

## Interest Calculation in Tally Prime – Detailed Notes

### ✓ What is Interest Calculation in Tally?

Interest Calculation in Tally Prime helps track and compute interest on outstanding amounts either **receivable** or **payable**, based on pre-set parameters like interest rate, period, type (simple/compound), and party ledger.

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### Enabling Interest Calculation

1. Gateway of Tally → F11: Features → Accounting Features
  2. Set **Enable interest calculation** to **Yes**
  3. Optionally, set **Use advanced parameters** to **Yes** for complex interest setups.
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### ☐ Configuring Ledger for Interest

To calculate interest, configure party ledger as follows:

#### ◆ For Debtors or Creditors:

1. Gateway of Tally → Accounts Info → Ledgers → Alter/Create
  2. Select/enter the Party Ledger.
  3. In the ledger:
    - Set **Maintain balances bill-by-bill**: Yes
    - Set **Interest calculation**: Yes
    - Fill in the fields:
      - **Calculate Interest Transaction-by-Transaction**: Yes (recommended)
      - **Override Parameters for each Transaction**: Yes/No (as needed)
      - **Rate of Interest**: (e.g., 12%)
      - **Style of Calculation**:
        - 30-day month
        - 365-day year
        - Calendar Month
        - Calendar Year
      - **Interest Style**:
        - Simple
        - Compound
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### Types of Interest Calculation in Tally Prime

## 1. Simple Interest

- Based on  $\text{Principal} \times \text{Rate} \times \text{Time}$
- No compounding.

## 2. Compound Interest

- Interest is calculated on the principal + previously accrued interest.
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## Modes of Calculation

1. **Interest on Overdue Invoices**
    - Calculated from the due date till the payment date.
  2. **Interest on Outstanding Balances**
    - Calculated on the running balance.
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## Methods of Interest Calculation

Method	Description
30-Day Month	Assumes every month has 30 days
365-Day Year	Year assumed as 365 days
Calendar Month	Calculates based on actual days of calendar month
Calendar Year	Uses actual days of the year

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## Recording Transactions for Interest

When you make a sales/purchase entry:

1. Use **bill-wise details** (e.g., New Reference)
  2. Tally will track the due date based on the **Credit Period**
  3. Interest will be applied if the payment is not made within the credit period.
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## Viewing Interest Reports

1. Gateway of Tally → Display More Reports → Interest Calculations
2. You can view:
  - **Interest Receivable**
  - **Interest Payable**
  - **Group-wise or Ledger-wise**

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## Example:

### Scenario:

- Sold goods worth ₹10,000 to Mr. A
- Due in 30 days
- Interest Rate = 12% p.a.
- Payment made after 60 days

### Calculation:

- Overdue by 30 days
- Interest = ₹10,000 × 12% × 30/365 ≈ ₹98.63

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## Printing Interest Details in Invoice

1. While printing, go to **F12: Configure**
2. Enable **Show interest details**
3. This adds interest amount to the print format

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## Advanced Parameters (If Enabled)

- **Different interest rates** for receivables and payables
- **Interest applicable after certain days**
- **Interest not applicable for certain ledgers/transactions**

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## Important Notes

- Interest gets calculated only if **Bill-wise details** are maintained.
- Interest journal entries are **not automatic** – you need to **pass journal entries** manually if you want to reflect interest in books.
- Tally calculates interest **for display/reporting purposes**, but accounting entries are separate.