

# Tally Financial Accounting



**Learn Tally Accounting In 45 Day  
@**

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## SOME IMPORTANT ACCOUNTING WORDS

**Business:** - Every legal enterprises setup with a view to earning profit is called business.

**Capital:**-capital is that amount of cash, goods or assets which is initially invested by the proprietor which starting his business, if additional amount is invested after the starting of the business it is also called the capital. Profit in the business adds to the capital which loss in business reduces the capital.

**Drawing:**-when the proprietor of a business withdraws cash or goods from business for his private use is called drawing. It is entered in a separate account 'Drawing Account' while passing a journal entry drawing account is always debited and cash account & purchase account are credited

**Goods:** - the articles purchased for selling to earn profit or raw materials purchased for manufacturing finished articles and then selling to earn profit is called goods.

**Purchases:** - the goods bought for business are called purchase. There are two types of purchase

**Credit purchase:** - when the price for goods purchased is to be paid in future, such purchases are called credit purchase.

**Cash purchase:** - when the price for goods purchased is paid at the time of delivery, such purchases are called credit purchase.

**Purchase return\Return outward:**- if the goods purchase are return to the seller(creditors)because of being damage or not according to the order or for any other reason, it is called purchase return or return outward.

**Sales:**-sale is a voluntary legal transfer of goods in exchange of money. There are two types of sales

**Cash sales:** - when the price for goods sold is received at the time of delivery, such sales are called credit sales.

**Credit sales:** - when the price for goods sold is to be received in future, it is called credit sales.

**Sales return\Return inward:**-if the goods sold are returned by the buyer because of being damage or not according to the order or for any other reason, it is called sales return or return inward.

**Stock:**-the unsold goods' remaining on a particular date or during a particular period is called stock. The stock estimated at the end of financial year for the purpose of calculating the profit of business is called closing stock. At the beginning of next financial year it becomes opening stock

**Turnover:**-the total amount of sale (cash & credit) during a particular period is called turnover.

**Discount:** - the concession\allowance granted to a customer by the dealer, is called discount. There are two types of Discount

**Trade discount:** - when dealers allow concession to a buyer on the invoice price of goods with a view to inducing a buyer to purchase more and more goods, it is called trade discount. Trade discount may be granted on cash & credit sales. It is important to note that when a trade discount is allowed the net price (invoice price) will be entered in the transaction and this net price will be recovered from the buyer. No entry of trade discount is made in the book of account.

**Cash discount:** - when dealers allow concession to a buyer on the amount to be realized from him with a view to receiving prompt payment, is called cash discount. The entry of cash discount is invariably be made in the books of account.

**Commission:** - The reward received for buying or selling goods or for any other service for business is called commission. When commission is received it is an income for the business but commission paid is an expense for the business.

**Debtors:** - The person \institution to whom you have sold goods\money on credit is called debtors till the full amount is not paid.

**Creditors:** - The person \institution from whom you have purchased goods\money on credit is called creditors till the full amount is not paid.

**Assets:** - The properties which are necessary for running the business are called assets. For example, furniture, building, tools, cash.....etc. There are two types of assets

**Fixed assets:** - like land and building furniture machinery plant tools etc (which depreciates)

**Current assets:** - like cash, bills receivable, stock, Debtors.....etc. (which not depreciates)

**Liabilities:**-The advance and obligation which are to be paid to the creditors, other person and institutions are called liabilities. For example capital account, creditors, outstanding expenses, bills payable etc are liabilities for business.

**Transaction:** - mutual dealing of goods, money or services in business is called transaction. Transaction may be cash or credit when money or cash is paid at the time of dealing, it is called cash transaction. If the payment of cash is deferred on any particular date in future, it is called credit transaction.

**Loan Account:** - when funds are borrowed from a person or institution for business, called loan account.

**Purchase of Assets:** - When furniture, Building, plant, motor, computer etc. are purchased for setting a business such article are for permanent use and hence called fixed assets.

**Petty Cash:** - it is generally observed that in every business irrespective of size and volume of trade, there are many payment which are of small amount and high frequency for example, postage, printing, stationary etc. if all these payment are recorded in cash books it will be unnecessary overburdened and abnormally taxing for head cashier. Therefore a separate cash book is kept in charge of a petty cashier to record all such all small cash transaction. This is known as petty cash book. It is the book which is used for recording small and frequent cash transaction everyday.



Dr.				Cr.			
Cash A/c							
Date	Particulars	J/f	Amount	Date	Particulars	J/f	Amount
01/04/2009	To Ram A/c	-	2,000	31/03/2010	By Balance c/d		2,000
		Total	2,000			Total	2,000

## TRIAL BALANCE

The closing balance of each ledger account has to be entered in the trial balance. If the

Ledger has debit balance it should be entered at the debit side of the trial balance. Thus

The total of debit & credit side should agree. To check the trial balance one should check out that-

All assets should have debit balance.

All liabilities should have credit balance.

All expenses & losses should have debit balance.

All income & gains (profit) should have credit balance.

All debtors should have debit balance.

All creditors should have credit balance.

## TRADING ACCOUNT

It is prepared to find out gross profit or loss in the business done during the year. It is necessary to include all direct expenses. Trading account contains all the goods account.

Opening stock of goods.

Purchase of goods.

Purchase return.

Sales of goods. a/c

Sales return.

Closing stock of goods.

All manufacturing expenses.

All purchasing & bringing expenses.

## PROFIT & LOSS ACCOUNT

It is opened with gross profit or gross loss which is transferred from trading account. It is prepared to find out the net profit or net loss in the business done during the year. Profit & loss account contains following types of expenses.

Administration expenses

Selling & distribution expenses

## BALANCE SHEET

Balance sheet is the statement showing the financial position of particular period. Balance sheet contains total assets & total liabilities the total assets & total liabilities must agree with each other. Balance sheet contains balance of real & personal a/c. Balance sheet is prepared to know the overall position of the business.

A Balance sheet provides all such information.

What is the capital of business?

How it is invested?

What are its debtors & creditors?

## BOOKS OF ACCOUNTS:-

Cash Book- In this book only cash transactions are entered

Bank Book- In this book only Bank transaction are entered, it means cash deposited in the bank or cash withdrawal from bank, interest received from Bank, Bank charges etc.

Sales Book- In this book only credit sales are entered.

Purchase Book- In this book only credit purchase is entered.

Journal Book- Sales Book- In this book only those transaction are entered, which are not related to cash, bank and any other books.

Sales Return Book- Sales Book- In this book if debtors return goods, then that type of transaction are entered.

Purchase Return Book- Sales Book- In this book if we return goods to creditors, then that type of transaction are entered.

## TRANSACTIONS WITH BANK

**When cash is deposited into bank.**

Bank a/c Dr.  
Cash a/c Cr.

**When cash is withdraw from bank**

Cash a/c Dr  
Bank a/c Cr

**When payment is made by cheque to a particular person.**

Particular person a/c Dr.  
Bank a/c Cr.

