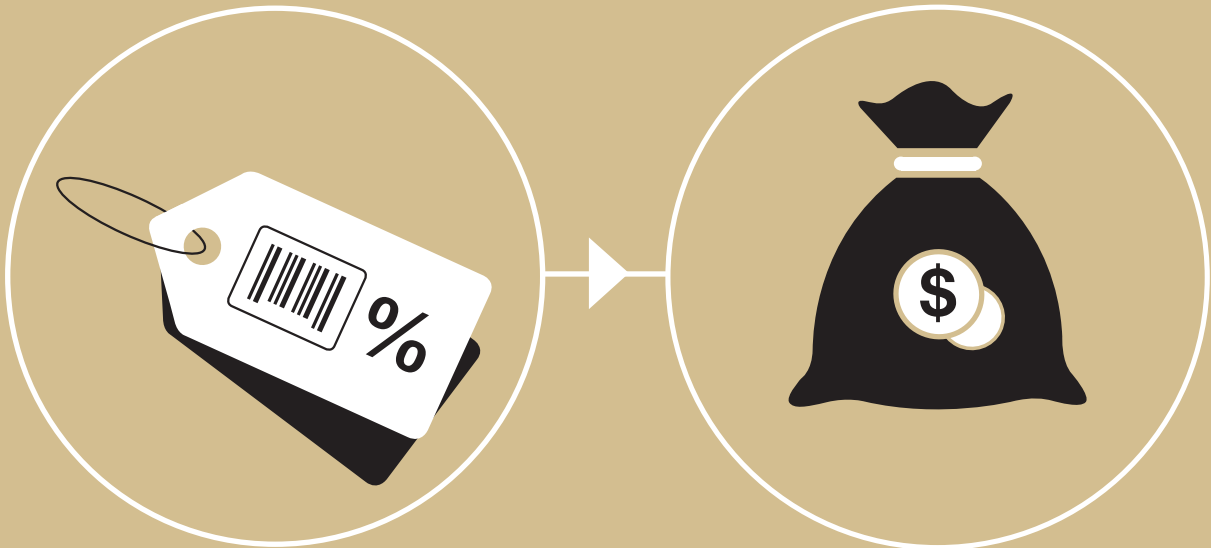


Value-Added Tax (VAT)

Progressive Taxation Briefing



What is Value-Added Tax?

VAT is an indirect tax levied on the value added by producers, suppliers, and service providers at each point in a supply chain. Its cost is usually passed on to the consumer. Some countries use a goods and services tax (GST) instead, but it is similar.

The tax was pioneered in France in the late 1950s, after being tried first in the then-French colony of Côte d'Ivoire, though the first comprehensive version of the tax was actually adopted in Brazil in 1967.¹ Since then, VAT has been adopted by most rich countries and, particularly since the 1980s, has spread widely across low- and middle- income countries. VAT and other sales taxes often account for a third or more of developing countries' tax revenues.²

► The spread of VAT

While there are several methods of calculating and collecting VAT, almost all countries which have a VAT use the 'credit invoice' method to collect it. This means that a business charges VAT on its sales of goods or services to its customers and has to pay this VAT to the government, but they can get a tax credit or refund for the cost of VAT paid on the inputs which go into those goods or services. This is the most popular method in part because the amount of VAT has to be included in all invoices along the supply chain, creating a paper trail which is easier for tax authorities to follow in verifying what tax has been paid and what credits are due to businesses.³

The cost of VAT is passed down the supply chain, by being included in sales prices, until it reaches the consumer who cannot pass on this cost. For this reason, VAT is usually considered to be borne by the consumer. VAT is different from a traditional sales tax because the latter is paid at the

point where the customer buys the product, whereas VAT is paid by all the firms along the supply chain.

When companies pay more VAT on their inputs than they can pass on via their sales, they can usually claim VAT refunds or credits against future obligations. Because reporting on and collecting VAT has a cost for firms and for the government, it is common for the smallest companies to be exempted from VAT and to pay a turnover tax (a tax on their gross sales) instead. The latter is simpler to account for because it rests on the company's records of its turnover rather than a string of invoices which need to be checked.

VAT has spread rapidly and widely across developing countries and has become one of the biggest revenue earners for governments. Between 2012 and 2016, for example, Uganda raised more than a third of its total tax revenues from VAT while Ghana raised about 29%.⁴

The adoption of VAT partly reflects the dominant ideology of open markets and free trade urged in recent years by donors and international bodies, notably the International Monetary Fund (IMF): this ideology assumes that taxes on consumption are less “distorting” of investment decisions than taxes on income or capital. The spread of VAT in the last thirty years has often gone hand in hand with the lowering of corporate income tax rates and the proliferation of tax incentives for investment.⁵ VAT often replaced trade taxes which developing countries have been under pressure to reduce (though they are still a big source of income for some).⁶

VAT may also be attractive to governments because as a tax with a very wide reach across society, it may meet less resistance from politically powerful vested interests than taxes which fall more narrowly on the wealthy, such as taxes on corporate and personal income and on property. That said, VAT increases which are seen as excessive have triggered protests from citizens, such as those in South Africa in July 2018.⁷

Governments often favour multiple rates, although they make the administration of the tax more complex, because they enable VAT to be used as a policy tool to promote or deter particular kinds of business activity or consumption. It is common for a country's annual budget to bring numerous small tweaks to the VAT regime, leading to a proliferation of small differences in classification.

Commonly consumed items such as basic foods or domestic fuel may be **exempted** from VAT, meaning that the tax is not due at all or is **zero-rated**. The latter means that VAT is charged, but at zero percent so that the item is in practice VAT-free. Under either classification, VAT may still be charged on the inputs which go into producing an item. If an item is exempt, however, then the supplier will not be able to collect refunds on the inputs which go into producing an item, meaning that the extra cost may be passed on to consumers in the form of higher prices (possibly higher than if VAT was charged), while under a zero-rating, each business in the supply chain may claim a refund. However, an exemption system may be easier for tax authorities to operate because there are no VAT refunds to track.⁸

► VAT, poverty and gender

VAT is commonly thought to be regressive, meaning that poorer people pay a higher proportion of their income in tax. This is because poor people generally spend more of their income than the rich. Since women make up more of the poor than men, there is a concern that consumption taxes like VAT therefore fall disproportionately on women.

The actual effects of VAT on the poor are not always clear-cut, however, because VAT falls on a wide range of goods and services and its effects depend on which ones the poor use and which ones are either exempted from the tax or zero-rated. Governments commonly use exemptions and zero-rating to relieve the tax burden on the poor (and for other purposes, as discussed below). The targeting of exemptions and zero-rating by governments is not always very accurate, however, so it may be that items relied on by the poor should be exempted but are not, as ActionAid and others have demonstrated in campaigning to remove VAT from women's sanitary towels.

A further source of complexity in assessing the incidence of VAT (that is, who ultimately pays it) is that many smaller firms in a developing country may not be subject to VAT, or may simply not be registered to pay the tax. Where those selling to consumers are not registered, as is often the case for informal sector kiosks, for example, it can mean that the poor who buy from them are relieved of some of the VAT burden they might otherwise pay.

Relieving VAT on items widely used by the poor remains an important goal for civil society groups but because of the complications presented by exemptions and zero-ratings, it may be better in some contexts to retain the broad base of taxpayers and instead call for a reduction in the standard 'headline' VAT rate to reduce the burden.

heavily consumed by the most marginalized people in society, looking at both men's and women's consumption, and then seeking to exempt or zero-rate items used by the poor while raising VAT on items mainly consumed by the wealthy. The responsibility should be on governments to carry out this analysis, although civil society groups may be able to catalyse government action by producing their own impact assessments.

How can VAT be made more progressive?

► Understanding what the poor consume and what is currently taxed

Making VAT more progressive means governments doing further analysis of which goods and services are most

Since VAT is charged on a wide variety of goods and services, it is necessary to know what the poor actually consume, as well as knowing which items are subject to VAT and which are exempted or zero-rated. Researchers have often used household data to work out what the poor consume, but this kind of data may not show what is going on inside households: for example, the roles of men and women in making decisions about spending, as ActionAid has previously pointed out. This is a good reason (though by far not the only one) to collect more and better data on the economic activities of individuals within households.

Recommendations

►► Governments should:

- *Continuously assess how far VAT exemptions and zero-ratings match the actual consumption patterns and needs of the poorest citizens, with a particular focus on the needs of women in poverty. Such impact assessments should be published so that they can be used by civil society.*
- *Exempt from VAT or zero-rate those goods and services that are disproportionately used by the poorest and remove exemptions from items used mainly by better-off citizens.*
- *Give more resources to tax administrations to ensure VAT compliance and combat VAT fraud or misreporting.*
- *Reduce headline VAT rates as more revenue is raised from other, more clearly progressive, taxes.*

This is one of a series of briefings on Progressive Taxation published by ActionAid International in October 2018. You can find them at www.actionaid.org/taxpower

► Endnotes

1. Shoup, C. 1988. *The Value Added Tax and Developing Countries*. World Bank. Research Observer 3 No2. P. 140.
2. Abramovsky, L. et al. 2017. *Redistribution, efficiency and the design of VAT. A review of the theory and literature*. Institute for Fiscal Studies. UK. P. 3.
3. U.S. Chamber of Commerce. 2010. *An introduction to the value-added tax (VAT)*.
4. Uganda national budgets for 2012/13 to 2016/17 accessed at budget.go.ug and Ghana national fiscal data for 2012 to 2016, accessed at mofep.gov.gh/fiscal-data.
5. ActionAid. 2011. *Approaches and Impacts. IFI tax policy in developing countries*. P.5.
6. Buenaventura, M. The IMF, Gender Equality and VAT. Bretton Woods Project. 12th September 2017.
7. SABC News. 2018. *W Cape Cosatu threatens to protest VAT increase*.
8. Abramovsky. Op cit. P. 20.
9. ActionAid. 2016. *Making tax work for women's rights*. P. 7.

ActionAid is a global movement of people working together to achieve greater human rights for all and defeat poverty. We believe people in poverty have the power within them to create change for themselves, their families and communities. ActionAid is a catalyst for that change.

<http://actionforglobaljustice.actionaid.org>

International Registration number: 27264198

Website: **www.actionaid.org**

Telephone: **+27 11 731 4500**

Fax: **+27 11 880 8082**

Email: **mailjhb@actionaid.org**

ActionAid International Secretariat,
Postnet Suite 248, Private Bag X31, Saxonwold 2132,
Johannesburg, South Africa.

October 2018

Cash Book

Cash Book

Cash book is a book in which all transactions relating to cash receipts and cash payments are recorded. It starts with the cash or bank balances at the beginning of the period. Generally, it is made on monthly basis. This is a very popular book and is maintained by all organisations, big or small, profit or not-forprofit. It serves the purpose of both journal as well as the ledger (cash) account. It is also called the book of original entry. When a cashbook is maintained, transactions of cash are not recorded in the journal, and no separate account for cash or bank is required in the ledger.

Advantages of Cash Book

A cash book has simplified the entry cash transactions for accounting purpose to a great extent.

Following are the various other benefits of maintaining a cash book:



Traces Mistakes: The balance of the cash book can be verified by matching it with the actual cash in hand; thus, mistakes and errors can be easily detected.

Daily Record: The cash transactions are recorded promptly in a cash book daily, which helps in maintaining a regular record of the cash receipts and payments.

Ascertain Receipts and Payments: The cash receipts and the payments made in cash on a specific date can be easily determined with the help of a cash book.

Identifies Default: Any default, theft, failure in payment or cash evasion can be easily identified while verifying the cash book balance with the actual cash balance.

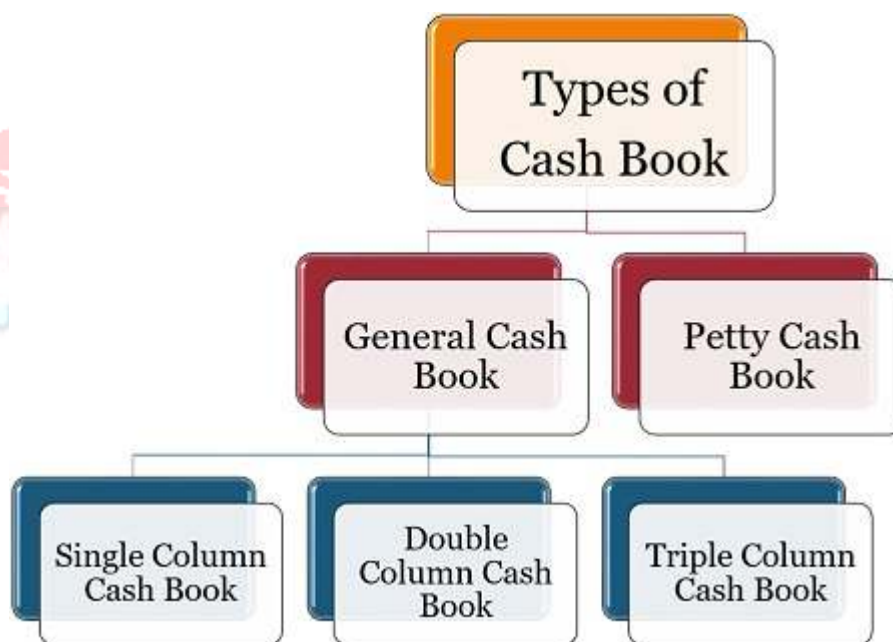
Determines Cash in Hand: It provides a clear picture of the remaining balance or cash in hand left with the organization.

Saves Time, Cost and Labour: Recording the cash transactions first in a journal and then posting it in the cash account of the ledger is a hefty task.

A cash book initiates creating of a single book of accounts and thus saves a lot of time, efforts and expense incurred while preparing these two separate books.

Types of Cash Book

A cash book varies based on its complexity and the needs and requirements of the business. Following are the two major categories into which a cash book can be bifurcated:



General Cash Book

The cash book, which serves as a journal for the first recording of the cash transactions and also replaces the cash account in a ledger, is called a general cash book.

It is further subdivided into three different categories:

Single column Cash Book

The single column cash book records all cash transactions of the business in a chronological order, i.e., it is a complete record of cash receipts and cash payments. When all receipts and payments are made in cash by a business organisation only, the cash book contains only one amount column on each (debit and credit) side.

2002		Rs.
March	1 Balance of cash in hand	15,000
	4 Received from Kanna	10,000
	7 Purchased goods for cash	17,000
	11 Cash Sales	18,000
	15 Deposited into Bank	3,000
	18 Bought furniture for cash	4,000
	22 Paid Salaries	1,500
	25 Withdrew from Bank	2,500
	27 Cash Sales	14,000
	30 Paid to Ram	8,000
	31 Rent paid	1,000

Cash Book

Date	Particulars	LF	Amount	Date	Particulars	LF	Amount
2002				2002			
March 1	To balance b/d		15,000	March 7	By Purchase a/c		17,000
4	To kanna a/c		10,000	15	By Bank a/c		3,000
11	To Sales a/c		18,000	18	By Furniture a/c		4,000
25	To Bank a/c		2,500	22	By Salaries a/c		1,500
27	To Sales a/c		14,000	30	By Ram a/c		8,000
				31	By Rent a/c		1,000
				31	By balance c/d		25,000
			59,500				59,500
April 1	To balance b/d		25,000				

Double Column Cash Book

This type of cashbook has two columns, viz., cash column and discount column. Usually cash discount is allowed or received when payment is made. So, it is necessary to record this fact at the same place where the cash transaction is recorded.

This type is similar to Simple Cash Book, except that one additional column on each side is provided for recording cash discount. As discount is a nominal account, discount

allowed being a loss is shown on the debit side and discount received being a gain is shown on the credit side.\

2002, March		Rs.
1	Cash in hand	11,000
5	Received from Krishna	38,000
	Allowed him discount	2,000
7	Bought goods for cash	40,000
9	Cash paid to Yusuf	7,000
	Discount allowed by him	500
12	Goods sold for cash	17,000
14	Withdrawn from Bank	52,000
18	Credit purchases from Mukesh	25,000
22	Paid to Mukesh in full settlement	24,000
25	Received interest on investments	27,000
28	Deposited into Bank	40,000
31	Paid salaries	5,000



Cash Book

Date	Receipts	LF	Dis. Rs.	Amount Rs.	Date	Payments	LF	Dis. Rs.	Amount Rs.
2002					2002				
Mar 1	To balance b/d			11,000	Mar 7	By Purchase a/c			40,000
5	To Krishna a/c		2000	38,000	9	By Yusuf a/c		500	7,000
12	To Sales a/c			17,000	22	By Mukesh a/c		1000	24,000
14	To Bank a/c			52,000	28	By Bank a/c			40,000
25	To Interest a/c			27,000	31	By Salaries a/c			5,000
					31	By balance c/d			29,000
			2000	145000				1500	145000
Apr 1	To balance b/d			29,000					

Three Column Cash Book.

