

Computer Accounting with Tally.ERP 9

(English Edition)

**Tips and Advices with Proper Examples for
Students, Businessmen, Professionals and Executives**

Seventh Edition 2015

By

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INTRODUCTION

In all activities (whether business activities or non-business activities) and in all organizations (whether business organizations like a manufacturing entity or trading entity or non-business organizations like schools, colleges, hospitals, libraries, clubs, temples, political parties) which require money and other economic resources, accounting is required to account for these resources. In other words, wherever money is involved, accounting is required to account for it. Accounting is often called the language of business. The basic function of any language is to serve as a means of communication. Accounting also serves this function.

Need for Accounting

Accounting is the language of business. It is the art of recording classifying and summarizing in a significant manner and in terms of money, transactions and events which are in part at least of a Financial Character and interpreting the result thereof. In simple terms accounting means :-

- a) recording
- b) classifying
- c) summarizing all the transactions which take place in the day to day business.

This is done for a particular period of 12 months called a 'Financial Year'. It generally starts on 1st April and ends on 31st March. All the information of this period taken for Interpreting Financial events is helpful for decision making.

Methods of Accounting

Business transactions are recorded in two different ways.

- 1 Single Entry
- 2 Double Entry

1. Single Entry: It is incomplete system of recording business transactions. The business organization maintains only cash book and personal accounts of debtors and creditors. So the complete recording of transactions cannot be made and trail balance cannot be prepared.

2 Double Entry: In this system every business transaction is having a two fold effect of benefits giving and benefit receiving aspects. The recording is made on the basis of both these aspects. Double Entry is an accounting system that records the effects of transactions and other events in at least two accounts with equal debits and credits.

Steps involved in Double entry system

(a) Preparation of Journal: Journal is called the book of original entry. It records the effect of all transactions for the first time. Here the job of recording takes place.

(b) Preparation of Ledger: Ledger is the collection of all accounts used by a business. Here the grouping of accounts is performed. Journal is posted to ledger.

(c) Trial Balance preparation: Summarizing. It is a summary of ledger balances prepared in the form of a list.

2 CHAPTER

VOUCHER ENTRIES IN TALLY

ACCOUNTING VOUCHERS AND INVENTORY VOUCHERS

In accounting terms, a voucher is a document containing the details of a financial transaction. For example, a purchase invoice, a sales receipt, a petty cash docket, a bank interest statement, and so on. For every such transaction made, a voucher is used to enter the details into the ledgers to update the financial position of the company. This feature of Tally.ERP 9 will be used most often. Tally.ERP 9 follows the Golden Rule of Accounting :

	Real Accounts	Personal Accounts
Debit	What Comes in	The Receiver
Credit	What Goes out	The Giver

ACCOUNTING VOUCHERS

Tally.ERP 9 is pre-programmed with a variety of accounting vouchers, each designed to perform a different job. The standard Accounting Vouchers are:

ACCOUNTING VOUCHERS	
(F4)	Contra Voucher
(F5)	Payment Voucher
(F6)	Receipt Voucher
(F7)	Journal Voucher
(F8)	Sales Voucher /Invoice
(CTRL+ F8)	Credit Note Voucher
(F9)	Purchase Voucher
(CTRL+ F9)	Debit Note Voucher
(F10)	Reversing Journals
(CTRL+ F10)	Memo voucher

INVENTORY VOUCHERS	
(Alt+F4)	Purchase Order
(Alt+F5)	Sales Order
(Alt+F6)	Rejections Out
(Ctrl+ F6)	Rejections In
(Alt+F7)	Stock Journal
(Alt+F8)	Delivery Note
(Alt+F9)	Receipt Note
(Alt+F10)	Physical Stoc

You can alter these vouchers to suit your company, and also create new ones. Read ahead to understand the function of each voucher type. The following exercises are sample enteries for understanding Voucher entry in Tally.ERP 9,do not make these entries.

(1) CONTRA VOUCHER (F4)

For example: withdrawing or depositing money from/in the bank for petty cash.

CONTRA VOUCHER			
Description	Records funds transfer between cash and bank accounts		
Voucher Entry	Account	Amount	Amount
	State Bank of India (Bank Account)		Credit
	Cash In Hand	Debit	

INTRODUCTION TO COST CENTRES & COST CATEGORIES

By far the most versatile tool for management information, Tally's cost centers allow dimensional analysis of financial information. Cost Centre is the smallest organizational subunit for which separate cost collection is attempted. It can be a location, person or item of equipment. A cost center is primarily of two types, i.e.

(a) Personal Cost Centre and (b) Impersonal Cost Centre, which consists of a location or item of equipment.

COST CATEGORIES

Cost Categories have been introduced for organizations requiring allocation of resources to parallel Cost Centres. Such organizations are normally project-oriented. Proper use of cost Centre reduces the Cost Categories as the Cost Centre itself would give the same benefits. By using the Cost Categories, you can allocate to more than one Cost Centre. i.e, for allocation of expenses department-wise, you can use Cost Categories and Cost Centres.

COST CENTRES

A 'Cost Centre' can be said to be any unit of any organization which transactions (generally revenue) can be allotted. When only costs or expenses are allotted to these units, they are referred to as Cost Centres. Tally gives you the cost center break-up of each transaction as well as details of transactions for each Cost Centre. When you also allocate income to the units, they become Profit Centres. You can now obtain a profit and Loss account of each Cost / Profit Centre.

Cost Centre Class option facilitates predetermined allocation of Ledger accounts to Cost Centres. Hence, the User need not allocate the Expenses manually. In cost Centre Class, the Percentage of allocation should be specified for each Cost Centre. Based on the Percentage, the expenses are divided automatically. Cost Centre classes affect all voucher types. In voucher entry, the allocation screen would not appear but allocation would be made automatically.

For a Company where you activated the Cost Centre option, you can selectively specify in Ledger Account whether the transaction is to be allotted to Cost Centres or not. You can even allocate transactions of capital nature. By prudent application of the concept you can also determine the profit or loss for each such entry.

For example, the following Primary Cost Centres can be created and maintained by you.

MANUFACTURING, PURCHASING AND ADMINISTRATION

Under the Cost Centre Manufacturing, you may wish to create the production centers of different products. This would be so, if you need to keep track of the cost incurred in the manufacture of the different products.

PRIMARY COST CENTRE – MANUFACTURING

Under Manufacturing:

Department A – Product A

Department A – Product B

Department C – Product C

The first Cost Centre should always be Primary and subsequent cost centers may be primary or secondary.

4 CHAPTER

IMPLEMENTING FINAL ACCOUNTS IN TALLY

STARTING TALLY

Like all installed software there would be an icon for Tally created on the computer. For starting Tally, position the cursor on the icon and double click the left button of the mouse. Tally is operated in Windows Environment. Tally can be configured to automatically load companies by appropriately setting the Tally.INI file. While creating a company, Tally creates a sub-directory under its \DATA directory for the company. The directory is allotted a number in serial order starting with 0001. You may load more than one company at a time. When Tally.ERP 9 is opened the screen looks like this: Tally.ERP 9 version has the latest taxation structure integrated in it. These integrated features in Tally will make it simple to manage myriad issues that will arise due to the complexities of taxation in your day-to-day accounting activities.

