
SECTION 3: ACCOUNTANCY AND FINANCIAL MANAGEMENT LAB

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3.0 INTRODUCTION

You have already known how to maintain accounts manually. Tally is an accounting package which is used for maintaining your accounts electronically. Following are some general features of Tally:

- It maintains all the primary books of accounts, like cashbook and bankbook.
- Tally maintains all registers like purchase register, sales registers and journal registers.
- Tally maintains all statement of accounts like Balance Sheet, Profit and Loss and Trial Balance, Cash Flow and Stock Statement.
- A Tally can maintain ‘Outstanding Reports’
- It may provide complete bill-wise information of amounts receivable as well as payable either party-wise or group-wise.
- It can provide a report for a particular date or reports for any range of dates.
- It provides the facility of Bank Reconciliation.

3.1 OBJECTIVES

After working with Tally, you should be able to:

- maintain all registers like purchase register, sales register, and journal Register;
- maintain all statements of accounts like Balance Sheet, Profit and Loss Account, and Trial Balance, cash flow, stock statement, and
- produce a wide range of reports.

3.2 GETTING STARTED WITH TALLY

On the home page of Tally screen 'Create Company' option is available under the title 'Company Info'.

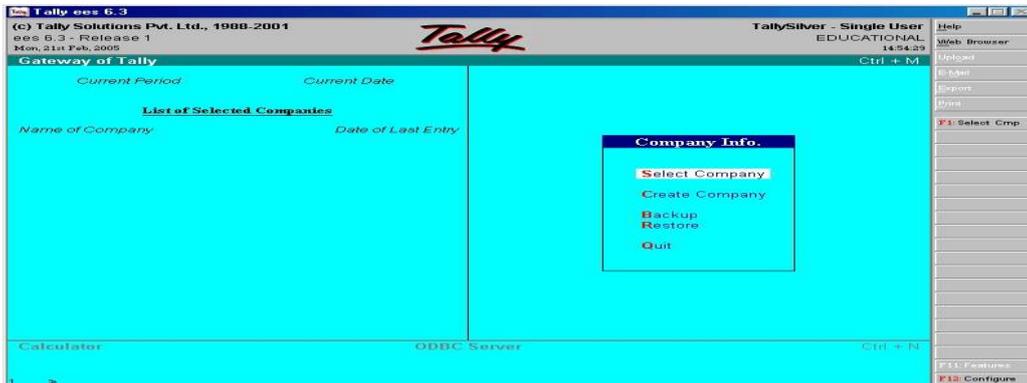


Figure1.1

To create the company you would click at 'Create Company' option. A new window will appear with various items on the screen. Some important ones are discussed below:

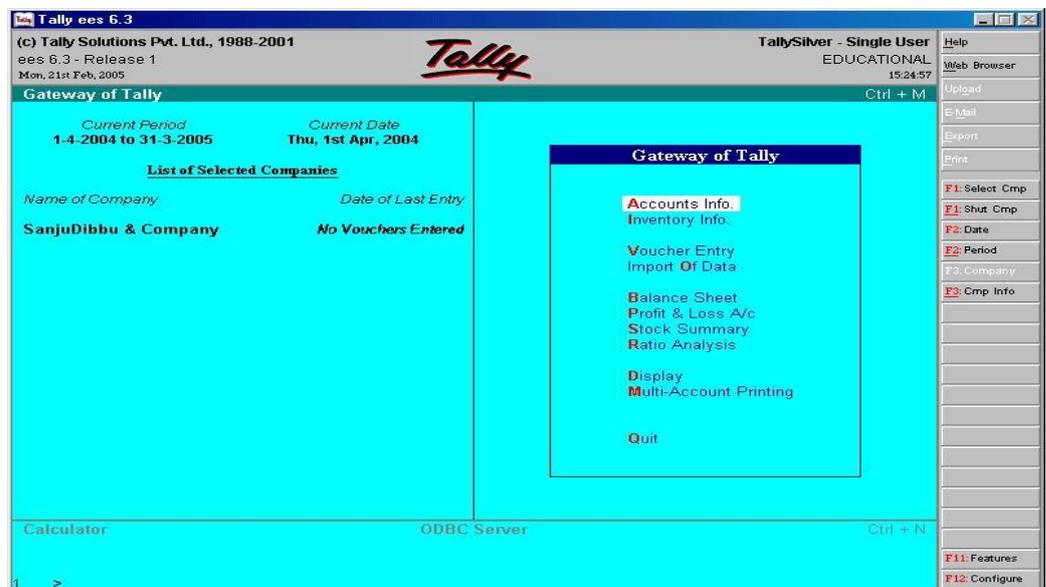
1. **Name:** Type the name of the company you want to create.
2. **Mailing Name:** The mailing name by default is the same as the name mentioned above. You can type some other mailing name of the company.
3. **Address:** Type mailing address of the company. There is no limit on the number if lines used.
4. **Maintain:** In Tally accounts can be maintained in a two different ways:
 - Accounts Only
 - Accounts-with-inventory
5. **Use Security Control:** This option provides security control to your company accounts by offering a comprehensive pass-based access control.

After filling all the required information press enter. A new window will appear asking for confirmation. For acceptance press 'Y'. The next window is as follow:



Once you get your company created the heading ‘company Info’ has a content of some new options. These options are as follows:

1. **Select Company:** This option permits you to load any company, which was created earlier, from the list of companies listed.
2. **Shut Company:** It allows you to exit, from the companies not in use, from the dialog box.
3. **Create Company:** (same as done above under same heading)
4. **Alter:** It allows you to change the information of an existing company filled at the time of creation of the company.
5. **Change Tally Vault:** To change the password, given earlier at the time of creating the company.
6. **Split Company Data:** Split the companies to form two companies out of the existing one; after the data specify by the user. In this process the closing balance of the first company will become the opening balance of the second company.
7. **Backup/ Restore:** This option allows the user to take a backup either on local hard disk or on any external media. The backup of one or more companies can be taken under a single directory.



