BCOC-131
Financial Accounting

Indira Gandhi
National Open University
School of Management Studies

Block

6

COMPUTERISED ACCOUNTING

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BLOCK 6 COMPUTERISED ACCOUNTING

Computerised Accounting is the need of present business environment. In this era of technological advancement where humans are moving towards automation, preparing financial statements through use of computers is essential as it provides accuracy, reliability, security from disasters as well as speed required in maintaining data for growing business operations. Many accounting softwares have been developed like Tally ERP 9, Marg, Profit wave and others to provide support to accounting professionals in maintaining and preparing records digitally. This block on computerised accounting has been divided into four units which cover introduction to computerised accouinting, creation of company, creating masters, vouching entries & invoicing and preparation of reports.

Unit 18 explains what computerised accounting system is and how does it differs from the manual accounting procedure. It also highlights the advantages and disadvantages of computerised accounting system. It describes the procedure of creation of company in Tally ERP.9. It also explains how can a company be altered, deleted or shut down in Tally software. It also discusses the configuration and features of the software.

Unit 19 describes how ledgers and groups account are created in computerised form and how data related to stock/inventory can be maintained in Tally software. It also highlights the way to delete or alter or display any ledger or group or inventory masters.

Unit 20 explains the procedure of creation of different vouchers and recording journal entries therein. It also discusses the method of creating invoices, deletion and alteration of vouchers and invoices.

Unit 21 discusses the preparation of various reports like Balance Sheet, Profit and Loss Account, Trading Account, Stock Summary, Day Book and other reports which Tally software creates automatically.

UNIT 18   INTRODUCTION TO COMPUTERISED ACCOUNTING AND CREATION OF COMPANY

Structure

18.0   OBJECTIVES

After studying this unit, you will be able to:

● define computerised accounting system

● distinguish between manual and computerised accounting system;

● highlight advantages and disadvantages of computerised accounting system;

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- describe Tally ERP.9 system;

- identify various components of Tally ERP.9;

- set, alter, delete and shut a company under Tally ERP.9; and

- understand the features and configuration option in Tally ERP.9

18.1 INTRODUCTION

An accounting system is a collection of processes, procedures and controls designed to collect, record, classify and summarize financial data for interpretation and management decision-making. Whether the accounting system is simple or complex, it must meet certain objectives to keep the business running smoothly. It is difficult to make informed business decisions without accurate accounting information that helps the managers to see where the business is, where it has been and (based upon trends) foresee where it is headed. Thus, an accounting system should be devised as an effective tool that provides information which is easy to understand.

While some firms still do their book-keeping by hand, most firms generally have too many transactions to sustain a manual accounting system. The more complicated the financial activities of a business are, the more likely it will need a computerized accounting system to ensure effective financial reporting. Computerized accounting systems involve making use of computers and accounting software to record, store and analyze financial data. These are software programs that are stored on a company's computer, a network server, or remotely accessible via Internet.

Computerized Accounting represents a technological advancement in the field of business accounting which allows the user(s) to set up income and expense accounts, such as rental or sales income, salaries, advertising expenses, and material costs. They also can be used to manage bank accounts, to pay bills, and prepare budgets. Also, depending upon the program, some accounting systems also allow users to prepare tax documents, handle payroll, and manage project costing.

18.2 DIFFERENCE BETWEEN MANUAL AND COMPUTERISED ACCOUNTING SYSTEM

Owners and other stakeholders of any business, whether large or small, want to know whether the business is making a profit or not. Many small businesses do their accounting manually and they are happy with this setup. Others may be considering using a computerized system, since accounting software is also affordable these days. Manual and computerized accounting systems perform basically the same processes; the accounting principles and concepts are the same with differences lying in the mechanics of the process. Let us now see the difference between these two:

Speed

The main difference between manual and computerized systems is speed. Accounting software processes data and creates reports much faster than manual systems. Calculations are done automatically in software programs, minimizing

errors and increasing efficiency. Once data is fed into the system, one can create reports literally by pressing a button in a computerized system.

Cost

Another difference between manual and computerized systems is cost. Manual accounting with paper and pencil is much cheaper than a computerized system, which requires a machine and software. Other expenses associated with accounting software include training and program maintenance. Expenses can add up fast with costs for printers, paper, ink and other supplies. However, manual accounting requires more staff. Threfore, more expenditure on salaries/ wages in case of manual accounting.

Backup

A third difference between manual and computerized systems is the ease of backup of a computerized system. All transactions can be saved and backed up, in case of fire or other mishap. You cannot do this with paper records, unless you make copies of all pages – a long and inefficient process.

The following table makes a further attempt to explain the difference between the manual and computerized accounting systems:

BASIS	MANUAL ACCOUNTING	COMPUTERIZED ACCOUNTING
1. Definition	Manual accounting is the system in which we keep physical register of journal and ledger for keeping the records of each transaction.	In this system of accounting, we make use of a computer and different accounting software for maintaining a digital record of every transaction.
2. Ledger Accounts	We check the journal and then we transfer figures to related accounts debit or credit side by manually posting it.	Computerized Accounting System will automatically process the system and will make all the accounts' ledgers since the voucher entries under its respective ledger account have already been passed.
3. Trial Balance	We collect the information of all the balances of all accounts in our ledger, and on this basis we manually prepare the trial balance.	The computerized accounting system will automatically produce the Trial Balance.
4. Adjustment Entries Record	Both, the adjustment journal entries and its posting in the ledger accounts will be done manually, one after another.	Only adjustment entries will be passed in the computerized accounting software, these will then be automatically posted to respective ledger accounts.

18.3 ADVANTAGES AND DISADVANTAGES OF COMPUTERISED ACCOUNTING SYSTEM

Advantages of Computerized Accounting

There are many advantages of computerized Accounting System. Let us discuss few of them in detail.

1. **Automation**: As all the calculations are handled by the software, computerized accounting eliminates many of the mundane and time-consuming processes associated with manual accounting. For example, once issued, invoices are processed automatically thus saving time.

2. **Accuracy**: This accounting system is designed to be accurate to the minutest detail. Once the data is entered into the system, all the calculations, including additions and subtractions, are done automatically by software.

3. **Data Access**: Using accounting software, it becomes much easier for different individuals to access accounting data outside the office, securely. This is particularly true if an online accounting solution is being used.

4. **Easy representation of data in various formats**: Viewing the accounts using a computer allows the users to take advantage of the option to view the data in different formats i.e. one can view data in tables and using different types of charts.

5. **Reliability**: Since the calculations are very accurate, the financial statements prepared by computers are highly reliable.

6. **Scalable**: When a company grows, the number of transactions entered into the system increases, as a result of which the need for accounting not only increases but also becomes more complex. With computerized accounting, everything is kept straight forward because shifting data using software is easier than sifting through a bunch of papers.

7. **Speed**: Using accounting software, the entire process of preparing accounts becomes faster. Furthermore, statements and reports can be generated instantly at the click of a button. Managers do not have to wait for hours, even days, to lay their hands on an important report.

8. **Security**: The latest data can be saved and stored in offsite locations so it is safe from natural and man-made disasters like earthquakes, fires, floods and terrorist attacks. In case of disasters, the system can be quickly restored on other computers. This level of precaution is taken by Computerized Accounting.

9. **Cost-effective:** Since using computerized accounting is more efficient than paper-based accounting, than naturally, work will be done faster and time will be saved.

Disadvantages of Computerized Accounting

Computerized Accounting suffers from many limitations. Let us discuss those limitations one by one.

Cost of Software: In case of computerized accounting, you must buy the software. Some software requires you to purchase upgrades or updates for additional features. You must also ensure your computer is capable of running the software. If not, you'll need to upgrade your computer as well.

Most accounting software requires you to have additional software in order to view reports. For instance, some programs allow you to export data as a PDF file or an Excel spreadsheet. This allows users without the accounting program to view the data. However, the viewing software may pose an additional expense to the user.

2. **Reliance on Computers:** If your computer crashes or data is corrupted by a virus, you won't be able to use your accounting software until the problem is fixed. This also means you won't have access to any entered data until the computer is running again. Your data can also be corrupted. It means you will have to re-enter information unless you've backed up your files. In addition, if there's a power failure, your software will be unusable unless you're on a battery-powered laptop.

3. **Fraud:** Accounting software data requires extra levels of security to prevent fraud and embezzlement. Software makes it easier for users to alter data, making fraud easier to accomplish. As a result, there is an increased need for internal auditors to check for any data inaccuracies. Security measures must also be taken to limit the amount of control users have over any accounting software's features.

4. **Human Error:** While it is easy to write down numbers incorrectly, it is even easier to mistype a number. Entering data into accounting software too quickly may result in serious errors. With the program performing calculations, it can be more difficult to trace the cause of the problem. Spreadsheets, digital ledgers or written ledgers make tracking simpler and faster.

5. **Training:** Accounting software requires you to take the time to learn how to use it. While you may be an experienced accountant, you'll still need to learn what each button and menu command does in order to use accounting software effectively. This learning curve can result in costly affairs. In some cases, paid training may be necessary to learn how to perform certain tasks. If you're not tech savvy, the process could be even more difficult.

6. **Time:** Many accountants find that it takes more time to enter data into accounting software than it does to write it or type it into a spreadsheet. Due to step-by-step screens, the process often takes longer, especially for those who don't use the software often or are still new to using the program. If the software requires numerous steps to enter basic data, the time requirements may outweigh the benefits of automatic calculations.

18.4 CONSIDERATION WHILE CHOOSING ACCOUNTING SOFTWARE

When it comes to selecting accounting software, there are a number of options available in the market and it can be overwhelming to choose the best one. The following is a list of factors to be considered while choosing accounting software:

1.   **The Size of the Business Organization**: The size of the organization and the volume of the business transactions entered into influence the choice of software. While a large organization will require software that meets the multi-user requirements because it is geographically scattered and connected through complex networks, a smaller organization may opt for simple, single user operated software.

2.   **Ease of Use**: The interface and navigation should be simple and self-explanatory. There should also be an option for data back-up. Preference can be given to vendors that offer help at no additional cost, have reasonable service plans or offer tutorial training that walks the clients through the most popular business tasks and transactions.

3.   **Features**: What particular software offers is an important consideration. A list of the primary things that the business needs to track and account for should be carefully prepared. The business must know how much each service or product costs and be able to track the cost of goods sold (COGS). Features like invoicing, online payments, payroll, auto payments, reporting, bank balances will help to stay up to date on sources of business income, expenses and where it may need to make adjustments.

4.   **Protects Classified Data**: When financial data is stored in the cloud, there is no longer the possibility of vital information being lost in the event of a hard drive crash, power surge, or coffee spill. The data is backed up on external servers. However, with cloud-based software comes, the threat of classified data falling victim to malicious activity. Online banking has set a standard for security, so it becomes necessary to ensure that the chosen software either meets or exceeds this standard. This means Secure Socket Layer (SSL) encryption, multi-layered firewall server protection, and routine external audits and inspection.

5.   **Compatibility**: If there are other financial tools that are used in the business – for example, an e-commerce system, then business would want to look into the compatibility of the financial software with any other essential software to run the online or storefront portion of the business. In an ideal world, it may want a solution that provides most of what it requires in a single program. However, if it must have multiple software packages, it will have to ensure that the data can automatically be linked for real-time updates or transferred daily with the upload of an Excel or CSV file.

6.   **Price**: While price is a necessary factor to be considered, it shouldn't necessarily be the deciding one. The ability to manage money is far more important if it's the difference of saving just a few rupees. What one should be aware of is the different pricing models that are used by software product providers.

Having suitable software in place, will allow a business to stay on top of cash flow and focus on what it does best (i.e. allow the business to focus on its core competence). It also helps keep the records clean.

18.5   ACCOUNTING SOFTWARE IN INDIA

Only a few years ago, accounting applications lived on the desktop of the small business owner or an accountant's computer. The books were not accessible

from another location and only one person could view them at a time. Then cloud computing took off and business **accounting** software providers caught on.

In a computerized accounting system, the framework of storage and processing of data is called operating environment that consists of hardware as well as software in which the accounting system works. The type of accounting system used determines the operating environment.

Some of the most prevalent business accounting software systems are:

1.   **Tally ERP.9:** Tally ERP.9 is a business accounting software for the purposes of accounting, inventory and payroll. Tally has been one of the dominating accounting software for almost two decades. The software has been developed by Tally Solutions Pvt Ltd. It is the most user-friendly for accounting software and thus, employers prefer Tally for easy availability of trained professionals for this specific software. Almost all accounting activities like inventory, purchase, sales, cost, payroll and statutory year end processes can be easily handled by Tally.

2.   **Profitbooks:** This is an Online accounting software developed for small enterprises. It can only be operated on the internet as it is cloud based. The data can be securely placed in a cloud and can be accessed anywhere.

3.   **Marg:** Accounting Software is developed by Marg Compusoft Pvt Ltd and is well accepted in small and medium enterprises of India. The software is marketed for the last two decades in the Indian market.

4.   **Wave:** Wave's accounting tools are 100% free, secure, and very popular in accounting community. It is one of the best web based accounting software solution available at present.

5.   **Xero: D**eveloped by Xero, it is an award winning web based accounting software for small business owners and accountants. The user interface is nicely designed and is easy to use for online bookkeeping.

6.   **Reach:** Reach Accounting Software is developed by Reach Accountant. It is an online Accounting Software aimed at Small & Medium Businesses. The significant part of Reach is that all the business operations are bundled in single software and it ensures that the business owner is able to track every aspect of the business.

18.6   INTRODUCTION TO TALLY ERP.9

18.6.1   About Tally Software

Tally ERP.9, developed by Tally Solutions Ltd., is one of the most popular and widely used business management software available in India and other countries. It can be used by small to large business organization. It is available with two types of licensing system:

1.   **Silver Edition Mode (Single user):** It is for single use PC. It can be activated online or offline. It can be accessed from the system on which it is installed by only a single user.

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2.   **Gold Edition Mode (Unlimited Multi user):** It is for unlimited number of user PCs. It is installed on LAN (local area network) and supports a maximum of ten users.

18.6.2   How to Start Tally ERP.9

Go to start button, click 'all programs'. With in 'All Program', go to Tally ERP.9 or installation of Tally icon on the desktop. If you double click on Tally icon, Tally will open and you can start working on it.

18.6.3   Components of Tally

The gateway of Tally displays menus, screens, reports and options that you select. The components of Tally ERP.9 are:

●   **Top Horizontal Button Bar:** This is a collection of buttons that are fixed and provide quick interaction

●   **Close Button:** This helps in moving out of Tally application.

●   **Screen Name:** It shows the name of the current screen.

●   **Right Pane:** In right pane menus are displayed. The red letter in each menu represents short cut and by pressing that alphabet from keyboard one can open the menu.

●   **Left Pane:** It shows current period, current date and name of companies with last date of voucher entry done in each company.

●   **Vertical Panel Bar:** It is used for quick interaction.

●   **Calculator:** It can be used for calculation work and figures can be computed. (Ctrl + N)

●   **Information Panel:** This displays details of product, version, license and configurations.

●   **Task Bar:** It shows the complete navigation path of the current menu or screen selected.

GATEWAY OF TALLY
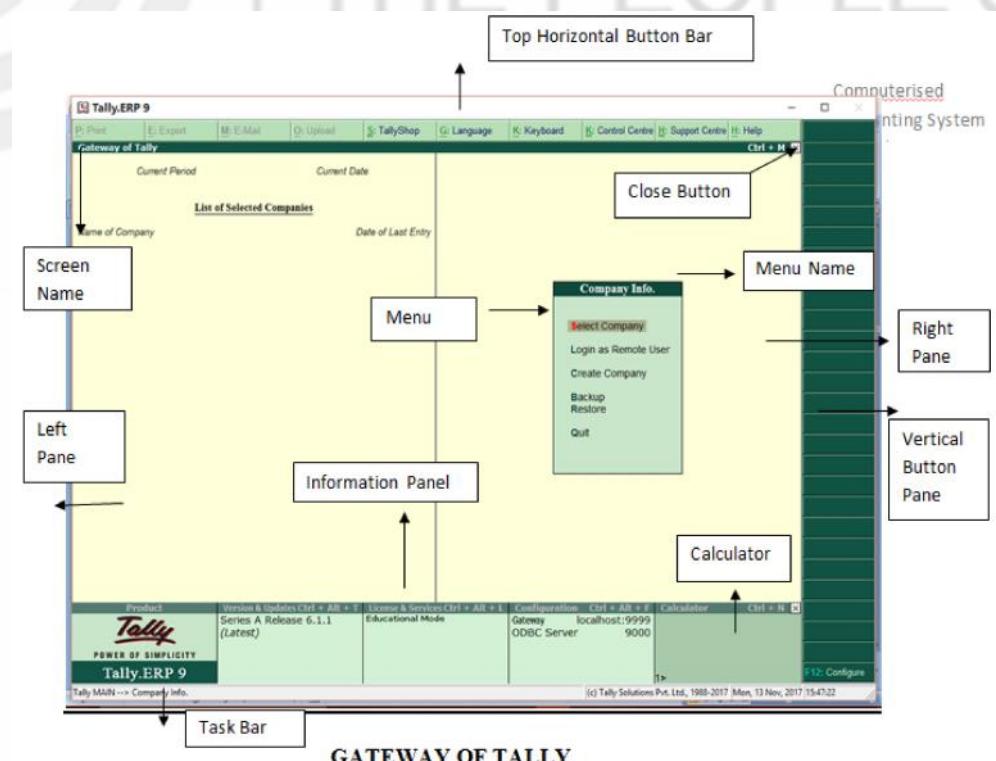
Fig. 18.1

Check Your Progress A

1. Choose the correct answer:

i) The disadvantages of Computerised Accounting System is/are:

   (a) Speed   (b) Efficiency   (c) Breach of Security (d) All of the above

ii) Tally Software is developed by

   (a) Apple   (b) Adobe (c) Microsoft (d) Tally Solutions

iii) The screen of Gateway of Tally consists of following components:

   (a) Task Bar (b) Information Panel (c) Vertical Button Pane (d) All of the above

iv) Which of the following is not an accounting software?

   (a) Tally.ERP.9   (b) Wave   (c) SPSS   (d) Marg

18.7 CREATION OF A COMPANY

Creating company is the first step towards starting working with Tally ERP.9. A company is an organization for which financial records are to be maintained and therefore, it can be called as a central repository from where any financial statement or report can be extracted at any time. A company can be Partnership Firm or a Sole Proprietor or a Limited Liability Partnership or Non-Governmental Organization or a Company registered under Companies Act, 2013.

18.7.1 Procedure of Creating a Company

To create a company, click on the 'create company' in 'Company Info'. Alternatively, one can press ALT+ F3 and the company info screen will appear as appeared in Fig. 18.2.
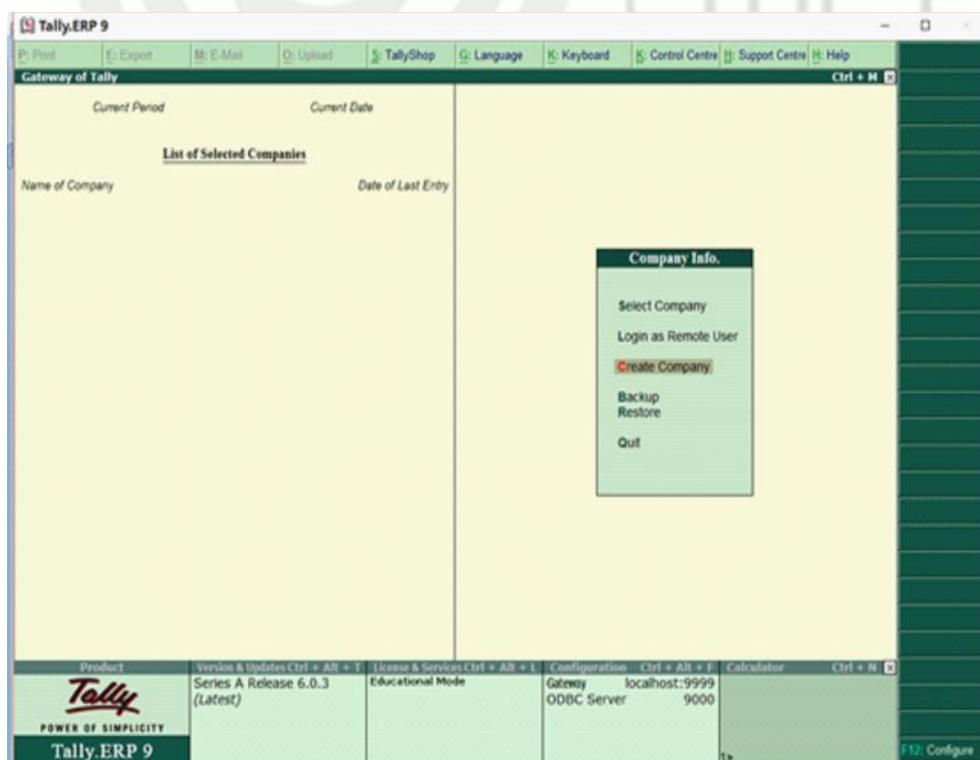
Fig. 18.2

Once, you click 'create company', the following screen will appear as appeared in Fig. 18.3 in front of you.
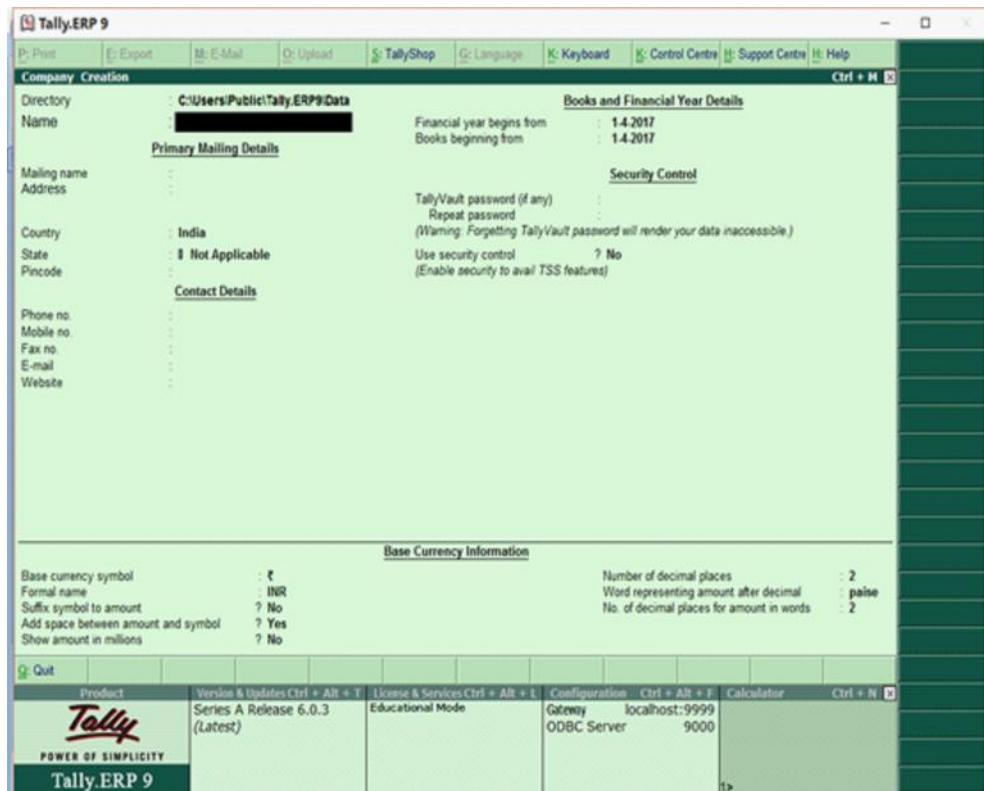
Fig. 18.3

The various fields appearing in company creation in Fig. 18.3 are explained below:

- **Directory:** It will display the path where your company data is stored. By default, it would automatically be stored in Tally ERP.9 data folder, but you can change its path and can specify any location where you want to store the data relating to the company by pressing backspace key

- **Name:** It means providing a name to the company. Example: Surbhi Ltd.

- **Primary Mailing Details:**

  Mailing Name: You can specify any other name if you want for mailing purpose. By default, it will always show the name which you have entered in the Name field earlier

  Address: Provide the address of the company in this field

  Statutory Compliance: Choose the country in which the company is located. For example, we have selected India.

  State: Choose the state in which the company is located. For example, we have selected Delhi.

  Pin-code: Provide the Pin code for the company where it is located.

- **Contact Details**

- Provide telephone number, mobile number and Fax number (if any) of the company. Also, provide the official email address of the company which would be further used for emailing of reports and statements.

- **Auto-Back up:** Putting 'Yes' to enable auto backup will result in automatically creating backup of the data of the company in the company data folder.

- **Company Details:**

  Currency Symbol: Once country is selected, Tally will automatically choose the currency of the country. In this example, we have selected India, so currency symbol would be of 'Rupee'.

  Maintain: If company maintains inventory with them, select accounts with inventory otherwise accounts only. Selecting accounts with inventory would combine both financial accounts and inventory books.

  Financial Year: Financial year is a period of 12 months starting from 1st April. The accounting period in this example, will begin from 1st April, 2017.

  Books beginning from: Provide a date at which you started maintaining your books. It can be a date later than 1st April, 2017. By default, it would automatically take date mentioned in previous field.

- **Security Control:**

  Tally Vault Password: Entering this password will require, opening the company with password each time. The name of the company having tally vault password will be shown with asterisk '*' mark.

  Repeat Password: Password entered in various field has to re-enter for confirmation.

  Use Security Control: Enabling this field as 'Yes' will allow to define access administrator user name and password. Every time you open a company, it would ask for name of administrator and password.

- **Base Currency Information:**

  Base Currency Symbol: The selection of country will define base currency symbol. In this example, we have selected India, so currency symbol would be of 'Rupee'

  Formal Name: The formal name of the currency like INR (Indian Rupee) will be displayed.

  Suffix Symbol to amount: This will allow putting symbol of currency after the amount.

Add space between amount and symbol: This will allow space between amount and symbol.

Show amounts in millions: This will allow the values of amount to be expressed in millions i.e. international system of numeration.

Number of Decimal Places: By default, it will be set to 2 places only and Indian currency has 2 decimal places whereas some currency has 3 decimal places. It can go upto 4 decimal places.

Words representing amount after decimal: By default, it will be automatically set according to currency.

Number of Decimal places for amounts in words: Provide the number of decimal places for which printing is required. It can be equal to or less than number of decimal places field but can't be more than that.

After filling all the requisite details, the company creation screen will appear as follows shown in Fig. 18.4
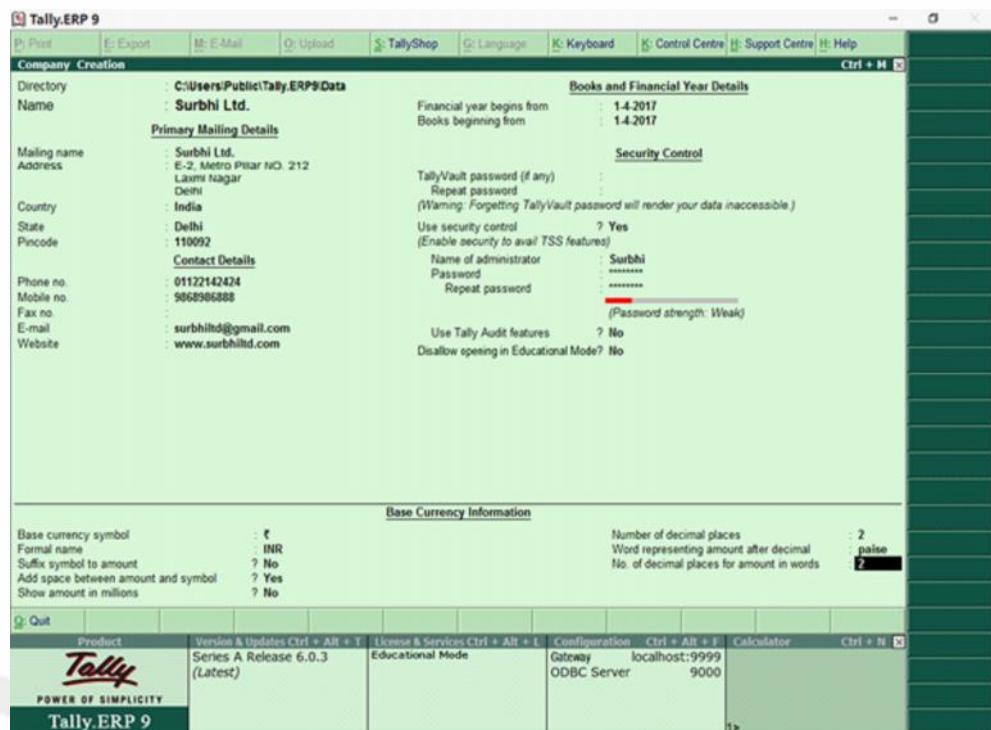
Fig. 18.4

Once the details are filled and you press enter again, screen will displays a box saying accept Yes or No? If all the details are correctly filled, then proceed to select 'yes' otherwise select 'No' as shown in Fig. 18.5.
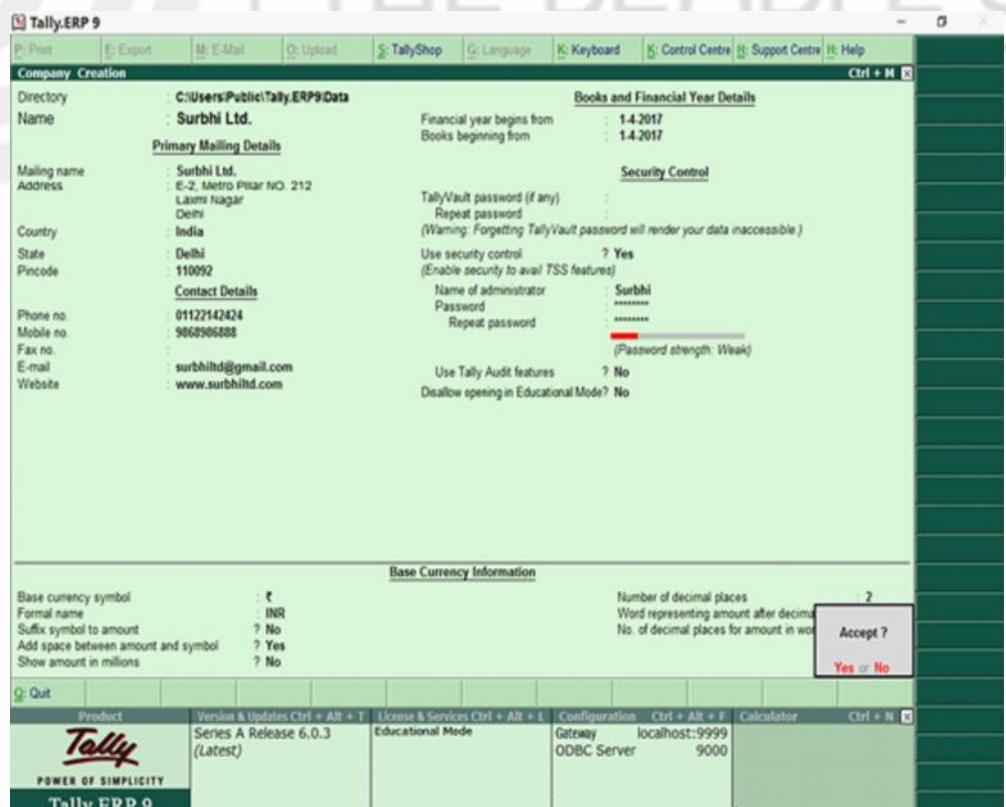
Fig. 18.5

Once you select 'Yes', the company creation is complete and the following screen will appear as sown in Fig. 18.6.
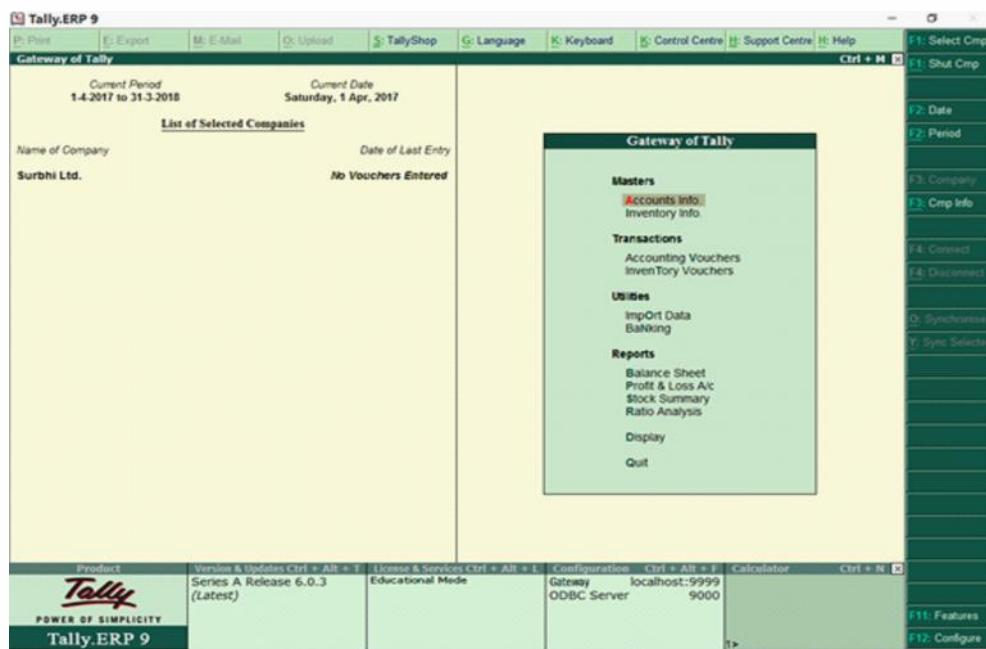
Fig. 18.6

The Gateway of Tally will appear as above with current period and current date on left side pane of tally screen. Below that it will display the name of the company which is open. Since it is a new company created, therefore in date of last entry it is written no vouchers entered. In the right pane, you can see masters where ledger and group creation along with inventory are created. In transactions, vouchers are created related to accounting and inventory. Utilities consist of importing of data from outside and other banking related operations like cheque printing, deposit slip etc. Finally reports include all financial statements like balance sheet and profit and loss, stock summary and ratio analysis. Display includes trial balance, day book, cash/fund flow etc. and in the end finally quit where you will be able to close the tally programme if selected 'Yes'.