In modern times, banking habit has become so widespread and is so convenient and safe that a large number of payments of big concerns are made and received through cheques. In such cases, the Cash Book with bank column in addition to the cash and discount columns is found convenient. Such type of cashbook is known as three-column cashbook. In such a Cash Book, cash columns and bank columns represent cash a/c and bank a/c respectively.

Contra Entries:

When a transaction affects both the sides of the Cash Book, such a transaction is entered on both the sides and is called as contra entry. For example, when cash is deposited into bank, it is entered in the debit side of the Cash Book by writing “To Cash” and entering the amount in the bank column.

The other entry is on the credit side by writing “By Bank” and entering the amount in the Cash column.

When the cash is withdrawn from the bank, the reverse entry is made, i.e., by writing “To Bank” in the debit side and entering the amount withdrawn in the cash column and the other entry is on the credit side by writing “By Cash” and entering the amount in the bank column of the Cash Book. Entering the letter “C” in the L.F. column indicates such entries.

As the double entry is complete for such transactions in the Cash Book itself, no further posting is required in the ledger.

Rules for recording transactions in the Cash Book:

1. All items of cash receipts are entered in the cash column of the receipt side; cash payments in the payment side. Discount allowed on the debit side and discount received on the credit side of the Cash Book [in the discount columns].

2. When cheques are received from customers and deposited immediately they are entered in the bank column of the Cash Book [debit side]. If they are sent to the bank at a later date, it becomes deposit of money into bank and, therefore, a ‘contra’ entry.

It is shown on the bank column on the debit side and cash column on the credit side.

2. If cheques are received by the business and endorsed to creditors, they are taken into cash columns as cash receipt and cash payment.

Illustration 3:

Enter the following transactions in a three-column Cash Book and find out the balances as on 16th January, 2002:

2002 Jan. 1	Cash in hand Rs.3,000; balance at bank Rs.10,000.
3	Sold goods for cash Rs.10,000.
4	Deposited into bank Rs.8,000.
5	Received from Nattu Rs.4 000; And allowed him discount Rs.100.
6	Paid House rent by cheque Rs.1,000
7	Paid to Shyam Rs.5,000; and received discount Rs.50
9	Withdrew from bank for office use Rs.5,000.
10	Received a cheque of Rs.470 from Mohan in full settlement of his account Rs.500.
11	Cash sales deposited into bank Rs.2,500.
12	Cash sales Rs.1,000.
13	Paid Arun by cheque against his claim of Rs.2,000. @ a discount 5 %.
14	Paid traveling expenses Rs.700.
15	Draw a cheque for personal use Rs.1,000.

Cash Book

[With Cash, Bank, and Discount columns]

Date	Particulars	LF	Dis.	Cash	Bank	Date	Particulars	LF	Dis.	Cash	Bank
2002						2002					
Jan.1	To bal b/d			3000	10000	Jan.4	By Bank	C		8000	
3	To Sales			10000		6	By Rent				1000
4	To Cash	C			8000	7	By Shyam		50	5000	
5	To Nattu		100	4000		9	By Cash	C			5000
9	To Bank	C		5000		13	By Arun		100		1900
10	To Mohan		30		470	14	By T. exps			700	
11	To Sales				2500		By Drawing				1000
12	To Sales			1000		16	By bal. C/d			9300	12070
	Total		130	23000	20970		Total		150	23000	20970
16	To bal b/d			9300	12070						

Illustration 4:

Make out a Cash Book with discount, cash and bank columns.

2002 March	
1	Cash in hand Rs.2800; Cash at bank Rs.8100.
3	Received from Jaya Rs.1500 and allowed her discount of Rs.20.
7	Paid into bank Rs.4000.
8	Received for sales cash Rs.100 and cheque Rs.190.
10	Paid Guhan by cheque Rs.570 in full settlement of his account Rs.600.
11	Cash purchases by cheque Rs.700.
15	Drew for office use Rs.350.
17	Advertisement expenses Rs.50.
20	Somu paid direct into our bank account Rs.620.
22	Withdrew cash for personal use Rs.170.

26	Paid rent by cheque Rs.200.
27	Received from Raja a cheque for Rs.490 and allowed him discount Rs.10.
29	Received commission by cheque Rs.220.
30	Cash in excess of Rs.400 was paid into bank.

Solution:

Cash Book with Cash, bank, and Discount columns

Date	Particulars	LF	Dis. Rs.	Cash Rs.	Bank Rs.	Date	Particulars	LF	Dis. Rs.	Cash Rs.	Bank Rs.
2002 May						2002, May					
1	To balance B/d			2800	8100	7	By Bank	C		4000	
3	To Jaya		20	1500		10	By Guhan		30		570
7	To Cash	C			4000	11	By Purchase				700
8	To Sales			290		15	By Cash	C			350
15	To Bank	C		350		17	By Advt.				
20	To Somu				620	22	By Drawings			50	
27	To Raja		10	490		26	By Rent			170	200
29	To Commission			220		30	By Cash	C		1030	
30	To Cash	C			1030	31	By Balance b/d			400	11930
	Total		30	5650	13750		Total		30	5650	13750
Jun. 1	To Balance c/d			400	11930						

Problem 1:

On April 1, 2017, Hassan Sajjad Store Cash Book showed debit balances of Cash Rs. 1,550 and Bank Rs. 13,575. During the month of April following business was transacted. You are required to prepare Cash Book?

April 2017

02 Purchased Office Type-Writer for Cash Rs. 750; Cash Sales Rs. 1,315.

07 Deposited Cash Rs. 500 to bank.

10 Received from A. Hussain a check for Rs. 2,550 in part payment of his account (not deposited).

- 16 Paid by check for merchandise purchased worth Rs. 1,005.
- 20 Deposited into Bank the check received from A. Hussain.
- 22 Received from customer a check for Rs. 775 in full settlement of his accounts (not deposited).
- 24 Sold merchandise to sweet Bros. for Rs 1,500 who paid by check which was deposited into bank.
- 26 Paid creditor a Salman Rs. 915 by check.
- 28 Deposited into Bank the check of customer of worth Rs. 775 was dated 22nd April.
- 29 Paid wages by cash Rs. 500 and salary Rs. 1,000 by bank.
- 30 Drew from Bank for Office use Rs. 250 and Personal use Rs. 150.

Solution:

Hassan Sajjad Store											
Cash Book (Double Column)											
For the month ended April,2017											
Receipts					Payments						
Date		Description	Ref	Cash	Bank	Date		Description	Ref	Cash	Bank
2017						2017					
April	1	Balance b/d		1,550	13,575	April	2	Type-Writer		750	
	2	Sales		1,315			7	Bank (c)		500	
	7	Cash (c)			500		16	Purchases			1,005
	10	A/R_ A. Hussain		2,550			20	Bank (c)		2,550	
	20	Cash (c)			2,550		26	A/P_ Salman			915
	22	A/R		775			28	Bank (c)		775	
	24	Sales			1,500		29	wages		500	
	28	Cash (c)			775		29	Salary			1,000
	30	Bank (c)		250			30	Cash (c)			250
							30	Drawing			150
								Balance c/d		1,565	15,580
Total				6,440	18,900	Total				6,440	18,900
May	1	Balance b/d		1,565	15,580						

Problem 2:

From the following particulars make cash book of Ghulam Fatima Trading Co. for the month of November, 2016:

1. Cash balance (Cr) Rs. 2,000; Bank balance Rs. 40,000.
- 4 Cash sales Rs. 3,700; Credit sales Rs. 1,800 would be received at near future.
- 6 Paid Ahmed & Bros. by cash Rs. 500; Received cash by debtors Rs. 1,800.
- 12 Paid to vendor by means of check worth Rs. 2,700.
- 13 Paid Utility bills in cash Rs. 250; Bought goods by check Rs. 750.
- 19 Drew from Bank for office use Rs. 160; Personal withdrawal of cash Rs. 1,000.
- 20 Received a check from Hamid Rs. 2,700 and deposited into the bank.
- 21 Received by check from Munir Rs. 1,360; Discount Rs. 140 (not deposited).
- 25 Cash sales Rs. 2,100; Paid wages by bank Rs. 1,500.
- 28 Deposited Munir's check into bank.
- 29 Payment by check to Anees for Rs. 17
- 30 Munir's check has been dishonored and return by bank.

Solution



Ghulam Fatima

Cash Book

For the month ended November 30th, 2016

Receipt side						Payment side					
Date	Description	Ref	Cash	Bank	Dis.	Date	Description	Ref	Cash	Bank	Dis.
2016						2016					
Nov. 1	Balance b/f			40,000		Nov. 1	Balance b / f		2,000		
4	Sales		3,700			6	Ahmed & Bro.		500		
6	Debtors		1,800			12	Vendor			2,700	
19	Bank (c)		160			13	Utility Bills		250		
20	Hamid			2,700		13	Purchases			750	
21	Munir		1,360		140	19	Cash (c)			160	
25	Sales		2,100			19	Drawings		1,000		
28	Cash (c)			1,360		25	Wages			1,500	
						28	Bank (c)		1,360		
						29	Anees			175	25
						30	Dis honour			1,360	
							Balance c / d		4,010	37,415	
Total			9,120	44,060	140	Total			9,120	44,060	25
Dec 1	Balance b/d		4,010	37,415							

Problem 3:

Enter the following transactions in the Cash Book with Cash, Bank and Discount column for A R Khan and Co. for December, 2016 (all figures in Rupees):

1	Cash in hand	400	14	Electricity charges paid	70
1	Balance at bank (Overdraft)	5,000	16	Drew check for personal use	700
4	Invested further owner's equity	10,000	17	Cash sales	2,500
4	Deposited into bank	6,000	18	Collected from Umer by check (n.d)	4,000
5	Sold goods for cash	5,000	19	Umer's check deposited into bank	4,000
6	Collected from debtor Imran and Co.	8,000	22	Drew check for business use	150
6	Discount allowed to Imran and Co.	200		Dividend received by check and deposited	50
10	Purchased goods for cash	5,500	24	Commission received by check (n.d)	250
11	Paid to Kamran and Co. our creditor	2,500	25	Paid from Bank, salary of the office staff	1,500
11	Discount received from Kamaran and Co.	65	27	Check of 25 th deposited into bank	250
13	Commission paid to agent	550	28	Paid salary of the manager by cash	500
14	Office furniture purchased	200	29	Deposited cash into bank	1,000
14	Rcar paid	50	30		

Clark Creek

Receipt side						Payment side					
Date	Description	Ref	Cash	Bank	Dts	Date	Description	Ref	Cash	Bank	Dts
2016						2016					
Dec	1	Balance b/d	400			Dec	1	Balance b/d		5,000	
	4	On	10,000			4	Bank (c)		6,000		
	4	Cash (c)		6,000		10	Purchases		5,500		
	5	Sales	3,000			11	Kanani & Co.		2,500		65
	6	Imani and Co.	8,000		200	13	Commission		530		
	17	Sales	2,500			14	O. Furniture		200		
	18	Uma	4,000			14	Rent		50		
	19	Cash (c)		4,000		14	Electricity		10		
	22	Bank (c)	150			16	Drawing			700	
	24	Dividend		50		19	Bank (c)		4,000		
	25	Commission	230			22	Cash (c)			150	
	28	Cash (c)		250		27	Salary			1,500	
	30	Cash (c)		1,000		28	Bank (c)		230		
						29	Salary		500		
						30	Bank (c)		1,000		
							Balance c/d		7,760	4,930	
Total			28,280	11,280	200	Total			28,280	11,280	65
Jan	1	Balance b/d	7,760	4,930							

In every organisation, a large number of small payments such as conveyance, cartage, postage, telegrams and other expenses (collectively recorded under miscellaneous expenses) are made. These are generally repetitive in nature. If all these payments are handled by the cashier and are recorded in the main cash book, the procedure is found to be very cumbersome. The cashier may be overburdened and the cash book may become very bulky. To avoid this, large organisations normally appoint one more cashier (petty cashier) and maintain a separate cash book to record these transactions. Such a cash book maintained by petty cashier is called petty cash book. The petty cashier works on the Imprest system. Under this system, a definite sum, say Rs. 2,000 is given to the petty cashier at the beginning of a certain period. This amount is called imprest amount. The petty cashier goes on making all small payments out of this imprest amount and when he has spent the substantial portion of the imprest amount say Rs.1,780, he

gets reimbursement of the amount spent from the head cashier. Thus, he again has the full imprest amount in the beginning of the next period. The reimbursement may be made on a weekly, fortnightly or monthly basis, depending on the frequency of small payments. (In certain cases, the petty cash system is operated through the main cash book itself. In such instances, the petty cash book is not maintained independently.) The petty cash book generally has a number of columns for the amount on the payment side (credit) besides the first other amount column. Each of the amount columns is allotted for items of specific payments, which are most common. The last amount column is designated as 'Miscellaneous' followed by a 'Remarks' column. In the miscellaneous column those payments are recorded for which a separate column does not exist. In the 'Remarks' the nature of payment is recorded. At the end of the period, all amount columns are totaled. The total amount column shows the total amount spent and to be reimbursed. On the receipt (debit) side, there is only one amount column. Columns for the date, voucher number and particulars are common for both receipts and payments.

Imprest System:

Under the imprest system, a fixed amount say Rs. 5,000 is given to the petty cashier for incurring small and petty expenses. This amount is called imprest money. The petty cashier makes all the payments for which he is authorized out of the imprest amount. After a specific period or as soon as he exhausts the full imprest amount, whichever is earlier, he gets reimbursement for the actual amount spent by him from the main cashier.

Thus at the beginning of the next period he once again has the full imprest amount. Keeping in view the quantum of amount involved and frequency of transactions, reimbursement of amount is made on a weekly, fortnightly, monthly basis. Sometimes the petty cash system is operated through the main cash book and in that case petty cash book is not maintained independently.

Advantages:

(i) Reduces the labour:

Petty cash book is based on the division of labour and works on imprest system; hence, it reduces the work and labour of main cashier.

(ii) Controls irregular expenses:

One of the famous principles of management is 'control by exception' which means that if one person tries to control everything, he may end up controlling nothing. Based on this principle, a petty cashier is appointed who can control the irregular expenses. In the absence of petty cashier, it is very difficult to watch and control the necessities of incurring any expenses.

(iii) Main cash book does not become over bulky:

Petty cash book helps to keep the main cash book in a compact form because numerous entries for small and petty items are recorded in the petty cash book itself.

(iv) Quick payment possible:

In petty cash book, payments for petty items are recorded. Though they are small, yet they are essential. Sometimes they are so urgent that they cannot wait for approval of the higher authority. In that case quick payment is required and this can be made by the petty cashier.

Types of Petty Cash Books:

There are the two methods of preparing petty cash book:

(i) Simple Petty Cash Book

(ii) Analytical Petty Cash Book or Columnar Petty Cash Book

I. Simple Petty Cash Book:

In simple petty cash book there is one column each for recording of receipt of cash from the main cashier and for payment of petty expenses. 'Date' and 'Particulars' column is same for receipts and payments. In the 'C.B. Folio' column, page number of cash book in which payment to petty cashier is made is to be recorded.

In the particular column heads of the items are to be mentioned. In 'V .No' column, voucher number of the transactions are recorded. 'L.F.' column shows where the posting of these items have been made in respective ledgers. 'Amount' column shows the money value of the transactions.

Receipts ₹	C.B.Folio	Date	Particulars	V.No	L.F.	Amount ₹

Analytical Petty Cash Book or Columnar Petty Cash Book is different from the simple petty cash book in the sense that in this type of petty cash book, an analytical presentation of cash payment is made. All petty payments are to be classified into different heads and different columns are maintained.

[illegible]

Explanations to the Various Columns & Balancing the Analytical Petty Cash Book:

Receipts are recorded in one amount column on the receipts (debit) side known as 'Amount Received' column. However, for recording receipts and payments the column for date, voucher number and particulars are common. For recording petty expenses, petty cash book has one column on the payment (credit) side which is known as 'Total Amount' column.

In this column total of various expenses paid by same voucher and on the same day are recorded at one place. The total amount column is followed by number of columns for recording the heads of items which are most common in the business enterprise.

After allotting the columns to most common heads, one column is allotted for recording miscellaneous items which are known as "Miscellaneous" column. Payments for which a separate column does not exist are recorded in this column.

