

Chapter

5

Tally-Introduction

OBJECTIVES

After studying this chapter, the student should be able to

- ↳ Understand the fundamentals of computerized accounting
- ↳ Describe the features of Tally
- ↳ Understand the creation and modification of ledgers and groups
- ↳ Understand the various types of voucher entries

FUNDAMENTALS OF COMPUTERIZED ACCOUNTING

Accounting is a systematic way of recording and analyzing transactions. It involves identifying, measuring, and presenting economic information about a business. With this information the owner or the manager can take certain decisions. If we do accounting using computers it is called computerized accounting.

PRINCIPLES OF ACCOUNTING

Journal

It is the original book, where all transactions are recorded. In this book, all business transactions are entered first. It is known

as "Journalizing". Instead of recording all transactions in one journal book, transactions are recorded into subdivisions of journal or subsidiary books. So the journals are classified into

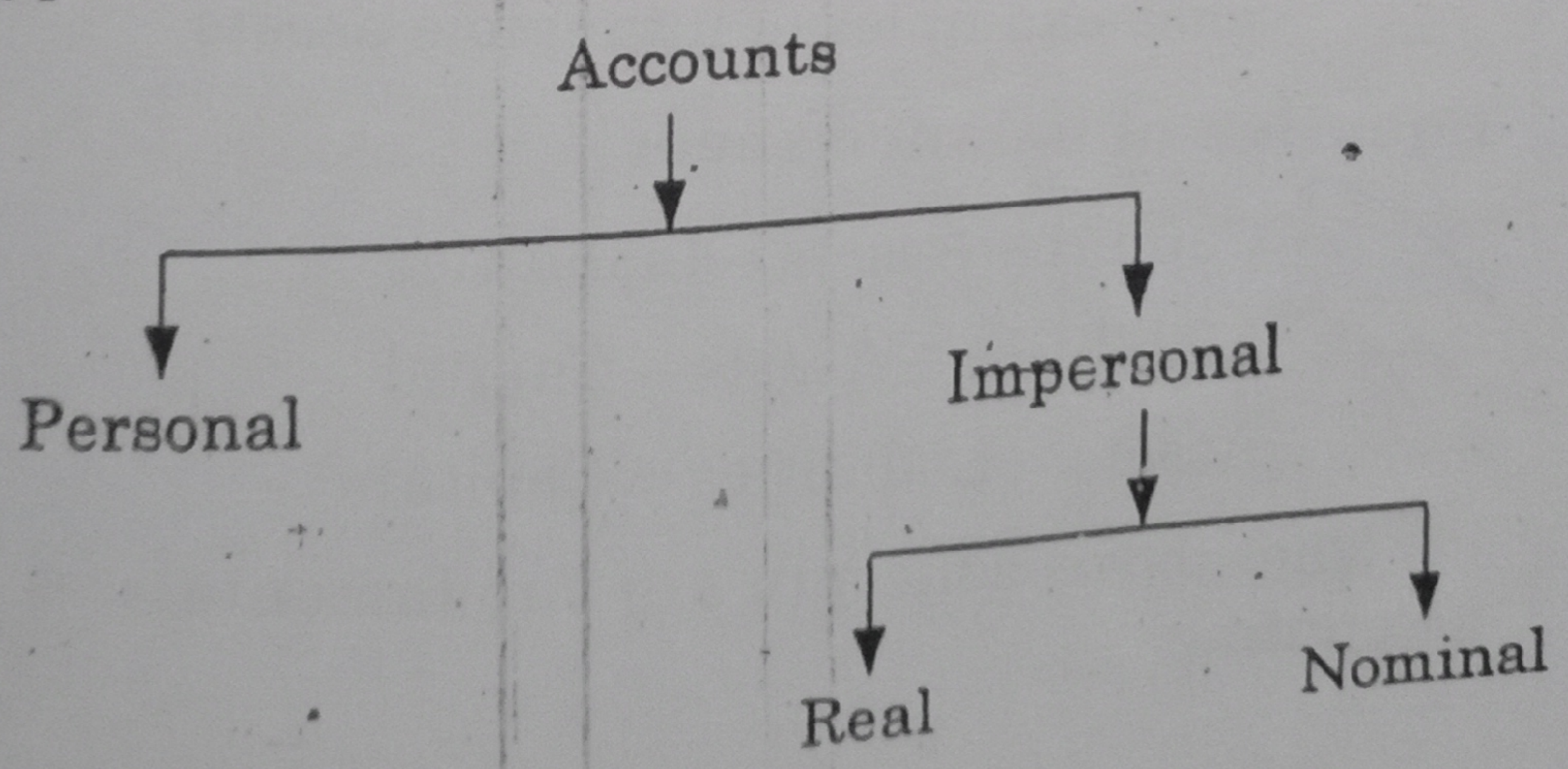
- i. **Journal proper** Records opening entries, closing entries, and adjustment entries.
- ii. **Day books**
 - **Purchase book** Records all credit purchases
 - **Sales book** Records all credit sales
 - **Purchase returns book** Records goods returned to suppliers
 - **Sales returns book** Records goods returned by the customers
- iii. **Cash book** Records all cash payments and cash receipts

Types of Accounts

Business transactions are classified into three categories. They are

- i. Transactions relating to individuals and other organizations.
- ii. Transactions relating to properties, goods, or cash.
- iii. Transactions relating to expenses (or losses) and incomes (or gains).

Three types of accounts are



Accounting Rules

- i. **Personal accounts** Debit the receiver of benefit and Credit the giver of benefit
- ii. **Real accounts** Debit what comes in and Credit what goes out
- iii. **Nominal accounts** Debit all expenses and losses, Credit all incomes and gains

Ledger

It is a book of final entry. It can be divided into various sub-divisions from the viewpoint of convenience and simplicity. They are as follows.

- i. **General ledger** Records all accounts other than personal accounts
- ii. **Purchase ledger** Records all personal accounts of suppliers from whom the goods have been purchased on credit
- iii. **Sales ledger** Records all personal accounts of customers to whom the goods have been sold on credit
- iv. **Private ledger** Records the personal accounts of the proprietor, that is, capital accounts and drawing accounts.

Trial Balance

It is a statement, which shows all debit balances in one column and all credit balances in another. It is not an account. It is prepared for checking the arithmetical accuracy.

Final Accounts

Final accounts are classified into

- i. **Trading and profit and loss account** Prepared to find out profit and loss
- ii. **Balance sheet** Prepared to find out the financial position of the concern

These accounts are prepared only at the end of the year. So, it is called Final account.

24 ✓ **Trading account** It shows the result of buying and selling goods. It is prepared to find out the differences between the selling price and cost price. If the selling price exceeds the cost price, it will be gross profit. If the cost price exceeds the selling price, it will be gross loss. Thus, the gross profit or gross loss is indicated in trading Account.

Items appearing in the debit side of trading account

- Opening stock
- Purchases
- Purchase returns
- Direct expenses on purchases

Items appearing in the credit side of trading account

- Sales
- Sales returns
- Closing stock

The difference between the two sides of the trading Account indicates either gross profit or gross loss. If the total on the credit side is more, the difference represents gross profit. Otherwise it is gross loss.

Profit and loss account It is used to show the net profit or net loss of an accounting year. In this report gross profit of trading account is transferred into credit side, gross loss of trading account is transferred into debit side.

Items appearing on debit side of profit and loss account

Indirect expenses are recorded on debit side of profit and loss account. It is classified as follows.

- **Selling expenses** All expenses relating to sales.
- **Office expenses** Expenses incurred on running an office
- **Maintenance expenses** Expenses related to maintaining assets
- **Financial expenses** Interest paid on loan, discount allowed, etc. comes under this category

Items appearing on credit side of profit and loss account

Gross profit appears on the credit side of profit and loss account. Also, the gain and income from the business are shown on the credit side.

Balance sheet It is a statement used to show the financial position of a company. It contains two parts. They are

- **Liabilities** Appears in the left hand side
- **Assets** Appears in the right hand side

Liabilities All that the business owes to others are called liabilities. It is classified as follows.

- **Long-term liabilities** It will be redeemed after a long period of time.
- **Current liabilities** It will be redeemed within a year.
- **Contingent liabilities** It is not a liability at present.

Assets It represent everything, which a business owns and has money value. It is classified as follows.

- **Tangible assets** It can be seen or felt by touching. It is classified into the following types.
 - **Fixed Assets** Land, building, machinery, etc.
 - **Current assets or Floating assets** Cash, bank balance, stock, sundry debtors, etc.
- **Intangible assets** It cannot be seen and has no fixed shape. Preliminary expenses, Discount on creditors are some examples of intangible assets.

Equation of balance sheet

$$\text{Capital} = \text{Assets} - \text{Liabilities}$$

$$\text{Liabilities} = \text{Assets} - \text{Capital}$$

$$\text{Assets} = \text{Liabilities} + \text{Capital}$$

The above concepts are fundamentals of computerized accounting.

COMPUTERIZED ACCOUNTING VERSUS MANUAL ACCOUNTING

Computerized accounting differs from manual accounting in the following aspects.

Manual Accounting	Computerized Accounting
Ledgers are grouped at the time of preparing final accounts.	Grouping is done at the time of ledger creation.
Separate journal, ledger postings.	Single entry for all transactions.
Strain in preparing trial balance.	No strain.
Preparation of final accounts only at the year-end.	Final accounts can be prepared at any time.
Efforts are needed to prepare weekly or monthly balance reports.	No separate efforts. Automatically it is done.
Separate efforts are needed to maintain inventory management.	Integrated with cash management.
Closing of account is complicated.	Easy closing whenever needed.
Large number of books is maintained.	No books. Only computer hard disk.
Error may arise while posting.	No posting. So, no such types of error.
Preparation of reports involve additional work.	Création of reports does not involve additional work.
Various headings	Simple determined headings
Tracking of entries is complicated.	Easy tracking of entries.

ARCHITECTURE AND CUSTOMIZATION OF TALLY

Tally is a window-based software. It offers a complete accounting package to the users. In this package, maintaining accounts is very simple. We can create and alter the data with minimum number of key operations. A single entry can do journal and posting entries automatically. In this software, company accounts can be maintained with password. It controls unauthorized entries. It has control measures to prevent fraud and errors.

Customization is the process that simplifies work. When we enter the voucher, Tally automatically generates the basic books, makes postings in the concerned books, and corrects stock entries and ledger entries. Trial balance, profit and loss account, and balance sheet are automatically generated.

Features of Tally

The following are some of the features of tally.

- i. Easy to use for the beginners.
- ii. Creation, modification, and deletion of ledgers and groups are very simple.
- iii. Modification can be done whenever needed.
- iv. Automatic posting in the relevant books.
- v. Lot of useful reports with printing option is available.
- vi. Trail balance, profit and loss, balance Sheet, cash flow, and fund flow statements are available in an organized manner.
- vii. Password facility is available for security purpose.
- viii. Backup and restore facility is available.
- ix. Summarized and detailed screen views are available.
- x. Calculator is available for calculations.
- xi. Simple menus for all operations.
- xii. Accounting without codes.
- xiii. Flexible classification of accounting.
- xiv. Multiple currencies are possible.
- xv. Financial period is not fixed.
- xvi. Import and export of data is possible.

- xvii. It is web-based software.
- xviii. It is available for both single user and multiple users.
- xix. Maintains unlimited accounts of the company.
- xx. Maintains unlimited cost/profit centers.
- xxi. Maintains both single location and multilocation stock.
- xxii. Multiple units of measurement for items are allowed.

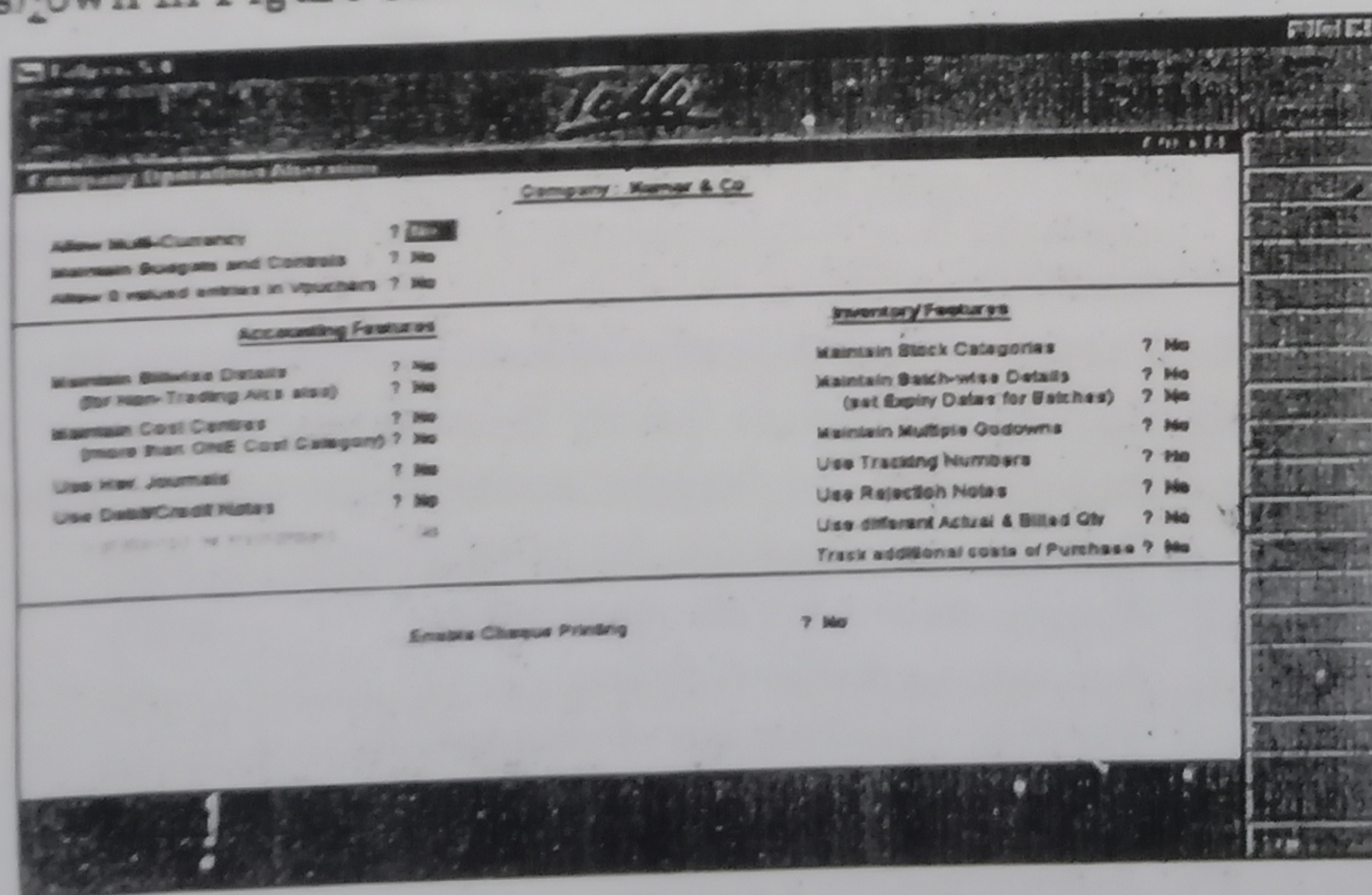
STARTING TALLY

1. Click "Start" button
 2. Choose "Programs"
 3. Click "Tally"
- (or)

Double click Tally icon on Desktop

Configuration of Tally

We can configure Tally by pressing F11 and F12 buttons. When we click F11, the following window appears. Set either Yes or No for the various types of features available in the window shown in Figure 5.1.



