

UNIT 10

COMPUTERISED ACCOUNTING SYSTEM- TALLY



Contents

- 10.1 Introduction
- 10.2. Applications of Computerised Accounting System (CAS)
- 10.3 Automated accounting system
- 10.4 Designing the accounting reports
- 10.5. Data exchange with other information system
- 10.6. Application of computerised accounting system – Tally with GST package
- 10.7. Practical application of accounting software – Tally.ERP 9



Points to recall

The following points are to be recalled before learning computerised accounting system-Tally:

- ◇ Fundamental principles of accounting
- ◇ Double entry system
- ◇ Basic rules of accounting
- ◇ Computerised Accounting System (CAS)
- ◇ Journalising
- ◇ Subsidiary books
- ◇ Ledger posting
- ◇ Final accounts



Learning objectives

To enable the students to

- ◇ Understand the automated accounting system
- ◇ Apply Tally.ERP 9 in maintaining books of accounts and generating reports

Key terms to know

- ◇ Gateway of Tally
- ◇ Accounting groups
- ◇ Accounting features
- ◇ Receipt voucher
- ◇ Payment voucher
- ◇ Contra voucher
- ◇ Purchase voucher
- ◇ Sales voucher
- ◇ Journal voucher

10.1 Introduction



Student activity 10.1

Interview an accountant of a big organisation to know, how far automated accounting system is beneficial for maintaining accounting records.

Computerised accounting system refers to the system of maintaining accounts using computers. It involves the processing of accounting transactions through the use of computer in order to maintain and produce accounting records and reports. Computerised accounting system takes accounting transactions as inputs that are processed through accounting software to generate various reports.

10.2. Applications of Computerised Accounting System (CAS)

The applications of CAS are as follows:

1. **Maintaining accounting records:** In CAS, accounting records can be maintained easily and efficiently for long time period. It does not require a large amount of physical space. It facilitates fast and accurate retrieval of data and information.
2. **Inventory management:** CAS facilitates efficient management of inventory. Fast moving, slow moving and obsolete inventory can be identified. Updated information about availability of inventory, level of inventory, etc., can be obtained instantly.
3. **Pay roll preparation:** Pay roll involves the calculation of amount due to an employee. Pay of an employee may be calculated based on hours/days worked or units produced. CAS records the attendance of employees, computes the amount of salary, makes deductions such as provident fund, income tax, etc.
4. **Report generation:** CAS helps to generate various routine and special purpose reports.
5. **Data import/export:** Accounting data and information can be imported from or exported to other users within the organisation as well as outside the organisation.
6. **Taxation:** CAS helps to compute various taxes and to deduct these and deposit the same to the Government account.

10.3 Automated accounting system

Automated accounting is an approach to maintain up-to-date accounting records with the aid of accounting software. Under manual accounting system entries are made in different books of accounts while accounting software packages allow manual entry in one field or one place. From that field or place, the software automatically relates the transaction to all other relevant records within the software package.

10.4 Designing the accounting reports

Accounting report is a compilation of accounting information that are derived from the accounting records of a business concern. Accounting reports may be classified as routine reports and special purpose reports.

Routine accounting reports include

- (a) Day books / Journal
- (b) Ledger
- (c) Trial balance
- (d) Income statement
- (e) Balance sheet
- (f) Cash flow statement

Special purpose report is a report other than the routine accounting reports which is prepared according to the requirements of the user.

Following are the steps involved in designing accounting reports:

1. Define the objective of generating report
2. Specify the structure of the report
3. Creating database queries to interact with the database to retrieve, modify, add or delete data from the records.

10.5. Data exchange with other information system

A Management Information System (MIS) is a system that provides information for decision making at all levels of management. It includes manufacturing information system, marketing information system, human resource information system and accounting information system. Accounting Information System (AIS) collects financial data, processes them and provides information to the various users. To provide information AIS requires data from other information system that is manufacturing, marketing and human resources. Similarly, other information systems require data from AIS in order to provide information. Thus, data exchange among the information systems is inevitable. For example, to compute amount of wages to be paid, AIS requires data from manufacturing information system and human resource information system.

10.6. Application of computerised accounting system – Tally with GST package

Tally is one of the most widely used financial accounting softwares. It is used by various types of trade and industries. It is a comprehensive business accounting and inventory management software that provides various facilities like multi-lingual operations, online functions, legally supported reports, etc.

In 2009, Tally Solutions introduced the software Tally.ERP 9. The software offers comprehensive business management solution. It maintains all books of accounts. Different types of vouchers such as vouchers for receipt, payment, sales, purchases, etc., can be used for recording transactions. It follows the principle of double entry system of book keeping. In 2017, it was updated to comply with the Indian Goods and Services Tax (GST) requirements.

10.7. Practical application of accounting software – Tally.ERP 9

Practical on application of accounting software - Tally

1. Starting Tally

Tally can be started in either of the ways as given below:

Click on Start > All Programs > Tally.ERP 9 > Tally.ERP 9 icon
(or)

Click on Tally.ERP 9 icon (shortcut) on the desktop

A newly installed Tally, if opened, will appear as in figure 10.1.

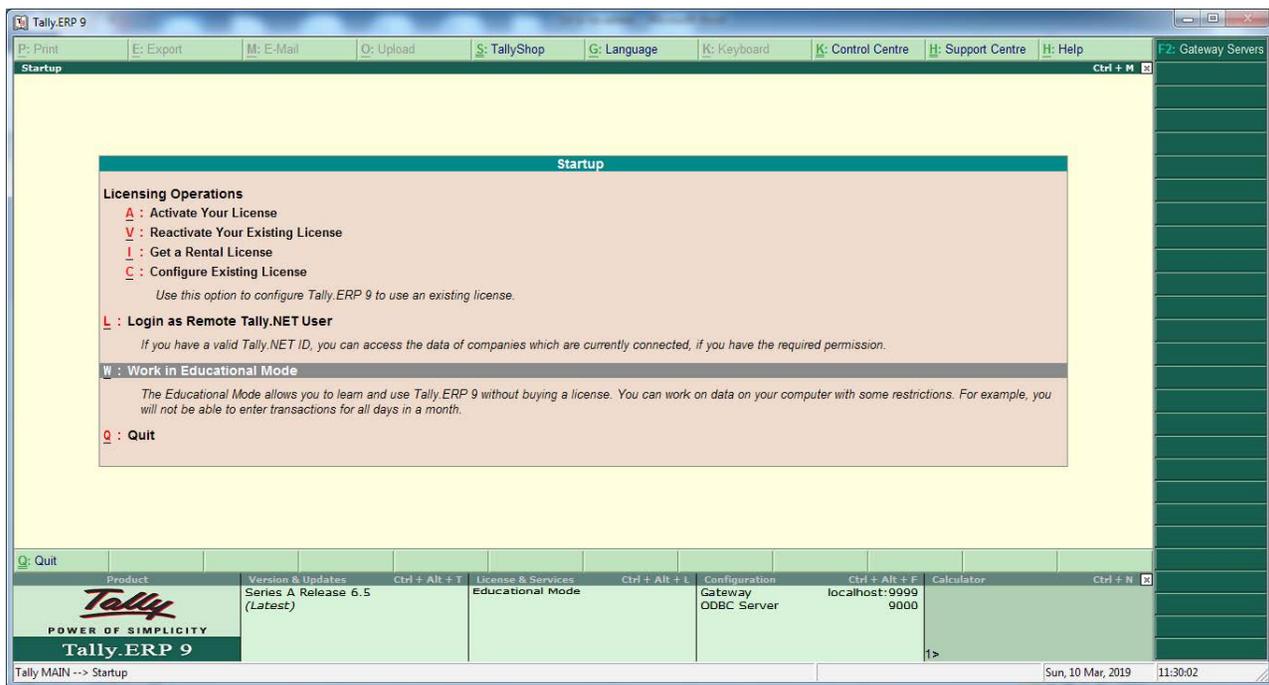


Figure 10.1 Newly installed Tally screen

When Tally is started, choose the mode of operation as per the options listed on the screen. If license is available, choose 'Activate Your License'. Otherwise choose 'Work in Education Mode'.



Tally.ERP 9 can be used without a licence. But, for the date of the transactions only 1, 2 and 31 can be recorded.

For practice, 'Work in Education Mode' is chosen. After the selection, the first screen appears as in figure 10.2.

2. Creation of a company

It is essential to enter the particulars of the company for which accounts are to be maintained in Tally. In order to create a company, the following steps are to be followed:

Company Info > Create Company

After selection of Create Company from first screen in Tally, the Company Creation screen will appear as in figure 10.3.

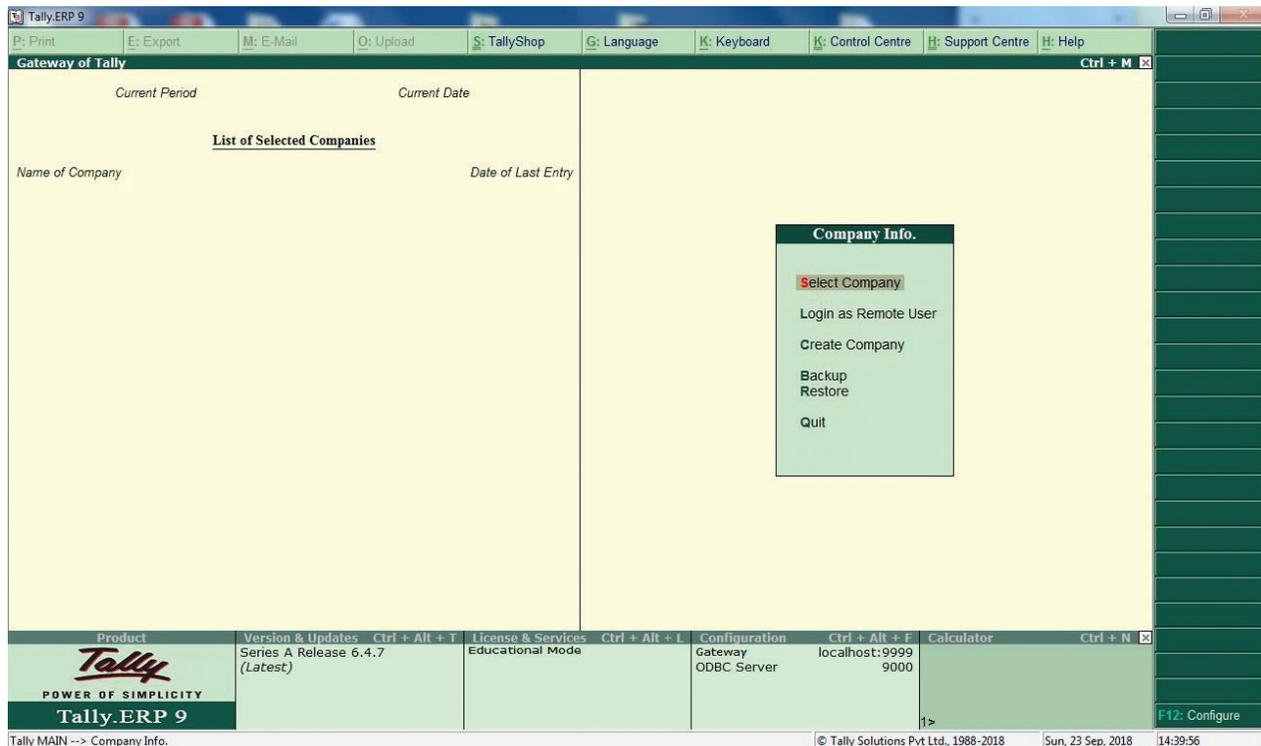


Figure 10.2 First screen in Tally

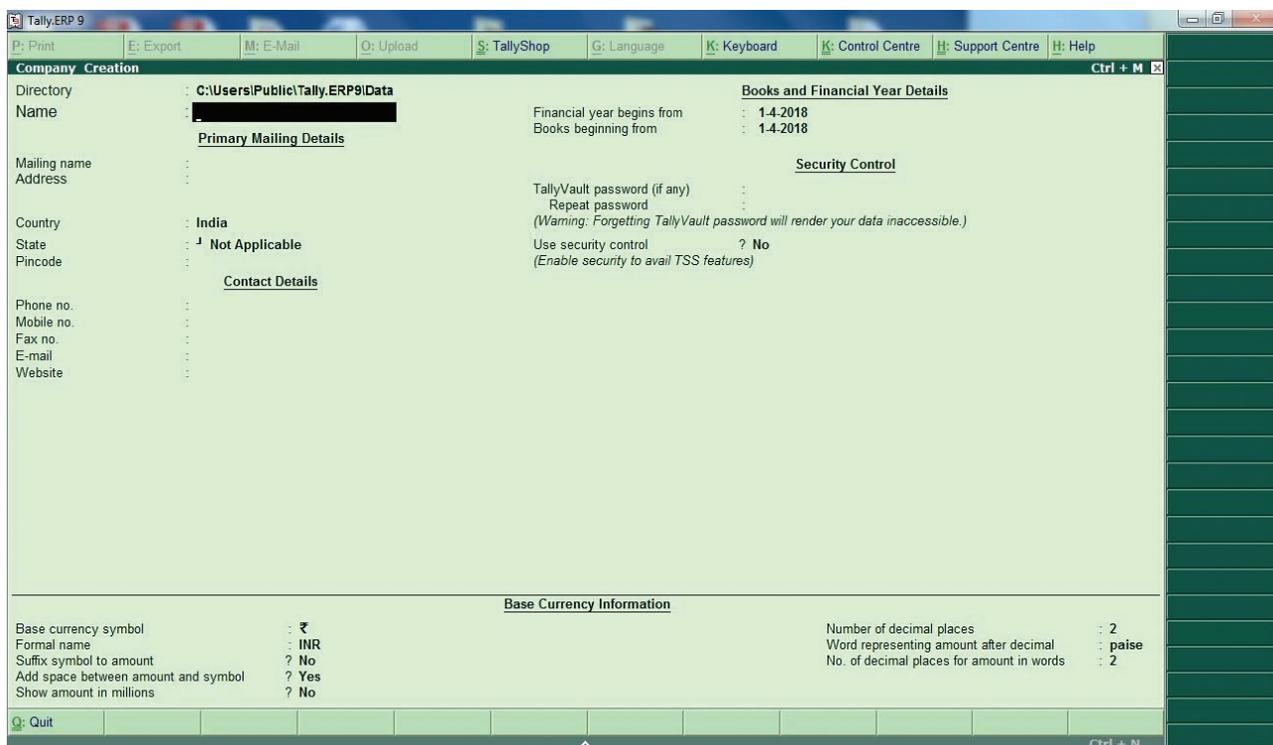


Figure 10.3 Creation of company

Tally asks for name, address, books and financial year details, security control, base currency information, etc. Now, provide all particulars of the company as required in Tally. After completing all entries, choose 'Yes' to accept data and create company.