The last column is allotted for 'Remarks'. The nature of payments is recorded in this column. All amount columns are totaled at the end of the period. The total amount spent and the amount reimbursed shall be shown in the total amount column.

Illustration 3: (Petty Cash Book)

Sharma Sports Goods Co. follows the imprest system of petty cash under which, Rs 6,000 was handed over to the petty cashier as on 1st March 2011.

The expenses during the month were as follows:

Problem 4:

Prepare Petty Cash Book on imprest system from the following particulars for Minha Shukat Ltd.

September 2016

1. Received for petty cash payments Rs. 1,000
4. Paid for stationery Rs. 140
9. Paid for postage Rs. 80
10. Paid for printing charges Rs. 150
11. Paid for carriage Rs. 125
17. Paid for telegrams Rs. 25
20. Purchased envelopes Rs. 30
21. Paid for coffee to office staff Rs. 30
22. Paid for office cleaning Rs. 50
30. Paid to Faiza Munir Rs. 200



IHM NOTES

Minha Shukat Ltd.

Petty Cash Book

For the month ended September, 2016

Amount Received	Date	Description	VN	Total Payments	Printing Postage & Stationery	Carriage	Travelling Expenses	Miscellaneous Expenses
		2016						
1,000	Sep	1 Cash						
		4 Stationery		140	140			
		9 Postage		80	80			
		10 Printing		150	150			
		11 Carriage		125		125		
		17 Telegrams		25	25			
		20 Envelops		30	30			
		21 Coffee to staff		30				30
		22 Office cleaning		50				50
		30 Faiza Munir		200				200
		Total		830	135	290	125	280
		Balance c/d		170				
170	Oct	1 Balance b/d						
830		1 Cash						

Cost Centre & Cost Category

In This Chapter: Introduction of Cost category & Centre, Use of Cost Category & Centre, Creating Single Cost Category, Creating Single Cost Centre, Voucher Entry for allocate the Expenses, Cost Category Summary Report, Pre-defined Cost Centre allocation, Creating Multiple Cost Categories, Creating Multiple Cost Centres, Purchase of Assets, Sale of Assets with depreciation.

5.0 Introduction of Cost Category & Cost Centre

Cost Categories allows allocation of transactions to several sets of Cost centres (parallel allocation).

कास्ट कैटगरी एलाउ करती है एलोकेशन ऑफ ट्रांजेक्शन को अनेक सेट्स ऑफ कॉस्ट सेंटर के बीच में। (समानांतर आवंटन)

Cost Centres: It is a unit of an organization to which transactions (usually revenue) are allocated. We have the details of all the transactions from a cost centres. The ledger account shows only the nature of a transaction, it does not give any idea of the unit or organization involved through one may have some idea about it from Narration.

यह एक इकाई है एक संगठन की जहाँ लेन-देन (ज्यादातर रेवेन्यू) का आवंटन होता है। हम कास्ट सेंटर के अन्तर्गत सभी लेन-देनों की जानकारी रखते हैं। लेजर एकाउन्ट केवल लेन-देन की प्रकृति को दिखाता है, यह इकाई या संगठन के बारे में कोई भी जानकारी नहीं देता, बल्कि नरेशन के माध्यम से कुछ जानकारी मिलती है।

Cost Centre: When only costs or expenses are allocated to these centres then they termed as Cost Centres.

केवल लागत या व्ययों को इनके अंतर्गत आवंटित किया जाता है, जब इनको कॉस्ट सेंटर का नाम दिया गया।

Profit Centre: When Income is also allocated to these centres then they are termed as Profit Centres.

जब आय भी इन सेंटर पर आवंटित की जाती है तब इन्हें प्राफिट सेंटर कहा जाता है।

Note: The concept of Cost Centre's and Cost categories are similar to Ledgers and Groups respectively. By default Tally maintains a Cost Category as 'Primary'.

5.1 Use of Cost Category & Cost Centre

Cost Categories are useful for organizations that require allocation of Revenue and Non-Revenue Items to parallel sets of cost centres. Cost categories facilitate third dimensional reporting of Expenditure and Revenue. Normally when any expense/Income in accounts, it is allocated in a specific expense/Income head. Say for instance,

Entry:

To enable this option, follow this step...

- | <u>Cost/Profit Centres Management</u> | |
|--|--------------|
| Maintain Payroll | ? Yes |
| Maintain Cost Centres | ? Yes |
| Use Cost Centre for Job Costing | ? No |
| More than ONE Payroll / Cost Category | ? Yes |
| Use Pre-defined Cost Centre Allocations during Entry | ? No |

-
- ```

graph LR
 G1[Gateway of Tally] --> A1[Accounts Info]
 A1 -- "Press Enter" --> G2[Gateway of Tally
Accounts Info]
 G2 --> C1[Cost Categories]
 C1 -- "Press Enter" --> S1[Single Cost Category]
 S1 --> C2[Create]

```
- The flowchart illustrates the navigation path to create a cost category in Tally. It begins at the 'Gateway of Tally' menu, where 'Accounts Info' is selected. Pressing Enter leads to the 'Gateway of Tally Accounts Info' screen. From there, 'Cost Categories' is selected. Pressing Enter again leads to the 'Single Cost Category' screen, where the 'Create' option is highlighted.

## 5.2 Creating Single Cost Category

- Go to Gateway of Tally → Accounts Info → Cost Categories → Single Cost Category → Create

| Cost Category Creation     |              |
|----------------------------|--------------|
| Name                       | Department   |
| (alias)                    |              |
| Allocate Revenue Items     | ? Yes        |
| Allocate Non-Revenue Items | ? <b>Yes</b> |

- Press Enter to Accept it

The Fields for creating cost category are described below:-

**Name:** Type the name of the Cost category. Let it be Department in our case.

**Alias:** Type the alias for the cost category. We are skipping the field in this example.

**Allocate Revenue Items:** setting this option 'YES' will allow you to allocate the revenue items against this category otherwise you will not be allowed to allocate the revenue items.

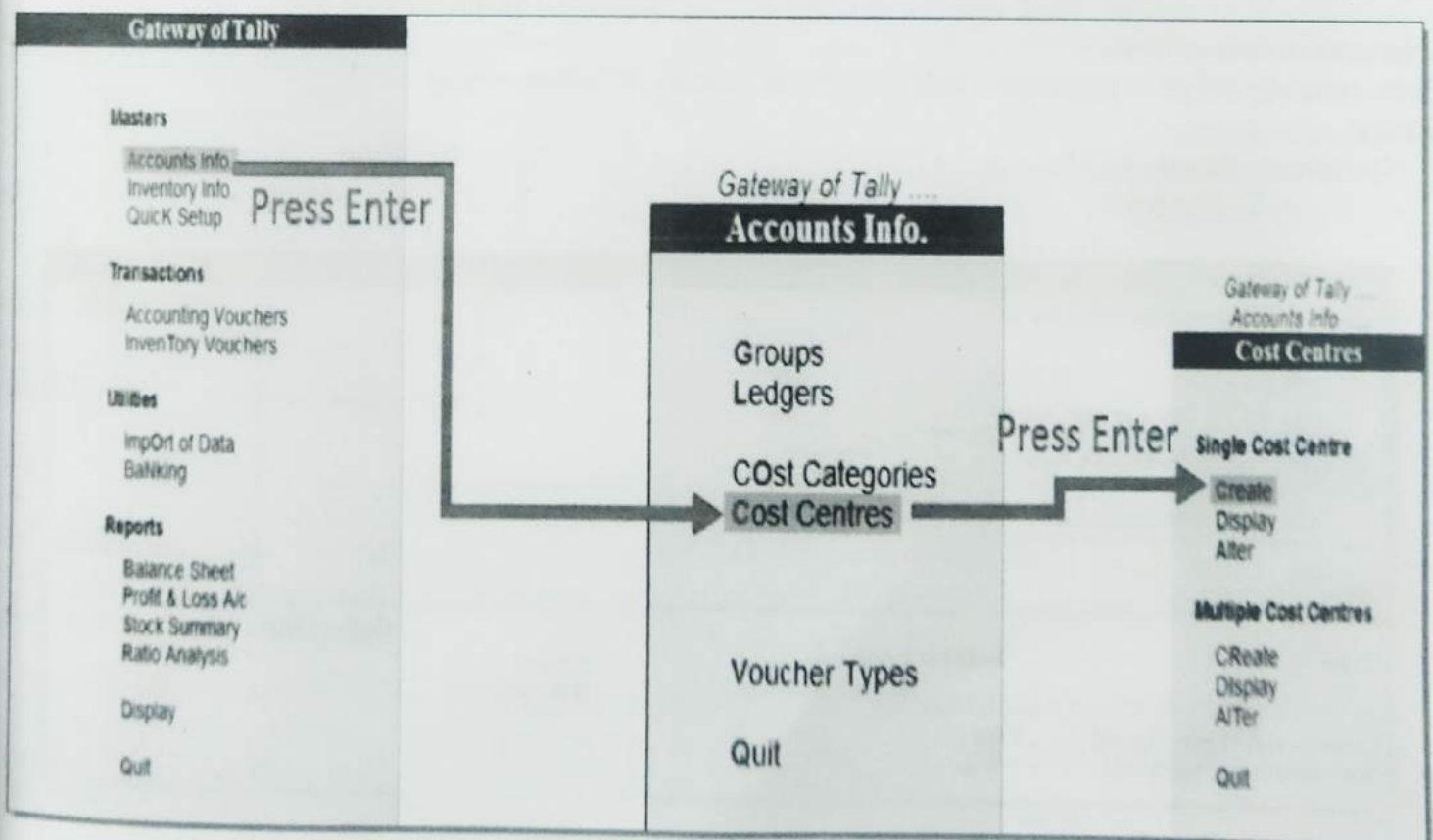
**Allocate Non-Revenue Items:** This option has to be set 'YES' to allocate non-revenue items like assets and liabilities against this category.

Through we are handling with a revenue expense in our example, we recommend setting both this option 'YES' as we may need this category to allocate the non-revenue items in future.

Now it is time to create the cost centres.

## 5.3 Creating Single Cost Centre

Go To Gateway of Tally → Accounts Info → Cost Centre → Create.





| Cost Centre Creation  |                  |
|-----------------------|------------------|
| Category              | Department       |
| Name<br>(alias)       | Sales Department |
| Under                 | Primary          |
| Accept ?<br>Yes or No |                  |

- Press Enter to Accept it.

The fields for creating cost centre are described below:

Category: Select the Cost Category. In our example it will be Department.

Name: Type the name of the Cost Centre(Sales Department)

Alias: Type the alias(Skipped)

Under: Select the Cost Center under which this cost centre is being created. If it is not under any existing cost centre, select Primary.

| Cost Centre Creation  |                     | Cost Centre Creation  |                     |
|-----------------------|---------------------|-----------------------|---------------------|
| Category              | Department          | Category              | Department          |
| Name<br>(alias)       | Accounts Department | Name<br>(alias)       | Purchase Department |
| Under                 | Primary             | Under                 | Primary             |
| Accept ?<br>Yes or No |                     | Accept ?<br>Yes or No |                     |

After creating the other cost centres(Sale Department,Purchase Department) just like the previous one, create the ledger Stationary Expenses a/c under Indirect Expenses You will get an extra option in ledger creation screen, Cost centres are applicable. Set this option Yes to allow tally allocate the expense in cost centres.

Now pass the entry in payment mode(GOT→Accounting Vouchers→F5)

Entry:

Stationary Expenses a/c .....Dr 5000  
To Cash a/c .....5000

| Ledger Creation               |                        | T Balaji Publication |
|-------------------------------|------------------------|----------------------|
| Name<br>(alias)               | Stationary Expense A/c | Total Op. Bal.       |
| Notes                         |                        |                      |
| Under                         | Indirect Expenses      | Mailing Details      |
| Inventory values are affected | ? No                   | Name                 |
| Cost centres are applicable   | ? Yes                  | Address              |

## 5.4 Voucher Entry for Allocate the Expense between Cost Centres

| Accounting Voucher Location                    |             | T Balaji Publication                                               |          | Ctrl + F1         |          |
|------------------------------------------------|-------------|--------------------------------------------------------------------|----------|-------------------|----------|
| Payment No. 1                                  |             | Cost Allocations for Stationary Expense A/c<br>Up to ₹ 5,000.00 Dr |          | 3-May-2014 Friday |          |
| Particulars                                    |             | Cost Category                                                      |          | Debit             | Credit   |
|                                                |             | Name of Cost Centre                                                | Amount   |                   |          |
| Stationary Expense A/c<br>Car Bal. 5,000.00 Dr |             |                                                                    |          | 5,000.00          |          |
| Department                                     |             | Department                                                         |          |                   |          |
| Sale Department                                | 2,500.00 Dr | Sale Department                                                    | 2,500.00 |                   |          |
| Accounts Department                            | 1,250.00 Dr | Accounts Department                                                | 1,250.00 |                   |          |
| Purchase Department                            | 1,250.00 Dr | Purchase Department                                                | 1,250.00 |                   |          |
| Cash A/c<br>Car Bal. 5,000.00 Dr               |             |                                                                    | 5,000.00 |                   | 5,000.00 |

## 5.5 Cost category Summary report : See the report from Gateway of Tally → Display → Statement of Accounts → Cost Centres → Category Summary

| Cost Category Summary |  | T Balaji Publication                             |        | Ctrl + F1   |  |
|-----------------------|--|--------------------------------------------------|--------|-------------|--|
| Particulars           |  | T Balaji Publication<br>1-Apr-2014 to 2-May-2014 |        |             |  |
|                       |  | Transactions                                     |        | Closing     |  |
|                       |  | Debit                                            | Credit | Balance     |  |
| Department            |  | 5,000.00                                         |        | 5,000.00 Dr |  |
| Accounts Department   |  | 1,250.00                                         |        | 1,250.00 Dr |  |
| Purchase Department   |  | 1,250.00                                         |        | 1,250.00 Dr |  |
| Sale Department       |  | 2,500.00                                         |        | 2,500.00 Dr |  |

## 5.6 Pre-defined Cost Centre Allocation: There may be a number of expenses that have fixed percentage of total amount allocated in different cost centres. Tally has an option pre-define the cost centre percentage for particular cost category (50% for Sale department, 25% for Accounts department and 25% for Purchase department)

Now activate the option from GOT → Company feature (F11) → Accounting Feature → Use Pre-defined Cost Centre Allocation during Entry

As you set these options yes, tally will ask for the cost centre class against which you will define the allocation percentage. Type the class name (like stationary Expenses) and press Enter. Another screen for allocation will appear. Select the category and cost centres along with their percentage. Then save the screen.