Role of Buttons

The right hand screen area of Tally contains buttons; they perform various useful functions such as:

- F1: Select Cmp — It enables user to select company(s) and add them to the list of active companies.
- F1: Shut Cmp — It enables the user to shut or exit the selected company from the list of active companies list.
- F11: Features — This enables user to set some options related to:
 1. Company features
 2. Accounting Features
 3. Inventory Features

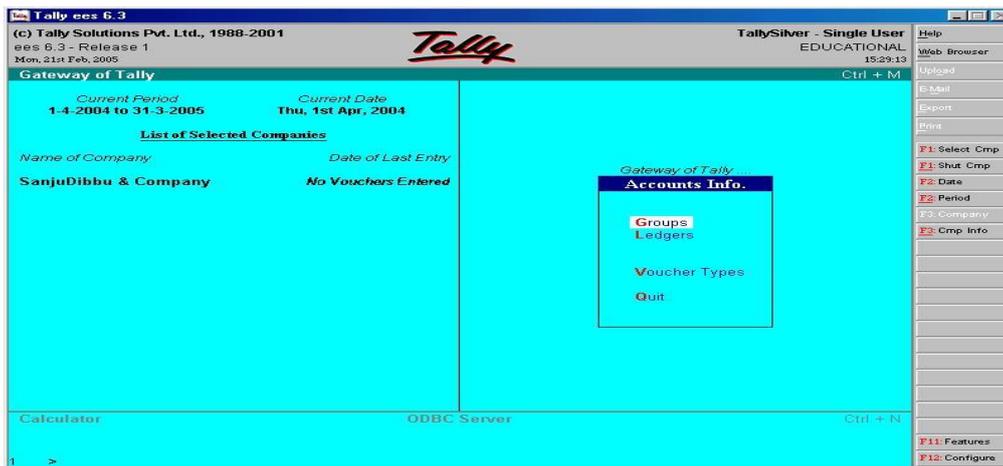
Exercise 1:

- Q1. Try to open two or more companies with different names.
- Q2. Show the role of Buttons.
- Q3. Put meaningful information into all the options available under heading 'Company Info'.

3.3 CREATING ACCOUNTS

Once the company has been created the next step is to open the accounts. This can be done as follows:

1. Select a company from the list of companies created above
2. Gateway of Tally window appears as shown below:



The above listed options can be chosen either by mouse click or by pressing Bold and Capital Key of respective field such as if you wants to choose Balance Sheet from Report Section only press B from your key board.

3. Select Account Info option from the gateway if Tally. The following window will appear.

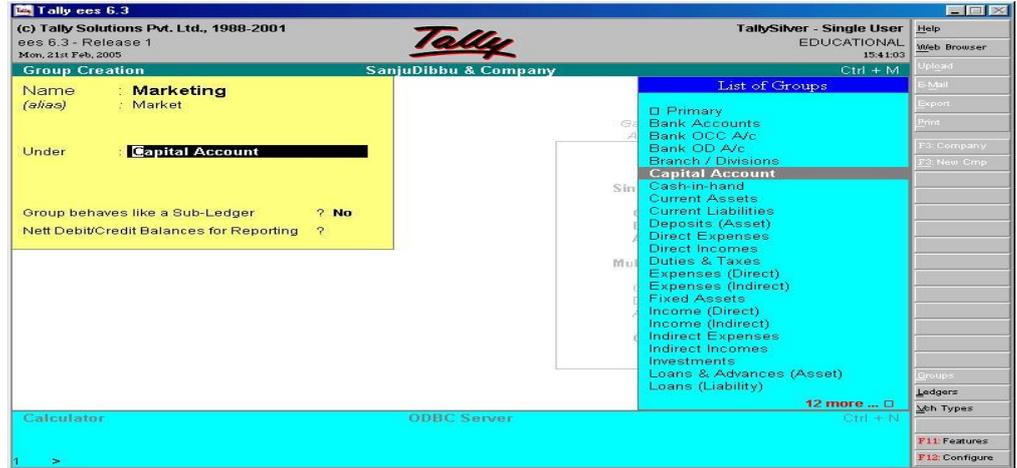
This chapter explains about the 'Account Info' option available under the title 'Gateway of Tally'. The 'Account Info' window contain the options 1. Group 2. Ledger and 3. Voucher Type. Let us explain all the above options one by one.

Groups:

It creates a group company when the main company already exists. Go for the following steps to create a group company.



1. Press Groups to create group company
2. Select Create and press Enter.



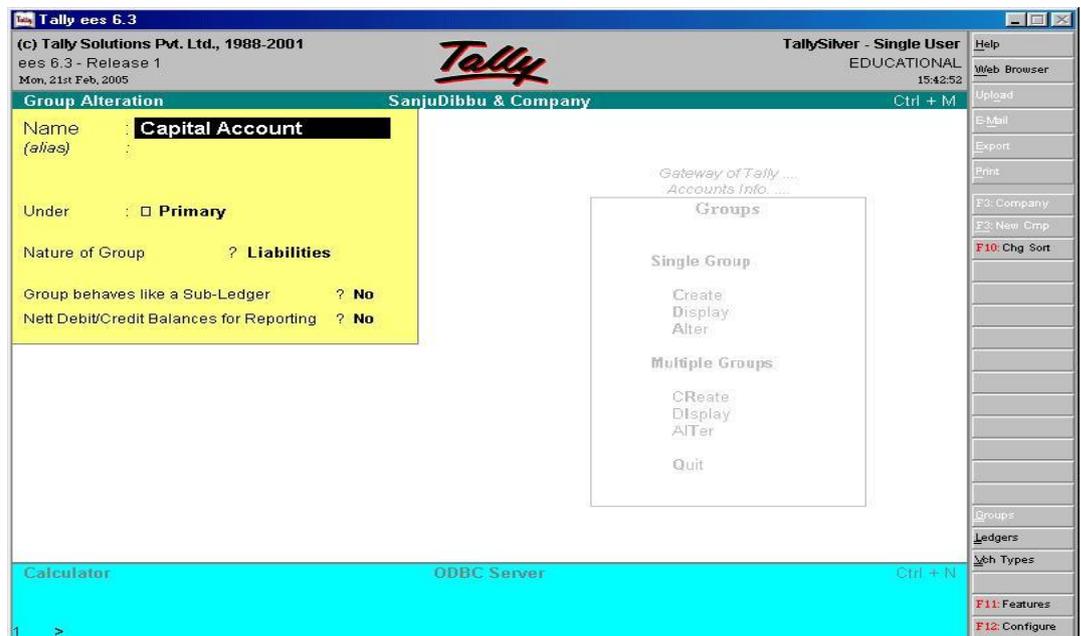
Tally has 28 pre-defined Groups available for us, which cannot be altered. Out of the 28 Groups 15 are primary and 13 are secondary or sub-groups. We can create Groups of our choice also.

