TALLY ACCOUNTING GUIDE

Illustrations on accounting of following transactions;

- **SALES/PURCHASES**
- **RECEIPTS/PAYMENTS**

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Business of the company: Company is receiving orders from its customer for XYZ products and based on the requirement of the customer, company imports the said products and sales to the customer. The company is not receiving and sending the goods physically from its own warehouse, the company is not required to maintain any stock records. Also there are no taxes applicable to the company.

Transaction process:

1. Receipt of order from the customer
2. Placing purchase order on the vendor
3. Receipt of Proforma Invoice (PI) from the vendor and sending PI to customer
4. Receipt of advance payment from the customer and payment of advance to the vendor (if applicable)
5. Receipt of the purchase invoices and other documents
6. Sending the sales invoices and other documents
7. Payment receipt against sales invoices after adjustment of advance if any (net of bank charges if any)
8. Payment to vendor against purchase invoices after adjustment of advance if any

Objective of this article: This article will explain the accounting of above transactions in following cases;

1. Sales & Purchase transactions where there are BOTH ADVANCES i.e. advance receipt & advance payments *(REFER ILLUSTRATION – 1)*
2. Sales & Purchase transactions where there are NO ADVANCES i.e. no advance receipts or no payments *(REFER ILLUSTRATION – 2)*
3. Sales & Purchase transactions where there are ADVANCE RECEIPTS BUT NO ADVANCE PAYMENTS *(REFER ILLUSTRATION – 3)*
4. Sales & Purchase transactions where there are ADVANCE PAYMENTS BUT NO ADVANCE RECEIPTS *(REFER ILLUSTRATION – 4)*
5. Sales & purchase transaction where there is 100% ADVANCE PAYMENT made OR 100% ADVANCE RECEIVED. *(REFER ILLUSTRATION – 5)*

Company Creation:

Company Alteration Ctrl + M

Name	: **GLOBAL TRADERS**
Mailing Name	: GLOBAL TRADERS
Address	: Dubai
Statutory compliance for	: **None**
E-Mail	:
Currency Symbol	: **USD**
Maintain	: **Accounts Only**
Financial Year from	: **1-4-2011**
Books beginning from	: **1-4-2011**
Use Security Control	: **No**

Base Currency Information

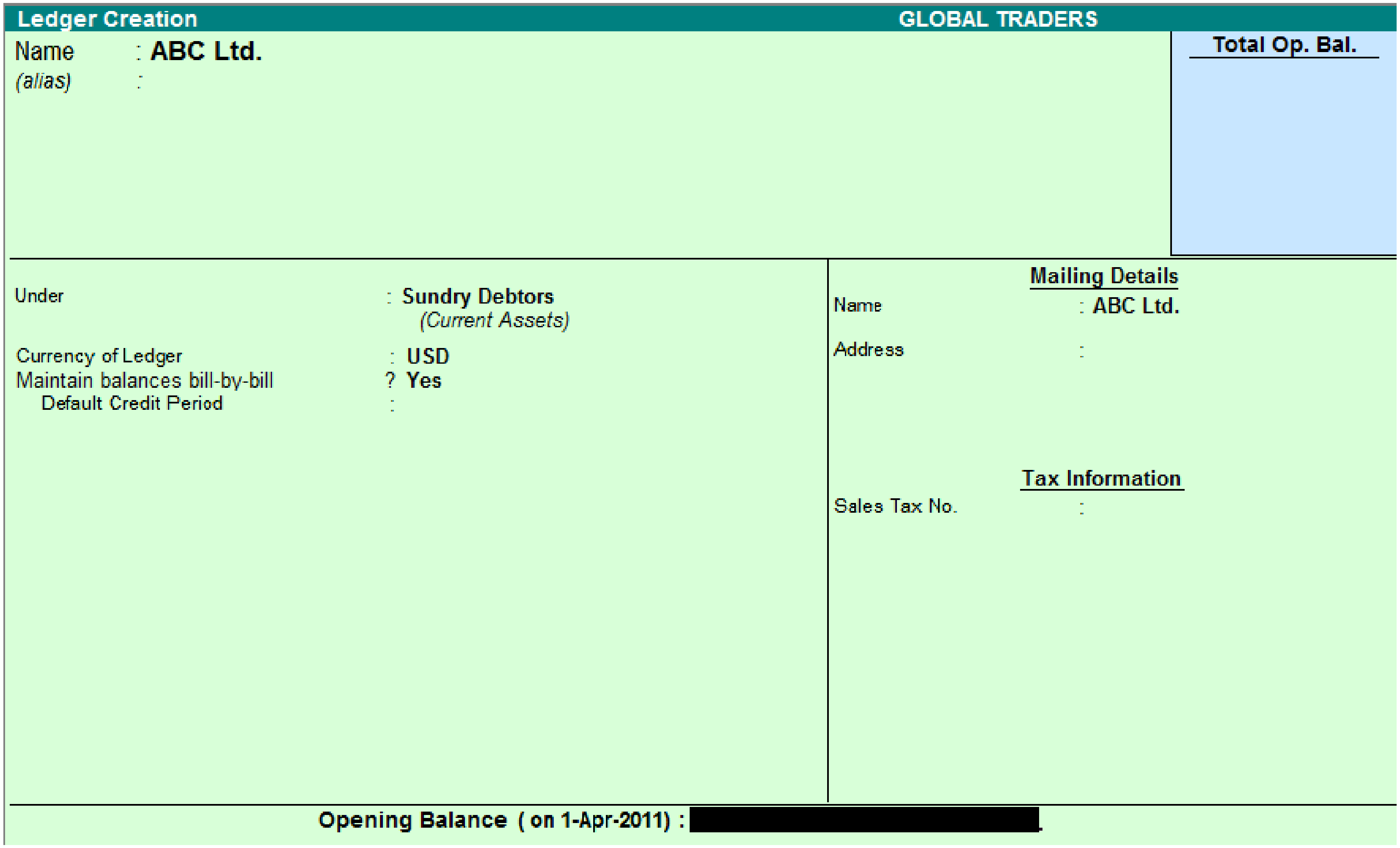
Base Currency Symbol	: **USD**		
Formal Name	: **US Dollar**		
Number of Decimal Places	: **2**	Show Amounts in Millions	? **Yes**
Is Symbol SUFFIXED to Amounts	? **No**	Put a SPACE between Amount and Symbol	? **Yes**
Symbol for Decimal Portion	: **Cents**	Decimal Places for Printing Amounts in Words	: **2**

Configuring appropriate Accounting Features:

- If multi currency is involved that select “Yes” against “Allow Multi-Currency”
- Select “Yes” against “Maintain Bill-Wise Details” & against “(for Non-Trading A/cs also)”
- Select appropriate options as per requirement

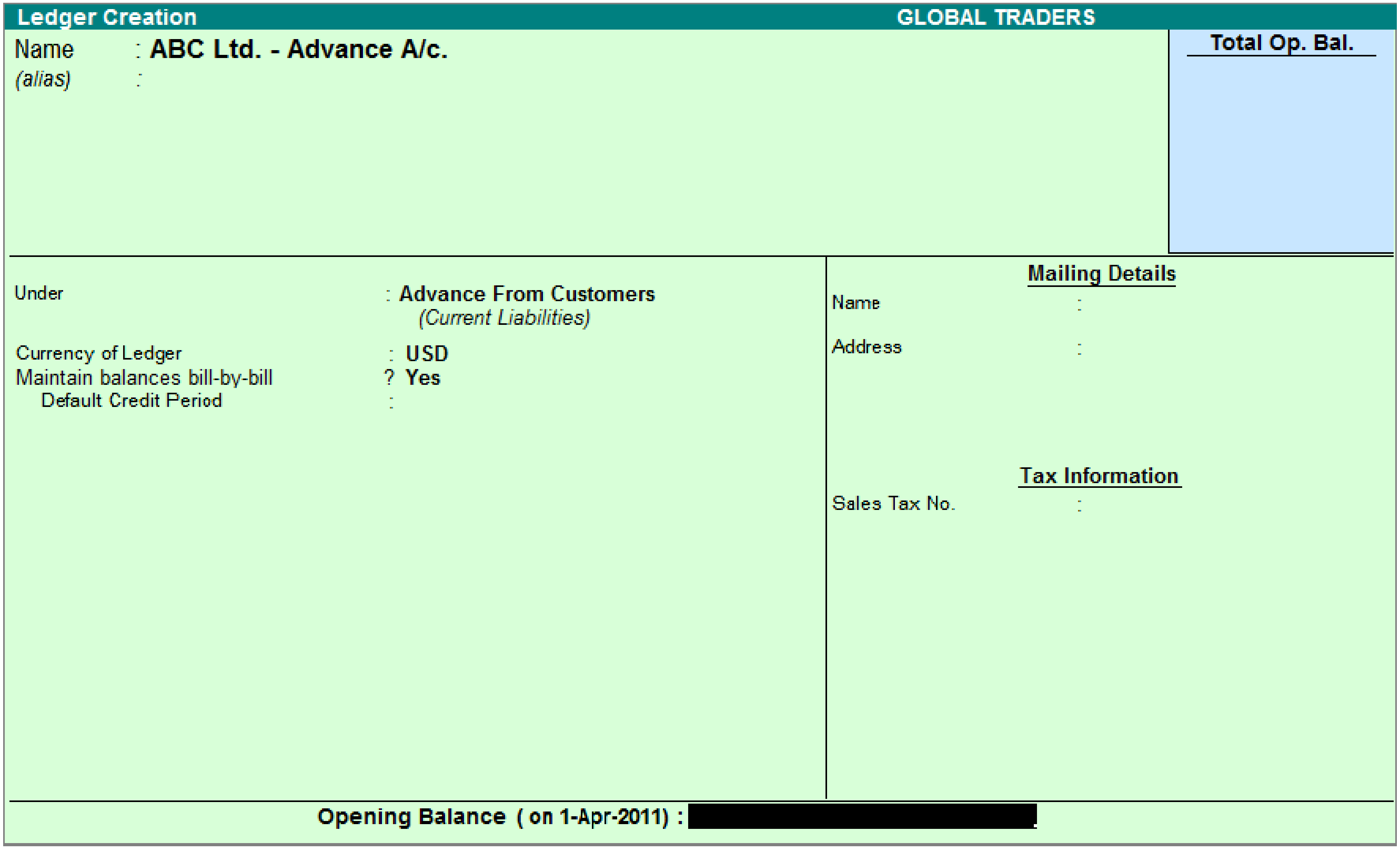
Customer Ledger Creation:

- Create two ledgers for same customer (1) under sundry debtors and (2) under Advance from customers
- Select “Yes” against “Maintain Balance bill-by-bill” and put appropriate credit period as per company’s policy.



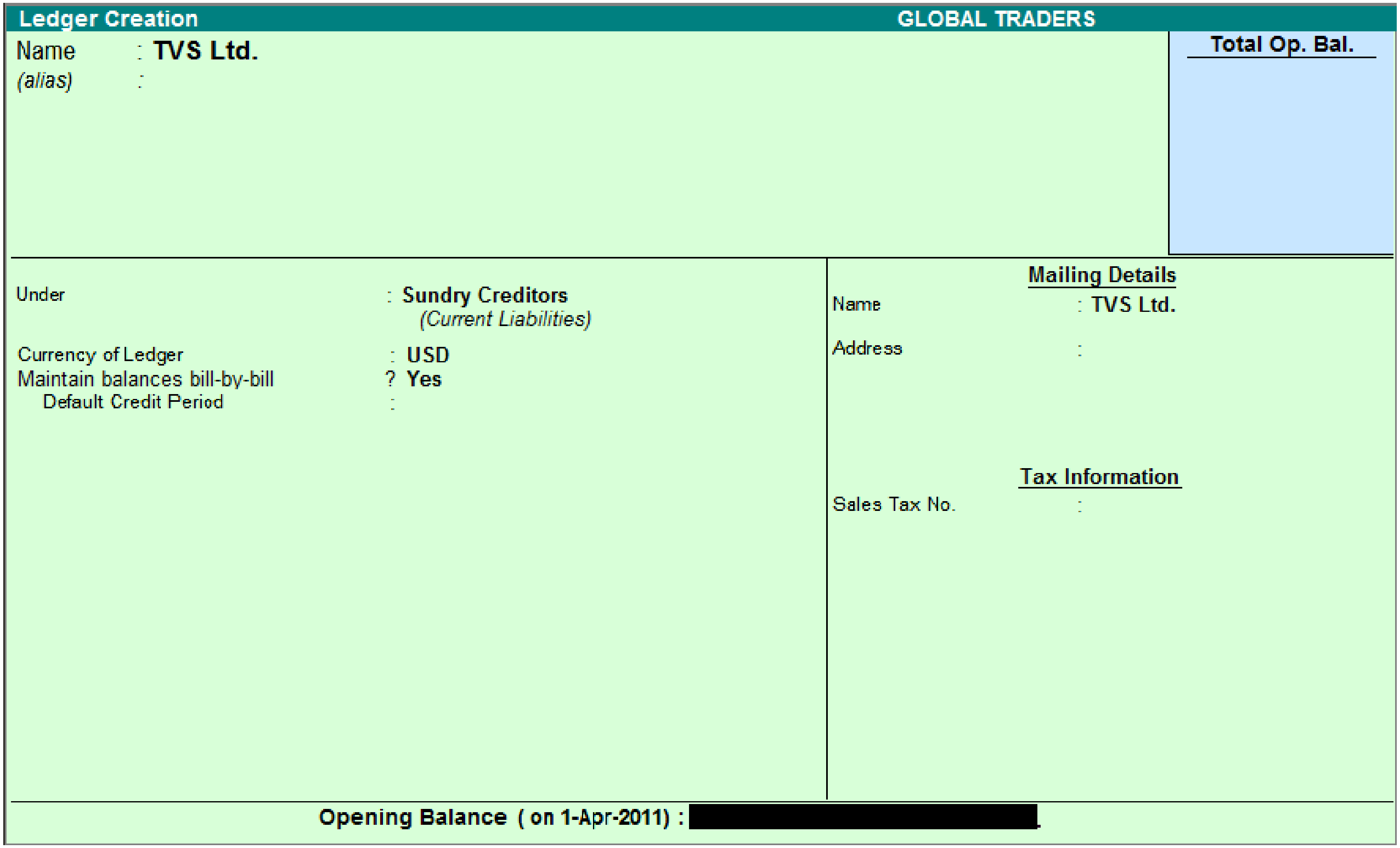
Customer Ledger Creation: (Cont...)

- Create same customer's advance a/c. where all the advance receipt shall be posted.



Vendor Ledger Creation:

- Create two ledgers for same customer (1) under sundry debtors and (2) under Advance from customers
- Select "Yes" against "Maintain Balance bill-by-bill" and put appropriate credit period as per company's policy.



Vendor Ledger Creation: (Cont...)

- Create same vendor's advance a/c. where all the advance payments shall be posted.

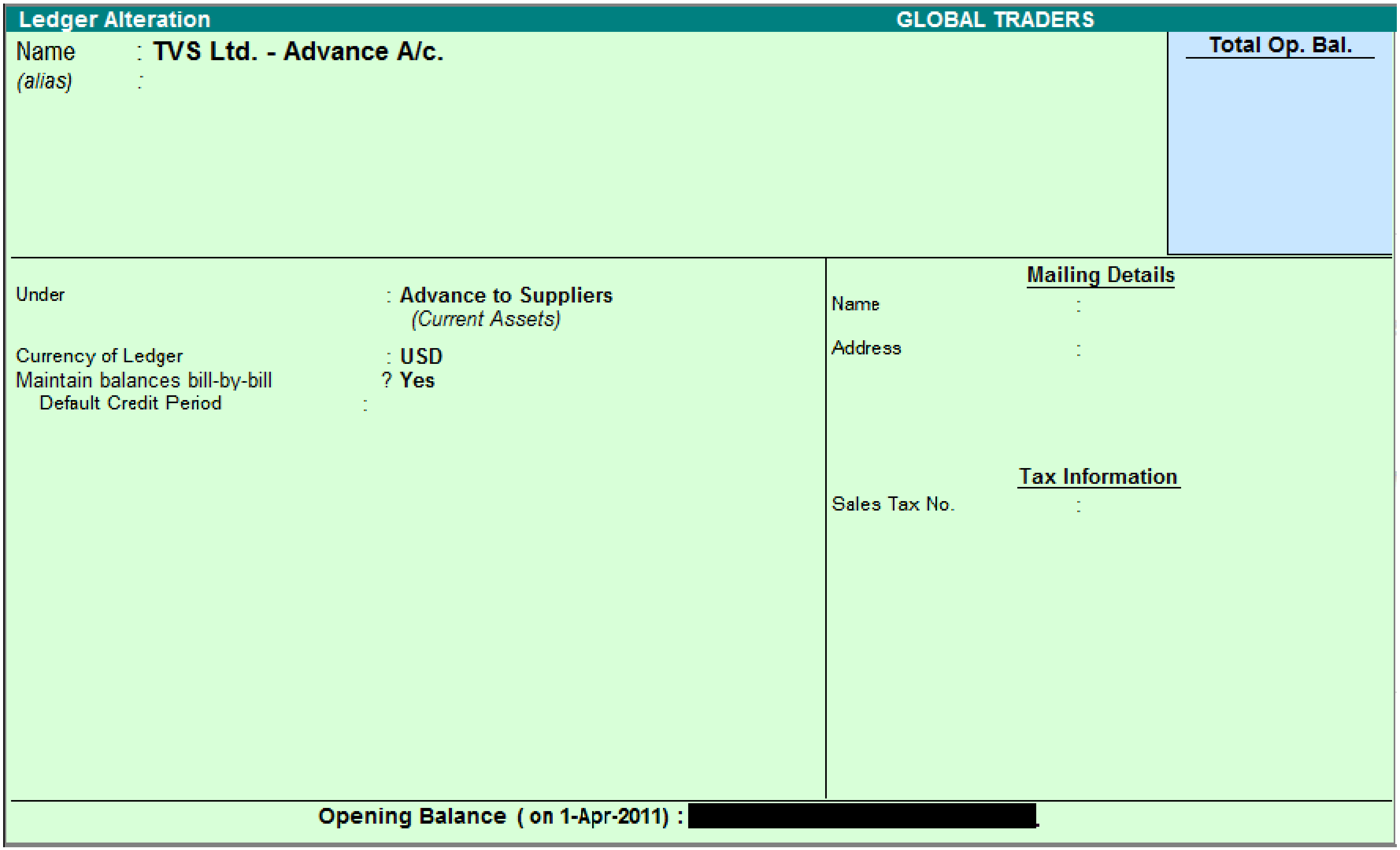


ILLUSTRATION – 1: Accounting of Sales, Purchase, Receipts & Payments where ADVANCE from/to customers/vendor are received.