To pass the entry using the class, go to the payment voucher mode you will get the option at the top of the voucher entry screen, asking for the cost centre class. Select the class & pass the entry the amount will be allocated automatically to the pre-define cost centres.

|                                                        |            |
|--------------------------------------------------------|------------|
| Maintain Cost Centres                                  | ? Yes      |
| Use Cost Centre for Job Costing                        | ? No       |
| More than ONE Payroll / Cost Category                  | ? Yes      |
| Use Pre-defined Cost Centre Allocations during Entry ? | <b>yes</b> |
| Show Opening Balance for Revenue Items in Reports ?    | No         |



**Auto Cost Allocations**

**Cost Centre Classes**

Name: T Balaji Publication

Class Name

|                     |      |
|---------------------|------|
| Stationary Expenses |      |
| Department          | 50 % |
| Sale Department     | 25 % |
| Accounts Department | 25 % |
| Purchase Department |      |

Tally.ERP 9

Print Export E-Mail Upload Shop Language Keyboard Control Centre Support Centre Help

Accounting Voucher Alteration (Secondary) T Balaji Publication 2-May-2014 Friday

Payment No 1 Cost Centre/Classes: Stationary Expenses

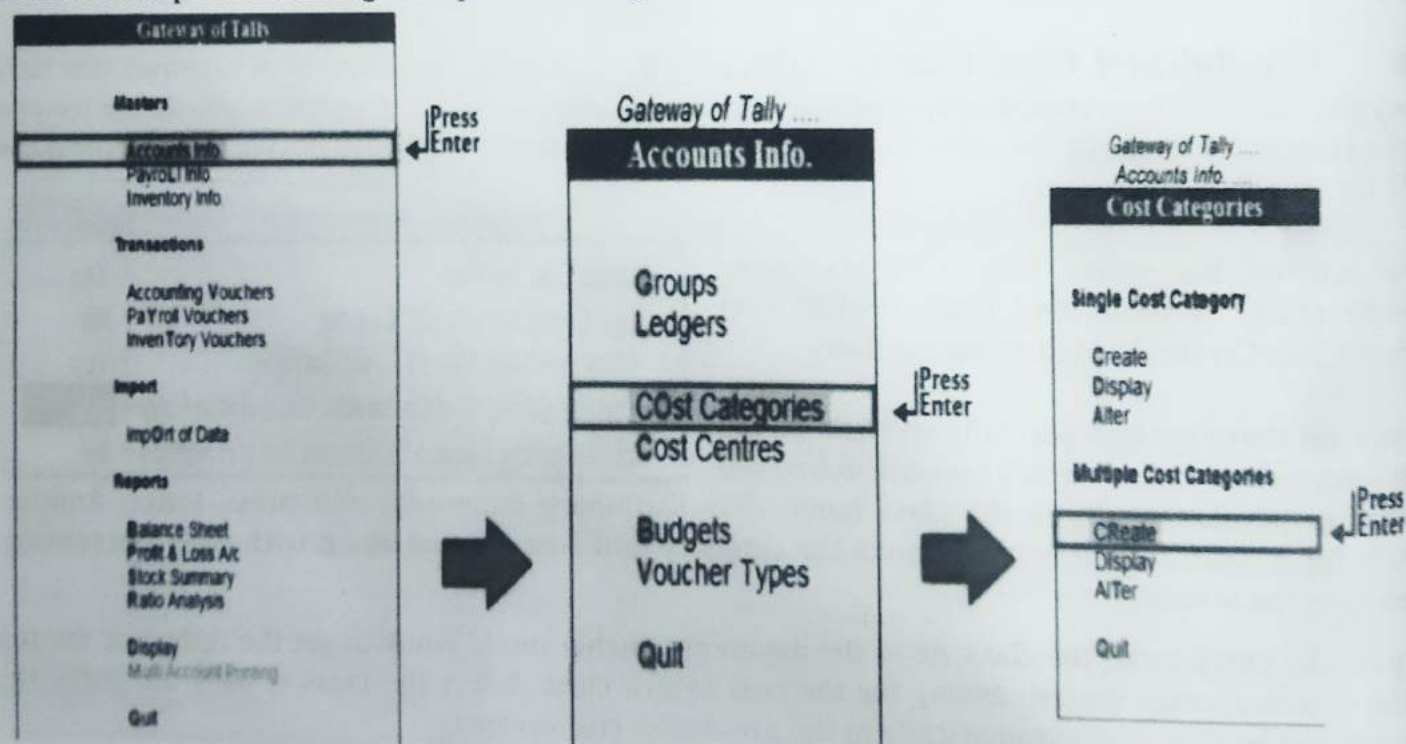
| Particulars                     | Debit    | Credit   |
|---------------------------------|----------|----------|
| Dr Stationary Expense A/c       | 8,000.00 |          |
| Cur Bal: 8,000.00 Dr            |          |          |
| Department                      |          |          |
| Sale Department 4,000.00 Dr     |          |          |
| Accounts Department 2,000.00 Dr |          |          |
| Purchase Department 2,000.00 Dr |          |          |
| Cr Cash A/c                     |          | 8,000.00 |
| Cur Bal: 8,000.00 Cr            |          |          |

## 5.7 Creating Multiple Cost Categories

As you do create a single cost category in Masters, in the same way you can create multiple cost categories with the rich options of Tally.

जैसा आपने अभी एक सिंगल कॉस्ट केटेगरी को क्रिएट करना सीखा ठीक उसी तरह आप एक साथ मल्टीपल कास्ट केटेगरी को क्रिएट करना देखेंगे। नीचे दिए गए स्टेप का अनुसरण कर आप मल्टीपल कास्ट केटेगरी क्रिएट कर सकते हैं।

Let's see the options creating multiple cost categories...



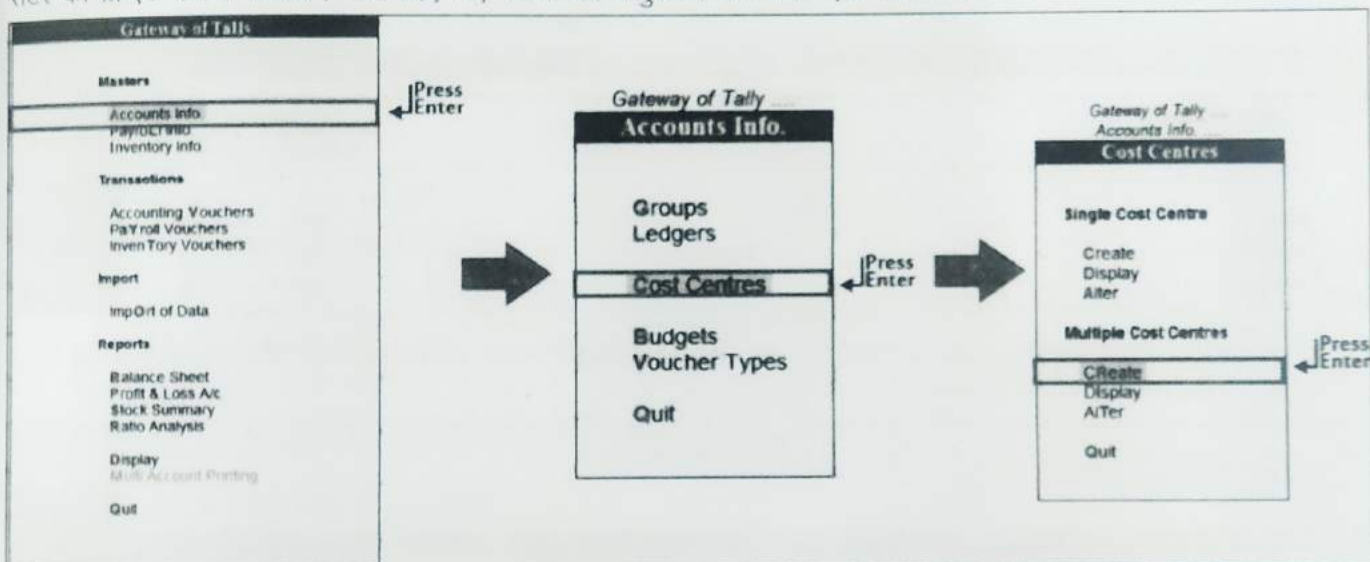
Gateway of Tally → Accounts Info → Cost Categories → Multiple Cost Categories Creation

| Multi Cost Category Creation |                  |                 |                   |
|------------------------------|------------------|-----------------|-------------------|
| T Balaji Publication         |                  |                 |                   |
| Sl. No.                      | Name of Category | Allocations for |                   |
|                              |                  | Revenue Items   | Non-Revenue Items |
| 1.                           | Marketing        | Yes             | No                |
| 2.                           | Development      | Yes             | No                |

- Here it is Multiple Cost Categories Creation form where you can type the name of various cost category name to be created.
- After the name, mention that does this Cost Category contains Revenue Items or Non-Revenue Items to Yes or No; and
- Finally accept the information stated by you to continue creating the cost categories.

**5.8 Creating Multiple Cost Centres:** You can create multiple cost centres all together under a cost category. This will take some simple steps to make this possible. Here we see...

जैसा अभी आपने देखा की एक सिंगल कास्ट सेण्टर को कैसे क्रिएट किया जाय ठीक उसी तरह हम एक साथ कई कास्ट सेण्टर को क्रिएट करना सीखेंगे। नीचे दिए गए स्टेप्स का अनुसरण कर आप ऐसा कर सकते हैं।



Gateway of Tally → Accounts Info → Cost Centres → Multiple Cost Centres Creation

| Multi Cost Centre Creation |             |                      |         |
|----------------------------|-------------|----------------------|---------|
| T Balaji Publication       |             |                      |         |
| Under Cost Centre          |             | All Items            |         |
| Sl. No.                    | Category    | Name of Cost Centre  | Under   |
| 1.                         | Publication | CCC Book             | Primary |
| 2.                         | Publication | BCC Book             | Primary |
| 3.                         | Publication | 'O' Level            | Primary |
| 4.                         | Publication | Computer Fundamental | Primary |
| 5.                         | Publication | Tally 9.0            | Primary |

- Here you see above is the form of Multiple Cost Centres creation where you can create more than one form all together.



**T BALAJI**

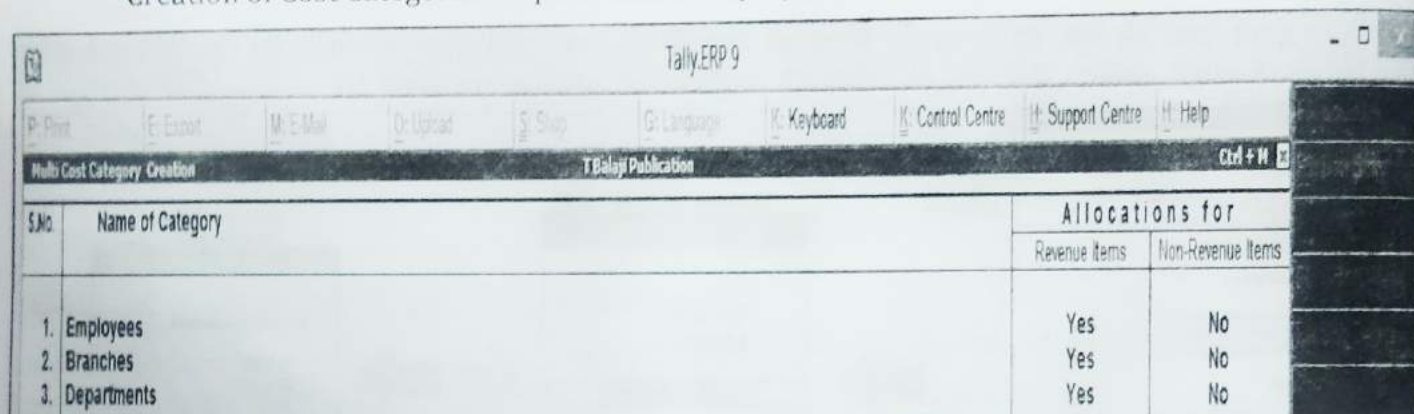
- First Specify the Cost Centre under you want to create rest of cost centres and then specify the Cost Category and then the name of new Cost Centre you are about to create; and
- Finally accept the information entered to make sure to create. Following these steps you can create multiple cost centres.

Note:- Cost Centres can be deleted only in Single Alter mode. New Primary Cost Centres can not be created in Multiple Create mode.

**Example:**

| Cost Categories | Departments    | Employees | Branches |
|-----------------|----------------|-----------|----------|
| Cost Centres    | Maintenance    | Mr Ashok  | Mumbai   |
|                 | Marketing      | Mr Puneet | Lucknow  |
|                 | Administrative | Mr Jeet   | Delhi    |

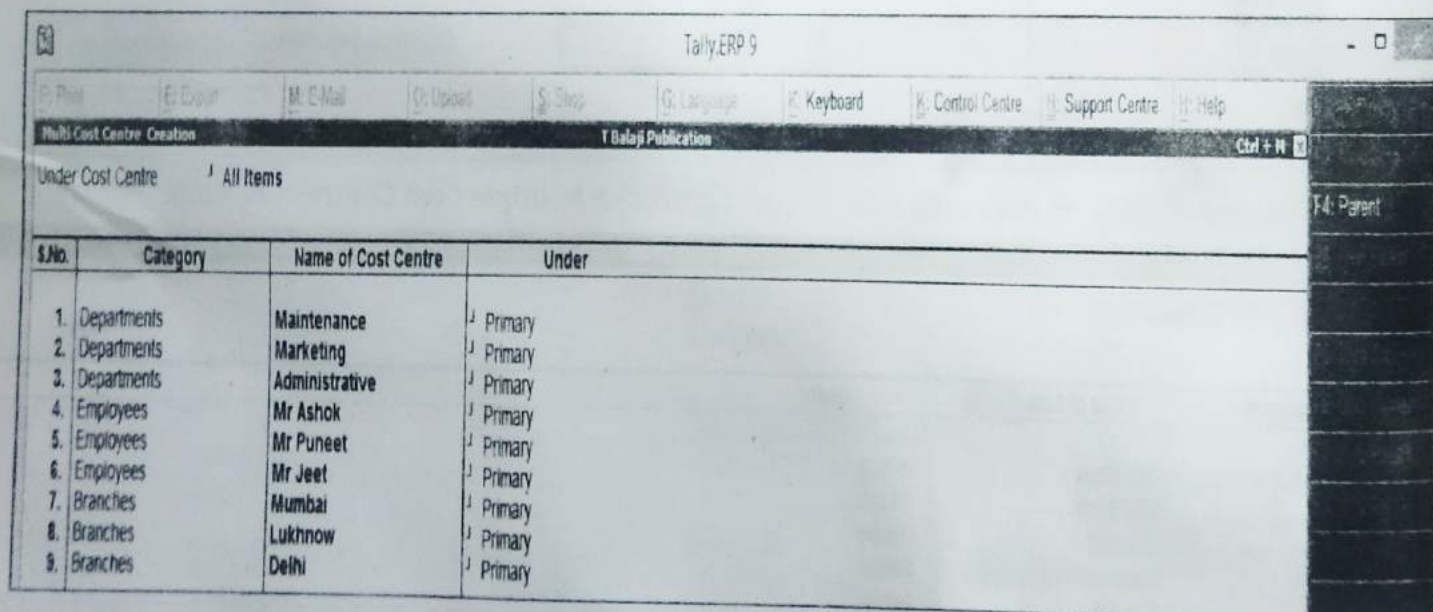
Creation of Cost Categories Departments, Employees and Branches is shown in figure.



The screenshot shows the 'Multi Cost Category Creation' window in Tally ERP 9. The window title is 'Tally.ERP 9'. The menu bar includes 'P: Print', 'E: Export', 'M: E-Mail', 'O: Upload', 'S: Shop', 'G: Language', 'K: Keyboard', 'K: Control Centre', 'H: Support Centre', and 'H: Help'. The window contains a table with the following data:

| S.No. | Name of Category | Allocations for |                   |
|-------|------------------|-----------------|-------------------|
|       |                  | Revenue Items   | Non-Revenue Items |
| 1.    | Employees        | Yes             | No                |
| 2.    | Branches         | Yes             | No                |
| 3.    | Departments      | Yes             | No                |

- 1) Creation of Cost Centres as mentioned in the example above and appropriate allocation of Cost Categories is shown in Figure



The screenshot shows the 'Multi Cost Centre Creation' window in Tally ERP 9. The window title is 'Tally.ERP 9'. The menu bar includes 'P: Print', 'E: Export', 'M: E-Mail', 'O: Upload', 'S: Shop', 'G: Language', 'K: Keyboard', 'K: Control Centre', 'H: Support Centre', and 'H: Help'. The window contains a table with the following data:

| S.No. | Category    | Name of Cost Centre | Under   |
|-------|-------------|---------------------|---------|
| 1.    | Departments | Maintenance         | Primary |
| 2.    | Departments | Marketing           | Primary |
| 3.    | Departments | Administrative      | Primary |
| 4.    | Employees   | Mr Ashok            | Primary |
| 5.    | Employees   | Mr Puneet           | Primary |
| 6.    | Employees   | Mr Jeet             | Primary |
| 7.    | Branches    | Mumbai              | Primary |
| 8.    | Branches    | Lukhnow             | Primary |
| 9.    | Branches    | Delhi               | Primary |

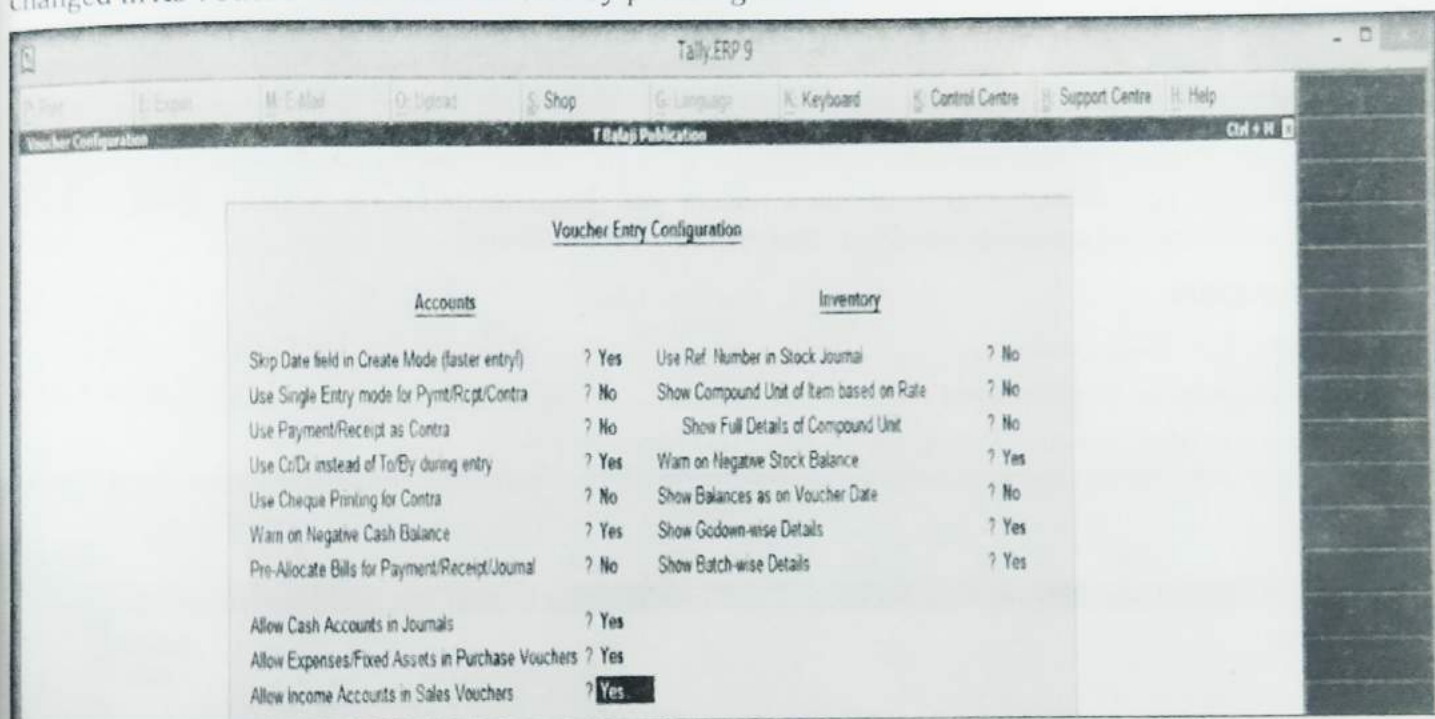
Suppose Mr Jeet incurs conveyance expenses of Rs. 2,000/- for maintenance of a product in Mumbai. This expenditure can be allocated to Marketing Cost Centre under Departments or his own Cost Centre (Mr Jeet) under Employees or to Cost Centre Mumbai under Branches.

