Financial Accounting with Tally

Unit-III

What is the budget in Tally?

A budget is a spending plan based on income and expenses. In other words, it's an estimate of how much money you'll make and spend over a certain period of time, such as a month or year. In Tally, you can create budgets and also alter or delete a budget. In case there is a budget variance, you can also view the same and analyze reasons for such variance. You can modify a budget using the alter option. You can also delete a budget. Multiple budgets can be created for specific purposes in Tally.

Activating Budgets Feature
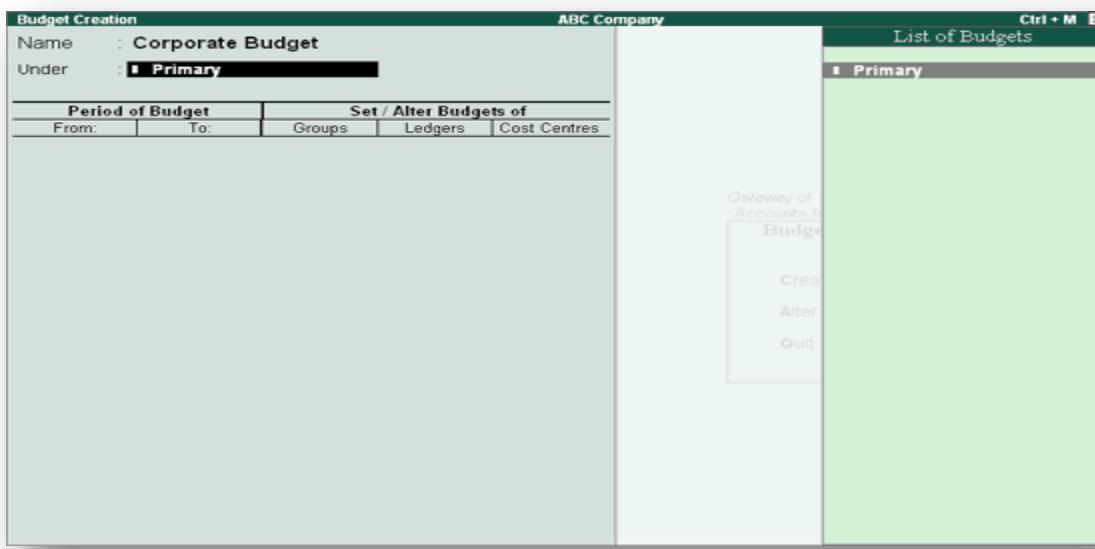
To activate the Budgets feature in Tally.ERP 9:

1. Select **F11: Features > F1: Accounting Features**.

2. Set **Maintain Budgets and Controls?** to **Yes**.

3. **Accept** to save.

Create a budget

In Tally.ERP 9, you can create a budget for groups, ledger accounts, and cost centres.

1. Go to **Gateway of Tally** > **Accounts Info.** > **Budgets** > **Create** .
2. Enter a **Name** for your budget in the **Budget Creation** screen.
3. Select from the List of Budgets for **Under** field. You can have a hierarchical setup for budgets. In the List of Budgets, Primary is at the top of the hierarchy and you can create more primary budgets. Sub-budgets can be created under Primary budgets.
4. Enter the period of the budget in the **From** and **To** fields. The period entered can be a month, a year or any other period.
5. In **Set/Alter Budgets of,** select

   o **Groups** - To create a budget for a Group of ledger accounts.

   o **Ledgers** - To create a budget for Ledgers.

   o **Cost Centre** - To create a budget for Cost Centre.
6. Press **Ctrl+A** to accept.

Alter a Budget

1. Go to **Gateway of Tally** > **Accounts Info** > **Budgets** > **Alter.**
2. Modify the fields as required, i n the **Budget Alteration** screen.
3. Change the period or change budgets of **Groups** , **Ledgers** , and **Cost Centre** .

Delete a Budget

1. Go to Gateway of Tally > **Accounts Info** > **Budgets** > **Alter** .
2. Press **Alt+D** to delete.

View Budget Variance

Budget Variance report can be viewed from the **Trial Balance** , **Group Summary** and **Monthly Summary** . **Budget Variance** is active if the option **Maintain budgets and controls** is enabled in **Accounting Features,** and at least one budget is created.

