

CHAPTER – 1

BASIC OF ACCOUNTANCY

INTRODUCTION

No distinction was made between book keeping and accountancy. But with the increase in the size and complexity of business many new accounting problems arose and the distinction between the work of a book keeper and an accountant became necessary. Hence it is said that "**accountancy starts where book keeping ends**"

The term '**accountancy**' relates to the formulation of the principles or rules to be followed in the recording of business transactions. It means accountancy is a science. Accountancy includes the making of adjustments, and rectification', preparation of Trial Balance and Financial Accounts.

BASIC ACCOUNTING TERMINOLOGIES

If you are In order to have better understanding of accounting, it is necessary to know the meanings of certain basic terms used in accounting. Therefore, some of the basic terms are explained below (The terms 'transaction' & business transaction are already explained).

1. Cash Transactions:

A business transaction in which cash is paid or received is a cash transaction. Purchase of goods for cash, payment of salary, and receipt of interest are the examples of cash transactions.

2. Credit Transactions:

A credit transaction is one in which cash is not paid or received immediately at the time of a transaction, but it is paid or received at a latter date Purchase or sale of goods on credit, salary due but not paid, commission due but not paid, commission due but not received are the examples of credit transactions.

3. Goods:

The term 'goods' refers to merchandise, commodities, articles or things in which a trade: trades e.g. machinery is goods for a trader who deals in machinery. Similarly stationery is goods for a stationery merchant and books are goods for a bookseller.

4. Purchase & Sales:

The terms 'purchase' and 'sales' are used in accountancy to indicate purchase and sale of

trading goods. Hence, if a transaction is given as 'cash purchases of Rs. 1000' it means goods of Rs. 1000 are purchased for cash. If it is given as 'credit purchases of Rs. 1000' it means goods of Rs. 1000 are purchased on credit.

5. Purchase Returns or Returns Outwards:

This term indicates goods returned to the suppliers out of goods purchased from them.

6. Sales Returns or Returns Inwards:

This term is used to show goods returned by the customers of the business out of goods sold to them.

7. Stock:

It means unsold goods i.e. goods lying in business on any given date.

- **Opening Stock:**

Goods on hand at the beginning of the trading year are termed as opening stock.

- **Closing Stock :**

Goods lying unsold at the end (i.e. close) of the trading year are treated as closing stock. (Closing stock of previous year becomes the opening stock of next year).

8. Debtor:

A person who owes money to the business becomes a debtor of the business (If a business has to receive money from Shri. Mohan, Mohan becomes a debtor of the business).

- **Trade Debtor:**

If money is to be received from a customer for credit sales, that customer is a trade debtor of the business.

- **Sundry Debtors (Trade Debtors):**

This term refers collectively to all trade debtors of the business together.

9. Creditor:

A person to whom a business owes money becomes a creditor of the business e.g. if furniture is purchased on credit from a furniture dealer, that furniture dealer is a creditor of the business till his dues are unpaid.

- **Trade Creditor:**

A creditor for purchase of goods is known as a trade creditor.

- **Sundry Creditors:**

This term refers collectively to all trade creditors of the business together.

10. Debt:

The money due from a debtor.

11. Bad Debts:

The debts which cannot, be recovered are termed as bad debts.

12. Assets:

Total possessions of and debts due to the business. Such as buildings, machinery, furniture, stocks, debtors etc.

13. Fixed Assets:

Assets purchased by the business for its own use and not .for resale, such as building, machinery, furniture, motorcar etc..

14. Liabilities:

Amounts payable by the business to its proprietors & others e.g. creditors, loan taken, bank overdraft, capital etc.

15. Capital:

- Whatever money or money's worth proprietor brings into his business from his private estate forms his capital in his business, e.g. if Shri. Deepak Thakur invests cash, furniture and building in his business, these items form his capital in the business.
- Excess of assets over liabilities is also termed as capital of the business e.g. if total assets of the business are of Rs. 2,20,000 and liabilities are of Rs. 1,50,000 the capital of the business will be Rs. 70,000 (i.e. Rs. 2,20,000 less Rs. 1,50,000).

16. Drawings:

Money or goods or other items of the business either withdrawn or used by the proprietor for his private purpose form the drawings of the proprietor. If business cash is used by the proprietor for payment of rent of his residential house, it is treated as 'drawings' of the proprietor.

17. Discount:

Discount means an allowance given by the seller to the purchaser. There are two types of discount - Trade discount and Cash Discount.

• Trade Discount:

It is an allowance given on catalogue price of goods. This discount is allowed at the time

of purchase/sale of goods. Hence, value of goods purchased/sold recorded is net value payable i.e. after deduction of amount of trade discount allowed. If goods of Rs. 1000 are sold at 2% trade discount, the value of goods that will be recorded as Rs. 980, both by the purchaser and the seller and not Rs. 1000. Hence trade discount does not appear in the books of accounts separately.

- **Cash Discount:**

This discount is allowed to trade debtors to induce them to pay their dues within the time limit given. If payment is not made within this time limit, the debtors do not get this discount. The debtors, therefore, try to settle their dues in time and get discount. This in turn reduces the risk of bad debts, as also the money is not locked-up for a long time with debtors. As this discount depends upon payment of cash in time, it is required to be recorded separately in the books of accounts. Hence this discount appears in the books of accounts.

18. Account (A/c or a/c):

The term 'account' refers to summarized record of all the business transactions relating to one particular person, thing or an item of income or expense.

19. Books of Accounts:

It means suitably ruled account books in which business transactions are recorded. Main books of accounts are:

- Journal or Subsidiary Books.
- Ledger.

20. "On Account":

This term is used to show:-

- I. Purchase or sale of goods or asset on credit.
- II. Receipt or payment of money due from debtors or due to creditors.

21. Entry

Recording ^transaction in the Journal (Subsidiary Books) or Ledger. Thus the term entry may mean journal entry or ledger entry.

22. Turnover:

It means the total sales (cash & credit sales) of the business during a given or accounting period.

23. Voucher:

Any documentary (i.e. written) evidence in support of a business transaction is called a

voucher. Receipts, invoices, bills etc. are the examples of voucher.

24. Person:

The term 'person' relates not only to individuals but it also includes institutions or associates like companies, banks, schools, co-operative societies, firms etc..

25. Cheque:

A cheque is an unconditional order in writing drawn on a specified banker signed by the drawer directing the banker to pay on demand a certain sum in money to or to the order of a person named therein or to the bearer and which does not order any act to be done in addition to payment of money.

26. Bank Current Account:

It is a running account of the customer and he is at liberty to pay into or withdraw from this account the amount required by him from time to time.

PRINCIPLES OF DOUBLE ENTRY

Every business transaction involves exchange of equal values or benefits (i.e. things, rights or services). Exchange means the act of giving or taking one thing in return for another. Thus every business transaction has two aspects i.e. receiving and giving. The receiving aspect is also known as the incoming aspect or the debit aspect, and the giving aspect is known as the outgoing aspect or the credit aspect)

Hence if any transaction is to be recorded completely it is required to be recorded on both the accounts involved - receiving or debit aspect is recorded on the debit side of benefit receiving account and the giving or credit aspect on the credit side of benefit giving account. Thus the Double Entry Book keeping is based on the 'dual aspect' of each transaction, (i.e. every transaction has a double or two-fold effect i.e. debit and credit). The recording of a transaction involves debiting (i.e. writing on the debit side) of one or more accounts to record the second aspect i.e. giving aspect.

As each account in the Ledger may receive and give benefits, it is a good plan to record on one side of an account all benefits received by the account as a result of this arrangement it is easy to find out at any time how much each account has received on the whole and how much it has given on the whole. Further it is easy to ascertain the difference between the two sides of an account and to decide whether the total value received is more than the total value given or vice versa, and by how much amount. It is for this reason that an account is divided into two halves Title benefit received by the account is recorded to its left-hand side i.e. Credit side. As each transaction has two accounts—receiver and giver—two entries for each transaction are made—one on the debit side of the receiver and the other on the credit side of

the giver.

CLASSIFICATION OF ACCOUNTS

We have seen that whatever the size of the business may be, every business has dealings with **a) persons or institutions, b) property or things and c) services or uses** i.e. expenses and incomes. Thus all the transactions of any business are in respect of these three elements only and hence the accounts are also classified into three categories or types as shown below.

1. Accounts representing persons, firms, Companies, Associations, Societies, Clubs or any other institutions with whom the business deals are called Personal Accounts.

Personal Accounts may be classified as under:

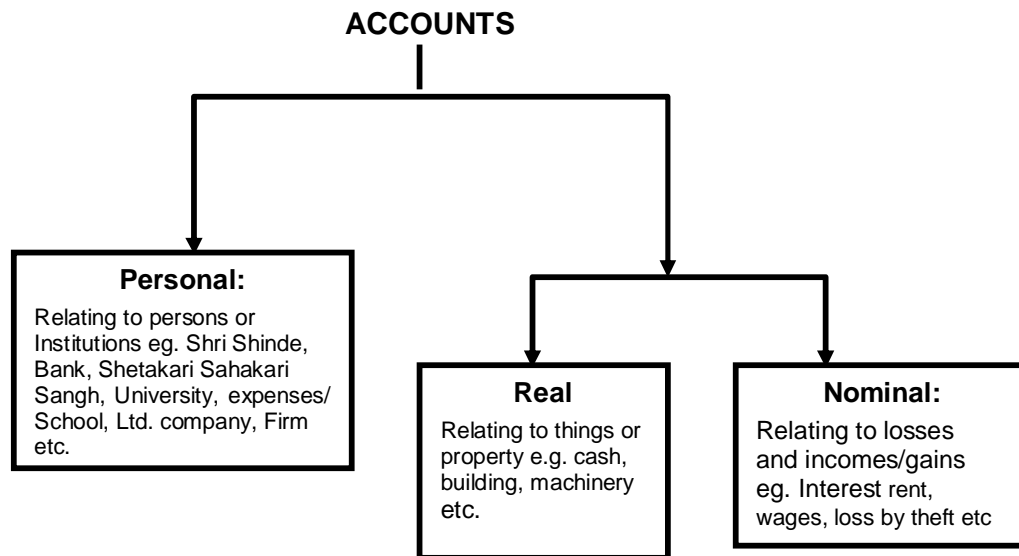
- a) Natural Persons Accounts:** Accounts relating to human beings such as Patil, Sheikh, and Kulkarni.
- b) Artificial Persons and Body of Persons Accounts:** Accounts relating to deity, company, Firm, Co-operative Society, Bank, school, club etc.
- c) Representative Personal Accounts:** These accounts represent persons. However, instead of opening individual account of each person, the amounts due to various parties or due from various parties are grouped under the same head of expense or income e.g. salaries due to number of workers but not paid is shown under the heading '**Outstanding Salaries A/c**'.

Similarly interest due to business from various parties but not received is shown under the heading '**Outstanding Interest Account**'. Thus the '**Outstanding Salaries A/c**' or '**Outstanding Interest Account**' is a representative personal account. Similarly 'incomes received in advance a/c' or 'expenses prepaid a/c' is a representative personal account.

2. Accounts relating to various classes of properties or thing or possessions, such as building, furniture, machinery, goods, cash etc. are called Real Accounts. These accounts are called Real Accounts because they represent something really existing i.e. some tangible things. (However, accounts of some intangible assets like Goodwill, trade marks, copyrights etc. also come under this category).
3. Account representing expenses/losses and incomes/gains such as salaries, rent, commission, interest, discount, advertisement etc are called Nominal Accounts. The Nominal accounts are so called, as opposed to Real Accounts, because they exist in name only and they do not represent any tangible thing. They represent only services or uses or something intangible. In the case of Nominal Accounts no tangible thing or

property is exchanged for money or other tangible thing. If a book is purchased, a book i.e. tangible thing is received in exchange of cash. But if rent is paid no tangible thing is received in exchange of cash. Similarly, if interest is received i.e. cash is received for interest no tangible thing is required to be given in return. In the first case cash is paid for the use of building and in the second cash is received for use of our money by the other party.

As opposed to Personal Accounts. Real Accounts and Nominal Accounts together are called Impersonal Accounts. The classification of accounts can be shown by way of chart as under.



While preparing a trading, you must be kept these things in your mind

- Revenue receipt (i.e. sales procedure and other incomes should be entered).
- Only revenue expenses together with losses should be taken in to account.
- Expenses and income relating to the period for which the accounts are being prepared should consider. Suitable adjustments have to be made in order to ensure that the figures relates to that period only, not to the previous period or a future period.
- All expenses and incomes relating to the period concerned should be considered even if the expenses have not yet been paid in cash.

All personal expenses of the proprietor partner must be debited to the capital or drawing accounts and must not be debited to the Trading and Profit & Loss account.

TRADING ACCOUNT

In" a manufacturing concern, which does not prepare Manufacturing Account, Trading Account is debited with all those expenses also which are necessary to convert raw materials into furnished product.

Examples are:-

- Purchase of raw materials
- Wages paid to workmen
- Fuel and power to propel the machine

In trading account closing stock is shown at cost price or market price whichever is lower. While taking stock for the purpose of preparation of trading account, stock in hand on the last day of accounting year should be adjusted for the purchases recorded but goods not yet received, goods should but not yet delivered and goods that may be out business premises, because of consignment, goods delivered on sale or return bases, etc

Gross profit and loss revealed by trading account is transferred to profit and loss account.

The work of asserting profit and loss for an accounting period is divided in two parts.

- 1) Finding out the gross profit or loss gross loss by preparing an account called trading account.
- 2) Finding out the net profit or net loss by preparing another account. Gross profit is the excess of net sales (i.e. Total sales - total sales return) over the cost of goods sold. Cost of goods can be ascertained by adding net purchase to opening stock of goods in trade and deducting the stock of goods at end of the accounting period from the total.

PROFIT AND LOSS

It is the second major statement of financial information. It also known by several other titles such Income Statement, Statement of earning, statement of earning, statement of operation and profit and loss statement.

Write the balance sheet, as a stock/position statement reveals the financial condition of a business at a particular point of time (date), the profit and loss account portrays as a flow statement, the operations over/during a particular period of time. The period of time is an accounting year/period. Since the purpose of every business firm is to earn profit, the operations of a firm in a given period of time will truly be reflected in the profit earned by it. Thus, the income statement profit and loss account of a firm reports the results of operations in terms of income/net profit in a year.

In operational terms, the accounting report that summarizes the revenue items, the expense terms and the difference between them net income for an accounting period is called the income statement or profit and loss account. Inside profit and loss there are three important terms, they are:

- (i) Expenses
- (ii) Revenues
- (iii) Net income/profit/loss

NET INCOME PROFIT

The difference between receive and expenses is net profit. The profit and loss account may also show the appropriation of the net profits between dividends paid to the shareholders and retained earnings/amounts transferred to reserves and surplus. This last item is transferred to the balance sheet in the owner's equity. Thus it is a link in a way, between the profit and loss account and the balance sheet.

TRIAL BALANCE

A trial balance is a listing of the ledger account along with their net debit or credit balance. In other words the purpose of trial balance is to find out if the debit and credit accounts balance are equal. It is a summary at the ledger that is a list of accounts and their balance. The account balances are placed in the either debit or credit column at the trial balance. It provides two functions:-

It provides a check on the equality of debit and credits. It arranges data in a convenient form for preparing the financial statement. It also provides help as a helpful internal document for preparing the financial statement. The task of statements is simplified of the accounts can take the account balance from the trial balance instead of searching them the ledger.

STEPS FOR PREPARING A TRAIL BALANCE SHEET

- Find the balance of each account in the ledger.
- List each account and place CIS balance beside it debit balance are entered in the debit.
Column and credit balances are entered in the credit column (If any account has a zero balance. Place it in the normal balance column (that is debit column).
- Calculate the total debit balance and then the total of the credit balance.
- Check whether the debit balance is equal to the credit balance or not.

The error occurs when-

- (1) You forget to enter balance sheets in the trial balance
- (2) In the totaling of balance sheet is incorrect.

INVENTORY CONTROL SYSTEM

Inventory can be defined as tangible property held:

- (i) For sale in ordinary course of business
- (ii) In the process if production for sale
- (iii) For consumption in the production of goods or service for sales.

Inventory control is the care of materials management. The need and importance of inventory varies in direct proportion to the idle time case of men and machinery and the urgency of equipment.

OBJECTIVES OF INVENTORY CONTROL

The two main objectives in maintaining an inventory control options are:

- (i) To keep the low level of products.
- (ii) Items on hand to minimize the memory invested and to reduce the cost of starting and ensuring a large quantity of goods.

The inventory management should be such that it should serve following purposes:

- (i) To provide continuous flow of required materials parts and components for efficient and interrupted flow of production.
- (ii) To minimize investment in inventory.
- (iii) To provide protection from loss by fire and theft.
- (iv) Identify slow moving or absolute inventories while designing the inventory management system for a company the above said points should be kept in mind.

INVENTORY REPORTS

A measure of something on hand. It is called stock on hand. In trading concern the stock on hand is the amount of goods which have not been sold on the date on which balance sheet was prepared. Input data for inventory control may come from receiving reports and customer bill. Output results produced by the inventory control application include:-

- (i) Updated records of individual items
- (ii) Management reports used to determine what items to reorder or discontinue and how much to reorder.

INVENTORY CONTROL

The commonly used techniques for inventory control:

- (i) **Min-max plan:** This is one of the oldest millions of inventory control. In this, the analyst lay down a maximum and minimum of each stock item keeping in view its usage requirements and margin of safety required to minimize the risk of stock out. The minimum level is marked as reorder level.
- (ii) **Two-bin system:** For each item of stock, two piles or bundles are kept. The first bin stocks that quantity of inventory which is sufficient to meet its usage during the period that elapses between receipt of an order and the placing of next order. The second bin contains the safety stock as well as the normal amount used from order to delivery date.
- (iii) **ABC Plan**

Segregation of materials is done for the selection of controls. It measures the money value i.e. cost significance of each material item in relation to the total cost and inventory value.

In ABC analysis, the different items are ranked in order of their average inventory investment or on the basis of their annual rupee usage.

ABC ANALYSIS

Item	Unit	%of Total Units	Cost(Rs)	Total cost	%of total cost	Grading group	Total
1.	400	4	50.00	20,000	25.0	A	
2.	600	6	40.00	24,000	30.0	A	10
3.	1000	10	14.00	14,000	17.5	B	
4.	1200	12	10.00	12,000	15.0	B	22
5.	2800	28	2.00	5600	7.0	C	
6.	4000	40	1.10	4400	5.5	C	68
	10000	100		800000	160.00	ABC	100

ORDER CYCLING SYSTEM

Quantities in hand of each item or class of stock and reviewed periodically say 30 or 40 day if in the course of scheduled period review. It is observed that the stock level of a given item will not be sufficient till the next scheduled review; an order is placed to replenish its supply.

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METHODS OF STOCK VALUATION

The cost of Raw Material The total quantity of raw material is multiplied by the cost of per unit material to find of the total cost of the material but practically its not as simple as it appears as cost of material per unit is always known. Because cost does not remain constant are to inflation and other factors the cost keeps on varying for small things its difficult to paste a price tag on each individual item. So we use following methods for stock valuation.

1. First in First out (FIFO)

The first stock to be received i.e. the oldest should be issued first. To illustrate how the cost

of materials is calculated under the FIFO method the following figures are used.

DATE	RECEIPTS	COST	ISSUE DATE	USE QTY.
January	20	Rs. 2.00	February	5
March	5	Rs. 2.20	April	15
June	10	Rs. 2.50	August	4
Septem	15	Rs. 2.60	October	10
			November	5
			December	3

2. Last in First out (LIFO)

This method is opposite of FIFO and involves recording the last goods received i.e. the newest as being the first to be used. This method is used where materials are stored in bins or vats.

3. Average Cost (AVCO)

Average cost of goods received is calculated. This value is used to price the material issued. The method is only an accounting convention and obviously cannot be used as a practical means of controlling raw material.

4. Perpetual or periodic Inventory

The items of stock issued and received are recorded at the time of issue and receipt. This method is known as perpetual inventory as records are continually (perpetually) maintained or recorded.

CHAPTER – 2

FINANCIAL ACCOUNTING - TALLY

INTRODUCTION

Financial Accounting (FA) Software is used to store and maintain daily business transactions like purchases, sales, receipts, purchase returns, sales returns, deposits and withdrawals etc. Popular FA software package are **Tally, EX, WinCA, Busy and DacEasy**.

In Financial Accounting you should be able to distinguish between debit and credit in a transaction. For example when you receive cash it is an addition to your pocket/bank and entered as a debit (+) cash/bank. Similarly a purchase is always an addition to stock so entered as debit (+). A payment is a minus from cash so payment is always entered as credit,(-) cash/bank. (Similarly sales is a minus of inventory and always entered as credit (-). Details about transaction entry' have been covered in unit 3.

Meaning of Tally

Tally is a “**Financial Accounting Software**” developed by ‘**Peutronics Pvt. Ltd.**’, Bangalore. It is a post transaction system and provides normal cash book, ledger, sales & purchase registers etc. It also provides other statutory statements such as Trial Balance, Profit & Loss a/c, Balance Sheet, Cash Book & Fund flows statements. It controls the overall financial conditions of a company by the means of Budget facility & cost centre facility which are available only in Tally.

USE OF TALLY

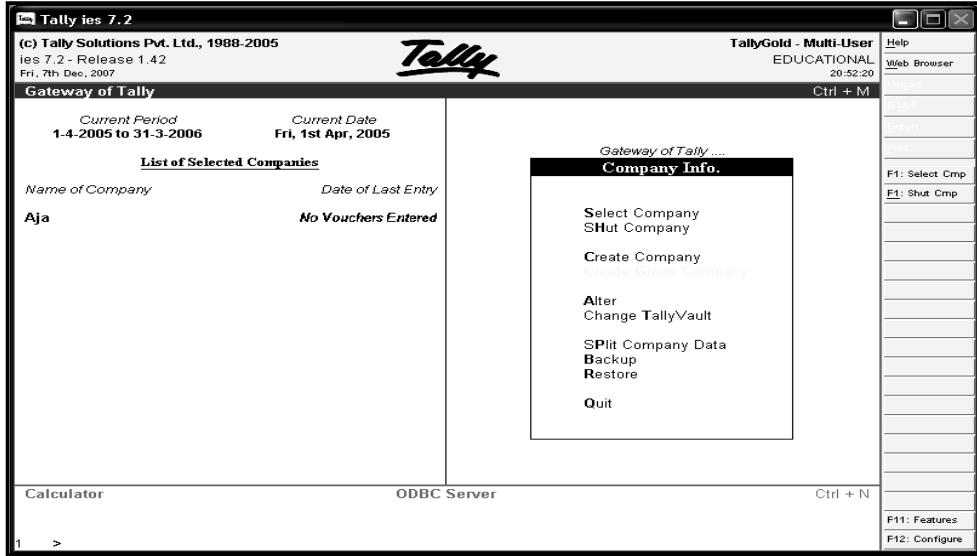
Tally is the number one financial accounting package in India and is also used abroad. With tally you could be the owner, the financial controller, accountant, manager, auditor or anyone connected with accounts.

TO START TALLY

To start Tally, first the computer must be booted and Windows must be loaded. Then select Start, Programs, and Tally 7.2 from Windows. Tally will be loaded by displaying the Company Info. Menu, which allows to select or create Company.

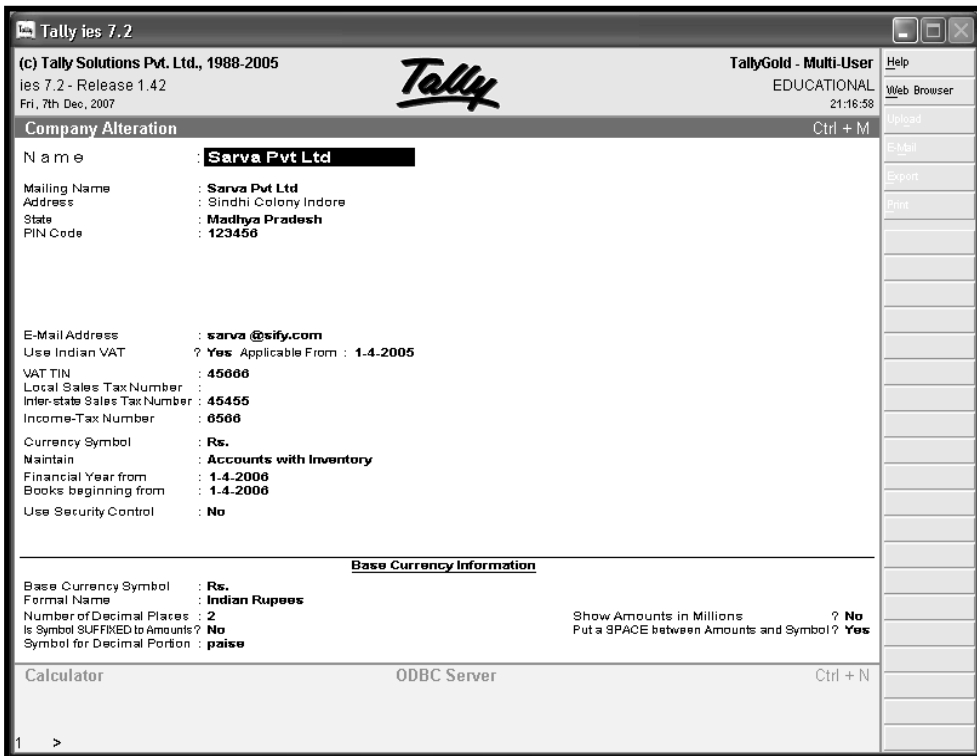
TO CREATE COMPANY

For the first time, to start working with Tally, a company is to be created. Creating a company involves - typing the name of company, its address, tax numbers, financial year from etc. The initial screen would appear like this:



A company can be created from Company Info menu.

- To create a company, Select **Create Company** or press **C**, Company Info. menu. Company Creation screen will be display:



- Type the name of company (it can exceed the space provided on the screen, a larger name will reduce the character size). Typing a name of company is compulsory}
- Type the address of company] (this is optional and can be left blank by Pressing Enter). More than one line address can be typed.
- If the company has an Income Tax number, it can be typed. This number will be printed on the reports, (typing the Tax number is also optional).
- If the company has a local sales tax number, it can be typed. This is also optional.
- If the company has an inter-state sales tax number, it can be typed. It is also Optional
- The Maintain option allows you to specify the method of maintaining the accounts. There are 3 options in it. They are,

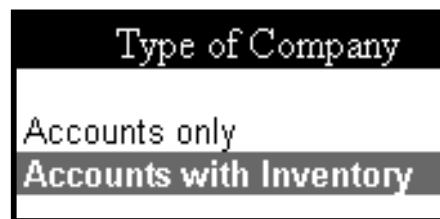


Figure: Menu to select types of Companies.

Accounts Only –

To maintain only the Financial Accounts of the company Inventory management is not involved in it. In this case, the closing stock is not calculated by Tally, it must be entered manually.

Accts-cum-Inv-

This is the default option, which allows to maintain both the Financial Accounts of the company as well as the Inventory of the company, In this case closing stock figures will be calculated automatically.

Inventory Only-

to maintain only the inventory accounts of the company, It does not involve the Financial accounting. Selecting any one of these types is compulsory:

- Type the starting date of Financial Year of the company generally it will begin from the 1st of April for example, 1-4-99 signifies the accounting period starting from 1-4-J9JD.
- Under the option Books Beginning from Field, type the actual date from which the accounts of the company has to be maintained. Generally financial Year From and Books Beginning From date will be the same. Books beginning from date happens to be different from the date of Financial Year From, then, it must be more than the Financial Year From date. Tally will take the entries from the date of Books Beginning From. For example, the Books Beginning From date 1-6-99, indicates, the financial year starts from 1 -4-99 but the entries

will be made only from 1-6-99 onwards.

- There is a provision to give a Security Control by giving the same administrator and a password. But this is optional. By default, it is set to No. If it is made Yes, later while when selecting the company, the same name of the administrator and password must be typed.
- Tally lets you use the Multi-Currency Accounting System. When creating a company specify the information about the base currency of the company.

- (a) Base currency symbol in India is **Rs.**
- (b) Formal name depends on the base currency symbol. If base currency symbol is Rs. formal name can be Indian Rupees or Nepalese Rupees depends on the country.
- (c) Specify the number of decimal places needed when typing the amount a number between 0 to 4 can be given as number of decimal place Default value is **2**.
- (d) If the amount is to be displayed in millions? Select Yes for Show Amount Millions? To display the amount in lakhs and crores, select No to this option. Default is **NO**.
- (e) Most currencies have the currency symbol pre-fixed to the amount (e.g., Rs. 275.00 or \$125.00) but in some currencies, the amount is suffix (e.g., 500 Yen or 2000 Lira. The default option for Is Symbol SUFFIXED to amount is No. that means, the symbol will be pre-fixed to the amount.
- (f) In order to insert a space between the currency symbol and amount, select **Yes** to put a space between Amount and Symbol? Default is **Yes**. After specifying these options, **a question will be asked:**

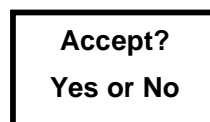


Figure: Prompt to Save.

Press **Y** or press **Enter** to select **Yes**. The company will be created, (directory having a serial number of **4 characters** e.g. **0001** will be created inside DATA directory of **TALLY**. It creates five files - **CMPSAVE.5CO**, **COMPANY.500**, **EXCLUSV.TSM**, **MANAGER.500** and **MSGREAD.TSM** to store the details), and the 2nd menu Gateway of Tally will be displayed.

SELECTING A COMPANY

After Tally is loaded, (if the company is already created, in order to make the entries, it must be selected (a company will be automatically opened, after creating the company). To select the company, from Company Info., menu, choose Select Company. Available company names will be listed. Each company will have a serial number of 4 characters. This represents the directory of files belonging to that company. These directories will be inside the directory

named DATA. Select the required company name by highlighting it and pressing **Enter** (a company can also be selected by double clicking on the company name).

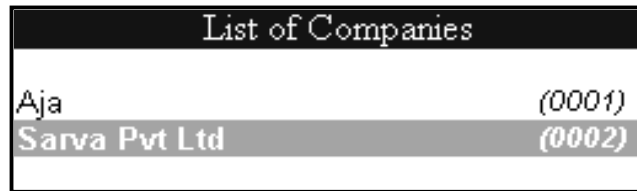


Figure: Use List of Companies menu to select existing company

After the company is selected, Gateway of Tally menu will be displayed.

ALTERING A COMPANY

If the address of company, method of maintaining accounts, tax numbers, security control etc., is to be changed,



Figure: The Company Info menu.

- First select the company. Gateway of Tally menu will be displayed.
- Press **Alt+F3**, to display the Company Info menu.
- Select Alter (or press A), Tally will prompt to select a company from a list of open company names (if only one company is open, it will be displayed, list will not have names of all companies created). Select the company and make the necessary changes, select Accept Yes. By pressing ESC, return to Gateway of Tally.