New Company Creation in ERP.9

The very first time you start Tally.ERP 9 you would require to 'create' a company. "Create Company" simply means giving basic information about the company whose books of accounts is to maintain for you. Tally.ERP 9 is smart, but it does need an introduction to your company. The initial screen would appear like as follows

Tally. ERP 9					[-] [] [X]																
P-Print	E-Export	M-E-Mail	Q-Upload	G-Language	K-KeyBoard	K-Control Centre	H-Support Centre	H-Help													
Gateway of Tally							Ctrl + M	X													
<i>Current Period</i>		<i>Current Date</i>		<table border="1"> <tr> <td colspan="2">Company Info.</td> </tr> <tr> <td>Select Company</td> <td></td> </tr> <tr> <td>Login as Remote User</td> <td></td> </tr> <tr> <td>Create Company</td> <td></td> </tr> <tr> <td>Backup</td> <td></td> </tr> <tr> <td>Restore</td> <td></td> </tr> <tr> <td>Quit</td> <td></td> </tr> </table>				Company Info.		Select Company		Login as Remote User		Create Company		Backup		Restore		Quit	
Company Info.																					
Select Company																					
Login as Remote User																					
Create Company																					
Backup																					
Restore																					
Quit																					
List of Selected Companies																					
<i>Name of Company</i>	<i>Date of Last Entry</i>																				
Version		License		Configuration		Calculator Ctrl + N		X													
Tally POWER OF SIMPLICITY	Series A Release 4.9	Educational Mode	Stat 233 Latest		Proxy None Server Port 9000 Running as ODBC Server		F 11: Features														
	Tally.ERP 9		Edition Gold Users unlimitesd				F 12: Configure														

Introduction of Inventory

Inventory consists of raw materials, items available for sale or in the process of being made ready for sale (work in process). In other words, inventory is the money invested by an organisation on raw materials, work in process and finished goods for expected further sales. Hence, the funds thus locked cannot be used for other purposes until sales are realised. Inventory is listed as an assets in an organisation's balance sheet because it is converted into cash upon sales.

Inventory Systems

Proper Inventory accounting helps determine the trading profit of a particular period by setting off revenues for that period with all the related expenses in producing those revenues. The processes involved in a manufacturing organisation are numerous. Hence, maintaining inventory records is a must for manufacturing concerns as inventory forms a major cost factor.

What is a Stock Item?

A stock item needs no explanation. However, what needs to be explained is how Tally uses it. Tally uses the phrase to include what traditional accountants would call a stock ledger account. All the stock items together would make up the stock ledger. However, Tally does not use the term stock ledger. So to display a stock ledger, display the stock items. You can draw a parallel to ledgers in accounting for stock items in inventory.

Creating a Stock Item

Like Ledgers, Stock items are the primary inventory entity. You will use stock items while recording their receipts and issue. This is lowest level of information about your inventory. Each stock item that is required to be accounted for, needs to be created, In fact, you will create a stock ledger account for each item and Tally calls this account "**Stock Item**"

What is a Stock Group?

Stock items can be grouped together under **Stock Groups** to reflect their classification based on of some commonality. Grouping would enable easy location and reporting of stock items in statements. Hence, items of a particular brand can be grouped together so that you can extract stock of all items of that brand. For example, create Stock Groups like Sony, Maxell, Verbatim. Your stock items could then be Sony 3.5" disks, Maxell 3.5" disks, Sony tapes, Maxell tapes, etc. Classify the Sony products under the Stock Group Sony. Now you have ready details of all Sony products suitably classified. You may even group items as Raw materials and Finished Goods.

What is a Stock category?

The concept is similar to **Cost Categories**. You may wish to refer to the chapter on Cost Categories to grasp the similarity/differences. To display this menu we have to activate the same by pressing **F11**. **Como.Features**.

Maintain Multiple Locations/Godowns?

If you have more than one stock point/storage locations/warehouses/godowns, and you want to track stock movement in these locations, set it to Yes. Tally permits any number of stock points. You will be able to know your stocks at each location as well as assign stock movement to one or more locations during voucher entry.

Open “Agra Publishing House” company (created in Chapter on No.4) and make following Accounting Entries by pressing following formula.

Gateway of Tally (GOT) → Accounting Vouchers

Press **F12** and Type “No” in front of “Use Single Entry mode for Pymt/Rcpt/Contra” and Type “Yes” in front of “Use Cr/Dr instead of To/By during entry”.

Question No. 1:-

On 1st April 2013 Cheque No 125574 for Rs.10,000 has been encashed from Bank of India.

Theory :-

Cash withdrawn from Bank so we have to select “**Contra**” menu by pressing **F4**. In this case “Bank of India” has given money so it’s account should be credited and the person named “Cash In Hand” has received money so it’s account should be debited.

Answer:- Dr to Cash a/c 10,000/- and Cr to Bank of India 10,000/-

Question No. 2:-

On 1st April 2013 Rs 3,000 “Interest Payable” paid through Cash.

Theory :-

Payment made means we have to select “**Payment**” menu by pressing **F5**. In this case “Interest Payable” has received money so it’s account should be debited and person called “Cash In Hand” has given money so it’s account should be credited.

Answer:- Dr to Interest Payable 3,000/- and Cr to Cash a/c 3,000/-

Question No. 3:-

On 2nd April 2013 Cheque No 125575 for Rs. 12,000 of Bank of India has been issued as “Telephone Bill Payable”.

Theory :-

First we have to change date by pressing **F2**. Payment made means we have to select “**Payment**” menu by pressing **F5**. In this case “Telephone Bill Payable” has received Cheque so it’s account should be debited and person called “Bank of India” has given cheque so it’s account should be credited.

Answer:- Dr to Telephone Bills Payable 12,000/- & Cr to Bank of India a/c 12,000/-

Question No. 4:-

On 2nd April 2013 Cheque No 125576 for Rs. 2,000 of Bank of India has been issued as “Office Rent”

Theory :-

Payment made means we have to select “**Payment**” menu by pressing **F5**. In this case a person named “Office Rent” has received cheque so it’s account should be debited and person called “Bank of India” has given

7 CHAPTER

PURCHASE ENTRIES FOR MAY 2013

Tally.ERP 9 has an in-built system to create and print sales invoices. You will now record sales and purchase invoice details, adjust accounting and inventory balances.

Purchase Account

Purchase account is an account where all transactions relating to inventory are recorded. Only purchase of goods for resale is recorded in purchase account. It is an error of principle to record purchase of assets or stationery in purchase account.

Open “Agra Publishing House” company (created earlier) and make following Purchase Entries.

Before starting “Purchase” activities we have to activate respective features. So press F-11 and type “yes” in front of following Options.

Accounting Features

Allow Invoicing	Use Invoice mode for Debit Notes
Enter Purchases in Invoice Format	Use different Actual & Billed Qty.
Use Debit/Credit Notes	Separate Discount Column on Invoices
Use Invoice mode for Credit Notes	

Gateway of Tally (GOT) → Accounting Vouchers → F9

Question No. 1:-

On 1st May 2013 “Neeta Books Company” has sent their Bill no 1027 for the supply of following books @ Rs. 75/- per book..

