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ਪਟਿਆਲਾ

# JAGAT GURU NANAK DEV
# PUNJAB STATE OPEN UNIVERSITY, PATIALA

**(Established by Act No. 19 of 2019 of the Legislature of State of Punjab)**

**The Motto of the University**

**(SEWA)**

**SKILL ENHANCEMENT   EMPLOYABILITY   WISDOM   ACCESSIBILITY**


# CERTIFICATE/DIPLOMA COURSE IN ACCOUNTING AND TAXATION

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**PUNJAB STATE OPEN UNIVERSITY PATIALA**
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## PREFACE

Jagat Guru Nanak Dev Punjab State Open University, Patiala, established in December 2019 by Act 19 of the Legislature of State of Punjab, is the first and only Open University of the State, entrusted with the responsibility of making higher education accessible to all especially to those sections of society who do not have the means, time or opportunity to pursue regular education.

In keeping with the nature of an Open University, this University provides a flexible education system to suit every need. The time given to complete a programme is double the duration of a regular mode programme. Well-designed study material has been prepared in consultation with experts in their respective fields.

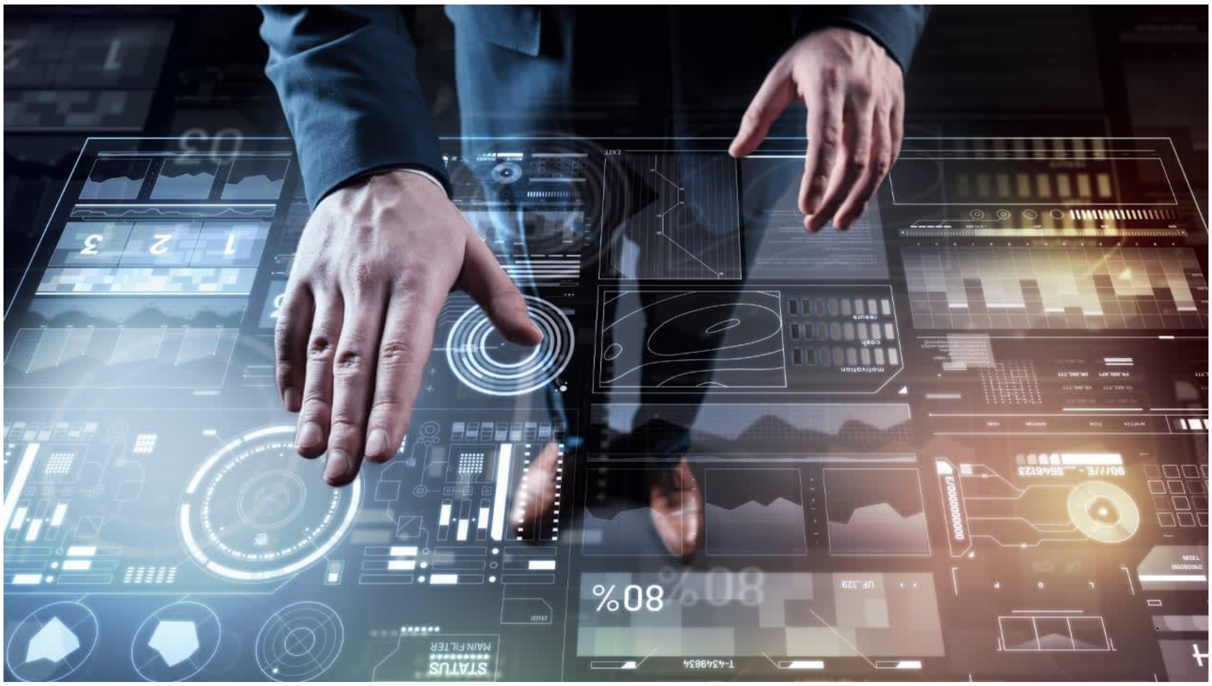
The University offers programmes which have been designed to provide relevant, skill-based and employability-enhancing education. The study material provided in this booklet is self-instructional, with self-assessment exercises, and recommendations for further readings. The syllabus has been divided in sections, and provided as units for simplification.

The Learner Support Centres/Study Centres are located in the Government and Government aided colleges of Punjab, to enable students to make use of reading facilities, and for curriculum-based counselling and practicals. We, at the University, welcome you to be a part of this institution of knowledge.

Prof. G. S. Batra,
Dean Academic Affairs

# DIPLOMA COURSE IN

# ACCOUNTING AND TAXATION



# DIGITALIZED ACCOUNTING

## COURSE IV- DIGITALIZED ACCOUNTING

**Learning Objectives:** The course aims to achieve following objectives-

1. To Guide the students regarding regulatory framework for the operation of accounting activities.
2. Train the students regarding concept and structure of recording business transactions
3. Enable the students to use accounting information as a tool in applying solutions for managerial problems, evaluating the financial performance, and interpreting the financial structure.

**Course Content:**

| |
|---|
| **Unit I - Introduction to Digitalized Accounting:**<br><br>Need, significance and applications of digitalized final accounts. Discount Management- Cash Discount, Trade Discount, Vouchers Types, Back up, Restore<br>Use of Tally for Inventory management- Inventory Information- Stock Groups, Stock Items, Units of Measure Inventory creation/alteration, Inventory Features, Invoicing of daily Trades,<br><br>Inventory Reporting |
| **Unit II**<br>Inventory Control: Maintaining Inventory of some firm/organization, Trial Balance, Profit and Loss account, Balance Sheet, Bank Reconciliation Statement, Advance Accounting in Tally, Import / Export Data with Excel. Security Control in Tally.ERP 9, Tally Audit Controls. |

**Unit III -** Multiple Price list Quotation Purchase Enquiry; Order Performa Invoice, Sales Purchase & Rejection Voucher; Additional Purchase; Effective Rates Invoice. Generation of

Reports: Cash Book, Ledger Accounts.

| Unit IV |
|---|
| Bill wise details, Interest; Money Receipt and Cheques, Debit and Credit Notes Creating and Configuring New Company Accounts: Account masters 'maintenance, Account vouchers maintenance, inventory master’s maintenance |
| **Unit V** |
| Display- Trial Balance, Day Book, Account books, Statement of Accounts, Inventory Books Statements of Inventory, Cash/fund flow, Payroll Reports, List of Accounts Exception Reports, Print Management, Reports Displaying, Accessing Reports, Modifying Reports, Financial Statements, Display of Balance Sheet, Display Profit and Loss Account. |

**Suggested Readings:**


1. Agarwal,Garima.*ComputerisedAccounting:*HimalayaPublishingHouse.
2. Chheda,Rajesh. *LearnTally.ERP9withGSTandE-wayBill:*Ane’sStudentEducation.
3. Grewal,T.S.*IntroductiontoAccountancy*.S.Chandand Co.
4. Gupta,R.LandGupta,V.K.*Principlesand PracticeofAccounting*. SultanChand &Sons.
5. HaneefandMukerjee.*AccountancyI*.TataMcGrawHillCompany.
6. Jain,S.P.andNarang, K.L.*AccountancyI*,KalyaniPublishers.
7. JawaharLal. *FinancialAccounting*.Himalaya PublishingHouse.

# UNIT- 1 INTRODUCTION TO DIGITALIZED ACCOUNTING

**STRUCTURE**



## 1.0 OBJECTIVES

After studying this unit, student will be able to:

- to keep a systematic record of financial transactions which helps the users to understand the day to day transactions in a systematic manner so as to gain knowledge about overall business.
- To ascertain profit or loss of the business: Business is run to earn profits.
- To depict the financial position of the business: ...
- To provide accounting information to the interested parties:

## 1.1 INTRODUCTION

The use of online and Internet technology in the business accounting function is known as e-accounting (sometimes referred to as online accounting). E-accounting is the "electronic enablement" of legitimate accounting and traceable accounting operations, which were formerly manual and paper-based, similar to how e-mail is an electronic counterpart of traditional mail.

Through the use of various internet-based or computer-based accounting tools, such as digital toolkits, various internet resources, international web-based materials, institute and company databases that are internet-based, web links, internet-based accounting software, and electronic financial spreadsheet tools to facilitate efficient decision making, regular accounting functions, accounting research, and accounting training and education are performed.

In order to help businesses focus on their core competencies and avoid the hidden costs associated with traditional accounting software, such as installation, upgrades, exchanging data files, backup, and disaster recovery, online accounting through a web application is typically based on a simple monthly charge and zero-administration approach.

Digital financial reporting is financial reporting in a structured, machine-readable form as opposed to traditional approaches to financial reporting, which are paper-based or electronic versions of paper reports such as HTML, PDF, or a document from a word processor which is only readable by humans. E-accounting does not have a standard definition and simply refers to the changes in accounting due to computing and networking technologies. A digital financial report can be read by automated systems as well as by people. Digital financial reports are machine-readable, which enables the machine to be smarter and more useful in recognizing where a professional accountant is working in a financial report (i.e., context-aware). This enables the software to be more adaptive, dynamic, capable of serving as an advisor to professional accountants, more proactive, and able to provide other knowledgeable guidance related to the creation and review of a financial report. Digital financial report software has a deep grasp of a financial report, unlike word processors which have no concept of a financial report.

The preparation of general purpose financial reports in accordance with IFRS, US GAAP, governmental accounting standards, or other reporting frameworks is included in digital financial reporting. This international consensus method for producing a digital financial report that is machine readable may also be used by other reporting protocols.

This textbook focuses more on the digital financial report itself than on the specifics of what goes into a financial report under a given reporting method. Any reporting method that chooses to express some financial or non-financial information digitally can employ digital financial reports.

By comparing this procedure to the process of developing blueprints with computer-aided design/computer-aided manufacturing (CAD/CAM) software, one can better understand digital financial reporting. Digital financial reporting software is familiar with financial reports, just like CAD/CAM software is with blueprints. The CAD/CAM program recognizes what a door, window, and wall are as well as the fact that a window is embedded in a wall. Digital financial reporting software is similar in that it comprehends what a balance sheet, income statement, disclosure, and assets go into the balance sheet as well as how assets equal liabilities and equity according to the accounting equation. Using CAD/CAM software, designers may work more productively, produce better designs, improve communications through documentation, and build databases for manufacturing. A common CAD/CAM output format is machine-readable data that can be printed, sent directly to a numerically controlled machine as machining instructions, or used in other ways for different production processes. Similar to how a paper financial report would move through an Internet-connected supply chain, a digital financial report would do the same. Information would never need to be re-keyed, and various business systems would share a common understanding of the reported financial facts and their relationships.

