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B.COM HONOURS	SEMESTER 6	CALICUT UNIVERSITY	COURSE CODE: COM6EJ308

COMPUTERIZED ACCOUNTING WITH TALLY

EXAM REVISION NOTES

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MODULE I

1. OVERVIEW: THE DIGITAL TRANSFORMATION OF FINANCIAL ACCOUNTING

INTERFACE COMPANY SETUP

CHART OF ACCOUNTS GROUPS

LEDGER MASTERS VOUCHERS

INVENTORY MANAGEMENT MASTERS

Workspace Navigation, Company Creation Configuration Controls

B. Company Creation and Initialization Parameters: When initializing a new enterprise accounting profile in Tally, the accountant configures foundational parameters:

- **Company Name amp; Mailing Name:** Legal Registered Corporate Entity Name; Appears as header on all printed invoices, GST returns, and official balance sheets.
- **Financial Year Beginning From:** 01-04-2024 (1st April of current year); Defines the statutory 12-month financial reporting cycle in accordance with the Income Tax Act.
- **Books Beginning From:** 01-04-2024 or date of business inception; The exact calendar date from which opening balances and transaction entries commence.
- **Base Currency Information:** Symbol: #8377; bull; Formal Name: INR bull; Decimals: 2; Governs currency formatting, paisa sub-units, and decimal rounding in all general ledgers.

C. F11 Features vs. F12 Configuration: A crucial conceptual distinction exists between F11 and F12 controls:

F11: COMPANY FEATURES (GLOBAL SCOPE)

F12: CONFIGURATION (LOCAL / VIEW SCOPE)

The Chart of Accounts: Mastering the 28 Predefined Groups

B. The 15 Primary Groups

- **Capital Account:** Balance Sheet (Liabilities); Owner equity capital, partner capital accounts, drawings, share capital.
- **Loans (Liability):** Balance Sheet (Liabilities); Long-term and short-term debt borrowings from banks and financial institutions.
- **Current Liabilities:** Balance Sheet (Liabilities); Short-term operational obligations payable within 12 months.
- **Fixed Assets:** Balance Sheet (Assets); Long-term capital assets: Land, Buildings, Plant amp; Machinery, Computer Hardware.

C. The 13 Secondary / Sub-Groups: The 13 sub-groups inherit characteristics from their parent primary groups:

- **Under Capital Account:** Reserves amp; Surplus (General reserve, statutory reserve fund).
- **Under Loans (Liability):** Secured Loans (Mortgage loans, vehicle loans), Unsecured Loans (Loans from directors/friends), Bank OD Accounts (Overdraft and cash credit limits).
- **Under Current Liabilities:** Sundry Creditors (Trade suppliers), Duties amp; Taxes (GST, TDS, TCS, cess ledgers), Provisions (Provision for taxation, provision for bad debts).
- **Under Current Assets:** Sundry Debtors (Trade customers), Bank Accounts (Current amp; savings accounts), Cash-in-hand (Petty cash, main cash ledger), Stock-in-hand (Closing inventory), Deposits (Asset) (Rent deposits, electricity security deposits), Loans amp; Advances (Asset) (Staff advances, short-term vendor advances).

Accounting Vouchers: Typology Transaction Mechanics

A. Standard Accounting Vouchers in Tally: A voucher is the primary electronic document recording a financial transaction:

- **Alt+F5:** Issued to a supplier when returning damaged goods (purchase return) or debiting them for price overcharges.
- **Alt+F6:** Credit Note; Issued to a customer accepting returned goods (sales return) or granting special volume discounts.

Inventory Management Architecture in Tally

STOCK GROUPS

STOCK ITEMS

UNITS OF MEASURE (UOM)

MULTI-GODOWNS / LOCATIONS

Practical Empirical Case Studies: Enterprise Context: Malabar Super Foods Ltd, a regional FMCG distributor in Kozhikode handling packaged foods, beverages, and toiletries, migrated from manual ledgers to Tally Prime.

- **F11 Features:** Activated Maintain Inventory, Enable Multi-Godowns, and Enable GST with Kerala GSTIN 32AAACM1234F1Z5.
- **Inventory Structure:** Created Stock Group "Dairy Products" (HSN 0401, GST 5%).
- **Transaction Execution:** Passed an F9 Purchase voucher for 50 Cartons from supplier.

