Go to *Gateway of Tally > Display > Exception Reports > Memorandum Vouchers.*

**Optional Voucher:**

This is also a non-accounting voucher. Unlike a Memo voucher, this is not a separate voucher type. You can mark an existing voucher (for example, a payment voucher or a receipt voucher) as **Optional**. Press **CTRL + L** or click on **Optional** from the Button Bar. This button toggles with **Regular**. By marking a voucher **Optional**, the voucher does not get posted anywhere but remains in the **Optional Register**.

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You can make a voucher type default to **Optional** if you need to create a new voucher type or alter an existing voucher type:

Go to *Gateway of Tally > Accounts Info > Voucher Types > select a Voucher Type > Set Make Optional* as default to **Yes**.

**You can view all optional vouchers in the Optional Vouchers Register**

Go to *Gateway of Tally > Display > Exception Reports > Optional Vouchers*.

### ***Reversing Journals:***

Reversing Journals are special journals that are automatically reversed after a specified date. They exist only till that date and are effective only when they are included in reports like the **Balance Sheet**. These are used in interim reporting in the course of the financial year where accruals are to be reported. These accruals are usually short term and are cleared in the subsequent period. However, to get a proper perspective, decision makers require the reports with full impact of all aspects and transactions.

### **Applicable up to**

This is the date up to which the Reversing Journal is available for inclusion in a **Scenario** report. The Reversing Journal can be created as of a particular date and made Applicable up to a different date.

All vouchers are maintained in a Reversing Journal Register. These are not posted to any books of accounts and cannot be included in regular reports. They can only be seen through a scenario.

Go to *Gateway of Tally > Display > Exception Reports > Reversing Journals*

### ***Note : Enabling Optional Vouchers and Reversing Journal:***

1. Go to **Gateway of Tally**
2. Select **F11:Features > Accounting Features** to display **Company Operations Alteration** screen
3. Set **Use Rev. Journals & Optional Vouchers?** to **Yes**.
4. Accept the screen to save.

### ***Post-dated Vouchers:***

While entering vouchers, you can mark them as post dated. Tally will not update the vouchers in ledgers until the specified date is approached. This is useful to enter transactions that take place on a regular basis. For example, if you pay for something by installments, you can set up the payments in advance, and Tally will only enter them in the ledgers as they fall due.

Mark vouchers **Post Dated** by using **CTRL + T** or click on **Post dated** button from the Button Bar. This button toggles with **Current**.

All **Post-dated** vouchers are maintained in a **Post-dated voucher Register**.

Go to *Gateway of Tally > Display > Exception Reports > Post-Dated Vouchers*

### ***Create a voucher type:***

Tally provides a variety of predefined Voucher Types. In Addition to these Voucher Types tally also provides facility to Create a new voucher type.

*Gateway of Tally —> Accounts Info. —> Voucher Type —> Create*

**Note:** a new voucher type must assume the functions of a predefined voucher type.

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Voucher Type Creation		Microtek Group of Institutions		Ctrl + M	
Name	:	[REDACTED]			
Type of Voucher	:				
Abbr.	:				
Method of Voucher Numbering ?	:				
Use Common Narration ?	Yes	Narrations for each entry		?	No
Print after saving Voucher ?	No				
Use EFFECTIVE Dates for Vouchers ?	No				
Make 'Optional' as default ?					
Restart Numbering		Prefix Details		Suffix Details	
Applicable From	Particulars	Applicable From	Particulars	Applicable From	Particulars

**Name**

Give the name of the new voucher type, e.g., Bank Payment Voucher.

**Type of Voucher**

The type of voucher should be any one of the predefined voucher types (listed in introduction above). The new voucher type would inherit the properties of this predefined voucher type. It would function exactly like the predefined voucher.

**Abbreviation**

An abbreviation is required particularly for unformatted reports, which do not use compressing techniques. (Tally allows printing of both formatted and unformatted reports). There is no restriction on the length of the abbreviation, it should preferably be five characters or less.

**Method of Voucher Numbering**

This is, perhaps, one reason for your opting for a new voucher type. There are three methods available:

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*Automatic* - instructs Tally to number the vouchers of this type incrementing automatically.

*Manual* - if you wish to number the vouchers yourself.

*None* - if you do not want any voucher numbers for vouchers of this type.

### **Use common narration?**

Select Yes to give a common narration for the entire voucher. Tally vouchers can have multiple entries. Hence, you may wish to give a common narration for all the entries of the voucher or a separate narration for each entry or both. Select Yes even when you want both. Select No if you do not want a common narration.

### **Print after saving voucher?**

If you want to print every voucher after entering it, select Yes, else select No. This is suitable for an online environment where you use the Tally printed voucher as the formal voucher. Remember, however, that the transaction is already recorded and posted and should you wish to make corrections to the printed voucher, you must alter the Tally voucher online and print it out again.

### **Use EFFECTIVE dates for vouchers?**

Select Yes if you want to enter effective dates for+ vouchers. You would opt for this if you have instances where a transaction under consideration for overdue/ageing analysis is recorded currently but will take effect from another date. If effective date is entered, the overdue/ageing will be considered from the effective date and not from voucher date.

### **Restart Numbering**

Voucher Numbering may be restarted with the starting number (as specified) at intervals selected by you - Monthly, Yearly or Never. You must give the date whence numbering should restart under the field Applicable from. The date must be the first day of the month.

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### Prefix Details

If you want the voucher numbers to be prefixed with some fixed information, give the information here.

### Suffix Details

You can also give fixed suffix information for the voucher number. The same rules and effects as for Prefix Details apply.

## Invoice:

When a sales transaction is made, a document detailing the transaction (item name, tax, etc) has to be given to the buyer or debtor as proof of purchase by him. This document is called "Invoice" or "Bill" or "Cash Memo". Tally provides the option of creating Invoices.

### ***Invoice Entry:***

Invoicing or sales invoicing is not very different from sales voucher entry. In fact, you use the same voucher but select 'As Invoice' option to turn it into a sales invoice. Purchase invoices are recorded through normal Purchase Voucher entry and it does not have the provision of being converted into an invoice format for entry purposes. However, you can print the purchase voucher as a Purchase Invoice or even a Purchase Order.

The advantage of using the invoice format for sales invoice entry is that it enables automatic calculations of taxes and duties accounts (those falling under the group 'Duties & Taxes' or those groups for which the field 'Used for calculation' is enabled).

### ***Enabling Invoicing***

1. Set **Allow Invoicing** to **Yes** in **F11: Features**
2. The **Sales Voucher Creation** Screen appears as **Invoice** by default.
3. Go to *Gateway of Tally > Accounting Vouchers > select F8: Sales*

Sales entries can be made in the Voucher as well as Invoice Formats.

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There are two types of Invoices:

**Sales Item Invoice** - allows you to select **Items** for invoicing

**Sales Account Invoice** - allows you to select **Ledgers** for invoicing

### ***Account Invoice Transaction:***

Sales/Purchase Account Invoice is generally used by professionals such as doctors and consultants who require to invoice for certain services provided such as consultancy charges, professional fees. Trading and manufacturing organizations also use the Account Invoice for invoicing service charges.

On the Sales/Purchase entry screen, click on **Acct Invoice button** which is displayed on the Button Bar on the right-hand side of the screen.

### **Transactions using Bill-wise details:**

Tally provides facility to maintain Outstanding amount of Party as Bill-by Bill, which is very important for a trader to track Accounts Receivable & Payables to compute Interest on overdue bill.

To activate Billwise Outstanding maintenance of accounts Receivable & Payables:

- Set Maintain Bill-wise details to Yes in F11: Features
- Set Maintain Bill-wise details to Yes while creating the respective Ledger Masters. Setting this option to Yes displays an additional option Default Credit Period. Credit Period is the number of days allowed to the Sundry Debtor to pay back or assigned to the Sundry Creditor to remind us of our payables. Specifying the period here is automatically reflected in the transaction. However it can be altered during Voucher Entry.

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Bill-wise Details for : <b>Qwe Enterprises</b> Upto : <b>Rs 25,000.00 Cr</b>				
Type of Ref	Name	Due Date, or Credit Days (wef: 1-9-2012)	Amount	Dr/ Cr
New Ref	1		25,000.00	Cr

**Method of Adj.**

- Advance
- Agst Ref
- New Ref
- On Account

**Type of Ref:** Bill reference can be of four types:

- Advance ( For making or Receiving advance payment)
- New Ref ( For creating a new Bill)
- Against Ref ( For adjusting any amount against any existing Bill)
- On account( For maintaining non-billing transaction)

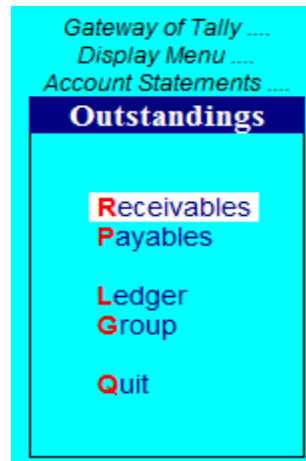
**Name:** In the field, you can give the voucher number, the reference number, or any alphanumeric set of characters that would identify the reference and help set it off later using against reference. You are not allowed to give the same name for two new references.

**Due date or credit days:** This is applicable for new reference. Give the credit period for the bill or the date when it is due for payment.

**Amount:** Give the amount for the adjustment. You can break up the amount and adjust it in several installments giving different references.

Maintaining Bill-wise details helps you to obtain information on Pending Bills, Bills Due, Overdue Bills etc and reports such as Outstanding Analysis and Ageing Analysis. To get these reports

Go to *Gateway of Tally > Display > Statement of Accounts > Outstanding*



## Bank Reconciliation:

Bank Reconciliation means that the accounts maintained by the Banker (the Bank Pass Book) tallies with the Bank Ledger Account (the Bank Book) in your books.

**Bank Reconciliation** is the process to ensure that even if these two balance apparently differ, the bank *Pass Book* is in sync with the **Bank Book** on the books of accounts. This Process ensures that the numeric figures of bank ledger account (Debit Amount & Credit Amount) are correct.

Tally provides the facility to enter Bank Data for Voucher that you have entered in your Books. This facility is available for Ledger Accounts placed under Bank Accounts and Bank OCC Groups. The main process of Bank Reconciliation is to match the entry of Voucher with the Pass Book & tag with date of clearance in the Pass Book. Untagged items can then be traced to compile the Reconciliation Statement.

- Bring up the monthly summary of any bankbook. (You can choose a bank book from any of the following: Balance Sheet, Trial Balance, Display > Account Books > Cash/Bank Books).
- Bring the cursor to the first month (typically April), and press Enter. This brings up the vouchers for the month of April. Since this is a bank account, you can see an additional button F5: Reconcile on the button bar to the right. Press F5.