The structured nature of the information represented within the machine-readable financial report, the metadata that explains the business rules related to the creation of the financial report that the machine must follow, and the meta-metadata that facilitates interaction between other participants in the financial reporting supply chain, such as investors and analysts, who use the reported financial information, are all factors that enable the machine to understand a digital financial report. Humans carefully articulate their understanding of financial report mechanics and how to construct a financial report in a machine-readable format. This does not imply that all knowledge can or will be articulated; rather, it only applies to the kind of objective knowledge that enables computer software to assist its human operators. Subjective knowledge cannot ever be articulated in a way that a machine can understand, such as the judgment of a skilled accountant. In essence, the device imitates elementary mechanical operations involved in the production of a financial report.

Software algorithms, machine-readable metadata, and meta-meta data enable the machine's understanding.

Within formal and informal ontologies, which explain the elements of a financial report, significant relationships among those elements, and other information relevant to the financial report knowledge domain in machine-readable form, metadata and meta-metadata are stored and managed. Knowledge engineers help business people produce and maintain this metadata by managing ontologies. Ontologies serve to both characterize the business domain and to confirm that generated digital financial reports adhere to that description. As long as the information describing the financial report and the process for creating it is expressed in machine-readable form, machines can help accounting experts construct financial reports. Business norms are another name for these relationships.

Currently available technologies include disclosure checklists, which are only machine-readable to people and act as memory aids. These present checklists and memory aids are made machine-readable in the context of digital financial reporting, and as a result, many jobs that may be automated using machine-based procedures will be carried out by computers. In contrast to the more subjective components of producing a financial report that need the expertise of a professional accountant to be accurate, operations that will be automated are more mechanical in nature. Digital financial reports will free up professional accountants from tasks like re-keying data and ensuring that the objective aspects of a report, such as mathematical relationships, are correct, allowing them to concentrate on judgmental and other subjective aspects that cannot be automated. Financial analysts and regulators who use the information from these reports will also be freed from these tasks.

The advantage of digital financial reporting is that it makes it possible for machines to take over the mindless and tedious mechanical chores involved in producing financial reports. Not all tasks, but rather those that can be successfully completed by machines. Making it possible for machines to perform previously performed by humans results in decreased costs associated with producing financial reports, decreased human error rates due to machines taking over many mindless mundane mechanical tasks, increased quality and decreased risk of noncompliance due to machines taking over these mindless mundane tasks, and decreased time to produce financial reports due to the assistance provided by automated machine-based processes. Automation is possible to the extent that machine-readable metadata and data are made available, as well as the ability to create software algorithms.

## 1.2 NEED OF DIGITALIZED ACCOUNTING

Historically, the accounting industry has exhibited little digital innovation. However, a lot of accounting procedures are time-consuming and repetitive, making them perfect candidates for automation. Examples of certain procedures that can be digitized are shown below.

Accounts payable/receivable: Accountants can automate invoice processing with an invoice management system, eliminating the need for paper invoices to sit around waiting for approval.

Procurement: There is a ton of paperwork involved with procurement, including quote requests, purchase orders, contracts, and shipment receipts. These documents can all be digitally converted, which will save time and money.

Audit records: a digital audit method is significantly safer and more precise. Digital records and audit trails can be used by accountants to record and demonstrate compliance.

Managing costs: Manually submitting, reviewing, and approving expenses wastes time and is ineffective. The procedure is automated by an expense management application, which enhances the overall user experience.

Monthly/quarterly close procedure: Using digital accounting tools makes it considerably quicker and more precise to retrieve the data required for the monthly/quarterly closure.

Client agreements and contracts can be managed and signed digitally by accounting firms in addition to internal processes. Everyone who is involved finds it more convenient.

The following is a list of some of the primary advantages of digital accounting.

1. Time savings and increased productivity

Data input, reporting, and other manual tasks associated with accounting processes are largely eliminated by digital accounting solutions. Accountants might use the time saved to work on activities that require more analysis and insight.

2. Accuracy and scalability of the data

Traditional accounting methods are less trustworthy than digital solutions. People are prone to error, whereas software will dependably offer reliable data.

Another thing to keep in mind is that while manual accounting methods may have worked well for small businesses at first, those demands may alter as the business expands. Better opportunities for growing based on the needs of the business are provided by a digital accounting solution.

3. improved security

Because cyberattacks are becoming more frequent, data security should be a top priority for every company. The majority of accounting solutions offer high levels of security, including cloud storage, frequent backups, access controls, and encryption. In the event of a system failure or data breach, an organization's data is well-protected and still accessible with such a solution.

4. Remote entry

Accounting software that is hosted in the cloud has the advantage of being mobile device and location independent. This offers a far more effective method of working, and it's especially practical in the event of a system breakdown. Users can easily continue working by logging in from a new computer.

5. Analytics and immediate guidance

It is much simpler to compile reports and identify patterns thanks to the insights and analytics offered by the majority of digital solutions. This data is frequently made available in real-time, allowing accountants to make knowledgeable business decisions even more quickly.

6. synchronization and integration

When an accounting application is integrated with other business tools, the data is automatically synced so that updates can be made in real-time or on demand. As a result, there is a significant reduction in manual labor and constant platform-wide data updating.

ERP: enabling accounting for the coming era of expansion

A small business can benefit greatly from accounting software, but larger and more complicated organizations frequently prefer to implement an ERP system to manage their operations.

Enterprise Resource Planning, or ERP, is a software application that supports a company's operations and processes across many departments. In other words, an ERP solution offers a unified platform for the whole business.

The use of an ERP system in accounting has numerous advantages. ERPs eliminate errors, give accountants more control, and make it simpler to get financial data from all areas of the firm. All of this is done to help them make business decisions more quickly, accurately, and reliably.

Widespread digital transformation, legislation that supports digitalization, and heightened sustainability awareness are the three primary developments.

broad adoption of digital transformation

Professionals in all fields are having to deal with significant changes, many of which are being caused by new technologies. Recent events have only served to hasten the transition to digital transformation, and accounting companies are no exception.

Accounting firms will need to create new business models to accommodate these changes and prosper in the future if they want to remain competitive. These new models will help accounting firms comprehend how technologies like blockchain, AI, and cryptocurrencies will affect their work going forward. For accounting firms, embracing digital change is a need.

legislation that favors digitization

The digital agenda is continually being advanced by the United Nations and the European Union in both enterprises and governments. Following is a brief overview of some of the most important regulatory proposals put forth to fuel accounting's digital revolution.

Single Digital Market

The goal of the Digital Single Market program is to improve access to online goods and services for businesses and consumers throughout Europe. By lowering barriers to cross-border e-commerce and boosting consumer protection, it aims to make the internet a safer place.

The eIDAS Directive

The eIDAS law makes it simpler for EU businesses and citizens to utilize electronic IDs and signatures to transact business and access online services more quickly and securely within the EU.

The Sixth AML Regulation

In the fight against money laundering, the 6th AML Directive strives to give authorities and financial institutions more power. It accomplishes this by enlarging the purview of current law and toughening criminal sanctions.

Regulation on General Data Protection (GDPR)

The GDPR is the main framework for safeguarding the privacy of personal data belonging to EU citizens. The regulation establishes guidelines for processing personal data, namely any operation carried out on personal data pertaining to EU citizens.

Single Electronic Format for Europe (ESEF)

The European Securities and Markets Authority created the electronic reporting standard known as ESEF (ESMA). This standard must be followed in the annual report preparation of all companies with securities within the EU.

raised consciousness of sustainability

CSR is assuming a strategic role across enterprises as climate change and environmental challenges become more salient in the public eye and have a favorable impact on public relations, brand reputation, and long-term earnings.

Companies are expected to be more responsible nowadays for both their financial health and the longevity of their operations. And that also applies to accountancy businesses.

Accounting firms, which have historically relied heavily on documents, have a wonderful potential to digitize many of the paper-based operations and raise their sustainability profile.

The advantages of digital accounting

The globe has simply evolved into a global village thanks to technology, and the traditional method has been replaced by an electronic one that not only makes things simpler but also saves time and work. In such a pandemic condition, digital accounting and its advantages have made it simpler for everyone to operate diverse activities while remaining secure at home and carrying out official duties.

Digital accounting is well-known, but COVID-19 has increased its appeal because it enables accountants to work efficiently while assuring their safety by doing so from secure locations. COVID security precautions.

Simply said, digital accounting is the computer representation of financial transactions. Due to the absence of paper in the financial information representation, today's accounting professionals are more efficient and competitive. Nowadays, it is simple to connect with accounting experts online or through another form of communication to complete the work quickly.

If we must list the benefits, there are many, but let's look at some of the more significant ones:

Competitive and more effective

Accounting professionals may become more competitive and efficient by using digital platforms, which enable them to maximize productivity while minimizing waste and improving competence.

Innovative

Digitally employed accountants and members of the finance team will look for innovative working practices and develop more sophisticated accounting tools, all of which will contribute to the smooth operation of the accounting process.

Flexibility and the ability to adapt

Working digitally will force accountants to become accustomed to new accounting software and solutions, helping them as well as expanding the accounting industry.

With the COVID-19 scenario in mind, working digitally allows us to operate from any convenient and secure location.

reduction of expenses

Digital work operations are more economical since they cut down on the costs of maintaining a physical office and other costs like stationery and travel. Accountants are able to complete tasks with data presented by clients in a certain amount of time at the lowest possible cost.

technology used effectively

Technology gives us a lot of chances and facilitates a variety of tasks. The use of various technologies will be maximized in the electronic workplace and many other areas.

Notwithstanding their location, opportunities exist for talented workers

The digital world uncovers bright individuals and gives them the chance to do tasks from anywhere in the globe and produce work of unexpectedly high caliber.

Objectivity and Accountability

As the work is more clear when it is done electronically, clients will feel more confident using their preferred accounting specialists to handle their accounting work. Also, it will increase professional accountability, ensuring the accuracy and dependability of the work.

Recordkeeping and financial work security

The correct record-keeping of data, unlike in the case of old paper-based systems, is made possible by the electronic performance of financial tasks. Several layers of protection are also used to maintain the security of the data.

100% accuracy and error detection

The other advantage of digital platforms in accounting and AI is that they offer 100% accuracy and that errors are immediately recognized, preventing human error. The various accounting software offer high levels of accuracy and give instruments for error detection, ensuring the applicability of financial work completed.

