Tally Notes Prof. Sachin Sirohi (HOD)

Objectives

- In this session, you will learn to:
 - Understand the accounting principles and concepts
 - Understand the double entry system of accounts



- Accounting is the art of recording, classifying, and summarizing transactions and events in terms of money, in a significant manner and interpreting the results thereof.
- It is a finance support system that helps to:
 - Record activities.
 - Classify transactions and events.
 - Monitor financial performance.
 - Ascertain the result of business activities.
 - Arrive at the financial position of the organization.

- The main objective of accounting is to:
 - Ascertain the result of business activities during a year.
 - Show the financial position of a business on a particular date.
- The financial status of an organization, as on a particular date, is captured in the balance sheet.
- ◆ The financial performance of an organization, as on a particular date, is captured in a profit and loss statement.



- Accounting has the following branches:
 - Financial accounting:
 - Ascertains the profit and financial position of the business.
 - Cost accounting:
 - Ascertains the cost of goods produced or services rendered by a business.
 - Management accounting:
 - Supplies relevant information at the appropriate time to the management to enable decision-making and exercise effective control.

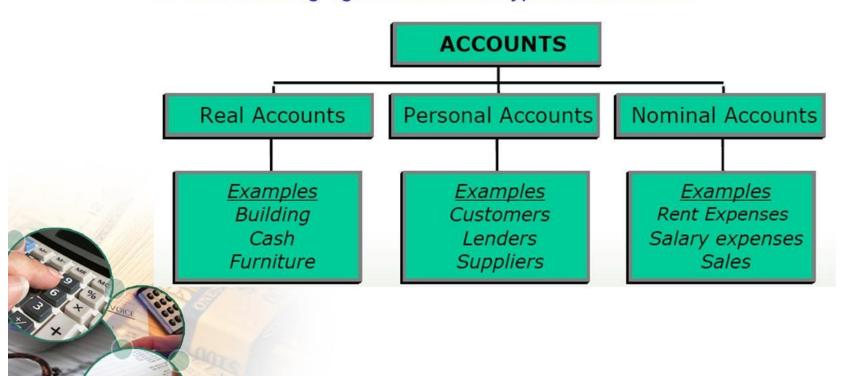
Transactions:

- Are events or happenings that change an organization's financial position and/or its earnings.
- Can be classified as:
 - Receipts
 - Payments
 - Purchases
 - Sales

- Recording transactions:
 - Is an essential activity to ascertain the financial status of a company as on a particular date.
- The usual transactions of a business are:
 - Purchase of goods either as raw material for further processing, or as finished goods for resale.
 - Payment of expenses incurred towards business.
 - Sale of goods or services.
 - Receipts, in cash or cheque.
 - Other payments, by cash or cheque.

- Accounts can be broadly classified under the following five groups:
 - Assets: Valuable things owned by a business that can be expressed in monetary terms.
 - Liabilities: The obligations or debts payable by a business in future in the form of money or goods.
 - Capital: Cash-in-hand, cash-at-hand, building, plant, and furniture are all part of a company's wealth or capital that is used for further assumption.
 - Revenue: The amount realized or receivable from the sale of goods.
 - Expenses: The cost incurred by the business in the process of earning revenues.

The following figure shows the types of accounts.



 The following table displays the rules of debit and credit for real, personal, and nominal accounts.

	Real Accounts	Personal Accounts	Nominal Accounts	
Debit	What comes in	The Receiver	Expenses and Losses	
Credit	What goes	The Giver	Incomes and Gains	



Golden Rules of Accounting

1. Real Accounts

Debit:- What comes in

Credit:- What goes out

Applicable to :
This rule is applicable to all assets of the business

Like:-

- · Cash
- · Land and Building
- · Plant and Machine
- · Furniture and Fixture
- · Trade marks.
- · Etc.

2. Personal Accounts

The Receiver

The Giver

This rule is applicable to Persons, artificial persons and representative persons

Like:-

- Aman
- · Ram And Sons.
- HAPPSS Store.
- · Bank A/c (SBI)
- Outstanding Salary
- Prepaid Expenses
- · Etc.

3. Nominal Accounts

All Expense and Loss

All Income and Profit

This rule is applicable to all Expenses, Income and Losses/Profits

Like:-

- Salary
- Wages
- Purchases
- Sales
- · Commission Received
- · Etc.

