



MATS
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MATS CENTRE FOR OPEN & DISTANCE EDUCATION

IT for Managers - Tally

Bachelor of Commerce (B.Com.)
Semester - 3



SELF LEARNING MATERIAL



CODE : ODL/BCOM SEC-024
IT for Managers -Tally

IT FOR MANAGERS-TALLY

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MODULE INTRODUCTION

Course has three Modules. Under this theme we have covered the following topics:

Module I Introduction to Tally
Module II Recording Transaction in Tally
Module III Order & reporting in Tally

These themes are dealt with through the introduction of students to the foundational concepts and practices of effective management. The structure of the MODULES includes these skills, along with practical questions and MCQs. The MCQs are designed to help you think about the topic of the particular MODULE.

We suggest that you complete all the activities in the modules, even those that you find relatively easy. This will reinforce your earlier learning.

We hope you enjoy the MODULE.

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Module-I

Introduction to Tally

Structure

Objectives

Unit-1 Introduction, features, type & history of Tally

Unit-2 Company creation, alteration & delete in Tally

Unit-3 Transaction only Accounts and Accounts with Inventory

Unit-4 Stock groups , stock items in Tally

Unit-5 Unit of measure in Tally



Objectives

- To study introduction, features, type & history of Tally
- To understand company creation, alteration & delete in Tally
- To explore the Transaction only Accounts and Accounts with Inventory in Tally
- To understand the stock Groups, stock Items in , unit of measure in Tally

Unit-1 Introduction, features, type & history of Tally

Tally is one of the most widely used accounting software programs designed for small and medium businesses. It is an Enterprise Resource Planning (ERP) software that helps businesses manage accounting, inventory, taxation, payroll, and other business-related functions efficiently. The latest version, Tally Prime, has further improved user experience with better navigation and reporting features.

Tally is a powerful business accounting software widely used by small and medium enterprises (SMEs) to manage financial transactions, inventory, payroll, taxation, and more. Developed by **Tally Solutions Pvt. Ltd.**, it is an **Enterprise Resource Planning (ERP) software** that simplifies complex accounting processes and ensures accuracy in financial management.

The latest version, **Tally Prime**, offers an improved user experience with enhanced features for better business efficiency. It is widely recognized for its **ease of use, automation, and compliance with tax regulations** such as **GST (Goods and Services Tax)**, **TDS (Tax Deducted at Source)**, and **VAT (Value Added Tax)**.

Importance of Tally

Tally plays a crucial role in the **financial and operational management** of businesses. Below are the key reasons why Tally is essential:

Simplifies Accounting Processes

Automates financial transactions, reducing manual effort and errors

Supports **double-entry accounting**, ensuring accurate bookkeeping

Manages **ledgers, journal entries, and bank reconciliations** effortlessly

Generates **financial reports like Balance Sheets, Profit & Loss Statements, and Trial Balances**

Impact: Businesses can maintain **error-free financial records**, ensuring smooth audits and compliance.

Efficient Inventory Management

Tracks **stock levels, batches, and warehouses**

Helps businesses **prevent stock shortages or overstocking**

Generates reports on **stock movement, reorder levels, and inventory valuation**

Impact: Helps businesses **optimize inventory levels**, reducing waste and improving profitability.

GST & Taxation Compliance

Automates GST calculations, making tax filing easier

Generates **GST invoices, e-way bills, and tax reports**

Supports **TDS, TCS, VAT, and other tax calculations**

Impact: Ensures businesses **comply with tax regulations**, avoiding penalties and legal issues.

Payroll Management

Manages **employee salaries, deductions, and bonuses**

Tracks **attendance, leave, and overtime**

Generates **salary slips and compliance reports for PF, ESI, and professional tax**

Impact: Helps HR teams manage **payroll efficiently**, ensuring employees are paid accurately and on time.

Banking & Financial Transactions

Supports **cheque management, NEFT, RTGS, and online payments**

Enables **automatic bank reconciliation** to match records with bank statements

Manages **post-dated cheques and interest calculations**

Impact: Enhances **financial control and reduces discrepancies** in banking transactions.

Business Decision-Making with Real-Time Reports





Generates **real-time financial and operational reports**

Provides insights on **profitability, expenses, outstanding payments, and cash flow**

Helps businesses **forecast financial trends and set budgets**

Impact: Enables **better decision-making** by providing **accurate and timely data**.

Multi-User & Remote Access

Supports **multiple users working on the same data simultaneously**

Allows **remote access**, enabling businesses to work from anywhere

Provides **user-level security controls** to restrict access to sensitive data

Impact: Improves **collaboration within teams** and ensures **data security**.

Data Security & Backup

Ensures **data encryption and password protection**

Offers **automated backups** to prevent data loss

Maintains a **log of financial transactions for transparency**

Impact: Protects **business data from unauthorized access and loss**, ensuring compliance with audit requirements.

Customization & Integration

Allows **customization to fit business-specific needs**

Integrates with **third-party applications and ERP systems**

Enables businesses to **generate customized financial reports**

Impact: Provides **flexibility for different industries**, making it suitable for retail, manufacturing, services, and trading businesses.

Cost-Effective & Scalable

Affordable for **small and medium businesses**

Can be used by **freelancers, startups, and large enterprises**

Easily **scales as business grows**, without high investment costs

Impact: Makes **financial management accessible** to businesses of all sizes, ensuring **growth without additional software investments**.

Industries That Benefit from Tally

Tally is used in various industries, including:

Retail & Wholesale – Manages billing, inventory, and GST compliance

Manufacturing – Tracks raw materials, production costs, and supply chain

Service Industry – Handles invoices, payroll, and expense management

Educational Institutions – Manages fees, salaries, and expenses

Healthcare – Tracks medical supplies, billing, and financial records

Freelancers & Professionals – Maintains income, expenses, and tax records

Key Features of Tally

Accounting Management

1. Tally provides an extensive double-entry accounting system, ensuring error-free calculations.
2. Supports ledger management, voucher entry, and financial reporting.
3. Generates various financial statements like Balance Sheet, Profit & Loss Statement, Trial Balance, and Cash Flow Statements.

Inventory Management

1. Efficiently tracks stock movement, inventory valuation, and stock categories.
2. Helps businesses manage godowns, stock batches, and reorders.
3. Maintains stock reports for better decision-making.

GST and Taxation Management

1. Supports Goods and Services Tax (GST), TDS, TCS, VAT, and Excise Duty compliance.
2. Automates GST returns, invoicing, and e-way bill generation.
3. Helps businesses file tax returns on time with accurate calculations.

Payroll Management

1. Manages employee salaries, deductions, bonuses, and provident fund contributions.





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2. Generates salary slips and compliance reports for ESI & EPF.
3. Tracks attendance, leave, and overtime records.

Banking Features

1. Provides automatic bank reconciliation and transaction recording.
2. Supports cheque management, electronic payments (NEFT, RTGS), and post-dated cheques.
3. Helps maintain multi-currency transactions.

Multi-User and Remote Access

1. Supports multi-user access for businesses with multiple departments.
2. Allows remote access for users working from different locations.
3. Ensures data security with user-level permissions.

Data Security and Backup

1. Ensures data encryption and password protection.
2. Provides automated data backup to prevent loss of business information.

Customization & Integration

1. Offers Tally customization to fit specific business needs.
2. Can be integrated with third-party applications for advanced functionalities.
3. Allows businesses to create customized reports and dashboards.

MIS (Management Information System) Reporting

1. Generates real-time business reports for better decision-making.
2. Provides insights into sales, purchases, expenses, and profitability.
3. Helps businesses track performance and financial growth.

Multi-Language Support

1. Tally supports multiple languages for ease of use across different regions.
2. Enables users to enter data in one language and generate reports in another.

Types of Tally

Tally has evolved significantly over the years, with different versions and types catering to various business needs. Below is a detailed overview of the different types of Tally software:

Tally 4.5 (Early Version)

1. First version, DOS-based (Disk Operating System)
2. Introduced basic accounting features
3. Limited functionalities, no graphical interface
4. Used mainly for small businesses with basic accounting needs

It laid the foundation for future versions but lacked advanced features like inventory management and taxation.

Tally 5.4 (Graphical Interface Version)

1. Introduced **Graphical User Interface (GUI)**
2. Added **inventory management** for stock tracking
3. Allowed **basic financial reports and bookkeeping**
4. Increased **user-friendliness and accessibility**

Marked a significant improvement over the DOS-based version, making accounting easier.

Tally 6.3 (VAT & Payroll Integration)

- 1 Introduced **Value Added Tax (VAT) support**
- 2 Added **Payroll features** for salary management
- 3 Introduced **printing options for invoices and reports**
- 4 Enabled **multi-user access**

Helped businesses comply with tax regulations and manage payroll more efficiently.

Tally 7.2 (Enhanced Taxation Features)

- 1 Introduced **statutory compliance** for different states
- 2 Enhanced **VAT, Service Tax, and TDS support**
- 3 Improved **inventory and financial reporting**





4 Allowed **customization for industry-specific needs**

Helped businesses comply with different regional tax requirements.

Tally 8.1 (Multilingual & POS Support)

1. Added **multi-language support** for different regions
- 2 Introduced **Point of Sale (POS) features**
- 3 Improved **data synchronization for multiple locations**
- 4 Enhanced **financial reports and ledger management**

Became useful for businesses operating in different regions with different languages.

Tally 9 (Comprehensive Business Solution)

- 1 Improved **TDS, FBT (Fringe Benefit Tax), and Excise Duty management**
- 2 Introduced **Payroll and Employee Data Management**
- 3 Added **support for multiple currencies**
- 4 Enhanced **remote access and data security**

Became a complete business solution with **multi-currency support and advanced payroll management**.

. Tally ERP 9 (Enterprise Resource Planning)

- 1 Most widely used version before Tally Prime
- 2 Enhanced **business automation and remote access**
- 3 Introduced **Goods and Services Tax (GST) support**
- 4 Improved **banking, inventory, and financial management**
- 5 Allowed **integration with third-party applications**

Tally ERP 9 became the **most popular and versatile version** used across industries.

Tally Prime (Latest Version)

- 1 **Enhanced user experience** with improved navigation

2 **Faster access to reports, invoices, and transactions**

3 **Supports GST, e-invoicing, and e-way bills**

4 **Offers multi-tasking, search, and shortcut improvements**

5 **Better remote access and cloud storage options**

Tally Prime is the **latest and most advanced version**, offering **better efficiency, automation, and compliance**.

Different Editions of Tally

Tally is available in different editions based on business requirements:

Tally Prime Silver (Single User)

Designed for **small businesses**

Allows **one user to work at a time**

Supports **basic accounting, taxation, and inventory management**

Best For: Small businesses, freelancers, and sole proprietors.

Tally Prime Gold (Multi-User)

Allows **multiple users to access data simultaneously**

Ideal for **medium and large businesses**

Ensures **data security with user-based access control**

Best For: Companies with **multiple departments and teams**.

Tally Prime Auditor Edition

Special edition for **Chartered Accountants (CAs) and auditors**

Provides **advanced auditing and compliance tools**

Helps in **GST audits, TDS compliance, and financial verification**

Best For: Auditors, accounting firms, and financial consultants.

Tally Prime Server (For Large Enterprises)

Designed for **large organizations with high-volume transactions**

Improves **data security, performance, and multi-user access**





Supports **real-time synchronization of data across branches**

Best For: Large enterprises and organizations with **multiple branches**.

Tally Prime Silver – For small businesses

Tally Prime Gold – For medium and large enterprises

Tally Auditor Edition – For accounting professionals

Tally Prime Server – For big organizations with multi-user needs

Unit-2 Company creation, alteration & delete in Tally

Steps to Create a Company in Tally (Tally Prime & Tally ERP9)

Creating a company in **Tally Prime** or **Tally ERP9** is the first step before recording any transactions. Follow these detailed steps to create a new company:

Open Tally

Launch **Tally Prime** or **Tally ERP9** on your system.

If you are using Tally for the first time, the **Company Creation** screen will open automatically.

If you are already in Tally, press **Alt+K (Company) '!' Create** in Tally Prime or **Alt+F3 '!' Create Company** in Tally ERP9.

Fill in Basic Company Details

The **Company Creation** screen will appear where you need to enter the following details:

A. Company Information

1. **Company Name:** Enter the name of your company (e.g., “XYZ Pvt. Ltd.”).
2. **Mailing Name:** This name will be used in invoices and reports. If different from the company name, enter it accordingly.
3. **Address:** Provide the complete company address.
4. **Country:** Select your country (e.g., India, USA).
5. **State:** Choose the state where your company is registered.



6. **Pin Code:** Enter the postal code for your business location.
7. **Mobile No.:** Enter your contact number.
8. **Telephone No. (Optional):** Enter the landline number if available.
9. **Email:** Provide the company's email address.
10. **Website:** Enter the official website URL (optional).

B. Financial Year Details

1. **Financial Year Begins From:** Enter the start date of your financial year (e.g., 01-Apr-2024 for India).
2. **Books Beginning From:** Usually the same as the financial year, but can be different if required.

C. Security Control (Optional)

1. **Tally Vault Password:** If you want to encrypt company data, enter a password (optional).
2. **User Security Control:** Enable if you want multi-user access with different permissions.

Enable Advanced Features (Optional)

After entering basic details, Tally allows you to enable additional features.

1. **Use Accounting Features:** Enables basic accounting functions.
2. **Use Inventory Features:** Enables stock management (useful for businesses dealing with goods).
3. **Enable GST?:** If your company is GST-registered, select **Yes**.

Enter GSTIN, state, and applicable tax rates.

4. **Enable TDS/TCS?:** If your company deals with tax deductions at source (TDS) or tax collection at source (TCS), enable this.
5. **Payroll?:** If your company has employees and you need payroll management, enable this option.

Save the Company Details

1. After entering all details, press **Ctrl + A** to save.
2. Your company is now created and ready for accounting.



Steps to Alter a Company in Tally

1. Open Tally

Launch **Tally Prime** or **Tally ERP9** on your system.

If you are already in a company, press **Alt+F3** to open the **Company menu**.

2. Select “Alter” Option

In **Tally Prime**, go to:

Gateway of Tally ’! Alt+K (Company) ’! Alter

In **Tally ERP9**, go to:

o Gateway of Tally ’! F3 (Company Info) ’! Alter

3. Choose the Company to Alter

A list of companies appears.

Select the company you want to modify by using the arrow keys and pressing **Enter**.

4. Modify Company Details

The **Company Alteration** screen will open.

You can modify the following details:

- a. Company Name:** Change the company name if required.
- b. Mailing Address:** Update the company’s address.
- c. Contact Details:** Modify phone number, email ID, website, etc.
- d. Financial Year:** Change the financial year (not recommended after transactions are entered).
- e. Security Control:** Set up or change password protection.
- f. GST Details:** Modify GST details such as GSTIN, state, etc.
- g. PAN/TAN Number:** Update the PAN or TAN details.
- h. Currency Information:** Change the base currency settings if needed.

5. Save the Changes

After making the required modifications, press **Ctrl+A** to save the changes.

Tally will update the company details accordingly.

6. Restart Tally (If Required)

In some cases, after altering significant details (such as the financial year), restarting Tally may be necessary for the changes to take full effect.

Additional Features While Altering a Company

Enable/Disable Features:

Press **F11 (Features)** to enable or disable options like GST, TDS, Payroll, etc.

Security Control:

Enable or modify **Tally Vault Password** for data encryption.

Create or manage **User Roles & Access Control**.

Steps to Delete a Company in Tally

Deleting a company in **Tally Prime** or **Tally ERP9** is a sensitive operation, as once deleted, the company data cannot be recovered unless a backup exists. Follow these detailed steps carefully.

Step 1: Open Tally

Start **Tally Prime** or **Tally ERP9** on your system.

Step 2: Select the Company

- On the **Gateway of Tally**, press **F1 (Select Company)** if the desired company is not already open.
- Choose the company you want to delete.

Step 3: Open the Company Alteration Screen

- Press **Alt + F3** to open the **Company Info** menu.
- Select **Alter** from the list.
- A list of companies will appear. Select the company you wish to delete.
- The **Company Alteration** screen will open.

Step 4: Delete the Company

- Press **Alt + D** while in the Company Alteration screen.





b.A confirmation prompt will appear:

“Are you sure you want to delete this company?”

c.Press **Y (Yes)** to confirm.

Step 5: Exit Tally

After deletion, exit Tally to ensure the changes are saved

Unit-3 Transaction only Accounts and Accounts with Inventory

Transaction Only Accounts in Tally

A **Transaction Only Account** in Tally refers to an account where transactions are recorded without maintaining a detailed ledger balance. It is commonly used for temporary or one-time accounts where full ledger tracking is unnecessary.

These accounts can be useful in situations where detailed financial tracking is not required but transactions must still be recorded.

Key Features of Transaction Only Accounts in Tally

1. **No Ledger Balance** – These accounts do not maintain an opening or closing balance.
2. **Used for Temporary Transactions** – Ideal for one-time payments or receipts.
3. **Does Not Affect Trial Balance** – Since there is no closing balance, it does not impact the Trial Balance.
4. **Mostly Used for Contra and Journal Entries** – Commonly seen in cash withdrawals, deposits, or inter-bank transfers.

How to Create a Transaction Only Account in Tally?

1. **Go to Gateway of Tally ’! Accounts Info ’! Ledgers ’! Create.**
2. **Enter the Ledger Name** (e.g., “Temporary Expense Account”).
3. **Select the Group** (e.g., “Indirect Expenses” or any other relevant group).
4. **Set ‘Maintain Balances’ to NO** (this makes it a Transaction Only Account).
5. **Save the Ledger.**



Example 1: Temporary Cash Expense

Suppose a company gives ₹ 5,000 to an employee for travel expenses, and they will submit bills later.

Entry in Tally:

Dr. Temporary Expense Account ₹ 5,000

Cr. Cash Account ₹ 5,000

This transaction records the expense but does not maintain a closing balance.

Example 2: Inter-Bank Transfer

Transferring ₹ 10,000 from SBI to HDFC.

Entry in Tally (Contra Entry):

Dr. HDFC Bank Account ₹ 10,000

Cr. SBI Bank Account ₹ 10,000

Since the amounts are recorded but no ledger balance is tracked, this serves as a simple record of the transfer.

Example 3: Advance Given to a Supplier

A business pays ₹ 25,000 to a supplier as an advance.

Entry in Tally:

Dr. Supplier Advance (Transaction Only Account) ₹ 25,000

Cr. Bank Account ₹ 25,000

This records the advance given but does not maintain a detailed ledger balance.

Advantages of Using Transaction Only Accounts in Tally

Simplifies Temporary Transactions – No need for detailed ledger maintenance.

Prevents Unnecessary Balances – Helps avoid clutter in trial balance reports.



Useful for Auditors – Keeps track of financial movement without affecting financial statements.

When to Use Transaction Only Accounts?

Petty cash transactions

Inter-bank transfers

Advances given and received

One-time or temporary expenses

Accounts with Inventory in Tally

Tally provides an integrated accounting and inventory management system, which is useful for businesses that deal with stock items. By enabling **Accounts with Inventory**, you can track stock movements, manage warehouses, and generate financial reports with inventory details.

1. Enabling Accounts with Inventory in Tally

Before recording transactions, enable inventory features:

- 1. Go to:** Gateway of Tally '! F11: Features '! F2: Inventory
- 2. Enable the following options:**
 - I. Maintain Accounts with Inventory '! **Yes**
 - II. Integrate Accounts with Inventory '! **Yes** (for automatic valuation)

2. Creating Masters for Accounts & Inventory

To manage Accounts with Inventory, you need to create:

A. Ledger Accounts

Create ledgers under relevant groups:

Example 1: Creating a Purchase Ledger

- I. Gateway of Tally '! Accounts Info '! Ledger '! Create
- II. **Name:** Purchase A/c

III. Under: Purchase Accounts

IV. Inventory values affected?: Yes

Example 2: Creating a Sales Ledger

I. Name: Sales A/c

II. Under: Sales Accounts

III. Inventory values affected?: Yes

B. Stock Groups & Items

1. Gateway of Tally '!' Inventory Info '!' Stock Group '!' Create

2. Example:

a. Name: Electronics

b. Under: Primary

3. Gateway of Tally '!' Inventory Info '!' Stock Item '!' Create

4. Example:

a. Name: LED TV

b. Under: Electronics

c. Units of Measure: PCS (Pieces)

d. Opening Stock: 10 pcs @ ₹ 20,000

C. Units of Measure

1. Gateway of Tally '!' Inventory Info '!' Units of Measure '!' Create

2. Example:

3. Symbol: PCS

4. Formal Name: Pieces

5. Type: Simple

3. Recording Transactions in Accounts with Inventory

A. Purchase Entry (Inventory Included)

1. Gateway of Tally '!' Accounting Vouchers '!' F9: Purchase





2. Select the **supplier ledger** (e.g., XYZ Traders)
3. Choose the **purchase ledger** (Purchase A/c)
4. Select the **Stock Item** (e.g., LED TV)
5. Enter quantity (e.g., 5 pcs @ ¹ 18,000 each)
6. Save the voucher

Effect:

- Increases stock quantity
- Updates purchase account & supplier balance

B. Sales Entry (Inventory Deducted)

1. Gateway of Tally '!' Accounting Vouchers '!' F8: Sales
2. Select the **customer ledger** (e.g., ABC Electronics)
3. Choose the **sales ledger** (Sales A/c)
4. Select the **Stock Item** (e.g., LED TV)
5. Enter quantity (e.g., 2 pcs @ ¹ 25,000 each)
6. Save the voucher

Effect:

- a. Reduces stock quantity
- b. Updates sales account & customer balance

C. Stock Journal (Adjustment for Damage or Consumption)

1. Gateway of Tally '!' Inventory Vouchers '!' Alt + F7: Stock Journal
2. Select the **Stock Item** (e.g., LED TV)
3. Enter the quantity (e.g., 1 pcs damaged)
4. Select the **Adjustment Account** (e.g., Loss A/c)
5. Save the entry

Effect:

- a. Reduces stock quantity
- b. Records loss in accounts



D. Stock Transfer (Between Warehouses)

1. Gateway of Tally '!' Inventory Vouchers '!' F7: Stock Journal
2. Select **From Location**: Main Warehouse
3. Select **To Location**: Branch Warehouse
4. Enter the **Stock Item & Quantity**
5. Save the voucher

Effect:

- a. Transfers stock between warehouses
- b. Keeps stock valuation intact

4. Reports for Accounts & Inventory

A. Stock Summary

Gateway of Tally '!' Stock Summary

Shows stock position with values

B. Profit & Loss with Inventory

Gateway of Tally '!' Profit & Loss A/c

Includes purchase & sales with inventory impact

C. Ledger Reports with Inventory

Gateway of Tally '!' Display '!' Account Books '!' Ledger

Select **Purchase A/c / Sales A/c** to see inventory impact

D. Stock Movement Analysis

Gateway of Tally '!' Display '!' Inventory Books

View inward & outward stock details

5. Practical Example: Complete Business Cycle

Step 1: Purchase Entry

10 pcs of LED TV @ ¹ 20,000 each from XYZ Traders



Step 2: Sales Entry

3 pcs of LED TV @ ₹ 25,000 each to ABC Electronics

Step 3: Stock Transfer

2 pcs moved from **Main Warehouse** to **Branch Warehouse**

Step 4: Damaged Stock Adjustment

1 pc of LED TV recorded as **damaged**

Step 5: Reports & Analysis

a. View updated **Stock Summary**

b. Analyze **Sales & Profitability**

Unit-4 Stock groups , stock items

Stock Group in Tally

A **Stock Group** in Tally is used to classify stock items based on similar characteristics. It helps in organizing inventory efficiently and enables easy tracking, reporting, and analysis.