Tutorial note

For practice purpose, enter only the name and keep all other fields as they are.

Following the above procedure, multiple companies can be created.

3. Gateway of Tally

Tally screen appears as in figure 10.4 given below, after creation of a company and whenever Tally is started. This screen is called Gateway of Tally. It shows the company selected under List of Selected Companies on the left pane.

Gateway of Tally is shown on the right pane which contains menu options such as Transactions and Reports. The shortcut key for each menu option is a letter from the option's name, which will be highlighted in red.

Vertical button bar is placed on the extreme right of the screen which contains buttons such as F1 and F2 for quick interaction with Tally.ERP 9.

Bottom horizontal information panel displays details of product, version, licence, configuration and calculator.

The Gateway of Tally screen will appear as below:

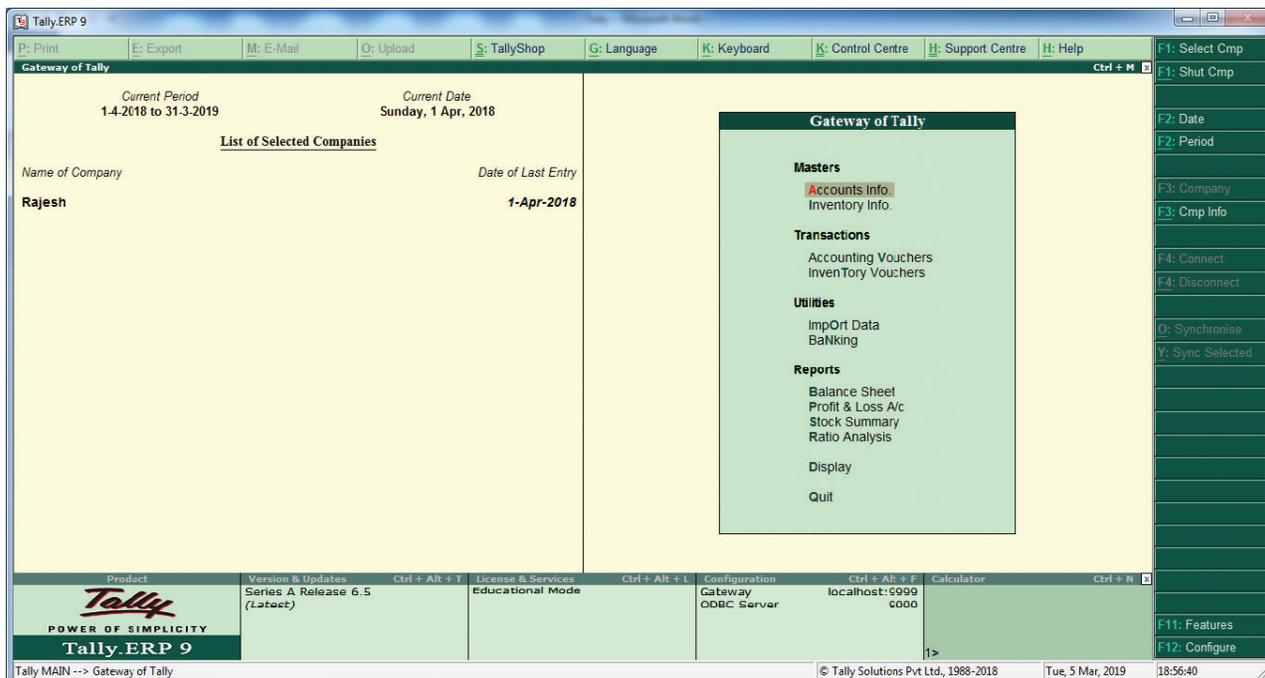


Figure 10.4 Gateway of Tally

4. Closing Tally

The following are the two ways for closing Tally:

Press Esc Key > Press Enter or Y or Click on Yes

(or)

Press Ctrl + Q

5. Select a company

If multiple companies are created, to choose a particular company, after opening Tally, click F1 (Select Cmp) on the vertical button bar. Tally.ERP 9 displays the Select Company screen, with a list of companies that are already created. Select the company for which accounting has to be done.

6. Company features

After creation of a company, it is necessary to set up Tally.ERP 9's features. The features in Tally.ERP 9 are set of capabilities, provided as options, that enable maintenance of financial records as per the requirements of the users. Click F11:Features, on the vertical button bar to go to Company Features menu. It contains Accounting Features, Inventory Features, etc. The Company Features screen will appear as shown in figure 10.5.

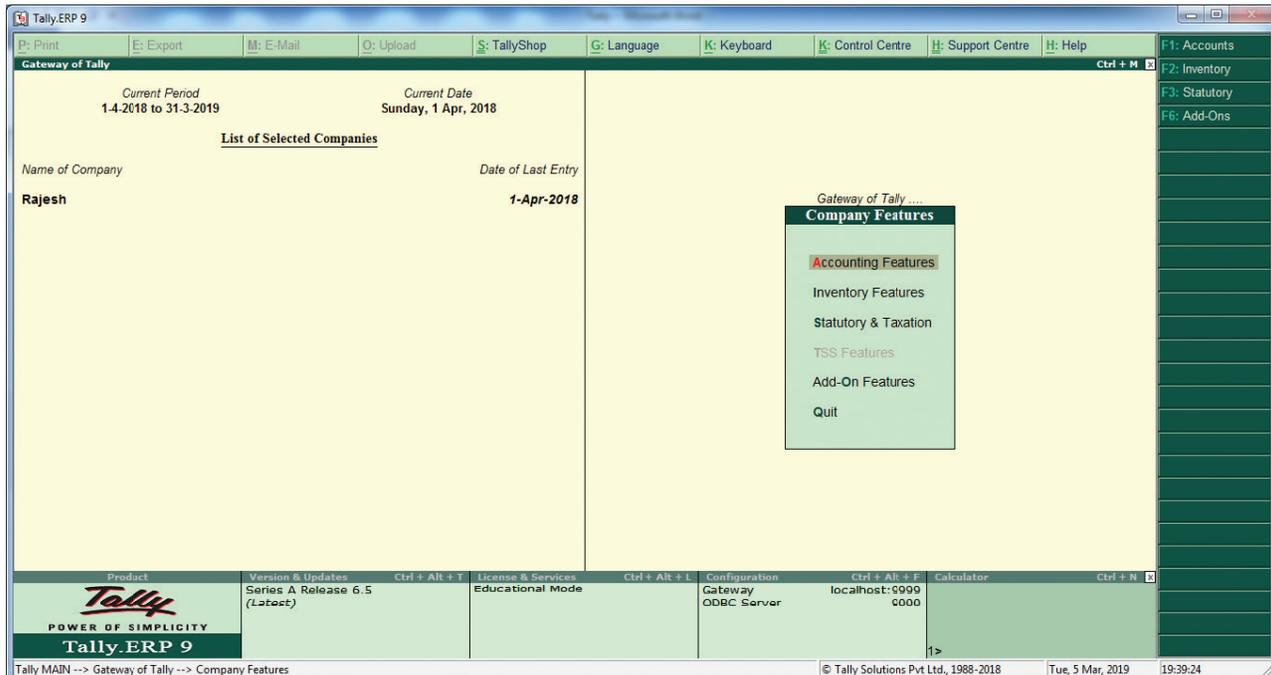


Figure 10.5 Company Features screen

7. Accounting Features

The General Accounting Features include 'Maintain accounts only', 'Integrate accounts and inventory' and use Income and Expenses A/c instead of Profit and Loss A/c. The other Accounting Features include Invoicing, Banking Features, etc.

For practice purpose, only the accounting aspects are considered and inventory features are not considered.

Select Accounting Features from the Company Features menu. Under General Accounting Features, set 'Yes' to 'Maintain accounts only' option. Leave all other features to default values and accept 'Yes'.

The Accounting Features screen will appear as shown in figure 10.6. (see the next page)

8. Statutory and Taxation features

Statutory and Taxation features include Goods and Services Tax (GST), Value Added Tax (VAT) and Tax Deducted at Source (TDS). To enable Goods and Services Tax, set 'Yes' to 'Enable Goods and Services Tax' option. For practice purpose set to default value of 'No'.

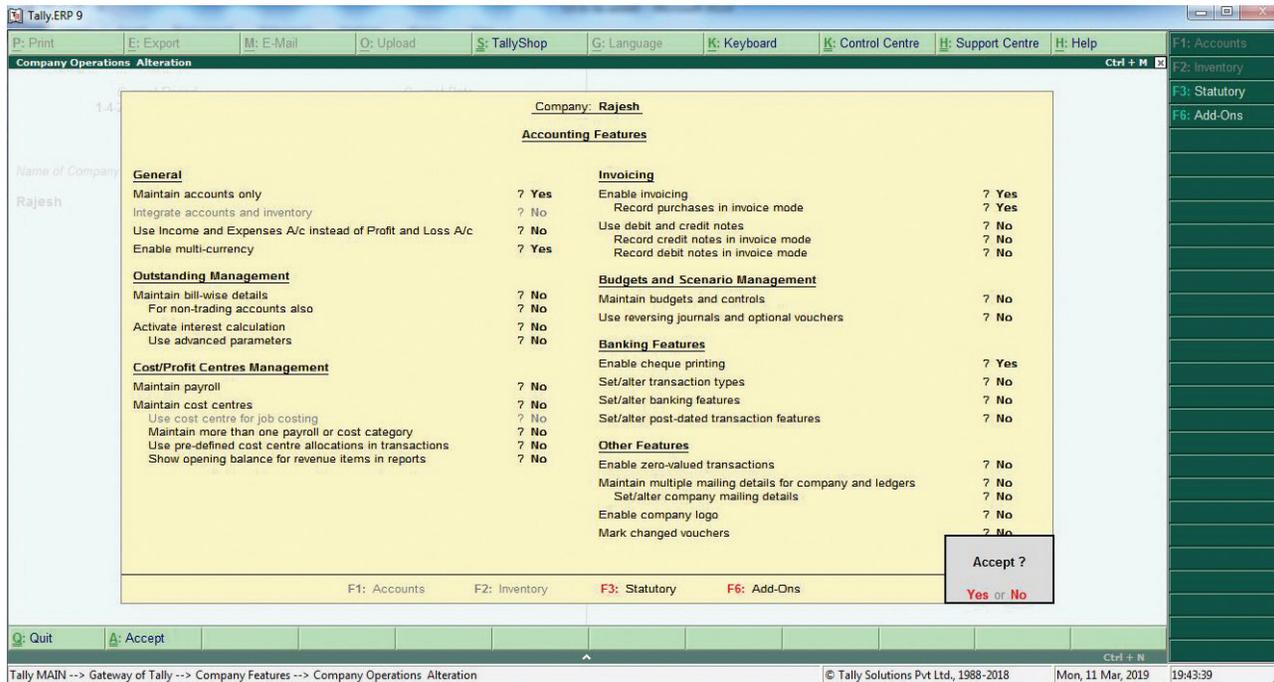


Figure 10.6 Accounting Features screen

9. Creating Accounting Groups

In Tally, a Group is a collection of ledgers of the same nature. There are predefined groups of accounts which are widely used in accounts of many organisations. These predefined groups comply with the basic accounting principles of classifying various account heads into Assets, Liabilities, Income and Expense as shown below:

List of Groups		List of Groups	
1	Bank Accounts	18	Indirect Expenses
2	Bank OCC A/c	19	Indirect Incomes
3	Bank OD A/c	20	Investments
4	Branch / Divisions	21	Loans & Advances (Asset)
5	Capital Account	22	Loans (Liability)
6	Cash-in-Hand	23	Misc.Expenses (ASSET)
7	Current Assets	24	Provisions
8	Current Liabilities	25	Purchase Accounts
9	Deposits (Assets)	26	Reserves & Surplus
10	Direct Expenses	27	Retained Earnings
11	Direct Incomes	28	Sales Accounts
12	Duties & Taxes	29	Secured Loans
13	Expenses (Direct)	30	Stock-in-Hand
14	Expenses (Indirect)	31	Sundry Creditors
15	Fixed Assets	32	Sundry Debtors
16	Income (Direct)	33	Suspense A/c
17	Income (Indirect)	34	Unsecured Loans

Groups are categorised as Primary Groups and Sub-Groups. Primary group includes Capital Account, Current Liabilities, Fixed Assets, Current Assets, etc. Sub-Group includes Reserves & Surplus, Sundry Creditors, Sundry Debtors, etc.