CLOSING A COMPANY

To close an open company, from Gateway of Tally menu, press AU+F1. The currently opened company will be closed and Company Info., menu will be displayed. If many companies are open, to close any one of the open companies, from Gateway of Tally, press **Alt+F3**. Company

Info. menu will be displayed. Select Shut Company. A list of open companies will be displayed. Select the name of company to be closed.

ACCOUNTS INFORMATION

In any Financial Accounting, the amount is entered into an account. When the company is created, Tally automatically creates 2 accounts. They are Cash A/c and Profit and Loss A/c. Other accounts have to be created by the user as per requirements.

As the reports are created automatically, Tally should be in a position to identify which account is to be taken into which report, because, all accounts will not be entered in Trial Balance, Profit and Loss Account or Balance Sheet **For example**, Closing Stock will appear in Profit and Loss Account and Balance Sheet Therefore various groups are given in Tally Any account created in Tally must belong to any one of the groups. These account groups are based on Assets, Liabilities Income and Expenses. All accounts that belong to group of Assets or Liabilities will be taken into Balance Sheet and the accounts that belong to group of Income or Expenses will be taken into Profit and Loss Accounts.

ACCOUNT GROUPS

Based on the requirements of Indian Accounting System, Tally provides a set of above **28** pre-defined groups, of those **15** are primary groups and **13** are sub-groups follows:

Capital Account: This is a **primary group** to hold the Capital and Reserves of the company. **Ledger Accounts** like Partner Capital A/c. Proprietors Capital A/c Capital, Partner or Proprietors Draw has etc. belong to this group.

Reserves and Surplus: This is a **sub-group** of Capital Account. **Ledger Accounts** like Investment Allowance Reserve, General Ledger and other such Reserve belong to this group. This group is called by the name Retained Earnings.

Current Assets: This is a **primary group**. All assets of the company are placed under this head. But generally accounts are created for its sub-groups. There are **six sub-groups** to Current Assets. Any asset, which does not fall into six sub groups, can be created under the group Current Assets.

- **Bank Accounts:** This is the **first sub-group** of Current Assets. **Ledger Accounts** like banks

Savings a/c or Current A/c's can be placed under this group.

- **Cash-in-hand:** This is the **second sub-group** of Current Assets. This will hold **ledger Accounts** like Cash A/c only. Cash account is automatically created under this group, when a company is created.
- **Deposits (Assets):** This is the **third sub group** of Current Asset. **Ledger Accounts** related to Deposits like Security Deposits a/c, Fixed Deposits a/c and Rental Deposits a/c etc. can be created in this group.
- **Loans and Advances:** This is the **fourth sub group** of current Assets. Account related to advances and loans of non-trading nature **Ledger Account** like advances against salaries a/c, work contracts a/c. Advances to purchase fixed assets a/c created in this group.
- **Stock-in-hand:** This is the **fifth sub-group** of Current Assets. This is used to hold the opening and closing stock figures of certain **Ledger Accounts** like raw materials a/c, work in progress a/c, finished products a/c etc.
- **Sundry Debtors:** This is the **sixth sub-group** of Current Assets. This group is used to create the **Ledger Account** of customers, all parties, to whom Credit sales are made. For example: Sh. Ashok A/c, Sh. Mohan A/c etc.

Current Liabilities: This is a **primary group** to hold the outstanding and statutory liabilities of the company, **Ledger Accounts** such as ESL, PF, TDS etc. It has three Sub Group:

- **Duties and Taxes:** This is the **first sub-group** in Current Liabilities. **Ledger Accounts** of trade duties and taxes like Excise, Local Sales Tax. Central Sales Tax etc, can be opened in this group.
- **Provisions:** This is the **second sub-group** of Current Liabilities. It is used to hold tax provisions like income tax a/c.
- **Sundry Creditors:** This is the **third sub-group** of Current Liabilities. **Ledger Account** of trade creditors / suppliers (all parties from whom credit purchases are made) are created under this group. For example: M/s Das Ltd.a/c, M/s Sarva Pvt Ltd a/c, M/s Bajaj Electronics Pvt Ltd. a/c Etc.

Fixed Assets: This is a **primary group**. **Ledger Accounts** like Building a/c, Land a/c, Furniture a/c, Machinery a/c etc., can, be created under this group.

Investment: This is a **primary group**. It holds the **Ledger Accounts** of all types of Investments, made by the company on shares a/c, bonds a/c, debentures a/c and other securities of the company as well as other companies.

Loans (Liability): This is a *primary group*. Accounts of loans taken by the company are created in this group. It has *three sub-groups*:

- **Bank OD Accounts (Bank OCC Accounts):** This is the *first sub-group* of Loans Overdraft *Ledger Accounts* of a bank like hypothecation a/c, bill discounting a/c etc, can be opened under this group.
- **Secured Loans:** This is *second sub-group* of loans. Accounts of Loans taken by the company from financial corporations, banks etc., against its fixed assets are created under this group.
- **Unsecured Loans:** This is *third sub-group* of loans. *Ledger Accounts* of Loans taken by the company unconditionally from outside parties including debtors and partners can be created under this group.

Suspense Account: This is a *primary group*. *Ledger Account* of money received or paid by the company, the nature of which is not known like money paid as travelling advance, can be created in this group. This is a balance sheet item.

Misc. Expenses (Assets): A rarely used *primary group* preliminary and preoperative expenses which have been capitalized to the extent of not writing them off in the profit and loss account, will fall into this group.

Sales Account: This is a *primary group*. *Ledger Accounts* like General Sales A/c, State Sales A/c and Sale A/c etc. can be created under this group.

Purchase Account: This is a *primary group*. (General Purchase A/c, State Purchase A/c can be created under this group.

Direct Income [Income Direct]: This is a *primary group*. Selling the goods of the company can create *Ledger accounts* of direct income of the company like income by selling the goods of the company under this group.

Indirect income [Income Indirect]: This is a *primary group*. *Ledger Accounts* indirect income like rent received a/c, interest received a/c, and commission received a/c etc., can be created under this group.

Direct Expenses [Expenses Direct] : This is a *primary group*. *Ledger Accounts* related to

payment of wages, freight, coolie, carriage, electricity bill, water bill etc. can be created under this group.

Indirect Expenses [Expenses Indirect] : This is a **primary group**. **Ledger Accounts** of payment made for advertisements, maintenance of vehicles a/c, salaries paid to staff, depreciation on fixed assets a/c, traveling expenses etc. can be created under this group.

Branch/Divisions: This is a **primary group**. **Ledger Accounts** of branches, division sister concerns, subsidiaries etc., of the existing company can be created under this group.

CREATING LEDGER ACCOUNTS

When creating the accounts, take into account, whether the bill details like bill number, due date or due days to be entered for vouchers or not and whether the inventory information is to be maintained or not (in case of Accts cum Inv.) the bill details or inventory information is to be maintained, some necessary features may be changed by pressing the function key **F11** When **F11** function key is pressed, the following dialog will be displayed:-

Company Operations Alteration																			
Company : Sarva Pvt Ltd																			
Integrate Accounts and Inventory ? Yes	Maintain Budgets and Controls ? No																		
Allow Multi-Currency ? No	Allow 0 valued entries In Vouchers ? No																		
Allow Invoicing ? No	Allow Purchase Order Processing ? No																		
Enter Purchases In Invoice Format? No	Allow Sales Order Processing ? No																		
Enable Service Tax ? No	Enable TDS ? No																		
<table border="0" style="width: 100%;"> <tr> <td style="text-align: center;">Accounting Features</td> <td style="text-align: center;">Inventory Features</td> </tr> <tr> <td>Maintain Billwise Details (for Non-Trading Accts also) ? Yes</td> <td>Maintain Stock Categories ? No</td> </tr> <tr> <td>Maintain Cost Centres (more than ONE Cost Category)? No</td> <td>Maintain Batch-wise Details (Set Expiry Dates for Batches) ? Yes</td> </tr> <tr> <td>Use Rev. Journals & Optional Vouchers? No</td> <td>Maintain Multiple Godowns ? No</td> </tr> <tr> <td>Use Debit/Credit Notes ? Yes</td> <td>Use Tracking Numbers ? No</td> </tr> <tr> <td>Use Invoice made for Credit Notes? No</td> <td>Use Rejection Notes ? No</td> </tr> <tr> <td>Use Invoice made for Debit Notes? No</td> <td>Use different Actual & Billed Qty ? No</td> </tr> <tr> <td>Activate Interest Calculation (use advanced parameters) ? No</td> <td>Track additional costs of Purchase ? No</td> </tr> <tr> <td>Income/Expense Stmt Instead of P & L? No</td> <td></td> </tr> </table>		Accounting Features	Inventory Features	Maintain Billwise Details (for Non-Trading Accts also) ? Yes	Maintain Stock Categories ? No	Maintain Cost Centres (more than ONE Cost Category)? No	Maintain Batch-wise Details (Set Expiry Dates for Batches) ? Yes	Use Rev. Journals & Optional Vouchers? No	Maintain Multiple Godowns ? No	Use Debit/Credit Notes ? Yes	Use Tracking Numbers ? No	Use Invoice made for Credit Notes? No	Use Rejection Notes ? No	Use Invoice made for Debit Notes? No	Use different Actual & Billed Qty ? No	Activate Interest Calculation (use advanced parameters) ? No	Track additional costs of Purchase ? No	Income/Expense Stmt Instead of P & L? No	
Accounting Features	Inventory Features																		
Maintain Billwise Details (for Non-Trading Accts also) ? Yes	Maintain Stock Categories ? No																		
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Use Invoice made for Debit Notes? No	Use different Actual & Billed Qty ? No																		
Activate Interest Calculation (use advanced parameters) ? No	Track additional costs of Purchase ? No																		
Income/Expense Stmt Instead of P & L? No																			
Set/Modify other Company Features ? No																			

Figure: The company operation alteration menu

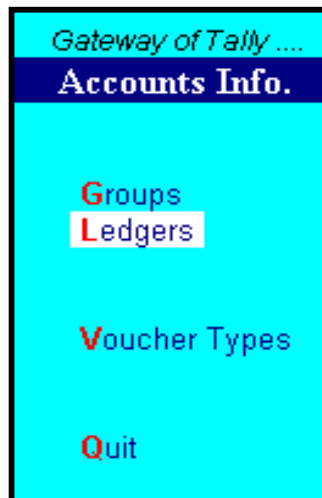
To maintain inventory information (for Accounts cum Inventory), select **Integrate Accounts and Inventory: Yes**.

To maintain bill wise details for sundry debtors and sundry creditors, select **Maintain Bill wise Details: Yes**. By default, both of these options are set to **No**.

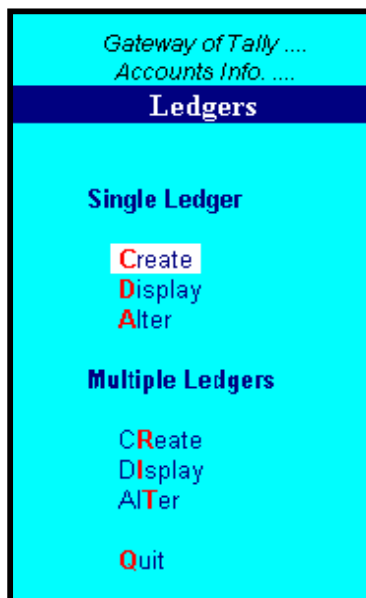
For purchase returns and sales returns, either journal entry can be passed or Debit Note (for Purchase Returns) and Credit Note (for Sales Returns) can be used. If Debit Note and Credit Notes are to be entered, select **Use Debit/Credit Notes: Yes**. By default, it is set to **No**. Change the necessary options and select **Accept: Yes**.

An account is created by selecting an appropriate group. To create the accounts:

1. From **Gateway of Tally** menu, select **Accounts Info**.
2. Select **Ledgers** from **Accounts Info.**, menu.



3. Select **create** from **Single Ledgers**.



4. Give the following details to create an account:

The screenshot shows the 'Ledger Creation' window in Tally ies 7.2. The window title is 'Tally ies 7.2'. The header includes '(c) Tally Solutions Pvt. Ltd., 1988-2005', 'ies 7.2 - Release 1.42', and 'Sun, 9th Dec, 2007'. The company name is 'Sarva Pvt Ltd'. The 'Name' field is redacted with a black box. The 'Under' field is set to 'Capital Account'. The 'Inventory values are affected' field is set to 'No'. The 'Opening Balance (on 1-Apr-2006)' field is empty. The 'Mailing & Related Details' section includes fields for Name, Address, State, PIN Code, and Income Tax No., all of which are currently empty. A 'Total Op. Bal.' box is located on the right side of the window. At the bottom, there are buttons for 'Calculator' and 'ODBC Server'.

- Type the name of Account to be created in **place of Name**.
- If the account is to be identified by any other name (for example, State Bank of India A/c can also be identified as SBI A/c, both these a/c's refer to the same account). The names by which the account is to be referred can be entered in **Alias**. More than one alias can be entered one below the other. Please note giving an alias is not compulsory.
- All accounts in Tally must be classified in their appropriate group. The option will display a list of available groups (primary groups as well as sub-groups) select an appropriate group from the list.
- If the accounts have any opening balance, it can be entered. If the opening balance is entered specify whether it is a Debit balance (by typing **D**) or Credit balance (by typing **C**). By default, Tally assumes that Assets have debit balances and Liabilities have credit balance.

For Sundry Debtors and Sundry Creditors: Mailing and Related details must be entered. It includes the name and address of the Sundry Debtor or Sundry Creditor, their Income Tax Number and Sales Tax Number.

If **Maintain Bill wise Details** is set to **Yes** in Features by pressing **F11** (as given above), For Sundry Debtors and Sundry Creditors, select **Yes** for **Maintain Balances Bill by Bill**. It will be asked immediately after selecting the group.

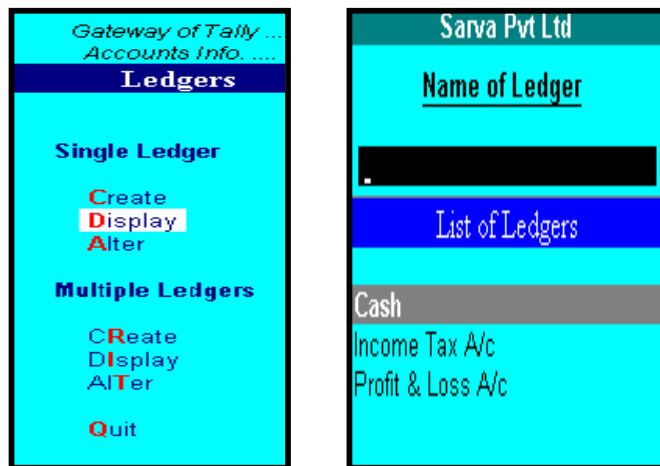
To maintain Inventory information: Press **F11** and set **YES** to integrate **Accounts and Inventory** For all accounts Tally will ask a question **Inventory Values are affected?** For **Purchase A/c, Sales A/c, Purchase Returns A/c and Sales Returns A/c** select **Yes**.

DISPLAY LEDGER ACCOUNTS:

For the purpose of confirmation, the account details such as the account group, the opening and closing balances, the address and tax numbers of Sundry Debtors and Sundry Creditors can be displayed.

To display an account:

1. Select Accounts Info from Gateway of Tally menu.
2. Select Ledgers from Accounts Info, menu.
3. Select Display under Single Ledger in the Ledgers menu.

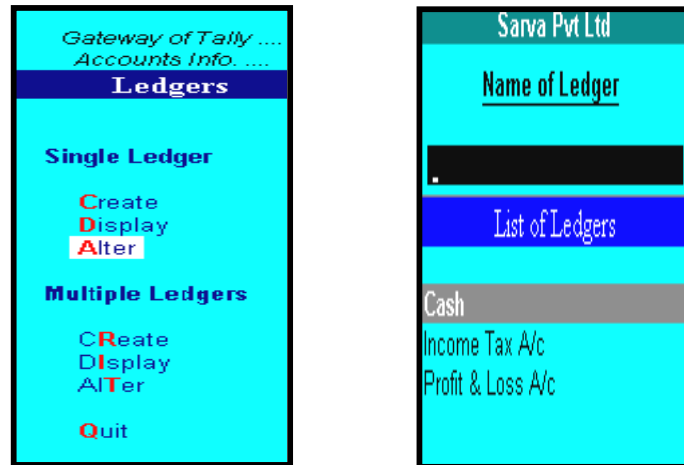


A list of available ledger accounts will be displayed. Select the name of ledger the details of which is to be displayed. The ledger information displayed on the screen cannot be changed. To return to the list of accounts, press **ESC key**.

ALTERING A LEDGER ACCOUNT

If any changes are to be made in the Ledger Account, such as, changing the name of account, group of account, opening balance, name and address of sundry debtors and sundry creditors, the ledger account needs to be altered. To alter ledger account,

1. Select **Accounts Info** from **Gateway of Tally menu**.
2. Select **Ledgers** from **Accounts Info., menu**.
3. Select **Alter** under **Single Ledger** in the **Ledgers menu**.



A list of available ledger accounts will be displayed. Select the ***name of ledger***, the details of which is to be altered. By pressing ***Enter***, move to the required option, select ***Accept Yes***.

Tally does not let you alter the following information in a ledger account.

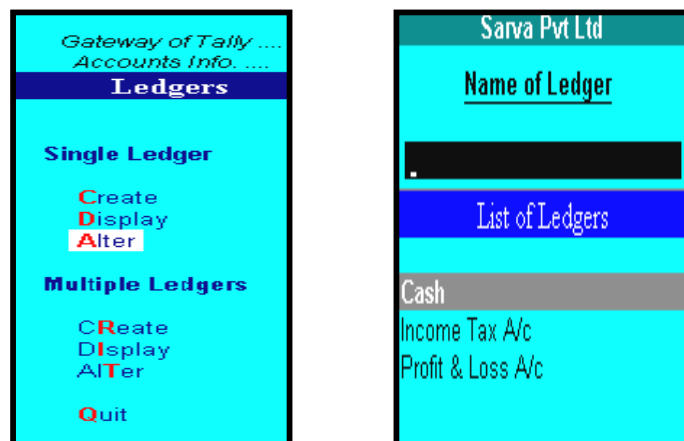
- If any journal entries are made in the accounts under the group Cash A/c or Bank Accounts, such ledger accounts cannot be altered.
- If any Journal entries are made in the ledger accounts created under the group, Purchase, Sales, Sundry Debtors or Sundry Creditors, such ledger accounts cannot be altered.
- The dosing balance of a Ledger Account (except Stock In Hand) cannot be altered.

DELETING LEDGER ACCOUNTS

If there is no journal entries in a ledger account. it can be deleted.

To delete a ledger account:

1. Select Accounts Info from Gateway of Tally menu.
2. Select Ledgers from Accounts Info., menu.
3. Select Alter under Single Ledger in the Ledgers menu.



Ledger Alteration		Sarva Pvt Ltd
Name	Cash	
(alias)		
Under	Cash-in-Hand (Current Assets)	
Inventory values are affected		
Opening Balance	(on 1-Apr-200	Delete ?
		Yes or No
Mailing & Related Details		
Name		Income Tax No.

A list of available ledger accounts will be displayed. Select the **name of ledger**, the details of which is to be deleted. Confirm, closing balance of the account is 0. If closing balance is not 0, do not delete the account, if closing balance is 0, press **Alt+D** to delete the ledger account, for the question **Delete?** Answer **Yes** by typing **Y** or pressing Enter.

MULTIPLE LEDGERS

To create individual ledger accounts, generally, Single Ledger Create option is used. But to create the accounts faster, all accounts pertaining to a particular group can be created once. This allows you to select the group of the account first, and then type the name of account and its opening balance (no question of entering alias or other details). For the first time, when selecting the group, if All Items (the first option in the list of groups) is selected, type the name of ledger account, select a group from the list and type the opening balance. In this way, ledgers of different groups can be created faster. **To create multiple ledgers:**

1. Select Accounts Info from Gateway of Tally menu.
2. Select Ledgers from Accounts Info menu. :
3. Select Create under Multiple Ledgers in Ledgers menu.'
4. Select a group from the list of groups.
5. Type different ledger account names and opening balance.
6. At the end, press Enter on the blank line of Name of Ledger, and select Accept **Yes**.

The ledger accounts belonging to a particular group can also be displayed (by selecting Display under Multiple Ledgers) and altered (by selecting Alter under Multiple Ledgers).

Note: To skip Opening Balance column, press the function key **F8** (Skip Details). To edit opening balance column, press **F8** again. To view closing balance instead of opening balance, press the function key **F9** (Show Closing), Closing balance cannot be altered here. To view

opening balance again, press **F9** key again.

EXIT FROM TALLY

To exit from Tally, select **Quit** from Gateway of Tally menu or from Company Info., menu. It will prompt to **Quit** or **not**. Press **Enter**, or press **Y** to select **Yes**. If any company is open, it will be closed and Tally will exit.

QUESTIONS

1. What are the compulsory things to be specified when creating a company?
2. Can the Financial Year From and Books Beginning From dates be different?
3. Which option allows you to set a password to the company name, when creating a company?
4. Immediately after a company is created, The company will be opened automatically?'
5. Can the company information be altered without selecting the company?/*0
6. Name any 5 primary groups.
7. Name the six sub-groups available under the primary group Current Assets.
8. Name a few ledger accounts which can be created under the group Expenses Indirect.
9. What are the restrictions to delete a ledger account? •
10. Name a few ledger accounts which can be created under the primary group Fixed Assets.

ANSWERS

1. Company Name, Method of Maintaining the company, Financial year and books beginning from, Currency Symbol etc.
 2. Yes.
 3. Use Security Control.
 4. Yes.
 5. No.
 6. Capital, Current Liabilities, Current Assets, Fixed Assets, Investments.
 7. Cash in hand, Bank Accounts, Deposits, Loans and Advances, Stock in hand and Sundry Debtors.
 8. Salary, Advertisement, Rent, Commission given, Interest on Bank Loan, Depreciation etc.
 9. There are no vouchers have been entered into those ledger accounts.
 10. Land, Building, Furniture, Machinery etc.
-

CHAPTER – 3

INVENTORY INFORMATION

INTRODUCTION

The inventory control application should provide high quality service to its customers by utilizing fast accurate and efficient method of filling customer's orders and avoiding stock outs. It should also minimize the amount of money invested in inventory and money required to cover inventory-carrying costs. Reorder levels and expiry dates can be controlled through the computer.

OBJECTIVES

The objective of purchase system is to trace new suppliers, keep track of incoming bills, and generate vendor payment checks. A secondary objective is good cash management and maintenance of good credit with suppliers.

Sales and marketing plays an important role as a company's revenue generating departments. The marketing information generated is vital to the rest of organization. **For example:** marketing provides sales forecast that serve as the basis for production schedules, cash flow projections and profit plans.

Gateway of Tally select > Inventory Info.

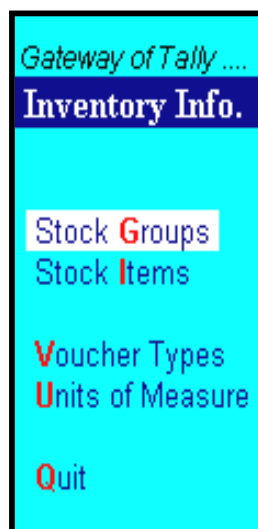


Figure: The Inventory Info menu.

STOCK GROUPS

Stock items can be grouped together under Stock Groups to reflect their classification based on some commonality. Grouping enables easy location and reporting of stock items in statements. Hence, items of a particular brand can be grouped together so that you can extract stock of all items of that brands.

For example, create Stock Groups like Sony, Maxell, and Verbatim. Your stock items could then be Sony 3.5" disks, Maxell 3.5" disks, Sony tapes, Maxell tapes, etc. Classify the Sony products under the stock Group Sony. Now you have ready details of all Sony products suitable classified. You may even group items as Raw Materials and Finished Goods.

Before we consider stock group, you would need to know about stock item like Ledger, Stock items are the primary inventory entity. You will use stock items while recording their receipts and issues. This is lowest level of information about your inventory. Each item which you want to account for, needs to be created. In fact, you will create a Stock Ledger account for each item and Tally calls this account '**Stock Item**'

You can create sub-groups of Stock Groups for deeper analysis From **Gateway of Tally > Inventory Info > Stock Groups**

To create a stock group:-

1. Select **Inventory Info** from **Gateway of Tally menu**.
2. Select **Stock Groups** from **Inventory Info menu**.



Figure: The Stock Groups menu.

3. Select **Create** under **Single Stock Group menu**. Type the name of stock group to be created **for example** Stationery, Electronics, Printers, Articles, Floppies etc.

Primary', and 'Can Quantities of items be ADDED ? Yes' with the 'Yes' button highlighted in black."/>

Stock Group Creation

Name : **Stationery**
 (alias) : Stny.

Under : **Primary**

Can Quantities of items be ADDED ? **Yes**

Needs to be created. In fact, you will create a Stock Ledger account for each item and Tally calls this account '**Stock Item**'

You can create sub-groups of Stock Groups for deeper analysis From **Gateway of Tally > Inventory Info > Stock Groups**

To create a stock group:-

1. Select **Inventory Info** from **Gateway of Tally menu**.
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Figure: The Stock Groups menu.

3. Select **Create** under **Single Stock Group menu**. Type the name of stock group to be created **for example** Stationery, Electronics, Printers, Articles, Floppies etc.

 Primary', and 'Can Quantities of items be ADDED ? Yes' with the 'Yes' button highlighted in black."/>

Stock Group Creation

Name : **Stationery**
 (alias) : Stny.

Under : **Primary**

Can Quantities of items be ADDED ? **Yes**

STOCK CATEGORIES

Stock Categories offers parcel classification of items. You may create Stock Categories like Floppy disks and Floppy Drives. In the above example in Stock Groups, you can know how many Sony 3.5" floppies are in stock and separately, the stocks of Maxell floppies. You can also know from the Sony stock group the stock of all Sony items. However, should you require information like total stock of floppy disks or alternative items that could be used, these are best available through Stock Categories.

If you classify both Sony 3.5" diskettes and Maxell 3.5" diskettes under the Stock Category Floppy Disks, you know your total stock of floppy disks. Since the items are substitutes of each other, if one is out of stock, you can offer the another item of the same category.

Creating a Stock Category

You can create sub-categories of stock categories to better organize your information.

From Gateway of Tally > *Inventory info* > *Stock Category* > *then select Single create*.



Creating Multiple Stock Categories

From Gateway of Tally > *choose Inventory Info* > *Stock categories* > *Multiple Create*

Multi Stock Category Creation		Aja
Under Category : <input type="checkbox"/> All Items		
S.No.	Name of Category	Under
1.	Floppy Drives	<input type="checkbox"/> Primary
2.	Cartridge Tapes	<input type="checkbox"/> Primary
3.		

- **Under Category**

Select the parent category under which you want the new categories to fall. If you select

any category other than all Items e.g. Floppy Disks, you can indicate that all new categories being created will fall under the category 'Floppy disks'. In case, the column 'under' is filled up automatically with 'Floppy Disks' and your cursor skips this column. This speeds up data entry.

Selecting 'All Items' allows you to specify the parent of each new category created and will give flexibility and the cursor moves to the column field 'under' for the parent of each new category.

- **S. No.** : The serial numbers is automatically filled up.
- **Name of the Category:** Give the name of the stock category. In this case, we have given floppy drives and cartridge Tapes.
- **Under** : Since we selected '**All Items**' in under Category, we specify the parent here. We want the parent of both items to be Primary and not as a sub-category of any other category.

Display or Alter a Stock Category

Gateway of Tally > Inventory Info > Stock Categories then select Single/Multiple Display or Single / Multiple Alter.

Select the stock category whose particulars you wish to display. When not display or alter a stock category, the information entered while creating it is displayed.

Delete a Stock Category

Press [**Alt +D**] to delete the stock category.

You cannot delete a stock category from multiple modes.

UNITS OF MEASURE

Each stock item must have a unit of measure to count the quantity. There are two types of units of measure. They are:

(1) Simple Unit of Measure (default) (2) Compound Unit of Measure.

(1) Simple Unit of Measure: It is a unit that consists of only one single as a unit of measure e.g., KG, Meters, Liters, Numbers. Pieces etc.

To Create a Simple Unit of Measure:

1. Select Inventory Info from Gateway of Tally menu
2. Select Units of Measure from Inventory Info menu.
3. Select Create from Units menu (or when creating a stock item, press **Control+U**).
4. Type a symbol to identify the unit of measure e.g., Kgs, Nos. etc,
5. Type the full name of unit of measure in Formal Name e.g. Kilograms, Numbers etc.

6. Depending upon the stock item to which this unit is to be applied", specify the number of decimal places. 0 to 4 decimal places can be given.

7. Select Accept **Yes**

A compound unit is a relation between two simple units. Hence, before you create a compound unit, ensure that the two simple units have been previously created. In the Example here, we use dozens as another simple unit (created as We did no.) Now we must give the relation between dozens and numbers as one dozen equals twelve numbers.

(2) Compound Unit of measure: is a unit that consists of two or more units e.g., a dozen of 12 pieces. One box of ten pieces etc.

To Create a Compound Unit of Measure:

1. First create simple unit of measures e.g. **Dozen and Number.**
2. Press Backspace in place of Symbol, to display the Type options – **Simple and Compound.** Select **Compound.**

The screenshot shows the 'Unit Creation' dialog box. The 'Type' field is set to 'Simple'. A dropdown menu is open, showing three options: 'Types of Units' (highlighted in blue), 'Compound' (highlighted in grey), and 'Simple' (highlighted in cyan). The 'Symbol' field is empty, and the 'Number of Decimal Places' is set to 0.

The screenshot shows the 'Unit Creation' dialog box with 'Type' set to 'Compound'. The 'Units with Multiplier Factors' section is visible, with an example '(example: Kgs of 1000 gms)'. The 'First Unit Conversion' and 'Second Unit' fields are empty, and the 'of' field is also empty.

3. In place of First unit, select the higher measurement e.g. **Dozen**
4. In place of Conversion, type the conversion number e.g. **12**
5. In place of Second unit, select the lower measurement e.g. **Nos**
It will create a compound unit of measure – **a dozen of 12 numbers.**

Displaying and Altering Units of Measure

Gateway of Tally > Select Inventory Info. > Units of Measure > Display/ Alter.

Once created, units of measure can be displayed and altered. You can delete a unit of measure in the alteration screen by pressing [Alt]+[D]. However, you cannot delete a unit of measure that is part of a compound measure. The compound measure must be deleted first.