- Accounting Concepts: Are the assumptions on which accounting is based.
- Some of the important accounting concepts are:
 - Money Measurement Concept
 - Accounting Period Concept
 - Accrual Concept
 - Business Entity Concept
 - Going Concern Concept
 - Matching Concept
 - Dual-Aspect Concept
 - Realisation Concept



- Money Measurement Concept states that:
 - Only those transactions and events are recorded in accounting which can be expressed in monetary terms.
- Accounting Period Concept states that:
 - The users of the financial statements need periodical reporting to performance of the business.
- Accrual Concept states that:
 - Expenses and revenues incurred for a particular accounting period should reckoned in the same period, irrespective of the fact whether these expenses had been paid in cash or not in that year.

Business Entity Concept states that:

An accounting entity is hold to be "separate and distinct from it's owner".

- Going Concern Concept states that:
 - It is assumed that the business will exist for an indefinite period of time and transactions are recorded from this point of view.
- Matching Concept states that:
 - Revenues as well as expenses are to be estimated for an accounting period irrespective of actual receipt of cash.
- Dual-Aspect Concept states that:
 - Every transaction entered into by a firm will have two aspects.
- Realisation Concept states that:
 - Revenue should be measured in the period in which it is earned or realized.

- Accounting Conventions:
 - Refers to the customs or traditions used to bring about uniformity in the maintenance of accounts.
- Some of the important accounting conventions are:
 - Convention of Consistency
 - Convention of Conservatism
 - Convention of Disclosure
 - Convention of Materiality

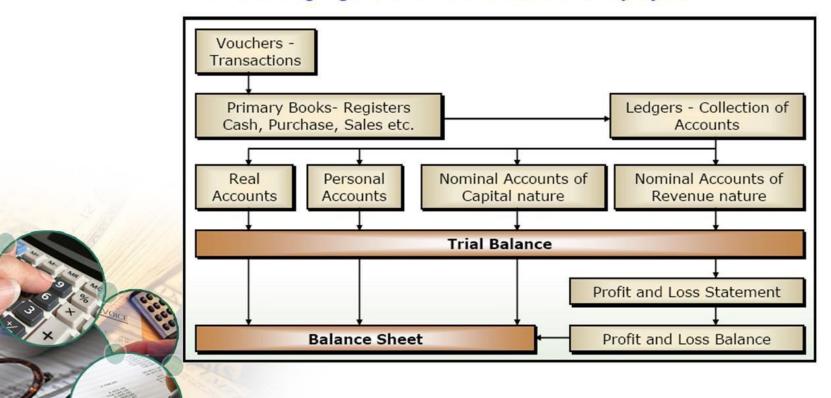


- Convention of Consistency states that:
 - Organizations must follow consistent accounting practices and policies over various accounting periods.
- Convention of Conservatism states that:
 - It is essential that the valuation of the financial transactions as reflected in the financial statements is done conservatively.
- Convention of Disclosure states that:
 - Financial statements must be free from subjective bias and they should be made available early enough to enable users to take timely decisions.
 - Convention of Materiality states that:
 - Immaterial transactions should be clubbed under appropriate heads.

- Double Entry System:
 - Is a system of recording transactions in a manner that maintains the equality of the accounting equation.
 - Allows to record each transaction as a debit and a credit, where every debit has a corresponding credit and vice versa.



The following figure shows the double entry system.



Journal:

- Is a book in which business transactions are entered in chronological order.
- Records a single transaction as a journal entry.
- Supports the journal entry by a voucher evidencing the related transaction.

Voucher:

Is a document containing the details of a financial transaction.



- Posting:
 - Is a process by which information about transactions is transferred or moved to an account.
- Accounting period:
 - Is a regular period of time such as a quarter or a year for which a financial statement is generated.