To view predefined groups,

Gateway of Tally > Masters > Accounts Info > Groups > Single Group > Display
After selection, Tally screen will appear as in Figure 10.7.

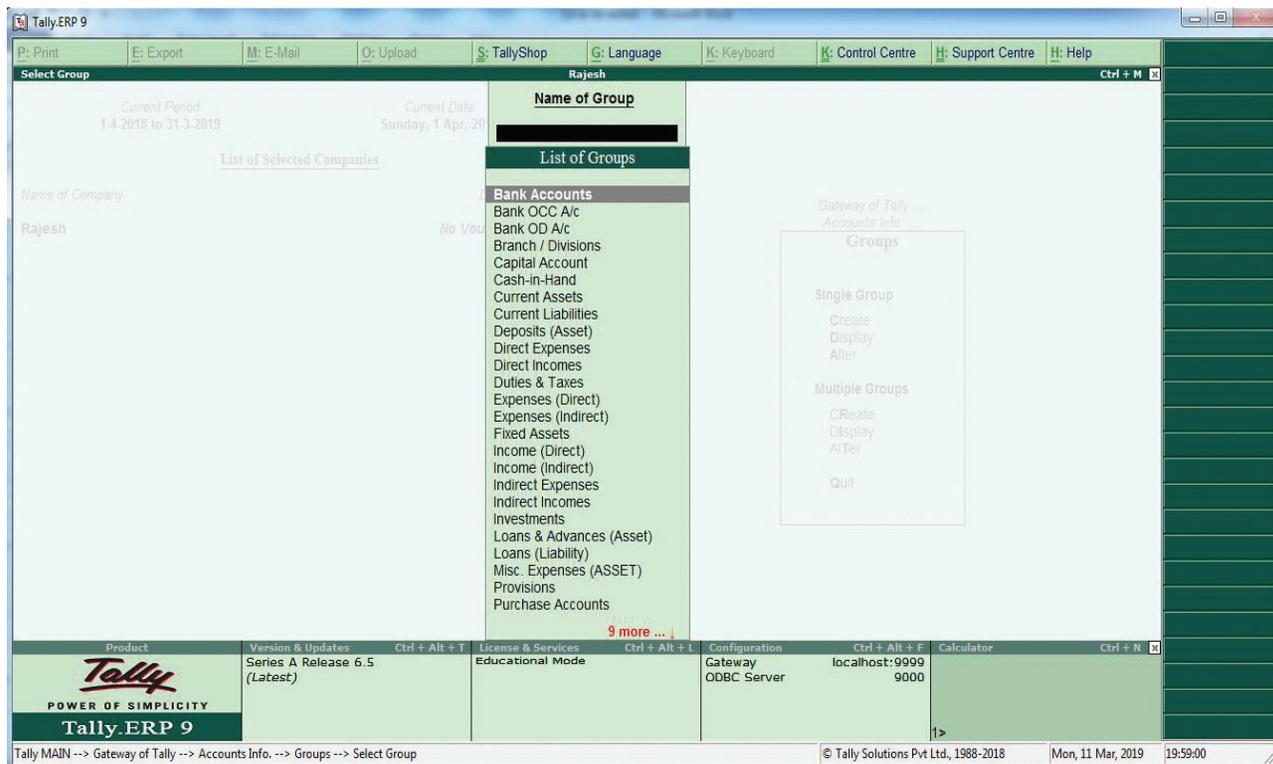


Figure 10.7 List of Groups

If any additional group is required, it can be created as follows:

Gateway of Tally > Masters > Accounts Info > Groups > Single Group > Create

10. Ledger Accounts

In Tally, to record transactions, the transactions are to be identified with the related ledger accounts. Tally has two predefined ledgers, Cash and Profit & Loss A/c. The user has to create various other ledgers based on their requirements.

To create ledger:

Gateway of Tally > Masters > Accounts Info > Ledgers > Single Ledger > Create

After selection, Tally screen will appear as in Figure 10.8.

While creating a ledger, name and the Group under which the ledger account is to be classified should be provided. Leave all other features to default values and accept 'Yes'.

11. Modification of group and ledger

Alteration or deletion of group and ledger is possible. While details of user-defined group/ledger can be fully altered, only name can be altered for predefined group/ledger. Predefined group/ledger cannot be deleted. However, user-defined group/ledger can be deleted.

To delete a ledger: Gateway of Tally > Masters > Accounts Info > Ledgers > Single Ledger > Alter > Select the Ledger to be deleted > Alt D > Yes

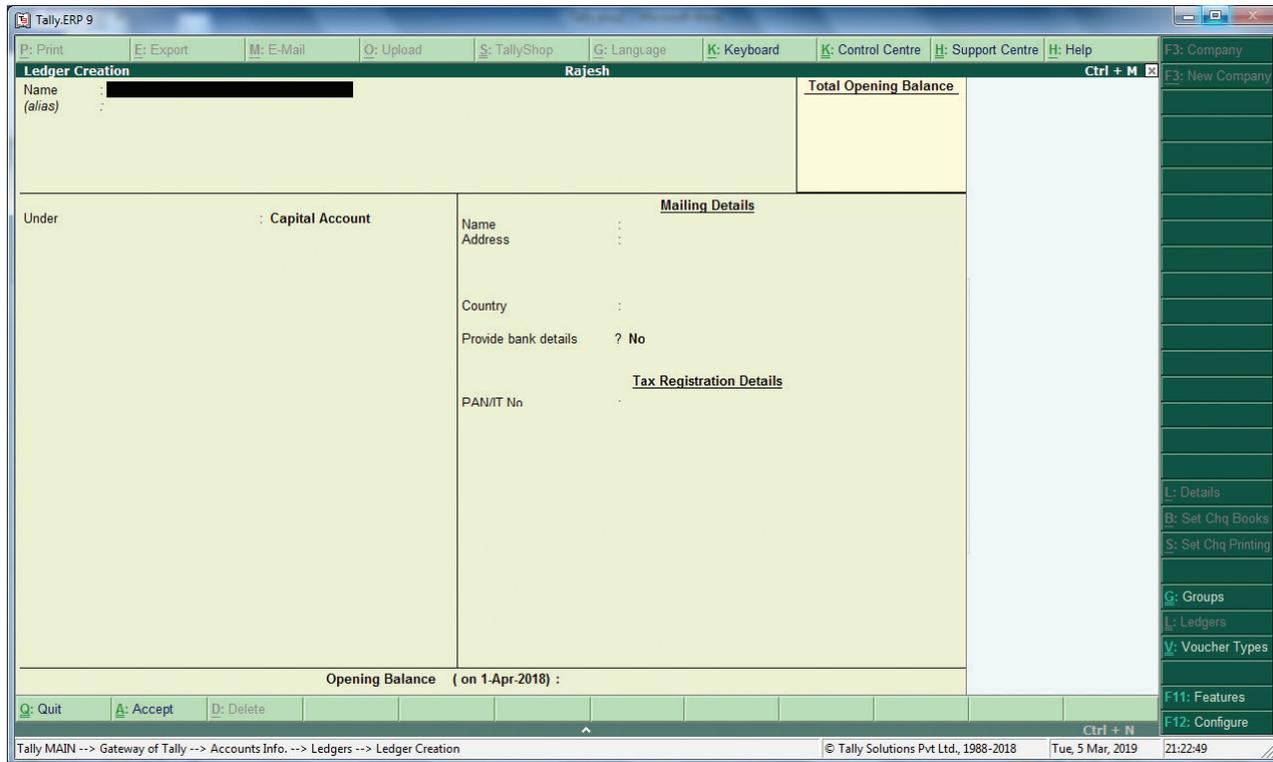


Figure 10.8 Creation of Ledger

12. Vouchers

Voucher is a document which contains details of transactions. Transactions are to be recorded through voucher entries. Tally has a set of predefined vouchers such as Purchase, Sales, Payment, Receipt and Contra.

To view the list of voucher types:

Gateway of Tally > Masters > Accounts Info > Voucher Types > Display

As per the requirements of users, additional voucher type can be created.

Following are some of the major accounting vouchers used in an organisation:

- i) Receipt Voucher
- ii) Payment Voucher
- iii) Contra Voucher
- iv) Purchase Voucher
- v) Sales Voucher
- vi) Journal Voucher

(i) Receipt Voucher

All transactions related to receipt either in cash or through bank are recorded using receipt voucher. In this voucher, cash or bank account is debited and other ledger account is credited.

To record receipt:

Gateway of Tally > Transactions > Accounting Vouchers > F6:Receipt

(ii) Payment Voucher

All transactions related to payments either in cash or through bank are recorded using payment voucher. In this voucher, cash or bank account is credited and other ledger account is debited.

To record payment:

Gateway of Tally > Transactions > Accounting Vouchers > F5:Payment

(iii) Contra Voucher

A transaction involving both cash account and bank account is recorded using contra voucher. The transaction may be for deposit of cash into bank account or withdrawal of cash from bank account.

To record contra:

Gateway of Tally > Transactions > Accounting Vouchers > F4:Contra

(iv) Purchase Voucher

Purchase vouchers are used for recording both cash and credit purchases of goods.

To record purchases:

Gateway of Tally > Transactions > Accounting Vouchers > F9:Purchase

(v) Sales Voucher

Sales vouchers are used for recording both cash and credit sales of goods.

To record sales:

Gateway of Tally > Transactions > Accounting Vouchers > F8:Sales

(vi) Journal Voucher

Journal vouchers are used for recording transactions involving other than cash, bank, purchases and sales such as depreciation, provision for bad debts.

To record journal:

Gateway of Tally > Transactions > Accounting Vouchers > F7:Journal

To record transactions using voucher, Accounting Voucher Creation has to be used. Accounting Voucher Creation contains Name and Number of the voucher, Date of voucher, Particulars, Debit and Credit and Narration.

Practical problem 1

Record the following transactions in Tally.

1. Robert commenced a transport business with a capital of ₹ 1,00,000
2. An account was opened with State Bank of India and deposited ₹ 30,000
3. Purchased furniture by paying cash ₹ 10,000
4. Goods purchased on credit from Mohaideen for ₹ 20,000
5. Cash sales made for ₹ 8,000
6. Goods purchased from Rathinam for ₹ 5,000 and money deposited in CDM
7. Goods sold to Rony on credit for ₹ 60,000
8. Money withdrawn from bank for office use ₹ 9,000
9. Part payment of ₹ 10,000 made to Mohaideen by cheque
10. Rony made part payment of ₹ 5,000 by cash
11. Salaries paid to staff through ECS ₹ 6,000
12. Wages of ₹ 3,000 paid by cash
13. Purchased stationery from Pandian Ltd. on credit ₹ 4,000

Solution

Analysis of transactions, passing journal entries, identification of voucher type and group:

Sl. No.	Particulars	Debit ₹	Credit ₹	Voucher type	Group
1	Cash A/c Dr. To Robert's Capital A/c	1,00,000	1,00,000	Receipt Voucher	Cash-in-Hand Capital Account
2	State Bank of India A/c Dr. To Cash A/c	30,000	30,000	Contra Voucher	Bank Accounts Cash-in-Hand
3	Furniture A/c Dr. To Cash A/c	10,000	10,000	Payment Voucher	Fixed Assets Cash-in-Hand
4	Purchases A/c Dr. To Mohaideen A/c	20,000	20,000	Purchase Voucher	Purchase Accounts Sundry Creditors
5	Cash A/c Dr. To Sales A/c	8,000	8,000	Sales Voucher	Cash-in-Hand Sales Accounts
6	Purchases A/c Dr. To Cash A/c	5,000	5,000	Purchase Voucher	Purchase Accounts Cash-in-Hand
7	Rony A/c Dr. To Sales A/c	60,000	60,000	Sales Voucher	Sundry Debtors Sales Accounts
8	Cash A/c Dr. To Bank A/c	9,000	9,000	Contra Voucher	Cash-in-Hand Bank Accounts
9	Mohaideen A/c Dr. To Bank A/c	10,000	10,000	Payment Voucher	Sundry Creditors Bank Accounts
10	Cash A/c Dr. To Rony A/c	5,000	5,000	Receipt Voucher	Cash-in-Hand Sundry Debtors
11	Salaries A/c Dr. To Bank A/c	6,000	6,000	Payment Voucher	Indirect Expenses Bank Accounts
12	Wages A/c Dr. To Cash A/c	3,000	3,000	Payment Voucher	Direct Expenses Cash-in-Hand
13	Stationery A/c Dr. To Pandian Ltd. A/c	4,000	4,000	Journal Voucher	Indirect Expenses Sundry Creditors

Following steps are to be followed to enter the transactions in Tally.ERP 9

1. To create company

Company Info > Create Company

Type the Name as Robert and keep all other fields as they are and choose 'Yes' to accept.