ACCOUNT Master:

Vendor Name: TVS LTD. (INDIA)

Customer Name: ABC LTD. (DUBAI)

PURCHASE Transaction details:

Vendor's Performa Invoice (PI)/Purchase order(PO) = USD 100,000 (PI No. TVS-1 dtd 01-04-2011)

Advance Payment = USD 25,000 (Bank ref. SCB-TVS-1 dtd. 03-04-2011)

Purchase Invoices: (Product = vehicles 100 @ USD 500 each)

Inv. No.	Date	Inv. Value	Advance Adjustment	Payable
TVS-1A	29-04-2011	50,000	12,500	37,500
TVS-1B	10-05-2011	50,000	12,500	37,500

Payment against Shipment:

Against Inv. No.	Date	Payment Amount	Bank Name	Bank Ref.
TVS-1A	01-05-2011	37,500	SCB	SCB-TVS-1A
TVS-1B	12-05-2011	37,500	SCB	SCB-TVS-1B

(Assumed that bank charges will be borne by VENDOR i.e. TVS Ltd.)

SALE Transaction details:

Customer's Performa Invoice (PI)/Sales Order (SO) = USD 110,000 (PI No. ABC/TVS-1 dtd 02-04-2011)

Advance Receipt = USD 22,000 (Bank ref. SCB-ABC/TVS-1 dtd. 02-04-2011)

Sale Invoices: (Product = vehicles 100 @ USD 550 each)

Inv. No.	Date	Inv. Value	Advance Adjustment	Payable
ABC/TVS-1A	29-04-2011	55,000	11,000	44,000
ABC/TVS-1B	10-05-2011	55,000	11,000	44,000

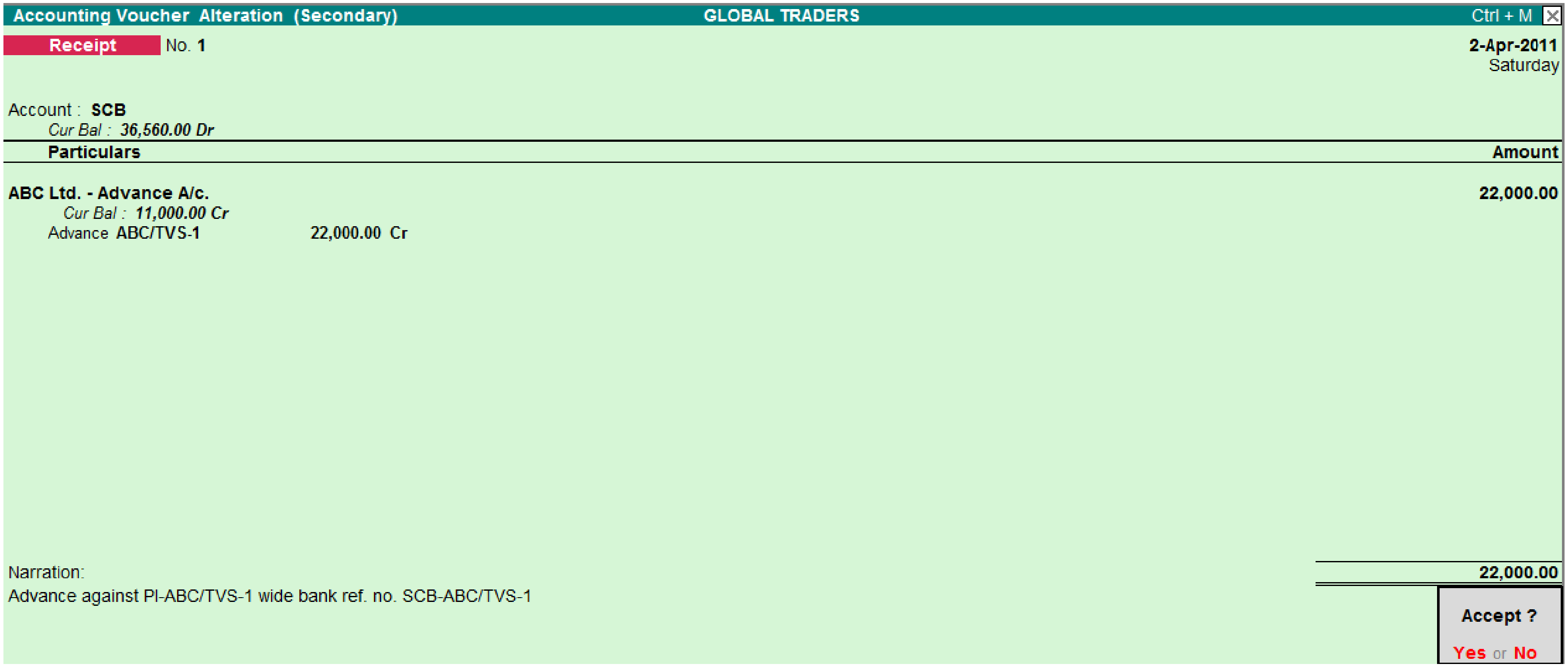
Receipt against Shipment:

Against Inv. No.	Date	Receipt Amount	Doc. & Bank Charges	Net credit to bank a/c.	Bank Name	Bank Ref.
ABC/TVS-1A	01-05-2011	44,000	440	43,560	SCB	SCB-ABC/TVS-1A
ABC/TVS-1B	12-05-2011	44,000	440	43,560	SCB	SCB-ABC/TVS-1B

(Assumed that bank charges will be borne by VENDOR i.e. GLOBAL TRADERS)

Accounting for Advance Payment from Customer:

- Account in customer's advance ledger.
- Use PI/SO No. as the link for future adjustment against sales invoices.
- Use appropriate details in the narration as per the requirements.



Accounting Voucher Alteration (Secondary) GLOBAL TRADERS Ctrl + M

Receipt No. 1 2-Apr-2011 Saturday

Account : **SCB**
Cur Bal : 36,560.00 Dr

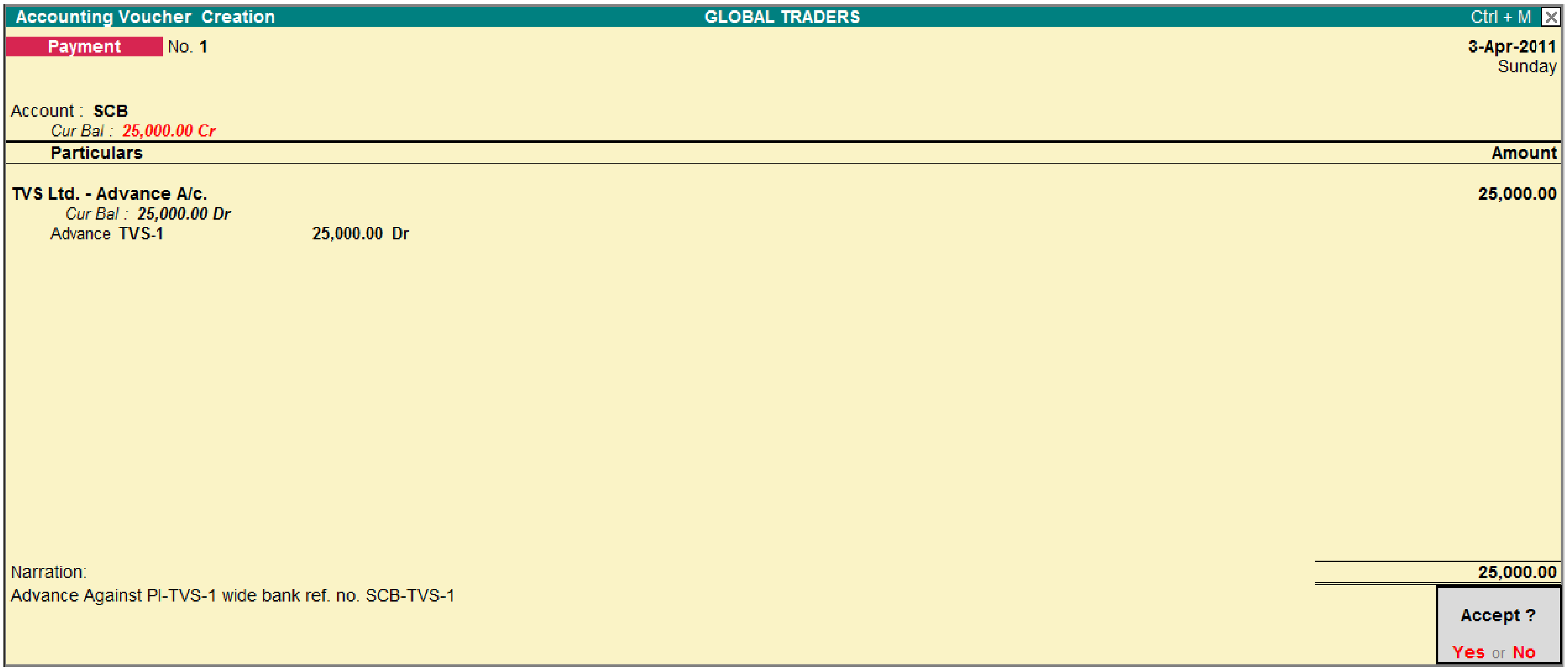
Particulars	Amount
ABC Ltd. - Advance A/c.	**22,000.00**
Cur Bal : 11,000.00 Cr	
Advance ABC/TVS-1 22,000.00 Cr	
	22,000.00

Narration:
Advance against PI-ABC/TVS-1 wide bank ref. no. SCB-ABC/TVS-1

Accept ?
Yes or No

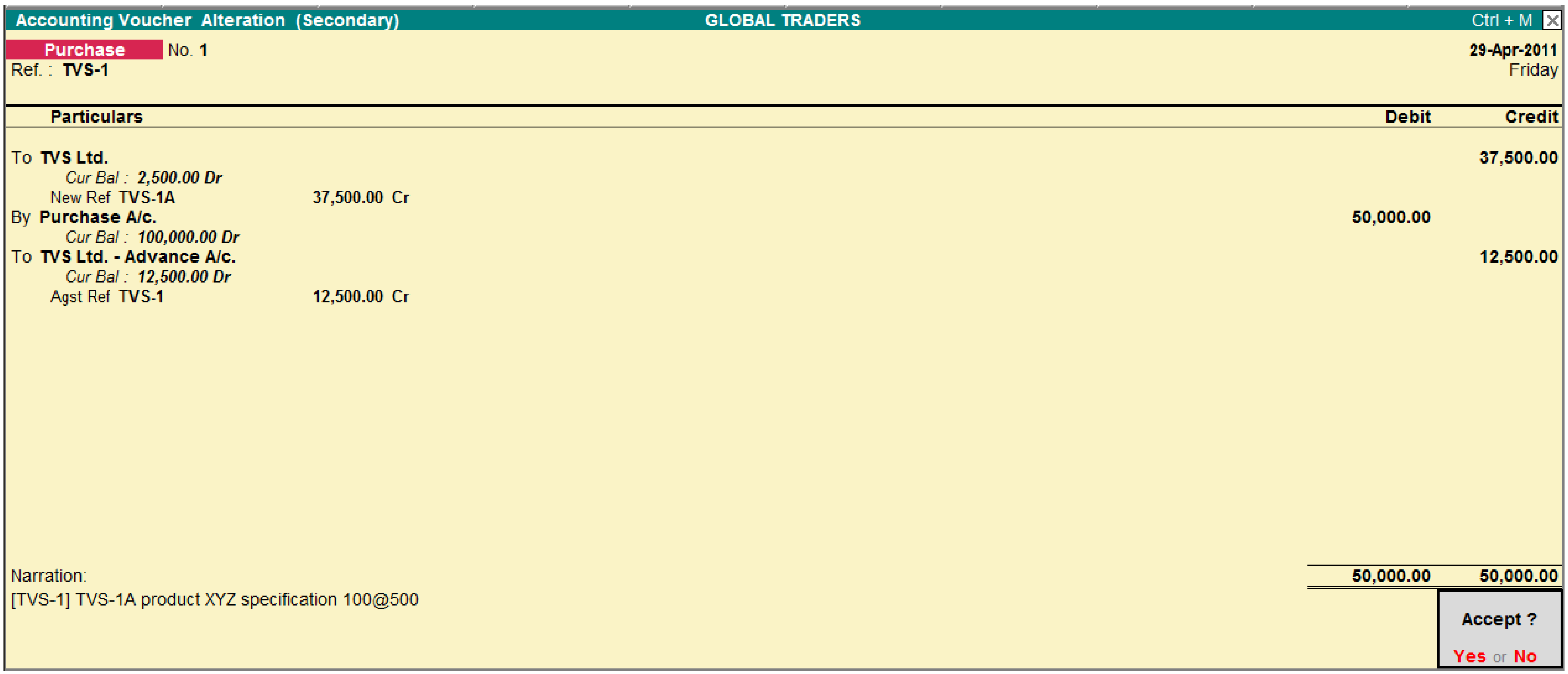
Accounting for Advance Payment to vendor:

- Account in Vendor's Advance Ledger.
- Use PI/PO no. as link for future adjustment against purchase invoices.
- Put Bank Ref. no. in the narration.



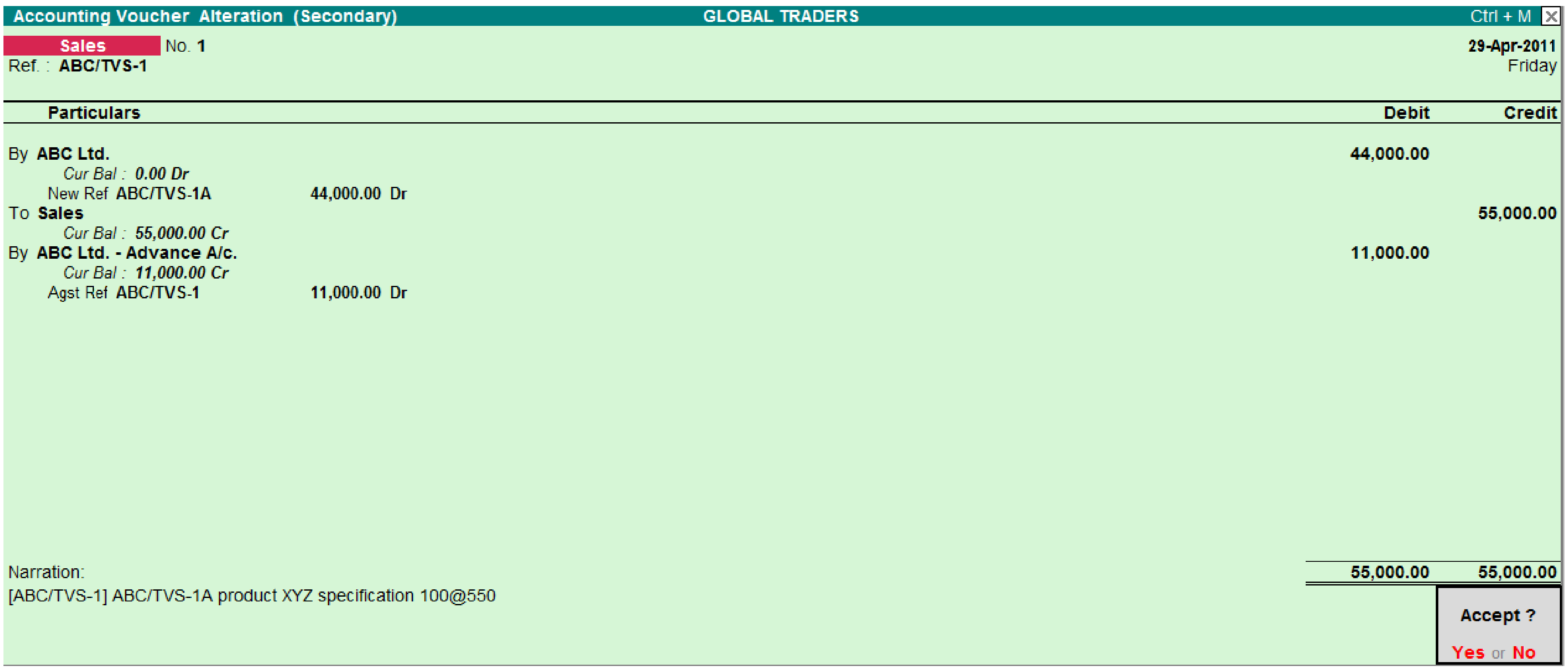
Accounting of Purchase Invoice:

- Use PI/PO no. as the ref.
- Account payable amount in the vendor's liability ledger and the amount which is to be adjusted against the advance shall be accounted in vendor's advance ledger.
- Use Purchase Inv. No. as the New Ref. against vendor's liability ledger entry which can be used as link for payment against this purchase and link the amount of advance adjustment against the ref. which was created at the time of accounting advance payment to the vendor.
- Use appropriate details in the narration as per the requirements.



