

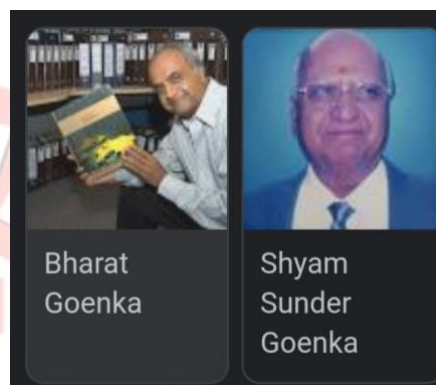


# ACCOUNTING

## What is Tally?

Tally is accounting software used for accounting purpose it was developed by the tally solution PVT LTD in the year 1986 at Bangalore by Bharat Goyenka.

Tally Solutions was co-founded by Shyam Sunder Goenka and his son Bharat Goenka after the family's cotton business was destroyed by fire. It began as Petronius Financial Accountant, an accounting software application. The company was incorporated in 1991 and was renamed Tally Solutions in 1999. It is a financial accounting and inventory management system.



TALLY stands for Transactions Allowed in a Linear Line Yards.

## What is accounting?

It is an art of recording, classifying and summarizing A/C in term money in a financial matter.

It involves identifying, recording, analyzing and presenting information about money and material to fun and about the performance and start of an enterprise for better decision.

The task of accounting may be classifying into two stages i.e. Recording and Analyzing.

**Voucher:** Record of each individual activity is called voucher.

**Report:** The presented information derived from the voucher is



called Report.

## Basic terms of Accounting:

**(1) Asset:** The total properties of a business are called Assets.

EX- Building, machine, cash in hand, cash in bank, sundry debtor etc.

The assets are divided into three categories.

- ❖ Fixed assets
- ❖ Current Assets
- ❖ Investments



**Fixed assets:** Those assets which are held permanently in the business and use for the earning profit purpose called Fixed Assets.

EX: Land, Machinery, Furniture etc.

**Current Assets:** Those assets which are held temporarily in the business which are mean resale and change into cash those current assets.

EX: Cash in hand, Cash in Bank, Sundry debtor, bill receipt etc. stock in hand, deposit bank A/C, loans and advance etc.

**Investments:** Those assets are related to investment in other companies are called investments.

EX- Bond, Govt. securities.

**(2) Capital (Equity):** It is the amount invested by the owner.



It is a liability of company as company clears the money to the owner. Because business is a separate entity from its owner. So in balance sheet capital is mentioned in liabilities side. Capital account is shown after deducting of drawing amount.

EX- owner's capital, partner's capital, member capital etc.

**(3) Owner:** The person who invests money and bear the risk of the business is called owner or proprietors.

**(4) Revenue (income):** The monetary value of business is called Revenue. It results from sales, services and sources like interest, commission etc.

**(5) Drawing:** Money and value of goods belong to the business used by the owner for personal use is drawing.

**(6) Sundry Creditors:** A person who supplies goods or services for cash is called suppliers or Sundry creditor.

**(7) Sundry Debtor:** A person who purchase goods or services is called customer or sundry debtor

**(8) Bank:** A place with whom cash or account are maintain is called bank.

**(9) Liabilities:** Amount owed by the business from the outsider is called liabilities.

EX- loans, creditor etc.

There are three types of liabilities in accounting:

❖ Fixed Liabilities

### Types of liabilities



Current



Non-current



Contingent



- ❖ Current Liabilities
- ❖ Contingent Liabilities

**(a) Fixed Liabilities:** Those liabilities which are to be paid after one year is called fixed liabilities.

EX- Bank loan, loan from outside financial institute etc.

**(b) Current Liabilities:** Those liabilities which must be paid within next financial year called current liabilities.

EX- Bill payable, sundry creditors.

**(c) Contingent liabilities:** Those liabilities happening which depend on sudden event.

**(10) Transaction:** It is an event that changes the organization financial position and when we deposit money in bank our cash balance reduces and bank balances increases but when we sale goods for cash our cash balance increases or stock decreases.

Lawndale Company		
Trial Balance (prior to recording new transactions)		
Account	Debit Balance	Credit Balance
Cash	\$20,000	
Accounts receivable	9,000	
Inventory	8,000	
Insurance payable		\$700
Accounts payable		2,600
Notes payable (long term)		10,000
Capital stock		12,000
Retained earnings (beginning of year)		7,000
Sales of merchandise		22,000
Cost of goods sold	12,000	
Rent expense	3,600	
Salary expense	1,000	
Insurance expense	700	
Totals	\$54,300	\$54,300

It means transfer of money worth from one party to another.