**When cash is withdraw by cheque for personal use.**

Drawing a/c Dr  
Bank a/c Cr

**When cheque, draft etc. is deposited for collection on the day of its receipt.**

Bank a/c Dr.  
Customer's a/c Cr.

**When cheque, draft etc. is deposited for collection after the day of its receipt.**

Cash a/c Dr.  
Customer's a/c Cr.

**When a deposited cheque is dishonoured.**

Customer's a/c Dr.  
Bank a/c Cr

**When a cheque issued to a creditor is dishonoured.**

Bank a/c Dr  
Customer's a/c Cr.

**When bank charges for collection etc.**

Bank charges a/c Dr  
Bank a/c Cr.

**When bank credits interest on deposited.**

Bank a/c Dr  
Interest a/c Cr.

**When bank charges expenses on costumer's dishonored cheque.**

Customer's a/c Dr.  
Bank a/c Cr

**When funds (loan) are borrowed from bank.**

Cash a/c Dr.  
Bank loan a/c Cr

**When bank has charged interest on overdraft (loan).**

Interest a/c Dr.  
Bank a/c Cr

## INTRODUCTION OF TALLY

Tally is a financial accounting package. It is developed by peutronics Ltd. Of Bangalore in 1988. Tally is very useful in various kind of works related to account. We can generate ledger, Balance sheet, profit&loss A/c, Trading A/c, Trial Balance etc. with the help of Tally.

In the accounting software tally is one of the easiest, standerised one with all accounting options. All requirements of accounts are fulfilled by tally package. Tally is multi- user. E.g. many people can use it at same time and we can make various group for various company's

### Important Features of tally:-

Tally package is very co-operative with the users. Balance sheet, profit&loss Account, ledger, vouchers etc. can be displayed as well as printed also.

For security purpose there is a password facility&unless we give this password we can not open the company. Profit& loss Account. Balance sheet etc. are created automatically.

Sales & purchase entries are possible as the inventory model is available.

To satisfy some condition on the spot, on line queries facilities is available

Balance sheet & Budget can be prepared.

We don't have to remember anything as the group, voucher, ledger etc. list are displayed in tally to keep the transaction there are three important parts-

#### **Accounting only**

**Accounts-cum- inventory** (account as well as sales, purchase & stock)

Inventory only (only stock, purchase, sales transaction)

#### **Company Information Menu**

The Company Information menu comprises of:

##### **Select Company**

To Select or load a company.

##### **Shut Company**

To shut a company

##### **Create Company**

To create a company

##### **Alter**

To Alter a company

##### **Change Tally Vault**

To secure the data by providing a Tally Vault password.

##### **Backup**

To take a backup of the company data

##### **Restore**

To restore a data backup

### **How to Manage and Operate Groups?**

Gateway of Tally > Accounts Info > Groups

You may create, alter, or display a single Group or multiple Groups. Single group option is useful when you wish to work on one group at a time. Multiple is a time and labour saving option in a list format and is useful when working on many sub-groups at a time. Once a sub-group is created, it behaves exactly like a group. Any reference to group would deem to include a sub-group.

#### **Creating a Group**

Single Group

Gateway of Tally > Accounts Info > Groups > Single Create

Creation of Primary Group

Control behaviour like sub-ledger

Used for calculation for taxes and discounts in invoices If you have not opted for advanced entries in masters, you will need to enter only the following information to create a group:

### **Name of Group**

Enter the name of the desired group or sub-group. (e.g., Administrative expenses).

### **Alias**

Give an alias to allow access the group using the Alias in addition to its name; or leave it blank. (e.g., for Administrative expenses, you can give 'Office Expenses' or even an alphanumeric code, say 'E001', as an alias)

### **Under**

Specify under which existing (Parent) group the sub-classification is needed. You may create a new Parent Group by using <Alt>+<C>.

## **Creation of a Ledger Account**

Gateway of Tally > Accounts Info. > Ledgers > Single Create

### **Name**

Feel free to give the full name of the account. Tally fits it all in. Press <enter> to move to the next field. Tally does not allow duplicate names. The uniqueness check is made here itself instead of after you have entered all other information.

### **Group**

All accounts must be classified in their appropriate groups.. You must specify which group the ledger falls under.

Note: You may always create a new group by pressing <alt>+<C>.

A Group is not important by itself, but because it controls the usage of ledger accounts. A wrong classification would affect the treatment of the ledger account in final statements and during voucher entry. You can, of course, alter a ledger account to change its group classification at any time.

Note: alter a ledger or a group from any display by <ctrl>+<enter>.

### **How to display the ledger**

Gateway of Tally > Accounts Info. > Ledgers > Display

### **How to Alter the ledger**

Gateway of Tally > Accounts Info. > Ledgers >Alter

### **How to delete the ledger**

Gateway of Tally > Accounts Info. > Ledgers >Alter &select ledger then pres combinations of Alt+d

## **EXPLANATIONS OF PREDEFINED GROUPS.**

**Capital Account-** Capital Account in term of cash, gods, shares whatever it is opened under this group.

**Current Assets -**Assets account which are of short period come under this group for example cash BAL, bank balance.

**Deposits (Assets)-**money kept in other companies as a deposit come under this group.

**Loans &Advances (Assets)-**loans given to others come under this group. Advance given to employee

**Stock In Hand-**last years closing stock in term of cash come under this group.

**Sundry Debtors -**the personas to whom you have sold goods on credit come under this group. For example customers a/c

**Current Liabilities-** liabilities which are of short period come under come under this group.

**Duties & Taxes-**Excise duty, sales tax, income tax and vat all come under this group.

**Provisions-**Provisions for bad and doubtful debts, income tax provision all come under this group.

**Sundry creditors-** from whom you have purchased goods on credit come under this group.

**Fixed Assets-**assets which are of long period come come under this group. For example furniture a/c, machinery a/c, building a/c

**Investment-**Amount invested in Bank, other companies come under come under this group

**Loans (liabilities)**-loans taken from others, companies come under this group. For example Bank overdraft

**Sales account**- all goods sold transaction come under this group

**Purchase account**- all goods purchased transaction come under this group

**Direct income**- cash sales all goods sold transaction come under this group

**Indirect income**- Commission received, Discount received, Bank interest received all goods sold transaction come under this group

**Direct expenses**- expenses incurred on production such as factory rent, wages, fuel, power etc. all goods sold transaction come under this group

**Indirect expenses**- expenses incurred on administration all goods sold transaction come under this group. For example advertisement, salaries, office exp.etc