LOCATIONS / GODOWNS

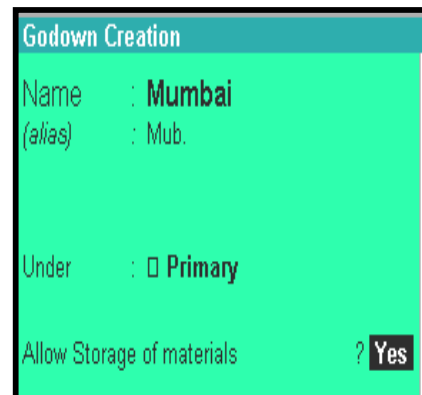
Before creating stock item you may want to distinguish between stock held on site and at the warehouse, and this can be done by creating two separate stock locations. You may even amend Tally's default location and create a new location for the warehouse. Tally permits any number of locations that can be grouped and sub-grouped to match the structure you need.

Creating a Location

Press **F11** to get company Operation dialog. Set **Yes** to maintain Multiple Godowns under inventory features.

Gateway of Tally > Inventory info. > Godowns > Create

- **Name:** In the field, give the name of location.
- **Alias:** Give an alias for the name, if required.
- **Under:** Give the location under which this location is to sub-group. Use **Alt+C** to create the parent location. Select primary if it is not a child of any location.
- **Allow Storage of Materials:** Tally permits you to create location/ godown where you may not store materials at all but treat it as a virtual location. Virtual locations are useful in case like Head Office who may have many different stock points under it that store materials. Hence, Head office acts like a primary location.



Displaying and Altering Stock Locations

Once created, stock locations can be displayed and altered in single and multiple modes. You can delete a stock location after by pressing **[Alt]+[D]** However, you cannot delete a stock location with sub-locations. The lower levels must be deleted first.

STOCK ITEMS

Like Ledgers, Stock items are the primary inventory entity. You will use stock items while recording their receipts and issues. This is the lowest level of information about your inventory. Each item that is required to be accounted for needs to be created. In fact, you will create a stock ledger account for each item and Tally calls this account **"Stock Item"**.

A Stock item needs no explanation. However what needs to be explained is how tally uses it. Tally uses the phrase to include what a traditional accountant would call a stock ledger account. All the stock items together would make up the stock ledger. However, Tally does not use the term stock ledger. So to display a stock ledger, display the stock items. You can draw a parallel to ledger in accounting for stock items in inventory.

Creating a Stock Item

Stock items are actual items in the stock e.g. Books, Pens, Pencils cables, connector's etc., which are purchased and sold in the business. The quantity and rate of each item can be entered to each stock item, when making the purchase or sales entry.

Configuration settings: (Press F12)

- **Advanced Usage:** This section deals with the additional fields you would input during creation of a stock item,
- **Part No:** This is optional. You might wish to give part number for the item to identify them. In certain industries e.g. the automobile industry, various parts are better known by their part number. This field can be used alternatively for Bin Card number, code number for the item, etc.
- **Alias:** You are allowed to give aliases for the part number. Its use may arise where, *for example*, the manufacturer specifies his part number, but I understand it better by it Bin Card number that you have allotted it. Give both.
- **Description:** Give a description of the stock item that would appear in yj invoices as well, if you want them to.
- **Category:** Classify stock items into stock categories. Refer to the section on stock categories. Here we create a new stock category '*Miscellaneous*' using **Alt +C** at the fields. Modify previously created stock item to assign them to stock categories e.g. Sony Disks and Maxell Floppy Disks to category Floppy Disks.
- **Remarks:** This is more to help identify the product or its usage when look at its details. For e.g. you may create a stock item 'Printer Cable' Type A under stock group 'Printer cables and stock category Bi-tronic cables' additional information here, e.g. particulars of printers and other devices can use this cable. When you, now, query the stock of this item, it will these remarks, which will help you decide/advise whether the item is suit for a particular requirement
- **Alternate Units:** This is another unit, apart from the main unit, that you use for the stock item. This is useful when you need to deal in different i at different times. For **e.g.** you buy sugar by weight in kgs but sell in packets **Alternatively**, you sell the Maxell Cleaning Kits both in pieces and in packs of 2 pieces. For alternate units, you are asked to give a conversion factor so that a link is maintained between the two, here we give 2. What you give is simply a conversion factor that comes up as default during voucher entry. You may specify a different factor during the voucher entry.
- **Enter Standard Rates:** If you wish to specify standard purchase and sales rates for the item, select **yes** standard rates enable valuation of inventor standard purchase or standard sales price. Moreover these prices come by default during transaction entry. But

they can be overridden with adequate authority) .The standards are set to be effective from specified dates and they continue to be used at these rates until the next date where the standard rate changes.

For Example: Suppose you value inventory based on standard cost or market valuation based standard price. For valuation on any date between 1st April and 30th June 97, the rate specified against applicable from,1-April-97 will be considered. During transaction entry for any day during this period, this rate will be brought up by default.

- Costing method: Select the method of valuation for the inventory. Tally permits different valuation methods for different items- it does not restrict you to one method of valuation only for all items. Hence select the appropriate costing method. You may, of course, choose to use the market valuation method to value the inventory. It would be interesting to know the value of your stock, both on cost as well as sale basis. It could give you comfort with the knowledge of approximate profit margins lying in the stocks.

To create a stock item:

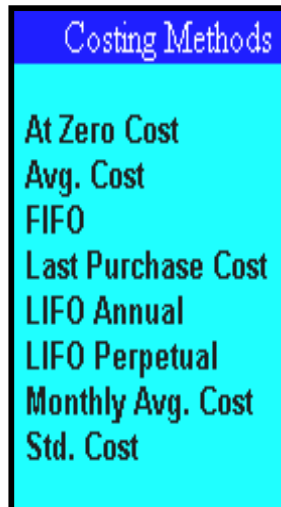
1. Select **Inventory Info** from **Gateway of Tally** menu,
2. Select **Stock Items** from Inventory Info menu.
3. Select **Create** under **Single Stock Item** in Stock items menu.

Stock Item Creation		Aja	
Name	: Book		
(alias)	:		
Under	: Stationery	Behaviour	
Category	: <input type="checkbox"/> Not Applicable	Costing Method	: FIFO
Units	: Nos	Market Valuation Method	: Std. Price
Rate of Duty (eg 5)	: 0	Ignore Diff. due to Physical Counting	? No
Rate of VAT (%)	: 0	Ignore Negative Balances	? No
		Treat all Sales as New Manufacture	? No
		Treat all Purchases as Consumed	? No
		Treat all Rejections inward as Scrap	? No
		Quantity	Rate per
Opening Balance	:		Value

4. Type the name of stock item e.g. Book
5. If the item is to be referred by any other name, type it in alias.
6. Select the stock group (in the option under) to which the stock item belongs to e.g. stationery.
7. Select the units of measures, which is applicable to the stock item e.g. (Nos)
8. If stock item behavior is not displayed on the right side press F1 2 function key. It will display

the options to select for Accounts Masters and Inventory Masters. In this menu, select- Allow **ADVANCED** entries in Masters and select **Yes** to this option.

9. Specify the method of calculating. the closing stock in the option Costing Method. The options can be displayed by pressing spacebar in it. The options are,



10. Generally, FIFO, LIFO Perpetual or Standard Cost methods are used.

11. To value the worth of stock in the market, select an option in Market Valuation Method, the options available are,



12. To ignore the differences between the stock according to books and actual stock available, select **Yes** to the option Ignore Difference due to Physical Counting.
13. To ignore the Negative stock balances appearing in stock reports (very rare), Select **Yes** to Ignore Negative Balances?
14. To treat the quantity of the goods sold and the quantity of goods manufactured or purchased, differently, select **No** to the option Treat all Sales as New Manufacture?
15. IF some purchased items are for the use of the company and some are for resale then, select **No** to the option Treat all Purchases as Consumed.

16. To take the returned or rejected goods back to stock, select **No** to the option Treat all Rejections Inward as Scrap?

17. If there is any opening balance of stock item, type the quantity and rate of the item. The opening balance will be calculated and displayed on the screen. Select Accept **Yes**.

Displaying or Altering a Stock Item

Gateway of Tally>Inventory Info >Stock Items >Single/Multiple Display or Alter

Select the stock item whose particulars you wish to display. When you display or alter a stock item, the information entered while creating it is displayed,

- Press [**Alt +D**] to delete the stock item.
You cannot delete a stock item from multiple mode.

PURCHASE ORDERS

Tally permits you to produce Purchase Orders from the system. Purchase Orders may be produced, printed and sent to suppliers. Goods received are linked with the POs and Invoices. Outstanding Purchase Orders should be monitored. Hence, we will only consider creation, alteration and deletion of] Purchase Orders here. Display order position of any item from the Stock Summary. The Purchase Order Book will list out all the Purchase Orders placed. Activate Purchase Order Processing in **F11**: Company Features.

How to Create a Purchase Order

Purchase Order details will also depend on configuration settings. Let us have look at the configuration and voucher types.

From Gateway of Tally > **select Voucher Entry > F9: Purchase > Select} Purchase Order**

Accounting Voucher Creation		ABC & Company		Ctrl + M
Purchase Order	No. 1			31 Dec 2001 Monday
Party's A/c Name : Indian Software Ltd		Order No. : PO		
Current Balance :				
Name of Item	Quantity	Rate per	Amount	
Tally Rate of VAT : 17.50	5 Nos	45,000.00 Nos	2,25,000.00	
Narration :			5 Nos	2,25,000.00

- **Party's A/c Name:** Give the supplier's name Type in the same manner as voucher entry and select from list of Ledger Accounts. Use **[ALT]+[C]** to creates new account.
- **Order No:** The voucher number can be treated as your Purchase 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.
- **Name of the item:** Give the name of the stock item for which the order is to be placed. Once the name is given the Item allocations sub-screen pops up that needs to be filled in.
- **Due on:** The due date for delivery of the item. This will enable monitoring of outstanding deliveries. The order can be split for delivery on different dates.
- **Location:** In case multiple location features are active, this field is required to be given, else it does not appear.
- **Quantity, Rate and Amount:** Give the quantity of the item required, and its rate. The amount is calculated but is modifiable to enable rounding off.
- **Additional Cost Details:** Additional cost on the item may be incurred which can be mentioned here. Give by way of percentage of the item cost or a flat amount. If not select '*end of list*'. Additional costs increase the value of the item and do not independently appear in the nominal ledger account or expense.
- **Next item:** The cursor then comes to the Item field once again and you can enter another item to order. If no other item is required, press **[Enter]** on the blank field to Take the cursor to the tax/expense field.

Alter a Purchase Order

You can alter a Purchase Order by displaying it from a variety of places but is easier through the Purchase Orders Book or the Day Book.

i.e. Gateway of Tally > Display > Inventory Books > Purchase Order Book

or

Gateway of Tally > Display > Day Book

Delete a Purchase Order

Alter an order and use **[ALT+D]** to delete it.

- **Receipt Note Voucher for Purchases:** For recording goods received *For example*, consider the company receives new stock from a supplier. If a Purchase Order exists for that Supplier, selecting it will bring up the order particulars.

Receipt note	
Description	Records receipt of new stock from suppliers
Details recorded	Reference, ledger account, supplier's name and address, name of stock item, stock location, quantity, rate, amount, narration.

- **Rejections-in Voucher for Sales Returns:** For recording goods received that was rejected by a customer. *For example*, the company takes the rejected items back into stock items.

Rejections-in	
Description	Records return of goods by customers
Details recorded	Reference, ledger account, customer's name and address, name of stock item, stock location, quantity, rate, amount, narration.

- **Delivery Note Voucher for Sales:** 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 Sales Order will bring up the relevant particulars.

Delivery note	
Description	Records the delivery of goods by customers
Details recorded	Reference, ledger account, customer's name and address, name of stock item, stock location, quantity, rate, amount, narration.

- **Rejections - Out Voucher for Purchase Returns:** For recording of goods that are rejected and returned to a supplier. *For example*, the company returns items that had previously been taken into stock to the supplier.

Rejections-out	
Description	Records return of goods to suppliers
Details recorded	Reference, ledger account, supplier's name and address, name of stock item, stock location, quantity, rate, amount, narration.

MANUFACTURING JOURNAL

From Gateway of Tally > Accts. Info > Voucher Type > Create

Restart Numbering		Prefix Details		Suffix Details	
Applicable From	Particulars	Applicable From	Particulars	Applicable From	Particulars
1-Apr-2001	Monthly	1-Apr-2001	Apr/	1-Apr-2001	2001-2002
		1-May-2001	May/		
		1-Jun-2001	Jun/		
		1-Jul-2001	July/		
		1-Aug-2001	Aug/		

- **Name:** Give a new name to the voucher type, e.g. Mfg. Journal. It could be any other name.
- **Type of Voucher:** This must be Stock Journal. Pick it up from the pop-up list.
- **Abbr.:** The abbreviation to the voucher type name. Type in a suitable abbreviation, to the voucher type name. Type in a suitable abbreviation, i.g Mfg. Or mfg.jrnl.
- **Method of Voucher numbering etc.:** Follow the normal voucher type creation. Voucher numbering by default is set to Automatic.

Use as a Manufacturing Journal

Select **Yes**.

The other areas of voucher type screen have been discussed under voucher section. Please refer to that section for any assistance.

SALES ORDER

Tally permits you to produce Sales Orders from the system.

Creating Sales Order

- Sales Order entry is exactly like Purchase Orders.
- Sales Order details will also depend on configuration settings. Hence, have look at the configuration and voucher types.

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

- **Party's A/c Name:** Give the customer's name. Type in the same manner voucher entry and select from list of Ledger Accounts. Use **[ALT]+[C]** create a new account.

- **Order No:** The voucher number can be treated as your internal serialized order number. The field Order No. is advised to be used for the customer order number.
- **Name of the Item:** Give the name of the stock item for which the order is to be placed. Once the name is given, the Item Allocation's sub-screen pops up and needs to be filled in.
- **Due on:** The due date for delivery of the item. This will enable monitoring outstanding deliveries. The order can be split for delivery on different date.
- **Location:** In case multiple location features is active, this field is required be given, else it does not appear.
- **Quantity, Rate and Amount:** Give the quantity of the item required, and its rate. The amount is calculated but it modifiable to enable rounding off.
- **Additional Cost Details:** There are no additional cost details for Sales Orders. They exist only for Purchases as the values are added to the cost price. In case of sales, additional cost needs to be entered below the line along with tax.
- **Expense/Tax:** Once the item details have been entered, you might specify tax to be charged and other expenses like freight, if any. The tax or expense has to exist as a ledger account or it may be created using **[ALT]+[C]**. We shall select tax @ 17.5% to be charged on the item values.
- **Narration:** Optional. You may give some particulars about the order.

Altering Sales Order

You can alter a Sales Order by displaying it from a variety of places, but it is easier through the Sales Orders Book or the Daybook.

From Gateway of Tally > choose Display > Inventory Books



Figure: Deleting Sales Order

Delete Sales Order

Alter an order and use **[ALT+D]** to delete it.

INVOICE ENTRY

Invoice 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.

In recording both sales and purchase invoice details, you can adjust accounting and inventory balances and account for VAT (Value Added Tax), all at the same time.

The default invoice formats have a variety of configure at options. Using them you may print your invoices. You may not need to create new invoice formats. It is recommended that you attempt to configure the default invoice itself. However, should you finally feel that the invoice does not meet the needs; you can design a new invoice using Tally's Definition Language Report Designer.

The TDL is quite an advanced language with which you can create new reports and screens. You may even modify existing reports and screens. However, it is a specialist's job and would require advanced training.

Ensure that:

1. In **[F12]: Configure** under Gateway of Tally, Voucher Entry, in the Accounting Vouchers section of the screen, Show Inventory Details is set to **Yes**.
2. In **[F11]: Features** and in the top section of the screen, Allow Invoicing is set to Yes. This brings up another option, that of a separate-discount column.
 - If you want a separate column for discounts in invoices, say **Yes**.

Also ensure that:

1. In **Accounts Info. > Ledgers**, ledgers of the type Purchases and Sales Accounts have Inventory values are affected set to **Yes**.
2. If you want tax accounts like **VAT** or Sales Tax (under the group Duties & Taxes) to use automatic calculation, ensure Percentage of calculation is entered (e.g. 17.5) and has appropriate Method of Calculation/If it is to use Tax based on Item Rate, then the stock item must have the rate specified.
 - **Dispatch Details:** Give the dispatch details here. These are printed out on the invoice.
 - **Order Details:** The order particulars may be entered here. If a prior order was recorded for the customer, a pop-up list of pending orders appears from which you select the relevant order or orders. You may raise an invoice against a single order or even multiple orders. Select New Number if no prior order exists for this invoice but you want to record the order particulars. Select Not Applicable if not applicable. Select End of List to move to the next item.
 - **Buyer's Details:** The Buyer's Address as per the master records appear as default, but you may alter it. If you have configured to have the Consignee address as well as Buyer address, its details too appear. Accept or modify them as necessary.

- **Inventory Allocations:** Inventory items that are to be invoiced have to be entered. Once you have selected the first item and the tracking number, if you have multiple locations set up, secondary screen pops up for accepting the item particulars:

Item Allocations for Maxell Disks 3.5				
Location	Quantity	Rate	per	Amount
Main Location	5.0 packs	8.00	packs	40.00

Give the quantity, rate and unit particulars. You may select more than one location from where the goods have been dispatched. **Press [Enter]** at the first blank location field to accept the first item's allocation of location and other details. You now have to give the accounting ledger that will be affected for the sale of this item.

- **Accounting Details:** This information is to be given in a secondary screen that pops up after the allocation of each item. Select the relevant sales account to be debited for the first item. The screen will be as below:

Accounting Details for: Maxell Disks 3.5"	
Upto: ≤ 40.00 Cr.	
Particulars	Amount
	40.00

Sales of Disks is a ledger account under the group Sales Account/ It is the credit entry to the debit effected by the Party a/c name.

- **Where you have more than one stock item:** Each item will require item allocation and accounting allocation as above. You must repeat the procedure till you have completed all the items for that invoice. Press [Enter] Non blank item or select [End of List] to complete the cycle.
- **Tax or other expenses:** These accounts are entered after the total value of stock items. Select relevant ledgers for the list. These are ledger accounts and will affect accounting ledgers. For accounts like VAT / Sales Tax that are under the group Duties & Taxes (or are otherwise specified as Calculate in invoice entry in their masters), the amounts are calculated automatically. Press [Enter] on blank item or select **[End of List]** when you have completed.
- **Bill Details:** After the cursor leaves the total amount field, you must give bill-wise

particulars, if the feature is activated for this particular party ledger. You do this in the bill-wise detail screen.

Bill-wise Details for: Response Tech. Ltd.				
Upto: < 190.00 Dr				
Type of Ref	Name	Due Date of Credit Days (wef: 9-7-97)	Amount	Dr/ Cr.
New Ref		10 Days (19-Jul-97)	190.00	Dr

After you give the narration, accept the invoice.

Printing Invoices and Vouchers

You can print any voucher or invoice by pressing **[ALT+P]** or clicking on the button **[Print]**. Do this before saving the voucher. You or your administrator may have configured the voucher type to print automatically after saving the voucher. You can always configure the printing options by selecting the appropriate buttons.

You can give additional information, change titles, print additional pages, change printer settings, etc.

The buttons **[Pre-Printed]** and **[Quick Format]** are toggles for **[Plain Paper]** and **[Neat Format]** respectively. These are print specifications that you give. Preprinted is for pre-printed stationery. Quick Format does not give fonts or other special formats, but is ideal for fast printing. Select copies and give the number of copies to be printed. **1** is the default. You can set the default number of copies in invoice Printing Configuration.

(Gateway of Tally > F12: Configuration > Printing)

View invoice as voucher and vice-versa Once you create the invoice, you can view it as a voucher by simply displaying it and clicking on the toggle button [As Invoice] or [As Voucher] or pressing **[CTRL]+[V]**. You may do likewise with a sales voucher to be brought up as an invoice.

Display / Alter an Order / Invoice

You can display a voucher or alter it (subject to authority), by simply drilling down any display screen. For example, from the Balance Sheet, press **[Enter]** on the group Sundry Debtors, then on the ledger Response Tech. Ltd. that brings up its monthly summary. Continue the selection process till you see the list of vouchers and then the voucher itself. You may opt to alter a voucher by going through the ledger display screen or the Day Book. Since the display interfaces are identical, feel free to use the path most convenient to the circumstance.

QUESTIONS

1. What is a Sales Returns or Rejection - In Note?
 2. What is the difference between Purchase Order and Sales Order?
 3. What is a Stock Group?
 4. Is it necessary to create unit of measure?
 5. How do you create a Stock Item?
 6. Is it possible to delete Stock item, if quantity of item is >0 ?
 7. To return the goods to supplier, which note you use?
 8. Explain about Stock Categories?
 9. Is it possible to maintain more than one Godown?
 10. What is an invoice?
-

CHAPTER – 4

VOUCHER ENTRY

INTRODUCTION

A voucher is a basic recording document. Day to day transactions is entered in tally through vouchers. It is a key to all business information. Entering the transaction through voucher is called creating a Voucher or Voucher Entry.

Making a voucher entry, basically includes, entering the two states of transaction, **Debit (+)** and **Credit (-)**. Tally follows Double Entry System of Accounting, both Debit and Credit aspects of a transaction must be entered. The Total amount of Debit must be equal to the total amount of Credit in a transaction (it must tally).

To identify Debit and Credit aspects of a transaction, basic knowledge of accountancy (principles of accounting) is necessary, (for the purpose of making the voucher entry (to identify Debit and Credit account in a transaction), the accounts are broadly classified into **3 types**:

- **Personal A/c:** Accounts related to persons (individual, body corporate, company, association, organization, institution etc.) normally account related to names such as Peutronics Pvt. Ltd. A/c, M/s ABC & Co., XYZ Electronics etc.,
- **Real A/c:** Accounts related to tangible and visible things such as Cash, all type of Assets including vehicles, land, building, machinery, furniture etc.
- **Nominal A/c:** Accounts related to intangible and invisible things, which do not have a specific shape (but it can be counted in terms of money)./ For example all incomes, interest on bank deposit, commission received etc.) and all expense (traveling expenses, salary, wages, commission given, interest on bank loan, electricity bill, water bill, telephone bill etc.).

The golden rules of Debit and Credit for the above three types of accounts are:

Type of Account	Debit	Credit
Personal A/c	The receiver	The giver
Real A/c	What comes in	What goes out
Nominal A/c	All expenses and Loss	All gains and Income

VOUCHER TYPES:

Basic voucher types available in Tally are:

- Receipt Voucher
- Payment Voucher
- Purchase Voucher
- Sales Voucher
- Contra Voucher
- Journal Voucher
- Stock Journal
- Physical Stock
- Memorandum Voucher

Note: Among the above types of vouchers, Memorandum Voucher is a purely non-accounting voucher. That is, the entries in this voucher do not affect the accounts, because, Tally does not post these entries to ledgers. Therefore, these vouchers do not affect the final results.

STEPS TO MAKE A VOUCHER ENTRY

To make the voucher entry:

1. Check the date of voucher to be entered. If the date displayed on the screen (at the right side of voucher) is different from the voucher date, to change the voucher date, press **F2** function key. Type the required date and press Enter.



Figure: The Voucher Date option is used to change voucher date.

2. Identify the voucher type of transaction like *Receipt, Payment, Purchase, Sales, Contra* etc., and select the type of voucher by pressing appropriate function keys.
3. Identify the ledger accounts in the transaction. At least 2 accounts must be identified and these accounts must already have been created.
4. Identify the Debit and Credit accounts by applying the rules of Personal, Real and Nominal A/c.
5. Identify the amount of Debit and Credit. Total of both Debit and Credit must be equal.
6. Enter the voucher by selecting Debit and Credit accounts, typing respective amount and a narration.
7. Select Accept **Yes**

When making the voucher entry:

- To select the type of voucher, press the appropriate function key.
- To select the account related to Debit and Credit, press spacebar or press the first character of the account to be selected
- When making the voucher entry, the term **To** or **Cr.** stands for **Credit** and the terms **By** or **Dr** stands for **Debit**.
- When making the voucher entry, **By** (or **Dr.**) or **To** (or **Cr**) will be displayed. It cannot be changed. But subsequent **By** can be changed to **To** by pressing **T** and **Enter** or **To** can be changed to **By** by pressing **B** and **Enter** (similarly **Dr.** can be changed to **Cr.** by typing **C** and **Enter** and **Cr** can be changed to **Dr** by pressing **D** and **Enter**).

RECEIPT VOUCHER (F6)

Receipt voucher is used to enter all receipts of cash or bank (receipt of bank cheques or interest on bank deposits). Even the amount received from the sale of fixed assets (*not being the regular course of business*) must also be treated Receipts.

A receipt voucher can be entered by pressing the **Function Key F6**.

Debit and Credit accounts of Receipt Voucher are:

Debit	Credit
Cash account or any Bank Account (e.g. Syndicate Bank A/c)	The giver of money i.e., Debtors A/c Income Ledger Account e.g. Interest bank deposits.

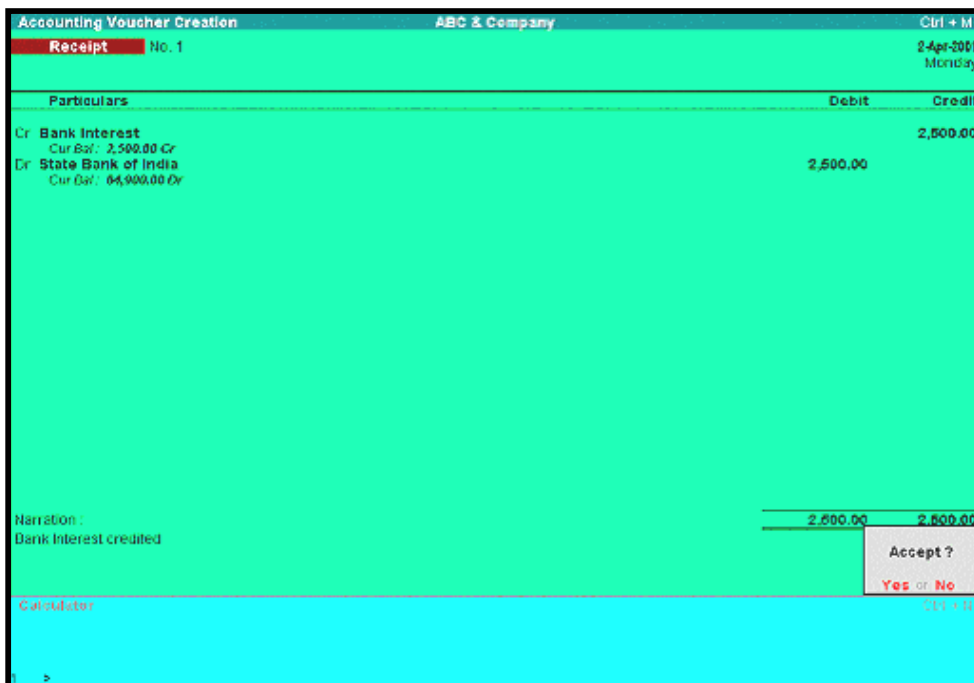


Figure: A Sample Receipt Voucher.

Note: All Receipt Vouchers must have at least one Debit entry for cash or Bank account Always a Receipt Voucher will prompt to enter the Credit aspect of the voucher first.

If bill wise details must be stored in the voucher, immediately after selecting the name of sundry debtor, from whom the amount is received, method of adjustment will be asked. Select **Agst Ref** (against reference), select the number of the bill towards which the amount is received and specify the amount received.

PAYMENT VOUCHER (F5)

Payment voucher is used to enter all type of payments by cash or\bank (payment by bank cheques). Even the amount paid for the purchase of Fixed Assets *like* purchase of Machinery, Land, Furniture etc., (*not being the regular course of business*) must also be treated as Payments.

Pressing the function key **F5** shows Payment Voucher.

Debit and Credit accounts of Payment Voucher are:-

Debit	Credit
Ledger account paid, e.g. a Sundry Creditor or an expense account e.g., Electricity Charges,	Cash or Bank A/c (e.g., Canara Bank A/c)

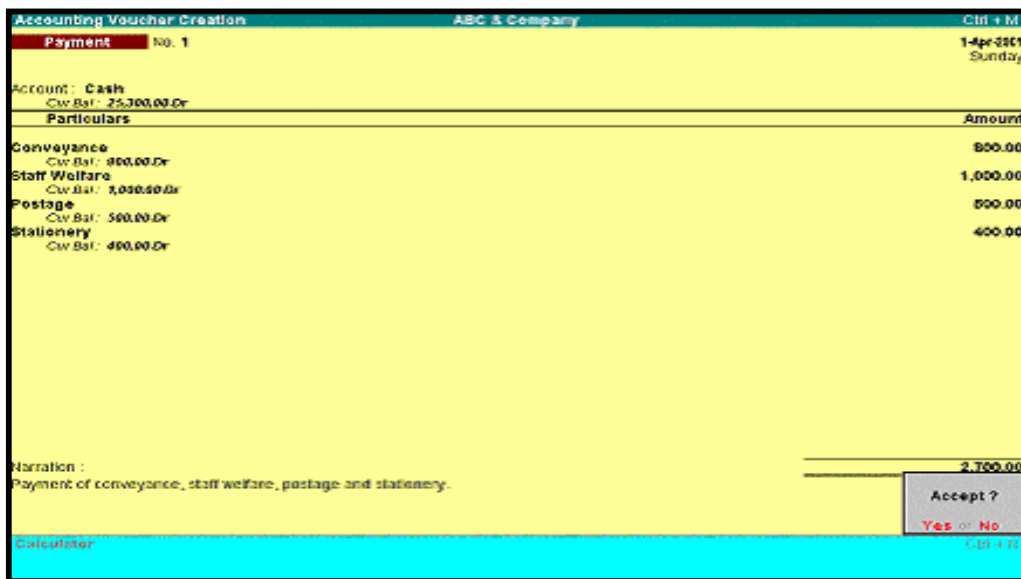


Figure: A sample payment voucher.

Note: All Payment Vouchers must have at least one Credit entry for Cash or Bank account. Always a Payment Voucher will prompt to enter the Debit aspect of the voucher first.

If bill-wise details has to be maintained, then, after selecting the name of person to whom the payment is made (sundry creditor)

Tally will prompt to select the Method of Adjustment. Select **Agst. Ref.** (against reference), select the number of bill, towards which the payment is made and enter the amount paid.

CONTRA VOUCHER (F4)

Cash or cheque **deposited** into **bank**, **cash withdrawn** from **bank**, transfer of funds from one bank account to another will be entered through Contra Voucher. Here can be only be Cash and Bank A/c.

If the amount is **deposited** into the bank, then **Bank A/c** will be **Debited**, and **Cash A/c** will be **Credited**.