18.7.2 Selecting a Company

By using 'select company' field you can open another company from list of companies already existing in tally. Click Alt+F3 and company info will open as shown in Fig. 18.7. Click select company field or press S.
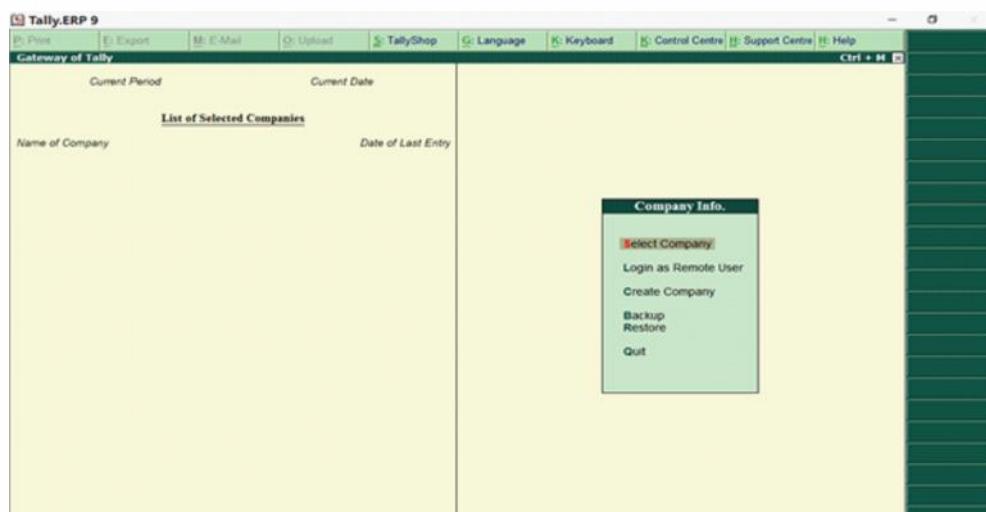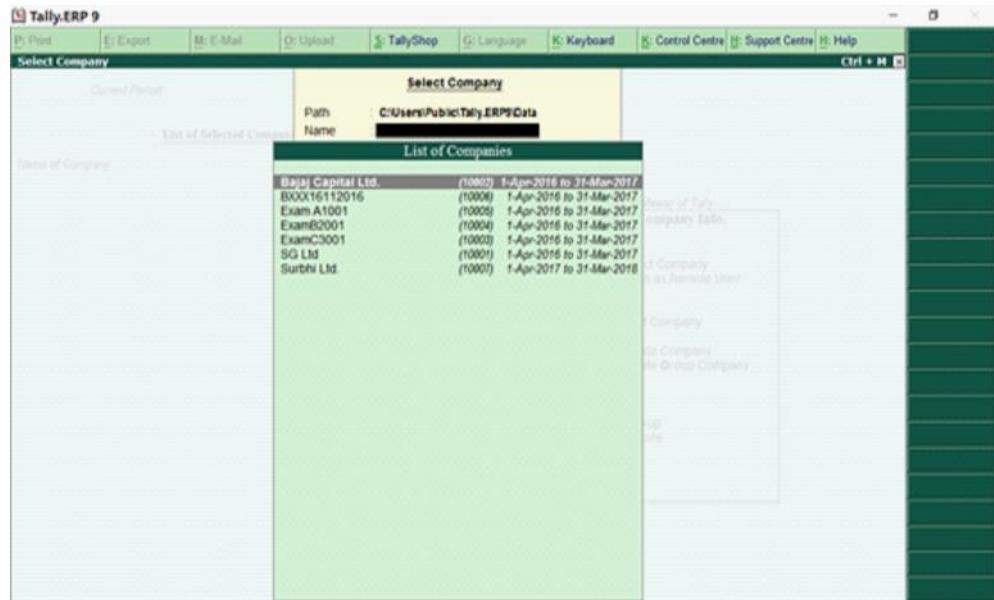
Fig. 18.7

Once you click select company, the following screen will appear as shown in Fig. 18.8:
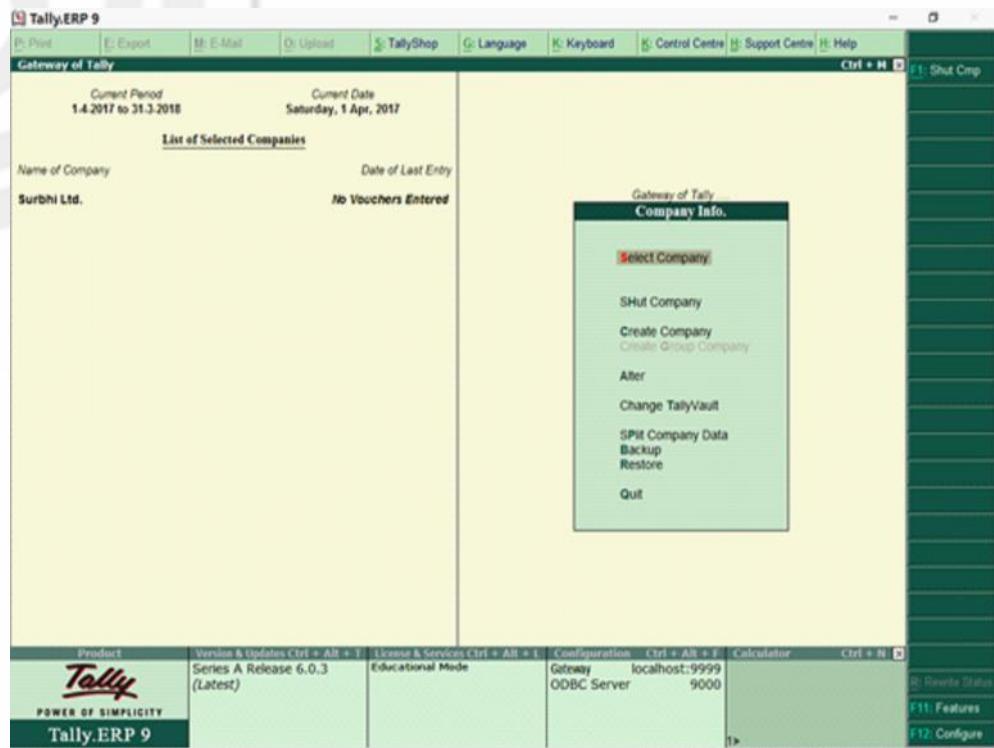
Fig. 18.8

You can select the company which you want by using arrow key and then pressing enter or by clicking the company through mouse.

18.7.3 Alteration of Details of a Company
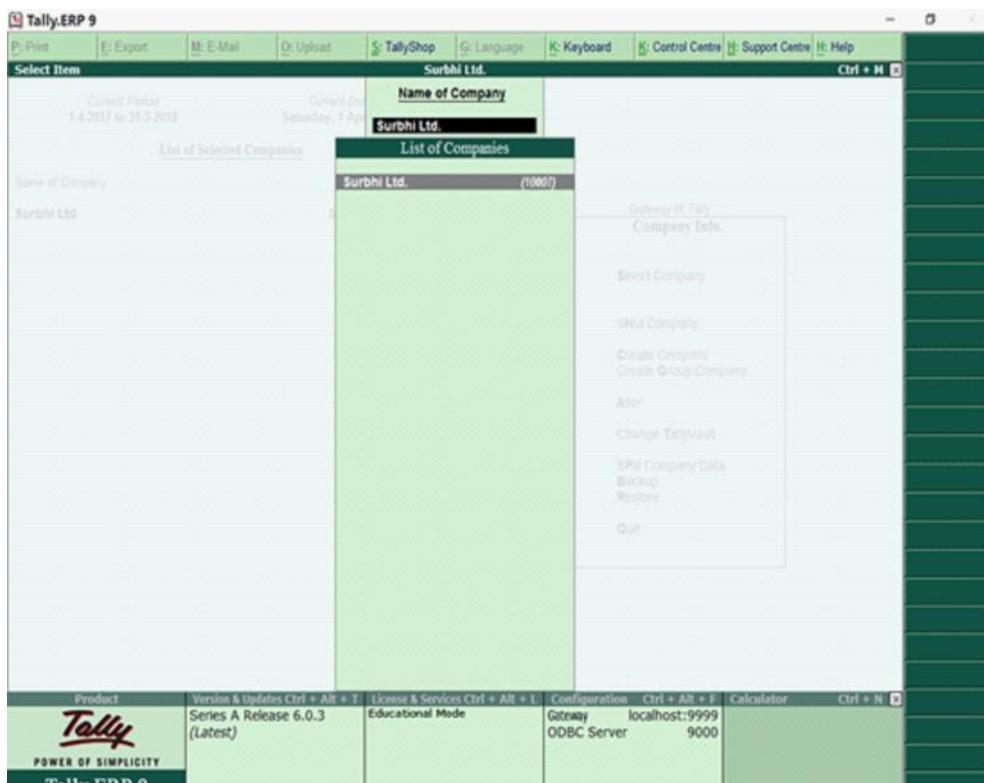
Once company is created, you might need to update details related to company already created before. Again go to gateway of tally, click company info or Press F3, the following screen will appear as shown in Fig. 18.9.

Fig. 18.9
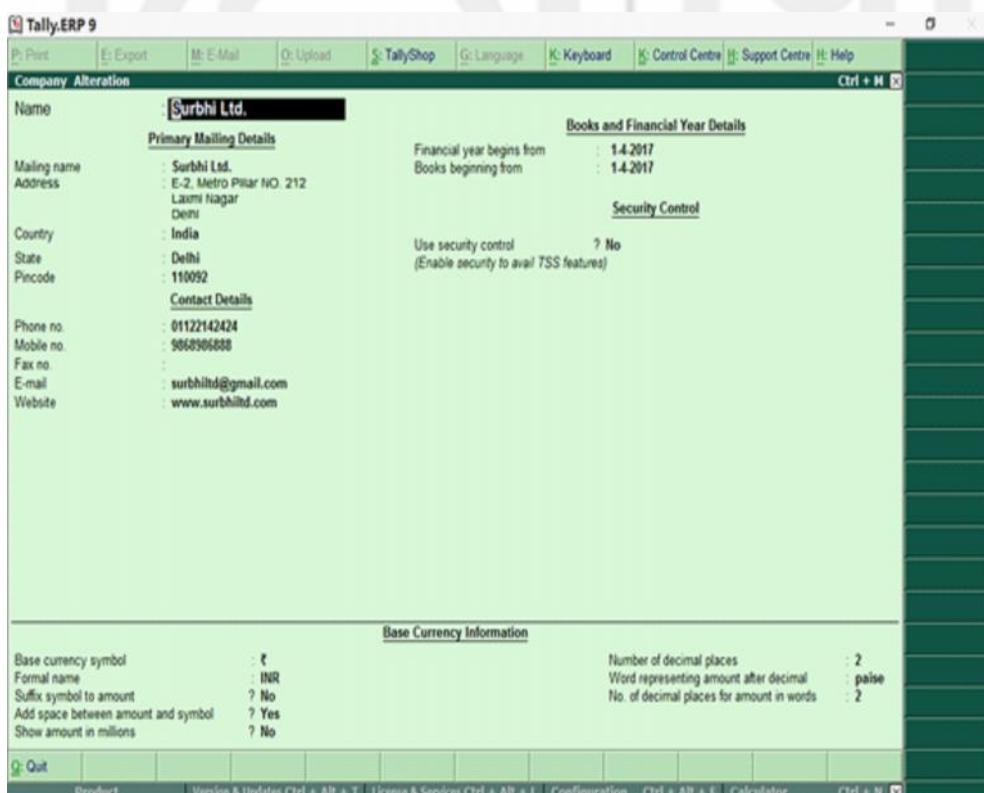
Once you click 'alter', the following screen shall appear as shown in Fig. 18.10.

Fig. 18.10

Select the company for which you wish to alter details and after selecting, the
following screen will appear and you can alter any details you want as shown
in Fig. 18.11.

Fig. 18.11

After altering the same, once again a box will appear saying Accept 'Yes' or
'No'? Click 'yes' if alteration is done and click 'no' if you further wish to
alter the details of the company.

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18.7.4 Deletion of a Company

For deletion of a company, you have to go to gateway of tally and then company info and then alter (same like alteration of details of a company). Once you click alter and select the company, the company details screen will appear as follows as shown in Fig. 18.12:
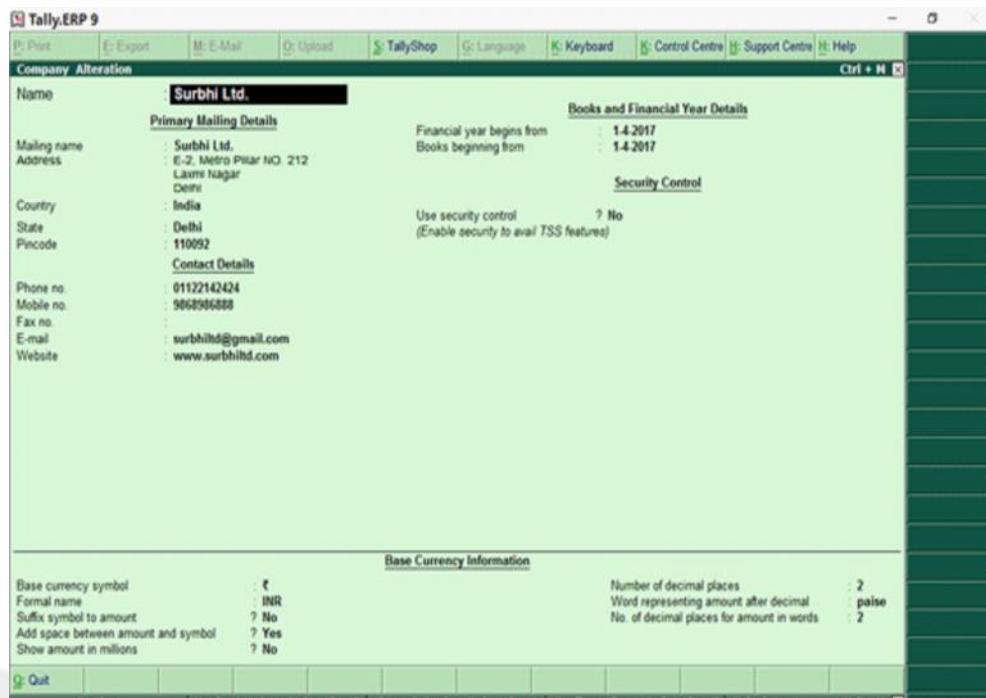
Fig. 18.12

Now, Press Alt+ D and it will ask you to delete the company i.e. yes or No. If you wish to delete the company press 'Yes' or otherwise 'No'. Once you press Y or select 'Yes' through mouse click, company will be deleted and the data will not be available as shown in Fig. 18.13:
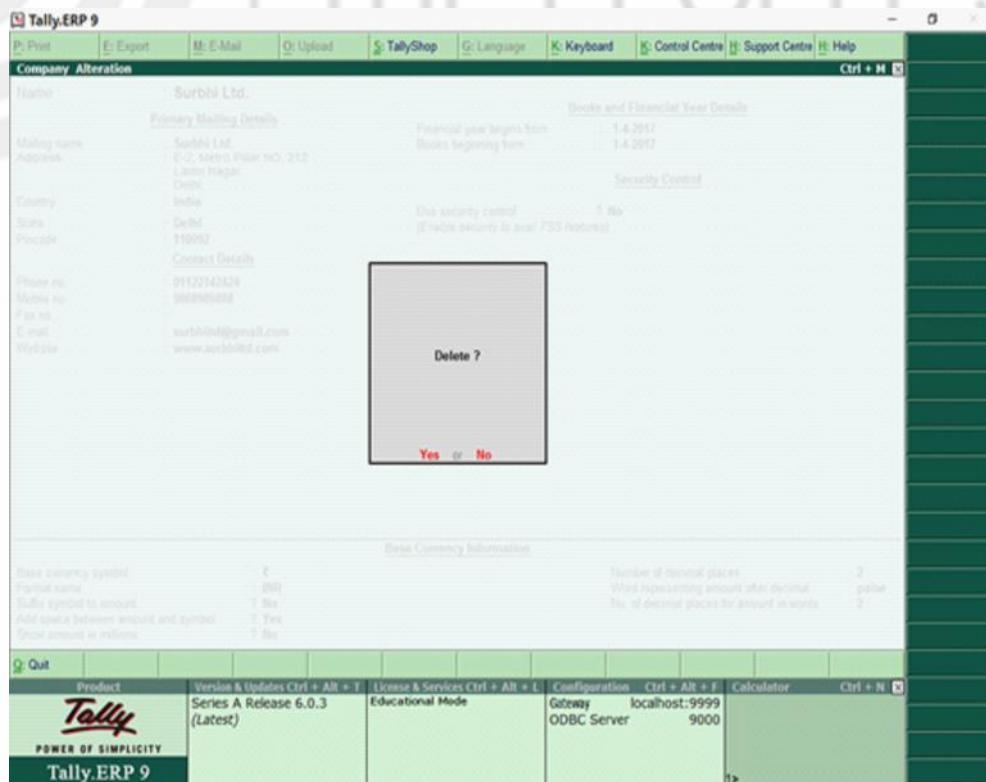
Fig. 18.13

18.7.5 Shutting of a Company

Once company is created, if you want to shut the company which is already open, again go to gateway of tally, click company info or Press F3, the following screen will appear as shown in Fig. 18.14:
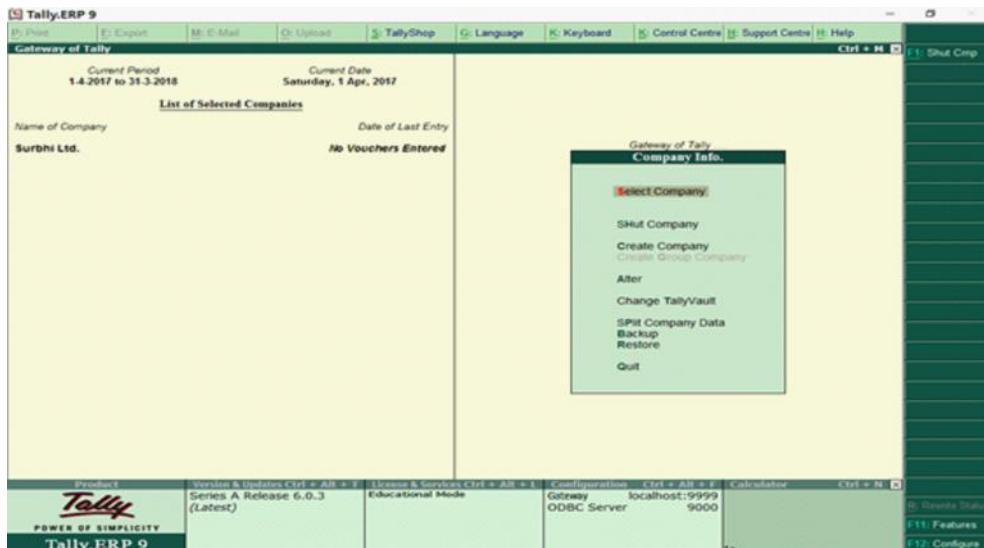
Fig. 18.14

Press shut company field or Press H or Alt+ F1 or click F1: Shut Company on the right pane.

18.8 FEATURES AND CONFIGURATIONS

Once you have created a company, it is now time to set features and configurations as per requirement. Features will affect only the company in which they are enabled as 'Yes' or 'No' where as configurations will have an effect on all companies in the directory data.

18.8.1 Features

Features are set of capabilities which are provided as options, which will enable you to set and maintain your records of financial statements as per your need. It can be found by Clicking FEATURES on vertical button bar on right pane. Alternatively you can press F11 and features screen will appear as follows as shown in Fig. 18.15:
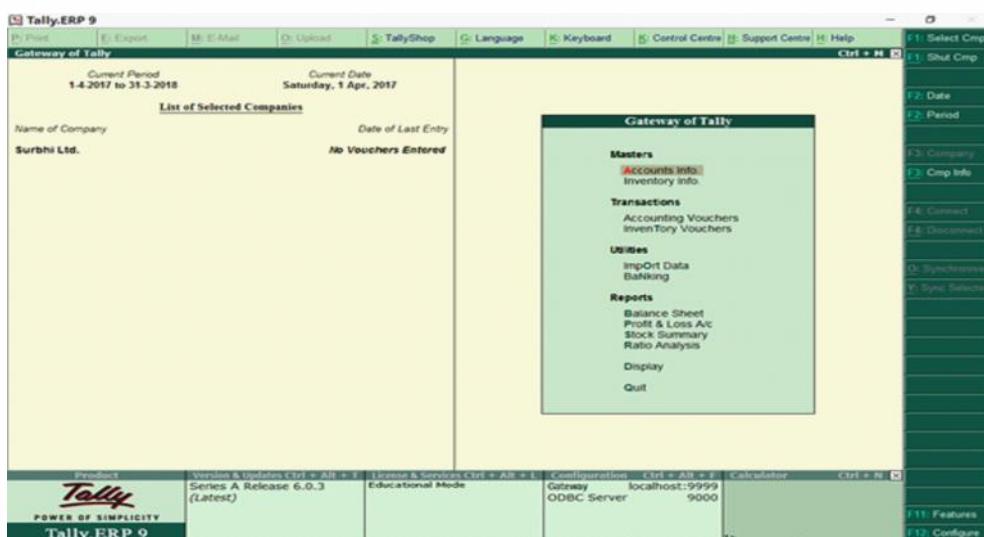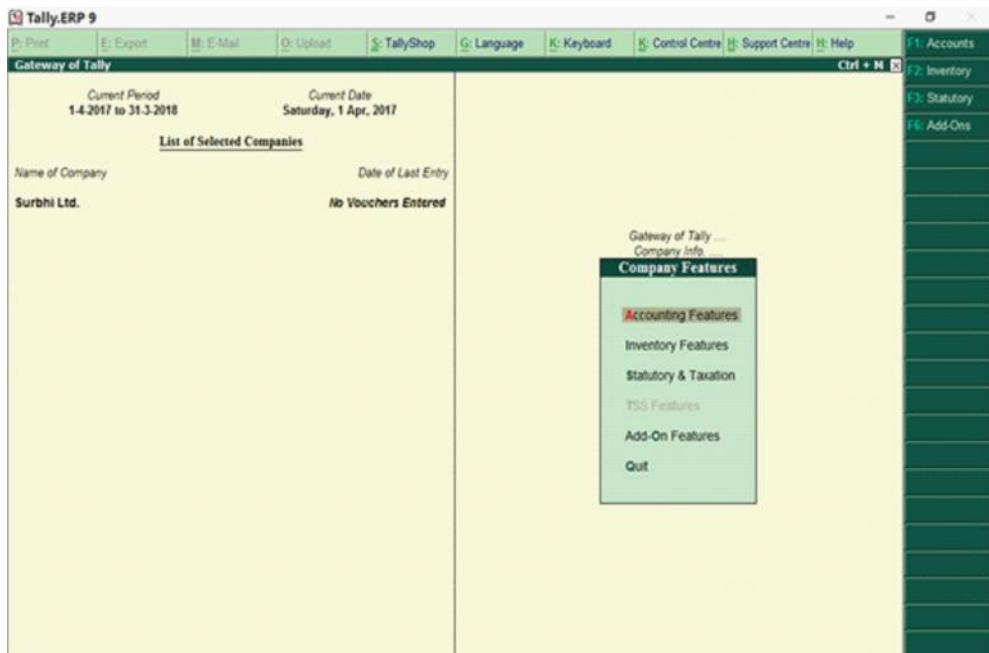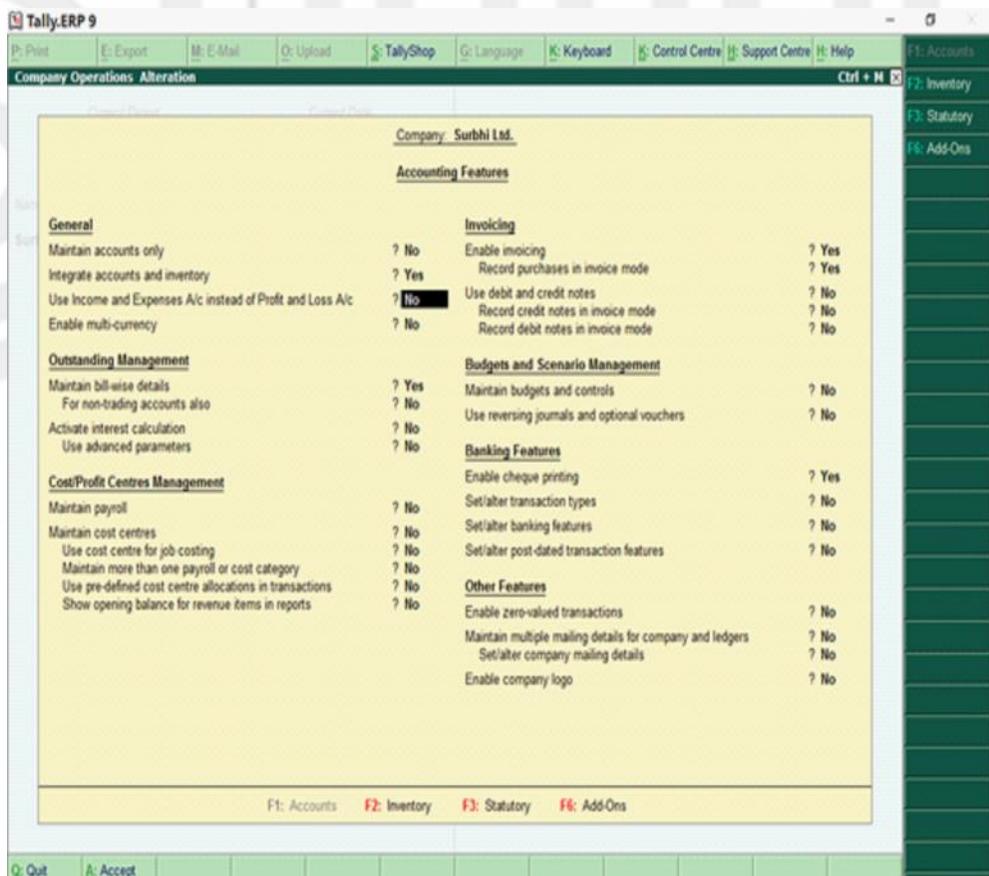
Fig. 18.15

Fig. 18.16

You can now see various features like accounting, inventory, statutory and taxation and add on features as shown in Fig. 18.16. You can open say accounting feature by clicking it or pressing 'A' or pressing F1 or by clicking F1: Accounts on the vertical button bar on right pane. Once you do so, the following screen will appear as shown in Fig. 18.17:

Fig. 18.17

There are three categories of features viz; (i) Accounting Features; (2) Inventory features, and (3) Taxation and statutory features.

18.8.1.1 Accounting Features

The **accounting features** consists of general, outstanding management, cost/ profit centres management, invoicing, budgeting and scenario management, banking features and other features as shown in Fig. 18.17:

- General: If you have chosen accounts with inventory while creating company, maintain accounts only option will be set as 'No' and integrate accounts with inventory option as 'Yes'. If you have chosen accounts only while creating company, maintain accounts only option will be set as 'Yes' and integrate accounts with inventory option will not be highlighted and will be grey in color. If you wish to have income and expenditure account in place of Profit and loss account (Like for NPO) you can enable this as 'Yes'.

- Outstanding Management: This will help maintain bill wise details and also, calculate interest on outstanding.

- Cost/Profit Centres Management: It helps in maintaining payroll and cost centres.

- Invoicing: To enable recording purchase in invoice mode, type 'Yes'. To record sales and purchase return, debit and credit note is used. Set Debit and credit note as 'Yes'

- Budgeting and scenario management: To maintain budget, enable the option as "Yes".

- Banking Features: To enable cheque printing, enable cheque option as 'Yes'.

- Other Features: To enable zero valued transactions while recording transactions, enable this option as 'Yes'.

After carrying out all requisite changes in accounting features, Accept 'yes' or 'No'. The tally screen will appear as follows as shown in Fig. 18.18:
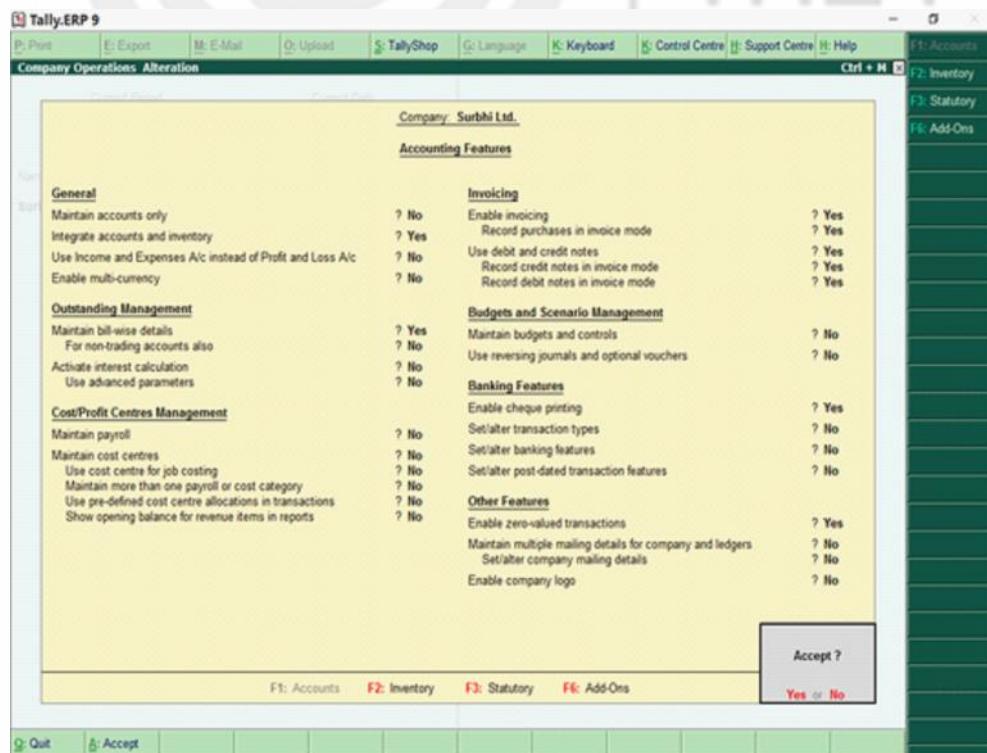
Fig. 18.18

18.8.1.2 Inventory Features

The **inventory features** consists of general, storage and classification, order processing, invoicing, purchase and sales management and other features. You can open inventory feature by clicking it or pressing 'I' or pressing F2 or by clicking F2: inventory on the vertical button bar on right pane. Once you do so, the following screen will appear as shown in Fig. 18.19:

Fig. 18.19

In general, integrate accounts and inventory will be set as 'Yes' if you have selected accounts with inventory while creating company. If you want to enable zero valued transactions, set this option as 'Yes'.

In storage and classification, if you want to maintain stock according to location or warehouse, enable maintain multiple godowns/locations as 'Yes'. To maintain stock category wise, enable maintain stock categories as 'Yes'.

Set invoicing as 'Yes' and use debit and credit notes in invoice mode as 'Yes'. To record discount in invoice in separate column, enable this option as 'Yes'.

After all settings, the screen will appear as follows as shown in Fig. 18.20: and accept 'Yes' to proceed further:
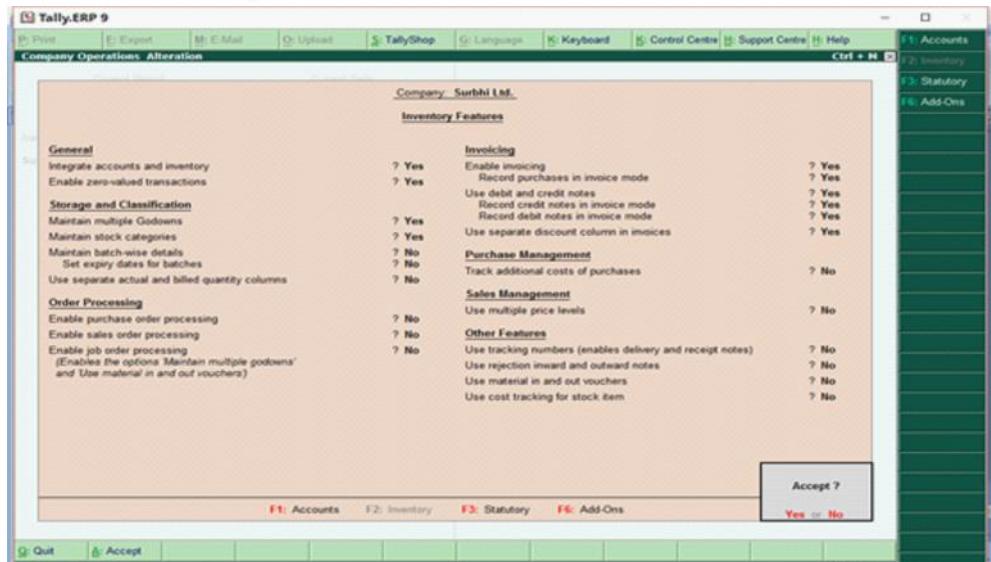
Fig. 18.20

18.8.1.3 Statutory and Taxation Features

Next feature is **Statutory and taxation**. You can open inventory feature by clicking it or pressing 'S' or pressing 'F3' or by clicking 'F3': statutory on the vertical button bar on right pane. Once you do so, the following screen will appear as shown in Fig. 18.21:

Fig. 18.21

Please note statutory compliance is country specific. Since we have selected India as option in statutory compliance for, therefore the displayed statutory and taxation features are those that are relevant to India. One can set these according to business specific requirement. To enable GST, VAT, Service Tax, TDS & TCS enable option as 'Yes' along with set/alter details option. Suppose, GST is relevant to our business, then setting GST as 'Yes' will appear like above as shown in Fig. 18.22:

Fig. 18.22

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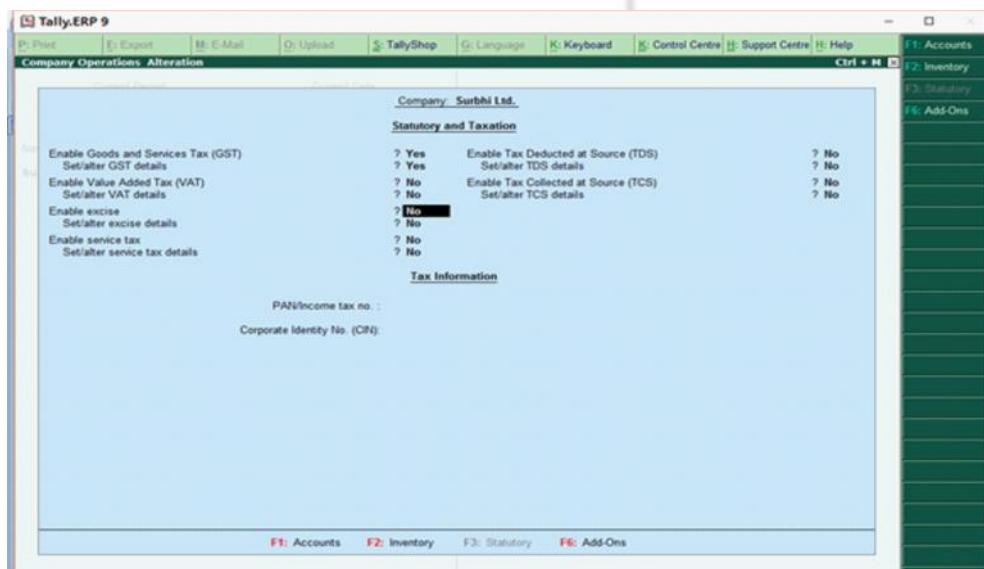
In tax information, put PAN number and Corporate Identity Number if available. After all settings, the screen will show accept 'Yes' or 'No'. If all the settings have been done, accept as 'Yes' otherwise 'No' and do the required settings.