These benefits are not limited to accounting on digital platforms; they also apply to other related applications. In addition to these advantages, digitization offers a wide range of other advantages, and there are still many more to discover and include in the list.

## 1.3 SIGNIFICANCE AND APPLICATIONS OF DIGITALIZED FINAL ACCOUNTS

Accounting problems and their management in today's more technologically advanced corporate practices are inextricably linked to information technology (Orlikowski, 2010). Due to the advantages and innovation power of digital technology, this information technology, which is a component of the company's accounting activity, can give information and process information, particularly those related to bookkeeping full of data and computations. A tough work in the modern era and without incorporating the information technology system in the company unit is evident from the size of this information technology function, which is in charge of managing and other aspects of company accounting data. Within an organization or business, computer end users process information using hardware, software, and expert resources, which is what is meant by the word information system (Park & Ryoo, 2013). Computers are used by users as technology tools for accounting operations in the majority of businesses today in both developed and developing nations (Joorabchi et al., 2013). The power of technology, particularly digitalization and automation, is continuing to expand and alter the patterns of production, distribution, and consumption, according to Pramusinto (2020). In the same way that technology is used to transform other aspects of life, it is also used to alter the judicial system (Hartanto, 2020). The use of information technology, on the other hand, is the advantage anticipated by users of information systems in carrying out their tasks, where the measurement is based on the level of utilization, frequency of usage, and number of applications or software used (Marlizar, 2021). making use of

Several different types of companies can benefit from 7999 bookkeeping programs. There are a variety of advantages to using it. The great majority of organizations all around the world profit from using this program. The type of business being conducted—such as exchange, industry, medical clinic, construction development, and various counseling sessions—can alter this equipment. Because they must base their decisions on the organization's financial summaries, which are produced from this framework, many finance managers employ bookkeeping software in order to maintain a firm (Gray, 2010). 3.1 Save Time and Energy The biggest advantage of using a bookkeeping framework over manual or traditional accounting is the significant time and energy savings (Jdrzejka, 2019). With an electronic application, it should be feasible to record business exchanges and reports at the front-end office and back-end office simultaneously.

For instance, we don't need to habitually use a more efficient accounting framework to conduct client solicitations, organize bank purchases, or record checks in a bookkeeping application. In the traditional bookkeeping system, all general exchange and change records are handled into budget summaries toward the end of the year with the ultimate purpose of execution evaluation, examining needs, and other statutory requirements. Many things can be created in the interim using the bookkeeping apps included into the structure of electronic accounting. This also enables the board to oversee reviews and evaluations of the implementation of the firm financial framework whenever necessary, enabling quick resolution of all financial-related concerns (Hudec & Okasova, 2017). 3.2 Improving Accounts Payable The application has a feature that lets us accurately and error-free record receivables and payables (Rokotyanskaya et al., 2018). Additionally, it enables frameworks in bookkeeping software to forecast the company's future income status. For instance, if the company or organization has entered all client and business requests into the application according to their due dates, we will see that we have enough cash on hand to cover the anticipated expenses. We will track all invoices and solicitations using the bookkeeping application. We can limit the growth of terrible responsibilities and any late fees from meeting the obligations by using this bookkeeping program as an organizing tool (Okungbowa, 2015).

3.3 Limiting Technical Faults in Transactions Whenever we use an automated bookkeeping framework, some errors, such as inaccuracies in calculating apparent amounts on requests or errors, will be restricted (Araujo et al., 2011). The system will exactly determine it while the accounting software processes a receipt associated with the spending amount. When arranging transaction data for an extraordinarily large number of exchanges, this benefit is priceless. On the off possibility that we are using manual (customary) record keeping, risks like a lack of recorded requests could occur. A bookkeeping program will be used to compile all records and transform them into detailed information. The advanced information will be securely and absolutely naturally entered into the reception application. So, we can easily locate a receipt or receipt to inspect it (Dabbas et al., 2017). We can find it if you provide the client's name or the date the exchange took place in the pursuit field. The accounting program will be used for all bookkeeping-related tasks and will prevent all specialized errors like incorrect recording and others (Jedlickova, 2020). Numerous designers are offering bookkeeping software products today. When selecting the ideal bookkeeping program, we must exercise caution.

8000 managing business finances with highlights of bookkeeping in accordance with generally accepted accounting principles. Using the journal bookkeeping PC application, we can obtain some of the advantages already stated (Hasnat, 2019). 3.4 Constant Financial Information Checking According to Invoiceberry, accounting software can gradually shed light on the company's financial status, eliminating the need to wait for the bookkeeping period, which is typically completed each month or at year's end (UNISBA, 2018). At any time we need them, we can consistently know financial reports inside and out. With this ongoing information, we can continuously monitor the financial condition. Odoo is a well-known ERP executive programming that offers financial management. Odoo offers innovative and comprehensive bookkeeping software that enables firms to correctly store and integrate information in accordance with Indonesia's administrative and legal framework. The bookkeeping program outperformed traditional accounting tools with its innovative and comprehensive utility. All company actions can be coordinated with our record (Ruggiero, 2017). Digitization is defined in the era of computers as the transition from common or simple structures to more complex ones (Ma, 2013). The most popular method of converting data from simple organization to mechanical design is data digitization, which makes it simple to create, store, monitor, and redistribute data to customers for various purposes and reasons for navigation.

The use of data frameworks in businesses serves as an illustration of how data has become digital. Data is managed using PCs, both hardware and software, and used in businesses. Actually, data frameworks play a crucial role in achieving organizational goals (1). Robotized processes are anticipated to be created as a result of computerized transformation in the organization's business operations. Advanced bookkeeping refers to the representation of bookkeeping data in a forward-thinking business and is a computerized adjustment to corporate financial administration (Busco & Scapens, 2011). A project created by organizations that mentions bookkeeping digitalization in order to help organizations advance their business is the reception of an accounting data framework (Plesner et al., 2018). Organizations must digitize bookkeeping by adopting a bookkeeping data framework due to the benefits for organizations needing highly accurate data to face a high degree of vulnerability in a competitive market, in addition to other benefits like swift information processing and access to data. High helps organizations provide outstanding customer service to their customers. Economic data are generated by the bookkeeping data framework, which is used to determine how well the organization is running its business.

The introduction of pay proclamation data, which addresses the organization's capacity to streamline income and functional expense effectiveness, reflects the financial exhibition of the company. Every time a patient makes a payment exchange, the organization area notes the specifics of the payment exchange in the pay book. Additionally, expenditures come with expenses that are incurred to meet regulations. The financial reports are then introduced using the Microsoft Excel application, introducing the nuances of pay and costs (Chandan, 2020). Additionally, there are no entrance restrictions when monitoring financial information to maintain financial information security, errors in recording, inaccurate financial information, inefficient time management when monitoring financial information, and financial information stored on paper media (Amiram, 2012). Moreover, this study's goal is to implement accounting digitalization through the adoption of a bookkeeping data framework by developing a bookkeeping data framework that places a focus on managing hierarchical accounts (Midika, 2016). For the administration of authoritative monetary policy, digitalization of financial administration bookkeeping is necessary.

For the association's internal advantages in making crucial decisions and for outside interests in providing different types of assistance to customers, there are 8001 automated exchanges that are both cash in and cash out, producing a quick, clear, and straightforward detailing framework (Müller, 2021). The accumulation premise technique is the method used to construct a financial administration bookkeeping data framework. The gathering premise is a bookkeeping premise in which financial exchanges and other related events are perceived, recorded, and introduced in the financial reports in the period in which the exchanges and events happen whether or not they exist (Kande, 2015). Modern companies require that accounting and accounting information systems be digitized. The computerized time has changed as a result of the rapid advancement of digital innovation today; many commercial activities are carefully carried out (Bhimani & Willcocks, 2014).

The most frequent method of providing or using a computerized framework is known as digitization, which can be understood as a process of moving from basic to complex structures. The most frequent method of converting data from a simple arrangement to a mechanical design, making it simple to deliver, store, oversee, and rearrange data to clients for various reasons and as a reason for direction, is data digitization. The process of digitizing archives is the most popular approach to convert printed reports to electronic records; this method is typically not necessary because electronic records have taken over as the standard for association documentation interaction (Salem et al., 2021).

The overarching benefit of digitization is to increase cost efficiency and advance an organization's business functional cycles. For instance, the use of data frameworks has a negative impact on worker utilization and limits errors because business processes are completed in a robotized manner, limiting the use of paper to specifics. This is due to the report (Vovchenko et al., 2018). Information is stored in advance. The use of data frameworks in organizations offers advantages for handling internal and external assignments for associations in daily tasks and long-term decision-making. The data frame is a structure within an organization that combines the regular interchange handling requirements that assist the administrative tasks of the organization with the crucial activities of an organization to have the option to complete the reports required by external groups (Valebnikova et al., 2018). Financial accounting is a branch of bookkeeping that specifically documents financial transactions inside businesses and generates output in the form of budget reports. The information shown in the financial reports is a framework for bookkeeping data that the organization has provided (Trigo et al., 2016). A framework for collecting, managing, and reporting data related to financial transactions is known as a bookkeeping data framework. Another definition of an accounting data framework is a framework with the ability to organize the structures, records, and reports created to give the financial data needed in making administrative decisions and can collaborate with the organization's board and friends pioneers. Advanced or electrified bookkeeping can be defined as the process of changing financial operations within the association electronically by executing a bookkeeping data framework in it. For organizations that have implemented data frameworks in their business, such as bookkeeping data frameworks, the archives created are computerized records, demonstrating that bookkeeping digitization has been implemented in their business exercises (Jasim & Raewf, 2020).

8002 3.5 Using Digital Tools to Improve Accounting The bookkeeping office will always have a huge responsibility to supervise firm accounts (Moudud-Ul-Huq et al., 2020). This office is in charge of monitoring financial data and cash in and out. There will be consequences when the bookkeeper is late for work, which might be disastrous for the company. Entrepreneurs must sincerely encourage their employees to work even harder and more productively.

These pointers will be useful to us as we manage the company. Spreading out profitable processes throughout the same firm's financial chores is one way to provide the impression that your company is adept at managing its finances.