## 5.9 Purchase of Assets (Non Trading Item)

In this mode we pass the Entry for purchase non trading items such as fixed asset. Suppose company (T Balaji Publication) has purchased a Delivery Van of Rs. 3,50,000 from Priya Agency Ltd on 2<sup>nd</sup> April, 2014.

It is a credit purchase and no cash or bank ledger is involved. So we can pass it through journal mode. Purchase mode can also be used in this type of entries. Tally recommends only trading purchase should be passed through purchase mode. That is why this mode is configured such a way that it can accept trading goods (Inventories). So to pass this entry you have to change the configuration from Gateway of Tally → Configuration (F12) → Voucher Entry → Allow Expense/Fixed Assets in Purchase Vouchers. Set this option yes to allow purchase vouchers to accept expenses/assets heads.

As purchase, tally also uses sales mode for selling trading goods. But it can also be configured such a way that the mode can be used in income accounts. Set the option Allow Income Accounts in Sales Vouchers to Yes from Gateway of Tally → Configuration (F12) → Voucher Entry. Sales mode is to be changed in As Voucher from Item Invoice by pressing Ctrl+V.



Now go to journal mode from Gateway of Tally → Accounting Voucher → F9 to raise Purchase voucher. Now pass the entry.

### Entry

Delivery Van A/c.....Dr. 3,50,000  
To Priya Agency Ltd.....Cr 3,50,000

The two ledgers involved in this entry is new and will not come in existing ledger list. So create the ledgers by pressing Alt+C(Online Creation) with the following configuration:

| Ledger Name      | Configurations                                                                                      |
|------------------|-----------------------------------------------------------------------------------------------------|
| Priya Agency Ltd | Under: Sundry Creditors<br>Maintain balances bill by bill :Yes<br>Inventory values are affected: No |
| Delivery Van     | Under Fixed Assets                                                                                  |



T BALAJI

Tally.ERP 9

Accounting Voucher Creation

Purchase No 1

Supplier Invoice No 89566 Date 2-Apr-2014

Particulars

|                                               | Debit       | Credit      |
|-----------------------------------------------|-------------|-------------|
| Cr Priya Agency Ltd<br>Cur Bal 3,50,000.00 Cr |             | 3,50,000.00 |
| New Ref 89566 3,50,000.00 Cr                  |             |             |
| Dr Delivery Van<br>Cur Bal 3,50,000.00 Dr     | 3,50,000.00 |             |

Ctrl + N F1: Inventory Buil  
F2: Date  
F3: Company  
F4: Contra  
F5: Payment  
F6: Receipt  
F7: Journal

After making all those configurations as mentioned above, purchase voucher screen should look like as shown above. Pass this entry and save the voucher.

### 5.10 Sale of Assets(Non Trading Item)

Now you are ready to pass the entry.

On 02-10-2014 Delivery Van has been sold for Rs. 3,25,500 to Kanha Motors. Depreciation has been charged @ 10% p.a. Before selling of fixed assets you have to calculate written down value of Delivery Van, it helps to calculate profit or loss on sale of fixed assets.

#### Depreciation Entry:

Depreciation A/c .....Dr 17,500

To Provision for Depreciation A/c.....17,500

(Being Half year depreciation amount (3, 50,000\*10/100\*6/12))

Tally.ERP 9

Accounting Voucher Creation

Journal No 1

2-Apr-2014 Wednesday

Particulars

|                                                           | Debit     | Credit    |
|-----------------------------------------------------------|-----------|-----------|
| Dr Depreciation A/c<br>Cur Bal 17,500.00 Dr               | 17,500.00 |           |
| Cr Provision for Depreciation A/c<br>Cur Bal 17,500.00 Cr |           | 17,500.00 |

Ctrl + N F1: Inventory Buil  
F2: Date  
F3: Company  
F4: Contra  
F5: Payment  
F6: Receipt

#### Sale Entry:

Kanha Motors A/c.....Dr 3,25,500

Provision for Depreciation A/c.....Dr 17,500

Loss on Sale of Assets A/c.....Dr 7,000

To Delivery Van A/c.....3,50,000

(Being delivery Van sold after transferring depreciation and loss).

Tally.ERP 9

Accounting Voucher Creation

Journal No. 2

2-Apr-2014  
Wednesday

| Particulars                                           | Debit       | Credit      |
|-------------------------------------------------------|-------------|-------------|
| Dr Kanha Motors<br>Cur Bal: 3,25,500.00 Dr            | 3,25,500.00 |             |
| New Ref: 2 3,25,500.00 Dr                             |             |             |
| Dr Provision for Depreciation A/c<br>Cur Bal: 0.00 Dr | 17,500.00   |             |
| Dr Loss on Sale of Assets<br>Cur Bal: 7,000.00 Dr     | 7,000.00    |             |
| Cr Delivery Van<br>Cur Bal: 0.00 Cr                   |             | 3,50,000.00 |

Ctrl + F1: Inventory Buttons  
F2: Date  
F3: Company  
F4: Contra  
F5: Payment  
F6: Receipt  
F7: Sales  
F8: Credit Note  
F9: Purchase

Check report after passing these previous transactions.

Report1: Profit & Loss Account -

Path: Gateway of Tally → Profit & Loss Account

Tally.ERP 9

Profit & Loss A/c

T Balaji Publication

| T Balaji Publication<br>1-Apr-2014 to 2-Oct-2014 |             | T Balaji Publication<br>1-Apr-2014 to 2-Oct-2014 |            |
|--------------------------------------------------|-------------|--------------------------------------------------|------------|
| Particulars                                      |             | Particulars                                      |            |
| Purchase Accounts                                | 58,000.00   | Sales Accounts                                   | 9,500.00   |
| Purchase A/c                                     | 60,000.00   | Sales A/c                                        | 10,000.00  |
| Purchase Return A/c                              | (12,000.00) | Sales Return                                     | (1,500.00) |
|                                                  |             | Gross Loss c/o                                   | 48,500.00  |
|                                                  | 58,000.00   |                                                  | 58,000.00  |
| Gross Loss b/f                                   | 48,500.00   | Nett Loss                                        | 96,000.00  |
| Indirect Expenses                                | 47,500.00   |                                                  |            |
| Advertisement A/c                                | 18,000.00   |                                                  |            |
| Depreciation A/c                                 | 17,500.00   |                                                  |            |
| Loss on Sale of Assets                           | 7,000.00    |                                                  |            |
| Office Cost                                      | (13,000.00) |                                                  |            |
| Stationary Expense A/c                           | 8,000.00    |                                                  |            |

Report2: Balance Sheet

Path: Gateway of Tally → Balance Sheet.

Tally.ERP 9

Balance Sheet

T Balaji Publication

| T Balaji Publication<br>as at 2-Oct-2014 |             | T Balaji Publication<br>as at 2-Oct-2014 |              |
|------------------------------------------|-------------|------------------------------------------|--------------|
| Liabilities                              |             | Assets                                   |              |
| Capital Account                          |             | Fixed Assets                             |              |
| Loans (Liability)                        |             | Delivery Van                             | 2,88,500.00  |
| Current Liabilities                      | 4,10,500.00 | Current Assets                           |              |
| Provisions                               |             | Sundry Debtors                           | 3,15,000.00  |
| Sundry Creditors                         | 4,10,500.00 | Cash-in-hand                             | (13,000.00)  |
|                                          |             | Bank Accounts                            | (127,500.00) |
|                                          |             | Profit & Loss A/c                        | 96,000.00    |
|                                          |             | Opening Balance                          |              |
|                                          |             | Current Period                           | 96,000.00    |
|                                          |             | Diff. in Opening Balances                | 26,000.00    |



## 5.11 Assignment 1

1. Create a company as name "PKS Pvt Ltd" for the financial year 2014-15 with following opening balance.

| Liabilities   | Amount (In Rs.) | Assets       | Amount(Rs.) |
|---------------|-----------------|--------------|-------------|
| Capital       | 4,50,000        | Delivery Van | 2,50,000    |
| Loan from SBI | 1,00,000        | HDFC Bank    | 2,45,000    |
| Profit & Loss | 50,000          | Cash in hand | 1,05,000    |
|               | 6,00,000        |              | 6,00,000    |

2. Company issued a cheque (Ch. No.56265) of Rs. 45,000 to buy Computer on 1-4-2014.

3. Company received a cheque (ch. No.12424) of Rs. 50,000 of HDFC Bank on 02-04-2014 by a sales consideration of old Delivery Van worth Rs. 55,000.

4. Company paid commission to salesman of Rs. 12,000 to Ashish Shukla, Rs. 8500 to Manish Shukla, Rs. 4500 Priya Mishra by cash on 1-04-2014.

5. Company has decided to allocate Conveyance expenses based on a fixed percentage within different departments. The distribution is as Accounts@30%, Finance@15%, Sales@30%, MKT@25%.

6. On 02-04-2014 company has incurred Rs. 6000 by cash to pay Conveyance Expenses.

7. Company issued a cheque (Ch. No.8956) of Rs. 25,000 to withdrawn cash on 02-04-2014.

### 5.11.1 Assignment 2

Pass the following entries with Cost category/ Cost Center in MKS Pvt Ltd. Cost Category: - Branch, Telephone, and Employee.

**Cost Center:-** Kolkata, Delhi, Mumbai, & Chennai (Under Branch), 2231-8541 & 2251-7423 (Under Telephone), Mr. Chopra & Mr. Dey (under Employee).

- Salary paid Rs. 5000/- in cash for Mr. Chopra of Kolkata branch dated as on 01/07/2014.
- Paid Telephone bill Rs. 6500/- (Rs. 4500 for 2231-8541 & Rs. 2000 For 2251-7423 (Under Telephone), through a cheque of SBI (Chq no. 500127) as on 02/07/2014.
- Paid Rs. 550 in Cash to Mr. dey as incentive date as on 02/07/2014.
- Advertisement expenses worth Rs. 20,000/- paid through a cheque of SBI (Chq No.500128) as on 02/07/2012. You have to pre-allocate the amount 28% for Kolkata, 32% for Delhi, 40% For Chennai Branch. (Using the feature from F11 (Accounting features) :- pre define cost Center allocation during entry.

e. Display Following Reports

- Display Balance Sheet
- Display Day Book
- Display Ledger- Wise Report
- Display Group-Wise Report
- Display Cost Center Wise Report
- Display Cost Category Wise Report.

**ANSWER: Category Summary: - Branch = 25000; Telephone = 6500 Employee = 5550**

## Creating a Company

**Creating a Company** involves providing basic information about the company whose books of accounts are to be maintained in Tally.ERP 9.

Go to **Gateway of Tally > (Alt+F3) Company Info. > Create Company**

The Company Creation screen appears as shown:

**Company Creation** Ctrl + M

**Directory** : C:\Tally.ERP 9\Data  
**N a m e** : ABC Company

**Company Details**  
Currency Symbol : ₹  
Maintain : Accounts with Inventory  
Financial Year from : 1-4-2012  
Books beginning from : 1-4-2012

**Mailing & Contact Details**  
Mailing Name : ABC Company  
Address : 9/1, Mahalaxmi Chambers  
M G Road  
Bangalore

**Security Control**  
TallyVault Password (if any) : [redacted]  
Repeat Password : [redacted]  
(Password Strength is Strong)  
(WARNING: forgetting your TallyVault password will render your data unusable!!)  
Use Security Control : ? No  
(Enable Security to avail Tally.NET Features)

**Auto Backup Details**  
Enable Auto Backup : No

**Base Currency Information**  
Base Currency Symbol : ₹  
Formal Name : INR  
Number of Decimal Places : 2  
Is Symbol SUFFIXED to Amounts ? : No  
Symbol for Decimal Portion : paise

Show Amounts in Millions : ? No  
Put a SPACE between Amount and Symbol : ? Yes  
Decimal Places for Printing Amounts in V : ? No

**Accept ?**  
Yes or No

A detailed explanation on each field is given:

### Directory

The data path where you want the company to be created is specified in the **Directory** field.

This field is skipped by default when you create the company in the data path given in the **Tally.INI** file. If you want to change it, use the **Backspace** key and modify it to the path required.

This is referred to as the Tally Anywhere concept – which is the ability to create/load companies in separate directories. The Directory field is displayed while selecting Select, Create, Backup, Restore and Rewrite options for a company. By default, the cursor will skip the field, presuming that you wish to use the default data directory for your work. You may press **Backspace** to give a new path and work from there.

For example, the default Tally.ERP 9 data directory could be **C:\TALLY.ERP\DATA**. You may now wish to create a new company on C:\TALLY.ERP\PERSONAL, and some other companies on C:\TALLY.ERP\BRANCHES. The next time, the default directory displays C:\TALLY.ERP\DATA, and if you wish to work on the data of your branches, press Backspace and enter C:\TALLY.ERP\BRANCHES for the directory name. This displays the companies whose data is stored in that location in the List of Companies. You can even give the path of a network server or any other storage device.

If your business uses **Tally.Server 9** to maintain data,

- Click on **S: Server List** or press **Alt+S**

**Note:** If the administrator has enabled Security Access, users need to provide the authorised Tally.NET credentials in order to access the Server List.

- The **List of Tally.Servers** is displayed. Select the required location

| Location | License Mode | Server   |
|----------|--------------|----------|
| Data     | (Licensed)   | Server 1 |

- Press **Enter** to continue with Company Creation

### Name

Enter the name of the company whose books are being opened. If you are a professional accountant and are maintaining the books of your clients, give the Client Company's name.



## Mailing Name and Address

In addition to the Company Name, Tally.ERP 9 provides the facility to enter the Mailing Name field. It displays the Company Name by default. You may change it as required, if the mailing name is different from the Company Name. The mailing name and address details are picked up for inclusion in any report that needs the company name and address as heading. For example: Balance Sheets, Statement of Accounts, and so on.

| <b><u>Mailing &amp; Contact Details</u></b> |                                                      |
|---------------------------------------------|------------------------------------------------------|
| Mailing Name                                | : <b>ABC Company</b>                                 |
| Address                                     | : 9/1, Mahalaxmi Chambers<br>M.G. Road,<br>Bangalore |

Tally.ERP's reports print the mailing name and address as given:

|                         |
|-------------------------|
| <b>ABC Company</b>      |
| 9/1, Mahalaxmi Chambers |
| M.G Road,               |
| <u>Bangalore</u>        |

Tally.ERP 9 does NOT restrict the number of lines for the address details. Tally.ERP 9 accommodates all the entered information and vertically compresses the same.