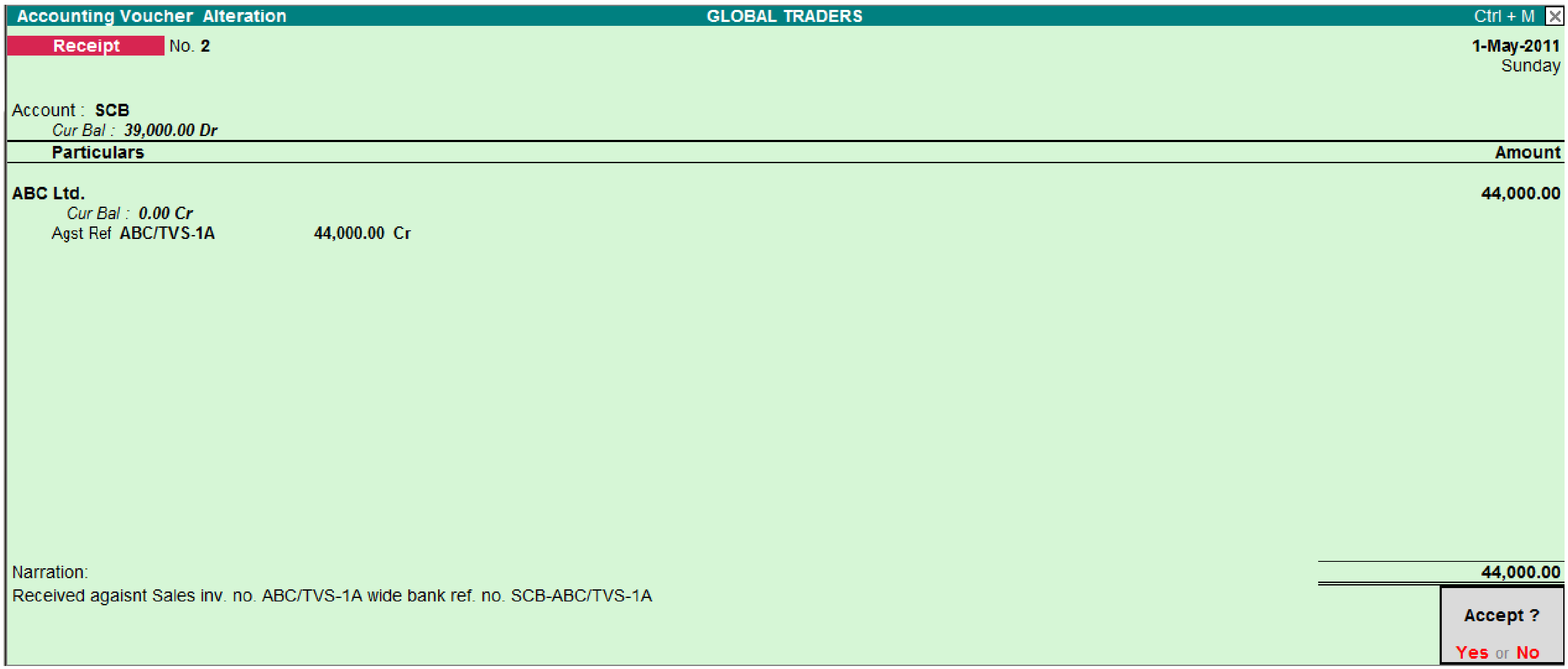
Accounting of Sales Invoice:

- Use PI/SO no. as the ref.
- Account receivable amount in the customer's receivable ledger and the amount which is to be adjusted against the advance shall be accounted in customer's advance ledger.
- Use Sales Inv. No. as the New Ref. against customer's receivable ledger entry which can be used to link receipt against this sale and link the amount of advance adjustment against the ref. which was created at the time of accounting advance receipt from the customer.
- Use appropriate details in the narration as per the requirements.

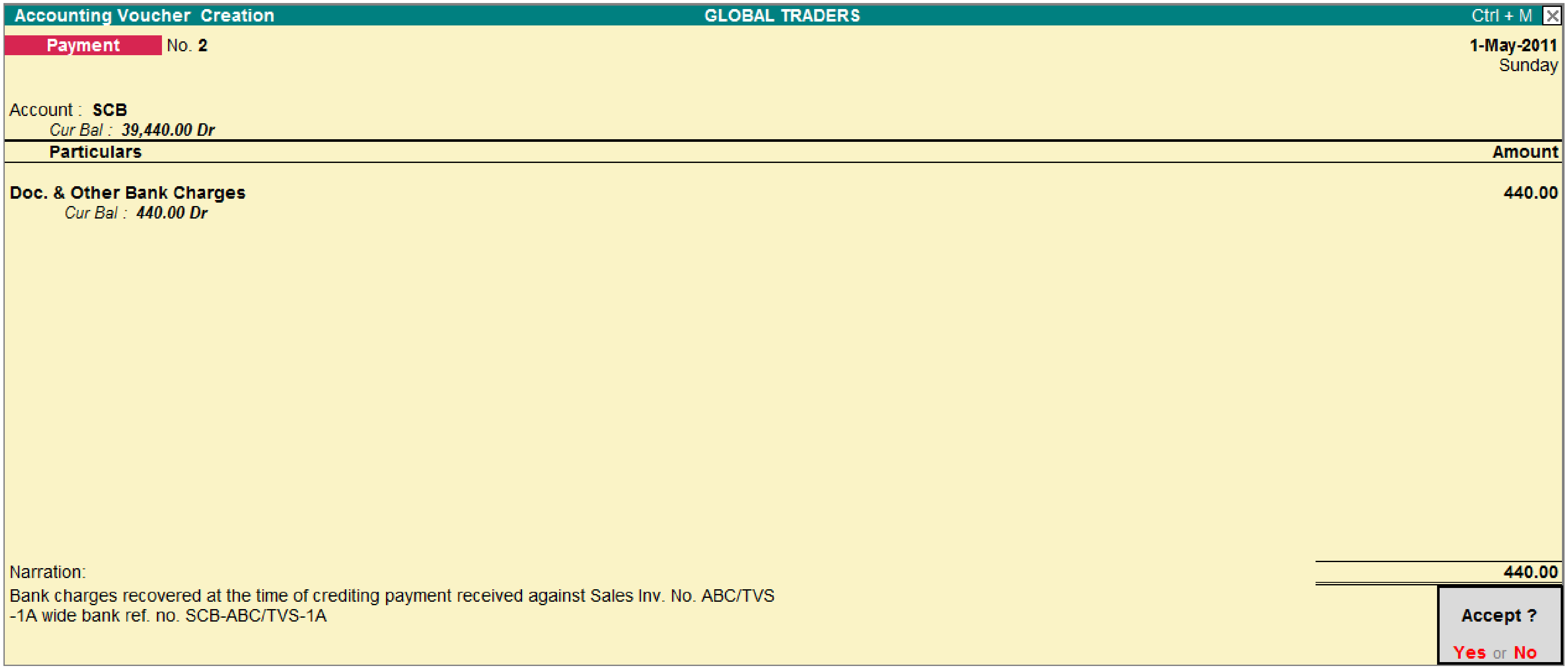


Accounting of shipment receipt from customer:

- Link the payment received against the ref. which was created at the time of accounting the sales invoice.
- Use appropriate details in the narration as per requirement.

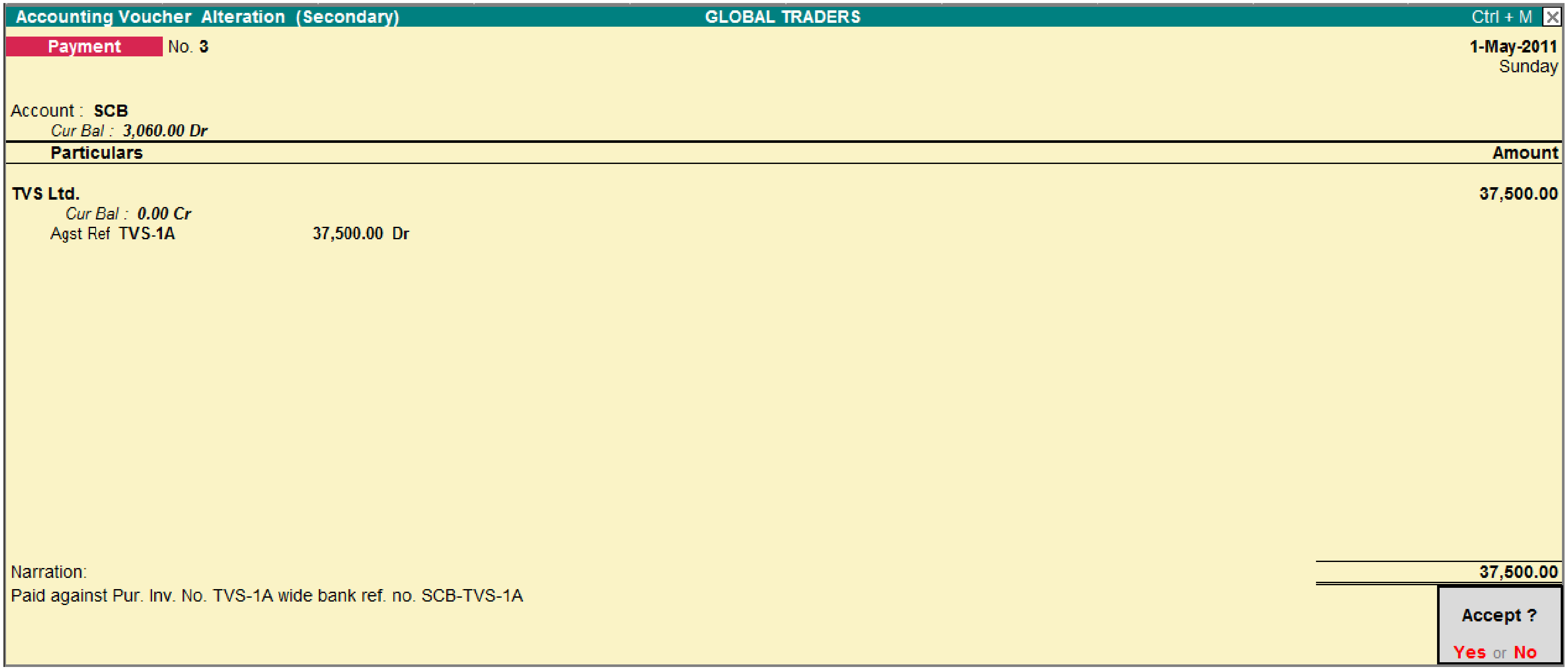


Accounting of bank charges at the time of receipt from customer:



Accounting of shipment payment to vendor:

- Link the payment made against the ref. which was created at the time of accounting the purchase invoice.
- Use appropriate details in the narration as per requirement.



Accounting entries for the transaction of Purchase invoice (TVS-1B), Sales Invoice (ABC/TVS-1B), Shipment Receipt (SCB-ABC/TVS-1B), Bank charges, Shipment Payment (SCB-TVS-1B) will be made similar to the accounting entries as illustrated above for the purchase/sales (…1A) and receipt/payments (…1A).

ILLUSTRATION – 2: Accounting of Sales, Purchase, Receipts & Payments where there is NO ADVANCE from/to customers/vendor.

ACCOUNT Master:

Vendor Name: TVS LTD. (INDIA)

Customer Name: ABC LTD. (DUBAI)

PURCHASE Transaction details:

Vendor's Performa Invoice (PI)/Purchase order(PO) = USD 100,000 (PI No. TVS-2 dtd 01-04-2011)

Purchase Invoices: (Product = vehicles 100 @ USD 500 each)

Inv. No.	Date	Inv. Value	Advance Adjustment	Payable
TVS-2A	29-04-2011	50,000	0	50,000
TVS-2B	10-05-2011	50,000	0	50,000

Payment against Shipment:

Against Inv. No.	Date	Payment Amount	Bank Name	Bank Ref.
TVS-2A	01-05-2011	50,000	SCB	SCB-TVS-2A
TVS-2B	12-05-2011	50,000	SCB	SCB-TVS-2B

(Assumed that bank charges will be borne by VENDOR i.e. TVS Ltd.)

SALE Transaction details:

Customer's Performa Invoice (PI)/Sales Order (SO) = USD 110,000 (PI No. ABC/TVS-2 dtd 02-04-2011)

Sale Invoices: (Product = vehicles 100 @ USD 550 each)

Inv. No.	Date	Inv. Value	Advance Adjustment	Payable
ABC/TVS-2A	29-04-2011	55,000	0	55,000
ABC/TVS-2B	10-05-2011	55,000	0	55,000

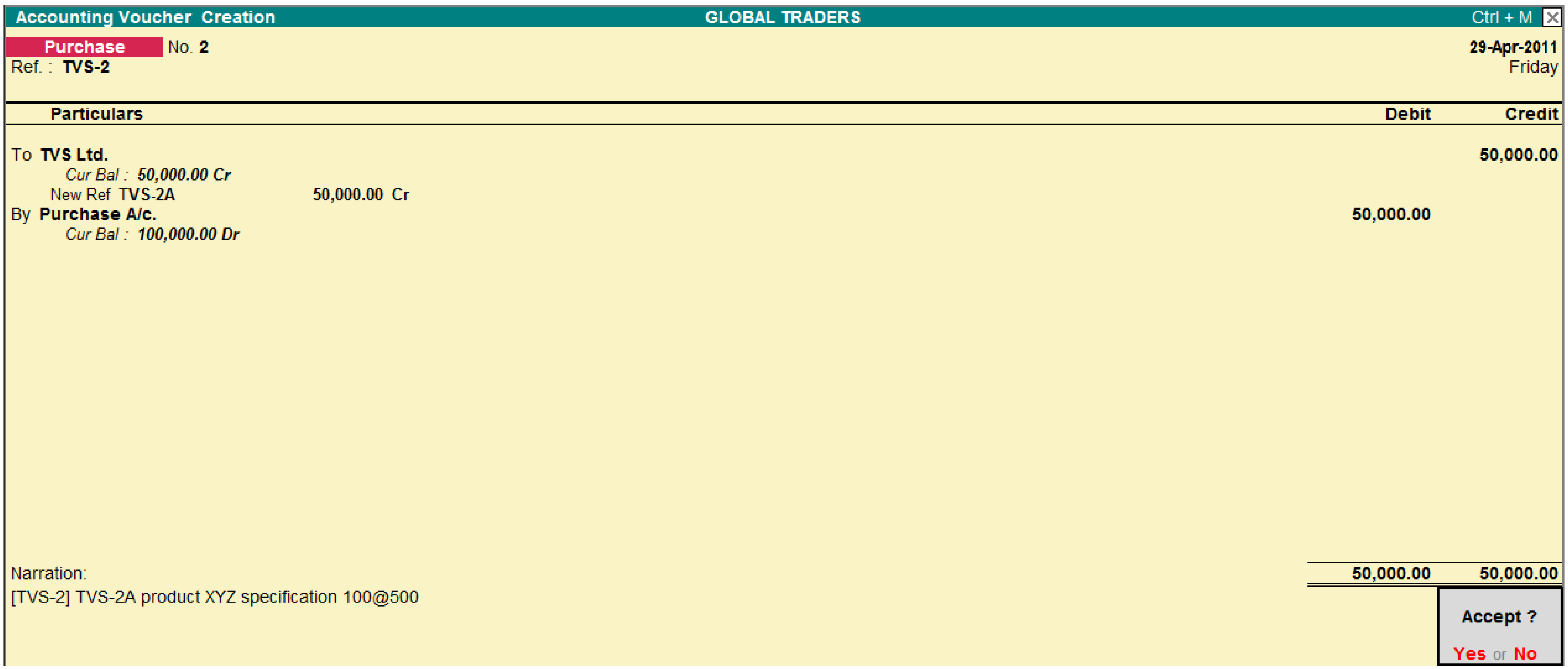
Receipt against Shipment:

Against Inv. No.	Date	Receipt Amount	Doc. & Bank Charges	Net credit to bank a/c.	Bank Name	Bank Ref.
ABC/TVS-2A	01-05-2011	55,000	550	54,450	SCB	SCB-ABC/TVS-2A
ABC/TVS-2B	12-05-2011	55,000	550	54,450	SCB	SCB-ABC/TVS-2B

(Assumed that bank charges will be borne by VENDOR i.e. GLOBAL TRADERS)

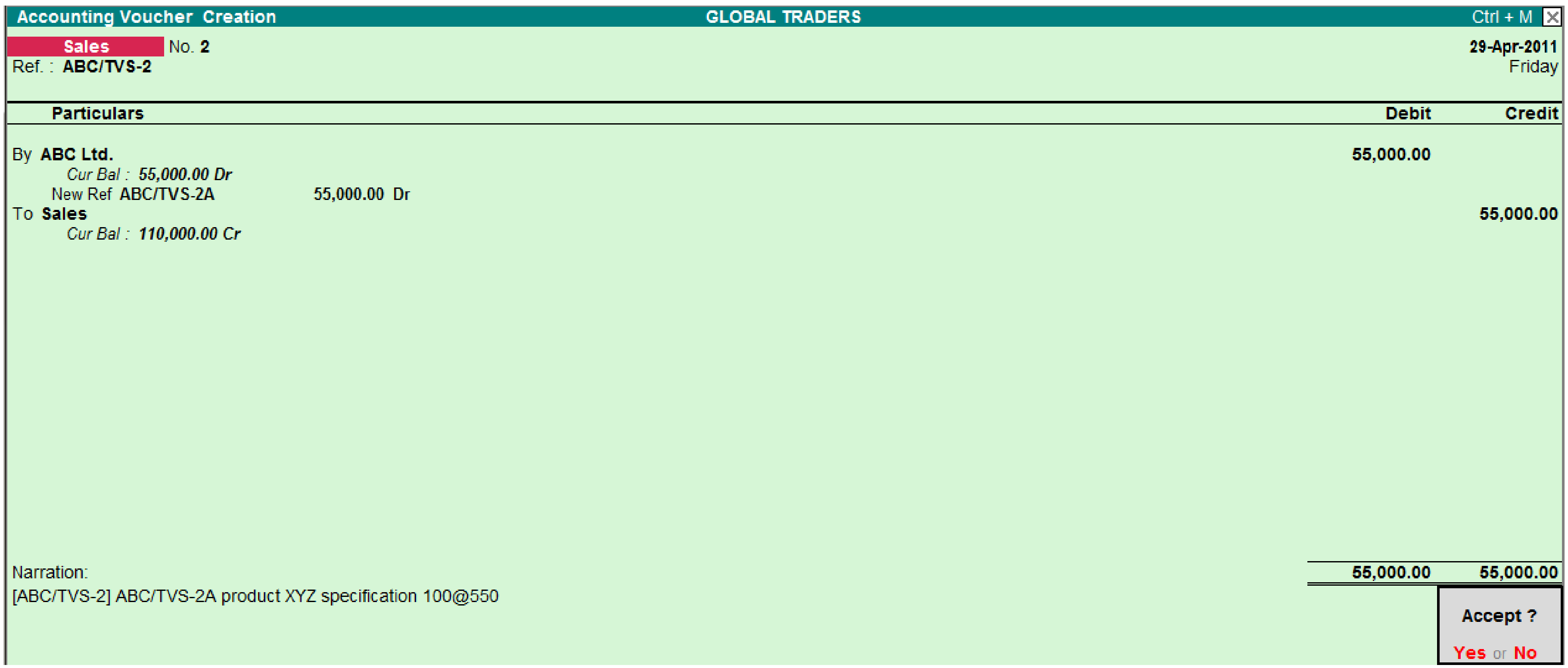
Accounting for purchase invoice:

- Use PI/PO no. as the ref.
- As there is no advance payment against this purchase order, full value shall be accounted in the vendor's liability ledger.
- Use Purchase Inv. No. as the New Ref. against vendor's liability ledger entry which can used to link the future payments against this purchase.
- Use appropriate details in the narration as per requirement.