In order to prepare professionals who can handle the conventional technology-based accounting task, every corporation must be a mining minister. Due to the fact that these accounting administration activities involve payments, settlements, and the quick management of expenses, the company might ask staff to manage all areas (Enyi, 2016). In addition, business managers must consider how well customers and employees collaborate with technology and applications for managing funds and costs to contribute constructive ideas for sales accounting operations and other accounting. Once this is done, the business or company will have financial governance, and the report will be complete. It is explicable (O'Regan, 2010). In addition, employing this technology to direct work is easier than it was before it was invented using manual methods (Benjamin & Jennings, 2010). The key is that multiple work systems that are connected to their data and finances are always necessary for corporate accounting to function. Each employee must be properly trained using data efficiency, be able to improve their work skills with all company divisions, and have a system definition that makes sense because this work system prioritizes data. Once staff members are able to run technology effectively, they can continue to support the company by managing all financial accounting tasks that enable divisions, especially cash holders, to obtain accurate, correct, and accountable data. If the operational and technological employees can comprehend and use instruments related to firm accounting responsibilities, all of that can be completed swiftly (Chowdhary et al., 2019). 3.6 Educating the Business Staff The initial step in ensuring that the person responsible for the record is actually skilled was crucial (Gebauer et al., 2020).

They should make the decision to depart from any accounting and financial methods that the association has employed. Therefore, it is strongly advised that we try to improve the cash bunch's introduction. We offer a variety of setup options, including inside studios, outdoor events, close planning, and that's only the beginning. To fill openings in our accounting division, thorough training is essential, especially when a clerk is let go, relocates far away, or departs unexpectedly. When the necessity arises, a variety of agents who have received thorough training can take over to handle quick monetary errands (Ahmed, 2019). 3.7 Gather Outstanding Financial Communication Giving the cash group the accounting division's expectations will help them understand what they need to perform (Zmyslinski-Seelig, 2016). Describe the methods and strategies that our association developed early on in order to win their continued support. Be available to their insightful advice and viewpoints, incredibly sincere financial experts. In these innovative times, automate manual processes; manual bookkeeping that consumes the majority of the day should be abandoned.

Give the money office an operational bookkeeping framework to modernize their baffling attempts and increase productivity. This structure gives the employees the ability to produce reports, focus on gains and losses, close deals, record transactions, maintain exchange details, and manage

8003 evaluations in all, and more in a few seconds. The personnel can focus more on other important tasks by automating a lot of the laborious work (Gertler & Horvath, 2018).

## 1.4 DISCOUNT MANAGEMENT

Business is primarily about making long-term profits, despite the impression that many organizations have forgotten this. Pricing is one of the most effective tools available to business managers for generating profits, which is why some companies are willing to spend enormous sums on customer willingness-to-pay research. If the price setting is optimized in relation to the competition and the company's marketing strategy, this can significantly improve the bottom line.

However, "pricing" becomes more complicated for businesses that offer discounts frequently than it is to just get the original list price correct. Discounting is sometimes left up to the salesperson's judgment rather than being a systematic process, therefore procurement experts have gotten rather effective at utilizing this "gut feel" method to their advantage.

The purpose of discounts

Let's first examine the primary reasons why salespeople provide discounts. Discounting is not necessarily a bad thing, especially for B2B businesses where discounts are accepted as the norm. Although there isn't an entire list of reasons why businesses give discounts, some frequent ones include those that are given to:

Promote large-scale purchasing

Obtain favorable payment terms

Obtain favorable delivery terms

Encourage customers to promote the brand penalties for performance

Reserve a certain shelf space.

Etc.

When salespeople begin offering discounts without being able to categorize them or when they make sense from a revenue viewpoint but not from a profit perspective, discounting goes wrong. Such behavior frequently comes with the justifications "I'm going to bag a major order, they'll buy much more next time" or "I had to provide it to seal the transaction."

As previously mentioned, discounts should be employed when there is a benefit to the business. However, it is impossible to identify the "profit leak" without keeping track of when and why discounts are issued. The majority of businesses will record any discounts between the list price and the invoice price before ceasing to do so. It results in a weak relationship between order quantity and discounts, as shown in the illustration below:

discount control

Discounting should indicate the customer's willingness to pay or the company's desire to receive something in return, but because some salesmen have a tendency to discount carelessly, those who have savvy procurement specialists typically receive the biggest discounts.

Differentiating based on Capability to Pay

It is crucial to understand how price sensitive a procurement department is and what they are genuinely prepared to pay, much like with end users. Businesses that operate internationally, in particular, need to understand how country-level variations in willingness to pay can be taken into account through discounting. Discounting is essential in this situation since varying list prices often increases the danger of parallel imports and major account issues. It's differential pricing in a business-to-business setting, and much like in a business-to-consumer setting, rates should be differentiated based on willingness to pay rather than who seems to be most irate.

Receiving Compensation

As previously mentioned, it is possible to negotiate a contract in which one party receives something in exchange for another, such as a discount in exchange for desirable shelf space, an early payment, or a reward for placing a large purchase. While we are not saying that these reductions should be eliminated, it is crucial that there be a system and a set of unambiguous rules for granting them. We call this "counter discount management," which entails having salesmen explain why they offer discounts, followed by supervisors monitoring and approving discounts that differ from what is seen as customary. Although it may appear to be micromanaging, it serves as a tool to encourage salespeople's self-regulation just as much as the system requires them to.

You may effectively manage everything from one-time and transient discounts to ongoing promotions for certain consumer segments or customer groups with the use of discount management. Additionally, it enables you to monitor the effects of your promotions and discounts.

Effective discount management also makes it possible to calculate things like free-goods inventory, invoices, accounting, and more precisely. Every contemporary beverage company solution should include these features as basic functionality.

Discount Management is a standard feature of the Drink-IT beverage company solution.

image

State-of-the-art Overview and management of all discounts are made simple via discount management:

Take care of several discounts and promotions running at once

with integrated sales and purchases

Any parameter can be used to compute discounts.

Amount, volume, item, group, order, or period-specific discounts

periodic rebates with accruals and credit notes that are automatic

Take care of automatic promotions and free goods

Integrating detailed logging for analysis

Drink-IT Finance & Tax Management effectively integrates discount management.

### 1.4.1 CASH DISCOUNT

Cash discounts are incentives provided by a seller to a buyer in exchange for paying a bill in full earlier than the due date. In a cash discount, the seller typically lowers the amount owed by the buyer by a modest percentage or a predetermined sum of money.

Cash discounts are reductions that are intended to encourage clients to pay their invoices by a specific date.

A seller who offers a cash discount has quicker access to her money than she would without it.

A vendor that gives a 2% discount on an invoice with a 30-day payment deadline if the customer pays within the first 10 days of receiving the invoice is an example of a cash discount.

Knowledge of Cash Discounts

Cash discounts are reductions that certain retailers and service providers offer as incentives to get their clients to pay their bills on time. Early payment discounts and cash discounts can have similar names.

Cash discounts are referred to as sales discounts by the sellers and providers who are offering them, and purchase discounts by the purchaser.

Cash Discount Illustration

A vendor might give a 2% discount on an invoice with a 30-day payment deadline if the buyer pays within the first 10 days of receiving the invoice as an illustration of a standard cash discount. The seller would gain from giving the customer a little monetary discount because it would enable her to get the money sooner.

A seller might invest the money back into her firm to buy more products or expand it in other ways as soon as she receives the cash. The amount of the cash discount is occasionally indicated as a fixed sum, although it is typically expressed as a percentage of the invoice's total cost.

The terms of a cash discount are often stated on an invoice in the following format: Percentage discount [if paid within x days] / Net [usual number of payment days].

Accordingly, the information might appear on the invoice as "2% 10 / Net 30" if the seller is giving a discount of 2% of the value of an invoice if it is paid within 10 days or standard terms if it is paid within 30 days.

The conditions of cash discounts come in a wide variety and are frequently standardized within a certain industry.

A seller may provide a cash discount to a buyer in order to: 1) spend the money sooner if there is a cash flow problem; 2) save the expense and trouble of charging the client; or 3) reinvest the money in the company to accelerate growth.

A provider of goods or services may benefit from cash discounts by receiving the money earlier than she would otherwise. With this money, she might expand her business more quickly and cut costs elsewhere, like office overhead.

First off, we've all been in a tight financial situation; for example, the seller might require the money to pay one of her own expenses on time. In the second of the aforementioned reasons, billing may not only be a time-consuming administrative task but also an expensive one. The majority of big, prosperous companies don't even consider this. However, a young professional or a fledgling business may be attempting to control their prices for labor and supplies

Think about a young physician who is opening a private practice. Patients who pay in cash on the day of the appointment receive a 5% discount from the doctor.

It may appear that the doctor is losing money by allowing his patients to pay less, but in reality, he is saving a ton of money by forgoing the administrative costs of billing, mailing statements for unpaid amounts, processing partial payments, not collecting amounts owed, etc.

In the third situation, startups and young professionals can frequently benefit from financial boosts to help their enterprises expand more quickly.

Cash Conversion Cycle and Cash Discount

Cash discounts can shorten a company's cash conversion cycle when applied effectively (CCC). The number of days it takes for a business to convert its investments in inventory and other resources into cash flow from sales is known as the cash conversion cycle.

The CCC makes an effort to quantify how long each net input dollar is held hostage in the manufacturing and sales cycle before it is turned into cash. The metric takes into account how long it takes to sell merchandise, collect receivables, and how long a company has to pay its bills before facing penalties.

Receiving a cash discount at any point during the CCC may increase the company's efficiency and reduce the time it takes to turn resources into cash flows.

When comparing the relative values of close competitors, analysts and investors may find the cash conversion cycle to be particularly useful. The CCC aids in determining a company's overall viability when used in conjunction with other basic ratios like return on equity (ROE) and return on assets (ROA). For instance, the CCC might forecast the performance of its management group. By calculating how long a company will go without cash if it increases its resource investment, the CCC can also indicate the liquidity risk that an organization faces.

One of the best investing courses now offered is worth looking into for those who are interested in learning more about cash discounts and other financial subjects.

### 1.4.2 TRADE DISCOUNT

The amount by which a manufacturer lowers the retail price of a product when it sells to a reseller rather than to the final consumer is known as a trade discount. In order to make a profit on the difference between the price at which the manufacturer initially sold the goods to the reseller and the price at which it ultimately sells the product to the final customer, the reseller then assesses the full retail price to its clients. If the reseller wants to increase market share or get rid of surplus inventory, selling at a discount is a frequent practice. However, the reseller is not required to resell at the suggested retail price.

The trade discount could be expressed as a certain monetary amount off the retail price or as a percentage off. If the reseller purchases more products, the trade discount typically grows in magnitude (for example, a 20% discount for orders of 100 units or less and a 30% discount for bigger orders). If a manufacturer is attempting to develop a new distribution channel or if a merchant has significant distribution power and can therefore demand the additional discount, a trade discount may also be abnormally substantial.