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- The display goes to the Reconciliation mode, which can be edited. The primary component of the current screen is the column for Bankers Date.
- The Reconciliation found at the bottom of the screen shows:
  - Balance as per Company Books
  - Amounts not reflected in Bank
  - Balance as per Bank

The **Balance as per Company Books** reflects the balance as on the last date (in the example, it is 30th April).

The **Amounts not reflected in Bank** are the debit and credit sums of all those vouchers, whose Bank Date is either BLANK, or LATER than 30-Apr (i.e. these vouchers have not yet been reflected in the bank statement).

The **Balance as per Bank** is the net effect of the Book Balance offset by the amounts not reflected in the Bank – which must equal the balance in the bank statement

As you mark the individual vouchers by setting the Bank Date, you will notice that the Reconciliation at the bottom of the screen keeps updating the changes. Once this process is complete, press Ctrl + A or Enter as many times as necessary to skip over the unmarked vouchers and accept the screen.

## Voucher Classes:

Voucher Classes are available for all major voucher types. However, Cost Centres could not be allocated if classes were used. Now, cost centres too can be 'classed'. Automation of cost centre allocation has met the need of 'percentage allocation' based on predefined figures.

The primary intention of using classes for payment, receipt and contra vouchers is to enable data input in 'single entry' or list mode rather than in Tally's traditional double entry mode. You can also use it to have a separate form for each cash and bank account.

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1. Go to *Gateway of Tally > Accounts Info > Voucher Types > Alter*
2. Select any Voucher Type from the list,
3. Go to the field **Name of Class** and enter a name.

The screen looks like when Payment vouche is altered for creating a Cheque Payment class.

Microtek Group of Institutions		Ctrl + M
Class : Cheque Payment		List of Groups
If you wish to restrict the groups to which this class can be used, specify them here.		
Exclude these Groups	Include these Groups	↓ End of List
		Bank Accounts
		Bank OCC A/c
		Bank OD A/c
		Branch / Divisions
		Cash-in-hand
		Sundry Creditors
		Sundry Debtors
Specific Ledger for which this Class is created (e.g. Cash, or a Bank Account)		
Ledger Name		

### ***Invoice entry in a class situation:***

Voucher Class is the novel way of automating accounting allocations during Invoice entry. It is a table for predefining the entries that you wish to automate to make Invoice creation a breezy task. This is particularly useful in sales invoicing where you can define once, the nominal ledger account to be credited for each item of sale. Then during voucher entry, the accounting credits for items sold are done automatically. The automation is taken a step further; the additional accounting entries (that fall below the

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stock items line) like Tax, freight and other charges can also be predefined to be carried out untouched during actual invoicing.

You can either alter the existing Sales Voucher Type or create a new Voucher Type based on Sales.

1. Go to *Gateway of Tally > Accounts Info > Voucher Types > Alter*
2. Select any Voucher Type from the list, say, Sales.
3. Go to the field **Name of Class** and enter a name

Give a name by simply typing it, e.g. Taxable, VAT, Local or Export. You may create more than one class.

Microtek Group of Institutions					Ctrl + M
Class : Aq					List of Groups
If you wish to restrict the groups to which this class can be used, specify them here.					
Exclude these Groups		Include these Groups			End of List
					Bank Accounts
					Bank OCC A/c
					Bank OD A/c
					Branch / Divisions
					Cash-in-hand
					Sundry Creditors
					Sundry Debtors
Default Accounting Allocations for each Item in Invoice					
Ledger Name	Percentage %	Rounding Method	Round- ing Limit	Override using Item Default ?	
	100 %				
Additional Accounting Entries (e.g. Taxes / Other charges) to be added in Invoice					
Ledger Name	Type of Calculation	Value Basis	Rounding Method	Round- ing Limit	R if

The Class Table is split horizontally in three parts for:

1. At first part, you can **Restrict the Group of Ledger** for which this voucher class would not be applicable.

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2. At middle part, you can specify **Accounting Allocation** with Default Ledger, allocating ratio, rounding method, rounding limit & override Ledger allocated using Items.
3. At bottom part, you can specify **Additional Accounting Entries** like Discount, Duties & Taxes, and other Charges.

## Budget:

A budget is a plan prepared for the flow of funds in an organisation. It contains financial guidelines for the future plan of action for a selected period of time.

A budget helps to refine goals and use funds efficiently. It provides accurate information for evaluation of financial activities, aids in decision making and provides a reference for future planning.

Every business has its objectives and goals. It must have an efficient mechanism to set its targets and appraisal of achievement in respect of the target. To exercise the important management controls, Tally provides flexible system of Budget.

To work with Budgets, set “Yes” at “**Maintain Budgets and Controls**” from **F11: Features**. Afterward, you get **Budgets** option at Accounts Info menu.

## Creating Budget:

*Gateway of Tally —>Accounts Info —>Budgets --- >Create*

Budget Creation				
Name	:	<input type="text"/>		
Under	:	<input type="text"/>		
Period of Budget		Set / Alter Budgets of		
From	To	Groups	Ledgers	Cost Centres

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**Name:** Give the budget a name, in this case, Corporate Budget. As you may have other budgets as well, the name distinguishes them.

**Under:** In the true Tally tradition, you can have a hierarchical budget set-up. At the top level is the Primary Budget. You can set up more than one Primary Budget. Under each Primary Budget, sub-budgets can be created.

**Period of Budget:** Specify the period of the budget. The period could be a month, a year or any period starting from any date to any date.

**Set/Alter Budgets of:** You may want to set the budget for groups of ledger accounts or for ledger accounts individually or for cost centres or all of them. We shall take up budget for group only. Follow the same process for setting budgets for individual ledgers and cost centres.

If you set “Yes,” at the fields in the Group Budget sub-screen:

Microtek Group of Institutions				Ctrl + M
Group Budgets Under 'Budget First' (from 1-Apr-2012 to 31-Mar-2013)				List of Groups
Account Name	Cost Center	Type of Budget	Amount	
				<ul style="list-style-type: none"> <li>↓ End of List</li> <li>Bank Accounts</li> <li>Bank OCC A/c</li> <li>Bank OD A/c</li> <li>Branch / Divisions</li> <li>Capital Account</li> <li>Cash-in-hand</li> <li>Current Assets</li> <li>Current Liabilities</li> <li>Deposits (Asset)</li> <li>Direct Expenses</li> <li>Direct Incomes</li> <li>Duties &amp; Taxes</li> <li>Expenses (Direct)</li> <li>Expenses (Indirect)</li> <li>Fixed Assets</li> <li>Income (Direct)</li> <li>Income (Indirect)</li> <li>Indirect Expenses</li> <li>Indirect Incomes</li> <li>Investments</li> <li>Loans &amp; Advances (Asset)</li> <li>Loans (Liability)</li> <li>Misc. Expenses (ASSET)</li> <li>Provisions</li> <li>Purchase Accounts</li> <li>Reserves &amp; Surplus</li> <li>Retained Earnings</li> <li>Sales Accounts</li> <li>Secured Loans</li> <li>Stock-in-hand</li> </ul>
				4 more ...

**Account Name:** Give the names of the groups for which the budget is being set.

**Cost Centre:** For each group name, a cost centre may be earmarked, i.e., Indirect Expenses for a particular cost centre or a group of cost centres only. If you select 'Not Applicable', then the budget is not for any particular cost centre but the company as whole.

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**Type of Budget:** Budgets could be of two types:

**On Nett Transactions** – where transaction amounts are to be monitored and not the balances. Nett is net of debits and credits for the specified period. Hence, nett transactions for Indirect Expenses would mean the debit amount for the specified period after reducing the credits for the same period. Opening and closing balances are not considered.

**On Closing Balance** – where you wish to monitor the balance of the accounts and are not too keen on the transactions, e.g., balances of Bank Accounts, balances of debtors.

**Amount:** The budget amount for the account for the specific cost centre.

*Budget figures are used to compare against actual and to display variances. This is done by bringing up a new column when displaying a statement and selecting the appropriate budget.*

### ***Budget Variance:***

Trial Balance and Group Summary have a feature called Budget Variance. The Budget Variance button (Alt+B) is active if Budgets feature is enabled and at least one budget created. Budget Variance displays Budgets, Actuals with percentage and Variance from the budget with percentage.

1. Budget Variance can be accessed from:
  - *Gateway of Tally > Display > Trial Balance* to display the Trial Balance screen.
  - *Gateway of Tally > Display > Account Books > Group Summary* and select a group from **List of Groups** to display the Group Summary screen.
2. Click on **Budget Variance (Alt+B)** from the toolbar to display the Budget Analysis screen.
3. Select from the **List of Budgets** for **Budgets/Scenario**.
4. Three columns display **Budget, Actuals** and **Budget Variance**, respectively.

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## Credit Limits:

Normally management evaluates credit worthiness of a party considering factors like party's market reputation, solvency, turnover, payment behaviour and determines how much credit can be safely granted to the party (*termed as Credit Limits*), it is maximum allowed outstanding to/by the Party. When the balance reaches the Credit Limit, no more credit sales allowed to/by the party.

### Defining Credit Limits & Credit Period:

- Go to **F11 Features > Accounting Features > Set Maintain Budgets and Controls to Yes**
- Go to *Gateway of Tally > Accounts Info > Ledgers > Credit Limits (under Multiple Ledgers)*

Select the group of ledgers from the List of Groups for which to set credit terms. The **Multi Ledger Limit Alteration** screen is displayed. The list of ledger accounts is displayed. You can set credit limits for both amounts and periods here

Multi Ledger Limit Alteration		Microtek Group of Institutions		Ctrl + M
Under Group : Sundry Debtors		1-Apr-2012 to 1-Sep-2012		
S.No.	Name of Ledger	Credit Limit	Credit Period	
1.	Abc Furniture House			
2.	Qwe Enterprises			
3.	XYZ Trading Co.			

**Credit Limit:** Specify the amount of credit limit against the ledger account in this field. You can set the amount limits in foreign currency if you wish, for customers who are usually invoiced in foreign currency.

**Credit Period:** Credit Periods are in days only and are calculated from the effective date. If a separate effective date field appears in your voucher, the credit period is from the effective date, which might differ from the voucher date. If the voucher date is

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the only date field in the voucher, then it is also the effective date and the credit period is from this date.

## Scenario Management:

Scenario management is a management tool that enables different displays of accounts and inventory related information, by selectively including certain types of vouchers without affecting the source data. It is useful in generating provisional reports, where entries are not actually made in the main books. It is also a useful forecasting tool i.e. you can forecast the expenses using provisional Vouchers and include them in your reports.