Figure 10.9 Creation of Company

2. To maintain accounts only

Gateway of Tally > F11 Accounting Features > General > Maintain accounts only: Yes > Accept Yes

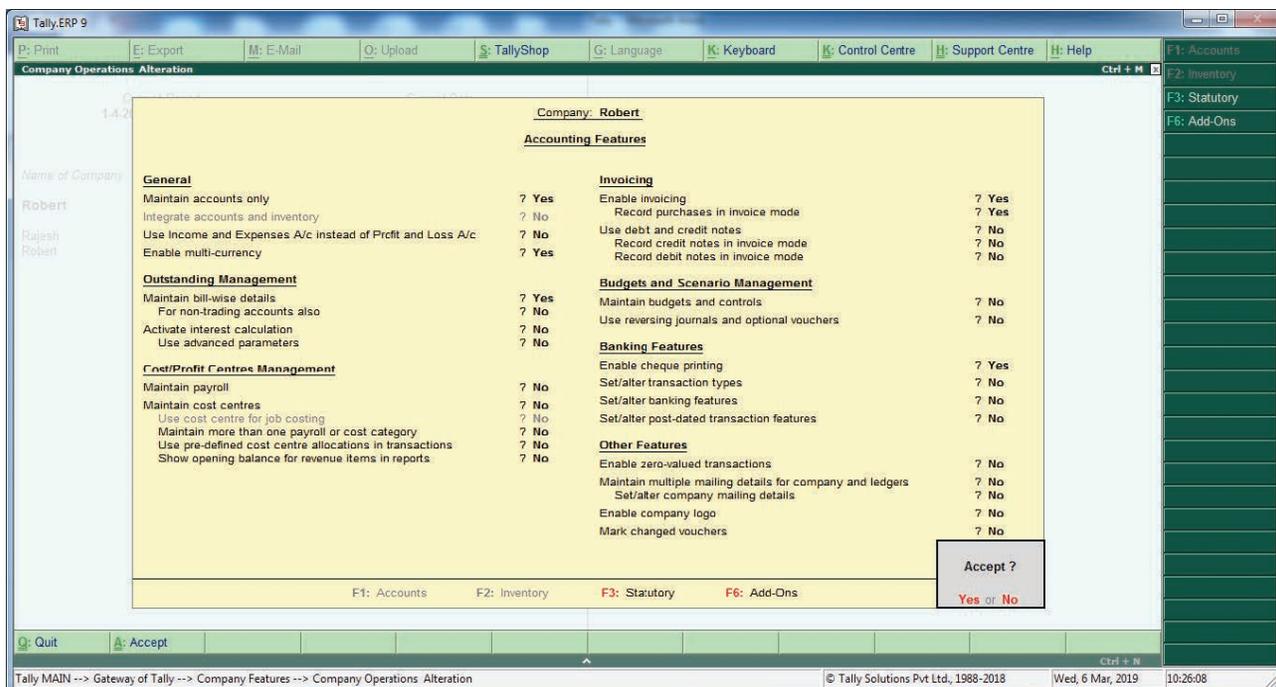


Figure 10.10 Accounting Features

3. To create ledger accounts

Gateway of Tally > Masters > Accounts Info > Ledgers > Single Ledger > Create

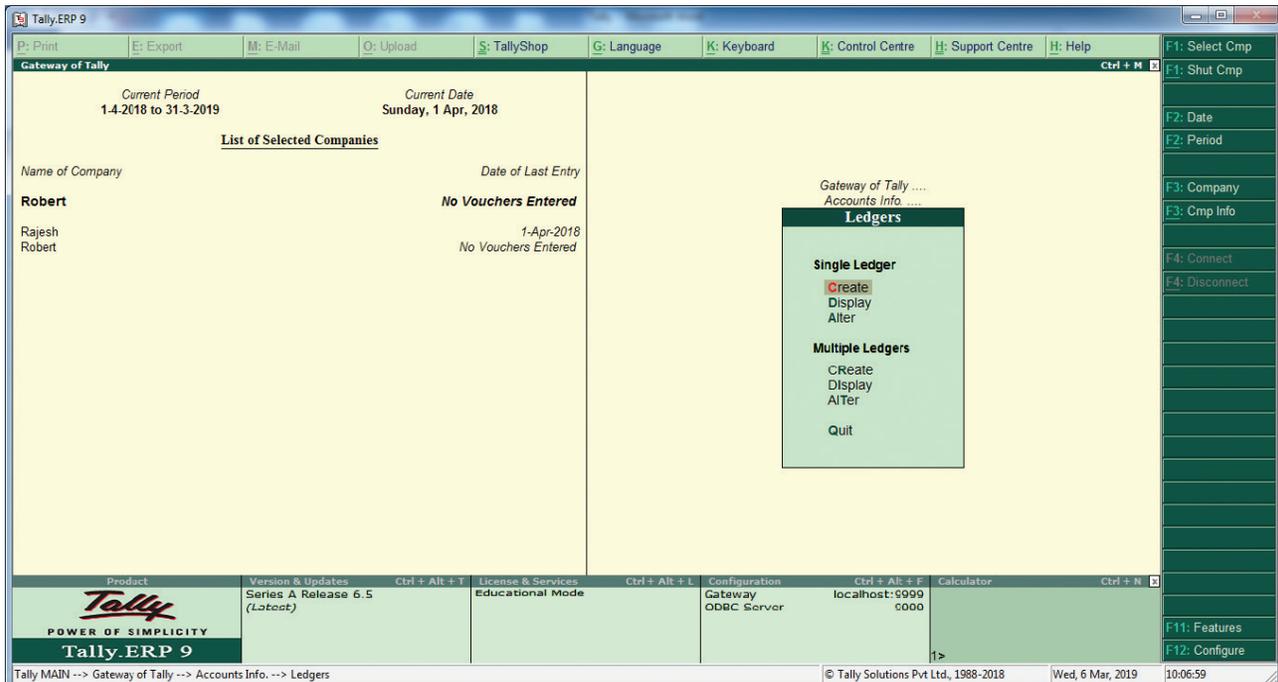


Figure 10.11 Creation of Ledger

- (i) To create Robert's Capital A/c
- Name: Robert's Capital A/c
- Under: Capital Account
- Accept: Yes:

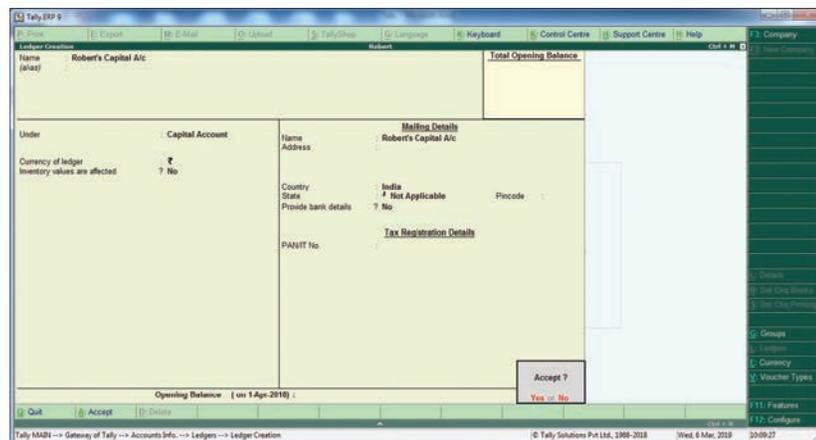


Figure 10.12 Creation of Capital A/c

- (ii) To create State Bank of India A/c
- Name: State Bank of India A/c
- Under: Bank Accounts
- Accept: Yes

