Session Overview

This session covers Lesson 2, 4, and 5 of the book, Accounting with Tally - Student Guide. It covers the various types of business organizations and the transactions performed by each one of them. In addition, it covers the process of creating a company in Tally and the accounting processes followed in service organizations.

Service Organizations

Handling Tips

In this section, inform the students that the term business organization refers to how a business is structured. Depending on types of transactions, business organizations can be classified as:

- **Service Organization**: Service is defined as work done for others, in lieu of a price. An organization providing services is called a service organization. For example, Praful Advocates (legal services) and JK Computer Services (repairing and maintenance of computers).
- **Trading Organization**: Trading is the exchange of goods for a fixed market price or a perceived value. An organization involved in the process of buying and selling is called a trading organization. For example, Paradise Furnitures (furniture traders) and United Traders (traders of grocery).
- **Manufacturing Organization**: The process of transforming raw materials (inputs) into finished goods (outputs) for consumers, or for further processing by the others in the channel is called manufacturing. An organization that transforms raw materials into finished goods for consumers is called a manufacturing organization. For example, Cocomats (manufacturers of coir mats) and TruePower Electricals (manufacturers of electrical capacitors).

Creating a Company

A set of account books represents a company in Tally.ERP 9. The first step in recording a transaction using Tally.ERP 9 is to create a company. This requires providing necessary information about the company, such as company name, mailing address, and details related to the financial year. To create a company, select **Company Info.➔Create Company** from the **Gateway of Tally** screen**.** This displays the **Company Creation** screen.

You need to provide information for the following fields in the **Company Creation** screen:

- **Directory**: This field specifies the data path where you want the company to be created. By default, the path selected during the installation process of Tally.ERP 9 is displayed in the **Directory** field. If you want to change it, use the backspace key and specify the path required.

- **Name**: This field specifies the name of the company whose books are being opened. If you are a professional accountant and are maintaining the books of your clients, you need to give the client's company name.

- **Mailing Name and Address**: The name of the company is displayed here. You need to specify the mailing details of the company. The mailing name and address details are picked up for printing reports such as Balance Sheets and Statement of Accounts that need the company name and address as heading.

- **Statutory compliance for**: This field specifies the country where the company is located. It also specifies the currency of the country, which is referred to as the base currency. Select the country from the **List of Countries** drop-down box, which, in turn, would give the currency of the selected country. For example, if the accounts belong to a company in India, the currency would be Indian Rupees.

  Selecting the country from the **List of Countries** drop-down box displays the **State**, **Pin Code**, and **Telephone No.** fields. Select the appropriate state and pin code of the specified address and also provide the telephone number.

- **E-mail Address**: In this field, enter the e-mail address that you will use to e-mail documents, reports, and data from Tally.ERP 9.

- **Currency**: Currency symbol is the symbol of the base currency used to maintain the books of account. The symbol, **Rs.** appears by default for India/SAARC companies and the field is left blank for International companies.

- **Maintain**: This field specifies the types of accounts that need to be maintained for a company. You can select the **Accounts only** option to maintain only the financial records of the company**.** Whereas, to maintain both financial and inventory records of the company, select the **Accounts with Inventory** option**.**

- **Financial Year From**: In this field, you need to specify the details of the financial year. In most countries, the books of accounts of a company are maintained for a stipulated period, such as 12 months or 15 months. This stipulated period is referred to as the financial year. By default, Tally.ERP 9 considers 12 months from the date you mention as the financial year. For example, if you enter April 1, 2008 as the date, the financial year will be from April to March ending on March 31, 2009.

- **Books Beginning From**: Tally.ERP 9 presumes that you wish to maintain books from the beginning of the financial year. Hence, by default, Tally.ERP 9 displays the date given in **Financial Year From** field.

  The date for **Books Beginning From** field can be changed, in case of companies that are incorporated in the middle of the year. If your company is new, you can start the books of accounts from the date of actual establishment of the company (date of

incorporation). However, you should close books according to the financial year that you have specified. For example, if your company is established on August 19, 2008, the opening balances for all the accounts can be given as on August 19, 2008 even though the financial year given is April 1, 2008 (April to March financial year). The company's books will begin on August 19, 2008 and close on March 31, 2009.

- **Disallow opening in Educational mode?**: This mode allows you to work on data on your local machine with some restrictions. For example, you will not be able to enter transactions for all days in a month. Set this option to Yes, if you do not want the company to be opened in Educational mode of Tally.ERP 9.

- **TallyVault Password**: TallyVault is an enhanced security system that allows encryption of the company data. Encryption involves converting normally accessible Tally information into unrecognizable information, which can only be accessed by authorized people.

- **Use Security Control?**: To create a password-protected system to control access to Tally.ERP 9 data, select the **Yes** option for this field.