If the amount is **withdrawn** from the bank then **Cash A/c** is **Debited** and **Bank A/c** is **Credited**.

If one bank **cheque** is **deposited** into another bank then the first Bank a/c is credited and later Bank a/c is debited.

Always a Contra Voucher will prompt the user to enter the *Credit aspect of the Voucher first*.

A Contra Voucher can be entered by pressing the **function key F4**.

Accounting Voucher Creation		ABC & Company	Ctrl + M
Contra No. 1			1-Apr-2001 Sunday
Particulars	Debit	Credit	
To Cash Cw Bal: 20,000.00 Dr		20,000.00	
By State Bank of India Cw Bal: 75,000.00 Dr	20,000.00		
Narration : Transfer of funds from Cash account to Bank account.		20,000.00	20,000.00
		Accept ? Yes or No	
Calculator			Ctrl + N

PURCHASE VOUCHER (F9)

Purchase Voucher is meant for Purchase entries. Purchases made *in the regular course of business (not of office use)* will be entered in this voucher.

Purchase of fixed assets (*not being the regular course of business*) must be entered through Payment voucher and not Purchase Voucher.

Generally, purchases are made on credit. Tally allows you to enter both cash and credit purchase.

A Purchase Voucher can be entered by pressing the function key F9. Debit and Credit accounts of Purchase Voucher are:

Debit	Credit
1. Purchase A/c	1. The account of supplier (Sundry Creditor) or Cash or Bank A/c.
2. Input VAT /Tax if any	2. Discount on purchases if any.

In a Purchase Voucher, always Credit aspect (account of Supplier of goods) entered first.

The screenshot shows the 'Accounting Voucher Creation' window for 'Sarva Pvt Ltd'. The voucher is a 'Purchase' of type 'No. 1' dated '31-Mar-2006' (Friday). The reference is 'BillNo111'. The main entry is 'To M/sNamaste Ltd' with a credit of 4,000.00. Below this, it shows 'Cur Bal: 4,000.00 Cr' and 'New Ref: BillNo111' with '4 Days (4-Apr-2006)' and '4,000.00 Cr'. The debit side is 'By PurchaseA/c' with a debit of 4,000.00, and 'Tube' with a debit of 4,000.00. The narration is empty. The total debit and credit are both 4,000.00. The window also shows 'Calculator', 'ODBC Server', and 'Ctrl + N' at the bottom.

Figure: A sample Purchase voucher.

After typing the amount 4000/- for M/s Namaste Ltd. at the top if bill details to be maintained, *method of Adjustment options* will be displayed Select *New Ref.* (New Reference).

Bill-wise Details for : M/sNamaste Ltd Upto : Rs. 4,000.00 Cr				
Type of Ref	Name	Due Date, or Credit Days (wef 31-3-2006)	Amount	Dr/ Cr
New Ref	Bill No.111	5 Days (5-Apr-2006)	4,000.00	Cr

Figure: The Bill-wise details screen.

Then enter the details of bill number, due days etc. Amount will be automatically displayed. This will be always Credit amount.

After entering the Credit account for the Purchase Voucher, Debit will be asked. It must always Purchase A/c. after selecting Purchase A/c, if inventory information is to be maintained, details of stock items purchased must be entered. Press spacebar or type the first character of the item purchased to display the list of available items (stock items created).

Press **Enter** on the stock item, type the quantity of item purchased, rate at which the item is purchased. Amount will be calculated and displayed. If there are no more items to select, **press**

Enter.

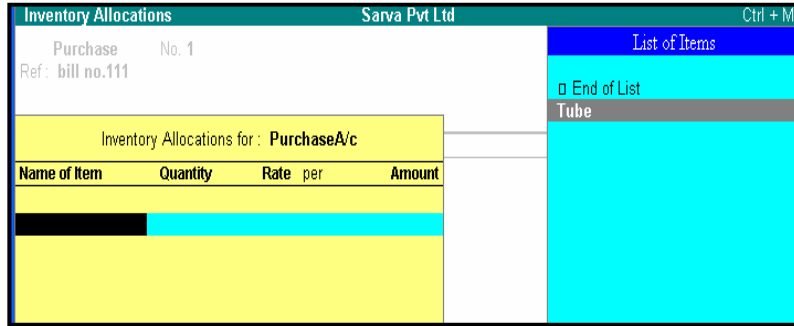


Figure: The Inventory Allocations screen.

Inventory Allocations for : PurchaseA/c			
Name of Item	Quantity	Rate per	Amount
Tube	4	1000 nos	4000

Figure: The Inventory Allocations for purchase

Then other accounts related to the purchase (for example, Packing and Forwarding charges) can be entered. In case of Purchase Voucher, credit can also be Cash or Bank A/c.

SALES VOUCHER (F8)

Sales Voucher is meant for Sale entries. Sales made in the regular course of business (**not sale of fixed assets of the office**) will be entered in this voucher.

Sale of fixed assets (**not being the regular course of business**) must be entered through Receipt Voucher and not for sale.

Generally, business sales are made on credit. Tally allows the user to enter both cash and credit sales.

A Sales Voucher can be entered by pressing the **function key F8**.

Debit and Credit accounts of Sales Voucher **are:**

Debit	Credit
1. The ledger account of buyer or customer or Cash or Bank A/c.	1. Sales A/c.
2. Discount on sales if any.	2. Duty, tax, packing and forwarding charges if any.

In a Sales Voucher, always Debit aspect (the account of Buyer) is entered first.

The sales voucher for this transaction will be:

Accounting Voucher Creation		Sarva Pvt Ltd		Ctrl + M
Sales No. 1				31-Mar-2006
Ref: inv no.112				Friday
Particulars		Debit	Credit	
By M/sNamaste Ltd		4,000.00		
Cur Bal: 4,000.00 Dr				
New Ref 1	4,000.00 Dr			
To Sale A/c			4,000.00	
Cur Bal: 4,000.00 Cr				
Tube	4,000.00			
Narration :		4,000.00	4,000.00	
Calculator		ODBC Server		Ctrl + N

Figure: A Sample of Sale Voucher.

JOURNAL VOUCHER (F7)

A journal Voucher is an adjustment voucher. All amounts to be adjustment between two accounts are to be passed as a journal. By adjustment between the accounts we mean there is no physical movement of funds purchase return, Sales Returns, Depreciation on Fixed Assets etc. can be entered through the Journal. Journal entries can be entered by pressing the **function key F7**. In accounting Features, if Use **Debit/Credit Notes** option is set to **Yes**, then, if voucher type is set to **Journal (F7)**..

Credit Note (Alt+F8)

Credit Note is used to enter the transaction related to Sales Returns or when there is an excess debit to a party. In case of Credit Note, always Credit aspect (ledger account who is returning the goods) is entered first.

Accounting Voucher Creation		Sarva Pvt Ltd		Ctrl + M
Credit Note No. 1				31-Mar-2006
Ref: inv no.442				Friday
Particulars		Debit	Credit	
To M/sNamaste Ltd			4,000.00	
Cur Bal: 4,000.00 Cr				
New Ref 1	4 Days (44p-2006)	4,000.00 Cr		
By Sale Return		4,000.00		
Cur Bal: 4,000.00 Dr				
Narration :		4,000.00	4,000.00	
Calculator		ODBC Server		Ctrl + N

Figure: A sample Credit Note.

Debit Note (Alt+F9)

Debit Note is used to enter the transaction related to Purchase Returns or when a customer is short-billed. In case of Debit note, always the Debit aspect (the ledger account of party to whom the goods are returned) is entered first.

Accounting Voucher Creation		Sarva Pvt Ltd		Ctrl + M
Debit Note No. 1				31-Mar-2006
Ref: Bill no. 155				Friday
Particulars	Debit	Credit		
By M/sNamaste Ltd Cur Bal: 4,000.00 Dr New Ref 1	4,000.00			
To PurchaseReturn Cur Bal: 4,000.00 Cr		4,000.00		
Narration :		4,000.00	4,000.00	
Calculator		ODBC Server		Ctrl + N

Figure: A sample of Debit Notes

Journal

Journal is used to enter the amount to be adjusted between any two accounts. The adjustment to be made can be between any two parties or any other accounts. When making a Journal Entry, always Debit aspect is entered first.

Accounting Voucher Creation		Sarva Pvt Ltd		Ctrl + M
Journal No. 1				31-Mar-2006
				Friday
Particulars	Debit	Credit		
By M/sNamaste Ltd Cur Bal: 4,000.00 Dr New Ref 1	4,000.00			
To PurchaseReturn Cur Bal: 4,000.00 Cr		4,000.00		
Narration :		4,000.00	4,000.00	
Calculator		ODBC Server		Ctrl + N

Type the Name of item, name of Godown, Batch/Lot number, Manufacturing Date, Expiry Date, Quantity and Amount.

MEMO VOUCHER (F10)

This is a purely non-accounting voucher. That is the entries in this voucher do not affect the accounts because, these entries are not posted to ledgers and they do not affect the final result of the company. Tally stores Memo Vouchers in a separate register called Memo Register.

There are two types of Memo Vouchers. They are Memorandum and Reversing Journals. Reversing Journals can be entered only if the Accounting Features option **Use Reversing Journals** is set to **Yes**. Memorandum entries are made if any Suspense payment are made (if any payments are made to an employee to buy some stationary items, actual payment entry can be passed only after the purchase is made) instead of waiting till the purchase is made and the remaining amount is returned. A memo voucher to the extent of amount given to the employee can be entered and when the transaction is finalized, it can be converted to payment voucher), if vouchers not verified at the time of entry or if the items are given on approval. Memo Vouchers are entered by pressing the function key **F10**.

Reversing Journals

Reversing Journals are special journals that are automatically reversed after the date of journal. They exist only for a day and are effective on the date of the reversing journal. Moreover, they are effective only when they are called for in the reports (e.g., Balance Sheet).

For example: on 30th June, if you want to view the Balance Sheet as of that day. But June salaries are not due for payment until the first week in July. Therefore, there is a large liability, which is not reflected in the Balance Sheet. To overcome this, an Reversing Journal is to be entered dated 30m June by Salary (Debit) and Provisions (Credit) to the extent of total amount of salary due. (Provisions are a Ledger Account to be created under the Accounts Group - Current liabilities) When the Balance Sheet is displayed, you would ask Tally for the report with the reversing journals included. The voucher affects report only for date 30th June.

DISPLAYING VOUCHERS

The vouchers entered can be displayed from the Day Book.

To select Day Book,

- From Gateway of **Tally menu**, select **Display**.
- Select **Day Book** from **Display menu**.

Day Book		ABC & Company		Ctrl + M	
Day Book				for 1-Dec-2001	
Date	Particulars	Vch Type	Vch No.	Debit Amt.	Credit Amt.
				Inwards Qty.	Outwards Qty.
1-12-2001	Postage & Stamps	Payment	Nov01/7	100.00	
1-12-2001	Customer3	Receipt	13		4,200.00
1-12-2001	Conveyance	Journal	1	50.00	
1-12-2001	CP Ltd	Debit Note	1	5,880.82	
1-12-2001	Altc & Co	Sales	Deno01/6		
1-12-2001	CP Ltd	Sales	Deno01/7	1,000.00	
1-12-2001	MBP150	Stock Journal	1		3 Nos

Figure: The Day Book screen.

To display the vouchers for a **range of dates (change period)**, press **All+F2** and give **From** and **To** dates.

To display the **vouchers in detail** (Debit, Credit with individual accounts) press **AH+F1**.

ALTERING THE VOUCHERS

To make any changes in the voucher, after displaying the voucher by selecting Day Book from Display menu, move the highlight to the voucher to be edited and press Enter. This voucher will be displayed on the screen as entered earlier.

Make the required changes such as changing the voucher date, changing the voucher type, changing the Debit and Credit accounts, changing the amount, editing the narration etc. and select Accept **Yes**. Tally will make the necessary adjustments in respective ledger accounts automatically.

DELETING THE VOUCHERS

To delete a voucher, after displaying the voucher by selecting Day Book from Display menu, move the highlight to the voucher to be deleted and press Enter. It will display the voucher as it is created. Press **Alt+D** to delete the voucher. Tally will ask to confirm the Deletion. Answer **Yes** or **Press Enter**. The voucher will be permanently deleted and the respective ledger account balances will be automatically adjusted.

QUESTIONS

1. List the voucher types available in Tally.
 2. Explain the rules of Debit and Credit.
 3. What are the steps to be followed to make a voucher entry?
 4. Which type of voucher you pass for entering the purchase of Fixed Assets by making a Cheque payment.
 5. Which type of voucher, you pass to enter the actual stock of items in the godown.
 6. How to delete a voucher?
 7. What is the use of Reversing Journal? Give one example as to when will you use it?
 8. Which type of voucher is used to make the entry of Sales Returns?
 9. Which type of voucher is used to make the entry of transactions related to the suspense payments?
 10. How to display the vouchers entered?
-

CHAPTER – 5

REPORTS

INTRODUCTION

Tally prepares the books of account and financial statements based on the vouchers entered. The appearance of reports can be changed according to the requirement. The reports can be displayed on the screen as well printed on the paper. General reports, which are prepared by tally, are:

- * *Ledgers*
- * *Cash and Bank Books*
- * *Purchase, Sales and other Registers*
- * *Trial Balance*
- * *Profit and Loss Account*
- * *Balance Sheet*
- * *Stock Statement*
- * *Ledger and Summaries*
- * *Stock Item Summaries*
- * *Group Summaries*
- * *Cash and Funds Flow Statements*
- * *Cost Center Analysis etc.*

Balance Sheet and Profit and Loss Account options are available in Gateway of Tally menu. But all other reports are available through Display in Gateway of Tally menu.

OBJECTIVE

In this unit, you will learn to do the following things:

1. Displaying different types of reports
2. Changing the appearance of reports
3. Printing the reports

BALANCE SHEET

A Balance Sheet is a statement of the financial position of the company. It displays the Capital, Assets and Liabilities of the-company.

To display the Balance Sheet, select Balance Sheet from Gateway of Tally menu.

Balance Sheet		ABC & Company		Ctrl + M
Liabilities	ABC & Company as at 31-Mar-2002	Assets	ABC & Company as at 31-Mar-2002	
Capital Account	1,00,000.00	Fixed Assets	29,000.00	
Loans (Liability)	55,000.00	My Own Group	10,000.00	
Current Liabilities	6,82,900.95	Current Assets	10,27,899.16	
Profit & Loss A/c	2,28,998.21			
Opening Balance				
Current Period	2,28,998.21			
	1 more ... 0		1 more ... 0	
Total	10,66,899.16	Total	10,66,899.16	
Calculator	0000 Server			Ctrl + N

Figure: The Normal Balance Sheet.

By default, the Balance Sheet will be displayed in double columnar horizontal format with the closing balances of Primary Groups of Liabilities and Assets.

The Liabilities include the Capital Account, Current Liabilities, Loan Liabilities, Net Profit if any etc. The Assets includes *The Fixed Assets, Current Assets, Investments, Loans and Advances (Asset), Net Loss if any etc.*

To view the detailed balance sheet (to display each accounts' balance in the group, press **All+F1**. If detailed balance sheet is displayed, then to display in condensed mode (group balances only), press **All+F1** again. By default, the balance sheet will be displayed for the current period (**from the books Beginning From date to current date**) To display the Balance Sheet for particular period (for the quarter, half-year etc.), press **F2**. Tally will prompt you to enter the **From** and **To** dates, for which period the balance sheet will be displayed.

If many company are open, view the balance sheet of the desired **company**, and press **F3**. The open company names will be displayed. Select the name of company, the Balance Sheet of which is to be displayed.

By default, the closing stock is calculated based on the valuation method specified when creating the stock items. In order to change the **Valuation Method for the Closing Stock** in Balance Sheet, press **F7. Change Valuation Method** menu will be displayed. Select a **valuation method** like **FIFO, LIFO** etc.

If many companies are open, then, to compare the balances of more than one company on the same screen, **add a column** by pressing **Alt+C**. Select a name from the list of open company names. Balance Sheet with an additional column, will appear on the screen.

If more than one company's Balance Sheets are displayed on the screen by adding columns, to delete the column, press **Alt+D** by placing the cursor in the column of company, which is to be removed. All columns from a report cannot be removed. A report must have at least one column.

Configuring Balance Sheet

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

Figure: The Balance Sheet Configuration options.

Printing the Balance Sheet

To print the Balance Sheet on paper, display the balance sheet in the required manner a press **Alt+P**. Current options with the printer name, number of copies, types of paper to use, Balance Sheet title, and format of report etc., will be displayed. To print the Balance Sheet directly, press **Y** (yes) or press **Enter**. But if any information is to be changed, press **N** (no).

Printing Balance Sheet			
Printer : (Ne00:)	Paper Type : A4		
No. of Copies : 1			
	<i>(Printing Dimensions)</i>		
Method : Neat Mode	Paper Size : (8.27" x 11.69") or (210 mm x 297 mm)		
Page Range : All	Print Area : (8.03" x 11.48") or (204 mm x 291 mm)		
Report Titles			
Balance Sheet			
<i>Without Page Numbers</i>			
Scale Factor for Values	: Default		
Format	: Detailed		
Show Vertical Balance Sheet?	No		
Profit or Loss, both as Liability?	No		
Show Percentages ?	No		
Show Working Capital figures?	No		
Method of showing Balance Sheet?	Liabilities / Assets		
	<table border="1"> <tr> <td>Print ?</td> </tr> <tr> <td>Yes or No</td> </tr> </table>	Print ?	Yes or No
Print ?			
Yes or No			

If **N** is typed the report will not be printed, and allows you to change the following things:

- Scale Factor for Values is default. It can also be lakhs, crores, thousands, hundreds, millions etc.
- Format of report (Condensed or Detailed)

- Show Vertical Balance Sheet or not (press No for Horizontal Balance Sheet)
- Display the figures with Percentages or not.
- Show Working Capital figures or not.
- Method of Showing Balance Sheet (Assets/Liabilities or Liabilities / Assets).

To select the printer name, paper type, orientation of printing etc., press **Alt+E**. Installed printer names will be displayed in a list. Select the appropriate printer name using which the report will be printed. To specify the number of copies, press **Alt+C**, by default, only one copy will be printed. To specify the Balance Sheet Titling, press **Alt+L**.

Report Title	
Title :	Balance Sheet
Sub-Title :	
Additional Information	
Print with Company Name ?	Yes
Print with Company Address ?	Yes
Print Date Range of Report ?	Yes
Print Page Numbers in Report ?	No

Figure: The Titling Screen

After changing required options, select **Print? Yes**.

PROFIT AND LOSS ACCOUNT

Profit and Loss Account will display the Net Profit or Loss of the company for the current financial year. To view the Profit and Loss Account, **Select Profit and Loss Account** from **Gateway of Tally (Reports) menu**.

Profit & Loss A/c		ABC & Company		Ctrl + M	
Particulars		ABC & Company 1-Apr-2001 to 31-Mar -2002		Particulars	
		ABC & Company 1-Apr-2001 to 31-Mar -2002			
Opening Stock	60,000.00	Sales Accounts	10,14,961.00		
Purchase Accounts	7,52,811.41	Indirect Incomes	19,718.62		
Direct Expenses		Closing Stock	15,000.00		
Indirect Expenses	7,870.00				
Net Profit	2,28,998.21				
Total	10,49,679.62	Total	10,49,679.62		
Calculator		ODBC Server			

Figure: The Profit & Loss A/c

Printing Profit & Loss A/c

To print the Profit and Loss Account on paper, press **Alt+P**. The format in which the Profit and Loss Account will be printed is displayed. If there are no changes to make, press **Y** (Yes) to print the Profit and Loss Account. But if there are modifications to make, press **N** (No).

Scale Factor for Values is default. It can also be lakhs, crores, thousands, hundreds, millions etc.

Printing Profit & Loss	
Printer : (Ne00)	Paper Type : A4
No. of Copies : 1	
Method : Neat Mode	Paper Size : (8.27" x 11.69") or (210 mm x 297 mm)
Page Range : All	Print Area : (8.03" x 11.46") or (204 mm x 291 mm)
<u>Report Titles</u>	
Profit & Loss A/c	
<i>Without Page Numbers</i>	
Scale Factor for Values : Default	
Format : Detailed	
Show Vertical Profit & Loss? No	
Show Percentages ? No	
Show with Gross Profit? Yes	
	Print ? Yes or No

Figure: The Printing Options For Profit and Loss Account

Format of Profit and Loss Account can be Detailed (default) or Condensed.

Show Vertical Profit and Loss Account or not (No for Horizontal Profit and Loss Account)

Display the figures with Percentages or not.

Profit and Loss Account is to be printed with Gross Profit or not. By default it is printed with Gross Profit.

To select the **printer** name, paper type, orientation of printing etc., press **Alt+E**. Installed printer names will be displayed in a list. Select the appropriate printer using which the report will be printed.

To specify the number of copies, press **Alt+C**, by default, only one copy will be printed.

To specify the Profit And Loss A/c **Titling**, press **Alt+L**.

Report Title	
Title :	Profit & Loss A/c
Sub-Title :	
Additional Information	
Print with Company Name ?	Yes
Print with Company Address ?	Yes
Print Date Range of Report ?	Yes
Print Page Numbers in Report ?	No

Figure: The Titling for Profit and loss Account.

After changing required options, select **Print? Yes**.

STOCK SUMMARY

To view the details of various stock items, select Stock Summary from Gateway of Tally menu.

Stock Summary		ABC & Company		Ctrl + M
Particulars	ABC & Company 1-Apr-2001 to 30-Jun-2001			
	Closing Balance			
	Quantity	Rate	Value	
Software			1,33,722.70	
Tally Ees 6.3-Multiluser	20 pcs	1,990.00	39,800.00	
Tally Ees 6.3-Singleuser	25 pcs	1,008.11	25,202.70	
Windows 2000	108 pcs	636.30	68,720.00	
Softy				
Cables	9 Nos	1,388.89	12,500.00	
Tally Server	5 Nos	1,660.83	8,304.15	
Grand Total	14 Nos		1,54,526.85	
Calculator	ODBC Server		Ctrl + F4	

Figure: The Stock Summary report.

By default, Stock Summary will display the Primary Groups and items in a particular Column. It displays name of company, the date range of the report and closing-balance information such as Quantity, Rate and Value of stock item. To display a **detailed** Stock Summary with Godown and batch details press **Alt+F1**. To display item **Monthly Summary**, move the cursor to the **name of stock item** and **press Enter**. Item Monthly Summary displays the Inward and Outward flow of stock on monthly basis. To view the **Item-wise Stock Summary**, without the Stock Group details, press **F5**. Stock items will be displayed with respective closing stock.

Configuring Stock Summary

Configuration	
Show Quantities	? Yes
Show Rates	? No
Show Values	? Yes
Show Opening Balance	? Yes
Show goods inwards	? Yes
Show goods outwards	? Yes
Show Closing Balance	? Yes
Show Consumption & Gross Profits	? No
Show using Alternate Units	? No
Show Tail Units of Compound Units	? No
Appearance of Stock Item Names	: Alias Only
Appearance of Names	: Alias Only
Scale Factor for Values	: Default
Sorting Method	: Default
Expand all levels in Detailed Format	? No

Figure: The Configuration options for Stock Summary.

To change the configuration of Stock Summary press **F12**.

Printing Stock Summary

To print the Stock Summary, press **Alt+P**. If any changes in the default settings are to be made in make the changes and select **Yes** to print.

DAY BOOK

Day Book is used to display the vouchers entered) It is useful to see, whether all voucher entries are made or not. You can also verify, whether the voucher is entered correctly or not. If the voucher entry is wrong, it can also be corrected. If duplicate vouchers exist, such vouchers can also be deleted. To display the Day Book, select **Display** from Gateway of Tally menu, and then select **Day Book**.

Day Book		ABC & Company		Ctrl + M	
Day Book				1-Apr-2001 to 31-Dec-2001	
Date	Particulars	Vch Type	Vch No.	Debit Amt.	Credit Amt.
				Inwards Qty.	Outwards Qty.
1-4-2001	Conveyance	Bank Pay/Voucher	Apr01/201-202	10.00	
1-4-2001	CP Ltd	Receipt	1		2,500.00
1-4-2001	CP Ltd	Sales	Demo/01/1	75,000.00	
1-4-2001	Peutronics Bangalore	Purchase	1		1,50,000.00
1-4-2001	Tally Solutions Pvt Ltd	Purchase	2		1,09,900.00
1-4-2001	Tally Server	Mfg Journal	1	5 Nos	
2-4-2001	Peutronics Bangalore	Payment	1	1,50,000.00	
2-4-2001	Conveyance	Payment	2	110.00	
4-4-2001	Abc & Co	Sales	Demo/01/2	990.00	
5-4-2001	CP Ltd	Sales	Demo/01/3	25,000.00	
10-4-2001	Peutronics Bangalore	Purchase	3		75,000.00
12-4-2001	Bank Loan Account	Contra	1		50,000.00
15-4-2001	Peutronics Bangalore	Payment	3	1,200.00	
18-4-2001	CP Ltd	Receipt	2		25,000.00
20-4-2001	CP Ltd	Receipt	3		15,000.00
22-4-2001	CP Ltd	Sales	Demo/01/4	7,500.00	
25-4-2001	Cash	Contra	2		7,500.00
28-4-2001	Peutronics Bangalore	Payment	4	1,200.00	
30-4-2001	Customer4	Receipt	4		1,00,000.00
30-4-2001	Customer4	Sales	Demo/01/5	62,500.00	
30-4-2001	Bank Ltd	Contra	3		5,000.00

Figure: The Day Book Report

Each voucher in the daybook will appear with date, particulars of first ledger entry in the voucher, the voucher type, voucher number and the amount against the first ledger entry in the voucher.

To view the actual entries in detailed Day Book (full voucher entry), press **Alt+F1**.

To view the Day Book of a specific **date**, press **F2**, type a date and press **Enter**.

Instead of displaying the Day Book of a particular date, it can be displayed for a date range (period) by pressing **Alt+F2**. Type the From and To dates, the Day Book for that date range will be displayed.

To display a specific **type of voucher** only in the Day Book (e.g., only Receipt vouchers), press

F4. A list of available voucher types will be displayed. Select a voucher type. The vouchers of that type only will be displayed in the Day Book. Select **All Items** (default) to display all types of vouchers in Day Book.

Configuring Day Book

To change the configuration of Day Book, press **F12**.

Configuration	
Format	: Detailed
Show Narrations also ?	<input checked="" type="checkbox"/> No
Show Billwise Details also ?	<input type="checkbox"/> No
Show Cost Centre Details also ?	<input type="checkbox"/> No
Show Inventory Details also ?	<input type="checkbox"/> No
Select vouchers to show	: All Vouchers
Appearance of Names	: Name Only
Sorting Method	: Default

Figure: The Configuration options for Day Book.

In the configuration, you can set the following things:

- Whether the Narration of **voucher is to be displayed or not (default is No_**
- Type of vouchers to show - Accounting Entries Only, Inventory Entries Only or All Vouchers (default)
- Sorting Method - Alphabetical or Amount Wise.

To alter a voucher, select voucher from Day Book menu. Make necessary changes.

To delete a voucher, select the voucher from the Day Book. Press Alt+D to delete the voucher and confirm Delete? Yes.

Printing Day Book

To print a Day Book, first display it on the screen and then press **Alt+P**. Day Book will be displayed with the current settings. If the options are set properly, press **Y** (Yes) to print. If any information needs to be changed, press **N** (No) to print, make the required changes in the print options and then select **Print? Yes**.

Printing Day Book			
Printer : (Ne00)	Paper Type : A4		
No. of Copies : 1	(Printing Dimensions)		
Method : Neat Mode	Paper Size : (8.27" x 11.69") or (210 mm x 297 mm)		
Page Range : All	Print Area : (8.03" x 11.46") or (204 mm x 291 mm)		
Report Titles			
Day Book			
Without Page Numbers			
Format	: Condensed		
Show Narrations also ?	<input type="checkbox"/> No		
Show Billwise Details also?	<input type="checkbox"/> No		
Show Cost Centre Details also?	<input type="checkbox"/> No		
Show Inventory Details also?	<input type="checkbox"/> No		
Select vouchers to show	: All Vouchers		
<table border="1"> <tr> <td>Print ?</td> </tr> <tr> <td>Yes or No</td> </tr> </table>		Print ?	Yes or No
Print ?			
Yes or No			

ACCOUNT BOOKS

Various Account Books like Cash Book, Bank Books, Registers can be displayed by selecting **Display** from **Gateway of Tally** and then **selecting Account Books**.

Cash Book

By default, Cash Book displays all cash accounts under the group Cash in Hand. To display the monthly summary of cash account, select Cash Account. To display the vouchers of any one-month, select that particular month. In order to edit any voucher select the voucher.

Bank book

By default, Bank Book displays all bank Accounts or Bank OCC A/c) To display the monthly summary of a specific Bank A/c, move the cursor to that bank account and press **Enter**. To display the vouchers of any one-month, select that particular month. In order to edit any voucher select the required voucher.

Gateway of Tally > Display > Account Books > Cash/Bank Books

Cash/Bank Summary		ABC & Company		Ctrl + M	
Particulars				Bank Accounts ABC & Company for 1-Apr-2001	
				Closing Balance	
				Debit	Credit
Cash-in-hand			12,500.00		
Cash			12,500.00		
Bank Accounts			1,52,340.00		
Bank Ltd			1,52,340.00		
Bank OD A/c					25,000.00
SBI					25,000.00
Grand Total			1,64,840.00		25,000.00

Ledger

To view the transactions of a Ledger Account, Select Ledger from Display menu. It will display a list of available ledger accounts. To display the monthly summary of required Ledger, Select the Ledger account name. The monthly account name. The monthly summary of a ledger displays the opening balance in the ledger for the period, the monthly debit and credit transactions and monthly closing balances.

Ledger Vouchers

ABC & Company

Ctrl + M

Ledger: CP Ltd

1-Dec-2001 to 31-Dec-2001

Date	Particulars	Vch Type	Vch No.	Debit	Credit
01-12-2001	Local Sales	Sales	Demo0102	1,000.00	
01-12-2001	Interest Received	Debit Note	1	5,800.82	
02-12-2001	Local Sales	Sales	Demo0104	7,500.00	
02-12-2001	Export Sales	Sales	Demo0105	10,625.00	
06-12-2001	Bank Ltd	Receipt	16		800.00
05-12-2001	Bank Ltd	Receipt	17		3,250.00
09-12-2001	Bank Ltd	Receipt	18		1,400.00
01-12-2001	Interest Received	Debit Note	2	13,837.80	
				Opening Balance :	3,54,950.00
				Current Total :	38,843.62
				Closing Balance :	3,88,343.62

Closing Balance **Debit** (Dr.) indicate amount owned by the company or amount receivable from sundry debtors. Closing Balance **Credit** (Cr.) indicate the liability of the company or the amount payable to sundry creditors by the company. Ledger Configuration. The following options are available to **configure the Ledger Account display**:

<u>Configuration</u>	
Select vouchers to show	: All Vouchers
Format	: Detailed
Show Billwise Details also ?	No
Show Cost Centre Details also ?	No
Show Inventory Details also ?	No
Show Narrations also	? No
Include Opening Balances	? Yes (set as 'no' to remove from filtered reports)
Appearance of Names	: Name Only
Sorting Method	: Default

By default, the ledger will display the closing balance of a ledger account. To display only the Debit and Credit transactions of the account without the closing balance select Show Closing Balances? No. Default is **Yes**. Scale factor for Values can be Default, Crores, Lakhs, and Thousands etc. Periodicity to use can be Bi-monthly, Daily, and Half-Yearly, Monthly (default); Quarterly, Weekly or Yearly. Size of Graph can be Default (graph appears at the bottom of ledger account), Full Height (only the graph will be displayed) or no graph will be displayed. Type of Graph can be Bar (default) or Line.