### “ACCOUNT & THEIR RELATED GROUPS “

Sr.no	ACCOUNT	GROUPS
1.	Sales	Sales Account
2.	Sales Return	Sales Account
3.	Purchase	Purchase Account
4.	Purchase Return	Purchase Account
5.	Cash	Cash-In- Hand
6.	Bank	Bank Account
7.	Discount Paid	Indirect Expenses
8.	Discount Received	Indirect Income
9.	Audit Expenses	Indirect Expenses
10.	Advertisement	Indirect Expenses
11.	Bank Overdraft	Loans Liabilities
12.	Bills payable	Current liabilities
13.	Bills receivable	Current Assets
14.	Bad Debts	Indirect Expenses
15.	Capital	Capital Account
16.	Drawing	Capital Account
17.	Carriage on purchase	Direct Expenses
18.	Carriage on sales	Indirect Expenses
19.	Commission Paid	Indirect Expenses
20.	Commission received	Indirect income
21.	Charity	Indirect Expenses
22.	Charity fund	Current liabilities
23.	Customer Account	Sundry Debtors
24.	Supplier Account	Sundry creditors
25.	Gas, power, fuel	Direct expenses
26.	Delivery charges	Indirect Expenses
27.	Donation of goods	Indirect Expenses
28.	Expenses on purchase	Direct expenses
29.	Expenses on sales	Indirect Expenses
30.	Furniture's	Fixed Assets
31.	Building	Fixed Assets
32.	Machinery	Fixed Assets
33.	Land	Fixed Assets
34.	General Expenses	Indirect expenses
35.	Insurance	Indirect expenses
36.	Investment	Investment
37.	Interest received	Indirect income
38.	Interest paid	Indirect expenses
39.	Interest on loan	Indirect expenses
40.	Loans to other	Current Assets
41.	Loans from other	Current liabilities
42.	Loss on sales	Indirect expenses

43.	Loss on purchase	Direct expenses
44.	Outstanding expenses	Current liabilities
45.	Office expenses	Indirect expenses
46.	Prepaid expenses	Current assets
47.	Printing charges	Indirect expenses
48.	Provision for bad debts	Indirect expenses
49.	Post& Telegrams	Indirect expenses
50.	Rent	Indirect expenses
51.	Repairs	Indirect expenses
52.	Salary	Indirect expenses
53.	Sample of goods	Indirect expenses
54.	Wages	Direct expenses
55.	Unearned Comm\Rent	Current liabilities

### Inventory Information

The different inventory information that you would provide to Tally by way of masters are:

Gateway of Tally > Inventory Info

#### Stock Groups

Stock items can be grouped together under Stock Groups to reflect their classification based on some commonality. Grouping would enable easy location and reporting of stock items in statements. Hence, items of a particular brand can be grouped together so that you can extract stock of all items of that brand. For example, create Stock Groups like Sony, nokia mobiles. Your stock items could then be Sony 3.5" disks, Maxell 3.5" disks, Sony tapes, Maxell tapes, Nokia 6500s etc. Classify the Nokia products under the Stock Group Nokia. Now you have ready details of all Nokia products suitably classified. You may even group items as Raw materials and Finished Goods.

You can create sub-groups of Stock Groups for deeper analysis.

Gateway of Tally > Inventory Info > Stock Groups

#### Stock items

Like Ledgers, Stock items are the primary inventory entity. You will use stock items while recording their receipts and issues. This is lowest level of information about your inventory. Each item that is required to be accounted for, needs to be created. In fact, you will create a stock ledger account for each item and Tally calls this account 'Stock Item'.

If you have different types of nokia product like 6500s, 1208, 1209, 6300, 7610, 2626, 6600.all the item you can create it under nokia group.

Gateway of Tally > Inventory Info > Stock Items>create

#### Units of Measure

You will need to create units of measure for stock items. These can be simple units such as numbers. meters, kilograms, pieces, or compound units, e.g. box, where, say, one box equals ten pieces.

Create a Unit of Measure

Gateway of Tally > Inventory Info. > Units of Measure > Create

#### Type

Symbols are of two types: Simple and Compound.

Simple units are considered as stated by you and Tally just checks for duplication and nothing else. If you wish to give unit symbol that are single and not a combination of other units, select Simple. Tally defaults to Simple and if you want to change to compound, use Backspace from the Symbol field and select compound from the popup list.

#### Symbol

Give the symbol of the unit, e.g., No., Mtrs. This symbol given by you is used in all displays and printouts. We give the symbol 'no' (for numbers).

Formal Name

Give the formal name of the symbol. This explains the symbol, which is also used during consolidation of data of different companies where the symbols might be the same but are assigned to different Units. The formal name will be used to match them. Here we type Number as the formal name for the symbol 'no'.

#### No. of decimal places

If the unit will be used in fractions, say for a kilogram you may have to use grams as well, give the number of decimal places. For kilograms, you would give 3 decimal places to accommodate up to 999 grams. Hence, a measure 1 kilogram 865 grams will be 1.865 kilograms. For units like numbers, you do not normally want a decimal place and you can specify 0 in such cases. You can specify 0 to 4 decimal places.

## **Voucher Entry**

### **SHORT CUT KEYS**

<b>Keys</b>	<b>Voucher</b>	<b>Functions</b>
F-4	Contra	Cash deposit & withdraw from Bank
F-5	Payment	For cash payment
F-6	Receipt	For cash receipt
F-7	Journal	Transactions that doesn't effect cash
F-8	Sales	Use for credit sales
Alt+F8	Credit note	Use for sales return
F-9	Purchase	Use for credit purchase
Alt+F9	Debit note	Use for purchase return
F-10	Memorandum	Use for memorandum entry

#### **Payment Entry (F5)**

Gateway of Tally > Accounting Vouchers > selecting F5: Payment > displays the Payment voucher entry screen. Payment transactions can be entered using Tally's Payment Voucher.

#### **Warn on Negative Cash Balance**

You can configure Tally to warn you incase the Cash ledger reaches a negative balance. On the Payment voucher screen > F12: Configure > activate the option Warn on Negative Cash Balance and accept the settings.

Example:

Assuming our cash balance is Rs. 53000/- and we need to make a payment of Rs. 55000/- towards advertising expenses. This results in a negative balance. The entry is displayed as: Tally warns and displays the credit cash balance in RED! The user can accordingly decide whether to proceed with the entry or not.

#### **Receipt Entry (F6)**

Gateway of Tally > Accounting Vouchers > selecting F6: Receipt, we get the Receipt voucher screen. Similar to Payment and Contra vouchers –Transactions accounting for money received are entered into Tally through the receipt voucher.

For example, your company receives money from a customer for an earlier transaction. The customer account has to be credited and if cash is received – debit the cash account. If cheque is received debit the bank account where you will deposit the money received.

#### **Print Formal Receipt after Saving**

For example, the company receives a certain amount from the customer against a particular invoice and a Formal Receipt has to be issued acknowledging receipt of the same. Tally's Formal Receipt printing fulfils this requirement.

#### **To activate this facility:**

From Gateway of Tally > Accounts Info > Voucher Types > Alter > Receipt

Set the option Print Formal Receipt after saving to YES and accept the same

Viewing the Receipt Voucher screen – one can observe an additional field "Name on Receipt" – the entered receipt voucher will have the name given here. (The receipt will be printed either having the Ledger Name or the name given in the "Name on Receipt" field.) Enter a receipt voucher and Tally prompts to print the Formal Receipt (to be issued) and then the Receipt Voucher (for the company's records).