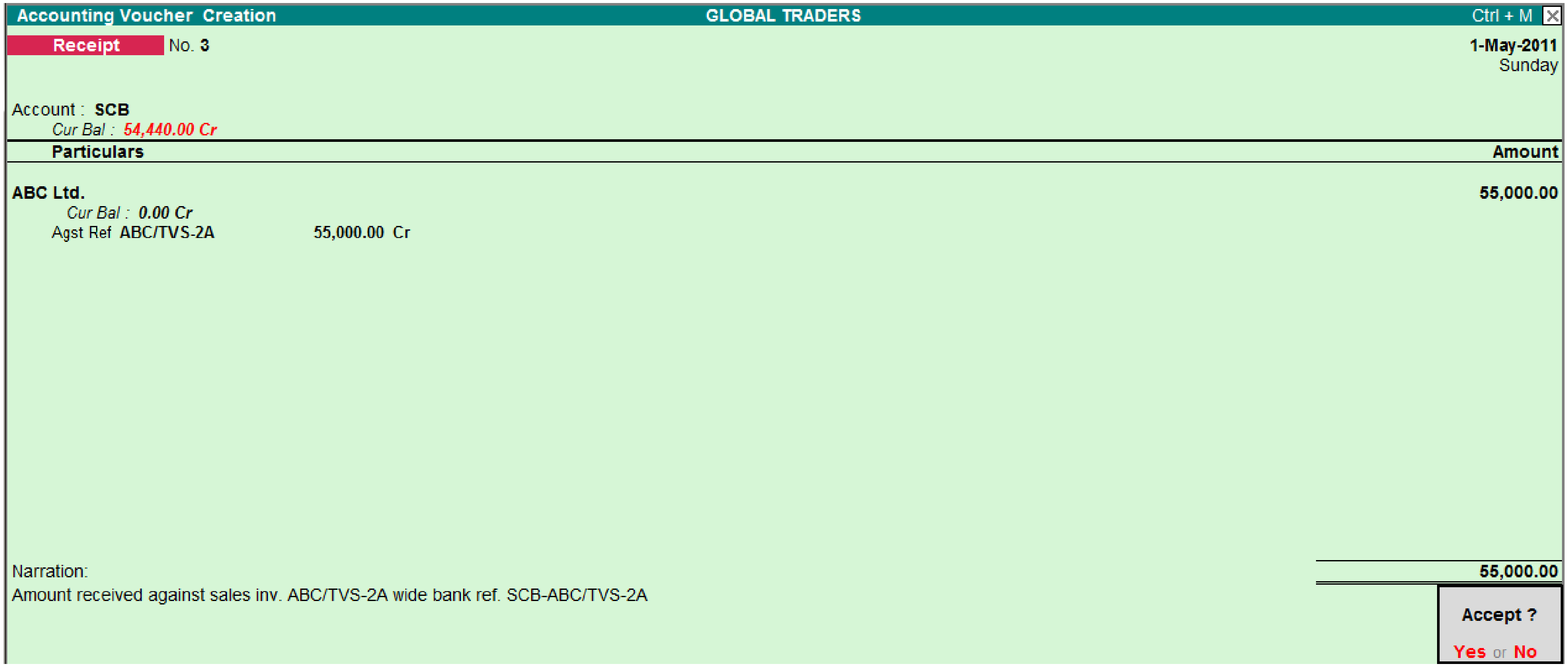
Accounting of sales invoice:

- Use PI/SO no. as the ref.
- As there is no advance against this sales order, full amount shall be accounted in the customer's receivable ledger.
- Use Sales Inv. No. as the New Ref. against customer's receivable ledger entry which can be used to link the future receipts against this sale.
- Use appropriate details in the narration as per requirement.



Accounting of shipment receipt from customer:

- Link the payment received against the ref. which was created at the time of accounting the sales invoice.
- Use appropriate details in the narration as per requirement.



Accounting Voucher Creation GLOBAL TRADERS Ctrl + M

Receipt No. 3 1-May-2011 Sunday

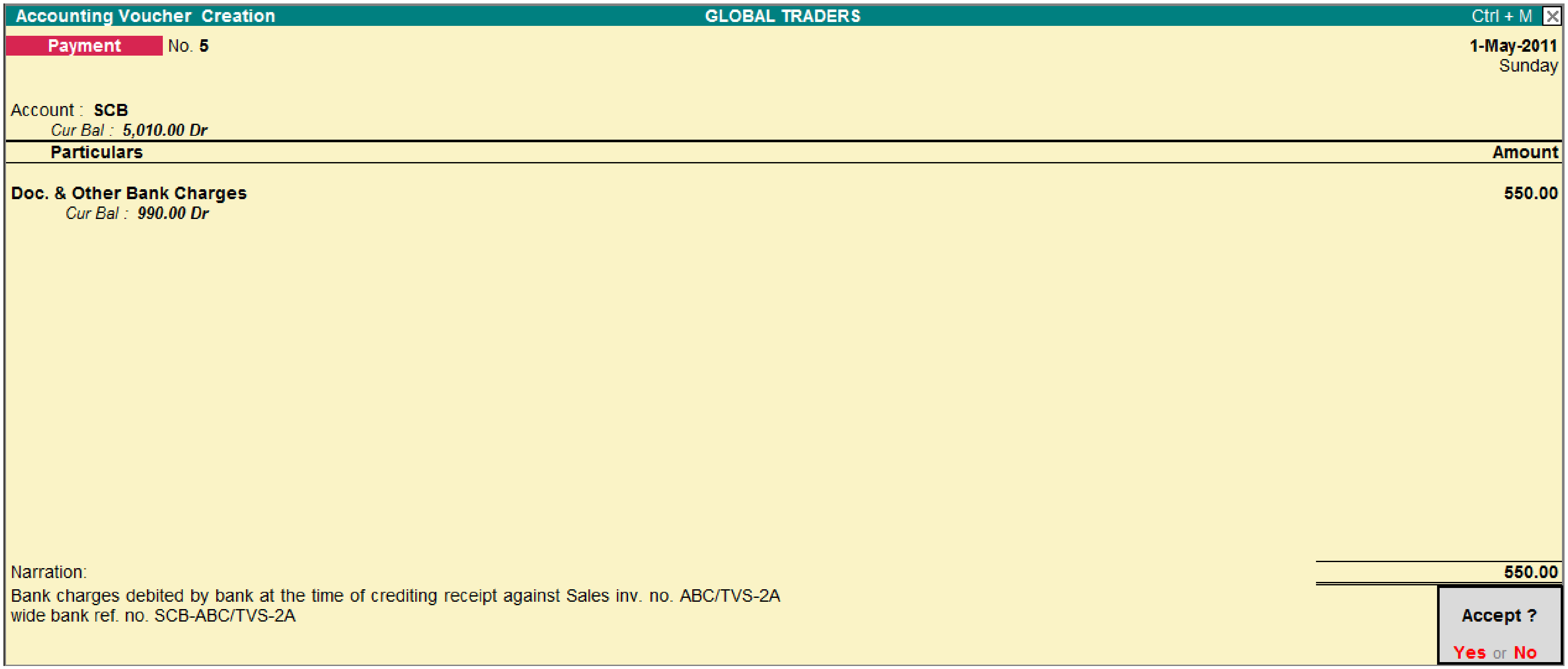
Account : **SCB**
Cur Bal : 54,440.00 Cr

Particulars	Amount
ABC Ltd. *Cur Bal : 0.00 Cr* Agst Ref ABC/TVS-2A 55,000.00 Cr	55,000.00
	55,000.00

Narration:
Amount received against sales inv. ABC/TVS-2A wide bank ref. SCB-ABC/TVS-2A

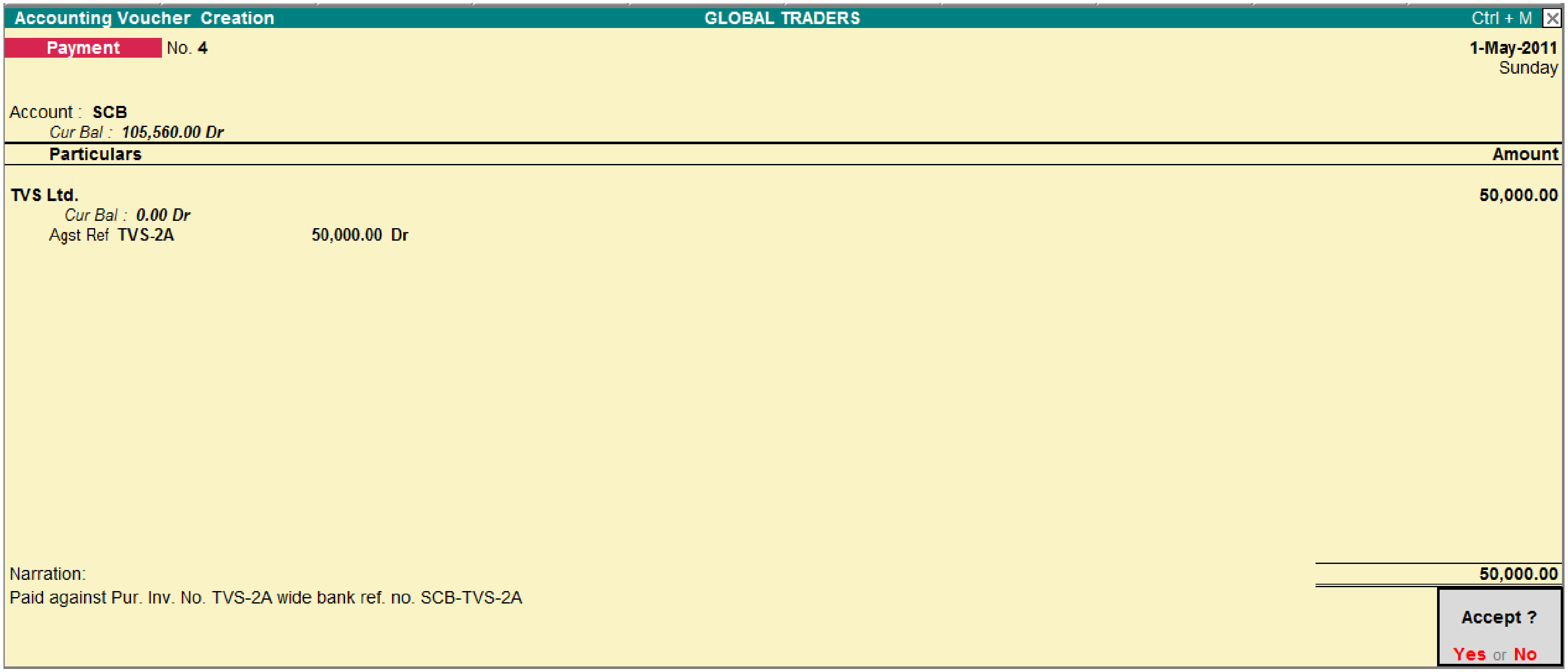
Accept ?
Yes or No

Accounting of bank charges at the time of receipt from customer:



Accounting of shipment payment to vendor:

- Link the payment made against the ref. which was created at the time of accounting the purchase invoice.
- Use appropriate details in the narration as per requirement.



Accounting entries for the transaction of Purchase invoice (TVS-2B), Sales Invoice (ABC/TVS-2B), Shipment Receipt (SCB-ABC/TVS-2B), Bank charges, Shipment Payment (SCB-TVS-2B) will be made similar to the accounting entries as illustrated above for the purchase/sales (…2A) and receipt/payments (…2A).

ILLUSTRATION – 3: Accounting of Sales, Purchase, Receipts & Payments where there is ADVANCE from customer but NO ADVANCE to vendor.

ACCOUNT Master:

Vendor Name: TVS LTD. (INDIA)

Customer Name: ABC LTD. (DUBAI)

PURCHASE Transaction details:

Vendor's Performa Invoice (PI)/Purchase order(PO) = USD 100,000 (PI No. TVS-2 dtd 01-04-2011)

Purchase Invoices: (Product = vehicles 100 @ USD 500 each)

Inv. No.	Date	Inv. Value	Advance Adjustment	Payable
TVS-2A	29-04-2011	50,000	0	50,000
TVS-2B	10-05-2011	50,000	0	50,000

Payment against Shipment:

Against Inv. No.	Date	Payment Amount	Bank Name	Bank Ref.
TVS-2A	01-05-2011	50,000	SCB	SCB-TVS-2A
TVS-2B	12-05-2011	50,000	SCB	SCB-TVS-2B

(Assumed that bank charges will be borne by VENDOR i.e. TVS Ltd.)

SALE Transaction details:

Customer's Performa Invoice (PI)/Sales Order (SO) = USD 110,000 (PI No. ABC/TVS-1 dtd 02-04-2011)

Advance Receipt = USD 22,000 (Bank ref. SCB-ABC/TVS-1 dtd. 02-04-2011)

Sale Invoices: (Product = vehicles 100 @ USD 550 each)

Inv. No.	Date	Inv. Value	Advance Adjustment	Payable
ABC/TVS-1A	29-04-2011	55,000	11,000	44,000
ABC/TVS-1B	10-05-2011	55,000	11,000	44,000

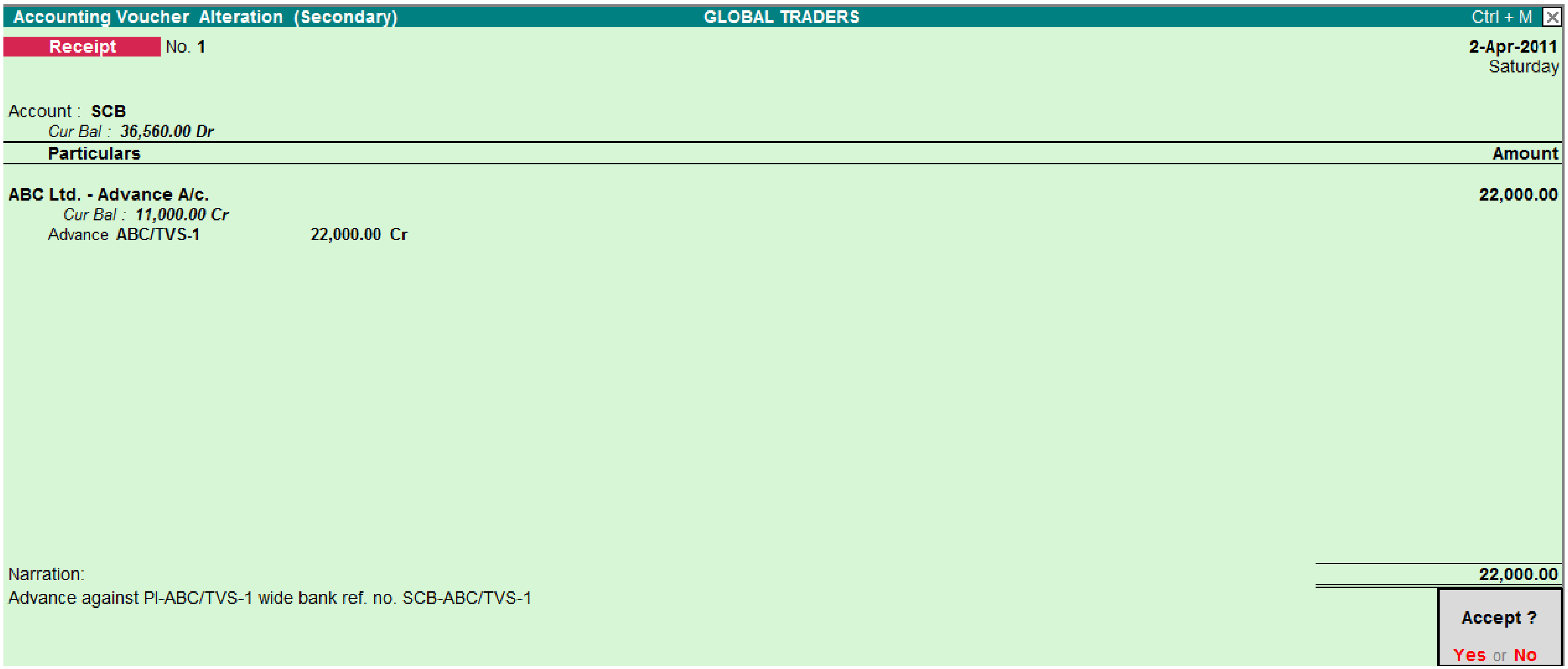
Receipt against Shipment:

Against Inv. No.	Date	Receipt Amount	Doc. & Bank Charges	Net credit to bank a/c.	Bank Name	Bank Ref.
ABC/TVS-1A	01-05-2011	44,000	440	43,560	SCB	SCB-ABC/TVS-1A
ABC/TVS-1B	12-05-2011	44,000	440	43,560	SCB	SCB-ABC/TVS-1B

(Assumed that bank charges will be borne by VENDOR i.e. GLOBAL TRADERS)

Advance Payment from Customer:

- Account in customer's advance ledger.
- Use PI/SO No. as the link for future adjustment against sales invoices.
- Use appropriate details in the narration as per the requirements.