Printing a Ledger

To print a Ledger Account, display the ledger account to be printed and press **Alt+P**. Make the necessary changes in the print options and then select **Print? Yes**.

Group Summary

The Group Summary displays the net transactions and balances of all ledgers under a group. To display the Group Summary, select **Display** from **Gateway of Tally** and **then select Account books** in **Display Menu**, then **Select Group Summary** from **Accounts Books menu**. A list of Groups will be displayed. Press **Enter** on the name of group, the summary of which is to be displayed A list of all sub-ledgers under the selected group will be displayed on the screen By moving to the required sub-ledger or ledger account, press Enter to display the monthly summary of the ledger.

Group Summary		ABC & Company		Ctrl + M
Particulars	Current Assets ABC & Company 1-Apr-2001 to 31-Mar-2002			
	Closing Balance			
	Debit	Credit		
Opening Stock	60,000.00			
Sundry Debtors	10,41,018.62	7,800.00		
Cash-in-hand	6,42,846.00			
Bank Accounts	1,13,840.00	2,510.40		

Sales Register

All sales voucher entered in Tally will form the part of Sales Register. Sales Register can be displayed from Account Books menu available under Display of Gateway of Tally menu. Sales Register will display the Debit and Credit transactions with closing balances for each month. This Register will take into account only Sales Vouchers. Select the desired month to display the transactions of that month only.

To display the voucher, select the Voucher and press Enter.

Gateway of Tally > Display > Account Books > Sales Register				
Sales Register		ABC & Company		Ctrl + M
Particulars	Sales ABC & Company 1-Apr-2001 to 31-Mar-2002			
	Transactions		Closing Balance	
	Debit	Credit		
April		3,04,090.00	3,04,090.00 Cr	
May		1,000.00	3,05,090.00 Cr	
June		7,060.00	3,12,150.00 Cr	
July			3,12,150.00 Cr	
August		26,000.00	3,38,150.00 Cr	
September			3,38,150.00 Cr	
October		10,000.00	3,48,150.00 Cr	
November		4,500.00	3,52,650.00 Cr	
December		36,900.00	3,89,550.00 Cr	
January		6,25,000.00	10,14,550.00 Cr	
February			10,14,550.00 Cr	
			1 more ... D	
Grand Total		10,14,961.00	10,14,961.00 Cr	

Columnar Sales Register

After displaying the Sales Register for a particular month, the Sales Register can be displayed in columnar mode. To display the Columnar Sales Register, press **F5**. Columnar Sales Register Alteration screen will be displayed.

Columnar Register Alteration	
Company : <u>ABC & Company</u>	
for : Sales	
Show Voucher Type	? Yes
Show Voucher Number	? Yes
Show Voucher Ref.	? No
Show Partys' Tax Regn. No.	? No
Show Voucher Narration	? No
Show Quantity Details	? No
Type of Column	Name of Account
All Items (Automatic Columns)	

After making the required changes in options displayed in the Columnar Register Alteration screen, Columnar Sales Register will be displayed.

Voucher Register								ABC & Company	Ctrl + M
List of All Sales Vouchers								1-Apr-2001 to 31-Dec-2001	
Date	Particulars	Voucher Type	Voucher No.	Quantity	Rate	Gross Total	Export Sales	VAT Exempt	
10-Apr-2001	CP Limited	Sales	Demo/01/1	5 Nos	3,500.00/Nos	17,500.00	17,500.00	2 more ...	
17-Apr-2001	Peter & Company	Sales	Demo/01/2	2 Nos	2,000.00/Nos	4,000.00	4,000.00		
13-May-2001	XYZ & Company	Sales	Demo/01/3			1,250.00			
1-Jun-2001	CP Limited	Sales	Demo/01/4	2 Nos	2,500.00/Nos	5,000.00	5,000.00		
8-Jun-2001	XYZ & Company	Sales	Demo/01/5			1,500.00			
18-Aug-2001	Peter & Company	Sales	Demo/01/6	2 Nos	900.00/Nos	1,800.00	1,800.00		
9-Oct-2001	CP Limited	Sales	Demo/01/7	1 Nos	2,100.00/Nos	2,100.00	2,100.00		
25-Nov-2001	XYZ & Company	Sales	Demo/01/8			950.00			
Grand Total				12 Nos		34,100.00	30,400.00		

Printing Sale Register: To print Sales register, display it in the manner in which it is to be printed and press **Alt+P**. Make the required changes in the options and select **Print? Yes**.

Purchase Register

All Purchase vouchers entered in Tally will be displayed in Purchase Register. The report display, columnar display and printing of Purchase Register will be same as Sales Register

Journal Register

Register will be same display format, columnar display and printing the Journal Sales Register or Purchase Register.

OUTSTANDING RECEIVABLE/PAYABLE STATEMENTS

Outstanding Receivable and Payables statements can be displayed by selecting Statement of Accounts from Statement of Accounts in Display menu.

Bills Outstanding						ABC & Company	Ctrl + M	Uppcase
Bills Receivable						1-Apr-2001 to 30-Jun-2001		Export
Date	Ref. No.	Partys' Name		Pending Amount	Due on	Overtime by days	Print	
31-Mar-2001	Tally	Tally Solutions		45,000.00	31-Mar-2001	07	F1: Detailed	
2-Apr-2001	Pue/01	Peutronics Bangalore		1,50,000.00	2-May-2001	59	F2: Period	
4-Apr-2001	Demo/01/2	Abc & Co		990.00	4-Apr-2001	87	F3: Company	
5-Apr-2001	Demo/5/01	CP Ltd		24,000.00	20-Apr-2001	71	F4: Payable	
15-Apr-2001	Demo/1/01	CP Ltd		28,000.00	15-May-2001	46	F5: Age wise	
16-Apr-2001	Demo/7/01	CP Ltd		7,500.00	16-May-2001	45		
19-Apr-2001	Pue2a/01	Peutronics Bangalore		46,200.00	19-May-2001	42		
30-Apr-2001	Demo/2/01	CP Ltd		1,26,000.00	10-May-2001	51		
1-May-2001	Demo/01/7	Abc & Co		78,000.00	1-May-2001	60		
5-Jun-2001	Demo/01/9	Indian Software Ltd		5,500.00	5-Jun-2001	25		
12-Jun-2001	Demo/01/9	CP Ltd		8,500.00	22-Jun-2001	8		
25-Jun-2001	Demo/01/10	Abc & Co		250.00	25-Jun-2001	5		
25-Jun-2001	Demo/01/11	Browning & March		2,560.00	25-Jun-2001	5		
30-Jun-2001	Demo/01/13	CP Ltd		4,250.00	10-Jul-2001			
Grand Total				5,26,750.00				

Figure: The Bills Outstanding (Receivable) Report.

To display a list of all bills for which the amount is receivable from others (sundry debtors), select Receivables from Outstanding menu and to display a list of all bills to which the company has to make the payments (amount due to sundry creditors), select Payables from Outstanding menu. Ledger in Outstanding menu will list all bills of a particular ledger that are pending and Group in Outstanding menu will list all bills of a ledger under a particular group that are pending.

INVENTORY BOOKS

To display the books of inventory like group summary, stock item, stock transfers etc., select Inventory Books from Display menu.



Stock Item is used to display the details of transactions and balances of a stock items. A list of stock items will appear on the screen. Select a stock item to display the monthly stock summary.

Stock Vouchers				ABC & Company				Ctrl + M	
Stock Item : Tally Ees 6.3-Singleuser				1-Jun-2001 to 30-Jun-2001					
Date	Particulars	Vch Type	Vch No.	Inwards		Outwards		Closing	
				Quantity	Value	Quantity	Value	Quantity	Value
1-6-2001	Opening Balance			30 pcs	30,473.68			30 pcs	30,473.68
12-6-2001	New Export Customer	Sales	Derna01/11			95 pcs	1,04,500.00		
12-6-2001	Tally Solutions Pvt Ltd	Purchase	9	90 pcs	90,000.00			25 pcs	15,973.68
Totals as per 'Transaction' values :				120 pcs	1,20,473.68	95 pcs	1,04,500.00	25 pcs	15,973.68
Totals as per 'Default' valuation :				120 pcs	1,20,473.68	95 pcs	1,04,500.00	25 pcs	25,202.70

Group Summary used to display the details of transactions and closing balance of each stock group. The report will be similar to stock-item-monthly summary report.

Stock Transfer Register will display a list of Stock Journals entered to transfer the stock items from one Godown to another or from one batch to another etc.

Physical Stock Register displays a list of Physical Stock Vouchers entered to specify the

actual physical stock of an item.

STATEMENTS OF INVENTORY

To display Godown summary, Stock Category summary, Purchase Bills pending or sales bill pending, use the option Statement of Inventory from Display menu.

CASH FLOW

The Cash Flow report will display the information of cash movement in the company by indicating the inflow and outflow of cash and the Net Row.

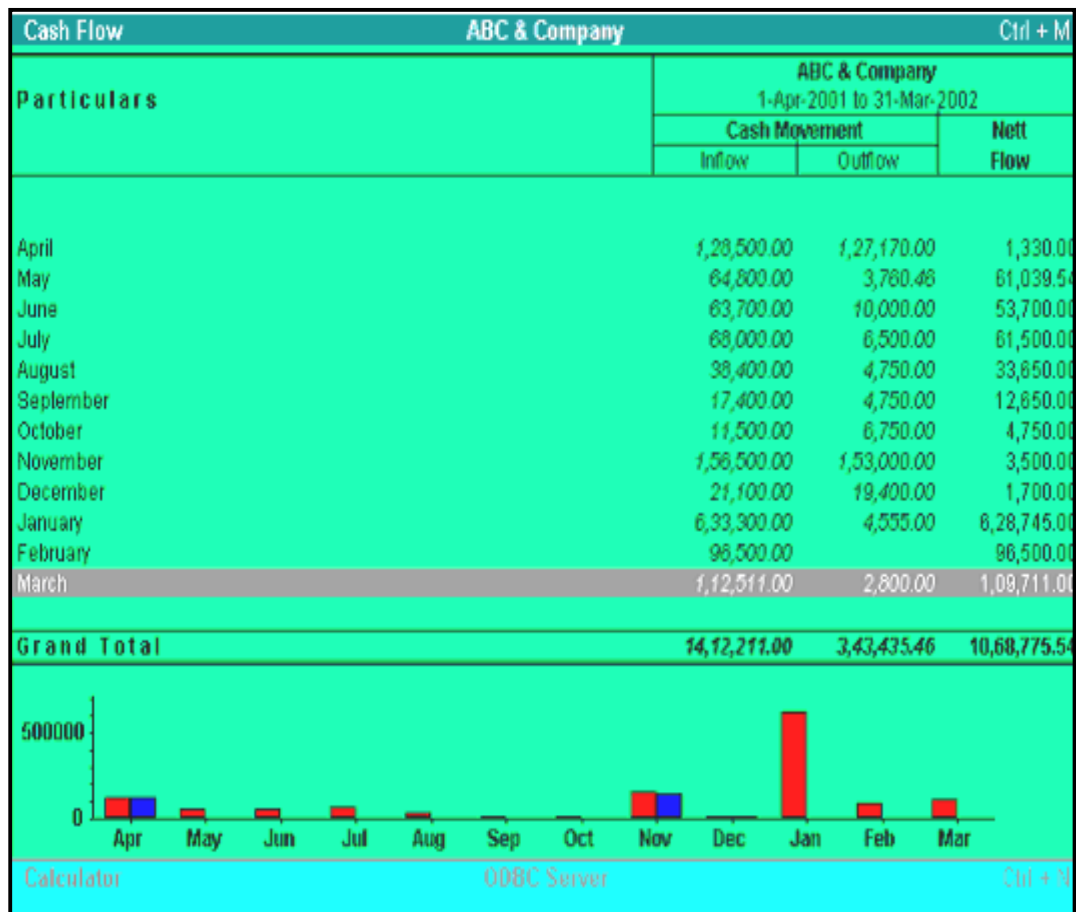


Figure: The Cash Flow Summary Report.

By selecting a month in the Cash, Flow statement, additional details of cash Inflow and Outflow in horizontal format can be displayed.

FUNDS FLOW

The funds Flow Summary Report displays the Working Capital Analysis of the company. It gives details of the movement of funds in the company, the source of funds and application of funds.

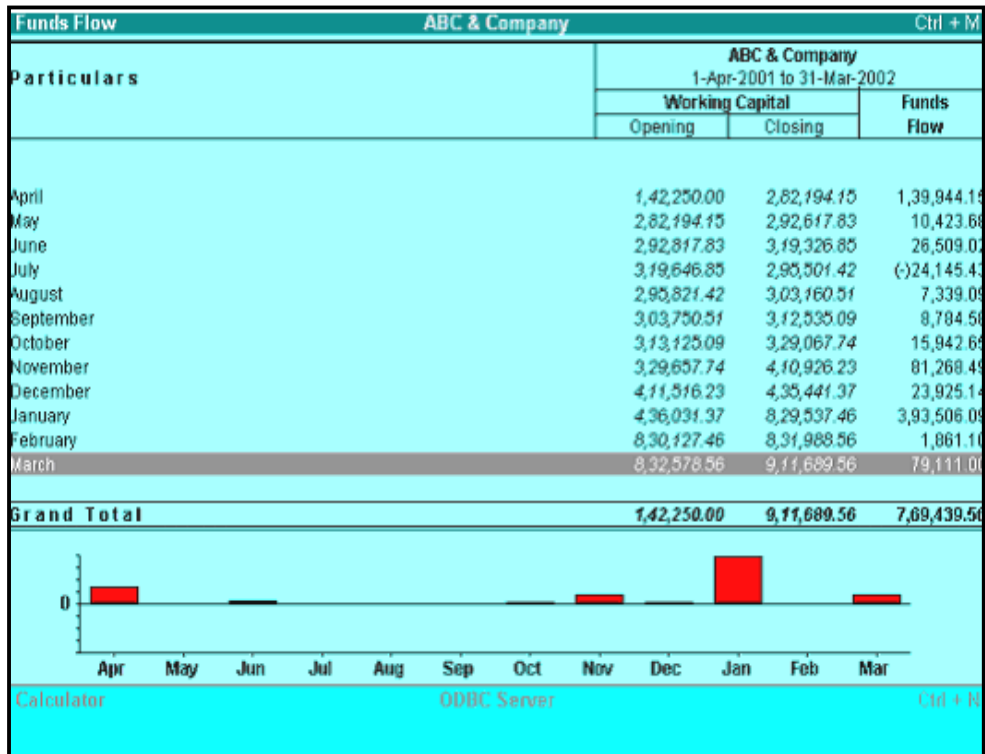


Figure: The Fund Flow Summary Report.

Note: To print any report displayed on the screen, **press Alt+P.**

CHAPTER – 6

VALUE ADDED TAX (VAT)

INTRODUCTION

VAT is a system of indirect taxation, which has been introduced in lieu of sales tax. It is the tax paid by the producers, manufacturers, retailers or any other dealer who add value to the goods and that is ultimately passed on to the consumer. VAT has been introduced in India to ensure a fair and uniform system of taxation. It is an efficient, transparent, revenue-neutral, globally acceptable and easy to administer taxation system. It benefits the common man (consumer), businessman and the Government.

Further, VAT enhances competitiveness by removing the cascading effect of taxes on goods and makes the levy of tax simple and self-regulatory, ensuring flexibility to generate large revenues.

The cascading effect is brought about by the existing structure of taxation where inputs are taxed before a commodity is produced and the output is taxed after it is produced. This causes an unfair double-taxation. However, in VAT, a set-off is given for input tax (tax paid on purchases). This results in the overall tax burden being rationalized and a fall in prices of goods.

In the subsequent sessions, we will explore how VAT makes the tax structure simple, hassle-free, export-oriented and how the integration of **VAT with Tally** will help you in the smooth functioning of your business and eliminate the complications that might otherwise arise in VAT.

CONCEPT OF VAT

The essence of VAT is in providing set-off for input tax and this is applied through the concept of input credit/rebate. This input credit in relation to any period means setting off the amount of input tax by a registered dealer against the amount of his output tax. The Value Added Tax (VAT) is based on the value addition to the goods, and the related VAT liability of the dealer is calculated by deducting the input credit from the tax collected on sales during the payment period. This concept is explained with an example, in the Computation of VAT section.

VAT works in two different ways:

1. If VAT-registered businesses receive more output tax than the taxes paid as input, they will need to pay the difference to the Commissioner of Taxes (State).

2. If the input tax paid is more than the output tax collected,

- You can carry forward the Input credit and adjust it against the output tax in the subsequent months.
- You can have the Input Credit refunded to you at the end of the current or following year, by the Government.
- You can receive refunds for Input Credit on exports within a period of three months.

TERMS	DESCRIPTION
Input tax	This is a tax paid on purchases
Output tax	This is a tax charged on sales
Input Credit	The amount of Input tax that is permitted to be set off against Output tax.
Composite Dealers	Dealers with annual gross turnover not exceeding a certain threshold (threshold - decided by the respective State Governments) can opt for a composition scheme whereby they will pay tax as a small percentage of their gross turnover. However, retailers opting for this composition scheme will not be entitled to Input Credit. The State Governments fix the periods and the procedures for the payment of the lump sum.

VAT Rates

According to the White Paper, there are 550 categories of goods under the VAT system. They are classified into the following four groups, depending on the VAT rate:

VAT @ 4%

The largest number of goods (270) comprising of basic necessity items such as drugs and medicines, agricultural and industrial inputs, capital goods and declared goods are under 4% VAT rate.

Exempted from VAT

There are about 46 commodities under the exempted category. This includes a maximum of 10 commodities that each state would be allowed to select, from a broader approved list for VAT

exemption. The exempted commodities include natural and unprocessed products in unorganized sector as well as items, which are legally barred from taxation.

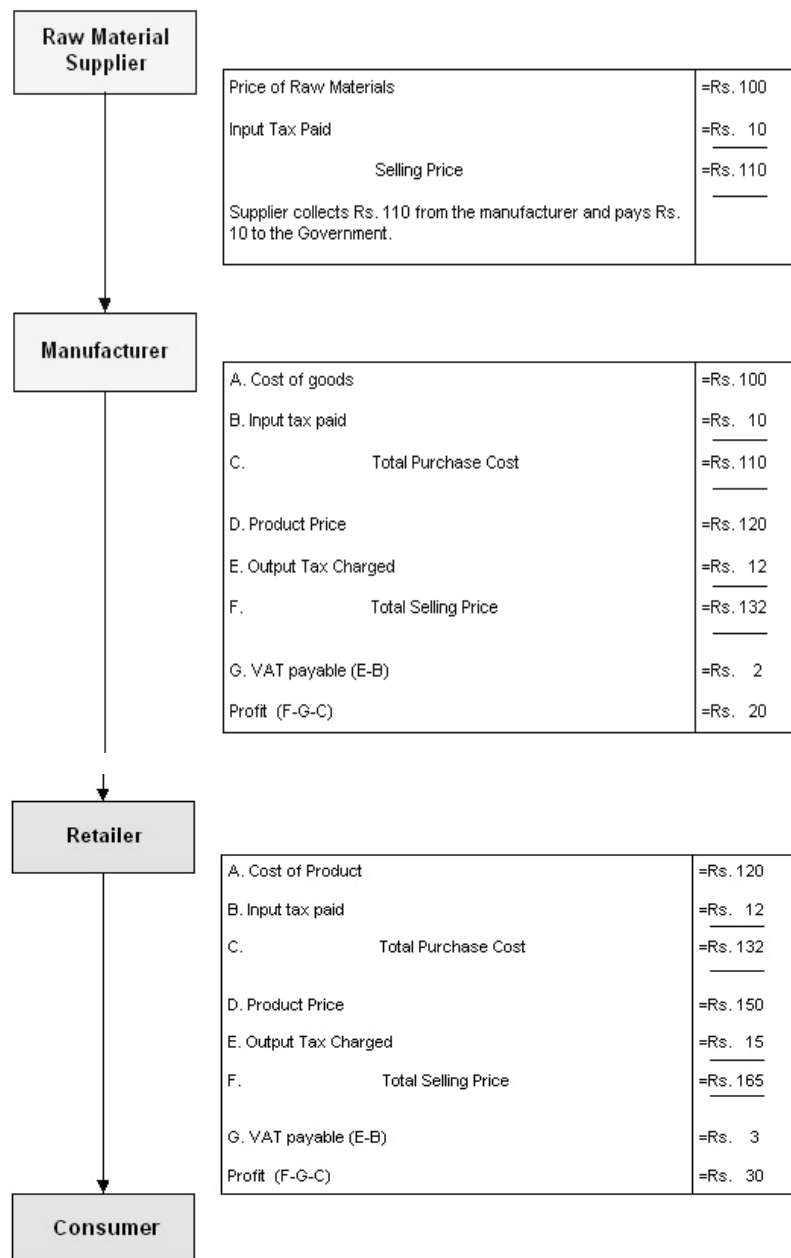
VAT @ 1%

This is for a specific category of goods like gold, silver, etc.

VAT@12.5%

The remaining commodities are under the general VAT rate of 12.5%.

Computation of VAT and Profit



The above diagram depicts computation of (10 %) VAT at each stage of business. Hence, it is not the manufacturers and retailers but only the consumer who has paid **10% VAT** to the government. Thus, you can enable Tally VAT in the **Company Creation/Alteration** screen shown below by setting **Use Indian VAT** to Yes

Use Indian VAT –Yes

On setting **Use Indian VAT** to Yes in the Company Master, you need to enter the **Applicable From date**, **VAT TIN** and **Inter-state Sales Tax Number**. Note that in this case the **Local Sales Tax Number** field is skipped.

Company Creation		Ctrl + M
Directory	: C:\Tally72\Data	
Name	: ABC Company	
Mailing Name	: ABC Company	
Address	: Koramangala Bangalore	
State	: Karnataka	
PIN Code	: 560034	
E-Mail Address	: sales@abc.com	
Use Indian VAT	? <input checked="" type="checkbox"/> Applicable From : 1-4-2005	
VAT TIN	: 46578968798	
Local Sales Tax Number	:	
Inter-state Sales Tax Number	: 5678697	
Income-Tax Number	: ABCDE1234A	
Currency Symbol	: Rs.	
Maintain	: Accounts with Inventory	
Financial Year from	: 1-4-2005	
Books beginning from	: 1-4-2005	
TallyVault Password (if any)	:	
	: (WARNING: forgetting your TallyVault password will render your data unusable!)	
Use Security Control	: No	
Base Currency Information		
Base Currency Symbol	: Rs.	
Formal Name	: Indian Rupees	
Number of Decimal Places	: 2	
Is Symbol SUFFIXED to Amounts?	: No	
Symbol for Decimal Portion	: paise	
	Show Amounts in Millions	? No
	Put a SPACE between Amounts and Symbol?	Yes

Applicable From:

Mention the date from which VAT is applicable. Only if this date is greater than the company's current date, the VAT functionality will hold good in your transactions.

VAT TIN:

Enter your TIN or LST number as the case may be, in this field. The Tax Payer's Identification Number (TIN) consists of 11 digit numerals. The first two characters represent the State Code as used by the Union Ministry of Home Affairs. The set-up of the next nine characters may, however, be different in different States.

Local Sales Tax Number:

If you do not enable VAT for your company, you will see this field, where you can enter your Local Sales Tax number.

Inter-state Sales Tax Number:

In either case, enter the **Inter-state Sales Tax Number** if applicable.

VAT Classification

It is a list of VAT rates, which describes the nature of the Business Activity and the type of transaction. These are in-built in the system and will be updated if and when any statutory changes take place. Some of the classifications are:

- **InputVAT@4%**
- **InputVAT@1%**
- **InputVAT@12.5%**
- **OutputVAT@1%**
- **OutputVAT@4%**
- **OutputVAT@12.5%**
- **Purchases - Capital Goods**
- **Purchases - Exempt**
- **Purchases from unregistered dealers**

Depending on the type of the business, type of transaction, and the statutory requirements of your State, you will need to select the appropriate classifications from the list during Ledger creations, voucher entries, etc. This is explained in detail in the following sessions. The Sales and Purchase transactions are segregated based upon the classification selected during voucher entry and shown in the VAT computation. Thus, you can see in the VAT Computation, the classification-wise VAT and Net Values. Further, the enabling and selection of VAT classifications is explained in detail in the following sessions. Ministry of Home Affairs. The set-up of the next nine characters may, however, be different in different States.

Local Sales Tax Number:

If you do not enable VAT for your company, you will see this field, where you can enter your Local Sales Tax number.

Inter-state Sales Tax Number:

In either case, enter the **Inter-state Sales Tax Number** if applicable.

Ledger Masters

The VAT Classification will be displayed as a drop down list in the Ledger Masters. Tally gives the flexibility to the user, to either have the classification selected in the Ledger Master tagged to all transactions, or, select different classifications each time during voucher entries. This is explained in detail in the Vouchers and Transactions section.

The Ledgers that are affected by VAT are:

Purchase Ledger:

The following additional fields, pertaining to VAT, can now be seen in the Ledger entry screen (*Gateway of Tally > Accounts Info > Ledger > Create/Alter*).

Ledger Creation ABC Company Ctrl + M

Name : Purchase @ 4% Total Op. Bal.
 (alias) :

Under : Purchase Accounts VAT/Tax Class

Used In VAT Returns ? Yes
 VAT/Tax Class Purchases @ 4%
 Inventory values are affected ? Yes

Opening Balance (on 1-Apr-2005) :

Name : Income Tax No. :
 Address :
 State : PIN Code :

Mailing & Related Details

VAT/Tax Class options:
 I Not Applicable
 Consignment/Branch Transfer Inward
 Imports
 Inter-State Purchases
 Purchases @ 1%
 Purchases @ 12.5%
 Purchases @ 4%
 Purchases - Capital Goods @ 12.5%
 Purchases - Capital Goods @ 4%
 Purchases - Exempt
 Purchases - From Unregistered Dealers
 Purchases - Others

Sales Ledger

Like in the Purchase Ledger screen, select the required VAT/Tax classification in the Sales Ledger too (*Gateway of Tally > Accounts Info > Ledger > Create/Alter*.)

Duties and Taxes Ledger

The ledger for Input VAT is shown below:

Ledger Creation ABC Company

Name : Input VAT @ 4% Total Op. Bal.
 (alias) :

Under : Duties & Taxes
 (Current Liabilities) Types of Duty/Tax

Type of Duty/Tax : VAT
 VAT/Tax Class : Input VAT @ 4%
 Inventory values are affected ? No

Percentage of Calculation (eg 5) ? 4 Method of Calculation : On VAT Rate

Opening Balance (on 1-Apr-2005) :

Name : Income Tax No. :
 Address :
 State :

Mailing & Related Details

Types of Duty/Tax options:
 CST
 Others
 VAT

Type of Duty/Tax

On the selection of group Duties and Taxes, the list of Tax Types CST, others and VAT, is displayed. Select VAT for VAT related transactions.

Similarly for Output VAT:

Ledger Creation		ABC Company	Ctrl + M
Name :	Output VAT @ 4%	Total Op. Bal.	VAT/Tax Class
(alias) :			Not Applicable Input VAT @ 1% Input VAT @ 12.5% Input VAT @ 4% Output VAT @ 1% Output VAT @ 12.5% Output VAT @ 4% Purchases - Capital Goods @ 12.5% Purchases - Capital Goods @ 4%
Under :	Duties & Taxes (Current Liabilities)		
Type of Duty/Tax :	VAT		
VAT/Tax Class :	Output VAT @ 4%		
Inventory values are affected :	No		
Percentage of Calculation (eg 5) :	4	Method of Calculation :	On VAT Rate
Opening Balance (on 1-Apr-2005) :			
Mailing & Related Details			
Name :	Income Tax No. :		
Address :			
State :			
PIN Code :			

Direct Expenses/Income Ledger

The VAT related fields in the Direct Expense ledger is the same as for Purchase and Sales Ledgers. Similarly, for Direct Income Ledger.

Ledger Creation		ABC & Company	Total Op. Bal.
Name :	Freight		
(alias) :			
Under :	Direct Expenses		
Used in VAT Returns :	Yes		
Default VAT/Tax Class :	Purchases @ 12.5%		
Inventory values are affected :	No		
Opening Balance (on 1-Apr-2005) :			
Mailing & Related Details			
Name :	Contact Person :	Income Tax No. :	
Address :	Telephone :		
	Fax :		
	E-Mail :		
PIN Code :			
State :			
			Accept ? Yes or No

Sales Vouchers (As Invoice)

Functionality of Sales Voucher is similar to that explained in the Purchase Voucher. However, in order to understand the calculation of VAT, let us take the following example:

Accounting Voucher Creation		ABC & Company		Ctrl + M
Sales No. 1				1-Apr-2005
Ref:				Friday
Party's Ac Name : Debtor-1				
Turnover:		Current Balance :		
VAT/Tax Class: Not Applicable				
Name of Item	Quantity	Rate per	Amount	
Item1	50 no	300.00 no	15,000.00	
Item	100 no	100.00 no	10,000.00	
			<hr/>	
			25,000.00	
Output VAT @ 1%		1 %	100.00	
Output VAT @ 4%		4 %	600.00	
Narration :			<hr/>	
			150 no	
			<hr/>	
			25,700.00	

Assessable Value: Calculation - similar to that explained in Purchase voucher.