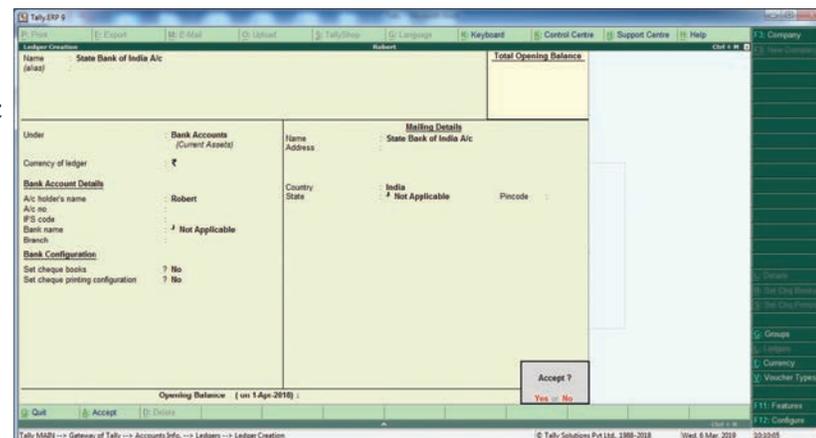


Figure 10.13 Creation of State Bank of India A/c

(iii) To create Furniture A/c

Name: Furniture A/c

Under: Fixed Assets

Accept: Yes

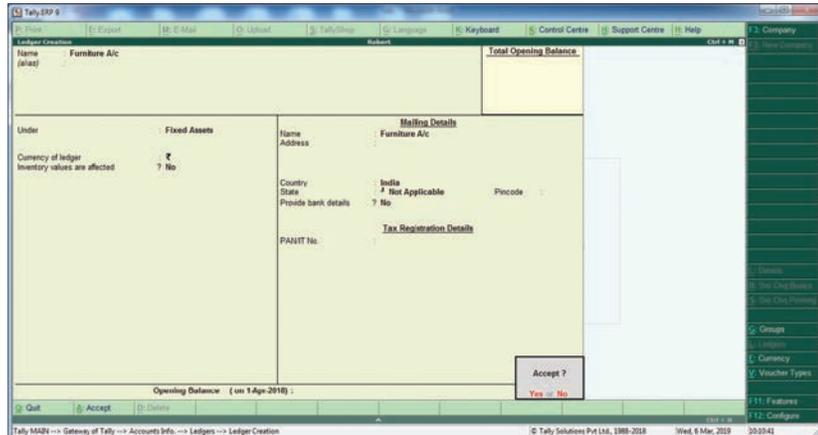


Figure 10.14 Creation of Furniture A/c

(iv) To create Purchases A/c

Name: Purchases A/c

Under: Purchase

Accept: Yes

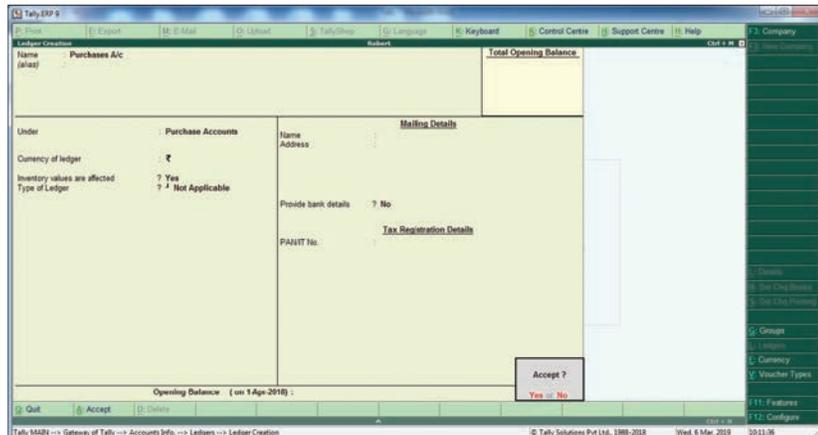


Figure 10.15 Creation of Purchases A/c

(v) To create Mohaideen A/c

Name: Mohaideen A/c

Under: Sundry Creditors

Accept: Yes

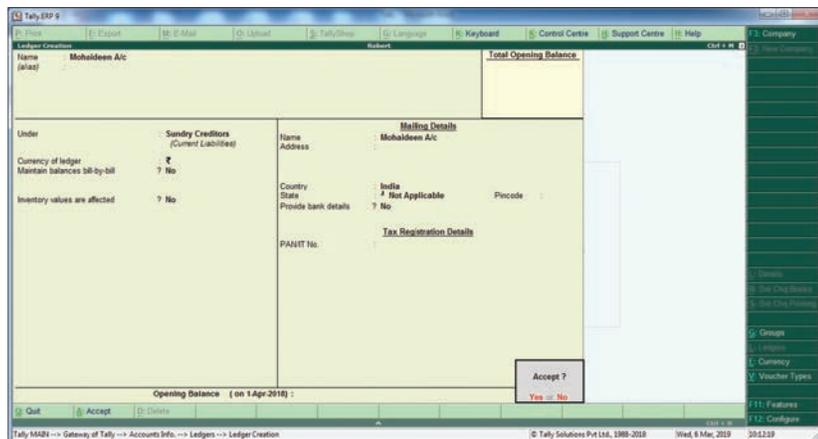


Figure 10.16 Creation of Mohaideen A/c

(vi) To create Sales A/c

Name: Sales A/c

Under: Sales Accounts

Accept: Yes

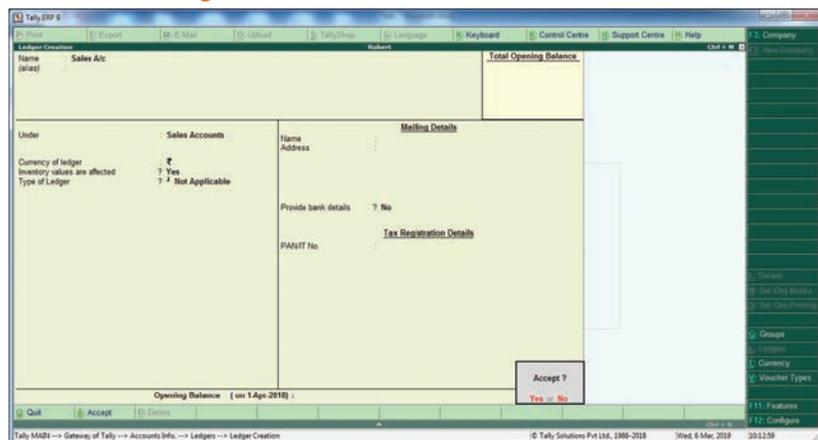


Figure 10.17 Creation of Sales A/c

(vii) To create Rony A/c

Name: Rony A/c

Under: Sundry Debtors

Accept: Yes

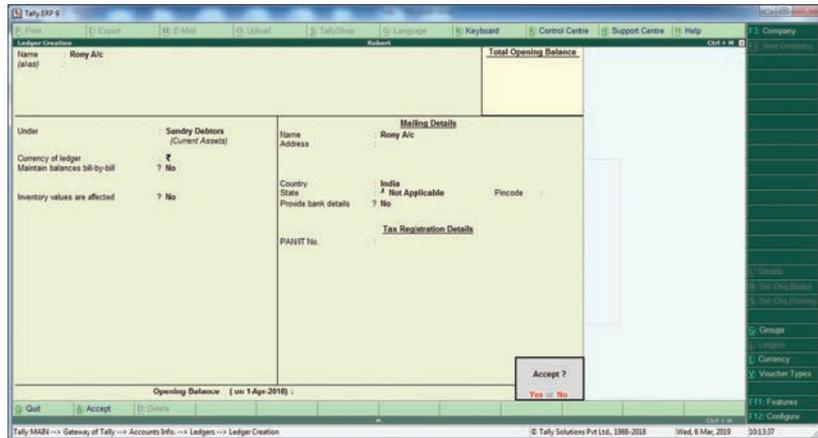


Figure 10.18 Creation of Rony A/c

(viii) To create Salaries A/c

Name: Salaries A/c

Under: Indirect Expenses

Accept: Yes

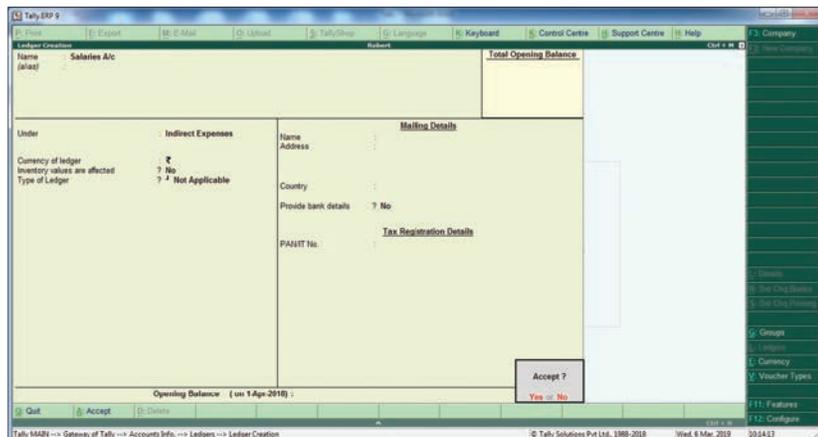


Figure 10.19 Creation of Salaries A/c

(ix) To create Wages A/c

Name: Wages A/c

Under: Direct Expenses

Accept: Yes

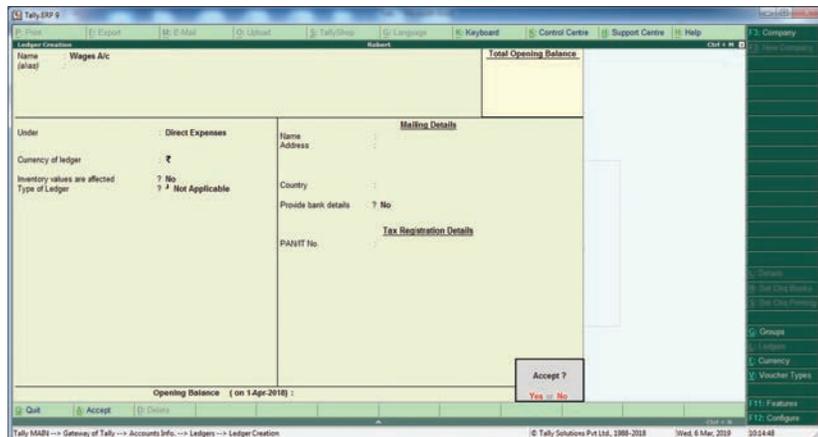


Figure 10.20 Creation of Wages A/c

(x) To create Stationery A/c

Name: Stationery A/c

Under: Indirect Expenses

Accept: Yes

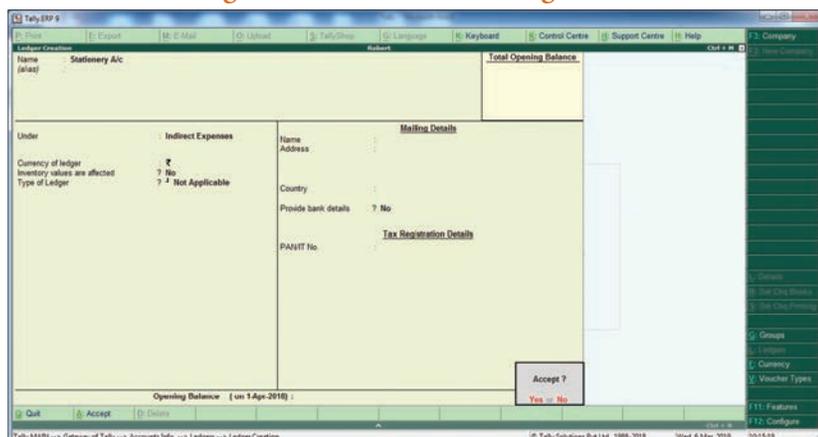


Figure 10.21 Creation of Stationery A/c

(xi) To create Pandian Ltd. A/c

Name: Pandian Ltd. A/c

Under: Sundry Creditors

Accept: Yes

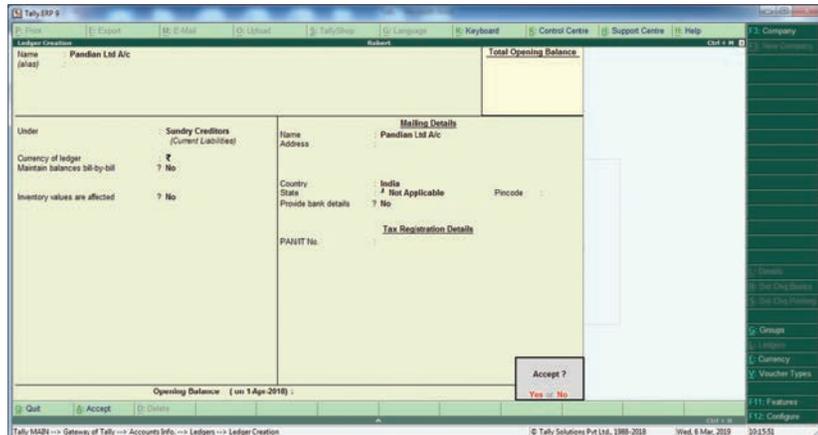


Figure 10.22 Creation of Pandian Ltd. A/c

4. To enter transactions through vouchers

Gateway of Tally > Transactions > Accounting Vouchers

(1) Robert commenced a transport business with a capital of ₹ 1,00,000

F6: Receipt voucher

Account: Cash

Particulars: Robert's Capital A/c

(Choose from List of Ledger Accounts)

Enter the amount of capital:

₹ 1,00,000

Narration: Capital introduced

Accept Yes.