Transaction has double effect one is debit another is credit.

**(11) FINANCIAL YEAR:** A financial year starts from april1 and ends in march31. All the transactions are entries during the financial year in proper date.

**(12) GOODS:** The things which are involved in purchase and sale





are called goods.

**(13) Stock:** The goods present in the trade called stocks.

**(14) Income:** Amount of money gain during any transaction.

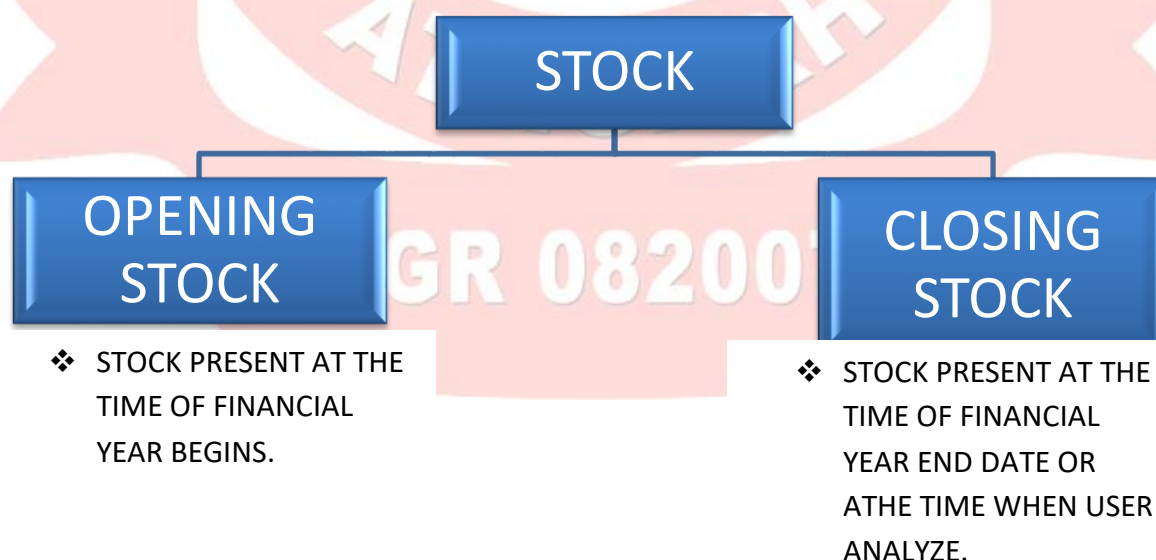
- **Direct Income:** Money from selling goods
- **Indirect Income:** Commission receive, discount receive during purchase.

**(15) Expense:** Amount of money loss during transaction.

- **Direct Expense:** Expense during purchase of goods.
- **Indirect Expense:** Salary paid, discount allow, commission allow, electric bill etc.

(16)