VAT Computation after Purchase/Sales returns

Consider the following Purchase Returns entry:

Accounting Voucher Creation		ABC & Company		Ctrl + M
Debit Note No. 1				1-Apr-2005
Ref:				Friday
Party's Ac Name : Creditor-1				
Turnover:		Current Balance : 5,200.00 Cr		
VAT/Tax Class: Purchases @ 4%				
Name of Item	Quantity	Rate per	Amount	
Item1	10 no	50.00 no	500.00	
Input VAT @ 4%		4 %	20.00	
Narration :			<hr/>	
			10 no	
			<hr/>	
			520.00	

Once this is done, the VAT Computation will show as follows:

VAT Computation		ABC & Company		Ctrl + M
Particulars	ABC & Company 1-Apr-2005 to 30-Apr-2005			
	Assessable Value	Tax Amount		
Sales				
A. Output Tax				
Output VAT @ 1%	10,000.00	100.00		
Output VAT @ 4%	15,000.00	600.00		
Total Output Tax	25,000.00	700.00		
Purchases				
B. Input Tax				
<i>Excess Input Credit Brought Forward</i>				
Input VAT @ 4%	10,116.00	404.64		
Total Input Credit	10,116.00	404.64		
VAT Payable (Difference between A & B)				295.36

That is, in the **Purchases** section, Rs. 500 is reduced from the Assessable Value and Rs. 20 is reduced from the Tax amount (while comparing with the VAT Computation before Purchase Returns). Therefore the VAT Payable is now Rs. 295.36

The VAT Computation Report will now show as follows:

VAT Classification Vouchers		ABC & Company			Ctrl + M	
VAT Classification : Input VAT @ 4%					1-Apr-2005 to 30-Apr-2005	
Voucher Date	Partys' Name	TIN No.	Voucher Type	Voucher Number	Assessable Value	VAT Amount
1-Apr-2005	Creditor-1	08987285763	Purchase	1	5,000.00	200.00
1-Apr-2005	Creditor	23409465786	Purchase	2	5,616.00	224.64
1-Apr-2005	Creditor-1	08987285763	Debit Note	1	(-500.00)	(-20.00)
Grand Total					10,116.00	404.64

Sales Returns - Credit Note

Let us now take the example of a Sales Return.

Accounting Voucher Creation		ABC & Company		Ctrl + M
Credit Note No. 1				1-Apr-2005
Ref:				Friday
Party's Alc Name : Debtor-1				
Turnover : 25,700.00 Dr Current Balance : 25,700.00 Dr				
VAT/Tax Class: Sales @ 4%				
Name of Item	Quantity	Rate per	Amount	
Item1	10 no	150.00 no	1,500.00	
Output VAT @4%		4 %	60.00	
Narration:		10 no	<u>1,560.00</u>	

The VAT Computation screen will now show as follows:

VAT Computation		ABC & Company		Ctrl + M
Particulars	ABC & Company 1-Apr-2005 to 30-Apr-2005			
	Assessable Value	Tax Amount		
Sales				
A. Output Tax				
Output VAT @ 1%	10,000.00	100.00		
Output VAT @ 4%	13,500.00	540.00		
Total Output Tax	23,500.00	640.00		
Purchases				
B. Input Tax				
<i>Excess Input Credit Brought Forward</i>				
Input VAT @ 4%	10,116.00	404.64		
Total Input Credit	10,116.00	404.64		
VAT Payable (Difference between A & B)				235.36

The Assessable Value under **Sales** has reduced from Rs. 25,000 to Rs. 23,500 and the Tax Amount has reduced to Rs. 640.00. This will show in the Reports as follows:

VAT Classification Vouchers						
ABC & Company						Ctrl + M
VAT Classification : Output VAT @ 4%				1-Apr-2005 to 30-Apr-2005		
Voucher Date	Partys' Name	TIN No.	Voucher Type	Voucher Number	Assessable Value	VAT Amount
1-Apr-2005	Debtor-1	89127649876	Sales	1	15,000.00	600.00
1-Apr-2005	Debtor-1	89127649876	Credit Note	1	(-)1,500.00	(-)60.00
Grand Total					13,500.00	540.00

VAT Classification Vouchers						
ABC & Company						Ctrl + M
VAT Classification : Output VAT @ 1%				1-Apr-2005 to 30-Apr-2005		
Voucher Date	Partys' Name	TIN No.	Voucher Type	Voucher Number	Assessable Value	VAT Amount
1-Apr-2005	Debtor-1	89127649876	Sales	1	10,000.00	100.00
Grand Total					10,000.00	100.00

Therefore the VAT Computation and Reports are updated automatically as you pass the entries.

VAT Computation

You can go to the VAT Computation screen via **Gateway of Tally > Display > VAT Reports > VAT Computation**.

You will need to go through the following sections before learning VAT Computation screen below:

Purchase Ledger > Sales Ledger > Duties and Taxes > Purchase Voucher > Sales Voucher

VAT Calculations

Let us consider the following that we made, for VAT Computation:

1. Purchased from Creditor-1, 100 quantities of item1 at the rate of Rs.50 each.

The Input VAT@4% for this amount is Rs.200.

2. Purchased from Creditor, 100 quantities of item2 at the rate of Rs.50 each. However we applied a discount of Rs.200 here. Also, Excise tax of Rs.800 and Educational Cess of Rs.16 were levied on this.

Therefore we applied the InputVAT@4% on the Assessable value of Rs.5616, which is Rs.224.64.

Therefore total Input VAT = Rs.200 + Rs.224.64 = Rs.424.64

3. Sale of 50 quantities of item1 @Rs.300 to Debtor-1 .

OutputVAT@4% = Rs.600.

4. Sale of 100 quantities of item @ Rs.100 each.

Output VAT@1%= 100

Therefore total Output VAT = Rs.600 + Rs.100 = Rs. 700

Therefore VAT Payable-> Output VAT - Input VAT = Rs.275.36

This is calculated automatically by Tally for you and the VAT Computation screen shows as follows:

VAT Computation		ABC & Company		Ctrl + M
Particulars	ABC & Company		1-Apr-2005 to 30-Apr-2005	
	Assessable Value		Tax Amount	
Sales				
A. Output Tax				
Output VAT @ 1%	10,000.00		100.00	
Output VAT @ 4%	15,000.00		600.00	
Total Output Tax	25,000.00		700.00	
Purchases				
B. Input Tax				
<i>Excess Input Credit Brought Forward</i>				
Input VAT @ 4%	10,616.00		424.64	
Total Input Credit	10,616.00		424.64	
VAT Payable (Difference between A & B)			275.36	

The Reports for the two Purchases and one Sales transaction is shown below respectively:

VAT Classification Vouchers						
ABC & Company				Ctrl + M		
VAT Classification : Input VAT @ 4%				1-Apr-2005 to 30-Apr-2005		
Voucher Date	Partys' Name	TIN No.	Voucher Type	Voucher Number	Assessable Value	VAT Amount
1-Apr-2005	Creditor-1	08987285763	Purchase	1	5,000.00	200.00
1-Apr-2005	Creditor	23409465786	Purchase	2	5,616.00	224.64
Grand Total					10,616.00	424.64

VAT Classification Vouchers						
ABC & Company				Ctrl + M		
VAT Classification : Output VAT @ 1%				1-Apr-2005 to 30-Apr-2005		
Voucher Date	Partys' Name	TIN No.	Voucher Type	Voucher Number	Assessable Value	VAT Amount
1-Apr-2005	Debtor-1	89127649876	Sales	1	10,000.00	100.00
Grand Total					10,000.00	100.00

VAT Classification Vouchers						
ABC & Company				Ctrl + M		
VAT Classification : Output VAT @ 4%				1-Apr-2005 to 30-Apr-2005		
Voucher Date	Partys' Name	TIN No.	Voucher Type	Voucher Number	Assessable Value	VAT Amount
1-Apr-2005	Debtor-1	89127649876	Sales	1	15,000.00	600.00
Grand Total					15,000.00	600.00

For VAT exempted or zero rated transactions

If you have transactions that are exempted from VAT but however want to have it displayed in

the VAT Computation screen, you will need to click on the F12 button and set the Show non VAT classifications also? to Yes.



For example, in the case of Inter-State Sales, the Tax Amount column will show as NIL in the Computation screen.

VAT Computation		ABC & Company		Ctrl + M
Particulars	ABC & Company 1-Apr-2005 to 30-Apr-2005		Assessable Value	Tax Amount
	Sales			
A. Output Tax				
Inter-State Sales		1,000.00		
Output VAT @ 1%		10,000.00		100.00
Output VAT @ 4%		15,000.00		600.00
	Total Output Tax	26,000.00		700.00
Purchases				
B. Input Tax				
<i>Excess Input Credit Brought Forward</i>				
Input VAT @ 4%		10,616.00		424.64
	Total Input Credit	10,616.00		424.64
VAT Payable (Difference between A & B)				235.36

CHAPTER – 7

TAX DEDUCTED AT SOURCE (TDS)

INTRODUCTION

Tax Deducted at Source (TDS) is one of the modes of collecting income tax. The buyer (deductor) deducts the tax from the payment made to the seller (deductee) and remits the tax to the Income Tax Department within the stipulated time.

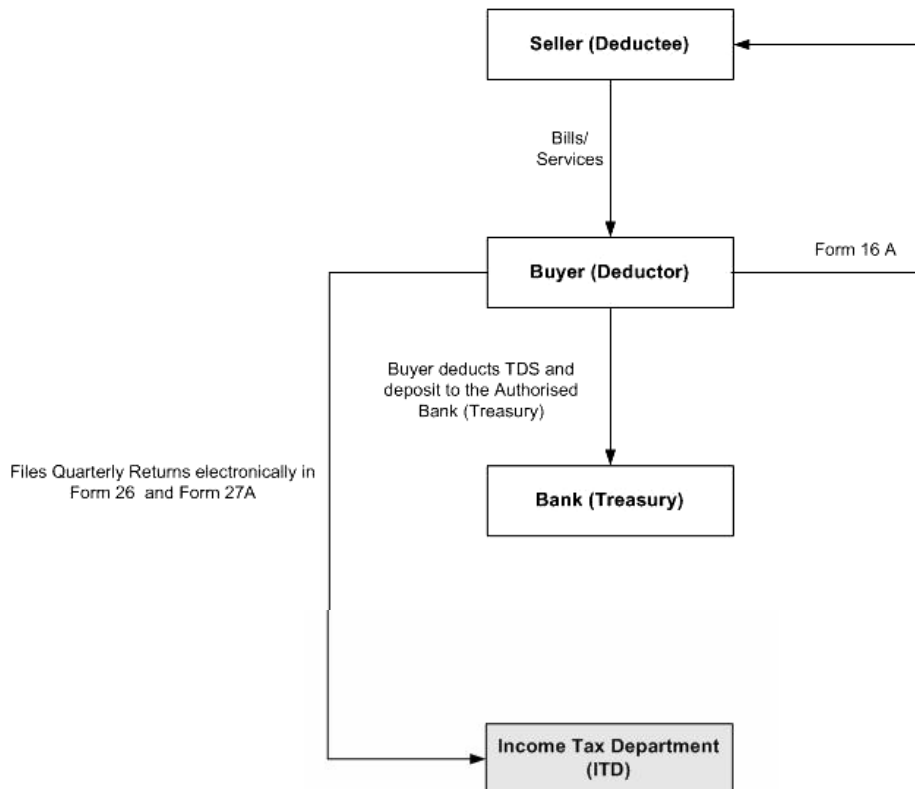
The buyers (Corporate and Non-Corporate) make payments (such as Salary, Rent, Interest on securities, Dividends, Insurance Commission, Professional Fees, Commission on Brokerage, Commission on Lottery Tickets, etc) to the sellers (Services) and deduct the requisite amount from such payments towards tax.

The buyer files the TDS returns containing details of the seller and the bank, where the TDS amount is deposited to the Income Tax Department (ITD).

The Income Tax Department has prescribed the formats for filing these returns electronically, which the buyer does in a CD/floppy.

For additional details you can visit the Income Tax Website at <http://www.incometaxindia.gov.in>

Flowchart of TDS



The Income Tax Department has made it mandatory for all Corporate companies like private limited and public limited to file their TDS returns in electronic media (i.e. e-TDS returns). However, the Non - Corporates like individuals, proprietary firms and partnership firms can furnish their returns in physical form to their respective Income Tax Offices. They can also furnish their returns in electronic form through TIN facilitation centres established by NSDL. Filing of e-TDS return to Non- Corporate deductors is optional.

The Buyer (Deductors) has to furnish the TDS returns in electronic form and Form 27A in physical form along with the e-TDS return CD/floppy.

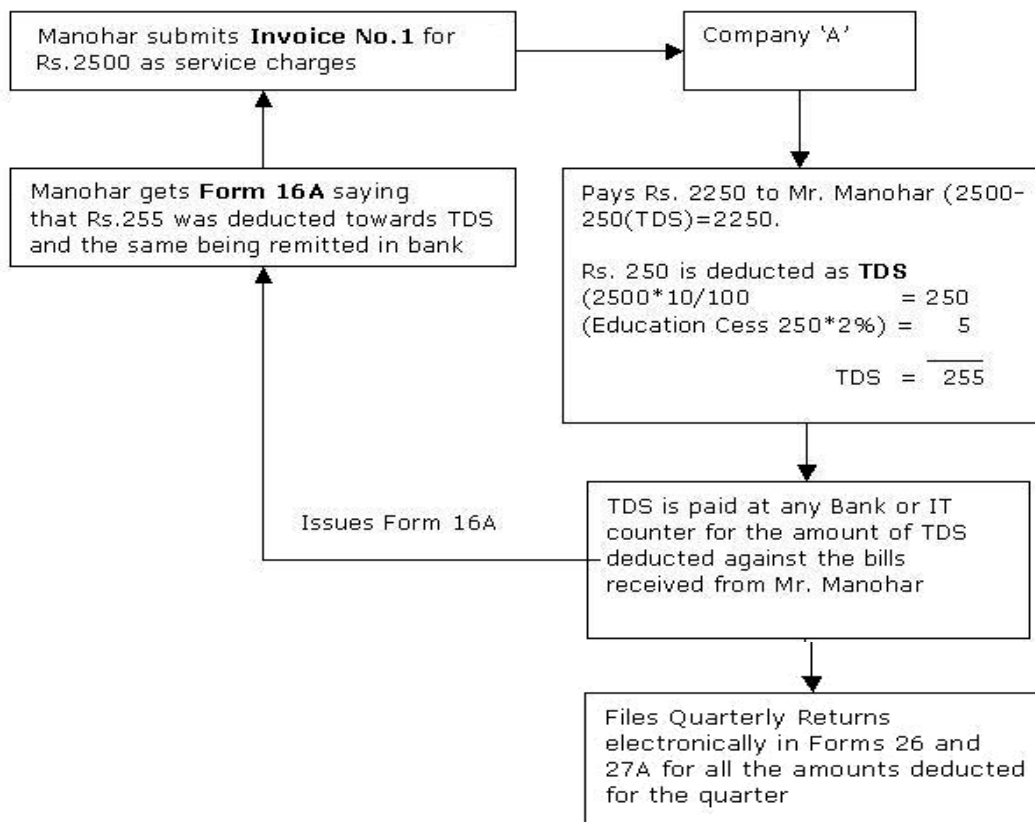
Form 27A must be furnished separately for each return (Form 24, 26 or 27).

NSDL has developed a utility called File Validation Utility (FVU) to verify whether the e-TDS return file prepared by the Buyer (deductors) conforms to the prescribed format.

Transaction Flow in Tax Deducted at Source

Example 1: Indirect Expenses (Fees for Professional or Technical Services (Section 194J))

Manohar is a technical consultant for automobiles. He inspects used cars and prepares a report. Manohar (seller of the service) receives Rs.500 for inspection of one car. He inspects five cars in January 2005. So he has to receive Rs.2500 as service charges. Company 'A' pays him Rs.2250 towards service charges and pays Rs.250 to any Bank or IT counter towards TDS. The following diagram explains the transaction flow in TDS:



Features of TDS in Tally 7.2

The TDS functionality in Tally 7.2 supports the following features:

- Simple and user-friendly.
- Quick and easy to set up and use.
- Accounting for tax on partial/full payment of bills.
- Flexibility for auto and manual calculation of TDS.
- Complete tracking of each transaction from deduction to payment.
- Challan management and printing for prompt and accurate filing of tax.
- The Auto allocation feature prevents error-prone data entry and helps track the transactions faster.
- Form 16A management:
 - Can be printed for a transaction
 - Can be printed for a period
 - Can be printed yearly
- Allows multi-party printing
- Exporting of data in NSDL compliant TDS file format.
- Electronic format (e-TDS return) with Form 26Q, Form 26 , Form 27 and Form 27A which will be validated by the utility, provided by the government.
- Generates Form 16A, TDS Challan, TDS Computation and TDS Payable reports.

Enabling TDS in Tally

You can enable Tally TDS in **F11: Features** screen. The F11: Features button is available in almost all screens of Tally. This screen helps you to activate the TDS feature.

Gateway of Tally > Click on the F11: Features button or Press the F11 Key

1. Set **Enable TDS** to **Yes**

Company Operations Alteration																			
Company : <u>ABC Company Limited</u>																			
Integrate Accounts and Inventory ? Yes	Maintain Budgets and Controls ? No																		
Allow Multi-Currency ? No	Allow 0 valued entries In Vouchers ? No																		
Allow Invoicing ? Yes	Allow Purchase Order Processing ? No																		
Enter Purchases In Invoice Format? Yes	Allow Sales Order Processing ? No																		
Separate Discount column on Invoices? No	Enable TDS ? Yes																		
<table border="0" style="width: 100%;"> <tr> <td style="width: 50%; text-align: center;"><u>Accounting Features</u></td> <td style="width: 50%; text-align: center;"><u>Inventory Features</u></td> </tr> <tr> <td>Maintain Billwise Details (for Non-Trading A/c's also) ? Yes</td> <td>Maintain Stock Categories ? No</td> </tr> <tr> <td>Maintain Cost Centres (more than ONE Cost Category)? No</td> <td>Maintain Batch-wise Details (set Expiry Dates for Batches) ? No</td> </tr> <tr> <td>Use Rev. Journals & Optional Vouchers? No</td> <td>Maintain Multiple Godowns ? No</td> </tr> <tr> <td>Use Debit/Credit Notes ? No</td> <td>Use Tracking Numbers ? No</td> </tr> <tr> <td>Use Invoice mode for Credit Notes? No</td> <td>Use Rejection Notes ? No</td> </tr> <tr> <td>Use Invoice mode for Debit Notes? No</td> <td>Use different Actual & Billed Qty ? No</td> </tr> <tr> <td>Activate Interest Calculation (use advanced parameters) ? No</td> <td>Track additional costs of Purchase ? No</td> </tr> <tr> <td>Income/Expense Stmt Instead of P & L? No</td> <td></td> </tr> </table>		<u>Accounting Features</u>	<u>Inventory Features</u>	Maintain Billwise Details (for Non-Trading A/c's also) ? Yes	Maintain Stock Categories ? No	Maintain Cost Centres (more than ONE Cost Category)? No	Maintain Batch-wise Details (set Expiry Dates for Batches) ? No	Use Rev. Journals & Optional Vouchers? No	Maintain Multiple Godowns ? No	Use Debit/Credit Notes ? No	Use Tracking Numbers ? No	Use Invoice mode for Credit Notes? No	Use Rejection Notes ? No	Use Invoice mode for Debit Notes? No	Use different Actual & Billed Qty ? No	Activate Interest Calculation (use advanced parameters) ? No	Track additional costs of Purchase ? No	Income/Expense Stmt Instead of P & L? No	
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Activate Interest Calculation (use advanced parameters) ? No	Track additional costs of Purchase ? No																		
Income/Expense Stmt Instead of P & L? No																			
Set/Modify other Company Features ? Yes																			

Set **Set/Modify other Company Features?** to Yes. You will see the Advanced Company Operations dialog window

Advanced Company Operations	
Company : <u>ABC Company Limited</u>	
Use Multiple Price Levels for Invoicing	? No
Follow Excise rules for Invoicing	? No
Enable Cheque Printing	? No
Enter TDS Deductor Details	? Yes

Set **Enter TDS Deductor Details** to Yes will display the below dialog window:

TDS Deductor Details	
Company TDS Deductor Details	
Tax Assessment Number	: BLRM00123A
Income Tax Circle/Ward (TDS)	: DCIT-TDS
Deductor Type	: Non-Company
Name of person responsible	: Mr. Ganesh
Designation	: Accounts Manager

Tax Assessment Number

Enter the Tax Assessment Number (TAN) in this field. The Tax Assessment Number (TAN) is a ten-digit alphanumeric number, issued by the Income Tax Department (ITD) to the deductors.

Only one TAN is required for different types of deductions. TAN must be quoted properly on all Challans - payment for TDS, Returns, All Certificates - Issue in Form No.16/16A, All Returns and in all documents and other correspondences with Income-tax Department.

The format of the 10 digit TAN is something like this **BLRM00123A**

- **BLR** indicates the location code of the TAN allotment center (Eg: BLR for Bangalore)
- **M** indicates the first alphabet of the deductor name
- **00123** is the number within each location
- **A** is the check digit for security and verification

Income Tax Circle/Ward (TDS)

Enter the Income Tax Circle/Ward (TDS). The Income Tax Department issues Income Tax Circle/Ward (TDS).

Deductor Type

Select the Deductor Type (Company or Non Company) depending on whether your organization is a Company or a Non Company.

Name of person responsible

Enter the name of the authorised person responsible to file the TDS returns of your company.

***Note:** If Tally has a security feature enabled then this field is automatically filled with the user name.*

Designation

Enter the designation of the authorised person filing the TDS returns.

TDS Masters

The information required for TDS in the creation of ledgers depends on the features opted by you in the **F11: Features** screen. If you set Enable TDS [F11: Features] to **No** then you would not find any TDS related information in the Creation of Ledger.

Hence, make sure **Enable TDS** option in **F11: Features** is set to **Yes**.

You can specify the TDS Ledger Names under any of these main group heads Duties and Taxes, Sundry Creditors, Sundry Debtors, All Current Assets Group (except Bank, Cash and Stock in Hand/ Misc. Expenses (ASSETS)/ Loans and Advances (ASSETS) group or sub groups of these main group heads. In case of all Loans (Liability), Branch/Divisions and Capital Account groups, you need to set **Maintain Billwise Details** and **for Non-Trading Alcs also to YES** in **F11: Features** to get the **Is TDS Applicable** option.

The TDS related issues are created as Ledgers. The **TDS ledger master** screen now contains a new option to specify the Tax details.

Firstly, create the following ledgers under different groups:

- **Tax Ledger under Duties and Taxes**
- **Party Ledger** under Sundry Creditor

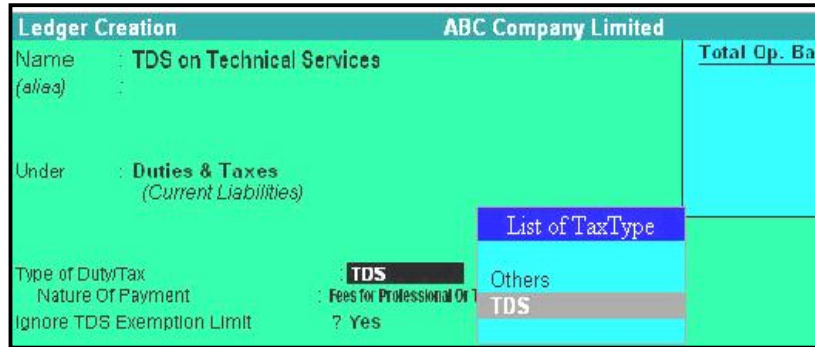
Creating Tax Ledger

The Tax ledgers have to be created under the group Duties and Taxes. The group '**Duties and Taxes**' is automatically used for calculation of tax. This Ledger holds the entire automatic calculation for TDS tax deductions at the voucher entry level. It is internally enabled to calculate the Tax.

The option to specify the Tax Type is available only for ledgers under the group 'Duties and Taxes'.

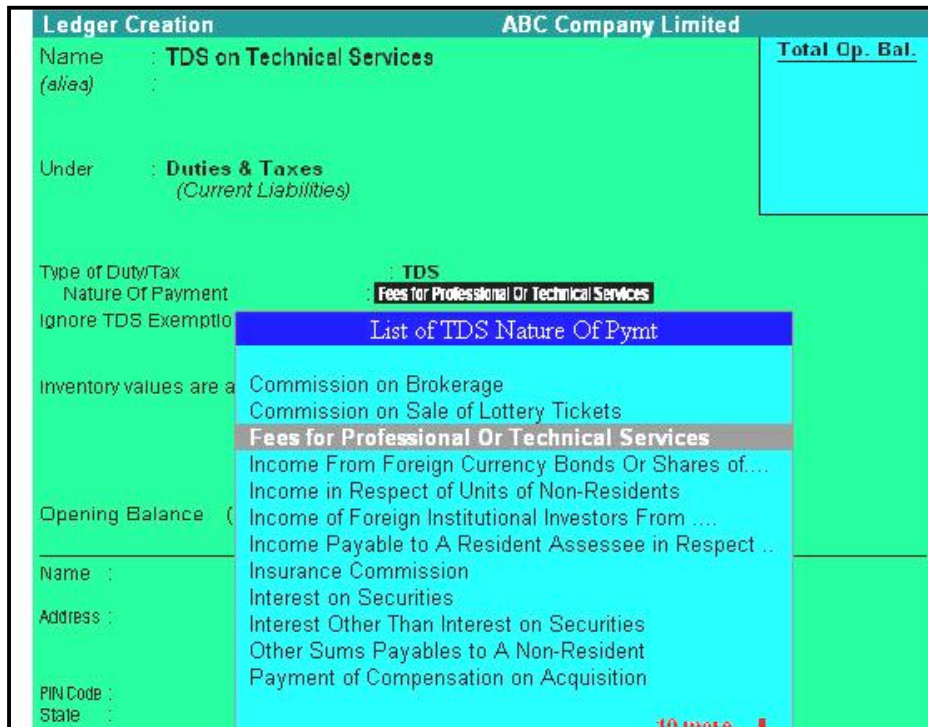
The Tax ledger master screen can be reached by following the menu path:

Gateway of Tally > Accounts Info > Ledgers > Create



Nature of Payment

Select the appropriate TDS Nature of Payment as statutorily applicable, given/ desired by the Govt. e.g. Fees for Professional Or Technical Services. By default, Tally provides you with a List of TDS Nature of Payment. You need to select the appropriate TDS Nature of Payment from the list.



Ignore TDS Exemption Limit

If the total transaction limit exceeds the actual limit you need to set the **Ignore TDS Exemption Limit** field to Yes then the tax is not calculated up to exemption.

Ledger Creation		ABC Company Limited	Total Op. Bal.
Name :	TDS on Technical Services		
(alias) :			
Under :	Duties & Taxes (Current Liabilities)		
Type of Duty/Tax :	TDS		
Nature Of Payment :	Fees for Professional Or Technical Services		
Ignore TDS Exemption Limit :	? Yes		
Inventory values are affected :	? No		
Opening Balance (on 1-Apr-2005) :			
Mailing & Related Details			
Name :	Income Tax No. :		
Address :	Sales Tax No. :		
PIN Code :			
State :			
			Accept ? Yes or No

Payment Voucher

Payment voucher is a multi-function voucher, which is used to enter/record all TDS related transactions. All transactions related to payment (through Bank) are recorded in Payment Voucher.

- TDS Challan Payment
- Payment to the Party (While Paying the Advance)

You can enter the payment voucher using **TDS Helper** Button (or Press **ALT+S**) and pay the TDS pending bills in one shot operation, for a selected TDS ledger OR You can also pay the TDS pending bills manually.

The TDS transactions in payment voucher can be automatically entered one-time for a particular deductee status, using the TDS Helper functionality of TDS available in Tally.

When a Payment Voucher entry is made for a Tax Ledger, click the button **TDS Helper** (ALT+S). This takes you to the sub-form TDS filters and allows you to specify the criteria for Auto-filling the voucher in association with the TDS ledgers.

Gateway of Tally > Accounting Vouchers > Payment Voucher > TDS Helper

1. Press **F5** at the Voucher Entry screen and Click on **TDS Helper** button or Press **ALT+S** to make a TDS Challan Payment Voucher
2. This functionality of Tally gives you tremendous flexibility to generate the payment vouchers, for any period and to any deductee.

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Gateway of Tally > Accounting Vouchers > Payment Voucher > TDS Helper

1. Press **F5** at the Voucher Entry screen and Click on **TDS Helper** button or Press **ALT+S** to make a TDS Challan Payment Voucher
2. This functionality of Tally gives you tremendous flexibility to generate the payment vouchers, for any period and to any deductee.

TDS Filters		ABC Company Limited	Ctrl + M
Payment	No. 7		7-May-2005 Saturday
Account :			
Cur Bal :			
Particulars		Amount	
<div style="border: 1px solid black; padding: 5px; background-color: #00FFFF;"> <p style="text-align: center;">TDS Filters</p> <p>TDS Ledger : TDS on Technical Services</p> <p>Deductee Status : Company</p> <p>To Date : 7-5-2005</p> </div>			

Fields in TDS Filters sub form:

TDS Ledger

Select the TDS ledger from the list.

Deductee Status

Select the Deductee Status from the list. You have to do this because you may require separate Challan for different types of deductee.

To Date

In this field user may enter, the date of the period for which the TDS values should be computed and auto-filled.

Select the **Bank** ledger in which the payment to the Tax Ledger is made after the TDS deduction. Shown below is the resulting payment voucher screen. The Tax amount is automatically calculated.

Accounting Voucher Creation		ABC Company Limited	Ctrl + M
Payment No. 6			7-May-2005 Saturday
Account : HDFC Bank Cur Bal: 3,50,000.00 Cr			
Particulars		Amount	
TDS on Technical Services Cur Bal: 67,320.00 Dr TDS Details for : TDS on Technical Services Agst Ref Pymt:6 67,320.00 Dr		67,320.00	
Narration :		67,320.00	
Ch. No. :			
		Accept ? Yes or No	

Payment Voucher (To Party Account)

The entry for the Payment to a party ledger is the same as in default Tally.

Gateway of Tally > Accounting Vouchers > Payment

1. Select the **Bank** Account from the list.
2. Select the **Party** from the list and enter the advance amount that you wish to pay to the party.

3. You will get the Bill wise Details sub form, select the type of reference as Advance and enter a name, select the appropriate **TDS ledger** (TDS on Advertising Contractors) from the list. (If the TDS Ledger is selected as Not Applicable then such transactions are considered as Payments for which TDS will not be deducted).
4. The amount entered in the debit amount is displayed in the Amount column.

Bill-wise Details						ABC Company Limited		Ctrl + M
Payment	No. 7							7-May-2005 Saturday
Bill-wise Details for : Smart Enterprises						Upto : Rs. 1,50,000.00 Dr		
Type of Ref	Name	Due Date, or Credit Days (wef. 7-5-2005)	TDS Ledger	Amount	Dr/ Cr	Amount		
Advance	7		TDS on Advertising	1,50,000.00	Dr	1,50,000.00		
								1,50,000.00
								1,50,000.00 Dr

Accept the Bill-wise details sub form. Press **Enter** in the Payment voucher screen. It will display the TDS details for the selected **TDS ledger** (TDS on Advertising Contractors). This sub form will display the party name, type of deductee, amount, and total taxable amount, income tax, surcharge and additional surcharge. The system calculates the total taxable amount till date in this sub form. Enter the name of the reference.