MODULE II

1. OVERVIEW: THE SYMBIOSIS OF GENERAL LEDGERS AND MATERIAL INVENTORY

BILL-WISE INVOICING CONTROLS

COST BUDGETARY ALLOCATION

ORDER CYCLES BILL OF MATERIALS

EXECUTIVE REPORTING RATIOS

Bill-Wise Accounting and Invoicing Mechanics

A. The Four Bill Reference Methods in Tally: When 'Maintain Bill-wise Details' is enabled for Sundry Debtors and Sundry Creditors, every credit transaction prompts the accountant to assign one of four reference types:

- **New Ref (New Reference):** , 30 days) and due date.
- **Agst Ref (Against Reference):** ; Presents an interactive pop-up window of pending unpaid bills.
- **Advance:** ; Records an unadjusted advance payment.
- **On Account:** ; Reduces the overall party balance without clearing individual invoice line items in the outstanding debt aging schedule.

B. Invoicing Modes in Tally (Ctrl+H Toggle): Tally provides three distinct operational modes for entering sales and purchase vouchers:

- **Item Invoice Mode:** Standard mode for trading enterprises.
- **Accounting Invoice Mode:** Tailored for service providers (consultants, advertising agencies, legal firms).
- **As Voucher Mode:** The traditional double-entry journal format presenting classic Dr (Debit) and Cr (Credit) rows without automated invoice formatting.

A. Cost Categories and Cost Centres: In corporate management, executives must analyze expenses and revenues by department, branch, or project without cluttering the general ledger with hundreds of separate accounts:

COST CATEGORY (PRIMARY CLASSIFICATION)

COST CENTRE (SPECIFIC ALLOCATION UNIT)

B. Budgetary Controls and Variance Analysis: Tally enables management to formulate corporate budgets for specified timeframes (monthly, quarterly, annual):

- **Ledger Budgets:** , capping Traveling Expenses at #8377;2,50,000 for Q1).
- **Cost Centre Budgets:** Allocating total operational expenditure budgets to specific branch cost centres.
- **Budget Variance Report:** Compares Budgeted Expenditure against Actual Expenditure, calculating positive and negative variances (over-budget variances flagged for administrative action).

C. Bank Reconciliation Statements (BRS) in Tally: 1. , SBI Current A/c).

D. Automated Interest Calculation: Tally automates the computation of interest on outstanding customer balances:

- **Simple amp; Compound Interest:** Simple amp; Compound Interest: Configured in ledger masters under F11 features.
- **Debit Note Generation:** Overdue interest reports calculate exact accrued interest up to any date, allowing the accountant to generate automated interest Debit Notes to bill defaulting debtors.

Order Processing Cycles Bill of Materials (BOM)

B. Bill of Materials (BOM) and Manufacturing Costing: A Bill of Materials (BOM) defines the exact standard technical recipe of raw materials, packaging components, and sub-assemblies required to manufacture one unit of a finished product:

BOM DEFINITION IN ITEM MASTER

Financial, Inventory Managerial Decision Reports

A. Core Accounting and Financial Reports: Tally generates standard financial statements dynamically from the relational ledger database:

- **Balance Sheet (F10 / GOT rarr; Balance Sheet):** Balance Sheet (F10 / GOT rarr; Balance Sheet): Displays capital liabilities on the left and assets on the right (or vertical format).
- **Profit amp; Loss Account:** Profit amp; Loss Account: Structured into upper Trading Account (Gross Profit derived from Sales, Purchases, Opening/Closing Stock, and Direct Expenses) and lower P amp;L Statement (Operating Net Profit after deducting indirect overheads).
- **Trial Balance:** Displays closing debit and credit balances of all 28 groups.

B. Managerial Decision Tools (Ratio Analysis, Cash Flow, Funds Flow)

- **Ratio Analysis (GOT rarr; Ratio Analysis):** 33) and sluggish inventory rotation.
- **Cash Flow Statement (AS-3):** ; Reveals whether net profit is translating into physical bank liquidity or locked in uncollected debtor receivables.
- **Funds Flow Statement:** ; Audits whether short-term working capital borrowings were misapplied to finance long-term fixed assets.

Practical Empirical Case Studies: Enterprise Context: A wholesale pharmaceutical distributor in Thrissur suffered severe cash flow bottlenecks with over #8377;45 Lakh in overdue receivables.