**Note:** In the space provided for the Address details, observe the vertical compression as compared to the Mailing Name field where there is horizontal compression.

You can specify any length for the mailing name and you are permitted to give any number of lines for the address. The information is completely visible.

Tally.ERP 9 handles compressed information correctly while printing. It adjusts the reports accordingly.

## Statutory compliance for

Select the Country from the List of Countries. The Statutory Features and Base Currency Symbol are enabled in accordance with the country selected. For example, if the accounts belong to a company in India, the base currency would be Indian Rupees. The Base Currency will appear with respect to the Country selected.

Selecting **India** from the List of Countries brings up a State, Pin Code and Telephone No. field.

### State

You can select the appropriate state from the predefined list.

### **PIN Code**

Specify the PIN Code (Postal Index Number) of the specified address.

### **Telephone**

Enter the Telephone number.

### **Mobile No**

Enter the mobile number of the company.

### **E-mail Address**

Enter the E-mail address that will be used to e-mail documents, reports and data from Tally.ERP 9.

### **Enable Auto Backup**

Set this to **Yes**, if you want to enable the automatic backup of Tally.ERP 9 data (per company). Else, set this to **No**. The data backup is stored in the data folder of the respective company. The auto backup data can be restored by pressing **Ctrl+Alt+K** from **Company Info** menu or **Gateway of Tally**.

**Note:** Ensure that all the systems in a network have the same **date** and **time** settings.

### **Currency**

Currency symbol is the symbol of the base currency, that is, the currency that will be used to maintain the books of account.

The symbol ` appears by default in case India for India/SAARC Companies and the field is left blank for International Companies.

**Note:** The **currency symbol** changes based on the country selected from the list for **Statutory compliance for** field.

Click [here](#) to read about **Indian Rupee Symbol Conversion**.

### **Maintain**

Tally.ERP 9 displays a drop down for the Type of Company with two options **Accounts only** and **Accounts with Inventory**

Select **Accounts only** if you do not have any inventory transactions (suitable for professionals and corporate offices).

However, at a later date (if required) you can choose to alter the information as **Accounts-with-Inventory**. Select **Accounts-with-Inventory**, to maintain both financial accounts and inventory.

## **Financial Year From**

In most countries, the books of accounts of a company are maintained for a stipulated period like, 12 months, 15 months, and so on. This stipulated period is referred to as the Financial Year.

The stipulated period of the financial year is 12 months in most countries. Tally.ERP 9 automatically considers 12 months from the date you give here as the Financial Year.

For example, if you enter April 1, 2008 as the date, the Financial Year will be from April to March ending with March 31, 2009. If you enter October 1, 2008 as the Financial Year From then the financial year will be from October 2008 to September 2008 ending with 30th of September every year.

Tally.ERP 9 allows you to maintain data for multiple years by changing the period (**Alt+F2**) at the Gateway of Tally. In addition, you can also specify the date of actual establishment of the company (date of incorporation)

## **Books Beginning From**

Tally.ERP 9 presumes that you wish to maintain books from the beginning of the financial year. Hence, Tally.ERP 9 displays the date given in Financial Year From field automatically.

The date for Books beginning from can be changed, in case of companies, which are incorporated in the middle of the year. If your company is new, you can opt to start the books of accounts from the date of actual establishment of the company (date of incorporation) but close books according to the Financial Year as specified by you. Tally.ERP 9 provides the required flexibility in such a case by allowing you to give the date when the books of accounts actually began. Tally.ERP 9 will open books from this date and close as on the last day of the Financial Year.

For example, if your company is established on August 19, 2008, the opening balances for all the accounts can be given as on August 19, 2008 even though the Financial Year given is April 1, 2008 (April to March financial year). The company's books will begin on August 19, 2008 and close on March 31, 2009, which ensures smooth transition to the next year.

This concept can be applied even when you are migrating to Tally.ERP 9 from any other system or from a manual accounting system on any day during the Financial Year. Close books in that other system on the previous day and start books on Tally.ERP 9 from this day. You are allowed to give opening balances of all Ledger accounts including Revenue accounts.

## **TallyVault Password**

TallyVault is an enhanced security system, which allows for encryption of the company data. Encryption involves converting normally accessible Tally information into unrecognisable information, which can only be reconverted by authorised persons.

Give a password here and repeat the same in the Repeat field. This basically results in the creation of an encrypted company whose information is not accessible to users other than the password holder.

## **Password Strength**

**Password Strength** indicator is available in Tally.ERP 9 from Release 4.5 onwards. Now, strength is displayed while creating / altering passwords under Security Control, Tally Vault, and Control

Centre. Also when Password Policy is enabled, Password Strength is indicated in the Change Password screen that appears for first time login.

Let us understand the logic used by Tally.ERP 9 to ascertain a password's strength. This logic consists of two sets of conditions to be applied.

### A. Password Score

### B. Password Length and Username match

#### **Use Security Control?**

Set this to **Yes**, if you want to initiate a password-protected system to control access to Tally.ERP 9 data. Else, set this to **No**.

If you opt for security control, Tally.ERP 9 offers a comprehensive password based access control to different features of Tally.ERP 9 based on authority lists created by the Administrator. For more information refer Data Management in Tally.ERP 9.

| <u>Security Control</u>                                     |         |
|-------------------------------------------------------------|---------|
| Use Security Control                                        | ? Yes   |
| <i>(Enable Security to avail Tally.NET Features)</i>        |         |
| Name of Administrator                                       | : Ajay  |
| Password                                                    | : ***** |
| Repeat Password                                             | : ***** |
| <div><div></div></div> <i>(Password Strength is Strong)</i> |         |
| Use Tally Audit Features                                    | ? Yes   |
| Disallow opening in Educational mode                        | ? Yes   |

Name of Administrator, Password, Repeat

Assuming the Tally Vault Password and Use Security Control is set to **Yes** enter the **Name of Administrator**, **Password** and **Repeat** in the respective fields.

#### **Use Tally Audit Features**

Tally Audit allows the administrator or an auditor profile user to track changes in accounting information. If you wish to use this facility, select Yes. Tally Audit will be available only to the administrator/auditor, through Display of Statements of Accounts. For more information refer Data Management in Tally.ERP 9.

#### **Disallow opening in Educational mode ?**

Set this option to **Yes**, if you don't want the company to be opened in **Educational mode** of Tally.ERP 9. Else, set this to **No**.

On accepting the company creation screen, if you have specified **Tally Vault** password, Tally.ERP 9 prompts you to enter the Tally Vault password as appears:

**Tally Vault** Ctrl + M

|           |                 |  |  |
|-----------|-----------------|--|--|
| Directory | : C:\Tally\Data |  |  |
| Name      | : ABC Company   |  |  |

|                                      |                                                      |                        |                           |
|--------------------------------------|------------------------------------------------------|------------------------|---------------------------|
| <u>Mailing &amp; Contact Details</u> |                                                      | <u>Company Details</u> |                           |
| Mailing Name                         | : ABC Company                                        | Currency Symbol        | : Rs.                     |
| Address                              | : 9/1, Mahalaxmi Chambers<br>M.G. Road,<br>Bangalore | Maintain               | : Accounts with Inventory |
|                                      |                                                      | Financial Year from    | : 1-4-2008                |
|                                      |                                                      | Books beginning from   | : 1-4-2008                |

|                          |                   |                                           |         |
|--------------------------|-------------------|-------------------------------------------|---------|
| <u>Security Control</u>  |                   |                                           |         |
| Statutory compliance for | : India           | Disallow opening in Educational mode ?    | Yes     |
| State                    | : Karnataka       | TallyVault Password (if any)              | ****    |
| PIN Code                 | : 560001          |                                           | ****    |
| Telephone No.            | : +91-888-2229905 | password will render your data unusable!) |         |
| E-Mail                   | : sales@abc.com   |                                           | Yes     |
|                          |                   | Name of Administrator                     | : Admin |
|                          |                   | Password                                  | : ****  |
|                          |                   | Repeat Password                           | : ****  |
|                          |                   | Use Tally Audit Features                  | ? Yes   |

|                                  |                 |                                              |       |
|----------------------------------|-----------------|----------------------------------------------|-------|
| <u>Base Currency Information</u> |                 |                                              |       |
| Base Currency Symbol             | : Rs.           | Show Amounts in Millions                     | ? No  |
| Formal Name                      | : Indian Rupees | Put a SPACE between Amount and Symbol        | ? Yes |
| Number of Decimal Places         | : 2             | Decimal Places for Printing Amounts in Words | : 2   |
| Is Symbol SUFFIXED to Amounts ?  | No              |                                              |       |
| Symbol for Decimal Portion       | : paise         |                                              |       |

Then Tally.ERP 9 prompts you to enter the **Name of User** and **Password** (if any).

**Company Login** Ctrl + M

|                       |                 |  |  |
|-----------------------|-----------------|--|--|
| <u>Select Company</u> |                 |  |  |
| Directory             | : C:\Tally\Data |  |  |
| Name                  | : ABC Company   |  |  |

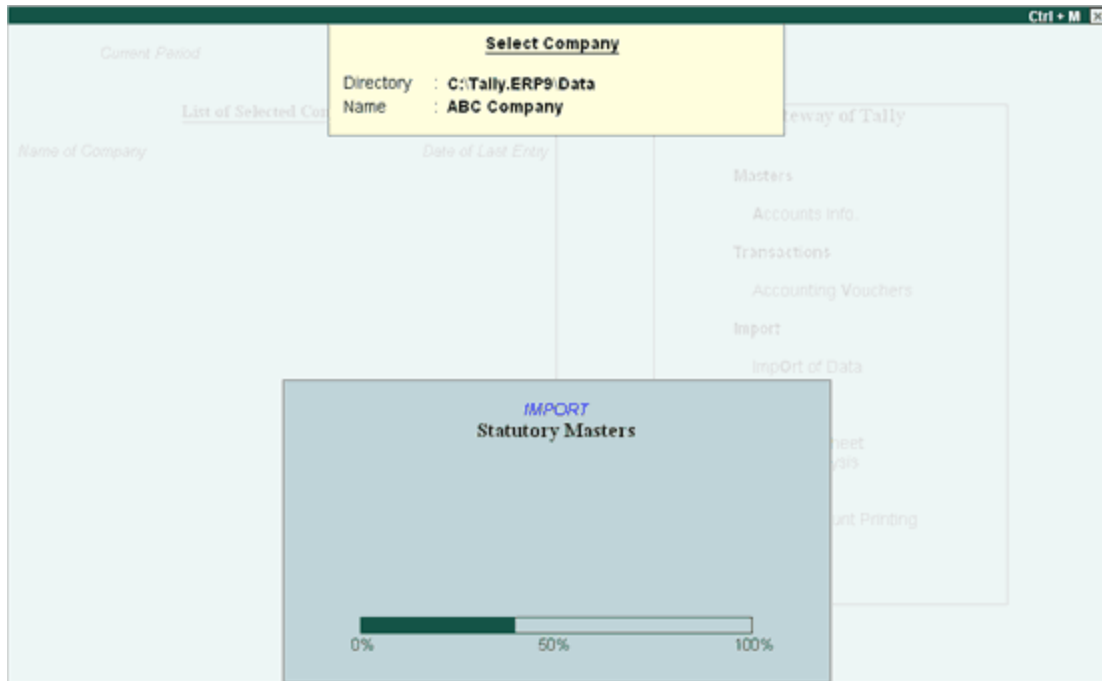
|                                   |                           |  |  |
|-----------------------------------|---------------------------|--|--|
| <u>List of Selected Companies</u> | <u>Date of Last Entry</u> |  |  |
| Name of Company                   |                           |  |  |

|                      |  |  |  |
|----------------------|--|--|--|
| <u>Company Info.</u> |  |  |  |
| Select Company       |  |  |  |
| as Remote User       |  |  |  |
| Company              |  |  |  |
| up                   |  |  |  |
| re                   |  |  |  |
| Quit                 |  |  |  |

|                              |         |
|------------------------------|---------|
| <b>Company : ABC Company</b> |         |
| Name of User                 | : Admin |
| Password (if any)            | : ****  |

After verification Tally.ERP 9 imports the latest statutory masters. Wait till the screen shows that 100% of import is complete.





This completes the Company Creation process in Tally.ERP 9.

An explanation on the fields on the bottom of the Company creation screen follows:

### Base Currency Information

The **Base Currency** Information is found in the bottom frame of the Company creation Screen. Base Currency is the currency in which your accounts would be maintained. Financial statements are prepared in the base currency by default and these are normally required to be submitted to local statutory authorities. The Base Currency information in Tally.ERP 9 varies with the country selected for Statutory Compliance.

You can record transactions and raise invoices in foreign currency; and also maintain bank accounts or ledgers in foreign exchange, when required.

| Base Currency Information       |         |                                              |       |
|---------------------------------|---------|----------------------------------------------|-------|
| Base Currency Symbol            | : ₹     | Show Amounts in Millions                     | ? No  |
| Formal Name                     | : INR   | Put a SPACE between Amount and Symbol        | ? Yes |
| Number of Decimal Places        | : 2     | Decimal Places for Printing Amounts in Words | : 2   |
| Is Symbol SUFFIXED to Amounts ? | No      |                                              |       |
| Symbol for Decimal Portion      | : paise |                                              |       |

### Base Currency Symbol

The **currency symbol** given earlier in the Company Creation screen is displayed here automatically.

Tally.ERP 9 uses this **currency symbol** in reports, wherever necessary.

Click [here](#) to read about **Indian Rupee Symbol Conversion**.

### Formal Name

**Formal Name** is the full name of the **currency** specified.

The Formal Name for the base currency is set to **Indian Rupees for Indian Companies**.

### Number of decimal places

The number of **decimal places** for the base currency is set to **2**, by default. However, you have the option of specifying up to 4 decimal places. Indian currency has 2 decimal places whereas certain other countries require 3 decimal places and so on.

### Is Symbol Suffixed to Amounts

For countries, which specify the **symbol after the amount** (value) – this facility is provided. For example, **Yen** is specified after the amount (5000 Yen) unlike in India where the symbol is specified before the amount (Rs.5000)

### Symbol for Decimal Portion

Enter the **symbol for decimal portion**.

### Show Amounts in Millions

This is useful for companies, which require reporting the financial statements in millions. This is possible only if **Allow Multi-Currency** is enabled in **F11: Accounting Features**.

### Put a space between Amounts and Symbol

This facility is provided to users who require a **space** between the amount and the symbol. However, putting a space between the amount and symbol could give an opportunity for misuse incase of cheque printing. Hence, the flexibility to turn this option on and off as required is provided.

### Decimal Places for Printing Amounts in Words

You can specify the **number** of decimal places for **printing the amount in words**. This number should be equal to or lesser than the number specified in Number of Decimal places field in company creation or currency master screen which will appear in Invoice and Cheque printing screen.

For example, if the currency is expressed upto 3 decimal places, the numeric to be printed in words can be restricted to 2 decimal places.

**Note:** The **Name of the Company**, cannot be translated or transliterated but will appear in the

## Loading a Company

---

In order to load a company using the **Select Company** option, disable the default loading of a company in Tally.ini file. Set **Default Companies** to **No** OR place a semi-colon before Load = 00001 (company number - placing a semicolon means that the words following it in that line would not be executed. Each line is a separate command).

On **double-clicking** the **Tally icon**, the screen is displayed as shown:



You can use the **Select Company** option in two ways, from the **Company Info.** Menu OR by using the button **F1: Select Cmp** (available on the Gateway of Tally screen).

## Select Company

---

**Select Company** option allows you to load another company from the list of companies listed which you may have created earlier.

Press **Enter** on **Select Company** or use the button **F1: Select Cmp**. Tally.ERP 9 displays the following screen:

| Select Company     |                |                                  |
|--------------------|----------------|----------------------------------|
| Directory          | :              | C:\Tally.ERP9\Data               |
| Name               | :              |                                  |
| List of Companies  |                |                                  |
| <b>ABC Company</b> | <b>(10002)</b> | <b>1-Apr-2007 to 31-Mar-2009</b> |
| ABC Company        | (10003)        | 1-Apr-2008 to 31-Mar-2009        |
| ABC Company        | (10005)        | 1-Apr-2006 to 31-Mar-2007        |
| ABC Company        | (10006)        | 1-Apr-2005 to 31-Mar-2006        |

If your business uses **Tally.Server 9** to maintain data,

Click on **S: Server List** or press **Alt+S**

| Select Company             |                |   |
|----------------------------|----------------|---|
| Current Period             | Select Company |   |
|                            | Path           | : |
|                            | Name           | : |
| List of Selected Companies |                |   |
| Name of Company            |                |   |
|                            | Company Info.  |   |

**Note:** If the administrator has enabled Security Access, users need to provide the authorised Tally.NET credentials in order to access the Server List.