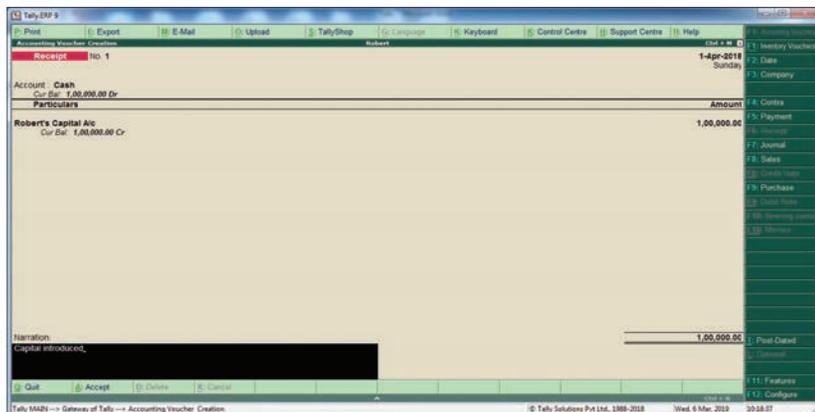


Figure 10.23 Creation of Receipt voucher

(2) An account was opened with State Bank of India and deposited ₹ 30,000

F4: Contra voucher

Account: State Bank of India

Particulars: Cash

Amount: ₹ 30,000

Narration: Opened bank account in SBI

Accept Yes

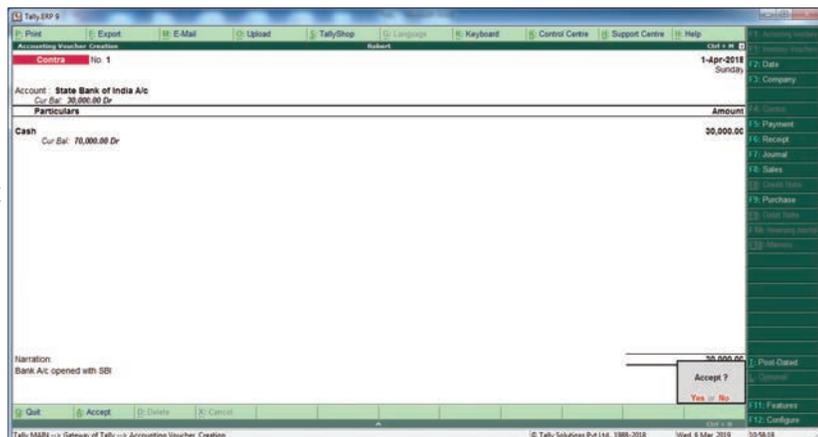


Figure 10.24 Creation of Contra voucher

(3) Purchased furniture by paying cash ₹ 10,000

F5: Payment voucher

Account: Cash

Particulars: Furniture A/c

Amount: ₹ 10,000

Narration: Furniture bought by cash

Accept Yes

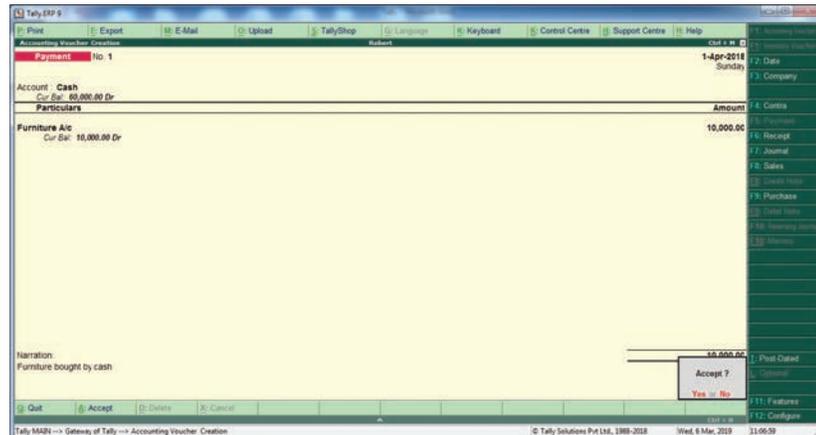


Figure 10.25 Creation of Payment voucher

(4) Goods purchased on credit from Mohaideen for ₹ 20,000

F9: Purchase voucher

Party A/c name: Mohaideen A/c

Particulars: Purchases A/c

Amount: ₹ 20,000

Narration: Goods purchased on credit from Mohaideen

Accept Yes

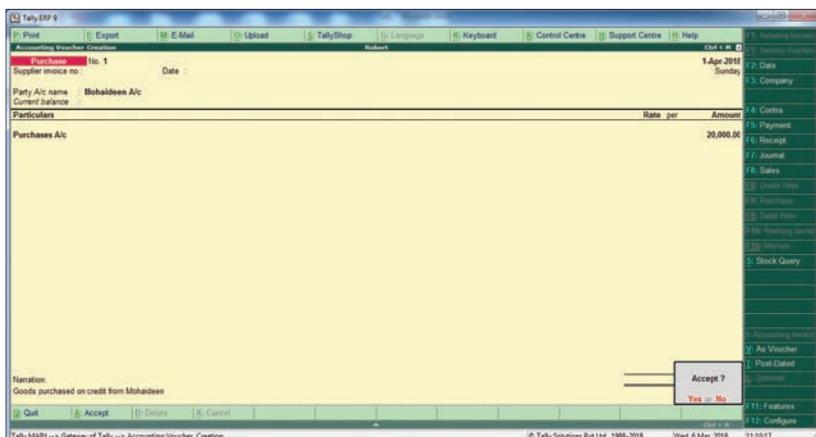


Figure 10.26 Creation of Purchase voucher

(5) Cash sales made for ₹ 8,000

F8: Sales voucher

Account: Cash

Particulars: Sales A/c

Amount: ₹ 8,000

Narration: Cash sales made

Accept Yes

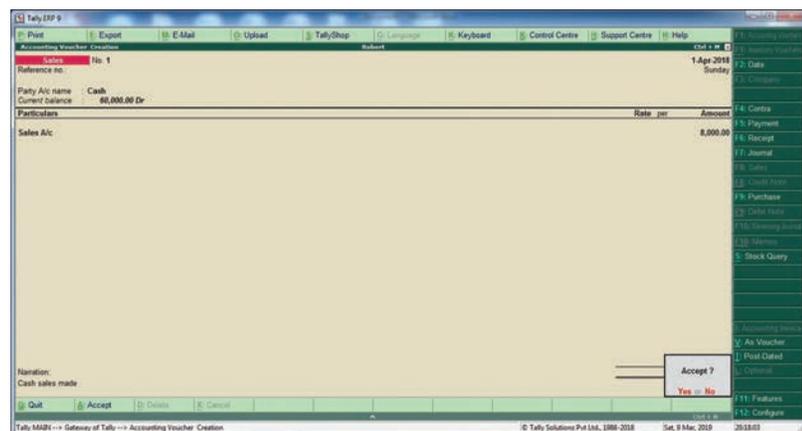


Figure 10.27 Creation of Sales voucher

(6) Goods purchased from Rathinam for ₹ 5,000 and money deposited in CDM

F9: Purchase voucher

Account: Cash

Particulars: Purchases A/c

Amount: ₹ 5,000

Narration: Cash purchases made

Accept Yes

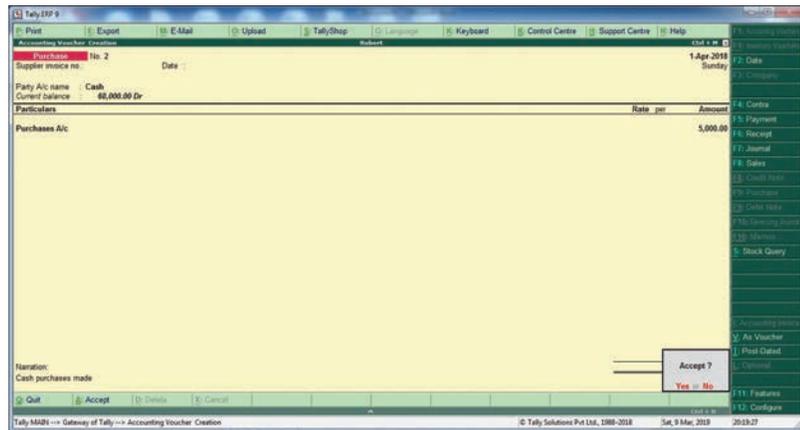


Figure 10.28 Creation of Purchase voucher

(7) Goods sold to Rony on credit for ₹ 60,000

F8: Sales voucher

Party A/c name: Rony A/c

Particulars: Sales A/c

Amount: ₹ 60,000

Narration: Goods sold on credit to Rony

Accept Yes

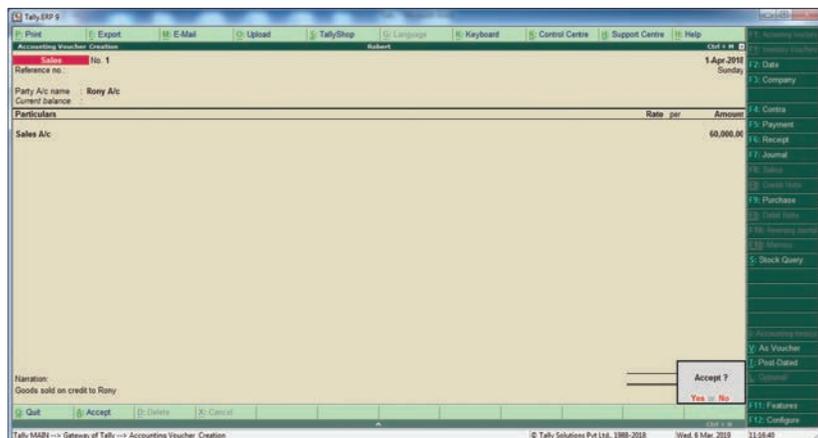


Figure 10.29 Creation of Sales voucher

(8) Money withdrawn from bank for office use ₹ 9,000

F4: Contra voucher

Account: Cash

Particulars: State Bank of India A/c

Amount: ₹ 9,000

Narration: Cash withdrawn from bank

Accept Yes

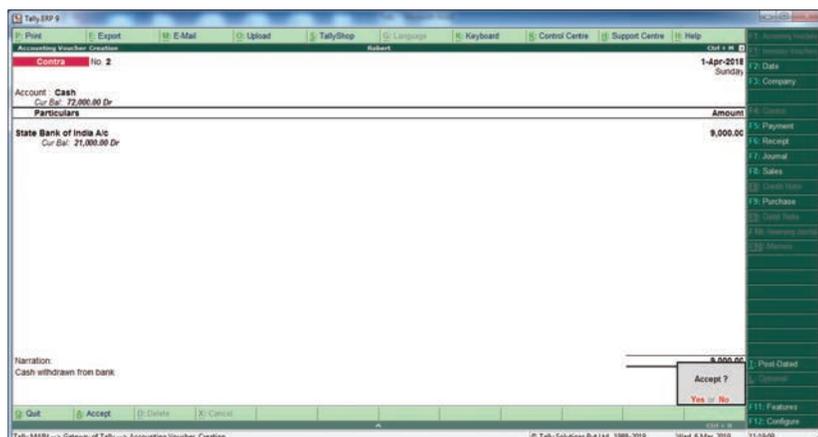


Figure 10.30 Creation of Contra voucher

(9) Part payment of ₹ 10,000 made to Mohaideen by cheque

F5: Payment voucher

Account: State Bank of India

Particulars: Mohaideen A/c

Amount: ₹ 10,000

Narration: Payment made to Mohaideen by cheque

Accept Yes

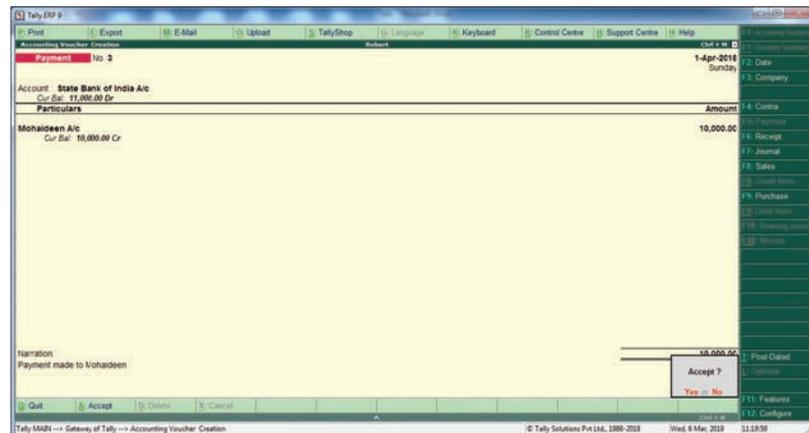


Figure 10.31 Creation of Payment voucher

(10) Rony made part payment of ₹ 5,000 by cash

F6: Receipt voucher

Account: Cash

Particulars: Rony A/c

Amount: ₹ 5,000

Narration: Cash received from Rony

Accept Yes.

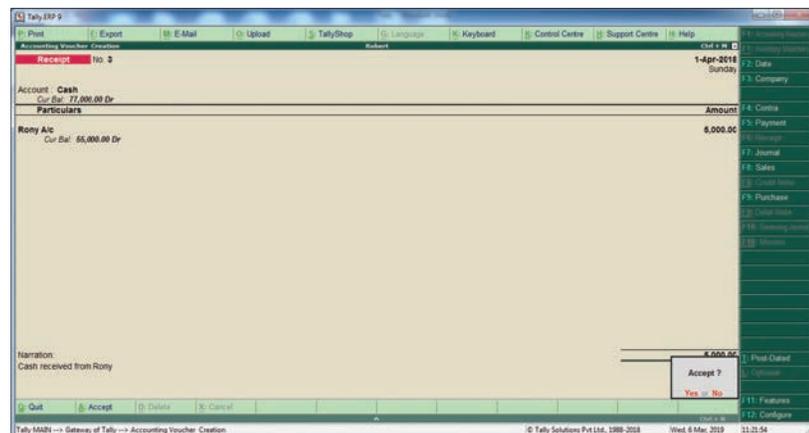


Figure 10.32 Creation of Receipt voucher

(11) Salaries paid to staff through ECS ₹ 6,000

F5: Payment voucher

Account: State Bank of India

Particulars: Salaries A/c

Amount: ₹ 6,000

Narration: Salaries paid through ECS

Accept Yes

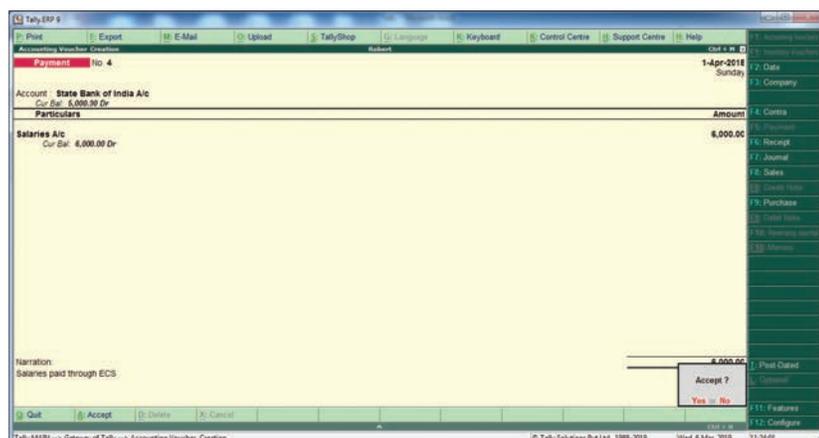


Figure 10.33 Creation of Payment voucher

(12) Wages of ₹ 3,000 paid by cash

F5: Payment voucher
 Account: Cash
 Particulars: Wages A/c
 Amount: ₹ 3,000
 Narration: Wages paid by cash
 Accept Yes

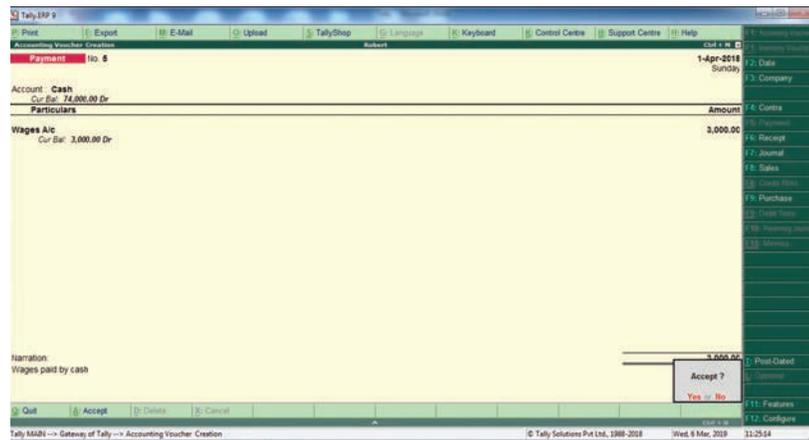


Figure 10.34 Creation of Payment voucher

(13) Purchased stationery from Pandian Ltd. on credit ₹ 4,000

F7: Journal voucher
 Particulars: Stationery
 Amount: ₹ 4,000
 To Pandian Ltd.
 Amount: ₹ 4,000
 Narration: Stationery bought on credit from Pandian Ltd.
 Accept Yes

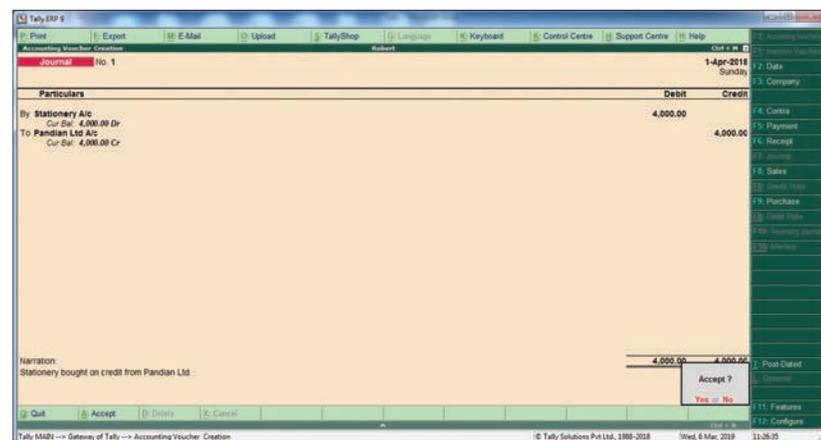


Figure 10.35 Creation of Journal voucher

5. To view reports

(i) To view Trial Balance

Gateway of Tally > Reports > Display > Trial Balance > AltF1 (detailed)