Understanding the Double Entry System of Accounts

- Trial balance:
 - Is a list of the balances of all ledger accounts.
 - Is prepared after:
 - Making all the adjustment entries in the journal.
 - Posing to the journal entries to the ledger.
 - Balancing the ledger accounts.
 - Is the sum of balances of all real, personal, and nominal accounts.
 - Has columns for:
 - Account name
 - Debit balance
 - Credit balance



Understanding Financial Statements

- A financial statement:
 - Is a report prepared from the accounting records of a company to find the financial performance and status of a business for a specific period.
 - Includes the following:
 - Profit and loss account
 - Balance sheet
 - Cash-flow statement
- The profit and loss account is divided into:
 - Trading account
 - Profit and loss account

Recording Transactions in Service Organizations (Contd.)

- Profit and loss account:
 - Is a financial statement that describes the operational results of the company or its earning capacity for a given period.
 - Lists the company's incomes and expenditures.
 - In Tally.ERP 9:
 - Displays the information entered in the default primary groups.
 - Is updated instantly with every transaction/voucher that is entered and saved.
 - Does not require special processing.

Recording Transactions in Service Organizations (Contd.)

Balance sheet:

- Is a financial statement that indicates the financial health or net worth of a company at any given point.
- Lists the assets and liabilities of a company.
- In Tally.ERP 9, displays the information entered in the default primary groups.



Recording Transactions in Service Organizations (Contd.)

- Account books:
 - Record individual transactions details which you have entered.
- Day book:
 - Is a list of transactions for a particular day.
- List of accounts:
 - Displays the existing chart of accounts, listed as groups, in alphabetical order.



- Is a leading accounting package.
- Has no accounting codes.
- Is a complete business solution.
- Can be integrated/non integrated accounting and inventory
- Is flexible and easy to use.
- Is speedy.
- Allows to maintain multiple companies.
- Provides unlimited levels of classification and grouping capabilities.

Identifying the Process of Creating Ledgers (Contd.)

- Contra Voucher:
 - As per accounting rules, contra entry is a transaction indicating transfer of funds from:
 - Cash account to Bank account
 - Bank account to Cash account
 - One Bank account to another Bank account
- Payment Voucher:
 - Is used to account payment transactions.
- Receipt Voucher:
 - Is used to account transactions involving receipt of money.
 - Journal Voucher:
 - Is used to account transactions that involve adjustment of debit and credit accounts.

Identifying the Process of Creating Ledgers (Contd.)

Sales Invoice:

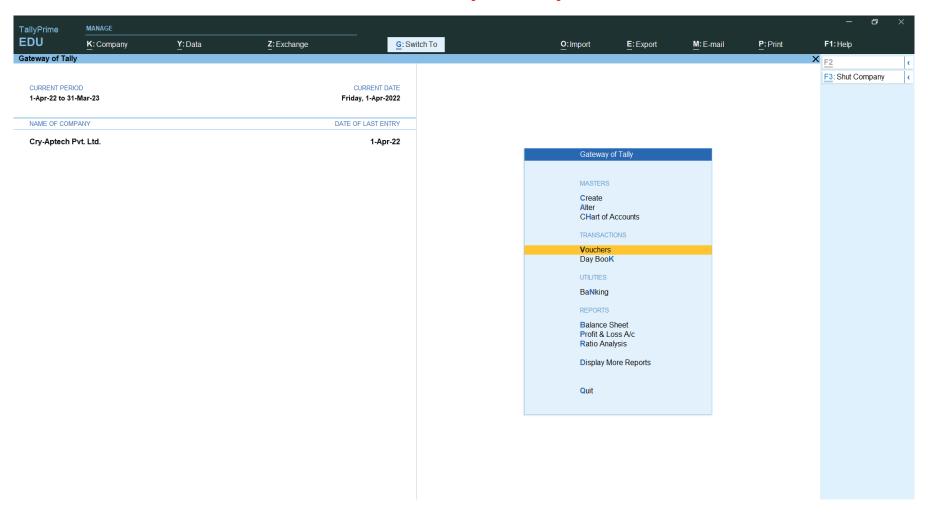
Is a voucher created when goods/services are sold, which the customer (debtor) use as a proof of purchase made.