The screenshot shows the 'Tally' configuration window (F11) for 'Kumar & Co'. The window is divided into several sections with checkboxes for 'Yes' or 'No'.

Accounting Features		Inventory Features	
Allow Multi-Currency	<input checked="" type="checkbox"/> Yes	Maintain Stock Categories	<input type="checkbox"/> No
Maintain Budgets and Controls	<input type="checkbox"/> No	Maintain Batch-wise Details	<input type="checkbox"/> No
Allow 0 valued entries in Vouchers	<input type="checkbox"/> No	(set Expiry Dates for Batches)	<input type="checkbox"/> No
Maintain Billwise Details	<input type="checkbox"/> No	Maintain Multiple Godowns	<input type="checkbox"/> No
(for Non-Trading A/c's also)	<input type="checkbox"/> No	Use Tracking Numbers	<input type="checkbox"/> No
Maintain Cost Centres	<input type="checkbox"/> No	Use Rejection Notes	<input type="checkbox"/> No
(more than One Cost Category)	<input type="checkbox"/> No	Use different Actual & Billed Qty	<input type="checkbox"/> No
Use Inv. Journals	<input type="checkbox"/> No	Track additional costs of Purchase	<input type="checkbox"/> No
Use Debit/Credit Notes	<input type="checkbox"/> No		
Enable Cheque Printing	<input type="checkbox"/> No		

Figure 5.1

When we click F12, the window that appears is shown in Figure 5.2.

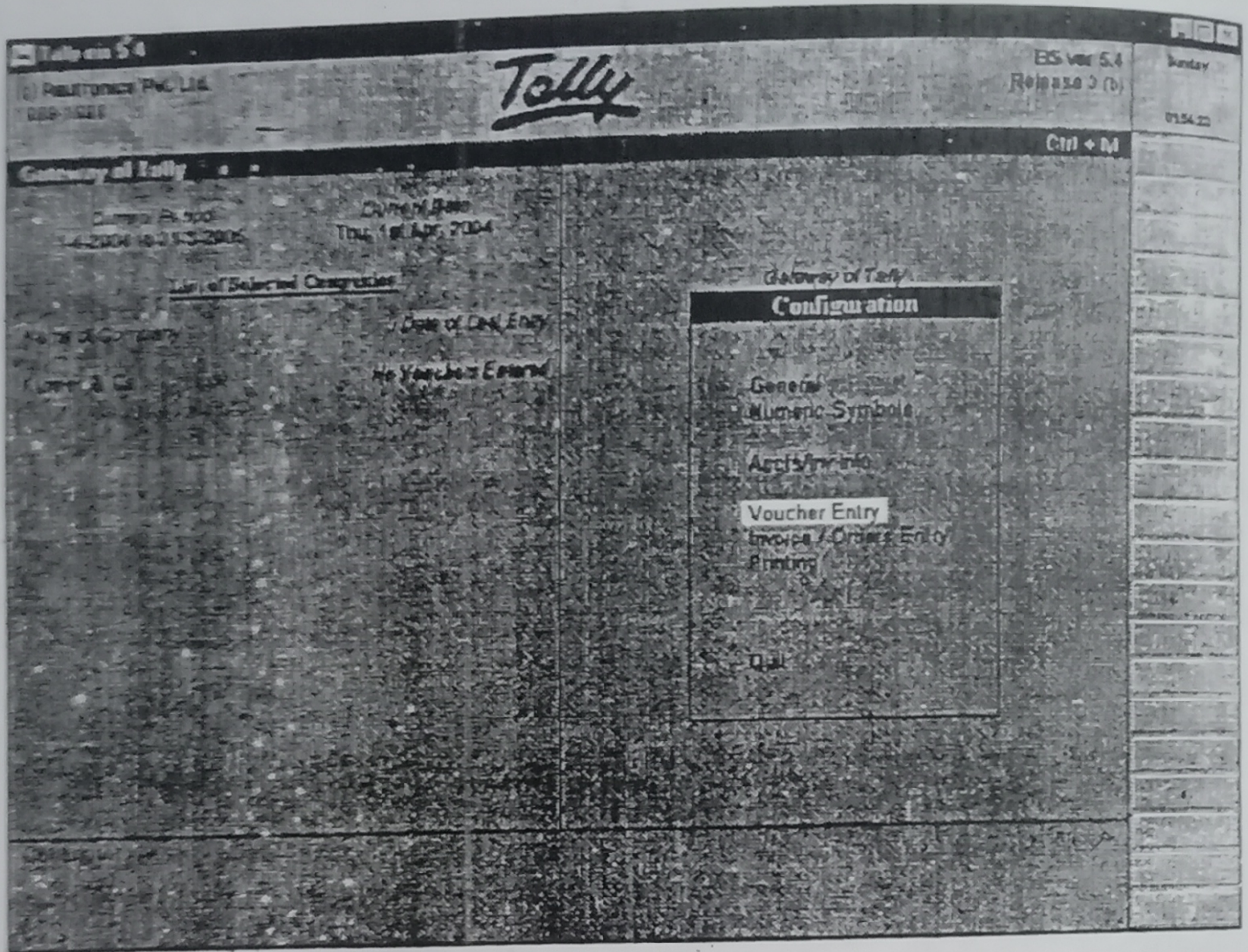


Figure 5.2

General This option is used to configure country details, date formats, and number formats.

Numeric symbols This menu is used to configure the symbols used for positive, negative, and debit and credit values.

Accounts/Inventory Info. Configures the accounts master and inventory master.

Voucher entry Configure the accounting vouchers, and inventory vouchers.

Invoice/Order entry Configure invoice, delivery notes, and orders.

Printing This menu consists of diverse options to configure printing of all types of vouchers, invoices, orders, etc., and also to customize reminder letters for payment of outstanding bills, and for confirmation statements.

Tally Screens and Menus

There are three areas in Tally screen. They are

- i. **Work area** It is an area in which menus and company names will appear.
- ii. **Calculator area** It is an area where calculations can be done.
- iii. **Buttons area** It is an area in which buttons for different actions will appear.

Figure 5.3 shows the three areas.

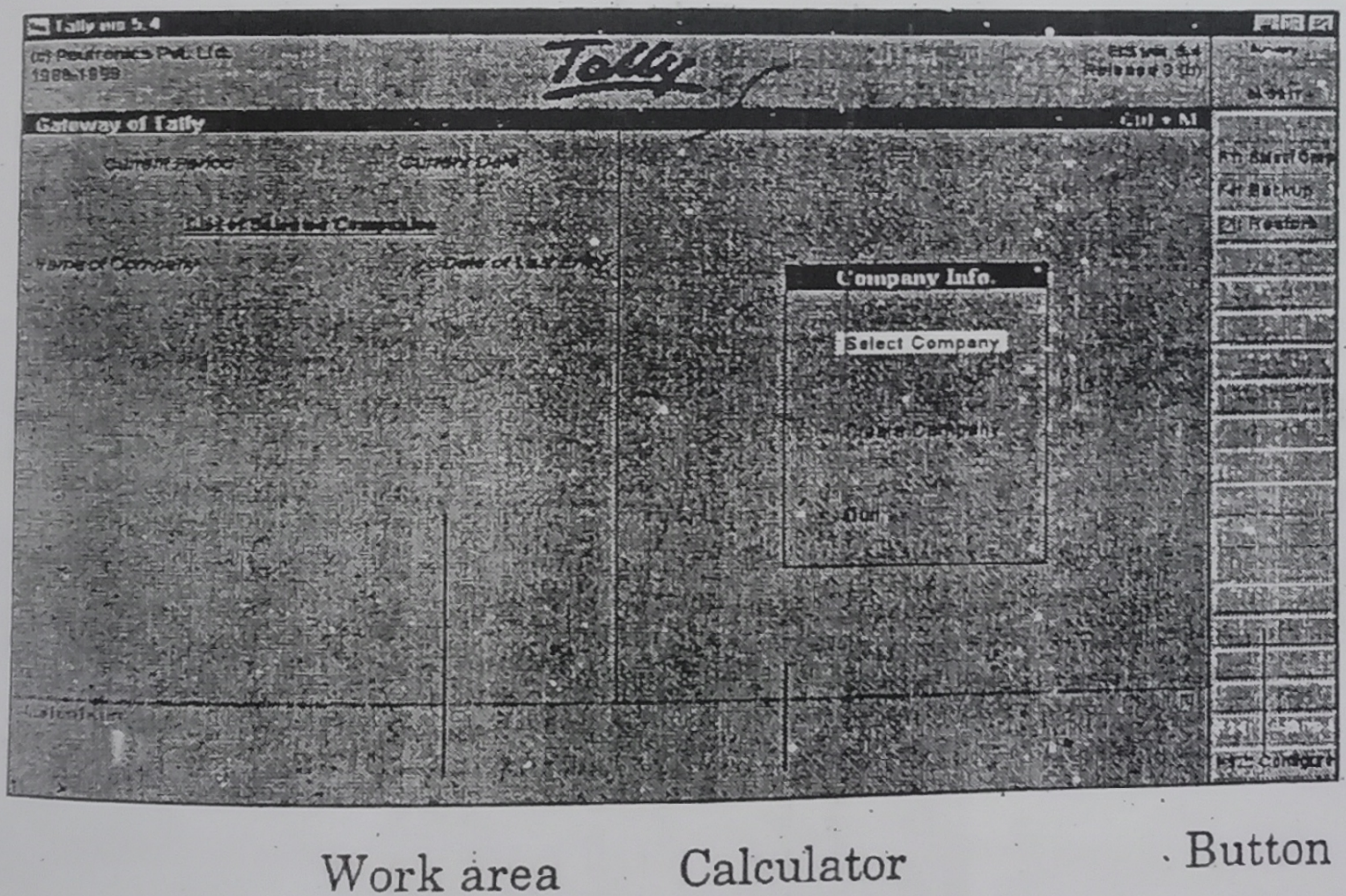


Figure 5.3

Some of the screens and menus are given below.

Gateway of Tally

It is a menu used for the following purposes.

- i. To manage account information.
- ii. To manage voucher entries.
- iii. To view the profit and loss statement, balance sheet, and ratio analysis.

- iv. To display the trial balance, statement of accounts, etc.
- v. To exit from Tally.

Figure 5.4 shows this menu.

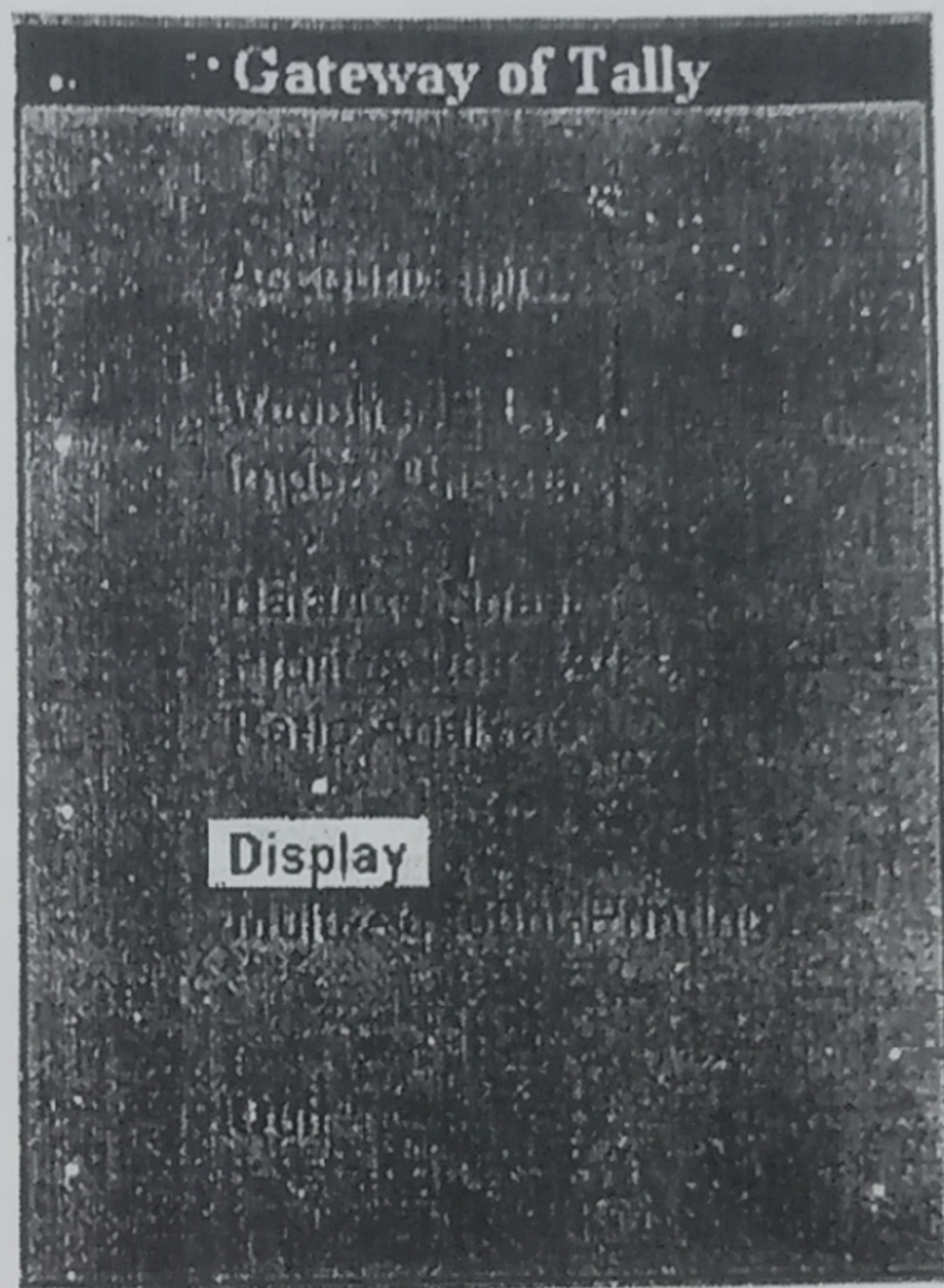


Figure 5.4

Account Information

It is a sub menu of "Gateway of Tally" menu. This menu is used to manage account groups and ledgers. Figure 5.5 shows the menu.

