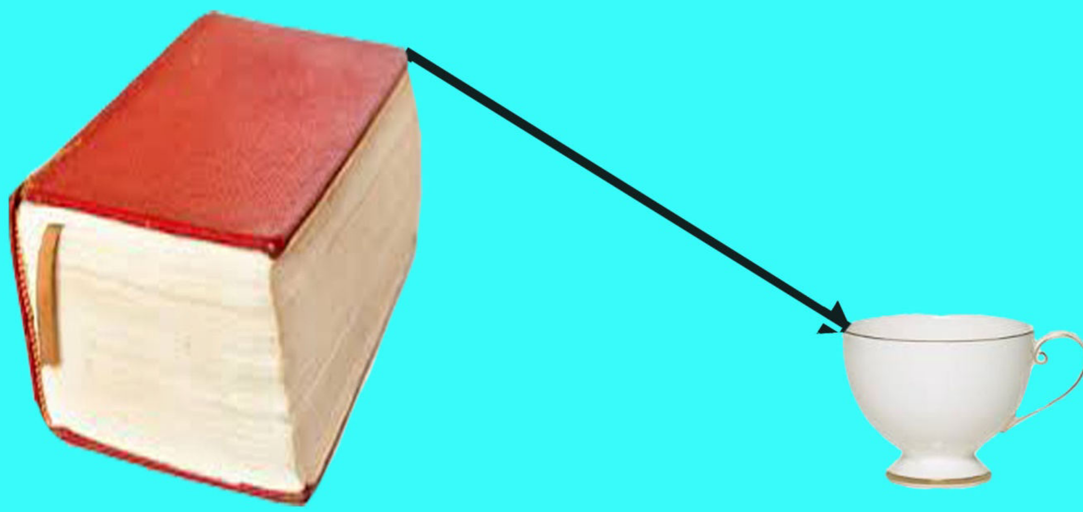
my notes

A book my MD IMRAN.
An author, translated the Sea in to just a cup of Tea.



Financial Accounting & Tally ERP. 9

Enjoy your study

THE CONSTITUTION OF INDIA

PREAMBLE

WE, THE PEOPLE OF INDIA, having solemnly resolved to constitute India into a **[SIVEREIGN SOCIALIST SECULAR DEMOCRATIC REPUBLIC]** and to secure all its citizens:

JUSTICE, social, economic and political;

LIBERTY of thought, expression, belief, faith and worship;

EQUALITY of status and of opportunity; and to promote among them all

FRATERNITY assuring the dignity of the individual and the [unity and integrity of the Nation];

IN OUR CONSTITUENT ASSEMBLY this twenty-sixth day of November, 1949 do **HEREBY ADOPT, ENACT AND GIVE TO OURSELVES THIS CONSTITUTION.**

Chapter -1

Financial accounting- An introduction

Financial accounting means accounting of financial transaction. Accounting is an art of recording, classifying, summarising, analysing and interpreting the transaction. A **transaction** is a financial event that takes places in the course or furtherance of business and effects the financial position of the company. In business every moment numerous number of transaction get executed, it is necessary to record all the transaction for determination of result of business & to have a record of sale, purchase, receivable, payable, etc.

Recording of transaction.

For uniformity of accounting record and financial statement, we follow generally used accounting principles. Double entry accounting system is generally accepted accounting procedure.

In double entry accounting system every transaction has two aspect first debit and other credit. Following rule of debit and credit is followed while recording journal entries:

Golden Rules of journal entry:-

	Debit (Dr.)	**Credit (Cr.)**
Personal Accounts	*Debit the receiver.*	*Credit the giver*
Real Accounts	*Debit what comes in.*	*Credit what goes out.*
Nominal Accounts	*Debit all expenses & Losses.*	*Credit all Incomes & Gains.*

Points to Remember

- Accounting is a comprehensive system to collect, analyse and communicate financial information.
- Double Entry accounting is a system of recording transactions in a way that maintains the equality of the accounting equation.
- The three types of accounts maintained for transactions are real accounts, personal accounts and nominal accounts.
- Entity is the organisational unit for which accounting records are maintained.
- Journal entry is a record of a single business transaction.
- Voucher is a document evidencing the details of a financial transaction.
- Ledger is a book in which accounts are maintained.
- Trial balance is a list of the balances of all the ledger accounts.
- Profit and loss statement shows the performance of the company in terms of profits or losses made by it over a specified period.
- Balance sheet gives an overview of the financial position of a company as on a specific date.

