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Basic Accounting

Basic Concept of Accounting :-

Accounting :- "It is an art of Recording, classifying and Summarizing in significant manner and in terms of Money, transactions and Events which are of financial character and Interpreting the Result thereof.

Business transaction :- A Business transaction is " The movement of money and money's worth form one Person to another" . or Exchange of Values between two Parties is Also know as " Business transaction".

Purchase :- A Purchase means goods Purchased by a businessman from Suppliers.

Sales :- Sales is goods Sold by a businessman to his Customers.

Purchase Return or Rejection in or outward invoice :-

Purchase Return means the Returns of the full or a Parts of goods Purchased by the businessman to his Suppliers.

Sales Return or Rejection out or inward invoice :-

Sales Return means the Return of the full or a Part of the goods Sold by the Customer to the businessman.

Assets :- Assets are the things and Properties Possessed by a businessman not for Resale but for the use in the bussiness.

Liabilities :- All the Amounts Payable by a business Concern to outsiders are called liabilities.

Capital :- Capital is the amout invested for Starting a business by a Person.

Debtors :- Debtor is the Person who owes amounts to the businessman.

Creditors :- Creditor is the Person to whom amounts are owed by the businessman.

Debit :- The Receiving aspect of a transaction is called debit or Dr.

Credit :- The giving Aspect of a transaction is called Credit or Cr.

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Drawings :- Drawings are the amounts withdraw (taken back) by the businessman from his business from his Personal, Private and domestic Pupose. Drawings may be made in the form Cash, goods and Assets of the business.

Receipts :- It is a documents issued by the Receiver of Cash to the giver of cash acknowledging the cash Received voucher.

Account :- Account is a summarized Record of All the transaction Relating to Every Person, every thing or Property and every type of service.

Ledger :- The book of final Entry where Accounts lies.

Journal Entries :- A daily Record of Transaction.

Trail Balance :- It is a statement of All the ledger account balanced Prepared at the End of Particular Period to varify the Accuracy of the Entries made in books of Accounts.

Profit :- Excess of Credit Side over debit Side.

Profit and loss Accounts :- It is Prepared to ascertain actual Profit or loss of the bussiness

Balance sheet :- To ascertain the financial Position of the business. It is a statement of Assets and libilities.

Types of Accounts :-

Personal Accounts :- Personal Accounts are the Accounts of Persons, firms, concerns and institutions which the business-man deal.

Principles :- Debit the Receiver
Credit the giver.

Real Account :- These are the Accounts of things, material, Assets & Properties. It has Physical Exictence which can be seen & touch.

Ex- Cash, sale, Purchase, furniture, Investment Etc.

Principles :- debit All Expense / losses
Cred all income / gains

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Tally 7.2 :-

Tally is complete business solution for any kind of Business Enterprise. It is a full fledged accounting software.

Procedure for Creating Company in tally -

Double click on tally icon on desktop.
Alt + F3 Company info - Create Company.

Accounts only :- To maintain only the financial accounts of the Company. Inventory (Stock) management is not involed in it.

Account with Inventory :- This is the default option, which Allows maintaining both the financial Account of the company as well as the inventory of the Company.

Select Company :- we can choose the company which is opened.
shortcut key - Alt + F1.

Alter :- It is used to make Alterations in the Company Creation like name, date, maintain Etc.

Quit :- Exits from tally.
1. Click on quit button
2. Esc, Esc, Esc and Enter.
3. Ctrl + Q.

Shortcut keys :-

Alt + F3	Company information menu
Enter	To Accept information typed into a field. To Accept a voucher or master. To get a Report with further details of an items in a Report.
Esc	To Remove what has been typed into a field. To Exit a screen. To indicate you do not want to Accept a voucher and master.
Ctrl + A	To Accept a form wherever you use the key combination the screen or Report will be accepted as it is on this screen.
Ctrl + Q	It quits the screen without making any changed to it.
Alt + D	To delete a voucher. To delete a master.

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Alt + C	To Create a master at a voucher Screen. When working within an amount field Presses Alt + C to act as a Calculator.
Ctrl + Enter	To Alter a master while making an Entry or viewing Report.
F2	Date
Alt + F2	Change Period
Alt + F1	To see detail
F11	Features Company
F12	Configuration option are applicable to All the Companies in a data directory.
Ctrl + N	Calculator Screen
Ctrl + V	voucher mode. (Cr. Dr)
	Invoice mode (Name of item, rate, quantity and amount)

Gateway of tally - Accounts info - Group

Bank A/C	Bank A/c
Band Od A/C	Branch / division
Capital A/C	Cash in hand
Current Asset	Current libilility
deposit	direct Expenses
direct Income	Indirect Expenses
Indirect Income	duties and tax
fixed Asset	Investment
Loans And Advanced	Loan (liability)
miscellaneous Expenses	Provisions
Retained Earning	Reserves and Surplus
purchase A/C	sales A/c
Secured Loan	Stock in hand
Sundry debtor's	sundry Creditors
Suspense	Unsecured A/C

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Meaning :-

Current Asset :- It is converted into cash with in a year.

