



TALLY ACCOUNTING GUIDELINES

“for a trading enterprise having transactions in multi currency”

“This document highlights some important features available in the tally viz., accounting vouchers, multi currency feature, cost centers, etc.”

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Tally Sales – Purchase Accounting Guidelines

(For Trading Enterprise Using Multi Currency)

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A. PURCHASE ACCOUNTING

1. Purchase invoice booking:

- a. Use Purchase Voucher for all purchase entries.
- b. Use appropriate purchase account i.e. Purchase – X, Purchase – Y etc.
- c. Use currency of the invoice and apply the exchange rate applicable as on date.
- d. Use invoice number as reference for linking the future payments against each invoice.
- e. Use cost center e.g. “Project Name” for debit part of the entry. (for keeping control over cost centers, cost center option should be enabled only for the P & L Ledgers)
- f. Narration: Details of Currency, Exchange rate, Cost center and invoice number has already been covered in main part of the entry, narration should include Purchase order reference as well as sales invoice reference.

2. Purchase Return & Discount:

- a. Use Purchase Voucher for purchase return entry and journal voucher for discount and rate difference entries.
- b. Use appropriate purchase return/Discount account.
- c. Use currency of the return/discount and apply the exchange rate applicable as on date.
- d. Link return/discount entry with invoice by selecting the correct reference number created at the time of invoice booking.
- e. Use cost center e.g. “Project Name” for credit part of the entry. (for keeping control over cost centers, cost center option should be enabled only for the P & L Ledgers)
- f. Narration: Details of Currency, Exchange rate and Cost center have already been covered in main part of the entry, narration should include return/discount document reference number, Purchase order reference and the reason for return or discount.

3. Advance payment entry:

- a. Use Payment Voucher for all payment entries.
- b. Use currency of payment by applying appropriate currency exchange rate.
- c. Use Bank's/LC/TT details as reference number so that advance payment can be linked to future invoice booking.
- d. Narration: Details of Currency and Exchange rate has already been covered in main part of the entry, narration should also include Bank details, Payment Mode & LC/TT/Cheque reference number and most important thing i.e. Purchase Order Reference Number.

4. Payment Entry (Payment against Invoice already booked):

- a. Use Payment Voucher for all payment entries.
- b. Use currency of payment/invoice by applying appropriate currency exchange rate.
- c. Link payment with invoice by selecting the correct reference number created at the time of invoice booking.
- d. Narration: Details of Currency and Exchange rate has already been covered in main part of the entry, narration should also include Bank details, Payment Mode & LC/TT/Cheque reference number and most important thing i.e. Purchase Order Reference Number.

B. SALES ACCOUNTING

1. Sales Invoice Booking:

- a. Use Sales Voucher for all purchase entries.
- b. Use appropriate sales account i.e. Sales – X, Sales – Y etc.
- c. Use currency of the invoice and apply the exchange rate applicable as on date.
- d. Use invoice number as reference for linking the future receipts against each invoice.
- e. Use cost center e.g. “Project Name” for credit part of the entry. (for keeping control over cost centers, cost center option should be enabled only for the P & L Ledgers)
- f. Narration: Details of Currency, Exchange rate, Cost center and invoice number has already been covered in main part of the entry, narration should include sales invoice reference as well as Purchase order reference.

2. Sales Return or Sales Discount:

- a. Use Sales Voucher for sales return entry and journal voucher for discount and rate difference entries.
- b. Use appropriate sales return/Discount account.
- c. Use currency of the return/discount and apply the exchange rate applicable as on date.
- d. Link return/discount entry with invoice by selecting the correct reference number created at the time of invoice booking.
- e. Use cost center e.g. “Project Name” for debit part of the entry. (for keeping control over cost centers, cost center option should be enabled only for the P & L Ledgers)
- f. Narration: Details of Currency, Exchange rate and Cost center have already been covered in main part of the entry, narration should include return/discount document reference number, sales invoice reference number, the reason for return or discount and Purchase Order reference number if available.