The Formal Receipt prints

The information required can be configured in F12: Configuration after giving the Print Command.

**Journal Entry (F7)**

Gateway of Tally > Accounting Vouchers > selecting F7: Journal.

Journal entries are used in instances where the company requires to adjust the debit and credit amounts without involving the cash or bank accounts. Hence, they are referred to as adjustment entries.

**Cash Accounts in Journals**

Journals are adjustment entries. However in many cases companies require journals to account for day-to-day transactions – where Cash or bank accounts are required.

Tally supports this requirement through the option "Allow Cash Accounts in Journals".

Click on F12: Configure > set the option "Allow Cash Accounts in Journals" to YES and accept the settings.

Now press the spacebar at the debit or credit fields

**Sales Entry (F8)**

When a sales transaction takes place, a document, detailing the transaction (item name, tax, etc) has to be given to the buyer (debtor) as proof of purchase by him. This document is called "Invoice" or "Bill" or "Cash Memo".

Gateway of Tally > Accounting Vouchers > selecting F8, Tally displays the Sales Invoice screen. The Invoice mode is default. To enter details of sale transactions – use Tally's Sales entry (F8 – in Accounting Vouchers).

Sales entries can be made in the Voucher as well as Invoice Formats.

Invoicing or sales invoicing is not very different from sales voucher entry. The advantage of using the invoice format for sales invoice entry is that, automatic calculations of taxes and duties (ledger accounts classified under the group 'Duties & Taxes') is possible.

Tally prompts for the Sales Ledger to be allocated to - at the beginning of the entry. There after, any number of stock items or account ledgers can be selected one after another – enabling faster data entry. This is possible as the option Use Common Ledger A/c for Item Allocation in F12: Configure on the invoice entry screen is set to YES (by default)

There are two types of Invoices, namely,

Item Invoice > you can select ITEMS for invoicing

Account Invoice > you can select LEDGERS for invoicing

**Sales Item Invoice**

Invoicing is generally used for sale of stock where the details of the items sold are listed. Selecting the Item Invoice allows you to select the stock items to be invoiced. This format is more commonly used by trading and manufacturing organizations.

On the Sales invoice screen - click on the button (Item Invoice) on the right-hand side of the screen. Tally's Item Invoice mode - displays the list of stock items, which can be invoiced as required.

The Item Invoice button toggles with Account Invoice

**Sales Account Invoice**

As stated earlier - Invoicing is generally used for sale of stock where the details of the items sold are listed.

However, for users (professionals such as doctors, consultants, etc) who require to invoice for certain services provided – such as consultancy charges, professional fees, etc - Tally's account invoice can be used.

Trading and manufacturing organizations can also use the Account Invoice for invoicing service charges, etc.

On the Sales entry screen, click on the button Acct Invoice on the right-hand side of the screen – the Sales Account Invoice appears.

Tally's Account Invoice mode - displays the list of ledger accounts, which can be invoiced as required. This is unlike Item Invoice where Tally displays the list of stock items.

The Acct Invoice button toggles with Item Invoice.

**Sales and Purchase Voucher Entry**

In Accounts-with-Inventory Companies when Tracking Numbers is NOT activated

We shall use sales as our voucher for discussion. The same applies to Purchases.

You do not get the voucher types Receipt Note and Delivery Note in the Sales and Purchase Voucher sub-menus.

In addition to the above particulars that are applicable for all types of vouchers, sales and purchase vouchers have special inventory considerations for accounts-with inventory companies. Sales and Purchase ledger accounts must have the option 'Are Inventory Values Affected' set to Yes for this section.

**Display Balance Sheet**

The Balance Sheet gives the state of financial affairs of a company on a given date. It lists out the Assets and Liabilities based on the Primary Groups of Tally. The Balance Sheet in Tally is updated instantly with every transaction voucher that is entered and saved. No special processing is required to produce a Balance Sheet. To

**view the Balance Sheet:**

Gateway of Tally > Balance Sheet

**Display Profit & Loss Account**

The Profit & Loss Account shows the operational results for a given period. It lists out the Incomes and Expenditures based on the Primary Groups of Tally. The Profit & Loss Account in Tally is updated instantly

with every transaction voucher that is entered and saved. No special processing is required to produce a Profit & Loss Account. To view the Profit & Loss Account:

Gateway of Tally > Profit & Loss Account or just press key 'P'  
You may even drill down from the Balance Sheet.

### **Income/Expense Stmt instead of P&L?**

Account statements for Non-Trading Organizations

For Non-Trading accounts like accounts for Charitable Organizations, the Trading and Profit & Loss Statement are irrelevant. They need an Income & Expenditure Account. They should activate the feature in F11: Features and set the option Income/Expense Stmt instead of P&L to Yes.

The Profit & Loss Account is now displayed as Income & Expenditure Statement

## **Stock Summary**

### **Viewing Stock Summary**

Stock Summary is a statement of stock in hand on a particular date. The statement is updated with every transaction so that it provides current stock position at any time. The statement can be drilled down as with all Tally reports, and configured to view different details. Indeed, it is possible to see the total flow of stock on a single report.

Experiment with the different buttons for this purpose.

Tally treats Stock Summary as one of the primary statements and makes it accessible directly from the Gateway of Tally.

To view the Stock Summary:

Gateway of Tally > Stock Summary

The default display is that of stock group balances.

Select Detailed to show another level of detail.

This could be sub-groups or directly stock items in cases where there are no sub-groups.

The Stock groups show total quantities. This is because the unit of measure is the same for all the stock items that have been set up to have quantities of items added.

The stock group Services, does not have any balance. This is because of the original set-up of the Services items, where stock is valued at Zero Cost and all sales are treated as Manufactured.

Note that there is a grand total too because of a single unit of measure for all 'addable' items. If there were different units of measure, then there would not be a grand total.

### Problems for Practice-1

1. Mr.manmohan started his business with cash Rs.25, 000 furniture & building is Rs.20, 000, 50,000.
2. Purchased goods from Mamta on credit Rs.30, 000.
3. Sold goods to Ramuji on credit Rs.12, 000
4. Purchased goods on cash Rs.8,000,
5. Sold goods for cash Rs.2, 000.
6. Purchase machinery on cash Rs.10, 000.
7. Opened a bank a/c in Bank of India with cash Rs.5, 000.
8. Taken a loan from Bank of Baroda Rs.55, 000.
9. Cash received from Ramuji Rs.12, 000.
10. Goods returned to Mamta Rs.8, 000.