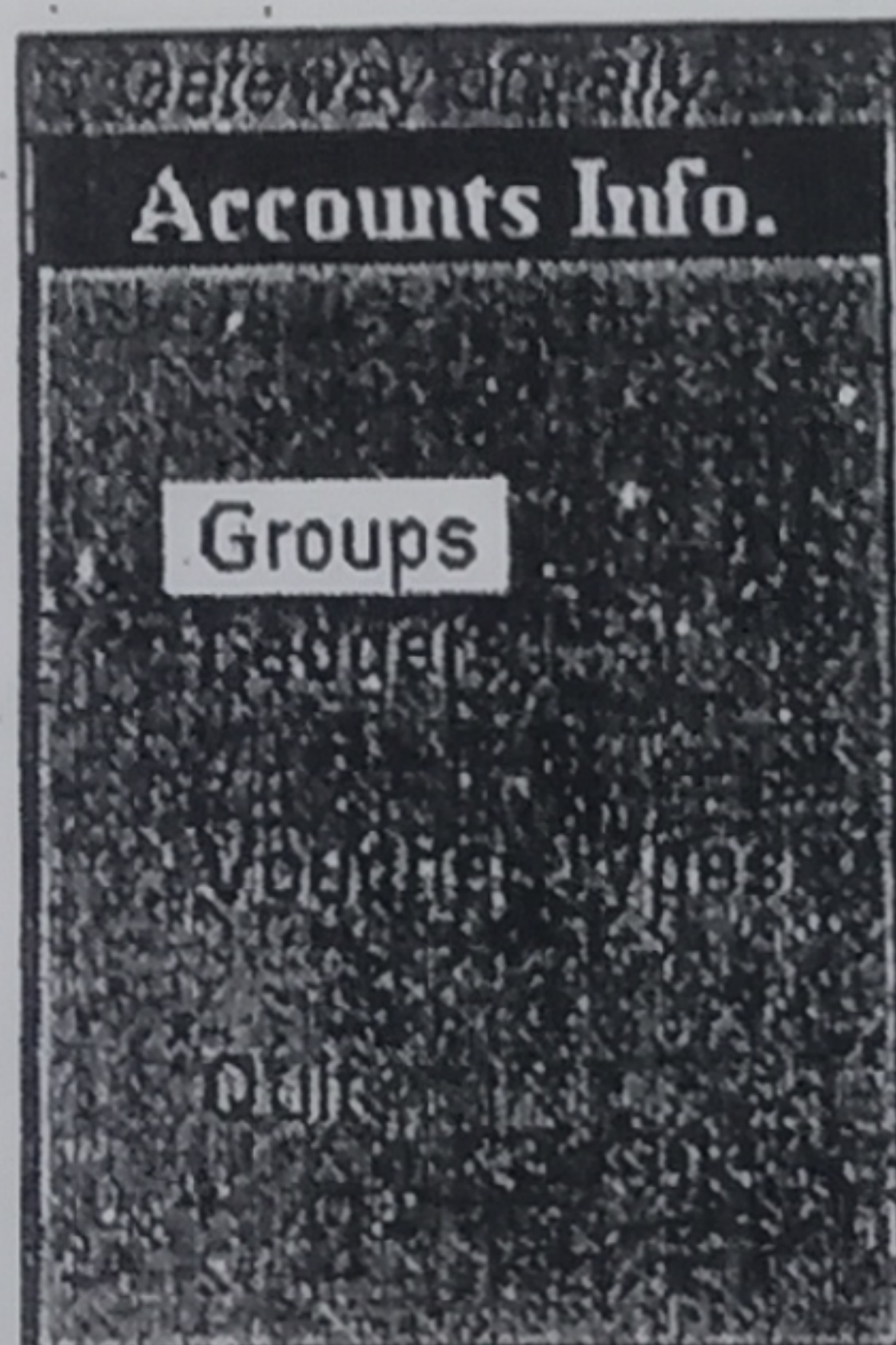


Figure 5.5

Company Information

It is a sub menu of "Gateway of Tally" menu. This menu is used for the following purposes.

- i. To create a new company
- ii. To select a company from a list of companies.
- iii. To close the active company

Figure 5.6 shows the menu.

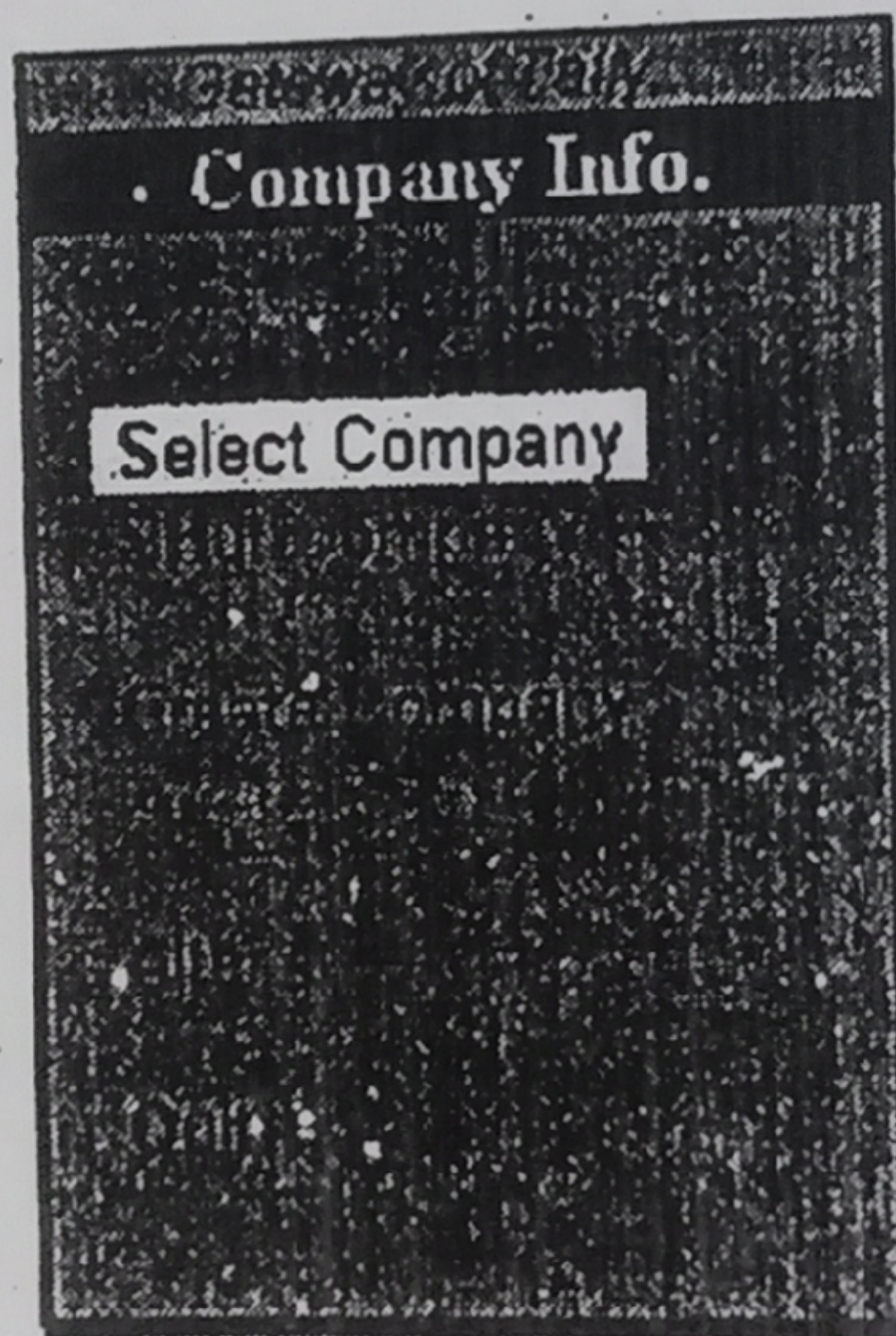


Figure 5.6

Groups

It is a sub menu of "Account Info" menu. It is used to create, display, and alter the groups, using either the "Single Group" or "Multiple Group" option. Figure 5.7 shows the menu.

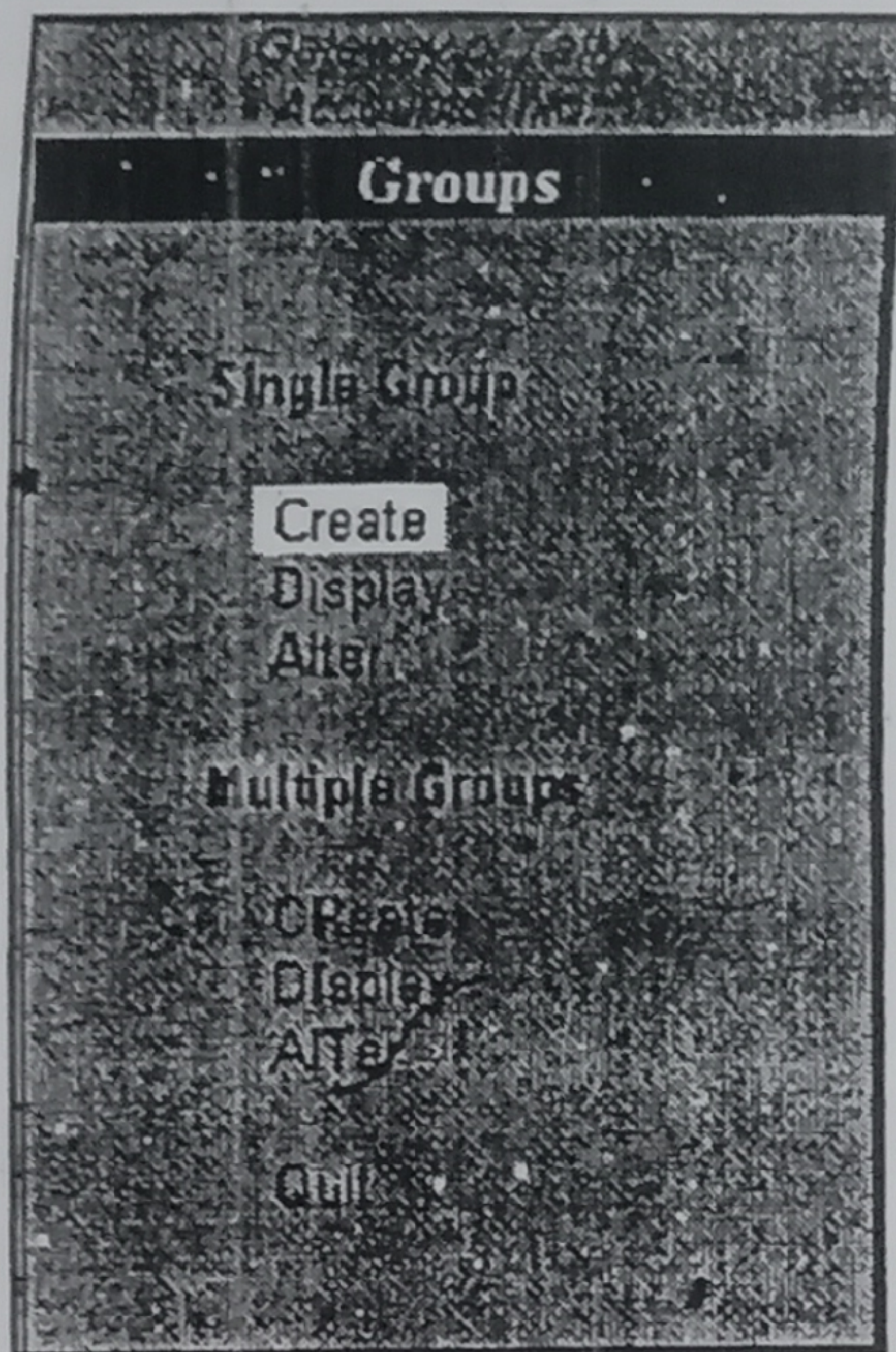


Figure 5.7

Ledgers

It is a sub menu of "Account Info" menu. It is used to create, display, and alter the ledger, using either "Single Group" or "Multiple Group" options. The following figure shows this menu.

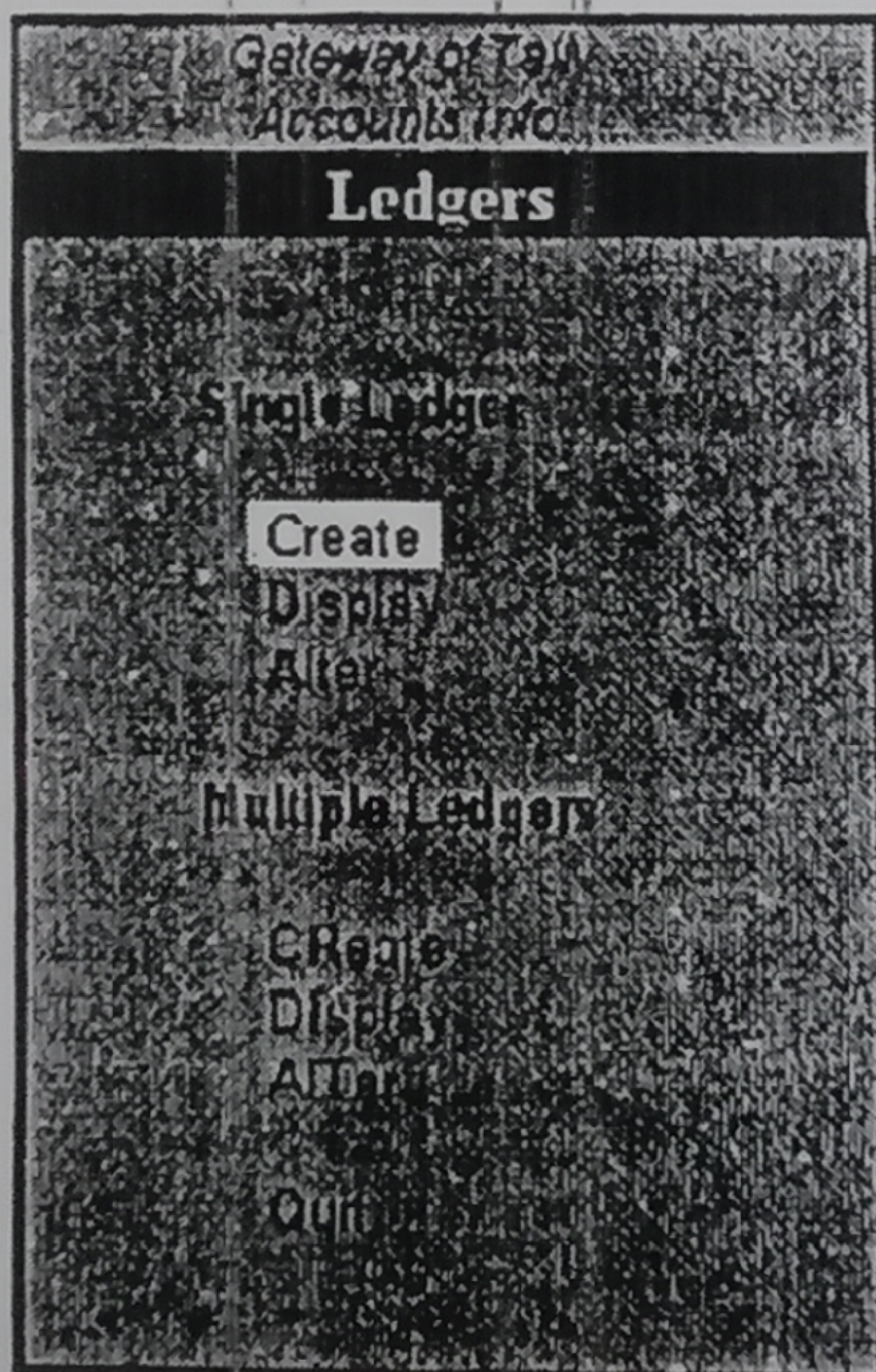


Figure 5.8

Display

It is a sub menu of "Gateway of Tally" menu. This menu is used to display trial balance, statement of accounts, daybooks, and cash/fund flow statements. Figure 5.9 shows the menu.