TDS Computations				ABC Company Limited		Ctrl + M
Payment	No. 7					7-May-2005 Saturday
TDS Details for: TDS on Advertising						
Party	: Smart Enterprises					
Deductee Type	: Company - Resident					
Amount of this Voucher	:	1,50,000.00				
Amount Paid/Payable Till Date	:	1,50,000.00				1,50,000.00
Total Amount Paid/Payable	:	3,00,000.00				
Tax	:	@	1 %	3,000.00		(+1,568.00)
Surcharge	:	@	2.50 %	75.00		
Additional Surcharge (Cess)	:	@	2 %	62.00		
Total TDS	:			3,137.00		
Less: TDS Deducted Till Date	:			1,569.00		
Net TDS to Deduct	:			1,568.00		
Tax Details for: TDS on Advertising						
Type of Ref	Name	Due Date, or Credit Days (wef. 7-5-2005)	Amount			1,48,132.00
New Ref	Pymt/7	7-Jun-2005	1,568.00	Cr		

You can change the percentages in the TDS details sub form. (Ensure Allow Alteration of TDS Rates and Values is set to Yes in that F12: Configure screen). This will calculate the **Net TDS to Deduct** on the Tax ledger according to the changed percentages. Accept the TDS details sub form. The Taxable amount for **TDS on Advertising Contractors** appears in the credit column of the Payment voucher screen.

Accounting Voucher Creation		ABC Company Limited	Ctrl + M
Payment	No. 7		7-May-2005 Saturday
Account : HDFC Bank Cur Bal : 4,98,432.00 Cr			
Particulars		Amount	
Smart Enterprises Cur Bal : 1,50,000.00 Dr		1,50,000.00	
Advance 7		1,50,000.00 Dr	TDS on Advertising
TDS on Advertising Cur Bal : 1,568.00 Cr		(-)1,568.00	
Narration :		<hr/> <hr/> 1,48,432.00	
Ch. No. :			
			Accept ? Yes or No

CHAPTER – 8

SERVICE TAX

Introduction

Service tax is an indirect tax levied on certain category of services provided by a person, firm, agency, etc. The Government of India has marked a set of services as taxable under the service tax structure. The seller provides a service and the responsibility of paying the service tax to the government rests with the seller.

Currently, the rate of service tax on all the taxable services is 10%. Presently, service tax is applicable on 73 categories of services. A few of the listed services have an abatement facility. Service tax returns are to be filed to the Commissionerate of Service Tax for the fiscal half-year. Over a period of time, the government has made changes to the rules, list of services, rate of service tax, etc. Information on the registration, rules, list of services, rate of service tax, forms, etc can be found on the official website for service tax-<http://www.servicetax.gov.in/>

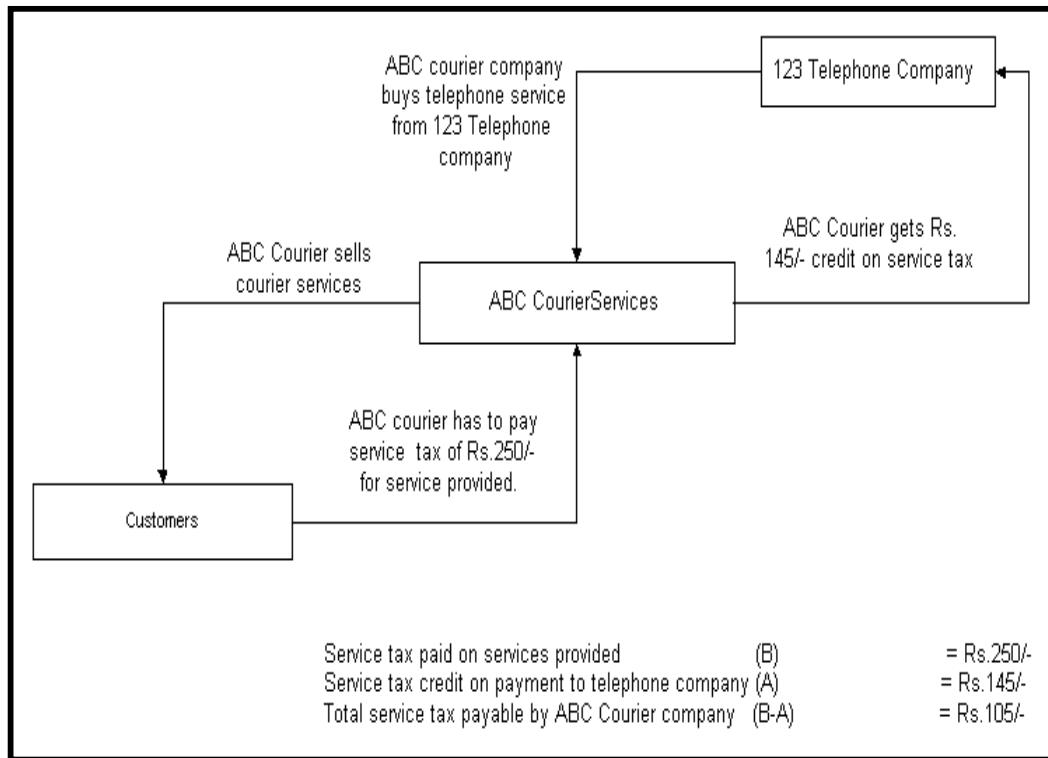
When you buy and sell services?

A person/firm providing a service that comes under the service tax category has to pay service tax. Service tax is to be shown separately in the invoice and is payable based on the payment realized and not on the total amount shown in the invoice. Similarly, when you buy a service that falls under service tax category, you avail service tax credit based on the payment made. So, you pay service tax on the services that you sell and get credit on the service tax payable when you buy a service.

Adjusting credit?

While you pay service tax on sale of services that come under the service tax category, you can adjust service tax credit availed on purchase of services (Buyer). This deduction is called *adjusting credit against service tax*. The difference between the service tax that you have to pay for selling services and the service tax credit on purchases that can be adjusted is the *payable service tax*.

Service tax (sales) that is adjustable against service tax credit (purchases) is also called *availing input credit*. Let us look at an example.



Adjusting 100% credit & 20% credit

If your input service (Purchase) can be directly related to the output service

(Sales) then you can use 100% credit adjustment on the service tax payable. For example: If you are providing a consultancy service over the phone, then you can use the input credit from the telephone charges to adjust against 100% of the service tax payable on your consultancy service. If the input service is not solely used for the output service, then 20% credit adjustment is applicable.

Input service tax credit can be adjusted to both output service tax and output cess (surcharge on tax). But input cess credit can be adjusted only towards output cess.

Assessable value

Service tax is calculated on the assessable value. The assessable value is the service charge value minus abatement and expenses.

Abatement

The government has given a deduction on the value to be considered for service tax on a few categories of services. For example, some categories of services include material value. A caterer has to procure materials to prepare food products and sell services. Service tax is

charged on the total amount for the service and does not include the rate of the materials procured. Hence a deduction is provided. This deduction from the service charges to be considered for service tax is called *abatement*. Abatement is either a percentage of the service charges a lump sum value.

Example:

a. Charge on Service	Rs.10, 000/-
b. If an abatement of 30% is applied, then abatement	Rs.3, 000/-
c. Here, the assessable value is (a-b)	Rs.7, 000/-
Therefore, service tax @ 10 % on Rs.7, 000/-	Rs.700/-

Expenses

Expenses can be deducted from the total service charge to get the taxable amount.

E.g. a technical consultant might travel to different locations with respect to work.

The invoice is prepared as 'consultancy' and the travel expenses are included in the total service charges. If supported by records, you can deduct the travel expenses from the total service charge to derive the assessable value on which service tax is applicable.

Payment of Service Tax

A seller provides a service to a buyer and bills the buyer for the service. The bill is inclusive of the service tax. The seller does not have to pay service tax on the total bill amount but only on the payment received.

Example:

Charge on service	Rs.10, 000/-
Service tax @ 10%	Rs.1, 000/-
Cess on Service Tax @ 2%	Rs.20/-
Total bill	Rs.11, 020/-

Here, the service-tax calculated turns out to be

a. Service Tax	Rs.1, 000/-
b. Cess on Service tax	Rs.20/-
Total	Rs.1, 020/-

Assuming, the buyer pays the seller Rs.5, 000/- as part payment, the service-tax payable for the payment received is calculated as given below.

a. Charge paid on service	$(10,000 \times 5,000)/11,020$	Rs.4537.21
b. Service tax on Rs.5000/- is	$(1,000 \times 5,000)/11,020$	Rs.453.72
c. Cess on service tax is	$(20 \times 5,000)/11,020$	Rs.9.07

Hence, service tax is payable only on the value of payment received by the seller and not on the gross amount charged or billed (invoice value).

Another case is when you receive an advance payment on services to be provided. Service tax is not applicable on advances paid until it is adjusted against the invoice.

The service tax amount is to be paid in **Form TR-6** challan in a bank designated by the Commissionerate of Service Tax.

For a particular area there is a Focal bank, with branch and code. This is the designated bank.

Service tax payments will be accepted in all the branches of the bank, which are connected with the focal branch.

The list of the banks and their branches accepting service tax payments is available with the Commissionerate of Service Tax.

If your company is a corporate company, service tax is payable on a monthly basis by the 5th of the following month. For example, Service tax has to be paid by 5th January for the month of December.

Non-corporate like individuals, proprietary firms, partnership firms, etc. have to pay service tax for the fiscal quarter.

The payment is to be made by the 5th day of the month following the quarter.

For example, service tax for the quarter ending 30th June is to be paid by 5th July.

For the corporate and non-corporate bodies, service tax for the month of March is payable by 31st of March.

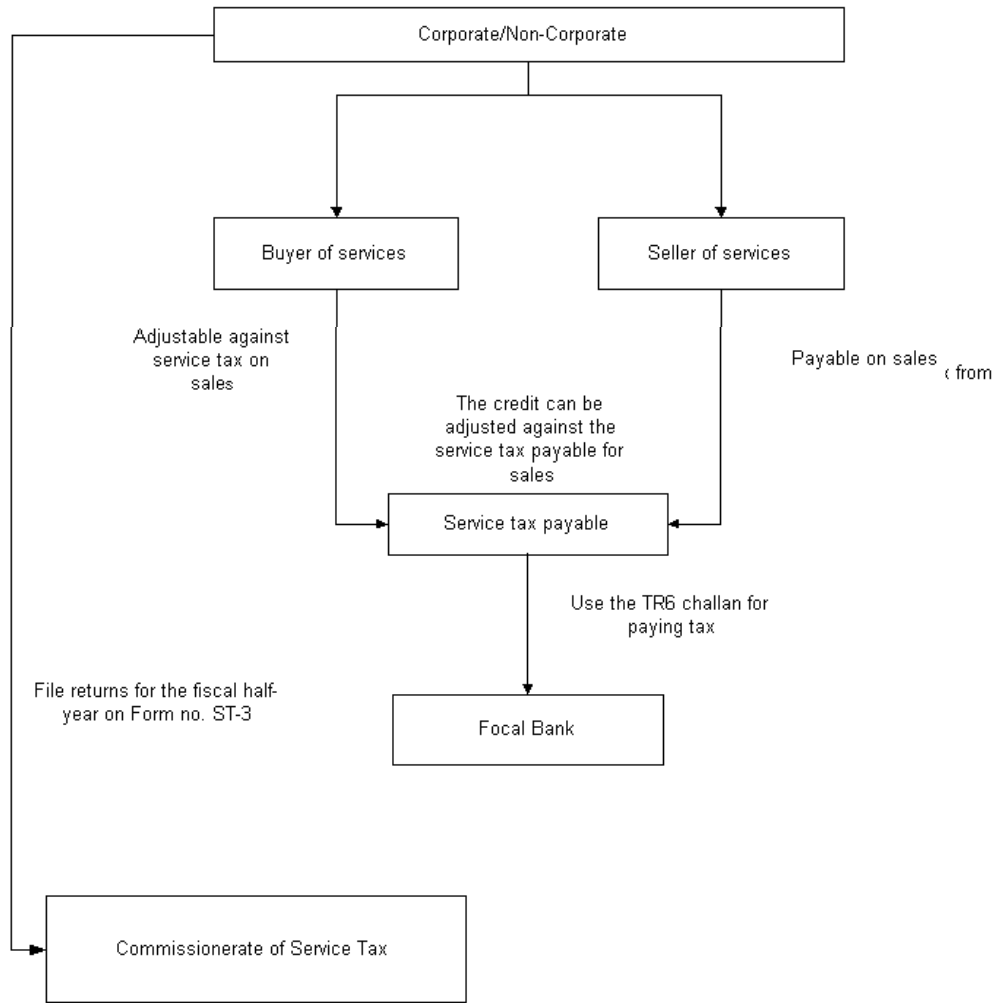
Filing returns

Corporate and non-corporate organizations have to file service tax half-yearly with details in **Form ST-3** and **Input Credit Form (Form 5)** to the Commissionerate of Service Tax.

The filing of returns should be within 5 days from the last day of the fiscal half-year.

For the fiscal half-year ending-date of 30th September, the last day for filing service-tax returns is 5th October. Copies of all TR6 Challans issued during the period must be attached.

Flow of Transaction in Service Tax



Enabling service tax

In the **Company Operations Alteration** screen, enter **Yes** in the **Enable Service Tax?** option. This will enable service tax for the selected company.

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

Entering Service Tax Details

In the **Advanced Company Operations** screen, you will find the **Enter Service Tax Details** option. Enter **Yes** in this option to take you to the **Company Service Tax Details** screen.

Advanced Company Operations	
Company : <u>ABC Company</u>	
Use Multiple Price Levels for Invoicing	? No
Follow Excise rules for Invoicing	? No
Enable Cheque Printing	? No
Enter Service Tax Details	? Yes

Company Service Tax Details

Company Service Tax Details		Ctrl + M	
Company : <u>ABC Company</u>		of Tally:	
Company : <u>ABC Company</u>			
<u>Company Service Tax Details</u>		<u>Division</u>	
Service Tax Registration No.	ABCD1234HH	Code	: BANG/SOUTH/23
Date of Registration	: 8-May-2002	Name	: BANGALORE
Assessee Code	: GH676BANG1234	<u>Range</u>	
Type of Organisation	: Company - Resident	Code	: BAN/KAR/0001/09
Major Service Category Name	: Chartered Accountant	Name	: BAN/KAR
Credit Adjustment(%)	: 20	<u>Commissionerate</u>	
		Code	: 0123
		Name	: Mr. Amit Prakash
<u>Focal Bank Details</u>			
Focal Bank Code	: UBI000109		
Focal Bank Name	: UNION BANK OF INDIA		
Focal Bank Address	: 27, LALBAGH ROAD,BANGALORE, 560027		

Company Service Tax Details

Service Tax Registration No. – Enter the registration number allotted to you by the Service Tax Department.

Date of Registration – Enter the date of registration of service tax for your service.

Assessee Code- Enter the code given to your company by the Service Tax Department.

Type of Organization – In this field select the type of your organization from the **List of Organisations** menu.

List of Organisations
Association of Persons
Body of Individuals
Company - Non Resident
Company - Resident
Co-Operative Society
Individual/HUF - Non Resident
Individual/HUF - Resident
Local Authority
Partnership Firm

Major Service Category Name- Here you will find options for different categories that come under the service tax net. You might be providing two or more services in a company. In such a situation, select the service category that is the mainstay or forms the major part of your business.

Select the relevant option from the **List of Service Categories** that applies to your company.

List of Service Categories
<input type="checkbox"/> Not Applicable
Advertising Agency
Airport Service
Air Travel Agent
Architect
Authorized Service Station
Banking & Financial Service
Beauty Treatment
Broadcasting
Business Auxiliary
Business Exhibition
Cable Operators
Cargo Handling
Chartered Accountant
Clearing & Forwarding Agent
Commercial Training & Coaching
Construction
Consulting Engineer
Convention
Courier
Credit Rating Agency's
Custom House Agent
Dry Cleaning

Credit Adjustment (%) – By default this field is set to 20. Enter the percentage of credit adjustment that you would like to avail.

Division

Code- The code of the division in which your company falls.

Name - Enter name of the division under which your company falls.

Range

Code- Enter the code of the range of your company.

Name- Enter the name of the range under which your company falls.

Commissionerate

Code- This is the code of the Commissionerate of Service Tax under which the address of your registered premise is located.

Name- This is the name of the Commissionerate of Service Tax under whose range the address of your registered premise falls.

Focal Bank Details

Focal Bank Code-The Commissionerate of Service Tax allots a code to banks nominated for payment of service tax in a particular area. This code is available with the Commissionerate of Service Tax.

Focal Bank Name- This is the name of the bank nominated by the Commissionerate of Service Tax to receive service tax payments in a particular area. This information is available with the Commissionerate of Service Tax.

Focal Bank Address- Enter the address of the branch of the focal bank.

Press 'Enter', once you have entered the service tax details. This will take you to the **Company Operations Alteration** screen. Accept to save the changes.

Creating Party Ledgers

To create party ledgers, open **Tally**, go to **Gateway of Tally > Accounts Info > Ledgers > Create**. This will open the ledger creation screen.

Ledger Creation		ABC Company	
Name :	CAB TV	<u>Total Op. Bal.</u>	
(alias) :			
Under :	Sundry Debtors (Current Assets)		
Is Service Tax Applicable	<input type="checkbox"/> Yes		
Maintain balances bill-by-bill Inventory values are affected	<input type="checkbox"/> Yes <input type="checkbox"/> No	Default Credit Period :	
Opening Balance (on 1-Apr-2005) :			
		Mailing & Related Details	
Name :	CAB TV	Income Tax No. :	
Address :		Sales Tax No. :	
		Service Tax No. :	TRYUR56LUC
		Service Tax Reg. Date :	2-Mar-2003
State :	Karnataka		
PIN Code :			
			Accept ? Yes or No

Similarly, create ledgers for companies that you provide services to. Enter the name of the company and in the **Under** field, select **Sundry Debtors** option from the **List of groups**.

Set **Yes** in the **Is Service Tax Applicable?** Field if service tax is applicable. This will open the **Exemption Notification Number** screen, which has the **Exemption Detail** sub-form. Set **Yes/No**.

Enter details in the **Default Credit Period** if applicable. By default, the **Inventory Values are affected?** field is set to **No**.

Though entering the details of the company is optional, it is necessary that you enter the **Service Tax No.** and **Service Tax Reg. Date** fields and accept **yes** to save.

Exemption Notification

Set **Yes** in the **Is Service Tax Applicable?** field. This will display the **Exemption Notification Number** screen.

Set **Yes** in the **Is Exempted?** field if an exemption is applicable for the party you are creating. This is a default value and can be changed in a transaction. Enter in the **Notification Detail** and press 'Enter'. The notification detail is displayed in the **Narration** field. This is provided to

make a note or reference to the act/rule under which the service tax is exempted. This is set as default and can be changed later in a transaction.

Exemption Detail	
Is Exempted	? Yes
Notification Detail	: Rule 45/6

Creating Service Tax Ledgers

You will have to create a service tax ledger to calculate service tax. The rate of service tax and rate of cess are predefined values in Tally and this can be changed in a transaction.

Ledger Creation		ABC Company
Name	: SeT Chart Acct	Total Op. Bal.
(alias)	:	
Under	: Duties & Taxes (Current Liabilities)	
Type of Duty/Tax	: Service Tax	
Category Name	: Chartered Accountant	
Inventory values are affected	? No	
Opening Balance (on 1-Apr-2005):		
Mailing & Related Details		
Name	: Income Tax No. :	
	: Sales Tax No. :	
Address	:	
State	:	
PIN Code	:	
		Accept ? Yes or No

In Tally, go to **Gateway of Tally > Accounts Info > Ledgers > Create**.

In this screen enter the service tax ledger name in the **Name** field. In the **Under** field, select the **Duties & Taxes** option from the **List of Groups**.

List of Groups
1... 10 more
Direct Incomes
Duties & Taxes
Expenses (Direct)

In the **Type of Duty/Tax** field select **Service Tax** from **Type of Duty/Tax**.

Type of Duty/Tax
Others
Service Tax

Enter other details and press 'Y' or 'Enter' to accept.

Creating Sales Ledgers for Services

Ledger Creation		ABC Company
Name :	Consultancy-ABC	<u>Total Op. Bal.</u>
(alias) :		
Under :	Sales Accounts	
Is Service Tax Applicable	? Yes	
Category Name	: Chartered Accountant	
Inventory values are affected	? Yes	
Opening Balance (on 1-Apr-2005) :		
Mailing & Related Details		
Name :	Income Tax No. :	
Address :	Sales Tax No. :	
State :		
PIN Code :		
		Accept ? Yes or No

If you are selling a service then create a ledger for the service provided. These ledgers can be in **Sales Accounts** or **Direct Incomes** Groups. Enter the name of the service you provide in the **Name** field. In the **Under** field, select **Sales Accounts/Direct Incomes** from the **List of Groups** menu. Set the **Is Service Tax Applicable?** field to **Yes**. Select the category of service from the **List of Service Categories**.

Service Tax Display in Statutory Masters

You can view the values in each service category in Tally. These are predefined values and any changes can be updated from the Tally website.

Open **Gateway of Tally > Display > Statutory Masters > Service Categories**

Service Category		ABC Company	
Name	Chartered Accountant		
Code	00440092		
Accounting Code	00440093		
Category Code	CAC		
<u>Service Tax Details</u>			
Applicable From	Abatement (%)	Service Tax Rate (%)	Cess Rate (%)
1-4-2005	20 %	10 %	2 %
1-10-2005	10 %	10 %	2 %

Select the service category which you want to view. The **Service Category** screen has a **Name** field showing the category. This is followed by the **Code**, **Accounting Code** and **Category** fields. The **Applicable From** column displays the period for which the **Abatement (%)**, **Service Tax Rate (%)**, and **Cess Rate (%)** are applicable.

Creating Sales Vouchers

Open Tally, **Gateway of Tally > Accounting Vouchers (Transactions/Vouchers)**. This will open the **Accounting Voucher Creation** screen. Select **F8: Sales** to create a sales voucher.

Accounting Voucher Creation		ABC Company		Ctrl + M
Sales	No. 1			1-Apr-2005
Ref: 001			Friday	
Party's Alc Name : CAB TV				
Current Balance :				
Sales Ledger : Consultancy-ABC				
Name of Item	Quantity	Rate per	Amount	
Accountancy	90 Hrs	300.00 Hrs	27,000.00	
SeT Chart Acct		10 % (Cess 2 %)	2,101.20	
Narration :	90 Hrs		Accept ?	
			Yes or No	

If you are entering a service sale with an item, select **Item Invoice (ALT+I)** mode. Enter a reference in the **Ref** field. In the **Party's A/c Name** field, select the company to be debited from the options in the **List of Ledger Accounts** and enter. This will take you to the **Despatch Details** form in the **Party Details** screen. Enter the relevant details here.

Select the **Service Ledger** (under Sales Accounts) to be credited from the **List of Ledger Accounts**. Select the **Name of Item** if you are selling service as an item or else select the service ledger under **Sales Ledger** from the **List of Ledger Accounts**.

Enter the **Quantity** and the **Rate** to get the amount in the **Amount** field. In the **Accounting Details** screen the first service ledger from the **List of Ledger Accounts** is displayed in the **Particulars** field by default. Press **Spacebar** key to display the **List of Ledger Accounts** and select the service ledger required.

If service is not as an item, select **Service Ledger** and enter the amount in the account invoice mode.

Service Tax Computations				ABC Company		Ctrl + M
Sales	No. 1					1-Apr-2005 Friday
Ref: 001						
Service Tax Details						
Service Ledger	:	Consultancy-ABC				
Service Amount	:		27,000.00			
Less:						
Abatement	:	@ 20 %	5,400.00			
Expense	:		1,000.00			
Assessable Value	:		<u>20,600.00</u>			
Service Tax	:	@ 10 %	2,060.00			
Cess	:	@ 2 %	41.20			
Total Service Tax	:		<u>2,101.20</u>			
Service Tax-Bill Wise Detail for : SeT Chart Acct						
Type of Ref	Name		Amount	Dr/		
				Cr		
New Ref	002		2,101.20	Cr		
					90 Hrs	20,101.20

Select the service tax ledger to be credited from the **List of Ledger Accounts**. This will display the **Service Tax Computations** screen. This screen gives details of the default values for service tax in the ledger. You can alter these values here. There is an **Abatement** field and **Expense** field to arrive at the Assessable Value. The **Service Tax** and **Cess** is calculated and displayed. Enter a new reference in the **New Ref** field.

Bill-wise Details		ABC Company			Ctrl + M	
Sales No. 1					1-Apr-2005 Friday	
Ref: 001						
Bill-wise Details for : CAB TV						
Upto : Rs. 29,101.20 Dr						
Type of Ref	Name	Due Date, or Credit Days (ref: 1-4-2005)	Service Tax Ledger	Amount	Dr/ Cr	Rate per Amount
	Method of Adj.					300.00 His 27,000.00
New Ref	Advance Agst Ref		SeT Chart Acct	29,101.20	Dr	
	New Ref On Account					10 % (Cess 2 %) 2,101.20
						29,101.20
				29,101.20	Dr	

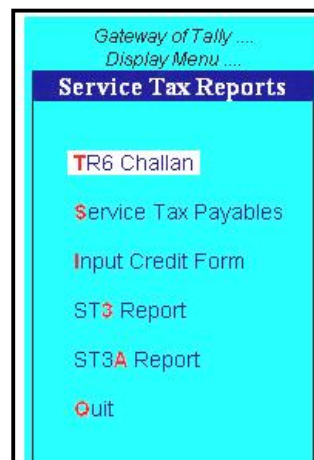
The **Bill-wise Details** screen is displayed. Select a new reference from the **Method of Adj.** Enter the due date or credit period, if any. Enter the **Service Tax Ledger** from the **List of Service Tax Ledgers**.

Use the **Narration** field to enter other information. Accept to save the entries.

Service Tax Reports

Open Tally, **Gateway of Tally > Display > Service Tax Reports**. There are four types of reports in the menu:

- TR6 Challan
- Service Tax Payables
- Input Credit Form
- ST3 Report
- **ST 3A Report**



CHAPTER – 9

CENTRAL SALES TAX (CST)

Introduction

Central Sales Tax (CST) is a tax on sales of goods levied by the Central Government of India. CST is applicable only in the case of inter-state sales and not on sales made within the state or import/export of sales.

Inter-state sale is when a sale or purchase constitutes movement of goods from one state to another. Accordingly, consignments to agents or transfers of goods to branch or other offices is not a sale as per the CST Act

CST is payable in the state where the goods are sold and movement commences. The tax collected is retained by the state in which the tax is collected. CST is administered by Sales Tax authorities of each state. Thus, the State Government Sales Tax officer who assesses and collects local (state) sales tax also assesses and collects CST.

Inter-state Sale

An inter-state sale takes place when a sale or purchase:

- Leads to movement of goods from one State to another State.
- Is achieved by the transfer of documents of title while the goods are being moved from one State to another State.

Example 1: “A” in Andhra Pradesh sells and delivers goods to “B” in Karnataka.

Example 2: “A” in Maharashtra delivers goods to “B” in Gujarat. “B” sells it to “C” in Gujrat by transferring the document of title during the goods movement from Maharashtra to Gujrat.

Subsequent sale is a Sale of goods after the first time it has been sold through transfer of documents of title. Under the CST Act, sales tax is levied at a single point only (first sale) and no sales tax is payable on subsequent sales.

CST Transaction Forms

Dealers have to issue certain declarations in prescribed forms to buyers/sellers. The type of forms are **C, D, E-I, E-II, F, H** and **I**. Forms C, E-I, E-II, F and H are printed and supplied by Sales Tax authorities. Dealers have to issue declarations in these forms printed and supplied

by the Sales Tax authorities. Form D is to be issued by government organization departments making purchases. These forms are to be prepared in triplicate.

Form C

The sales tax on inter-state sale is 4% or the applicable sales tax rate for sale within the State whichever is lower if the sale is to a dealer registered under CST and the goods are covered in the registration certificate of the purchasing dealer. The purchasing dealer is eligible to get these goods at concessional rate if a declaration in C form is submitted to the selling dealer.

Form D

Sale to government is taxable @ 4% or applicable sales tax rate for sale within the State whichever is lower. This concession on CST is applicable if Form D is issued by the government department which purchases the goods.

Form E-I

This form is issued by the dealer who makes the first inter-state sale during movement of goods from one State to another. This enables the purchaser to claim exemption from CST on the second inter-state sale during the movement of goods by transfer of documents of title.

Form E-II

This form is issued by the second or the subsequent seller when the goods move from one state to another in a series of inter-state sales by transfer of documents of title. This form enables the purchaser to claim exemption from CST on subsequent sale of goods.

Form F

This form is issued when goods are dispatched to another state as a consignment or to the branch of a dealer in another State. The CST is not payable if there is only inter-state stock transfer and there is no sale. To claim inter-state movement of goods as "not a sale", the dealer has to produce a declaration in Form 'F' received from Consignment Agent or Branch Office in another State. One Form F covering receipts during one calendar month has to be issued.

Form H

This form is issued by an exporter for purchase of goods. The purchase of goods is for an export order or in pursuance of an export order. These goods are then sold in export and the form enables seller of the goods to the exporter to claim deduction on the goods sold for export.

Form I

This form is issued by a dealer located in a Special Economic Zone (SEZ). No CST is levied when sales is made to a dealer located in SEZ.

Rate of CST

- In an inter-state sale to a registered dealer against form C the rate of CST is 4% or local sales tax rate whichever is lower.
- If under the local sales tax law, sale or purchase is exempt from CST the CST is Nil.
- In an inter-state sale to government against form D the rate of CST is 4% or local sales tax rate whichever is lower.
- Rate of CST in case of inter-state sale of declared goods without form C or D is twice the rate of tax applicable to the local sale or purchase of such goods in that state.
- Rate of CST in case of other goods (i.e. non-declared goods) is 10% or the applicable local sales tax of that state, which ever is higher.

Filing of CST Returns

CST amount shall be paid and returns to be filed on a monthly/Quarterly basis and as the case may be. Due date for submitting the return is on or before 15th of the succeeding month or due date for submitting the local sales tax or VAT return of a particular state whichever is later. CST Returns shall be submitted to local Commercial Tax Officer.

Activating CST in Tally

To activate CST feature in Tally ies 7.2:

- Go to **Gateway of Tally> F3:Cmp Info> Create Company/Alter.**
- In the **Company Creation/Alteration** screen set **Use Indian VAT?** to **Yes** and save.