Name of the Book:- Consumer Protection Act 1986	Qty 300 No's
Godown:- MIDC	Group:- Law Books

Theory :-

Now we have received Bill from party so This entry will be made in “Purchase“ menu by pressing **F9** in “Accounting Voucher” Type 1027 in front of Suppliers Inv. No (as a Bill No.) When cursor will come in front of “Party’s Name” press Alt+C to create party’s account of “Neeta Books Company” This party is a supplier party so “Sundry Creditor’s” group should be allotted. Then Press F12 type “yes” in front of “use common Ledger A/C for Item allocation” Then Press Alt I to show Name of Items. When cursor will come in front of “Purchase Ledger” option, Press Alt+C to create “Purchase” This is a purchase of our main Item so allot “Purchase Account” group to this ledger.

Curser will come under Item Name create “Consumer Protection Act 1986” by pressing AltC and Qty 300 No’s should automatically be appeared on the screen. Then press enter enter and type Rate 75 while cursor will reach in “Rate” column. Amount automatically be calculated and displayed in amount column.

Answer:- Total of Purchase Bill should be Rs. 22,500/-

8 CHAPTER

GENERAL ENTRIES FOR JUNE 2013

In this lesson, we have to see Journal Entries i.e. Depreciation, Bank Interest received, Sales Commission, Dividend, Interest paid to others etc.

Question No. 1:-

On 1st June 2013 charge Depreciation on Plant @ 10%

Theory:-

In this case there is no Receipt, Payment, Sale or Purchase. In Accounting Voucher press **F7** and select **“Journal”** menu. Before this entry we should know the amount of Plant on which 10% Depreciation is to be charged. Call “Plant” account on the screen and see its balance (1,95,000) and charge 10% i.e. Rs. 19,500/- then again push back a cursor (in front of Dr.) and create “Depreciation” account by pressing **Alt+C** allot group *“Indirect Expenses”* to this account and credit to “Plant” account. Value of “plant” will be reduced by this depreciation amount.

Answer:- Dr to Depreciation 19,500/- and Cr to Plant 19,500/-

Question No. 2:-

On 1st June 2013 Bank has charged Interest on “Term Loan (Bank of India)” @ 7% per annum and debited for 3 Month’s Interest. Take a Journal Entry.

Theory:-

Here also no Receipt, no Payment, no Sale or no Purchases are made. It is too a Journal entry. So press **F7** and select **“Journal”** menu. Before this entry we should know the balance of “Term Loan (Bank of India)” on which 7% Interest is to be charged. Call “Term Loan (Bank of India)” account and see its balance (2,50,000) and charge 7% i.e. Rs. 17,500/- (Rs. 4,375/- for 3 month’s) then again push back a cursor (in front of Dr.) and create “Interest paid to Bank” account by pressing **Alt+C**. allot group *“Indirect Expenses”* to this account and credit to “Term Loan (Bank of India)” account.

Answer:-Dr to Interest paid to Bank 4,375/- & Cr to Term Loan (Bank of India) 4,375/-

Question No. 3:-

On 1st June 2013 Bank has charged Interest on “Short Term Loan” @ 10% per annum and debited for 3 Month’s Interest. Take a Journal Entry.

Theory:-

Here also no Receipt, no Payment, no Sale or no Purchases are made. It is too a Journal entry. So press **F7** and select **“Journal”** menu. Before this entry we should know the balance of “Short Term Loan” on which 10% Interest is to be charged. Call “Short Term Loan” account and see its balance (2,50,000) and charge 10% i.e. Rs. 25,000/- (Rs. 6,250/- for 3 month’s) then again push back a cursor (in front of Dr.) and select account “Interest paid to Bank” this account is already created in earlier Question and credit to “Short Term Loan” account.

Answer:- Dr to Interest paid to Bank 6,250/- and Cr to Short Term Loan 6,250/-

What is Sales?

The transactions that involve transfer of goods or services for money is called sales. The purpose of Goods purchased or manufactured by the business is for sales and to earn profit. It is reported in financial statements net of trade discount. It refers to the sale of goods which form part of the stock-in-trade of the business unit. The sale of old fixed assets are not “sales” in terms of accounting. It would be again be an error of principle to record sales of fixed assets in the sales account.

Recording of Sales

Sales are reported in financial statements, net of trade discount, value added tax and other sale based taxes.

(a) Sales Order

Sales order is also known as sales contract. It is a contract by which buyer and seller agree to the terms and conditions of a sale. Sales order entry is exactly like Purchase Orders. Sales Order details will also depend on configuration settings.

(b) Sales Account

Sales account is an account where all transactions relating to inventory are recorded. Only sale of goods is recorded in a sales account. It is an error of principle to record sale pf assets in the sales account.

(c) Delivery Note

For recording goods delivered to a customer. For example, the company delivers goods from stock to a customer. If a Sales Order exists for that customer, selecting the appropriate Sales Order will bring up the relevant particulars.

(d) Rejections-out Voucher

For recording of goods that are rejected and returned to a supplier. For example, the company returns items that had previously been taken into stock to the supplier.

(e) Stock Journal Voucher

For recording stock transfers from one location to another. For example, the company transfers items of stock from the warehouse to the shop.

(g) Sales Account Invoice

As stated earlier - Invoicing is generally used for sale of stock where the details of the items sold are listed. However, for users (professionals such as doctors, consultants, etc) who require to invoice for certain services provided – such as consultancy charges, professional fees, etc - Tally’s account invoice can be used. Trading and manufacturing organisations can also use the Account Invoice for invoicing service charges, etc.

(f) Sales Item Invoice

Invoicing is generally used for sale of stock where the details of the items sold are listed. Selecting the Item Invoice allows you to select the stock items to be invoiced. This format is more commonly used by trading and manufacturing organisations.

10 CHAPTER

GENERAL ENTRIES FOR AUGUST 2013

In this Chapter we have to learn different types of entries. Most of the entries are useful at the time of preparing Balance Sheet and Profit & Loss Account.

Question No. 1:-

Self Cheque No 125590 for Rs. 20,000 has been encashed on dated 1st August 2013.

Theory:-

Solve this problem as per Question No.1 in April 2013

Answer:- Cr. Bank of India 20,000/- and Dr. Cash In Hand 20,000/-

Question No. 2:-

On 1st August 2013 “Shaha Machines” has sent Machinery along with their Bill No. 2160 for Rs. 17,250/- After the arrival of the Machinery we have incurred Freight and Hamali Rs. 390/- in Cash

Theory:-

Solve this problem as per Question No.16 in April 2013. in F7 and F5 menu respectively

Answer:- Dr. Machinery 17,250 and Cr. Shah Machines 17,250

Answer:- Dr. Freight & Hamali 390/- & Cr. Cash In Hand 390/-

Question No. 3:-

On 1st August 2013 Cheque No 32147 for Rs. 56100/- of Sindh Bank received from “Asha Books Company” against our Bill No.1252 dated 2nd July 2013 for Rs.69250/- after adjusting their Credit Note for Rs. 13150. This cheque is honoured by the Bank.