- **Use TallyAudit Features**: TallyAudit allows the administrator or an auditor profile user to track changes in accounting information. To use this facility, select the **Yes** option for this field.

At the bottom of the **Company creation** Screen, the Base Currency Information is displayed, which consists of the following fields:

- **Base Currency Symbol**: The currency symbol given earlier in the Company Creation screen is displayed here by default. Tally.ERP 9 uses this currency symbol in reports, wherever necessary.

- **Formal Name**: Formal Name is the full name of the currency specified. The formal name for the base currency is set to Indian Rupees for Indian companies.

- **Number of decimal places**: By default, the number of decimal places for the base currency is set to two. However, you can specify up to four decimal places. Indian currency has two decimal places.

- **Is Symbol Suffixed to Amounts**: This field is used to specify the symbol after the amount. For example, Yen is specified after the amount (5000 Yen) unlike in India, where the symbol is specified before the amount (Rs.5000).

- **Symbol for Decimal Portion**: This field is used to specify the symbol for decimal places.

- **Show Amounts in Millions**: This is useful for companies that require reporting of the financial statements in millions.

- **Put a space between Amounts and Symbol**: This facility is provided to users who require a space between the amount and the symbol. However, putting a space between the amount and symbol could give an opportunity for misuse incase of cheque printing.

- **Decimal Places for Printing Amounts in Words**: You can specify the number of decimal places for printing the amount in words. This number should be equal to or lesser than the number specified in **Number of Decimal places** field in the Company Creation screen.

F11: Company Features

Different features of a company, such as accounting or inventory can be selected or modified by using the **F11: Features** button. In order to select or modify the features of a company, you need to select **F11: Features** from the **Gateway of Tally** screen**.** This displays the **Company Features** menu.

The **Company Features** menu consists of the following options:
- **Accounting Features**: This feature enables you to set the various accounting features, such as bill and invoice details, required for transaction entries.
- **Inventory Features**: This feature enables you to set the inventory features required for transactions.
- **Statutory & Taxation**: This feature enables you to set the statutory features, such as VAT and TDS, required for transactions.
- **Tally.NET Features**: This feature enables you to configure Tally.NET features. It allows the user to access the company's data from a remote location using another instance of Tally.ERP 9. For example, a Chartered Accountant working with a Tally.ERP 9 Auditor's License can scrutinize the client's Tally.ERP 9 data remotely.
- **Audit Features**: This feature enables you to set the Tax Audit Rules and Statutory Payment Due dates for Tax Audit and Statutory Compliance tools.

F12: Configure

You can configure Tally.ERP 9 for masters, voucher entry, printing, connectivity, licensing, shop, and other general settings by clicking the **F12: Configure** button from the Gateway of Tally Screen or by pressing the **F12** key on the keyboard.

Creating Ledgers

All financial entries are made using the ledger account heads. Ledgers with similar transactions are classified under one group. This helps in presenting summarized information. Tally.ERP 9 provides 28 predefined groups consisting of 15 primary groups and 13 sub-groups. Some of the primary groups in Tally are: Capital Account, Current Assets, Investments, Direct Expenses, and Sales Account.

Accounting Vouchers

Accounting Vouchers are used to record all accounts related to transactions in Tally.ERP 9.

Tally comprises the following predefined vouchers, to suit different business requirements for recording various transactions:

- Contra voucher
- Payment voucher
- Receipt voucher
- Journal voucher
- Sales voucher/Invoice
- Purchase voucher/Invoice

In addition, it allows you to create user-defined vouchers as per your requirements.

Accounting in a Service Organization

Recording transactions in Tally involves creating a ledger and recording transactions using different vouchers.

Trial Balance

Trial Balance is a summary of all ledger balances to check whether the figures are correct and balanced. Considering that the journal entries are error-free and posted correctly to the general ledger, the total of all debit balances should be equal to the total of all the credit balances.

In Tally.ERP 9, all voucher entries are in debit/credit format and the total of all debit balances should be equal to the total of all the credit balances. To view the Trial Balance in Tally.ERP 9, select **Display→Trial Balance** from the **Gateway of Tally** screen.

Tally.ERP 9 shows group-wise Trial Balance. To see the group-wise details, you need to press the **Shift+Enter** key.
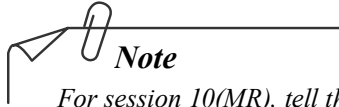
Note

For session 10(MR), tell the students that they need to practice the steps given in the topic, 4.3.1 Creation of a Company given on page no. 22 in the Student Guide. In addition, they need to practice the illustrations 1-20 given on page no. 36.

FAQs

■ *Can you customize vouchers and invoice in Tally?*

Yes, you can customize your invoice and voucher formats and develop a new report that suits your requirement. You can even change input screens to capture additional data required by you. In addition, you can include your company logo while printing invoices from Tally.ERP 9.