Sometimes, there are specific problems which relates to specific organization or company or business. The solution provider i.e. Tally partners provide a new feature as solution which is specific to that organization or company or business only. It is known as customized solution and it gets placed as add on feature. One can see add on feature by clicking it or pressing 'O' or pressing 'F6' or by clicking 'F6': Add-Ons on the vertical button bar on right pane as shown in Fig. 18.23:.
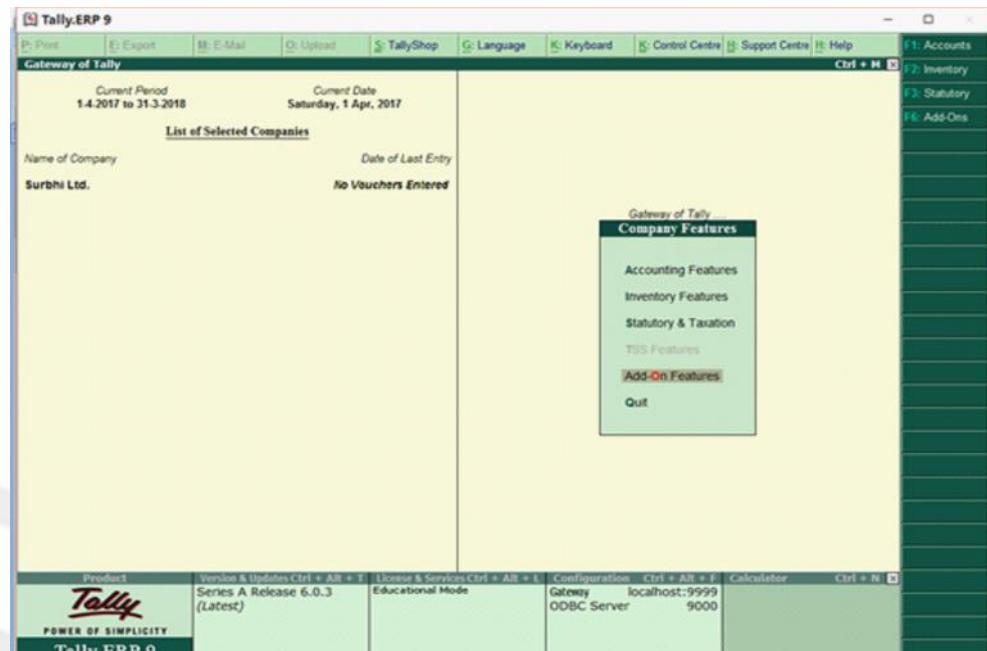
Fig. 18.23

To return to the main screen, either click quit or Ctrl +M.

18.8.2 Configurations

Configurations are options that help you modify the way a feature works. Configuration can be located on vertical button bar in the last. You can also press F12 or click F12: Configure.
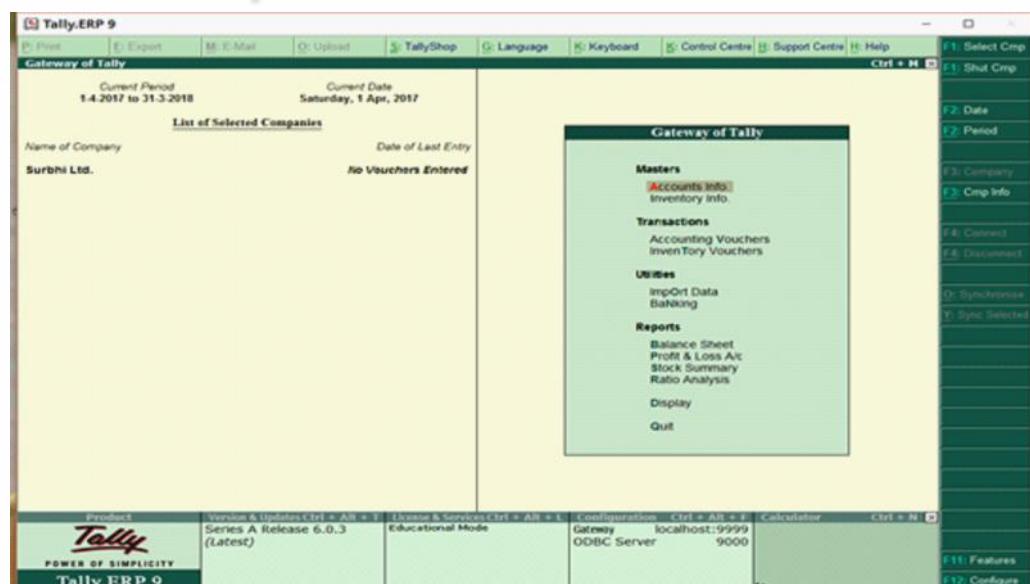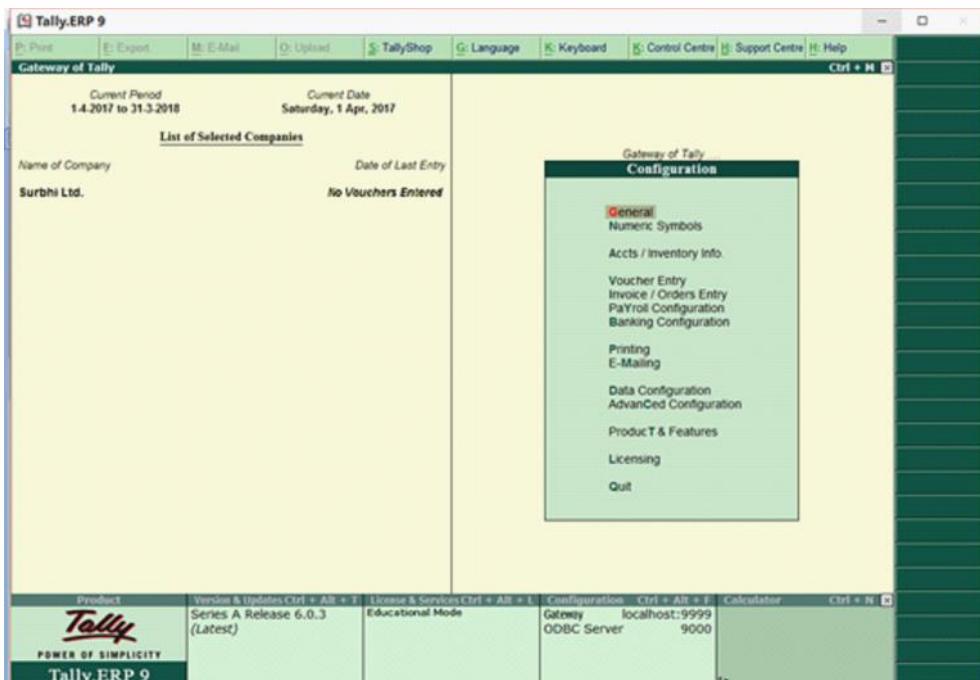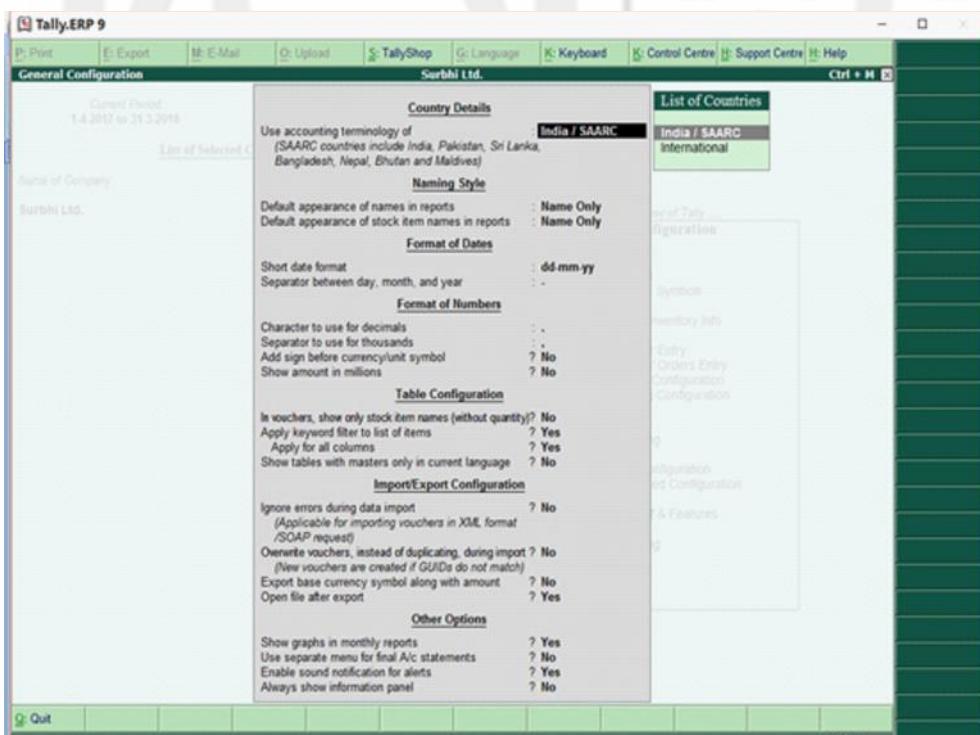
Fig. 18.24

Once you press F12 or open F12: Configure, the following screen will appear as shown in Fig. 18.24:

Fig. 18.25

This gateway of tally screen of configuration will allow different configuration like general configuration, numeric symbols, accounts/inventory info, voucher entry, order entry, payroll and banking configuration etc. as shown in Fig. 18.25:

Fig. 18.26

In the above screen as shown in Fig. 18.26, you can see general configurations where you can select country from India/SAARC or international, different styles of displaying names of reports and stock items, different styles of writing dates, formatting of numbers (character to use for decimal, separator to use for

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thousands etc) and other options like monthly reports in form or graph. If you enable use separate menu for final account statement as 'Yes', then on main screen of gateway of tally, balance sheet and profit and loss will come under Final Accounts field as below as shown in Fig. 18.27:
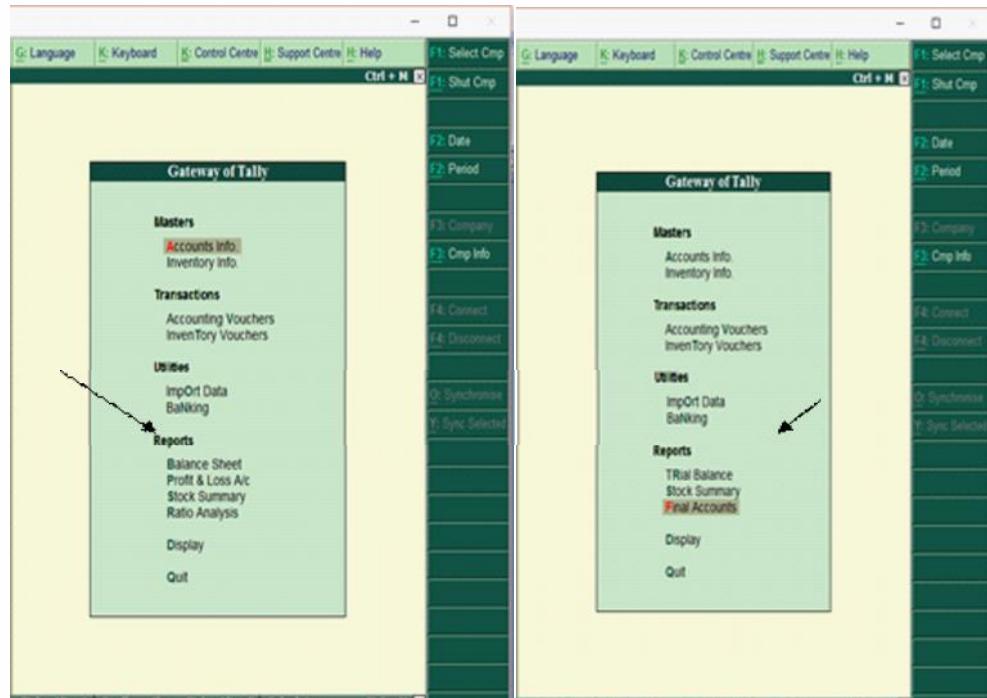
Fig. 18.27

To configure the numeric symbols, select the option 'Numeric Symbols' and the following screen will appear as shown in Fig. 18.28:
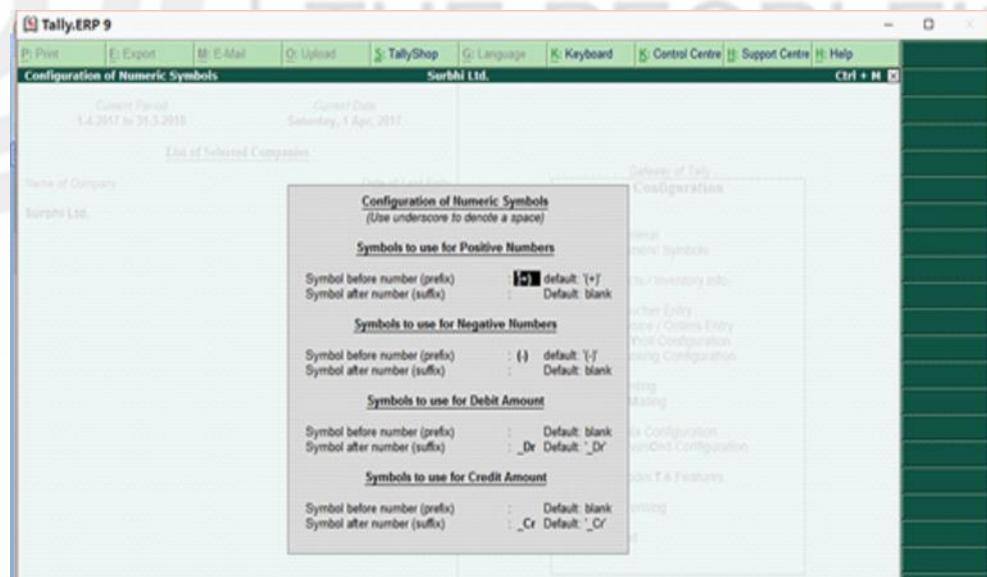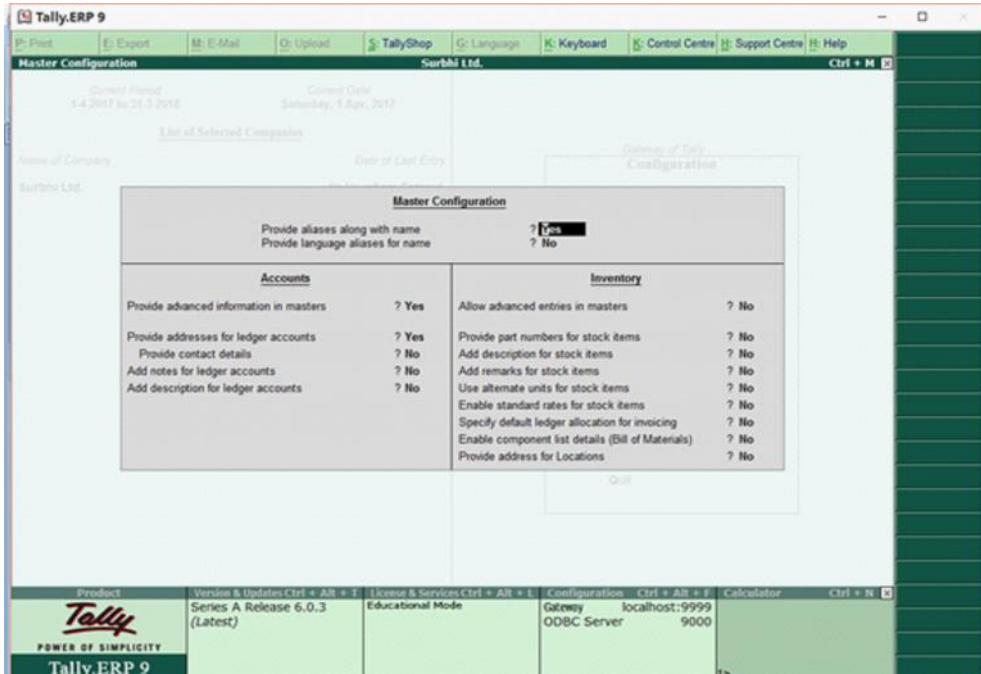
Fig. 18.28

It includes symbols to be used for negative and positive numbers and debit and credit amounts.
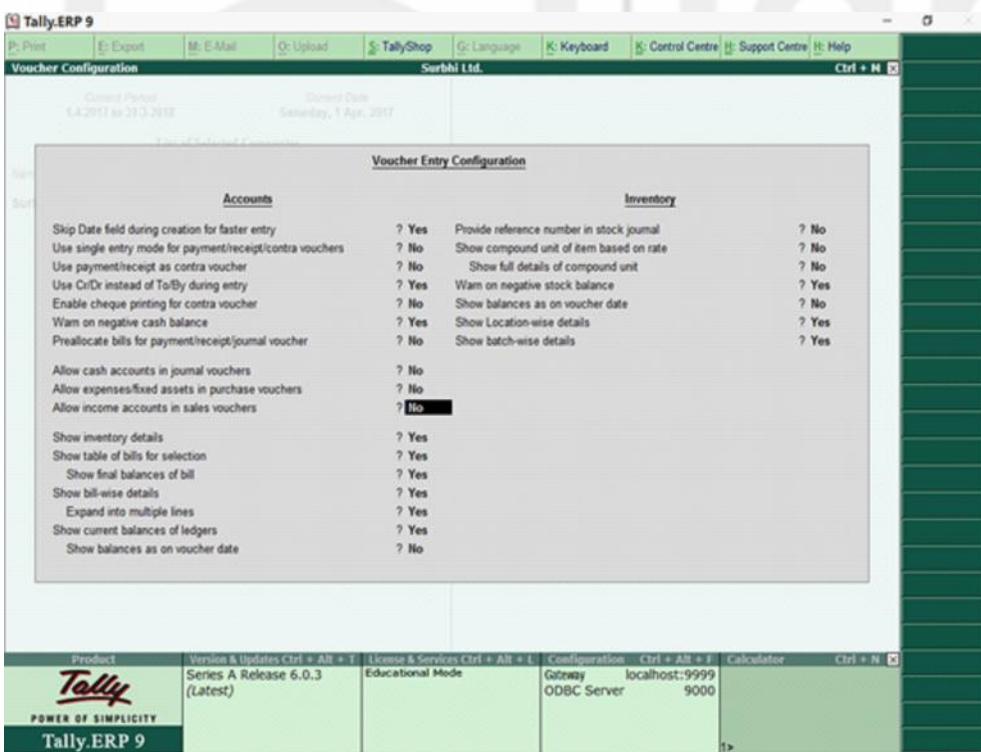
The screen below as shown in Fig. 18.29 shows master configurations related to accounts and inventory.

Fig. 18.29

Next is voucher entry related configurations pertaining to both accounting and inventory info. On opening voucher entry, the following screen will appear as shown in Fig. 18.30.

Fig. 18.30

If you wish to skip date for faster entry, enable this option as 'Yes'. It will jump to next field automatically.

Set use single entry mode for Pymt/Rcpt/Contra and Use payment/Receipt as contra as 'NO' and use Cr/Dr instead of To/By during entry as 'Yes'.

Set warn on negative cash balance as 'Yes' so that whenever cash balance goes negative, it will show warning as shown in Fig. 18.31.
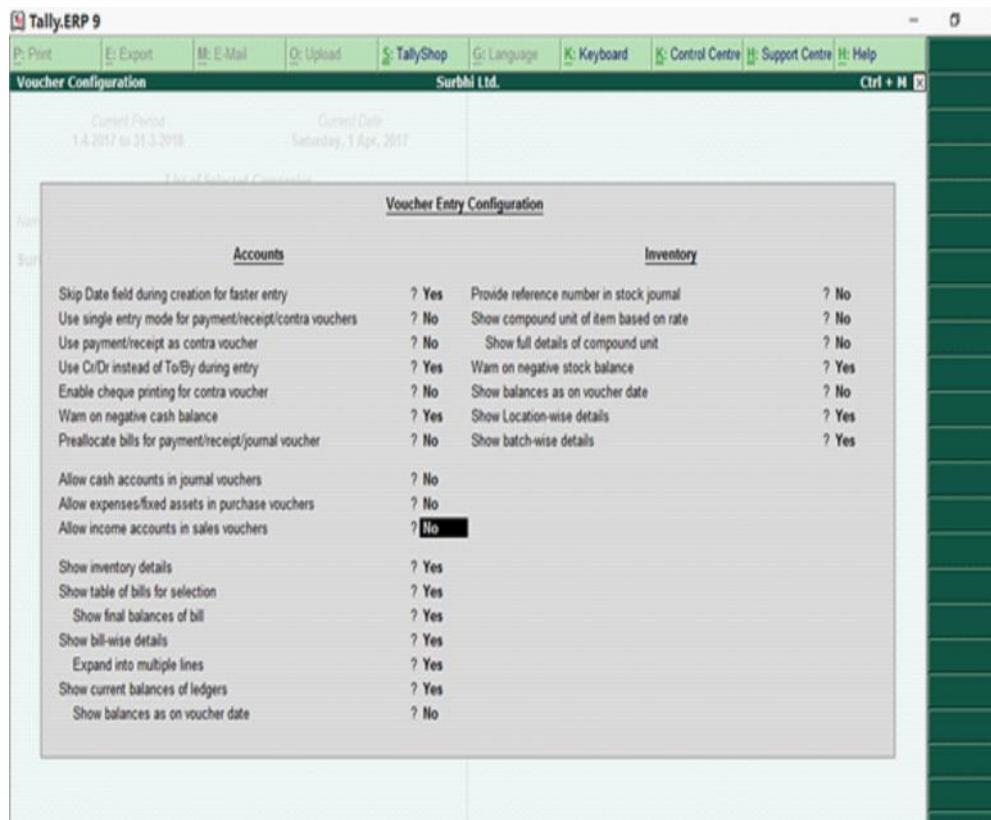
Fig. 18.31

Invoice /Order Entry will let you configure additional things like export details, shipping details etc.

Payroll configuration is used to configure additional details for the employees.

Banking configuration will let you configure banking details.

Printing configuration helps to configure the printing screens for the reports and transactions.

E-mailing will help you configure email related details.

Data configuration will enable configuration of data i.e. location of tally files, export files etc.

Product and features will tell you about the details of current product installed in your system.

Licensing will help you update, surrender, reset license and also configure existing license.

Quit will enable you to return to the main screen of gateway of tally.

18.9 SHUTTING TALLY ERP.9

To exit out of Tally application, close all the screens. Once all the screens are closed, you can see gateway of tally, now press 'EscÆ key from keyboard and when promoted to quit, press yes. Otherwise you can also click Ctrl +M on the extreme right corner and when promoted to quit, press yes.

You can also click Ctrl+Q to exit without confirmation.

18.10   KEYBOARD CONVENTIONS

ACTIONS	PARTICULARS
Fn (F11: FEATURES)	**Press the Key**
Fn (K: KEYBOARD)	**Press Alt+ Key**
Fn (K: CONTROL CENTRE)	**Press Ctrl+ Key**

Check Your Progress B

1.   The option used in Tally to close an open company is:

(a) Alter Company (b) Close Company (c) Shut Company (d) Exit Company

2.   In features option, F2 option contains:

(a) Accounting Features (b) Inventory Features (c) Statutory Features (d) Tally NET Features

3.   For creating a company we use the following shortcut:

(a) Alt+ F1 (b) Alt +F2 (c) Alt +F3 (d) Esc Key

4.   One can modify an existing Company:

(a) Company Info > Alter (b) Company Info > Alter Company (c) Gateway of Tally > Modify Company (d) None of the above

5.   To change date from gateway of Tally, Press

(a)   F1   (b) F2   (c) F3 (d) F4

6.   The shortcut to use calculator

(a) Ctrl +N (b) Ctrl + M (c) Ctrl +P (d) Ctrl + L

18.11   LET US SUM UP

With the advancement of technology, maintaining records of financial transactions has also changed from manual to electronic form. Computerised Accounting system has been adopted by most business organizations because of its comparative advantages like speed, ease, security, reliability to name a few. But these advantages come at a cost. There are chances of data being corrupt, electricity issues, theft of data and too much reliance on computer. Still its advantages outperform in relation to disadvantages.

Business organization should keep in mind various factors while choosing accounting softwares as varied softwares are available in market. The main difference between computerized accounting and manual accounting is that ledgers are created first and then journal entries are done through vouchers instead of journal entries being followed by ledger posting as done in manual accounting system.

First step in computerized accounting system is creation of company where all the basic details like name, address, email, mobile number, maintaining accounts with or without inventory, financial year are filled in the software. The company details can be altered at any stage if needed. The company can also be deleted if required. The features and configurations help the business organization to maintain financial record as per requirement of business. Features are applicable to only company where as configurations are for overall Tally Software. The next step after company creation is creating masters.

18.12   KEY WORDS

Accounting Features: The accounting features consists of general, outstanding management, cost/profit centres, management, invoicing, budgeting and scenario management, banking features and other features.

Alteration of Details of a Company: A process of making changes in the details of company or any data which is misspelt or wrongly taken while putting information during company creation process.

Computerised Accounting System: A process of digitally collecting, recording, classifying and summarising financial data using accounting software for managerial decision making.

Configuration: Configurations are options that help you modify the way a feature works. Configuration can be located on vertical button bar in the last. You can also press F12 or click F12: Configure.

Features: Features are set of capabilities which are provided as options, which will enable you to set and maintain your records of financial statements as per your need.

Gateway of Tally: The gateway of Tally displays menus, screens, reports and options that you select.

Inventory Features: The inventory features consists of general, storage and classification, order processing, invoicing, purchase and sales management and other features.

Manual Accounting System: A process of physically maintaining books of accounts.

Statutory and Taxation Features: You can open statutory and taxation feature by clicking it or pressing 'S' or pressing F3 or by clicking F3: statutory on the vertical button bar on right pane.

Shutting a Company: Once company is created, if you want to shut the company which is already open, go to gateway of tally, click company info or Press F3, a screen will appear, press shut company field or Press H or Alt+ F1 or click F1: Shut Cmp on the right pane.

Tally ERP.9: A business accounting software for purposes of accounting, inventory and payroll.

18.13 ANSWERS TO CHECK YOUR PROGRESS

A 1. i) (c) 2. ii) (d) 3. iv) (d) 4. v) (c)

B 1. (c) 2. (b) 3. (c) 4. (a) 5. (b) 6. (a)

18.14 TERMINAL QUESTIONS/EXERCISES

Questions

1. Define a computerised accounting system. Distinguish between manual and computerised accounting system.

2. Explain the considerations which are required to be kept in mind while choosing accounting software.

3. Explain the components of Tally.

4. Distinguish between features and configurations.

Exercises

Create a company with following details in Tally ERP.9:

Name of Company	S Bose Beverages Ltd.	Bhartiya Book Trading Company
Address	147/A, Jheel Industrial Area, Delhi – 110051	4044/A/F, Rajpura Road, Mumbai – 400007
Country	India	India
State	Delhi	Maharashtra
Contact No.	011-22590475	022-22224477
Email-id	sbose@gmail.com	contactinfo@btrading.com
Mobile No.	9911000012	9899477701
Books Beginning From	01-04-2017	01-04-2017
Financial Year Beginning From	01-04-2017	01-04-2017
Maintain	Accounting with inventory	Accounting with inventory
Maintain	Accounting with inventory	Accounting with inventory

UNIT 19 CREATING MASTERS

Structure

19.0 OBJECTIVES

After studying this unit, you will be able to:

- create ledger accounts and groups in tally;

- create inventory masters for stock;

- kearn the process of deleting and altering Legder and Groups; and

- display various ledgers and inventory items.

19.1 INTRODUCTION

A chart of accounts is a list that depicts the accounts that a business use to store and record transactions in its books of accounts. Tally ERP.9 divides chart of accounts into two: Ledgers and Groups. In manual accounting process, Ledger creating is next step after recording journal entries. But in computerized accounting, ledger creation is done before journal entries because you need ledgers to debit and credit while doing journal entries. In this unit, you will

learn how ledgers and groups account are created, how data related to stock/ inventors can be maintained, and the way to delete or alter an display any ledger, group and inventory masters.

19.2   LEDGERS AND GROUPS

LEDGER

Ledger is a T- shape account head. For example, Purchase account head will be called as 'Purchase Ledger'. To record specific transactions, you can create ledgers as per transaction.

By default, Tally has two pre defined ledgers viz. (1) cash, and (2) Profit & loss Account as shown in Fig. 19.1.
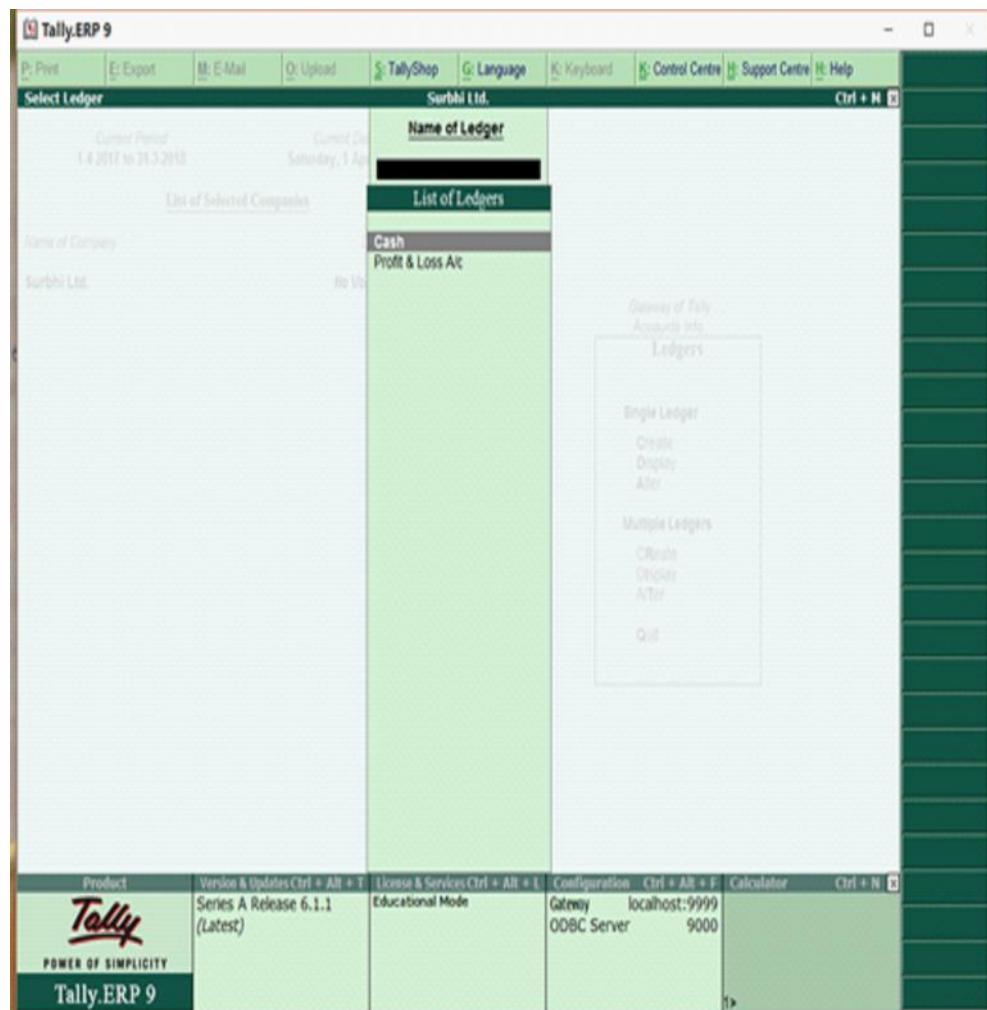
Fig. 19.1

To view already predefined ledgers: Go to Gateway of Tally → Accounts Info.

Ledgers → Multiple Ledgers → Display and the screen will appear as follows as shows in Fig. 19.2.

Fig. 19.2

GROUP

A group is the accounting group which consists of ledger accounts of similar nature. For example, Bank account group will have all bank accounts classified under it.

Tally has 198 predefined groups out of which 15 are main or primary groups and remaining 13 are sub-groups.

Out of 15 primary groups, 9 are related to balance sheet items and remaining 6 are Profit and loss related items.

You can see in Fig. 19.3, all 28 predefined groups by going to Gateway of Tally → Accounts Info. → Groups → Multiple Groups → Display

Fig. 19.3

19.3   LEDGER CREATION

19.3.1   Single Ledger Creation

Let us create ledgers for company created in Unit 18: Surbhi Ltd.