1. Go to **Gateway of Tally** > **Display** > **Trial Balance** .

2. Click **Ctrl+B** to view budget variance, as shown below .

3. Select the required budget to view the **Corporate Budget** , the **Actuals** , and the **Corporate Budget Variance** , as shown below.

Corporate Budget displays the values of the budget, which is already defined.

Actual displays the values of actual expenditure incurred.

Corporate Budget Variance displays the values of the variance of the **Actual** and the **Corporate Budget,** that is, **Corporate Budget - Actual** = **Corporate Budget Variance.**

Note: If **Budget Variance** shows a negative value, then the actual expenditure has exceeded the budgeted value.

Credit Limits and Credit Period

Credit Limits

Credit Limit is the monetary limit up to which the buyer can purchase from a seller on credit. This limit is agreed upon mutually by the seller and the buyer. Credit limits can be set for ledgers created under the groups **Sundry Debtors** and **Sundry Creditors** .

Credit Period

Credit period can be either specified in No. of days or the due date (for eg., 31.10.09) and are calculated from the Voucher date or Invoice date or the effective date, as applicable i.e., if only Voucher Date exists, it is considered as the effective date for calculation for Credit Days otherwise if effective date is specified in the Voucher, it is considered for calculation for due date.

Enable and Set Credit Limit & Credit Period

You can set credit limits for ledgers accounts grouped under Sundry Debtors and Sundry Creditors at the time of ledger creation or from the alteration screen or also at the time of invoicing.

Go to **F11 Features** > **Accounting Features** > e nable the option **Maintain budgets and controls.**

Set credit limits for single ledger

1. Go to **Gateway of Tally** > **Accounts Info.** > **Ledgers** > **Create** or **Alter**
2. Select the required party ledger from the list of ledgers to set credit terms .

Ledger Creation

Name	: Trader A
(alias)	:

Total Op. Bal.

Under	:	Sundry Creditors
		(Current Liabilities)
Maintain balances bill-by-bill	?	Yes
Default credit period	:	30 Days
Check for credit days during voucher entry	?	Yes
Set Credit Limit	:	2,00,000.00 Cr
Override Credit limit		
using post-dated transactions	?	No
Inventory values are affected	?	No

3. Set the required credit limit.

4. Enable the option **Override Credit limit using post-dated transactions,** if required.

Set credit limits for multiple ledgers

1. Go to **Gateway of Tally** > **Accounts Info.** > **Ledgers** > **Credit Limits** .

2. Select the required group of ledgers from the **List of Groups** to set credit terms.

The **Multi Ledger Limit Alteration** screen appears as shown below. The list of ledger accounts under the selected group is displayed.

Multi Ledger Limit Alteration   ABC Company   Ctrl + M

Under Group	: South Debtors			1-Apr-2014 to 12-Jan-2015

S.No.	Name of Ledger	Credit Limit	Credit Period	Check for Credit Days during Voucher Entry
1	All India Computer Institute	1,00,000.00 Dr	60 Days	Yes
2	Arvind Kumar	1,00,000.00 Dr	60 Days	Yes
3	AVT Computers	1,00,000.00 Dr	60 Days	Yes
4	Best Systems Pvt Ltd	1,00,000.00 Dr	60 Days	Yes
5	Computer Junction	50,000.00 Dr	30 Days	No
6	Fortune Computer Services	50,000.00 Dr	30 Days	Yes