These groups would be shown to you at the time of creating an account to ask you under which account the new account would be listed.

(Note: Nature of all the groups is already let you cleared in your blocks)

Option 'Display' helps the user in displaying (only) any account on the screen.

- To change any information in account, the select option 'Alter'. It can change the name of any Reserved Group. But its characteristics will remain the same.

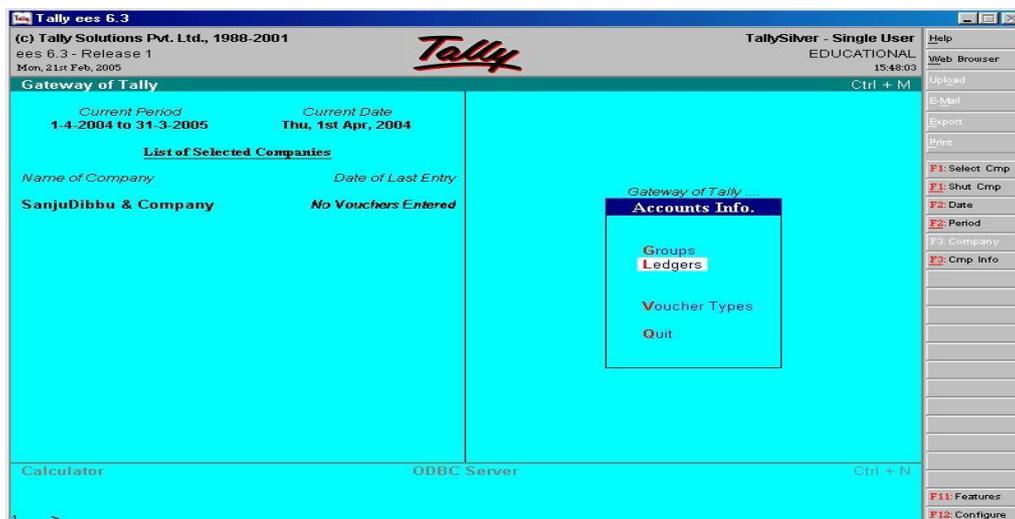


- To delete a group, only press 'Alt+D'. Your confirmation would be sought from you before permanent deletion.

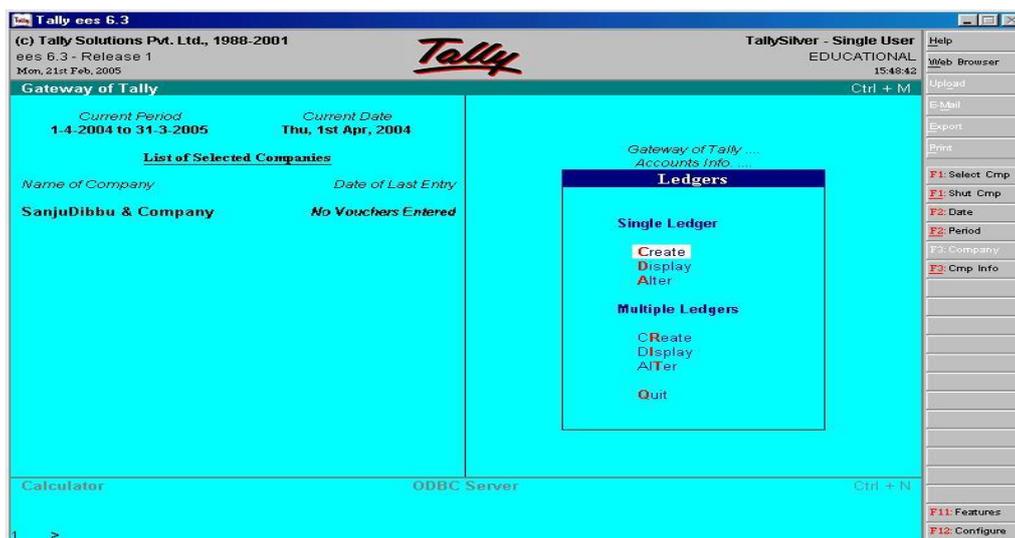
Ledger:

These are actual account heads to which the transactions are identified. All voucher entries are made in this account. But all ledgers must be grouped.

Creating a Ledger



1. Select 'ledger' of the 'Account Info'.
2. Select 'Create'.



3. Fill all the required information such as:
 1. Name
 2. Alias (Second Optional Name of the Ledger)
 3. Under (Group Name)
 4. Opening Balance (will be Zero for new company)
 5. Mailing & Related Details



You can display any ledger account on the screen by selecting ‘Display’ from the menu. ‘Alteration’ of group account allows you to change information in account format. You can change the name of any group, but cannot change its characteristics.

You can delete a ledger by pressing ‘Alt+D’ in the ledger ‘Alteration screen’. Your confirmation would be sought before permanent deletion.