Features of Stock Groups:

- a. Groups similar stock items together.
- b. Helps in applying common features (like GST rates, units of measurement).
- c. Allows easier inventory management and reporting.
- d. Enables valuation and analysis of stock movement.

How to Create a Stock Group in Tally

Step 1: Open Tally and Go to Inventory Info

- a. Open **Tally Prime / Tally ERP 9**.
- b. Go to **Gateway of Tally > Inventory Info > Stock Groups > Create**.

Step 2: Enter Stock Group Details

- a. **Name**: Enter the stock group name (e.g., “Mobile Phones”).
- b. **Under**: Select the parent group (e.g., “Electronics” or “Primary” if it’s a top-level group).
- c. **Should quantities of items be added?**: Select **Yes** if you want to sum up the quantities of all items in this group.

Step 3: Save the Group

Press **Ctrl + A** to save.

Practical Examples of Stock Groups

Example 1: A Mobile Shop

A mobile retailer sells various brands and models of mobile phones. They can create stock groups like:

1. Electronics (Main Group)

Mobile Phones (Sub-group)

- a. Apple iPhones
- b. Samsung Phones
- c. Xiaomi Phones
- d. OnePlus Phones

Each of these groups will contain different stock items like **iPhone 14, Samsung Galaxy S23, etc..**

Example 2: A Grocery Store

A grocery store sells different types of products. The stock groups can be:

1. Food Items

Dairy Products

Milk

Cheese

Butter

Beverages

Tea

Coffee

Soft Drinks

Each group contains different stock items, making inventory management easy.

Example 3: A Garment Shop

A clothing store sells various types of clothes. The stock groups can be:





1. Clothing

Men's Wear

T-Shirts

Jeans

Shirts

Women's Wear

Dresses

Sarees

Kurtis

This helps in tracking inventory by category and understanding sales trends.

Displaying Stock Group

To **view the details** of an existing Stock Group:

1. **Go to Gateway of Tally '!' Inventory Info '!' Stock Groups '!' Display**
2. Select the desired Stock Group to view its details.

This will show all stock items under the group, quantities, and valuation methods.

Alteration a Stock Group

To **edit an existing Stock Group**, follow these steps:

1. **Go to Gateway of Tally '!' Inventory Info '!' Stock Groups '!' Alter**
2. Select the Stock Group you wish to modify.
3. Change any necessary details (e.g., name, parent group, quantity addition option).
4. Save the changes.

Example: Modifying Stock Group

Assume we created a Stock Group named "**Laptops**", but now we want to rename it to "**Business Laptops**" and add another stock item.

Before Modification

Stock Group Name: Laptops

Stock Items: Dell Inspiron, HP Pavilion, Lenovo ThinkPad

After Modification

Stock Group Name: Business Laptops

Stock Items: Dell Inspiron, HP Pavilion, Lenovo ThinkPad, **Apple MacBook Air**

Deleting a Stock Group

A Stock Group can only be deleted if there are **no stock items** under it. If items exist, they must be reassigned or removed first.

Steps to Delete:

1. Go to **Inventory Info '!' Stock Groups '!' Alter**.
2. Select the Stock Group.
3. Remove all stock items under the group.
4. Press **Alt+D** to delete.

Advantages of Using Stock Groups

- a. **Better Organization:** Helps categorize similar inventory items.
- b. **Easy Tracking:** Allows quick access to grouped stock data.
- c. **Simplified Reporting:** Generates reports based on stock groups.
- d. **Efficient Stock Management:** Aids in bulk pricing and stock valuation.

Importance of Stock Group in Tally

Stock Group in Tally is a crucial feature that helps in the systematic classification of stock items. It simplifies inventory management, reporting, and analysis. Below are the key reasons why Stock Groups are important in Tally:

1. Easy Organization of Inventory

- a. Stock Groups help classify and arrange stock items based on similar characteristics, such as product type, brand, or category.
- b. It ensures better stock control and management, especially when dealing with a large number of items.

2. Simplified Reporting & Analysis

- a. Stock Groups enable users to generate category-wise reports, making it easier to analyze stock performance.
- b. Reports like Stock Summary, Stock Valuation, and Stock Movement become more meaningful when items are categorized properly.





3. Faster & Efficient Data Entry

- a. When entering stock items, assigning them to predefined groups saves time and effort.
- b. Reduces the chances of errors and ensures uniformity in data entry.

4. Easier Price & Tax Management

- a. Stock Groups allow applying common tax rates, price lists, and discount structures to multiple items at once.
- b. Helps in GST and other tax compliance by ensuring correct tax rates for grouped items.

5. Improved Decision-Making

- a. Business owners can track stock movement and demand trends for specific groups, enabling better inventory planning.
- b. Helps in identifying slow-moving or fast-selling stock items.

6. Better Stock Valuation

- a. Different stock valuation methods (FIFO, LIFO, Weighted Average, etc.) can be applied at the group level for accurate cost calculation.
- b. Ensures proper financial reporting and profitability analysis.

7. Simplifies Stock Transfers & Adjustments

- a. Transferring stock between locations or adjusting stock levels becomes easier when items are classified into groups.
- b. Ensures smooth inventory operations without confusion.

8. Essential for Large Businesses

- a. For companies dealing with thousands of stock items, Stock Groups help in maintaining an organized inventory structure.
- b. Facilitates smooth operations in multi-location warehouses.

Stock Items in Tally

A **Stock Item** in Tally represents individual units of goods that a business buys, sells, or manufactures. It is the smallest unit of inventory management in Tally.

Key Features of Stock Items:



- a. **Stock Grouping:** Classifying stock under Stock Groups (e.g., Electronics, Apparel).
- b. **Stock Categories:** Further categorization for better classification (e.g., Brand-wise, Material-wise).
- c. **Batch & Expiry Tracking:** Useful for perishable and pharmaceutical items.
- d. **Godown/Warehouse Management:** Managing stock at multiple storage locations.
- e. **Unit of Measurement (UoM):** Helps in measuring and maintaining stocks accurately.
- f. **Rate of Duty & GST Classification:** Ensures proper tax compliance.
- g. Stock Items help track inventory.
- h. They enable businesses to manage stock efficiently.
- i. Each stock item can be classified under different stock groups and categories.
- j. Stock valuation is done based on methods like FIFO, LIFO, or Weighted Average.

Create a Stock Item in Tally

Step 1: Open Stock Item Creation Screen

1. Open **TallyPrime** or **Tally.ERP9**.
2. Go to **Gateway of Tally '!' Inventory Info '!' Stock Items '!' Create**.

Step 2: Enter Stock Item Details

Field	Description
Name	Enter the stock item name (e.g., Laptop, Mobile, Hard Disk)
Alias	Alternative name for easy reference (optional)
Under	Select the Stock Group (e.g., Electronics, Stationery)

Units of Measure

Specify unit (e.g., Pcs, Kg, Dozen)

GST Details Specify HSN Code and GST %

Opening Balance Enter initial stock quantity and rate

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



Example of Creating a Stock Item

Let's create a **“Samsung Mobile”** stock item:

- a. **Name:** Samsung Mobile
- b. **Under:** Electronics
- c. **Unit:** Pcs
- d. **Rate per Unit:** ₹ 20,000
- e. **Opening Stock:** 10 Pcs

Recording Stock Transactions

1. Purchase Entry with Stock Items

Scenario: You purchase 5 Samsung Mobiles at ₹ 18,000 each.

Steps:

- 1. **Gateway of Tally 'Accounting Vouchers' F9 (Purchase)**
- 2. Select Supplier (e.g., XYZ Electronics)
- 3. Enter **Stock Item: Samsung Mobile**
- 4. Quantity: **5 Pcs**
- 5. Rate: ₹ **18,000 per unit**
- 6. Press **Enter** and Save.

2. Sales Entry with Stock Items

Scenario: You sell 3 Samsung Mobiles at ₹ 22,000 each.

Steps:

- 1. **Gateway of Tally 'Accounting Vouchers' F8 (Sales)**
- 2. Select Customer (e.g., ABC Traders)
- 3. Enter **Stock Item: Samsung Mobile**
- 4. Quantity: **3 Pcs**
- 5. Rate: ₹ **22,000 per unit**
- 6. Press **Enter** and Save.

You can view stock reports for better inventory control:

1. Stock Summary:

Gateway of Tally '!' Stock Summary (Shows available stock and valuation).

2. Godown Summary:

Gateway of Tally '!' Display '!' Inventory Books '!' Godown Summary
(Stock stored in different locations).

3. Movement Analysis:

Gateway of Tally '!' Display '!' Inventory Books '!' Movement Analysis
(Tracks inward and outward stock movement).

Stock Item Display in Tally

Stock Item Display allows users to view the details of a stock item without making any modifications. This is useful for checking details like stock groups, unit of measure, and current balance.

Steps to Display a Stock Item

1. Open **Tally** and go to **Gateway of Tally**.
2. Navigate to **Inventory Info '!' Stock Items '!' Display**.
3. A list of stock items appears. Select the stock item you want to view.
4. The stock item details, such as name, group, unit of measure, opening balance, and rate, will be displayed.

Example

- a. A business named **ABC Electronics** has a stock item **Laptop (Dell Inspiron 15)**.
- b. To check its details, the accountant navigates to **Stock Item Display** and selects **Laptop (Dell Inspiron 15)**.
- c. The stock item's opening stock, unit of measure (Nos), and purchase rate are displayed.

Stock Item Alteration in Tally

Stock Item Alteration allows users to modify stock item details, such as the unit of measure, stock group, or rate. This is useful when stock item details need updating.





Steps to Alter a Stock Item

1. Go to **Gateway of Tally**.
2. Navigate to **Inventory Info 'I Stock Items 'I Alter**.
3. Select the stock item you want to modify.
4. Make the necessary changes (e.g., changing the rate, stock group, or unit of measure).
5. Press **Ctrl + A** to save the changes.

Example

- a. The accountant at **ABC Electronics** realizes that the purchase rate of **Laptop (Dell Inspiron 15)** was incorrectly entered as ₹ 50,000 instead of ₹ 55,000.
- b. They navigate to **Stock Item Alteration**, select **Laptop (Dell Inspiron 15)**, update the purchase rate to ₹ 55,000, and save the changes.

Stock Item Deletion in Tally

Stock Item Deletion allows users to remove unwanted stock items. However, stock items can only be deleted if they are not used in any transactions. If a stock item has been used, it must first be removed from all transactions before it can be deleted.

Steps to Delete a Stock Item

1. Go to **Gateway of Tally**.
2. Navigate to **Inventory Info 'I Stock Items 'I Alter**.
3. Select the stock item to be deleted.
4. Press **Alt + D** to delete the stock item.
5. Confirm deletion by pressing **Enter**.

Example

- a. ABC Electronics discontinued selling **Laptop (Dell Inspiron 15)** and wants to delete it from their inventory.
- b. The accountant attempts to delete the stock item but finds it is linked to past transactions.
- c. To delete it, they first remove the stock item from all past transactions or mark it as inactive instead of deleting it.

Importance of Stock Items in Tally

A. Efficient Inventory Management

- a. Helps in tracking the available stock, preventing overstocking or stock shortages.
- b. Ensures smooth business operations by maintaining a balance between supply and demand.
- c. Categorization using stock groups, stock categories, and batches helps in better inventory control.

B. Accurate Financial Records

- a. Ensures that purchase and sales transactions are correctly recorded, affecting financial statements accurately.
- b. Helps in calculating **Cost of Goods Sold (COGS)** and **Profit Margins** effectively.
- c. Aids in proper valuation of stock using various methods such as FIFO, LIFO, and Weighted Average.

C. Helps in Decision-Making

- a. Businesses can analyze stock movement, trends, and demand patterns.
- b. Facilitates informed decision-making regarding procurement, pricing, and stock replenishment.
- c. Enables businesses to identify slow-moving or obsolete stock and take corrective actions.

D. GST and Tax Compliance

- a. Stock items play a crucial role in generating **GST-compliant invoices** and maintaining proper tax records.
- b. Helps in proper tax categorization for **Input Tax Credit (ITC)** calculations.
- c. Ensures compliance with tax regulations by maintaining accurate stock reports.

E. Streamlined Sales and Purchase Process

- a. Stock items help in **automated billing** by linking with price lists and discount structures.
- b. Enables businesses to track stock movements for both inward (purchase) and outward (sales) transactions.

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- c. Simplifies barcode-based stock tracking and batch-wise stock maintenance.

F. Integration with Manufacturing Process

- a. Essential for **Bill of Materials (BOM)** management in case of production and manufacturing units.
- b. Helps in tracking raw materials, finished goods, and work-in-progress inventory.
- c. Enables easy stock adjustment and transfer between warehouses or locations.

G. Warehouse and Multi-Location Stock Management

- a. Facilitates **multi-location inventory tracking** for businesses operating across multiple branches.
- b. Helps in monitoring stock levels at different warehouses and optimizing logistics.
- c. Enhances efficiency by reducing unnecessary stock movement and transportation costs.

Unit-5 Unit of Measure in Tally

In **Tally Prime** or **Tally ERP9**, **Unit of Measure (UoM)** is used to quantify stock items. It ensures accuracy in inventory management, sales, and purchases.

Types of Units in Tally

Tally allows the creation of different types of units based on business needs. The main types are:

1. Simple Units

A simple unit is a single unit of measurement such as:

- a. **Kg (Kilogram)**
- b. **Nos (Numbers)**
- c. **Ltr (Liters)**
- d. **Box**
- e. **Dozen**

2. Compound Units

A compound unit is formed by combining two simple units, e.g.:

- a. **1 Box = 10 Pieces**
- b. **1 Meter = 100 Centimeters**
- c. **1 Carton = 12 Bottles**

Steps to Create a Unit of Measure in Tally

Follow these steps to create a unit in **Tally Prime** or **Tally ERP9**:

Step 1: Open Tally

- a. Open **Tally Prime** or **Tally ERP9**.
- b. Select the company where you want to create the unit.

Step 2: Navigate to Units of Measure

Gateway of Tally '!' Inventory Info '!' Units of Measure '!' Create.

Step 3: Define Unit Details

- a. **Type:** Choose either **Simple** or **Compound**.
- b. **Symbol:** Enter the short name (e.g., Kg for Kilogram).
- c. **Formal Name:** Enter the full form (e.g., Kilogram).
- d. **Number of Decimal Places** (for fractional units like weight).

Step 4: Save the Unit

Press **Enter** to save the unit.

Practical Examples

Example 1: Creating a Simple Unit (Kg)

- 1. **Symbol:** Kg
- 2. **Formal Name:** Kilogram
- 3. **Decimal Places:** 2
- 4. Save the unit.

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Now, you can use **Kg** while creating stock items.

Example 2: Creating a Compound Unit (Box & Pieces)

1. Select **Compound Unit**.
2. **First Unit:** Box
3. **Second Unit:** Pieces
4. **Conversion:** 1 Box = 10 Pieces
5. Save the unit.

Now, stock items can be measured as **1 Box = 10 Pieces**.

Using Unit of Measure in Stock Items

After creating a unit, you must assign it to a stock item.

Steps:

- a. **Gateway of Tally '!' Inventory Info '!' Stock Items '!' Create**
- b. **Enter Stock Name** (e.g., “Apple Juice”)
- c. **Select the Unit** (e.g., “Ltr” for Liters)
- d. Save.

Now, transactions involving “Apple Juice” will be recorded in **Liters**.

Importance of Units of Measures in Tally

A. Accurate Stock Management

- a. Ensures correct quantity recording in purchases, sales, and stock reports.
- b. Avoids errors in inventory valuation and prevents stock discrepancies.

B. Standardization of Transactions

- a. Helps in maintaining uniformity across all stock-related transactions.
- b. Facilitates easier reporting and interpretation of stock levels.

C. Precise Pricing & Costing

- a. Prices are set based on the unit of measure (e.g., ¹ 500 per kg).
- b. Helps in determining the exact cost of goods sold (COGS) and profitability.

D. Flexibility in Business Operations

- a. Businesses can define custom units as per industry standards.
- b. Supports **dual units** (e.g., Cotton = 1 Bale = 100 Kg).

E. Compliance & Legal Requirements

- a. Many industries require UoM for taxation and invoicing compliance (GST, VAT, etc.).
- b. Helps in avoiding regulatory issues related to incorrect stock reporting.

F. Multi-Unit Handling

- a. Essential for businesses dealing in multiple units (e.g., Wholesale & Retail).
- b. Example: A cloth merchant may sell fabric in **Meters** and **Rolls**.

G. Reducing Errors in Data Entry

- a. Prevents misinterpretation by assigning the correct units (e.g., avoiding confusion between Kg & Gram).
- b. Reduces human errors in billing and stock updates.

H. Better Financial Reporting

- a. Generates accurate financial statements (e.g., Stock Summary, Profit & Loss).
- b. Helps in budgeting and forecasting based on stock movements.

MCQS

1. What is Tally primarily used for in small and medium enterprises (SMEs)?

- A. Graphic design and multimedia editing
- B. Managing financial transactions, inventory, payroll, and taxation
- C. Website development and coding
- D. Social media marketing

2. What is the name of the latest version of Tally that has improved user experience and navigation?

- A. Tally Gold

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B. Tally Advanced

C. Tally ERP 9

D. Tally Prime

3. Which of the following tax regulations is Tally Prime designed to comply with?

A. Excise Duty and Custom Duty

B. GST, TDS, and VAT

C. Corporate Tax and Import Tax

D. Income Tax and Wealth Tax

4. Which version of Tally was the first to introduce a graphical user interface (GUI)?

A. Tally 4.5

B. Tally 5.4

C. Tally 6.3

D. Tally 7.2

5. What is the main purpose of the Tally Prime Auditor Edition?

A. Managing multi-currency transactions

B. Providing advanced tools for auditing and compliance

C. Enabling remote access to data for employees

D. Synchronizing data across multiple locations

6. Which Tally version introduced Goods and Services Tax (GST) support?

A. Tally 7.2

B. Tally 8.1

C. Tally ERP 9

D. Tally Prime

7. What is the primary feature of Tally Prime Gold compared to Tally Prime Silver?

A. Multi-language support

B. Multi-user access for simultaneous data usage

C. Advanced GST compliance tools

D. Enhanced remote data synchronization

8. Which of the following financial statements can be generated using Tally's accounting management feature?

- a) Profit & Loss Statement, Balance Sheet, and Sales Order Report
- b) Balance Sheet, Profit & Loss Statement, Trial Balance, and Cash Flow Statements
- c) Profit & Loss Statement, Cash Flow Statements, and Inventory Ledger
- d) Cash Flow Statements, Reorder Report, and Attendance Summary

9. What feature of Tally supports efficient tracking of stock movement, inventory valuation, and stock categories?

- a) GST and Taxation Management
- b) Banking Features
- c) Inventory Management
- d) Payroll Management

10. Which of the following is a key functionality of Tally's GST and Taxation Management?

- a) Automated salary slip generation
- b) E-way bill generation and GST return filing
- c) Tracking attendance and overtime
- d) Generating MIS reports for business decisions

Short Answer Question:

- 1 Describe the benefit of Tally.
- 2 State the features of Tally.
- 3 Elaborate history of Tally.
- 4 State the features of GST in Tally.
- 5 State the MIS reporting features of Tally.
- 6 Explain the evolution of Tally.
- 7 Discuss the various editions of Tally Prime.
- 8 Describe the steps for recording purchase.
- 9 Discuss the importance of Tally
- 10 Describe the steps involved in deleting a company in Tally.

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Long Answer Question:

1. Discuss the history, features, and importance of Tally as an accounting software. How does it benefit businesses?
2. Explain how Tally supports accounting management, inventory management, and payroll management. Provide examples to show its impact on businesses.
3. Tally offers features for GST and taxation compliance, banking, and multi-user access. Explain these features and their role in improving business efficiency and compliance.
4. Describe the customization, integration, and real-time MIS reporting features of Tally. How do these features support decision-making and business growth?
5. Discuss the industries that benefit from Tally and highlight how it caters to their specific needs. Include examples such as retail, manufacturing, healthcare, and education.
6. Explain the evolution of Tally, highlighting the features and importance of its different versions. How has each version addressed business needs?
7. Discuss the various editions of Tally Prime (Silver, Gold, Auditor Edition, and Server). How do they cater to businesses of different sizes and requirements?
8. Describe the steps involved in creating, altering, and deleting a company in Tally. Why are these processes essential for effective business management?
9. Analyze the importance of Tally Prime in modern business practices. Compare its features to earlier versions like Tally ERP 9 and discuss the advancements in functionality and user experience.
10. Tally has become a versatile tool for businesses across industries. Discuss how the types and editions of Tally support specific industries, such as retail, manufacturing, and service sectors. Provide examples to illustrate its adaptability.
11. What are the steps to delete a company in Tally, and why is it important to handle this process with caution? Explain the significance of backups and data security while deleting a company.
12. Explain the concept of “Transaction Only Accounts” in Tally. Discuss its features, practical applications, and advantages with real-life examples of temporary transactions.
13. What is the significance of enabling “Accounts with Inventory” in Tally? Provide detailed steps to create ledgers, stock groups, and inventory items. Explain how this feature supports businesses dealing with stock management.
14. Describe the steps for recording purchase, sales, stock journal, and stock transfer entries under “Accounts with Inventory” in Tally. Provide examples to illustrate the impact of these transactions on accounting and inventory reports.

15 How do “Transaction Only Accounts” differ from “Accounts with Inventory” in Tally? Compare their uses, features, and advantages for specific types of businesses and financial operations.

16 Discuss the reports available in Tally for inventory management, such as Stock Summary, Profit & Loss with inventory, and Stock Movement Analysis. How do these reports help in better business decision-making?

17 Explain the practical business cycle using Tally’s “Accounts with Inventory” feature, starting from purchase entry to damaged stock adjustments. How does this process contribute to accurate accounting and inventory tracking?

18 Why is the integration of accounting and inventory management critical in Tally? Explain how this integration enhances operational efficiency and financial reporting in businesses.

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MODULE-II

Recording Transaction in Tally

Structure

Objectives

Unit-6 Accounting Ledgers
& accounting groups in
tally

Unit-7 Recording transaction
in Tally

Unit-8 Accounting vouchers in
Tally

Objectives

- To study accounting ledger in Tally
- To understand accounting groups in Tally
- To understand recording of transaction in Tally
- To explore accounting vouchers in Tally

Unit-6 Accounting Ledgers and group in Tally

Introduction to Ledgers in Tally

A **ledger** is the primary accounting book where all financial transactions are recorded. In **Tally**, a ledger is created under different groups to classify transactions properly.