Ledger: Surbhi Capital Account

Group: Capital Account

Amount: Rs. 5,00,000
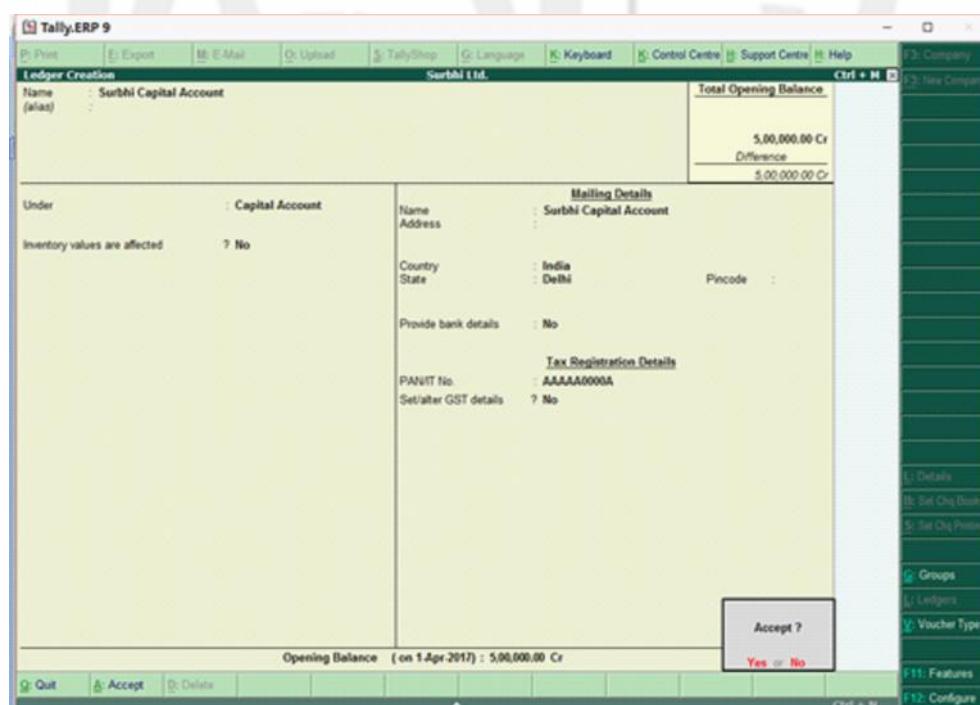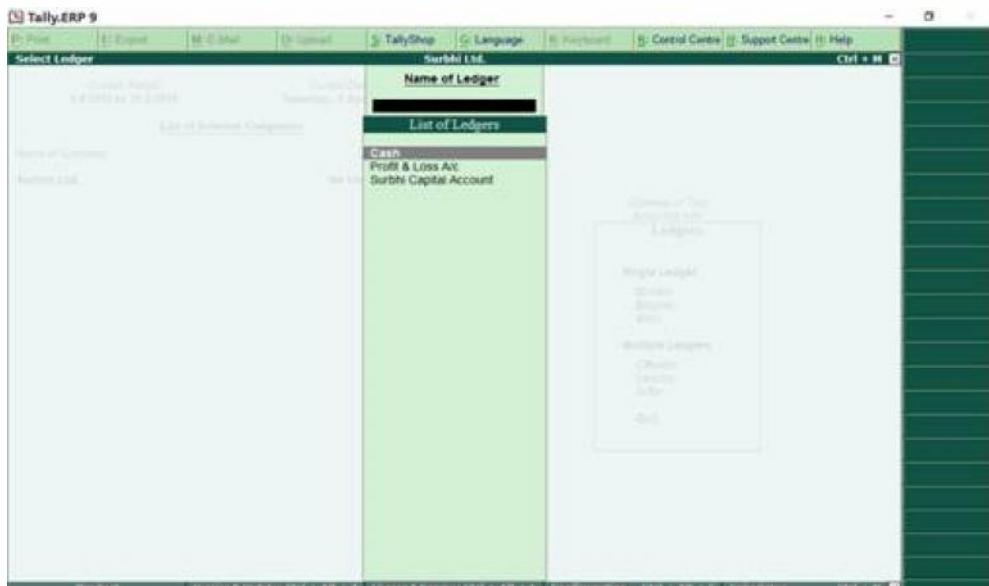
Ledger: Building

Group: Fixed Assets

Amount: Rs. 19,00,000

Creating Surbhi Capital A/c   (Fig. 19.4)

- Go to Accounts Info in masters in Gateway of Tally

- Click Ledgers

- Now click single ledger - create

- Type Surbhi Capital Account in Name

- Select Under - Capital Account

- Enter 5,00,000 in opening balance on 1-Apr-19017

Fig. 19.4

Once you put opening balance, press enter and a box will appear asking you to accept. Click 'Yes' and your ledger will be created. The screen in Fig. 19.5 shows that the ledger has been created:

Fig. 19.5

Creating Building A/c (Fig. 19.6)

- Go to Accounts Info in masters in Gateway of Tally

- Click Ledgers

- Now click single ledger - create

- Type Building Account in Name

- Select Under- Fixed Asset Account
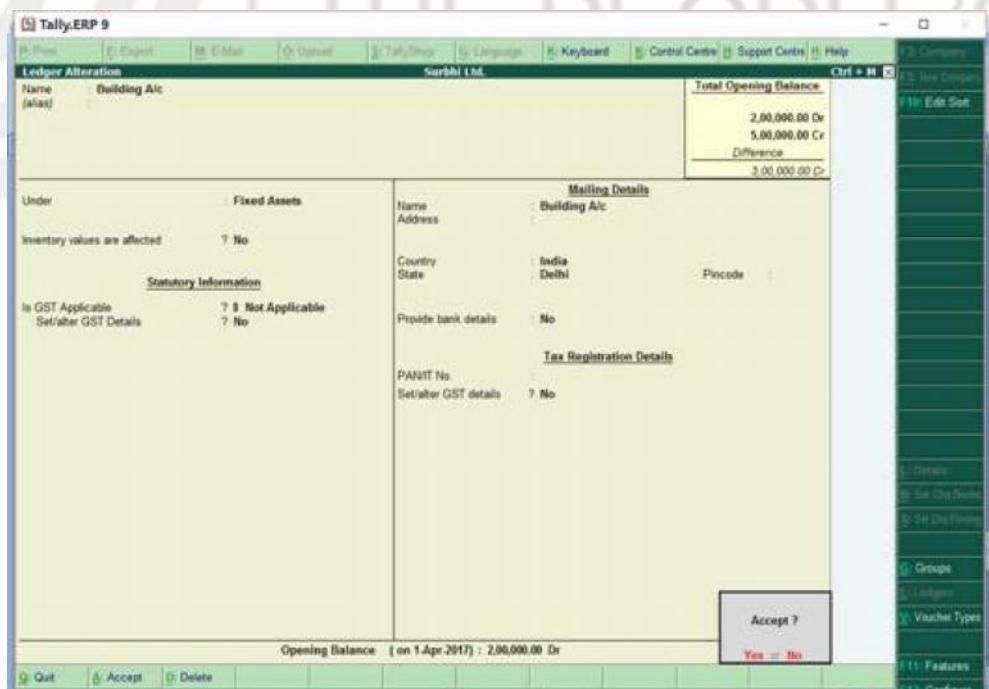
- Enter 2,00,000 in opening balance on 1-Apr-2017

Fig. 19.6

Once you put opening balance, press enter and a box will appear asking you to accept as shown in Fig. 19.6. Click 'Yes' and your ledger will be created. The screen shows the ledger has been created as shown in Fig. 19.7.
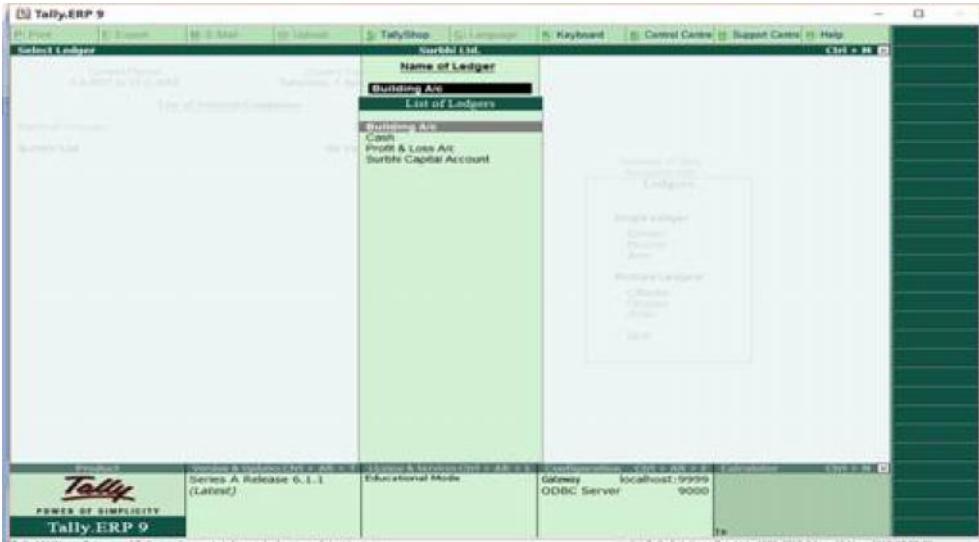
<div align="center">**Fig. 19.**7</div>

19.3.2   Multiple Ledger   Creation

Multiple Ledger creation will enable to create same class of ledgers quickly as creating single ledger takes time.

Let us create ledger account of Furniture and Plant & Machinery.

Ledger: Furniture A/c
Group: Fixed Assets
Amount: Rs. 50,000

Ledger: Plant & Machinery A/c
Group: Fixed Assets
Amount: Rs. 1,00,000

Creating Both Ledgers (See Fig. 19.8)

- Go to Accounts Info in masters in Gateway of Tally

- Click Ledgers

- Now click multiple ledger – create

- Select Under- Fixed Asset Account

- Type Furniture Account in Name of Ledger, Press Enter (Fixed Asset group will come automatically) as shown in Fig. 19.8.

- Enter 50,000 in opening balance on 1-Apr-19017 and press enter

- Type Plant & Machinery in Name of Ledger, Press Enter (Fixed Asset group will come automatically).

- Enter 1,00,000 in opening balance on 1-Apr-19017

- Press Enter and again press enter

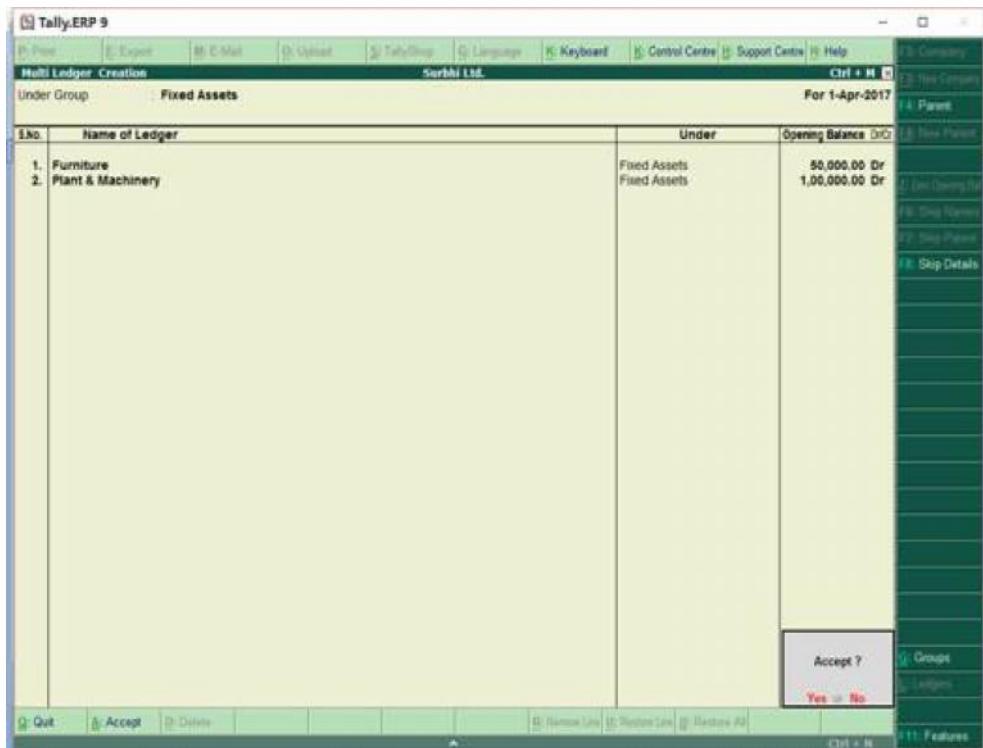- Now, a box will appear asking you to Accept 'Yes' as show in Fig. 19.8

Fig. 19.8

Once you accept, both the ledgers will be created, as shown in Fig. 19.9.
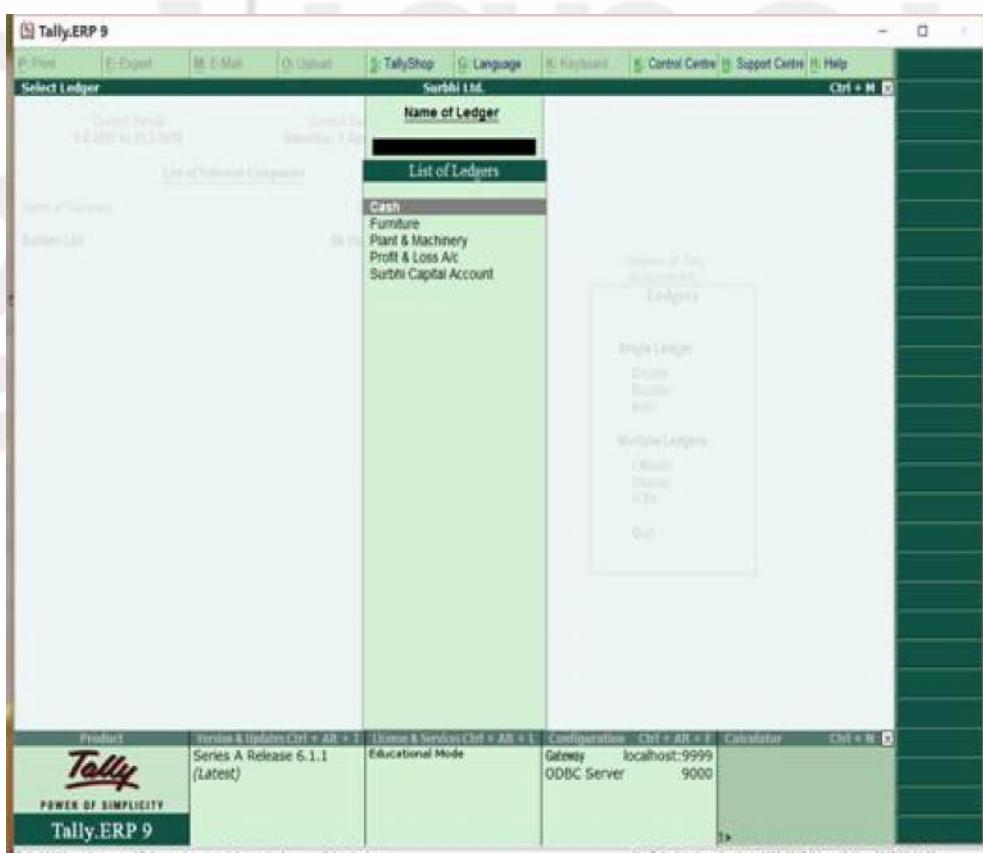

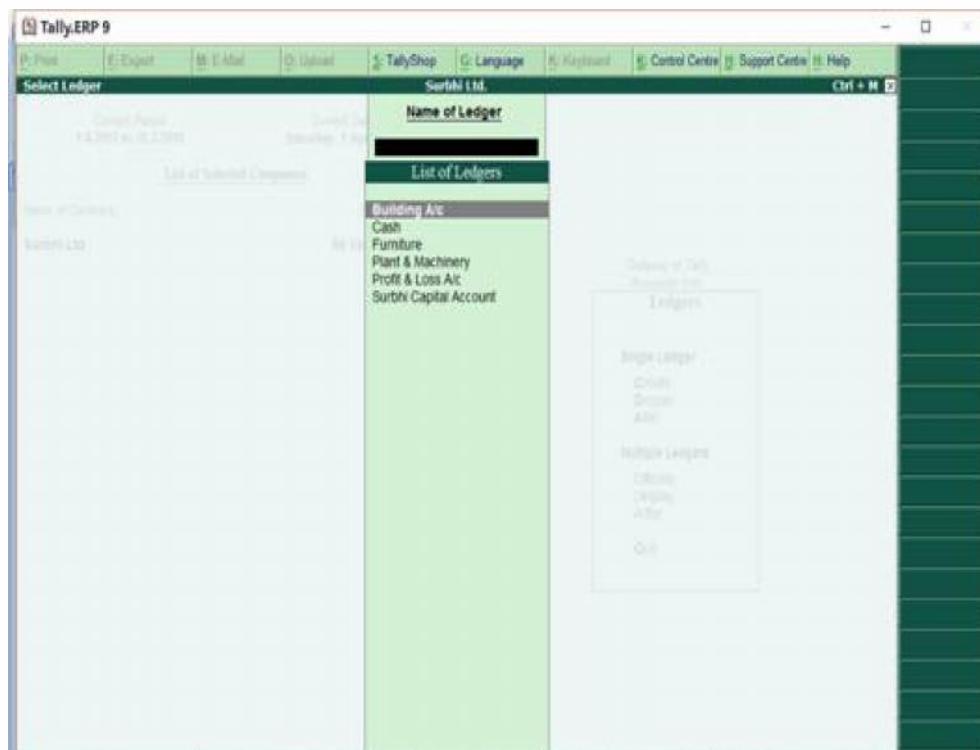**Fig. 19.9**

19.3.3 Altering and Displaying Ledger

Alteration of ledger is the process by which you can alter any ledger say for spelling mistake, wrong selection of group, altering balance of ledger etc.

Example: To change Building A/c ledger name as 'Land & Building'

- Go to Accounts Info in masters in Gateway of Tally

- Click Ledgers

- Now click single ledger - alter

- Select Building A/c from List of Ledgers

- Change Building A/c to Land & Building A/c

- Press Y or Accept Yes

Please note: Even if ledgers are created in multiple, but alteration will always be done in single mode only.

Display will enable to view the ledger accounts.

- Go to Accounts Info in masters in Gateway of Tally

- Click Ledgers

- Now click single ledger - Display

Fig. 19.10

Once you click single ledger display, the screen in Fig. 19.10 will appear and after selecting the ledger account, the ledger display will open. You can only view the ledger as appeared in Fig. 19.11 but no change can be done in the ledger account.
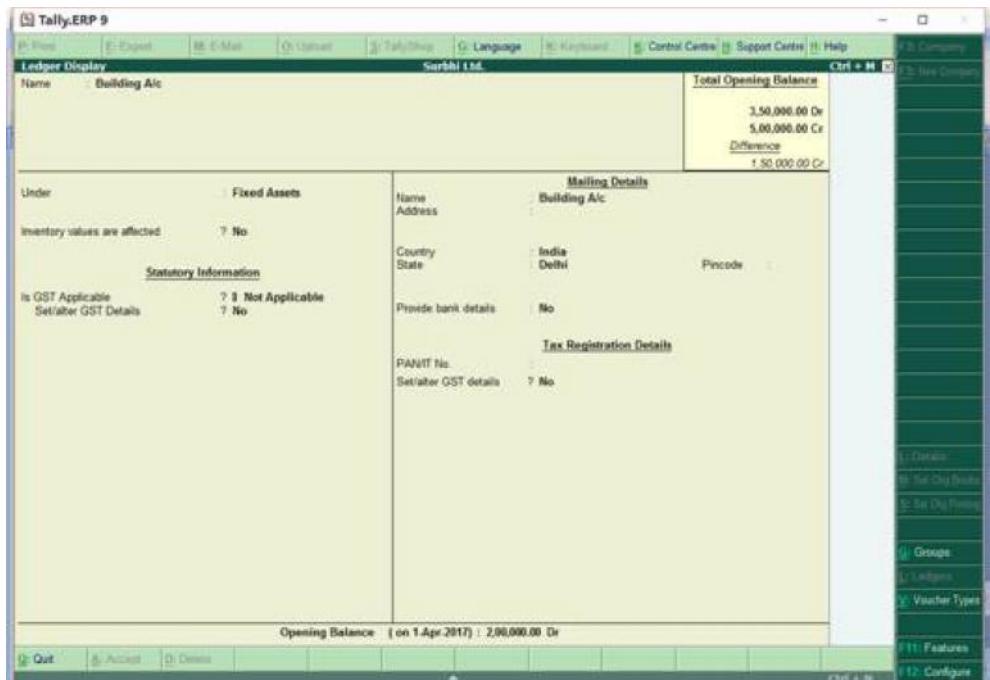
Fig. 19.11

19.3.4 Deleting Ledger

To delete a ledger:

- Go to Accounts Info in masters in Gateway of Tally

- Click Ledgers

- Now click single ledger - alter

- Select Building A/c from List of Ledgers

- Press Alt + D

- Press Y or Accept Yes

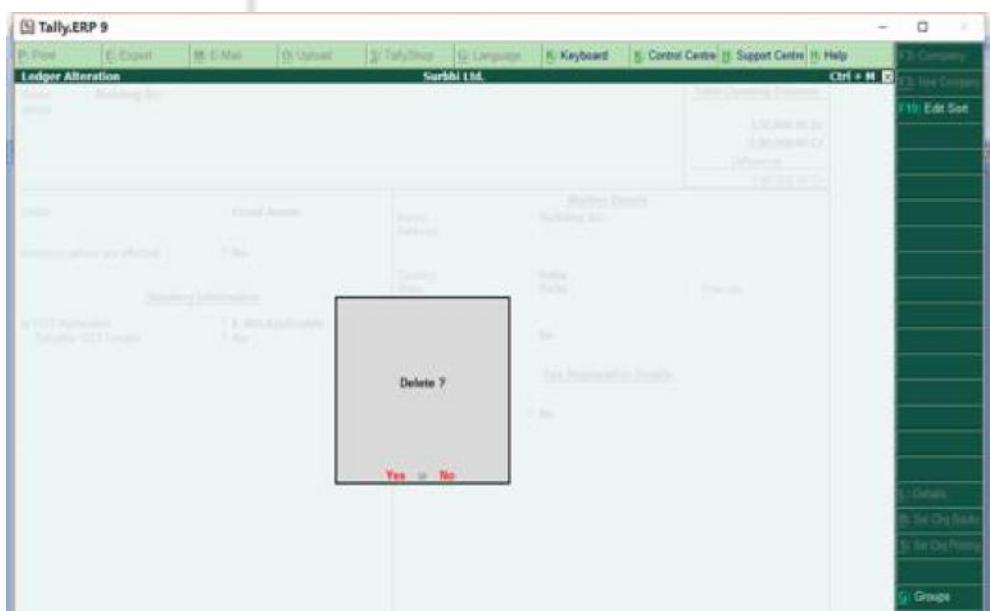Ledger will be deleted as appeared in Fig. 19.12

Fig. 19.12

To delete a ledger once accounting entry has already been entered in journal, you will need to delete journal entry first and then only you will be able to delete the ledger.

19.4   GROUP CREATION

Although Tally has pre defined groups but if you wish to create new group to meet your specific business requirement, then you can create new group as well.

Example: Suppose you have raw material requirement which are met by suppliers in different parts of country and therefore, you need to categorize your creditors say as Creditors – West or East.

Group - Creditors - East

Under - Sundry Creditors

To create group (Fig. 19.13):

- Go to Accounts Info in masters in Gateway of Tally

- Click Group

- Now click single group - create

- Type Creditors- East in Name

- Select Under- Sundry Creditors

- Enter No to all other fields

- Press Enter and Accept or Press Y

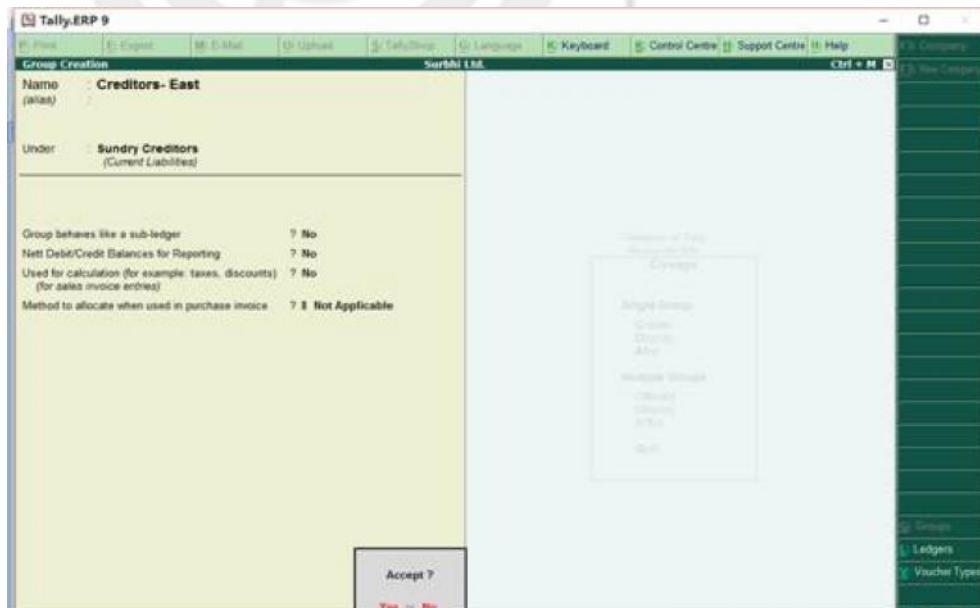Group has been created as shown in Fig. 19.14

Fig. 19.13

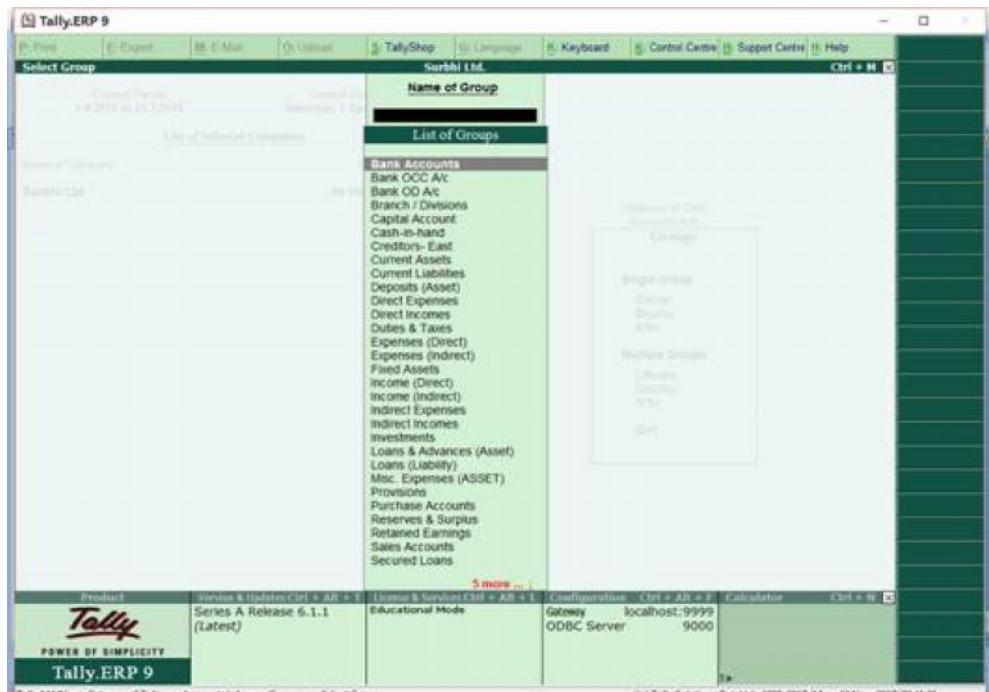Once created, this will appear among list of groups as shown in Fig. 19.14:

Fig. 19.14

Once group is created, you can alter, display and delete a group in the same way as used for ledger alteration, display and deletion.

Check Your Progress A

1. Create the following ledgers for Surbhi Ltd. –

   a) Profit & Loss A/c with opening balance ₹ 75,000

   b) Sundry Creditors:

      i) Vardhaman Furniture Ltd ₹ 10,000

      ii) Jatin Electricals Ltd. ₹ 15,000

   c) Cash ₹ 1,00,000

   d) Punjab National Bank ₹ 1,00,000

   e) . . . .

      . . . . ₹ 7,000

      ii) Vedant Hardware Store ₹ 11,000

2. Fill in the blanks:

   a) There are _____ predefined ledgers in Tally ERP.

   b) The predefined ledgers in Tally are _____.

   c) The predefined groups in Tally ERP 9 are _____.

   d) Out of 15 primary groups, _____ groups are related to Profit & Loss A/c.

   e) Discount Received Account is defined under _____ group.

19.5 INVENTORY MASTERS CREATION

The inventory system is same as accounting system. In accounting system, we have ledgers, in inventory we have Stock items. Similarly, Stock group and category replaces accounting group in inventory masters.

Stock Item: It is that goods in which a business trades in. For example, Surbhi Ltd. trades in Bulbs - LED, CFL and Tube lights: Coloured and white

Stock Group: Stock items of similar nature or brand can be classified under stock group. For example, CFL bulb and LED Bulb can be classified under Bulbs.

Stock Category: It is parallel classification of a stock item. They can be classified based on behaviour. For example, CFL Bulbs can be categorized as 6 watts or 8 watts Bulb.

Unit of Measure: Quantity is measured in terms of units. For example, Bulbs and tube lights can be measured in numbers (Nos.)

Godowns/Location: Stock items are stored in warehouses or godowns. For example, CFL bulb of 6 watts is stored in Delhi West Godown.

To begin with inventory creation, let us start with the following information shown in Table 19.1

Table 19.1

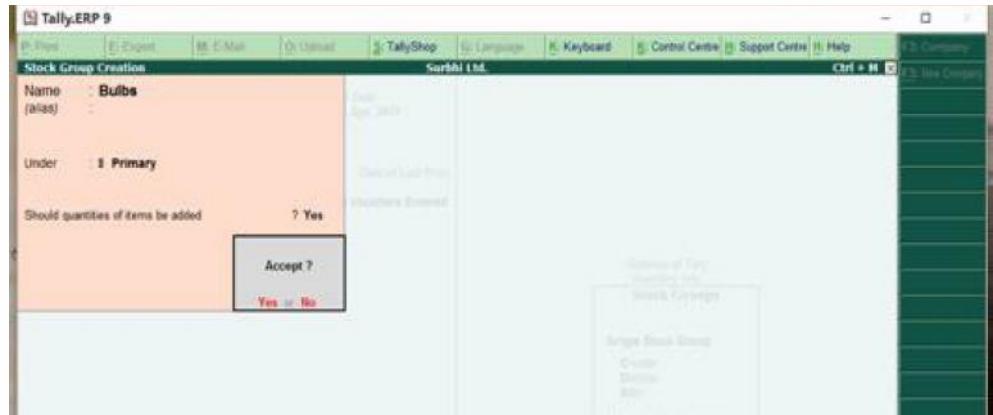| S. No.	Stock Group	Stock Item	Price (Rs.)	Quantity (Nos.)	Godown
1.	Bulbs	CFL (6 watts)	90	30	Delhi West
		CFL (8 watts)	1190	195	Delhi East
		LED (6 watts)	1190	50	Delhi East
		LED (8 watts)	150	40	Delhi West
2.	Tube Lights	White	100	50	Delhi East
		Coloured	150	60	Delhi West

19.5.1 Creating Stock Group

In the above information (Table 19.1), we can see two main stock groups: Bulbs and Tube lights.

Create Group: Bulb

- Go to Inventory Info in masters in Gateway of Tally
- Click Stock Group
- Now click single stock group - create
- Type Bulbs in Name
- Select Under- Primary(Already Displayed)

- Enter Yes to 'Should quantities of items be added'
- Press Enter and Press Y or Accept 'Yes'

The screen shown in Fig. 19.15 will appear for stock group bulbs.

Fig. 19.15

Create Group: Tubelights

- Go to Inventory Info in masters in Gateway of Tally
- Click Stock Group
- Now click single stock group - create
- Type Tubelights in Name
- Select Under- Primary(Already Displayed)
- Enter Yes to 'Should quantities of items be added'
- Press Enter and Press Y or Accept 'Yes'

The screen shown in Fig. 19.16 will appear for stock group Tubelights.

Fig. 19.16

19.5.2 Creating Stock Category

Before creating stock category, we have to enable stock category. Go to F11: Features then go to Inventory Features and set Maintain Stock Category as 'Yes' (see Fig. 19.17).
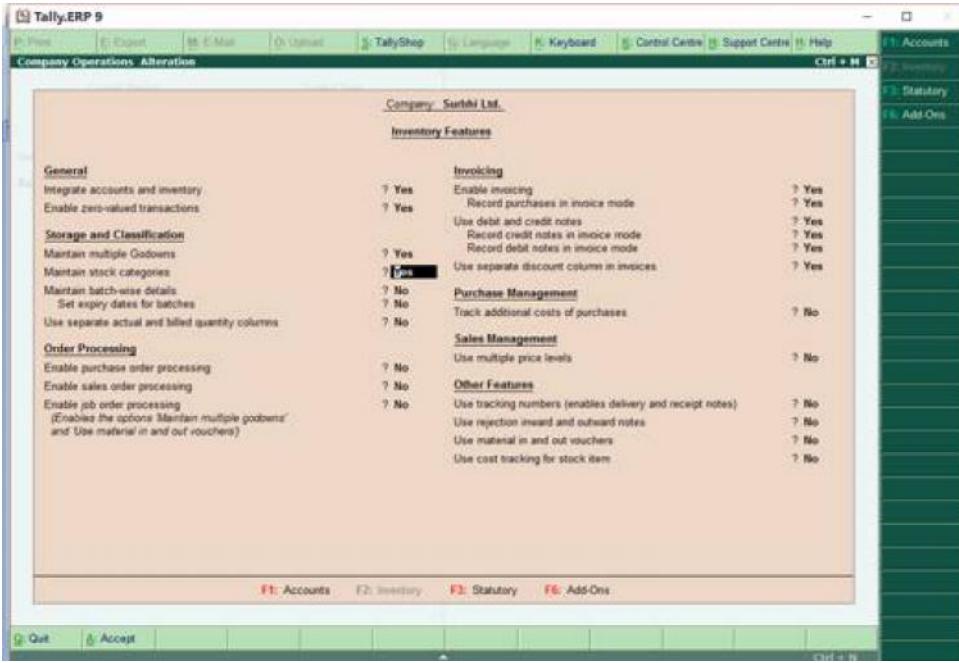
Fig. 19.17

Press Enter till you are asked to Accept 'Yes' or 'No'. Now accept Yes or Press Y.