Ex. Bills Receivable.

Direct Expenses :- These are the expenses which are directly related to manufacturing of goods.

Ex- wages, factory Rent, heating, lighting etc.

Indirect Expenses :- These are the expenses which are indirectly related to manufacturing of goods.

Ex- Salary, Rent, stationary, Advirtisement, Printing.

Depreciation :- Decrease the value of the assets.

Sundry debtors :- The person who is the Receiver or customer.

Sundry Creditors :- The person who gives or supplier.

~~Expenses Recieved~~

P.T.O.

Expenses Outstanding or Unpaid Expenses or Expenses due :-

Expenditure incurred during Current year but the amount on which is not yet Paid.

Income Recieved in Advance or Income Received but not Earned :-

Income Received during the current year but not Earned or a Part of which Related to the Next year.

Prepaid Advance or Expenses or Prepaid Expenses :-

Expenditure Paid during Current year but not incurred or a Part of which Relates to the Next year is Called Expenditure Prepaid.

Income outstanding or income Earned but not Received or Income accured :-

Income outstanding means incomes Earned during the current year but the amount on which is not yet Recieved.

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Gateway of tally - A/c info - ledger - Create

Ledger	Group.
opening stock	stock in hand
Purchase	Purchase A/C
Purchase Return	Purchase A/C
fright charges	Direct Expenses
carriage inwards or Purchases	Direct Expenses
Cartage and Coolie	Direct Expenses
octroi	Direct expenses
manufacturing wages	Direct Expenses
Coal, gas, water	Direct Expenses
Oil and fuel	Direct Expenses
factory rent, insurance, electricity lighting and heating	Direct Expenses
Sales	Sales A/C
Salary	Indirect Expenses

Ledger	Group
Postage and telegrams	Indirect Expenses
Telephone Charges	Indirect Expenses
Rent Paid	Indirect Expenses
Rates and taxes	Indirect Expenses
Insurance	Indirect Expenses
Audit fees	Indirect Expenses
Interest on bank loan	Indirect Expenses
Interest on loans Paid	Indirect Expenses
Bank Charges	Indirect Expenses
Legal charges	Indirect Expenses
Printing and stationery	Indirect Expenses
General Expenses	Indirect Expenses
Sundry Expenses	Indirect Expenses
Discount Allowed	Indirect Expenses
Carriage outwards or Sales	Indirect Expenses

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Ledger	Group
Traveling Expenses	Indirect Expenses
Advertisement	Indirect Expenses
Bad debts	Indirect Expenses
Repair renewals	Indirect Expenses
motor Expenses	Indirect Expenses
Depreciation on assets	Indirect Expenses
Interest on Investment Received	Indirect Income
Interest on deposit Recieved	Indirect Income
Interest on loans Received	Indirect Income
Commission Recieved	Indirect Income
Rent Recieved	Indirect Income
devident Recieved	Indirect Income
Bad debts Recovered	Indirect Income
Profit by sale of Assets	Indirect Income
Sundry Income	Indirect Income

Ledger	Group
Loan from others	Loan Liabilities
Bank Loan	Loan Liabilities
Bank overdraft	Bank OD
Bills Payable	Current Liabilities
Sundry Creditors	Sundry Creditors
Mortgage Loan	Secured Loan
Expense outstanding	Current Liabilities
Income Received in Advance	Current Liabilities
Other Liabilities	Current Liabilities
Capital	Capital A/C
drawings	Capital A/C
Cash in hand	Cash in hand
Cash at bank	Bank A/C
fixed deposit at bank	Deposit
Investments	Investments

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Ledger	Group
Bills Receivable	Current Asset
Sundry debtors	Sundry debtors
Closing stock	Stock in hand
Stock of stationery	Current Assest
Loose tools	fixed Asset
fixture and fittings	fixed Asset
furnitures	fixed Asset
motor vehicles	fixed Asset
Plant and machinery	fixed Asset
Land and building	fixed Asset
Leasehold Properties	fixed Asset
Patents	fixed Asset
Good will	fixed Asset
Prepaid Expenses	Current Asset
Income outstanding	Current Asset

Trading A/C - Buying and Selling of goods.