Types of Ledgers in Tally

Ledgers are categorized under different groups in Tally. The most common ledger types include:

1. Assets Ledgers

- a. Fixed Assets (e.g., Buildings, Machinery)
- b. Current Assets (e.g., Cash, Bank, Accounts Receivable)
- c. Investments

2. Liabilities Ledgers

- a. Capital Accounts
- b. Loans (Secured & Unsecured)
- c. Accounts Payable

3. Income Ledgers

- a. Sales Accounts
- b. Interest Income

4. Expense Ledgers

- a. Rent, Salaries, Utilities
- b. Interest Paid, Advertising Expenses

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Recording Transaction in Tally



Creating a Ledger in Tally

To create a ledger in **Tally Prime** or **Tally ERP 9**, follow these steps:

Step 1: Open Tally and Select Company

- a. Open **Tally Prime** or **Tally.ERP 9**.
- b. Select the company where you want to create the ledger.

Step 2: Navigate to Ledger Creation

From the **Gateway of Tally**, go to:

Accounts Info '!' Ledgers '!' Create

Step 3: Enter Ledger Details

You need to fill in the following details:

1. Ledger Name

Enter a unique and meaningful name for the ledger.

2. Under Group

Select the appropriate group under which the ledger falls. Some common groups include:

- a. **Assets** (Fixed Assets, Current Assets, Bank Accounts, Cash-in-Hand)
- b. **Liabilities** (Loans, Sundry Creditors, Duties & Taxes)
- c. **Income** (Sales Accounts, Direct Income)
- d. **Expenses** (Purchases, Direct Expenses, Indirect Expenses)

3. Opening Balance (if any)

Enter the opening balance if the ledger has a pre-existing balance.

4. Other Important Fields

- a. **Mailing Details** (for accounts like Sundry Debtors, Creditors)
- b. **Tax Information** (for GST, VAT, TDS applicability)
- c. **Cost Center Allocation** (if cost centers are enabled)

Step 4: Save the Ledger

Press **Ctrl + A** or click **Accept** to save the ledger.

Example 1: Creating a Cash Ledger

- a. **Name:** Cash
- b. **Under:** Cash-in-Hand
- c. **Opening Balance:** ₹ 50,000

Example 2: Creating a Sales Ledger

- a. **Name:** Sales (Goods)
- b. **Under:** Sales Account
- c. **Opening Balance:** ₹ 0

Example 3: Creating a Rent Expense Ledger

- a. **Name:** Rent Paid
- b. **Under:** Indirect Expenses
- c. **Opening Balance:** ₹ 0

Ledger Groups in Tally

Each ledger belongs to a specific **group** in Tally. Some important groups are:

Group Name	Example Ledgers
------------	-----------------

Capital Account	Proprietor's Capital
Bank Accounts	SBI, HDFC Bank
Loans (Liabilities)	Loan from XYZ Ltd
Sales Account	Sales of Goods
Purchase Account	Purchase of Raw Material
Indirect Expenses	Rent, Salary, Electricity
Direct Expenses	Wages, Factory Rent

Practical Questions on Ledgers

Q1: Create the following ledgers in Tally and categorize them into the correct groups.

1. **Telephone Expenses** (Under which group?)
2. **Commission Received** (Under which group?)





3. GST Payable (Under which group?)

4. Fixed Deposit in Bank (Under which group?)

Q2: Journal Entries & Ledger Effects

Post the following transactions in ledgers:

1. Started business with cash [₹] 1,00,000.

Ledger Effect: Cash A/c (Dr.) [₹] 1,00,000; Capital A/c (Cr.) [₹] 1,00,000.

2. Purchased furniture for [₹] 20,000.

Ledger Effect: Furniture A/c (Dr.) [₹] 20,000; Cash A/c (Cr.) [₹] 20,000.

3. Paid Salary of [₹] 15,000.

Ledger Effect: Salary A/c (Dr.) [₹] 15,000; Cash A/c (Cr.) [₹] 15,000.

4. Received commission [₹] 5,000.

Ledger Effect: Cash A/c (Dr.) [₹] 5,000; Commission Received A/c (Cr.) [₹] 5,000.

Display, Alteration & Delete of Ledger in Tally

1. Displaying a Ledger in Tally

Tally allows users to view the details of a created ledger without making changes to it. The display feature helps in checking the ledger's transactions, balances, and configuration settings.

Steps to Display a Ledger in Tally:

1. **Open TallyPrime** or **Tally.ERP9**.
2. Go to **Gateway of Tally > Display**.
3. Select **Accounts Books > Ledger**.
4. Choose the ledger you want to view from the list.
5. Press **Enter** to view the ledger details.

Information Available in Ledger Display:

- a. **Opening Balance:** The balance carried forward from the previous year.
- b. **Transactions:** List of vouchers related to the selected ledger.

c. Closing Balance: The final balance after all transactions.

d. Ledger Configuration: Information such as GST details, bank details, etc.

Shortcut to Display Ledger in Tally:

a. Alt + G > Type “Ledger” > Select the required ledger.

b. Or D > A > L (Display > Accounts Books > Ledger).

2. Altering a Ledger in Tally

Alteration allows modification of an existing ledger, such as changing the name, updating details, or correcting mistakes.

Steps to Alter a Ledger in Tally:

1. Go to **Gateway of Tally > Alter**.
2. Select **Accounts Info > Ledger**.
3. Click on **Alter**.
4. Choose the ledger you want to modify.
5. Make the necessary changes.
6. Press **Ctrl + A** to save the changes.

Modifications Possible in Ledger Alteration:

- a. Ledger Name:** Can be changed if needed.
- b. Under Group:** Can be modified to reflect correct classification.
- c. GST & Tax Details:** Update GSTIN, tax applicability, etc.
- d. Bank Details:** Add or change account number, IFSC code, etc.
- e. Opening Balance:** Can be updated as required.

Shortcut to Alter Ledger in Tally:

a. Alt + G > Type “Alter Ledger” > Select the ledger to modify.

b. Or A > L > A (Accounts Info > Ledger > Alter).

3. Deleting a Ledger in Tally

If a ledger is not required, it can be deleted. However, a ledger **cannot be deleted if transactions are recorded against it**.



Steps to Delete a Ledger:

1. Go to **Gateway of Tally > Alter**.
2. Select **Accounts Info > Ledger > Alter**.
3. Choose the ledger you want to delete.
4. Press **Alt + D** to delete the ledger.
5. Confirm the deletion.

Note: If a ledger has recorded transactions, it cannot be deleted unless all entries are removed.

4. Important Points to Remember

- a. Always check transactions before altering or deleting a ledger.
- b. Use **Display Mode** to view without making changes.
- c. **Altering GST details** can affect reports and tax filings.
- d. **Deleting ledgers** is irreversible if no backup is taken.

Importance of Ledger in Tally

A **ledger** in Tally is one of the most essential components of accounting. It records and maintains all financial transactions related to a particular account. Every transaction entered in **Tally ERP9 or Tally Prime** must be assigned to a ledger.

1. Definition of Ledger

A **ledger** is a principal book that contains individual accounts where transactions related to a specific entity (e.g., cash, bank, sales, purchases) are recorded.

2. Role of Ledgers in Tally

- a. Ledgers help in organizing financial transactions under specific accounts.
- b. They facilitate the preparation of final accounts like the **Profit & Loss Statement** and **Balance Sheet**.
- c. It ensures accurate tracking of income, expenses, assets, and liabilities.

3. Types of Ledgers in Tally

Tally provides two primary ledger categories:

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- a. **Predefined Ledgers:** Tally includes two default ledgers:
 - a. **Cash Ledger** (records all cash transactions).
 - b. **Profit & Loss Account** (used to determine business profitability).
- b. **User-Created Ledgers:** Businesses create additional ledgers as per their needs, such as:
 - a. Sales Account
 - b. Purchase Account
 - c. Bank Account
 - d. Expenses (e.g., Rent, Salary)
 - e. Sundry Debtors & Creditors

4. Importance of Ledgers in Accounting

- a. **Systematic Record-Keeping:** Ledgers classify and summarize transactions, making financial data easy to retrieve.
- b. **Accuracy & Compliance:** Helps maintain accurate financial records, reducing errors and ensuring compliance with tax regulations (GST, TDS, etc.).
- c. **Financial Analysis:** Provides insight into income, expenses, profitability, and overall financial health.
- d. **Audit & Reporting:** Essential for audits, financial reports, and tax filings.
- e. **Decision Making:** Helps businesses analyze financial trends and make informed decisions.

Accounting groups in Tally

In Tally, **Accounting Groups** are used to classify ledger accounts systematically. They help in organizing financial transactions under different categories, making it easier to prepare reports like **Balance Sheet and Profit & Loss Account**.

By default, Tally provides **28 pre-defined groups**, out of which **15 are primary groups** and **13 are sub-groups** under them.

List of Accounting Groups in Tally

(A) Primary Groups in Tally (15)

These are the main heads under which accounts are classified:



Primary Group	Nature	Used In
Capital Account	Credit	Balance Sheet
Loans (Liability)	Credit	Balance Sheet
Current Liabilities	Credit	Balance Sheet
Fixed Assets	Debit	Balance Sheet
Investments	Debit	Balance Sheet
Current Assets	Debit	Balance Sheet
Miscellaneous Expenses (Asset)	Debit	Balance Sheet
Branch/Division	Both	Balance Sheet
Reserves & Surplus	Credit	Balance Sheet
Sales Accounts	Credit	Profit & Loss
Purchase Accounts	Debit	Profit & Loss
Direct Income (Income)	Credit	Profit & Loss
Indirect Income	Credit	Profit & Loss
Direct Expenses (Expenses)	Debit	Profit & Loss
Indirect Expenses	Debit	Profit & Loss

(B) Sub-Groups in Tally (13)

These groups fall under the primary groups:

Sub-Group	Under Primary Group
Bank Accounts	Current Assets
Cash-in-Hand	Current Assets
Deposits (Asset)	Current Assets
Duties & Taxes	Current Liabilities
Loans & Advances (Asset)	Current Assets
Provisions	Current Liabilities
Secured Loans	Loans (Liability)
Unsecured Loans	Loans (Liability)

Stock-in-Hand	Current Assets
Sundry Debtors	Current Assets
Sundry Creditors	Current Liabilities
Suspense Account	Current Liabilities
Retained Earnings	Reserves & Surplus

Notes



Recording Transaction in Tally

Explanation with Practical Examples

Example 1: Creating a Capital Account Group

- If an owner invests ₹ 10,00,000 in a business, it will be recorded under **Capital Account (Primary Group)**.
- Entry in Tally:

Dr. Bank A/c ₹ 10,00,000

Cr. Capital A/c ₹ 10,00,000

Example 2: Fixed Assets Group

- A business purchases a machine for ₹ 5,00,000.
- It is recorded under **Fixed Assets**.
- Entry in Tally:

Dr. Machinery A/c ₹ 5,00,000

Cr. Bank A/c ₹ 5,00,000

Example 3: Loan Taken (Secured Loan)

- A company takes a loan of ₹ 2,00,000 from a bank.
- It falls under **Loans (Liability) ?! Secured Loans**.
- Entry in Tally:

Dr. Bank A/c ₹ 2,00,000

Cr. Loan from Bank A/c ₹ 2,00,000



Example 4: Sundry Debtors and Creditors

a. When you sell goods worth ₹ 50,000 on credit to XYZ Ltd., it comes under **Sundry Debtors**.

b. Entry in Tally:

Dr. XYZ Ltd. (Debtor) ₹ 50,000

Cr. Sales A/c ₹ 50,000

c. When you buy goods on credit worth ₹ 30,000 from ABC Traders, it falls under **Sundry Creditors**.

d. Entry in Tally:

Dr. Purchases A/c ₹ 30,000

Cr. ABC Traders (Creditor) ₹ 30,000

Steps to Create Stock Groups in Tally

Step 1: Open Tally and Select a Company

1. Open **Tally** and **Select or Create a Company** where you want to create Stock Groups.
2. Go to **Gateway of Tally > Inventory Info > Stock Groups**.

Step 2: Create a Stock Group

1. Select **Create** under Stock Groups.
2. Enter the **Stock Group Name** (e.g., “Electronics”).
3. Under **Under**, select:
 - **Primary** (if it’s a top-level category).
 - **Another Stock Group** (if it’s a subgroup).
4. **Should quantities of items be added?**
 - Select **Yes** if stock quantities should be totaled at the group level.
 - Select **No** if you only want classification without quantity addition.
5. Press **Enter** and save.

Example 1: Creating Stock Groups for an Electronics Store

Scenario:

A company sells **Laptops, Mobile Phones, and Accessories**. These can be grouped as:

1. **Electronics** (Main Group)
 - a. **Laptops** (Under Electronics)
 - b. **Mobile Phones** (Under Electronics)
 - c. **Accessories** (Under Electronics)

Steps to Create These Groups:

1. **Create “Electronics”**
 - a. Name: **Electronics**
 - b. Under: **Primary**
 - c. Add Quantities: **Yes**
 - d. Save.
2. **Create “Laptops”**
 - a. Name: **Laptops**
 - b. Under: **Electronics**
 - c. Add Quantities: **Yes**
 - d. Save.
3. **Create “Mobile Phones”**
 - a. Name: **Mobile Phones**
 - b. Under: **Electronics**
 - c. Add Quantities: **Yes**
 - d. Save.
4. **Create “Accessories”**
 - a. Name: **Accessories**
 - b. Under: **Electronics**
 - c. Add Quantities: **Yes**



Recording Transaction in Tally



d. Save.

Now, while adding **Stock Items**, they can be categorized under these Stock Groups.

Example 2: Creating Stock Groups for a Garment Store

Scenario:

A store sells **Men's, Women's, and Kids' Clothing**.

1. **Clothing** (Main Group)
 - a. **Men's Wear** (Under Clothing)
 - b. **Women's Wear** (Under Clothing)
 - c. **Kids' Wear** (Under Clothing)

Steps:

1. Create “**Clothing**” ’! Under: Primary
2. Create “**Men's Wear**” ’! Under: Clothing
3. Create “**Women's Wear**” ’! Under: Clothing
4. Create “**Kids' Wear**” ’! Under: Clothing

Now, when creating **Stock Items**, they can be placed under respective Stock Groups.

Display, Alteration & Deletion of Stock Group in Tally

1. Display Stock Group in Tally

Tally allows users to view stock groups to analyze their categorization and organization of inventory.

Steps to Display a Stock Group:

1. Open **Tally Prime** or **Tally ERP9**.
2. Go to **Gateway of Tally** ’! **Inventory Info** ’! **Stock Groups** ’! **Display**.
3. A list of created stock groups will appear.
4. Select the desired stock group to view its details.
5. The screen will display the Name of the Stock Group, whether it is under a primary or sub-group, and other relevant details.

2. Alter a Stock Group in Tally

Modifying a stock group may be necessary when making changes to its classification or properties.

Steps to Alter a Stock Group:

1. Open **Tally** and navigate to **Gateway of Tally**.
2. Select **Inventory Info '!' Stock Groups '!' Alter**.
3. Choose the stock group you want to modify.
4. The alteration screen will open, allowing changes to:
 - Name of the stock group
 - Parent Group (change its classification)
 - Enable or disable '**Groups behave like a single unit**' option
5. After making the necessary changes, press **Ctrl + A** to save.

3. Delete a Stock Group in Tally

Stock Groups can be deleted only if they are not associated with any stock items.

Steps to Delete a Stock Group:

1. Open **Tally** and go to **Gateway of Tally**.
2. Navigate to **Inventory Info '!' Stock Groups '!' Alter**.
3. Select the stock group you wish to delete.
4. Press **Alt + D** (Delete command).
5. A confirmation message will appear – press **Enter** to confirm deletion

Step 1: Creating Stock Groups

We will create two stock groups:

1. **Mobiles** (Under “Electronics”)
2. **Laptops** (Under “Electronics”)

Steps to Create Stock Groups:

1. Open **Tally**.
2. Go to **Gateway of Tally '!' Inventory Info '!' Stock Groups '!' Create**.
3. Enter the details:

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Recording Transaction in Tally



IT for Managers -Tally

- a. **Name:** Mobiles
- b. **Under:** Electronics (Primary if first level)
- c. **Should Quantities of Items be Added?:** Yes

4. Press **Ctrl + A** to save.
5. Repeat for **Laptops** under Electronics.

Step 2: Displaying Stock Groups

To verify the stock groups created:

1. Go to **Gateway of Tally '! Inventory Info '! Stock Groups '! Display.**
2. Select **Mobiles** or **Laptops**.
3. The screen will show details like Parent Group, Quantity Settings, etc.

Step 3: Altering a Stock Group

Suppose we need to rename **Mobiles** to **Smartphones**.

Steps to Alter:

1. Navigate to **Inventory Info '! Stock Groups '! Alter.**
2. Select **Mobiles**.
3. Change the **Name** to **Smartphones**.
4. Press **Ctrl + A** to save.

Step 4: Deleting a Stock Group

If **Laptops** is no longer needed, we delete it.

Steps to Delete:

1. Go to **Inventory Info '! Stock Groups '! Alter.**
2. Select **Laptops**.
3. Press **Alt + D '!** Confirm deletion by pressing **Enter**.

Importance of Stock Group in Tally

What is a Stock Group in Tally?

A **Stock Group** in Tally is a classification used to organize and manage inventory items efficiently. It helps in **grouping similar stock items** to streamline reporting and analysis.

For example, a business dealing in electronics may have stock groups like:

- a. **Mobiles** (containing various mobile brands)
- b. **Laptops** (grouping different laptop models)

By using **Stock Groups**, businesses can easily track stock movements, get summarized reports, and simplify inventory management.

Importance of Stock Group in Tally

1. Systematic Classification of Inventory

Stock Groups help organize inventory into **structured categories**, making it easier to locate and manage stock items.

For example:

- a. A garment business can have **Men's Wear, Women's Wear, Kids' Wear** as stock groups.
- b. Under **Men's Wear**, there can be **Shirts, Trousers, Jackets, etc.**

This classification **reduces complexity** and improves inventory tracking.

2. Simplifies Reporting & Analysis

Using Stock Groups, businesses can generate **group-wise inventory reports** like:

- a. **Stock Summary Report** – Shows stock position group-wise.
- b. **Group-Wise Sales & Purchase Report** – Helps analyze sales trends within a stock group.

For example, a business can quickly check:

- a. How much revenue was generated from **Mobiles** vs. **Laptops**.
- b. Which product category needs replenishment.

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Recording Transaction in Tally



3. Faster and Accurate Stock Valuation

Tally allows users to set stock valuation methods for each stock group, such as:

- a. **FIFO (First In First Out)**
- b. **LIFO (Last In First Out)**
- c. **Weighted Average Cost**

Applying these methods at the **stock group level** ensures accurate stock valuation for accounting and taxation.

4. Easier Bulk Price & Discount Management

Businesses can set **common pricing** or **discount structures** for stock groups instead of setting them individually for each item.

For example:

- a. A shopkeeper selling **Mobile Accessories** can set a **10% discount** on all accessories under the “Accessories” stock group.
- b. If the price of **LED TVs** increases, updating it at the stock group level updates all related stock items.

This reduces manual effort and ensures consistency in pricing.

5. Helps in GST & Tax Compliance

Stock Groups make tax configuration **more efficient**. Businesses can set **GST rates at the group level**, so all items under that group inherit the same rate.

For example:

- **Electronics (18% GST)** ! All mobile phones, laptops, and accessories under this group will have 18% GST applied.
- **Books (0% GST)** ! All stationery items under this group will follow 0% GST.

This prevents **errors in tax calculation** and simplifies GST filing.

6. Improves Inventory Control & Reorder Management

Stock Groups allow businesses to:

Track inventory levels at the **group level**.

Set **minimum stock levels & reorder levels**.

Get alerts when stock needs replenishment.

For example:

A supermarket can set a **minimum stock level of 50 units** for all **Dairy Products**.

When stock falls below this level, Tally will generate an alert for replenishment.

This helps **avoid stockouts** and ensures smooth business operations.

7. Helps in Decision-Making

By analyzing **group-wise inventory reports**, businesses can:

Identify which product categories are performing well.

Find slow-moving stock and avoid overstocking.

Plan future purchases and pricing strategies efficiently.

For example, a company selling **footwear** can analyze if **formal shoes** are selling better than **sports shoes** and adjust marketing efforts accordingly.

Unit-7 Recording transaction in Tally

Recording a Transaction in Tally

A transaction in Tally refers to any financial activity recorded in the system, such as **sales, purchases, payments, receipts, journal entries, and more**. These transactions are stored in **vouchers** that help in maintaining accounts systematically.

Steps to Record a Transaction in Tally

1. Select the Appropriate Voucher Type

Tally provides different types of vouchers for recording transactions. Some common voucher types are:





Voucher Type	Purpose	Shortcut Key
Payment Voucher	To record payments made	F5
Receipt Voucher	To record money received	F6
Contra Voucher	To record cash deposits/withdrawals between bank & cash	F4
Sales Voucher	To record sales transactions	F8
Purchase Voucher	To record purchases	F9
Journal Voucher	To record adjustments like depreciation, expenses, etc.	F7

Examples of Recording Different Transactions in Tally

Example 1: Recording a Sales Entry

Scenario: A company sells goods worth ¹ 10,000 to ABC Ltd. on credit.

Steps to Record Sales in Tally

1. Go to **Gateway of Tally** → **Accounting Vouchers** → **Sales (F8)**.
2. Select the appropriate **sales ledger** (e.g., “Sales Account”).
3. Select the **customer’s ledger** (e.g., “ABC Ltd.”).
4. Enter **Invoice Number** and **Date**.
5. Select the **Stock Item** being sold, enter quantity and rate.
6. The total value will be calculated automatically.
7. Press **Ctrl + A** to save the entry.

Effect:

Increases Sales Account (Credit).

Increases ABC Ltd.’s outstanding balance (Debit).

Example 2: Recording a Purchase Entry

Scenario: A company purchases raw materials worth ₹ 5,000 from XYZ Suppliers on credit.

Steps to Record Purchase in Tally

1. Go to **Gateway of Tally '! Accounting Vouchers '! Purchase (F9)**.
2. Select the appropriate **purchase ledger** (e.g., “Purchase Account”).
3. Select the **supplier's ledger** (e.g., “XYZ Suppliers”).
4. Enter **Invoice Number** and **Date**.
5. Select the **Stock Item**, enter quantity and rate.
6. The total value will be calculated automatically.
7. Press **Ctrl + A** to save.

Effect:

Increases Purchase Account (Debit).

Increases XYZ Suppliers' payable amount (Credit).

Example 3: Recording a Payment Entry

Scenario: A company pays ₹ 5,000 in rent through bank transfer.