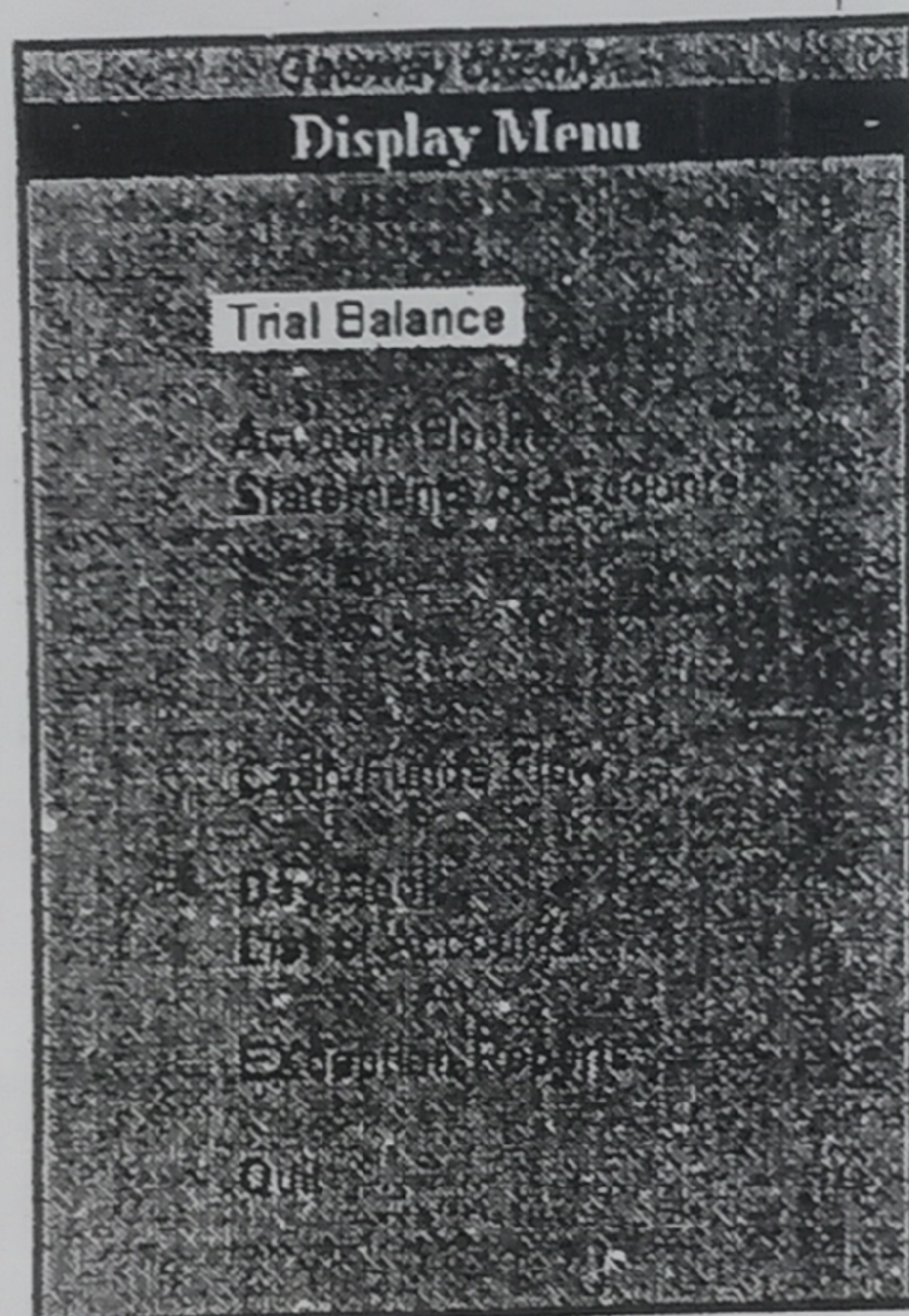


Figure 5.9

Creation of Company

- i. Select "Create Company" button from the buttons area of the Tally screen. The Company Info. menu appears as shown in Figure 5.8.
- ii. Select "Create Company". ~~Figure 5.10 appears.~~

Company Creation

Name: []

Mailing Name: []

Address: []

Income Tax Number: []

Local Sales Tax Number: []

Interstate Sales Tax Number: []

Currency Symbol: Rs

Maintain: Accts-with-inw

Financial Year from: 1-4-2004

Books beginning from: 1-4-2004

Use Security Control: No

Base Currency Information

Base Currency Symbol: Rs

Formal Name: Rupees

Number of Decimal Places: 2

Is Symbol SUFFICIENT to Accounts? No

Other Accounts in Millions: No

Put a SPACE before the Amount and Symbol? Yes

Figure 5.10

- iii. Enter the following details
- Company name** The name of the company.
 - Mailing name** The e-mail address.
 - Address** The address of the company.
 - Income tax number** Company's Income Tax number.
 - Local sales tax number** Company's local sales tax number.
 - Interstate sales tax number** Interstate sales tax number.
 - Currency symbol** Symbol of currency like Rs., \$, etc.
 - Financial year from** The starting date of the financial year.
 - Books beginning from** The starting date of the account book.
 - Use security symbol** The password control for entry into an account.

- j. **Base currency Information** Some information about currency.

Press "Enter" key after entering each of the above details.

- iv. After entering all the details, Tally displays a message box with "Accept Yes/No" options. Press "Y" to save the company details.

To Delete a Company

- i. Click "F3" button. It displays the "Company Info." menu.
- ii. Choose "Alter", then press "Enter" key. It displays the list of available companies.
- iii. Select the company, which must be deleted and then press "Enter" key.
- iv. Press "Alt" and "D" keys simultaneously.
- v. Confirm by pressing "Y" for the message, "Delete Yes/No".

To Alter a Company

- i. Click "F3" button. It displays the "Company Info." menu.
- ii. Choose "Alter" then press "Enter" key. It displays the list of available companies.
- iii. Select the company, which must be altered and then press "Enter" key.
- iv. Alter the information.
- v. Confirm by pressing "Y" for the message, "Accept Yes/No".

Creation of Groups

- i. Select "Account Info." from "Gateway of Tally". The menu that appears is shown in Figure 5.11.

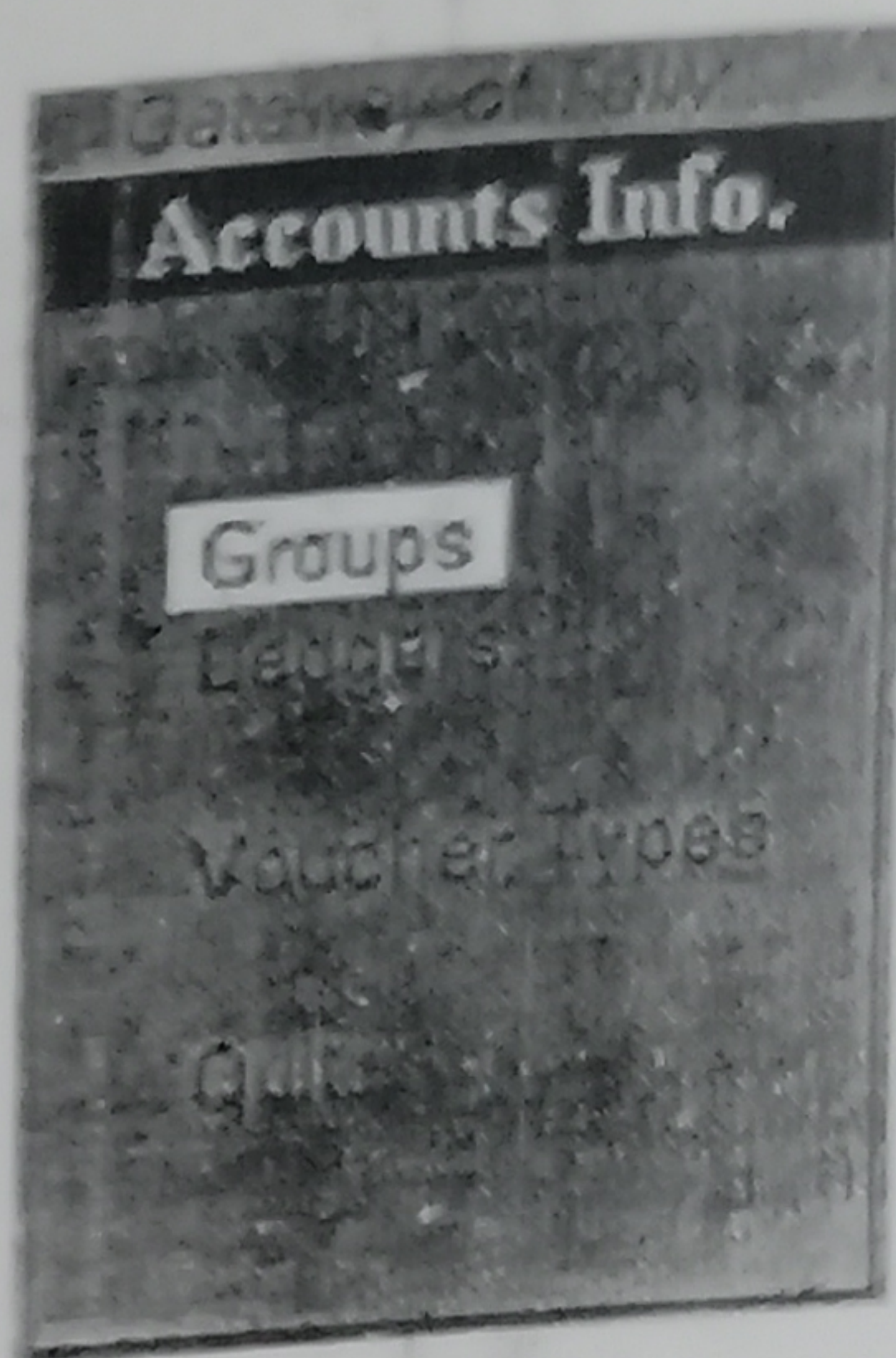


Figure 5.11

- ii. Select "Groups" from the "Account Information" menu. The menu that appears as shown in Figure 5.12.

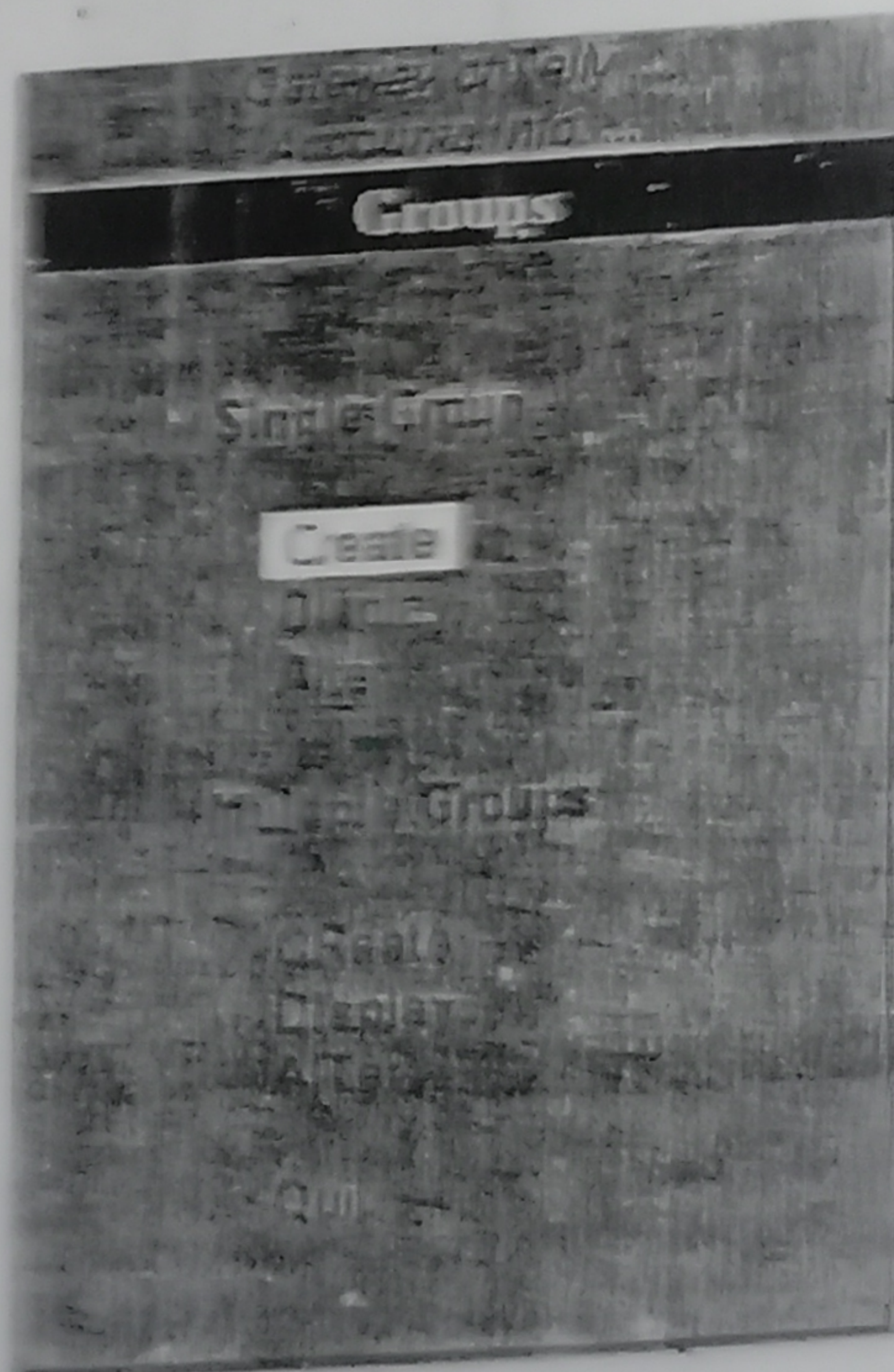


Figure 5.12

Choose "create" under "Multiple Groups" while creating more than one group at a time otherwise choose "Create" under "Single Group".

- iii. Select "Create" from single group. The screen that appears is shown in Figure 5.13.

Group Creation

Name : XXXXXXXXXX

(alias) :

Under : **Capital Account**

Group behaves like a Sub-Ledger ? **No**

Figure 5.13

- iv. Enter the name of the group, alias name and choose basic account group.
- v. Confirm the entries by pressing "Y" for the message "Accept Yes/No".

Editing and Deleting Groups

Editing groups

- Select "Groups" from the "Account Info." menu. A menu that appears is shown in Figure 5.14.