Let us create the ledger of the following transactions.

| 2004 | | Rs. |
|---------|---|------|
| April 1 | Mohan started business with cash | 5000 |
| „ 2 | Deposit in the bank | 500 |
| „ 3 | Furniture purchased for cash | 200 |
| „ 5 | Purchased goods for cash | 400 |
| „ 8 | Purchased goods from M/s Ram Narain on credit | 1000 |
| „ 16 | Goods sold to M/s Ram & Co. for cash | 600 |
| „ 24 | Goods sold on credit to Ramesh | 300 |
| „ 28 | Received cash from Ramesh | 300 |
| „ 30 | Paid Rent | 100 |
| „ 30 | Paid Salary | 200 |

In the first transaction we have two accounts - one is real, Cash Account, and the other is Personal, Ram’s Capital Account, so there is a need to open two ledgers but the cash ledger is already available by default, so now there is a need only to open second ledger

Steps:

1. Come to ‘Gateway of Tally’
2. Select ‘Accounts Info’
3. Select Ledgers
4. Select Create
5. Type ‘Ram’s Capital Account’
6. Press <Enter>
7. Select Capital account option from the ‘List of Groups’ under option ‘Under’.

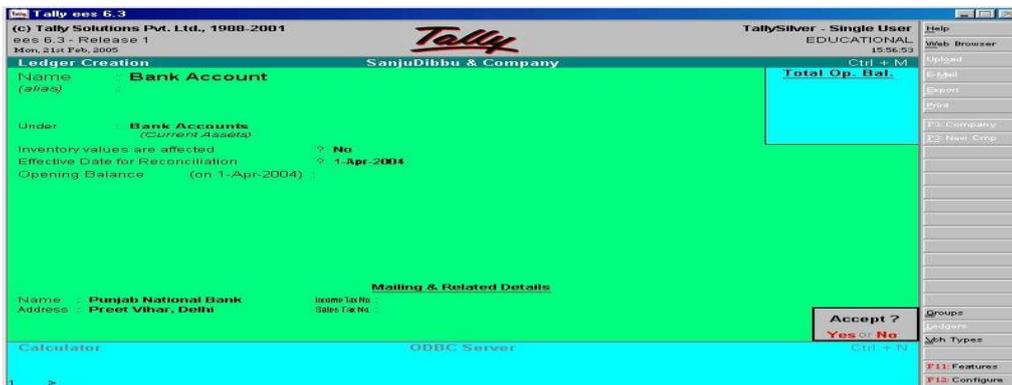
8. Press <enter> and select No as the capital never affect inventory.
9. Press 'Y' for acceptance.



In the second transaction we have two accounts one is real, Cash Account, and the other is Personal, Bank Account, so there is a need to open only one ledger named Bank.

Steps:

1. Come to 'Gateway of Tally'
2. Select 'Accounts Info'
3. Select 'Ledgers'
4. Select 'Create'
5. Type 'Bank'
6. Press <Enter>
7. Select Bank Account option from the 'List of Groups' under option 'Under'.
8. Press <enter> and select No as it will never affect inventory.
9. Enter the opening balance of the bank.
10. Enter name and address of the bank
11. Press 'Y' for acceptance.



In the third transaction we have two Real accounts, one is Cash Account and other is Furniture Account, so there is a need to open only one ledger named furniture.

Steps:

1. Come to 'Gateway of Tally'
2. Select 'Accounts Info'
3. Select Ledgers
4. Select Create
5. Type 'Furniture'
6. Press <Enter>
7. Select Fixed Assets option from the 'List of Groups' under option 'Under'.
8. Press <enter> and select Yes as it will affect inventory.

9. Press 'Y' for acceptance.

In the fourth and fifth transactions we have two Real accounts, one is Cash Account and the other is Purchase Account and one Personal account, M/s Ram Narain, so there is a need to open two ledger.

Steps:

1. Come to 'Gateway of Tally'
2. Select 'Accounts Info'
3. Select Ledgers
4. Select Create
5. Type 'Purchase'
6. Press <Enter>
7. Select Purchase Account option from the 'List of Groups' under option 'Under'.
8. Press <enter> and select Yes as it will affect inventory.
9. Press 'Y' for acceptance.
10. Press < enter> a new empty window of ledger creation will appear
11. Type M/s. Ram Narain
12. Press <Enter>
13. Select Sundry Creditors Account option from the 'List of Groups' under option 'Under'.
14. Press <enter> and select No as the capital never affect inventory.
15. Enter Name and Address of the M/s. Ram Narain.
16. Press 'Y' for acceptance.

In the sixth and seventh transactions we have two Personal accounts, one is M/s. Ram and Company and the other is Ramesh, and one Real account, cash, so there is a need to open only two ledgers of personal accounts.

Steps:

1. Come to 'Gateway of Tally'
2. Select 'Accounts Info'
3. Select Ledgers
4. Select Create
5. Type 'M/s. Ram and Company'
6. Press <Enter>
7. Select Sundry Debtors option from the 'List of Groups' under option 'Under'.
8. Press <enter> and select No as it will not affect inventory.
9. Enter Name and Address of Ramesh.
10. Press 'Y' for acceptance.
11. Press < enter> a new empty window of ledger creation will appear
12. Type Ramesh
13. Press <Enter>
14. Select Sundry Debtors option from the 'List of Groups' under option 'Under'.
15. Press <enter> and select No as it will not affect inventory.
16. Enter Name and Address of the Ramesh.
17. Press 'Y' for acceptance.



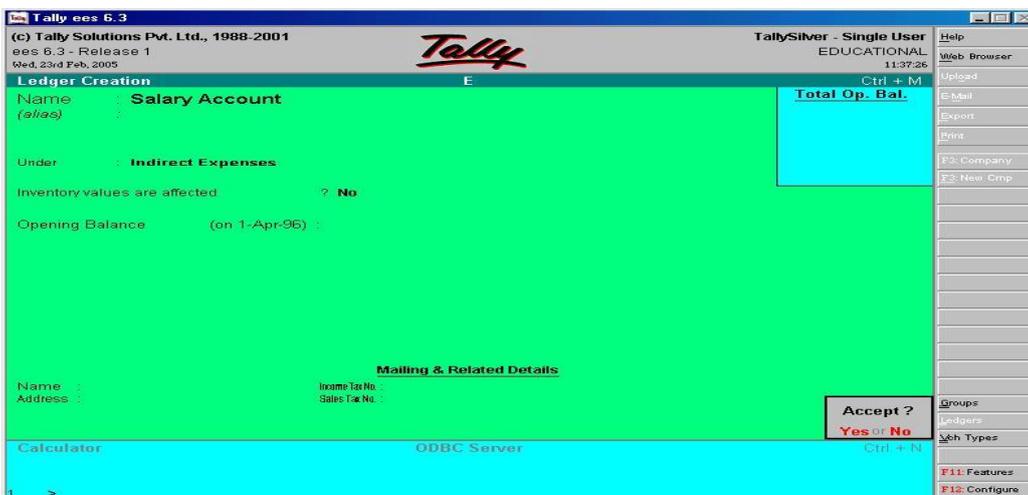
In the Eighth and ninth transactions we have two Nominal Accounts, Rent and salary Account, and one Real Account, Cash Account, so there is a need to open only two ledgers of Nominal accounts.