Steps to Record Payment in Tally

1. Go to **Gateway of Tally '! Accounting Vouchers '! Payment (F5)**.
2. Select the **Bank Account** (e.g., HDFC Bank).
3. Select the **Rent Expense Account**.
4. Enter the amount (₹ 5,000).
5. Add any narration if needed.
6. Press **Ctrl + A** to save.

Effect:

- a. Decreases Bank Account balance (Credit).
- b. Increases Rent Expense (Debit).

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Recording Transaction in Tally



Example 4: Recording a Receipt Entry

Scenario: A company receives ₹ 15,000 from a customer (ABC Ltd.) for an earlier sale.

Steps to Record Receipt in Tally

1. Go to **Gateway of Tally »! Accounting Vouchers »! Receipt (F6)**.
2. Select the **Bank Account** where money is received.
3. Select the **Customer's Ledger** (e.g., ABC Ltd.).
4. Enter the amount received (₹ 15,000).
5. Add narration if necessary.
6. Press **Ctrl + A** to save.

Effect:

- a. Increases Bank Account balance (Debit).
- b. Reduces ABC Ltd.'s outstanding balance (Credit).

Example 5: Recording a Journal Entry

Scenario: A company records depreciation of ₹ 2,000 on machinery.

Steps to Record Journal Entry in Tally

1. Go to **Gateway of Tally »! Accounting Vouchers »! Journal (F7)**.
2. Select the **Depreciation Expense Ledger** (Debit ₹ 2,000).
3. Select the **Machinery Account** (Credit ₹ 2,000).
4. Enter narration for clarity.
5. Press **Ctrl + A** to save.

Effect:

- a. Increases Depreciation Expense (Debit).
- b. Reduces Machinery Value (Credit).

Key Benefits of Recording Transactions in Tally

Accuracy & Efficiency: Reduces manual errors and speeds up bookkeeping.

Real-Time Updates: Transactions automatically update ledger balances.

Compliance & Taxation: Ensures GST/VAT and other tax compliance.

Financial Reports: Helps generate Balance Sheets, Profit & Loss Accounts, etc

Importance of Recording Transactions in Tally

1. Accurate Financial Records

Every business needs to maintain accurate financial records for tracking income, expenses, assets, and liabilities. Recording transactions in Tally ensures that:

Every sale and purchase is documented.

Payments and receipts are correctly accounted for.

Financial statements reflect the true position of the company.

For example, if a business forgets to record a ₹ 50,000 purchase, its expense report will be incorrect, leading to wrong profit calculations.

2. Real-Time Monitoring of Business Finances

Tally provides **real-time updates** whenever a transaction is recorded. This helps businesses to:

Keep track of **available cash and bank balance**.

Monitor **pending payments and outstanding receivables**.

Identify financial trends and take informed business decisions.

For example, if a company records all sales properly, it can quickly check how much money is owed by customers and take action to collect payments.

3. Helps in Generating Financial Reports

Tally automatically updates ledgers and financial statements based on recorded transactions. This makes it easier to generate:

Balance Sheets – To check overall financial status.

Profit & Loss Statements – To analyze profitability.

Cash Flow Reports – To track money movement.

Trial Balance – To verify correct bookkeeping.

Without proper transaction recording, these reports would be **incomplete and unreliable**.





4. Ensures GST & Tax Compliance

Tally helps businesses comply with **GST, VAT, TDS, and other tax laws** by ensuring:

Proper tax calculations at the time of recording sales and purchases.

Automatic tax return generation (e.g., GST return filing).

Accurate financial records to avoid tax penalties.

For example, if a company records a **GST Sale of ₹ 1,00,000 at 18% GST**, Tally automatically calculates **₹ 18,000 GST payable**. If transactions are not recorded, the business might **underpay or overpay taxes**, leading to legal issues.

5. Helps in Auditing & Accountability

Recording transactions properly in Tally allows businesses to:

Keep an **audit trail** for every transaction.

Ensure transparency and avoid fraud or errors.

Provide records to auditors and tax authorities when required.

For example, if an auditor checks a company's **purchase invoices**, Tally provides **detailed entries with timestamps**, ensuring smooth auditing.

6. Easy Reconciliation of Bank & Cash Transactions

Tally helps businesses match their **bank statements** with recorded transactions, ensuring that:

There are no missing or duplicate transactions.

Any unauthorized transactions are detected.

The correct bank balance is maintained in accounts.

For example, if a business deposits ₹ 25,000 into its bank account but forgets to record it in Tally, the **bank balance in Tally will not match the actual bank statement**.

7. Helps in Business Decision-Making

Properly recorded transactions allow business owners to:

Analyze **sales trends** and make informed business decisions.

Identify **high-expense areas** and reduce unnecessary costs.

Forecast cash flow needs and plan future investments.

For example, if a business sees that **sales of a particular product are declining**, it can take steps to **improve marketing or discontinue the product**.

8. Reduces Manual Errors & Saves Time

Tally automates calculations, reducing errors in:

Sales & purchase entries

Tax calculations

Ledger balancing

Financial reporting

For example, if a business manually records transactions, they might **mistakenly record ₹ 10,000 instead of ₹ 1,00,000**. Tally helps prevent such mistakes by maintaining **accurate digital records**.

9. Helps in Loan & Investment Approval

Banks and investors require **proper financial records** before approving:

Business Loans

Credit Lines

Investments & Funding

Properly recorded transactions in Tally provide **clear financial statements**, improving the chances of loan approval.

For example, if a company applies for a **business loan of ₹ 5,00,000**, the bank will check its **profitability and cash flow reports** before approving the loan.

10. Compliance with Business Regulations

Government agencies require businesses to maintain **proper books of accounts**.

Failure to do so may lead to:

Penalties from tax authorities.





Legal issues for incorrect financial reporting.

Non-compliance with industry regulations.

For example, Indian companies must maintain financial records for **at least 8 years** for tax and legal purposes. Tally helps in fulfilling these requirements easily.

Unit-8 Accounting vouchers in Tally

Accounting Vouchers in Tally

In Tally, **Accounting Vouchers** are used to record different types of financial transactions like **sales, purchases, payments, receipts, journal entries, etc..** These vouchers help businesses maintain **systematic and accurate financial records**.

For example, if a company pays **₹ 5,000 for rent**, it records the transaction using a **Payment Voucher** in Tally.

Types of Accounting Vouchers in Tally

Tally provides several types of accounting vouchers to manage different transactions efficiently:

- a.C ontra Voucher (F4):** Used for cash and bank transactions, such as cash withdrawals, deposits, and fund transfers.
- b.P ayment Voucher (F5):** Records payments made to suppliers, employees, or any other payee.
- c.R eceipt Voucher (F6):** Records incoming cash or bank receipts, such as sales revenue or customer payments.
- d.J ournal Voucher (F7):** Used for non-cash adjustments like depreciation, outstanding expenses, or rectification entries.
- e.S ales Voucher (F8):** Records sales transactions, helping businesses track revenue and tax implications.
- f.P urchase Voucher (F9):** Maintains records of goods or services purchased, aiding in inventory and cost management.
- g.D ebit Note Voucher (Ctrl + F9):** Used for purchase returns or adjustments related to supplier transactions.
- h.C redit Note Voucher (Ctrl + F8):** Records sales returns or discounts given to customers.

In a Table Format

Voucher Type	Purpose	Shortcut Key
Payment Voucher	Records payments made (cash/bank)	F5
Receipt Voucher	Records money received (cash/bank)	F6
Contra Voucher	Records fund transfers between cash & bank	F4
Sales Voucher	Records sales of goods/services	F8
Purchase Voucher	Records purchases of goods/services	F9
Journal Voucher	Records adjustments, depreciation, provisions, etc.	F7

Notes



Recording Transaction in Tally

Debit Note Voucher For purchase return, adjustment related to supplier
(Ctrl + F9)

Credit Note Voucher. For purchase return, discount given to customer
(Ctrl + F8)

Step-by-Step Practical Examples of Accounting Vouchers in Tally

Example 1: Recording a Payment Transaction (Payment Voucher - F5)

Scenario: A company pays ₹ 10,000 for office rent via HDFC Bank.

Steps to Record Payment in Tally:

1. Go to **Gateway of Tally ' Accounting Vouchers ' Payment (F5)**.
2. Select **HDFC Bank (Credit)** as the payment account.
3. Select **Rent Expense Ledger (Debit)**.
4. Enter the amount ₹ **10,000**.
5. Enter narration, e.g., **"Paid office rent for March 2025"**.
6. Press **Ctrl + A** to save.

Effect on Accounts:

HDFC Bank Account decreases by ₹ 10,000 (Credit).

Rent Expense Account increases by ₹ 10,000 (Debit).

Example 2: Recording a Cash Sale (Sales Voucher - F8)



Scenario: A company sells products worth ₹ 25,000 in cash.

Steps to Record Sales in Tally:

1. Go to **Gateway of Tally** '!' **Accounting Vouchers** '!' **Sales (F8)**.
2. Select **Cash Account (Debit)**.
3. Select **Sales Ledger (Credit)**.
4. Enter the amount ₹ **25,000**.
5. Add narration, e.g., **“Cash sale of electronic items”**.
6. Press **Ctrl + A** to save.

Effect on Accounts:

Cash Account increases by ₹ 25,000 (Debit).

Sales Account increases by ₹ 25,000 (Credit).

Example 3: Recording a Credit Purchase (Purchase Voucher - F9)

Scenario: A company purchases raw materials worth ₹ 30,000 from XYZ Suppliers on credit.

Steps to Record Purchase in Tally:

1. Go to **Gateway of Tally** '!' **Accounting Vouchers** '!' **Purchase (F9)**.
2. Select **Purchase Ledger (Debit)**.
3. Select **XYZ Suppliers (Credit)**.
4. Enter the amount ₹ **30,000**.
5. Enter narration, e.g., **“Purchased raw materials from XYZ Suppliers”**.
6. Press **Ctrl + A** to save.

Effect on Accounts:

Purchase Account increases by ₹ 30,000 (Debit).

XYZ Suppliers (Creditors) increase by ₹ 30,000 (Credit).

Example 4: Recording Money Deposited in Bank (Contra Voucher - F4)

Scenario: A company deposits ₹ 20,000 cash into its HDFC Bank account.

Steps to Record Contra Entry in Tally:

1. Go to **Gateway of Tally '!' Accounting Vouchers '!' Contra (F4)**.
2. Select **HDFC Bank (Debit)** as receiving account.
3. Select **Cash Account (Credit)** as the source.
4. Enter the amount **₹ 20,000**.
5. Add narration, e.g., **“Cash deposited into HDFC Bank”**.
6. Press **Ctrl + A** to save.

Effect on Accounts:

HDFC Bank Account increases by ₹ 20,000 (Debit).

Cash Account decreases by ₹ 20,000 (Credit).

Example 5: Recording an Adjustment Entry (Journal Voucher - F7)

Scenario: A company records depreciation of ₹ 5,000 on machinery.

Steps to Record Journal Entry in Tally:

1. Go to **Gateway of Tally '!' Accounting Vouchers '!' Journal (F7)**.
2. Select **Depreciation Expense Account (Debit)**.
3. Select **Machinery Account (Credit)**.
4. Enter the amount **₹ 5,000**.
5. Add narration, e.g., **“Depreciation recorded for March 2025”**.
6. Press **Ctrl + A** to save.

Effect on Accounts:

Depreciation Expense increases by ₹ 5,000 (Debit).

Machinery Account Value decreases by ₹ 5,000 (Credit).

Step of Voucher Customization in Tally

Voucher customization in Tally allows businesses to **modify voucher types, add fields, enable GST/taxes, and improve usability**. This customization ensures that vouchers meet specific business needs.





Tally allows customization of vouchers through **Voucher Configuration & Voucher Type Alteration**.

A. Using Voucher Configuration

Steps to Modify Voucher Configuration:

1. Open **Tally Prime / Tally ERP9**.
2. Go to **Gateway of Tally '!' F12 (Configure) '!' Voucher Entry**.
3. Modify settings like:
 - a. **Show Narration?** (Yes/No)
 - b. **Show Ledger Current Balance?** (Yes/No)
 - c. **Enable Automatic Reference Numbers**
4. Press **Ctrl + A** to save settings.

Example: If you want to see the **current balance** of a ledger while entering a transaction, enable **“Show Ledger Current Balance”**.

B. Altering a Voucher Type

Steps to Customize an Existing Voucher Type:

1. **Gateway of Tally '!' Alter (A) '!' Voucher Type**.
2. Select the voucher type (e.g., Sales, Payment, Purchase).
3. Modify settings such as:
 - a. **Enable Printing after Saving?**
 - b. **Use a Common Narration for all Entries?**
 - c. **Enable Numbering Method (Manual/Auto/Auto Reset)?**
4. Press **Ctrl + A** to save.

Example: If you want invoice numbers to be **automatically generated**, set **Numbering Method to Automatic**.

How to Add Extra Fields in a Voucher?

You can add custom fields like **Customer Details, Dispatch Information, Additional Notes, etc.** in vouchers using **F12 Configuration & TDL Customization**.

A. Enable Additional Fields in Vouchers

Steps:

1. **Gateway of Tally ’! Accounting Vouchers ’! F12 (Configure).**
2. Modify settings like:
 - a. **Enable Additional Description Fields?** (Yes/No).
 - b. **Enable Tracking Numbers?** (Yes/No).
 - c. **Show Supplier’s Invoice Number?** (Yes/No).
3. Save changes with **Ctrl + A**.

Example: If you want to **add Supplier Invoice Numbers** in Purchase Vouchers, enable **“Show Supplier’s Invoice Number”**.

B. Using TDL (Tally Definition Language) for Advanced Customization

If you need **advanced customization** like extra input fields, logos on invoices, or additional reports, you can use **TDL (Tally Definition Language)**.

Steps to Load a TDL File:

1. Go to **Gateway of Tally ’! F12 (Configure) ’! Product & Features**.
2. Select **F4 (Manage Local TDLs)**.
3. Set **Load TDL on Startup** to **Yes**.
4. Specify the **TDL file path**.
5. Restart Tally to apply changes.

Example: A business wants to add a **custom “Delivery Date” field** in a Sales Invoice. This can be done using a **TDL script**.

. How to Enable GST in Vouchers?

Steps to Enable GST in Vouchers:

1. **Gateway of Tally ’! F11 (Features) ’! GST ’! Enable GST (Yes).**
2. **Set GST Details:**
 - a. Enter GSTIN Number.
 - b. Define GST Tax Rates (5%, 12%, 18%, etc.).
 - c. Enable State-Wise GST (if applicable).

Notes



Recording Transaction in Tally



3. Save settings with **Ctrl + A**.

Steps to Apply GST in a Sales Voucher:

1. Open **Sales Voucher (F8)**.
2. Select the **Customer Ledger** (with GST details).
3. Select **Sales Ledger** (GST Enabled).
4. Select the **Stock Item** and apply **GST Rate**.
5. Check **GST Calculations** before saving.

Example: A company sells goods worth ₹ 10,000 with **18% GST**. Tally will automatically apply ₹ **1,800 GST (CGST ₹ 900 + SGST ₹ 900)**.

. How to Print or Export Customized Vouchers?

Steps to Print Vouchers:

1. Open the voucher you want to print.
2. Press **Alt + P (Print)**.
3. Choose **Format (Invoice, POS, Normal Print, etc.)**.
4. Press **Enter** to print.

Steps to Export Vouchers:

1. Open the voucher you want to export.
2. Press **Alt + E (Export)**.
3. Select the format (**Excel, PDF, HTML**).
4. Choose destination and press **Enter**.

Example: If a company needs to **send invoices via email**, it can **export the voucher as a PDF**.

Customizing Voucher Approval & Security Settings

Tally allows restricting **who can approve or modify vouchers**.

Steps to Set Voucher Approval Rules:

1. **Gateway of Tally '!' Security Control '!' Users & Passwords**.
2. Create user roles like:
 - a. **Admin** (Full Access).

b. Data Entry Operator (Limited Access).

c. Voucher Approval Manager (Approves transactions).

3. Assign permissions like:

a. Restrict Editing of Sales Vouchers.

b. Require Approval for Payment Vouchers.

4. Save settings with **Ctrl + A**.

Example: A business owner wants only **Managers to approve payments above**
1 50,000, so they set **approval rules** in Tally.

Importance of Accounting Vouchers in Tally

1. Systematic Recording of Transactions

- a. Accounting vouchers ensure that all financial transactions are properly recorded and classified.
- b. They help maintain accurate books of accounts, reducing errors and discrepancies.

2. Helps in Financial Decision Making

- c. Vouchers provide real-time financial data, helping management make informed decisions.
- d. They assist in cash flow management, profitability analysis, and cost control.

3. Essential for Auditing and Compliance

- e. Properly recorded vouchers serve as documentary proof during audits.
- f. They help businesses comply with tax regulations (GST, TDS, etc.) and financial reporting standards.

4. Facilitates Easy Reconciliation

- g. Bank reconciliation, tax adjustments, and inventory management become easier with systematically recorded vouchers.
- h. They help in identifying discrepancies between book records and actual financial transactions.

Notes



Recording Transaction in Tally



5. *Error Detection and Rectification*

- i. Journal vouchers help in making rectifications for incorrect transactions.
- j. Tally provides features like voucher modification and deletion to correct errors efficiently.

6. *Enhances Internal Control*

- k. Vouchers ensure accountability and transparency in financial transactions.
- l. Proper authorization of vouchers prevents fraud and unauthorized transactions.

7. *Simplifies Taxation and Compliance Reports*

- m. Vouchers automatically calculate GST, TDS, and other taxes, reducing manual efforts.
- n. They generate reports like GSTR-1, GSTR-3B, and TDS reports with accuracy.

8. *Time-Saving and Automation*

- o. Tally automates many accounting processes through voucher entries.
- p. Features like auto-posting of ledgers, balance calculations, and real-time updates improve efficiency.

MCQS

1. Which of the following is a predefined ledger in Tally?
 - a) Rent Paid
 - b) Profit & Loss Account
 - c) Cash Ledger
 - d) Both b and c

2. Under which group would “Telephone Expenses” be categorized in Tally?
 - a) Direct Expenses
 - b) Indirect Expenses
 - c) Current Assets

d) Sundry Creditors

3. What shortcut key is used to display a ledger in Tally?

a) Ctrl + L

b) Alt + G

c) Alt + D

d) Ctrl + A

4. If you want to create a ledger for “Commission Received,” under which group should it be classified?

a) Direct Income

b) Indirect Income

c) Current Liabilities

d) Indirect Expenses

5. What step is required to delete a ledger in Tally?

a) Select Accounts Info '!' Ledger '!' Alter

b) Press Ctrl + A

c) Press Alt + D and confirm deletion

d) Both a and c

6. The group “Sundry Creditors” falls under which primary group in Tally?

a) Loans (Liability)

b) Current Liabilities

c) Current Assets

d) Capital Account

7. What is the purpose of Stock Groups in Tally?

a) To classify ledger accounts

b) To categorize inventory items

Notes



Recording Transaction in Tally



- c) To create vouchers
- d) To alter ledgers

8. Which of the following fields must be filled while creating a ledger in Tally?

- a) Ledger Name
- b) Under Group
- c) Opening Balance
- d) All of the above

9. What happens if a ledger has recorded transactions and you try to delete it?

- a) It will be deleted automatically.
- b) Tally will prompt you to delete transactions first.
- c) It cannot be deleted unless transactions are removed.
- d) None of the above.

10. “Machinery” would typically be categorized under which ledger group in Tally?

- a) Fixed Assets
- b) Current Assets
- c) Indirect Expenses
- d) Direct Income

Short Answer Question

- 1 Describe the steps to create ledger in Tally.
- 2 State the steps to alter ledger in Tally.
3. State the steps to delete ledger in Tally
- 4 Describe the stock groups in Tally
- 5 Describe the steps to create stock group in Tally.
- 6 State the steps to alter stock group in Tally.
7. State the steps to delete stock group in Tally.

8 Describe steps to customize vouchers in Tally

9 State the importance of stock group in Tally.

10. Explain the importance of ledger in Tally.

Notes



Recording Transaction in Tally

Long Answer Questions

1. Explain the importance of ledgers in Tally and describe the steps to create a ledger..
2. Describe the steps to alter and delete a ledger in Tally. Why is it important to verify transactions before deleting a ledger?
3. What are stock groups in Tally, and how do they simplify inventory management? Provide practical examples of stock group creation for a business.
4. Explain the different types of ledger groups in Tally with examples. How do they aid in financial reporting?
5. Illustrate the process of displaying, altering, and deleting stock groups in Tally. What precautions should businesses take while altering stock groups?
6. Discuss the role of accounting groups in Tally in preparing financial statements like the Profit & Loss Account and Balance Sheet. Provide practical examples.
7. Explain the importance of recording transactions in Tally for maintaining accurate financial records.
8. What are the different types of vouchers in Tally, and what purposes do they serve?
9. Describe the steps involved in recording a sales transaction in Tally with an example.
10. How does recording purchase transactions in Tally help businesses? Provide a step-by- step explanation with an example.
11. Explain the process of recording payment and receipt transactions in Tally with examples.
12. Discuss how journal entries are recorded in Tally, and explain their significance with an example.



IT for Managers -Tally

13. Highlight the benefits of using Tally for transaction recording, such as accuracy, real-time updates, and compliance.
14. How does Tally ensure GST and tax compliance while recording sales and purchases? Provide a detailed explanation.
15. Explain how properly recorded transactions in Tally can assist in auditing and accountability.
16. Discuss the role of Tally in generating financial reports like Balance Sheets, Profit & Loss Statements, and Cash Flow Reports.
17. How does Tally help in the reconciliation of bank and cash transactions? Provide an example.
18. Explain how accurate transaction recording in Tally aids in business decision-making and financial planning.
19. Discuss the steps to customize vouchers in Tally and their importance in fulfilling specific business requirements.

MODULE-III

Order and Reporting in Tally

Structure

Objectives

Unit-9 Purchase Order &
Sales Order in Tally

Unit -10 Reporting in Tally

Notes



Orders & reporting in Tally



Objectives

- To study the purchase order in Tally
- To study the sales order in Tally
- To explore the reporting in Tally

Unit-9 Purchase Order & Sales order in Tally

A **Purchase Order (PO)** is a formal document issued by a buyer to a seller, specifying the details of the goods or services to be purchased, including quantity, price, delivery schedule, and terms of payment. It acts as a legally binding contract between the two parties and provides clarity and accountability in the procurement process.

Definition of Purchase Order

A Purchase Order is defined as a commercial document that authorizes a supplier to deliver specified goods or services under agreed-upon terms and conditions. It serves as a written confirmation of the buyer's intent to purchase and ensures that both parties have a mutual understanding of the transaction.