Theory:-

Solve this problem as per Question No.11 in April 2013

Answer:- Cr. Asha Books Co 56,100 and Dr. Bank of India 56,100

Question No. 4:-

On 1st August 2013 Cheque No 125591 of Bank of India issued to “National Zerox” for Rs. 9,455/- and made their account Nil.

Theory:-

Solve this problem in “Payment” menu by pressing F5

Answer:- Dr. National Zerox 9,455/- and Cr. Bank of India 9,455/-

Question No. 5:-

On 2nd August 2013 Cheque No 125592 for Rs. 22180/- of Bank of India issued to “Mohite Brothers” against their Bill No 213 for Rs. 27180 amount of Rs.5000/- of Jugalkishor & Co adjusted.

Theory:-

Solve this problem in “Payment” mode by pressing F5

Answer:- Dr. Mohite Brothers 22180/- and Cr. Bank of India 22180/-

Banking system plays a very significant role in the economy of a country. Business transactions could run into thousands per month for even a small business. Business managers get a real boost from this new functionality built into Tally.ERP 9. In fact, it's so powerful and all-encompassing that Banking is assigned its own New Section within the product. Just what every business needs, the Bank allocation feature brings everyday bank-related chores right to your fingertips and eases transactions and processing.

Multiple instrument and Mode of Transaction details in single voucher

The new Banking feature allows you to record and monitor multiple transactions in a single voucher. Also, while the old system only captured the dates of transactions, this feature allows the monitoring of transactions by Amount, Date, Instrument Number or modes (like NEFT, Cheque, DD, etc.), thereby conveying a more complete picture. The ability to identify payment modes in the system and separate dates for each instrument eases bank reconciliation.

Instrument-wise reconciliation

Reconciliation can be done for each instrument rather than the entire voucher. The instrument details (number, date, etc.) are displayed for easier reconciliation. In case of unseen transactions such as Bank charges, interest paid etc., these can be captured in a new voucher without discarding the BRS (Bank Reconciliation Statement) in progress. Further, existing vouchers can be altered in case of any discrepancy found during reconciliation.

Opening BRS

The new Banking feature allows the manual recording or automatic carrying forward of the un-reconciled bank transactions from the current year to the subsequent year (as Opening BRS). These can then be reconciled in the subsequent year.

Cheque printing configuration with Preview

Enhanced cheque printing configuration with print preview to reduce wastage. Further it has been simplified to copy measurements from previous configurations.

Multiple cheque printing/capture

A separate "Cheque Printing" report (in the Banking section) has been introduced to enable multiple cheque printing with ease. Also, know if a cheque has been printed or not by a simple Yes or No against each cheque. Also, since it is sometimes not possible to know which Amount/Favouring Name is going to be printed on which cheque leaf, cheque details can also be recorded after printing.

Payment advice printing

A system-generated payment advice (covering letter for payments) can be printed for a single or multiple vouchers.

Deposit slips printing

Deposit slips can be printed for a single or multiple cheques, further simplifying Banking transactions.

Continued on Page No 47

Interest Calculation in Tally.ERP 9

Tally.ERP 9 allows you to obtain reports on interest calculated by Tally.ERP 9 based on the instructions you furnish. Interest figures are typically desired in the following situations:

- (a) On outstanding balance amounts
- (b) On outstanding bills/invoices/transactions (Receivable and payable)

Tally.ERP 9 gives you an tremendous capability to obtain interest implications on both.

Activate Interest Calculations

Interest is a legitimate return on money invested and chargeable in the business world on loans and also on delayed payments. Interest can be calculated on the basis of Simple or Compound Interest.

Open company “**Agra Publishing House**”, while you will be in Main Menu (**Gateway of Tally (GOT)**) use formula given below.

Gateway of Tally (GOT) → F-11 → Accounting Features

Type “**Yes**” in front of “**Activate Interest Calculations**” and “**No**” in front of “**Use Advanced Parameters**”

Interest Calculation in Simple Mode

(a) Interest calculations on outstanding balances

Enter Interest details in Vouchers (only in case of transaction by transaction/Bill-by-bill) and view Interest reports. You will have to alter existing ledger accounts to permit interest calculations on them. The same operation will apply when creating a new ledger account.

Interest calculation on outstanding balances is allowed for any ledger account. You simply specify the interest rate and style of calculation. Nothing is required to be done for interest during voucher entry.

Let's take an example: Interest calculated on Outstanding Balances.

Gateway of Tally → Accounts Info. → Ledgers → Alter (Single) → "Renuka Agencies"

Type “**Yes**” in front of “**Activate Interest Calculations**”

Then the Interest Parameters must be set. It is the basis on which interest will be calculated for this Ledger account.

Type “**Yes**” in front of “**Calculate Interest Transaction-by-transaction**”

Rate: This is the rate at which the interest has to be calculated. In this case, specify 10%.

Interest Style: It is the basis on which the rate is applied. Of the four options, select **365-Day Year**. Save the Changes.

Report on Interest Calculated on outstanding transactions/bills

To view the Interest calculated

Gateway of Tally → Display → Statements of Accounts → Interest Calculations → Ledger → "Renuka Agencies"

The report is similar to the Bill-wise Outstanding Statement. The last column gives the interest amount on the transaction. Select the line to be viewed in detail for its calculations.

Format is given on next page.

(1) Trial Balance

A bookkeeping worksheet in which the balances of all ledgers are compiled into debit and credit columns. A company prepares a trial balance periodically, usually at the end of every reporting period. The general purpose of producing a trial balance is to ensure the entries in a company's bookkeeping system are mathematically correct.

Preparing a trial balance for a company serves to detect any mathematical errors that have occurred in the double-entry accounting system. Provided the total debts equal the total credits, the trial balance is considered to be balanced, and there should be no mathematical errors in the ledgers.

In Tally.ERP 9, the matching of the Trial Balance is a foregone conclusion since all voucher entries are in Debit - Credit format and must balance at the entry point.

(a) Primary Group Trial Balance You have to press formula

Gateway of Tally → Display → Trial Balance (Period 01-04-013 to 31-08-013)

The Trial Balance Report provides account balance listing for all accounts for the company sorted according to groups, i.e., the Trial Balance is displayed in grouped form with main groups and their closing balances

Agra Publishing House		
CIN: U95314763574965147953		
Trial Balance		
1-Apr-2013 to 31-Aug-2013		
Particulars	Closing Balance	
	Debit	Credit
Capital Account	31886.00	250000.00
Loans (Liability)		705000.00
Current Liabilities		210161.00
Fixed Assets	735850.00	
Investments	65000.00	
Current Assets	343157.00	
Sales Accounts		189848.00
Purchase Accounts	137700.00	
Direct Expenses	3077.00	
Indirect Incomes		57461.00
Indirect Expenses	95790.00	
Profit & Loss A/c	10.00	
Grand Total	1412470.00	1412470.00

14 CHAPTER

MANUFACTURING ACCOUNT

Sofar we have discussed about Trading account. The Items bought and sold are same. In this chapter, we will discuss about production process in which the Raw Material are consumed to produce the Finished Products. So, the Items bought (Raw Materials & components) are different from Items sold (Finished Product).