#### Solution:-1

Ledger:-

Gateway of tally→ Account Info →Ledger→ Create

Capital A/c	-	Capital Account
Cash A/c	-	Cash in hand
Furniture A/c	-	Fixed Assets
Building A/c	-	Fixed Assets
Purchase A/c	-	Purchase Account
Mamta A/c	-	Sundry Creditors
Sales A/c	-	Sales Account
Ramuji A/c	-	Sundry debtors
Machinery A/c-		Fixed assets
Bank of India -		Bank Account
Bank of Baroda		Loans(liabilities)
Purchase return		Purchase Account

Note:-In tally soft we no need to create same ledger A/c .If we create same ledger a/c then tally warn us that Duplicate Entry. For example see problem no 4 And 5

#### VOUCHER ENTRY

Gateway of tally→ Accounting Voucher

1.	By Cash A/c	Dr.	25, 000	F-6
	By Furniture A/c	Dr.	20, 000	
	By Building A/c	Dr.	50, 000	
	To Capital A/cCr.		95, 000	
2.	By Purchase A/c	Dr.	30, 000	F-9
	To Mamta A/cCr.		30, 000	
3.	By Ramuji A/c	Dr.	12, 000	F-8
	To Sales A/c	Cr.	12, 000	

4.	By Purchase A/cDr.	8, 000		F-5
	To Cash A/c	Cr.	8, 000	
5.	By Cash A/c	Dr.	2, 000	F-6
	To Sales A/c	Cr.	2, 000	
6.	By Machinery A/c	Dr.	10, 000	F-5
	To Cash A/c	Cr.	10, 000	
7.	By Bank of India A/c	Dr.	5, 000	F-4
	To Cash A/c	Cr.	5, 000	
8.	By Cash A/c	Dr.	55, 000	F-6
	To Bank of Baroda A/c	Cr.	55, 000	
9.	By Cash A/c	Dr.	12, 000	F-6
	To Ramuji A/cCr.		12, 000	
10.	By Mamta A/c	Dr.	8, 000	Alt+F-9
	To Purchase return A/c	Cr.	8, 000	

**[Gross Loss 16,000 Nett Loss 16, 0000 Balance Sheet 1, 72, 000]**

### Problems for Practice-2

1. Mr. Rajesh started his business with cash Rs. 50, 000, furniture Rs.20, 000, building 1, 30,000.
2. Goods sold to Mr. Amar Rs.30, 000.in cash..
3. Open a bank A/c in Bank of Baroda with deposit Rs.10, 000.
4. Goods purchase from Mr. Sahid on cash Rs.8, 000.
5. Goods sold on credit to Mr. Mohan Rs.5, 000.
6. Paid Rs.8, 000.to mr. Sahid
7. Cash received from Mr. Mohan Rs.5, 000.
8. Paid factory rent cash Rs.3, 500.
9. Goods returned to Mr. Sahid for Rs.2, 000.
10. Interest received from Bank of Baroda Rs.250.

#### Solution:-2

##### Ledger:-

Gateway of tally → Account Info → Ledger → Create

Capital A/c	-	Capital Account
Cash A/c	-	Cash in hand
Furniture A/c	-	Fixed Assets
Building A/c	-	Fixed Assets
Mr. Amar A/c	-	Sundry Debtors
Sales A/c	-	Sales Account
Bank of Baroda A/c	-	Bank Account
Purchase A/c	-	Purchase Account
Mr. Sahid A/c	-	Sundry Creditors
Mr. Mohan A/c	-	Sundry Debtors
Factory Rent	-	Direct Expenses
Purchase return	-	Purchase Account
Interest received	-	Indirect Income

### Problems for Practice-3

1. On 1st apr DADA started his business with cash Rs.25, 000.furniture RS.20, 000. Building RS.1, 55,000.
2. Purchase goods from Mr. Prem on cash Rs.12, 000.
3. Sold goods to Mr. Denu on credit Rs.5, 000.
4. Purchase goods from Mr. Bhavesh on credit Rs.14, 000.
5. Sold goods to Mr. Z on cash Rs.5, 000.
6. Mr. Denu returned goods worth Rs.2, 000.
7. Taken a loan from mukesh Rs.12, 000.
8. Goods returned to Mr. Bhavesh Rs.1500.
9. Paid electricity charges By cash Rs.3, 000.
10. Commision received Rs.500.

### Problems for Practice-4

1. Mrs. Mamta. Business started with cash Rs. 30, 000, furniture 25, 000. Building 12, 000.
2. Cash Deposited in to SBI (State Bank Of India) Rs.12, 000.
3. Bought furniture on cash Rs.2, 000.
4. Bought goods and paid by cheque Rs.5, 000.
5. Cash received from Mr. Ramlal Rs.4, 000.
6. Sold goods for cash Rs. 4, 200.
7. Purchased a typewriter Cash Rs. 12,000.
8. Mrs. Mamta Gave loan to her employee cash Rs.25, 000.
9. Paid trade expenses by cheque Rs.2, 000.
10. Withdraw from SBI for personal use Rs.2, 500.

### Problems for Practice-5

1. On 1st January Mr. Bala Business started with cash Rs.20, 000. And goods worth Rs.2, 000.
  2. On 3 January Opened an account in the corporation bank Rs.10, 000.
  3. On 5 January Bought goods for cash Rs. 4,000.
  4. On 6 January Bought goods from shivlal Rs. 10, 000. & 10% cash discount.
  5. On 7 January Bought furniture from Nanu RS. 8,000.
  6. On 8 January return goods to shivlal Rs.500.
  7. On 9 January Sold goods to kiran Rs.13, 000.
  8. On 10 January Sold goods for cash Rs.2, 000. & allowed 5% cash discount.
  9. On 11 January Received cash from kiran Rs.3, 000.
  10. On 12 January Paid Trade expenses Rs.1, 000.
  11. On 13 January Paid to Shivlal by cheque Rs.8, 500.
  12. On 14 January Withdraw from bank for personal use Rs.900.
- [Gross loss 500, nett loss 600 Balance Sheet 30, 000]**

### Problems for Practice-6

1. Commenced business with cash Rs. 50, 000.
2. Goods purchased worth Rs.25, 000. less 20% trade 5% cash discount.
3. Goods sold to Mr. Tuka on credit Rs.30, 000 & allowed 5% discount.
4. Purchase a horse with cash Rs.2, 000.
5. Mr. Tuka is declared insolvent and a dividend of 50 paise in a Rupee is received.
6. Taken a loan from IDBI Rs.30, 000.
7. Purchase goods worth Rs.5, 000. & paid carriage expenses Rs.500.
8. The horse died and its car was sold for Rs.50.
9. IDBI charged Rs.2, 000. for interest on loan
10. Cash received for sale Rs.30, 000.

### Problems for Practice-7

1. Commenced business with cash Rs.40, 000.
2. Goods purchase from Rk brothers Rs.8, 000.
3. Received from traveling salesman Rs. 3, 000. for goods sold by him after deducting his traveling expenses Rs. 200.
4. Purchase for cash goods worth Rs. 10, 000, furniture worth Rs.2, 000, machinery worth Rs.3, 000.
5. Salary for 2 month is outstanding Rs.800.
6. Cash deposited into JANTA BANK Rs. 12, 000.
7. Paid to RK brothers by cheque Rs. 7, 840 in full settlement of his account.
8. Goods sold to Mr. Deo on credit Rs.12, 000.
9. Withdraw from JANTA BANK Rs.2, 000
10. Cash received from Deo R.11, 500 and allowed discount to him.