Key Components of a Purchase Order

A Purchase Order typically includes the following details:

- 1. Purchase Order Number:** A unique identifier for tracking and reference.
- 2. Buyer Details:** Name, address, and contact information of the buyer.
- 3. Seller Details:** Name, address, and contact information of the seller.
- 4. Order Date:** The date when the purchase order is created.
- 5. Description of Goods/Services:** Detailed information about the items being purchased, such as name, specifications, and product code.
- 6. Quantity:** The number of units required.
- 7. Unit Price:** The price per unit of the product or service.
- 8. Total Price:** The total cost of the order (quantity × unit price).
- 9. Delivery Details:** Delivery address, expected delivery date, and shipping instructions.
- 10. Payment Terms:** Payment method, due date, and terms of payment.

- 11. Terms and Conditions:** Additional terms related to cancellations, penalties, and returns.



Objectives of Purchase Orders

- 1. Formalize Agreements:** Acts as a legal record of the transaction.
- 2. Streamline Procurement:** Simplifies and standardizes the purchasing process.
- 3. Prevent Errors:** Reduces misunderstandings and miscommunication between the buyer and seller.
- 4. Budget Control:** Helps manage procurement budgets by specifying prices and quantities in advance.
- 5. Tracking and Reporting:** Facilitates tracking of purchases and vendor performance.

Orders & reporting in Tally

Importance of Purchase Orders

- 1. Ensures Clarity:** Provides clear communication between buyer and seller.
- 2. Prevents Disputes:** Acts as a reference in case of disagreements or legal disputes.
- 3. Improves Inventory Management:** Helps maintain proper stock levels by documenting purchase requirements.
- 4. Strengthens Vendor Relationships:** Builds trust by formalizing transactions.
- 5. Enables Audit Trails:** Provides documented evidence for financial audits and compliance.

Process of Purchase Order

- 1. Requisition:**

The buyer identifies the need for goods or services and creates a purchase requisition.

- 2. Approval:**

The requisition is reviewed and approved by the relevant authority within the organization.

- 3. Creation:**

A Purchase Order is generated with all necessary details.



4. Dispatch:

The PO is sent to the supplier for confirmation.

5. Acceptance:

The supplier reviews and accepts the PO, creating a legally binding agreement.

6. Delivery:

The supplier delivers the goods or services as per the terms.

7. Invoice and Payment:

The supplier sends an invoice, and the buyer processes payment as per the agreed terms.

Practical Examples of Purchase Orders

Example 1: Simple Purchase Order for Goods

1. Scenario: A retail store needs to purchase 500 units of a product from a supplier.

2. Purchase Order Details:

- a. **Buyer:** ABC Retail Pvt. Ltd.
- b. **Seller:** XYZ Suppliers.
- c. **Product Description:** Mobile Phone Cases.
- d. **Quantity:** 500 units.
- e. **Unit Price:** ₹ 100.
- f. **Total Price:** ₹ 50,000.
- g. **Delivery Address:** 123 Market Street, New Delhi.
- h. **Expected Delivery Date:** 31st March 2025.
- i. **Payment Terms:** 30% advance, 70% on delivery.

Example 2: Purchase Order for Services

4. Scenario: A company requires IT services for software development.

5. Purchase Order Details:

- a. **Buyer:** ABC Technologies Pvt. Ltd.
- b. **Seller:** DEF IT Solutions.
- c. **Service Description:** Custom software development.

- d. **Duration:** 3 months.
- e. **Total Cost:** ¹ 3,00,000.
- f. **Payment Terms:** 50% upfront, 50% upon project completion.
- g. **Delivery Deadline:** 30th June 2025.

Benefits of Using Purchase Orders

1. Accurate Record Keeping:

- a. Ensures all purchases are documented for future reference.

2. Budgeting and Cost Control:

- a. Helps keep track of spending and avoid overspending.

3. Facilitates Order Tracking:

- a. Simplifies tracking of orders from issuance to delivery.

4. Streamlines Communication:

- a. Ensures all terms are agreed upon in writing to avoid miscommunication.

5. Improves Financial Audits:

- a. Acts as proof of expenditure during audits and tax filings.

Challenges in Purchase Orders

1. Time-Consuming Process:

- a. Manual creation and approval can be slow.

2. Errors in Documentation:

- a. Mistakes in PO details may lead to delays or disputes.

3. Complex Management:

- a. Managing a large number of POs can be overwhelming without proper tools.

4. Lack of Integration:

- a. Poor integration with inventory or accounting systems may cause inefficiencies.

Notes



Orders & reporting in Tally



A **Purchase Order (PO)** in Tally is a document issued by a business to a supplier, specifying the details of goods or services required. It includes information such as item descriptions, quantities, rates, and expected delivery dates. The PO helps track purchases, manage inventory, and ensure smooth procurement processes.

Importance of Purchase Orders in Tally

1. *Systematic Procurement Process*

- a. A purchase order ensures that procurement follows a structured process.
- b. Helps avoid confusion between buyers and suppliers regarding order details.
- c. Reduces errors in purchasing transactions.

2. *Better Inventory Management*

- d. Prevents stock shortages by ensuring timely ordering of goods.
- e. Tracks pending and received goods effectively.
- f. Helps in maintaining an optimal stock level, avoiding overstocking or understocking.

3. *Financial Control and Budgeting*

- g. Helps businesses control expenses by tracking all purchase commitments.
- h. Ensures that only necessary purchases are made.
- i. Provides visibility into upcoming payments and commitments.

4. *Supplier Relationship Management*

- j. Acts as an official agreement between a business and its supplier.
- k. Helps maintain transparency in business transactions.
- l. Ensures that both parties are aligned on terms, reducing disputes.

5. *Helps in Accounting and Financial Reporting*

- m. Ensures accurate recording of purchases, helping in financial reporting.
- n. Enables tracking of pending purchase orders for better cash flow management.
- o. Provides a historical record of transactions for audit and compliance.

6. *GST and Tax Compliance*

- p. Automatically calculates applicable taxes (GST, TDS, etc.).
- q. Helps claim Input Tax Credit (ITC) by maintaining proper purchase records.
- r. Ensures compliance with government tax regulations.

7. *Reduces Manual Errors and Saves Time*

- s. Automates the procurement process, reducing the chances of errors.
- t. Saves time by eliminating the need for manual follow-ups and corrections.
- u. Ensures consistency in purchase records.

8. *Easy Order Tracking and Vendor Performance Evaluation*

- v. Helps track order status (pending, completed, or canceled).
- w. Assists in evaluating supplier efficiency based on order fulfillment history.
- x. Ensures better decision-making when choosing vendors.

Steps to Enable Purchase Order in Tally

Before creating a purchase order, ensure that the feature is enabled in Tally:

- 1. Go to Gateway of Tally ’! F11: Features ’! Inventory Features**
- 2. Enable “Use Purchase Order Processing” ’! Set it to “Yes”**
- 3. Save the settings by pressing Ctrl + A**

Creating a Purchase Order in Tally

Step 1: Open Purchase Order Entry

Go to Gateway of Tally ’! Orders Vouchers ’! Purchase Order (Alt + F4)

Step 2: Enter Order Details

- 1. Party Name:** Select the supplier from whom goods are ordered.
- 2. Order Number:** Tally automatically generates an order number, or you can enter one manually.





3. **Date:** Specify the date of the purchase order.
4. **Item Details:** Enter the items to be purchased, including **name, quantity, rate, and total amount.**
5. **Terms of Order:** Add any special instructions like delivery date, payment terms, etc.

Step 3: Save the Purchase Order

After verifying the details, press **Ctrl + A** to save the purchase order.

Example of a Purchase Order in Tally

Scenario:

ABC Ltd. wants to purchase **50 units of Laptop** from XYZ Suppliers at **₹ 40,000 per unit** with a **GST of 18%**.

Purchase Order Entry in Tally:

Particulars	Details
Supplier Name	XYZ Suppliers
Purchase Order No.	PO-1001
Date	15-March-2025
Item Name	Laptop
Quantity	50 Units
Rate per Unit	₹ 40,000
Total Amount	₹ 20,00,000
GST (18%)	₹ 3,60,000
Grand Total	₹ 23,60,000

Once the purchase order is saved, Tally allows tracking it until the goods are received.

Converting a Purchase Order to a Purchase Entry

Once the supplier delivers the goods, you need to convert the Purchase Order into a **Purchase Voucher** in Tally.

Steps to Convert PO to Purchase Entry:

1. **Go to Gateway of Tally '!' Purchase Voucher (F9)**

2. **Press Alt + F7 (PO Reference)**

3. Select the Purchase Order Number (e.g., PO-1001)

4. Verify the details and accept the purchase voucher

Tally will automatically adjust the order status and update stock levels.

Notes



Orders & reporting in Tally

Purchase Order Reports in Tally

To track pending and completed purchase orders:

1. Go to Gateway of Tally '!' Display '!' Inventory Books '!' Purchase Order Book

2. Here, you can see:

- **Pending Orders**
- **Completed Orders**
- **Canceled Orders**

Benefits of Using Purchase Orders in Tally

Prevents Over-Ordering: Ensures purchases align with inventory needs.

Improves Supplier Management: Tracks vendor performance and delivery timelines.

Streamlines Accounting: Reduces manual errors and simplifies record-keeping.

Enhances GST Compliance: Auto-calculates taxes and helps with Input Tax Credit.

Boosts Business Efficiency: Saves time by automating purchase tracking.

Sales Order in Tally

Sales Order -Introduction

A **Sales Order (SO)** is a commercial document issued by a seller to confirm the details of a buyer's purchase request. It outlines the goods or services ordered, including their quantity, price, delivery schedule, and other relevant terms. A Sales Order is typically generated when a purchase order is received from the buyer and serves as a record of the transaction and the seller's commitment to fulfill the order.



A **Sales Order** can be defined as a document prepared by the seller in response to a buyer's request for goods or services. It acts as a formal agreement specifying the details of the transaction and ensures clarity between both parties regarding the order's fulfillment.

Key Components of a Sales Order

1. **Sales Order Number:** A unique identifier for tracking the order.
2. **Seller Details:** Name, address, and contact information of the seller.
3. **Buyer Details:** Name, address, and contact information of the buyer.
4. **Order Date:** The date when the Sales Order is created.
5. **Product/Service Details:** Description, specifications, and product code of the goods or services ordered.
6. **Quantity:** The number of items or units to be delivered.
7. **Unit Price:** The price per unit of the product or service.
8. **Total Price:** The total cost of the order (quantity \times unit price).
9. **Delivery Information:** Delivery date, shipping address, and shipping terms.
10. **Payment Terms:** Details about payment mode, due date, and payment conditions.
11. **Terms and Conditions:** Specific conditions related to cancellations, returns, warranties, etc.

Objectives of Sales Order

1. **Formalize Sales Agreements:** Provide a written confirmation of the buyer's order.
2. **Streamline the Sales Process:** Organize and document sales transactions systematically.
3. **Prevent Miscommunication:** Ensure clarity between the buyer and seller regarding the order.
4. **Track Sales Performance:** Enable monitoring of sales progress and fulfillment status.
5. **Facilitate Inventory Management:** Link sales orders to inventory records to ensure stock availability.

Importance of Sales Order

1. **Clarity and Transparency:** Ensures all details of the order are clearly documented.
2. **Legal Protection:** Acts as a binding agreement in case of disputes.
3. **Efficient Order Management:** Simplifies the process of tracking and fulfilling orders.
4. **Improved Customer Service:** Enhances the customer experience by ensuring timely delivery and order accuracy.
5. **Integration with Other Functions:** Links sales with inventory, shipping, and accounting for seamless operations.

Sales Order Process

1. Order Placement:

- a. The buyer places a request for goods or services (via a Purchase Order or other means).

2. Sales Order Creation:

- a. The seller prepares a Sales Order, detailing the requested items and terms.

3. Order Confirmation:

- a. The buyer confirms the Sales Order after verifying the details.

4. Inventory Check:

- a. The seller ensures the availability of the requested goods in stock.

5. Order Fulfillment:

- a. The goods or services are prepared and delivered to the buyer as per the agreed terms.

6. Invoice Generation:

- a. An invoice is issued to the buyer upon delivery or completion of the order.

Types of Sales Orders

1. Standard Sales Order:

Notes



Orders & reporting in Tally



- a. Regular orders for products or services with a fixed delivery date.
- b. Example: Ordering 50 units of laptops to be delivered within a week.

2. Backorder:

- a. An order placed for items that are currently out of stock, to be delivered when available.
- b. Example: A customer orders a new smartphone model that will be available in 15 days.

3. Standing Order:

- a. Recurring orders for the same products or services over a period of time.
- b. Example: Monthly delivery of 500 units of bottled water.

4. Rush Order:

- a. An urgent order requiring expedited processing and delivery.
- b. Example: A customer orders medical supplies for immediate delivery.

Practical Examples of Sales Orders

Example 1: Sales Order for Goods

Scenario: A retailer orders 100 units of LED TVs from a supplier.

Sales Order Details:

- a. **Seller:** XYZ Electronics Pvt. Ltd.
- b. **Buyer:** ABC Retail Pvt. Ltd.
- c. **Product Description:** 32-inch LED TVs.
- d. **Quantity:** 100 units.
- e. **Unit Price:** ¹ 12,000.
- f. **Total Price:** ¹ 12,00,000.
- g. **Delivery Address:** 123 Market Street, Bengaluru.
- h. **Delivery Date:** 15th April 2025.
- i. **Payment Terms:** 50% advance, 50% upon delivery.

Example 2: Sales Order for Services

Scenario: A company hires a consultancy firm for a 3-month project.

Sales Order Details:

- a. **Seller:** DEF Consultancy Services.
- b. **Buyer:** GHI Enterprises Pvt. Ltd.
- c. **Service Description:** Market research and business analysis.
- d. **Duration:** 3 months.
- e. **Total Cost:** ₹ 5,00,000.
- f. **Payment Terms:** 40% upfront, 60% upon project completion.

Benefits of Sales Orders

1. Improved Order Accuracy:

- a. Reduces errors in order fulfillment by clearly documenting requirements.

2. Enhanced Inventory Management:

- a. Ensures proper stock allocation to meet customer demands.

3. Tracking and Monitoring:

- a. Enables real-time tracking of sales orders and delivery status.

4. Streamlined Workflow:

- a. Integrates sales, inventory, and accounting processes.

5. Customer Satisfaction:

- a. Improves communication and ensures timely delivery of products or services.

Limitations of Sales Orders

1. Time-Consuming:

- a. Manual sales order processing can be slow without automation.

Notes



Orders & reporting in Tally



2.Errors in Documentation:

- a. Inaccurate details may lead to disputes or delivery issues.

3.Complex Management:

- a. Handling a high volume of sales orders can be challenging without proper tools.

A **Sales Order (SO)** in Tally is a formal document issued by a business to confirm the sale of goods or services to a customer. It acts as a commitment to deliver the specified products at agreed-upon prices and terms. Sales orders help in tracking pending deliveries, managing stock efficiently, and ensuring smooth invoicing.

Importance of Sales Orders in Tally

1. Order Management and Tracking

- a. Helps businesses track pending, completed, and canceled sales orders.
- b. Ensures timely delivery of goods to customers.

2. Inventory Control

- a. Avoids stock shortages by updating inventory levels based on confirmed sales.
- b. Prevents over-committing stock that is not available.

3. Financial Planning and Revenue Forecasting

- a. Provides a clear picture of upcoming revenue based on booked orders.
- b. Helps businesses manage cash flow efficiently.

4. Improved Customer Relationship Management

- a. Ensures timely delivery, improving customer satisfaction.
- b. Helps maintain transparency between buyers and sellers.

5. Faster and Accurate Invoicing

- a. Reduces manual errors by converting sales orders into invoices seamlessly.
- b. Eliminates the need for repeated data entry.

6. GST and Tax Compliance

- a. Automatically calculates GST and other taxes.
- b. Ensures proper documentation for tax filing and audits.

Enable Sales Order Processing in Tally

Before creating a sales order, enable the feature in Tally:

- 1. Go to Gateway of Tally ’! F11: Features ’! Inventory Features**
- 2. Enable “Use Sales Order Processing” ’! Set it to “Yes”**
- 3. Save the settings by pressing Ctrl + A**

Steps to Create a Sales Order in Tally

Step 1: Open Sales Order Entry

Go to Gateway of Tally ’! Order Vouchers ’! Sales Order (Alt + F5)

Step 2: Enter Order Details

- a. Party Name:** Select the customer who placed the order.
- b. Order Number:** Tally generates an order number automatically, or you can enter it manually.
- c. Date:** Specify the date of the sales order.
- d. Item Details:** Enter the **item name, quantity, rate, and total amount.**
- e. Terms of Sale:** Add any payment terms, delivery schedule, or discounts.

Step 3: Save the Sales Order

After verifying the details, press **Ctrl + A** to save the sales order.

Notes



Orders & reporting in Tally



Example of a Sales Order in Tally

Scenario:

XYZ Ltd. receives an order from ABC Traders for 20 units of Mobile Phones at ₹15,000 per unit with GST of 18%.

Sales Order Entry in Tally:

Particulars	Details
Customer Name	ABC Traders
Sales Order No.	SO-2025-001
Date	15-March-2025
Item Name	Mobile Phone
Quantity	20 Units
Rate per Unit	₹15,000
Total Amount	₹3,00,000
GST (18%)	₹54,000
Grand Total	₹3,54,000

Converting a Sales Order to a Sales Invoice

Once the goods are ready for delivery, the sales order needs to be converted into a **Sales Invoice** in Tally.

Steps to Convert Sales Order into Invoice:

1. Go to Gateway of Tally '!' Sales Voucher (F8)
2. Press Alt + F7 (SO Reference)
3. Select the Sales Order Number (e.g., SO-2025-001)

4. **Verify the details** and accept the sales voucher

Tally will automatically adjust the order status and update stock levels.

Sales Order Reports in Tally

To track pending and completed sales orders:

Go to Gateway of Tally '!' Display '!' Inventory Books '!' Sales Order Book

Here, you can view:

- a. Pending Orders**
- b. Completed Orders**
- c. Canceled Orders**

Benefits of Using Sales Orders in Tally

Efficient Sales Management – Helps businesses keep track of orders.

Better Inventory Planning – Ensures stock availability before order confirmation.

Faster Invoice Processing – Reduces manual work and errors in invoicing.

Improved Customer Satisfaction – Ensures timely delivery and proper tracking.

Tax Compliance – Helps in accurate GST calculation and proper documentation.

Unit 10 Reporting in Tally

Trial Balance-Introduction

A **Trial Balance** is a statement that lists the balances of all ledger accounts at a particular date. It is prepared to ensure the accuracy of the bookkeeping process and serves as a checkpoint in the accounting cycle. The primary objective of a trial balance is to verify that the total debits equal the total credits, which ensures that the accounting records are mathematically accurate.

Definition of Trial Balance

A **Trial Balance** can be defined as a summary of all the debit and credit balances extracted from the ledger accounts. It is prepared at the end of an accounting period before preparing the final accounts (Trading and Profit & Loss Account and Balance Sheet). The trial balance ensures the arithmetical accuracy of ledger postings and provides a base for financial statement preparation.

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Key Features of Trial Balance

A Trial Balance is a fundamental component of the accounting process, providing an essential checkpoint to ensure the accuracy of the books of accounts. It lists all the debit and credit balances from the ledger accounts in a tabular format. Below are the key features of a trial balance explained in detail:

1. Summarized Statement

The trial balance serves as a summarized statement of all ledger balances. It includes all accounts—assets, liabilities, income, and expenses—showing their respective debit or credit balances in one place.

Example:

A business has the following ledger accounts:

- a. Cash: ₹ 50,000 (Debit)
- b. Accounts Payable: ₹ 20,000 (Credit)
- c. Sales: ₹ 70,000 (Credit)
- d. Purchases: ₹ 40,000 (Debit)

The trial balance will summarize these balances into a single report.

2. Prepared at a Specific Date

The trial balance is prepared at a particular point in time, usually at the end of an accounting period (monthly, quarterly, or annually). It provides a snapshot of the financial status as of that date.

Example:

A trial balance prepared on March 31, 2025, will include the balances of all accounts as of that date.

3. Dual Columns for Debit and Credit

The trial balance is presented in a tabular format with two columns:

- a. Debit Column: Lists balances of accounts that have a debit nature (e.g., assets and expenses).
- b. Credit Column: Lists balances of accounts that have a credit nature (e.g., liabilities, income, and equity).

Format Example:

Account Name	Debit (₹)	Credit (₹)
Cash	50,000	-
Sales	-	70,000
Accounts Payable	-	20,000
Purchases	40,000	-
Total	90,000	90,000

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4. Ensures Arithmetical Accuracy

A trial balance verifies that the total of the debit balances equals the total of the credit balances, ensuring that the double-entry bookkeeping system has been followed correctly.

Example:

If the total debit column equals ¹ 1,00,000 and the total credit column also equals ¹ 1,00,000, the ledger accounts are mathematically accurate.

5. Facilitates the Preparation of Final Accounts

The trial balance provides the base for preparing the financial statements, including:

- Trading Account
- Profit and Loss Account
- Balance Sheet

Example:

- Revenue and expense accounts in the trial balance are transferred to the Profit & Loss Account.
- Asset and liability balances are transferred to the Balance Sheet.

6. Error Detection

The trial balance acts as a tool to detect errors in accounting. If the debit and credit totals do not match, it indicates that there is an error in the ledger postings, calculations, or account balances.



Errors Detected by Trial Balance:

- a. Errors in posting amounts to the ledger.
- b. Errors in balancing ledger accounts.
- c. Errors in recording transactions on the wrong side of the account.

Example:

If a ₹ 5,000 transaction is recorded on the credit side instead of the debit side, the trial balance will show unequal totals.

7. Classification of Ledger Balances

The trial balance classifies all ledger account balances into two categories:

- a. Debit Balances: Include assets, expenses, and drawings.
- b. Credit Balances: Include liabilities, income, and capital.

This classification makes it easier to understand the financial position of the business.

Example:

- a. Debit Balances: Cash, Bank, Purchases, Rent Expense.
- b. Credit Balances: Sales, Accounts Payable, Capital.

8. Prepared Periodically

The trial balance is prepared at regular intervals, such as monthly, quarterly, or annually, to monitor the financial position and ensure accurate bookkeeping.

Example:

A business may prepare a trial balance every month to review its accounts and detect discrepancies early.

9. Foundation for Auditing

The trial balance serves as a starting point for auditors. It provides a summary of all accounts, allowing auditors to identify discrepancies or errors during the audit process.

Example:

An auditor may use the trial balance to verify whether all transactions have been recorded and whether the books of accounts are accurate.

10. Adheres to the Double-Entry System

The trial balance reflects the double-entry accounting system, where every transaction affects two accounts equally and oppositely. This ensures the accounting equation remains balanced.

Example:

If goods worth ₹ 10,000 are purchased on credit:

- a. Debit: Purchases Account ₹ 10,000
- b. Credit: Accounts Payable ₹ 10,000

The trial balance will include these balances in the respective columns.

11. Helps in Analyzing Financial Health

By summarizing all account balances, the trial balance provides an overview of the company's financial health. It allows accountants to analyze the trends in income, expenses, assets, and liabilities.

Example:

A comparison of trial balances over several months can reveal increasing expenses, which might indicate inefficiencies.