The vouchers that are used in Scenario Management are:

- Optional Vouchers
- Memorandum Vouchers
- Reversing Journals

### ***Working with Scenario:***

Set **Use Reversing Journals & Optional Vouchers** in **F11: Company Features** to **Yes**.



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## Creating a Scenario:

Go to *Gateway of Tally > Accounts Info. > Scenario > Create*

1. Give a suitable **name** to the scenario. In this case, it is **Provisional**.
2. Set **Include Actuals** to **Yes**
3. Set **Exclude Forex Gains/Losses Calculations** to **Yes** if you do not want the Unadjusted Forex Gain/Loss element to appear in the scenario
4. Set **Exclude Inventory Tracking Calculations** to **Yes** if you do not want the Sales/Purchase Bills Pending element to appear in the scenario
5. **Include**  
From the list of vouchers, include the type of vouchers required. Notice that it picks up the Voucher Types created for this company. Provisional Vouchers and Regular vouchers that are marked Optional are permitted for selection.
6. **Exclude**  
Exclude from the list of vouchers already included in the type of vouchers that you do not want to affect this scenario. This option is used in **Alter** mode and hence is discussed under Alter/Display Scenario Information.

7. Accept to create this scenario.

You can use scenarios in statements (not registers) that have the **New Column** button active.

1. Display the **Balance Sheet**.
2. Select **New Column**.
3. In the column details, tab down to **Types of Values to Show**.
4. Select the scenario name.

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## Balance Sheet:

The Balance Sheet gives the state of financial affairs of a company on a given date. It lists out the Assets and Liabilities based on the Primary Groups of Tally. The Balance Sheet in Tally is updated instantly with every transaction voucher that is entered and saved. No special processing is required to produce a Balance Sheet. To view the Balance Sheet:

*Gateway of Tally > [Balance Sheet](#)*

Liabilities		Assets	
Xyz Pvt Ltd as at 2-Sep-2012		Xyz Pvt Ltd as at 2-Sep-2012	
<b>Capital Account</b>	<b>2,00,000.00</b>	<b>Fixed Assets</b>	<b>20,000.00</b>
Capital A/c	2,00,000.00	Furniture A/c	20,000.00
<b>Loans (Liability)</b>	<b>1,00,000.00</b>	<b>Current Assets</b>	<b>3,29,000.00</b>
Unsecured Loans	1,00,000.00	Sundry Debtors	30,000.00
<b>Current Liabilities</b>	<b>45,000.00</b>	Cash-in-hand	1,99,000.00
Sundry Creditors	45,000.00	Bank Accounts	1,00,000.00
<b>Profit &amp; Loss A/c</b>	<b>4,000.00</b>		
Opening Balance			
Current Period	4,000.00		
<b>Total</b>	<b>3,49,000.00</b>	<b>Total</b>	<b>3,49,000.00</b>

You can extract different information by using the various options in the Button Bar.

- Select Detailed to explode the summarized information.
- Change the date of the Balance Sheet using F2: Period.
- Bring up new columns and

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- Select a **Balance Sheet** for a different date to compare alongside the present date or
- Select a column to give the Balance Sheet in a different currency or
- Select a column with Budget figures and analyse variances or
- Select a column and see the effect of different **Stock Valuations** on the Profit/Loss.

### ***Configure the Balance Sheet:***

<u>Configuration</u>	
Show Vertical Balance Sheet ?	<b>No</b>
Profit or Loss, both as Liability ?	No
Show Percentages	? No
Show Working Capital figures ?	No
Method of showing Balance Sheet?	<b>Liabilities / Assets</b>
Appearance of Names	: <b>Name Only</b>
Scale Factor for Values	: <b>Default</b>

**Show Vertical Balance Sheet?** : Setting this field to Yes displays the Balance Sheet in Vertical form. In the British/Europe configuration, the Vertical Balance Sheet has Liabilities and Assets, whereas the Indian/Asian configuration, it displays **Sources of Funds** and **Application of Funds**.

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ees 6.3 - Release 1  
Mon, 1st Jan, 2007  
TallySilver - Single User EDUCATIONAL  
02:24:16  
XYZ Pvt Ltd  
Ctrl + M  
XYZ Pvt Ltd  
as at 2-Sep-2012

**Sources of Funds :**

<b>Capital Account</b>		<b>2,00,000.00</b>
Capital A/c	2,00,000.00	
<b>Loans (Liability)</b>		<b>1,00,000.00</b>
Unsecured Loans	1,00,000.00	
<b>Current Liabilities</b>		<b>45,000.00</b>
Sundry Creditors	45,000.00	
<b>Profit &amp; Loss A/c</b>		<b>4,000.00</b>
Opening Balance		
Current Period	4,000.00	
<b>Total</b>		<b>3,49,000.00</b>

**Application of Funds :**

<b>Fixed Assets</b>		<b>20,000.00</b>
Furniture A/c	20,000.00	
<b>Current Assets</b>		<b>3,29,000.00</b>
Sundry Debtors	30,000.00	
Cash-in-hand	1,99,000.00	
Bank Accounts	1,00,000.00	
<b>Total</b>		<b>3,49,000.00</b>

Calculator ODBC Server Ctrl + N

**Profit or Loss, both as Liability? :** (*Applicable only in the horizontal form.*) If no, then Loss moves the Profit & Loss Account to the Assets side of the Balance Sheet.

**Show Percentages? :** Each line will be expressed as a percentage of the total.

**Show Working Capital figures? :** To show Current Assets-Current Liabilities.

**Method of Showing the Balance Sheet:** The options are: **Liabilities/Assets** and **Assets/Liabilities**. This is simply the order in which the Balance Sheet is shown:

- For Horizontal Balance Sheet it is in the format: Left Hand Side/Right Hand Side
- For Vertical Balance Sheet it is in the format: Top/Bottom.

MCMT

## Profit & Loss Account:

The Profit & Loss Account shows the operational results for a given period. It lists out the Incomes and Expenditures based on the Primary Groups of Tally. The Profit & Loss Account in Tally is updated instantly with every transaction voucher that is entered and saved. No special processing is required to produce a Profit & Loss Account. To view the Profit & Loss Account:

### *Gateway of Tally > Profit & Loss Account*

Particulars		XYZ Pvt Ltd 1-Apr-2012 to 2-Sep-2012	Particulars		XYZ Pvt Ltd 1-Apr-2012 to 2-Sep-2012
Purchase Accounts		25,000.00	Sales Accounts		35,000.00
Purchase A/c		<u>25,000.00</u>	Sales A/c		<u>35,000.00</u>
Direct Expenses		2,000.00			
Wages A/c		<u>2,000.00</u>			
Gross Profit c/o		8,000.00			
		<u>35,000.00</u>			<u>35,000.00</u>
Indirect Expenses		5,500.00	Gross Profit b/f		8,000.00
Rent A/c		1,500.00	Indirect Incomes		1,000.00
Salary A/c		<u>4,000.00</u>	Commission Received		<u>1,000.00</u>
Nett Profit		3,500.00			
<b>Total</b>		<b>9,000.00</b>	<b>Total</b>		<b>9,000.00</b>

Calculator      ODBC Server      Ctrl + N

The sample screen shown is in horizontal form which is the default display.

You can extract different information by using the various options in the Button Bar.

- Select F1: - Detailed/Condensed to display more information or condense.

## MCMT

- Change the date of the Profit & Loss Account using F2: Period.
- Add new columns to
  - Display a Profit & Loss Account for a different period to compare with the current one
  - Display the Profit & Loss Account in a different currency
  - Display a column with Budget figures and analyse variances
  - See the effect of different Stock Valuations on the Profit/Loss account.
  - Select and compare Profit & Loss of different companies.

## Configuring the Profit & Loss Account

<u>Configuration</u>	
Show Vertical Profit & Loss ?	<b>No</b>
Show Percentages ?	No
Show with Gross Profit ?	Yes
Appearance of Names	: Name Only
Scale Factor for Values	: Default

**Show Vertical Profit & Loss?:** The Profit and Loss Account will be displayed in the **Horizontal** (default) form if you set the option **Show Vertical Profit & Loss?** to **No**, and Set to **Yes** to display in the **Vertical form**.

**Show Percentages? :** Each line is expressed as a percentage of Sales Accounts, i.e., if you consider Sales Accounts to be 100%, the rest of the lines would be a percentage of Sales Accounts.

**Show With Gross Profit? :** (*Applicable to Horizontal Form only*) The Profit & Loss Statement is split to show Trading Profit considering only the Cost of Sales and Direct Expenses. From the Gross Profit, Indirect Expenses are deducted to show Net Profit.

## MCMT

If no, the Profit & Loss Statement is not split to show Gross and Net Profits separately.

*The vertical form always shows the Trading Account and the Income Statements separately.*

Particulars		XYZ Pvt Ltd
		1-Apr-2012 to 2-Sep-2012
<b>Trading Account :</b>		
Sales Accounts		35,000.00
Sales A/c		35,000.00
Cost of Sales :		27,000.00
Purchase Accounts		25,000.00
Direct Expenses		2,000.00
Wages A/c		2,000.00
Gross Profit		8,000.00
<b>Income Statement :</b>		
Indirect Incomes		1,000.00
Commission Received		1,000.00
Indirect Expenses		5,500.00
Rent A/c		1,500.00
Salary A/c		4,000.00
Nett Profit		3,500.00

## Trial Balance:

Trial Balance is a report of all account balances for the company sorted by groups, i.e., it is displayed in a grouped form, comprising main groups and their closing balances. You can see that the debit and credit balances match.

In Tally, the matching of the Trial Balance is a foregone conclusion since all voucher entries are in Debit - Credit format and must balance at the entry point.

To view the Trial Balance

MCMT

Go to **Gateway of Tally > Display>Trial Balance**

Particulars	XYZ Pvt Ltd 1-Apr-2012 to 2-Sep-2012 Closing Balance	
	Debit	Credit
Capital Account		2,00,000.00
Loans (Liability)		1,00,000.00
Current Liabilities		45,000.00
Fixed Assets	20,000.00	
Current Assets	3,28,500.00	
Sales Accounts		35,000.00
Purchase Accounts	25,000.00	
Direct Expenses	2,000.00	
Indirect Incomes		1,000.00
Indirect Expenses	5,500.00	
<b>Grand Total</b>	<b>3,81,000.00</b>	<b>3,81,000.00</b>

Select **F1: Detailed** to break down the grouped information or simply drill down a Group for further detail.

## Accounts books:



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## MCMT

**Books of account** record the *individual* transaction details you have entered. Although you may post items to many different ledgers, Tally brings all the transactions of one category together into a book of account for viewing and printing. For example, the Cash Book records all the transactions affecting cash, the Sales Book records all the sales transactions.