Steps:

1. Come to 'Gateway of Tally'
2. Select 'Accounts Info'
3. Select Ledgers
4. Select Create
5. Type 'Rent'
6. Press <Enter>
7. Select Indirect Expenses option from the 'List of Groups' under option 'Under'.
8. Press <enter> and select No as it will never affect inventory.
9. Press 'Y' for acceptance.



1. Press < enter> a new empty window of ledger creation will appear
2. Type Salary
3. Press <Enter>
4. Select Indirect expenses option from the 'List of Groups' under option 'Under'.
5. Press <enter> and select No as it will not affect inventory.
6. Press 'Y' for acceptance.



Exercise 2:

- Q4. Try to open the entire ledger, which has been manually created in Block 2 of MCS-035 exercise.
- Q5. What is a Ledger in Tally?
- Q6. Create a sample ledger in Tally

- Q7. Open a ledger named Purchase and then delete it.
- Q8. Change the name of ledger from Purchase to Sales.

3.4 VOUCHER ENTRY

In accounting, vouchers are the main input besides the opening balances which you put in the masters. The output is the form of Reports. Tally recognises a number of vouchers, which can be used to enter the first information of the transaction.

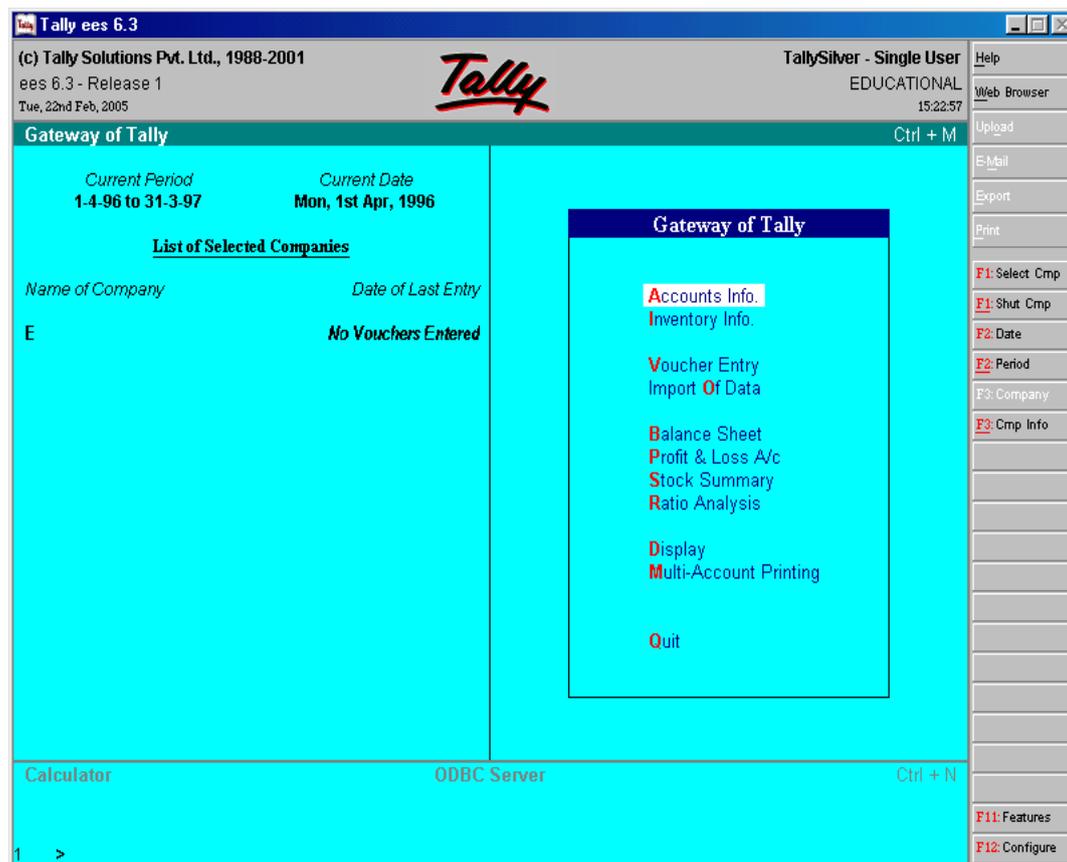
Vouchers are of different types. Some of them are already defined in the Tally programme. Some of the general vouchers are as follows:

- Sales Voucher
- Purchase Voucher
- Payment Voucher
- Receipt Voucher
- Journal Voucher