3. Set **Credit Limit** , **Credit Period** , and **Check For Credit Dates During Voucher Entry** in the **Multi Ledger Limit Alteration** screen .
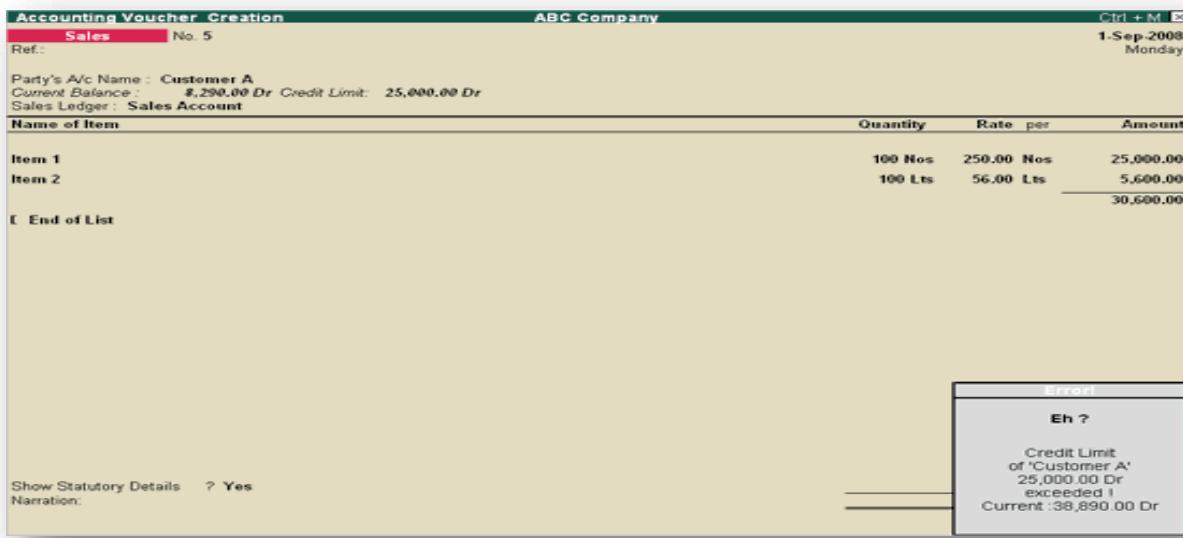
To view this report for a different group

● Press **Ctrl+F4** .

● Change the group in the **Select Group** screen.

Check on exceeding credit limit

During voucher entry, if the credit limit is exceeded, at the time of accepting the voucher, an error message is displayed.

The error message shows the credit limit defined for the party and the amount exceeded as shown below:

You can however,

- Enter a lower value (within the prescribed credit limit) to complete the entry, or
- Enable the option **Override credit limit using post-dated transactions?** in the party ledger.

This feature helps in restricting invoicing for the customers or parties exceeding the prescribed credit limits and thereby facilitating better and effective control of the outstanding.

Job Costing

Job costing is a form of specific order costing, which applies to a job undertaken according to customer requirements and specifications. Tally.ERP 9 enables the tracking of cost and revenue information like material, labour, and overhead for a specific job down to the smallest detail. With a view to ascertaining the actual costs incurred for each job, each job is assigned a job number or a job name.

You can use Job Costing for the following:

- To determine the actual cost for each job, location-wise
- To determine the revenue and expenditure and therefore the profit associated with each job
- To track overhead costs by allocating them for each job
- To identify loss on projects at an early stage

Enable Job Costing Feature

Job costing is available for companies that maintain accounts with inventory. To use job costing, cost centres and multiple godowns have to be enabled for the company.

Enable job costing

1. Go to **Gateway of Tally** > **F11: Company Features** (**F1: Accounting features**).
2. Set the option **Maintain cost centres?** to **Yes** .
3. Enable the option **Use cost centre for job costing** .
4. Press **Crl+A** to save.

Enable multiple godowns

1. G o to **Gateway of Tally** > **F11: Company Features** (**F2: Inventory features**).
2. Set Maintain multiple Godowns to Yes .
3. Press **Crl+A** to save.

Note: For companies, that have enabled the option Maintain accounts only , the option **Use Cost Centre for Job Costing?** will not be available.

Voucher Class

Voucher Classes are used to automate accounting allocations in transactions. It is a table for predefining the entries to make invoice entry a simple task. This is useful in sales invoicing where the nominal ledger accounts to be credited for each item of sale is defined once.

During voucher entry, the accounting credits for items sold are done automatically. Additional accounting entries like tax, freight, and other charges, can be predefined to be carried out untouched during actual invoicing.

Voucher Classes are available for all major voucher types like Contra, Payment, Receipt, Journal, Sales, Credit Note, Purchases, Debit Note, Sales Order, Purchase Order, Delivery Note, Stock Journal and Payroll.