Now creating stock category will include creation of two stock categories: 6 watts and 8 watts
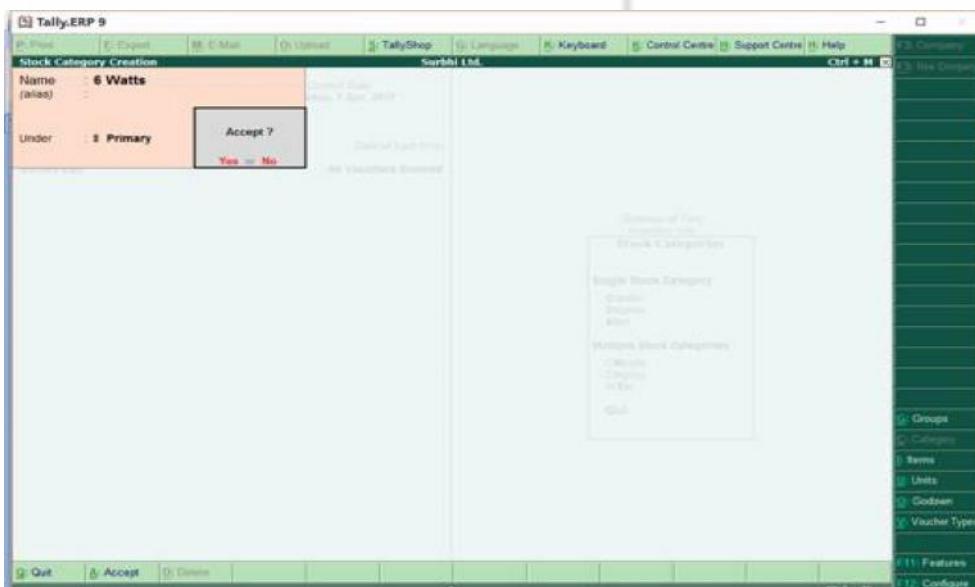
Create 6 watts Stock Category:

- Go to Inventory Info in masters in Gateway of Tally
- Click Stock Category
- Now click single stock category - create
- Type 6 watts in Name
- Select Under- Primary(It will display list of categories, select primary)
- Press Enter and Press Y or Accept 'Yes'

The screen shows in Fig. 19.18 will appear:

Fig. 19.18

Create 8 watts Stock Category:

- Go to Inventory Info in masters in Gateway of Tally

- Click Stock Category

- Now click single stock category - create

- Type 8 watts in Name

- Select Under- Primary (It will display list of categories. Select Primary)

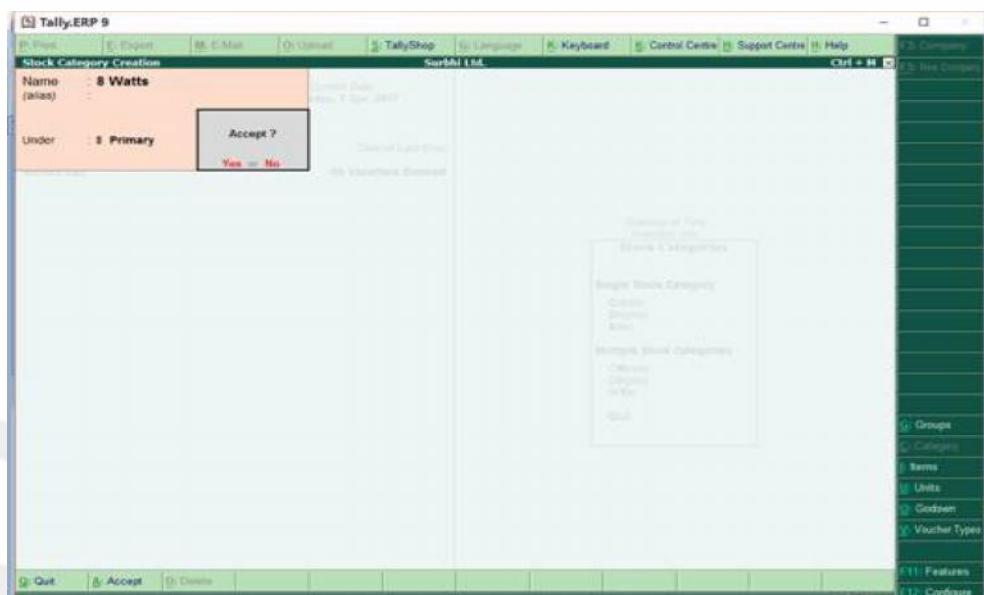- Press Enter and Press Y or Accept 'Yes'

The screen shown in Fig. 19.19

Fig. 19.19

19.5.3 Creating Unit of Measure

- Go to Inventory Info in masters in Gateway of Tally

- Click Units of Measure

- Type will be simple, Symbol : Nos., Formal Name: Numbers and No. of Decimal Places: 0 (If unit is Kg, then Decimal places can be put as 1 or 2)

- Press Enter and Press Y or Accept 'Yes' (Fig. 19.20)
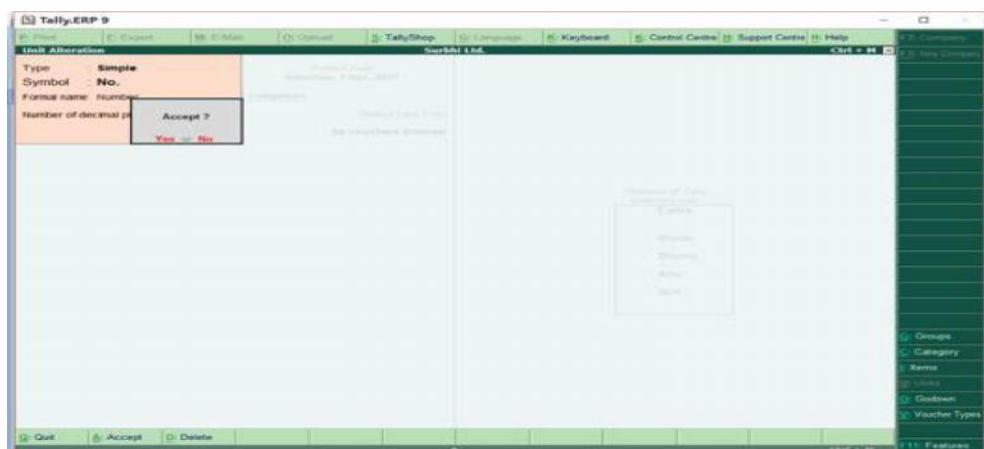
Fig. 19.20

Once accepted as 'Yes', the unit of measure will be created.

Units can be complex as well like a carton of 25 units. Here, If one has 2 cartons, then it would signify 50 units (195 x 19).

19.5.4 Creating Godowns

Before creating godowns, we have to enable Godowns. Go to F11: Features, then go to Inventory Features and set Maintain Multiple Godowns as 'Yes' as shows in Fig. 19.21. Press Enter till you are asked to Accept 'Yes' or 'No'. Now accept Yes or Press Y.

Fig. 19.21

Creating Delhi East Godown:

- Go to Inventory Info in masters in Gateway of Tally
- Click Godowns
- Now click single godown - create
- Type Delhi -East in Name
- Select Under- Primary or You can select Main Location if that Godown is business main godown.
- Press Enter and Press Y or Accept 'Yes' (Fig. 19.22)

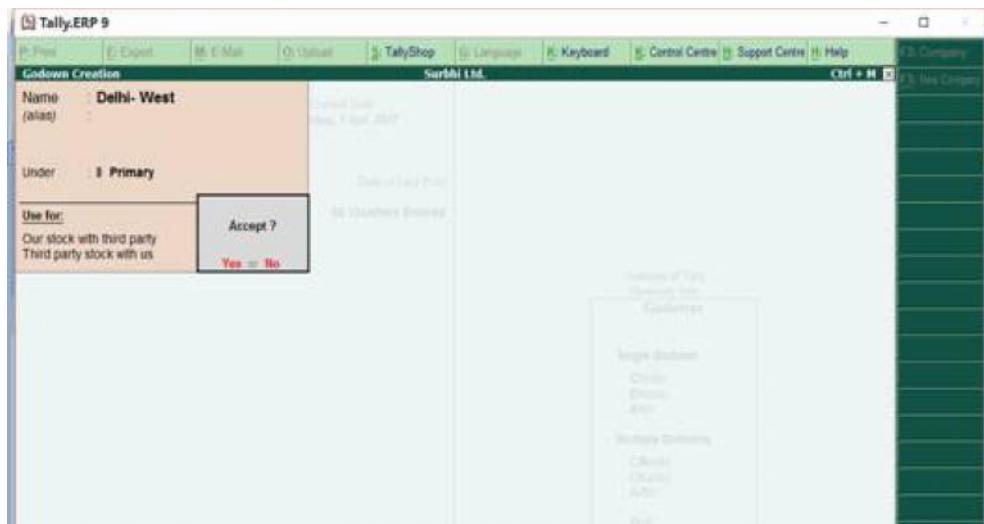Please note one Godown with name: Main Location already exists in Godown.

Fig. 19.22

Similarly Delhi- West can be created and screen will appear like Fig. 19.23

Fig. 19.23

19.5.5 Creating Stock Items

To create stock item: CFL (6 watts) stored in Delhi-West; No. of Units: 30 with Price of Rs. 90 each:

- Go to Inventory Info in masters in Gateway of Tally

- Click Stock Items

- Now click single stock items - create

- Type CFL (6 Watts) in Name

- Select Under- Bulb (Stock Group)

- Select Category- 6 Watts and Units – Nos.

- Now Enter Quantity as 30

The screen will appear as shows in Fig. 19.24
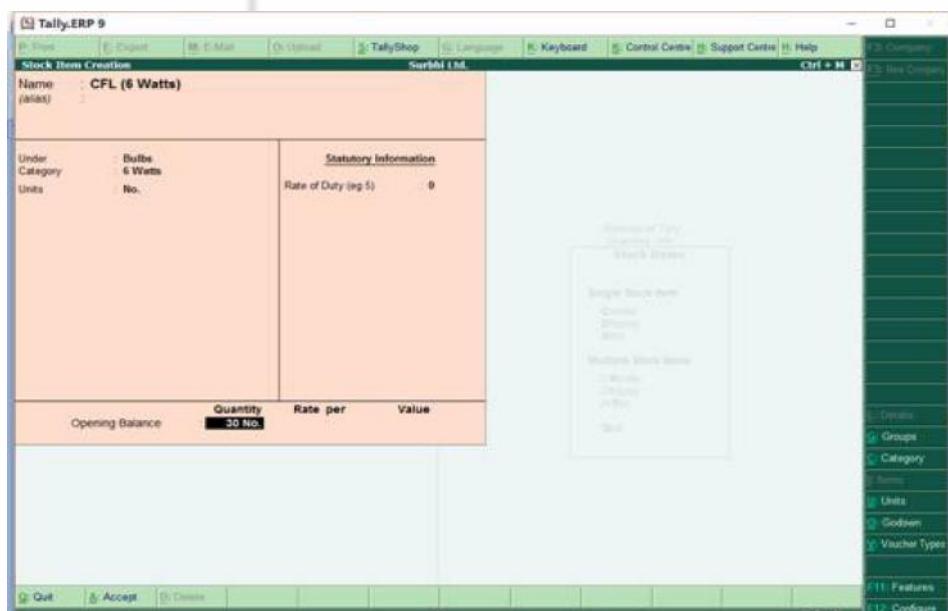
Fig. 19.24

Once you click enter, the screen shown in Fig. 19.25 will appear:
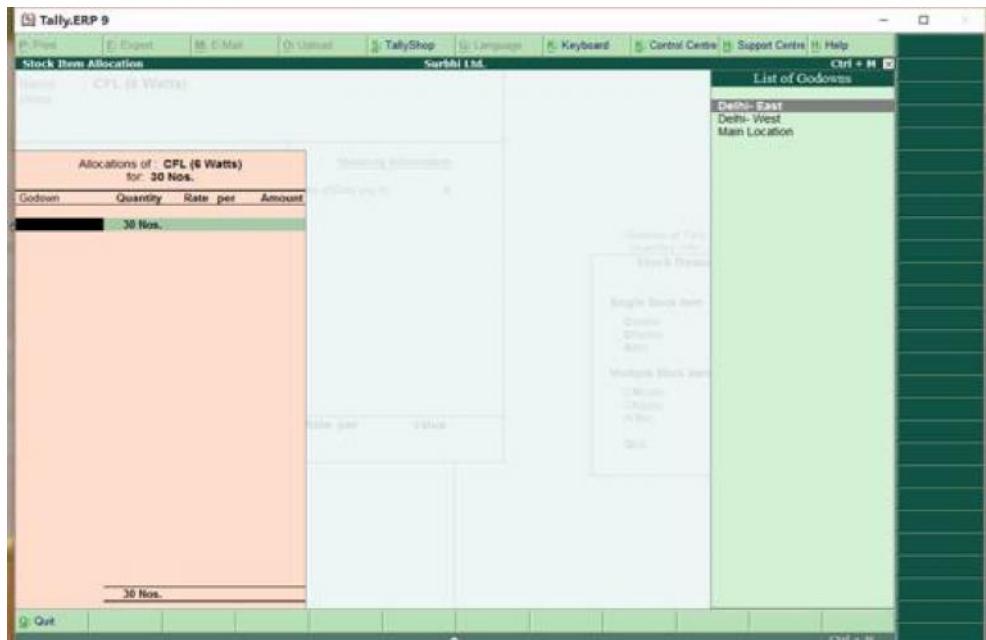
Fig. 19.25

- Select Godown as Delhi west

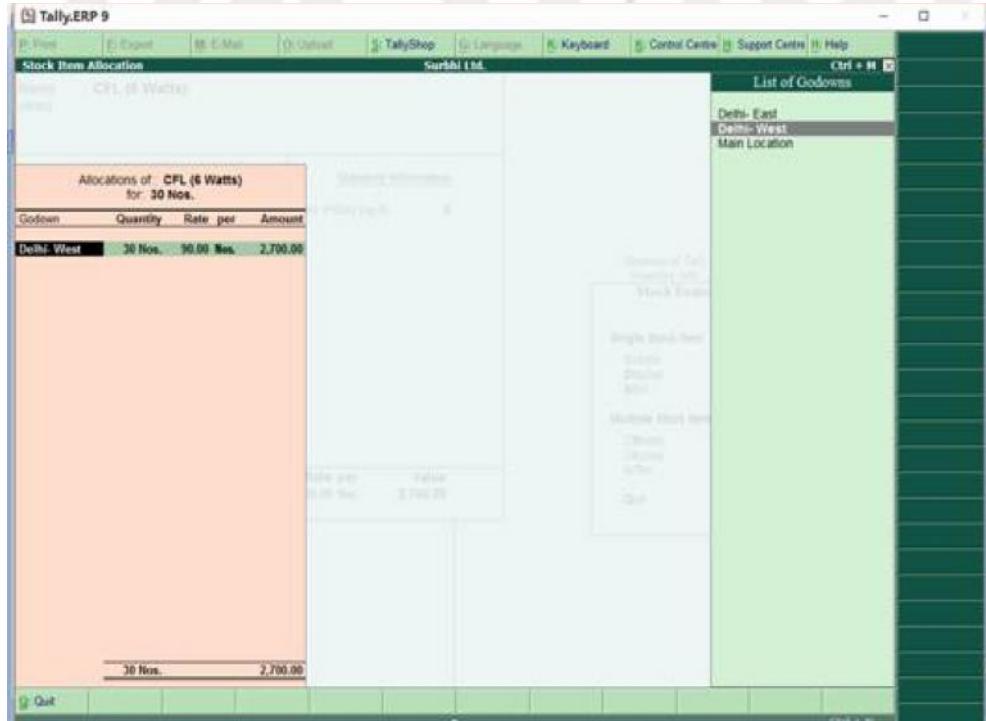- Type Rate as Rs. 90 and Press enter. Amount will automatically appear on screen as shown in Fig. 19.26.

Fig. 19.26

- Press Enter and the screen will return to original stock item screen and Accept Yes or Press Y (see Fig. 19.27)
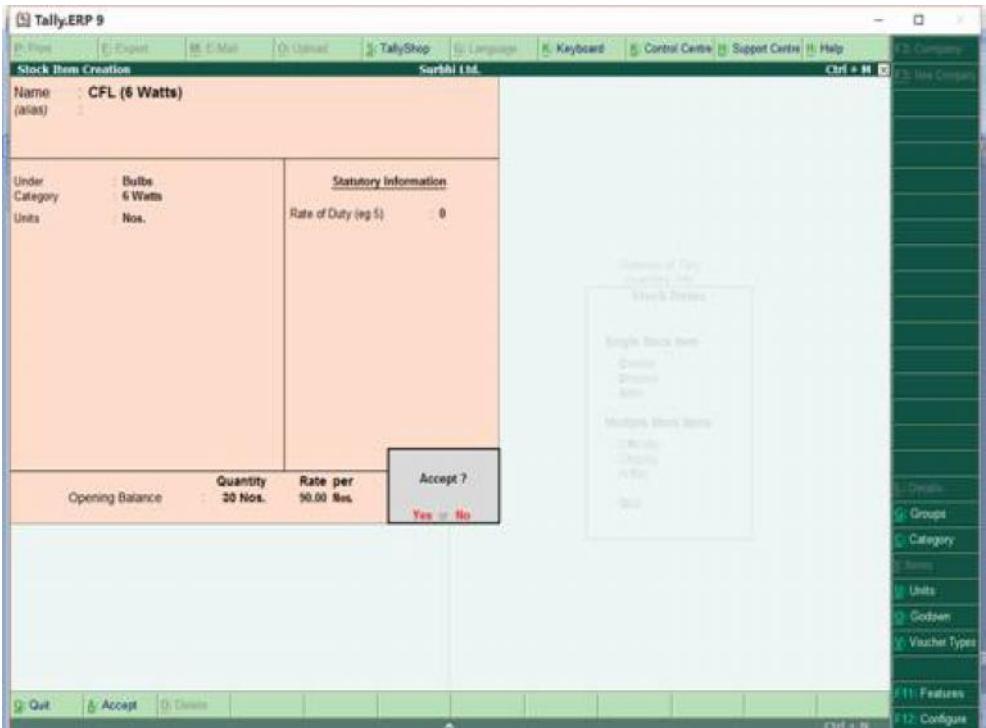
Fig. 19.27

19.6 ALTERING, DISPLAYING AND DELETING INVENTORY MASTERS

To display any Inventory master like stock group, go to Inventory Info in Masters in Gateway of Tally → Stock Group → Single Stock Group → Display → Select stock Group from list of Stock group → Stock Group will be displayed. You can only view stock group. To alter a stock group, go to single stock group → Alter → Select stock Group from list of Stock group → Stock group will be displayed and you can alter it as per need. If you wish to delete it, Press Alt +D, when promoted to delete Yes or No, Press Y or Select Yes with cursor.

Similarly Stock category, stock item, godown and Unit of measure can be displayed and altered. But please note to delete stock group, stock category, unit of measure or Godown, you need to delete stock item first as transaction (Stock Item) has already been recorded by using stock group, category, unit and godown.

To be precise, to delete the first step, the following steps need to be deleted first and then only the first step could be deleted.

Check Your Progress B

1. Create the rest stock items which are mentioned earlier in Table 19.1 inventory master.

2. State True or False:

   i) Godown is a place where stock items are stored.

   ii) Accuracy is measured in units.

iii) Sakshi Ltd. deals in trousers. Pieces can be created as unit of measure for trousers.

iv) Main location is the pre-defined godown in Tally.

v) For deleting stock item, stock group should be deleted first and thereafter stock item can be deleted.

19.7 LET US SUM UP

The second step after company creation is creating masters. It includes accounting and inventory system. Accounting system consists of creating ledger and groups. While maintaining inventory, records forms part of inventory system. In accounting system, we have ledgers, whereas in inventory, we have Stock items. Similarly, Stock group and category replaces accounting group in inventory masters.

There are already two ledger accounts pre defined in tally namely, Cash Account and Profit & Loss Account. It also consists of 28 pre-defined groups out of which 15 are main or primary groups and 13 is sub-groups. Out of 15 primary groups, 9 are related to balance sheet items and rest are Profit and Loss related items. Inventory records are maintained by creating stock group, category, unit and Godown. After this, stock items are created in inventory info.

19.8 KEY WORDS

Ledger: A permanent summary of all accounts which list individual transactions by date.

Group: A combination of ledgers for the purpose of applying the functions. There are 198 pre-defined groups in Tally ERP 9, out of which 15 are primary groups and 13 are sub-groups.

Alteration of Ledger: The details of any Ledger or the group of a ledger account may be changed at any stage in Tally.

Display of Ledger: Ledger accounts can be displayed by selecting 'Display' option under gateway of Tally.

Stock Item: Stock items are the goods we manufactured, purchased and sold. To raise item invoice, we must create stock item in Tally.

Stock Group: It is the classification or grouping of similar nature of products which helps in managing products.

Stock Category: It offers a parallel classification of stock items. Like stock groups, classification is done based on similarity in behavior.

Unit of Measure: Goods are measured using units.

Godown: A place where stock items are stored.

19.9   ANSWERS TO CHECK YOUR PROGRESS

A   2   a) two   b) Cash & Profit and Loss Account   c) 198

d) 6   e) indirect Income

B   2   a) True   b) False   c) True   d) True   e) False

19.10   TERMINAL QUESTIONS/EXERCISES

Questions

1.   Define Ledger & Group. How Ledger is different from Group?

2.   Differentiate between stock item, stock group and stock category.

Exercises

3.   Create following ledgers and stock entries for S Bose Beverages Ltd. as on 1st April, 19017:

LEDGER	BALANCE (Rs.)
Capital	20,00,000
Profit & Loss	8,00,000
Secured Loan	10,00,000
Provision for tax	3,50,000
Sundry Creditors: 1) Rajat 40,000 2) Shriram 50,000 3) Renu Coffee Ltd. 70,000 4) S K Beverages Ltd. 40,000	2,00,000
Salaries outstanding	35,000
Rent outstanding	60,000
Land & Building	15,00,000
Plant & Machinery	8,00,000
Furniture	19,00,000
Investment	3,00,000
Stock	8,00,000
Sundry Debtors: 1) Sujeet Thandai Ltd. 8,000 2) Vedanta cold drinks 75,000 3) Rekha & Sanjay Ltd. 1,45,000	3,00,000
Cash in Hand	65,000
Standard Chartered Bank	4,80,000

Stock details of the company are:

Group	Item	Category	(Nos.) Qty	Rate Rs.	Total Rs.
Cold Drinks	Orange	300 ml	350	40	14,000
		600 ml	350	75	26,250
	Cola	300 ml	4,257	25	10,625
		600 ml	250	48	12,000
Coffee	100ml Instant		350	1190	42,000
	100ml Brewed		325	135	43,875
Tea	Darjeeling		200	600	1,20,000
	Assam		250	850	2,12,500
	Nilgiri		150	675	1,01,250
Thandai	Badam		290	300	87,000
	Kesar		230	350	80,500
	Rose		250	200	50,000

4. Create following ledgers and stock entries for Bhartiya Book Trading Company as on 1st April, 19017:

LEDGER NAME	OPENING BALANCE (Rs)
Capital	15,00,000
Loan from SBI Bank	5,00,000
Provision for Depreciation	2,50,000
O/S Rent	6,000
O/S Salaries	8,000
Sundry Creditors	2,36,000
Building	6,50,000
Investment in Shares	1,60,000
Furniture	48,000
Computers	80,000
Cash in Bank	2,30,000
Cash in Hand	75,000
Stock	4,87,000
Sahakari Bank	1,25,000
Machinery	4,00,000
Debtors	2,45,000

Debtors	(Rs.)
Kamal Book Store	45,000
Janta Stationery Store	82,000
Jetha Student Corner	1,18,000
Sundry Creditors	
R V Group Ltd	47,500
Helima Book Center	85,000
Pascal Reader Store	47,500
Sabnis Book Corner	56,000

Group	Category	Stock item price	Purchase	Qty	Godown
Pre-School	English	Nursery Rhyme	80	750	Linking Road
		Creative Writing	75	900	
	Maths	Introduction to Numbers	65	1100	
		Elementary Maths Operations	55	1210	
High School	Science	Physics	85	1000	P D Mello Road
		Botany	88	1000	
	Maths	Calculus	45	460	Andheri (East)
		Algebra	37	750	

UNIT 20 VOUCHER ENTRIES AND INVOICING

Structure

20.0 OBJECTIVES

After studying this unit, you will be able to:

- create voucher and record journal entries;

- create invoices;

- deleting and alter voucher; and

- display after creation of voucher.

20.1 INTRODUCTION

Voucher is a document which is proof of transaction. Example: sales receipt, purchase cash memo, bank interest statement etc. Voucher is used to enter the

transactions of the business so that financial statements can be prepared to determine financial position of the business.

SCREEN OF VOUCHER ENTRY
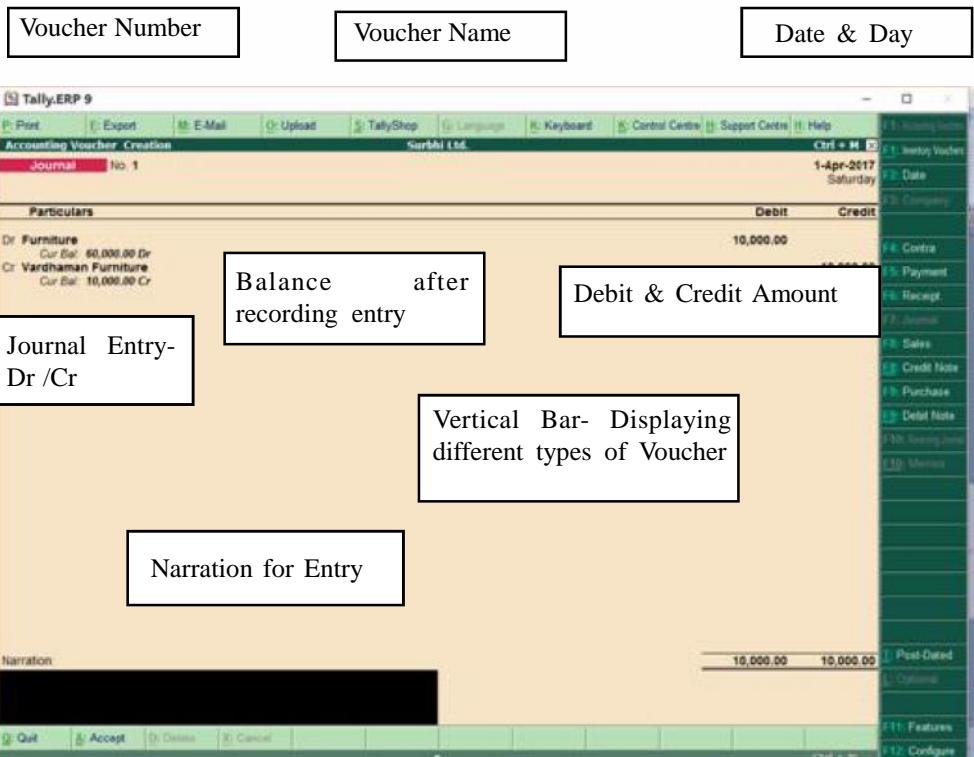
Fig. 20.1

By default you will get 'By' and 'To' instead of 'Dr' and 'Cr'. If you wish to use 'Dr' and 'Cr' for entering journal entries, Go to configuration: F12, then Voucher Entry and then set Use Cr/Dr instead of To/By during entry as 'Yes'.

Also, Set Warn on negative cash balance and show ledger current balances and show balances as on Voucher date as Yes.

If you wish to skip date for faster entry, enable it as Yes as shown in Fig. 20.2.
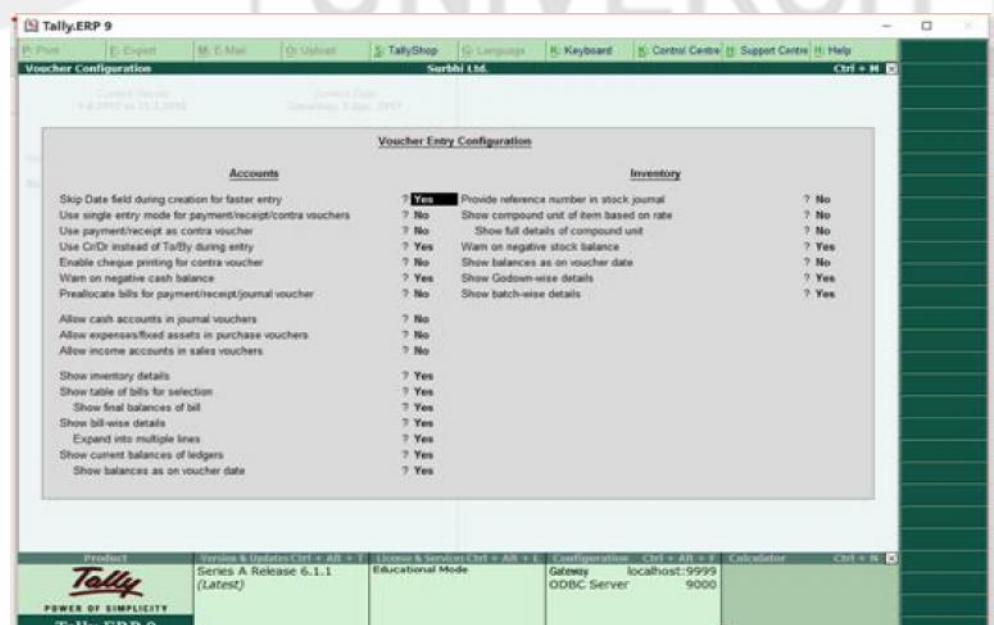
Fig. 20.2

Also, Tally automatically selects the Dr or Cr for first which you cannot change, and you can change thereafter Dr or Cr as per transaction. It also displays a list of Accounts which can be debited or credited automatically in the specific voucher. Example: Cash or Bank will be displayed in Payment or Receipt voucher or Purchase or Sales voucher, but it cannot be shown in Journal Voucher. Similarly, in payment voucher, Cash or Bank will only be shown while crediting. Balance of both debit and credit should be same, otherwise transactions will not be recorded as Tally voucher will prompt to debit or credit another account.

TYPES OF VOUCHERS

Tally has pre-defined 10 vouchers to record various types of transactions. They are:

- Contra Voucher (F4)

- Payment Voucher (F5)

- Receipt Voucher (F6)

- Journal Voucher (F7)

- Sales Voucher / Invoice (F8)

- Purchase Voucher / Invoice (F9)

- Credit Note Voucher (Ctrl + F8)

- Debit Note Voucher (Ctrl +F9)

- Reversing Journals (F10)

- Memorandum Voucher (Ctrl + F 10)

20.2 CREATION OF VOUCHER AND RECORDING ENTRIES

Let us record transactions for Surbhi Ltd. and understand how to create different vouchers.

20.2.1 Contra Voucher (F4)

Contra Voucher is used to record transactions of funds transfer from bank to cash account, cash to bank account and bank account to bank account.

Example: Surbhi Ltd. deposited cash Rs 10,000 into PNB bank.

Journal Entry: PNB Bank A/c   Dr.   10000

        (Bank Account)

           To Cash A/c   10000

        (Cash in Hand)

Create Contra Voucher as shown in Fig, 20.3:

- Go to Accounting Voucher in transactions in Gateway of Tally

- On the Vertical bar click F4: Contra or Press F4

- Contra Voucher will open with serial Number 1

- Put the Date of Transaction

- Now Cr will be on display already. Select Cash A/c from the list of ledger account.

- Enter 10,000 in amount and enter

- Similarly, Dr will be on display. Select PNB A/C and enter amount 10,000 and Press enter.

- Enter Narration, if needed and again press enter

- You can now see Contra Voucher No 2. It shows that entry has been recorded.
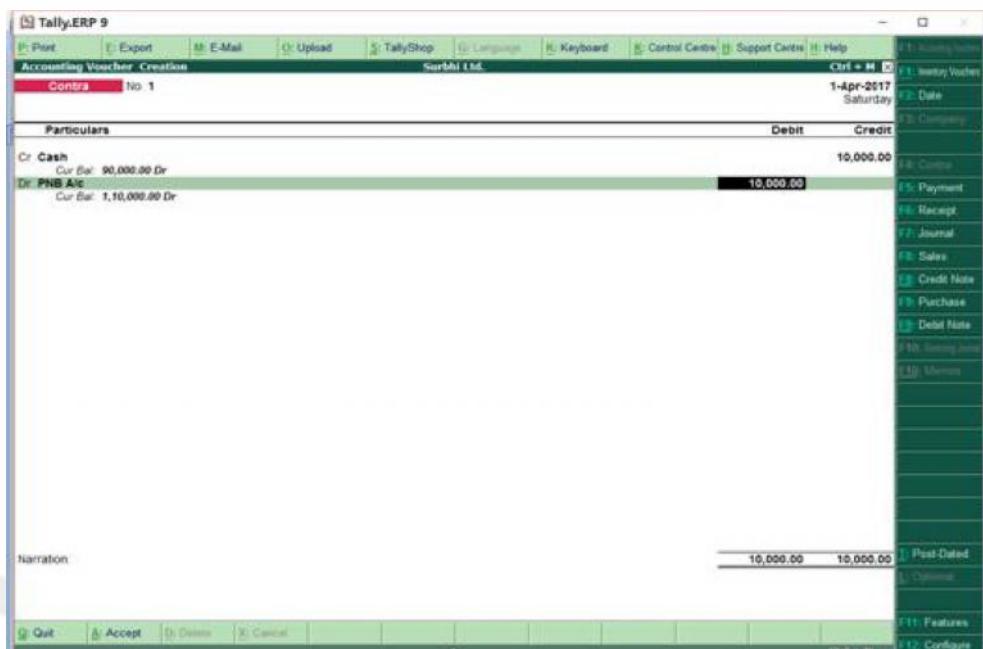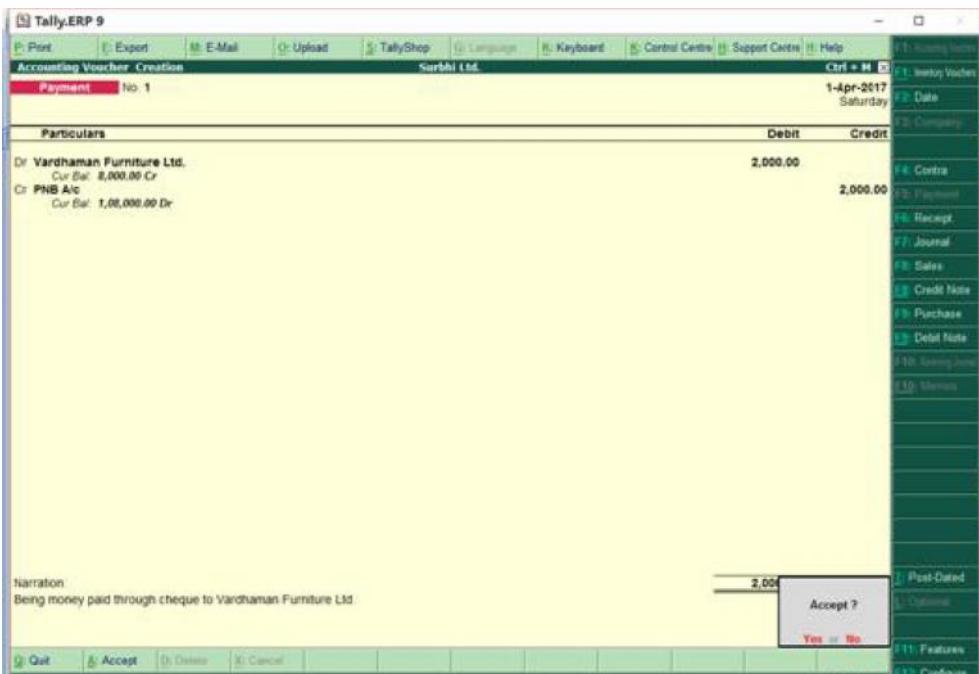

Fig. 20.3

Once you enter the account to be debited as PNB A/c along with amount Rs. 10,000, the screen shown in Fig. 20.4 will appear.