Practical problem

1. Started business with cash of Rs. 5,00,000.
2. Purchased a building of Rs. 2,00,000.
3. Purchased a mobile production machinery of Rs. 1,00,000.
4. Purchased mobile material of Rs. 80,000.
5. Paid salary to employee Rs. 24000.
6. Sale total mobile produced for Rs. 15,00,000.
7. Sale building for Rs. 4,00,000.
8. Sale mobile production machinery for Rs. 80,000.
9. Paid travelling expenses of Rs. 2,00,000 from India to London.
10. Married with a beautiful girl / handsome boys of the world.

Journal entries

1.	**Cash A/c Dr.** **To, Capital A/c** **(Being started business with cash)**	**5,00,000**	**5,00,000**
2.	**Building a/c Dr.** **To, Cash A/c** **(Being purchased building for Cash.)**	**2,00,000**	**2,00,000**
3.	**Machinery A/c Dr.** **To, Cash A/c** **(Being purchased machinery for Cash.)**	**1,00,000**	**1,00,000**
4.	**Purchase A/c Dr.** **To, Cash A/c** **(Being purchased Mobile material.)**	**80,000**	**80,000**
5.	**Salary A/c Dr.**	**24,000**	

	To, Cash A/c **(Being Salary paid to employee.)**		**24,000**
6.	**Cash A/c Dr.** **To, Sales A/c** **(Being goods sold for cash.)**	**15,00,000**	 **15,00,000**
7.	**Cash A/c Dr.** **To, Building A/c** **To, Profit on sale of Building** **(Being sold building for cash.)**	**4,00,000**	 **2,00,000** **2,00,000**
8.	**Cash A/c Dr** **Loss on sale of machinery A/c Dr.** **To, Machinery A/c** **(Being old machinery sold)**	**80,000** **20,000**	 **1,00,000**
9.	**Travelling expenses A/c Dr.** **To, Cash** **(Being travelling expenses paid in cash)**	**2,00,000**	 **2,00,000**
10.	**Journal entries is only for financial transaction**		

To understand ledger, trial balance, Profit & loss A/c & Balance sheet, refer class discussion and notes.

Chapter – 2: Tally.ERP 9

Tally.ERP 9 is the world's fastest and most powerful concurrent Multi-lingual business Accounting and Inventory Management software. Tally's market share is more than 90%. It is very easy to learn and use. In tally you need to enter journal entries of transaction correctly, tally itself prepare ledger, trial balance, Profit & loss A/c, Balance sheet, etc.

Now let's start tally

Follow following step.

1. **Create Company**- It is the name of the entity of which accounting information is being recorded.
   - ✓ From the buttons bar select **Alt + F3: Create Cmp** or simply press **Alt + F3** to bring up the **Company Info.** Menu.
   - ✓ Select **Create Company** from the menu to bring up the **Company Creation** screen.
   - ✓ Now fill the required information and press enter to complete company creation.

2. **Create ledger**- ledger is the name of name of transaction for which classification is being done. It is just an accounting head with which we identify the transaction. Only a ledger account is opened for all the transaction related to such ledger, no multiple ledgers are opened.

   Ledgers are created in the following manner:
   Go to the **Gateway of Tally > Accounts Info. > Ledgers > Create**.
   Each ledger is kept under appropriate group from the list of groups.
   Some example as follows:

Ledger name	**Group**
Capital	**Capital**

Purchase, Purchase return	**Purchase**
Sale, Sales return.	**Sale**
A person to whom we sales goods.	**Debtor**
A person from whom we buys goods.	**Creditor.**
Direct expenses (Expenses which is directly related to production of goods, without which existence of goods cannot be conceived.) Eg- Purchase, Labour wages, Carriage inward, etc.	**Direct expenses**
Indirect expenses **(**Expenses which is incidental or ancillary, incurred after completion of production of goods) Eg- Selling Expenses, Advertisement Expenses, rent, Insurance, telephone Charges, Printing and stationery, etc.	**Indirect expenses**
Bank Name	**Bank Accounts**
A Person to whom we grant or advance loan.	**Loan & Advance (Assets)**
A Person from whom we take loan.	**Loan (Liabilities)**
Taxes (VAT, TDS, SERVICE TAX, EXCISE, etc.)	**Duties & taxes**