12. Detects Specific Errors

While the trial balance cannot detect all errors, it helps identify specific types of mistakes, such as:

- a. Posting errors (e.g., recording a debit as a credit).
- b. Errors in totaling ledger accounts.
- c. Errors in transferring balances to the trial balance.

Objectives of Trial Balance

1. Verify Mathematical Accuracy:

- a. Ensures that total debits equal total credits in the ledger.

2. Facilitate Error Detection:

- a. Helps locate errors like omission, wrong posting, or miscalculation.

3. Simplify Final Account Preparation:

- a. Provides a structured summary of all accounts for financial statement preparation.

4. Provide Financial Insights:

- a. Offers a snapshot of the financial position of the business at a glance.

Importance of Trial Balance

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1. **Ensures Accuracy:** Verifies that the double-entry accounting system is correctly implemented.
2. **Identifies Errors:** Highlights discrepancies or imbalances in ledger accounts.
3. **Serves as a Checkpoint:** Acts as an intermediary step between bookkeeping and financial reporting.
4. **Streamlines Financial Reporting:** Simplifies the preparation of the Trading Account, Profit & Loss Account, and Balance Sheet.

Format of a Trial Balance

Account Name	Debit (₹)	Credit (₹)
Cash Account	50,000	-
Accounts Receivable	30,000	-
Accounts Payable	-	20,000
Sales	-	70,000
Purchases	40,000	-
Rent Expense	10,000	-
Capital Account	-	40,000
Total	1,30,000	1,30,000

Preparation of Trial Balance

The trial balance is prepared by following these steps:

1. Extract Account Balances:

- a. Take the balances of all ledger accounts.

2. Classify as Debit or Credit:

- a. Separate the balances into debit and credit columns based on the nature of the accounts.

3. Arrange in a Tabular Format:



- a. List the account names and their respective balances under the appropriate column.

4. Total the Debit and Credit Columns:

- a. Ensure that the total of the debit column equals the total of the credit column.

5. Check for Errors:

- a. If the totals do not match, investigate and correct the errors.

Errors Detected by Trial Balance

1. Errors of Omission:

- a. A transaction is completely omitted from the ledger.

2. Errors of Commission:

- a. An entry is made in the wrong account but on the correct side (e.g., recording ¹ 5,000 in one account instead of ¹ 50,000).

3. Errors in Balancing:

- a. Ledger accounts are incorrectly balanced.

4. Errors in Posting:

- a. A transaction is recorded on the wrong side (e.g., a debit is recorded as a credit).

5. Errors in Calculation:

- a. Errors in totaling ledger accounts or the trial balance itself.

Errors Not Detected by Trial Balance

1. Errors of Principle:

- a. Recording a transaction in the wrong account type (e.g., treating a capital expense as a revenue expense).

2. Compensating Errors:

- a. Two or more errors cancel each other out.

3. Errors of Omission:

- a. A transaction is completely omitted from the books.

4. Errors of Duplication:



- a. A transaction is recorded twice.

Practical Examples of Trial Balance

Example 1: Preparing a Trial Balance

Suppose the following transactions occur in a business:

1. **Cash received from sales:** ₹ 50,000.
2. **Purchase of goods on credit:** ₹ 30,000.
3. **Rent paid in cash:** ₹ 10,000.
4. **Capital introduced:** ₹ 40,000.

Account Name	Debit (₹)	Credit (₹)
Cash Account	60,000	-
Sales Account	-	50,000
Purchases	30,000	-
Rent Expense	10,000	-
Capital Account	-	40,000
Total	1,00,000	1,00,000

Example 2: Adjusted Trial Balance

If additional information reveals depreciation of ₹ 5,000 and outstanding rent of ₹ 2,000:

Add Depreciation and Outstanding Rent to the trial balance.



Account Name	Debit (₹)	Credit (₹)
Cash Account	60,000	-
Sales Account	-	50,000
Purchases	30,000	-
Rent Expense	12,000	-
Depreciation	5,000	-
Outstanding Rent	-	2,000
Capital Account	-	40,000
Total	1,07,000	1,07,000

Advantages of Trial Balance

1. Quick Error Detection:

- a. Identifies errors in ledger posting or balancing.

2. Facilitates Financial Reporting:

- a. Provides a base for preparing final accounts.

3. Ensures Double-Entry Accuracy:

- a. Verifies the correctness of the double-entry bookkeeping system.

4. Streamlines Audit Process:

- a. Serves as an intermediate document for auditors to verify accounts.

Limitations of Trial Balance

1. Cannot Detect Certain Errors:

- a. Errors of principle, omission, or compensation are not identified.

2. Does Not Prove Complete Accuracy:



- a. Equal totals do not guarantee that all transactions are correctly recorded.

3. No Insight into Financial Position:

- a. Provides no analysis of profits, losses, or financial health.

Trial Balance in Tally

A **Trial Balance** in Tally is a financial report that provides a summary of all ledger balances, ensuring that total debits equal total credits. It is used to verify the accuracy of accounting records before preparing financial statements like the **Profit & Loss Account** and **Balance Sheet**.

Importance of Trial Balance in Tally

1. Ensures Accuracy in Accounting

- a. The Trial Balance checks whether total debits and credits are equal, confirming that the books are balanced.
- b. If there is a mismatch, it indicates possible errors in recording transactions.

2. Helps in Detecting Errors

- a. **Errors in Ledger Posting** – Identifies incorrect postings in ledger accounts.
- b. **Missing Entries** – Ensures that all financial transactions are recorded.
- c. **Wrong Debit/Credit Entries** – Highlights mistakes where amounts are posted to the wrong side.

3. Serves as a Basis for Financial Statements

- a. The Trial Balance acts as the foundation for preparing the **Profit & Loss Account** and **Balance Sheet**.
- b. It helps in financial analysis and decision-making.

4. Facilitates Audit and Tax Compliance

- a. A correct Trial Balance helps in smooth auditing.
- b. Ensures compliance with taxation rules like **GST, TDS, and Income Tax**.

1. Unadjusted Trial Balance

Prepared before adjustments like depreciation, outstanding expenses, and accrued income.

2. Adjusted Trial Balance

Includes all necessary adjustments to ensure correct financial statements.

3. Post-Closing Trial Balance

Prepared after closing entries to verify that only real accounts (assets, liabilities, and capital) remain open.



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View Trial Balance in Tally

Steps to Generate a Trial Balance in Tally:

1. **Go to Gateway of Tally '!' Display '!' Trial Balance**
2. **Select the Date Range** (e.g., 1-April-2024 to 31-March-2025).
3. Tally will display all **ledger accounts with debit and credit balances**.

Shortcut Key for Trial Balance in Tally:

Alt + G '!' Type "Trial Balance" '!' Enter

Format of Trial Balance

Ledger Account	Debit (₹)	Credit (₹)
Capital Account		5,00,000
Purchases Account	2,00,000	
Sales Account		3,50,000
Rent Paid	50,000	
Cash/Bank Balance	3,00,000	
Total	5,50,000	5,50,000



IT for Managers -Tally

If the debit and credit columns **do not match**, errors need to be investigated.

. Common Errors in Trial Balance and How to Fix Them

Error Type	Description	How to Fix
Omission Error	A transaction is completely missed.	Recheck ledgers and add the missing entry.
Reversal Error	Debit and credit are mistakenly reversed.	Correct the entry by adjusting the correct side.
Partial Omission	Entry recorded in only one account.	Locate the missing side and post the correct amount.
Mathematical Error	Incorrect totaling of ledger balances.	Recalculate balances for accuracy.

Advantages of Using Trial Balance in Tally

Quick Financial Analysis – Provides an overview of financial health.

Prevents Accounting Errors – Helps detect missing or incorrect transactions.

Simplifies Financial Reporting – Acts as a base for the **Profit & Loss Account** and **Balance Sheet**.

Helps in GST & Tax Compliance – Ensures accurate tax filing.

Profit and Loss Account-Introduction

The **Profit and Loss Account (P&L Account)**, also known as the **Income Statement**, is a financial statement that summarizes the revenues, costs, and expenses incurred by a business during a specific period. It is a vital tool for assessing the profitability and operational efficiency of a business.

Purpose of the Profit and Loss Account

- To Determine Profitability:** It measures whether the business is earning a profit or incurring a loss during the accounting period.
- To Track Income and Expenses:** It provides a detailed account of revenue generated and costs incurred.
- To Aid Decision-Making:** It helps business owners and stakeholders make informed financial and operational decisions.

- 4. To Comply with Legal Requirements:** Companies are required by law to prepare financial statements, including the P&L Account.

Key Features of Profit and Loss Account

The Profit and Loss Account is a vital financial statement that shows the financial performance of a business over a specific period. It highlights the revenues, costs, and profits or losses, providing valuable insights into the company's operational efficiency. Below are the detailed key features of the Profit and Loss Account:

1. Shows Financial Performance

The P&L Account reflects the business's ability to generate profits by comparing revenue with expenses incurred during the accounting period. It provides a summary of the operational results.

Example:

If a company earns ₹ 10,00,000 in revenue and incurs ₹ 8,00,000 in expenses, the net profit is ₹ 2,00,000.

2. Divided Into Two Sections

- a. The P&L Account consists of two main sections:
- b. Trading Account: Calculates gross profit or gross loss by comparing direct income (sales) and direct expenses (COGS, opening stock, etc.).
- c. Profit and Loss Account Proper: Calculates net profit or net loss by considering indirect incomes (e.g., interest income) and indirect expenses (e.g., office expenses, rent).

3. Measures Profitability

The P&L Account calculates two key profitability metrics:

- a) Gross Profit: Indicates profitability from core operations.
- b) Net Profit: Reflects overall profitability after considering all expenses and incomes.

Example:

If the gross profit is ₹ 3,00,000 and indirect expenses are ₹ 1,50,000, the net profit will be ₹ 1,50,000.

4. Prepared for a Specific Period

The P&L Account summarizes financial activities for a defined time frame, such as a month, quarter, or year, making it a periodic statement.

Example:

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A business may prepare a Profit and Loss Account for the financial year April 1, 2024, to March 31, 2025.

5. Based on the Accrual System

It is prepared on an accrual basis of accounting, meaning income and expenses are recorded when they are earned or incurred, not when cash is received or paid.

Example:

If a company delivers services worth ₹ 50,000 in March but receives payment in April, the income is recorded in March.

6. Classification of Revenues and Expenses

The P&L Account segregates income and expenses into two broad categories:

- a) Direct Income and Expenses: Related to core business operations (e.g., sales, purchases).
- b) Indirect Income and Expenses: Related to secondary operations or overheads (e.g., rent, interest earned).

7. Adheres to Accounting Standards

The P&L Account is prepared in compliance with generally accepted accounting principles (GAAP) or applicable financial reporting standards, ensuring consistency and transparency.

Example:

A company following the Indian Accounting Standards (Ind AS) will prepare the P&L Account according to the format prescribed by the Companies Act, 2013.

8. Helps in Decision-Making

The P&L Account provides essential data for decision-making, such as:

- a) Cost control and reduction.
- b) Pricing strategies.
- c) Expansion or downsizing decisions.

Example:

If administrative expenses are increasing over several periods, the management can take corrective actions to control costs.

9. Facilitates Tax Calculations

The P&L Account helps businesses compute taxable income and determine the tax liability accurately.

Example:

If the net profit is ₹ 5,00,000, and the applicable corporate tax rate is 30%, the tax liability is ₹ 1,50,000.

10. Differentiates Between Operating and Non-Operating Activities

The P&L Account separates:

- a) Operating Revenues and Expenses: Arising from core business activities.
- b) Non-Operating Revenues and Expenses: Arising from ancillary activities, such as interest earned on investments or profit from asset sales.

Example:

If a company earns ₹ 1,00,000 from sales and ₹ 10,000 from an investment, the former is operating income, while the latter is non-operating income.

11. Foundation for Financial Statements

The P&L Account is integral to the preparation of other financial statements:

- a) Balance Sheet: Net profit or loss is transferred to the capital or retained earnings account in the balance sheet.
- b) Cash Flow Statement: Helps determine operating cash flows.

12. Comparison Tool

The P&L Account allows businesses to compare financial performance across periods or with competitors, enabling trend analysis and benchmarking.

Example:

- a) Net profit increased from ₹ 2,00,000 in 2024 to ₹ 3,00,000 in 2025, showing a 50% growth.
- b) Comparison with industry averages helps gauge performance against competitors.

13. Focus on Efficiency

By analyzing various expense categories, the P&L Account helps identify inefficiencies in operations.

Example:

Rising marketing expenses without a proportional increase in sales indicates inefficiency.

14. Customization for Internal Use

While statutory P&L Accounts must follow regulatory formats, businesses can prepare customized P&L Accounts for internal management purposes.





Example:

A business may prepare a department-wise P&L Account to evaluate the performance of different divisions.

15. Error Detection

The P&L Account can highlight discrepancies in financial records, such as unusual expense spikes or revenue drops.

Example:

A sudden rise in travel expenses may require investigation to detect errors or misuse.

Structure of a Profit and Loss Account

A P&L Account is typically divided into two sections:

1. **Trading Account** (Gross Profit/Loss Calculation)
2. **Profit and Loss Account** (Net Profit/Loss Calculation)

1. Trading Account

The trading account is the first part of the P&L Account. It calculates the **gross profit or loss** by comparing the direct revenues and costs associated with the core business operations.

Format:

Particulars	Amount (₹)	Particulars	Amount (₹)
To Opening Stock	20,000	By Sales	2,00,000
To Purchases	1,00,000	By Closing Stock	30,000
To Direct Expenses	30,000		
Gross Profit (Transferred)		80,000	
Total	2,30,000	Total	2,30,000

Calculation:

Gross Profit = Sales + Closing Stock - (Opening Stock + Purchases + Direct Expenses)

2. Profit and Loss Account

The second part of the statement calculates **net profit or loss** by considering the indirect expenses and incomes.

Format:

Particulars	Amount (₹)	Particulars	Amount (₹)
To Office Expenses	20,000	By Gross Profit	80,000
To Selling Expenses	10,000	By Other Income (Interest) 5,000	
To Administrative Expenses	15,000		
Net Profit (Transferred to Capital Account)	40,000		
Total	85,000	Total	85,000

Calculation:

Net Profit = Gross Profit + Other Income - Indirect Expenses

Key Components of a Profit and Loss Account

1. Revenue

Revenue refers to the income generated by the business from its core operations, such as the sale of goods or services.

Example:

If a company sells 1,000 units of a product at ₹ 200 per unit, the revenue is ₹ 2,00,000.

2. Cost of Goods Sold (COGS)

COGS includes the direct costs incurred in producing or purchasing goods sold by the company.

Example:

If the company purchased raw materials for ₹ 50,000 and incurred ₹ 20,000 in manufacturing expenses, the total COGS is ₹ 70,000.

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3. Gross Profit

Gross profit is the difference between revenue and COGS.

Example:

If revenue is ₹ 2,00,000 and COGS is ₹ 70,000, the gross profit is ₹ 1,30,000.

4. Operating Expenses

Operating expenses include indirect costs such as rent, salaries, office supplies, and utilities.

Example:

- a) Rent: ₹ 20,000
- b) Salaries: ₹ 50,000
- c) Utilities: ₹ 10,000

Total Operating Expenses = ₹ 80,000.

5. Other Income

Other income refers to earnings not related to core operations, such as interest earned, dividends, or rental income.

Example:

A business earns ₹ 5,000 as interest on a fixed deposit.

6. Net Profit

Net profit is the final result after deducting all expenses (direct and indirect) from the total revenue.

Example:

If gross profit is ₹ 1,30,000, other income is ₹ 5,000, and operating expenses are ₹ 80,000, the net profit is ₹ 55,000.

Practical Example of a Profit and Loss Account

Consider a retail business with the following details for the year ended March 31, 2025:

Income:

- a) Sales: ₹ 10,00,000

b) Closing Stock: ₹ 1,50,000

Expenses:

a) Opening Stock: ₹ 1,00,000

b) Purchases: ₹ 6,00,000

c) Direct Expenses: ₹ 50,000

d) Office Rent: ₹ 60,000

e) Employee Salaries: ₹ 1,00,000

f) Utilities: ₹ 30,000

Other Income:

Interest on Investment: ₹ 20,000

Solution:

Solution:

Trading Account	Amount (₹)	Amount (₹)
To Opening Stock	1,00,000	By Sales
To Purchases	6,00,000	By Closing Stock
To Direct Expenses	50,000	
To Gross Profit (Transferred)	4,00,000	
Total	11,50,000	Total

Profit and Loss Account	Amount (₹)	Amount (₹)
To Office Rent	60,000	By Gross Profit
To Salaries	1,00,000	By Other Income
To Utilities	30,000	
To Net Profit	2,30,000	
Total	4,20,000	Total

Net Profit = ₹2,30,000

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Importance of Profit and Loss Account

1. **Assessment of Profitability:** It helps determine whether the business is generating a profit or incurring a loss.
2. **Comparison and Analysis:** Enables comparison of financial performance across periods or against competitors.
3. **Management Decisions:** Provides insights into areas of cost reduction or revenue generation.
4. **Taxation Compliance:** Forms the basis for calculating taxes owed by the business.
5. **Stakeholder Reporting:** Essential for reporting to investors, creditors, and other stakeholders.

Profit and Loss Account in Tally

A **Profit and Loss Account (P&L Account)** in Tally is a financial report that summarizes the revenue, expenses, and net profit or loss of a business for a specific period. It helps businesses assess their financial performance by showing whether they are making a profit or incurring a loss.

Importance of Profit and Loss Account in Tally

1. Measures Business Profitability

The P&L Account provides a clear picture of whether a business is profitable or running at a loss.

2. Helps in Financial Planning

Assists in budgeting and forecasting future earnings and expenses.

3. Required for Tax Compliance

Used for calculating business taxes such as **GST, Income Tax, and TDS**.

4. Helps in Decision-Making

Provides insights into cost control, pricing strategies, and revenue growth.

5. Basis for Business Expansion

Investors and banks assess the Profit & Loss Account before granting loans or investments.



Steps to Generate a Profit & Loss Account in Tally:

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1. **Go to Gateway of Tally ’! Profit & Loss Account**
2. Select the **date range** (e.g., 1-April-2024 to 31-March-2025).
3. Tally will display the **revenue, direct expenses, indirect expenses, and net profit/loss**.

Shortcut Key to Open Profit & Loss Account in Tally:

Alt + G ’! Type “Profit & Loss Account” ’! Enter

Format of Profit & Loss Account in Tally

Particulars	Amount (₹)	Amount (₹)
Revenue (Income):		
Sales Revenue	5,00,000	
Other Income	20,000	
Total Income		5,20,000
Less: Direct Expenses		
Purchases	2,50,000	
Direct Wages	50,000	
Freight Charges	10,000	
Total Direct Expenses		3,10,000
Gross Profit		2,10,000
Less: Indirect Expenses		
Rent Expense	20,000	
Office Salaries	40,000	
Electricity Bill	5,000	
Misc. Expenses	10,000	
Total Indirect Expenses		75,000
Net Profit		1,35,000



Understanding Components of a Profit & Loss Account in Tally

1. Revenue (Income)

- a) **Sales Revenue:** The total income from selling goods or services.
- b) **Other Income:** Any additional earnings such as interest received, rent received, etc.

2. Direct Expenses

Costs directly related to producing goods or services. Examples include:

- a) **Purchases of Raw Materials**
- b) **Direct Wages** (for factory workers)
- c) **Freight & Transportation Charges**

3. Gross Profit

Formula:

$\text{Gross Profit} = \text{Total Sales} - \text{Total Direct Expenses}$

4. Indirect Expenses

These are operating costs not directly related to production. Examples include:

- a) **Rent & Utilities**
- b) **Office Salaries**
- c) **Marketing & Advertising Expenses**

5. Net Profit or Net Loss

Formula:

$\text{Net Profit} = \text{Gross Profit} - \text{Total Indirect Expenses}$

If the result is **positive**, it is **Net Profit**.

If the result is **negative**, it is **Net Loss**.

Example Scenario of a Profit & Loss Account in Tally

Business Scenario:

ABC Traders is a company selling electronic products. During the financial year, they had the following transactions:



- a) Sales Revenue: ₹ 5,00,000
- b) Purchases: ₹ 2,50,000
- c) Wages Paid: ₹ 50,000
- d) Freight Expenses: ₹ 10,000
- e) Rent Paid: ₹ 20,000
- f) Salaries Paid: ₹ 40,000
- g) Electricity Bill: ₹ 5,000
- h) Misc. Expenses: ₹ 10,000
- i) Other Income (Bank Interest): ₹ 20,000

Profit Calculation:

Particulars	Amount (₹)
Sales Revenue	5,00,000
Other Income	20,000
Total Income	5,20,000
Less: Direct Expenses	
Purchases	(2,50,000)
Wages	(50,000)
Freight Charges	(10,000)
Gross Profit	2,10,000
Less: Indirect Expenses	
Rent	(20,000)
Salaries	(40,000)
Electricity Bill	(5,000)
Misc. Expenses	(10,000)
Total Indirect Expenses	(75,000)
Net Profit	1,35,000

Since the **net profit is ₹ 1,35,000**, the business is in profit.



Real-Time Business Performance Monitoring – Instantly tracks profitability.

Accurate Tax Calculation – Helps in filing GST, Income Tax, and TDS.

Financial Control & Budgeting – Helps in cost reduction and efficiency.

Bank & Investor Reports – Essential for business loans and funding.

Easy Integration with Balance Sheet – Automates financial statement generation.

Income and Expenditure Account-Introduction

The **Income and Expenditure Account** is a financial statement prepared by **non-profit organizations (NPOs)**, such as clubs, societies, trusts, and charitable institutions, to determine their surplus or deficit for a specific accounting period. It is similar to the Profit and Loss Account prepared by businesses but focuses on the financial performance of non-commercial entities.

Features of the Income and Expenditure Account

1. **Prepared by Non-Profit Organizations:** It is designed to measure the performance of organizations that do not operate for profit.
2. **Accrual Basis of Accounting:** Income and expenses are recorded on an accrual basis, i.e., they are recognized when earned or incurred, irrespective of cash flow.
3. **Revenue Nature:** It records only revenue incomes and revenue expenses. Capital receipts and payments (e.g., loans, asset purchases) are not included.
4. **Period-Specific:** It is prepared for a specific accounting period (e.g., one year).
5. **No Opening or Closing Balances:** Unlike the Receipts and Payments Account, it does not show the opening or closing cash/bank balances.
6. **Net Result:** The balance of the Income and Expenditure Account shows either a **surplus** (excess of income over expenditure) or a **deficit** (excess of expenditure over income).

Objective of Income and Expenditure Account

1. To ascertain whether the organization's revenue (income) covers its expenses (expenditure).
2. To determine the financial performance of the organization during the accounting period.
3. To help the organization in planning and managing funds effectively.