### Problems for Practice-8

1. Business started with cash Rs.40, 000.
2. Goods valued Rs. 15, 000 have been insured for Rs. 10, 000 and premium at the rate of 5% per annum.
3. A lot of goods costing Rs.8, 000 was destroyed by fire, but the insurance company admitted a claim of Rs.5, 000 only
4. Purchase goods from Nirmal for Rs.2, 000 and supplied it to Vimal at Rs.2, 600. Vimal returned goods of Rs. 780 which were then returned to Nirmal.

5. Give Rs.101 as gift to a friend on occasion of his marriage.
6. An architect was paid Rs. 250 for designing a new building.
7. L.I.C premium 1, 500.
8. The cashier stole Rs. 1, 000.

## **BILL- BY- BILL**

While running a business something we purchase or sales the goods or assets on credit. At the end of any financial year some account of creditors or debtors are closed due to full payment against credit if we want to the amount to be received or paid , we use the bill by bill method of tally.

We use this method at that time when owner purchase or sales the goods on credit or received\ pay the advance or received\ send the goods against advance.

There are 3 types of this method:-

**New Reference**

**Against Reference**

**On Account**

**New Reference-** We use this option at that time when we purchase or sales the goods or purchase the assets on credit.

**Against Reference-** We use this option at that time when we receive or pay the cash against credit purchase or credit sales. We also use this option at the time of sale or purchase return

**On Account-** We use this option at that time when we received or pay the advance or received\send goods against advance

**How to set the setting for Bill by Bill?**

Select account info.

Select ledger

Select create

Enter A/c name

Define their group

If we create the account of sundry debtors or sundry creditors then select bill by bill of adjustment method.

**How to display the information of bill by bill?**

Select display from gate way of Tally

Select **statement of account**

Select **outstanding**

When we select above option then tally will display these sub option.

**Payable:** this option is used to display the transaction and outstanding payment.

**Receivable:** it is used to display the transaction and outstanding receipts.

**Ledger:** this option is used to display the details of creditors and debtors by their names. It is also used to display the transaction of advance.

**Group:** this option is used to display the list of debtors & creditors according to their groups.

## **Problems for Practice- 9**

1. Business started with cash Rs.20, 000.
2. Goods purchase from Anu on credit Rs. 3, 000.
3. Furniture purchase from manor Rs.500.
4. Cash paid to Anu in full settlement Rs. 2, 950
5. Goods purchase from Anil and he allowed trade discount 10% Rs. 2, 500.
6. Cash paid to Anil Rs.2, 200 and discount allowed by him.
7. Naru bought Rs.2, 800 from us.
8. Naru become insolvent and a dividend of 30 paisa in the Rs. Is received.

## **Credit limit**

Credit limit can be set 'amount -wise'. Once credit limit are set for a party, then you cannot bill that particular party beyond the limit specified. Only an authorized user can alter the credit limit. This feature helps to monitor and control any potential slow collection, and gives an early warning about potential bad debts.

**How to set credit limits**

Press F-11 from keyboard and select option 'maintain Budget and control 'to yes and accept setting.

Go to gateway of Tally → Account Info → Ledger → multiple ledger → credit limit  
Select Group and define the credit limit for each ledge by value or period or both

## BUDGET

A budget is a plan prepared for the flow of funds in an organization. It is a financial blueprint of an organization for a specified period of time.

A budget helps to refine goals, use funds efficiently and provide accurate information for the evaluation of financial activities. It aids in decision-making and provides a reference for future planning.

Multiple budgets can be created in tally for specific purposes. Budgets for banks, head office, optimistic budgets, realistic budget, and pessimistic budget and so on can be created. Departmental budget such as marketing budget and finance budget can also be created, Budget figures can be used in tally to compare actual and variance

In tally you can create a budget, alter and delete it.

### How To Activate The Budget Option In Tally

Set maintain budget and controls in F-11 feature → accounting feature to yes

Accept setting to save

### To Create A Budget

Go to Gateway Of Tally → Account Info → Budget → Create

In the budget creation screen, enter a name for your budget

Select from the list of budgets for under field. primary budget are at the top level and sub-budgets can be created under primary budgets

Enter the period of the budget in the from and To fields. The period entered can be a month, year or any other period.

In set/alter budget of select.

Group- to create a budget for a group of ledger account.

Ledgers- to create a budget for a ledger

Cost-center- to create a budget for cost-center.

Accept setting to save

## COST – CENTRE

There are several sub-branches of any firm in a business. Each branch has its own transaction which affect the profit & loss of the business in Tally we can easily define each sub branch and there transaction individually with the help of cost centre. By cost centre we can easily evaluate the expenses of each an every branch.

### How to make the entry for cost centre.

Select Account info.

Select Ledger

Select create

Create all necessary account

After that press esc key

Select cost centre

Select create

Enter branch\sub branch name

Select category (primary \secondary)

After that press esc key

Select voucher entry

Pass the entries

Select required branch name

### How to display the information about cost centre

Select **Display**

Select **statement of accounts**

Select **cost centre**

When we select this option then Tally will display these sub option.

**Break Up:** it is used to display the total income\expenses and profit\loss of all the branches of any firm.

**Ledger:** it is used to display the information about any specific account for all sub branches.

**Group:** it is used to display the information about any specific group for all sub branches.

**Cost- centre:** it is used to display the information like income\expenses\sales\purchase\losses\profit etc.

### Problems for Practice- 10

1. Branch a Commenced business with cash Rs.40, 000.
2. Goods purchase for branch b Rs.2, 500.
3. Paid wages for branch a cash Rs.300.
4. Goods purchase from Nidhi for branch a Rs.8, 000.
5. Paid office expenses for branch B Rs 500.
6. Goods sold by branch A Rs.8, 000.
7. Goods purchase for branch A Rs. 3, 000.
8. Goods purchase for branch B Rs.5, 000.
9. Paid carriage by branch A Rs. 200.
10. Goods sold by branch B Rs. 9, 000.

### Problems for Practice- 11

1. Branch Amravati Commenced business with cash Rs.40, 000.
2. Goods purchase from T.R. traders for branch Badnera Rs.8, 200.
3. Goods sold to Mr. Foketchand Rs.8, 000.by Badnera branch
4. Deposited into bank by branch Amravati cash Rs.12, 000.
5. Furniture purchase from B.R. Rao for Badnera branch Rs.5, 000.
6. Paid rent by branch Amravati Rs.300.
7. Withdraw from bank for personal use by Badnera branch Rs.500
8. Paid salary by branch Badnera Rs. 800.
9. Cash received from Mr. Foketchand Rs.8, 000.
10. Paid to T.R. traders cash Rs. 8, 000.&discount allowed by him

## VAT (VALUE ADDED TAXES)

VAT is a system of indirect taxation, which has been introduced in lieu of sales tax. It is the tax paid by the producers, manufacturers, retailers or any other dealer who add value to the goods and that is ultimately passed on to the consumer. VAT has been introduced in India to ensure a fair and uniform system of taxation. It is an efficient, transparent, revenue-neutral, globally acceptable and easy to administer taxation system. It benefits the common man (consumer), businessman and the Government.