- All books are displayed first as a monthly summary with opening and closing balances.
- Select a month and press [enter] to display all transactions for the month. The opening and closing balances as well as transaction totals are also displayed.
- Select a transaction to bring up the voucher. This voucher comes up either in display or in alteration mode depending upon the access rights available to you.

### **Cash / Bank book:**

This Account Book shows Groupwise summary of Cash, Bank and Bank OCC Accounts.

To view the Cash/Bank Summary:

- Go to **Gateway of Tally > Display > Account Books > Cash/Bank Book(s)**
- If you have more than one bank account, select one bank account. Press Enter to display the Ledger Monthly Summary.
- Highlight a month, press Enter and the Ledger Vouchers screen displays.
- All the vouchers for the selected month are listed.

MCMT

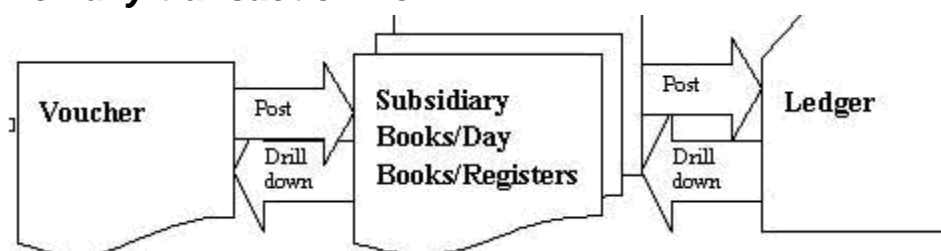
### ***Sales, Purchase & Journal Registers:***

All transactions are posted to different books and registers. The purpose of the books and registers is to compile similar entries in one place so that they are meaningful, e.g., all cash entries in the Cash Book, all sales entries in the Sales Day Book (called Sales Register in Tally).

A Tally voucher may contain many lines of debit and credit entries. Each line is a Ledger Account and has to be ultimately reflected in the Ledger.

Apart from the subsidiary books, entries are also filed under each Voucher Type. Therefore, there will be as many registers as there are voucher types.

### ***The Tally transaction flow***



### **Cost centre & category summary:**

#### ***Cost centres:***

A Cost Centre is any unit of an organisation to which transactions (generally, revenue) can be allocated. When only costs or expenses are allocated to these units, they are referred to as Cost Centres. When profits are also allocated to these units, they become Profit Centres. You can now obtain a Profit and Loss account of each such Profit Centre.

Cost Centre in Tally allows an additional dimension to a transaction where a Ledger account indicates the nature of the transaction. It does not readily disclose, except in the narration field, which part of the organisation was involved in the transaction.

## MCMT

By providing Cost Centres, a transaction can be allocated to it, which would then enable extraction of all transactions for a Cost Centre. Tally gives you the Cost Centre break-up of each transaction as well as details of transactions for each Cost Centre.

Some examples of Cost Centres are:

- Departments of an organisation - Finance, Manufacturing, Marketing, and so on.
- Products of a company.
- Individuals such as Salesman A, Salesman B.

To work on Cost Centres, set to “Yes” to “**Maintain Cost Centres**” from **F11: Features**.

### **Creating Cost Centres:**

*G.teway of Tally > Accounts Info. > Cost Centre > Single Create*

Cost Centre Creation	
Category	: Primary Cost Category
Name	: <input type="text"/>
(alias)	:
Under	:

**Category:** This field appears only when you have opted for 'more than ONE Cost Category'. Otherwise, Tally automatically creates a 'Primary Cost Category' to which all cost centres are assigned. This default Primary Cost Category is transparent to you and you need not worry about it till you want more than one cost category. (Cost categories have been explained above and under advanced usage).

## MCMT

You will normally not need more than one category and should not use it till you are absolutely sure that the same information is not available with cost centres alone.

**Name:** Enter the name of the Cost Centre in this field. For example, Bangalore.

**Alias:** Enter an alternative name, if required. For example, the Cost Centre Bangalore can be referred to as Head Office or by a code number.

**Under:** Select the parent Cost Centre under which the Cost Centre needs to be created from the List of Cost Centres. If you want the Cost Centre to be a Primary Cost Centre, select Primary from the list.

### **Cost Categories:**

Cost Categories have been introduced for organisations requiring allocation of resources to parallel sets of cost centres. Such organisations would usually be project oriented.

To work on Cost Centres & Cost Categories, set to “Yes” at “Maintain Cost Centres” as well as set to “Yes” at “More Than One Cost Categories” from **F11: Features**.

### **Creating a Cost Category:**

To create a Cost Category, Go to *Gateway of Tally > Accounts Info. > Cost Categories > Create* (under Single Cost Category)

The **Cost Category Creation** screen displays.

Cost Category Creation	
Name :	[Redacted]
(alias) :	[Redacted]
Allocate Revenue Items ?	Yes
Allocate Non-Revenue Items ?	No

## MCMT

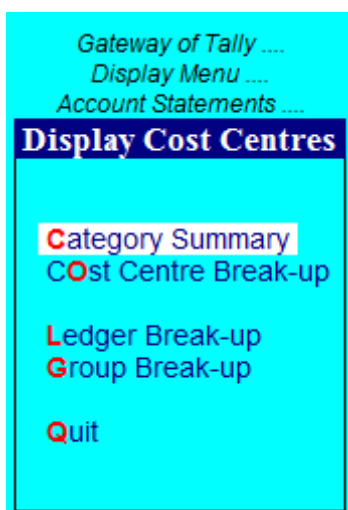
**Allocate Revenue Items:** Set this option to Yes, to allocate all sales, purchase, expenses and income related transactions to Cost Centres that you create under the Cost Category. Normally, you would enable this option. However, should you need to allocate only capital/non-revenue items only to Cost Centres in that cost category, set this to No.

**Allocate Non-Revenue Items:** You would, usually, disable this option by setting it to No as most Cost Centres need only revenue allocation. However, should you wish to allocate items of non-revenue (capital) or Balance Sheet items, you may set it to Yes. Organisations increasingly require allocation of capital items to Cost Centres. They wish to monitor the capital expenditure incurred on Cost Centres and measure them against revenue earned. Recognising this trend, Tally has provided this option.

### **Cost Centre Reports:**

Cost Centre Reports are primarily performance reports that throw a different perspective on transactions. To access Cost Centre Reports.

Go to *Gateway of Tally > Display > Statement of Accounts > Cost Centres*



### **Cost Category Summary:**

*Gateway of Tally > Display > Statements of Accounts > Cost Centres > Category Summary*

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## MCMT

Cost Category Summary displays the information on all cost categories to which you have allocated the voucher transactions.

You can create any number of cost categories apart from the Primary one, which is the default. Each Cost Category has cost centres listed under it. The names in italics are cost centres that do not have any sub-cost centres. The names that are in normal fonts are cost centres that have sub-cost centres under them.

The debit and credit transaction totals and the closing balance for each cost category are displayed together with their breakdown consisting of cost centre summaries.

### ***Cost Centre Break-up:***

***Gateway of Tally > Display > Statements of Accounts > Cost Centres > Cost Centre Break-up***

Cost centre Break-up shows the ledger accounts that are used in vouchers, the cost centre they were allocated to, their total transaction values and the balance. If you consider only the revenue accounts, the Cost Centre break-up becomes the Profit or Loss statement of activities for the cost centre, and hence a powerful performance statement.

### ***Ledger Break-up of a Cost Centre:***

This is another view of a cost centre report. It enables you to analyse the distribution of a ledger account amongst different cost centres.

- **Gateway of Tally > Display > Statements of Accounts > Cost Centres > Ledger Break-up**
- Select a ledger account, e.g. Motor Car Expenses

### ***Group Break-up of a Cost Centre:***

The Group break-up of cost centre gives you another view of a cost centre report by enabling you to analyse the distribution of a group (of ledger accounts) across different cost centres.

MCMT

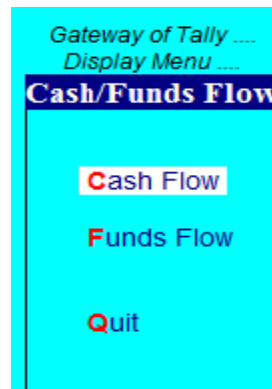
If you want to know how **Indirect Expenses** were incurred by different cost centres, this is the report that you need to look at.

- **Go to Gateway of Tally > Display > Statements of Accounts > Cost Centers > Group Break -up**
- Select a group account, say for e.g. Indirect Expenses

## Cash and Funds Flow:

Cash management is essential for any business. Many companies, as they go into liquidation, continue to make profits because of insolvency. Businesses shut down because of lack of cash despite being profitable. **Cash and Fund Flow Statements** aid in cash management and are an important component of the management accounts.

*Gateway of Tally > Display > Cash/Funds Flow*



### **Cash Flow:**

**Cash Flow Statement** is a chronological account of the movement of cash in and out of the business and includes all cash transactions made with banks also. When used with the **Balance Sheet** and **Profit & Loss Account**, the Cash Flow Statement helps to assess the reasons for the differences between net income and net cash flow as well as the effect of cash/non-cash investing and financing transactions.

To access the Cash Flow:

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## MCMT

- Go to **Gateway of Tally > Display > Cash/Funds Flow > Cash Flow**
- A **Monthly Cash Flow Summary** that shows the Cash Movement – inflow and outflow for each month and the Nett Flow, displays.
- Select a month and press Enter to drill down. Select the button **F1: Detailed** from the button bar to see the cash flow for that month.

### ***Funds Flow:***

While Cash Flow Statement is concerned only with cash, Funds Flow takes into account, the movement of the entire working capital. It includes rise and fall in inventories, creditors and debtors apart from cash and bank. The statement reveals the Sources of Funds and how they were applied.

To access the Funds Flow:

- Go to **Gateway of Tally > Display > Cash/Funds Flow > Funds Flow**
- A **Monthly Funds Flow Summary** with the movement of working capital for each month displays. It shows the Opening and Closing Balances of each month with a column for Funds Flow.
- Select a month and press Enter to drill down.
- Select **F1: Detailed** to see the funds flow for the selected month.
- The bottom of the screen displays the movement in **Working Capital**.

### **Day book:**

The Day Book is a list of all transactions for a particular day, by default the current date. It can also list all the transactions for a period. Transactions include all financial vouchers, reversing and memorandum journals as well as inventory vouchers.