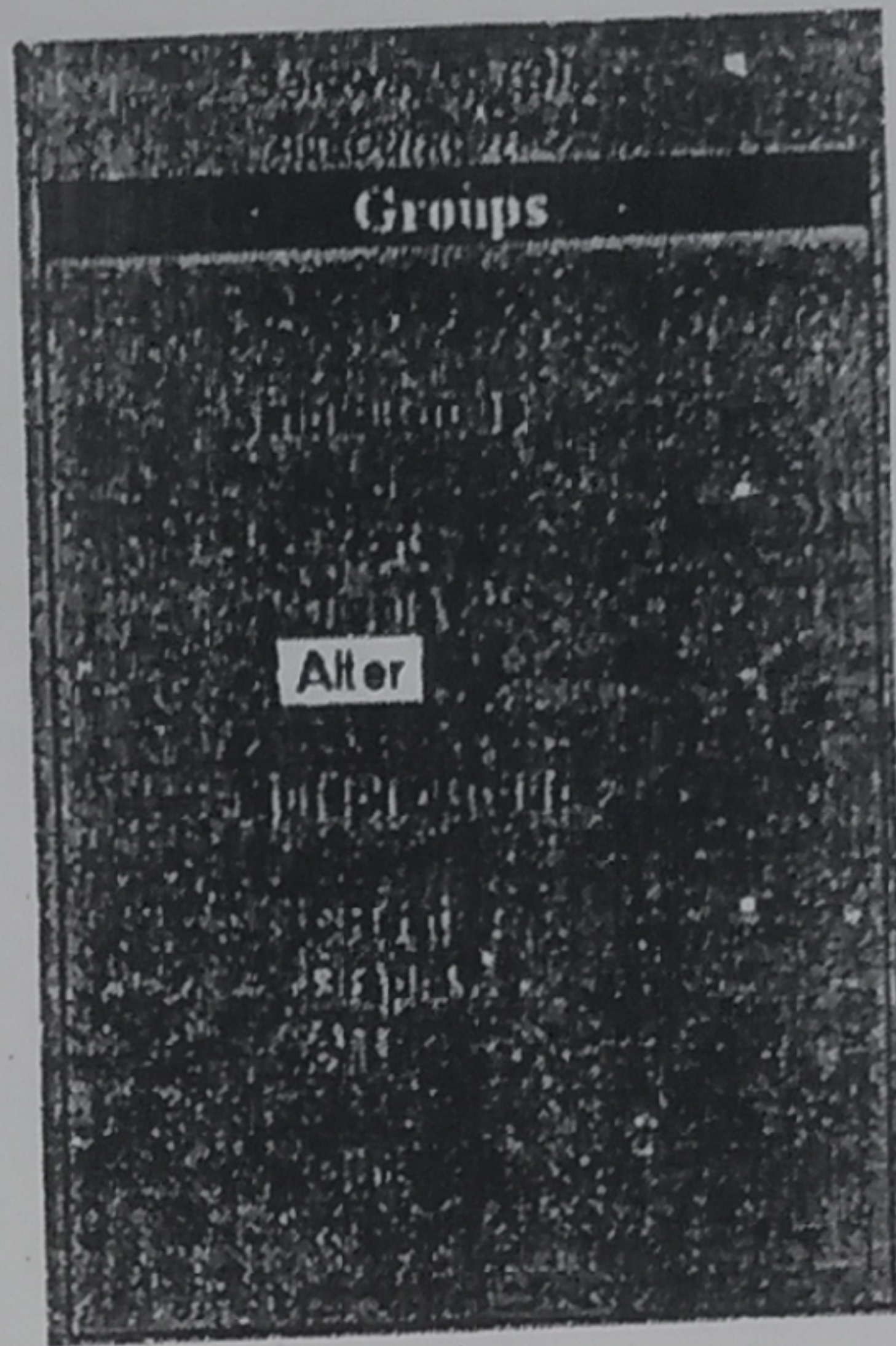


Figure 5.15

- Select "Alter" under "Single Group". Figure 5.15 appears. Choose "Alter" under "Multiple Groups", while altering more than one group at a time.

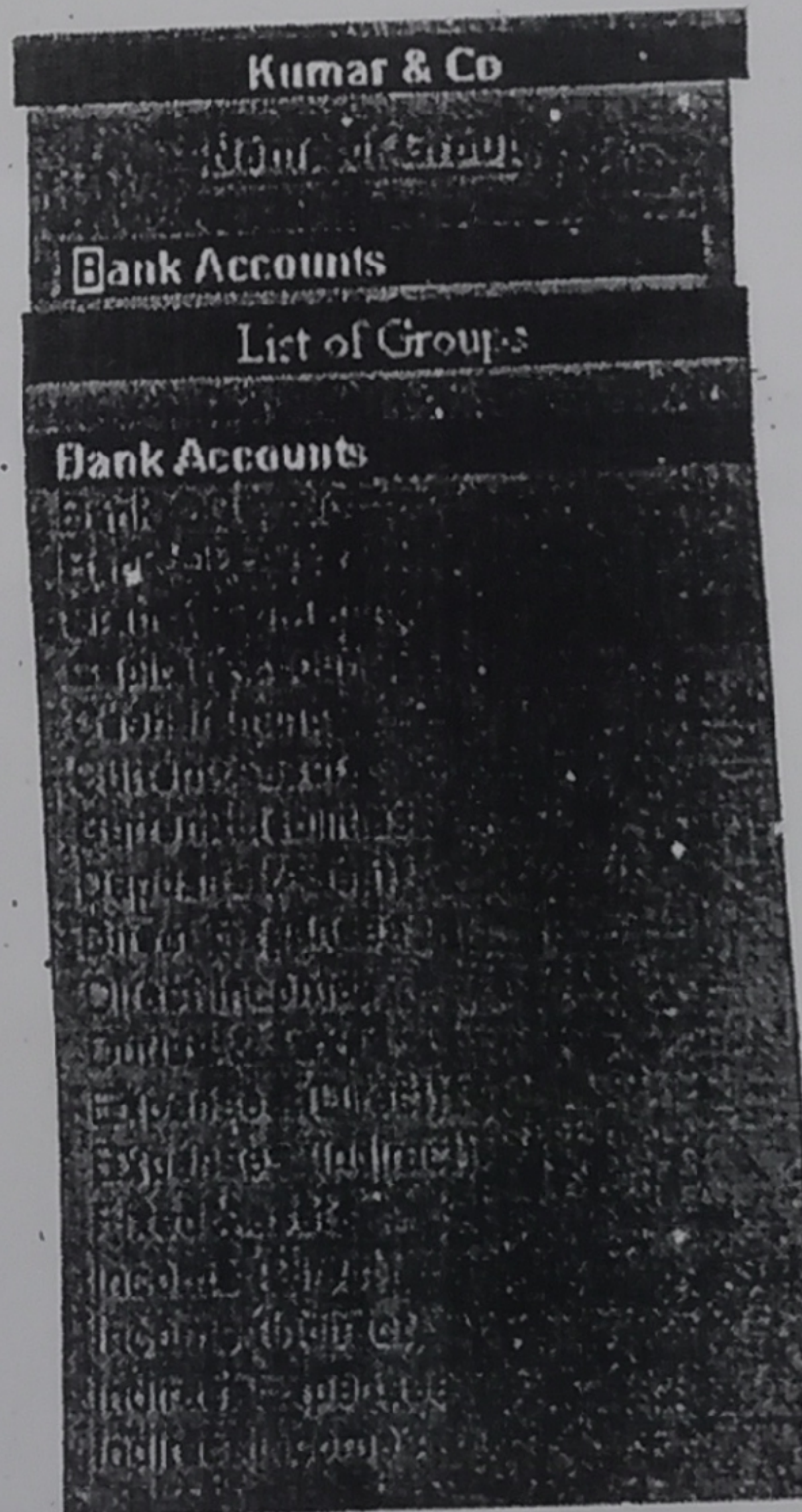
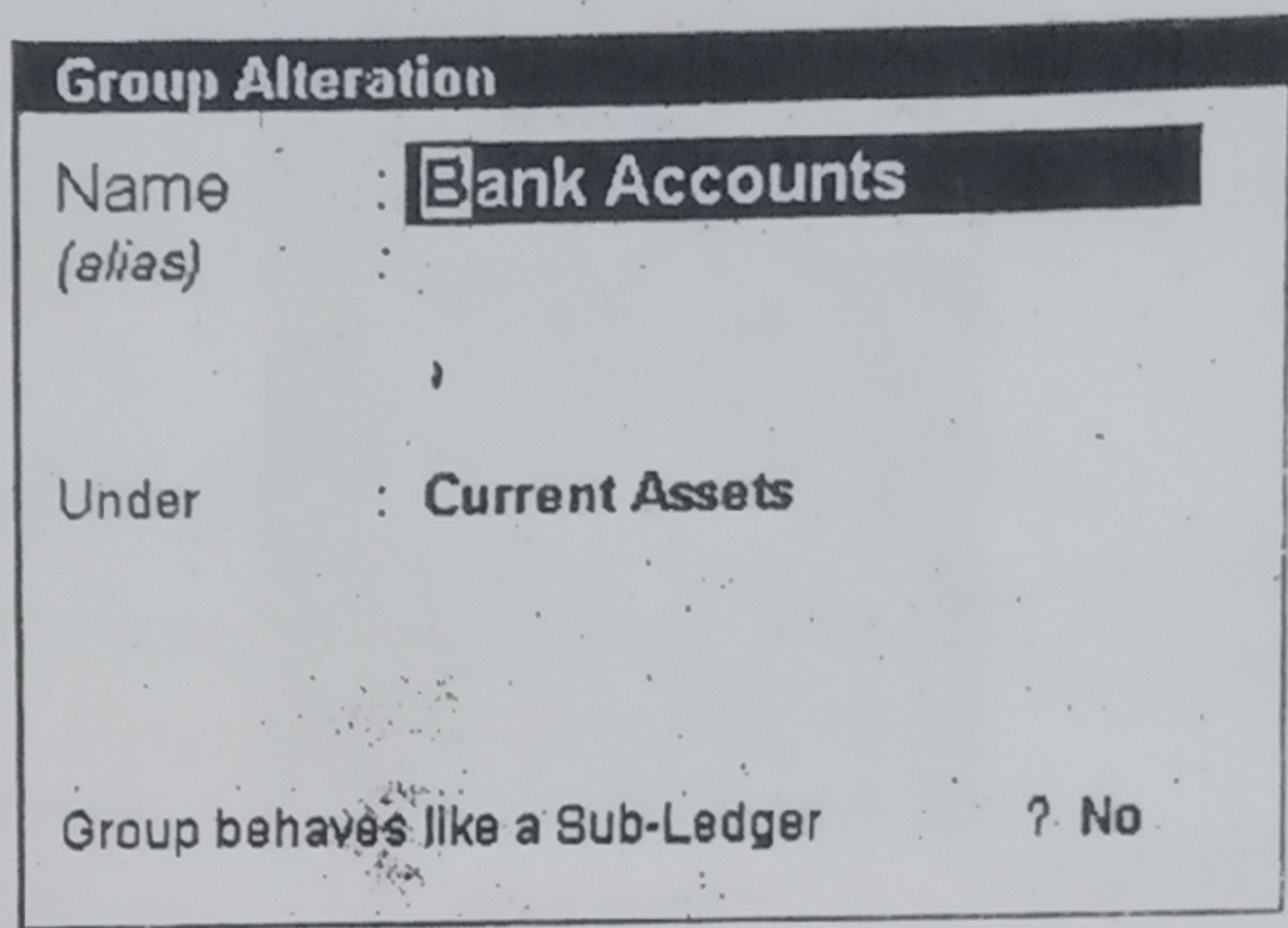


Figure 5.15

- Select the group, that is to be altered. Then press "Enter" key. The screen that appears is shown in Figure 5.16.



Group Alteration

Name (alias) : Bank Accounts

Under : Current Assets

Group behaves like a Sub-Ledger ? No

Figure 5.16

- Do the changes in the group name, alias name or alter the basic group name.
- Confirm the entries by pressing "Y" for the message "Accept Yes/No".

Deleting groups

- Select "Groups" from the "Account Info." menu. The menu that appears is shown in Figure 5.17.

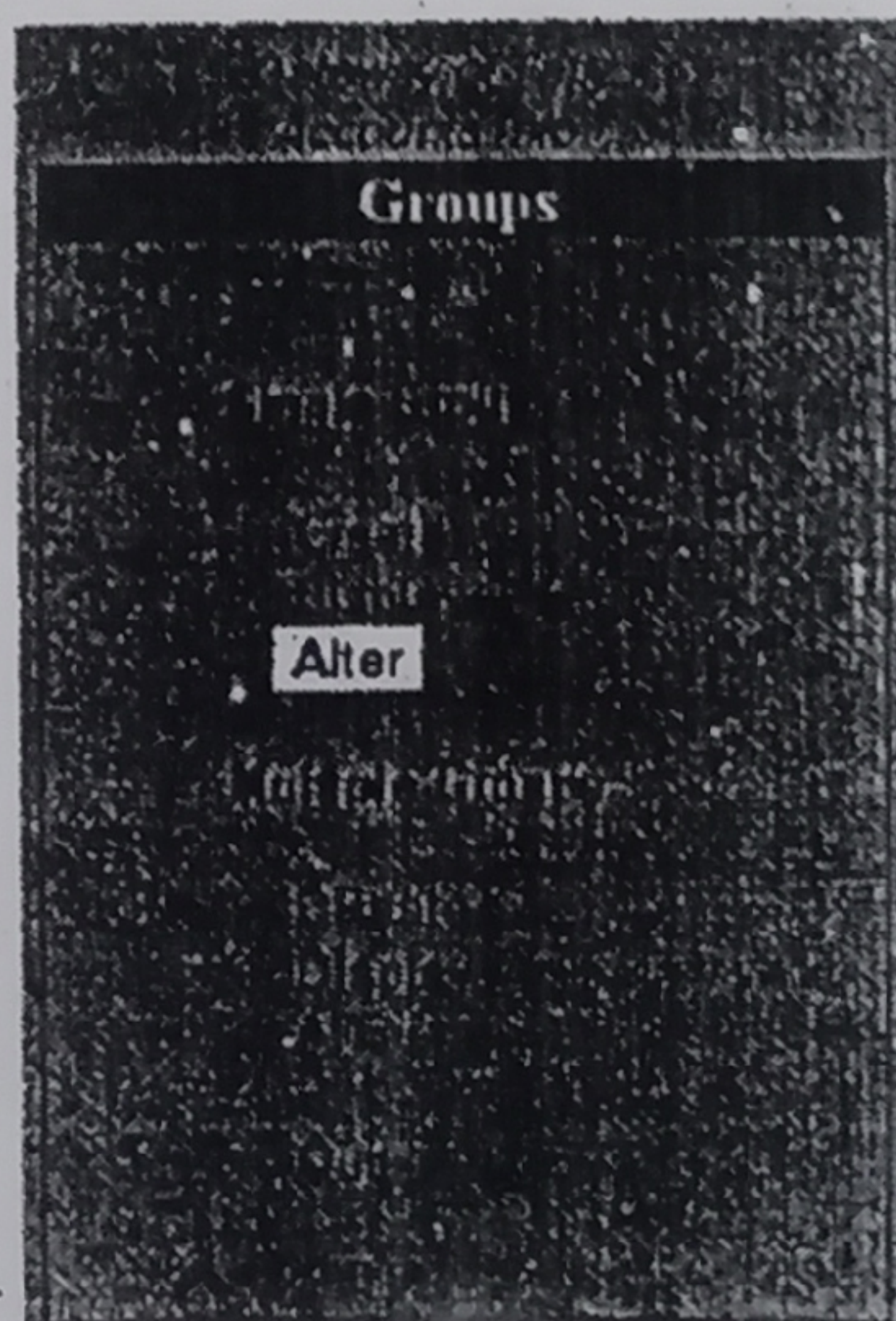


Figure 5.17

- Select "Alter" under "Single Group". Figure 5.18 appears.