Bill of Material (BoM)

Bill of Material(BoM) is a profile of a manufactured / assembled product showing the standard consumption of each Raw Materials / Components to produce an assembled / finished product. Any manufacturing /assembling unit, where some materials are consumed to produce a different product (finished or semi-finished), the BoM may be created specifying the standard quantity for Production & Consumption.This profile is used to create Manufacturing Journals used for control of materials issue & consumption in a production system.

Create New Manufacturing Company

You have to create company, involved in “**Ball Pen Productions**” detail as follows.

Name	Subhash Harinarayan Pande		
Address	Vadala Gaon Nashik		
Statutory Compliancefor	India	State	Maharashtra
Pin Code	411 030	Telephone No	
Email Address	shk1956158@rediffmail.com	Currency Symbol	Rs.
Maintain	Accounts with Inventory		
Financial Year From	01-04-2013	Books Beginning From	01-04-2013
Tally Vault Password			
Use Security Control	Yes		
Password ****	Repeat ****	Use Tally Audit Features	No

After creating above company, press formula given below.

Gateway of Tally (GOT) → F-11 → Statutory & Taxation

After pressing above formula, type “Yes” in front of “Enable (VAT)” and “Set/Alter (VAT) Details” and press enter, then select “Maharashtra” in front of “State” option, then select “Regular” in front of “Type of Dealer” option. then select “1-4-2013” in front of “Regular VAT Applicable” option, type “27123456789V” in front of “VAT TIN (Regular)” and “APBPV3787A” in front of “PAN/Income Tax No.” and press enter enter for saving the changes.

Company has started the production of “Ball Pens” In first lot Company manufactured 500 No’s of Ball Pens.

Question No. 1:-

On 1st April 2013 Mr.Subhash Harinarayan Pande has invested Rs. 2,00,000 through cash as his capital and started above Industries.

Introduction

Tally Payroll **Tally.ERP 9** is integrated with Accounting to give the user the benefits of simplified Payroll processing and accounting. Tally Payroll enables users to set up and implement salary structures, ranging from simple to complex, as per the organization's requirements. You can also align and automate payroll processes and directly integrate them with main stream accounting applications. Payroll data can be viewed as part of the existing and configurable cost centre reports for business analysis. Tally Payroll also supports configurable formats for payslip printing; flexible salary/wage, attendance, leave and overtime registers; gratuity and expat reports.

Features of Tally Payroll

In keeping with Tally's tradition of simplicity, strength and flexibility, Tally Payroll offers the following features to meet the diversified requirements of small to large business enterprises.

- It allows seamless integration with Tally Accounts. There are no disconnects between Payroll and Accounts.
- It offers Employee Groups - unlimited classification and sub-classification of employees.
- It offers Pay Structures – ease of conformity, faster entry and flexibility of non-dependence.
- It offers Pay Components - user-definable earnings, deductions and others.
- It offers a unique Auto-Manual payroll processing facility.
- It is independent of processing period restrictions.
- It offers Employee Groups, Pay structures and Pay components
- It offers a unique Auto-Manual payroll processing facility.
- It allows Arrears Calculation
- It computes salary based on Attendance, Time, Unit of Production or any other criteria.
- Tally Payroll helps in tracking of Loans and Advances.
- It provides calculation of Gratuity
- It allows you to drill down from any summary report to detailed levels, and till the originating transaction, for a particular Pay component value
- It provides configurable report formats
- You can also process Payroll using the Multilingual feature in Tally

Payroll & Statutory

The **Payslip** when emailed in **HTML format** contains the Company Name and Address.

In the **Pay Head Master**, an option has been provided to **round off the Gratuity amount**.

The Option '**Show Zero Value Payslips Also**' is provided in **Multi Payslip Printing** to print the Blank Payslips.

In **Paysheet**, the **Grand Total of Attendance** is displayed and the user can drill down to Attendance Voucher from Attendance details.

Position Index for Reports of the **Employee** is set as **Default** Sorting Method for all the Payroll Reports, in addition Alphabetical (increasing) and Alphabetical (decreasing) options are added to the Sorting Methods list of Pay Sheet Configuration.

Tally.ERP 9 now allows the user to group the (**Income Tax**) **TDS Pay Head** under **Duties & Taxes** and **Salary Payable** Pay Head under **Provisions**

The option **Show new joinees only** has been renamed as **Show zero valued Employees** also in **F12**:

VAT Introduction

Value added tax system is more transparent, uniform and less prone to tax evasion..

The value added tax (VAT) in India is a state level multi-point tax on value addition which is collected at different stages of sale with a provision for set-off for tax paid at the previous stage i.e., tax paid on inputs. It is to be levied as a proportion of the value added (i.e. sales minus purchase). VAT system is more transparent, uniform and less prone to tax evasion VAT is a consumption tax because it is borne ultimately by the final consumer. VAT is not a charge on companies. It is charged as a percentage of price, which means that the actual tax burden is visible at each stage in the production and distribution chain. It is collected fractionally, via a system of deductions whereby taxable persons can deduct from their VAT liability the amount of tax they have paid to other taxable persons on purchases for their business activities. This mechanism ensures that the tax is neutral regardless of how many transactions are involved. In other words, it is a multi-stage tax, levied only on value added at each stage in the chain of production of goods and services with the provision of a set-off for the tax paid at earlier stages in the chain. The objective is to avoid 'cascading', which can have a snowballing effect on prices. It is assumed that due to cross-checking in a multi-staged tax, tax evasion will be checked, resulting in higher revenues to the government.

Advantages of VAT

- To encourage and result in a better-administered system;
- To eliminate avenues of tax evasion;
- To avoid under valuation at all stages of production and distribution;
- To claim credit on tax paid on inputs at each stage of value addition;
- Do away with cascading effect resulting in non distortion of the business decisions;
- Permits easy and effective targeting of tax rates as a result of which the exports can be zero-rated;
- Ensures better tax compliance by generating a trail of invoices that supports effective audit and enforcement strategies;
- Contribution to fiscal consolidation for the country. As a steady source of revenue, it shall reduce the debt burden in due course;
- To stop the unhealthy tax-rate war and trade diversion among the States, which had adversely affected the interests of all the states in the past.

Methods of VAT computation

VAT can be computed by using any of the three methods:

- **Subtraction method:** Under this method, the tax rate is applied to the difference between the value of output and the cost of input;
- **Addition method:** Under this method, value added is computed by adding all the payments that are payable to the factors of production (viz., wages, salaries, interest payments, etc.);
- **Tax credit method:** Under this method, it entails set-off of the tax paid on inputs from tax collected on sales. Indian states have opted for tax credit method.

VAT is a multi-stage tax on goods that is levied across various stages of production and supply with credit given for tax paid at each stage of value addition. VAT is the most progressive way of taxing consumption rather than business.

Procedure

The VAT is based on the value addition to the goods and the related VAT liability of the dealer is calculated by:

- Deducting input tax credit from tax collected on sales during the payment period.

India does not have a classic Value-Added Tax (VAT) structure. Instead, separate tax on sale of goods and on rendering of services is imposed under different legislations. Sale and purchase of goods is subjected to charge of sales tax. Sales tax is levied under Central and State Sales Tax legislations depending upon the movement of goods in pursuance of a sale transaction. If the transaction involves movement of goods from one state to another (inter-state), the tax is levied under Central Sales Tax Act (CSTA), 1956.