Accounting Voucher Alteration (Secondary) GLOBAL TRADERS Ctrl + M

Receipt No. 1 2-Apr-2011 Saturday

Account : SCB
Cur Bal : 36,560.00 Dr

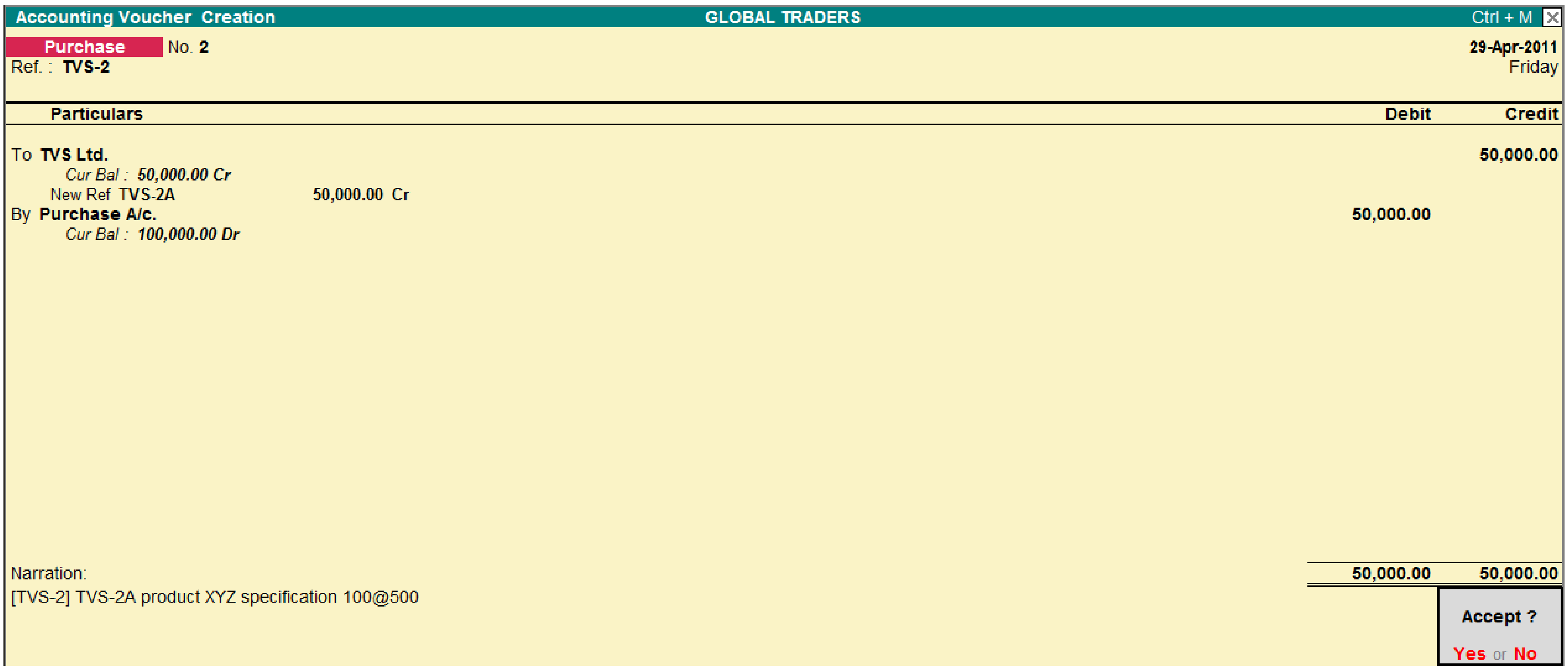
Particulars	Amount
ABC Ltd. - Advance A/c. Cur Bal : 11,000.00 Cr Advance ABC/TVS-1 22,000.00 Cr	22,000.00
	22,000.00

Narration:
Advance against PI-ABC/TVS-1 wide bank ref. no. SCB-ABC/TVS-1

Accept ?
Yes or No

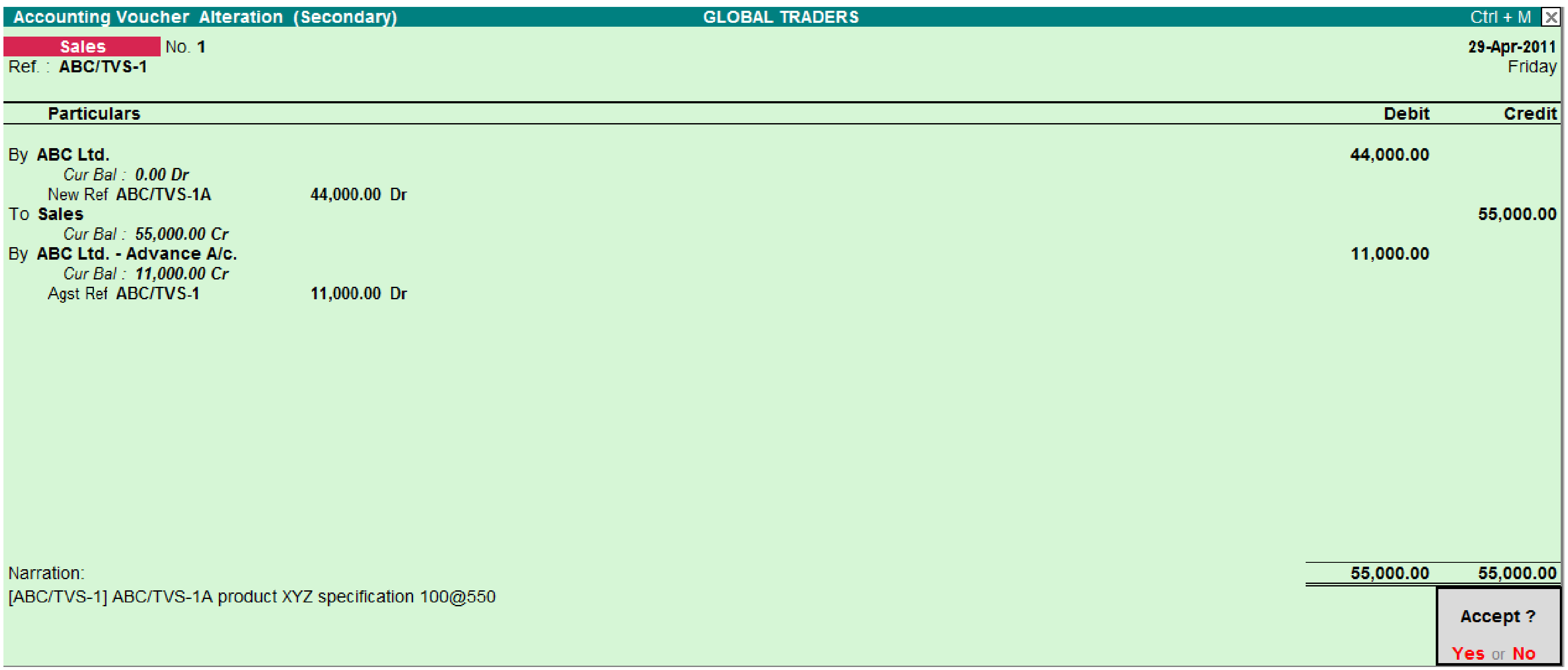
Accounting for purchase invoice:

- Use PI/PO no. as the ref.
- As there is no advance payment against this purchase order, full value shall be accounted in the vendor's liability ledger.
- Use Purchase Inv. No. as the New Ref. against vendor's liability ledger entry which can used to link the future payments against this purchase.
- Use appropriate details in the narration as per the requirements.



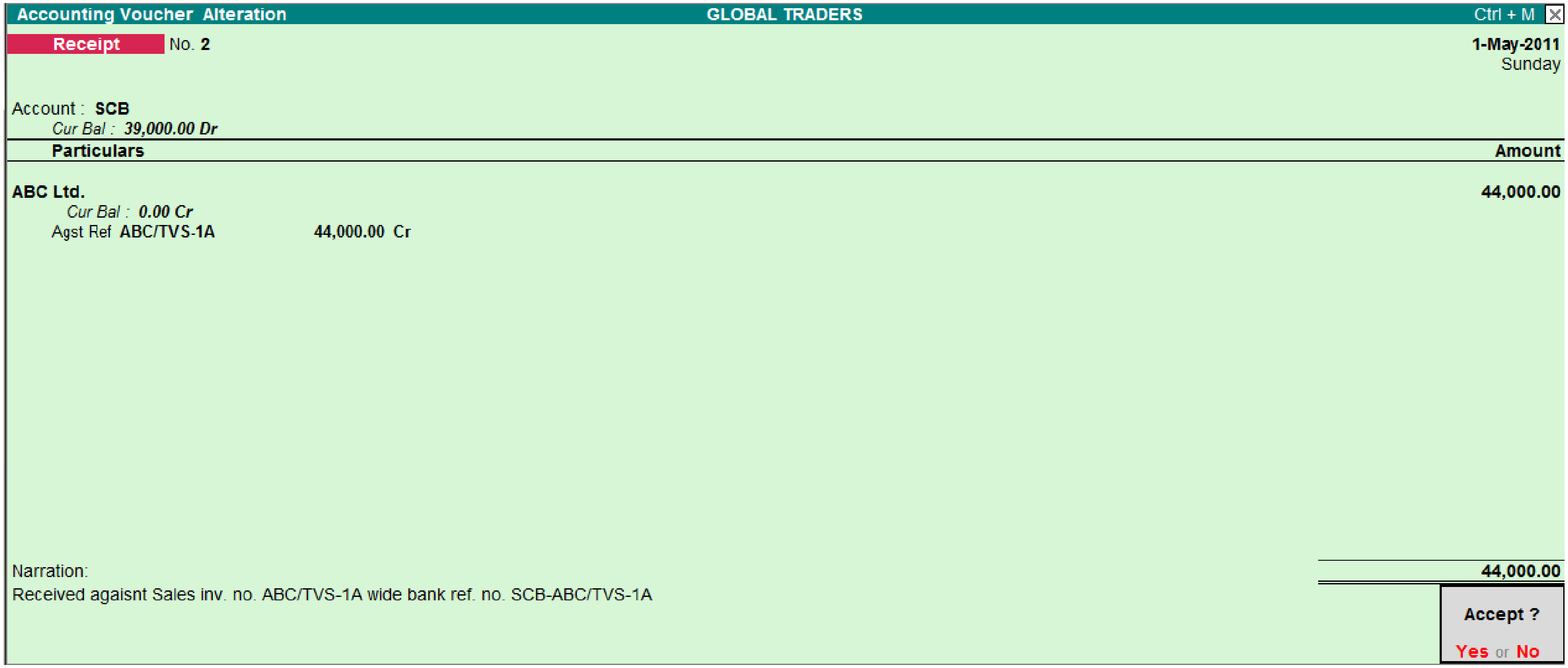
Accounting of Sales Invoice:

- Use PI/SO no. as the ref.
- Account receivable amount in the customer's receivable ledger and the amount which is to be adjusted against the advance shall be accounted in customer's advance ledger.
- Use Sales Inv. No. as the New Ref. against customer's receivable ledger entry which can be used to link future receipts against this sale and link the amount of advance adjustment against the ref. which was created at the time of accounting advance receipt from the customer.
- Use appropriate details in the narration as per the requirements.

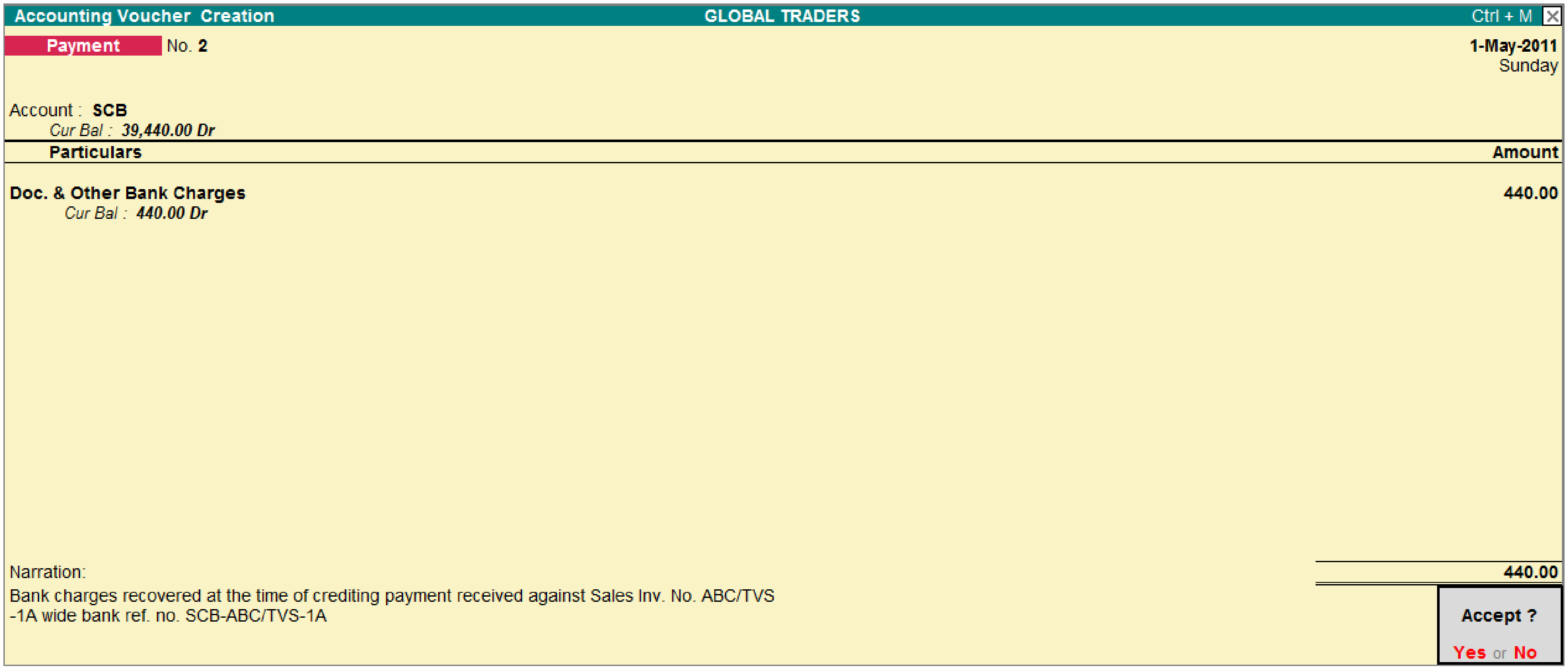


Accounting of shipment receipt from customer:

- Link the payment received against the ref. which was created at the time of accounting the sales invoice.
- Use appropriate details in the narration as per requirement.



Accounting of bank charges at the time of receipt from customer:



Accounting Voucher Creation   GLOBAL TRADERS   Ctrl + M

Payment No. **2**   **1-May-2011** Sunday

Account : **SCB**
*Cur Bal : **39,440.00 Dr***

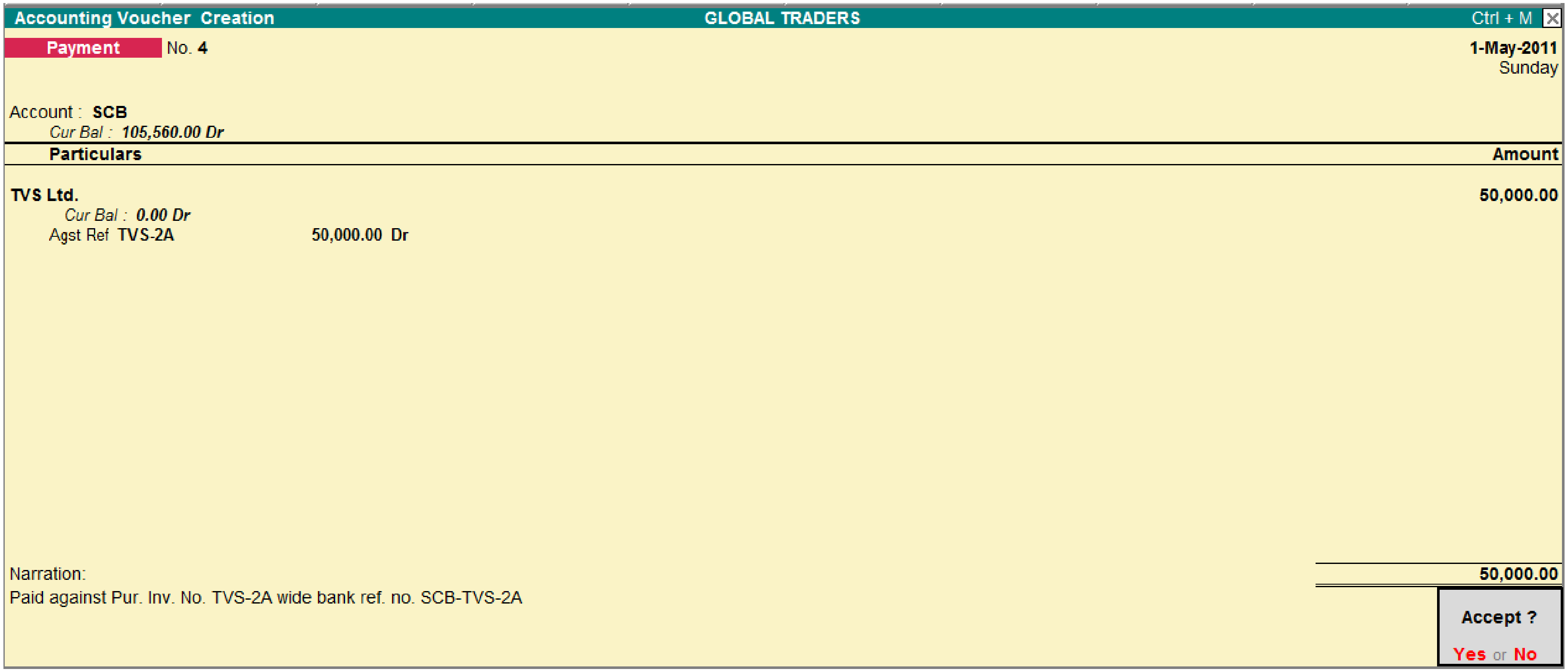
Particulars	Amount
Doc. & Other Bank Charges *Cur Bal : **440.00 Dr***	**440.00**
	440.00

Narration:
Bank charges recovered at the time of crediting payment received against Sales Inv. No. ABC/TVS -1A wide bank ref. no. SCB-ABC/TVS-1A

Accept ?
Yes or **No**

Accounting of shipment payment to vendor:

- Link the payment made against the ref. which was created at the time of accounting the purchase invoice.
- Use appropriate details in the narration as per requirement.