To circumvent the trade discount and charge clients the full retail price, a manufacturer may try to set up its own distribution channel, such as a company website. Since the business must now directly fulfill client orders, offer customer care, and maintain the distribution route, this could cause disruption in the distributor network and may also have a negative impact on corporate earnings.

Taking a Trade Discount into Account

A trade discount wouldn't be entered by the seller in its accounting records. Instead, it would simply record sales in the customer's invoiced amount. Invoices to resellers that include both the retail price and a trade discount would have an exceptionally high gross sales amount, which could fool any readers of the financial statements to believe that the manufacturer has a bigger sales volume than is actually the case (despite the presence of a large sales deduction for the trade discount).

A Trade Discount Example

ABC International provides a trade discount to its resellers. A green widget costs $2 at retail. 500 green widgets are ordered by a reseller, and ABC offers a trade discount of 30% on that purchase. As a result, the reseller receives a bill from ABC for $700 rather than the $1,000 total retail price. Therefore, the trade discount is $300.

A functional discount is another name for a trade discount.

What is Trade Discount?

A trade discount is a recurring drop from a product's usual, set price. A business can alter the final price depending on the volume or status of each customer by using trade discounts.

Keep in mind that early-payment incentives and trade discounts are not the same. Trade discounts are not recorded in a separate account by either the seller or the buyer (early-payment discounts of 1% or 2% are often recorded by the seller in an account such as Sales Discounts and by the buyer using the periodic inventory technique in an account such as Purchase Discounts).

Illustration of Trade Discounts

A distributor of goods can have a single catalog with a single price shown for each item. However, based on the volume of each customer, the distributor permits a trade discount from the catalog price. One product, for instance, might have a $100 catalog price. The cost for a casual customer is $100. However, a reseller will pay $80 after receiving a trade discount of 20% off the catalog price. Last but not least, a certified high-volume wholesaler will be charged $73 and receive a 27% trade discount.

Selling Records at a Trade Discount

The seller of the product (as well as the purchaser) will record the transaction at the amount remaining after deducting the trade discount. For instance, both the seller and the buyer will record the sale as $730 when products with list prices totaling $1,000 are sold to a wholesaler who is eligible for a 27% trade discount. There won't be a trade discount general ledger account.

Cash Discount vs. Trade Discount Record in journal

On April 1st, 2018, Mr. X paid Mr. Y the $8000 list price for some goods. Mr. Y granted Mr. X a 10% discount off the list price for making bulk purchases of the goods. In addition, he was given a $500 discount for paying right away.

First, the trade discount, which is 10% of $8000 ($800) and is not recorded in the books of accounts, is permitted on the list price of the items.

Next, the $500 cash discount that Mr. X received for making the quick payment is permitted and was applied to the item's invoice price. The books of accounts must reflect the cash discount.

Every organization's ultimate goal is to boost sales income.

the trade discount is the main means by which it is accomplished. Yet another technique for achieving the goals of the organization is a cash discount. Customers typically have a habit of haggling and providing these discounts, which helps a business achieve its goals and keep the consumer. As a result, it will benefit both the customer and the company.

It raises the buying volumes, as was already mentioned. Also, it raises the organization's credit risk. However, because it is not reflected in the books of accounts, it has no impact on the organization's profit margin; nonetheless, as cash discounts increase, the profit margin of the company declines. So, both types of discounts have benefits and drawbacks that should be considered before using them.

### 1.4.3 VOUCHERS TYPES

A voucher is any written record that attests to the correctness of the accounting for the transaction and the entries made in the account books.

For instance, a bill, an invoice, a receipt, a pay slip counterfoil, a checkbook counterfoil, or a trust deed.

A redeemable transaction bond in the form of a voucher has a set cash value and can only be used to purchase certain items or services. Vouchers for housing, transportation, and meals are a few examples of this.

Accounting Receipt

Once we have a supplier's invoice in hand, we create a voucher. When a cheque or digital payment is sent to a supplier, it must be stamped as "paid" and then archived with any accompanying paperwork.

Account payable systems use a method known as a "payment run" to generate payments that match the outstanding vouchers. The voucher can be used to correct an account in accounts receivable. Additionally, the voucher—known as a journal voucher—can be used to change the accounts in the general ledger.

Parts of a Voucher

This is most frequently observed in manual payment schemes, where it functions as a control mechanism. Typically, a voucher includes the following details:

Supplier reference number

The sum owed

When the money will be transferred

The liability will be recorded by the payables.

any legitimate early payment discounts

The seal or signature of approval

Various Voucher Types

Vouchers come in a variety of forms in accounting. As follows:

Voucher for debit or payment

Voucher for credit or receipt

supporting receipt

voucher for non-cash or transfer (Journal voucher)

Benefits

A few advantages of keeping vouchers are as follows:

To maintain better control over the payables process, vouchers are helpful.

The number of checks needed can be decreased by paying multiple bills at once.

It makes the payables audit trail simpler and can be pre-numbered.

In order to maximize productivity and make planning simpler, invoice approval and payment are kept separate.

The cashier is responsible for collecting invoices and reporting to the treasurer.

Associated Terms

Tender

There is a lot of dealing and trading of goods and services when it comes to the business industry.

Charge Note

A debit note is a record that a seller uses to remind a buyer of ongoing debt responsibilities or one that a buyer creates when returning things that were lent to them.

Debt-to-equity ratio (D/E)

A financial and liquidity ratio called the debt to equity ratio shows how much debt and equity a company employs.

Non-Performing Assets, or NPA

It speaks of credit advances and loans that are in default or arrears.

Turnoff Point

The shutdown point is the decision moment for a business owner to either temporarily halt operations or permanently close their company because they no longer see any need to do so.

Coopetition

Coopetition refers to business relationships that combine competition with collaboration.

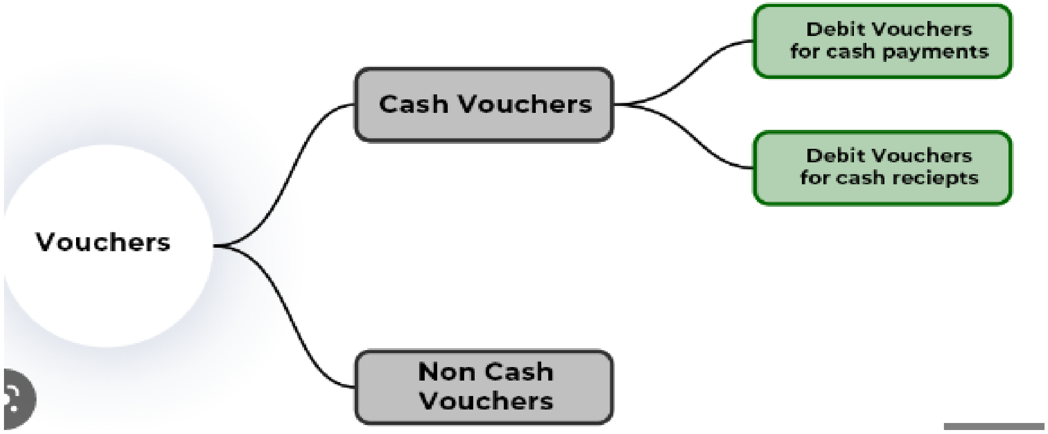



**Fig 1.1 Vouchers**

### 1.4.4 BACKUP

Data backup is related to automation, software, and IT, including backup of accounting and bookkeeping data. However, given the importance of accounting data in guaranteeing financial stability and business survival in the context of this discussion, backup is just a sound operating practice.

Automation significantly helps organizations streamline their accounting and bookkeeping processes, including:

improved transaction tracking and recording

timely account and card transaction reconciliations

tracking of payments due without worry

when tailored, improved collections and effectively handled cash flow

fewer paperwork for the human resources department, especially in small and medium-sized firms

Accounting backup is essential for firms regardless of the industry for a number of reasons:

#1 Business sustainability and continuity

Business continuity is another reason why accounting data backups are important.

Any data loss can endanger the viability and continuity of a small firm if all of the data is stored on a single device and there is no backup. The management of cash flows is intimately tied to accounting data. Invoices and receipts are important indicators of income and accounts payable. Any loss of this kind of information is equivalent to a direct loss of the money the information was worth.

Accounting data is exposed to numerous risks, including loss as a result of:

issues with the devices it is stored on

destruction of paper records if the accounting and bookkeeping is primarily manual or if only a few people have access to it and they leave the company.

Accounting data can be quickly saved, retrieved, and accessed with the use of backups, guaranteeing that the financial stability of the company is not threatened by an unanticipated crisis affecting data records.

the importance of accounting data backup in an infographic

#2 Data access for monitoring or auditing reasons

Audits frequently highlight the need for improved accounting and bookkeeping operations. Every transaction must be documented, reconciliations must be carried out on time, and data must be archived and stored in a way that makes it accessible.

Inadequate backup might cause audit delays and setbacks. Data may be challenging to get when needed, even though many organizations keep all data safely, including paper receipts. For small to midsize businesses, physical storage can occasionally become hectic, especially if the company is going through a development period. Small pieces of paper that are prone to being lost or misplaced may be used to record transactions. Sometimes invoices and receipts are misplaced and cannot be found. A prompt backup can prevent this issue.

#3 The impression of inadequate financial standing

Losing important accounting data could make the company less strong. Lack of backup can impact the organization's financial management, disrupt cash flow and accounts receivable, and result in erroneous payments and income. All of this has a detrimental effect on the company, creating a perception of inefficiency and bad financial health

Accounting data backup is important because it gives corporate stakeholders access to financial information as needed, particularly for the purpose of making well-informed decisions.

Having a solid backup protects corporate interests

Backup problems and obstacles cannot be solved in a single step by automating accounting and bookkeeping. Automation may just be a waste of resources if not done intelligently, even for small to medium-sized organizations that may find the convenience of cloud accounting conducive to enhanced data protection.

The type of business, the sector it works in, and the variety of goods and services it offers will all affect the accounting and bookkeeping requirements. When you choose professional accounting help, you can be confident that your benefits will be maximized, including cost savings and improved technical support for individualized data storage, access, and retrieval. A commercial partnership can guarantee that corporate interests are protected because of the following:

have a sufficient infrastructure, sparing the company from needing to make financial expenditure

are knowledgeable with corporate best practices and industry developments.

put in place proven technical support and backup to allow enterprises to get going quickly.