## MCMT

Day Book		ABC Company		Ctrl + M	
Day Book		1-Apr-2006 to 31-Jul-2006			
Date	Particulars	Vch Type	Vch No.	Debit Amount	
				Inwards Qty	Credit Amount
				Inwards Qty	Outwards Qty
1-4-2006	Customer	Sales	14	1,515.00	
1-4-2006	Supplier	Sales	15	520.00	
1-4-2006	Customer	Sales	16	500.00	
1-4-2006	Customer	Sales	17	500.00	
1-4-2006	Customer	Sales	18	4,800.00	
1-4-2006	Bank Account	Sales	19		
1-4-2006	VAT Payable	Payment	1	275.36	
1-4-2006	Total Tax Payable	Journal	1	420.00	
1-4-2006	Output VAT 1%	Journal	2	100.00	
1-4-2006	Direct Expenses	Journal	3	5,050.00	
1-4-2006	Input Credit on Capital Goods	Journal	4	555.56	
1-4-2006	Tax Recoverable	Journal	5	57,500.00	
1-4-2006	Supplier	Credit Note	1		550.00
1-4-2006	Customer	Credit Note	2		1,560.00
1-4-2006	Supplier	Debit Note	1	520.00	
1-4-2006	Supplier	Debit Note	2	520.00	
1-4-2006	Supplier	Purchase	1		5,00,000.00
1-4-2006	Supplier	Purchase	2		15,600.00
1-4-2006	Supplier	Purchase	3		10,400.00
1-4-2006	Supplier	Purchase	4		4,992.00
1-4-2006	Supplier	Purchase	5		5,000.00
1-4-2006	Supplier	Purchase	6		10,100.00
1-4-2006	Supplier	Purchase	7		10,100.00
1-4-2006	Supplier	Purchase	8		5,00,000.00
1-4-2006	Supplier	Purchase	9		4,867.20

You can also filter the list so as to display the transactions of a particular voucher type using **F4: Chg Vch** button from the button bar.

## Inventory Information

Tally is a complete Financial & Materials Accounting system and you may also maintain all transactions of Stock Items like Purchase, Sales & Manufacturing in Tally.

The different inventory information that you would provide to Tally by way of masters are:

*Gateway of Tally—>Inventory Info*

*Note: The **Inventory Info** menu is displayed in **Gateway of Tally**, only if you select **Maintain Accounts with Inventory** from the **Type of Company** list in the **Company Creation screen**.*



### ***Stock Groups:***

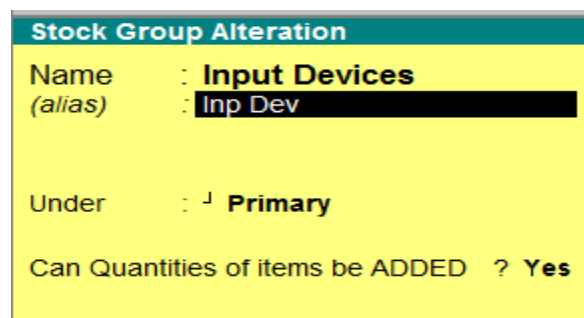
Stock Groups in Inventory are similar to Groups in Accounting Masters. They are helpful in the classification of Stock Items. Classification is based on some common behaviour. Stock Groups enable easy identification and reporting of Stock Items in statements.

You can group Stock Items under different Stock Groups to reflect their classification based on some common functionality. Grouping enables you to locate Stock Items easily and report their details in statements.

You can create sub-groups of Stock Groups for deeper analysis.

### ***Creating a Stock Group:***

*Gateway of Tally > Inventory Info > Stock Groups > Single Create*



## MCMT

**Name:** Enter the name of the Stock Group to be created. For example, Building Materials.

**Under:** Specify whether it is a primary group or a sub-group of another group, by selecting from the list. For example, Primary.

Press Alt + C to create a parent group, if you do not have it in the list.

**Can quantities of items be Added?:** This field pertains to information on measuring the units of the Stock Items that you would categorise under the Stock Group.

### ***Stock Categories:***

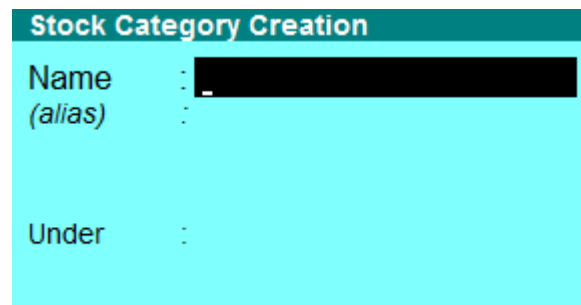
Stock Categories offers parallel classification of items. The concept is similar to Cost Categories.

**Stock Query** option available under **Statements of Inventory** (*Gateway of Tally > Display*) reveals the strength of Stock Categories.

**Note:** This option will come up in the menu only if you have opted for stock categories in [F11] **Comp. Features**.

### ***Creating a Stock Category:***

*Gateway of Tally > Inventory Info > Stock Category > Single Create*



Stock Category Creation	
Name	: -
(alias)	:
Under	:

**Name:** Enter the name of the Stock Category.

MCMT

**Under:** Specify whether it is a primary category or a sub-category of another category. Select Primary from the list, if you do not have a parent group. Use **ALT + C** to create a parent if you do not have the required category in the list.

### ***Units of measure:***

Stock Items are purchased or sold on the basis of quantity. The quantity is measured by Units. Hence, it is necessary to create Units of Measure. You need to create Units of Measure for all the Stock Items. You can have simple units such as numbers, meters, kilograms, and pieces or compound units like box, where, say, one box equals ten pieces.

### ***Create a Unit of Measure:***

*Gateway of Tally—>Inventory Info.—> Units of Measure—> Create*

Unit Creation	
Type	: <b>Simple</b>
Symbol	: <b>No</b>
Formal Name	: Number
Number of Decimal Places	: <b>0</b>

### ***Stock Items:***

Stock Item refers to goods that you manufacture or trade. It is the primary inventory entity and the lowest level of information on your inventory. You have to create a Stock Item in Tally for each inventory item that you want to account for. In other words, you have to create a stock ledger account for each item and Tally calls it Stock Item.

Go to *Gateway of Tally > Inventory Info. > Stock Items*

### ***Creating a Stock Item:***

*Gateway of Tally > Inventory Info > Stock Item > Single Create*

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Stock Item Creation		Microtek Grou	
Name	:	[REDACTED]	
(alias)	:		
<hr/>			
Under	:	↓ Primary	
Category	:	↓ Not Applicable	
Units	:		
Rate of Duty (eg 5)	:		
<hr/>			
		Quantity	Rate per Value
Opening Balance	:		

**Name:** Specify the name of the Stock Item.

**Alias:** This is for alternative names of stock items.

**Under:** Select the group from the List of Groups. If you do not want to categorise it under any particular group that you created, choose Primary.

Press **Alt + C** to create a parent Group from this field.

**Category:** Select the category from the List of Category. If you do not want to categorise it under any particular category that you created, choose Not Applicable.

**Units:** Give the unit of measurement of the item in this field. You would normally use this unit for trading this item.

Use **Alt + C** to create a new unit, if you do not have one in the list. Refer the section on Units for an explanation on how to create and alter units of measurement.

**Rate of VAT (e.g. 5):** Give the rate of tax applicable for the item. The rate specified here would be picked up when invoicing, if you selected the method of calculation as Tax Based on Item Rate for your relevant accounting ledger account. Typically, this accounting ledger account would be 'VAT Account' under the Group Duties & Taxes. In such cases, the VAT or duty in invoice entry will be automatically calculated.

MCMT

**Opening Balance:** If you already have stock of this item at the time of creating its account in Tally, specify its balance particulars, i.e., quantity, rate and value.

### ***Inventory Vouchers:***

Inventory Vouchers perform the same function in the inventory system just as accounting vouchers do in the accounting system. Inventory Vouchers are also means of entering transactions. Inventory vouchers record the receipt and issue of goods/stock, the transfer of stock between locations and physical stock adjustments.

If you have chosen not to integrate accounts with inventory, inventory vouchers will not have any impact on the Balance Sheet stock figures. They will separately maintain the stock balances. However, you can configure Tally so that the inventory entries would automatically update the Balance Sheet stock figures, By choosing to integrate Accounts and Inventory in **F11: Company Features**. To view Inventory Vouchers:

Go to *Gateway of Tally > Inventory Vouchers*

### ***Types of Inventory Vouchers:***

Tally is pre-programmed with Inventory Vouchers of various natures, each designed to perform a different task.

The standard vouchers are:

- Receipt note voucher (F9:Purchase)
- Rejections-in voucher (F8:Sales)
- Delivery note voucher (F8:Sales)
- Rejections-out voucher (F9:Purchase)
- Stock journal voucher (F7)
- Physical stock voucher (F10)

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## MCMT

Unless you have Tracking numbers activated in **F11: Company Features**, the Goods In Receipt Note and Goods Out Delivery Note vouchers will not be activated. Tally will assume that goods are received along with Purchase Vouchers and Goods are delivered along with Sales Vouchers/Invoices. When Tracking Numbers are activated, you inform Tally that you may receive goods that are not accompanied by Supplier's invoice – the invoice will arrive separately. Also that you may not deliver goods together with your invoice – you may invoice later.

### ***Receipt Note Voucher:***

This voucher type is used for recording goods received. For example, consider the company receives new stock items from a supplier. If a Purchase Order exists for that Supplier, select the Order Number from the List of Orders pop-up menu to bring up the order particulars automatically.

### ***Rejections-In Voucher (Sales Returns):***

A Rejections In Voucher is used to record goods that are rejected and returned back by the customer.

### ***Delivery Note Voucher:***

The Delivery Note voucher is used for recording goods delivered to a customer. For example, the company delivers goods from Stock to a customer. If a Sales Order exists for that customer, selecting the appropriate Order Number from the List of Orders pop-up menu will automatically bring up the relevant particulars.

### ***Rejections-Out Voucher (Purchase Returns):***

The Rejections Out Voucher records goods that are rejected and returned to a supplier. For example, the company returns items that had previously been taken into stock from the supplier.

MCMT

### **Tracking Number:**

The Tracking number is used to link the Receipt Note with the Supplier's Invoice that will be received later. (Supplier's Invoice is recorded through the Purchase Voucher). Hence, select the number which helps maintain the link. Tally gives the Receipt note number and the Reference number as default. However; you may opt to give your own number, in which case select New Number. If you do not wish to give a tracking number at all, select Not Applicable.

**Set Use Tracking Numbers to Yes in F11: Features > Inventory Features**

Tracking numbers link the different accounting vouchers with the inventory vouchers as follows:

- Receipt Note/Goods In vouchers are linked to Purchase Vouchers
- Goods Out /Delivery Note are linked to Sales Voucher/Invoice.
- Rejections-In is linked to Credit Note
- Rejections-Out is linked to Debit Note

**New number:** Enter a new number that is not in the list. You can use this number to reconcile, while making a Purchase Voucher entry.