- **Bills Outstanding Report (GOT rarr; Statement of Accounts rarr; Outstandings rarr; Receivables):** Generated the Bills Outstanding Report (GOT rarr; Statement of Accounts rarr; Outstandings rarr; Receivables) using F12 Aging by Due Date (0 ndash;15 days, 16 ndash;30 days, 31 ndash;60 days, 60+ days).
- Discovered that 6 hospital clients accounted for 72% of debts overdue beyond 60 days.
- **Manufacturing Journal:** Executing the automatically deducted inventory from raw material godowns and allocated 15% labor overheads, establishing true per-unit production cost and eliminating product under-pricing.

MODULE III

1. OVERVIEW: AUTOMATED STATUTORY TAXATION IN MODERN ENTERPRISE ERP

ACTIVATION TAX HIERARCHY

DYNAMIC TAX COMPUTATION RCM

STATUTORY INVOICING E-WAY BILLS

RETURN FILING RECONCILIATION

GST Setup, Registration Types The Five-Tier Tax Hierarchy

A. F11 Company Statutory Setup and GSTIN Architecture: Enabling GST in Tally Prime requires configuring parameters under F11 rarr; Enable Goods and Services Tax (GST):

- **State amp; Registration Type:** , Kerala - State Code 32) and selecting between Regular (standard monthly/quarterly tax filer claiming ITC) and Composition Scheme (small dealers paying concessional turnover tax without ITC).
- **GSTIN / UIN Structure:** , 32)] + [Entity PAN: 10 Alphanumeric] + [Entity Number: 1 Char] + [Default 'Z'] + [Checksum: 1 Char].
- **Periodicity of GSTR-1:** Configuring filing frequency: Monthly (turnover gt; #8377;5 Crore) or Quarterly under the QRMP (Quarterly Return Monthly Payment) scheme.

B. The Five-Tier GST Rate Hierarchy in Tally: Tally features a sophisticated inheritance hierarchy that resolves tax rates and HSN/SAC codes from top to bottom.

- **Tier 1: Company Level:** , a garment manufacturer where 100% of products attract 12% GST).
- **Tier 2: Stock Group Level:** Create / Alter rarr; Stock Group; The industry standard for multi-category traders.
- **Tier 3: Stock Item Level:** Create / Alter rarr; Stock Item; Applied when specific items within a group carry exceptional rates or distinct 8-digit HSN codes.
- **Tier 4: Ledger Level:** , "Sales @ 18%").

Input Tax Credit (ITC), Reverse Charge Composite Scheme

A. Input Tax Credit (ITC) Mechanics: Input Tax Credit (ITC) is the mechanism allowing a registered business to deduct the GST paid on purchases (raw materials, capital equipment, operational services) from the GST collected on sales:

B. Blocked / Ineligible Input Tax Credit (Section 17(5)): Under Section 17(5) of the CGST Act, certain purchases are statutorily ineligible for ITC, even if used for business purposes.

- Motor vehicles for transportation of persons having seating capacity ≤ 13 persons (except when used for commercial passenger transport or driving schools).
- Food and beverages, outdoor catering, beauty treatment, and health insurance (unless mandated by statutory law for employees).
- Goods lost, stolen, destroyed, written off, or disposed of as free gifts or commercial samples.
- Works contract services for construction of immovable property (except for plant and machinery).

Statutory Invoicing, Credit/Debit Notes Modern E-Invoicing

A. Statutory Tax Invoice Requirements (Section 31 Rule 46): A valid GST Tax Invoice generated from Tally must display:

- Consecutive serial numbering unique for each financial year, containing only letters, numerals, and slashes/hyphens.
- Name, registered address, and 15-digit GSTIN of the supplier and recipient.
- Place of Supply (POS) along with state name and state code.

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- HSN/SAC codes, description, quantity, taxable value, and explicit tax split (CGST, SGST, IGST).
- Digital signature / authorized signatory physical signature.

B. Modern Electronic Invoicing (E-Invoicing) E-Way Bills: Under Central Board of Indirect Taxes and Customs (CBIC) mandates, registered businesses with aggregate turnover exceeding prescribed thresholds (currently #8377;5 Crore) must generate E-Invoices:

- **Electronic Invoicing (E-Invoice):** Mandatory for B2B supplies where turnover gt; #8377;5 Crore.
- **Electronic Way Bill (E-Way Bill):** ; Tally auto-generates E-Way Bill JSON containing Part A (goods details) and Part B (vehicle number / transporter ID), automatically fetching the 12-digit E-Way Bill Number.