Critical databases or related line-of-business applications are subject to a backup procedure. Service-level agreements (SLAs), which define how quickly data must be restored, as well as specified backup policies, which describe how frequently the data is backed up and how many duplicate copies — known as replicas — are necessary, manage the process.

Best practices include scheduling a comprehensive data backup to happen at least once per week, frequently on the weekends or outside of normal work hours. Enterprises usually arrange a series of differential or incremental data backup tasks that only backup the data that has changed since the last full backup in addition to weekly full backups.

The development of backup media

Businesses usually backup important data to specialized backup disk equipment. The operation of copying data to the disk appliances is controlled by backup software, which may be built into the appliances or running on a separate server. Data deduplication, for example, is a process handled by backup software that reduces the amount of physical storage space needed for data. Moreover, policies that control the frequency, number, and location of backups are enforced by backup software.

Before disk replaced magnetic tape drive libraries as the primary backup media in the early 2000s, the majority of enterprises utilized them to store data center backups. Today, tape is still utilized, but primarily for preserved material that does not require immediate restoration. Yet, the fundamental idea of backing up data to removable media has not changed. Some firms now use detachable external drives instead of tapes.

Businesses could accomplish continuous data protection thanks to disk-based backups. Organizations generally produced a single nightly backup before disk-based backups. In the beginning, all nightly backups were complete system backups. The backup windows either decreased or stayed the same size over time, while the backup files grew. Many businesses were compelled to use nightly incremental backups as a result.

Platforms that offer continuous data security totally avoid these problems. As data is added or modified, the systems first execute a full backup to disk and then incremental backups every few minutes. These backups can safeguard both unstructured or file data as well as structured data, which is information kept on a database server.

Initially, disk backup required a separate server to host the backup software. This program managed the backup procedure and transferred backup information to a storage array. These systems quickly became popular because they served as online backups, enabling on-demand data backup and restoration without the need to mount a tape drive.

Backup companies are moving more and more toward integrated data protection appliances, even though some backup packages still employ separate backup servers. An integrated data appliance is just a file server with HDDs and backup software at its most basic. These plug-and-play data storage devices frequently have preloaded tape libraries, extensible storage, and automated features for monitoring disk capacity.

The usage of hyper-converged systems as the foundation for backup platforms is now being offered by some backup manufacturers. These systems are made up of clusters of standardized servers that work together to manage tasks connected to backups. The fact that hyper-converged systems scale easily is one of its key advantages. A hyper-converged system has integrated storage, computation, and network resources on each node. By simply adding more nodes to the cluster, administrators may increase the organization's backup capacity.

Most disk-based backup appliances allow copies to be transferred from spinning media to magnetic tape for long-term retention, whether hyper-converged or not. Because of rising tape density and the development of the Linear Tape File System, magnetic tape systems are still in use.

Since they incorporated disk that functioned similarly to tape drives, early disk backup systems were referred to as virtual tape libraries (VTLs). In this approach, disk might be treated as a physical tape library by backup software programs designed to write data to tape. Once backup software providers geared their products for disk rather than tape, VTLs lost some of their ubiquity.

Data backup with solid-state disks (SSDs) is uncommon due to cost and durability issues. SSDs are sometimes offered by storage companies as a caching or tiering technique for controlling writes on disk-based arrays. Particularly in hyper-converged systems, this is frequent. In flash storage, data is first cached, and after that, it is written to disk. Flash devices could become more popular for backup when SSDs with more capacity than disk drives are released by companies.

For primary storage, local backup versus offline backup

Primary storage systems in use today have improved to include stronger native data backup capabilities. Advanced RAID protection systems, limitless snapshots, and tools for replicating snapshots to secondary backup or even tertiary off-site backup are some of these characteristics. In spite of these developments, primary storage-based backup is frequently more expensive and does not have the indexing features offered by conventional backup packages.

Local backups save copies of the data on magnetic tape or external HDD devices that are often located in or close to an on-site data center. The information is sent via a company intranet or a secure high-bandwidth network connection.

The ability to backup data behind a network firewall is one benefit of local backup. Also, local backup is speedier and gives you more control over who can access the data.

Similar to local backup, offline or cold backup is most frequently used to back up databases. Since the backup procedure takes place when the database is removed from its network, an offline backup results in downtime.

Cloud backup and storage

Data copies are transmitted to a remote location via off-site backup, which may be a company's second data center or a rented colocation facility. Off-site data backup is increasingly comparable to subscription-based cloud storage as a service, which offers low-cost, scalable capacity and removes the need for a client to buy and maintain backup hardware. Choosing backup as a service (BaaS) requires users to encrypt data and take additional precautions to protect data integrity, despite its rising popularity.

The following categories apply to cloud backup:

obtainable cloud storage. Customers send data to a supplier of cloud services, who bills them a monthly subscription fee based on the amount of storage used. The entry and exit of data are subject to extra charges. The three biggest public cloud service providers are AWS, Google Cloud, and Microsoft Azure. Smaller managed service providers also manage customer backups on the big public clouds or host backups on their own clouds.

private cloud archiving. Within a company's firewall, data is backed up to various servers, generally between an on-premises data center and a secondary DR site. Because of this, internal cloud storage is another name for private cloud storage.

hybrid cloud computing. A business uses on-site and off-site storage. Businesses often use public cloud storage sparingly for long-term data retention. For quicker access to their most important data, they employ private storage for local access and backup.

The majority of backup providers make it possible to backup local apps to a specific private cloud, thereby considering cloud-based data backup as an extension of a client's physical data center. Disaster recovery as a service is a mechanism that enables apps to fail over in the event of a disaster and fail back later.

The alternative strategy of cloud-to-cloud (C2C) data backup has been gaining popularity. Data on SaaS platforms, like Salesforce or Microsoft Office 365, is protected via C2C backup. Although SaaS suppliers frequently charge exorbitant rates to recover data lost due to user error, this data frequently only lives in the cloud. In order to restore SaaS data in the event of data loss, C2C backup copies the data to another cloud.

### 1.4.5 RESTORE

Every business is required to keep accounting records and to submit regular accounting and tax reporting. Accounting and tax accounting, however, occasionally weren't kept or were maintained inaccurately for unknown reasons.

Then, in order to get your business back to running properly, you should make an appeal to businesses that provide accounting restoration services.

the need for accounting recovery

The difficult process of accounting restoration aims to organize all of an organization's financial records. The process involves bringing the credentials stored in the database, reports sent to the tax authorities, and prior submitted declarations into accordance with the law.

When accounting restoration is necessary:

• Accounting was not kept up with at all, and for some reason there was a gap in the records of several months.

• Financial force majeure resulted in the total or partial loss of documents.

• An incompetent employee maintained accounting with several errors and infractions.

• A dishonest employee purposefully misrepresented accounting or tax data.

• When a firm reorganizes, when its status changes, or in other circumstances when it is not possible to quickly transition to the necessary accounting system.

Additionally, accounting restoration should be done in advance of significant tax audits. In this situation, outside experts will assist in locating and correcting the principal problems, and the owner may ensure that all taxes and payments are computed properly.

Additionally, a restoring procedure should be carried out if the business wishes to automate activities, including accounting. By doing so, dangers will be reduced, errors will be removed, and programs will be correctly configured in accordance with the law.

Potential effects

If the accounting has not been kept up to date for an extended period of time for some reason, there have been discovered to be significant errors, and the accounting restoring procedure has not been completed, the company may be subject to numerous penalties. As a result, issues with the tax collection process and other public services may inevitably occur. Fines, the taking of corporate assets, and bank account seizures will result from this.

In the worst-case scenario, managers of the corporation may face criminal charges, and the business would be forced into liquidation. Other times, a company's partners, contractors, or financiers may have issues.

Accounting restoration services are far more affordable than paying penalties for errors in declarations. Additionally, by following this method, potential criminal charges for tax evasion or other breaches can be avoided.

Accounting fees for resuming service

Two categories of accounting restoration exist:

• thorough accounting restoration.

• reinstating accounting in part.

When current reporting has faltered and needs to be repaired, a partial restoring method is necessary. Additionally, it is used when only specific categories or portions of records need to be organized or when information was not entered into the registers or declarations were not submitted for several months. If the complete database was lost or it wasn't maintained at all, a thorough accounting restoration is necessary. The process is fairly drawn out and difficult.

What factors into how much accounting restoration services cost:

• the work's scope;

• a recovery strategy

• the business's taxation policy;

• the necessity of the action.

The healing process can take a few weeks or up to two months.

Accounting restoration phases

The methods and timing of accounting restoration will vary depending on the workflow's details, the company's activity area, and any existing accounting gaps. But the process as a whole is essentially the same

Express-audit of accounting

At this point, experts undertake diagnostics and document analyses. You can decide how much work needs to be done to restore accounting by identifying the key errors and flaws. Specific duties are created during this phase, and the terms of cooperation are laid out.

creating a job schedule

A thorough work plan is created to be carried out after the professionals become familiar with the current scenario. Not only does it outline all necessary steps and practices, but it also specifies when they should be carried out.

handling the paperwork

The accounting restoration is then handled by specialists. Contracts, acts, invoices, cheques, and other essential documentation are all processed by them. Recreated accounting registers are made based on these papers.

Report creation and submission

The information received is checked against the information provided by the contractors when all registrations and documents have been restored.

Reports on taxes are being created and sent. Then, the tax service's fines and other penalties are paid.

At the conclusion of the restoration procedures, suggestions are made regarding how the business should continue to keep accounting and tax records in order to prevent future issues.

## 1.5 USE OF TALLY FOR INVENTORY MANAGEMENT

Inventory management establishes the amount of stock a company should hold and the frequency of its replenishment. The goal is to always meet consumer demand while avoiding understocking and overstocking for the business's smooth operation. Because they don't have deadstock or unsold inventory on hand, businesses that manage their inventory wisely operate more efficiently. Idealistically, a company should have enough inventory to match demand and be ready for unforeseen events when there is a demand increase.

The appropriate stock level, when to refill stock, and how much should be set aside for contingencies are all determined by inventory management algorithms. You can utilize some or all of the inventory formulae for better understanding your business inventory, depending on the sort of inventory you maintain. By selling the product at the proper time, inventory management increases revenue. Every firm, including brick-and-mortar retailers and e-commerce companies, must practice inventory management.

Here are some reasons why inventory management is a difficult procedure.