This Act also covers transactions of import of goods into or export of goods out of India. Sales tax is not imposed on import of goods into the country or export of goods out of the country. The Central Sales Tax (CST) Act is administered by the state governments and the tax is levied at the origination of transaction (origin based levy). The revenue collected under Central Sales Tax Act is retained by the state governments. The rates of tax under Central Sales Tax Act vary from state to state and product to product. The standard rate of CST is 4 per cent or the lower rate applicable in the state of seller if the purchaser is purchasing the same for resale or for use in manufacture of goods for sale or for specified purposes and both the seller and buyer are registered dealers. Otherwise, the rate is higher of 10 per cent or the rate applicable in the state of sale.

Amendment in CST Act, 1956 with effect from 1.6.2008 in respect of CST rates

As per Circular No 20/T/08 Dt: 30th May 2008.

- a) Items covered in **Schedule C** on which VAT in Maharashtra is 5 %, if this item sold in other state (**against Form-C**) Then the rate of CST will be 2 % and if C Form not received then rate of CST will be 5 %.
- b) Items covered in **Schedule E** on which VAT in Maharashtra is 12.5 %, if this item sold in other state (**against Form-C**) Then the rate of CST will be 2 % and if C Form not received then rate of CST will be 12.5 %.
- c) Items covered in **Schedule A** on which VAT in Maharashtra is 0 %, if this item sold in other state (**against Form-C or without C Form**) Then the rate of CST will be 0 %

CST Transaction Forms

Dealers have to issue certain declarations in prescribed forms to buyers/sellers. **These forms are prescribed in Central Sales Tax (Registration and Turnover) Rules, 1957.** The type of forms are C, D, E1, E2, F, H and I. Forms C, E1, E2, F and H are printed and supplied by Sales Tax authorities. Dealers have to issue declarations in these forms printed and supplied by the Sales Tax authorities. **[Form D was to be issued by Government and can be printed/typed by the Government department making purchases. Now form D has been abolished w.e.f.1-4-2007]**

TDS Introduction

TDS means Tax Deducted at Source. The concept of TDS was introduced in the Income Tax Act, 1961, with the objective of deducting the tax on an income, at the source of income. It is one of the methods of collecting Income Tax, which ensures regular flow of income to the Government.

Example: Pacific Engineering Co is making the payment towards Rent to the owner of the building, it is required to deduct the tax on the income (i.e. before payment to the owner), at the source of income.

Scope & Applicability

Scope

Tax deduction at source means the tax required to be paid by the assessee, is deducted by the person paying the income to him. Thus, the tax is deducted at the source of income itself. The income tax act enjoins on the payer of such income to deduct the given percentage of income as income tax and pay the balance amount to the recipient of such income. The tax so deducted at source by the payer is to be deposited in the income tax department account. The tax so deducted from the income of the recipient is deemed payment of income tax by the recipient at the time of his assessment.

For example

Person responsible for paying any income which is chargeable to tax under the head 'Salaries' is required to compute the tax liability in respect of such income and deduct tax at source at the time of payment. If the employee has any other income, he needs to inform the employer so that employer can take that income into consideration while computing his tax liability but he will not take into account losses except loss from house property. Similarly, person responsible for paying any income by way of 'interest on securities' or any other interests are required to deduct tax at source at the prescribed rates at the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier.

Applicability

Tax will be deducted at source based on the rate defined in the Act, only on the fulfilment of the below mentioned conditions.

1. The Assessee (includes individual & HUF as covered **U/S 44AB**) carrying on business is deducting the tax at the Time of Payment or Credit, (whichever is earlier) against following type of Recipient (Deductee)

- (a) Individual
- (b) Hindu undivided Family (HUF)
- (c) Body of Individual (BOI)
- (d) Association of person (AOP)
- (e) Co-Operative society
- (f) Local Authority
- (g) Partnership firm
- (h) Domestic company (Indian company)
- (i) Foreign company
- (j) Artificial Judicial Person

TCS Introduction

TCS is Tax Collection at Source by the seller (collector) from the buyer/ lessee (collectee/ payee). The goods are as specified under section 206C of the Income Tax Act, 1961. If the purchase value of goods is X, the amount payable by the buyer is X+Y, where Y is the value of tax at source. The seller deposits Y (tax collected at source) at any designated branch of banks authorised to receive the payment.

The seller, lessor or licensor, is responsible for the collection of tax from the buyer, lessee or licensee. The tax is collected for sale of goods, on transactions, receipt of amount from the buyer in cash or issue of cheque, draft or any other mode, whichever is earlier.

Scope & Applicability

Tax has to be collected at source by the seller, while debiting the amount payable by the buyer to buyer's account (or) at the time of receipt of such amount from the buyer in cash or by issue of cheque/draft or by any other mode, whichever is earlier.

Goods and Transactions classified under TCS & Rates

Goods and transactions classified under TCS are listed below:	TCS Tax Rate
•Alcoholic liquor for human consumption including Indian Made Foreign Liquor (IMFL)	1%
•Tendu leaves	5%
•Timber obtained under a forest lease	2.5%
•Timber obtained by any mode other than under a forest lease	2.5%
•Any other forest produce not being Timber or Tendu	2.5%
•Scrap (Scrap means waste and scrap from the manufacture or mechanical working of materials which is usable as such because of breakage, cutting up, wear and tear and other reasons)	1%
•Licensing or leasing of Parking Lot, Toll Plaza	2%
•Mining and quarrying	1%
•Bullion or Jewellaery	1%

***Note: Surcharge & Education cess 3% will be added in above**

Dealer of Excisable Goods

A dealer of excisable goods is one who is registered under Central Excise Rules. Any of the following categories would constitute a registered dealer

- (a) Depot of a manufacturer or the premises of the consignment agent of the manufacturer or any other premises from where the goods are sold on behalf of the manufacturer
- (b) First stage dealer of excisable goods
- (c) Second stage dealer of excisable goods
- (d) Depot of an importer or the premises of the consignment agent of the importer
- (e) First stage dealer of imported goods
- (f) Second stage dealer of imported goods

