

# **Financial Accounting LAB Report\_1**

# **Basic Concept of Accounting**

## **Accounting**

Accounting is a systematic process of identifying, measuring, recording, classifying, summarizing, interpreting and communicating financial information.

## **Business transactions**

A business transaction is “The movement of money and money’s worth from one person to another.” Or “Exchange of values between two parties.”

## **Purchase**

A purchase means goods purchased by a businessman from suppliers.

## **Sales**

Sales is goods sold by a businessman to his customers.

## **Purchase Return or Outward Invoice**

Purchase return means the return of the full or a part of goods purchased by the businessman to his suppliers.

## **Sales Return or Inward Invoice**

Sales return means the return of the full or a part of goods sold by the customer to the businessman.

## **Assets**

Assets are the things and properties possessed by a businessman not for resale but for the use in business.

## **Liabilities**

All the amounts payable by a business concern to outsiders are called liabilities.

## **Capital**

Capital is the amount invested for starting a business by a person.

## **Debtors**

Debtor is the person who owes amounts to the businessman.

## **Creditors**

Creditor is the person to whom amounts are owed by the businessman.

## **Debit**

The receiving aspect of a transaction is called Debit or Dr.

## **Credit**

The giving aspect of a transaction is called Credit or Cr.

## **Drawings**

Drawings are the amounts withdrawn (taken back) by the businessman from his business for his personal, private and domestic purpose. Drawings may be made in the form of cash, goods and assets of the business.

## **Receipts**

It is a document issued by the receiver of cash to the giver of cash acknowledging the cash received voucher.

## **Accounts**

Account is a summarized record of all the transactions relating to every person's everything or property and every type of service.

## **Ledger**

The book of final entry where accounts lie.

## **Journal entries**

A daily record of transactions.

## **Trial Balance**

It is a statement of all the ledger account balances prepared at the end of particular period to verify the accuracy of the entries made in books of accounts.

## **Profit and Loss Account**

It is prepared to ascertain actual profit or loss of the business.

## **Balance Sheet**

To ascertain the financial position of the business. It is a statement of assets and liabilities.

## **Types of Accounts**

### **1. Personal Account**

Personal Accounts are the accounts of persons, firms, concerns and institutions which the businessman deals.

Principle:

*Debit: The Receiver*

*Credit: The Giver*

### **2. Real Account**

These are the accounts of things, materials, assets and properties. It has physical existence which can be seen and touch. For Examples: Cash, Sale, Purchases, Furniture, Investment etc.

Principle:

*Debit: What comes In.*

*Credit: What Goes Out.*

### **3. Nominal Account**

Nominal Account is the account of services received (Expenses and Losses) and services given (Income and Gain). For Examples: Salary, Rent, Wages, Stationery etc.

***Principle:***

*Debit: All the Expenses and Losses.*

*Credit: All the Incomes and Gains.*

# **Tally**

Tally is a popular accounting software that has been stretching its benefits to all small and medium business. Over decades many successful organizations have been using Tally software without any hurdles. Every business needs a manager to manage their accounts properly. Tally is inventory management software with multiple facilities including multi-lingual operations, online functions and data processing with government supported formats.

Using Tally software, it helps in working with hassle free data flow and management. Every organization hires candidates who are strong at Tally. As Tally software has become the most convenient form to handle accounts, many organizations prefer such software to handle their accounts.

## **Company Info**

The section consists of the blocks of options either to create, select, backup, restore or quit. We can get the menu of company info by pressing Alt + F3 in the Gateway of Tally.

### ***Gateway of Tally.....***

<b>Company Info</b>
Select Company
Shut Company
Create Company
Alter
Change Tally vault
Split Company Data
Backup
Restore
Quit

## Create Company

This creates or adds the number of companies as per requirement of the user.

### Steps to Create Company

1. Go to Gateway of Tally.
2. Press **Alt +F3** keys in keyboard.
3. Select the option Create Company and Enter.

The displays screen shows the creation section. Typing the name of company, address, financial year begins and all other detail asked by the creation screen creates a company.

Company Info
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To create next company, user can repeat the procedure from Gateway of Tally.

## Select Company

### Steps to Select Company

1. Go to Gateway of Tally.
2. Press **Alt +F3** keys in keyboard.
3. Select the option “Select Company” in company info.

Select company allows you to load another company from the list of companies listed which may have been created earlier.

## **Alter**

One can reach alter option, pressing “A” in the Gateway of Tally. This option allows user to make modifications, change as per requirements.

## **Change Tally Vault**

Tally vault is a kind of security feature built in Tally. It keeps us confidentiality of information by encrypting the data. A combination of such formulas helps to ensure that Tally vault becomes one of the very most secure means of data storage. From this we also can change password of selected company.

## **Split Company Data**

User can split company data into the time gaps by pressing “P” in Gateway of Tally and choosing split option.

This splits company data into multiple numbers of years as per user demands. This increases flexibility in accounting when data is split, companies are created for respective split periods and full data is retained in the original company.

## **Backup**

Simplest way of reaching Backup option is by pressing “B” in Gateway of Tally. Backup is a process of copying data from one location to other location. To avoid data lost in Tally, one should take Backup of Tally data. Tally Backup take on Auto route to periodically safeguard business data from accidental loss, systems crash and even saves it to remote location.

## **Restore**

This allows to restore data of companies for which backup is done. When current data is lost or corrupted, one can restore last backup data using Restore option in Gateway of Company Info of Tally.

## **Quit**

This option allows the users to close Tally windows pressing “Y” on the keyboard.