

# Basic Accounting & Tally

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# Basic Accounting & Tally

## What is Accounting

- It is an Art
- Recording, Classifying & analysing Transactions
- Financial Nature
- Interpretation of results

# Basic Accounting & Tally

- Income- Generated from the operations of the business.example: Sales,Services,Fees
- Expenses- Amount spent to get the income
- Assets- For long term use in the business,which can indirectly generate income. Example: Machinery,Plant,Building etc
- Liabilities-Amount payable by the business to outsiders,owners.Example: Creditors,loans etc
- Capital : Amount invested by the owners.
- Profit and Loss: Net Result of income and expense
- Balance Sheet: How the funds came into the business and invested in the business.

# Basic Accounting & Tally

## Accounting Concepts

- Business Entity Concept-Business is different from Business Owner
- Going Concern Concept-Business continues over a period of time
- Matching Concept-Classification of transactions into income ,expense etc and matching them
- Money Measurement – All transactions in terms of money.
- Historical concept- Cost or market price whichever is less

# Basic Accounting & Tally

- Accounting Equation :
- $\text{Asset} - \text{Liability} = \text{Capital}$
- Nature of Accounts:
- Personal
- Real
- Nominal

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- Account is a transaction in monetary values pertaining to an item, person, expense or income
- Rules for Accounts:

Following are the rules for each Account:

Personal Account:

- Debit the Receiver,
- Credit the Giver

# Basic Accounting & Tally

- Real Account
  - Debit what comes in
  - Credit what goes out
- Nominal Account
  - Debit all expenses
  - Credit all incomes

# Basic Accounting & Tally

- What is a journal
  - Journal is the accounting record of a particular Transaction
- What is a Ledger
  - Ledger is individual record as well as summary of a transaction pertaining to an account.



# Basic Accounting & Tally

- Format of a Journal Entry

Account Dr

To Account ( Cr)

(Cr is not generally shown)

Example: Cash Account, Capital Account

# Basic Accounting & Tally

- Posting of an entry
- Balancing an account
- Debit Balances
- Credit Balances
- Nil Balances

# Basic Accounting & Tally

- Trial Balance
  - List of all Debit and Credit Balances
- Profit and Loss Account
  - Only Nominal accounts are transferred
- Balance Sheet
  - All Balances in Personal Real Account are shown in Balance Sheet

# Basic Accounting & Tally

- Gateway to Tally – This is the main Screen for Tally
- Create Company- This helps in creating a company.
- Beginning Year: Date from which the company is created
- Accounting Year: This is the financial year and should be after the date which company is created .

# Basic Accounting & Tally

- Groups in Tally: Tally has 28 basic groups. A group identifies similar natures of accounts under the same. For example Current Assets Group shows under the same various accounts like Stock, Cash, Debtors etc.
- Group is Created under Accounting Info in Tally
- Group can be Primary Group like Capital or Sub Group A's Capital under Primary group Capital

# Basic Accounting & Tally

- Ledger Account – It is an individual Account like Personal, Real or Nominal. Transaction is recorded in respect of an Account
- Ledger is Created under Accounting info in Tally . The same need to be mapped to a Group. Cash account and Profit & Loss Account are default accounts

# Basic Accounting & Tally

- Transactions are recorded under Transactions in Tally. Go to Voucher Transactions and select the mode of Transaction
- Mode of Transaction can be Payment, Receipt, Journal, Contra
- Payment and Receipt contains Cash Account, where as journal does not involve cash account.
- Contra Account is used to record Bank and Cash related transactions happening simultaneously.

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Examples for Tally work:

Debit balances

Credit balances

• Cash	5000	
• Capital		10000
• Bank	5000	
• Furniture	4000	
• Creditors		13000
• Debtors	4000	
• P&L	5000	
• -----		
Total	23000	23000



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## Example with Stock in Tally:

- **Started Business with Cash 15000, Cheque 10000**
- **Purchased Cement 10 Bags @ 500**
- **Carriage paid 150**
- **Salary paid 300**
- **Sold 6 Bags @ 500**
- **Carriage outwards paid, 400**
- **Purchased Furniture 400**
- **Salary payable to H 150**
- **comission receivable 600**

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- Trial Balance: List of all Debit and Credit Balances as on a particular Date.
- Profit and Loss Account: An Account which shows the profit and loss of a business at the end of a particular period.
- Balance Sheet : Statement showing Assets and Liabilities of the Business. It is not an account

# Basic Accounting & Tally

- Profit and Loss Account:  
Shown in Tally under Reports. If transactions are correctly entered as per accounting rules, the Profit & Loss account in Tally shows the profit or loss automatically.No separate posting needed.
- Balance Sheet:Shown in Tally under Reports.Profit can be shown as addition to the capital or as a separate account.It is shown on the liability side. Loss can be shown as a reduction from capital or as P&L Account in Asset side.

# Basic Accounting & Tally

## Advantages of Tally over Manual System

- Posting of transaction can be done without a prior journal entry
- Balancing of an account is automatic
- Profit and Loss account and Balance sheet is automatically done. No need to separately close the nominal accounts
- Clerical errors possibility is absolved.