The **List of Tally.Servers** is displayed. Select the required location

| Select Company             |                       |                     |
|----------------------------|-----------------------|---------------------|
| Current Period             | Select Company        |                     |
|                            | Path                  | :                   |
|                            |                       |                     |
| List of Selected Companies | List of Tally.Servers |                     |
| Name of Company            | Location              | Server              |
|                            | Data:                 | (Licensed) Server 1 |
|                            |                       |                     |

The Companies available on the selected Tally.Server will be displayed:

| List of Companies |         |                           |
|-------------------|---------|---------------------------|
| Abc               | (10002) | 1-Apr-2011 to 31-Mar-2012 |
| Alokmala Agency   | (10009) | 1-Apr-2011 to 31-Mar-2012 |
| Aman Motors       | (10007) | 1-Apr-2011 to 31-Mar-2012 |
| Indus Enterprises | (10001) | 1-Apr-2011 to 31-Mar-2012 |
| National Traders  | (10003) | 1-Apr-2011 to 31-Mar-2012 |
| NT New            | (10005) | 1-Apr-2011 to 31-Mar-2012 |
| Oriental Traders  | (10010) | 1-Apr-2011 to 31-Mar-2012 |
| United Traders    | (10008) | 1-Apr-2011 to 31-Mar-2012 |
| Universal Traders | (10006) | 1-Apr-2011 to 31-Mar-2012 |

Tally.ERP 9 displays

1. **Company Name** (All the companies created are displayed in an alphabetical order)
2. **System-generated code** for each company displayed
3. The **Financial Year** information relating to the number of years data present in the company

**Note:** The system-generated code for each company is displayed to assist you in identifying which company you wish to work on in case you have multiple companies with the same name (as displayed in the above screen).

Select the required company from the list given to go to the **Gateway of Tally** for that company.

In case two or more companies are loaded , click on the company which you need to work on so that the selected company will be highlighted and will appear on top of the list.

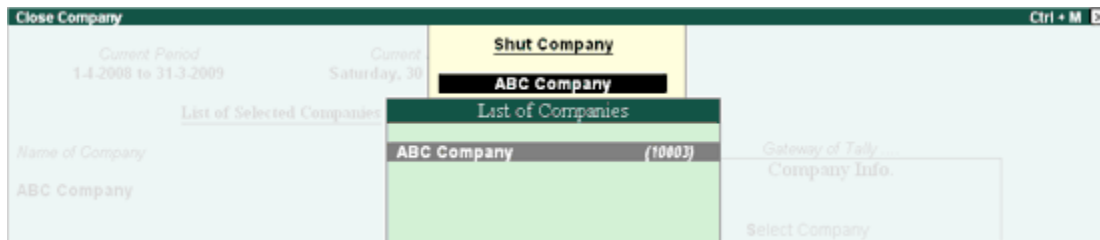


## Shut a Company

**Shut a Company** is to unload it. It does not mean that you have deleted it. Simply select it again to load and work on it again.

You can shut a company in two ways – either using the button **F1: Shut Cmp (Alt + F1)** or pressing Enter on **Shut Company** menu option on the **Company Info. Menu**.

The screen appears as shown below:



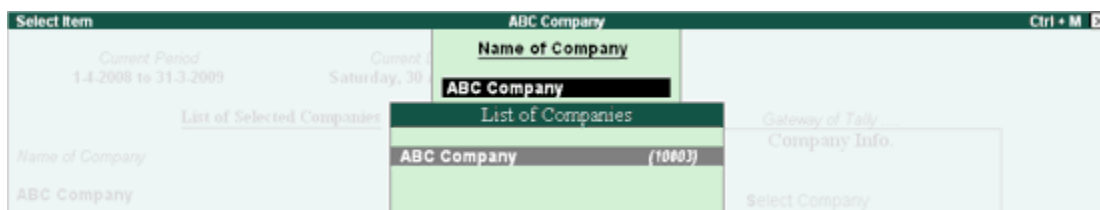
Select the company to be **shut** from the **List of Primary Companies**.

## Alter a Company

This option allows you to alter information about the existing company, you can **modify** any information at any time that is set while creating a company.

Go to **Gateway of Tally**

1. Select **F3: Cmp Info. (ALT+F3)** from the button bar
2. Select **Alter** and press **Enter** and the screen appears as shown below:



3. Select the company from the List of Companies and press Enter to view the Company Alteration screen.
4. Make the necessary changes in the required fields and accept the screen.

To change the password if **Use Security Control** is set to **Yes**:

1. Enter the **Name of Administrator**.
2. Enter the new password.
3. Re-enter the password in the Repeat field to confirm.
4. Enter the Old Password and **Accept** the screen to alter the company.

| Security Control                              |         |
|-----------------------------------------------|---------|
| Use Security Control                          | ? Yes   |
| (Enable Security to avail Tally.NET Features) |         |
| Name of Administrator                         | : Ajay  |
| Password                                      | : ***** |
| Repeat Password                               | : ***** |
| Old Password                                  | : ***** |
| (Password Strength is Strong)                 |         |

**Note:** To understand the conditions that determine a Password's strength, click [Password Strength Indicator](#).

## Delete a Company

This option allows you to delete an existing company.

To **delete** a company, you have to load the company first.

1. Select **F3: Cmp Info. (ALT+F3)** from the **Gateway of Tally** to proceed to the Company Information menu.
2. Select **Alter** and press Enter.
3. Select the company to be deleted. The **Company Alteration** screen is displayed.
4. Use **Alt + D** to delete. Tally.ERP 9 will prompt for a confirmation on deleting the company.

| Company Alteration              |                                           |                                              |                           |
|---------------------------------|-------------------------------------------|----------------------------------------------|---------------------------|
| Name : ABC Company              |                                           |                                              |                           |
| Mailing & Contact Details       |                                           |                                              |                           |
| Mailing Name                    | : ABC Company                             | Currency Symbol                              | : Rs.                     |
| Address                         | : No. 225, 9th Cross, AMC Road, Bangalore | Maintain                                     | : Accounts with Inventory |
|                                 |                                           | Financial Year from                          | : 1-4-2009                |
|                                 |                                           | Books beginning from                         | : 1-4-2009                |
| Statutory compliance for        |                                           | Security Control                             |                           |
| State                           | : India                                   | ? Yes                                        |                           |
| PIN Code                        | : Karnataka                               | (Tally.NET Features)                         |                           |
| Telephone No.                   | : 560064                                  | or                                           | : a                       |
| Mobile No.                      | : 08025547552                             | :                                            | : *                       |
| E-Mail                          | : 9741432204                              | :                                            | : *                       |
|                                 | : sales@abc.com                           | ires                                         | : ? Yes                   |
|                                 |                                           | ational mode                                 | : ? No                    |
| Delete ?                        |                                           |                                              |                           |
| Yes or No                       |                                           |                                              |                           |
| Base Currency Information       |                                           |                                              |                           |
| Base Currency Symbol            | : Rs.                                     | Show Amounts in Millions                     | : ? No                    |
| Formal Name                     | : Indian Rupees                           | Put a SPACE between Amount and Symbol        | : ? Yes                   |
| Number of Decimal Places        | : 2                                       | Decimal Places for Printing Amounts in Words | : 2                       |
| Is Symbol SUFFixed to Amounts ? | : No                                      |                                              |                           |
| Symbol for Decimal Portion      | : paise                                   |                                              |                           |

5. Press **Enter** to delete the company.

**Note:** Deletion of a company is irreversible. The company is permanently deleted from the system.

## Pre-defined Groups in Tally.ERP 9

---

By default, Tally.ERP 9 provides a list of Groups called **pre-defined groups**. The user can create any number of Primary Groups and Sub Groups which are again grouped under a Primary Group/Sub Group.

There are **28 pre-defined Groups** in Tally.ERP 9, out of which **15 are Primary Groups** and **13 are Sub-Groups**.

| 15 Primary Groups      | 13 Sub Groups            |
|------------------------|--------------------------|
| Branch / Divisions     | Bank Accounts            |
| Capital Account        | Bank OD A/c              |
| Current Assets         | Cash-in-hand             |
| Current Liabilities    | Deposits (Asset)         |
| Direct Expenses        | Duties & Taxes           |
| Direct Incomes         | Loans & Advances (Asset) |
| Fixed Assets           | Provisions               |
| Indirect Expenses      | Reserves & Surplus       |
| Indirect Incomes       | Secured Loans            |
| Investments            | Stock-in-hand            |
| Loans (Liability)      | Sundry Creditors         |
| Misc. Expenses (ASSET) | Sundry Debtors           |
| Purchase Accounts      | Unsecured Loans          |
| Sales Accounts         |                          |
| Suspense A/c           |                          |

Out of the 15 Primary Groups, 9 Primary Groups appear in the Balance Sheet which are Capital in nature and 6 Primary Groups appear under Profit & Loss Account which are Revenue in nature.

13 Sub Groups are classified under the 15 Primary Groups and they appear in the Balance Sheet.

| Pre defined Sub Groups   | Under               |
|--------------------------|---------------------|
| Bank Accounts            | Current Assets      |
| Bank OD A/c              | Loans (Liability)   |
| Cash-in-hand             | Current Assets      |
| Deposits (Asset)         | Current Assets      |
| Duties & Taxes           | Current Liabilities |
| Loans & Advances (Asset) | Current Assets      |
| Provisions               | Current Liabilities |

|                    |                     |
|--------------------|---------------------|
| Reserves & Surplus | Capital Account     |
| Secured Loans      | Loans (Liability)   |
| Stock-in-hand      | Current Assets      |
| Sundry Creditors   | Current Liabilities |
| Sundry Debtors     | Current Assets      |
| Unsecured Loans    | Loans (Liability)   |

**Note:** The Primary Group cannot be deleted, however, it can be renamed which is not suggested.

## **Pre-defined Ledgers in Tally.ERP 9**

---

There are two **pre-defined ledgers** available in Tally.ERP 9, they are:

### **Cash**

This Ledger is created under the Group Cash-in-hand. You can enter the opening balance as on the date of books beginning from. You can also alter the name and even delete the Ledger.

### **Profit and Loss Account**

This Ledger is created under the Group Primary. Previous year's Profit or Loss is entered as the opening balance for this ledger. The balance entered here is treated as the opening profit/loss and shown in the Balance Sheet as opening balance of Profit and Loss account in the Liabilities side.

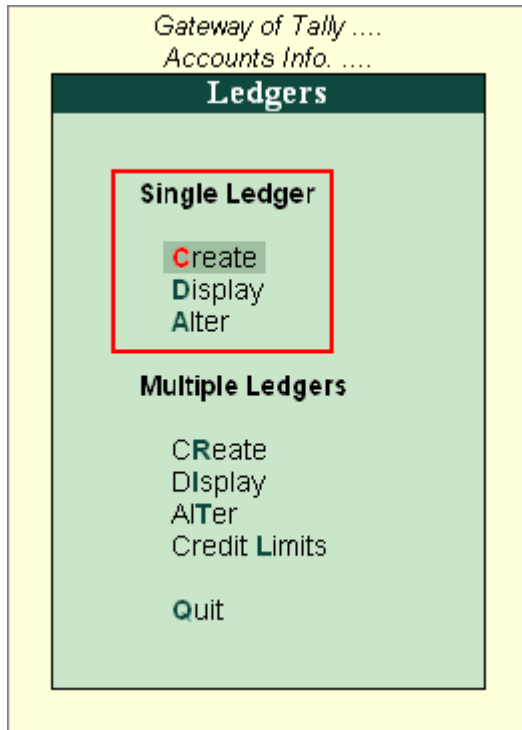
You cannot delete this ledger, but you can modify the same.

## Creating a Single Ledger

---

By default, Tally.ERP 9 contains two Ledger accounts namely, Cash (Under Cash-in- Hand) and Profit and Loss Account (direct Primary Account). You need to create all other accounts heads. There are no restrictions in Ledger creation except that you cannot create another Profit & Loss A/c. Any number of Cash Accounts may be created in any other name for ex: Petty Cash.

Go to **Gateway of Tally > Accounts Info > Ledgers > Create**



**Ledgers** can be created in Normal mode or in Advance mode.

## Creating Ledger in Normal Mode

---

The creation of a Ledger depends on the features you have selected under **F11: Features** of your company and **F12: Configure**. You can create a single ledger account with the default options enabled.

Go to **Gateway of Tally > Accounts Info > Ledgers > Single Ledger > Create**





## **Under**

All accounts must be classified **under** their appropriate **Groups**. Select the **Group** under which the Ledger is created from the List of Groups. (To create a new Group from this field press **[ALT + C]**). A wrong classification would affect the treatment of the Ledger account in final statements and during voucher entry.

You can, alter a Ledger account to change its group classification at any time. Refer [Importance of Grouping and Accounting Classifications](#): for more details in Grouping

## **Opening Balance**

If yours is an existing company whose books you are entering into Tally.ERP 9, Opening Balance would be applicable in circumstances where the Ledger is an asset or a liability and if it has a balance in the account as on the date of beginning of books in Tally.ERP 9.

Tally.ERP 9 recognizes normal accounting principles of debit balances for Assets and credit balances for Liabilities. It accepts the reverse for obverse balances. Revenue accounts normally do not have balances. Tally.ERP 9, however, permits you to give balances even for such accounts - You may be transferring your books on to Tally.ERP 9 in the middle of the year and may not have closed them in your earlier system. Hence, you may specify whether the balance is Debit or Credit. Simply **D** or **C** would suffice.



## Creating a Purchase Invoice

To create purchase invoice for purchase of taxable goods,

Go to **Gateway of Tally > Accounting Vouchers > F9: Purchases**

1. Select the **Party's A/c Name** from the List of Ledger Accounts.
2. Select the Purchase Ledger grouped under Purchase Accounts with VAT/Tax class - **Purchase From URDs - Taxable Goods (Composition)**.
3. The VAT/Tax class appears as **Purchase From URDs - Taxable Goods (Composition)**.
4. Select the stock items from the **List of Items**.
5. Enter the **Quantity** and **Rate**. The amount is automatically displayed in the Amount field.
6. Set the option - **Is e-Sugam Applicable** to **Yes/No** as per requirement.

| Accounting Voucher Creation                                      |                    | ABC Company |           | Ctrl + M    |
|------------------------------------------------------------------|--------------------|-------------|-----------|-------------|
| <b>Purchase</b>                                                  | No. 3              |             |           | 12-May-2012 |
| Supplier Invoice No. : P003                                      | Date : 12-May-2012 |             |           | Saturday    |
| Party's A/c Name : Excel Traders                                 |                    |             |           |             |
| Current Balance : 2,66,500.00 Cr                                 |                    |             |           |             |
| Purchase Ledger : Purchase From URDs                             |                    |             |           |             |
| VAT/Tax Class : Purchase From URDs - Taxable Goods (Composition) |                    |             |           |             |
| Name of Item                                                     | Quantity           | Rate per    | Amount    |             |
| Books                                                            | 50 Nos             | 250.00 Nos  | 12,500.00 |             |
| J End of List                                                    |                    |             |           |             |
| Is e-Sugam Applicable ? No                                       |                    |             |           |             |
| Show Statutory Details ? No                                      |                    |             |           |             |
| Narration:                                                       |                    |             |           |             |
| 50 Nos                                                           |                    |             |           | Accept ?    |
|                                                                  |                    |             |           | Yes or No   |

7. Accept the Purchase invoice.

## Creating a Sales Invoice

To create sales invoice for sale of taxable goods,

Go to **Gateway of Tally > Accounting Vouchers > F8: Sales**

1. Select the **Party's A/c Name** from the List of Ledger Accounts.
2. Select Sales Ledger grouped under Sales Accounts with VAT/Tax class - **Sales - Composition Tax @ 1%**.
3. The VAT/Tax class appears as **Sales - Composition Tax @ 1%**.
4. Select the stock items from the **List of Items**
5. Enter the **Quantity** and **Rate**. The amount is automatically displayed in the Amount field.
6. Set **Is e-Sugam Applicable** to **Yes/No** as per requirement.