3. Voucher entry

It is just a journal entry, it is the only thing what we have to do in tally, & all other work tally does itself.
While journal entry certain button you have to keep in mind to record journal entries only with in such voucher.

i) **F4 – Contra : it is used for Cash to bank, bank to cash or for bank to bank transaction.** For Example any Deposit/Withdrawal of Cash from Bank. (Only Cash/Bank A/c is Debited / Credited in Contra entries.)

ii) **F5 – Payment:** For any Payment made weather cash /Cheque/bank entry should be passed through Payment voucher. (Only Cash/Bank A/c are Credited in Payment entry.)

iii) **F6 – Receipt:** For any Receipt weather in cash /Cheque/bank entry should be passed through Receipt voucher. (Only Cash/Bank A/c are Debited in receipt entry.)

iv) **F7 – Journal**: Other than Cash/Bank, any entry can be passed through Journal entry. It is used for recording those journal entries which are not appropriate to record in other voucher. (Transactions where No Cash/Bank A/c are affected should be passed through Journal e.g. Year end Provisions entries).

v) **F8- Sales: it is used to record sales entries.**

vi) **F9 – Purchase: it is used for P**urchase entries.

4. Inventory

Inventory is used whenever numbers of quantities get affected on sale or purchase or certain Opening or closing stock remains at the beginning or closing of the year.

For inventory follow below steps:

1. While creating company select accounting with inventories.
2. Gateway of tally – accounting information – create ledger - only In the Purchase/Sales Ledger Masters, set Inventory Values are affected to **Yes** and proceed with the above transactions.
3. Gateway of tally – inventory information – create unit of measure – then create stock item (you can also enter standard cost and selling price of each item, then you will have no need to enter again while voucher entry, automatically standard cost / standard selling price will be there.)
4. Now pass the journal entries in accounting voucher **As invoice.**

5. Value Added Tax (VAT)

It is tax levied on sale & purchase of goods. When VAT is levied on sale of goods known as output VAT. When it is levied on purchase of goods known as input VAT. Credit of input VAT paid at the time of purchase of goods is available to set off from Output VAT payable at the time of sale of goods, and ultimately net amount of VAT is require to paid.

Following step is followed –

Step 1- Press F11- Statutory & taxation – Enable value added tax (**Yes**) – Set/Alter vat detail yes.

Step 2- Prepare ledger account

a. Sales @4% under sales account, Set Yes *used in vat return* and select corresponding Sales @4% form vat tax class list.
b. Purchase @4% under purchase account, Set yes *used in vat return* and select corresponding Purchase @4% form vat tax class list.
c. Input vat @4% under duties & taxes.
d. Output vat @4% under duties & taxes.

Step 3- Journalise the transaction. If you will enter journal entries as invoice then automatically vat amount will be calculated as specified rate. If you will enter journal entries as voucher then you have to calculated vat amount and enter the transaction.

Step 4 - Now you can review the net vat payable and generate vat related report. Gateway of tally- Display – Statutory report – VAT- VAT Computation.

6. <u>**Tax deducted at Source (TDS)**</u>

It refers to that portion of payment which is deducted as tax and deposit to government account, At present, incomes from several sources are subjected to tax deduction at source. Some of such income which are subject to TDS is summarised as below WITH applicable rate:

1%	For sale consideration of immovable property if exceed Rs. 50 lakhs.
2%	For rent of plant and machinery.
5%	For Non-resident and Foreign country – interest from infrastructures debt fund, interest from long term bond.
10%	Interest on securities, insurance commission,

	commission on sale of lottery ticket, Commission other that insurance commission, fees for royalty, professional, technical fees, etc
20%	Payment to non- resident sport person or association.
30%	Winning from Crossword, puzzle, race horse, card game.
Slab rate	For Salaries