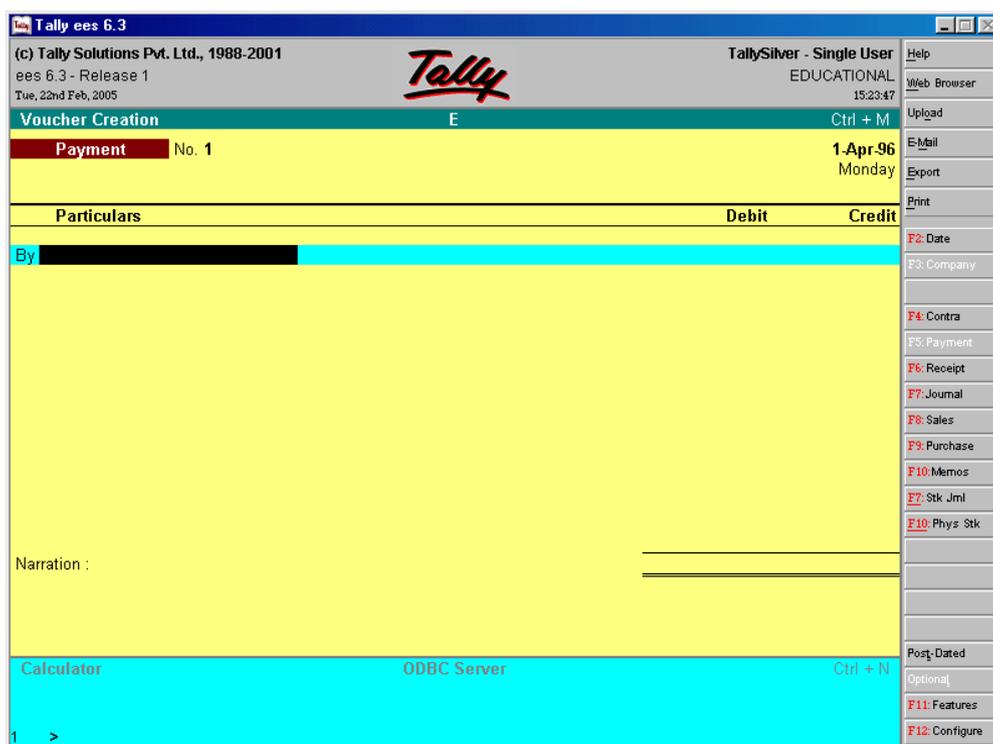
You are all familiar with the names of the above vouchers. Other than the predefined vouchers of the Tally software, users can create vouchers of their own desire and requirement also.

Voucher Entry

Voucher Entry is done by selecting ‘Voucher Entry’ option from the ‘Gateway of Tally’.



The default voucher entry screen displayed is the ‘Payment Voucher’. To change the screen for different voucher type, use Button Bar or Function Keys.



Voucher type selection is the mental work done by you not by computer and it is totally based on the accounting concepts learned earlier in theory blocks. Let us analyse the voucher type in the following transactions.

| 2004 | | Rs. |
|---------|---|------|
| April 1 | Mohan started business with cash | 5000 |
| „ 2 | Deposit in the bank | 500 |
| „ 3 | Furniture purchased for cash | 200 |
| „ 5 | Purchased goods for cash | 400 |
| „ 8 | Purchased goods from M/s Ram Narain on credit | 1000 |
| „ 16 | Goods sold to M/s Ram & Co. for cash | 600 |
| „ 24 | Goods sold on credit to Ramesh | 300 |
| „ 28 | Received cash from Ramesh | 300 |
| „ 30 | Paid Rent | 100 |
| „ 30 | Paid Salary | 200 |

Discussion on Voucher Type

The journal entry of the first transaction will give the idea of voucher type. As the Company is receiving some money it is **receipt voucher** or as this is of capital nature it may be **journal voucher**.

Cash Account Dr.
 To Ram's Capital Account
 (Being the amount invested by Mohan in the business as capital)

The journal entry of the second transaction will give the idea of voucher type. As the Company is receiving some money it is **contra voucher**.

Bank Account Dr.
 To Cash Account
 (Being the amount paid into bank)

The journal entry of the Second transaction will give the idea of voucher type. As the Company is receiving some money it is **payment voucher**.

Furniture Account Dr.
 To Cash Account
(Being furniture purchased for cash)

The Tally package will ask for some details of purchased furniture. The new window is as follow:

The journal entry of the Second transaction will give the idea of voucher type. As the Company is receiving some money it is **purchase voucher**.

Purchases Account Dr.
 To Cash Account
(Being goods purchased for cash)

The journal entry of the Second transaction will give the idea of voucher type. As the Company is receiving some money it is **purchase voucher**.

Purchases Account Dr.
 To M/s Ram Narain
(Being goods purchased for cash)

The journal entry of the Second transaction will give the idea of voucher type. As the Company is receiving some money it is **sales voucher**.

Cash Account Dr.
 To Sales Account
(Being goods sold for cash)

The journal entry of the Second transaction will give the idea of voucher type. As the Company is receiving some money it is **sales voucher**.

Ramesh Dr.
 To Sales Account
(Being goods sold to Ramesh on credit)

The journal entry of the Second transaction will give the idea of voucher type. As the Company is receiving some money it is **receipt voucher**.

Cash Account Dr.
 To Ramesh
(Being cash received from Ramesh)

The journal entry of the Second transaction will give the idea of voucher type. As the Company is receiving some money it is **payment voucher**.

Rent Account Dr.
 To Cash Account
(Being Rent paid)

The journal entry of the Second transaction will give the idea of voucher type. As the Company is receiving some money it is **payment voucher**.

Salary Account Dr.
 To Cash Account
(Being salary paid)

The process of entering the above voucher is as follows:

First Voucher Entry: Receipt Voucher

Cash Account Dr.
 To Capital Account
(Being the amount invested by Mohan in the business as capital)

1. Come to Gateway of Tally
2. Select Voucher Entry either by clicking by mouse or by pressing ‘V’

- Following window with default voucher type 'Payment Voucher' will appear.
- Select F6 button from button bar or press F6 from keyboard the type of voucher change from payment voucher to receipt voucher.
- Following window of 'Receipt Voucher' will appear.
- In front of 'To' write 'R' a list of related ledger will appear, select the Ram's capital option.
- Enter the amount Rs.5000 in credit
- Press Enter
- The 'By' Column will appear, write 'C' a list of related ledger will appear select the cash option, the same amount automatically gets entered in debit column.
- The voucher screen will appear as follow:



Second Voucher Entry: **contra voucher.**

Bank Account Dr.
 To Cash Account
 (Being the amount paid into bank)