Purchase Invoice:

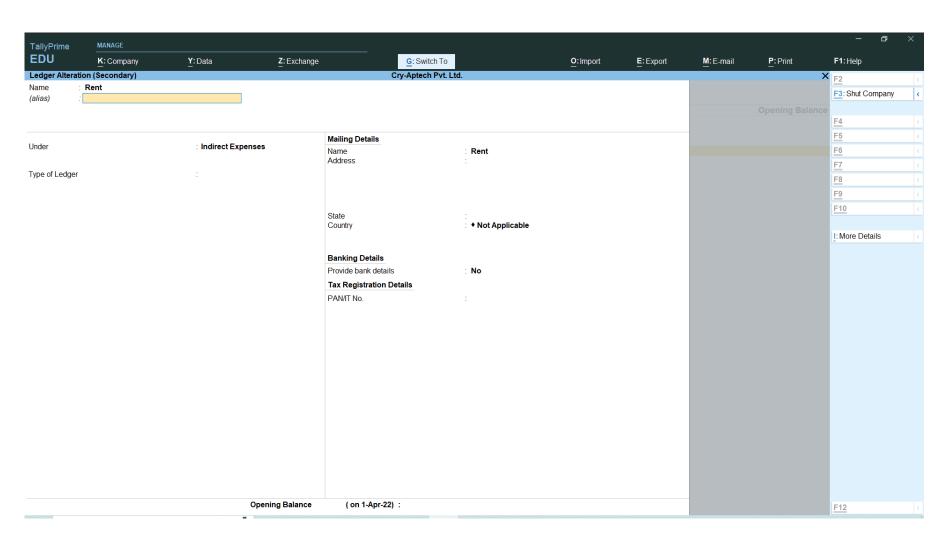
Is a bill issued by the supplier for the purchases made by the customer.