4. To provide a transparent financial summary for members, trustees, and stakeholders.

Notes



Orders & reporting in Tally

Format of Income and Expenditure Account

Particulars	Amount (₹)	Particulars	Amount (₹)
To Salaries	xx	By Subscriptions	xx
To Rent	xx	By Donations	xx
To Electricity Expenses	xx	By Interest Earned	xx
To Miscellaneous Expenses	xx	By Surplus (Transferred to Capital Fund)	xx
To Deficit (if any)	xx		
Total	xx	Total	xx

Steps to Prepare Income and Expenditure Account

- 1. Start with Receipts and Payments Account:** Use the Receipts and Payments Account to identify revenue items.
- 2. Include Revenue Items Only:** Ignore capital items such as asset purchases, loan repayments, etc.
- 3. Adjust for Accruals and Prepayments:** Adjust income and expenses for outstanding amounts and prepayments.
- 4. Transfer Surplus or Deficit:** Calculate the net result (surplus or deficit) and transfer it to the capital/general fund.

Distinction Between Profit and Loss Account and Income and Expenditure Account



The Profit and Loss Account (P&L Account) and the Income and Expenditure Account (I&E Account) serve the purpose of summarizing financial activities. However, they differ significantly in their structure, purpose, and the types of organizations that prepare them. Below is a detailed distinction:

Basis of Comparison	Profit and Loss Account	Income and Expenditure Account
1. Nature of Organizations	Prepared by business organizations (profit-oriented entities).	Prepared by non-profit organizations (NPOs) like clubs, trusts, and societies.
2. Purpose	Shows profit or loss generated from business operations.	Shows surplus or deficit from activities aimed at achieving social or organizational objectives.
3. Basis of Preparation	Based on trading activities (buying, selling, and production of goods or services).	Based on non-commercial activities (subscriptions, donations, grants, etc.).
4. Accounting Method	Prepared on the accrual basis of accounting.	Prepared on the accrual basis of accounting (sometimes cash basis for simplicity).
5. Accounts Involved	Includes revenue and expenses related to core business activities, such as sales and purchases.	Includes revenue incomes and expenses of the organization, such as subscriptions, donations, and expenses for social activities.
6. Opening Balance	No opening balance is shown as it starts afresh for the period.	No opening balance is shown as it does not include cash or bank balances.
7. Closing Balance	The closing balance is net profit or net loss, which is transferred to the Capital Account.	The closing balance is surplus or deficit, which is transferred to the Capital Fund or General Fund.
8. Capital and Revenue Items	Distinguishes between capital items (e.g., loans, fixed assets) and revenue items (e.g., sales, salaries).	Includes only revenue items (capital items like fixed asset purchases or loans are excluded).
9. Primary Focus	Focuses on profitability: gross profit, net profit, and financial performance.	Focuses on financial sustainability and the proper utilization of resources.
10. Financial Objective	The objective is to maximize profits for shareholders or stakeholders.	The objective is to ensure the organization has a surplus to continue its social or organizational activities.
11. Reporting Format	Structured as per accounting standards (GAAP/Ind AS) and is legally mandatory for businesses.	May or may not follow strict formats, but should adhere to principles of transparency for NPOs.
12. Items Recorded	Records operating incomes and expenses (e.g., sales, purchases) as well as non-operating incomes and expenses (e.g., investment income, interest on loans).	Records revenue incomes (e.g., donations, subscriptions) and revenue expenses (e.g., maintenance, salaries) only.
13. Preparation of Other Accounts	Usually follows the preparation of the Trading Account (to calculate gross profit or loss).	No Trading Account is prepared before the Income and Expenditure Account.



XYZ Sports Club for the year ending March 31, 2025.

Receipts	Amount (₹)	Payments	Amount (₹)
Opening Cash Balance	10,000	Salaries	20,000
Subscriptions Received	50,000	Rent	15,000
Donations	25,000	Electricity Expenses	5,000
Interest on Investments	5,000	Purchase of Sports Equipment	30,000
		Miscellaneous Expenses	8,000
		Closing Cash Balance	12,000
Total	90,000	Total	90,000

Income and Expenditure Account of XYZ Sports Club for the year ending March 31, 2025

Particulars	Amount (₹)	Particulars	Amount (₹)
To Salaries	20,000	By Subscriptions	
50,000			
To Rent	15,000	By Donations	
25,000			
To Electricity Expenses	5,000	By Interest Earned	
5,000			
To Miscellaneous Expenses	8,000		
To Surplus (Transferred to General Fund)		32,000	
Total	80,000	Total	
80,000			

Explanation of Practical Example

1. Adjusting for Revenue Items:

- Salaries, rent, electricity expenses, and miscellaneous expenses are included as they are revenue expenses.



- b) Subscriptions, donations, and interest earned are included as revenue income.
- c) Purchase of sports equipment is excluded because it is a capital expense.

2. Calculation of Surplus:

- a) Total Revenue = ₹ 80,000 (₹ 50,000 + ₹ 25,000 + ₹ 5,000)
- b) Total Expenses = ₹ 48,000 (₹ 20,000 + ₹ 15,000 + ₹ 5,000 + ₹ 8,000)
- c) Surplus = ₹ 80,000 - ₹ 48,000 = ₹ 32,000

3. Closing the Account:

The surplus of ₹ 32,000 is transferred to the general fund in the Balance Sheet.

Key Points to Note

1. Donations:

- a) General donations are treated as revenue income.
- b) Specific donations (e.g., building fund) are treated as capital receipts.

2. Subscriptions:

- a) Outstanding subscriptions are added, and advance subscriptions are deducted.

3. Prepaid and Outstanding Expenses:

- a) Prepaid expenses are deducted from the current year's expenses.
- b) Outstanding expenses are added to the current year's expenses.

4. Depreciation:

- a) Depreciation on fixed assets is treated as an expense and shown in the Income and Expenditure Account.

Importance of Income and Expenditure Account

- 1. **Financial Performance:** Provides a clear view of the surplus or deficit for the period.
- 2. **Transparency:** Ensures accountability by summarizing how funds were utilized.
- 3. **Decision-Making:** Assists management in budgeting and financial planning.

4. **Stakeholder Confidence:** Builds trust among members and donors by showcasing financial efficiency.

Income & Expenditure Account in Tally

An **Income & Expenditure Account** is a financial statement prepared by **non-profit organizations (NPOs)**, such as clubs, societies, and charitable institutions, to track their financial performance over a specific period. It is similar to the **Profit & Loss Account** but instead of “Profit or Loss,” it calculates the **Surplus or Deficit**.

Key Features of the Income & Expenditure Account:

Prepared on an **accrual basis** (i.e., includes both received and outstanding amounts).

Includes **only revenue income & expenses** (excludes capital receipts/payments).

Helps in determining the **surplus (excess income) or deficit (excess expenditure)**.

Importance of Income & Expenditure Account in Tally

1. Financial Performance Analysis

Shows whether the non-profit organization has a surplus (profit) or deficit (loss) for the financial year.

2. Transparency & Accountability

Ensures proper utilization of funds received through **donations, subscriptions, and grants**.

3. Helps in Budgeting & Fund Allocation

Assists organizations in planning future expenses and fundraising activities.

4. Required for Auditing & Compliance

Mandatory for **charitable trusts, societies, and NGOs** to maintain financial records.

Prepare an Income & Expenditure Account in Tally

Steps to Generate an Income & Expenditure Account in Tally:

1. **Go to Gateway of Tally ’! Display ’! Accounts Books ’! Income & Expenditure Account**





2. **Select the Date Range** (e.g., 1-April-2024 to 31-March-2025).
3. Tally will display **income (revenues) and expenditure (expenses)** for the selected period.
4. The difference between total income and total expenditure gives either **Surplus or Deficit**.

Shortcut Key to Open Income & Expenditure Account in Tally:

Alt + G '! Type "Income & Expenditure Account" '! Enter

Format of Income & Expenditure Account in Tally

Particulars	Amount (₹)	Particulars	Amount (₹)
Expenditure:		Income:	
Rent & Utilities	20,000	Subscriptions	
Received	1,50,000		
Salaries & Wages	50,000	Donations Received	
80,000			
Office Expenses	15,000	Interest on	
Investments	20,000		
Depreciation	10,000	Sale of Scrap	
5,000			
Miscellaneous Expenses	5,000		
Total Expenditure	1,00,000	Total Income	
2,55,000			
Surplus (Excess of Income over Expenditure)		1,55,000	

Surplus = ₹ 1,55,000 (Income is greater than Expenditure)

If **Expenditure is more than Income**, it results in a **Deficit** instead of a Surplus.

Understanding Components of Income & Expenditure Account in Tally

1. Income (Revenue) Side



- a) **Subscriptions Received** '! Membership fees paid by members.
- b) **Donations Received** '! Funds received from the public or organizations.
- c) **Grants & Government Aid** '! Financial assistance received from government agencies.
- d) **Interest Earned** '! Income from investments or bank deposits.
- e) **Sale of Old Assets/Scrap** '! Money earned by selling old office equipment, books, etc.

2. Expenditure (Expense) Side

- a) **Rent & Utilities** '! Payments for electricity, water, and office rent.
- b) **Salaries & Wages** '! Payments to employees or volunteers.
- c) **Office & Administrative Expenses** '! Stationery, internet, postage, etc.
- d) **Depreciation** '! Reduction in the value of fixed assets (furniture, computers).
- e) **Miscellaneous Expenses** '! Any small, unclassified expenses.

3. Surplus or Deficit Calculation

Surplus or Deficit = Total Income - Total Expenditure

- a) If **Income > Expenditure**, it results in a **Surplus** (Excess Funds).
- b) If **Expenditure > Income**, it results in a **Deficit** (Shortfall in Funds).

Example Scenario of an Income & Expenditure Account in Tally

Scenario:

A **Non-Profit Organization (NPO)**, "Helping Hands Foundation," has the following transactions for the financial year 2024-25:

Income:

- a) Subscriptions Received: ₹ 1,50,000
- b) Donations Received: ₹ 80,000
- c) Interest Earned: ₹ 20,000
- d) Sale of Scrap: ₹ 5,000



Expenditure:

- a) Rent Paid: ₹ 20,000
- b) Salaries & Wages: ₹ 50,000
- c) Office Expenses: ₹ 15,000
- d) Depreciation: ₹ 10,000
- e) Miscellaneous Expenses: ₹ 5,000

Income & Expenditure Account for Helping Hands Foundation (2024-25)

Particulars	Amount (₹)	Particulars	Amount (₹)
Expenditure:		Income:	
Rent & Utilities	20,000	Subscriptions Received	1,50,000
Salaries & Wages	50,000	Donations Received	80,000
Office Expenses	15,000	Interest Earned	20,000
Depreciation	10,000	Sale of Scrap	5,000
Miscellaneous Expenses	5,000		
Total Expenditure	1,00,000	Total Income	2,55,000
Surplus	1,55,000		

Since the **income exceeds expenditure**, there is a **Surplus of ₹ 1,55,000**.

If **expenditure had been higher than income**, it would have resulted in a **Deficit**.

Difference Between Income & Expenditure Account and Profit & Loss

Account in short

Aspect	Income & Expenditure Account	Profit & Loss
	Account	
Used by Organizations	Non-Profit Organizations (NPOs)	Business
Purpose Profit or Loss	Determines Surplus or Deficit	Determines Net
Type of Transactions	Revenue Income & Expenditure & Expenses	Business Income



Advantages of Using Income & Expenditure Account in Tally

Ensures Proper Fund Utilization – Helps in monitoring financial activities of NPOs.

Easy Tax Compliance & Audit – Helps organizations maintain transparency.

Better Financial Planning – Useful for fund allocation and budgeting.

Accurate Reporting – Provides real-time financial status.

Balance Sheet-Introduction

The **Balance Sheet** is a key financial statement that provides a snapshot of an organization's financial position at a specific point in time. It is one of the essential components of financial statements and is often referred to as the "Statement of Financial Position." The Balance Sheet reflects the company's assets, liabilities, and equity, illustrating how the organization's resources are financed—whether through debt (liabilities) or shareholder investment (equity).

A Balance Sheet is defined as:

"A financial statement that reports a company's assets, liabilities, and shareholders' equity at a specific point in time, providing a basis for computing rates of return and evaluating the financial structure."

Components of a Balance Sheet

The Balance Sheet has three main components:

1. **Assets:** These are the resources owned by the organization, which are expected to provide future economic benefits.

Types of Assets:

- a) **Current Assets:** Assets that can be converted into cash or used up within one year (e.g., cash, accounts receivable, inventory).
- b) **Non-Current Assets:** Long-term assets used over a period exceeding one year (e.g., property, plant, equipment, intangible assets like patents).

2. **Liabilities:** These are the obligations or debts that the organization owes to external parties.



Types of Liabilities:

- a) **Current Liabilities:** Obligations due within one year (e.g., accounts payable, short-term loans, accrued expenses).
 - b) **Non-Current Liabilities:** Long-term obligations not due within the next year (e.g., long-term loans, bonds payable).
- 3. Equity:** This represents the owners' claim on the assets of the business after all liabilities have been settled. It includes:
- a) Share Capital
 - b) Retained Earnings
 - c) Reserves

Structure/Format of a Balance Sheet

A Balance Sheet is presented in two formats:

- 1. Horizontal Format (T-Format):** Assets are shown on one side, and liabilities and equity are shown on the other side.
- 2. Vertical Format:** Items are presented in a descending order of liquidity, starting with assets and followed by liabilities and equity.

Example of a Vertical Format Balance Sheet:

XYZ Ltd. Balance Sheet as on March 31, 2025

Particulars	Amount (₹)
Assets	
Non-Current Assets	
Property, Plant & Equipment	10,00,000
Investments	5,00,000
Current Assets	
Inventory	2,50,000
Accounts Receivable	1,50,000
Cash and Cash Equivalents	1,00,000
Total Assets	20,00,000

Liabilities and Equity

Equity

Share Capital 10,00,000

Retained Earnings 5,00,000

Liabilities

Non-Current Liabilities

Long-Term Loans 3,00,000

Current Liabilities

Accounts Payable 1,50,000

Accrued Expenses 50,000

Total Liabilities and Equity 20,00,000

Key Features of a Balance Sheet

1. **Snapshot of Financial Position:** It reflects the financial position of an organization at a specific date.
2. **Dual Aspect Concept:** Based on the accounting equation:
$$\text{Assets} = \text{Liabilities} + \text{Equity}$$
3. **Classification:** Items are classified into current and non-current categories for better understanding and analysis.
4. **Liquidity and Solvency:** Shows the organization's liquidity (ability to meet short-term obligations) and solvency (ability to meet long-term obligations).
5. **Compliance:** Prepared in accordance with accounting standards (e.g., GAAP, IFRS).
6. **Audit and Transparency:** It is audited by independent auditors to ensure accuracy and reliability.

Objectives of a Balance Sheet

1. **Assess Financial Position:** To provide a clear view of the organization's assets, liabilities, and equity at a specific date.
2. **Evaluate Liquidity and Solvency:** To determine the organization's ability to meet short-term and long-term obligations.
3. **Understand Capital Structure:** To assess how the business is financed (debt vs. equity).
4. **Aid in Decision-Making:** To help stakeholders make informed decisions regarding investments, lending, or management strategies.
5. **Legal Compliance:** To fulfill statutory reporting requirements.





Importance of a Balance Sheet

1. **Investors:** It helps investors analyze the financial health and potential growth of the company.
2. **Creditors:** Creditors use it to assess the company's ability to repay debts.
3. **Management:** Management uses it for internal decision-making, financial planning, and resource allocation.
4. **Regulators:** It ensures the organization is complying with financial reporting standards.

Key Accounting Concepts Used in a Balance Sheet

1. **Going Concern:** Assumes the business will continue its operations in the foreseeable future.
2. **Historical Cost Principle:** Assets are recorded at their original purchase cost.
3. **Matching Principle:** Ensures that expenses are matched with revenues.
4. **Dual Aspect Concept:** Ensures that every transaction affects both sides of the accounting equation.

Steps to Prepare a Balance Sheet

1. **Determine Closing Balances:** Use the trial balance to determine the closing balances of all accounts.
2. **Classify Accounts:**
 - a) Separate assets, liabilities, and equity.
 - b) Categorize them as current or non-current.
3. **Arrange in Order of Liquidity:** Arrange items based on their liquidity (for assets) and maturity (for liabilities).
4. **Ensure the Equation Balances:**
$$\text{Assets} = \text{Liabilities} + \text{Equity}$$

Practical Example of Analysis

Example 1: Assessing Liquidity

Current Assets = 1 5,00,000

Current Liabilities = 1 2,00,000

Current Ratio =

Current Assets/Current Liabilities= $5/2=2.5$

This means the company has ¹ 2.50 in current assets for every ¹ 1 of current liability, indicating good liquidity.

Example 2: Assessing Solvency

Debt = ¹ 4,00,000

Equity = ¹ 10,00,000

Debt-to-Equity Ratio =

Debt to Equity= $4/10=0.40$

A lower ratio indicates that the company relies more on equity than debt.

Limitations of a Balance Sheet

1. **Historical Costs:** Assets are recorded at historical costs, which may not reflect current market values.
2. **Static Nature:** It reflects the financial position only at a specific date and may not represent changes after that date.
3. **Subjectivity:** Certain items (e.g., depreciation, intangible assets) involve subjective judgment and estimates.
4. **Excludes Non-Financial Factors:** Non-financial aspects like market trends, competition, and employee morale are not reflected.

Differences Between Balance Sheet and Profit and Loss Account

The Balance Sheet and the Profit and Loss Account (P&L Account) are two fundamental financial statements that serve distinct purposes in evaluating the financial health and performance of an organization. Below is a detailed comparison based on various factors:

Aspect	Balance Sheet	Profit and Loss
	Account	
1. Definition	A statement that shows the financial position of an entity at a specific point in time. A statement that shows the financial performance (profitability) of an entity over a specific period.	
2. Purpose	To provide a snapshot of the company's assets, liabilities, and equity. To calculate the net profit or net loss of the organization during a specific period.	

Notes



Orders & reporting in Tally

16. Format Typical headings include: - Assets - Liabilities - Equity
Typical headings include: - Revenue - Expenses - Net Profit or Loss

17. Usage by Stakeholders Used by investors, creditors, and management to assess the company's financial health and long-term stability.
Used by management, investors, and analysts to evaluate operational efficiency and profitability.

18. Examples of Items Included Assets: Cash, inventory, accounts receivable, property, equipment. Liabilities: Accounts payable, loans, accrued expenses. Equity: Share capital, retained earnings.
Revenues: Sales revenue, service income, interest income. Expenses: Salaries, rent, depreciation, cost of goods sold (COGS).

19. Adjustments Includes year-end adjustments, like depreciation, provisions, or accrued liabilities. Includes adjustments related to income and expenses, like prepaid expenses or accrued revenue.

20. Type of Statement A position statement showing what the organization owns and owes at a given time.
A performance statement showing how much the organization earned or lost during a period.

Key Link Between Balance Sheet and Profit and Loss Account

1. Impact of Net Profit/Loss:

- a) The net profit (or loss) calculated in the Profit and Loss Account is transferred to the Balance Sheet under retained earnings or capital.
- b) For example, if a business earns ¹ 1,00,000 in net profit, it increases the retained earnings in the equity section of the Balance Sheet.

2. Role in Decision-Making:

- a) The P&L Account provides the data needed to determine whether the business is profitable.
- b) The Balance Sheet complements this by showing how the profits are utilized (e.g., reinvested into the business or distributed as dividends).

Practical Example to Illustrate the Difference

Profit and Loss Account (Summary of Performance)

ABC Pvt. Ltd. - P&L Account for the Year Ended March 31, 2025

Particulars	Amount (¹)
-------------	-------------------------

Revenue	
---------	--

Notes



Orders & reporting in Tally



Notes

IT for Managers -Tally

Sales Revenue	15,00,000
Other Income	2,00,000
Total Revenue	17,00,000
Expenses	
Cost of Goods Sold (COGS)	9,00,000
Salaries	2,00,000
Rent	50,000
Depreciation	1,50,000
Miscellaneous Expenses	1,00,000
Total Expenses	14,00,000
Net Profit	3,00,000

Balance Sheet (Snapshot of Financial Position)

ABC Pvt. Ltd. - Balance Sheet as on March 31, 2025

Particulars	Amount (¹)
Assets	
Property, Plant & Equipment	10,00,000
Accounts Receivable	3,00,000
Inventory	2,00,000
Cash and Bank Balance	5,00,000
Total Assets	20,00,000
Liabilities and Equity	
Share Capital	12,00,000
Retained Earnings	3,00,000
Accounts Payable	4,00,000
Bank Loan	1,00,000
Total Liabilities and Equity	20,00,000

Balance Sheet in Tally

A **Balance Sheet** in Tally is a **financial statement** that shows the financial position of a business at a specific date. It provides a **summary of assets, liabilities, and equity**, helping businesses understand their financial health.

Key Features of the Balance Sheet in Tally:

Prepared at the end of a financial year or any specific date.

Shows the total assets and liabilities of a business.

Helps in financial planning, tax filing, and decision-making.

Based on the accounting equation:

$\text{Assets} = \text{Liabilities} + \text{Owner's Equity}$

. Importance of Balance Sheet in Tally

1. Shows the Financial Position of a Business

Helps understand the company's **total worth** and financial stability.

2. Essential for Decision-Making

Business owners and investors use the balance sheet to assess financial risks.

3. Helps in Loan and Investment Approval

Banks and investors check the balance sheet before approving loans or investments.

4. Required for Taxation & Compliance

Used for **GST, Income Tax, and Corporate Tax filing**.

5. Helps in Financial Planning & Growth

Businesses can decide on expansion, cost-cutting, or future investments based on the balance sheet.

View a Balance Sheet in Tally

Steps to Generate a Balance Sheet in Tally:

1. **Go to Gateway of Tally '!' Balance Sheet**
2. Select the **date range** (e.g., 31-March-2025).





3. Tally will display two sections: **Assets & Liabilities**.

Shortcut Key to Open Balance Sheet in Tally:

Alt + G '!' Type “Balance Sheet” '!' Enter

Format of Balance Sheet in Tally

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital & Reserves	5,00,000	Fixed Assets	6,00,000
Shareholder's Capital	4,00,000	Machinery	3,50,000
Retained Earnings	1,00,000	Furniture	1,50,000
Long-Term Liabilities	2,00,000	Current Assets	3,00,000
Bank Loan	2,00,000	Bank Balance	1,00,000
Current Liabilities	2,50,000	Cash in Hand	50,000
Sundry Creditors	1,50,000	Accounts Receivable	1,50,000
Outstanding Expenses	1,00,000		
Total Liabilities	9,50,000	Total Assets	9,50,000

Total Assets = Total Liabilities (₹ 9,50,000)

This proves that the accounting equation is **balanced**.

Components of a Balance Sheet in Tally

A. Liabilities (What the Business Owes)

1. Capital & Reserves

- Shareholder's Capital (Owner's Investment).
- Retained Earnings (Accumulated Profits).

2. Long-Term Liabilities

Loans taken from banks or financial institutions.

3. Current Liabilities

- Sundry Creditors** (Amounts payable to suppliers).

- Outstanding Expenses** (Pending salaries, rent, etc.).