Dr. Receiving aspect Giving aspect Cr.

Direct Expenses		Amount	Direct Income		Amount
To	Opening Stock	xxx	By	Sales	xxx
To	Purchases	xxx	By	(-) Sales Return	xxx
To	(-) Purchase Return	xxx	By	Closing Stock	xxx
To	Freight charges	xxx			
To	Cartage and Coolie	xxx			
To	Lorry hire	xxx			
To	manufacturing Expenses	xxx			
To	wages	xxx			
To	factory Rent, fuel Power	xxx			
To	Gross Profit (transfer to Profit and Loss A/c)	xxx			

To Profit And Loss A/C - Actual Profit and Loss of the business.

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Indirect Expenses or Payments		Amount		Indirect Income or Receipts	Amount
To	Salary	xxx	By	Gross Profit	xxx
To	Postage and Telegram	xxx	By	Interest of investment Received	xxx
To	Telephone charges	xxx	By	Interest on deposit Received	xxx
To	Rent Paid	xxx	By	Interest on Re loan Received	xxx
To	Rate and taxes	xxx	By	Discount Received	xxx
To	Insurance Paid	xxx	By	Discount Received	xxx
To	Interest on bank loan	xxx	By	Rent Received	xxx
To	Bank Charges	xxx	By	Bad debts Received	xxx
To	Printing and staitonary	xxx	By	Net loss	xxx
To	Advertisement	xxx			
To	Carriage outward (sales)	xxx			
To	Depreciation on assets	xxx			
To	General Expenses	xxx			
To	Traveling	xxx			
To	Bad debts	xxx			
To	Net Profit	xxx			

Balance sheet - Actual financial Position

Liabilities	Amount	Assets	Amount
Bank Loan	xxx	Cash in hand	xxx
Bank Overdraft	xxx	Cash at Bank	xxx
Bills Payable	xxx	fixed deposit at bank	xxx
Sundry Creditors	xxx	Investments	xxx
Expenses Outstanding	xxx	Bill Receivable	xxx
Capital	xxx	Sundry debtors	xxx
(-) Drawing	xxx	Closing Stock	xxx
Net Profit	xxx	Stock of stationery	xxx
		furniture	xxx
		Plant machinery	xxx
		Land and building	xxx
		motor Vehicles	xxx
		Prepaid Expenses	xxx
		Income Outstanding	xxx

List of Tally Ledgers Under Group list :-

Group Name - Purchase Accounts

Ledger Name -
- All types of Purchase A/C like
- Purchase Local 12%
- Purchase Interstate 12%
- Purchase local 0%
- Purchase Interstate 0%
- Purchase (Composition)
- Purchase Reverse charge
- Purchase Import Taxable 12%
- Purchase Import Exempt
- Purchase Import Nil Rated
- Purchase (own Branch)
- Purchase Return
- Purchase Exempt (Unregistered Dealer
- Purchase Local (Exempt Registerd)
- Purchase Taxable (Unregistered Dealer)
- Purchase Nil Rated (Unregistered Dealer)

Group Name - Sales Account

Ledger Name -
- All types of Sales A/c likes
- Sales Local 12% (Registered)
- Sales Interstate 12%

- Sales Local Nil Rated
- Sales Interstate Nil Rated
- Salers Export with Bond
- Salers Export taxable
- Export (0%)
- Sales Local (exempt Registered)
- Sale to Consumer (Taxable 12%)
- Sale to Consumer (0%)
- Sale to Consumer (Exempt)
- Sales (own Branch)
- Sale Return

Group Name :- Duties and Taxes

Ledger Name :-
- All types of taxes like
- Input CGST SGST IGST CESS
- Output GST SGST IGST CESS
- Excise duty Payable Etc
- Service tax Payable
- TDS Payables
- Input vat A/C
- output vat A/C
- Cenvat A/C
- Sale tax
- Income tax
- VAT Payable.