## STOCKS

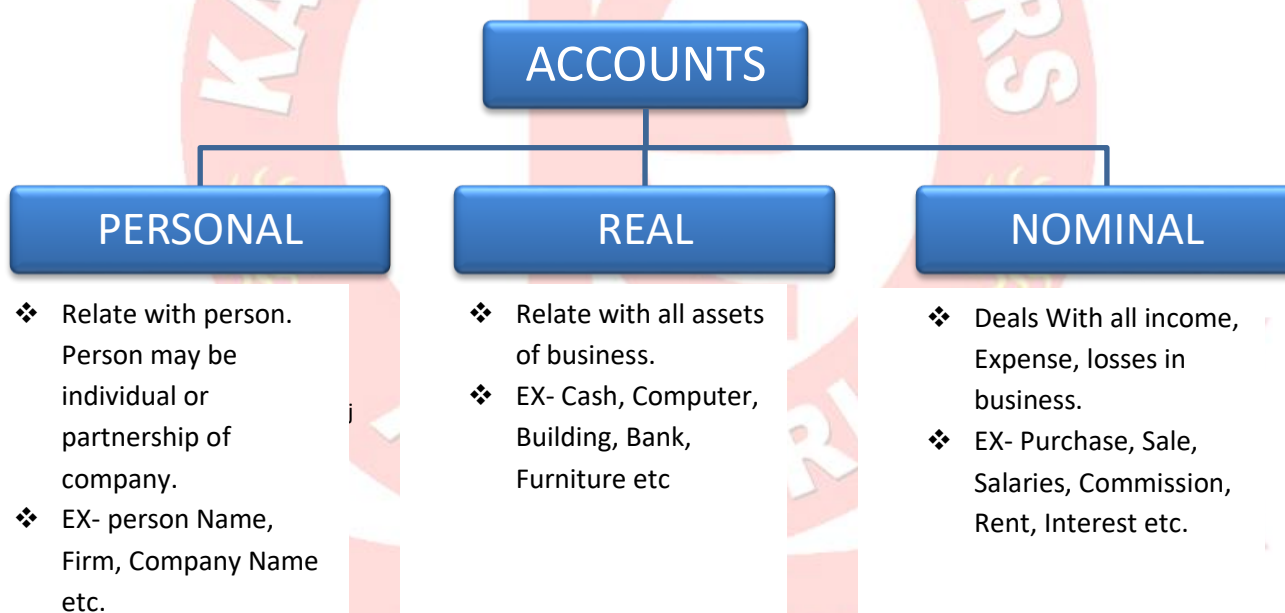




**(17) Journal:** It is a daily record of business transaction. It is a chronological record (date wise) of business transaction. It stores the name of the A/C to be debit or credit and the amount of debit and credit side.

**Debit & Credit:** An account has two sides. The left hand side is debit and right hand side is credit. The word debit and credit has no meaning in accounting.