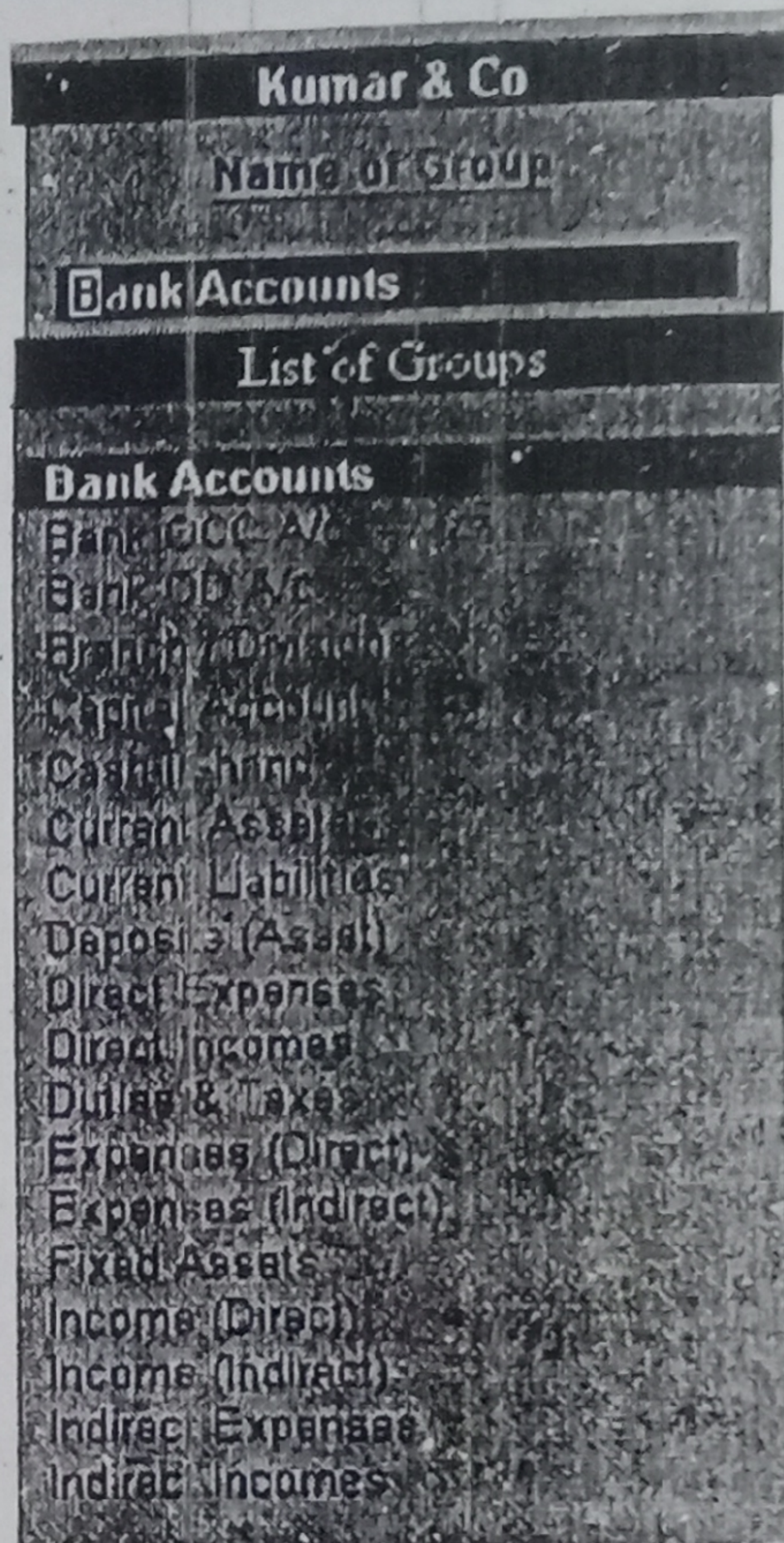


Figure 5.18

- Select the group, that is to be altered. Then, press "Enter" key. A screen appears as in Figure 5.19.

Group Alteration	
Name (alias)	Bank Accounts
Under	Current Assets
Group behaves like a Sub-Ledger	? No

Figure 5.19

- Press "Alt" and "D" simultaneously.
- Confirm by pressing "Y" for the message "Delete Yes/No".

Creation of Ledgers

- i. Select "Account Info." from "Gateway of Tally" menu. A menu appears as shown in Figure 5.20.

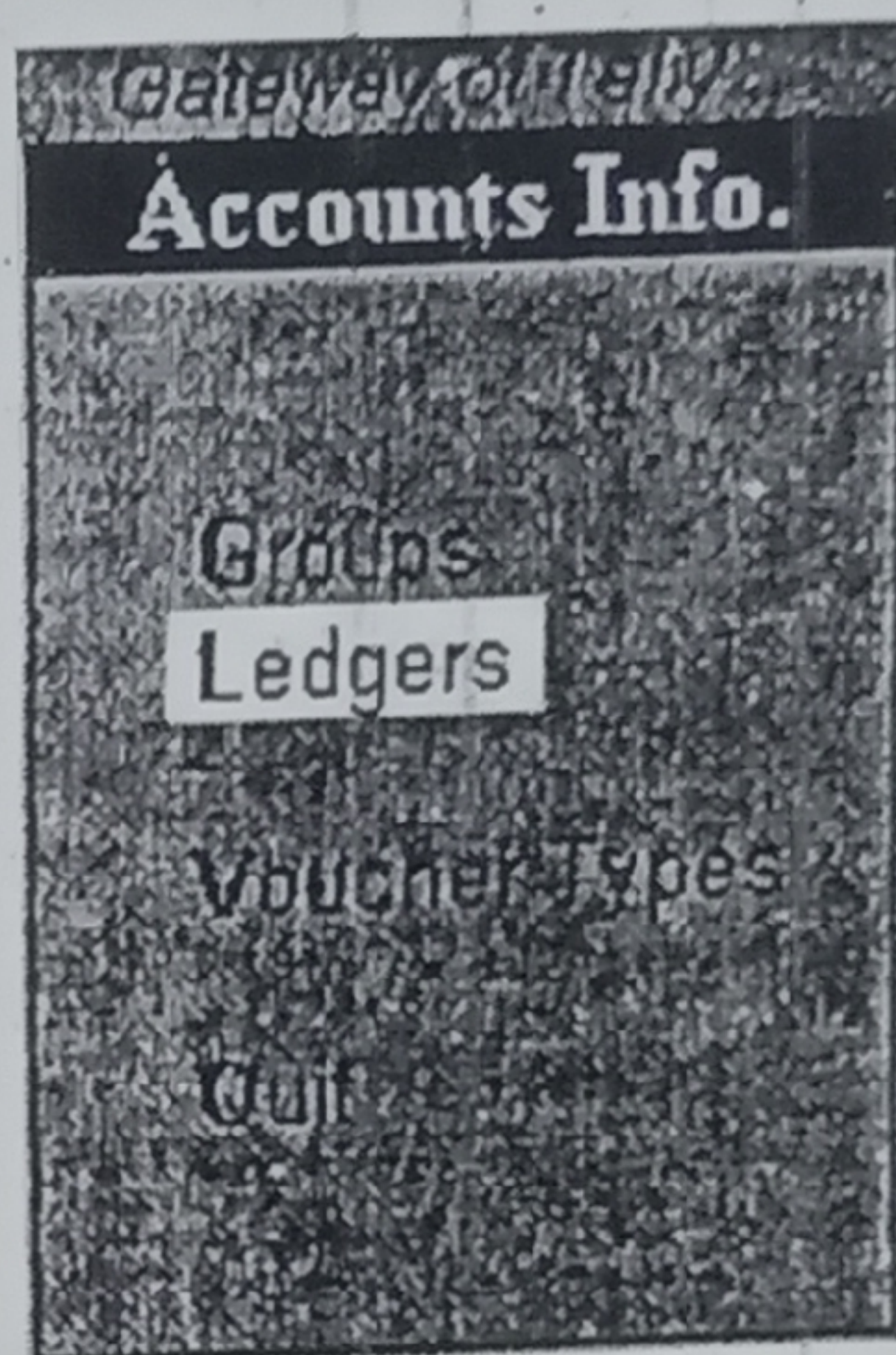


Figure 5.20

- ii. Select "Ledgers" from "Account Info." menu. A menu appears as shown in Figure 5.21.

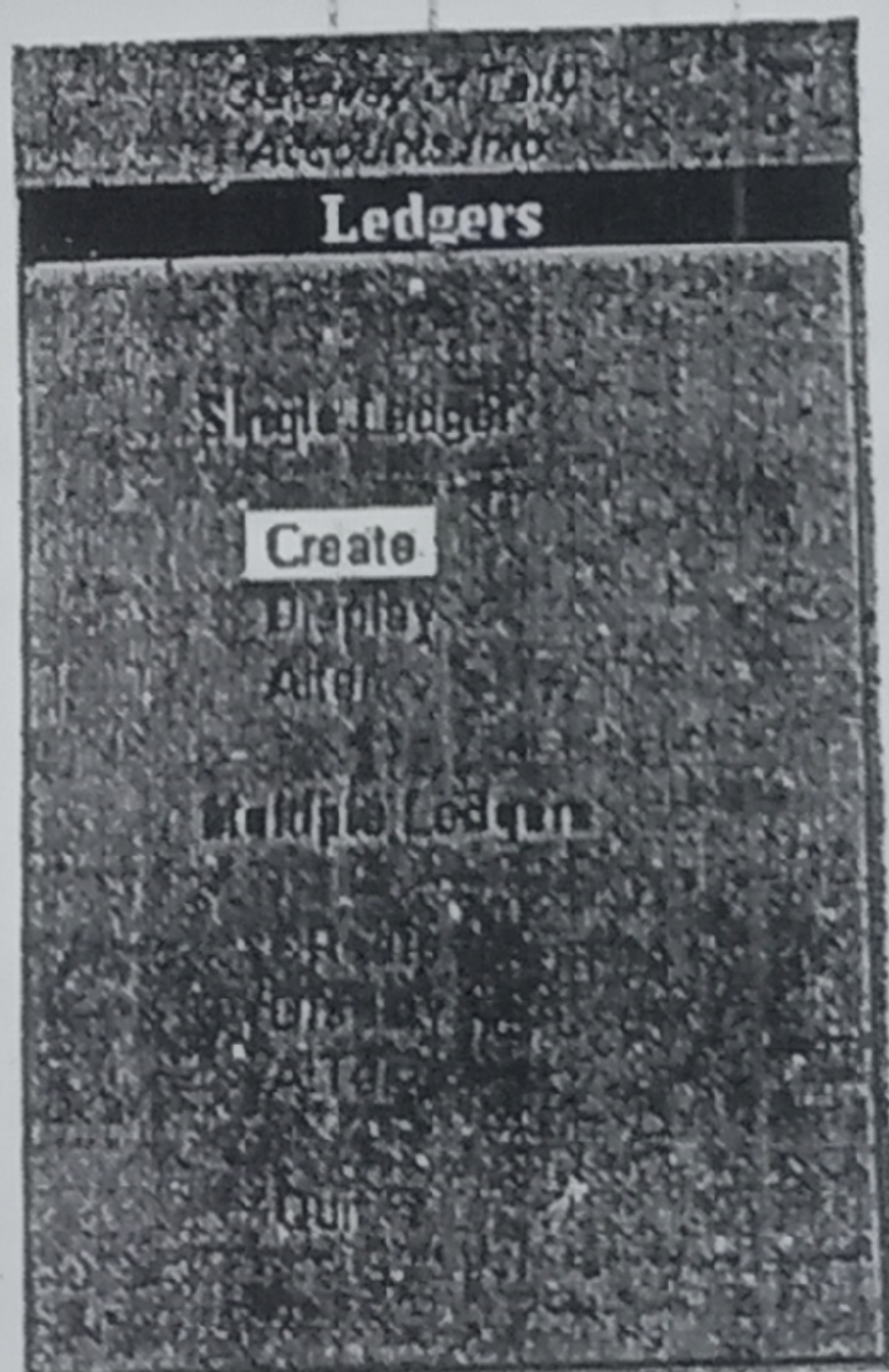


Figure 5.21

- iii. Select "Create" under "Single Ledger". The figure that appears is shown in Figure 5.22. Choose "Create" under "Multiple Ledger" while creating more than one ledger at a time.

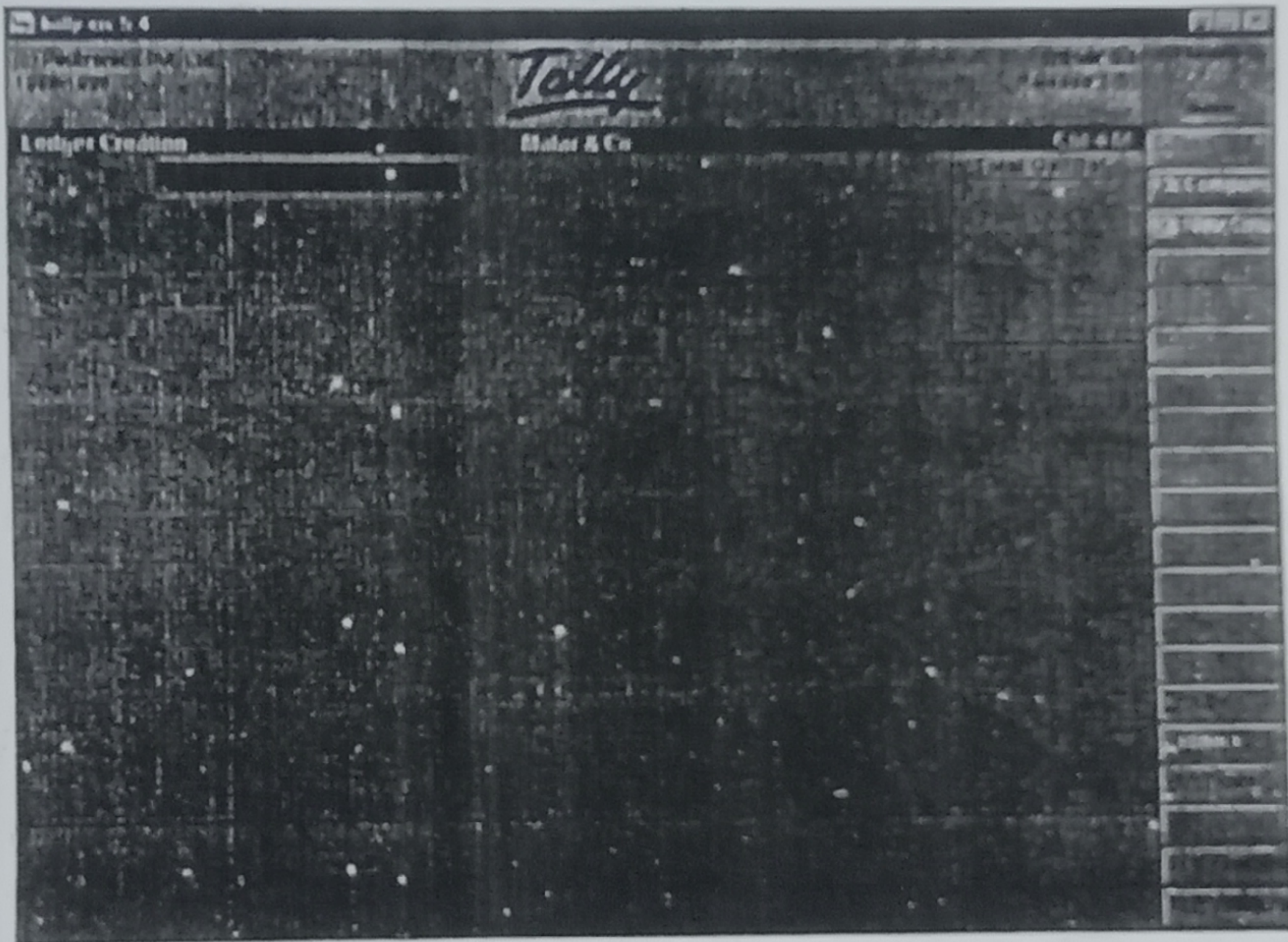


Figure 5.22

- iv. Enter ledger name, group and opening balance with debit or credit detail.
- v. Confirm the entries by pressing "Y" for message "Accept Yes/No".