This screen will display the transaction type as cash since cash has been the deposited amount and Bank name can also be specified as PNB and press enter. Next you are required to put details of cash deposited i.e. Denominations of money. In our case, we have deposited 5 notes of Rs. 2000 amounting to Rs. 10,000. Once these details have been put, you will be taken to original screen of Contra Voucher and prompted to Accept 'Yes' or 'No'. It is not mandatory to put denominations of currency deposited, one can skip the same.
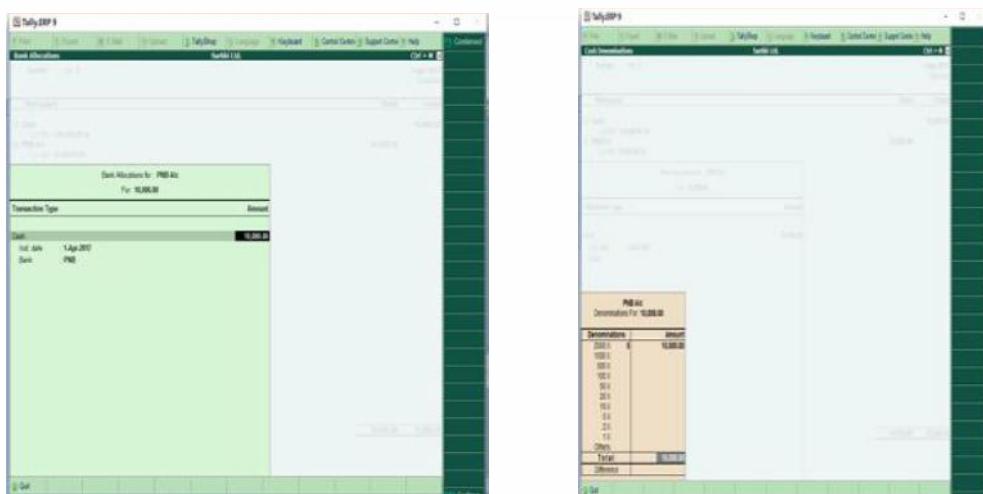
Fig. 20.4
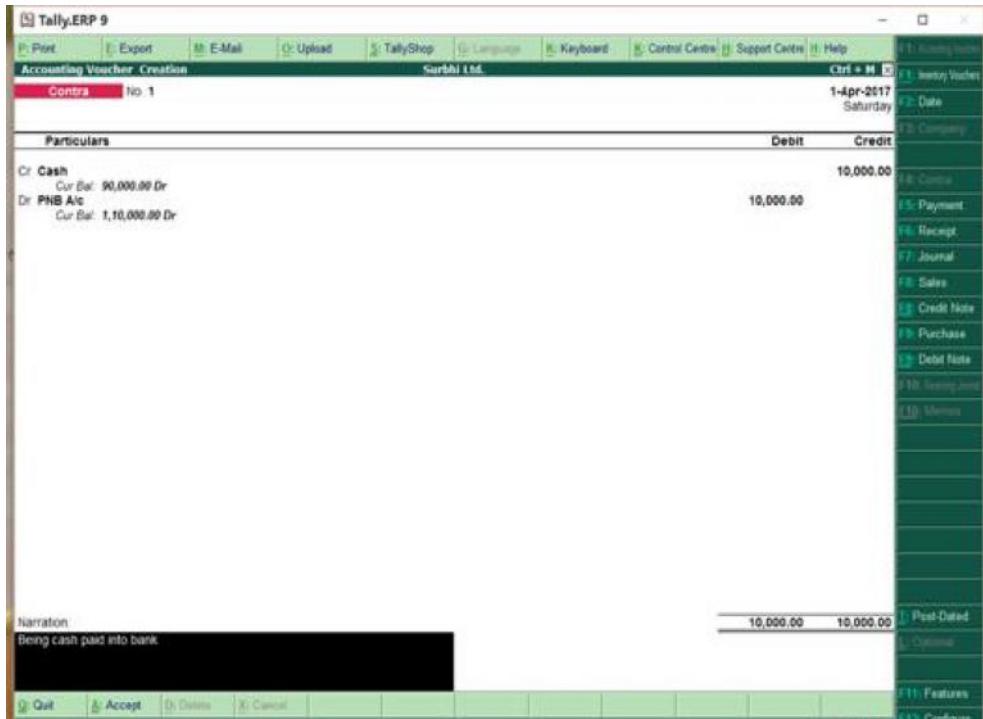
Fig. 20.5

20.2.2 Payment Voucher (F5)

Payment Voucher is used to record transactions of all payments made through bank or by cash.

For example, Surbhi Ltd. paid Rs 2,000 by cheque to Vardhaman Furniture Ltd.

Journal Entry: Vardhaman Furniture Ltd.
                  (Sundry Creditors)   Dr   2000
       To PNB A/C (Bank A/c)   2000

Create Payment Voucher as shown in Fig. 20.6:

- Go to Accounting Voucher in transactions in Gateway of tally

- On the Vertical bar click F5: Payment or Press F5

- Payment Voucher will open with serial Number 1

- Put the Date of Transaction

- Now Dr will be on display already. Select Vardhaman Furniture Ltd. from the list of ledger account.

- Enter Rs. 2,000 in amount and enter

- Similarly, Cr will be on display. Select PNB A/C and enter amount Rs 2000 and Press enter. You may be promoted to enter transaction type (cheque) and cheque range

- Enter Narration, if needed and again press enter

- You can now see Payment Voucher No 2. It shows that entry has been recorded.

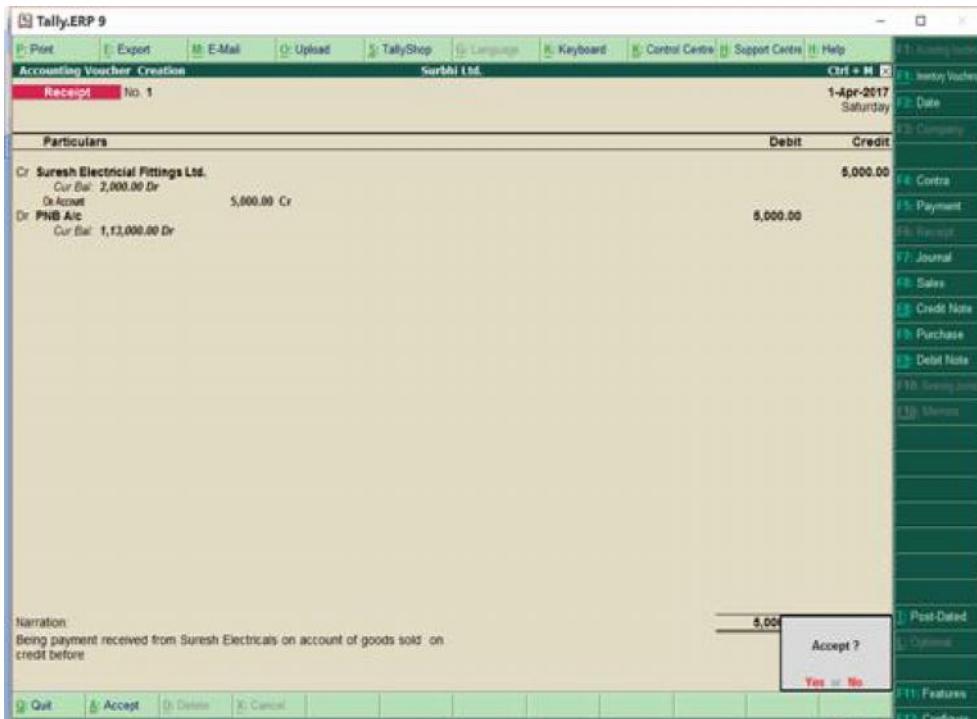**Fig. 20.6**

Tally also shows warning on negative cash balances, as shown in Fig. 20.7. If balance goes negative i.e. you are making more payment than cash held by you, then screen will appear as follows:
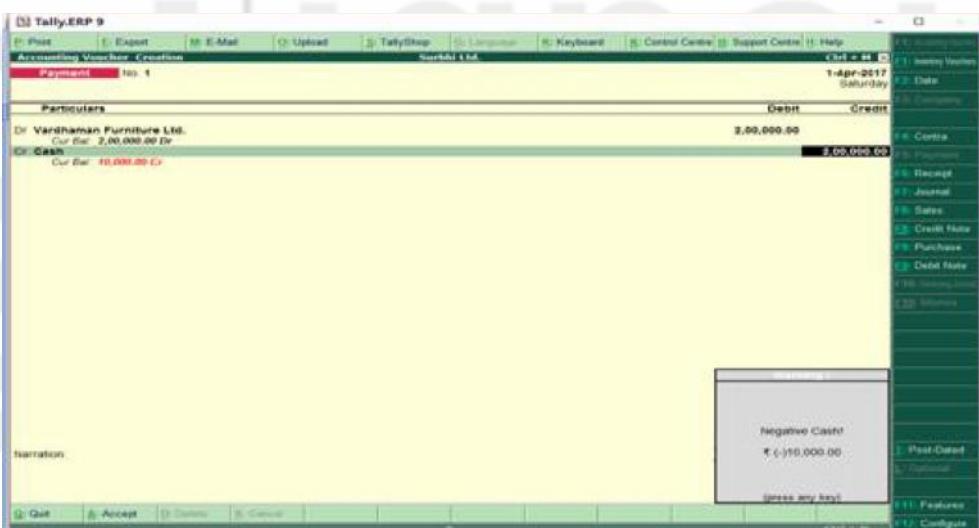
Fig. 20.7

20.2.3 Receipt Voucher (F6)

Receipt Voucher is used to record transactions of all receipts of cash or receipt through bank.

For example, Surbhi Ltd. received Rs 5,000 by cheque from Suresh Electrical Fittings Ltd.

Journal Entry: PNB A/C (Bank A/c)   Dr   5,000
                    To Suresh Electrical Fittings Ltd.   5,000
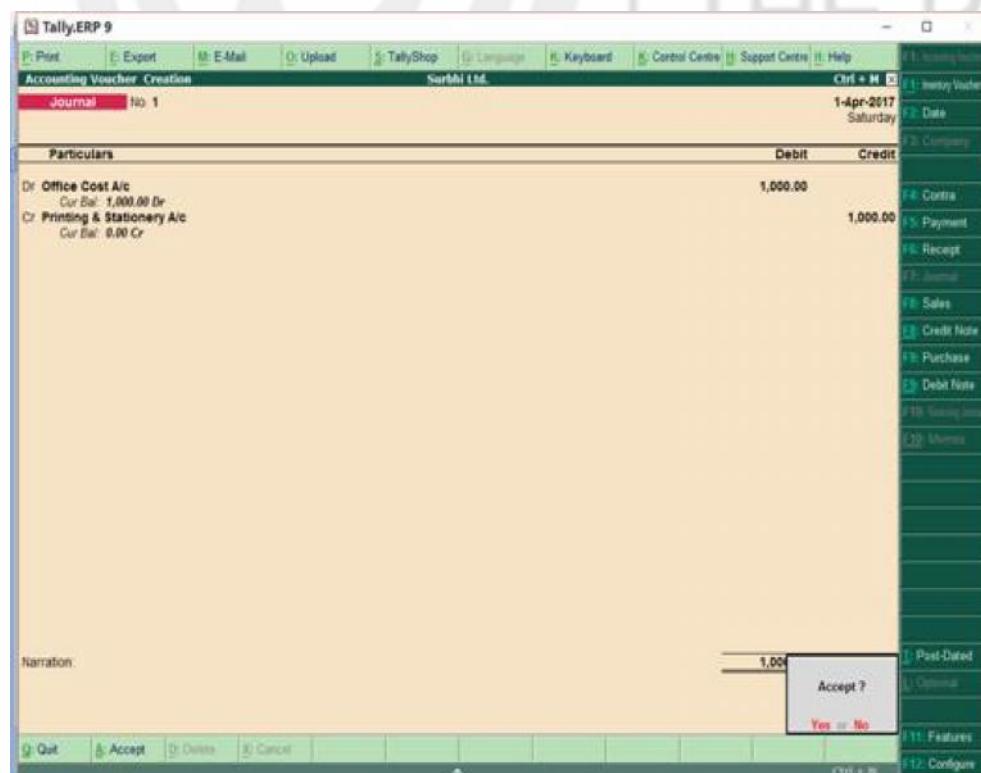   (Sundry Debtors)

Create Receipt Voucher (see Fig. 20.8):

● Go to Accounting Voucher in transactions in Gateway of Tally

- On the Vertical bar click F6: Receipt or Press F6

- Receipt Voucher will open with serial Number 1

- Put the Date of Transaction

- Now Cr will be on display already. Select Suresh Electrical Fittings Ltd. from the list of ledger account.

- Enter Rs. 5000 in amount and enter

- Similarly, Dr will be on display. Select PNB A/C and enter amount Rs 5000 and Press enter. You may be promoted to enter transaction type (cheque) and cheque range, which you may skip.

- Enter Narration, if needed and again press enter

- You can now see Receipt Voucher No 2. It shows that entry has been recorded.

Fig. 20.8

20.2.4 Journal Voucher (F7)

Journal Voucher is used to record transactions which does not fit in any other voucher i.e. receipt or payment or purchase or sales or it can be used to pass adjustment entries which do not involve cash or bank.

For example, Surbhi Ltd. incurred an expenditure on printing and stationery amounting to Rs 1,000, as office cost and not recording it as separate ledger transaction.

It is a two step procedure: (1) creating purchase voucher for printing and stationery and (2) recording it as office cost in journal voucher.
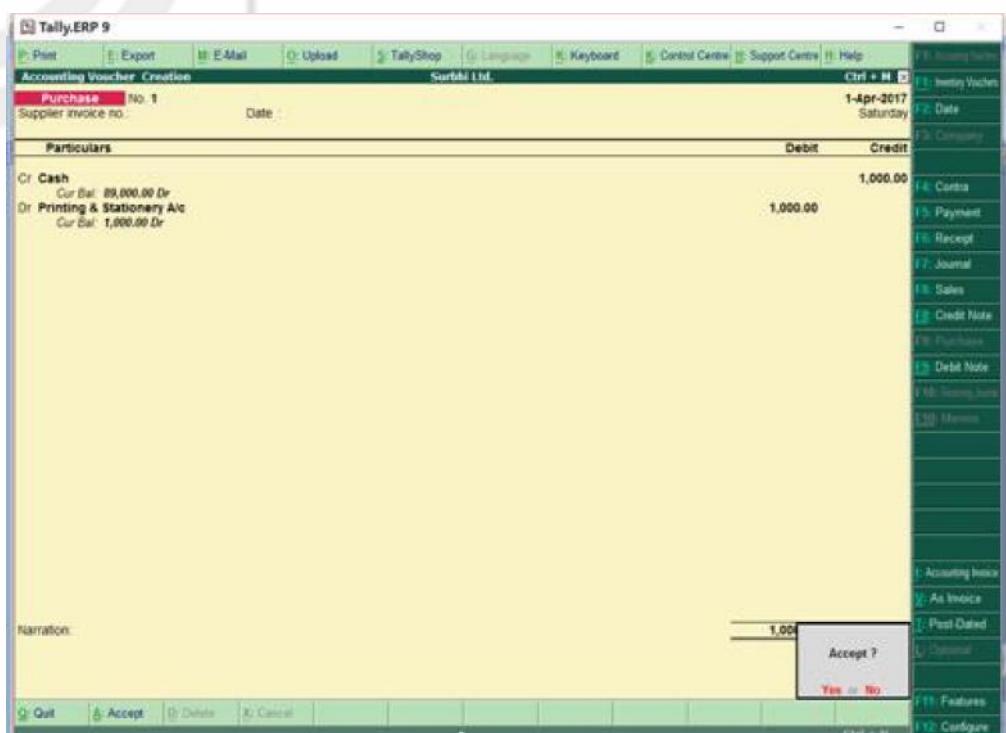
(Before starting, prepare Printing & Stationery A/c & Office Costs A/c in account info (ledgers). Both comes under indirect expenses

Step 1: Creating Purchase Voucher

Journal Entry: Printing and Stationery A/c   Dr   1000
                          (Indirect Expense A/c)

                                          To Cash (Cash in Hand)   1000

Create Purchase Voucher (see Fig. 20.9):

- Go to Accounting Voucher in transactions in Gateway of tally

- On the Vertical bar click F9: Purchase or Press F9

- Purchase Voucher will open with serial Number 1

- Click F12: Configure and a box with Purchase Standard Configuration will open.

- Again press F12 and it will display more options

- Set Allow expenses/fixed assets in purchase voucher as Yes

- Press enter till you return to voucher screen

- Put the Date of Transaction

- Now Cr will be on display already. Select Cash A/c from the list of ledger account.

- Enter Rs. 1,000 in amount and enter

- Similarly, Dr will be on display. Select Printing and Stationery and enter amount Rs. 1,000 and Press enter.

- Enter Narration, if needed and again press enter

- You can now see Purchase Voucher No 2. It shows that entry has been recorded.

Fig. 20.9

Step 2: Creating Journal Voucher

Journal Entry: Office Cost A/c   Dr   1000

          (Indirect Expense A/c)

          To Printing and Stationery A/c   1000

             (Indirect Expense A/c)

Create Journal Voucher (see Fig. 20.10):

● Go to Accounting Voucher in transactions in Gateway of tally

● On the Vertical bar click F7: Journal or Press F7

● Purchase Voucher will open with serial Number 1

● Put the Date of Transaction

● Now Dr will be on display already. Select Office Cost A/c from the list of ledger account.

● Enter Rs. 1000 in amount and enter

● Similarly, Cr will be on display. Select Printing and Stationery and enter amount Rs. 1000 and Press enter.

● Enter Narration, if needed and again press enter

● You can now see Journal Voucher No 2. It shows that entry has been recorded.

Fig. 20.10

Check Your Progress A

1. Where do we record all types of adjustment entries in Tally?

    a) Payment   b) Receipt   c) Journal   d) Contra

2. Which voucher is used to transfer amount from one bank to another?

    a) Contra   b) Receipt   c) Journal   d) Payment

3. Which submenu is used to create voucher in Tally?

    a) Account Info   b) Accounting Voucher   c) Inventory Info
    d) Inventory Voucher

4. To create a receipt voucher in Tally, we have to press?

    a) F5   b) F6   c) F8   d) F9

5. Which voucher is created by use of F4 Key?

    a) Contra b) Receipt   c) Journal   d) Payment

20.2.5 Sales Voucher/Invoice

Sales voucher is used to record transactions of goods sold on cash (cheque) or credit basis.

For example,   Surbhi Ltd. sold 10 white Tubelights @ 110/- and 8 LED 6 watts @150/- to Suresh Electrical Fittings Ltd.

Journal Entry: Suresh Electrical Fittings Ltd.   Dr   2300
(Sundry Debtors)

         To Sales A/c (Sales A/c)   2300

Create Sales Voucher (see Fig. 20.11):

●   Prepare Sales A/c under account info (ledgers) under Sales a/c group and put inventory values to be effected as 'Yes'.

●   Go to Accounting Voucher in transactions in Gateway of tally

●   On the Vertical bar click F8: Sales or Press F8. Please ensure that sales voucher is opened in 'As Voucher' mode. On vertical button panel on right side, you can find as voucher or as invoice above post dated voucher option. The written mode on right panel is the one not in use. Set that as voucher mode. Or you can press V.

●   Sales Voucher will open with serial Number 1

●   Put the Date of Transaction and Reference No, if available

●   Now Dr will be on display already. Select Suresh Electrical Fittings Ltd. A/c from the list of ledger account. It will ask buyers details, enter details if available otherwise press enter and method of adjustment as new reference.

●   Enter Rs. 2,300 in amount and enter

●   Similarly, Cr will be on display. Select Sales A/c and Press enter
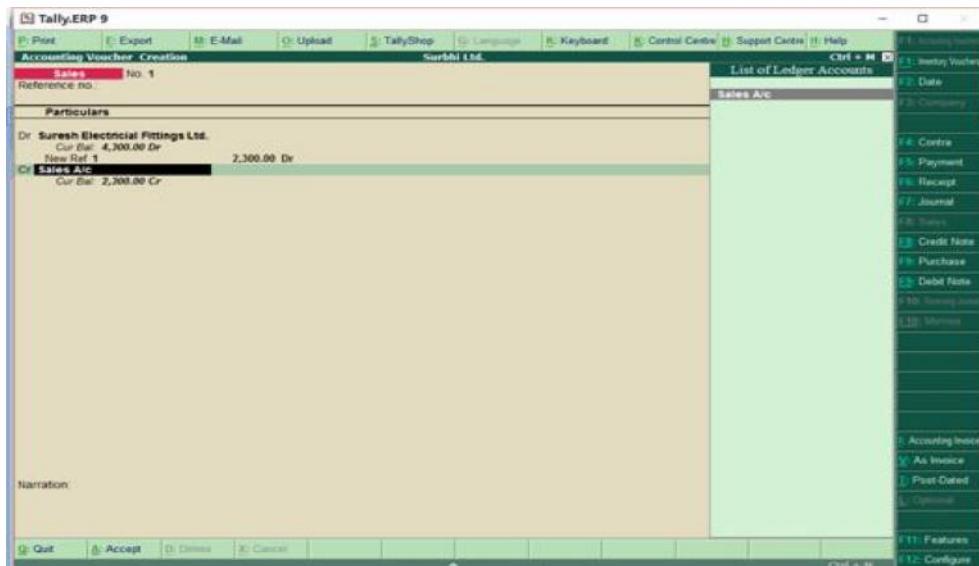
Fig. 20.11

- Now, Inventory allocation box will open.

- Type name of item as White and list of stock item will display towards your right. Select white (see Fig. 20.12).
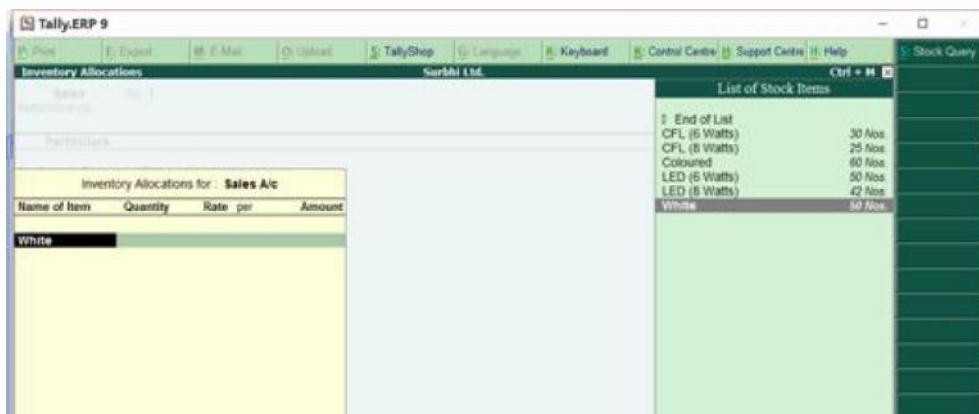
Fig. 20.12

- Now inventory allocation for white tube light will open.

- Enter godown name where it is stored and quantity and rate. Amount will be displayed automatically as shown in Fig. 20.13.
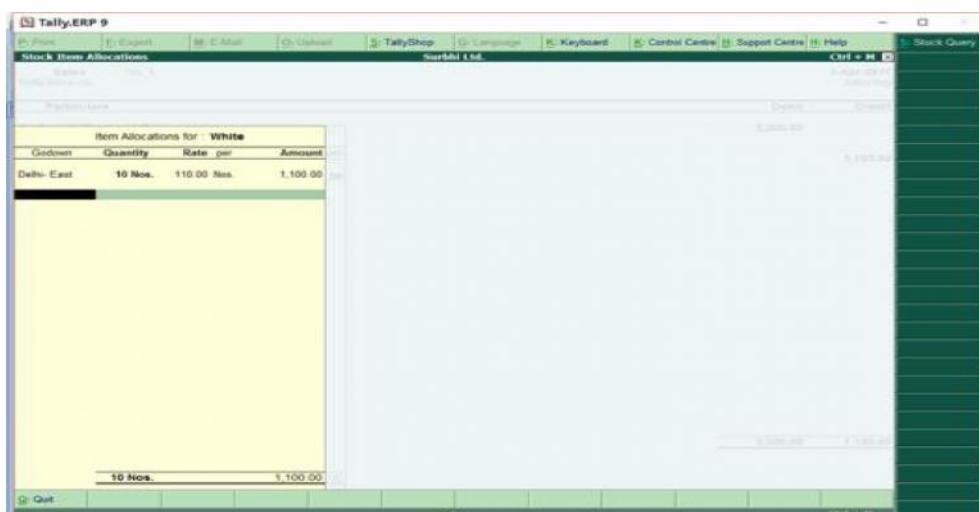

Fig. 20.13

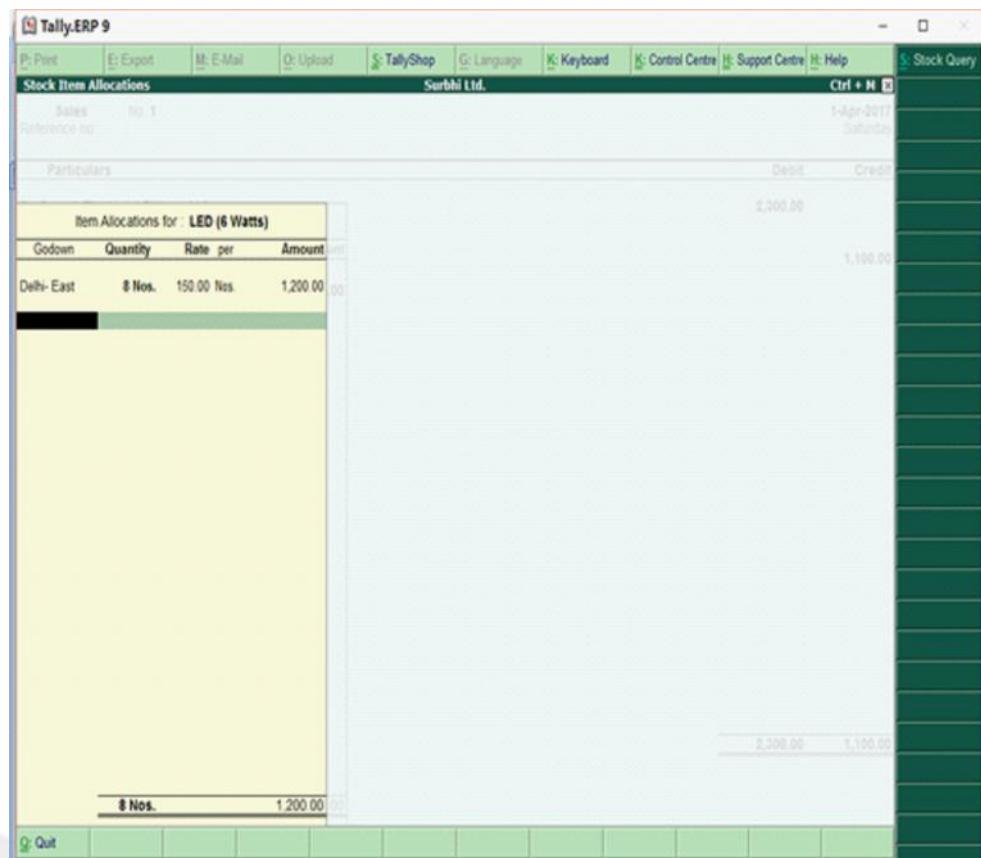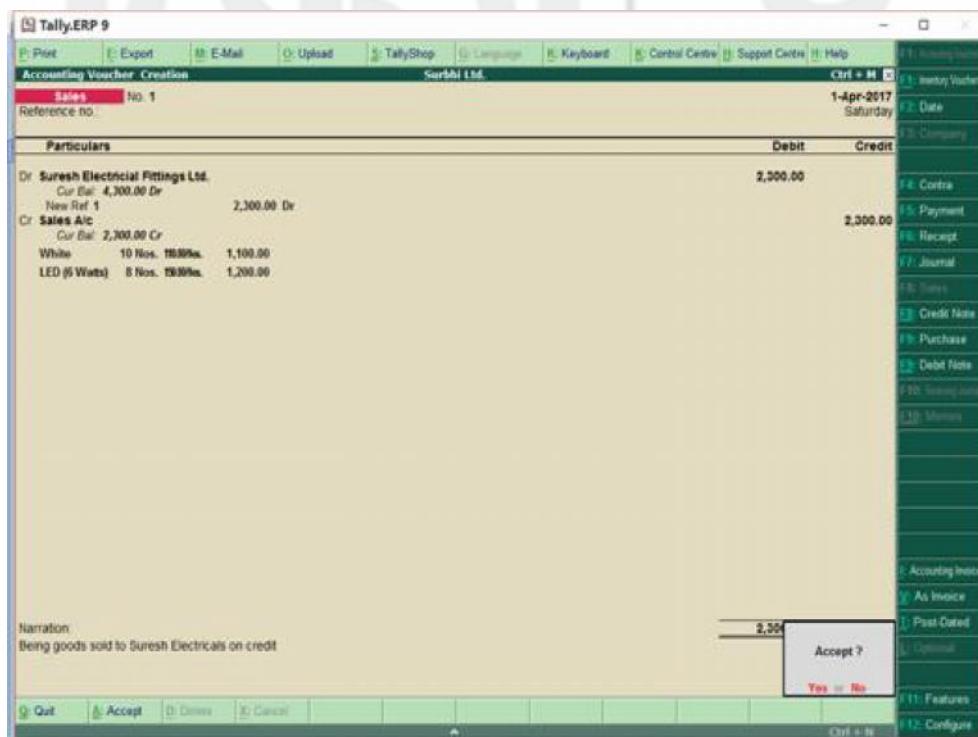● Similarly enter details for LED 6 watts bulb (see Fig. 20.14).

Fig. 20.14

Next, the screen shown in Fig. 20.15 will appear:
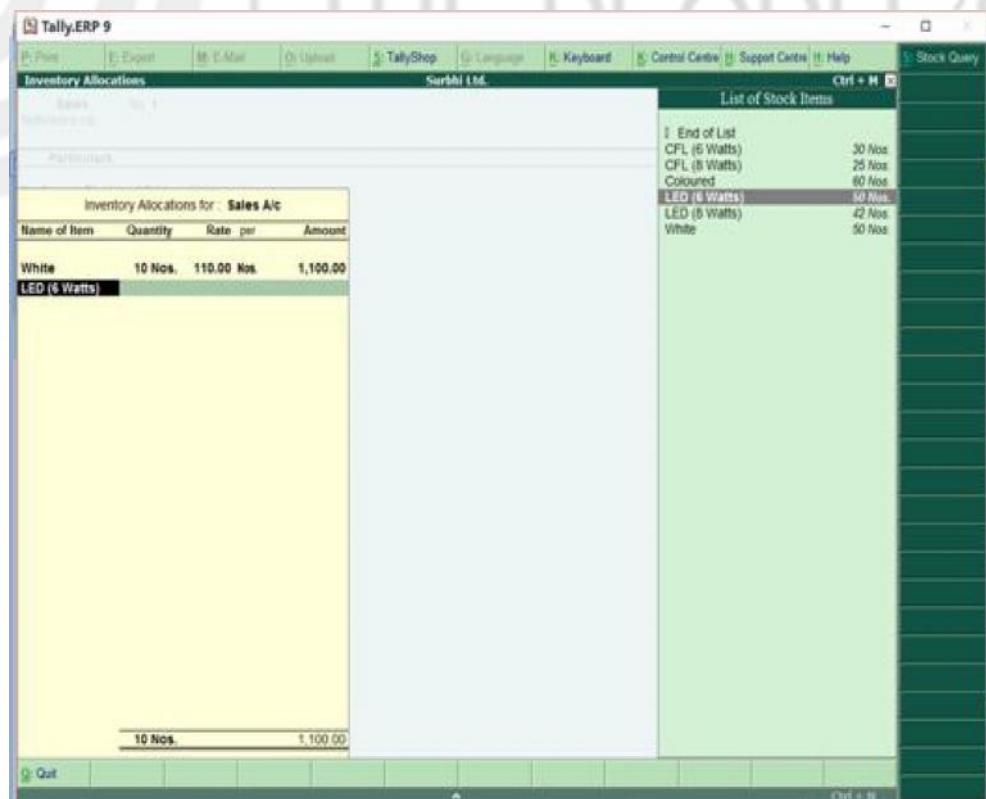
Fig. 20.15
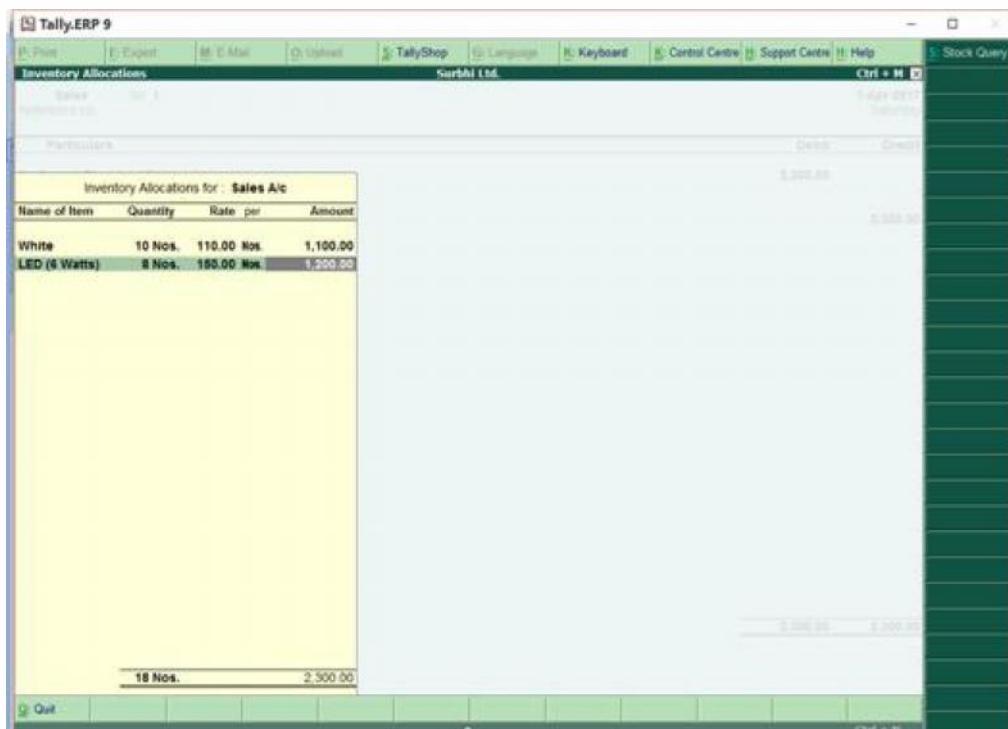
Fig. 20.16

- Press enter till you return to original screen of sales voucher

- Enter Narration, if needed and again press enter

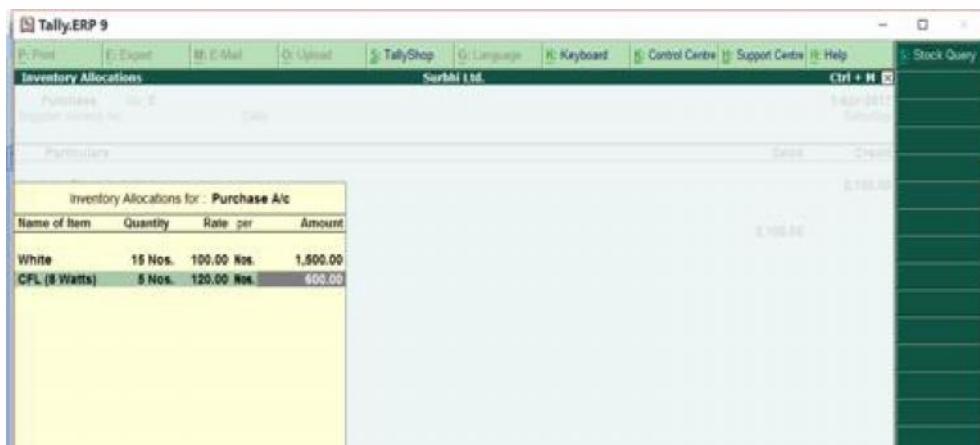- You can now see sales Voucher No 2. It shows that entry has been recorded (Fig. 20.17).

