

Session Overview

This session covers Lesson 1 and Lesson 4 of the book, Accounting with Tally - Student Guide. It covers the fundamental need for financial accounting to prepare financial statements.

The main objective of this session is to introduce the students to the relevance of financial statements. In addition, it covers the features and functions of Tally.ERP 9.

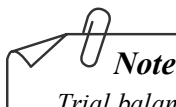
Financial Statements

Handling Tips

All organizations, irrespective of their size, have to maintain a record of their monetary transactions. This record provides information, classified into meaningful groups/categories, about the various activities undertaken by the organization. A summary of these records is known as the financial statement of the organization for a given period.

The various financial statements prepared and used in an organization are:

- Trial Balance
- Trading and Profit and Loss Account
- Balance Sheet



Trial balance has been covered in the previous session.

Trading Account

A trading account is related to the trading activity that is primarily concerned with the buying and selling of goods by an entity. This account is constructed to find out the gross profit. The debit side consists of the opening stock, the purchases made during the year, and all direct expenses related to the Trading activity. The credit side shows the sales affected during the year and the closing stock.

Profit and Loss Account

The profit or loss is ascertained by listing the balances in all the nominal accounts, the expenses on the debit side and income on the credit side, and finding out the net balance. The consolidated listing of all nominal accounts is called the Profit and Loss Account. Since profit earned or loss incurred over a period is ascertained, the title of the P & L A/c is written as follows:

Profit and Loss Account for the Period Ended ----(date)

If the total of the credit side, income, is more than the debit side, it indicates that the business has made a profit and if the total of the debit side is more it indicates a loss.

Once the period of operation or the financial year is over, the balances in the nominal accounts cannot be carried forward to the next year as the income and expenses of a new year have to be recorded afresh. Therefore, the balances in the nominal accounts are transferred to the P & L A/c and the nominal accounts are closed so that they start with zero balance in the new year.

The journal entries close the three nominal accounts and create the consolidated nominal account, P & L A/c, which reflects the profit or loss of the entity.

Balance Sheet

When the P & L A/c is prepared, all the nominal accounts would have been closed and only the real and personal accounts will be left. Balances in real accounts represent the assets of the business, such as cash, furniture, computer, and building. Balances in personal accounts represent amounts owed to the business by debtors (assets) and amounts owed by the business to its creditors (liabilities). Thus, the balance sheet gives out the financial position of the business entity, in terms of what it owns and what it owes, as on a given date. Therefore, the balances in real and personal accounts represent the assets and liabilities of the business. The debit balances represent the assets and the credit balances the liabilities. These balances are shown in the balance sheet. The liabilities appear on the left and assets on the right.

Introduction to Tally.ERP 9

Since its inception in 1986, Tally Solutions has simplified business processes and enhanced the productivity of small and medium-scale organizations with its powerful business accounting and inventory management software.

Tally.ERP 9 comes with features that help simplify business operations while providing complete control over the accounting, inventory, and statutory processes. It possesses a multi-lingual and data synchronization capability, which allows the transaction of business without any language barriers or geographical boundaries.

FAQs

- *What is Tally.NET?*

Tally.NET is a framework that works in the background and provides a number of services using the Internet. For example, using Tally.NET the user can access the company's data from a remote location.