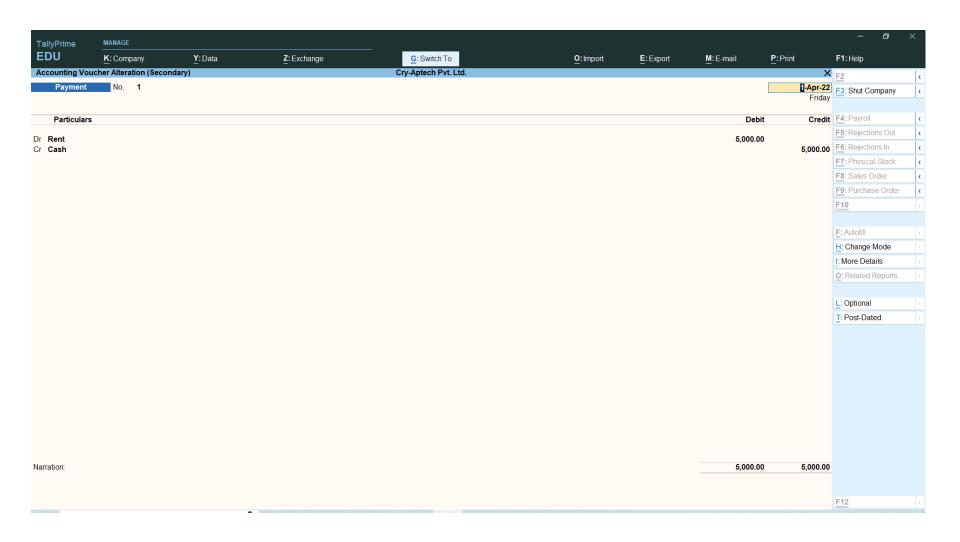
Gateway of Tally



Tally Ledger



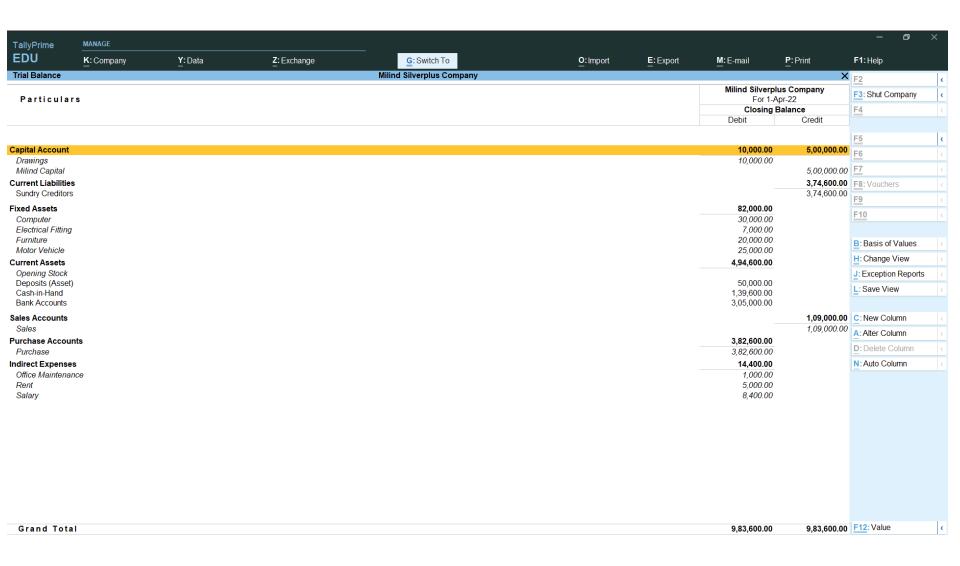
Tally Journal Entry



Tally Daybook

·										
TallyPrime	MANAGE								- 0	×
EDU	K: Company	<u>Y</u> : Data	Z : Exchange	⊆ : Switch To	<u>O</u> :Import	E: Export	<u>M</u> : E-mail		F1: Help	
Day Book				Milind Silverplus Company				×	F2	(
Day Book								Earl Apr 22	F3: Shut Company	(
Date	Particulars				Vch Type	Vch No.	Debit Amount		<u>F4</u>	
							Inwards Qty			
1-Apr-22 HD	FC Bank				Contra	1		50,000.00	F5	<
1-Apr-22 Sec	curity Deposit				Payment	1	50,000.00		<u>F6</u>	<
1-Apr-22 Fur					Payment	2	20,000.00			
1-Apr-22 Cor					Payment	3	30,000.00		<u>F7</u>	
	icon Computer				Payment	4	8,000.00		F8	
1-Apr-22 Rer					Payment	5	5,000.00			
1-Apr-22 Dra 1-Apr-22 Sal					Payment Payment	6 7	10,000.00 8,400.00		<u>F9</u>	<
	iary fice Maintenance				Payment Payment	, 8	1,000.00		F10	
1-Apr-22 Mili					Receipt	1	1,000.00	5,00,000.00		
1-Apr-22 Cas					Sales	1	1,09,000.00		D. Bacio of Value	
1-Apr-22 Cor	mtech Associate				Purchase	1	, .,	3,28,000.00	B: Basis of Values	· ·
1-Apr-22 Sili	icon Computer				Purchase	2		8,000.00	H: Change View	
	nglore Printer				Purchase	3		36,000.00	J: Exception Reports	9
1-Apr-22 Pe i	rfect Accessories				Purchase	4		10,600.00		
									L: Save View	<
									F12	c
			_							

Tally Trail Balance



Tally Trading, Profit & Loss Account

TallyPrime EDU	MANAGE K: Company	Y: Data	Z: Exchange	G: Sw	ritch To	O:Import	E: Export	M: E-mail	P: Print	F1: Help
Profit & Loss A/c		<u>-</u>	_ Exchange	_	olus Company	<u></u>	<u></u>	<u></u>		F2
			Milind Silve	rplus Company				Milind Silve	rplus Company	
Particular	s			1-Apr-22	Particulars				1-Apr-22	F3: Shut Company
										<u>F4</u>
pening Stock					Sales Accounts				1,09,000.00	
Computer Acces	sories				Sales			1,09,000.0		<u>F5</u>
urchase Account				3,82,600.00	Closing Stock				3,06,794.44	<u>F6</u>
Purchase			3,82,600.0	0	Computer Accessories			3,06,794.4	4	F7
iross Profit c/o				33,194.44						F8
				4,15,794.44					4,15,794.44	
ndirect Expenses				14 400 00	Gross Profit b/f				33,194.44	_
Office Maintenar	псе		1,000.0		Cross rront bir				33,734.44	<u>F10</u>
Rent			5,000.0							D.D. : 044
Salary ett Profi t			8,400.0							B: Basis of Values
ett Protit				18,794.44						H: Change View
										<u>J</u> : Exception Report
										L: Save View
										C: New Column
										A: Alter Column
										D: Delete Column
										N: Auto Column
										N. Auto Column
				33,194.44	Total					F12: Value

Tally Balance sheet

THANK YOU