Demand is unpredictable

Numerous factors can influence demand, and customer desire is subject to change. Think of the epidemic, for instance. It altered consumer preferences and highlighted some necessary products. Managing inventory is a challenging undertaking since it is impossible to foresee what a consumer would desire right now. This is due to the difficulty in predicting customer demand.

Space use is challenging.

It can be difficult to maintain inventory, especially if a company sells a variety of products. Businesses must make effective use of the warehouse area if they want to avoid having unsold inventory. It gets harder to store effectively if the company has several warehouses. It takes a lot of time to run each warehouse effectively.

calculating the stock on hand

There are numerous ways to figure out the inventory at hand. Because it is a laborious and time-consuming operation, it is still a problem that many organizations face. It is error-prone, especially when an effective inventory management system is lacking. Due to the fact that your workers will be counting inventory the majority of the time, this could have an effect on other areas of your organization.

Unanticipated issues with the supply chain

Any supply chain disruptions will immediately affect your business and may result in issues if they happen. Order deliveries may be delayed and your regular business operations may be interfered with by natural catastrophes and other issues. Businesses can never be totally ready for a crisis because it is difficult to forecast when one would arise.

What steps make up the inventory management process?

The following is the inventory management procedure.

Step 1: Purchase inventory

You place an order for the raw materials and the components you need for the final items as the first stage.

Step 2: Keep track of and keep stock

You will keep an eye on the stock your supplier sent you, then store it as needed to keep it secure and accessible. A system for effective inventory storage will be in place.

Step 3: Verify stock levels

The inventory levels will be checked, and you'll keep a record of them. Any inventory management system can be used to lower mistakes.

Customers place orders in step four.

Customers place orders based on your location and the setup of your business. A system then approves these orders.

Send orders to clients in step five.

After finding the necessary things the consumers ordered, you package them and ship them to them.

Update inventory level in step six.

You will change inventory levels once the item has been delivered so that they correctly represent the stock you currently have on hand.

Step 7: Stock up on supplies

In order to prevent the supply from getting too low, you will replenish your inventory as needed. Restocking will be based on past orders, other insights, and demand forecasting data.

Formulas for inventory management

The following are the key formulas for inventory management.

Inventory movement

The quantity of things that have been sold and replaced over time is indicated by inventory turnover or stock turn. It can help firms decide how much inventory to keep on hand and how to set prices. When the ratio is low, it indicates overstocking, and when it is high, it indicates insufficient inventory. You can compute the inventory turnover on a monthly basis. The following is the inventory turnover formula.

Inventory turnover is calculated as the cost of goods sold divided by the sum of the initial and final inventories.

The goal of the economic order quantity formula is to lower the price of maintaining inventory. It makes clear how much shares a corporation ought to have. Set-up expenses, holding costs, and demand rate are taken into account by EOQ. The EOQ value illustrates how much inventory a company should hold to meet demand from customers at a specific period. These steps can be used to compute the EOQ.

Sales conversion rate

You may comprehend the inventory you sold after getting it by looking at the sell through rate. You can use it to determine how quickly your finished goods generate income. A poor sell-through rate indicates overstocking or a decline in consumer demand. A high sell-through rate indicates that your inventory is being used effectively and that you have enough of it to meet client demand. The following is the sell-through rate formula.

(Number of units sold / Number of units received) multiplied by 100 is the sell through rate.

Ordering point

When to stock inventory depends on the reorder point. It informs you of the ideal moment to place a stock order. The main advantage of implementing this inventory management formula for your company is proper stock management, but it is also very beneficial. Calculating the reorder point might be time-consuming if you have numerous product lines. The following is the reorder point formula.

Lead time demand plus safety stock equals the reorder point.

security stock

The stock you should store out of reach in case of emergency is known as the safety stock. A zero inventory situation, in which there is no stock, is avoided by setting aside some goods. This may occur if your supply chain is disrupted, making it difficult for you to maintain your inventory, or if an emergency strikes without warning. It is advised that all firms compute this to be more ready. The following is the safety stock formula.

(Maximum daily consumption x Maximum lead time) = Safety Stock (Average daily usage x Average lead time)

Despite the fact that many individuals mistakenly use the words stock and inventory interchangeably, there is a subtle distinction between the two: stock refers to finished goods, whilst inventory refers to raw materials utilized in production and the finished goods.

Describe inventory.

An organization's inventory is a collection of idle physical objects with economic worth that are kept in a variety of ways, such as a stock that is awaiting packing, processing, transformation, usage, or sale at a later date.

Any business engaged in the manufacturing, trade, sale, or service of a product must keep inventories to facilitate future consumption and sales.

In the majority of firms nowadays, automated systems handle crucial operations like producing sales orders, invoicing, or financial reports. In order to automate numerous activities in multiple departments like Sales, Inventory, Operations, etc., third-party software such as ERP, CRM, or DMS is employed. Most businesses utilize Tally Integration software to facilitate seamless export and import of their business data from these third party/external applications to Tally and vice versa because Tally is the foundation for any finance-related data entry.

Software for accounting, payroll, taxes, and inventory is called Tally. Accounting solutions, financial and inventory management, sales and purchase management, invoicing, reporting, and MIS are all things it may assist a firm with. A company's Tally data contains vital information such as inventory records, financial transactions, creditors and debtors lists, sales records, and even taxation details. Organizations may improve their sales or procurement cycles, manage inventories, and do many other things by integrating third-party apps with Tally since they can access practically real-time data across platforms/software.

EasyReports has built-in Tally Integration capabilities out of the box. Users can quickly import masters, transactions, and stock listings. The ability to adapt Tally software to meet the needs of a particular business is one of its major benefits. Users can even import their Tally Customized into other programs thanks to Tally Integration capabilities. Inventory management is a crucial component of running a business. Businesses that utilize external software for inventory management can improve the quality of their stock lists by using the Tally modification fields.

A business can benefit from integrating the inventory software with Tally in the following ways:

Track inventory items

An organization's stock can be more efficiently organized with the use of inventory management software. Users can import all inventory data, as well as various stock groups, stock subgroups, and product stock categories, by integrating with Tally. Moreover, new stock items may be submitted under a specific warehouse address. Via the Tally reports, users may view stock across several warehouses. This enables them to decide which warehouse needs to utilise the supply first. It is also possible to maintain inventory items in batches. This makes it simple to keep track of when each batch's expiration dates.

multiple measurement scales

Buying stock items from several vendors is a big aspect of inventory management. These stocks are purchased based on quantity, which is expressed in units. The software can create different units of measurement for efficient inventory management by interacting with Tally. Several units of measurement, such as dozen, carton, kilogram, and litre, can be used to store items. Even the same stock item can be kept in different units of measurement. For instance, a wholesaler might buy plastic bottles for a set price per kilogram but sell them in cases of twelve.

Stock movement statistics

When it comes to maintaining a record of all inventory transactions, Tally software is quite systematic. By using Goods Receipt Notes, Delivery Notes, Stock Transfer Journals, Manufacturing Journals, and Physical Stock Journals, it preserves thorough records. Stock Registers preserve complete records of all stock movements. The ability to transfer all of these thorough stock records into inventory management software with Tally Integration is only advantageous.

Movement Evaluation

The Movement Analysis report created by Tally aids an organization in determining the suppliers and consumers of a product, as well as the rates at which the product is purchased and sold. Users can use this report to assess each item and select the price that would be most advantageous for both the supplier and the client. Only when the inventory software is connected with Tally can users receive this important benefit.

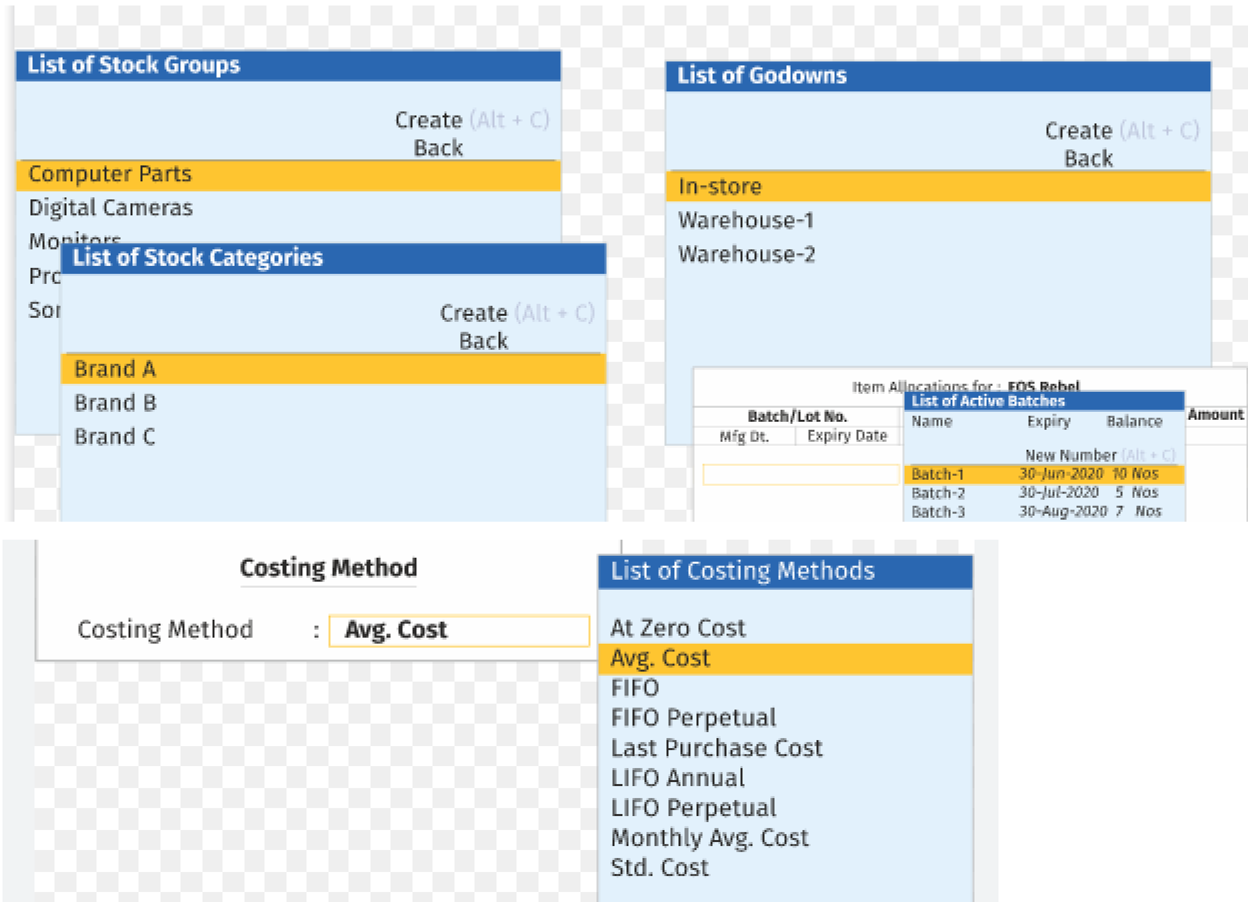
Elder Analysis

Tally's stock ageing analysis makes sure that a company doesn't buy new shares before the old stocks are depleted.