### TYPES OF ACCOUNT IN TALLY

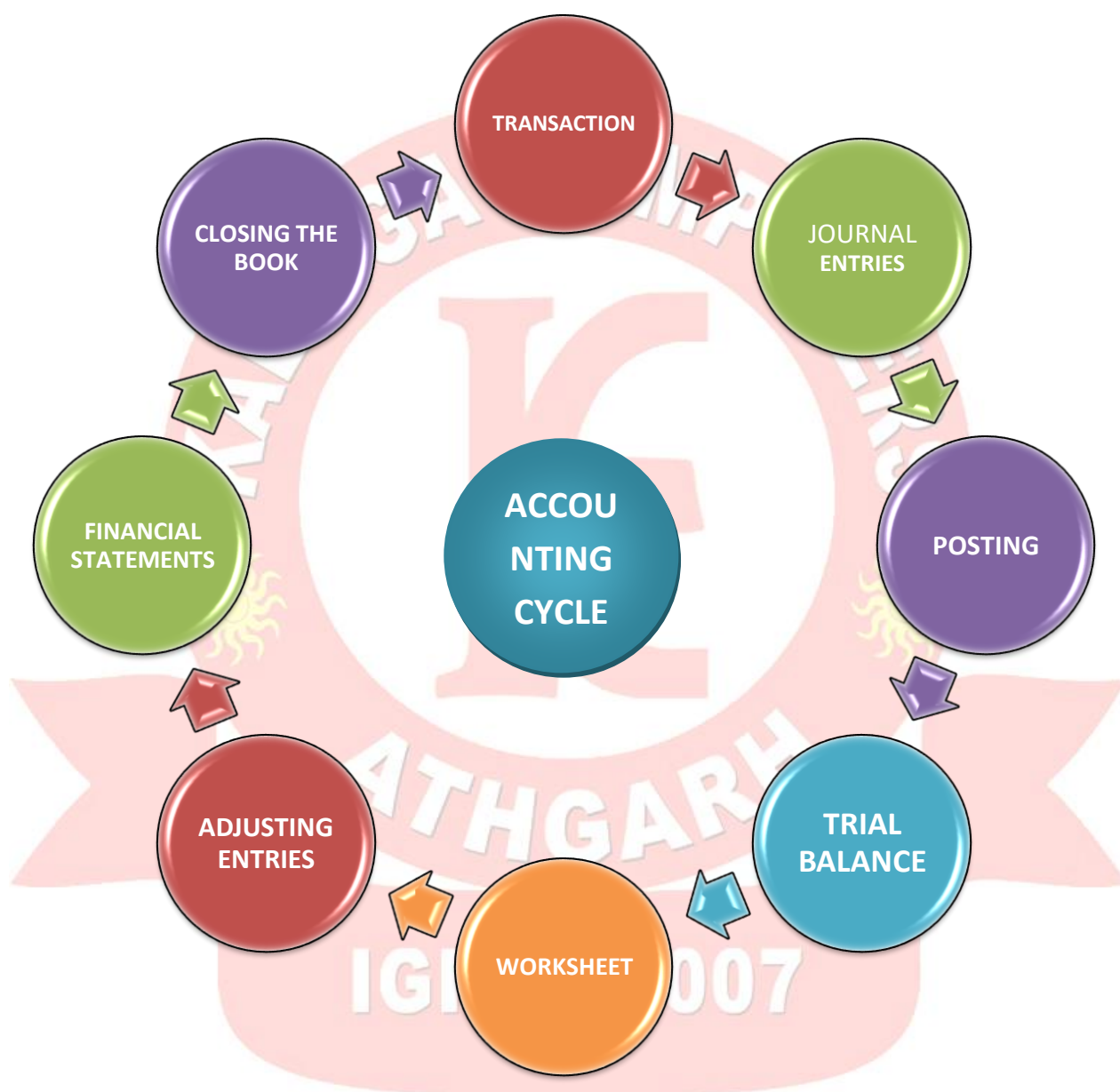


### STEPS IN ACCOUNTING CYCLE

Accounting cycle means all the steps available from identifying transaction from invoice (receipt), journal entry, posting in ledger, adjust trial balance, financial statements and finally analysis of balance sheet to know about closing stock, cash in hand, bank balance, profit and loss, analysis of all type



of ledger etc.



## THREE GOLDEN RULE FOR JOURNAL ENTRY

### PERSONAL ACCOUNT



**Dr.** -The Giver

**Cr.** - The Receiver

## **REAL ACCOUNT**

**Dr.** - What comes in

**Cr.** - What goes out.

## **NOMINAL ACCOUNT**

**Dr.** - All expenses and losses

**Cr.** - All income and gains

## **Rules of Debit and Credit under the Modern Approach**

<b>Asset Account</b>	Debit the Increase & credit the decrease
<b>Liabilities Account</b>	Credit the Increase & debit the decrease
<b>Capital Account</b>	Credit the Increase & debit the decrease
<b>Revenue Account</b>	Credit the Increase & debit the decrease
<b>Expense Account</b>	Debit the Increase & credit the decrease





## EXAMPLE OF JOURNAL ENTRY

Q. Deposit cash of 50000 by owner into company.

Capital A/C(P) - Cr.

Cash A/C (R)– Dr.

Cash A/C debited to Capital A/C

Q. Transfer of cash of 20000 to HDFC bank.

Cash A/C (R) – Cr.

HDFC Bank A/C(R) – Dr.

HDFC bank dr. to Cash A/C

Q. Purchase goods of Rs. 1000 in cash.

Goods A/C(R) – Dr.

Cash A/C (R)– Cr.

Goods A/C debited to Cash A/C.

Q. Sale goods in cash of 2000.

Goods A/C (R)– Cr.

Cash A/C (R)– Dr.

Cash A/C debited to Goods A/C.

Q. Paid Rent Rs 2000 in bank.

Rent A/C (N) – Dr.

Bank A/C (R)– Cr.

Rent A/C debited to Bank A/C.

Q. Withdraw cash of Rs. 5000 from bank.



Cash A/C (R) – Dr.

Bank A/C (R)– Cr.

Cash A/C debited to Bank A/C.

Q. Purchase goods from Ram.

Goods A/C (R) – Dr.

Ram A/C (P)– Cr.

Goods A/C debit to Ram A/C.

Q. Sales goods to Anil.

Anil A/C – Dr.

Goods A/C – Cr.

Anil A/C Dr. to Goods A/C.

Q. Paid Salary Rs. 3000

Salary paid A/C (N) – Dr.

Cash A/C (R)– Cr.

Salary paid A/C debited to Cash A/C.

Q. Goods returned by Amit.

Amit A/C (P)– Cr.

Goods A/C (R)– Dr.

Goods A/C debited to Amit A/C.

Q. Commission receive Rs. 1000.

Commission receives A/C (N) – Cr.

Cash A/C (R) – Dr.



Commission receives A/C debited to Cash A/C.

Q. Paid Rs. 3000 for rent by cheque.

Rent paid A/C (N) – Dr.

Bank A/C (R) – Cr.

Rent paid A/C debited to Bank A/C.