Fig. 20.17

20.2.6 Credit Note Voucher (Ctrl + F8)
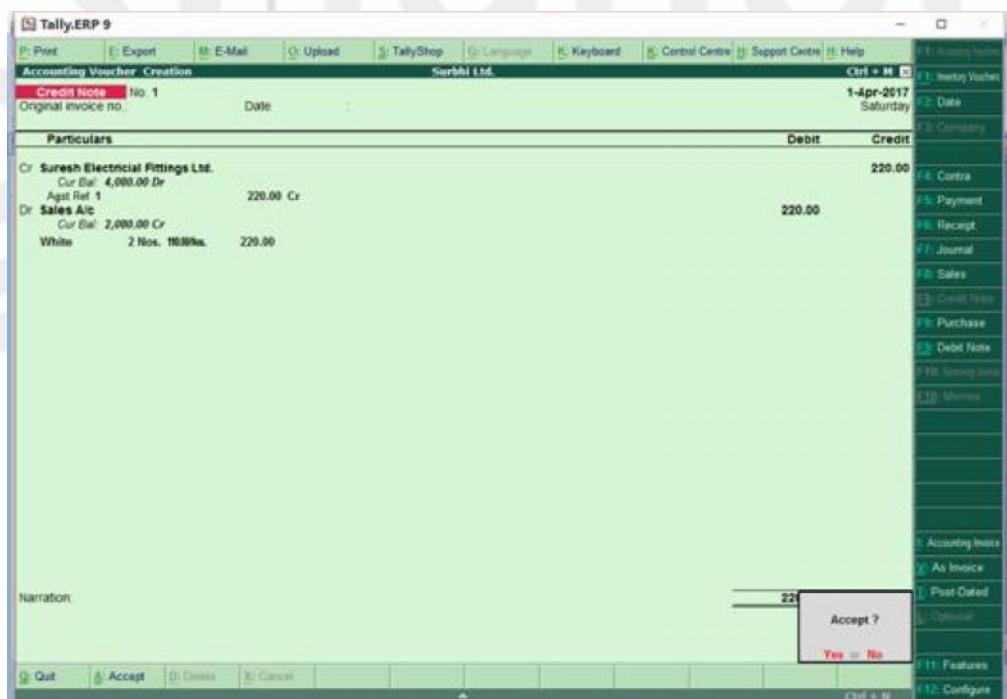
Credit Note voucher is used to record transaction of sold goods returned back by buyer.

Example: Suresh Electrical Fittings Ltd. returned 2 white Tubelights being defective goods.

Journal Entry:	Sales A/c	Dr	160	
	To Suresh Electrical Fittings Ltd.			
	(Sundry Debtors)			160

Create Credit Note Voucher:

- Before, recording transactions go to F11: inventory Features and Set Use debit note and credit note as Yes.

- Now, Go to Accounting Voucher in transactions in Gateway of tally

- On the Vertical bar click F8: Credit Note Voucher or Press Ctrl + F8

- Credit Note Voucher will open with serial Number 1

- Put the Date of Transaction and original invoice No, if available

- Now Cr will be on display already. Select Suresh Electrical Fittings Ltd. A/c from the list of ledger account. It will ask buyers details, enter details if available otherwise press enter. Also, it will ask method of adjustmen : select against reference no 1 and amount Rs. 220

- Similarly, Dr will be on display. Select Sales A/c and Press enter and enter details of goods returned

- Once it is filled, the screen shown in Fig. 20.18 will appear:

Fig. 20.18

- Enter Narration, if needed and again press enter

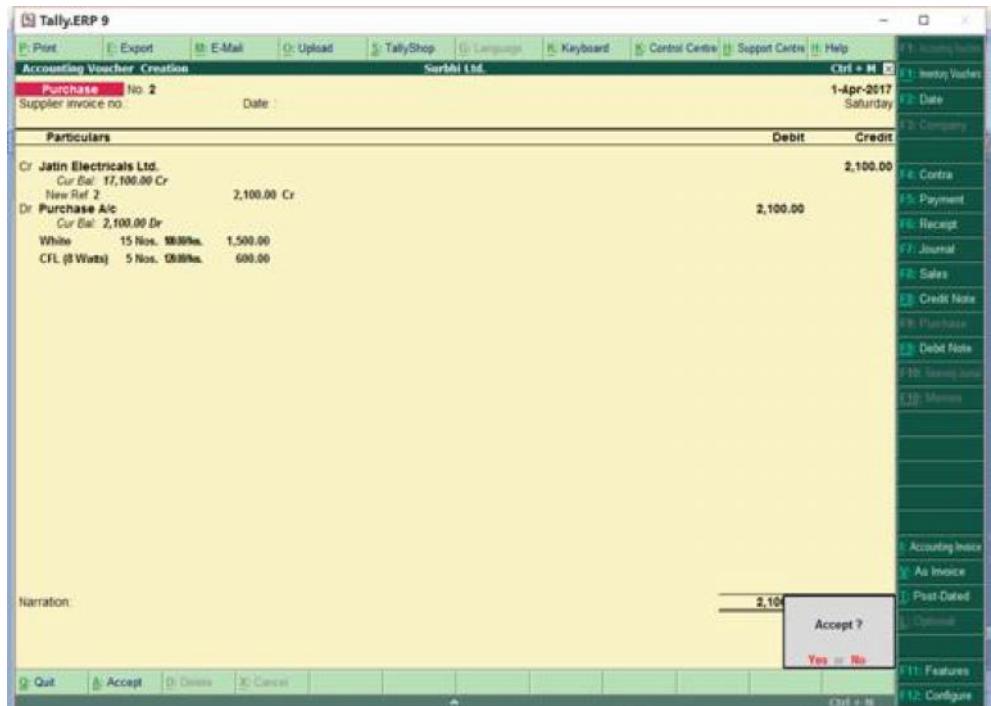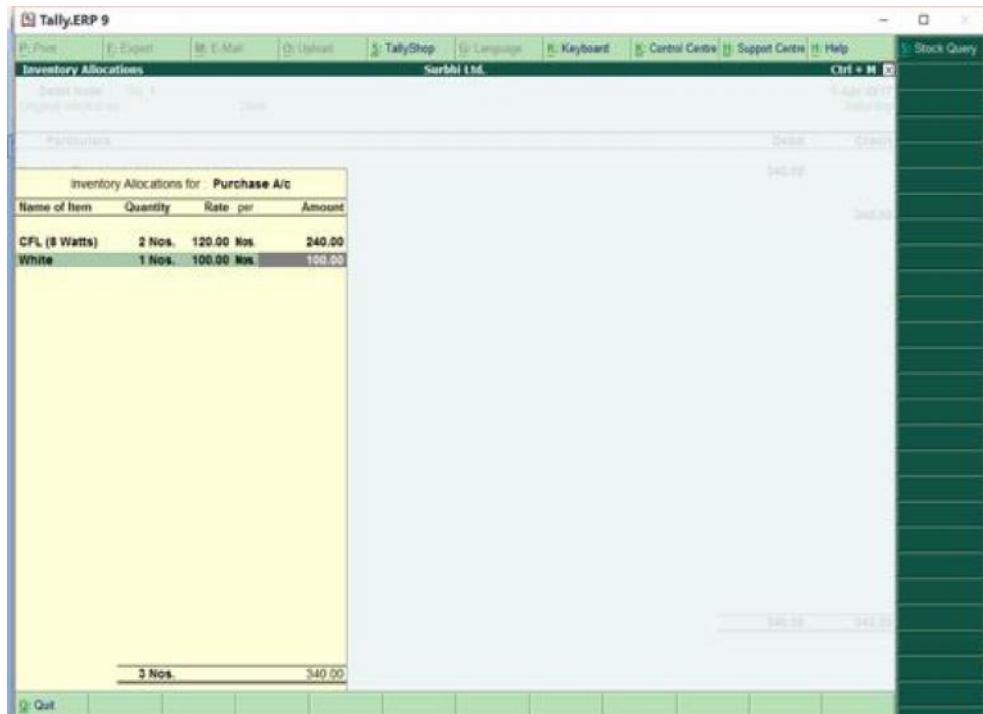- You can now see credit note Voucher No 2. It shows that entry has been recorded

20.2.7 Purchase Voucher/Invoice (F9)

Purchase voucher is used to record transaction of goods bought on cash (cheque) or credit basis.

For example, Surbhi Ltd. bought 15 white Tubelights @ 100/- and
5 CFL 8 watts @120/- from Jatin Electrical Ltd.

Journal Entry: Purchase Account   Dr   2100
(Purchase Account)
To Jatin Electrical Ltd. (Sundry Creditors)   2100

Create Purchase Voucher:

● Purchase A/c under account info (ledgers) under purchase A/c group has been already made while recording entry for Printing and Stationery and please note to put inventory values to be effected as 'Yes'.

● Go to Accounting Voucher in transactions in Gateway of tally

● On the Vertical bar click F9: Purchase or Press F9. Please ensure that purchase voucher is opened in 'As Voucher' mode. On vertical button panel on right side, you can find as voucher or as invoice above post dated voucher option. The written mode on right panel is the one not in use. Set that as voucher mode. Or you can press V.

● Purchase Voucher will open with serial Number 2

● Put the Date of Transaction and Reference No, if available

● Now Cr will be on display already. Select Jatin Electrical Ltd. A/c from the list of ledger account. It will ask buyers details, enter details if available otherwise press enter and method of adjustment as new reference

● Enter Rs. 2100 in amount and enter

● Similarly, Dr will be on display. Select Purchase A/c and Press enter and enter details of goods purchased

● Once it is filled, the screen shown in Fig. 20.19 will appear as below:

● Enter Narration, if needed and again press enter

Fig. 20.19

- You can now see Fig. 20.20 Purchase Voucher No 2. It shows that entry has been recorded.
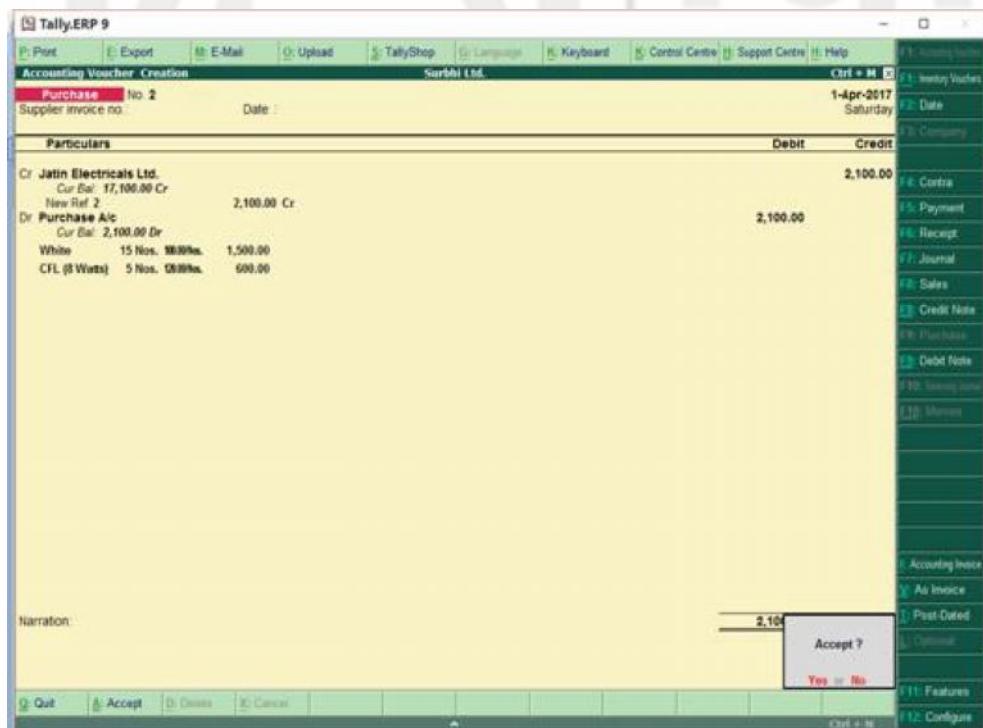

Fig. 20.20

20.2.8 Debit Note Voucher (Ctrl +F9)

Debit Note voucher is used to record transactions of purchased goods returned back to seller or to record price consideration changes.

For example:	Jatin Electrical Ltd. sent 2 CFL 8 watts @ Rs 120/- and 1 white Tubelight defective which was returned by Surbhi Ltd.
Journal Entry:	Jatin Electrical Ltd. Dr 340 (Sundry Creditors)
	To Purchase Account 340

Create Debit Note Voucher:

- Before, recording transactions go to F11: inventory Features and Set Use debit note and credit note as Yes.

- Now, Go to Accounting Voucher in transactions in Gateway of tally

- On the Vertical bar click F9: Debit Note Voucher or Press Ctrl + F9

- Debit Note Voucher will open with serial Number 1

- Put the Date of Transaction and original invoice No, if available

- Now Cr will be on display already. Select Suresh Electrical Fittings Ltd. A/c from the list of ledger account. It will ask buyers details, enter details if available otherwise press enter. Also, it will ask method of adjustment : select against reference no. 1 and amount 220

- Similarly, Dr will be on display. Select Sales A/c and Press enter and enter details of goods returned

- Once it is filled, the screen in Fig. 20.21 will appear:

Fig. 20.21

- Enter Narration, if needed and again press enter

- You can now see the screen in Fig. 20.22 Purchase Voucher No 2. It shows that entry has been recorded

Fig. 20.22

20.2.9 Reversing Journal Voucher (F10)

They are special journals that are reversed after the specified date by the user. They are effective only till that date and are effective only when they are included in reports.

To enable this voucher, go to accounting features: F11 and Set Use reversing Journals and optional vouchers as Yes.

For example: For Pay Projections of employees

20.2.10 Memo Voucher (Ctrl + F10)

It is a non accounting voucher which does not affect books of account. These entries are stored in a separate Memo Register. Later on, you can convert this into regular voucher.

To enable this voucher go to accounting features: F11 and Set Use reversing Journals and optional vouchers as Yes.

For example, Making suspense payments

20.2.11 Post–Dated Voucher

It is used for entering such transactions which occur frequently on a regular basis.

Example: Instalments payment for vehicle on hire-purchase

20.3 ALTERING, DELETING AND DISPLAYING VOUCHER ENTRY
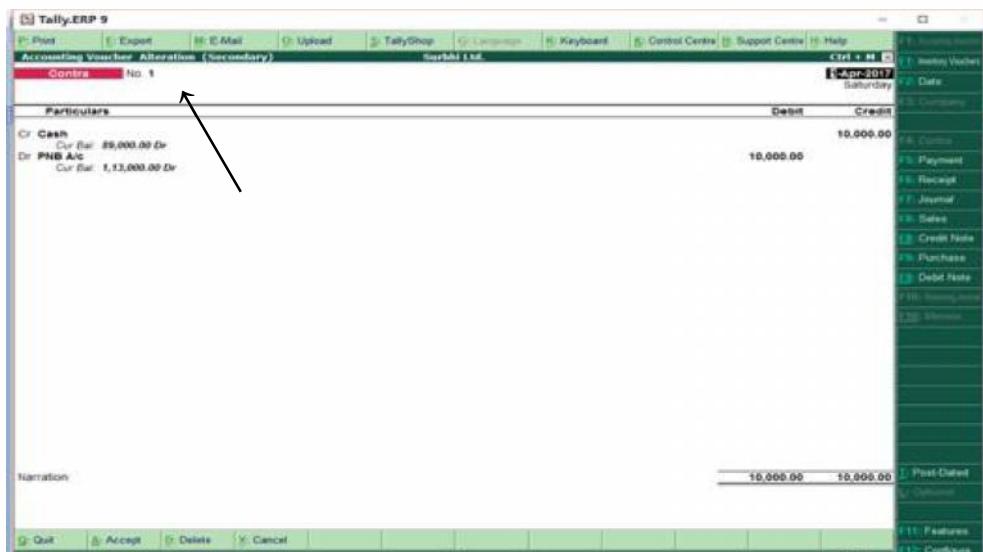
To view voucher entry done for transactions, Go to gateway of Tally and then 'Display' and then click 'Day Book' (see Fig. 20.23).
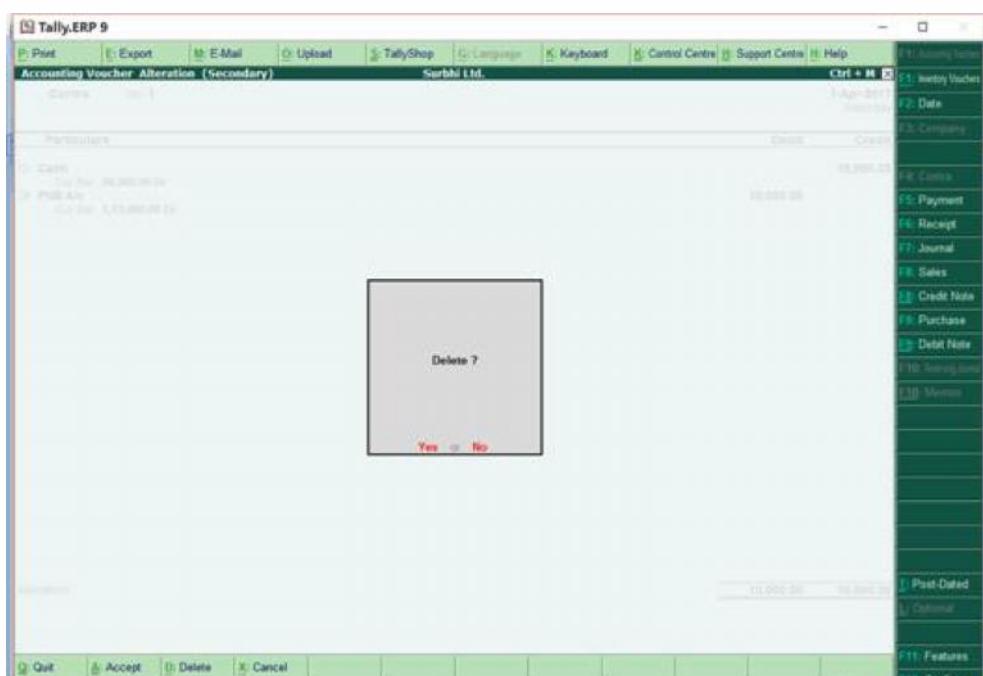
Fig. 20.23

On the vertical bar on top, Press F1: Detailed or Alt +F1 to get more details of journal entry.

To Alter any journal entry recorded in voucher, Press the specific entry and the voucher screen will appear as shown in Fig. 20.24. Now, you can alter the amount, voucher type by clicking the voucher which you wish to convert to or change any account ledger wrongly credited or debited.

Fig. 20.24

To delete any journal entry recorded in voucher, Press the specific entry and now again, the voucher screen will appear and you can delete by pressing Alt+D. When prompted accept Yes or Press Y as seen in Fig. 20.25.

Fig. 20.25

20.4 CREATING VOUCHER TYPE

Surbhi Ltd. wishes to record petty cash transactions in petty cash voucher instead of pre- defined Payment voucher.

Create New Voucher Type (see Fig. 20.26):

● Go to Accounts Info in masters in Gateway of Tally

● Click Voucher Types

● Now click Create

● Type Name- Petty Voucher class

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- Select type of voucher- Payment and under abbreviation – Pymt will come automatically

- Select method of vouching numbering as automatic

- Set allow narration in voucher as Yes and set rest as No

- Skip Print voucher after saving a No

- Skip Name of class

- Press Y or Accept Yes
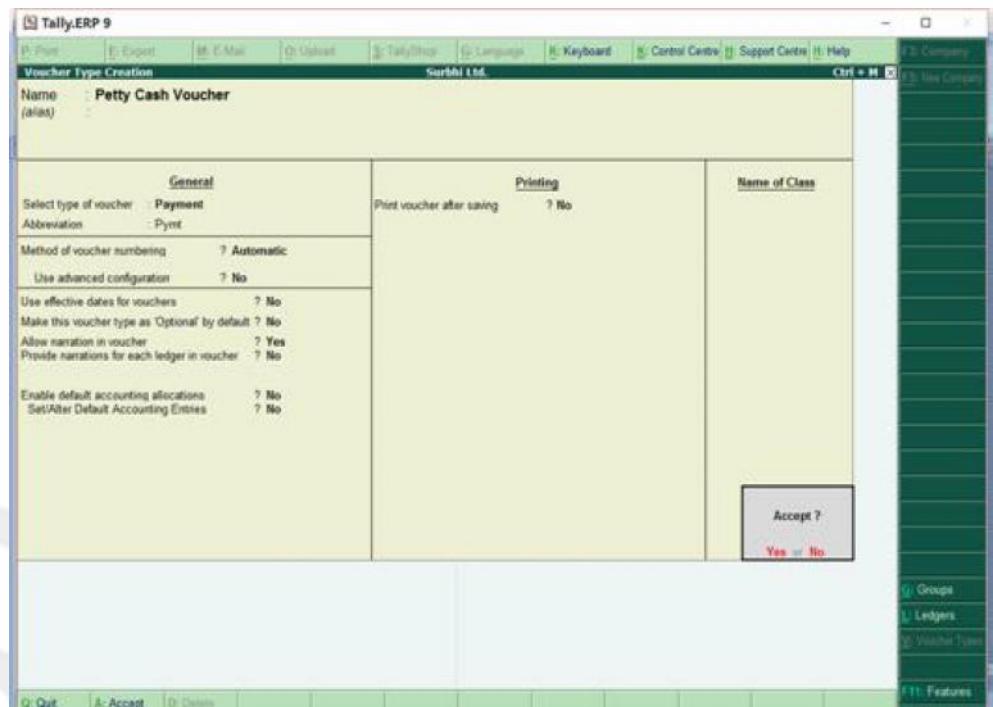
Fig. 20.26

- New Voucher class under payment is created

- Now go to accounting voucher in Gateway of Tally and click payment voucher or F5 (see Fig. 20.27).

Fig. 20.27

- Select Voucher Type: Petty Cash Voucher

- Now you can record the entry as required

- To display, alter and delete, go to Accounts Info in masters in Gateway of Tally

- Click Voucher Types

- Now click display and List of all vouchers type will be displayed and select type of voucher as required

- To alter, click alter and select voucher type then changes can be done as required

- To delete, click alter and select voucher type then press Alt +D and when promoted select Yes or Press Y

20.5 CREATING INVOICES

Tally allows creating and recording transactions as invoices as well. Example: You can record sales and purchase transactions in form of invoice. It allows recording transactions as invoice in two forms: (1) Account Invoice (to raise invoices for service rendered) and (2) Item Invoice (to raise invoice with item details).

To enable invoicing, go to F11: features and Set Allow Invoicing and record purchases in invoice mode as Yes in both accounting and inventory Feature.

Also, make sure in both sales and purchase ledger, 'Inventory values are affected' are set as 'Yes'.

20.5.1 Creating Account Invoice

For example, Surbhi Ltd. provided advisory to Ramesh Infotech Ltd. for electrical fittings for Rs 2000.

- Go to Accounting Voucher in Gateway of Tally

- Go to F8: Sales

- Click Accounting Invoice and the screen will appear as shown in Fig. 20.28.
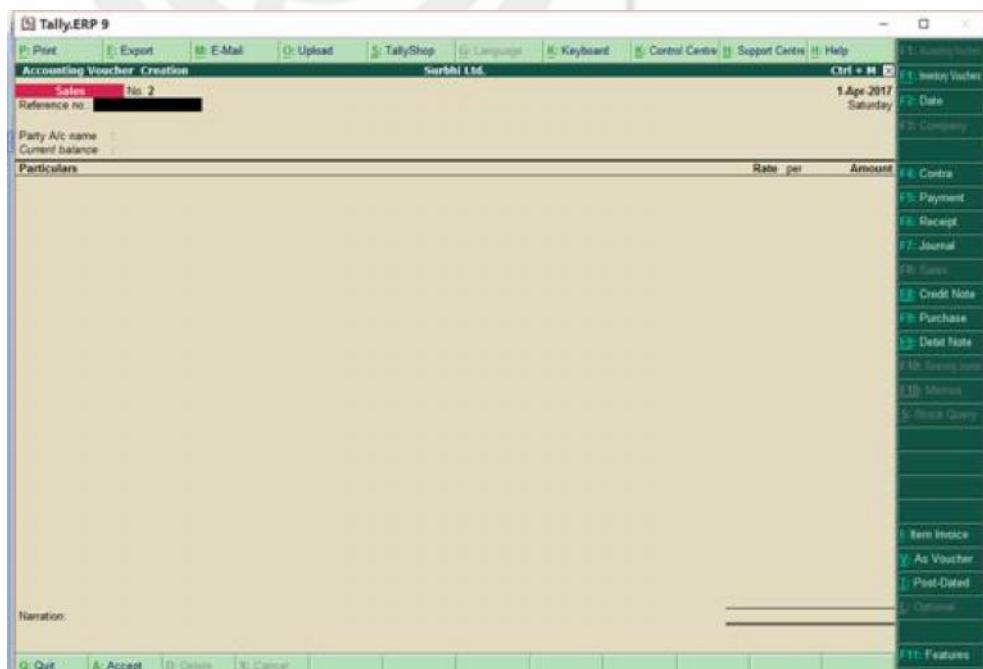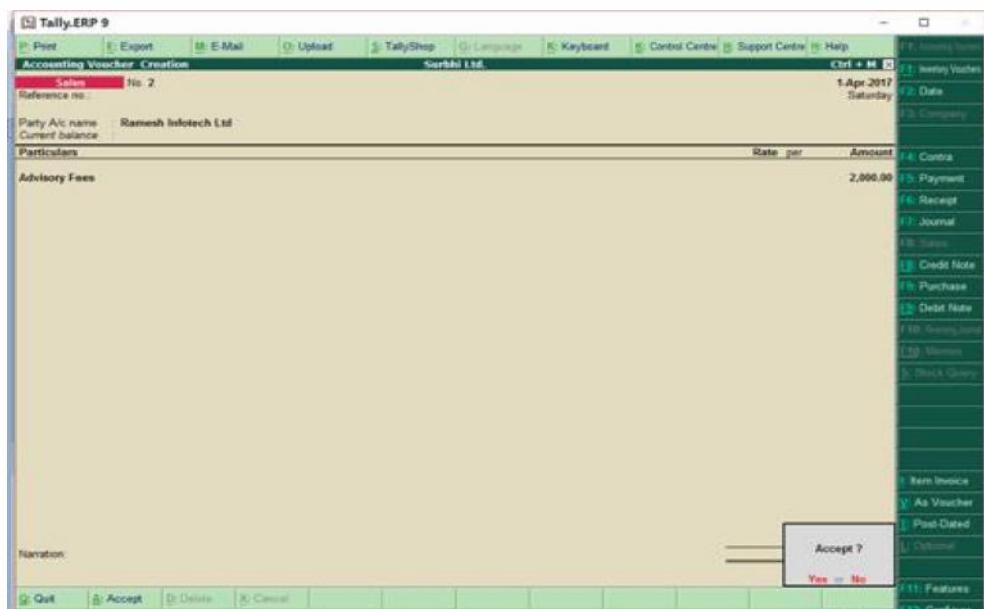
Fig. 20.28

- Select the date and enter Party name: Ramesh Infotech Ltd. (Create ledger by pressing Alt + C)

- Create Advisory Fees ledger (Alt+ C)
- Select Advisory Fees in Particulars
- Enter Rs. 2,000 as Amount

The screen shown in Fig. 20.29 will appear
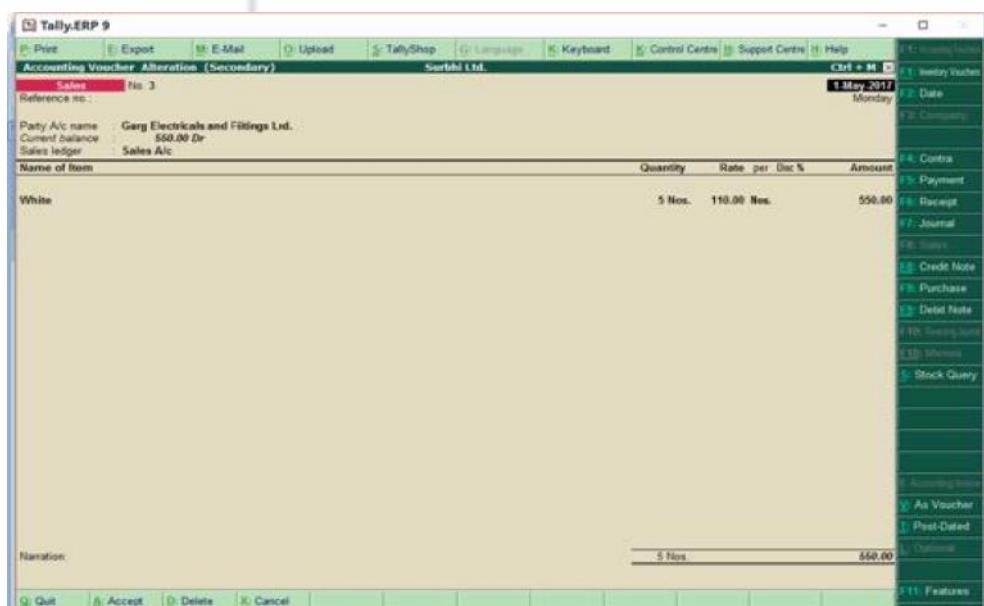
Fig. 20.29

- Enter Narration, if needed and again press enter and entry will be recorded

20.5.2 Creating Item Invoice

For example: Surbhi Ltd. sold 5 White Tubelights to Garg Electricals and Fittings Ltd. on 1st May, 2017

- Go to Accounting Voucher in Gateway of Tally
- Go to F8: Sales
- Press F12: configure and Set Use common ledger A/c for item allocation as 'Yes'
- Click Item Invoice and the screen will appear as shown in Fig. 20.30.

Fig. 20.30

- Enter Party name as Garg Electricals and Fittings Ltd. (Create ledger using Alt + C)

- Enter Sales A/c as Sales Ledger

- Enter item name, godown and quantity

- Rate and amount will be automatically displayed.

- Enter Narration, if needed and again press enter and entry will be recorded

The screen will appear as shown in Fig. 20.31
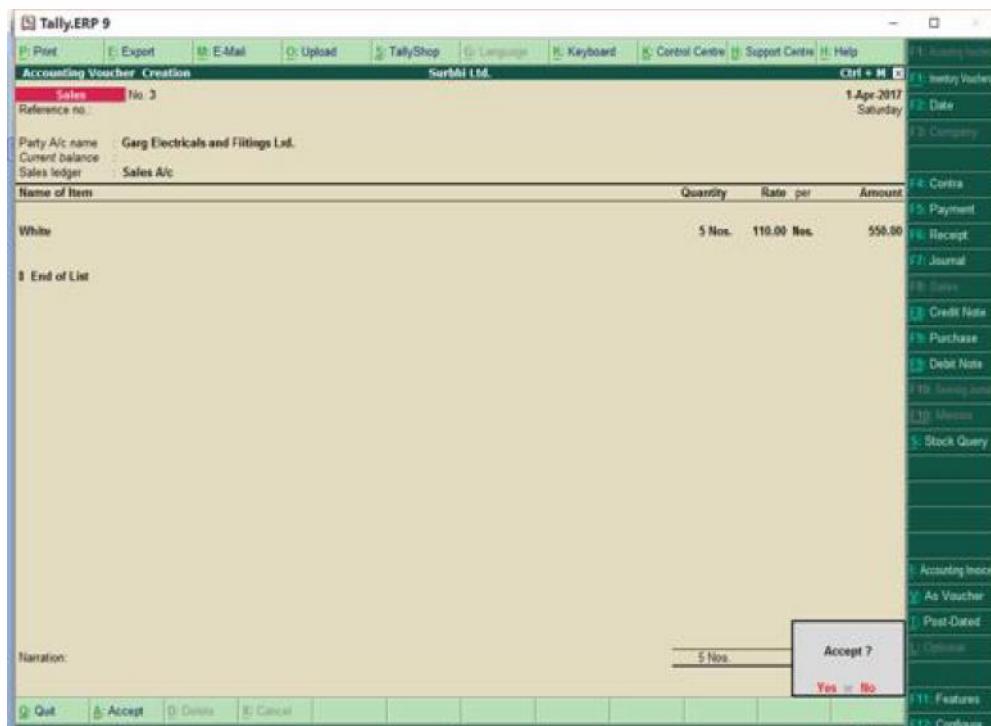
Fig. 20.31

Please Note:

Recording Discounts Transactions

Discount may be classified into two types: (1) Trade Discount which is offered at the time of purchase, for example, when goods are purchased in bulk or to retain loyal customers. (2) Cash Discount which are offered to customers as an incentive for timely payment of their liabilities in respect of credit purchases.

In books of account, trade discount is not separately shown but transactions are recorded at net value i.e. List price – Trade discount.

In tally, to record trade discount in invoices, go to inventory features and set 'Use separate discount column in invoices as 'Yes'.