Particulars		Debit	Credit
Capital Account			1,00,000.00
Robert's Capital A/c			1,00,000.00
Current Liabilities			14,000.00
Sundry Creditors			14,000.00
Fixed Assets		10,000.00	
Furniture A/c		10,000.00	
Current Assets		1,34,000.00	
Sundry Debtors		55,000.00	
Cash-in-Hand		74,000.00	
Bank Accounts		5,000.00	
Sales Accounts			68,000.00
Sales A/c			68,000.00
Purchase Accounts		25,000.00	
Purchases A/c		25,000.00	
Direct Expenses		3,000.00	
Wages A/c		3,000.00	
Indirect Expenses		10,000.00	
Salaries A/c		6,000.00	
Stationery A/c		4,000.00	
Grand Total		1,82,000.00	1,82,000.00

Figure 10.36 Trial Balance

(ii) To view Profit and Loss Account

F10: A/c Reports > Profit & Loss A/c > AltF1 (detailed)

(or)

Gateway of Tally > Reports > Profit & Loss A/c > AltF1 (detailed)

Robert For 1-Apr-2018		Robert For 1-Apr-2018	
Particulars		Particulars	
Purchase Accounts	25,000.00	Sales Accounts	68,000.00
Purchases A/c	25,000.00	Sales A/c	68,000.00
Direct Expenses	3,000.00		
Wages A/c	3,000.00		
Indirect Expenses	10,000.00		
Salaries A/c	6,000.00		
Stationery A/c	4,000.00		
Nett Profit	30,000.00		
Total	68,000.00	Total	68,000.00

Figure 10.37 Profit and Loss Account

(iii) To view Balance Sheet

F10: A/c Reports > Balance Sheet > AltF1 (detailed)

(or)

Gateway of Tally > Reports > Balance Sheet > AltF1 (detailed)

Robert as at 1-Apr-2018		Robert as at 1-Apr-2018	
Liabilities		Assets	
Capital Account	1,00,000.00	Fixed Assets	10,000.00
Robert's Capital A/c	1,00,000.00	Furniture A/c	10,000.00
Loans (Liability)	14,000.00	Current Assets	1,34,000.00
Sundry Creditors	14,000.00	Sundry Debtors	55,000.00
Profit & Loss A/c	30,000.00	Cash-in-Hand	74,000.00
Opening Balance		Bank Accounts	5,000.00
Current Period	30,000.00		
Total	1,44,000.00	Total	1,44,000.00

Figure 10.38 Balance Sheet

(iv) To view Ratio Analysis

F10: A/c Reports > Ratio Analysis

(or)

Gateway of Tally > Reports > Ratio Analysis

Principal Groups	Robert For 1-Apr-2018	Principal Ratios	Robert For 1-Apr-2018
Working Capital (Current Assets-Current Liabilities)	1,20,000.00 Dr	Current Ratio (Current Assets : Current Liabilities)	9.57 : 1
Cash-in-Hand	74,000.00 Dr	Quick Ratio (Current Assets-Stock-in-Hand : Current Liabilities)	9.57 : 1
Bank Accounts	5,000.00 Dr	Debt/Equity Ratio (Loans (Liability) : Capital Account + Nett Profit)	0.00 : 1
Bank OD A/c		Gross Profit %	58.82 %
Sundry Debtors (due till today)	55,000.00 Dr	Nett Profit %	44.12 %
Sundry Creditors (due till today)	14,000.00 Cr	Operating Cost % (as percentage of Sales Accounts)	55.88 %
Sales Accounts	68,000.00 Cr	Recv. Turnover in days (payment performance of Debtors)	0.92 days
Purchase Accounts	25,000.00 Dr	Return on Investment % (Nett Profit / Capital Account + Nett Profit)	23.08 %
Stock-in-Hand		Return on Wkg. Capital % (Nett Profit / Working Capital)	25.00 %
Nett Profit	30,000.00 Cr		
Wkg. Capital Turnover (Sales Accounts / Working Capital)	0.57		
Inventory Turnover (Sales Accounts / Closing Stock)	0.00		

Figure 10.39 Ratio Analysis

(v) To view Day Book

F10: A/c Reports > Day Book > AltF1 (detailed)

(or)

Gateway of Tally > Reports > Display > Day Book > AltF1 (detailed)

Date	Particulars	Vch Type	Vch No.	Debit Amount	Credit Amount
1-4-2018	Cash	Contra	1		30,000.00
	State Bank of India A/c			30,000.00 Dr	
1-4-2018	State Bank of India A/c	Contra	2		9,000.00
	Cash			9,000.00 Dr	
1-4-2018	Furniture A/c	Payment	1	10,000.00	
	Cash			10,000.00 Cr	
1-4-2018	Mohaideen A/c	Payment	2	10,000.00	
	State Bank of India A/c			10,000.00 Cr	
1-4-2018	Salarries A/c	Payment	3	6,000.00	
	State Bank of India A/c			6,000.00 Cr	
1-4-2018	Wages A/c	Payment	4	3,000.00	
	Cash			3,000.00 Cr	
1-4-2018	Robert's Capital A/c	Receipt	1		1,00,000.00
	Cash			1,00,000.00 Dr	
1-4-2018	Rony A/c	Receipt	2		5,000.00
	Cash			5,000.00 Dr	
1-4-2018	Stationery A/c	Journal	1	4,000.00	
	Pandian Ltd A/c			4,000.00 Cr	
1-4-2018	Cash	Sales	1	8,000.00	
	Sales A/c			8,000.00 Cr	
1-4-2018	Rony A/c	Sales	2	60,000.00	
	Sales A/c			60,000.00 Cr	
1-4-2018	Mohaideen A/c	Purchase	1		20,000.00
	Purchases A/c			20,000.00 Dr	
1-4-2018	Cash	Purchase	2		5,000.00
	Purchases A/c			5,000.00 Dr	

Figure 10.40 Day Book

Practical problem 2

The following balance sheet has been prepared from the books of Bright on 1-4-2018.

Liabilities	₹	Assets	₹
Capital	2,26,000	Machinery	1,00,000
Sundry creditors:		Furniture	10,000
Ramesh A/c	24,000	Stock	20,000
		Sundry debtors	
		Shankar	50,000
		Cash in hand	15,000
		Cash at bank	55,000
	2,50,000		2,50,000

During the year the following transactions took place:

- Wages paid by cash ₹ 2,000
- Rent paid by cheque ₹ 5,000
- Cash purchases made for ₹ 3,000
- Good purchased on credit from Senthamarai ₹ 15,000
- Goods sold on credit to Pushparaj ₹ 25,000
- Payment made to Senthamarai by cheque ₹ 5,000
- Cash received from Shankar ₹ 30,000
- Cash sales made for ₹ 6,000
- Depreciate machinery at 10%
- Closing stock on 31.03.2019 ₹ 15,000

You are required to prepare trading and profit and loss account for the year ended 31-03-2019 and a balance sheet as on that date using Tally.

Solution

Following steps are to be followed to enter the transactions in Tally.ERP 9

1. To create company

Company Info > Create Company

Type the Name as Bright and keep all other fields as they are and choose 'Yes' to accept.

2. To maintain accounts only

Gateway of Tally > F11 Accounting Features > General > Maintain accounts only: Yes > Accept Yes

3. To create ledger accounts with opening balances

Gateway of Tally > Masters > Accounts Info > Ledgers > Single Ledger > Create

Creation of	Name	Under	Opening balance	Accept
Bright's Capital A/c	Bright's Capital A/c	Capital Account	2,26,000	Yes
Ramesh A/c (Sundry creditors)	Ramesh A/c	Sundry Creditors	24,000	Yes
Machinery A/c	Machinery A/c	Fixed Assets	1,00,000	Yes
Furniture A/c	Furniture A/c	Fixed Assets	10,000	Yes
Opening stock	Opening stock	Stock-in-Hand	20,000	Yes
Shankar A/c (Sundry debtors)	Shankar A/c	Sundry Debtors	50,000	Yes
Cash in hand	Cash	Cash-in-Hand	15,000	Yes
Cash at bank	Bank	Bank Accounts	55,000	Yes

The screenshot shows the 'Ledger Creation' window in Tally ERP 9. The ledger name is 'Bright's Capital A/c'. The 'Under' field is set to 'Capital Account'. The 'Currency of ledger' is '₹'. The 'Total Opening Balance' is '2,26,000.00 Cr'. The 'Difference' is also '2,26,000.00 Cr'. The 'Mailing Details' section includes 'Name: Bright's Capital A/c', 'Address', 'Country: India', 'State: Not Applicable', and 'Pincode'. The 'Tax Registration Details' section includes 'PAN/IT No.'. An 'Accept ?' dialog box is shown at the bottom right with 'Yes or No' options. The status bar at the bottom indicates 'Tally MAIN --> Gateway of Tally --> Accounts Info. --> Ledgers --> Ledger Creation' and the date 'Wed, 6 Mar, 2019 17:40:26'.

Figure 10.41 Creation of Bright's Capital A/c

Note

Cash account need not be created as it is a default ledger. Only the opening balance has to be recorded by altering the cash account.

To record the opening balance of cash:

Gateway of Tally > Masters > Accounts Info > Ledgers > Single Ledger > Alter



To delete or alter a transaction:

Gateway of Tally > Reports > Display > Day Book > (Choose the voucher to be deleted or altered) Delete or make changes and Accept > Yes

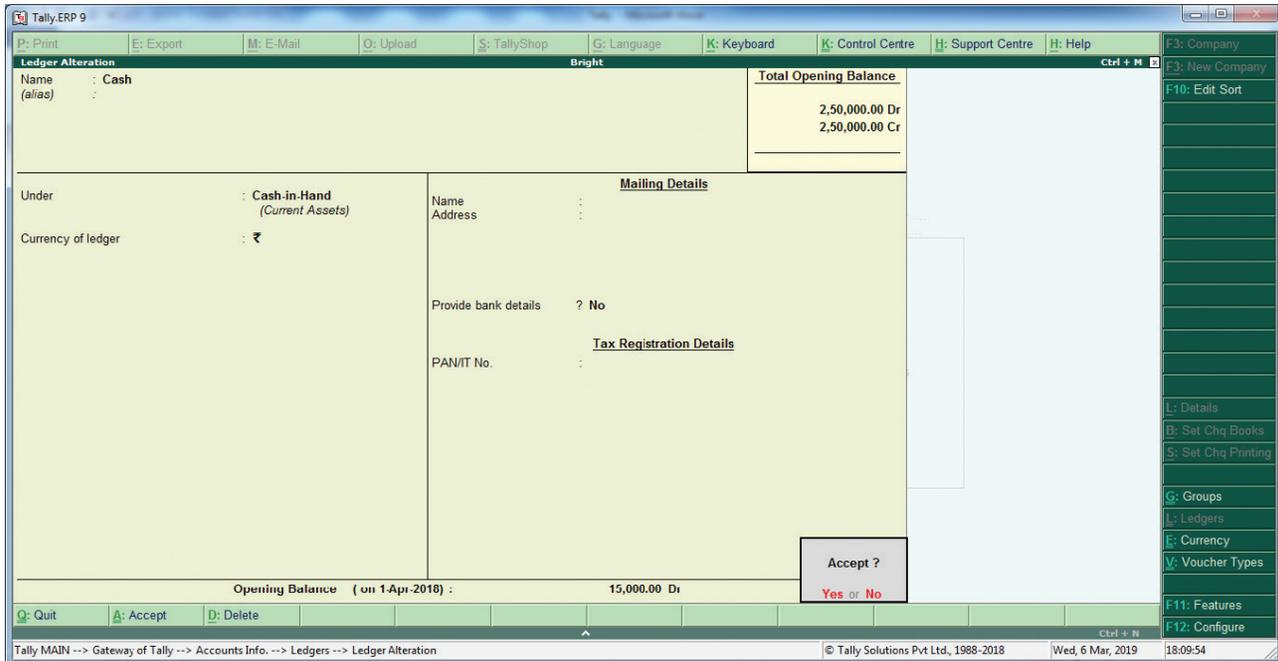


Figure 10.42 Recording of opening balance of cash

After creating the ledgers and recording the opening balances of ledger accounts the balance sheet of Bright is shown as in the following figure:

Liabilities		Assets	
Bright as at 1-Apr-2018		Bright as at 1-Apr-2018	
Capital Account	2,26,000.00	Fixed Assets	1,10,000.00
Bright's Capital A/c	2,26,000.00	Furniture	10,000.00
Loans (Liability)		Machinery A/c	1,00,000.00
Current Liabilities	24,000.00	Current Assets	1,40,000.00
Sundry Creditors	24,000.00	Closing Stock	20,000.00
Profit & Loss A/c		Sundry Debtors	50,000.00
Opening Balance		Cash-in-Hand	15,000.00
Current Period		Bank Accounts	55,000.00
Total	2,50,000.00	Total	2,50,000.00

Figure 10.43 Balance sheet

4. To create ledger accounts for transactions

Creation of	Name	Under	Accept
Wages A/c	Wages A/c	Direct Expenses	Yes
Rent A/c	Rent A/c	Indirect Expenses	Yes
Purchases A/c	Purchases A/c	Purchases Accounts	Yes
Senthamarai A/c	Senthamarai A/c	Sundry Creditors	Yes
Sales A/c	Sales A/c	Sales Accounts	Yes
Pushparaj A/c	Pushparaj A/c	Sundry Debtors	Yes
Depreciation A/c	Depreciation A/c	Indirect Expenses	Yes

5. To enter transactions through vouchers

Gateway of Tally > Transactions > Accounting Vouchers

Example: Wages of ₹ 2,000 paid by cash

F5: Payment voucher

Account: Cash

Particulars: Wages A/c

Amount: ₹ 2,000

Narration: Wages paid by cash

Accept Yes

In the similar way, record the other transactions. Use Payment Voucher for rent paid and payment to Senthamarai.