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Group Name :- Direct Expenses or Expenses (direct)

Ledger Name :- • All Expenses which appear in trading A/c like

- Labor
- Power
- Electricity Expense (factory)
- Loading Unloading Expense
- warehousing Expenses
- Custom Clearing Charges
- Carriage
- freight & Cartage
- Import duty
- wages
- Coal & fuel
- Coal, gas & water of factory
- Consumed material
- Export duty
- wages on Production
- delevery Charges (in Purchase Bill)

Group Name :- Indirect Expenses or Expense (Indirect)

Ledger Name :- • All Indirect Expenses like

- Rounded off
- Salary
- Advertisement Expense
- Maintanance Expense
- Rent Expense
- Director Remunaration Expense

- Coke Expenses
- Bad debts
- Printing Expense
- Stationary Expense
- foreign Exchange fluctuation
- Audit fees
- Professional charges
- Legar Expenses / Charges
- Depreciation Expenses
- Interest Expense
- Panality
- Royality
- Bank Charges
- Commission Allowed
- Donation & charity
- Free Sample
- Insuranse Primium
- Intrest on Loan
- Legal Charge
- Loss by fire
- Postage & Courier
- Repair charge
- Taxi fare
- Telephone charge
- Travelling expenses
- outstanding Expenses
- Accured Expenses
- Bad debt
- Loss of theft
- depriciation
- Coffee Expenses

- Manager's Commission
- UPTT
- fuel Expenses A/C
- Liability of Expenses
- Preliminary Expenses A/C
- Professional fees

Group Name :- Indirect Income or Income (Indirect)

Ledger Name :-
- All Indirect Income like
- discount Received
- Interest on Investment.

Group Name :- Already Created in tally

Ledger Name :-
- Only two A/c Already Created like
- Cash
- Profit and loss A/C

Group Name :- Bank Account

Ledger Name :-
- All Bank Current A/C
- All Bank FD A/C
  (Personl Saving Account and FD Not Recorded)

Group Name :- Deposit Account

Ledger Name :-
- All types of deposit A/c
- Security deposit
- Electricity deposit
- Rent deposit.

Group Name :- Capital Account

Ledger Name :-
- All types of Capital A/c like
- Share Capital
- Partner Capital A/C
- Partner Current A/C
- Proprietor A/C
- Drawings
- Life insurance
- Equity Capital A/C
- Partners Capital A/C
- Share Capital

Group Name :- Current Assets

Ledger Name :-
- Prepaid Maintanance Expense
- Prepaid Expense
- Prepaid Rent
- Prepaid insurance charges
- Interest Receivables
- Bill Receivable
- Accrued income
- Mutual fund
- CGST SGST IGST Credit

Group Name :- Current Liabilities

Ledger Name :-
- Bill drawn
- Bill Payable
- CGST SGST IGST Payable

Group Name :- Sundry Creditors

Ledger Name :-
- Any Part from whom goods Purchased
- Party from whom any Bill of Expense Received

Group Name :- Loans And Advances (Assets)

Ledger Name :-
- Any Party to whom we gave loan
- like loan given to friends Relatives / Related Companies
- Any Party to whom we gave Advance
- like Advance to Supplier

Group Name :- Loans Liabilities

Ledger Name :-
- Any Party from whom we take loan.
- debenture A/C
- Loans from Banks
- Loans from outside Party
- Loans from Aravind (friend)

Group Name :- fixed Assets

Ledger Name :- • All fixed Assets on which depreciation charged like.
- furniture
- Machine
- Plant and machinery
- Mobile
- Computers
- furniture and fittings
- Car
- Scooter
- Laptops
- Office Lighting
- Land & Building
- Good will
- factory lighting
- Air Conditionar
- Accumulalated
- depreciation.

Group Name :- Bank OCC

Ledger Name :- • Cash Credit limit (CC)
- taken from Bank

Group Name :- Bank OD

Ledger Name :- • overdraft limit (OD)
- taken from Bank

- Mutual fund
- CGST SGST IGST Credit

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Group Name :- Branch / divisions

Ledger Name :-
- Any Branch whose separate A-ccording done.
- Delhi Branch
- Branch in division

Group Name :- Cash in hand

Ledger Name :-
- Imprest A/c
- Petty Cash

Group Name :- Investments

Ledger Name :-
- All types of Investments like
- Investment in shares
- Investment in Bonds
- Investment in Property / Plot Etc
- Long term investment
- Short term Investment

Group Name :- stock in hand

Ledger Name :-
- Stock
- Closing stock
- Consigment stock
- Opening stock

Group Name :- Reserve & Surplus

Ledger Name :-
- Any types of Reserve like
- General Reserve
- Capital Reserve
- Capital Reserve A/C
- Investment Allowance Reserve A/C
- Share Premium A/C
- Reserve and Surplus

Group Name :- Direct Incomes OR Income (direct)

Ledger Name :-
- Any Income from main service like
- Freight charges Income
- Delevery charges Income
- Transportation charges Income
- Professional charges Income
- Consultancy charges Income
- Maintainance Service Income