Create payment voucher class

You can either alter the existing **Payment Voucher Type** or create a new voucher type based on your requirements.

● Go to **Gateway of Tally** > **Accounts Info** > **Voucher Types** > **A lter > Payment.**

● Take the cursor to the **Name of Class** field. Give a name to the class say Cash Payment. You can create more than one class.

● **Exclude these Groups and Include these Groups** : Using this option, you can select only those groups pertaining to the Class, which makes the entry simpler.

● **Ledger Name** : Selecting the ledger account that will be used to pay out the money will eliminate the need to select it during entry. In this case, it is Cash Account. While passing the payment voucher, the Cash-Location B account will be automatically selected. You may even select 'Not Applicable'. The purpose of selecting 'Not Applicable' will be, to permit Single Entry mode and at the same time retaining the option of selecting the account during entry.

Note: Exclude or **Include** Groups are irrelevant when you specify a Ledger Name for which the class is created. They are useful when you select **Not Applicable** .

Record Payment with Voucher Class

Select **Accounting vouchers** from **Gateway of Tally** . Press **F5: Payment** . You have to select a class or **Not Applicable** , if no class is desired for this entry. If **Cost Centre Class** has been set, it can also be selected.

The entry will be made as follows:

The **Voucher Class** is **Cash dPayment.** Once the voucher class is selected, the Cash Ledger is automatically selected and you need to select only the Ledgers which are to be debited. Please note that the entry is not done in the regular **Dr/Cr** format. Data entry in Tally.ERP 9 is very rapid.

Transfer Journal Voucher

Tally.ERP 9 allows you to transfer materials from one Godown to another. The transfer of materials is done using the Transfer Journal Voucher.

To create **Stock Journal** for **Inter - Godown Transfers**,

Go to **Gateway of Tally > Inventory vouchers > Alt+F7** for **Stock Journal** and select the class.

- Pass the stock transfer entry.

Printing Stock Transfer Voucher

Press **Alt+P** to print the **Stock Transfer Journal** Voucher

F12: Print Configuration


```
Stock Journal Printing Setup

Height of Voucher (inches)        : 7
Width of Voucher (inches)         : 5

Print Serial No.                  ? No
Print Part No.                    ? No
Print Rate Column                 ? Yes
Print Amount Column               ? Yes
Destination Godown on Top of Voucher ? Yes
Print Narration                   ? No
Print Godown Address              ? Yes

Method to use for Stock Item Name : Name Only
Space to leave on top (default 0.25) : 0.25
Space to leave on left (default 0.75) : 0.75
Print Base Currency Symbol for Total ? Yes
```

While printing Stock Transfer Voucher, set the options **Destination Godown on Top of Voucher** and **Print Godown Address** to **Yes**.

- Enabling the option **Destination Godown on Top of Voucher** will display the **Destination Godown** name on the top of the voucher instead of printing as separate rows

- Enabling the option **Print Godown Address** will display the godown address as mentioned in the **Godown Creation/Alteration** screen


```
                        ABC Company

                   Stock Journal Voucher
No.   : 1                           Dated  : 1-Apr-2008

Destination Godown          : Godown A
Item Name              Godown
                              Quantity    Rate      Amount

Source Godown:
Item A                 Main Location
                       No. 347,
                       Hosur Main Road,
                       Bommanahalli,
                       Bangalore - 560065
                              10 nos  10.00/nos      100.00
Item B                 Main Location
                       No. 347,
                       Hosur Main Road,
                       Bommanahalli,
                       Bangalore - 560065
                              15 nos  10.00/nos      150.00
                              25 nos             ₹ 250.00


        Checked by          Verified by      Authorised Signatory
```

Payment Voucher

Payment voucher is used to account all the payments made by the company by way of Cash/Bank.

Payment voucher can be passed using **Single Entry** or **Double Entry mode** by configuring the setting **Use Single Entry mode for Pymt/Rcpt/Contra** in **F12 configuration.**

Recording a Payment Entry

Payment voucher is used to record all bank and cash payments. For example, a company settles a creditor's bill by cheque.