**Not applicable:** You can select Not applicable if you do not want tracking number. This may be resorted in cases where you want to update stocks immediately with this entry and no goods inward entry is needed.

If you select Not Applicable in an inventory voucher, it will update stocks and you need not make a separate accounting/invoice entry.

MCMT

Item Allocations for : As	
Quantity	Rate per
Tracking No. : 1	

List of Tracking Numbers

New Number

Not Applicable

1

### Stock Journal Voucher:

A Stock Journal is used to transfer materials or stock from one location to another location. Stocks can also be shown as consumed. It can only be produced without consumption and production. Hence, it is not like other journals where debits and credits match.

You can specify quantities that are moved, their rates and amounts. If standard rates are entered in the Stock Item masters, they will appear. In the target location, you can specify additional costs incurred without actually affecting accounting at all. Only the stock value goes up. Hence, it is technically correct where an expense incurred on production or inward has been accounting for in the cost of that item.

*Gateway of Tally —> Voucher Entry —> [ALT]+F7 or Click on Stock Journal*

The screenshot shows the Tally 6.3 Voucher Creation interface. The window title is 'Tally ees 6.3'. The top bar displays '(c) Tally Solutions Pvt. Ltd., 1988-2001 ees 6.3 - Release 1' on the left, the 'Tally' logo in the center, and 'TallySilver - Single User EDUCATIONAL' on the right. The date and time are 'Sat, 11th Aug, 2012 11:45:18'. The voucher type is 'Stock Journal' (No. 1) dated '1-Apr-96 Monday'. The voucher is titled 'Transfer of Materials'. The screen is divided into two columns: 'Source (Consumption)' and 'Destination (Production)'. Both columns have a table with headers 'Name of Item', 'Quantity', 'Rate', and 'Amount'. Both tables are currently empty, with a 'End of List' checkbox selected in each. The bottom of the screen shows a 'Narration' field with 'Calculator' entered, and a status bar with 'ODBC Server' and 'Ctrl + N'. A vertical toolbar on the right side contains various function keys (F2-F12) and options like 'Help', 'Web Browser', 'Upload', 'E-Mail', 'Export', 'Print', 'Date', 'Company', 'Contra', 'Payment', 'Receipt', 'Journal', 'Sales', 'Purchase', 'Memos', 'Stk Jml', 'Phys Stk', 'With Track', 'Post-Dated', 'Optional', 'Features', and 'Configure'.

MCMT

**Physical stock voucher:**

For recording actual stock as physically verified or counted. For example, stock found on conducting a stock-check, It is not unusual that the company finds a discrepancy between the actual stock and the computer stock figure. If you have configured your inventory vouchers to **ignore physical stock differences**, these physical stock vouchers will really be for recording purposes only. However, if you have configured the vouchers not to ignore physical stock difference, then all transactions subsequent to the physical stock voucher will use the balance as mentioned in that voucher.

**Purchase and Sales Orders:**

**Order Processing:** Order processing is the placing of orders with suppliers for purchase to be made from them or receive orders from customers for the purpose of selling. In Tally, Order Processing is linked to Inventories. This allows tracking of the order position for a Stock Item. Using this you can track arrival of goods ordered and also whether the ordered Stock Item are delivered on time etc.

To enable **Sales Order** and **Purchase Order** vouchers, activate the following in **F11: Features**

**Purchase Order:**

*Gateway of Tally—>Voucher Entry —>F9:Purchase —>Select Purchase Order*

Voucher Creation		MCMT	Ctrl + M
<b>Purchase Order</b>	No. 1		1-Apr-96 Monday
Party's Ac Name : Ramesh		Order No. :	<b>a1</b>
Current Balance :			
Name of Item	Quantity	Rate per	Amount

MCMT

**Sales Orders:**

Sales order entry is exactly like Purchase Orders.

*Gateway of Tally—>Voucher Entry —>F8:Sales —>Select Sales Order*

Voucher Creation		MCMT	Ctrl + M
<b>Sales Order</b>	No. 1		1-Apr-96 Monday
Party's Ac Name : Yogesh		Order No. :	1
Current Balance :			
Name of Item	Quantity	Rate per	Amount

**Order No**

The voucher number can be treated as your Purchase Order / Sales Order number. You may configure the voucher type through Acct. Info—>Voucher Types to set prefixes and suffixes for Purchase Orders. This particular Order No. field is an additional field to record order number if different from the voucher number.

**Stock Summary:**

Stock Summary is a statement of stock-in-hand as on a particular date. It is updated with every transaction in real time and provides the current stock position. The statement can be drilled-down, as with all Tally reports, and configured to enable you to view different details, for instance, the total flow of stock can be viewed with a single report. Tally treats Stock Summary as one of the primary statements and makes it accessible directly from the **Gateway of Tally**.

**To view Stock Summary**

1. Go to *Gateway of Tally > Stock Summary*
2. The default display is of **Stock Group** balances.
3. Select **Detailed** to show another level of detail.

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Stock Summary		JC Computer Ltd.		Ctrl + M	Print
Particulars	JC Computer Ltd. 1-Jan-97 to 31-May-97				
	Quantity	Rate	Value	Closing Balance	
<b>Display Monitor</b>	<b>91 nos</b>	<b>52.99</b>	<b>4,822.50</b>		
17 inch Colour Display Monitor	91 nos	52.99	4,822.50		
<b>Parts</b>			<b>5,908.16</b>		
CD-ROM Drives	37 nos	106.17	3,928.18		
Motherboards	8 nos	247.50	1,980.00		
<b>Software</b>			<b>13.00</b>		
Accounts			1,800.00		
Ace	14 nos	155.00	2,170.00		
King			2,940.00		
Queen			(-3,360.00)		
Borland Paradox 7 (95)	21 nos	100.00	2,100.00		
Fax Pro V2.6 Plot Win95	0 nos		136.00		
MS Access 97 FP CD.	(-33 nos)	175.00	(-5,775.00)		
<b>Systems</b>	<b>59 nos</b>	<b>1,141.80</b>	<b>67,366.25</b>		
Panrix Thunder 200	26 nos	1,309.52	34,047.50		
PC SOURCE WORKSTATION 6000	16 nos	982.29	15,716.70		
POLAR PENTIUM 200+	17 nos	1,035.41	17,602.05		
<b>Grand Total</b>	<b>150 nos</b>		<b>78,109.91</b>		
Calculator				Ctrl + W	
> 1440-1200				F12: Range	

## Inventory Books:



## Stock Items:

1. *Gateway of Tally > Display > Inventory Books > Stock Item.*  
You may go through the Stock Summary as well. Simply place the cursor on the item and press [enter].
2. Select an item from the **List of Items**.

MCMT

Item Monthly Summary		JC Computer Ltd.				Ctrl + M	Print
Particulars	17 inch Colour Display Monitor						F1: Detailed
	JC Computer Ltd.						F2: Period
	1-Jan-97 to 31-May-97						F3: Compar
	Inwards		Outwards		Closing Balance		F4: Item
	Quantity	Value	Quantity	Value	Quantity	Value	
Opening Balance					24 nos	240.00	
January	20 nos	1,200.00	32 nos	2,880.00	12 nos	382.73	
February	0 nos		10 nos	600.00	2 nos	65.45	
March	0 nos		11 nos	660.00	(-)9 nos	(-)594.55	
April	0 nos		0 nos		(-)9 nos	(-)594.55	
May	100 nos	6,300.00	0 nos		91 nos	4,822.50	
<b>Grand Total</b>	<b>120 nos</b>	<b>7,500.00</b>	<b>53 nos</b>	<b>4,140.00</b>	<b>91 nos</b>	<b>4,822.50</b>	

Month	Inwards (nos)	Outwards (nos)	Net Change (nos)
Jan	20	0	+20
Feb	0	10	-10
Mar	0	11	-11
Apr	0	9	-9
May	100	0	+91

Calculator > 1440-1200 Ctrl + N

### ***Analysis of Inventory Movements:***

The Analysis of Inventory Movements is done for Accounted Transactions only. This is in contrast to the details given through the Stock Summaries and other statements, where 'Goods Received but Bills not Received' and 'Goods Dispatched but Bills not Raised' are also considered. This difference may lead to slightly different figures and values in the Analysis statements. The purposes of these Statements are for comparative study, and they should NOT be construed as authentic Accounts or Inventory Statements.

***Gateway of Tally > Display-Inventory Books > Movement Analysis***



### **Movement Analysis (Stock Group Analysis):**

Movement Analysis of a selected stock group displays the Total **Inward** and **Outward** movement of all the items in a selected Stock Group. The quantities displayed are **Actual Quantities** of movement (which, in some cases, may be different from the **Billed Qty** in the transactions.) The 'Inward' detail displays the Effective Rate or Final Landed Cost of the materials, after considering all overhead costs (see 'Valuation of Purchases'). If the Effective Rate varies from the Basic Invoice Rate of the materials, it is highlighted. The **Outward** detail displays the Basic Invoice Rate and Value of goods sold/transferred out.

### **Stock Item Movement Analysis:**

*Gateway of Tally > Display-Inventory Books > Movement Analysis > Stock Item Analysis*

Item Movement Analysis is the next level of information (at Group Analysis press Enter on the Stock Item). This brings up the Party-wise/Transfer-wise detail of Movements. The Inward detail displays the Basic Invoice Rate and Effective Rate.

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This report helps you compare Purchase Costs across different suppliers. For example, **Supplier A** may have a lower Basic Invoice Rate as compared to **Supplier B**, though the Effective Rate may be higher (perhaps due to differences in Taxes, Packing Costs, and Freight Costs etc). Suppose a material is manufactured in-house as well as purchased, the difference in Purchase Costs and In-house Costs can be checked. Select multiple columns for different periods, to view the changes in the Effective Rate for purchases.

### **Stock Category Analysis - Movement Analysis:**

The Stock Category Analysis statement displays the movement of Stock Items of a selected Stock Category.

The Inward and Outward movement of these two items are summarized in the Summary. Drill-down to bring up the Item Movement Analysis for the selected item.

*Gateway of Tally > Display > Inventory Books > Movement Analysis > Category Analysis*

### **Ledger Analysis:**

**Ledger Analysis** is similar to Movement Analysis, except that you can view movements of the items for the selected Ledger (Party). Thus, you get an 'analysis' of all purchases made from a supplier, or all items sold to a customer. The next level of information brings up the transaction-level details.

### **Transfer Analysis:**

When using different Stock Journals for each transaction, Transfer Analysis gives the movement details for each type of Stock Journal. This is a very useful costing and waste analysis tool. In non-manufacturing set ups, which have Multiple Godowns, this report becomes a quick check to verify that all transfer entries have been entered correctly.