Use Purchase Voucher for credit purchases from Senthamarai and cash purchases.

Use Sales Voucher for credit sales to Pushparaj and cash sales.

Use Receipt Voucher for cash received from Shankar.

Use Journal Voucher for depreciation.

To record closing stock

Since maintain accounts only is set to 'Yes' and integrate accounts and inventory is set to 'No' under accounting features, stock has to be recorded manually. Hence, the closing stock has to be recorded by altering the stock account and while entering the date of closing stock, the date of opening stock has to be entered. The following procedure is to be followed:

Gateway of Tally > Masters > Accounts Info > Ledgers > Single Ledger > Alter > Stock > Closing balance > Date (opening date) > Amount > Accept Yes

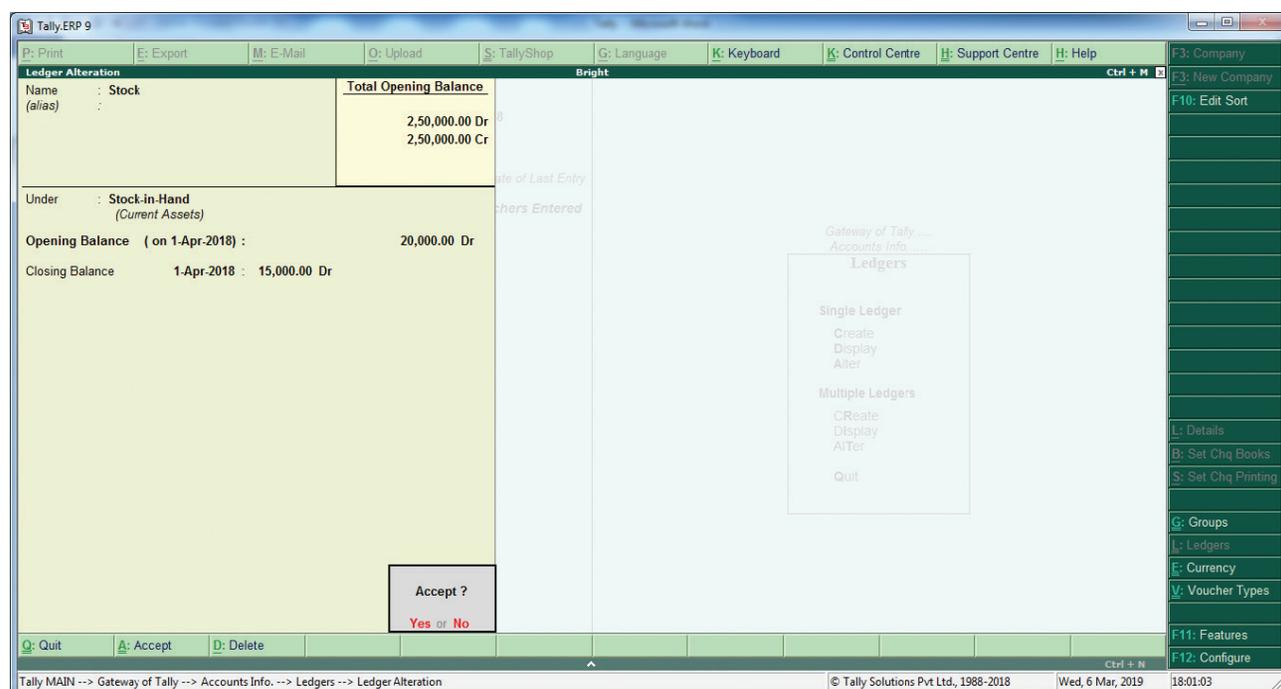


Figure 10.44 Recording closing stock

6. To view reports

(i) To view Profit and Loss Account

F10: A/c Reports > Profit & Loss A/c > AltF1 (detailed)

(or)

Gateway of Tally > Reports > Profit & Loss A/c > AltF1 (detailed)

Profit & Loss A/c		Bright		Bright	
		For 1-Apr-2018		For 1-Apr-2018	
Particulars				Particulars	
Opening Stock	20,000.00			Sales Accounts	31,000.00
Stock	20,000.00			Sales A/c	31,000.00
Direct Expenses	2,000.00			Closing Stock	15,000.00
Wages A/c	2,000.00			Stock	15,000.00
Indirect Expenses	33,000.00			Nett Loss	9,000.00
Depreciation	10,000.00				
Purchases A/c	18,000.00				
Rent A/c	5,000.00				
Total	55,000.00			Total	55,000.00

Figure 10.45 Profit and Loss Account

(ii) To view Balance Sheet

F10: A/c Reports > Balance Sheet > AltF1 (detailed)

(or)

Gateway of Tally > Reports > Balance Sheet > AltF1 (detailed)

Balance Sheet		Bright		Bright	
		as at 1-Apr-2018		as at 1-Apr-2018	
Liabilities				Assets	
Capital Account	2,26,000.00			Fixed Assets	1,00,000.00
Bright's Capital A/c	2,26,000.00			Furniture	10,000.00
Loans (Liability)				Machinery A/c	90,000.00
Current Liabilities	34,000.00			Current Assets	1,51,000.00
Sundry Creditors	34,000.00			Closing Stock	15,000.00
				Sundry Debtors	45,000.00
				Cash-in-Hand	46,000.00
				Bank Accounts	45,000.00
				Profit & Loss A/c	9,000.00
				Opening Balance	
				Current Period	9,000.00
Total	2,60,000.00			Total	2,60,000.00

Figure 10.46 Balance Sheet



Student activity

Debate: Computerised Accounting System Vs Manual Accounting System

Points to remember

- ❖ Automated accounting system is an approach to maintain up-to-date accounting records with the aid of accounting software.
- ❖ Gateway of tally is the opening screen of tally. It is shown on the right pane which contains menu options such as transactions and reports.
- ❖ Accounting group is a collection of ledger accounts of same nature.
- ❖ Tally has two predefined ledgers, Cash and Profit & Loss A/c.
- ❖ Different types of vouchers such as receipt, payment, sales, purchases, etc. can be used for recording transactions in Tally.
- ❖ Deposit of cash into bank account and withdrawal of cash from bank account are recorded in contra voucher.
- ❖ Journal vouchers are used for recording transactions such as depreciation, provision for bad debts, rectification entries, etc.

Self-examination questions

I Multiple choice questions

Choose the correct answer

1. Accounting report prepared according to the requirements of the user is
 - (a) Routine accounting report
 - (b) Special purpose report
 - (c) Trial balance
 - (d) Balance sheet
2. Function key F11 is used for
 - (a) Company Features
 - (b) Accounting vouchers
 - (c) Company Configuration
 - (d) None of these
3. Which submenu displays groups, ledgers and voucher types in Tally?
 - (a) Inventory vouchers
 - (b) Accounting vouchers
 - (c) Company Info
 - (d) Account Info
4. What are the predefined Ledger(s) in Tally?
 - (i) Cash
 - (ii) Profit & Loss A/c
 - (iii) Capital A/c
 - (a) Only (i)
 - (b) Only (ii)
 - (c) Both (i) and (ii)
 - (d) Both (ii) and (iii)
5. Contra voucher is used for
 - (a) Master entry
 - (b) Withdrawal of cash from bank for office use
 - (c) Reports
 - (d) Credit purchase of assets
6. Which is not the default group in Tally?
 - (a) Suspense account
 - (b) Outstanding expense
 - (c) Sales account
 - (d) Investments

7. Salary account comes under which of the following head?
 (a) Direct Incomes (b) Direct Expenses (c) Indirect Incomes (d) Indirect Expenses
8. ₹ 25,000 withdrawn from bank for office use. In which voucher type, this transaction will be recorded
 (a) Contra Voucher (b) Receipt Voucher (c) Payment Voucher (d) Sales Voucher
9. In which voucher type credit purchase of furniture is recorded in Tally
 (a) Receipt voucher (b) Journal voucher (c) Purchase voucher (d) Payment voucher
10. Which of the following options is used to view Trial Balance from Gateway of Tally?
 (a) Gateway of Tally -> Reports -> Trial Balance
 (b) Gateway of Tally -> Trial Balance
 (c) Gateway of Tally -> Reports -> Display -> Trial Balance
 (d) None of these

Answers

1(b)	2(a)	3(d)	4(c)	5(b)	6(b)	7(d)	8(a)	9(b)	10(c)
------	------	------	------	------	------	------	------	------	-------

II Very short answer questions

1. What is automated accounting system?
2. What are accounting reports?
3. State any five accounting reports.
4. What is Accounting Information System (AIS)?
5. What is a group in Tally.ERP 9?

III Short answer questions

1. Write a brief note on accounting vouchers.
2. What are the pre-defined ledgers available in Tally.ERP 9?
3. Mention the commonly used voucher types in Tally.ERP 9.
4. Explain how to view profit and loss statement in Tally.ERP 9.
5. Explain any five applications of computerised accounting system.

IV Exercises

1. Record the following transactions in Tally.

<p>(a) Devi commenced a business with a capital of ₹ 4,00,000</p> <p>(b) An account was opened with Indian Bank and deposited ₹ 60,000</p> <p>(c) Purchased furniture by paying cash ₹ 15,000</p> <p>(d) Goods purchased on credit from Sumathy for ₹ 50,000</p> <p>(e) Cash sales made for ₹ 10,000</p> <p>(f) Goods purchased from Raja for ₹ 5,000 and paid by cheque</p> <p>(g) Goods sold to Arun on credit for ₹ 70,000</p>	<p>(h) Money withdrawn from bank for office use ₹ 25,000</p> <p>(i) Part payment of ₹ 30,000 made to Sumathy by cheque</p> <p>(j) Arun made part payment of ₹ 10,000 by cash</p> <p>(k) Salaries paid to staff through ECS ₹ 36,000</p> <p>(l) Carriage on purchases of ₹ 6,000 paid by cash</p> <p>(m) Purchased computer from Muthu Ltd. on credit ₹ 44,000</p>
---	---

2. The following balance sheet has been prepared from the books of Pearl on 1-4-2018.

Liabilities	₹	Assets	₹
Capital	1,60,000	Buildings	40,000
Sundry creditors:		Furniture	20,000
Maya A/c	20,000	Stock	10,000
		Sundry debtors	
		Peter	20,000
		Cash in hand	30,000
		Cash at bank	60,000
	1,80,000		1,80,000

During the year the following transactions took place.

- | | |
|--|--|
| (a) Wages paid by cash ₹ 4,000 | (f) Payment made to Yazhini through NEFT ₹ 6,000 |
| (b) Salaries paid by cheque ₹ 10,000 | (g) Cash received from Peter ₹ 10,000 |
| (c) Cash purchases made for ₹ 4,000 | (h) Cash sales made for ₹ 4,000 |
| (d) Good purchased on credit from Yazhini ₹ 30,000 | (i) Depreciate buildings at 20% |
| (e) Goods sold on credit to Jothi ₹ 40,000 | (j) Closing stock on 31.03.2019 ₹ 9,000 |

You are required to prepare trading and profit and loss account for the year ended 31-03-2019 and a balance sheet as on that date using Tally.

CASE STUDY

Venkat has been running a large departmental store for more than 20 years. The customers are happy with the quality and service. As a result, he opened few more departmental stores in different areas. He has now more than 50 employees working in his stores. He has been maintaining all the records manually. As the business expanded, Venkat found it difficult to manage the business efficiently. His daughter Latha, who has recently completed her Master of Commerce, wanted to help her father in his business. She identified the following issues:

- Some of the inventories are missing, but there is no evidence for that.
- Payments to the suppliers were delayed, though the cash flow was not a problem.
- Some of the products were over supplied in all the stores.
- In the recently opened branches, some highly demanded products were out of stock.
- There has been no control over the expenditure.

Latha thinks, if this situation continues, the business may lose its reputation and may even incur loss. To overcome these issues, she strongly feels the need for computerised accounting system.

Do you think, these issues can be solved easily with the help of CAS? If you think so, justify your view.

To explore further

Is Tally the only Accounting software available? Explore and find out few more Accounting software applications

Reference

Official Guide to Financial Accounting using Tally.ERP 9, Tally Education Private Limited, BPB Publications, Bengaluru