Accounting entries for the transaction of Purchase invoice (TVS-2B), Sales Invoice (ABC/TVS-1B), Shipment Receipt (SCB-ABC/TVS-1B), Bank charges, Shipment Payment (SCB-TVS-2B) will be made similar to the accounting entries as illustrated above for the purchase/sales (…2A) (…1A)and receipt/payments (…2A) (…1A).

ILLUSTRATION – 4: Accounting of Sales, Purchase, Receipts & Payments where there is NO ADVANCE from customers but ADVANCE paid to vendor.

ACCOUNT Master:

Vendor Name: TVS LTD. (INDIA)

Customer Name: ABC LTD. (DUBAI)

PURCHASE Transaction details:

Vendor's Performa Invoice(PI)/Purchase order(PO) = USD 100,000 (PI No. TVS-1 dtd 01-04-2011)

Advance Payment = USD 25,000 (Bank ref. SCB-TVS-1 dtd. 03-04-2011)

Purchase Invoices: (Product = vehicles 100 @ USD 500 each)

Inv. No.	Date	Inv. Value	Advance Adjustment	Payable
TVS-1A	29-04-2011	50,000	12,500	37,500
TVS-1B	10-05-2011	50,000	12,500	37,500

Payment against Shipment:

Against Inv. No.	Date	Payment Amount	Bank Name	Bank Ref.
TVS-1A	01-05-2011	37,500	SCB	SCB-TVS-1A
TVS-1B	12-05-2011	37,500	SCB	SCB-TVS-1B

(Assumed that bank charges will be borne by VENDOR i.e. TVS)

SALE Transaction details:

Customer's Performa Invoice (PI)/Sales Order (SO) = USD 110,000 (PI No. ABC/TVS-2 dtd 02-04-2011)

Sale Invoices: (Product = vehicles 100 @ USD 550 each)

Inv. No.	Date	Inv. Value	Advance Adjustment	Payable
ABC/TVS-2A	29-04-2011	55,000	0	55,000
ABC/TVS-2B	10-05-2011	55,000	0	55,000

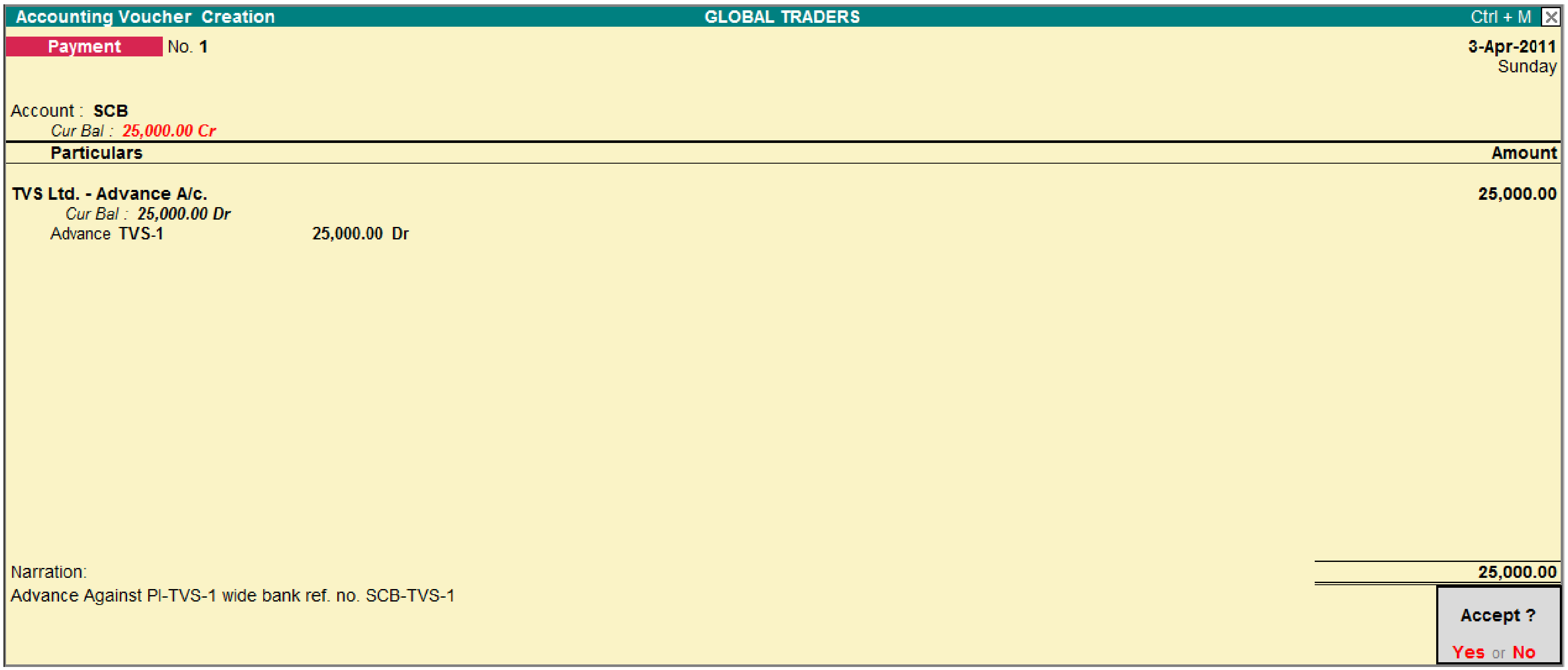
Receipt against Shipment:

Against Inv. No.	Date	Receipt Amount	Doc. & Bank Charges	Net credit to bank a/c.	Bank Name	Bank Ref.
ABC/TVS-2A	01-05-2011	55,000	550	54,450	SCB	SCB-ABC/TVS-2A
ABC/TVS-2B	12-05-2011	55,000	550	54,450	SCB	SCB-ABC/TVS-2B

(Assumed that bank charges will be borne by VENDOR i.e. GLOBAL TRADERS)

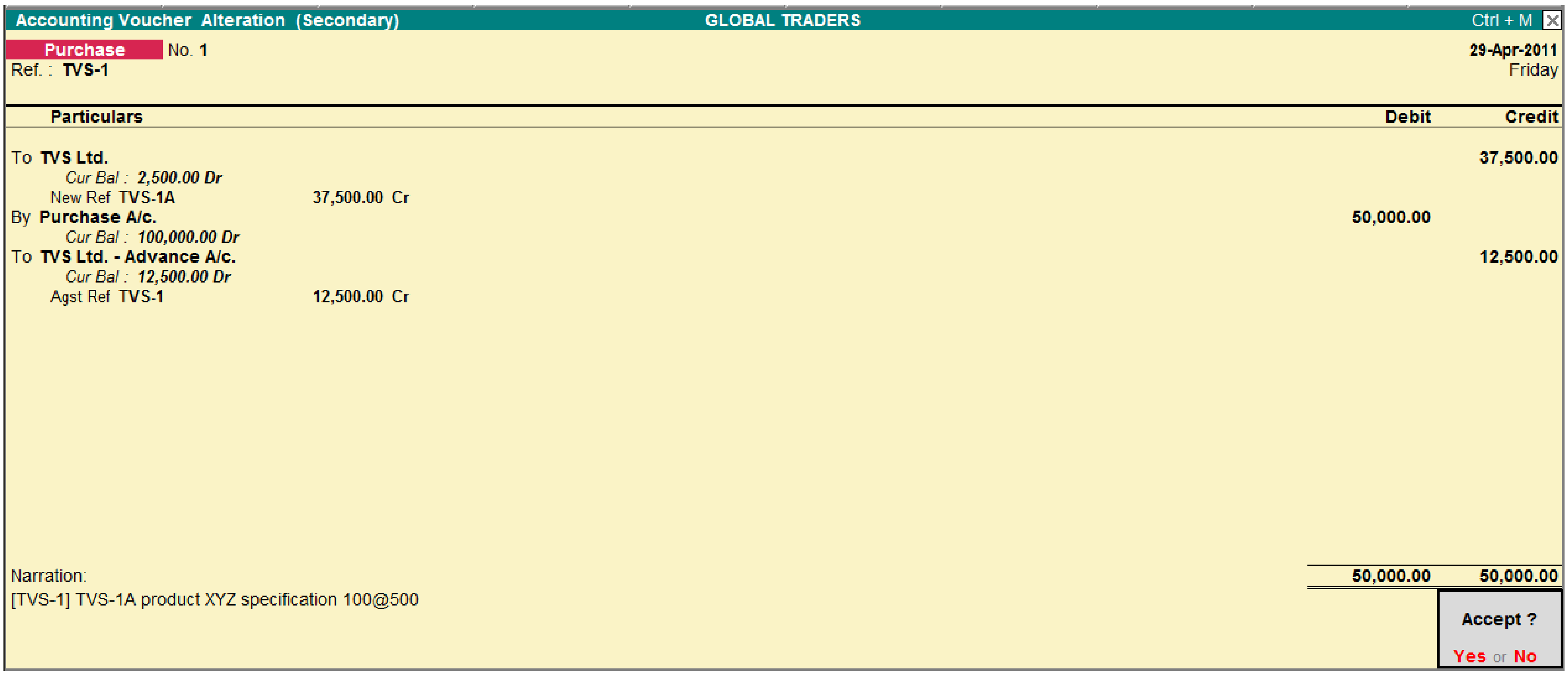
Accounting of Advance Payment to vendor:

- Account in Vendor's Advance Ledger.
- Use PI/PO no. as link for future adjustment against purchase invoices.
- Use appropriate details in the narration as per the requirements.



Accounting of Purchase Invoice:

- Use PI/PO no. as the ref.
- Account payable amount in the vendor's liability ledger and the amount which is to be adjusted against the advance shall be accounted in vendor's advance ledger.
- Use Purchase Inv. No. as the New Ref. against vendor's liability ledger entry which can be used as link for future payments against this purchase and link the amount of advance adjustment against the ref. which was created at the time of accounting advance payment to the vendor.
- Use appropriate details in the narration as per the requirements.



Accounting Voucher Alteration (Secondary) GLOBAL TRADERS Ctrl + M

Purchase No. 1 29-Apr-2011
Ref. : TVS-1 Friday

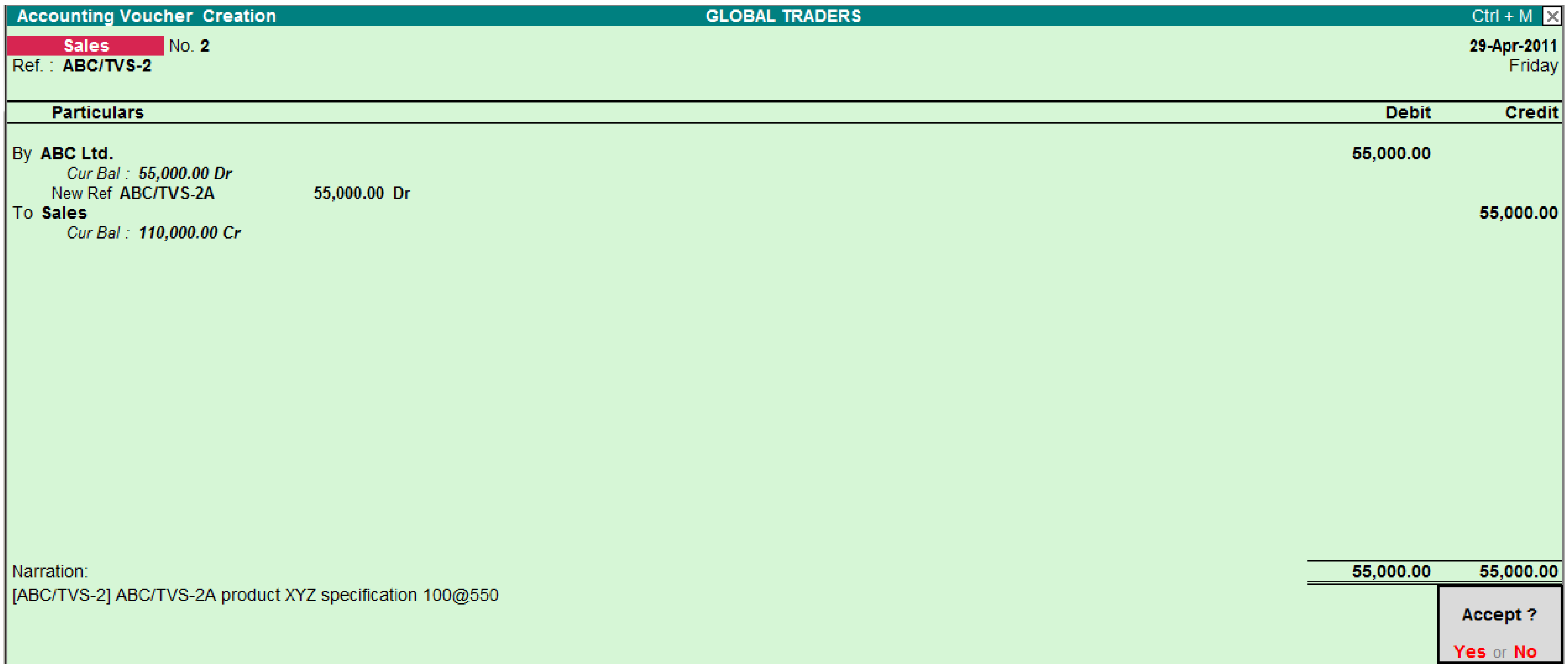
Particulars		Debit	Credit
To **TVS Ltd.**			37,500.00
Cur Bal : 2,500.00 Dr			
New Ref TVS-1A	37,500.00 Cr		
By **Purchase A/c.**		50,000.00	
Cur Bal : 100,000.00 Dr			
To **TVS Ltd. - Advance A/c.**			12,500.00
Cur Bal : 12,500.00 Dr			
Agst Ref TVS-1	12,500.00 Cr		
		50,000.00	50,000.00

Narration:
[TVS-1] TVS-1A product XYZ specification 100@500

Accept ?
Yes or No

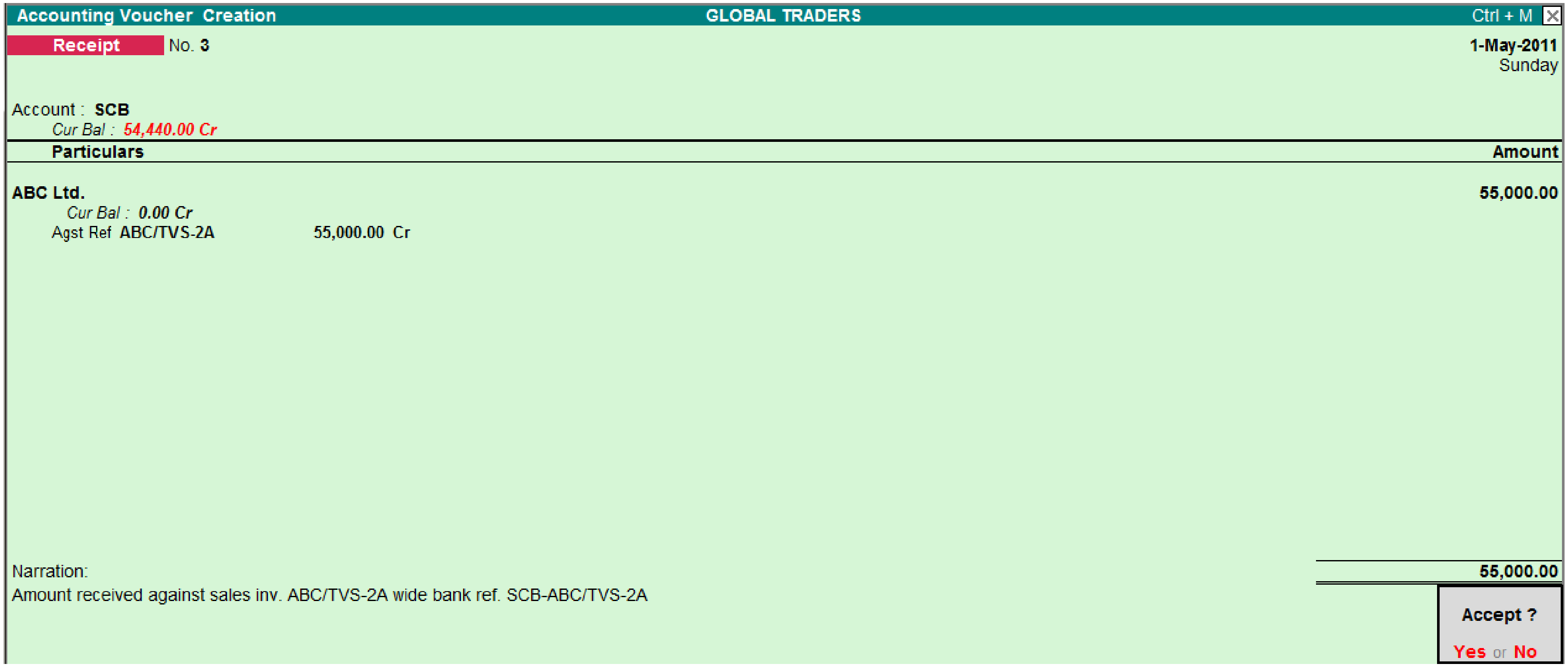
Accounting of sales invoice:

- Use PI/SO no. as the ref.
- As there is no advance against this sales order, full amount shall be accounted in the customer's receivable ledger.
- Use Sales Inv. No. as the New Ref. against customer's receivable ledger entry which can be used to link the future receipts against this sale.
- Use appropriate details in the narration as per requirement.