● Go to **Gateway of Tally** > **Accounting Vouchers** > **F5: Payment** .

For example : The company settles expenses of Conveyance, Staff Welfare, Postage and Stationery through Cash in one voucher. This entry can be passed in single entry mode where you will be crediting the Cash Ledger only once and the entry appears as shown below:

Note: Similarly the transactions can be recorded in single-entry mode even in Receipt and Contra vouchers.

Payment in Voucher entry mode

When you have multiple debits and credits in an entry, double entry mode is the suggested way of passing the entry.

What is a godown report?

A Godown report provides an overview of the inventory and stock levels in a warehouse or storage facility. It includes information about the items stored, their quantities, and their locations within the facility. It is used to manage and track inventory and to ensure that there is enough stock on hand to meet demand.

Location or Godown Summary

The location or godown summary contains details about all the godowns created in Tally.ERP 9.

To view the Godown/Location Summary Report

1. Go to **Gateway of Tally** > **Display** > **Statements of Inventory** > **Godowns** > **Primary**.

2. Press **Alt + F1** for a detailed view. The **Godown Summary** screen is displayed as shown below:

Particulars	ABC Company 1-Apr-2009 to 31-Mar-2010 Closing Balance		
	Quantity	Rate	Value
Chennai Godown	1,879 Nos	50.61	95,100.00
Components	1,869 Nos	50.83	95,000.00
Spare Parts	10 Nos	10.00	100.00
Finished Goods Godown	124 Nos	45.97	5,700.00
Components	118 Nos	25.42	3,000.00
Cooling Equipment	6 Nos	450.00	2,700.00
Finished Goods			
Main Location			2,50,60,576.85
Aviation Turbine Fuel			
Components	3,855 Nos	2,473.27	95,34,459.81
Cooling Equipment			
Finished Goods	530 Nos	29,001.12	1,53,70,595.61
Fuel	200 Lts	61.00	12,200.00
Hardware Manual	305 Nos	92.86	28,321.43
Rectified Spirit	300 Lts	383.33	1,15,000.00
Raw Material Godown	3,585 Nos	529.71	18,99,006.20
Components	2,590 Nos	387.45	10,03,506.20
Cooling Equipment	5 Nos	90,000.00	4,50,000.00
Finished Goods	990 Nos	450.00	4,45,500.00
Grand Total	5,588 Nos		2,70,60,383.05

3. Press **Enter** on the required Godown to go to individual Godown Summary, as shown below:

Particulars	Main Location ABC Company 1-Apr-2009 to 31-Mar-2010 Closing Balance		
	Quantity	Rate	Value
Components	3,855 Nos	2,473.27	95,34,459.81
Finished Goods	530 Nos	29,001.12	1,53,70,595.61
Fuel	200 Lts	61.00	12,200.00
Hardware Manual	305 Nos	92.86	28,321.43
Rectified Spirit	300 Lts	383.33	1,15,000.00
Grand Total			2,50,60,576.85

Button bar: F2: Period, F3: Company, F4: Godown, F6: Monthly, F7: Show Profit, C: New Column, A: Alter Column, D: Del Column, N: Auto Column, F8: Other Rep, F9: Inv Rep, F10: Acc Rep, F11: Features, F12: Configure

F12: Configuration in Location/Godown Summary

Configurations will enable the user to view the report according to the requirements.

```
                    Configuration
Show Quantities                    ? Yes
Show Rates                         ? Yes
Show Values                        ? Yes
Show Opening Balance               ? No
Show goods inwards                 ? No
Show goods outwards                ? No
Show Closing Balance               ? Yes
Show All Items (incl. zero balance) ? No
  Exclude Items With No Transactions ? No
Show Gross Value for Outwards      ? No
Show Consumption & Gross Profits   ? No
  Show Gross Profits on Gross Value ? No
Show using Alternate Units         ? No
Show Tail Units of Compound Units  ? No

Appearance of Stock Item Names     : Name Only
Appearance of Names                : Name Only
Scale Factor for Values            : Default
Sorting Method                     : Default

Expand all levels in Detailed Format ? No
```

Job Work Analysis Report (Issue)

Job work Analysis report give the information of any variance in the issue of raw materials (issued more or less) and receipt of Finished Goods/Scrap/By-Products/Co-products. These reports can be used to analyse the reason for the variances.