3. Advance Receipt entry:

- a. Use Receipt Voucher for all receipt entries.
- b. Use currency of receipt by applying appropriate currency exchange rate.
- c. Use Bank's/LC/TT details as reference number so that advance payment can be linked to future invoice booking.
- d. Narration: Details of Currency and Exchange rate has already been covered in main part of the entry, narration should also include Bank details, Payment Mode & LC/TT/Cheque reference number, sales reference, and related purchase order if available.

4. Receipt Entry (Receipt against Invoice already booked):

- a. Use Receipt Voucher for all Receipt entries.
- b. Use currency of receipt/invoice by applying appropriate currency exchange rate.
- c. Link receipt with invoice by selecting the correct reference number created at the time of invoice booking.
- d. Narration: Details of Currency and Exchange rate has already been covered in main part of the entry, narration should also include Bank details, Payment Mode & LC/TT/Cheque reference number, sales invoice number and related purchase order if available.

1. Tally's pre defined voucher:

Tally has following types of pre defined accounting vouchers for making entries of different types of accounting transactions.

- a. Purchase
- b. Sales
- c. Contra
- d. Journal
- e. Payment
- f. Receipts etc.

Use of these vouchers for accounting different types of transaction will segregate all the transactions according to vouchers' type and will provide reports of transactions for each category of Vouchers like,

- a. Purchase Register
- b. Sales Register
- c. Journal Register
- d. Day book for each such category of voucher

Looking at the benefits of using tally's pre defined accounting vouchers, It should be monitored that one type of transaction doesn't get accounted through wrong accounting voucher otherwise particular report will show wrong position of accounts. For example the purchase accounted using journal voucher will not be covered in the Purchase Register.

2. Multi Currency Accounting

Tally facilitates multi currency accounting and use of this feature has following benefits;

- a. Ledger in Both Currencies: It provides ledger details in both the currencies i.e. accounting as well as actual currency involved in the transaction.
- b. Shows balance of party in both currencies: Without using actual currency of transaction, it is difficult to keep track of outstanding balances of customers and vendors in the transaction currencies.
- c. No need to calculate exchange fluctuation gain or loss: At the end of the accounting period currency exchange difference gain / loss is required to be accounted in the books of accounts and with this feature of multi currency accounting, tally automatically calculates the exchange gain or loss at any particular point of time and user need not have to do a long manual exercise to arrive at the said gain or loss figure and we all know that manual calculations are always subject to the error and omission.
- d. Exchange Fluctuation Risk: As said above it provides the figure of exchange difference gain / loss at any particular point of time which always keeps user alert of the currency exchange rate fluctuation risk involved in transacting with particular currency.

3. Establishing link between invoice booking and payments/receipts

Tally also has a feature where we can keep the track of invoice wise outstanding balance of vendor as well as customers. The all we need to do is create a reference number for each transaction and to link the subsequent transactions with this original or main transactions by using the said reference number.

For example: There is purchase worth \$ 100,000 wide invoice no. A-1 which is followed by full payment against this purchase.

In this case, at the time of making accounting entry for purchase of \$ 100,000 we have to create reference say "A-1" which will be used at the time of making payments against this purchase so that payment will be linked with this purchase and at any point of time we can check the outstanding balance against this particular purchase.

4. Cost Centers

In any business there will be different segments of operations and management of the organization is always keen of knowing the revenues or costs associated with each of such segments which in turn enables them to take necessary actions on those segments which are non profitable.

Tally has a feature of cost center whereby revenues and expenditures of the organization can be classified into different segments by creating required numbers of major cost centers.

To keep record of revenue and expenditures cost center wise all we need to do is to enable the function of cost center in the master details of each P & L ledger and to link each revenue or expenditure transaction with the relevant cost center.

Apart from cost center wise revenue and expenditure, tally also facilitates the maintenance of cost center wise records for vendor / customer ledgers.

DISCLAIMER

Material discussed in this document is meant to provide general information and should not be acted on without professional advice tailored to your organization's individual needs.

The information in this document is for general guidance only and is not a substitute for professional advice. I accept no responsibility for any actions taken or not taken on the basis of the information contained in this document.

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