B. Assets (What the Business Owns)

1. Fixed Assets (Long-Term Assets)

Machinery, Equipment, Furniture, Land & Buildings.

2. Current Assets (Short-Term Assets)

- a) **Cash & Bank Balances** (Cash in hand, bank accounts).
- b) **Sundry Debtors** (Money receivable from customers).
- c) **Inventory (Stock-in-hand).**

Example Scenario of a Balance Sheet in Tally

Scenario:

A company, **XYZ Enterprises**, has the following transactions at the end of the financial year:

Capital Invested: ₹ 4,00,000

Bank Loan Taken: ₹ 2,00,000

Creditors Outstanding: ₹ 1,50,000

Machinery Purchased: ₹ 3,50,000

Furniture Purchased: ₹ 1,50,000

Cash in Hand: ₹ 50,000

Bank Balance: ₹ 1,00,000

Debtors Outstanding: ₹ 1,50,000

XYZ Enterprises - Balance Sheet (as of 31-March-2025)

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital & Reserves		Fixed Assets	
Capital Invested	4,00,000	Machinery	3,50,000
Retained Earnings	1,00,000	Furniture	1,50,000
Long-Term Liabilities		Current Assets	
Bank Loan	2,00,000	Cash in Hand	50,000
Current Liabilities		Bank Balance	1,00,000

Notes



Orders & reporting in Tally



Sundry Creditors	1,50,000	Sundry Debtors	1,50,000
Total Liabilities	9,50,000	Total Assets	9,50,000

Balance Sheet is Balanced!

Difference Between Balance Sheet & Profit & Loss Account

Aspect	Balance Sheet	Profit & Loss Account
Purpose	Shows financial position	Shows profitability
Includes	Assets & Liabilities	Income & Expenses
Time Period	As on a specific date	For a financial year
Outcome	Capital, Liabilities, and Assets	Net Profit or Loss

Advantages of Using Balance Sheet in Tally

Accurate Financial Position – Helps businesses understand their net worth.

Loan & Investment Approvals – Required by banks & investors.

Compliance with Tax Laws – Used for GST & tax filing.

Future Financial Planning – Helps in decision-making and risk management.

Receipt and Payment Account-Introduction

The **Receipt and Payment Account** is a financial statement primarily used by non-profit organizations, such as clubs, societies, trusts, and other similar entities, to summarize all cash and bank transactions during a specific accounting period. It functions as a summary of cash inflows and outflows and is prepared on a **cash basis** of accounting. The Receipt and Payment Account provides a clear view of the cash position of an organization.

A Receipt and Payment Account is defined as:

“A summarized cash book showing all cash receipts and cash payments during a particular period, including both capital and revenue transactions, whether related to the current year, previous year, or future periods.”

Features of Receipt and Payment Account

1. Nature of Account:

- It is a **real account** prepared on a cash basis.

- b) It records actual receipts and payments irrespective of the accounting period to which they relate.

2. Format:

It is prepared in a **T-format**, with two columns:

- a) **Receipts (Dr. side):** All cash and bank receipts.
- b) **Payments (Cr. side):** All cash and bank payments.

3. Period Coverage:

Includes transactions of the current year as well as receipts and payments related to past or future periods.

4. Capital and Revenue Transactions:

Both capital (e.g., purchase of assets) and revenue (e.g., rent, salaries) transactions are recorded.

5. No Non-Cash Transactions:

Non-cash items like depreciation or outstanding expenses are not included.

6. Balance:

The closing balance represents the **cash in hand** and **cash at bank** at the end of the period.

Purpose of Receipt and Payment Account

1. **Cash Summary:** To provide a consolidated summary of cash and bank transactions.
2. **Basis for Financial Statements:** Serves as a foundation for preparing the **Income and Expenditure Account** and the **Balance Sheet**.
3. **Tracking Financial Activities:** Helps in understanding how funds are raised and utilized.
4. **Transparency:** Offers transparency to members and stakeholders about the organization's cash flows.

Format of Receipt and Payment Account

XYZ Club - Receipt and Payment Account for the Year Ended March 31, 2025

Receipts (Dr.)	Amount (₹)	Payments (Cr.)	Amount (₹)
Opening Balance			

Notes



Orders & reporting in Tally



Notes

IT for Managers -Tally

Cash in Hand 10,000

Cash at Bank 25,000

Receipts

Membership Fees 50,000

Donations 20,000

Interest Received 5,000

Sale of Old Furniture 15,000

Total Receipts 1,25,000

Payments

Salaries 30,000

Rent 10,000

Electricity Charges 5,000

Purchase of Sports Equipment 25,000

Total Payments 70,000

Closing Balance

Cash in Hand 15,000

Cash at Bank 40,000

Steps to Prepare Receipt and Payment Account

1. Opening Balances:

- a) Start with the opening balances of cash in hand and cash at bank.

2. Record Receipts:

- a) Record all cash and bank receipts on the **debit (Dr.) side**, including membership fees, donations, grants, interest, and sales proceeds.

3. Record Payments:

- a) Record all cash and bank payments on the **credit (Cr.) side**, including expenses, salaries, rent, electricity, and capital payments.

4. Closing Balance:

- a) Calculate the closing balance of cash and bank by subtracting total payments from total receipts.

Key Features of Receipt and Payment Account

1. Comprehensive Overview:



- a) Covers all cash and bank transactions, providing a detailed picture of the cash position.

2. No Adjustments:

- a) Does not include accruals, outstanding expenses, or income.

3. Includes All Transactions:

- a) Includes all types of receipts and payments, regardless of their nature (revenue or capital).

4. Prepared Annually:

- a) Usually prepared for a financial year, but it can be prepared for shorter periods.

5. No Profit/Loss Calculation:

- a) Does not calculate surplus or deficit; that is done in the Income and Expenditure Account.

Differences Between Receipt and Payment Account and Income and Expenditure Account

The **Receipt and Payment Account** and the **Income and Expenditure Account** are financial statements used by non-profit organizations to summarize financial activities. However, they serve different purposes, follow different accounting principles, and provide distinct insights. Below is a detailed comparison between the two:

Aspect	Receipt and Payment Account	Income and Expenditure Account
1. Nature	It is a real account that records actual cash transactions.	It is a nominal account that records revenue and expenses.
2. Purpose	To summarize all cash receipts and payments during a specific period.	To determine the surplus (profit) or deficit (loss) for a specific period.
3. Basis of Accounting	Prepared on a cash basis of accounting.	Prepared on an accrual basis of accounting.
4. Transactions Covered	Includes all cash and bank transactions, irrespective of the period to which they relate.	Includes only revenue and expenses related to the current accounting period.
5. Non-Cash Items	Non-cash items like depreciation, outstanding expenses, or accrued income are not included .	Non-cash items like depreciation, outstanding expenses, and accrued income are included .



6. Capital vs Revenue Nature	Includes both capital (e.g., sale/purchase of assets) and revenue (e.g., membership fees) transactions. Includes only revenue transactions; capital receipts and payments are excluded.
7. Opening and Closing Balances	Starts with the opening balance of cash/bank and ends with the closing balance. Does not start with opening balances or end with closing balances.
8. Result	Does not show a surplus or deficit. The result is the closing cash and bank balance . Shows the net surplus or deficit for the period.
9. Adjustment of Prepaid/Outstanding Items	Prepaid and outstanding items are not adjusted. Prepaid expenses and outstanding income/expenses are adjusted.
10. Period Coverage	Covers all transactions, whether they relate to the current, previous, or future periods. Covers only transactions pertaining to the current accounting period.
11. Format	Similar to a cash book with receipts on the debit side and payments on the credit side. Similar to a Profit and Loss Account with income on the credit side and expenses on the debit side.
12. Balance	The balance represents cash in hand and cash at bank at the end of the period. The balance represents the surplus (excess of income over expenditure) or deficit .
13. Adjustments for Accruals	No adjustments for accrued or deferred items are made. Adjustments for accrued and deferred items are made.
14. Example of Receipts/Payments	Examples include membership fees received, donations, loan repayments, and salaries paid. Examples include income from membership fees (only for the current year), interest income, and expenses like rent and salaries (adjusted for accruals).
15. Prepared By	Prepared by organizations to track their cash flows. Prepared to assess the financial performance of the organization.
16. Legal Compliance	Not a statutory requirement but often prepared for internal purposes. May be required for statutory compliance for non-profit organizations.
17. Classification of Transactions	No distinction between operating and non-operating transactions. Differentiates between operating and non-operating income and expenses.
18. Financial Focus	Focuses on cash position (inflows and outflows). Focuses on profitability or performance of the organization.

19. Closing Entries No need for closing entries, as it is a summary of cash flows.
Requires closing entries to finalize surplus or deficit.

20. Accounting Equation Does not impact the accounting equation directly.
Impacts the accounting equation as surplus/deficit is carried to the capital fund or general fund.

Notes



Orders & reporting in Tally

Detailed Explanation with Examples

Receipt and Payment Account Example

This statement captures all cash and bank transactions.

ABC Club - Receipt and Payment Account for the Year Ended March 31, 2025

Receipts (Dr.)	Amount (₹)	Payments (Cr.)	Amount (₹)
Opening Cash Balance	10,000	Salaries	50,000
Membership Fees	1,00,000	Rent	20,000
Donations	30,000	Electricity Bills	10,000
Sale of Old Furniture	25,000	Purchase of Equipment	40,000
Closing Balances (Cash/Bank)	45,000		
Total	2,10,000	Total	2,10,000

Income and Expenditure Account Example

This statement adjusts for accruals and focuses on revenue and expenses for the current year.

ABC Club - Income and Expenditure Account for the Year Ended March 31, 2025

Expenditure (Dr.)	Amount (₹)	Income (Cr.)	Amount (₹)
Salaries 1,00,000	50,000	Membership Fees	
Rent	20,000	Donations	30,000
Electricity Bills	10,000	Interest Income	5,000
Depreciation on Equipment	8,000		



Surplus (Transferred to Capital Fund)	47,000	Total
1,35,000		
Total	1,35,000	Total
1,35,000		

Key Points to Note:

1. Accrual vs. Cash:

- a) The Receipt and Payment Account shows actual cash received and paid, while the Income and Expenditure Account considers accruals.

2. Non-Profit Context:

- a) These statements are used mainly by non-profit organizations to monitor cash flows (Receipt and Payment Account) and assess financial performance (Income and Expenditure Account).

3. Interdependence:

- a) The surplus or deficit from the Income and Expenditure Account is transferred to the capital fund in the Balance Sheet, while the Receipt and Payment Account provides the cash/bank figures for the same Balance Sheet.

Practical Example

Scenario:

A non-profit organization receives membership fees of ¹ 1,00,000, donations of ¹ 20,000, and interest income of ¹ 5,000 during the year. It pays ¹ 50,000 for salaries, ¹ 10,000 for rent, and ¹ 15,000 for stationery. At the start of the year, the cash balance was ¹ 10,000, and the bank balance was ¹ 40,000.

Receipt and Payment Account

Receipts (Dr.)	Amount (¹)	Payments (Cr.)	Amount (¹)
Opening Cash Balance	10,000	Salaries	50,000
Opening Bank Balance	40,000	Rent	10,000
Membership Fees	1,00,000	Stationery	15,000
Donations	20,000		
Interest Income	5,000		
Total Receipts	1,75,000	Total Payments	75,000

Closing Balances:

Cash in Hand 25,000

Cash at Bank 75,000

Notes



Orders & reporting in Tally

Importance of Receipt and Payment Account

1. **Transparency:** Provides stakeholders with a transparent view of cash movements.
2. **Financial Management:** Helps organizations manage cash resources effectively.
3. **Audit and Accountability:** Forms the basis for auditing cash transactions.
4. **Foundation for Financial Statements:** Acts as a starting point for preparing the Income and Expenditure Account and Balance Sheet.

Limitations of Receipt and Payment Account

1. **No Accrual Basis:** Ignores outstanding income or expenses, which may not reflect the true financial performance.
2. **Lack of Classification:** Does not differentiate between capital and revenue transactions.
3. **No Surplus/Deficit:** Does not indicate whether the organization has a surplus or deficit.
4. **Static Statement:** Focuses only on cash movements without considering other aspects of financial performance.

Receipt & Payment Account in Tally

A Receipt & Payment Account **is a financial statement that records all cash and bank transactions of a non-profit organization (NPO) during a specific period. It acts as a cash book summary and includes both capital and revenue transactions on a cash basis.**

Key Features of Receipt & Payment Account:

Records only cash and bank transactions (No credit transactions).

Includes both capital & revenue receipts and payments.

Opening and closing balances of cash and bank accounts are shown.



Prepared for a specific period (e.g., financial year).

Helps in preparing Income & Expenditure Account.

. Importance of Receipt & Payment Account in Tally

1. Helps in Cash Flow Management

Tracks **cash inflows and outflows**, ensuring proper fund utilization.

2. Provides Transparency

Non-profits and clubs can show **how funds are received and spent**.

3. Required for Financial Reporting & Auditing

Essential for NGOs, clubs, trusts, and societies to comply with regulations.

4. Helps in Preparing Financial Statements

Used as a base for **Income & Expenditure Account and Balance Sheet**.

View Receipt & Payment Account in Tally

Steps to Generate a Receipt & Payment Account in Tally:

1. **Go to Gateway of Tally ’! Display ’! Accounts Books ’! Receipt & Payment Account.**
2. Select the **Date Range** (e.g., 1-April-2024 to 31-March-2025).
3. Tally will display **Receipts (on the debit side) and Payments (on the credit side)**.

Shortcut Key to Open Receipt & Payment Account in Tally:

Alt + G ’! Type “Receipt & Payment Account” ’! Enter

. Format of Receipt & Payment Account in Tally

Receipts (Cash Inflows)	Amount (‘) Payments (Cash Outflows)
	Amount (‘)
Opening Balance (Cash & Bank)	50,000
Expenses Paid:	

Subscriptions Received 40,000	1,50,000	Salaries & Wages
Donations Received 20,000	80,000	Rent Paid
Interest on Bank Deposits 15,000	10,000	Office Expenses
Sale of Scrap 5,000	5,000	Electricity Bill
Government Grants 60,000	30,000	Equipment Purchased
Total Receipts 1,40,000	3,25,000	Total Payments

Closing Balance (Cash & Bank) 1,85,000

Closing Balance = Total Receipts - Total Payments (₹ 3,25,000 - ₹ 1,40,000 = ₹ 1,85,000).

Components of Receipt & Payment Account in Tally

A. Receipts (Cash & Bank Inflows)

1. **Opening Balance** – Cash & bank balance at the beginning of the period.
2. **Subscriptions Received** – Membership fees from members.
3. **Donations & Grants** – Funds received from individuals or organizations.
4. **Interest Earned** – Bank interest or investment income.
5. **Sale of Assets** – Income from selling old equipment, furniture, etc.
6. **Government Grants** – Financial aid from government authorities.

B. Payments (Cash & Bank Outflows)

1. **Salaries & Wages** – Employee payments.
2. **Rent, Electricity & Utilities** – Office expenses.
3. **Purchase of Assets** – Buying new machinery, furniture, etc.
4. **Miscellaneous Expenses** – Other small expenses.
5. **Closing Balance** – Remaining cash & bank balance at the end of the period.

Notes



Orders & reporting in Tally



Example Scenario of Receipt & Payment Account in Tally

Scenario:

A non-profit organization, “**Helping Hands Foundation**”, has the following transactions during the financial year:

Opening Balance (Cash & Bank): ₹ 50,000

Received Subscriptions: ₹ 1,50,000

Donations Received: ₹ 80,000

Interest on Fixed Deposits: ₹ 10,000

Sale of Old Books: ₹ 5,000

Government Grants Received: ₹ 30,000

Paid Salaries: ₹ 40,000

Rent Paid: ₹ 20,000

Office Expenses: ₹ 15,000

Electricity Bill Paid: ₹ 5,000

Equipment Purchased: ₹ 60,000

Helping Hands Foundation - Receipt & Payment Account (2024-25)

Receipts (Cash Inflows)	Amount (₹)	Payments (Cash Outflows)	Amount (₹)
Opening Balance (Cash & Bank)	50,000		
Expenses Paid:			
Subscriptions Received	1,50,000	Salaries & Wages	
40,000			
Donations Received	80,000	Rent Paid	
20,000			
Interest on Fixed Deposits	10,000	Office Expenses	
15,000			
Sale of Old Books	5,000	Electricity Bill	
5,000			
Government Grants	30,000	Equipment Purchased	
60,000			

Total Receipts 3,25,000 **Total Payments**
1,40,000

Closing Balance (Cash & Bank) 1,85,000

Closing Balance = ₹ 1,85,000 (Remaining funds at the end of the year).

Notes



Orders & reporting in Tally

Difference Between Receipt & Payment Account and Income & Expenditure Account in short

Aspect	Receipt & Payment Account Expenditure Account	Income &
Nature	Cash-based	Accrual-based
Includes items	Both capital & revenue items	Only revenue
Opening & Closing Balance & closing cash balance	No cash balance shown	Shows opening
Credit Transactions outstanding expenses)	Not included	Included (e.g.,
Purpose surplus/deficit	Records all cash & bank transactions	Determines

Advantages of Using Receipt & Payment Account in Tally

Easy Cash Flow Tracking – Helps in monitoring incoming and outgoing cash.

Financial Transparency – Useful for audits and fund management.

Helps in Budgeting – Ensures proper fund allocation for future activities.

Required for Compliance – Essential for NGOs and charitable organizations.

MCQS

1. What is a Purchase Order in Tally primarily used for?
 - a) Generating invoices
 - b) Specifying details of goods or services required
 - c) Calculating GST for sales
 - d) Managing employee attendance



2. Which of the following is NOT an advantage of using Purchase Orders in Tally?
 - a) Preventing over-ordering
 - b) Improving supplier relationships
 - c) Calculating employee salaries
 - d) Streamlining accounting
3. Which feature must be enabled to use Purchase Orders in Tally?
 - a) Use Sales Order Processing
 - b) Use Purchase Order Processing
 - c) Enable GST Calculations
 - d) Use Inventory Classification
4. How do you access the Purchase Order feature in Tally?
 - a) Gateway of Tally '!' Orders Vouchers '!' Purchase Order
 - b) Gateway of Tally '!' Display '!' Purchase Order Book
 - c) Gateway of Tally '!' Sales Voucher
 - d) Gateway of Tally '!' Payroll
5. What is the shortcut key for creating a Purchase Order in Tally?
 - a) Alt + F5
 - b) Alt + F6
 - c) Alt + F4
 - d) Alt + F7
6. What does Tally automatically calculate when creating a Purchase Order with GST?
 - a) Payroll deductions
 - b) Input Tax Credit (ITC)
 - c) Sales Tax
 - d) Inventory shrinkage
7. Where can you track pending and completed Purchase Orders in Tally?
 - a) Display '!' Inventory Books '!' Purchase Order Book
 - b) Gateway of Tally '!' Sales Voucher

c) Gateway of Tally '!' Reports '!' Pending Transactions

d) Gateway of Tally '!' Payroll Books

8. Which of the following is a benefit of using Purchase Orders in Tally?

a) Simplifies financial reporting

b) Eliminates GST compliance

c) Reduces employee workload tracking

d) Manages payroll processing

9. What is the purpose of a Sales Order in Tally?

a) To track employee details

b) To confirm the sale of goods or services

c) To calculate payroll

d) To enable tax returns

10. What is the shortcut key to create a Sales Order in Tally?

a) Alt + F4

b) Alt + F5

c) Alt + F6

d) Alt + F7

Short Answer Questions

1. Discuss about purchase order in Tally.

2. State the importance of purchase order in Tally.

3. State about benefit of purchase order in Tally.

4. State the cancellation of purchase order in Tally.

5. Discuss about sales order in Tally.

6. State the importance of sales order in Tally.

7. State about benefit of sales order in Tally.

8. State the cancellation of sales order in Tally.

Notes



Orders & reporting in Tally



9 State the difference between Profit & Loss Account and Income &

Expenditure Account.

10. Explain the **difference between Balance Sheet and Income & Expenditure Account**

Long Answer Questions

- 1 What is a Purchase Order in Tally, and what are its key components?
- 2 Discuss the importance of Purchase Orders in Tally for financial control and supplier management.
- 3 Explain the steps to enable Purchase Order Processing in Tally with an example.
- 4 Describe the process of creating a Purchase Order in Tally with a real-world scenario.
- 5 How does Tally help in GST compliance through Purchase Orders?
- 6 Discuss the benefits of using Purchase Orders in Tally for inventory management and accounting.
- 7 Explain the process of converting a Purchase Order into a Purchase Entry in Tally.
- 8 How can businesses track pending, completed, and canceled Purchase Orders in Tally?
- 9 Highlight the advantages of using Purchase Orders in Tally to reduce manual errors and save time.
- 10 How does Purchase Order automation in Tally improve business efficiency?
- 11 What is a Sales Order in Tally, and how does it benefit businesses?
- 12 Explain the significance of Sales Orders in Tally for inventory control and customer relationship management.
- 13 Describe the steps to enable Sales Order Processing in Tally with an example.
- 14 How do you create a Sales Order in Tally? Explain with a detailed example.
- 15 Discuss the benefits of using Sales Orders in Tally for financial planning and faster invoicing.
- 16 Explain the process of converting a Sales Order into a Sales Invoice in Tally.
- 17 How does Tally help businesses track and manage pending Sales Orders?
- 18 Discuss the importance of accurate GST and tax compliance in Sales Orders in Tally.
- 19 What role do Sales Orders play in improving customer satisfaction and order tracking?

20 Explain how Sales Orders in Tally can be used for better revenue forecasting and cash flow management.

Notes





References:

Module -I

Topics: Introduction to Tally and its Features, Type , History of Tally ,Creating a Company in Tally, Alteration ,Deleting a Company , Transaction only Accounts and Accounts with Inventory , Stock Groups in Tally, Stock Items in Tally, Unit of Measure in Tally

Reference :

- Vishnu Priya Singh, Tally ERP-9, Computech Publications Limited
- Tally Prime – A Complete Guide by Tally Education Pvt. Ltd., Tally Education (Official Learning Resource)
- Asok K. Nadhani, Tally.ERP 9 Training Guide, BPB Publications.

Module -II

Topics : Accounting ledgers in Tally , Accounting Groups in Tally, Recording of transactions in Tally Accounting Vouchers in Tally.

Reference :

- Vishnu Priya Singh, Tally ERP-9, Computech Publications Limited
- Tally Prime – A Complete Guide by Tally Education Pvt. Ltd., Tally Education (Official Learning Resource)
- Shraddha Singh & Navneet Mehra, Learn Tally. ERP 9 with GST, BPB Publications.

Module- III

Topics: Purchase order in Tally, Sales order in Tally , Reporting such as such as trial balance, balance sheet, profit and loss account, Income & Expenditure account , receipt & payment .

Reference:

- Tally Education Pvt. Ltd., Tally Prime –A Complete Guide , Tally Education
- Vishnu Priya Singh, Tally ERP-9, Computech Publications Limited

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