- Come to 'Gateway of Tally'
- Select Voucher Entry either by clicking by mouse or by pressing 'V'
- Following window with default voucher type 'Payment Voucher' will appear.
- In front of 'To' write 'C' a list of related ledger will appear select the cash option.
- Enter the amount in credit
- Press Enter
- The 'By' Column will appear write 'B' a list of related ledger will appear select the bank option, the same amount automatically gets entered in debit column.
- The voucher screen will appear as follow:



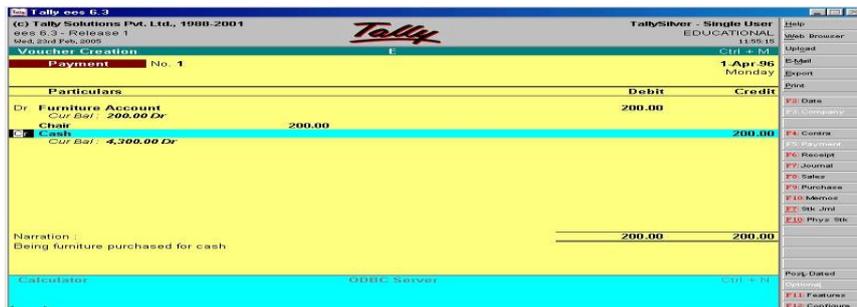
Third Voucher Entry : **Payment Voucher** (As we are purchasing Fixed Assets, not Stock, if we purchased something in stock it will be posted in purchase voucher)

Furniture Account Dr.
 To Cash Account
 (Being the amount paid into bank)

- Come to 'Gateway of Tally'
- Select Voucher Entry Either by clicking by mouse or by pressing 'V'
- Following window with default voucher type, 'Payment Voucher' will appear.
- In front of 'Dr' write 'F' a list of related ledger will appear, select the cash option.

5. A new window will also appear, asking for detail of furniture purchased with amount.
6. Enter the amount in debit
7. Press Enter
8. The 'By' Column will appear, write 'C' a list of related ledger will appear select the cash option, the same amount automatically gets entered in debit column.

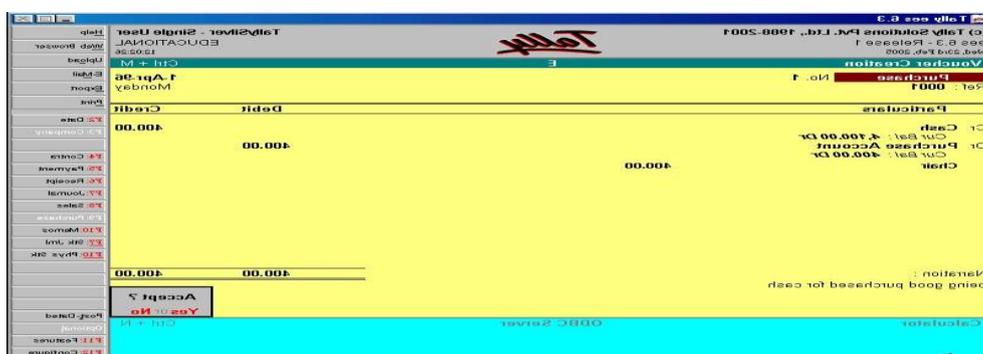
The voucher screen will appear as follows:



Fourth Voucher Entry: Purchase voucher.

Purchase Account Dr.
 To Cash Account
 (Being the amount paid into bank)

1. Come to 'Gateway of Tally'
2. Select Voucher Entry either by clicking by mouse or by pressing 'V'
3. Following window with default voucher type 'Payment Voucher' will appear.
4. Press button F9 for purchase voucher
5. In front of 'Cr' write 'C' a list of related ledger will appear select the cash option.
6. A new window will also appear, asking for detail of purchased with amount
7. Enter the amount in credit
8. Press Enter
9. The 'Dr' Column will appear, write 'p' a list of related ledger will appear, select the Purchase Account option, the same amount automatically gets entered in debit column.
10. The voucher screen will appear as follows:



Rest of the voucher entry is done in the above manner. The same process is applied on any type of voucher entry irrespective of their type/nature.

Role of Button

- F2: To change the date of the voucher
- Alt + F2: To change Voucher Period
- F3: To switch to another loaded company and enter a voucher in it.
- F4: To create a Contra Voucher
- F5: To create a Payment Voucher

- F6: To create a Receipt Voucher
 F7: To create Journal Note such as Debit and Credit Notes
 F8: To create Sales Voucher
 F9: To create Purchase Voucher
 F10: To Reverse Journal Voucher and also To create Memorandum
 Post Dated: To make the current voucher Post-Dated
 Optional : To mark the current voucher Optional
 F11: To change the features

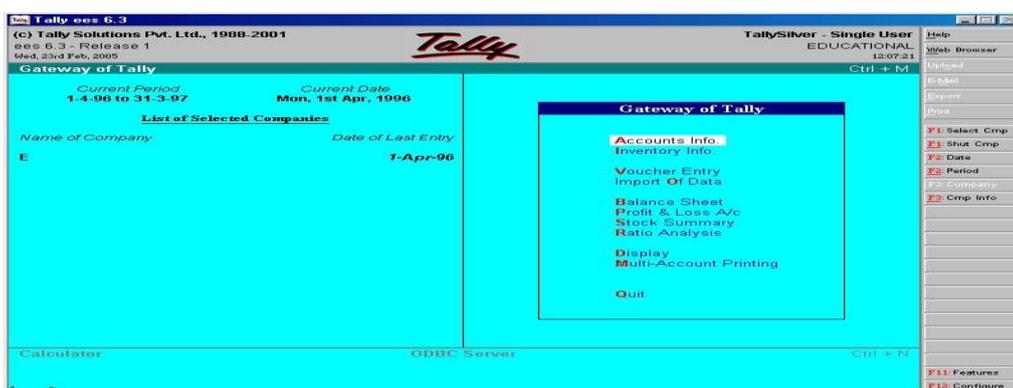
Exercise 3

- Q9. Make voucher entry of the questions which have been manually created by us in Block-2 of MCS-035 exercise.
 Q10. What do you understand by Voucher?
 Q11. Show the use of all the Voucher types available with Tally
 Q12. Change the date of voucher entered.
 Q13. Change the period of voucher entered.