First Stage Dealer

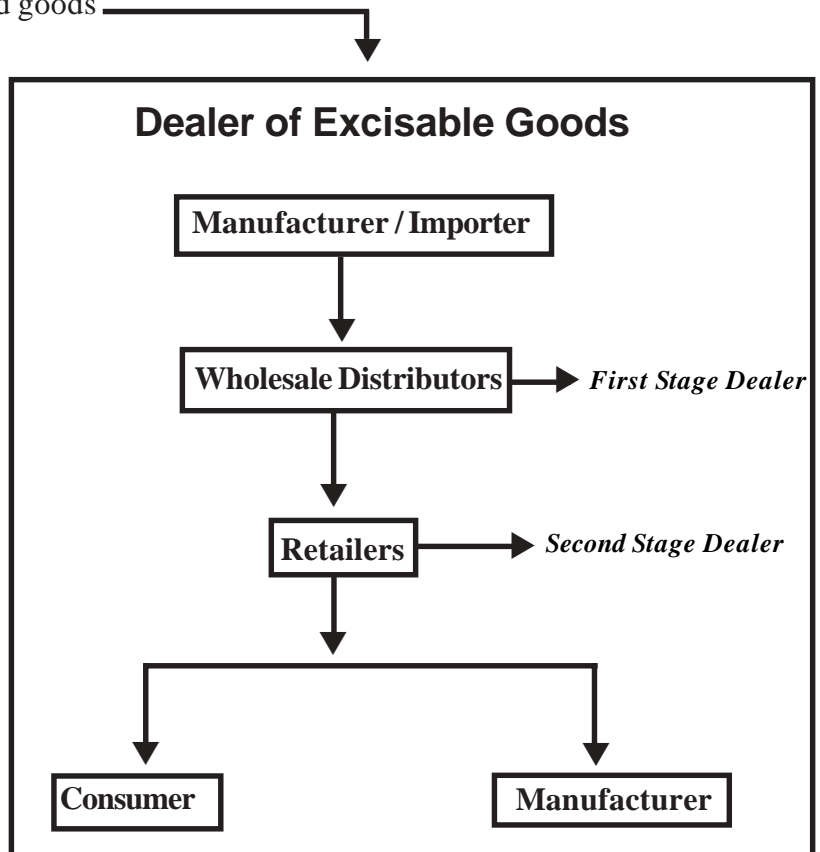
A First Stage Dealer is a dealer, who purchases the goods directly from,

The manufacturer under the cover of an invoice issued in terms of the provisions of Central Excise Rules, 2002 or from the depot of the said manufacturer, or from premises of the consignment agent of the said manufacturer or from any other premises from where the goods are sold by or on behalf of the said manufacturer, under cover of an invoice or

An importer or from the depot of an importer or from the premises of the consignment agent of the importer, under cover of an invoice.

Second Stage Dealer

A Second Stage Dealer is a dealer who purchases the goods from a first stage dealer.



Registration of Dealers & ECC Number

Every Dealer or Importer issuing CENVATable Invoices should be registered with the jurisdictional Range Superintendent as per the procedure prescribed in Rule 9 of Central Excise (No. 2) Rules 2001. The registration is valid only for the premises it is granted. Where the manufacturer or dealer, has more than one premise it is necessary to obtain a separate registration for each premises from the respective Range Superintendent having jurisdiction over the premises, whether it be a factory or a depot / branch office desiring to issue CENVAT invoices. The registration numbers are PAN based 15 digit alpha numeric numbers. The first part denotes 10 character (alpha numeric) Permanent Account number issued by Income tax authorities and the second part

What is Service Tax?

Service Tax is a destination based consumption tax in the form of Value Added Tax. Service Tax is an indirect tax imposed on specified services (taxable services) provided by a service provider (Company, Individual, Firm etc.). Service Tax was first brought into force with effect from 1 July 1994. All service providers in India, except those in the state of Jammu and Kashmir, are required to pay a Service Tax in India. Initially only three services were brought under the net of service tax and the tax rate was 5%. Gradually more services came under the ambit of Service Tax.

Scope & Applicability

Scope

Initially, Service Tax was chargeable on Realisation basis i.e. receipt of the consideration for the services provided / to be provided (advance receipts). With effect from **1 April 2011**, the **Point of Taxation Rule** was introduced for effective collection of Service Tax.

Point of Taxation refers to the point in time when a service shall be deemed to be provided. According to this rule, point of taxation shall be on the –

- (a) Date of Issue of Invoice
- (b) Date of receipt of Payment, whichever is earlier.

The liability of tax is on the service provider (in some cases service receiver), i.e. person who is providing the service is liable to pay tax to the Government.

Example: Yash Industrial Services provided Labour Supply services of Rs.1,00,000 to SysImage. On the service amount of Rs.1,00,000, Yash Industrial Services is liable to pay a tax of Rs. 12,360 @ 12.36% (12% on Service Tax, 2% of Education Cess, 1% of Secondary Education Cess) But the party can recover 25% of Service Tax i.e. 3.09% through bill and to be paid to Govt. **Service receiver** SysImage will pay remaining 75% Service Tax i.e. 9.27 % to the Govt. and can take CENVAT of Full 100% tax amount i.e. Rs. 12,360.

Applicability

Service Tax is applicable on taxable services

1. **Provided and taxable in the hands of service provider**
2. **Received and taxable in the hands of service receiver:**

Generally it is the service provider who is liable to collect Service Tax from his customer/client and pay the same to the Government. But section 68(2) empowers the Government to notify the services with regard to which the service receiver would be held liable to pay Service Tax to the Government. For the below mentioned services the service receiver is liable to pay Service Tax (as per Notification 36/ 2004 ST dated 31.12.2004 as amended from time to time)

- (a) Goods Transport Agency service
- (b) Business auxiliary service of distribution of mutual fund by a mutual fund distributor or agent
- (c) Sponsorship service provided to any body corporate/firm
- (d) Taxable services received by any person in India from abroad
- (e) Insurance auxiliary service by an insurance agent.

With effect from 1 July 2012, **Negative list-based System of Tax on Services** was introduced which provides;

- (a) A list of services which will not be subject to Service Tax (**Negative List**)
- (b) All services, other than those mentioned in the Negative List, will fall under the purview of Taxable services.

Job Work in Tally.ERP 9

A large number of industries are dependent on outside support for completing their manufacturing activities. The activity undertaken by small industries to complete the process on raw material/semi-finished goods as desired by principal manufacturer is known as "**Job Work**". It has various nomenclatures – "job work" or "sub-contracting" in engineering industry, "processing" in chemical or textile industry and "a loan licensee" in pharmaceutical industry.

Definition Given under Excise

In the context of the Central Excise law, **Job Work** has been defined under **Rule 2(n)** of the **Cenvat Credit Rules, 2004** to mean processing or working upon raw material or semi-finished goods supplied to the job worker, so as to complete a part or whole of the process resulting in the manufacture or finishing of an article or any operation which is essential for aforesaid process. Looking at the above definition we can say that **Job Work** or **Sub Contracting** is an activity of taking an order to manufacture or process goods as per the prescription of the client by utilizing material supplied by the client or purchased on behalf of the client and charging him for the services provided as Job Work or Sub Contract.

Job Work or **Sub contracting** is also a part of **trading business**, maybe not as large as in the case of manufacturing. In our Day to day life we might have experienced this. E.g. we visit a suit length showroom and liked a piece of cloth for the suit. The retailer takes the measurement for Stitching and asks us to get back for collecting the ready suit after few days. What does he do in the meantime? He gives the suit length to a specialist tailor and receives the ready suit after stitching and finishing, this, too, is job work or sub-contract. Many manufacturing industries fall under the purview of Excise however few are still exempted from Excise like in the case of **Garment Manufacturing**. For industries falling under Excise, there are few rules and regulations which we will be discussed later in the chapter.

Reasons for Delegation of Job

Following are the reasons for the delegation of job fà Job Worker has specialisation in the Job delegated fà Time Constraint on the part of Principal to manufacture the goods fà Principal does not have the facility to produce the specific semi finished goods.