Go to **Gateway of Tally** > **Display** > **Job Work In Reports** > **Job Work Analysis** .

Job Work Analysis reports are:

Issue Variance Report (Job Work In)

Issue Variance report displays the details of variance in the Finished Goods/Co-Product/By-Product/ Scrap delivered against the ordered Quantity of the Job Work In Order. Report also displays the variance **Quantity** and the **Percentage** of variance.

Go to **Gateway of Tally** > **Display** > **Job Work In Reports** > **Job Work Analysis** > **Issue Variance** .

		1-Apr-2010 to 9-Jan-2011

Particulars	Ordered Quantity	Issued Quantity	Variance Quantity	Variance %
Primary Items				
Cooker 10Litre	300 Nos	500 Nos	(-)200 Nos	(-)66.67 %

Receipt Variance Report

Receipt Variance report displays the details of variance in the components received against the ordered Quantity of the Job Work In Order.

Go to **Gateway of Tally** > **Display** > **Job Work In Reports** > **Job Work Analysis** > **Receipt Variance** .

Receipt Variance Analysis	ABC Company	Ctrl + M ☒

		1-Apr-2010 to 9-Jan-2011

Particulars	Ordered Quantity	Received Quantity	Variance Quantity	Variance %
Primary Items				
Handle (10 Ltr)	600 Nos	750 Nos	(-)150 Nos	(-)25.00 %
Lid Alluminium Plate-10 Ltr	300 Nos	500 Nos	(-)200 Nos	(-)66.67 %

Report of Balance Sheet

A balance sheet is a financial statement that reports a company's financial position. This report shows the balance between the assets and liabilities of a firm. The balance sheet follows the fundamental accounting equation: Assets = Liabilities + Owner's Equity.

Note : By default, the **Balance Sheet** report will be generated as on the date of the last voucher entry. You can change the date to view the report for the required period.

To view the Balance Sheet

1. Go to **Gateway of Tally** > **Display** > **Balance Sheet** .

2. Press **F12** to configure the **Balance Sheet** .

3. Press **Ctrl+A** to accept.

Profit & Loss Account

The **Profit & Loss A/c** is a periodic statement, which shows the net result of business operations for a specified period. All the expenses incurred and incomes earned during the reporting period are recorded here.

Displaying Profit & Loss Account

You can view the Profit & Loss account details in Tally.ERP 9 for a specified period.

To view the Profit & Loss Account

1.   Go to **Gateway of Tally** > **Display** > **Profit & Loss A/c**.

2.   Click **F1: Detailed** to view the **Profit & Loss Account** in detailed format. The **Profit & Loss Account** appears as shown below:

Profit & Loss A/c	ABC Company 11-12		Ctrl + M
Particulars	ABC Company 11-12 1-Apr-2010 to 31-Mar-2012	**Particulars**	ABC Company 11-12 1-Apr-2010 to 31-Mar-2012
Opening Stock	16,81,848.44	Sales Accounts	4,32,99,616.28
Purchase Accounts	2,74,43,682.50	Direct Incomes	56,550.00
Direct Expenses	43,000.00	Closing Stock	75,94,295.06
Gross Profit c/o	2,17,81,930.40		
	5,09,50,461.34		5,09,50,461.34
Indirect Expenses	73,30,923.75	Gross Profit b/f	2,17,81,930.40
Nett Profit	1,55,01,006.65	Indirect Incomes	10,50,000.00
Total	2,28,31,930.40	**Total**	2,28,31,930.40

The **Profit & Loss Account** is generated and updated immediately from the date of opening of books till the date of last entry.

3.   Press **F2: Period** to change the period as required.

Note: The **Profit & Loss Account** is displayed according to the configuration set in the **Configuration** screen. Set the option **Income & Expense A/c instead of Profit & Loss A/c ?** to **No** to display the groups **Direct Income** and **Direct Expenses** in **Profit & Loss A/c** and **List of Accounts** report.