3.5 REPORT CREATION

Tally's display of information can give you maximum benefit of the data entered through vouchers. You would experiment it in your through process. Here Tally serves the purpose of putting all your data in the form of vouchers to get the comprehensive accounting reports. Tally uses the data and gives you reports in addition to all books and statements. Tally is real time, all reports are up-to-date at all times. They can be displayed as at the last voucher entered.

Tally provides the facility to create different types of reports. But only the Balance Sheet and Profit and Loss Account are displayed directly from the 'Gateway of Tally', as shown below:



Tally accords these statements the highest importance. All other reports can be generated from the 'Display' option in 'Gateway of Tally'. The Display menu is divided as shown below:



As you can see from the menu, Displays are roughly organised into ‘Accounts information’ displays and ‘Inventory information’ displays – conforming to the two major areas of operation. Each area is grouped separately into books and statements.

Books of account record the individual transaction details you have entered through vouchers. Although you may post items to many different ledgers, Tally brings all the transactions of one category together into a book of accounts for viewing and printing. For example, the cash book records all the transactions affecting cash, the sales book records all the sales transactions.

Financial statements on the other hand are still derived from individual transactions but tend to show summary totals, ratios and statistics, analysing a company’s financial data in a wide variety of ways. Typical financial statements include the Balance Sheet, Profit and Loss Account and Cash Flow Analysis. Financial statements are usually statutory requirements in most countries.

In each case, when you display a report, you can step down to the next level of detail by highlighting the item and pressing <enter> and you can keep going until you reach an individual voucher. Similarly, you can step back to higher levels by pressing (Esc). The special features available for the currently displayed report are indicated on the button bar and can be selected with a single click of the mouse.

All books are displayed first as a monthly summary with opening and closing balances. To display all the transaction of a month select the particular month and then press <enter>. The opening and closing balances as well as transactions totals are also displayed. You can see the voucher by selecting the transaction. This voucher comes up either in display or in alteration mode depending upon the access rights available to you.

Display Balance Sheet

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

Steps:

1. Select Gateway of Tally
2. Select Balance Sheet

You will get the Horizontal form of Balance Sheet. You may have the vertical form of the Balance sheet by selecting it from F12: Configuration. Different information can be extracted by using various buttons in Button Bar, such as by using F2 you can change the period of the Balance Sheet.

NOTE: The above figure in the profit and loss account depends only upon the figure mentioned in trial balance. You can change the period of the Profit and Loss Account.

| LIABILITIES | | ASSETS | |
|---------------------|-----------------|-------------------|-----------------|
| | as at 1-Apr-99 | | as at 1-Apr-99 |
| Capital Account | 5,000.00 | Fixed Assets | 6,200.00 |
| Loans (Liabilities) | 1,000.00 | Current Assets | 6,200.00 |
| Current Liabilities | | Profit & Loss A/c | |
| | | Opening Balance | 200.00 |
| | | Current Period | 0.00 |
| Total | 6,000.00 | Total | 6,000.00 |

Display Profit and Loss Account

Profit and Loss Account is prepared to list out the incomes and expenditure based on the 'Groups of Tall'. Similar to Balance Sheet, the Profit and Loss Account is updated instantly with every transaction voucher that is entered and saved. No special processing is required.

Steps:

1. Select Gateway of Tally
2. Select Profit and Loss Account

You will get the Horizontal form of Profit and Loss Account. You may have the vertical form of the Profit and Loss Account by selecting it from F12: Configuration. Different information can be extracted by using various buttons in Button Bar, such as by using F2.

NOTE: The above figure in the profit and loss account is depends only upon the figure mentioned in trial balance. You can change the period of the Profit and Loss Account.

| Particulars | | Particulars | |
|-------------------|-----------------|----------------|-----------------|
| for 1-Apr-96 | | for 1-Apr-96 | |
| Direct Expenses | 1,400.00 | Sales Accounts | 900 |
| Gross Loss | 500.00 | Gross Loss c/a | 500 |
| Indirect Expenses | 300.00 | Net Loss | 300 |
| Total | 1,700.00 | Total | 1,700.00 |

Display Trial Balance

Steps:

1. Select Gateway of Tally
2. Select Display
3. Select Trial Balance

| Particulars | Closing Balance | |
|---------------------|-----------------|-----------------|
| | Debit | Credit |
| Capital Account | | 5,000 |
| Current Liabilities | | 1,000 |
| Current Assets | 5,200.00 | |
| Sales Accounts | | 900 |
| Purchase Accounts | 1,400.00 | |
| Indirect Expenses | 300.00 | |
| Grand Total | 6,900.00 | 6,900.00 |

The Trial Balance Report provides account balance listing for all accounts for the company sorted according to groups with their respective closing balances. Matching of debit and credit balances proves the arithmetical accuracy of the entries.

Many other reports can be generated such as Day Book, Sales Day Book, Purchase Day Book, Monthly Summary, Ledger Monthly Summary, etc., with the same methods as adopted above.

Exercise 4

Q14. Generate Balance Sheet of the questions manually created by us in block 2 Exercise

Q15. Generate Profit and Loss Account of the questions manually created by us in Block 2 Exercise.

Q16. Generate Trial Balance of the questions manually created by us in Block 2 Exercise.

Q17. How many types of Balance Sheet can be generated in Tally?

3.6 PRACTICAL SESSION-WISE LIST OF PROBLEMS

Perform Exercise 1 to Exercise 4 for the following organizations:

- (i) A Bank
- (ii) Insurance Agency
- (iii) A Private Company
- (iv) A Govt. Organisation.

3.7 SUMMARY

Tally is a very powerful accounting package with faculty to maintain different types of registers, statements of accounts and to produce all types of reports. The purpose of this chapter was to explore all the potential features of the package. Students may explore with similar types of package in case the tally package is not available at the centre.