Difficulties in Job work Process

Job Work Out

Following are the problems faced when job is delegated to a Job Worker

(1) No standard practice to delegate a Job

In real business scenario, the standard procedure of delegating a job -

- (a) Raising the Job Work out Order
- (b) Material Transfer Out (from the premises of Principal Manufacturer/directly from the supplier of Raw materials to the Job worker)
- (c) Accounting the receipt of finished goods
- (d) Accounting the Bill from the Job Worker
- (e) Payment to the Job Worker

is not followed by all the principal manufacturers. The procedure of delegation of Job varies from organisation to

Now we have to solve Illustrations which covers VAT, CST, Service Tax, CENVAT, Excise Duty, TDS, TCS, Works Contracts, Job Work and many other features. We have also taken efforts to get respective Reports like Form No 231, at Computation, Form No 704 etc in VAT, Form No III E in CST, Form No ST 1 to 3 in Service tax etc. First we have to press F-11 and type "yes" in front of following Options.

Accounting Features

Allow Invoicing	Use Invoice mode for Debit Notes
Enter Purchases in Invoice Format	Use different Actual & Billed Qty.
Use Debit/Credit Notes	Separate Discount Column on Invoices
Use Invoice mode for Credit Notes	

(1) Purchase of Goods within a State and paid Excise/VAT

(a) Accounting for Input VAT @ 12.5%

Question No. 1:-

We have purchased Material from "DIAMOND ENGINEERS PVT.LTD." vide their Bill No 124 dated 01-04-2013 for "Purchases-Excisable Goods 12.5%" Rs.340500/- Party has charged "Excise Duty Cenvat 12%", "Education Cess 2% Cenvat", "Sec.Higher Edu.Cess 1% Cenvat" and "Input Vat 12.5%"

This entry will be made in "Purchase" menu. *Go to Gateway of Tally > Accounting Vouchers*, then Click on F9, Then Press Alt + I for **Account Invoice**. This is useful especially when a Service Bill is entered and does not include Inventory.

Create Ledgers of the Material suppliers, by allotting group "Sundry Creditors" and "Purchases-Excisable Goods 12.5%" Ledgers by allotting "Purchase" group, "Excise Duty Cenvat 12%", "Education Cess 2% Cenvat", "Sec.Higher Edu.Cess 1% Cenvat", "Input Vat 12.5%" and make Purchase entries as detail given below.

(A)			
(1) Name :-	DIAMOND ENGINEERS PVT.LTD.	(2) Under:-	Sundry Creditors
(3) Maintain balance bill by bill:-	Yes	(4) Set alter VAT Detail:-	Yes
(5) Type of VAT Dealer:-	Register Dealer	(6) TIN/SalesTax No.:-	27390350983V
(7) Set alter Excise Detail:-	Yes		
(8) Excise Registration No:-	ATMMP9620LXM001	(9) Date of Registration:-	01-04-2013
(10) Range/Division,Comm:-	MUMBAI		
(11) Default Nature of Purchase:-	Second Stage Dealer		

(B)			
(1) Name :-	Purchases-Excisable Goods 12.5%	(2) Under :-	Purchase
(3) Used in VAT Returns:-	YES	(4) VAT/TAX Class:-	Purchase 12.5%
(5) Use for Ass. Value calculations:-	YES	(6) Apportion for:-	EXCISE & VAT
(7) Method of Apportion:-	Based on Value		
	Put amount Rs. 340500		

Tally.ERP 9 provides the following Statutory Compliance Capabilities namely,

- (1) **Value Added Tax (VAT) and Central Sales Tax (CST)**
- (2) **Tax Deducted at Source (TDS) and Tax Collected at Source (TCS)**
- (3) **Excise Duty (Dealers) and Service Tax (*Excise Manufacturers given in separate Chapter*)**

First we have to open “Pacific Engineering Co” Ensure that in Main menu Current Period is from 01-04-2013 to 31-03-2014.

(1) Value Added Tax (VAT) and Central Sales Tax (CST)

(1) (a) VAT Computation & Return Form

(i) VAT Computation

The VAT Computation reports provide the Assessable Value and the Tax Amount of the purchase and sales transactions entered using different VAT/ Tax classifications. The adjustment entries recorded using the VAT Adjustments are also captured in the VAT Computation. For this use formula given below

Gateway of Tally (GOT) → Display → Statutory Reports → VAT → VAT Computation

First press Alt + F2 and give period 1-Apr-2013 to 31-Mar-2014. After this, press “F12” you will see “Show All VAT Classification” and “Show CST Details” and “Show VAT Analysis” options on the screen. Type “Yes” in front of all the options. You will see “VAT Computation” report on the screen given on *next page*.

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(1) (b) VAT Return In Form No. 231 (*better to use License version*)

Now we have to watch, “VAT Return Form No. 231” for the period from 1-Apr-2013 to 31-March-2014. **License version of Tally.ERP9** only takes every care to fill accurate VAT Return. For this purpose, use formula given below.

Gateway of Tally (GOT) → Display → Statutory Reports → VAT → VAT Forms → Forms 231

After pressin above formula, “VAT Return” menu will be displayed on the screen. Then press “N” with enter. Fill the following information

From (blank for begining)	01-4-2013
To (blank for end)	31-3-2014
Type of Return	Original
Name	Ravindra Patil
Status/Designation	Director
Place	Nashik
Date	31-03-014 Press Enter

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Excise for Manufacturer in Tally.ERP 9

What is Excise?

Excise Duty or Duty on Excise is a tax on goods manufactured or produced in India and intended for domestic consumption i.e. sale in India. The Excise Duty is payable at the time of production or manufacture, however, for administrative convenience duty is paid at the time of removal of goods.

Excise Duty is an indirect tax. The **liability of payment of Excise Duty is of manufacturers or producers** (which is passed on to the ultimate consumer). The levy and collection of duty of Excise is provided under authority of the Central Excise Act, 1944 at the rates specified Central Excise Tariff Act, 1985.

Basic conditions for levy of duty u/s 3 of CEA

A per sec 3 of the (CEA) Central Excise Act 1944, following four conditions must be fulfilled to attract Central Excise duty.

- (a) **Goods:-** The duty is on “**goods**” as well as must be movable and marketable.
- (b) **Excisable:-** As per defined in Sec 2(d), the goods must be “**excisable**” or must be mentioned in “Central Excise Tariff Act”
- (c) **Manufactured:-** As per defined in Sec 2(f), the goods must be “**manufactured**” or produced.
- (d) **In India:-** The production or manufacture must take place only in “**India**”

All the four elements are required to impose central excise duty.

Scope and Applicability

Excise Duty means the tax to be paid by the manufacturer, on the goods manufactured in India, either at the time of manufacture or at the time of removal of the goods. Excise Duty can be levied, only on the fulfillment of the below mentioned conditions.

- (a) The Duty is on Goods
- (b) The Goods must be excisable
- (c) The goods must be manufactured or produced
- (d) Manufacture and Production must be in India

Manufacturer

Manufacturer is a person who actually manufactures or produces excisable goods, i.e. one that actually brings into existence new and identifiable product.

Excisable Goods

Excisable Goods means goods specified in the schedule to the Central Excise Tariff Act, 1985 as being subject to a duty of Excise.

The Basic requirements to be satisfied are,

- (a) Goods must be movable.
- (b) Goods must be marketable i.e. the goods must be such that it is known in the market and is capable of being bought or sold.