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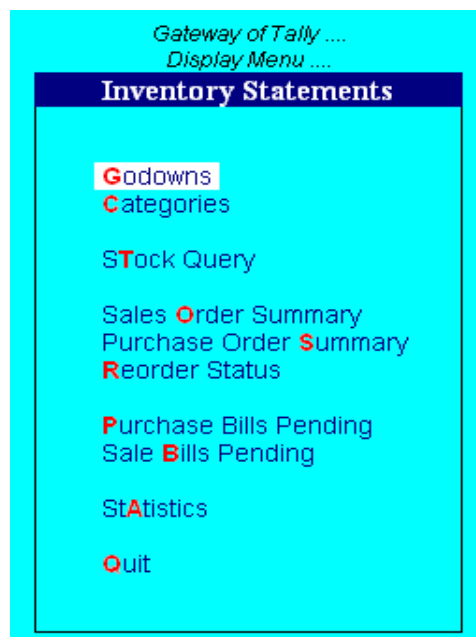
### ***Aged Stock Analysis (Ageing Analysis):***

A very important function of Working Capital management is monitoring stocks. Money locked up in stocks can adversely affect the liquidity of a company and every company strives or should strive to reduce stock levels to the optimum. Every business (except perhaps the liquor and antiques dealers) would prefer to dispose of older stocks as they might deteriorate with time, go out of fashion, or simply get forgotten. Tally's aged stock analysis or Stock ageing enables you to know the age of stocks in hand according to when they were received and the purchase value.

- Go to **Gateway of Tally > Display > Inventory Books > Ageing Analysis**
- Select the **Group** of Stock Items.
- The Ageing Analysis report produces a default ageing period of <45 days, 45-90 days, 90-180 days and >180 days. You can change the setting by using **F6: Ageing Period**.

### **Statement of inventory:**

Gateway Of Tally > Display > Statement of Inventory



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### **Godown / Location Summary:**

The Godown/Location Summary statement displays the Stock Summary for different Godowns/Locations. The Godown/Location Summary is a statement of stock-in-hand at each location on a particular date. As with all Tally statements, the Godown/Location Summary is updated with every transaction and it provides the current stock position for any Godown/Location at any time.

This report can be drilled-down, as with all Tally reports, and configured to view different details. It is also possible to view the total flow of stock for each location in a single report.

- Go to **Gateway of Tally > Display > Statements of Inventory > Godown/Location**
- Select Primary to view the summary for all Godowns/Locations. Alternatively, select a specific Godown/Location to limit information to that Location/Godown.
- The default display is that of Godown/Location Group balances. You can have sub-groups of godowns/locations, quite like sub-groups of stock items.
- Select Detailed for second level of detail.

### **Stock Category Summary:**

*Gateway of Tally > Display > Statements of Inventory > Categories*

The Stock Category Summary lists the Closing Balances of all items belonging to the selected category, Drill-down for Item Monthly Summary and Stock Voucher list. Use Show Profit for profitability analysis for the Items in the Category.

### **Stock Query:**

Stock Query report provides you all the information about a particular item.

- Go to Gateway of Tally > Display > Statements of Inventory > Stock Query
- Select an Item from the List of Items. Tally uses the Stock Category to display Items of the same Category. This feature helps you to ascertain the availability and location of alternative products to offer your customer.

### **Purchase & Sales Bill Pending:**

*Sales Bills Pending & Purchase Bill Pending Report is generated when the option Tracking Numbers is set to Yes.*

#### **Sales Bills Pending:**

It lists out all instances of incomplete sales, where goods may have been delivered but not invoiced. It also lists instances of invoices raised, but for which goods have not been delivered

Go to *Gateway of Tally > Display > Statements of Inventory > Sales Bills Pending.*

#### **Purchase Bills Pending:**

It lists all instances of incomplete purchases where goods may have been received, but not fully invoiced. It also lists instances of invoices received, but for which goods have not been received.

Go to Gateway of Tally > Display > Statements of Inventory > Purchase Bills Pending.

#### **Reorder Levels:**

Reorder Level signifies the quantity of a Stock Item in hand, after reaching which you must place orders for your supplies. The importance of Reorder Level arises from the desire to have sufficient stocks to service customer orders and, at the same time, not to unnecessarily accumulate stock.

Therefore, the points to be considered while deciding the reorder levels are as follows.

- The lead-time for suppliers to deliver the stock.
- The delivery time specified by the customer.
- The stock-in-hand to satisfy orders in the meantime.

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You can define your own reorder levels. You may also specify the minimum quantity of the item to be ordered. The purpose of specifying reorder levels is to obtain a report that indicates the quantity of a Stock Item that you must order.

### **Specifying Reorder Levels:**

- Go to **Gateway of Tally > Inventory Info > Reorder Levels**.
- Select a group of Stock Items from the List of Groups, to specify Reorder Levels for the Stock Items in the Specify Reorder Levels screen.
- For each item in stock, you can define a Reorder Level and the Minimum Order Quantity. If you click Simple Reorder button, the consumption alternatives will not be available and hence you have to input the quantities.

*Note: The option Reorder Levels is displayed in the Inventory Info. menu only if Allow Purchase Order Processing is enabled in F11: Features.*

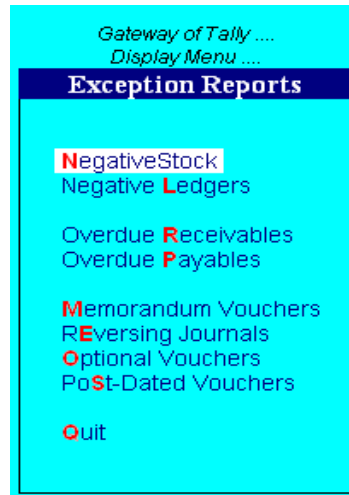
### **Obtain Reorder Status and Quantities to Order:**

- Go to **Gateway of Tally > Display > Statements of Inventory > Reorder Status**
- Select a Group of Stock Items from the List of Groups. The Inventory Reorder Status screen displays.
- This report gives you the reorder status of Stock Items categorised under the selected Group.

### **Exception reports:**

Exception reports are reports that track unusual transactions or balances. The different Exception Reports are:

*Gateway of Tally > Display > Exception Reports*



### **Negative Stock:**

This report displays a list of all stock items that have a negative closing balance at the end of a specified period.

If a negative balance occurs within the period but is adjusted by a purchase so that the balance is not negative at the end of the display period, the item will not be listed.

*Gateway of Tally > Display > Exception Reports > Negative Stock*

### **Negative Ledgers:**

This is a list of ledger accounts that have obverse balances, i.e., balances that are opposite to the nature of the account. For example, a creditor account having a debit balance and an asset account having a credit balance.

Go to *Gateway of Tally > Display > Exception Reports > Negative Ledgers*

### **Overdue Receivables:**

This is a list of all invoices (Sales) that are overdue as on current date.

Go to *Gateway of Tally > Display > Exception Reports > Overdue Receivables*

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**Overdue Payables:**

This is a list of all purchase bills that are overdue as on current date.

Go to *Gateway of Tally > Display > Exception Reports > Overdue Payables*

**Printing:****Cheque Printing:**

You can choose to print cheques directly from Tally. Cheques will be printed while printing a Payment Voucher.

**Enabling Cheque Printing:**

- Gateway of Tally > F11: Features > Yes at Set/Modify other Company Features
- Enable cheque printing – Yes
- Specify the name of Company to be print into the Cheque, And Also specify the name of Bank which cheque you want to print or with which payment has been done.

**Company Cheque Details**

Company Name on Cheque : **ABC & Company**

Names of Banks :

**Bank Accounts**

- Not Applicable
- Natwest Current Account**
- SBI**
- SBM Loan Account**
- State Bank Of India**

- Then specify the dimensions of cheque in millimeter.

<b>Cheque Printing Configuration</b>	
<i>(All Dimensions in mm only)</i>	
Width of Cheque	: <b>158</b>
Height of Cheque	: <b>76</b>
Distance of Date Line from Top Edge	: <b>23</b>
Starting Location of Date from Left Edge	: <b>116</b>
Distance of Party's Name Line from Top Edge	: <b>31</b>
Starting Location of Name from Left Edge	: <b>10</b>
Width of Name area	: <b>94</b>
Distance of 2nd Amt-in-words Line from Top Edge	: <b>50</b>
Height (gap) of Amt-in-words Line	: <b>9</b>
Starting Location of Amt-in-words from Left Edge	: <b>10</b>
Width of Amt-in-words area	: <b>99</b>
Distance of Amt-in-figures Line from Top Edge	: <b>33</b>
Starting Location of Amt-in-figures from Left Edge	: <b>110</b>
Width of Amt-in-figures area	: <b>41</b>
Distance of Company Signature Bottom Line from Top Edge	: <b>59</b>
Starting Location of Signature from Left Edge	: <b>120</b>
Width of Signature area	: <b>35</b>
Height of Signature area	: <b>14</b>
Salutation of 1st Signatory (if 2 signatories)	: <b>Director</b>
Salutation of 2nd or Single Signatory	: <b>Secretary.</b>

*Cheque printing option is available only from Payment Voucher.*

- After making the desired settings to print the cheque,
- Go to **Gateway of Tally > Voucher Entry > F5: Payment**
- You debit the party and give the bill reference details if any. Credit the bank for which the cheque dimensions were set up. On selection, the Name on the cheque is filled with the Debit account name. You can change it if necessary, e.g., in case the debit account name is an expense head but the cheque is made out to a supplier/creditor.
- This is filled in by the most common words used - Account payee. However, you can change it.
- Enter the Cheque Number (Ch. No.) and save the Voucher. Then, you will get the Cheque Printing sub-screen.

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- Select Yes to print the cheque.

### **Printing Reports & Documents:**

Reports and documents generated through Tally's extensive display capabilities can also be printed.

Printing is possible in two ways:

- Using the Print (Alt + P) button and
- Multi-Account Printing

### **Using the Print (Alt + P) button:**

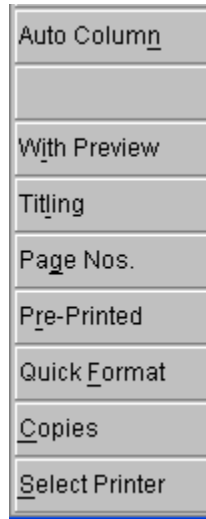
You can choose to print directly from the screen currently displayed by selecting the button PRINT (top-most button on the right-hand side of the screen). This brings up the Print Configuration screen for the report and new button options on the right-hand side of the screen.