Statutory GST Returns Reconciliation in Tally Prime

A. GSTR-1: Outward Supplies Statement: GSTR-1 is the monthly/quarterly return reflecting all outward sales of goods and services. Tally automatically maps transactions into statutory reporting tables:

- **Table 4 (B2B Invoices):** Sales to registered persons holding valid GSTINs.
- **Table 5 (B2C Large):** Inter-state sales to unregistered consumers where invoice value gt; #8377;2,50,000.
- **Table 7 (B2C Small):** Intra-state sales and small inter-state sales to unregistered consumers, reported in state-wise consolidated Sum of maries.
- **Table 9 (Credit / Debit Notes):** Adjustments to registered and unregistered invoices.
- **Table 12 (HSN-wise Summary):** Consolidated Sum of mary of goods and services categorized by HSN/SAC codes, total quantity, total taxable value, and tax amounts.

B. GSTR-3B: Consolidated Monthly Summary Return: GSTR-3B is the self-declared Sum of mary return used to discharge monthly tax liabilities:

SECTION 3.1: OUTWARD SUPPLIES RCM

SECTION 4: ELIGIBLE INPUT TAX CREDIT (ITC)

C. GSTR-2B Matching and Reconciliation: Under Section 16(2)(aa) of the CGST Act, a buyer can claim ITC only if the supplier has filed their GSTR-1 and the invoice appears in the buyer's auto-drafted GSTR-2B statement:

- **Tally's GSTR-2B Reconciliation Utility:** Users import the GSTR-2B JSON file downloaded from the GST portal into Tally Prime.
- **Algorithmic Status Matching:** Tally compares internal purchase registers against the portal data, categorizing invoices into: Reconciled (100% exact match), Mismatch in Tax/Amount, and Missing in GSTR-2B (supplier failed to file return).
- **Fiduciary Protection:** Enables management to withhold payment of GST amounts to defaulting suppliers, eliminating tax loss risks.

Practical Empirical Case Studies: Enterprise Scenario: An automotive spare parts distributor in Kozhikode recorded #8377;8,50,000 of input tax in its internal purchase register for August 2024.

- Imported the August GSTR-2B JSON file into Tally's GST reconciliation tool.
- Discovered that a major brake component manufacturer (Invoice #412 for #8377;1,18,000 including #8377;18,000 GST) had erroneously uploaded the invoice under a different customer's GSTIN.
- Identified two supplier invoices totaling #8377;1,17,000 omitted because the vendors filed GSTR-1 after the 11th of the month.
- **Result:** Tally prevented the company from claiming #8377;1,35,000 of uncredited ITC in GSTR-3B, saving the enterprise from receiving a Section 73 statutory demand notice carrying 18% penal interest.

MODULE IV

1. OVERVIEW: THE TECHNOLOGICAL INFRASTRUCTURE OF ENTERPRISE TALLY

DATABASE ENGINE PERFORMANCE

FORENSIC AUDIT SECURITY

DATABASE MANAGEMENT SPLITTING

INTEROPERABILITY CLOUD ACCESS

A. The C++ Object-Oriented Database Architecture: Unlike conventional ERP packages (SAP, Oracle) that depend on heavy external Relational Database Management Systems (RDBMS) requiring dedicated database administrators, Tally is built on an integrated, self-contained C++ Object-Oriented Database Engine:

- **Direct Memory Pointers:** Data records are connected via high-speed memory pointers rather than disk-intensive SQL join operations, allowing instant report generation across millions of transactions.
- **Zero Database Footprint:** , Oracle, MySQL).
- **Dynamic Roll-Forward Recovery:** If a sudden power loss occurs during voucher entry, Tally's transactional journal rolling engine recovers uncommitted memory buffers without database corruption upon reboot.

B. Concurrent Multi-User Execution Tally Server 9: In large commercial firms, hundreds of terminals access the central accounting repository simultaneously:

TALLY PRIME GOLD (MULTI-USER LAN)

Forensic Governance: Tally Audit, Edit Log Tally Vault Security

A. Tally Audit and the Statutory Edit Log Mandate: Under the Companies (Accounts) Rules, 2014 (as amended by the Ministry of Corporate Affairs), every company using accounting software must maintain an immutable Audit Trail (Edit Log) recording every change made to books of account:

- **The Edit Log Feature in Tally Prime:** Once enabled, Tally maintains a permanent, tamper-proof historical log of every transaction.
- **Tally Audit Operations:** Statutory auditors utilize Gateway of Tally rarr; Display More Reports rarr; Analysis amp; Verification to review all altered vouchers, un-reconciled bank entries, and back-dated postings, instantly uncovering unauthorized management overrides.

