

Fa 1. Definition of Accounting

Accounting is the process of recording, summarizing, analyzing, and reporting financial transactions of a business.

2. Objectives of Accounting

- To maintain systematic records
 - To ascertain profit or loss
 - To show financial position
 - To assist in decision-making
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3. Basic Terms

- **Assets:** Resources owned by a business (e.g., cash, building)
 - **Liabilities:** Obligations payable by the business (e.g., loans, creditors)
 - **Capital:** Owner's investment in the business
 - **Revenue:** Income earned (e.g., sales)
 - **Expenses:** Costs incurred to earn revenue
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4. Accounting Equation

$$\text{Assets} = \text{Liabilities} + \text{Capital}$$

5. Types of Accounts

- **Personal Account** – Related to persons (e.g., customers, banks)
 - Rule: *Debit the receiver, Credit the giver*
 - **Real Account** – Related to assets (e.g., cash, machinery)
 - Rule: *Debit what comes in, Credit what goes out*
 - **Nominal Account** – Related to expenses & incomes
 - Rule: *Debit all expenses/losses, Credit all incomes/gains*
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6. Golden Rules of Accounting

Type of Account	Debit	Credit
Personal	Receiver	Giver
Real	What comes in	What goes out
Nominal	All expenses/losses	All incomes/gains

7. Journal

A book where all financial transactions are recorded for the first time in chronological order.

8. Ledger

A book that contains individual accounts where journal entries are posted.

9. Trial Balance

A statement that lists all the balances of ledger accounts to check arithmetical accuracy.

10. Final Accounts

Includes:

- **Trading Account:** Calculates Gross Profit
- **Profit & Loss Account:** Calculates Net Profit
- **Balance Sheet:** Shows financial position (Assets = Liabilities + Capital)

Introduction to Accounts in Tally Prime

Tally Prime is a comprehensive accounting software widely used for financial management, inventory control, taxation, and payroll. It helps businesses maintain accurate financial records and streamline operations.

◆ What is Accounts in Tally Prime?

Accounts in Tally Prime refer to the structured recording of all financial transactions of a business, such as sales, purchases, payments, receipts, expenses, and incomes. These are recorded using various **ledgers** and **vouchers**.

◆ Key Features of Accounts in Tally Prime:

Feature	Description
Double Entry System	Every transaction affects at least two accounts – debit and credit.
Chart of Accounts	Includes Groups, Ledgers, Cost Centres, and Budgets.
Vouchers	Used to record different types of transactions (e.g., Payment, Receipt, Journal).
Ledger Management	Helps track individual accounts like cash, bank, creditors, etc.
Trial Balance	Summarizes all ledger balances to check arithmetic accuracy.
Reports	Generates Balance Sheet, Profit & Loss Account, Day Book, and more.
Inventory Integration	Combines stock and accounting transactions, if enabled.

◆ Basic Accounting Terms in Tally Prime:

Term	Description
Ledger	Record for each account (e.g., Cash A/c, Bank A/c).
Group	Classifies ledgers (e.g., Indirect Expenses, Current Assets).
Voucher	Document to enter transactions (e.g., Sales Voucher).
Trial Balance	A report that lists all ledger balances.
Balance Sheet	Shows financial position (Assets = Liabilities + Capital).

◆ Types of Accounts in Tally Prime:

1. **Assets** – What the business owns (e.g., cash, inventory).
 2. **Liabilities** – What the business owes (e.g., loans, creditors).
 3. **Income** – Revenue from sales or services.
 4. **Expenses** – Costs like rent, salary, utilities.
 5. **Capital** – Owner's investment in the business.
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◆ Steps to Start Accounting in Tally Prime:

1. **Create a Company**
2. **Enable Accounting Features (F11 > Accounting Features)**
3. **Create Ledger Groups and Ledgers**
4. **Enter Opening Balances**
5. **Record Transactions using Vouchers**
6. **View Reports (Balance Sheet, P&L, Trial Balance, etc.)**