Use Indian VAT	? Yes	Applicable From : 1-4-2005
VAT TIN	:	12345678901
Local Sales Tax Number	:	
Inter-state Sales Tax Number	:	1234567890123
Income-Tax Number	:	AVHPS74500

Configuring Invoice for CST

To activate the E1 and E2 form in transactions:

- Go to **Gateway of Tally > F12: Configuration > Invoice/Orders Entry.**
- In the **Invoice Configuration** screen set **Activate 'E1' or 'E2' Transaction?** to **Yes.**

- **Accept** to save.

ABC Company	
<u>Configure Invoices / Delivery Notes / Orders</u>	
Accept Supplementary Details <i>(Address Details, Despatch Details etc.)</i>	? Yes
Use Common Ledger A/c for Item Allocation	? Yes
Use Defaults for Bill Allocations	? Yes
Use Excise Format	? No
Use Addl. Description(s) for Item Name	? No
Allow separate Buyer and Consignee names	? No
<u>Exporters' Options</u>	
Specify Export Shipping details	? No
Specify Marks & Nos./Container No.	? No
Specify No. and Kind of Packages	? No
<u>Other Options</u>	
Calculate Tax on current Sub-Total <i>(else calculations are on Inventory Total only)</i>	? No
Complete Acctg Allocations in Order/Dely. Note	? Yes
Show turnover achieved with Customer	? No
Allow modification of ALL fields during entry	? No
Allow selection of VAT/Tax Class during entry	? No
Warn on Mismatch in VAT Rates	? No
Warn on Negative Stock Balance	? Yes
Honor Expiry Dates usage for Batches	? Yes
Activate 'E1' or 'E2' Transaction	? Yes

Creating CST Party Ledgers

Creating Party Ledgers for Sundry Creditors

- To create party ledgers for Sundry Creditors:
- Open Tally, go to **Gateway of Tally > Accounts Info > Ledgers > Create**.
- In the **Ledger Creation** screen enter the name of the company supplying goods to you in the **Name** field.
- In the **Under** field, select **Sundry Creditors** option from the **List of Groups**.
- If required set **Maintain balances bill-by-bill?** to **Yes**. Enter details in the **Default Credit Period** if applicable. By default the **Inventory Values are affected?** field is set to **No**.
- Enter in the **Tin/Sales Tax No.** field.
- Accept **Yes** to save.

Ledger Creation		ABC Company	Total Op. Bal.
Name :	Supplier		
(alias) :			
Under :	Sundry Creditors (Current Liabilities)		
Maintain balances bill-by-bill	? Yes	Default Credit Period :	
Inventory values are affected	? No		
Opening Balance (on 1-Apr-2005) :			
Mailing & Related Details			
Name :	Supplier	Income Tax No. :	EFGHI1234K
Address :	A/203,	TIN/Sales Tax No. :	23456789012
State :	Andhra Pradesh		
PIN Code :	300900		
			Accept ? Yes or No

Creating Sales Ledgers

To create ledgers under Sales Accounts group:

- Open **Gateway of Tally > Accounts Info > Ledgers > Create.**
- Enter a name for the sales account ledger in the **Name** field.
- In the **Under** field select **Sales Accounts** from the **List of Groups**.
- Set **Yes** in **Used in VAT Returns?**
- In the **VAT/Tax Class** field select **Not Applicable** from **VAT/Tax Class** menu.
- Set the **Inventory Values are affected?** to **Yes** if you are maintaining inventory.
- Accept **Yes** to Save.

Ledger Creation		ABC Company	Total Op. Bal.
Name :	Sales		
(alias) :			
Under :	Sales Accounts		
Used In VAT Returns	? Yes		
VAT/Tax Class	: Not Applicable		
Inventory values are affected	? Yes		
Opening Balance (on 1-Apr-2005) :			
Mailing & Related Details			
Name :		Income Tax No. :	
Address :			
State :			
PIN Code :			
			Accept ? Yes or No

Creating Sales Vouchers

- Go to **Gateway of Tally > Accounting Vouchers.**
- In the **Accounting Voucher Creation** screen, select **F8: Sales** to create a sales voucher.
- Select **As Invoice.**
- Enter the date and reference.
- Select the Party to be credited from the **List of Ledger Accounts** and enter **Party's A/c** name.
- In the **Party Details** screen, check/ modify details.
- Select the **Sales Ledger** from the **List of Ledger Accounts.**
- Select **Inter-State Sales** from **VAT/Tax Class.**
- Select an item from the **List of Items.**
- Enter the **Quantity** and the **Rate** to get the amount in the **Amount** field.
- Select the CST Tax ledger (under Duties & Taxes) for sales.
- Select the form to receive from **Form Types.**
- Enter the form number and date in **Form No.** and **Date**, respectively. Leave it blank if not yet received.
- Select the form to issue from **E Form Types.**
- Enter the form number and date in **Form No.** and **Date**, respectively. Leave it blank if not yet issued.

Note: *E Form Types* are displayed only if:

1. **Activate 'E1' or 'E2' Transaction?** is set to **Yes** from **F12: Configure.**
2. **C Form** is selected from **Form Types.**

Accounting Voucher Creation		ABC Company		Ctrl + M
Sales	No. 1			1-Apr-2005 Friday
Ref:				
Party's A/c Name : Customer				
Current Balance :				
Sales Ledger : Sales				
VAT/Tax Class: Inter-State Sales				
Name of Item	Quantity	Rate per	Amount	
Sales Item	10 Nos.	1,500.00 Nos.	15,000.00	
CST		4 %	600.00	
Form to Receive : C Form Form No. : Date :				
Form to Issue : Not Applicable				
Narration :			10 Nos.	15,600.00
C form to receive from customer				

Note: C Form is for registered customers.

D Form is for Government Organisations.

F Form is for Branch transfers.

H Form is for deemed exports.

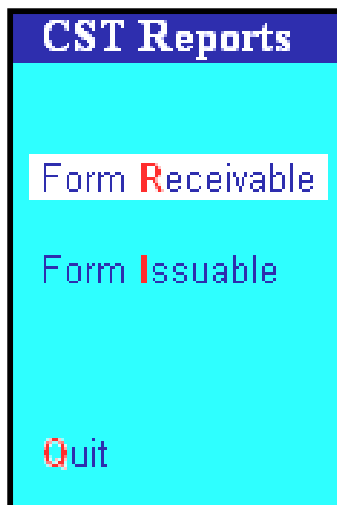
I Form is for SEZ Customers.

CST Reports

CST Reports display forms to be received and issued. It allows you track pending forms and reconcile forms.

To view CST Reports:

- Go to **Gateway of Tally > Display > Statutory Reports > CST Reports**.
- The menu displays:
 - **Form Receivable**.
 - **Form Issuable**.



Forms Receivable

This displays the CST forms receivable for the statutory reports from the CST Party Ledgers.

- Go to **Gateway of Tally > Display > Statutory Reports > CST Reports > Form Receivable**.
- Select from CST Party Ledgers.
- Forms to be received for the selected ledger are displayed in the **Forms Receivable** screen.
- Enter in the **Form Number** and **Date** for forms received.
- **Accept** to save.

Forms Receivable							ABC Company	Ctrl + M
Ledger Name : Customer							1-Apr-2005 to 3-Apr-2005	
Date	Particulars	Vch Type	Vch No.	Gross Amount	Form Type	Form Number	Date	
1-4-2005	Sales	Sales	1	15,600.00 Dr	C Form	920	5-Apr-2005	
3-4-2005	Sales	Credit Note	1	3,120.00 Cr	C Form	920	5-Apr-2005	

Accept ?
Yes or No

Forms Issuable

This displays the CST forms Issuable for the statutory reports from the CST Party Ledgers.

- Go to **Gateway of Tally > Display > Statutory Reports > CST Reports > Form Issuable**.
- Select from CST Party Ledgers.
- Forms to be issued for the selected ledger are displayed in the **Forms Issuable** screen.
- Enter in the **Form Number** and **Date** for forms received.
- **Accept** to save.

Forms Issuable							ABC Company	Ctrl + M	
Ledger Name : Supplier							1-Apr-2005 to 3-Apr-2005		
Date	Particulars	Vch Type	Vch No.	Reference	Effective Date	Gross Amount	Form Type	Form Number	Date
2-4-2005	Purchase (C Form)	Purchase	3		2-4-2005	14,560.00 Cr	C Form	1110	5-Apr-2005
3-4-2005	Purchase (C Form)	Purchase	4		3-4-2005	5,200.00 Cr	C Form	1110	5-Apr-2005
3-4-2005	Purchase (C Form)	Debit Note	1		3-4-2005	3,120.00 Dr	C Form	1110	5-Apr-2005

Accept ?
Yes or No

CHAPTER – 10

CONCEPT OF PAYROLL

INTRODUCTION

In a company, payroll is the sum of all financial records of salaries, wages, bonuses and deductions. Or Payroll is the total amount of money paid by a business to its employees over a set amount of time.

Paycheck

Paycheck is traditionally a paper document issued by an employer to pay an employee for services rendered. While most commonly used in the United States, recently the physical paycheck has been increasingly replaced by electronic direct deposit to bank accounts.

In most countries with a developed wire transfer system, using a physical check for paying wages and salaries has been uncommon for the past several decades. However, vocabulary referring to the figurative "paycheck" does exist in some languages, like German (Gehaltsscheck), partially due to the influence of US popular media, but this commonly refers to a payslip or stub rather than an actual check. Some company payrolls have eliminated both the paper check and stub, in which case an electronic image of the stub is available on an Internet website.

Payroll taxes

Federal/national, state/provincial, and/or local agencies require employers to perform various payroll functions, such as withholding amounts from employees' compensation to cover income tax, Social Security, and Medicare.

Payroll taxes are levied by government agencies on employees' wages, tips, and other compensation. The amounts withheld by employers from employees' pay for federal income, social security, and Medicare taxes are considered to be trust-fund taxes, because the money is held in a special trust fund for the U.S. government. Amounts withheld for state and local income taxes are held in trust for the state and local governments.

Pay slip

A pay stub, paystub, pay slip, pay advice, or sometimes paycheck stub, is a document an employee receives either as a notice that the direct deposit transaction has gone through, or as part of their paycheck. It will typically detail the gross income and all taxes and any other deductions such as retirement plan contributions, insurances, garnishments, or charitable contributions taken out of the gross amount to arrive at the final net amount of the pay, also

including the year to date totals in some circumstances.

October 2007		
NI Number: [REDACTED] Tax Code/Basis: 522L Cumulative NI Contributions: Full Tax Month: 07 Payment Method: BACS Payrate: [REDACTED] per hour		
PAYMENTS	DEDUCTIONS	CUMULATIVE FIGURES
Contractual Pay 975.09	Tax 96.28 National Insurance 59.41	This Tax Year: Taxable Pay 6868.76 PAYE 683.86 NI Employee 420.61 This Trading Year: PB Ranking Pay 8789.68
		BALANCES
Total Gross Pay: 975.09	Total Deductions: 155.69	Net Pay: 819.40
MESSAGES		
Is your life assurance nomination form up to date? Forms from Personnel/SMPersonnel in WR branches.		

Payroll card

A payroll card is a plastic card allowing an employee to access their pay by using a debit card. A payroll card can be more convenient than using a check casher, because it can be used at participating automatic teller machines to withdraw cash, or in retail environments to make purchases. Some payroll cards are cheaper than payday loans available from retail check cashing stores, but others are not. Most payroll cards will charge a fee if used at an ATM more than once per pay period.

The payroll card account may be held as a single account in the employer's name. In that case, the account holds the payroll funds for all employees using the payroll card system. Some payroll card programs establish a separate account for each employee, but others do not.

Many payroll cards are individually owned dda (demand deposit accounts) that are owned by the employee. These cards are more flexible, allowing the employee to use the card for paying bills, and the accounts are portable. Most payroll card accounts are FDIC-insured, but some are not.

Companies typically generate their payrolls on regular intervals, for the benefit of regular income to their employees. The regularity of the intervals, though, varies from company to company, and sometimes between job grades within a given company. Common payroll

frequencies include: daily, weekly, bi-weekly (once every two weeks), semi-monthly (twice per month), and to somewhat of a lesser extent, monthly. Less common payroll frequencies include: 4-weekly (13 times per year), bi-monthly (once every two months), quarterly (once every 13 weeks), semi-annually (twice per year), and annually.

Payrolling

Payrolling is the business practice of referring a contingent worker to a staffing vendor or payrolling provider so that they are the employer of record responsible for employer taxes, payroll, and all legal matters pertaining to employing workers. Different from sourcing (or recruiting) where the staffing vendor uses internal recruiters to locate contractors on behalf of the requesting company or client, payrolled workers are identified by the client.

Often payrolled workers are known to the client from previous engagements or as former employees. Because the costs of recruiting workers in to contract positions are eliminated the payrollees are often processed at reduced mark up rates. In the last several years some dedicated payrolling companies have emerged in the staffing industry to provide payrolling services at greatly reduced pricing around the world.

Payroll Transaction

Payroll Transaction is nothing but the calculation of salary for a month / week / day of an individual / group of employees depends upon the attendance / variable inputs / other benefits / salary component and generate the reports for IT / Statutory.

Retro Pay

Retro Pay means arrears amt will be paid in along with current salary E.g. Salary is revised WEF 1st April 08 & payroll input received in May 08. In May payroll April salary would be paid as arrears. This is retro salary.

To calculate the gratuity:

It has the formula first we can calculate for one year.Ex. One year Gratuity= Basic+D.A. X 15

PAYROLL SET UP WITH TALLY

Before start payroll set up in Tally you have to set up for company features by using F11 key.

Cost Profit Center Management

Maintain Payroll (YES)

More than ONE Payroll (YES)

The four steps include:

1. Creating Pay heads
2. Creating Employee Master
3. Creating Salary details
4. Process payroll and generating Payslips.

Pay Heads can be as follows

- Earning for Employees (Indirect Expenses).
- Deductions from Employees (Current Liabilities)
- Gratuity (Current Liabilities)
- Loans & Advances (Current Assets)
- Reimbursement Employee (Indirect Expenses).

I. Create Pay Heads

1. Go to Gateway of Tally Select the Payroll Info.
2. Select Pay Heads.
3. Select Create.
4. In the Name Column type Basic Salary or other allowances.
5. Pay head Type (Earnings for Employee)
6. Select under Indirect Expenses.
7. Select (YES) for Affect Net Salary
8. Select Basics Salary or other allowances for appear in pay slip.
9. If you want to use Gratuity YES/NO.
10. Calculation typed Select As user Defined Value and save the all settings.

II. Create Employee Master

1. Go to get way of Tally and Select the payroll Info.
2. Select Employee Group.
3. Select Create (Single Group).
4. In Category Select Primary cost category.
5. In name select employee name or Primary and save.

A. Create an Employee under Employee Group

1. Go to get way of Tally and Select the payroll Info.
2. Select the Employees.

3. Select the Create (Single Employees).
4. Create the Employee Name.
5. Select the group or Primary in under and give details of Employee and save.

III. Create Salary Details

1. Go to get way of Tally and Select the payroll Info.
2. Select the Create in Salary Details.
3. Select the Employee from the list of Employee/Group.
4. Select the Basic Salary Other allowances in salary details. (Give link from Pay Heads).

IV. Process payroll and generating Pay slips.

Pass payroll vouchers to enter all Earnings and Deductions in payroll transactions that are paid along with the salary pay slip

For all employees. Displays the net amount paid to him for given pay period.

1. Go to Gateway of Tally and select the payroll vouchers.
2. Pass the entry.

For Generate pay slip.

1. Go to Gateway of Tally and select the Display.
 2. Select the Pay reports.
 3. Select the statements of Payroll.
 4. Select the Pay slip.
 5. And select the employee.
 6. You can print the pay slip.
-

SHORTCUT KEYS IN TALLY

The shortcut keys appear in button names in the button bar (right side of the Tally screen). You can either click the button from the button bar or press the relevant function key or character underlined/double-underlined. The buttons have a function key before the button names (Eg: **F1**: Select Cmp) which means you need to press **F1 key** (Function Key) to select the 'Select Company' screen The buttons have an underlined character (Eg: **F3**:Cmp Info), which means you need to press **ALT + F3** to select the 'Company Info' screen. Some buttons have a double-underlined character (Eg: As **V**oucher) which means you need to press **CTRL + V** to select the 'Voucher' in voucher mode. The shortcut keys available in Tally are listed in the below table:

Function Key Combination

Windows	Functionality	Availability
F1	To select a company To select the Accounts Button and Inventory buttons	At all masters menu screen At the Accounting / Inventory Voucher creation and alteration screen
F2	To change the menu period	At almost all screens in TALLY
F3	To select the company	At almost all screens in TALLY
F4	To select the Contra voucher	At Accounting / Inventory Voucher creation and alteration screen
F5	To select the Payment voucher	At Accounting / Inventory Voucher creation and alteration screen
F6	To select the Receipt voucher	At Accounting / Inventory Voucher creation and alteration screen
F7	To select the Journal voucher	At Accounting / Inventory Voucher creation and alteration screen
F8	To select the Sales voucher	At Accounting / Inventory Voucher creation and alteration screen
<u>F8</u> (CTRL+F8)	To select the Credit Note voucher	At Accounting / Inventory Voucher creation and alteration screen
<u>F9</u>	To select the Purchase voucher	At Accounting / Inventory Voucher creation and alteration screen
<u>F9</u> (CTRL+F9)	To select the Debit Note voucher	At Accounting / Inventory Voucher creation and alteration screen
<u>F10</u>	To select the Reversing Journal voucher	At Accounting / Inventory Voucher creation and alteration screen
<u>F10</u>	To select the Memorandum voucher	At Accounting / Inventory Voucher creation and alteration screen
F11	To select the Functions and Features screen	At almost all screens in TALLY
F12	To select the Configure screen	At almost all screens in TALLY

Special Key Combination

Windows	Functionality	Availability
ALT + 2	To Duplicate a voucher	At List of Vouchers – creates a voucher similar to

		the one where you positioned the cursor and used this key combination
ALT + A	To Add a voucher	At List of Vouchers – adds a voucher after the one where you positioned the cursor and used this key combination.
ALT + C	To create a master at a voucher screen (if it has not been already assigned a different function, as in reports like Balance Sheet, where it adds a new column to the report)	At voucher entry and alteration screens, at a field where you have to select a master from a list. If the necessary account has not been created already, use this key combination to create the master without quitting from the voucher screen.
ALT + D	To delete a voucher To delete a master (if it has not been already assigned a different function, as explained above)	At Voucher and Master (Single) alteration screens. Masters can be deleted subject to conditions, as explained in the manual.
ALT + E	To export the report in ASCII, SDF, HTML OR XML format	At all reports screens in TALLY
ALT + I	To insert a voucher	At List of Vouchers – inserts a voucher before the one where you positioned the cursor and used this key combination.
ALT + O	To upload the report at your website	At all reports screens in TALLY
ALT + M	To Email the report	At all reports screens in TALLY
ALT + P	To print the report	At all reports screens in TALLY
ALT + R	To remove a line in a report	At all reports screens in TALLY
ALT + S	To bring back a line you removed using ALT + R	At all reports screens in TALLY
ALT+ V	From Invoice screen to bring Stock Journal screen	At Invoice screen à Quantity Field à Press Alt + V to select the Stock Journal.
ALT + W	To view the Tally Web browser.	At all reports screens in TALLY
ALT + X	To cancel a voucher in Day Book/List of Vouchers	At all voucher screens in TALLY
ALT + Y	To Register Tally	At almost all screens in TALLY.
CTRL + A	To accept a form – wherever you use this key combination, that screen or report gets accepted as it is.	At almost all screens in TALLY, except where a specific detail has to be given before accepting.
CTRL + B	To select the Budget	At Groups/Ledgers/Cost Centres/ Budgets/Scenarios/Voucher Types/ Currencies (Accounts Info) creation and alteration screen
CTRL + C	To select the Cost Centre To select the Cost Category	At Groups/Ledgers/Cost Centres/ Budgets/Scenarios/Voucher Types/ Currencies (Accounts Info) creation and alteration screen At Stock Groups/ Stock Categories/ Stock Items/ Reorder Levels/ Godowns/ Voucher Types / Units of Measure (Inventory Info) creation/alteration screen
CTRL+ E	To select the Currencies	At Groups/Ledgers/Cost Centres/ Budgets/Scenarios/Voucher Types/ Currencies (Accounts Info) creation and alteration screen
CTRL + G	To select the Group	At Groups/Ledgers/Cost Centres/ Budgets/Scenarios/Voucher Types/ Currencies (Accounts Info) creation and alteration screen

CTRL + I	To select the Stock Items	At Stock Group/ Stock Categories/ Stock Items/ Reorder Levels/ Godowns/ Voucher Types / Units of Measure (Inventory Info) creation/alteration screen
CTRL + L	To select the Ledger	At Groups/Ledgers/Cost Centres/ Budgets/Scenarios/Voucher Types/ Currencies (Accounts Info) creation and alteration screen
CTRL + O	To select the Godowns	At Stock Group/ Stock Categories/ Stock Items/ Reorder Levels/ Godowns/ Voucher Types / Units of Measure (Inventory Info) creation/alteration screen
CTRL + Q	To abandon a form – wherever you use this key combination, it quits that screen without making any changes to it.	At almost all screens in TALLY.
CTRL + Alt + R	Rewrite data for a Company	From Gateway of Tally screen
CTRL + S	Allows you to alter Stock Item master	At Stock Voucher Report and Godown Voucher Report
CTRL + U	To select the Units	At Stock Groups/ Stock Categories/ Stock Items/ Reorder Levels/ Godowns/ Voucher Types / Units of Measure (Inventory Info) creation/alteration screen
Ctrl + V	To select the Voucher Types	At Groups/Ledgers/Cost Centres/ Budgets/Scenarios/Voucher Types/ Currencies (Accounts Info) creation and alteration screen

Special Function Key Combination

Windows	Functionality	Availability
ALT + F1	To close a company To view detailed report To explode a line into its details	At all the menu screen At almost all report screen At almost all screens in TALLY
ALT+ F2	To change the system period	At almost all screens in TALLY
ALT + F3	To select the company info menu To create/alter/shut a Company	At Gateway of Tally screen
ALT + F4	To select the Purchase Order Voucher Type	At Accounting / Inventory Voucher creation and alteration screen
ALT + F5	To select the Sales Order Voucher Type To view monthly and quarterly report	At Accounting / Inventory Voucher creation and alteration screen At almost all report screens in TALLY
ALT + F6	To select the Rejection Out Voucher Type To change the Sales Order Voucher Type	At Accounting / Inventory Voucher creation and alteration screen
ALT + F7	To select the Stock Journal Voucher Type To accept all the Audit lists	At Accounting / Inventory Voucher creation and alteration screen At TallyAudit Listing screen
ALT+ F8	To select the Delivery Note Voucher Type To view the Columnar report	At Accounting / Inventory Voucher creation and alteration screen At Ledger Voucher screen
ALT + F9	To select the Receipt Note Voucher Type	At Accounting / Inventory Voucher creation and

		alteration screen
ALT + F10	To select the Physical Stock Voucher Type	At Accounting / Inventory Voucher creation and alteration screen
ALT + F12	To filter the information based on monetary value	At almost all report screens
CTRL + ALT + F12	Advanced Config	At Gateway of Tally

Key Combination used for navigation

Windows	Functionality	Availability
PgUp	Display previous voucher during voucher entry/alter	At voucher entry and alteration screens
PgDn	Display next voucher during voucher entry/alter	At voucher entry and alteration screens
ENTER	To accept anything you type into a field. To accept a voucher or master To get a report with further details of an item in a report.	You have to use this key at most areas in TALLY At the receivables report – press Enter at a pending bill to get transactions relating to this bill (e.g., original sale bill, receipts and payments against this bill, etc)
ESC	To remove what you typed into a field To come out of a screen To indicate you do not want to accept a voucher or master.	At almost all screens in TALLY.
SHIFT + ENTER	Collapse next level details	At Voucher Register screen and Trial Balance report
SHIFT + ENTER	To explode a line into its details	In almost all Reports: At a Group/Stock Group/Cost Category/Godown/Stock Category – displays Sub Groups and Ledgers/Stock Items/Cost Centres/Secondary Godowns/Secondary Stock Categories At a Voucher – displays its entries and narration At a Stock Item- displays its godowns and batch details At Voucher Register screen – displays the next level details At Trial Balance report - displays the next level details
CTRL + ENTER	To alter a master while making an entry or viewing a report	At voucher entry and alteration screens At all reports

EXERCISE

1. Bharat Bulbs Pvt. Ltd., dealers in different types of bulbs started business on 1/4/2004 with Building Rs. 75,000, Furniture Rs. 20,000 and Cash Rs. 25,000.
2. On 1/4/2004 opened SB A/c in Syndicate Bank by depositing Rs. 5,000 loan 1/4/2004 A/c No.8053.
3. Taken & loan from Canara Bank amounting Rs. 15,000. Loan A/c No.5042.
4. On 1/4/2004 Purchase 25 Sodium Bulbs @ Rs. 750 each, 30 Mercury bulbs @ 225 each from M/s Electrical, Bill. No. 110 dated 1/4/2004 due days eight.
5. On 1/4/2004 purchase 50 Tubes @ Rs. 35 each from M/s Crompton Greaves Ltd. Bill No. 410 dated 1/4/2004 due days 10.
6. On 2/4/2004 5 Chairs @ Rs. 200 purchased for office use by paying cash.
7. On 2/4/2004 three Tubes @ Rs. 45 each sold to Mr. Amar Inv. No. 111 dated 2/4/2004 due days five.
8. On 3/4/2004 two Sodium Bulbs @ Rs. 1000 each and 2 Tubes @ Rs. 45 each sold to Mr. Akbar Inv. No. 112 dated 3/4/2004 due days five.
9. On 5/4/2004 Mr. Amar returned 1 tube from Inv. No. 111 dated 27/4/1999 and/paid Rs. 90 in full settlement of the bill.
10. On 7/4/2004 Rs. 500 deposited into Syndicate Bank.
11. On 7/4/2004 sold, 10 Mercury Bulbs @ Rs. 290 each to Mr. Amar Inv. No. 113 dated 10/04/2004.
12. On 15/4/2004 15 Tubes @ Rs.32 purchased from M/s Bajaj Electricals Bill No.514 dated 15/4/2004 due date 30/04/2004.
13. On 20/4/2004 Canara Bank charged the Interest on loan Rs.150.
14. On 20/4/2004 paid Rs. 1000 to Canara Bank Loan A/c.
15. On 26/4/2004 paid for salaries Rs.2000 by Syndicate Bank cheque No. 23440 dated 26/4/2004 and Traveling Expenses Rs.100 by cash.
16. On 30/4/2004 purchased 10 Sodium Bulbs @ Rs.950 each from M/s. Bajaj Electricals Bill No. 3641 dated 30/4/2004 due days 15 with a discount of Rs. 95.
17. On 30/4/2004 5 Sodium Bulbs sold to Mr. Amar @ Rs.1250 each, Inv.No.114 dated 30/4/2004 due dated 6/5/2004 and charged Rs. 125 towards Packing and Forwarding Charges
18. On 30/4/2004 charge depreciation on furniture Rs. 200 and Rs.500.

SOLUTIONS

1. Create the company Bharat Bulbs Pvt. Ltd., by give the method of maintaining the accounts Accts. Cum Inv., the Financial Year from 1-4-04, Accept **Yes**.
2. To change the Company Features, Press **F11** and make the following settings:
 - Integrate Accts cum Inv **-Yes**
 - Maintain Bill-wise Details **-Yes**
 - Use Debit/Credit Notes **-Yes**
 - Maintain Batch-wise Details **-Yes**
3. Select Accounts Info (from Gateway of Tally), Ledgers, Create Single Ledger. Change the configuration by pressing **F12**.
 - Select Allow Advanced entries in Inventory Masters Yes by keeping the other options as it is.

Account Info

Ledger Accounts Name	Group
Capital A/c	Capital Accounts
Building A/c	Fixed Assets
Furniture A/c	Fixed Assets
Syndicate Bank A/c	Bank Accounts
Canara Bank Loan A/c	Secured Loans
Purchase A/c	Purchase A/c
M/s Bajaj Electricals	Sundry Creditors
M/s Crompton & Greaves A/c	Sundry Creditors
Sales A/c	Sales Accounts
Mr. Amar A/c	Sundry Debtors
Mr. Akbar's A/c	Sundry Debtors
Sales Return A/c	Sales Account
Interest on Bank Loan A/c	Indirect Expenses
Salaries A/c	Indirect Expenses
Traveling Expenses A/c	Indirect Expenses
Discount on Purchase A/c	Indirect Income
Packing and Forwarding charges A/c	Indirect Income
Depreciation A/c	Indirect Expenses

Inventory Info.

4. Create the Stock Group Bulb under Primary.
5. Create a unit of Measure with Symbols **Nos.**, Formal Name **Numbers**.
Create the following **stock items** under the **group Bulb** with valuation method **FIFO** and market Valuation method **Standard Price**.
 - Sodium Bulbs
 - Mercury Bulbs
 - Tubes

Make the following voucher entries for the transactions:

Trns No.	Voucher type	Debit	Debit Amt.	Credit	Credit Amt.
1	Receipt	Building Furniture cash	75000 20000 25000	Capital	120000
2.	Contra	Syndicate Bank	5000	Cash	5000
3.	Receipt	Cash	15000	Can. Bank Loan A/c	15000
4.	Purchase	Purchase	25500	Bajaj Elec.	255000
5.	Purchase	Purchase	1750	Crompton Greaves	1750
6.	Payment	Furniture	1000	Cash	1000
7.	Sales	Mr. Amar	135	Sales	135
8.	Sales	Mr. Akbar	2090	Sales	2090
9.	Credit Note	Sales Return	45	Mr. Amar	45
10.	Receipt	Cash	90	Mr. Amar	90
11.	Contra	Sy.Bank	500	Cash	500
12.	Sales	Mr. Amar	2900	Sales	2900
13.	Purchase	Purchase	480	Bajaj Elec.	480
14.	Journal	Int. on Loan	150	Can. Bk. Loan A/c	150
15.	Payment	Can. Bk. Loan A/c.	1000	Cash	1000
16.	Payment	Salaries	2000	Syndicate .Bank	2000
17.	Payment	Traveling, Expens.	100	Cash	100
18.	Purchase	Purchase	9500	Bajaj Elec.& Dis.On	9405 95
19.	Sales	Mr. Amar	6375	Sales & Pack.Charge	6250 125
20.	Journal	Depreciation	700	Furniture Building	200 500

NET PROFIT OF THE COMPANY IS Rs.960

Simplified

e-Book

FINANCIAL ACCOUNTING TALLY 7.2

SARVA EDUCATIONSM - An I.T & Skill Advancement Training Programme, Initiated by **SITED[®]-India**

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