And then while preparing invoice, trade discount can be recorded and final entry will be reflected at net amount only.

Suppose Surbhi Ltd. purchased 24 CFL (8 watts) bulbs @ Rs. 120/- each from Jatin Electricals Ltd. at 5% trade discount. The screen will appear like Fig. 20.32:
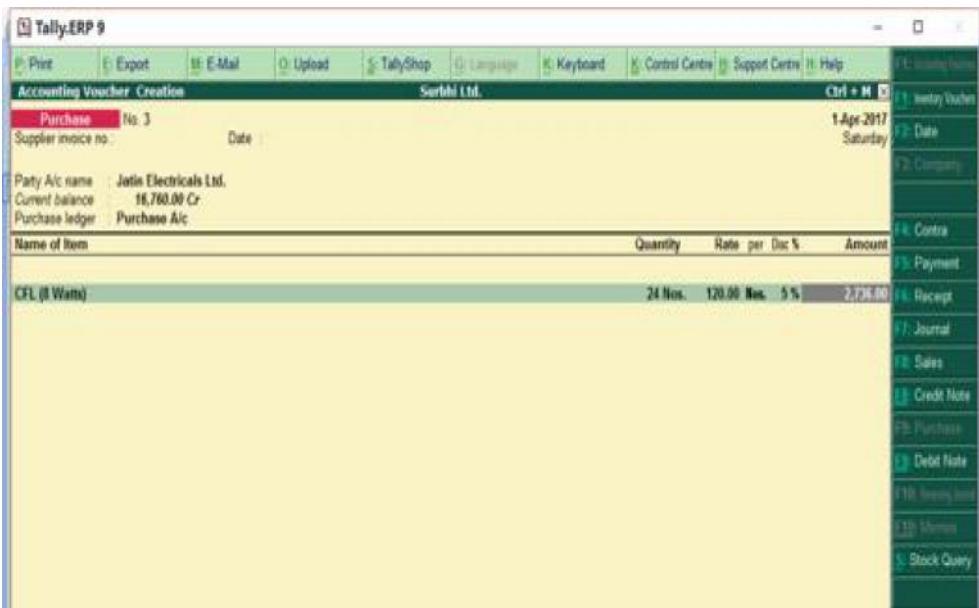
Fig. 20.32

To record cash discount, normal journal entry will be recorded in voucher. Two ledgers i.e. Discount received (Indirect Income) and Discount Allowed (Indirect Expense) will be created and then transaction will be recorded accordingly.

Check Your Progress B

1. Record the following journal entries in the books of Surbhi Ltd.

    a) Purchased Plant & Machinery for Rs. 15,000 from Rita & Sons Pvt. Ltd.

    b) Received Rs. 10,500 in final settlement from Vedant Hardware Store.

    c) Salaries paid to staff by cheque Rs. 11,000.

    d) Paid electricity bill Rs. 1,000; Municipal tax Rs. 200 in cash; Entertainment expenses Rs. 450.

    e) Withdrew Rs. 5,000 for personal use.

    f) Paid Jatin Electricals Rs. 1,500 for goods purchased.

2. Multiple Choice Questions:

    i) Which key is used to post entry in Debit note in Tally?

        a) F7   b) F8   c) Ctrl+F9   d) Ctrl+F8

    ii) Where do we record Credit purchase of furniture in Tally?

        a) Purchase b) Payment   c) Journal   d) Receipt

    iii) Sales can be entered in which format?

        a) Invoice   b) Voucher   c) Both of them   d) None of them

    iv) Which one of the invoice is/are used for service rendered?

        a) Accounting Invoice b) Item Invoice   c) Both of them

        d) None of them

20.6   LET US SUM UP

The third step after creation of company and ledgers is recording entries through vouchers. Voucher is a document that records financial transaction and serves as the proof that the transaction has been carried out. Tally helps in recording financial transactions with the help of 8 main vouchers and others like reversing journal, memorandum and post dated vouchers. The recorded transaction can be viewed in day book. In day book, one can alter or delete any voucher entry. Tally allows creating and recording transactions as invoices as well. It allows recording transactions as invoice in two forms: Account Invoice (to raise invoices for service rendered) and Item Invoice (to raise invoice with item details).

20.7   KEY WORDS

Voucher: A voucher is the primary online document for recording transactions

Contra Voucher: A voucher used to record transactions of funds transfer from bank to cash account, cash to bank account and bank account to bank account

Payment Voucher: A voucher which is used to record transactions of all payments made through bank or by cash

Receipt Voucher: A voucher which is used to record transactions of all receipt of cash or receipt through bank

Journal Voucher: A voucher which is used to record transactions which does not fit in any other voucher i.e. receipt or payment or purchase or sales or it can be used to pass adjustment entries which do not involve cash or bank

Sales Voucher: A voucher which is used to record transaction of goods sold on cash (cheque) or credit basis

Credit Note Voucher: A voucher which is used to record transactions of sold goods returned back by buyer

Purchase Voucher: A voucher which is used to record transactions of goods bought on cash (cheque) or credit basis

Debit Note Voucher: A voucher which is used to record transaction of purchase goods returned back to seller.

Accounting Invoice: An invoice created to record transactions for services rendered

Item Invoice: An invoice created to record item details

20.8   ANSWERS TO CHECK YOUR PROGRESS

A   1.   (c)   2. (a)   3. (b)   4. (b)   5. (a)

B   **2**   (i) (c)   (ii) (c)   (iii) (c)   (iv) (a)

20.9 TERMINAL QUESTIONS / EXERCISES

Exercises

Transaction	Item	Qty	Amount
Purchase from Renu Coffee Ltd.	Coffee Brewed	100	13,500
Sale to Sujeet Thandai Ltd. in cash	Thandai Rose	125	25,000
Sujeet Thandai returned goods not being upto mark		20	
Paid money to Renu in full settlement for the transaction at Sr. No. 1 above			12,800
Received from Vedanta Cold drinks in full settlement			74,500
Purchase from Sangeeta Beverages & sons	Tea Assam	50	42,500
Sale to Suruchi Cold drinks (Trade discount 10% on list price)	Cold Drink 300 ml Orange	150 units List Price Rs. 30/- each	
Purchased machinery			25,000
Paid insurance premium			4,000

Depreciation on furniture @ 20% and Machinery @ 10%
 	
 Sold all the investment
 Paid 1.   Outstanding Salaries
         2.   Electricity
         3.   Telephone
         4.   Current Salaries
         5.   Rent (including outstanding)
         6.   Tax of last year
			
			 5,00,000
			 20,000
			 10,000
			 5,000
			 50,000
			 70,000
			 2,30,000

Outstanding
   1. Total Salaries
   2. Total Provision for Tax
   3. Total Rent outstanding
			
			 50,000
			 2,40,000
			 90,000

Questions

1. Define voucher and Discuss different types of vouchers.

2. Explain how a new voucher type is created and its use?

3. What are post-dated vouchers? Explain its use.

Exercises

2. Record the following transactions in the books of Bhartiya Book Trading Company that took place during the period:

a) Goods are purchased from these parties

Party name	Stock item	Godown	Qty
Sabnis Corner	Nursery Rhyme	Linking Road	100
Helima Book Center	Maths- Calculus	Andheri (East)	200
Saraswati Store	Botany	P D Mello Road	150

b) Goods are sold to these parties

Party name	Stock item	Godown	Qty	Selling price
Janta Stationery Store	Elementary Maths Operations	Linking Road	550	75
Omtex Store	Botany	P D Mello Road	250	105
Kamal Book Store	Calculus	Andheri (East)	475	55
Janta Stationery Store	Physics	P D Mello Road	670	100

c) Withdrew Rs. 50000 from Sahakari bank for business purpose.

d) Incurred the following expenses and earned the following incomes during the period:

EXPENSES	AMOUNT (RS.)	MODE
Printing & Stationery	200	Cheque
Electricity charges	6000	Cheque
Miscellaneous expenses	820	Cash
Advertisement	1960	Cheque
Office expenses	2000	Cheque
Interest on loan	35000	Cheque
Refreshment expenses	340	Cheque
Administrative expenses	3400	Cheque
Commission received A/c	5000	Cheque

e) Charge Depreciation @ 10% on furniture, 20% on computer, and 12.5% on Machinery and 7.5% on Building

f) Received from Janta Stationery Store Rs. 1,45,000 in total for full settlement.

3. Create a Company as "Tech Comp & Sons" in Tally with Inventory Management. (Assume rest details hypothetically). Pass the following entries:

a) Sujeet started "Tech Comp & Sons" by bringing Capital Rs.10,50,000/- Cash on 1st April, 2017.

b) He deposited Rs. 5,90,000/- cash at HDFC bank and purchased building for Rs. 2,50,000 and Furniture for Rs. 50,000.

c) He purchased the following items from Computer Lab Ltd. on credit:

Computer – 5 Nos. @ 25000/- each

Mouse – 20 Nos.@ 245/- each

Sound Card – 10 Nos.@ 2000/- each

64 GB RAM – 12 Nos.@ 2700/- each

Speakers – 5 Set@ 8000/- each

LCD Monitors – 10 Nos.@ 8000/- each

Keyboard – 18 Nos.@ 450/- each

d) He made the following payments to Computer Lab Ltd. in full settlement:

Bank for Rs. 4,50,000

Cash for Rs. 1,50,000

e) He sold the following items to Somnath Traders in Cash:

Computer – 3 Nos. @ 32,500/- each

64 GB RAM – 5 Nos. @ 3,200/- each

Mouse –2 Nos. @ 300/- each

f) He sold the 2 set of speakers & 10 Nos. of LCD Monitors worth Rs. 24,200/- & Rs. 85,000/- to Crack My PC.

g) He received Rs. 36,000/- as commission from Seva Kendra Hub by cash for consultancy services.

h) He paid House Rent for Rs. 5,000/- by cash.

i)   He withdrew Rs. 25,000/- cash from Bank for personal use.

j)   He purchased furniture for Rs. 25,000/- by cash for office use.

k)   He paid electricity bill, salaries and miscellaneous expenses for Rs. 1,200/-, Rs. 10,000/- and Rs 860/- respectively by cash.

UNIT 21 PREPARATION OF REPORTS

Structure

21.0   OBJECTIVES

After studying this unit, you will be able to:

● display financial statements and inventory reports in Tally; and

● customize and analyse reports.

21.1   INTRODUCTION

After recording transactions, Tally helps user to view different reports to assess the financial health and performance of the firm. As soon as the transactions are entered into the tally, the preparation of reports is done by Tally automatically The tally software creates automatically all crucial and important financial statements like balance sheet, profit and loss account, stock summary, trial balance, day book etc. The user can reach to the transaction level from report by pressing enter key on the required item. The reports can be customized as well as per user needs.

21.2   FINANCIAL STATEMENTS

Financial Statements shows the financial health of the business. It summarizes the business transactions for use by the various stakeholders. Financial statements include:

a) Balance Sheet   b) Profit and Loss Account c) Cash Flow Statement

21.2.1   Balance Sheet

It is a financial statement that reports the financial position of the business as on a specific data. It shows a balance between assets and liabilities signifying Assets = Liabilities + Capital

You can view balance sheet on Gateway of Tally under Reports. Alternatively, if you have set 'Use separate menu for Final Accounts Statements as 'yes' in General Configurations, then you can find balance sheet under 'Final Accounts'.

The balance Sheet of Surbhi Ltd. will appear as seen in Fig. 21.1.

Fig. 21.1

You can view detailed balance Sheet by using F1: Detailed or in condensed form.

Also you can see the balance sheet on different dates like on 1st April, 2017 and 1st May, 2017 and the same will show effect on stock valuation on different dates.

The balance sheet gets updated automatically after each transaction once recorded.

21.2.2 Profit and Loss Account

Profit and Loss Account or Income and Expenditure Statement is a financial statement which shows the revenues, cost and expenses for a specified period. It gets updated automatically after each transaction and displays information based on primary groups.

You can view Profit and Loss Account on Gateway of Tally under Reports. Alternatively, if you have set 'Use separate menu for Final Accounts Statements as 'yes' in General Configurations, then you can find Profit and Loss Account under 'Final Accounts'. You can view detailed Profit and Loss Account by using F1: Detailed or in condensed form.

The Profit and Loss Account of Surbhi Ltd. will appear as shown in Fig. 21.2.

Fig. 21.2

Also you can see the Profit and Loss Account on different dates like on 1st April, 2017 and 1st May, 2017 and the same will show effect of stock and expenses and income on different dates.

21.2.3 Trial Balance

A trial balance is a book-keeping worksheet in which the balances of all ledgers are compiled into debit and credit columns. The objective is to ensure arithmetical accuracy. The total of debit and credit should be equal. A trial balance is usually prepared at the end of reporting period.

You can view Trial Balance on Gateway of Tally under Reports and by using F1: Detailed or in condensed form.

The Trial Balance of Surbhi Ltd. will appear as in Fig. 21.3.

Fig. 21.3

21.2.4 Ratio Analysis

Ratio Analysis is a form of financial statement analysis that is used to obtain a quick indication of a firm's financial performance in several key areas. It evaluates the firms or business on various aspects like liquidity, efficiency, profitability and solvency. The ratios are categorized as Short-term Solvency Ratios, Debt Management Ratios, Asset Management Ratios, Profitability Ratios, and Market Value Ratios.

You can view Ratio Analysis on Gateway of Tally under Reports. Alternatively, if you have set 'Use separate menu for Final Accounts Statements as 'yes' in General Configurations, then you can find Ratio Analysis under 'Final Accounts'.

The Ratio Analysis of Surbhi Ltd. will appear as shown in Fig. 21.4.

Fig. 21.4

21.3 BOOKS AND REGISTERS

Tally updates all books, ledgers and registers as soon as the transactions are entered.

21.3.1 Day Book

It displays all the transactions recorded through vouchers i.e. journal entries. It displays the last date transactions that are recorded for the business. So you can view entries of specific date by changing the date. You can see F2: Date on vertical button panel or press F2 from Keyboard.

You can view Day Book under Display on Gateway of Tally. The Day book of Surbhi Ltd. will appear as in Fig. 21.5 and 21.6 for two periods (April & May). Please note that the entries are shown on 1st April, 2017 as author is working on educational mode.

Fig. 21.5

Fig. 21.6

21.3.2 Purchase and Sales Register

Purchase and sales register shows the details about the purchases made and goods sold by the firm or business and also help in tracking movement of goods to godowns. It can also display the purchases made in graphical form if you set the 'Show graphs in monthly reports' under General Configurations as 'Yes'.

You can view Purchase and sales register under Accounts Book under Display on Gateway of Tally. The Purchase and Sales Register of Surbhi Ltd. will appear as in Fig. 21.7 and 21.8.
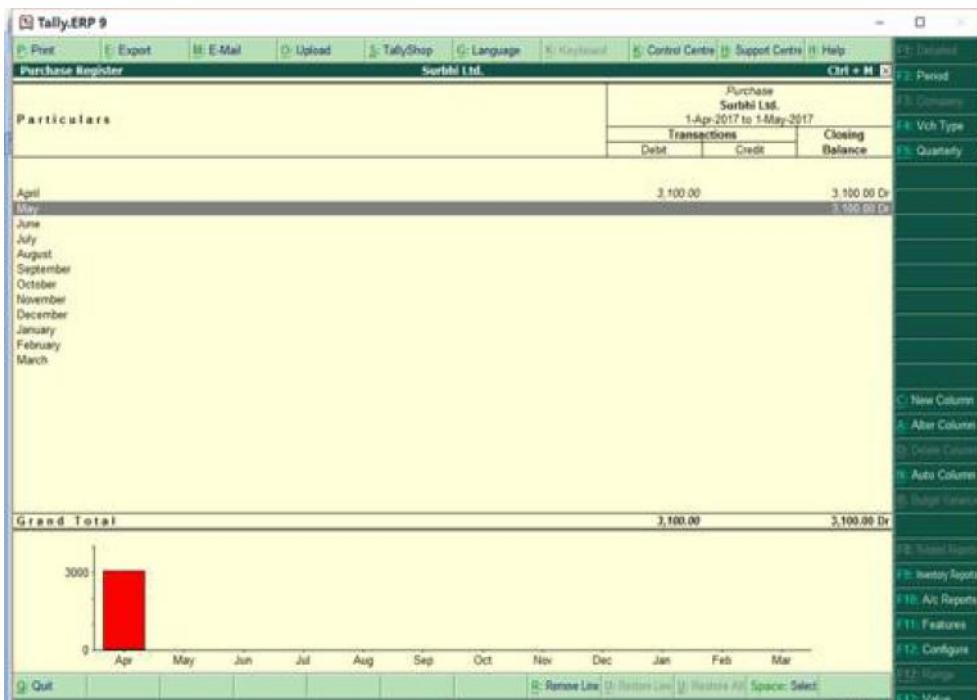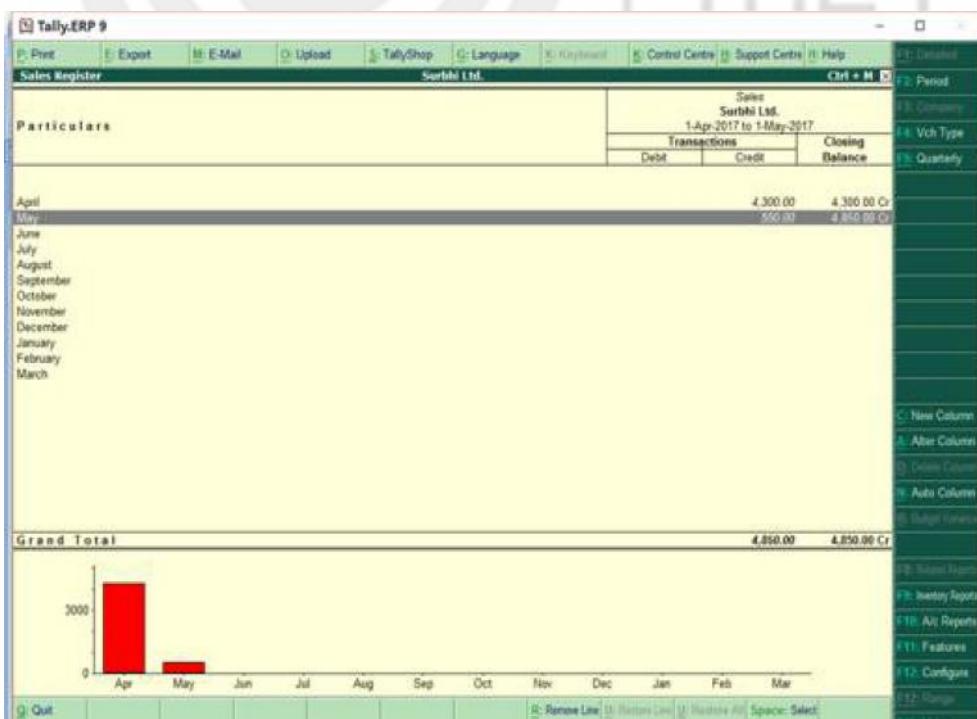

Fig. 21.7

Fig. 21.8

21.3.3 Cash /Bank Books

It displays balances as and when transactions that affect cash and bank balances are recorded. You can view Cash/ Bank Books under Accounts Book under Display on Gateway of Tally. If you press enter on cash, you can view monthly ledger summary as well. The Cash/ Bank Books of Surbhi Ltd. will appear as shown in Fig. 21.9 and 21.10.
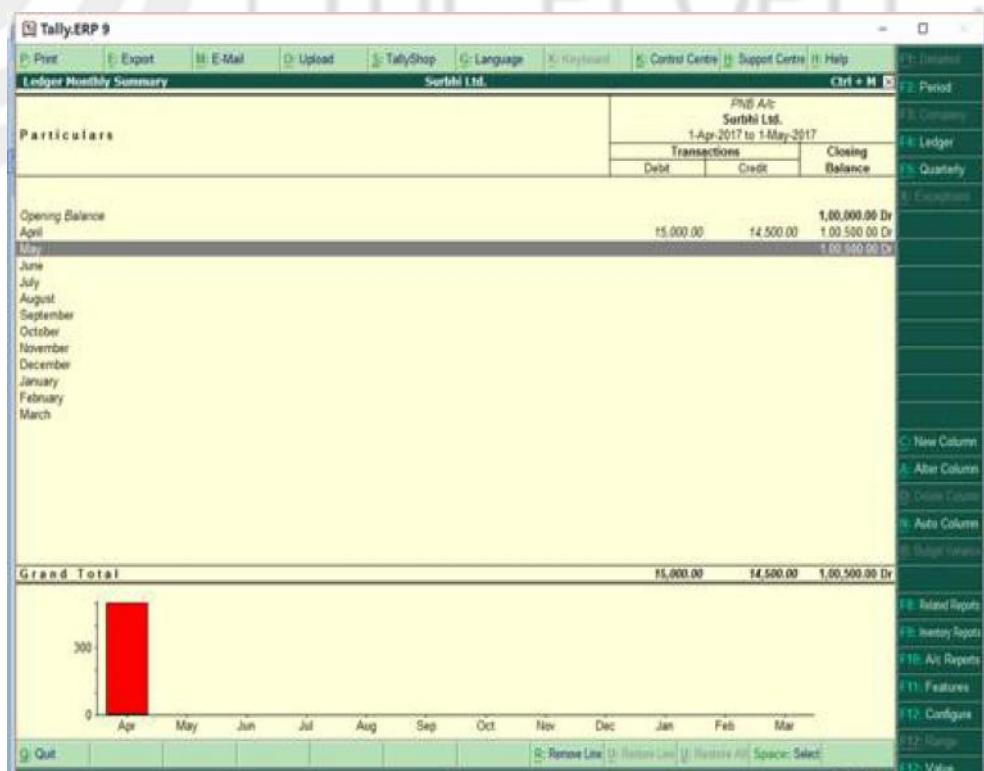

Fig. 21.9

Fig. 21.10

21.4 STATEMENT OF ACCOUNTS

It displays receivables and payables of the business or firm. They form important part of working capital. They help in knowing about the financial health as well as short term liquidity position of the firm or business. To view Outstandings, go to gateway of tally, then display and then statement of accounts. Within Outstandings, you can find receivables and payables and Ledger and group as shown in Fig 21.11.

Fig. 21.11

Bills Receivables (see Fig. 21.12) and Payables (see Fig. 21.13) display the sundry debtors' and creditors' bill wise till date. To view bill wise details, set this option as 'yes' under accounting features.

Fig. 21.12

Fig. 21.13

Similarly, you can view ledgers and group wise Outstandings as well.

21.5 STATISTICS

Statistics help in knowing the total masters and vouchers created for business transactions. To view Statistics, go to gateway of tally, then display and then statement of accounts (Fig. 21.14).
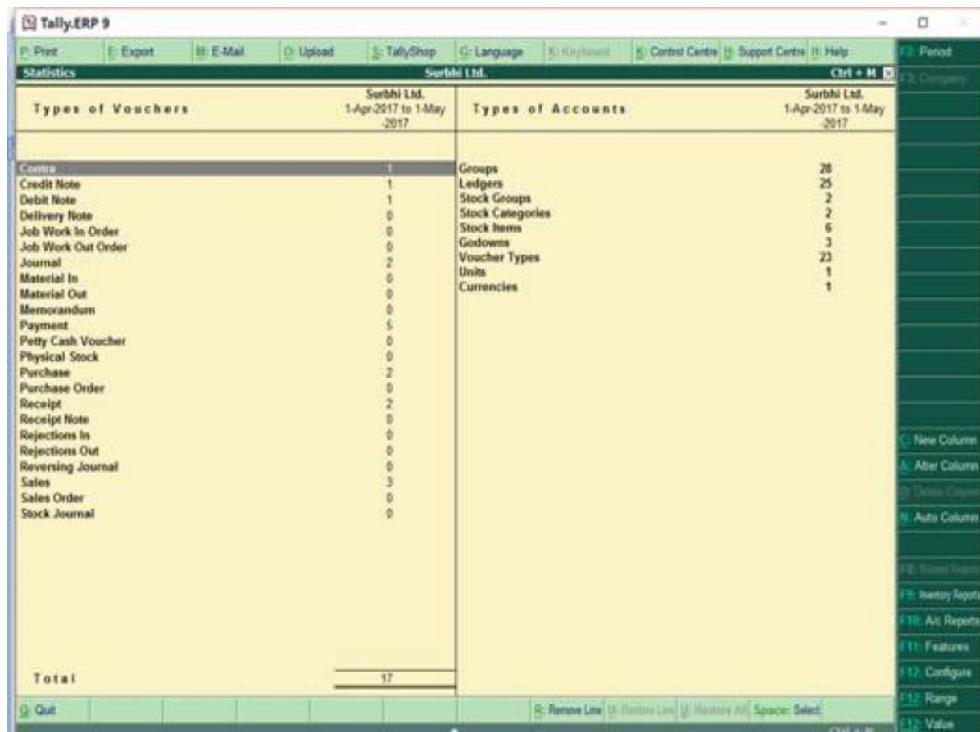
Fig. 21.14

You can also view stock summary by clicking 'Stock Summary' on gateway of tally under reports (Fig. 21.15).

Fig. 21.15

Receipts and Payment account can be viewed under display menu (Fig. 21.16).
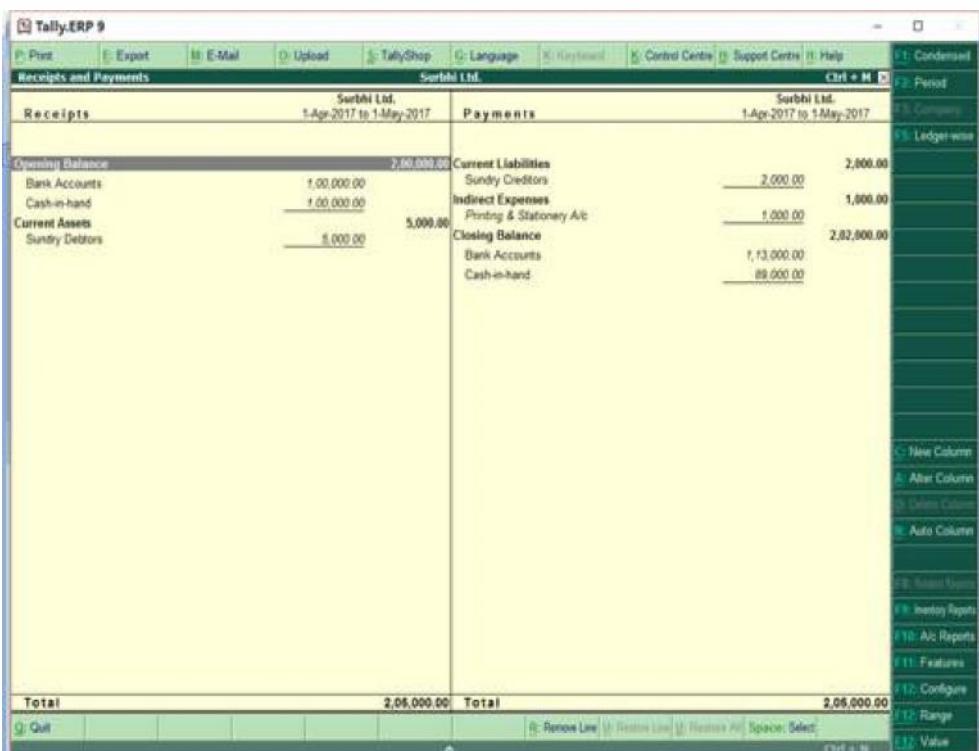
Fig. 21.16

21.6 RESTORE AND BACKUP OF DATA

Backup

Backup is a process of creating a copy to protect data at different location from threat of data loss and data corruption. It can be taken daily or weekly or monthly depending upon business need. Tally allows you to do backup of data manually and automatically. To automatically back up data set 'Enable auto back' as 'Yes' in Company Info under alter.

The data can be manually backup by going to Gateway of Tally, then Company Info and then, backup.

The 'backup companies on Disk' appears and by default, the source folder is set to current location where data files are stored. In destination, enter where data backup need to be store and press enter. Then select the company or companies from list of Companies you want to create backup for and then, End of List.

Restoring Data from Backup File

It allows you to restore the data backup taken earlier. It can be done manually or auto back also. To restore it, go to company info and then restore.

The restore companies on Disk appear into two sections: Backup and Auto Back. In destination field, specify where data has to be restored and in source field, where data backup is stored. Then select the company or companies you wish to restore.

Check Your Progress A

1. Fill in the blanks –

   a) Daybook displays the transaction belonging to .... date.

   b) Ledger outstanding statement displays .... bills and settled invoices.

   c) For detailed view of any report .... key is used.

   d) Bills receivables details can be viewed under .... under statements of accounts.

   e) The status report displays .... for company.

21.7 LET US SUM UP

The preparation of reports is the last step in Tally ERP.9. The user need not to prepare reports, but it automatically gets prepared as each transaction is entered in Tally ERP.9. The reports which are critical for determining financial health & performance of business are reflected on main pane on gateway of Tally under 'Reports'. These include Balance Sheet, P&L A/c, Stock Summary and Trial Balance. Others like Day Book, Receivables, Payables, Cash/Bank Book can be found under Display under Reports.

21.8 KEY WORDS

Balance Sheet: It is a financial statement that reports a business financial position as on a specific data. It shows a balance between assets and liabilities.

Day Book: It displays all the transactions recorded through vouchers i.e. journal entries. It displays the last date transactions that are recorded for the business.

Financial Statement: Financial Statements shows the financial health of the business. It summarizes the business transactions for use by the various stakeholders.

Outstandings: It displays receivables and payables of the business or firm. They help in knowing about the financial health as well as short term liquidity position of the firm or business.

Payables: Bills Payables display the sundry creditors' bill wise till date.

Profit & Loss Account: A financial statement which shows the revenues, cost and expenses for a specified period.

Purchase Register: Purchase register shows the details about the purchases made by the firm or business and also help in tracking movement of goods to godowns.

Receivables: Bills Receivables display the sundry debtors' bill wise till date.

Sales Register: Sales register shows the details about the goods sold by the firm or business and also help in tracking movement of goods from godowns.

21.9 ANSWERS TO CHECK YOUR PROGRESS

1. a) Last voucher entry

    b) History or pending

    c) Alt+F1

    d) Outstandings

    e) Both the masters & vouchers created

21.10 TERMINAL QUESTIONS/EXERCISES

Questions

1. Write short note on 'Preparation of Reports'?

2. What books and registers or financial statements can be viewed in Tally ERP.9? Name them.

3. Display the following reports in the books of :

    i)   S Bose Beverages Ltd.

    ii) Bhartiya Book Trading Company

    iii) Tech Comp & Sons

Balance Sheet	Trial Balance
P&L A/c	Purchase & Sales Register
Day Book	Outstandings

21.11   APPENDIX1>1SHORT-OUT KEYS IN TALLY

Window Key	Functionality	Availability
Fl	To select a company To select the Accounts Button and Inventory Buttons	At all Master Menu screen At Accounting/Inventory Voucher Creation and alteration screen.
F2	To change the menu period	At almost all screens in Tally
F3	To select the company	At almost all screens in Tally
F4	To select the Contra Voucher	At Accounting/Inventory Voucher Creation and alteration screen
F5	To select the Payment Voucher	At Accounting/Inventory Voucher Creation and alteration screen
F6	To select the Receipt Voucher	At Accounting/Inventory Voucher Creation and alteration screen
F7	To select the Journal Voucher	At Accounting/Inventory Voucher Creation and alteration screen
F8	To select the Sales Voucher	At Accounting/Inventory Voucher Creation and alteration screen
F8 (Ctrl +F8)	To select the Credit Note Voucher	At Accounting/Inventory Voucher Creation and alteration screen
F9	To select the Purchase Voucher	At Accounting/Inventory Voucher Creation and alteration screen
F9 (Ctrl +F9)	To select the Debit Note Voucher	At Accounting/Inventory Voucher Creation and alteration screen
F10	To select the Memorandum Voucher	At Accounting/Inventory Voucher Creation and alteration screen
F11	To select the Functions and Features screen	At almost all screens in Tally
FI2	To select the Configure	At almost all screens in Tally
Alt + 2	To Duplicate a voucher	At list of Vouchers - creates a voucher similar to the one where you positioned the cursor and used this key combination
Alt + A	To Add a voucher	At list of Voucher - adds a voucher after the one where you positioned the cursor and used this key combination

Alt + C	To create a master at a voucher screen (if it has not been already assigned a different function, as in reports like Balance Sheet, where it adds a new column to the report)	At voucher entry and alteration screens, at a field where you have to select a master from a list. If the necessary account has not been created already, use this key combination to create the master without quitting from the master screen
Alt + D	To Delete a voucher To delete a master (if it has not been already assigned a different function)	At Voucher and Master (Single) alterations screens. Master can be deleted subject to conditions, as explained in the content before
Alt + E	To export the report in ASCII, SDF, HTML or SML format	At all reports screen in Tally
Alt + I	To inselt a voucher	At list of Vouchers - inserts a voucher before the one where you positioned the cursor and used this key combination
Alt + P	To print the report	At all reports screen in Tally
Alt + X	To cancel a voucher in Day Book/List of Vouchers	At all reports screen in Tally
Alt + R	To Register Tally	At Licensing Menu in Tally
Ctrl + G	To select the Group	At Groups/Ledgers/Cost Centres/B ud gets/Scenarios/ Voucher Types/Currencies (Accounts Info) creation and alteration screen
Ctrl + 1	To select the Units	At Stock Group/Stock Categories/Stock Items/Reorder Levels/Godowns/Voucher Types/ Units of Measure (Inventory Info) creation and alteration screen
Ctrl + O	To select the Godown	At Stock Group/Stock Categories/Stock Items/Reorder Levels/Godowns/Voucher Types/ Units of Measure (Inventory Info) creation and alteration screen
Ctrl+Alt+R	Rewrite data for a company	From Gateway of Tally screen
Ctrl+S	Allow you to alter Stock from master	At Stock Voucher and Godown Voucher Report

Ctrl+U	To select the Units	At Stock Group/Stock Categories/Stock Items/Reorder Levels/GodownsN oucher Types/ Units of Measure (Inventory Info) creation and alteration screen
Ctrl+V		At Groups/Ledgers/Cost Centres/B udgets/Scenarios/ Voucher Types/Currencies (Accounts Info) creation and alteration screen

Window Combination Used for Navigation

Windows Key	Functionality	Availability
PgUp	Display previous voucher during voucher entry/alter	At voucher entry and alteration screen
PgDn	Display next voucher during voucher entry/alter	At voucher entry and alteration screens
Enter	To accept anything you type into a field	You have to use this key at most area in Tally
Esc	To remove what you typed in a field To come *out* of a screen To indicate you do not want to accept a voucher or master	At almost all screens in Tally

<u>ACKNOWLEDGEMENT</u>