**Ledger:** - It contains the list of all A/C such as personal, real & nominal a/c. The process of preparing ledger from journal is called ledger posting.

### The importance of a ledger

- ❖ To know the total purchase
- ❖ To know the total sale
- ❖ To know the amount payable to creditor.
- ❖ To know the amount receivable from debtor.
- ❖ To know cash in hand.
- ❖ To know cash in bank.

### EXAMPLE OF LEDGER ENTRY

DATE	PARTICULAR	L.F	DEBIT	CREDIT
1.4.2022	Cash A/C dr.		50000	
	To Capital A/C			50000
3.4.2022	Purchase A/C dr.		10000	
	To Gopal A/C &			9000
	To Discount receive			1000



**Trial balance:** - It is a list of the balances of all ledgers A\C. It is prepared after all the transactions are entered in a journal. Journal entries posted to the ledger & ledger posted to the trial balance.

It is sum of balance of all real; personal & nominal A\C of the organization.

### EXAMPLE OF LEDGER ENTRY IN TRIAL BALANCE

1. Commission receive Rs. 1000
2. Sale goods Rs.5000
3. Paid salary cash rs.3000
4. Purchase goods Rs.1000
5. Paid rent Rs.2000

#### Commission Rs. 1000

Commission receive (N)- Cr.

Cash A/C (R)-Dr.

Commission Receive A/C Dr. to Cash A/C.

#### Sale goods Rs.5000

Cash A/C (R) – Dr.

Goods A/C (R) – Cr.

Cash A/C Dr. to Goods A/C

#### Paid salary cash rs.3000





SCAN ME



Salary A/C (N) –Dr.

Cash A/C (R) - Cr.

Salary A/C Dr. to Cash A/C

Purchase goods Rs.1000

Goods A/C (R) – Dr.

Cash A/C (R) – Cr.

Goods A/C Dr. to Cash

A/C

Paid rent Rs.2000

Rent A/C (N) – Dr.

Cash A/C (R) – Cr.

Rent Paid A/C Dr. to Cash A/C.

All Entries Separately			
Sr No	Particulars	Dr Amt ( in \$)	Cr Amt ( In \$)
1	Bank A/c Dr	25,000	
	To Boarding Fees A/c Cr		25,000
	(Being Boarding fees received for student no. XXXX)		
2	Bank A/c Dr	32,000	
	To Tuition Fees A/c Cr		32,000
	(Being tuition fees received for student no. XXXX)		
3	Bank A/c Dr	12,000	
	To Culture Fest Fees A/c Cr		12,000
	(Being culture fest fees received for student no. XXXX)		
4	Bank A/c Dr	2,500	
	To Social Contribution A/c Cr		2,500
	(Being social contribution received for student no. XXXX)		
5	Bank A/c Dr	8,000	
	To Examination fees A/c Cr		8,000
	(Being examination fees received for student no. XXXX)		
6	Bank A/c Dr	2,500	
	To Library Fees A/c Cr		2,500
	(Being Library Fees received for student no. XXXX)		
7	Bank A/c Dr	8,000	
	To Orientation Fees A/c Cr		8,000
	(Being Orientation fees received for student no. XXXX)		

DATE	PARTICULAR	L.F	DEBIT	CREDIT
1.4.2022	Cash A/C Dr.	1000		
	To Commission receive A/C .			1000
2.4.2022	Cash A/C Dr. to	5000		
	Goods A/C			5000
3.4.2022	Salary A/C Dr. to	3000		
	Cash A/C			3000
4.4.2022	Goods A/C Dr. to	1000		
	Cash A/C			1000



5.5.2022	Rent Paid A/C Dr. to	2000	
	Cash A/C.		2000

When A/C two side same in ledger then put two side same amount in Trial Balance.

### **TRANSACTION FORMULA:-**

**CGS** (Cost of Goods Sold) = Opening stock + Net Purchase  
+Direct Expense-Closing Stock

**Net purchase**=Purchase-Purchase Return

**Gross Profit**=Net Sale-Sale Return

**Net Sale**=Sale-Sale Return

**Net Profit**=Gross Profit +Indirect income-indirect expense

*Q) Find CGS and net profit from following transaction.*

Opening stock = 60000

Purchase=40000

Purchase Return=20000

Closing Stock=30000

Wages=1000

Salary Paid=5000

Sale=120000



Sale Return=20000

Receive Commission=5000

### ANSWER

CGS=60000+40000-20000+1000-30000

=51000

Gross Profit=120000-20000-51000

=49000

Net Profit=49000+5000-5000

=49000

### Chart of Accounts In Accounting

There are two most important reports

- i. Balance Sheet
- ii. Profit And Loss Account

**Balance Sheet:-** The Balance Sheet shows what is owned (Assets) what is owed (liabilities). The total Assets & total liabilities are equal. It is a report of financial status at a given time.