Further, VAT enhances competitiveness by removing the cascading effect of taxes on goods and makes the levy of tax simple and self-regulatory, ensuring flexibility to generate large revenues.

The cascading effect is brought about by the existing structure of taxation where inputs are taxed before a commodity is produced and the output is taxed after it is produced. This causes an unfair double-taxation. However, in VAT, a set-off is given for input tax (tax paid on purchases). This results in the overall tax burden being rationalized and a fall in prices of goods.

### Concept of VAT

The essence of VAT is in providing set-off for input tax and this is applied through the concept of input credit/rebate. This input credit in relation to any period means setting off the amount of input tax by a registered dealer against the amount of his output tax. The Value Added Tax (VAT) is based on the value addition to the goods, and the related VAT liability of the dealer is calculated by deducting the input credit from the tax collected on sales during the payment period

### VAT works in two different ways:

If VAT-registered businesses receive more output tax than the taxes paid as input, they will need to pay the difference to the Commissioner of Taxes (State).

If the input tax paid is more than the output tax collected,

You can carry forward the Input credit and adjust it against the output tax in the subsequent months.

You can have the Input Credit refunded to you at the end of the current or following year, by the Government.

You can receive refunds for Input Credit on exports within a period of three months

### Justification of VAT

VAT was adopted because the Sales Tax system is complex and induces non-compliance. Moreover, it has been found to be a hindrance in the economic growth of Industry, state and the Country. This causes a huge loss of revenue to the government.

### Advantages of VAT over Sales Tax

As VAT is a multi-point tax with set-off for tax paid on purchases, it prevents repeated taxation of the same product.

Simple and Transparent – In the Sales tax system the amount of tax levied on the goods at all stages is not known. However, in VAT, the amount of tax would be known at each and every stage of goods sale or purchase.

VAT has the flexibility to generate large and buoyant revenues, as it levies tax on value additions.

Zero rating of tax on exports is possible in case of VAT.

Fair and Equitable – VAT introduces uniform tax rates across the state so that unfair advantage cannot be taken while levying the tax.

Procedure of simplification – Procedures, relating to filing of returns, payment of tax, furnishing declaration and assessment are simplified under the VAT system so as to minimize any interface between the taxpayer and the tax collector.

Ability to provide same revenue to the Government with lower rates of tax.

Tax does not become a cost of doing business.

### **VAT Rates**

According to the White Paper, there are 550 categories of goods under the VAT system. They are classified into the following four groups, depending on the VAT rate:

#### **VAT @ 4%**

The largest number of goods (270) comprising of basic necessity items such as drugs and medicines, agricultural and industrial inputs, capital goods and declared goods are under 4% VAT rate.

#### **VAT @ 1%**

This is for a specific category of goods like gold, silver, etc.

#### **VAT@12.5%**

The remaining commodities are under the general VAT rate of 12.5%.

#### **Exempted from VAT**

There are about 46 commodities under the exempted category. This includes a maximum of 10 commodities that each state would be allowed to select, from a broader approved list for VAT exemption. The exempted commodities include natural and unprocessed products in unorganized sector as well as items, which are legally barred from taxation.

**Note:** The few goods that are outside VAT as a matter of policy would include liquor, lottery tickets, petroleum products, as the prices of these items are not fully market-determined. These items will continue to be taxed under the sales tax act of the respective states.

#### **How to enable VAT configuration**

At the time of company creation

Enable option  
Use Indian vat  
Select YES

#### **How to pass the entry for VAT (for sales & purchase a/c)**

First select account info  
Select ledger  
Select create  
Enter the name of ledger

For purchase:

Type input vat@4%  
Under: duties&taxes

For sale:

Type output vat@4%  
Under: Duties& taxes

After creation of ledger a/c press Esc key & select accounting voucher from gateway of Tally

### **Problems for Practice- 12**

1. Mr. Mahadeo Commenced business with cash Rs.50, 000, furniture 25, 000, computer 25, 000.
2. Goods purchase from Raj brothers Rs.8, 000.at 4% VAT.
3. Goods sold to Mr. Ajay on credit Rs.12, 000.at 4% VAT
4. Received from Ajay Rs.12, 480.for goods sold to him.
5. Purchase for cash goods worth Rs. 10, 000, furniture worth Rs.2, 000, machinery worth Rs.30, 000.
6. Wages for 2 month is outstanding Rs.8, 000.
7. Cash deposited into Canara Bank Rs. 12, 000.
8. Paid to Raj brothers by cheque Rs. 8, 300 in full settlement of his account.
9. Withdraw from Canara Bank Rs.2, 000

10. Paid office rent by cheque Rs.500.

11. Paid Electricity bills Rs. 500.

**Solution:-**

Ledger:-

Gateway of tally → Account Info → Ledger → Create

1. Capital A/c	-	Capital Account
Furniture	-	Fixed Assets
Computer	-	Fixed Assets
2. Purchase	-	Purchase Account
Raj brothers	-	Sundry creditors
Input vat@4%	-	Duties&Taxes
3. Sales a/c	-	Sales account
Mr. Ajay a/c	-	Sundry debtors
Output vat@4%	-	Duties&Taxes
5. Machinery a/c	-	Fixed Assets
6. Wages a/c	-	Direct expenses
Outstanding expenses a/c	-	current liabilities
7. Canara Bank a/c	-	Bank account
8. Discount Received a/c	-	Indirect Income
11. Office rent	-	Indirect expenses
12. Electricity bills	-	Indirect expenses

**Voucher Entry:-**

1	By Cash A/c	Dr.	50,000	F-6
	By furniture A/c	Dr.	25,000	
	By Computer A/c	Dr.	25,000	
	To Capital A/c	Cr.	1,00,000	
2	By Purchase a/c	Dr.	8,000	F-9
	By Input vat@4%	Dr.	320	
	To Raj brothers A/c	Cr.	8,320	
3.	By Mr. Ajay a/c	Dr.	12,480	F-8
	To Output vat@4%	Cr.	480	
	To Sales a/c	Cr.	12,000	
4.	By Cash A/c	Dr.	12,480	F-6
	To Mr. Ajay a/c	Cr.	12,480	
5	By Purchase A/c	Dr.	10,000	F-5
	By furniture A/c	Dr.	2,000	
	By Machinery A/c	Dr.	30,000	
	To Cash A/c	Cr.	42,000	
6.	By Wages a/c	Dr.	8,000	F-7
	To Outstanding expenses a/c	Cr.	8,000	
7	By Canara Bank A/c	Dr.	12,000	F-4
	To Cash A/c	Cr.	12,000	
8	By Raj brothers A/c	Dr.	8,320	F-5
	To Discount Received a/c	Cr.	20	
	To Canara Bank A/c	Cr.	8,300	
9	By Cash a/c	Dr.	2,000	F-4
	To Canara Bank A/c	Cr.	2,000	