Accounting of shipment receipt from customer:

- Link the payment received against the ref. which was created at the time of accounting the sales invoice.
- Use appropriate details in the narration as per requirement.



Accounting of bank charges at the time of receipt from customer:

Accounting Voucher Creation **GLOBAL TRADERS** Ctrl + M

Payment No. **5**

1-May-2011
Sunday

Account : **SCB**
*Cur Bal : **5,010.00 Dr***

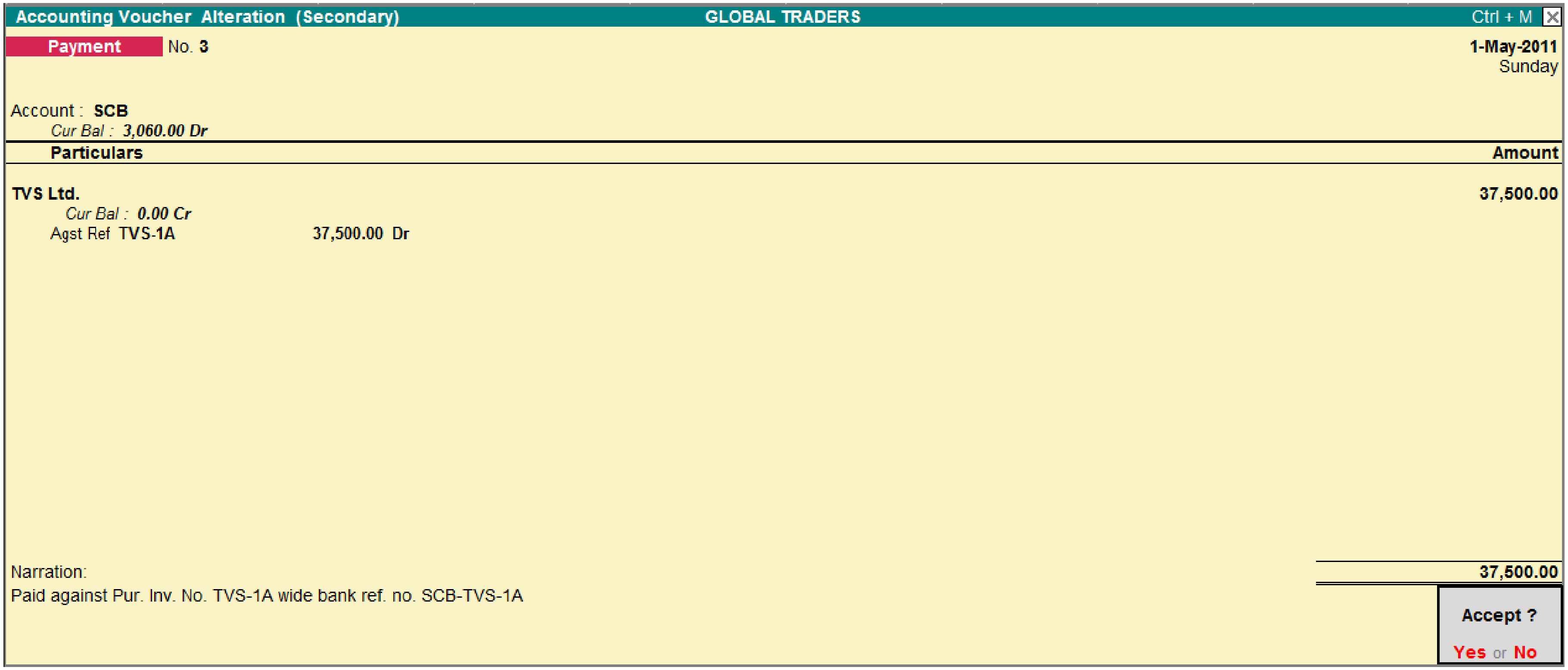
Particulars	Amount
Doc. & Other Bank Charges *Cur Bal : **990.00 Dr***	**550.00**
	550.00

Narration:
Bank charges debited by bank at the time of crediting receipt against Sales inv. no. ABC/TVS-2A wide bank ref. no. SCB-ABC/TVS-2A

Accept ?
Yes or **No**

Accounting of shipment payment to vendor:

- Link the payment made against the ref. which was created at the time of accounting the purchase invoice.
- Use appropriate details in the narration as per requirement.



Accounting entries for the transaction of Purchase invoice (TVS-1B), Sales Invoice (ABC/TVS-2B), Shipment Receipt (SCB-ABC/TVS-2B), Bank charges, Shipment Payment (SCB-TVS-1B) will be made similar to the accounting entries as illustrated above for the purchase/sales (…1A)(…2A) and receipt/payments (…1A)(…2A).

ILLUSTRATION – 5: Accounting of Sales, Purchase, Receipts & Payments where 100% ADVANCES received/paid from/to the customers/vendor.

ACCOUNT Master:

Vendor Name: TVS LTD. (INDIA)

Customer Name: ABC LTD. (DUBAI)

PURCHASE Transaction details:

Vendor's Performa Invoice (PI)/Purchase order(PO) = USD 100,000 (PI No. TVS-3 dtd 01-04-2011)

Advance Payment = USD 100,000 (Bank ref. SCB-TVS-3 dtd. 03-04-2011)

Purchase Invoices: (Product = vehicles 100 @ USD 500 each)

Inv. No.	Date	Inv. Value	Advance Adjustment	Payable
TVS-3A	29-04-2011	50,000	50,000	0
TVS-3B	10-05-2011	50,000	50,000	0

(Advance Adjustment)

Payment against Shipment:

Against Inv. No.	Date	Payment Amount	Bank Name	Bank Ref.
NIL				

(Assumed that bank charges will be borne by VENDOR i.e. TVS ltd.)

SALE Transaction details:

Customer's Performa Invoice (PI)/Sales Order (SO) = USD 110,000 (PI No. ABC/TVS-3 dtd 02-04-2011)

Advance Receipt = USD 110,000 (Bank ref. SCB-ABC/TVS-3 dtd. 02-04-2011), **(Option – 1 / Option – 2)**

Sale Invoices: (Product = vehicles 100 @ USD 550 each) ***(Option – 1 / Option – 2)***

Inv. No.	Date	Inv. Value	Advance Adjustment	Payable
ABC/TVS-3A	29-04-2011	55,000	55,000	0
ABC/TVS-3B	10-05-2011	55,000	55,000	0

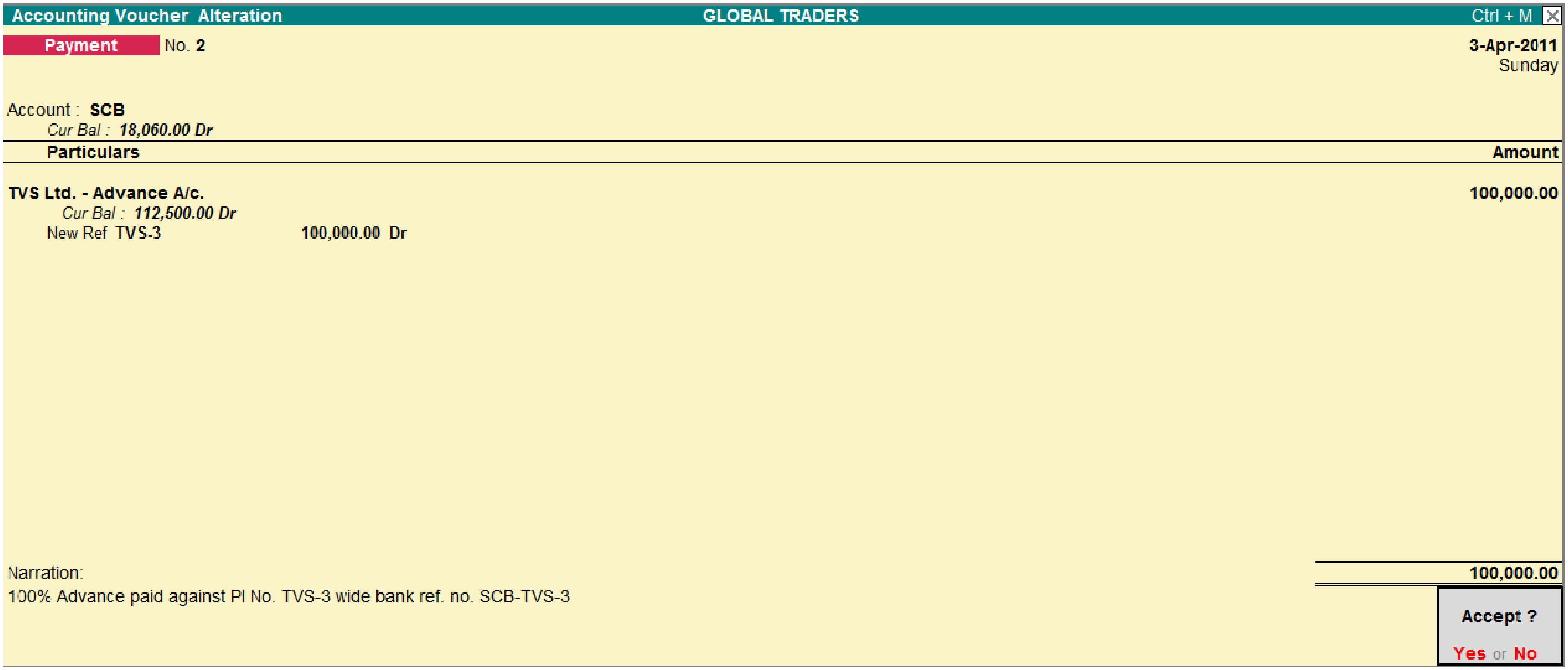
Receipt against Shipment: ***NIL***

Advance adjustment: ***(Option – 1 / Option – 2 – no adjustment required)***

(Assumed that bank charges will be borne by VENDOR i.e. GLOBAL TRADERS)

Accounting of advance payment made to the vendor:

- Account in Vendor’s Advance Ledger.
- Use PI/PO no. as New Ref. for future adjustment against purchase invoices.
- Use appropriate detail in the narration as per the requirements.


Accounting Voucher Alteration GLOBAL TRADERS Ctrl + M

Payment No. 2 3-Apr-2011 Sunday

Account : SCB
Cur Bal : 18,060.00 Dr

Particulars	Amount
TVS Ltd. - Advance A/c.	100,000.00
Cur Bal : 112,500.00 Dr	
New Ref TVS-3 100,000.00 Dr	

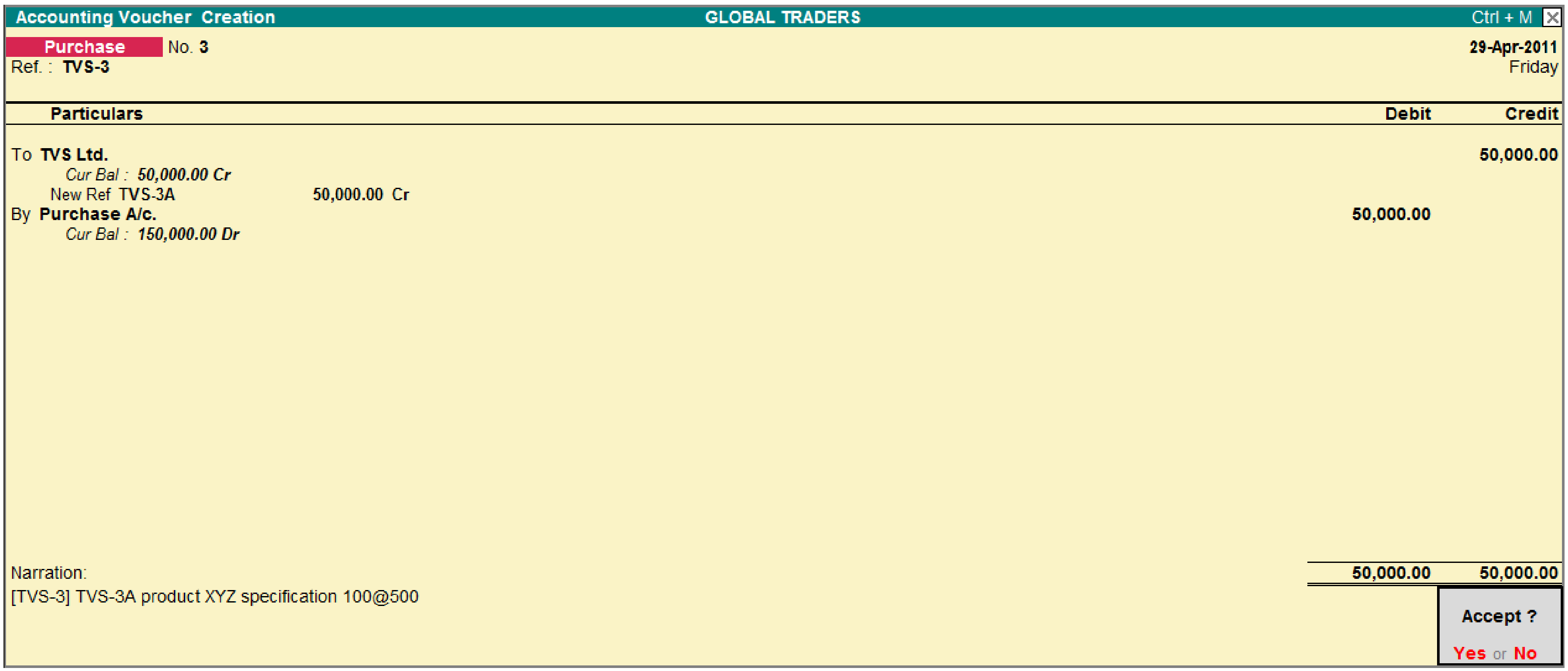
Narration:
100% Advance paid against PI No. TVS-3 wide bank ref. no. SCB-TVS-3

100,000.00

Accept ?
Yes or No

Accounting of Purchase Invoice:

- Use PI/PO no. as the ref.
- As the tally will not allow purchase entry in the Vendor's Advance ledger account directly, 100% accounting will be done in the vendor's liability ledger even though the whole amount against this particular invoice has already been paid as advance.
- Use Purchase Inv. No. as the New Ref. against vendor's liability ledger entry which can be used as link for adjusting the advance already paid against this purchase.
- Use appropriate details in the narration as per the requirements.



Accounting Voucher Creation GLOBAL TRADERS Ctrl + M

Purchase No. 3 29-Apr-2011

Ref. : TVS-3 Friday

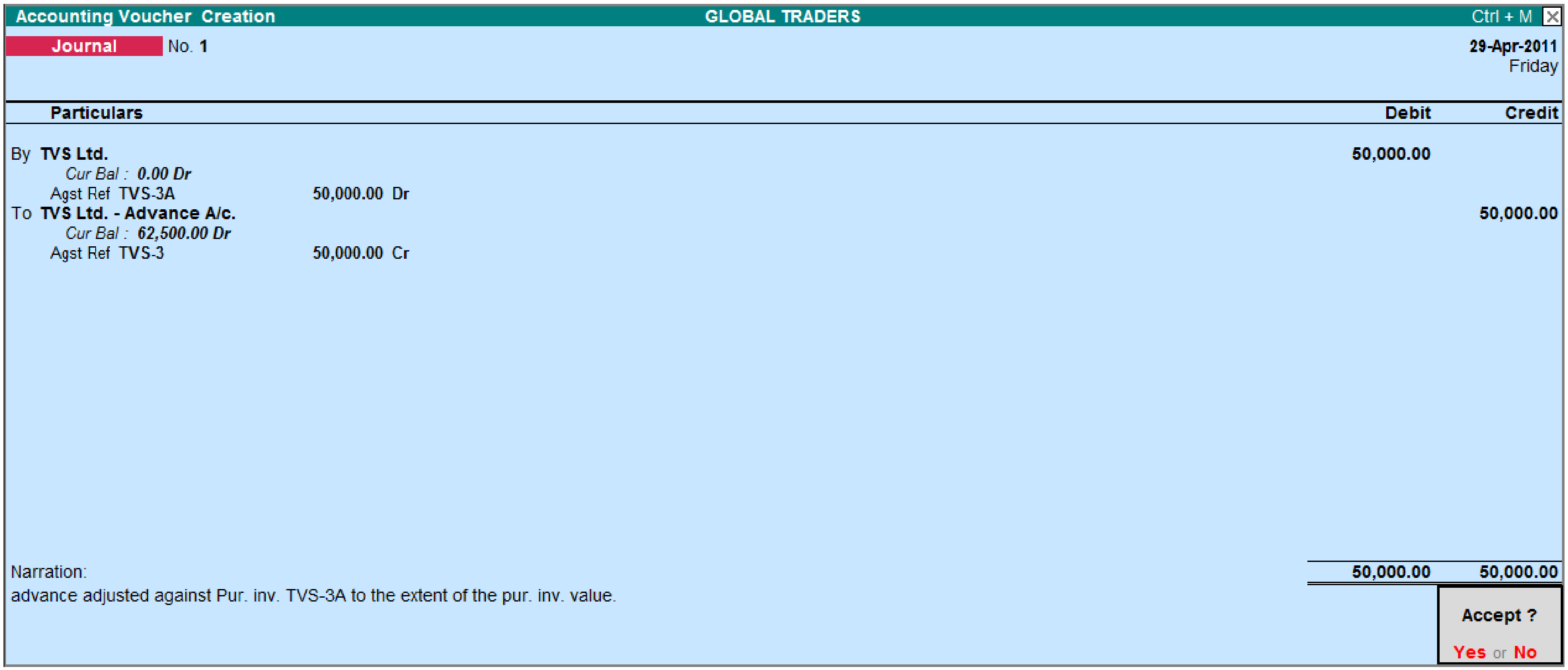
Particulars	Debit	Credit
To **TVS Ltd.**		50,000.00
Cur Bal : 50,000.00 Cr		
New Ref TVS-3A 50,000.00 Cr		
By **Purchase A/c.**	50,000.00	
Cur Bal : 150,000.00 Dr		
	50,000.00	50,000.00

Narration:
[TVS-3] TVS-3A product XYZ specification 100@500

Accept ?
Yes or No

Accounting for adjustment of advance paid against the purchase invoice accounted above:

- As the purchase is accounted in the vendor’s liability ledger and advance is accounted in the vendor’s advance ledger, adjustment is required and to be made using the journal entry as below.
- Link vendor’s liability ledger entry against the ref. created at the time of accounting pur. invoice and link vendor’s advance ledger entry against the ref. created at the time of making advance payment entry.
- Use appropriate details in the narration as per the requirements.