**Profit & Loss A/C:-** The Profit & Loss Account shows the net result (income & expense) of the performance for a given period.

### **Balance sheet**



Balance sheet has two sides:-

- (1) Liabilities
- (2) Assets

## Liabilities

The liabilities side of balance sheet contains 3 primary group

- ❖ Capital
- ❖ Borrowings
- ❖ Current Liabilities

### Capital

It represents the owner's capital, proprietor's capital, member's capital etc.

### Borrowings

This group represents the monies borrowed by the company that referred as loan. This group further divided as three major groups:-

- Bank OCC
- Secured Loans
- Unsecured Loans

### Bank OCC

This group represents the monies borrowed from bank, like bank over draft & ca credit, the amount of such loans normally required on day to day business like a bank current account





## Secured Loans

Secured fixed loans one by creating a charge on company's assets as security like medium or long term loans. Secured loans taken from banks, financial institution etc.

## Unsecured Loans

It represents loan taken from outside parties, directors, friends, relatives etc.

## Current Liabilities

It further divided into 3 groups:-

- Provision
- Duties & Taxes
- Sundry Creditors

### Provision

It is a place for all sorts of provision like income tax, FBT (Foreign Benefit Tax) etc.

### Duties & Taxes

It represents all gov. duties which subgroup is for all sales and other trade taxes. This head normally constitute all duties and taxes that you have collected or pay through purchase transaction, whose balance will appear on balance sheet.

EX:- ST, CST, Purchase Tax etc.

### Sundry Creditors



Place this A/C of all creditors or suppliers, if you sale or purchase from the same party create only one ledger A/C and place on sundry debtor and sundry creditors group.

## ASSETS

It is classified three primary groups

**Fixed Assets:-** company land, furniture etc.

**Current Assets:-** Cash in Hand, Sundry Debtors, Cash in bank

**Investment:-** Saving in bank, Bank FD, Postal RD, Mutual Funds etc.

## Profit and Loss Account

This Account group side is classified into Income and Expense.

### Income

This A/C group has three primary groups

- Direct Income
- Indirect Income
- Sales

### Sales

It contains all sales A/C that you may have multiple sales A/C. You may or may not create separate account for sales & sales return in one A/C.



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## Direct Income

It contains Income A/C considered for computation of Gross Profit. Professional services charges may place ledger A/Cs.



## Indirect Income

It contains All A/Cs of income of casual nature like receipt on A/C of rent, interest, commission etc which are excluded for computation of Net profit only.

## Expense

The expenses side is classified as three primary groups:-

- Purchase
- Direct Expenses
- Indirect Expenses

## Purchase

It contains all purchase A/C that includes purchase and purchase returns. It also contains other income like sales tax, delivery charges etc which required for computing additional costs on purchase should be placed in this group.

## Direct Expenses

It contains all expenses considered for gross profit/loss like carriage charges, wages, loading, unloading, transporting etc.

## Indirect Expenses





It contains all expenses considered for computation of Net Profit/ Loss like salary paid, rent paid, tel. bill paid, electric Bill paid etc.

## Financial Statements

It is a periodic record prepared from the accounting records of a company. It includes the profit & loss statement, balance sheet and the cash flow statements etc.

## Trial Balance

It is a list of balances of all ledger accounts. It is prepared after all transactions are entered in a journal, journal entry posted to ledger and ledger posted to trial balance.

It is the sum of balance of all real, personal & nominal A/C of the organization.

Trial balance has columns for A/C name, debit balance and credit balance.

## Trading A/C

It is prepared so as to arrive at gross profit earned by an organization over a specific period. It calculates direct profit from its operations.

## ACCOUNTING CONCEPT

**Recording:-** The first task of accounting is starts from recording an activity which can be directly expressed in terms





of money. The activity may actual involve money, materials or both and is expressed in terms of money affecting position.

**Analyzing** :- It involves compiling and summarizing the basic records to present information in design manner.

# THANK YOU