Editing and Deleting of Ledgers

Editing ledgers

- Select "Ledgers" from "Account Info." menu. A menu that appears is shown in Figure 5.23.

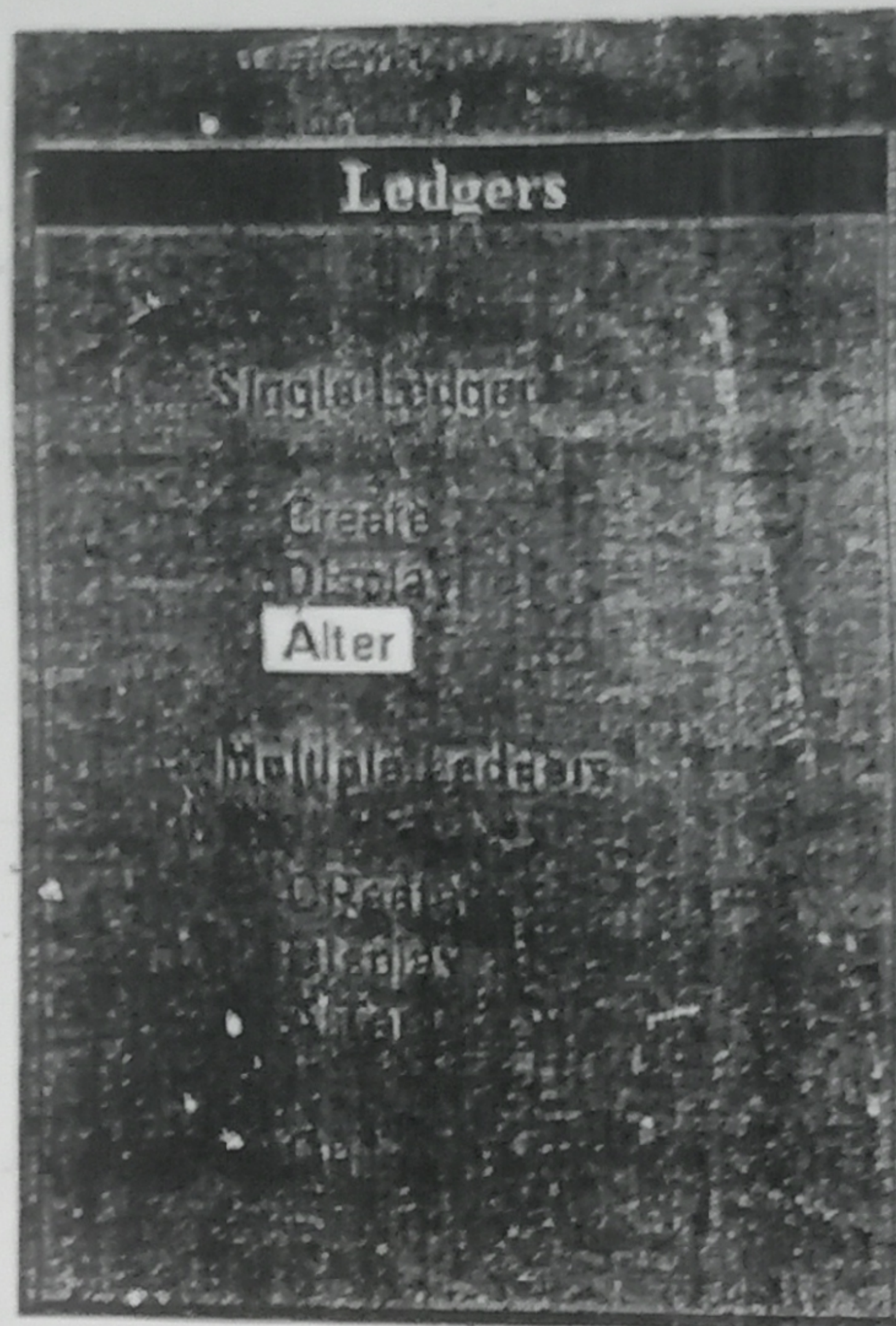


Figure 5.23

- Select "Alter" option under "Single Ledger". The figure that appears is shown in Figure 5.24.

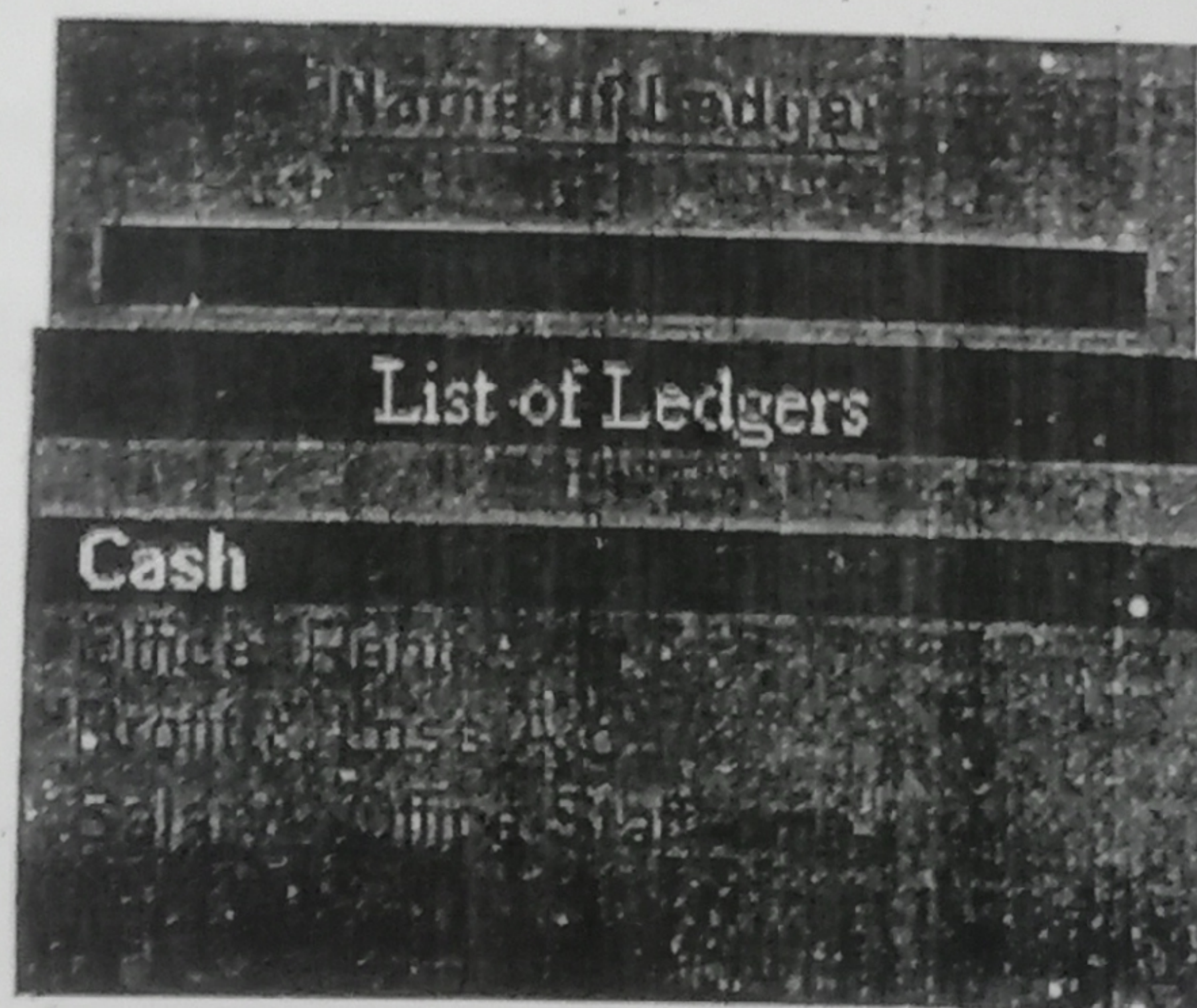


Figure 5.24

- Select the required ledger from the list of ledgers. The screen will be changed as in Figure 5.25.

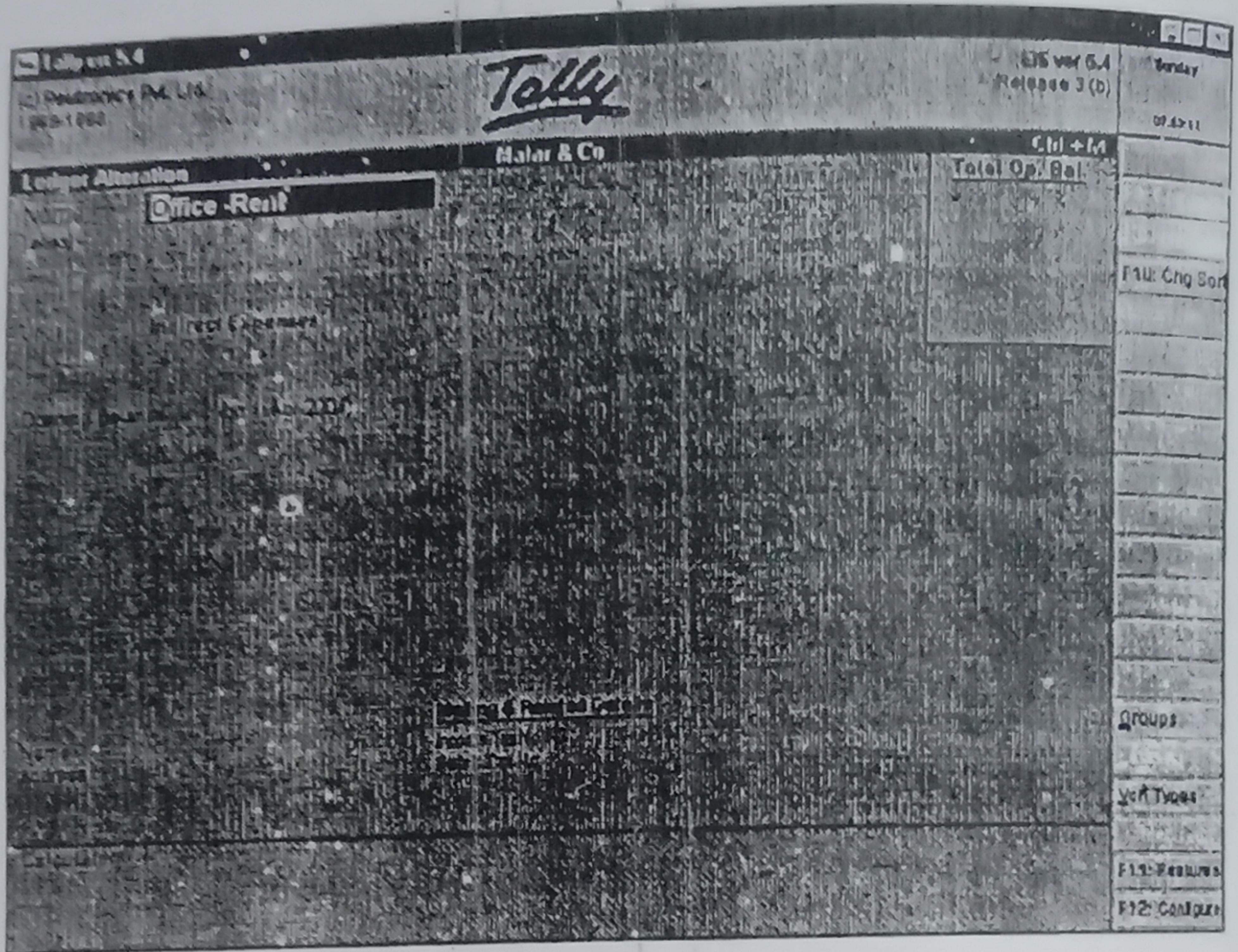


Figure 5.25

- Do the changes and confirm by pressing "Y" for the message "Accept Yes/No".

Deleting ledger

- Select "Ledgers" from "Account Info." menu.
- Select "Alter" option. Figure 5.25 will appear on the screen.
- Press "Alt" and "D" keys simultaneously.
- Confirm it by pressing "Y" for the message "Delete Yes/No".

INTRODUCTION TO VOUCHERS

Voucher is a document containing the details of a transaction. For every transaction, we make a voucher. For example, consider the following Rs. 50,000 is withdrawn from Bank Of India, OD account and another 50,000 from current account on the same day, from the same bank. Although cash has been withdrawn

from the same bank, there are two transactions. So, we should enter two vouchers.

Voucher Entry

- i. Select "Voucher Entry" from "Gateway of Tally". The screen that appears is shown in Figure 5.26.

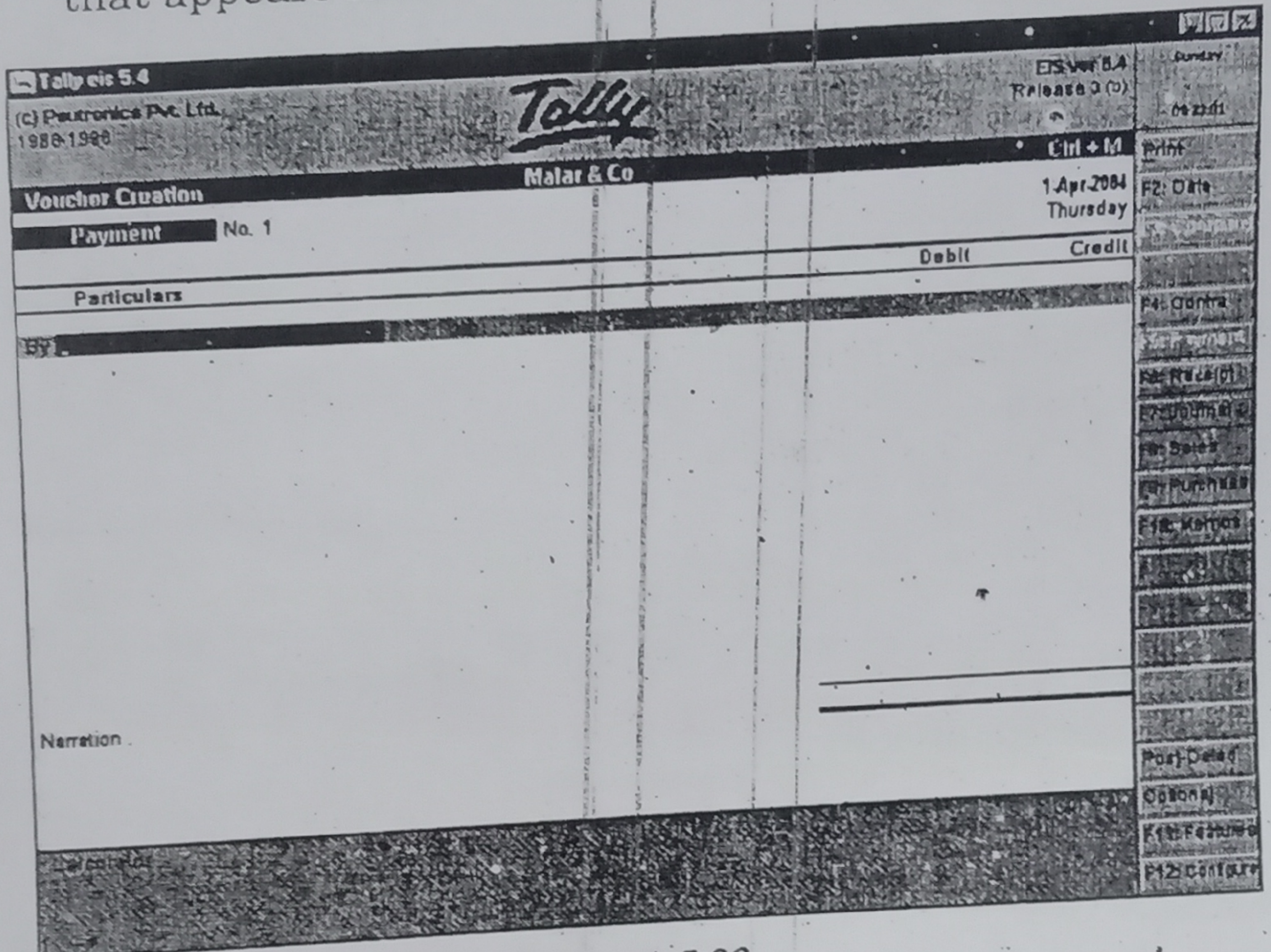


Figure 5.26

- ii. Choose voucher type by pressing any one of the following function keys.