Printing Balance Sheet	
Printer : (Ne00:)	Paper Type : Letter
No. of Copies : 1	
Method : Neat Format	Paper Size : (8.50" x 10.94") or (216 mm x 278 mm) <i>(Printing Dimensions)</i>
Page Range : All	Print Area : (8.50" x 10.94") or (216 mm x 278 mm)
<b>Report Titles</b>	
<b>Balance Sheet</b>	
<i>Without Page Numbers</i>	
Scale Factor for Values : <b>Default</b>	
Format : <b>Detailed</b>	
Show Vertical Balance Sheet ? <b>No</b>	
Profit or Loss, both as Liability ? <b>No</b>	
Show Percentages ? <b>No</b>	
Show Working Capital figures ? <b>No</b>	
Method of showing Balance Sheet ? <b>Liabilities / Assets</b>	
	<div style="border: 1px solid black; padding: 5px; display: inline-block;"> <b>Print ?</b>            Yes or No         </div>

### **Common Printing Options:**

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Common printing options affect the printing of current selected reports. They are changed by selecting the appropriate button on the right-hand side of the screen:



**With Preview:** To view the report on screen before printing.

**Titling:** To change the title of the report.

**Page Nos:** To specify the starting page number and page number range.

**Pre-Printed / Plain Paper:** Toggle to make the selection.

**Print Format:** A pop-up list displaying the printing formats available in Tally. The formats provided are, Dot-Matrix Format, Neat Format and Quick (Draft) Format.

**With Colour:** This option is only relevant if you have a colour printer.

**Copies:** To specify the number of copies to be printed.

**Printer:** To change the printer settings. This also displays the default paper size that you have set for the printer.

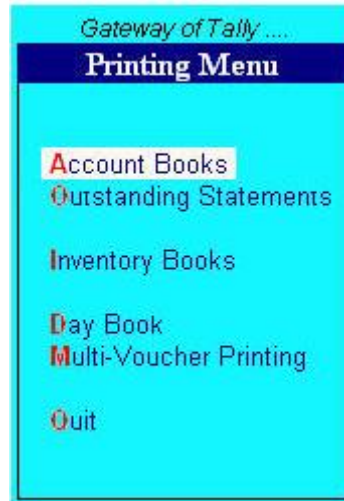
### ***Multi-Account Printing:***

This option enables the printing of the primary Books of Accounts, like the Cash and Bank Books, Account Ledgers, Sales and Purchase Registers etc, without having to select the accounts one at a time and printing them .

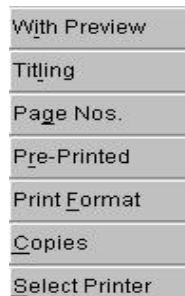
Go to **Gateway of Tally > Multi Account Printing.**

Choose between the options – **Account Books, Inventory Books, Day Book and Multi Voucher Printing.**

You can select the date and other selections before printing.



You can change the common printing options by selecting the appropriate buttons on the right-hand side of the screen.



## Group Company:

The books of Account of different companies belonging to the same management or owners are required to be consolidated to present the financial position of the group of companies as a whole. This is mandatory in many developed countries and currently shareholders would rather know the performance of the group as a whole and not the performance of individual constituent companies.

Tally makes consolidation of accounts a simple task. You can consolidate the accounts of any number of companies as well as keep them separate. You also have the option of bringing the companies into the group and separating them at will.

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### **Creating a Group Company:**

A group company can be created only for companies that have already been loaded (selected/opened).

- The first step is to load the companies whose accounts are to be grouped. The companies can be loaded automatically if specified in the Tally.ini file. Alternatively, select the companies using **F1: Select Cmp button**, as shown.
- Once the constituent companies are loaded, Press **<ALT>+F3** or click the button **[F3: Create Cmp]**.
- Select **Create Group Company** from **Company Info** Menu.
- Enter the name of the Group Company (which is mandatory), address and tax details and select the members of the group company from List of Companies.

Directory	: D:\Tally\Abc
N a m e	: Abc
Mailing Name	: Abc
Address	: Maidagin, Varanasi
E-Mail Address	:
Income-Tax Number	:
Local Sales Tax Number	:
Inter-state Sales Tax Number	:
Members :	
List of Companies	
A	(0006)
B	(0007)
C	(0008)

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### ***Tally Vault:***

The security of data, financial or otherwise, has always been a matter of concern. Most business depend on the confidentiality of information. Tally Vault is an enhanced security system, which allows for encryption of the company data with the most secure method of encryption being used.

Tally Vault ensures that under no circumstances, the original information is available in any form to anyone other than the administrator. The technique could be likened to "encryption-decryption-on-the-fly", and the decrypted form of data is never stored in the system. Apart from this, it uses the "non-stored password" mechanism and highly advanced mechanisms to validate a new user without any prior knowledge of the original password. The combination of these facilities ensures that **Tally Vault** becomes one of the most secure means of information storage.

### ***Use Tally Vault:***

- Go to Cmp Info. > Create Company
- In the Company Creation screen type Tally Vault Password (If it is required), and reenter the password for verification. The password is not displayed for security reasons.
- Accept Yes to save the Vault Password along with Company details.

### ***Security Control:***

In an ideal company scenario, there will be more than one person working on Tally. In such a case, not every person needs to be given the full access. The head of the department/ Administrator should be able to create different users and assign their rights to them.

Tally has a very customisable security system. You can set up Security Levels and users who are placed at these levels. The authority levels or Types of Security decides the rights of the users while using Tally.

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**To create Security Levels:**

- Go to Gateway of Tally, select F3: Cmp Info. > Create/Alter Company
- In the Company Creation screen set Use Security Control to Yes.
- Enter the Name of the Administrator.
- Enter your Password and reenter the password for verification. The password is not displayed for security reasons.
- Accept Yes to save the changes made.

**Security Levels – Types of Security:**

Tally has a very customizable security system. You can set up authority levels and users who are placed at these levels. The authority levels or Types of Security decide the rights of the users – what they can or cannot do when using Tally.

Tally has two security types already set up. One is Owner and the other Data Entry. Owner has full access and rights to all parts of Tally, except Tally Audit & Company Alteration screen which are reserved for the Administrator alone. Data Entry has restricted rights. You are allowed to create other security types based on these predefined types and allow more or less rights as required.

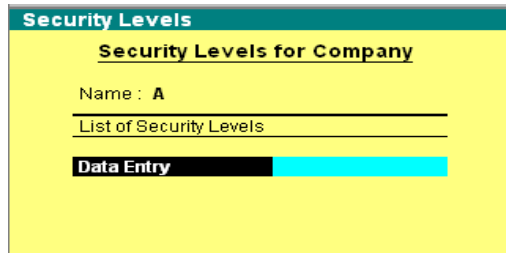
*Gateway of Tally > [ALT]+F3:Create Cmp >Security Control*



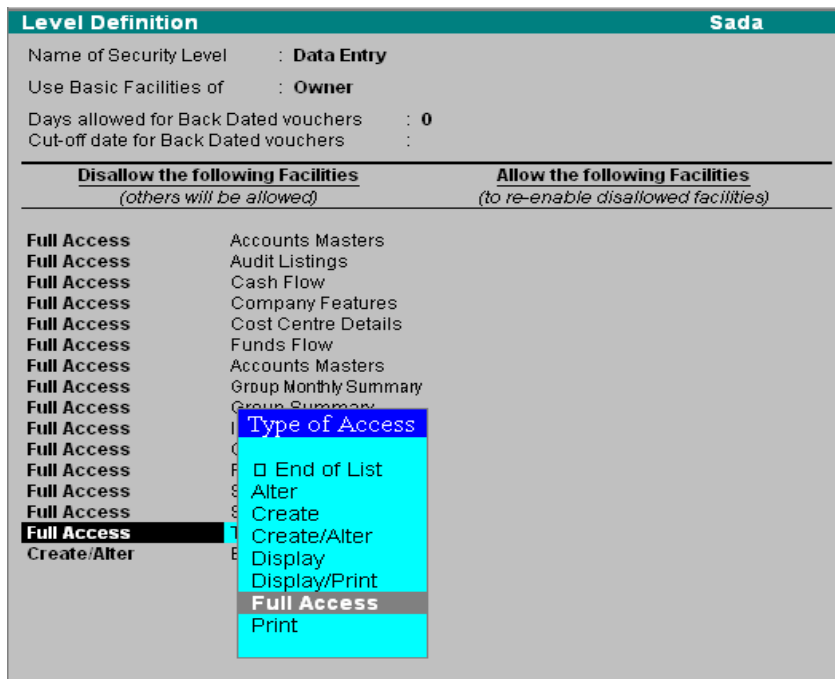
**Types of Security (security or authority levels):**

Owner has full access rights. The other predefined type, Data Entry, is based on owner but is restricted by default. The default settings for Data Entry are as follows. You can change them to allow more or less rights as necessary.

- Gateway of Tally > [ALT]+F3:Create Cmp >Security Control>Types Of Security



- Types of Security [Enter] > Data Entry [Enter]



- The screen is now divided into two broad columns each having two sub-columns. The left side of the screen is to disallow access to the various options of Tally. The right side allows the Security Level access for the different options.

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### ***Users and Passwords:***

To create different users who belong to one or more different Security Levels or Types of Security.

- *Go to Gateway of Tally, select F3: Cmp Info > Security Control > Users and Passwords*
- *The List of Users for Company screen is displayed.*

<b>List of Users for Company</b>		
Name: <b>ABC Company</b>		
Name of User	Password (if any)	Security Level
<b>Data Entry</b>		

A brief description of all the fields in the List of Users for Company screen follows:

**Name:** The selected company name is displayed here automatically.

**Name of User:** Enter the name of the user.

**Password (if any):** Enter the password if required.

**Security Level:** Select the security level from the Security List.

**Note:** You need to create Security Levels before creating users or the default security levels available viz. Owner and Data Entry.

### ***Tally Audit:***

Tally Audit provides the capability to the administrator/auditor to track changes in the accounts following his previous review. Changes of two areas are very important – changes in Transactions or Vouchers and changes in Ledger Masters. Only changes that

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affect the integrity of a transaction are considered. For e.g. a change in the narration does not affect the integrity of a transaction and will not be considered as a change. Any material change in a voucher is logged. The name of a ledger account if changed is material and hence it would be tracked.

Tally Audit feature should be enabled while creating the Company and creating Security levels. Only a user designated as an auditor or the administrator can view the audit list and act upon it.

### **To enable Tally Audit:**

- *Go to Gateway of Tally*
- *Select F3: Cmp Info. from the button bar*
- *In the Company Creation/Alteration screen set Use Tally Audit Features to Yes.*

You are not required to make any additional input of data. The authorised user needs to just display Tally Audit lists and may print out the lists. If he is satisfied with the authenticity of the changes, he accepts the changes either selectively or all of them (by clicking on the relevant button). Once the changes are accepted, they are removed from the audit list and will not be displayed again.