10.	By Office rent A/c	Dr.	500	F-5
	To Canara Bank A/c	Cr.	500	
11.	By Electricity bills a/c	Dr.	500	F-5
	To Cash A/c	Cr.	500	

[Gross loss 14,000, nett loss 14,980, Balance Sheet 1,08,160]

### Problems for Practice- 17

- Mrs. Rabri Devi started business with cash Rs.60,000. & took loan from lulu Rs.20,000.
- Deposited into Bank of Baroda Rs.20,000.
- Withdrew from Bank Rs.4,000.
- Purchase goods from Deepa & sons Rs.5,000, less 20% trade discount, 5% cash discount @ 4% VAT.
- Paid to Deepa & sons cash Rs.1,000 and a cheque of 2,952. In full settlement of his account
- Bought furniture from Lulu Prasad Rs.2,000.
- Goods sold to Pradip on credit Rs. 12,000 @ 4% vat
- In payment of office expenses Rs.1,200 and purchase of goods Rs.2,000, draw a cheque of Rs.1,200 and paid cash Rs.2,000.
- Received a cheque of Rs.12,400 from Pradip in full settlement of Rs.12,480.
- The Bank credited Rs.50 as interest and debited Rs.25 as Bank charges.

### FINAL ACCOUNT

In order to find out the profit or loss incurred in business, a trader prepares trading a/c, profit & loss a/c and in order to find out the financial position of his business on last date of the financial year, he prepares Balance sheet. These two are called final accounts which exhibit the final result of business.

Trading account is prepared to know the gross profit or gross loss at the end of year whereas profit & loss a/c is prepared to know the net profit & loss at the end of year. And Balance sheet is prepared to know about the total assets & liabilities at the end of year.

#### HOW TO CREATE FINAL ACCOUNT

First select account info

Select **ledger**

Select **create**

Enter the name of ledger

Define their group

**Enter amount in opening balance**

Define Dr. or Cr

After that press esc key

Select voucher entry

Press F-2 and enter the date (31st march, 31st dec, 30 June)

**Press F-7 & pass the entry**

Press esc key

Select Balance sheet

### Problem No.1

Trial Balance of RBs pvt.ltd (as on 31st march 2009)

SR NO.	ACCOUNT	BALANCE
	Drawings	4,000
	Capital	24,000
	Creditors	40,000
	Debtors	63,000
	Bills Receivable	5,000
	Opening stock	45,000
	Cash	1,000

Machinery	12, 400
Bank overdraft	5, 000
Purchase	50, 000
Sales	1,29,000
Sales return	1, 000
Purchase return	1, 100
Salary	9, 000
Wages	4, 000
Commission paid	4,500
Trade expenses	2,500
Rent	2,200
Discount received	4, 000
Bills payable	7, 000

**Balance Sheet=1, 32, 400, Gross profit=75, 100, Net profit=60,900**

### Problem No.2

Trial Balance of Teja Bhai pvt.ltd (as on 31st march 2009)

SR NO.	ACCOUNT	BALANCE(Dr)	BALANCE(Cr)
	Purchase	50, 000	-----
	Opening stock	27, 000	-----
	Advertisement	2, 000	-----
	Plant & Machinery	18, 000	-----
	Wages	10, 000	-----
	Horse & cart	1, 500	-----
	Debtors	19, 000	-----
	Rent	1, 000	-----
	Cash	6, 000	-----
	Bad debts	1, 500	-----
	Repairs	1, 200	-----
	Bills receivable	5, 000	-----
	Depreciation	2, 400	-----
	Land & Building	20, 000	-----
	Interest paid	1, 300	-----
	Capital	-----	60, 000
	Sales	-----	85, 000
	Bank overdraft	-----	15, 000
	Creditors	-----	5, 000

Bills payable	-----	900
TOTAL	165900	165900

**Adjustments:**

1. Outstanding Wages Rs.150.
2. Prepaid Rent Rs.200.
3. Depreciation On Machinery 5%
4. Depreciation On Land & Building 10%
5. Pro. For Bad Debts 5%

**Balance Sheet=92,850, Gross profit=24, 850, Net profit=11,800**

**Adjustments Entry**

Wages a/c Dr.150

Outstanding wages a/c Cr.150

Prepaid Rent A/c Dr. 200.

Rent A/c Cr.200.

Depreciation on Machinery A/c Dr. 900.

Machinery A/c Cr. 900.

Depreciation on Land & Building A/c Dr. 2, 000.

Land & Building A/c Cr. 2, 000.

Pro. For Bad Debts A/c Dr. 950.

Debtors A/c Cr. 950

**Problem No.3**

Trial Balance of Lalu & Sons pvt.ltd (as on 31st march 2009)

SR NO.	ACCOUNT	BALANCE(Dr)	BALANCE(Cr)	GROUP
	Purchase	5, 221	-----	Purchase account
	Opening stock	1, 146	-----	Stock in hand
	Building	2, 500	-----	Fixed Assets
	Plant & Machinery	2, 400	-----	Fixed Assets
	Drawing	700	-----	Capital Account
	Rent	694	-----	Indirect Expenses
	Debtors	3, 897	-----	Sundry Debtors
	Wages	3, 856	-----	Direct Expenses
	Cash	221	-----	Cash in hand
	Pro. For bad debts	324	-----	Indirect Expenses
	Purchase return	-----	424	Purchase account
	Bills receivable	124	-----	Current assets
	Carriage inward	231	-----	Indirect Expenses
	Carriage outward	324	-----	Indirect Expenses
	Fuel	795	-----	Direct Expenses
	Capital	-----	9, 000	Capital Account
	Sales	-----	14, 984	Sales Account
	Sales return	182	-----	Sales Account

	Creditors	-----	1, 698	Sundry creditors
	Office Expenses	952	-----	Indirect Expenses
	Discount Received	-----	18	Indirect Income
	Salary	628	-----	Indirect Expenses
	Bank	1, 240	-----	Bank account
	Furniture	350	-----	Fixed Assets
	Commission payable	-----	987	Current liabilities
	TOTAL			

## Adjustments:

1. Depreciation on Building 5%
2. Depreciation on Plant & machinery 10%
3. Depreciation on furniture 10%
4. Pro for bad debts Rs. 400
5. Outstanding wages Rs. 57
6. Prepaid rent Rs. 68

**Balance Sheet=12,472, Gross profit=5,411 , Net profit=1,544**

Depreciation on Building A/c Dr. 250.  
Building A/c Cr. 250.

Depreciation on Plant & machinery A/c Dr. 240  
Plant & machinery A/c Cr. 240

Depreciation on furniture A/c Dr. 35  
Furniture A/c Cr. 35

Pro for bad debts A/c Dr. 400.  
Debtors A/c Cr. 400.

Wages a/c Dr. 57  
Outstanding wages a/c Cr. 57  
Prepaid Rent A/c Dr. 68  
Rent A/c Cr. 68