B. Cryptographic Security via Tally Vault: 1. Military-Grade File Encryption: Tally Vault encrypts the entire raw database folder on the local hard drive using advanced symmetric key cryptographic algorithms (such as the Data Encryption Standard - DES, and Advanced Encryption Standard - AES).

- **3. Absolute Non-Recoverability:** Because Tally Vault utilizes zero-knowledge encryption, there is no "forgot password" or backdoor recovery utility.

Database Maintenance: Backup, Restore Splitting Financial Years

A. Backup and Restore Procedures: Rigorous database administration requires automated off-site data protection:

- **Backup Procedure (Alt+Y rarr; Backup):** 001).
- **Restore Procedure (Alt+Y rarr; Restore):** tbk archive back into a functional 5-digit data folder in the designated Tally data directory, allowing instantaneous disaster recovery.

B. Splitting Company Financial Data: 1. Why Split Data?

- **3. Mathematical Outcome of Split:** Tally generates two new independent companies from the parent file: bull; Company A (Pre-Split): Contains historical transactions up to 31st March 2024.

Interfacing, Data Interoperability Cloud Capabilities

B. Data Import and Export Formats (XML, Excel, PDF): Tally supports extensive data exchange formats:

- **Extensible Markup Language (XML):** Hierarchical text file enclosed in semantic metadata tags (lt;VOUCHER gt; lt;DATE gt;...
- **Excel Spreadsheet (.xlsx):** ; Exporting Trial Balances and Stock Summaries for advanced financial ratio modeling and auditor review.
- **Portable Document Format (.pdf):** ; Emailing signed GST tax invoices, purchase orders, and payment receipts directly to external clients and vendors.

C. Multi-Branch Data Synchronization Web-Enabled Reporting: Modern multi-location retail chains and corporate groups leverage Tally's distributed network services:

- **Data Synchronization:** Enables two-way data replication between branch terminals and the Central Head Office server over the internet.
- **Web-Enabled Browser Reporting:** NET to view live Balance Sheets, Cash Flow statements, and debtor aging reports without having Tally installed locally.

Practical Empirical Case Studies: Enterprise Context: During annual statutory audit at a wholesale hardware enterprise in Kozhikode, auditors noted an unexpected cash shortfall of #8377;3,20,000 against recorded sales.

- **Tally Edit Log (Analysis amp; Verification rarr; Altered Vouchers):** The auditor accessed the Tally Edit Log (Analysis amp; Verification rarr; Altered Vouchers) for Cash Sales vouchers.
- , altering a #8377;45,000 cash sale to #8377;15,000), pocketing the #8377;30,000 cash difference.
- The Edit Log preserved the immutable chronological record: showing exact timestamps, the clerk's user login ID, the original #8377;45,000 amount, and the altered #8377;15,000 entry.
- **Legal Outcome:** Provided unassailable digital evidence for criminal prosecution under Section 477A of the IPC and full recovery of embezzled funds.

Advanced Analytical Dimensions and Applied Commerce Casework (Analytical Division 1): The concepts, statutory provisions, operational accounting rules, and quantitative models detailed in this module carry critical implications for enterprise governance, audited disclosure standards, and executive fiscal decision-making.

Empirical Casework: Forensic Analysis, Audit Trail Verification, and Internal Controls: Empirical accounting investigations across modern industrial enterprises illustrate that financial distortion, fraud, and misstatement rarely occur as isolated incidents; rather, they stem from structural vulnerabilities within accounting workflows, segregation-of-duties lapses, or inadequate internal audit scrutiny.

- **Ledger amp; Voucher Integrity:** ; Companies Act (Sec.
- **Revenue amp; Cost Allocation:** ; Ind AS 115 (Revenue from Contracts with Customers) amp; CAS 1 to 24 Cost Accounting Standards.
- **Fiscal Risk amp; Tax Compliance:** ; GST Law Section 16/36 Rules amp; Income Tax Act Transfer Pricing Provisions.
- **Working Capital Governance:** ; Tandon amp; Chore Committee Norms for Bank Working Capital Credit Appraisal.

Comparative Regulatory and Practical Implementation Standards: A rigorous examination of corporate commercial practice highlights the indispensable role of standardized accounting principles.

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