F4 for contra

F5 for payment

F6 for receipt

F7 for journal

F8 for sales

F9 for purchase

iii. Enter the voucher details using accounts ledger list box. The following details should be entered in each voucher.

Date of voucher

Debit and credit amount details

Narration

iv. Confirm by pressing "Y" for the message "Accept Yes/No".

Types of Vouchers

In Tally, the following voucher types are available.

- i. Contra voucher
- i. Receipt voucher
- ii. Payment voucher
- iii. Journal voucher
- iv. Sales voucher
- v. Purchase voucher

Contra voucher

Press F4 for contra voucher. This voucher is used for fund transfer between cash and bank accounts only. For example, cash deposited into bank and cash withdrawn from bank comes under this voucher. For this voucher entry, Credit the source for funds and Debit the destination of funds.

Example: Cash withdrawn from bank Rs. 50,000

Journal Entry:

Cash A/c	Dr	50,000	
To Indian bank A/c			50,000

Figure 5.27 shows this voucher entry.

Tally

Voucher Alteration: 1 Apr 2004 Thursday

Contra: No 1

Particulars	Debit	Credit
Indian Bank		50,000.00
By Cash	50,000.00	
	50,000.00	50,000.00

Narration: Cash withdrawn from bank

Figure 5.27

Payment voucher

Press F5 for this voucher. This voucher is used for all payments made through cash or bank. These payments can be towards expense, purchase, trade creditors, etc. For this voucher entry, Debit the ledger account paid to and Credit the cash/bank account.

Example: Office rent paid Rs. 2,500

Journal Entry:

Office Rent A/c Dr 2,500

To Cash A/c 2,500

Figure 5.28 shows this voucher entry.

The screenshot shows the Tally 5.4 Voucher Alteration screen. The title bar indicates 'Tally 5.4'. The window title is '(c) Reckon Pvt. Ltd. 1998-1999'. The Tally logo is prominently displayed. The voucher type is 'Payment' and the date is '1 Apr 2004 Thursday'. The voucher number is 'No. 4'. The company name is 'Malar & Co'. The voucher is for 'Office Rent' with a debit of 2,500.00 and a credit of 2,500.00. The narration is 'Office Rent paid'. The screen also shows a list of functions on the right side, including Print, F2: Date, F4: Contra, F6: Receipt, F7: Journal, F8: Sales, F9: Purchase, F10: Memos, Post-Dated, Optional, F11: Features, and F12: Configure.

Particulars	Debit	Credit
By Office Rent	2,500.00	
To Cash		2,500.00
	2,500.00	2,500.00

Narration
Office Rent paid

Figure 5.28

Receipt voucher

Press F6 for this voucher. This voucher is used for all receipts in the form of cash or bank transactions. For this voucher entry, Debit the Cash/Bank account and Credit the ledger account from which we receive.

Example: Received interest from Indian Bank Rs. 400

Journal Entry:

India Bank A/c Dr	400	
To Interest received A/c		400

Figure 5.29 shows this voucher entry.

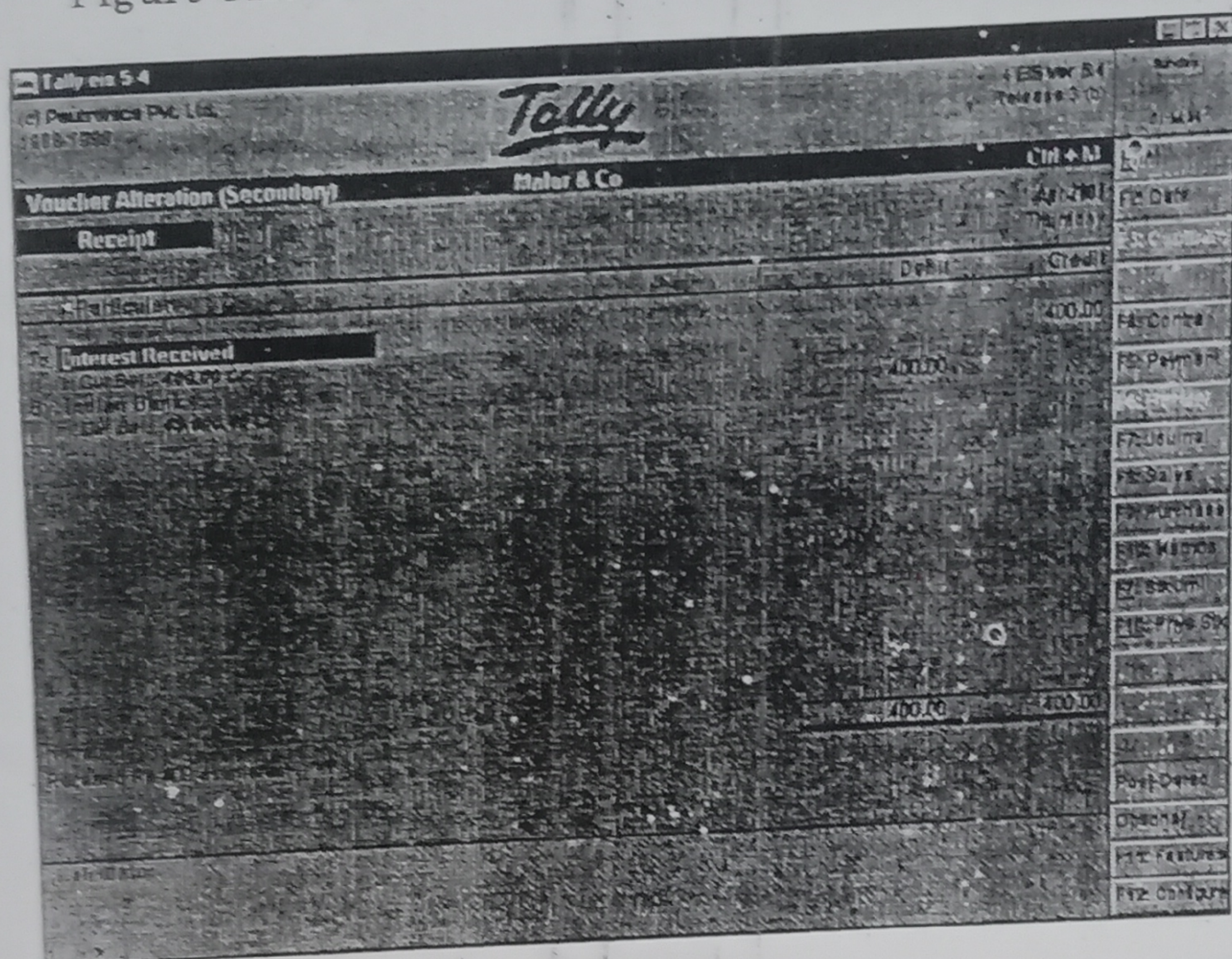


Figure 5.29

Journal voucher

Press F7 for journal voucher entry. It is an adjustment voucher. It is used to adjust amount between two or more ledger accounts, without affecting cash or bank accounts. In the following voucher entry depreciation on fixed assets is adjusted.

Example: Depreciation of Machinery Rs. 4,000 and furniture Rs. 1,000

Journal Entry:

Depreciation A/c Dr	5,000	—
To Machinery A/c		4,000
To Furniture A/c		1,000

Figure 5.30 shows this voucher entry.

Tally

Voucher Type: Depreciation

Journal No. 1

Date: 1 Apr 2004 Thursday

Particulars	Debit	Credit
Car Bal: 2,000.00 Dr		
To Machinery		4,000.00
Car Bal: 48,000.00 Dr		
To Furniture		1,000.00
Car Bal: 1,000.00 Dr		
	5,000.00	5,000.00

Narration: Depreciation on fixed assets adjusted

Figure 5.30

Sales voucher

Press F8 for this voucher. This voucher is used when sales are made for credit. For this voucher entry, Debit the buyer account and Credit the sales account.

Example: Sold 5 bags of rice to Akbar & Co @ Rs. 1,000

Journal Entry:

Akbar & Co A/c Dr	5,000	
To Local Sales A/c		5,000

Figure 5.31 shows this voucher entry.

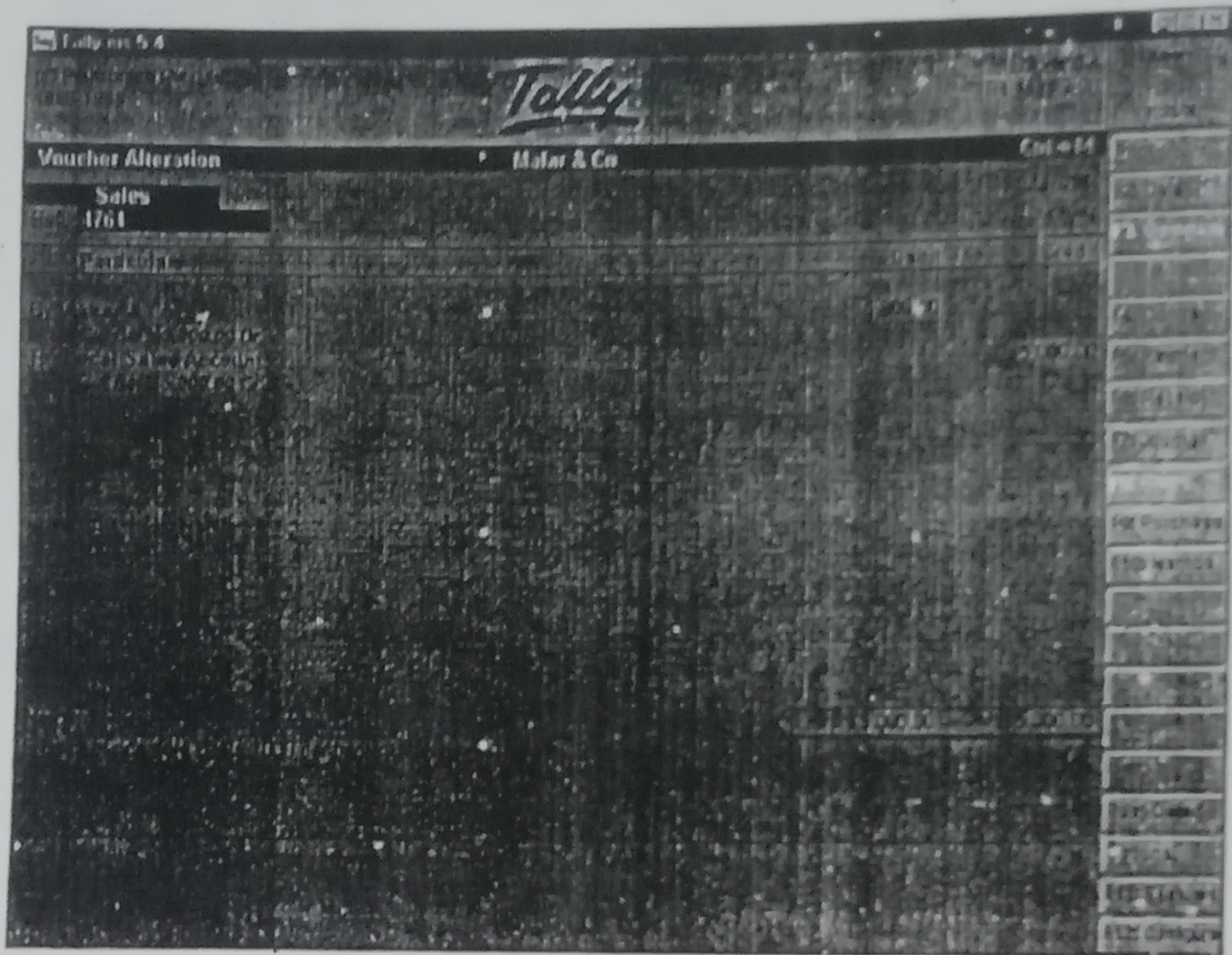


Figure 5.31

Purchase voucher

Press F9 for this voucher. This voucher is used when purchase is made for credit. For this voucher entry, Debit the purchase account and Credit the seller account.

Example: Purchased 5 bags of Rice from Arul & Co @ Rs. 900

Journal Entry:

Local Purchase A/c.	Dr	4,500	
To Arul & Co A/c			4,500

Figure 5.32 shows this voucher entry.

Tally 5.4
Voucher Entry
Molar & Co
1-Apr-2004
Thursday

Particulars	Debit	Credit
To Anil & Co Car Bal: 4,500.00 Cr	4,500.00	
By Local Purchase Car Bal: 4,500.00 Dr		4,500.00
	4,500.00	4,500.00

Narration:
Purchased 5 bags of rice @ Rs. 900

Figure 5.32

Editing and Deleting Vouchers

Edit vouchers

- Select "Display" from "Gateway of Tally".
- Select "Statement of Accounts".
- Select "Statistics".
- Select the type of voucher.
- Choose the required voucher and make the modification.
- After modification press "Enter" key.
- At the end of voucher, press "Y" for the message "Accept Yes/No".

Deleting vouchers

- Do the above 4 steps
- Choose the required voucher, which must be deleted.
- Press "ALT" and "D" keys simultaneously.
- Press "Y" for the message "Delete Yes/No".

QUESTIONS

1. Explain the fundamentals for computerized accounting.
2. State the differences in between manual accounting and computerized accounting.
3. Discuss the architecture and customization of Tally.
4. What are the features of Tally?
5. Explain the various Tally screens and menus.
6. Explain the steps to create a new company in Tally.
7. What are groups? How can you create, edit, and delete them.
8. What are ledgers? How can you create, edit, and delete them.
9. What are vouchers? Explain the various types of vouchers.
10. How do you edit and delete vouchers?