Accounting Voucher Creation      ABC Company      Ctrl + M

**Sales**      No. 1      14 May 2012  
Monday

Ref. : S001

Party's A/c Name : Supreme Traders  
Current Balance :  
Sales Ledger : Sales Composition @ 1%  
VAT/Tax Class : Sales - Composition Tax @ 1%

| Name of Item | Quantity | Rate per      | Amount    |
|--------------|----------|---------------|-----------|
| Gold Coins   | 3 Nos    | 10,000.00 Nos | 30,000.00 |
| End of List  |          |               |           |

Is e-Sugam Applicable      ? No

Show Statutory Details      ? No  
Narration:      3 Nos

Accept ?  
Yes or No

7. Accept the Sales invoice.

## reating a Debit Note

To create a Debit Note for Purchase Returns,

Go to **Gateway of Tally > Accounting Vouchers > Ctrl+F9: Debit Note**

1. Enter the reference number in the **Ref.** field.
2. Select the **Party's A/c Name** from the **List of Ledger Accounts**.
3. Select the **Purchase Ledger** and the appropriate **VAT /Tax Class** appears.
4. Select the stock item from the **List of Items** and enter the **Quantity** and **Rate**. The amount is automatically displayed in the **Amount** field.
5. Set **Is e-Sugam Applicable** to **Yes/No** as per requirement.

| Accounting Voucher Creation                                      |          | ABC Company |     | Ctrl + M              |           |
|------------------------------------------------------------------|----------|-------------|-----|-----------------------|-----------|
| <b>Debit Note</b> No. 1                                          |          |             |     | 11-May-2012<br>Friday |           |
| Ref. : DN001                                                     |          |             |     |                       |           |
| Party's A/c Name : Excel Traders                                 |          |             |     |                       |           |
| Current Balance : 2,79,000.00 Cr                                 |          |             |     |                       |           |
| Purchase Ledger : Purchase From URDs                             |          |             |     |                       |           |
| VAT/Tax Class : Purchase From URDs - Taxable Goods (Composition) |          |             |     |                       |           |
| Name of Item                                                     | Quantity | Rate        | per | Amount                |           |
| Books                                                            | 5 Nos    | 250.00      | Nos | 1,250.00              |           |
| ^ End of List                                                    |          |             |     |                       |           |
| Is e-Sugam Applicable ? No                                       |          |             |     |                       |           |
| Show Statutory Details ? No                                      |          |             |     |                       |           |
| Narration:                                                       |          |             |     |                       |           |
|                                                                  |          |             |     | 5 Nos                 | Accept ?  |
|                                                                  |          |             |     |                       | Yes or No |

6. Accept the Debit Note.



## Creating a Credit Note

To create a Credit Note for Sales Returns,

Go to **Gateway of Tally > Accounting Vouchers > Ctrl+F8: Credit Note**

1. Enter the reference number in the **Ref.** field.
2. Select the **Party's A/c Name** from the **List of Ledger Accounts**.
3. Select the **Sales Ledger** and the appropriate **VAT /Tax Class** appears.
4. Select the stock item from the **List of Items** and enter the **Quantity** and **Rate**. The amount is automatically displayed in the **Amount** field.
5. Set **Is e-Sugam Applicable** to **Yes/No** as applicable.

The screenshot shows the 'Accounting Voucher Creation' window for 'ABC Company'. The window title is 'Accounting Voucher Creation' with a subtitle 'ABC Company' and a keyboard shortcut 'Ctrl + M'. The window is divided into several sections. At the top, there is a 'Credit Note' tab and a 'No. 1' field. Below this, the 'Ref.' field contains 'CN001'. To the right, the date '25 May 2012' and the day 'Friday' are displayed. A note 'Used for: Goods Sold Returned' is visible. The 'Party's A/c Name' is 'Supreme Traders'. Below this, the 'Current Balance' is '30,000.00 Dr'. The 'Sales Ledger' is 'Sales Composition @ 1%'. The 'VAT/Tax Class' is 'Sales - Composition Tax @ 1%'. A table with columns 'Name of Item', 'Quantity', 'Rate per', and 'Amount' is shown. It contains one entry: 'Gold Coins' with a quantity of '1 Nos', a rate of '10,000.00 Nos', and an amount of '10,000.00'. Below the table, there is a 'J End of List' button. At the bottom left, there are two checkboxes: 'Is e-Sugam Applicable' (set to 'No') and 'Show Statutory Details' (set to 'No'). At the bottom right, there is a 'Narration' field with '1 Nos' entered. A small dialog box with the title 'Accept ?' and options 'Yes' or 'No' is open in the bottom right corner.

| Name of Item | Quantity | Rate per      | Amount    |
|--------------|----------|---------------|-----------|
| Gold Coins   | 1 Nos    | 10,000.00 Nos | 10,000.00 |

6. Accept the credit note.

## Creating a Payment Entry with Narration for each Entry

If you want the **narration details** for every ledger you debit or credit (Single narration), you can configure Tally.ERP's Narration details accordingly.

To activate the option **Narration for each entry**,

Go to **Gateway of Tally > Accounts Information > Voucher Types > Alter**

1. Select the required Voucher Type.
2. Enable the option **Narrations for each Entry** and accept the details.
3. Return to **Accounting Vouchers** in **Gateway of Tally** and select the voucher type and pass the entry.

| Voucher Type Alteration          |                    | ABC Company                |             | Ctrl + M             |
|----------------------------------|--------------------|----------------------------|-------------|----------------------|
| Name : <b>Payment</b>            |                    |                            |             |                      |
| (alias) :                        |                    |                            |             |                      |
| <u>General</u>                   |                    | <u>Printing</u>            |             | <u>Name of Class</u> |
| Type of Voucher                  | : <b>Payment</b>   | Print after saving Voucher | ? <b>No</b> |                      |
| Abbr.                            | : Pymt             |                            |             |                      |
| Method of Voucher Numbering      | ? <b>Automatic</b> |                            |             |                      |
| Use Advance Configuration        | ? <b>No</b>        |                            |             |                      |
| Use EFFECTIVE Dates for Vouchers | ? <b>No</b>        |                            |             |                      |
| Make 'Optional' as default       | ? <b>No</b>        |                            |             |                      |
| Use Common Narration             | ? <b>Yes</b>       |                            |             |                      |
| Narrations for each entry        | ? <b>Yes</b>       |                            |             |                      |

**Narration for each entry option** is available for all Accounting Voucher Types. Given below is an example of a Payment transaction with narrations for each entry enabled:

| Accounting Voucher Creation                                                                           |        | ABC Company           | Ctrl + M |
|-------------------------------------------------------------------------------------------------------|--------|-----------------------|----------|
| <b>Payment</b> No. 1                                                                                  |        | 1-Apr-2008<br>Tuesday |          |
| Particulars                                                                                           | Debit  | Credit                |          |
| By <b>Conveyance</b><br>Cur Bal: 500.00 Dr<br>Narration : Conveyance Expenses paid to Employee A.     | 500.00 |                       |          |
| By <b>Postage</b><br>Cur Bal: 500.00 Dr<br>Narration : Courier charges for 1st April 2008             | 500.00 |                       |          |
| To <b>Cash - Location B</b><br>Cur Bal: 24,000.00 Dr<br>Narration : Cash paid from Location B Account |        | 1,000.00              |          |
| Narration:<br>Cash paid towards Conveyance and Postage Expenses.                                      |        | 1,000.00              | 1,000.00 |

|           |
|-----------|
| Accept ?  |
| Yes or No |

The above entry consists of both common narration and narrations for each entry. In case of multiple debit/credit entries, you can give single line narration separately for every ledger account selected.

### Special Keys for Voucher Narration Field

- **ALT+R:** Recalls the Last narration saved for the first ledger in the voucher, irrespective of the voucher type.
- **CTRL+R:** Recalls the Last narration saved for a specific voucher type, irrespective of the ledger.

## Creating a Journal Entry

Journal entries are usually used for finalization of accounts.

To pass a **Journal Voucher**,

Go to **Gateway of Tally > Accounting Vouchers**

- Click on **F7: Journal** on the Button Bar or press **F7**.

For example, there may be entries made for interest accrued or interest due. If you have to receive Interest from a party, the same can be entered using Journal Voucher.

- Debit the **Party**
- Credit the **Interest Receivable Account**

The Journal entry is displayed as shown:

| Particulars                                      | Debit    | Credit   |
|--------------------------------------------------|----------|----------|
| By Debtor A<br>Cur Bal: 1,000.00 Dr<br>New Ref 1 | 1,000.00 |          |
| To Interest Receivable<br>Cur Bal: 1,000.00 Cr   |          | 1,000.00 |

Narration:  
Interest receivable from Debtor A.

1,000.00      1,000.00

Accept?  
Yes or No

### Special Keys for Voucher Narration Field:

- ALT+R:** Recalls the Last narration saved for the first ledger in the voucher, irrespective of the voucher type.
- CTRL+R:** Recalls the Last narration saved for a specific voucher type, irrespective of the ledger.

## Allowing Cash Accounts in Journals



Journals are adjustment entries, which do not involve Cash account and Bank account. However in exceptional cases where the user would like to account Journal entries involving Cash/Bank Account, Tally.ERP 9 has the flexibility of passing such entries by enabling the option under F12 configuration.

To enable Cash Accounts in Journal voucher,

- Set **Allow Cash Accounts in Journals** to **Yes** in **F12: Configure (Voucher Entry Configuration)**.

| <u>Voucher Entry Configuration</u>               |              |                                      |              |
|--------------------------------------------------|--------------|--------------------------------------|--------------|
| <u>Accounts</u>                                  |              | <u>Inventory</u>                     |              |
| Skip Date field in Create Mode (faster entry!)   | ? <b>Yes</b> | Use Ref. Number in Stock Journal     | ? <b>No</b>  |
| Use Single Entry mode for Pymt/Rcpt/Contra       | ? <b>Yes</b> | Warn on Negative Stock Balance       | ? <b>Yes</b> |
| Use Payment/Receipt as Contra                    | ? <b>No</b>  | Honor Expiry Dates usage for Batches | ? <b>Yes</b> |
| Use Cr/Dr instead of To/By during entry          | ? <b>Yes</b> | Show Balances as on Voucher Date     | ? <b>No</b>  |
| Warn on Negative Cash Balance                    | ? <b>Yes</b> | Show Godown-wise Details             | ? <b>Yes</b> |
| Pre-Allocate Bills for Payment/Receipt           | ? <b>No</b>  | Show Batch-wise Details              | ? <b>Yes</b> |
| Allow Cash Accounts in Journals                  | ? <b>Yes</b> |                                      |              |
| Allow Expenses/Fixed Assets in Purchase Vouchers | ? <b>No</b>  |                                      |              |
| Allow Income Accounts in Sales Vouchers          | ? <b>No</b>  |                                      |              |
| Show Inventory Details                           | ? <b>Yes</b> |                                      |              |
| Show Cost Centre Details                         | ? <b>Yes</b> |                                      |              |
| Show Table of Bill Details for Selection         | ? <b>Yes</b> |                                      |              |
| Show Bill-wise Details                           | ? <b>Yes</b> |                                      |              |
| Expand into multiple lines                       | ? <b>Yes</b> |                                      |              |
| Show Ledger Current Balances                     | ? <b>Yes</b> |                                      |              |
| Show Balances as on Voucher Date                 | ? <b>No</b>  |                                      |              |
| Show Forex Gain/Loss as on Voucher Date          | ? <b>No</b>  |                                      |              |

To pass a Journal voucher with Cash/Bank Ledger,

1. Go to **Gateway of Tally > Accounting Vouchers > Select F7: Journal**
2. Press the **spacebar** at the **Debit** or **Credit** field.

The **Journal Voucher Screen** with Cash/Bank Ledger selection will appear as shown :



| Accounting Voucher Creation |       | ABC Company                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Ctrl + M |
|-----------------------------|-------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|
| <b>Journal</b>              | No. 1 | List of Ledger Accounts                                                                                                                                                                                                                                                                                                                                                                                                                                             |          |
| <b>Particulars</b>          |       | Advertising<br>Cash - Location A<br>Cash - Location B<br>Computer<br>Conveyance<br>Courier Charges<br>Customer A<br>Debtor A<br>Debtor B<br>Debtor C<br>Interest Receivable<br>Labour Charges<br>LMN & Company<br><b>Local Bank</b><br>Local Duty<br>Local Purchase<br>Local Sales<br>Postage<br>PQR Debtors<br>Professional Income<br>Professional Services<br>Profit & Loss A/c<br>Purchase<br>Sales<br>Staff Welfare<br>Stationery<br>Supplier A<br>XYZ Couriers |          |
| By <b>Local Bank</b>        |       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |          |
| Cur Bal: 50,000.00 Dr       |       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |          |
| Narration:                  |       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |          |

**Note:** All **Cash accounts** and **Bank accounts** are displayed in the List of Ledger Accounts. Accordingly the journal entry has to be made.

### Special Keys for Voucher Narration Field

- **ALT+R:** Recalls the Last narration saved for the first ledger in the voucher, irrespective of the voucher type.
- **CTRL+R:** Recalls the Last narration saved for a specific voucher type, irrespective of the ledger.

## Debit Note Entry

**Debit Note** is a document issued to a party stating that you are debiting their Account in your Books of Accounts for the stated reason or vice versa. It is commonly used in case of Purchase Returns, Escalation/De-escalation in price, any other expenses incurred by you on behalf of the party etc.

Debit Note can be entered in voucher or Invoice mode.

You need to enable the feature in **F11: Accounting or Inventory features**.

- To use it in **Voucher mode** you need to enable the feature in **F11 :Accounting Features - Use Debit / Credit Notes**.
- To make the entry in **Invoice mode** enable the option **F11: Accounting Features - Use invoice mode for Debit Notes**.

To go to **Debit Note Entry** Screen,

Go to **Gateway of Tally > Accounting Vouchers**

- Click on **Ctrl+F9: Debit Note** on the Button Bar or press **Ctrl+F9**.

You can toggle between voucher and Invoice mode by clicking **Ctrl+V**.

Pass an entry for the goods purchased returned to Supplier A:

| Accounting Voucher Creation                          |          | ABC Company |        | Ctrl + M               |
|------------------------------------------------------|----------|-------------|--------|------------------------|
| <b>Debit Note</b> No. 1                              |          |             |        | 5-Apr-2008<br>Saturday |
| Ref:                                                 |          |             |        |                        |
| Party's A/c Name : Supplier A                        |          |             |        |                        |
| Current Balance :                                    |          |             |        |                        |
| Name of Item                                         | Quantity | Rate per    | Amount |                        |
| Item A                                               | 50 nos   | 10.00 nos   | 500.00 |                        |
| J End of List                                        |          |             |        |                        |
| Narration:<br>Good Purchased returned to Supplier A. |          |             |        |                        |
|                                                      |          |             | 50 nos | Accept ?<br>Yes or No  |

**Special Keys for Voucher Narration Field:**

- **ALT+R:** Recalls the Last narration saved for the first ledger in the voucher, irrespective of the voucher type.
- **CTRL+R:** Recalls the Last narration saved for a specific voucher type, irrespective of the ledger.

## Credit Note Entry



**Credit Note** is a document issued to a party stating that you are crediting their Account in your Books of Accounts for the stated reason or vice versa. It is commonly used in case of Sales Returns, Escalation/De-escalation in price etc.

A Credit Note can be entered in voucher or Invoice mode.

You need to enable the feature in **F11: Accounting or Inventory features**.

- To use it in **Voucher mode** you need to enable the feature in **F11 :Accounting Features - Use Debit / Credit Notes**.
- To make the entry in **Invoice mode** enable the option **F11: Accounting Features - Use invoice mode for Debit Notes**.

To go to **Credit Note Entry** Screen:

Go to **Gateway of Tally > Accounting Vouchers**

1. Click on **Ctrl+F8: Credit Note** on the Button Bar or press **Ctrl+F8**.

You can toggle between voucher and Invoice mode by clicking **Ctrl+V**.

Pass an entry for goods sold returned from Customer A:

| Accounting Voucher Creation                      |          | ABC Company |        | Ctrl + M                |
|--------------------------------------------------|----------|-------------|--------|-------------------------|
| <b>Credit Note</b>                               | No. 1    |             |        | 10-Apr-2008<br>Thursday |
| Ref:                                             |          |             |        |                         |
| Party's A/c Name : Customer A                    |          |             |        |                         |
| Current Balance : 9,800.00 Dr                    |          |             |        |                         |
| Name of Item                                     | Quantity | Rate per    | Amount |                         |
| Item A                                           | 25 nos   | 25.00 nos   | 625.00 |                         |
| J End of List                                    |          |             |        |                         |
| Narration:<br>Goods sold to Customer A returned. |          |             |        | 25 nos                  |
|                                                  |          |             |        | Accept ?<br>Yes or No   |

**Special Keys for Voucher Narration Field:**

- **ALT+R:** Recalls the Last narration saved for the first ledger in the voucher, irrespective of the voucher type.
- **CTRL+R:** Recalls the Last narration saved for a specific voucher type, irrespective of the ledger.