

📘 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.

🔑 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:
 - o Set **Maintain balances bill-by-bill**: Yes
 - o Set **Interest calculation**: Yes
 - o 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**

📘 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

▀ 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**

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.