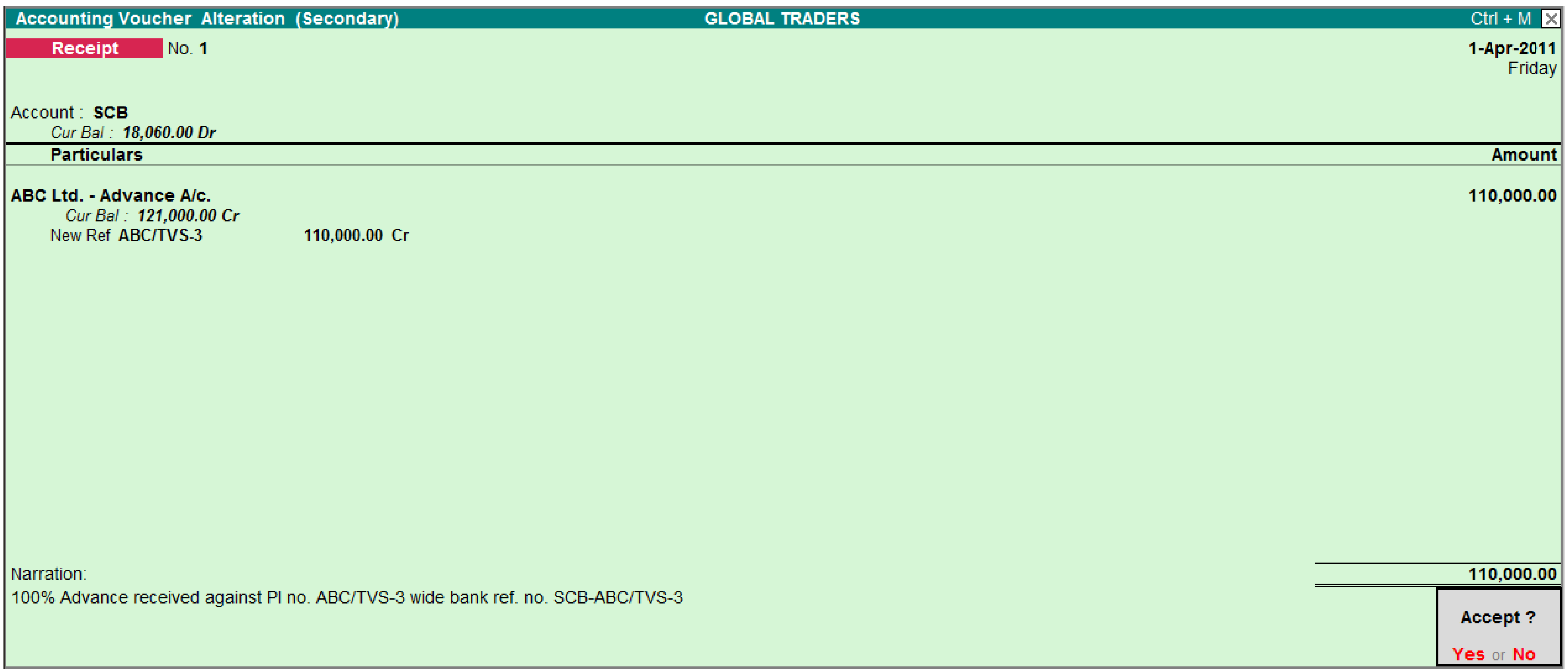


Accounting in the customer ledgers:

Option 1: If as per the company's policy, terms of advance payment is different in each individual orders from this particular vendor, then following method can be followed for accounting receipt of advance, sales invoice and advance adjustment.

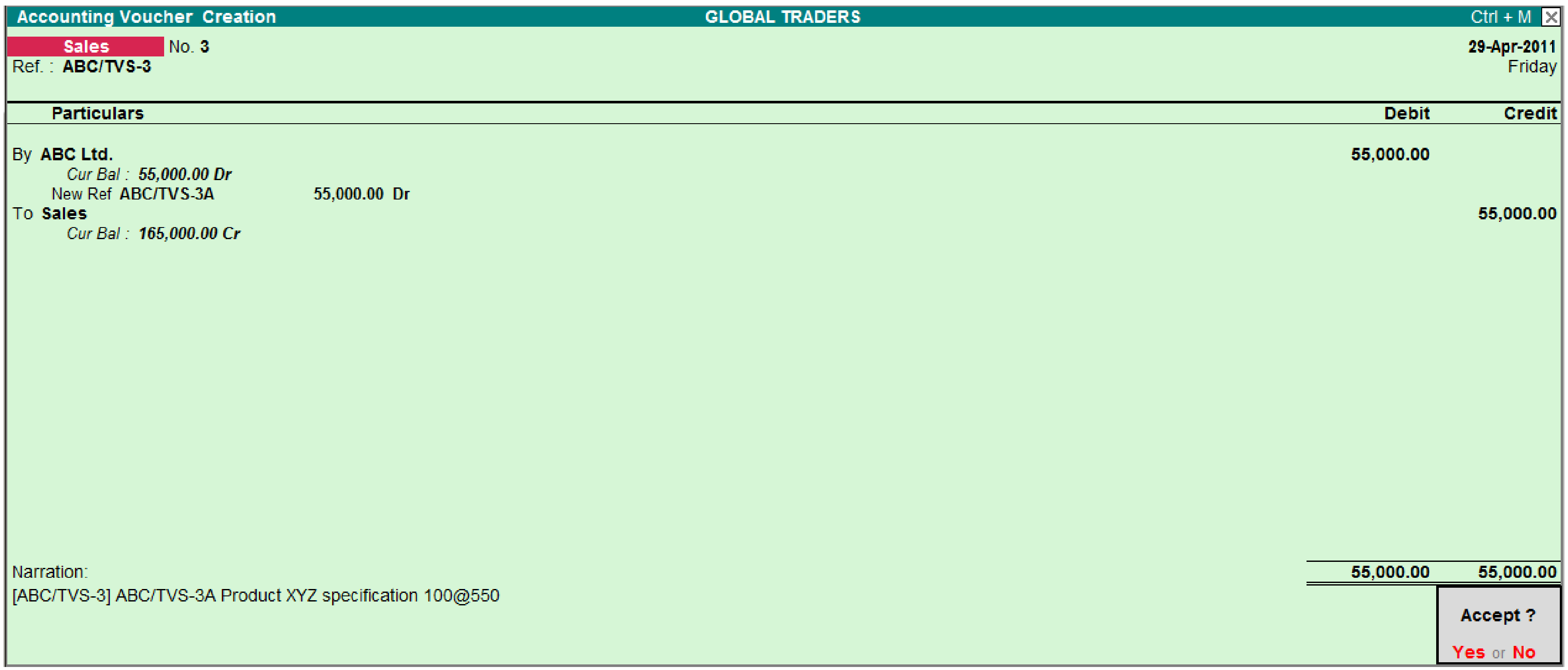
Accounting of Advance payment received from Customer:

- Account in customer's advance ledger.
- Use PI/SO No. as the link for future adjustment against sales invoices.
- Use appropriate details in the narration as per the requirements.



Accounting of sales invoice:

- Use PI/SO no. as the ref.
- As the tally will not allow sales entry in the customer's advance ledger, 100% sales value accounting will be done in the customer's liability ledger even though the whole amount against this particular invoice has already been received as advance.
- Use Sales Inv. No. as the New Ref. against customer's receivable ledger entry which can be used as link for adjusting the advance already received against this sale.
- Put appropriate details in the narration as per requirement.



Accounting for adjustment of advance paid against the purchase invoice accounted above:

- As the sales is accounted in the customer's receivable ledger and advance is accounted in the customer's advance ledger, adjustment is required and to be made using the following journal entry.
- Link customer's receivable ledger entry against the ref. created at the time of accounting sales Invoice and link customer's advance ledger entry against the ref. created at the time of making advance receipt entry.
- Use appropriate details in the narration as per the requirements.

Accounting Voucher Creation | **GLOBAL TRADERS** | Ctrl + M

Journal No. **2** | **29-Apr-2011** Friday

Particulars		Debit	Credit
By **ABC Ltd. - Advance A/c.**		**55,000.00**	
*Cur Bal : **66,000.00 Cr***			
Agst Ref ABC/TVS-3	55,000.00 Dr		
To **ABC Ltd.**			**55,000.00**
*Cur Bal : **0.00 Cr***			
Agst Ref ABC/TVS-3A	55,000.00 Cr		
		55,000.00	**55,000.00**

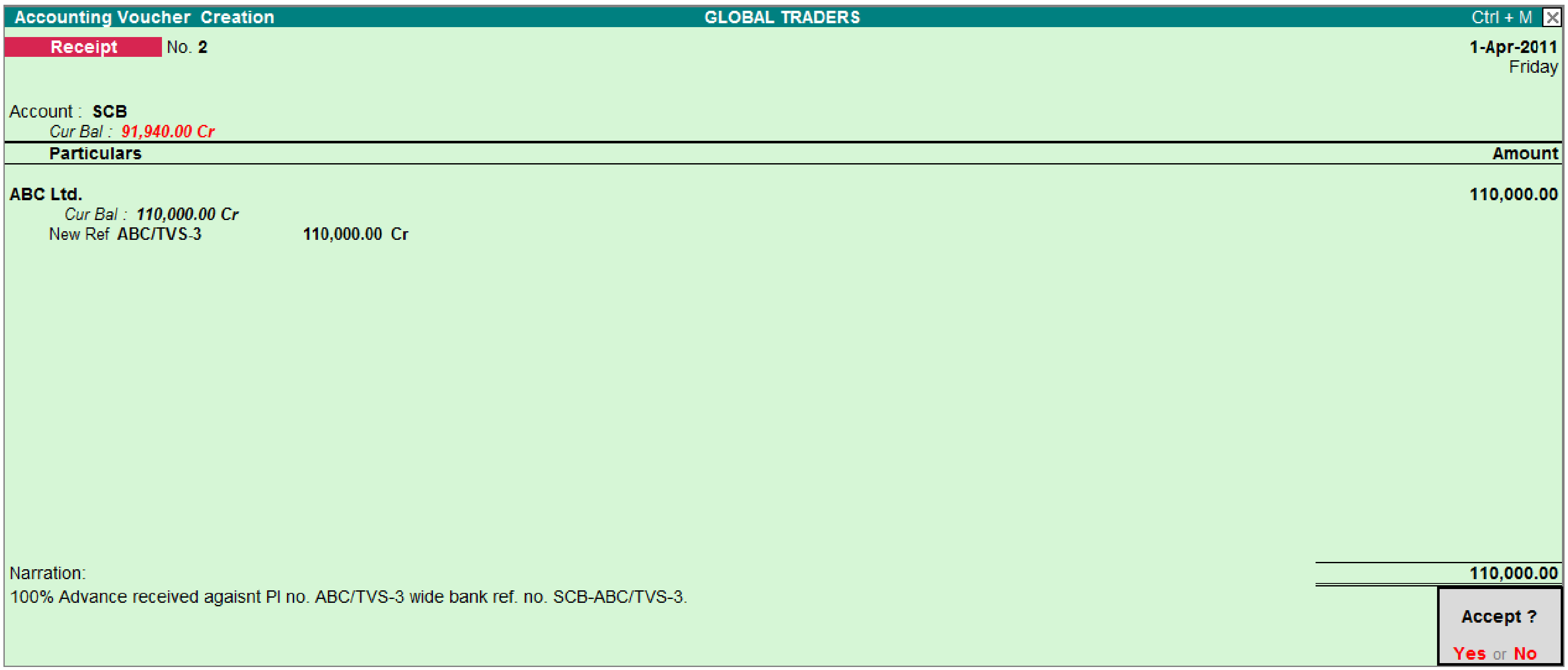
Narration:
Advance already paid against sales inv. no. ABC/TVS-3A is adjusted to the extent of inv. value.

Accept ?
Yes or No

Option 2: if as per the company's policy, this particular vendor has to make 100% advance against all the orders, then following method can be followed for accounting receipt of advance, sales invoice and advance adjustment.

Accounting of Advance payment received from Customer:

- Account in customer's receivable ledger.
- Use PI/SO No. as the link for future adjustment against sales invoices.
- Use appropriate details in the narration as per the requirements.



Accounting Voucher Creation | GLOBAL TRADERS | Ctrl + M

Receipt No. **2** | **1-Apr-2011** Friday

Account : **SCB**
*Cur Bal : **91,940.00 Cr***

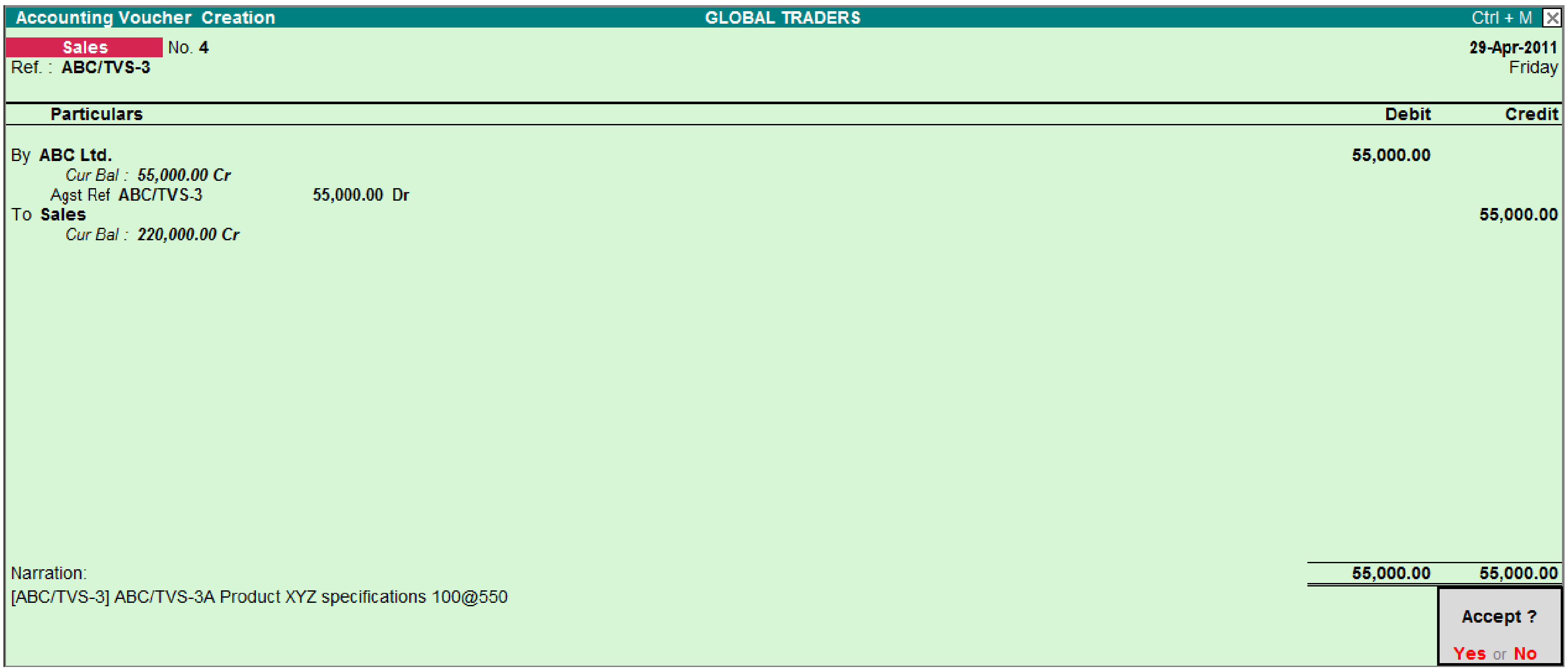
Particulars	Amount
ABC Ltd.	**110,000.00**
*Cur Bal : **110,000.00 Cr***	
New Ref ABC/TVS-3 110,000.00 Cr	
	110,000.00

Narration:
100% Advance received agaisnt PI no. ABC/TVS-3 wide bank ref. no. SCB-ABC/TVS-3.

Accept ?
Yes or No

Accounting of sales invoice:

- Use PI/SO no. as the ref.
- Account in customer's receivable ledger.
- Link this sale entry against the ref. created at the time of receiving advance payment from the customer.
- As the sales and advance payment entries have been made in same ledger, no further advance adjustment entry will be required in this case.
- Use appropriate details in the narration as per the requirements.



Accounting entries for the transaction of Purchase invoice (TVS-3B), Sales Invoice (ABC/TVS-3B) and advance adjustments, will be made similar to the accounting entries as illustrated above for the purchase/sales (…3A) and receipt/payments (…3A).