The age of the stock on hand is shown in the Ageing Analysis report. It categorizes the entire inventory as an age-wise split.

These Tally reports assist inventory software in identifying the slow-moving products, preventing the re-ordering of commodities that are not being used.

Using tried-and-true technologies, EasyReports Tally Integration offers easy connection for masters and transactions. With their own ERP software, it has provided integration services to Asia's leading consulting firm, demonstrating the stability and range of its capabilities.




### 1.5.1 Inventory Information Stock Groups

The definition of stock groupings is provided below. You should be familiar with stock items before we explore stock groups. Stock items are the main inventory entity, just like Ledgers.

Using stock items, you will record receipts and issues for each. This is the most basic inventory data available. You must construct each object you want to account for. For each item, you will actually construct a stock ledger account; InventoryPlus refers to this account as "Products Details."

In the inventory section toolbar, under "Groups details," stock items can be grouped together to indicate their classification based on some shared characteristics. The ability to group would

make it simple to locate and report stock items in statements. As a result, you can group together things from the same brand to extract the stock of all those items.
For instance, make stock groups for LG, Samsung, and the iPhone. Then, your stock products could include LG G3, Samsung S5, Samsung S6, iPhone 4s, iPhone 5, iPhone 5s, etc. Include the Samsung Stock Group in the classification of the products. You now have fast access to all Samsung product data that are properly categorized. Even better, you can divide things into raw products and finished goods. For in-depth examination, you can create subgroups inside Stock Groups.
This screen should be used to configure how InventoryPlus manages stock, and the appropriate group should be mapped for each product in the Products Details page. Different stock management systems can be configured with the help of the stock maintenance drop-down; this is discussed in more detail with video tutorials in the areas that follow
Within Group
Indicate if it belongs to the group as a whole or is a subgroup of another group. Choose from the pop-up menu. In this case, we choose Primary from the list. You may manage the stock by hierarchy with this.
Upkeep of Inventory
From the list, choose. Three options are provided by InventoryPlus to manage the inventory. Here, choose the stock handling categories.
Stock management is not necessary because this unit is typically used for trading. Only choose Stock handled by "None" if you want to keep Stock Amount rather than Stock Quantity. Example: Trash bags. When creating the bill, the item name should be entered. When you wish to generate the Bill without managing stock, it is helpful. The system will enable the -ve stock quantity if this option is chosen. Because stock monitoring/controlling is deactivated for this item, InventoryPlus will not be monitoring the stock quantity while the sales bill is being generated. Instead, the system will accept any number of quantities.
Manage stock by quantity: This is the unit you would typically use for trading. Only choose the Stock handled by "Quantity" if you wish to keep the stock quantity and amount. For instance: Pens, Books, etc. Instead of the purchase rate, the product screen will fetch the sales and MRP.
Service - This should be used to generate service bills. The system will maintain the transaction amount rather than the stock when this option is chosen. Make sure you choose this feature if

you need to produce any service-related transactions. As an illustration, choose the service option from Stock maintenance in the Mobile Repair Shop and then establish the group called Mobile Service. Another illustration is that under this group, a doctor's prescription can be written in a hospital.

Manage stock by Batch/Serial No. - Only choose Batch Wise stock when managing the stock for an item according to the Batch number. Medicine, computer accessories, etc. You must provide the batch number for each item when entering a buy. When entering a sale, the system will ask for the batch number after you have chosen an item in order to subtract the selling amount, as shown in the screen picture below. This will be useful whenever stock management based on price is necessary.

Choose this option if you wish to control the stock based on the purchase invoice number.

Choose this option if you wish to control the stock depending on the batch number.

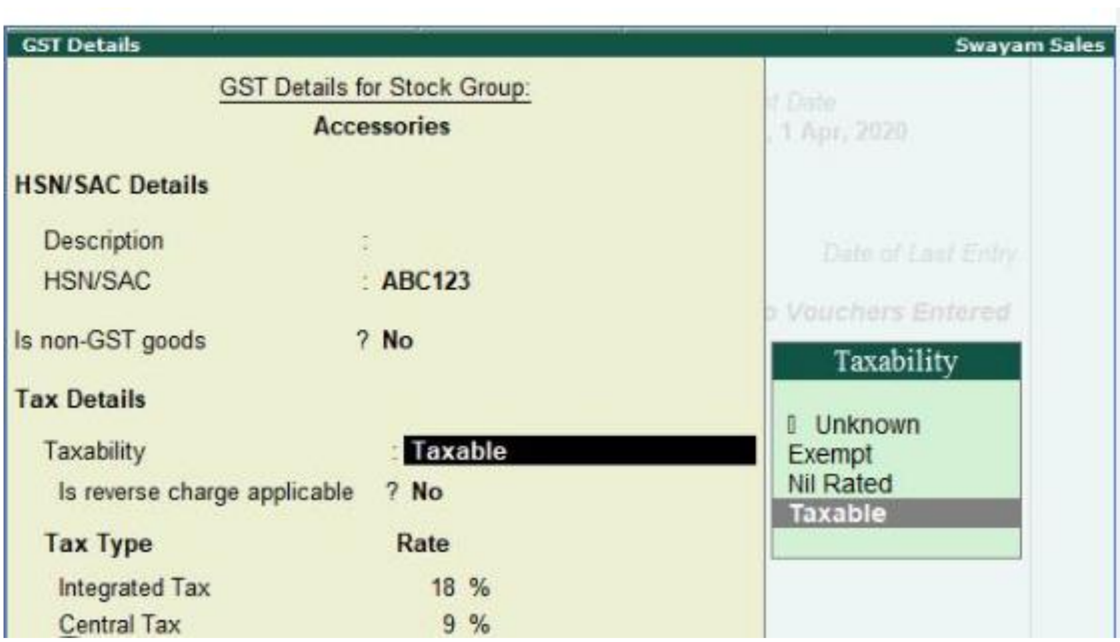
If you are purchasing the goods from multiple vendors at various prices and want to use the same selling rate entered at purchase, this option is the best one for you.

Choose this option if you wish to manage the item's expiration date. only stocks kept by Batch are eligible for the expiration date option.

Enable the expiration date feature.

Only if batch wise stock handling is chosen is this option enabled. By choosing this option, the Items' expiration date can be maintained. This is typically chosen for medications or any other item with an expiration date. Utilizing the reporting area, the system supports taking expired item reports. Stocks of expiring goods are trackable.


**Fig 1.2 Inventory Information Stock Groups**




### 1.5.2 Stock Items

Stock items are products that you produce or sell. It is the main inventory component and contains the most basic inventory data. In Tally, a Stock Item must be created. For each inventory item you want to account for, use ERP 9.

Access Inventory Info. > Stock Items in the Gateway of Tally.

image037

How to Create a Stock Item?

Stock items are products you produce or sell (sell and purchase). It is the main inventory component. Similar to ledgers used in accounting transactions, stock items are utilized in inventory transactions.

There are two ways to create stock items:

Standard Mode

Mode for advanced configuration.

Making a stock item in the default mode:

Making a Stock Item entails

Visit the Tally Gateway and select Inventory Info, Stock Item, and Single Create (under Single Stock Item)

Stock The creation of the item is depicted.

Putting Up a Stock Item

Since it is only for show, you are not permitted to change any information while in display mode.

You can display the current Single Stock Item master and Multiple Stock Item masters.

To show just one stock item,

Select Inventory Info > Stock Items > Display from the Gateway of Tally (under Single Stock Item)

From the list of items, choose the stock item you want to show. As illustrated, the Stock Item Display panel is visible.

Putting Multiple Stock Items on Display

Select Inventory Info > Stock Items > Display from the Gateway of Tally (under Multiple Stock Item)

To display the stock item under the selected group or All Items, choose a stock group or All Items from the list of groups.

The screen for the Multi Stock Item display is shown.

Changing an Item in Stock

By choosing this option, you can edit the existing single stock item master and multiple stock item masters by viewing them in edit mode.

The item master settings can be modified in the Alteration mode.

It is impossible to change the units and remove the stock item if a transaction has already been entered for that item.

To Change One Stock Item,

Select Inventory Info > Stock Items > Alter from the Gateway of Tally menu (under Single Stock Item)

From the list of items, choose the stock item you want to change. As illustrated, the Stock Item Alteration screen appears.

A Multiple Stock Item Change

Select Inventory Info > Stock Items > Alter from the Gateway of Tally menu (under Multiple Stock Item)

To change the stock item under the specified group or All Items, choose a stock group from the list of groups.

**1.5.3 Units Of Measure**

The majority of stock items are bought and sold based on quantity. Units are used to measure the quantity in turn. It is required to develop the Unit of Measure in such circumstances. There are two types of units of measurement: simple and complex. Simple unit examples include numbers, meters, kilograms, pieces, etc.

Easy units of measurement

1. Select Inventory Info > Units of Measure > Create from the Gateway of Tally menu. As depicted below, the Unit Creation screen looks like this:

This field will display the units' kind.

• Plain

To compound.

Simple units include nos, pcs, etc. Two simple units are combined to form a compound unit.

Tally.ERP 9 will by default display the Simple unit for generating the unit of measure.

By clicking in that field or by pressing SHIFT+TAB [cursor will proceed to the previous field], you can choose the compound units.

2. Specify the unit's symbol, such as Nos. Printed materials and all displays use this symbol.

3. Specify the symbol's formal name, such as Numbers. When combining data from many companies, where the symbols may be the same but are assigned to various units, this formal nomenclature is helpful. We will refer to them by their formal names.

4. You can enter a number of decimal places for units ranging from 0 to 4 in this area. For units that use fractional measurements, this field is helpful.

Consider the kilogram unit. 1.255 kg, where 1 is the kilogram and 255 the gram. Three decimal places are needed for this unit.

Unit of Measure: Compound

A relationship between two Simple Units is known as a Compound Unit. As a result, make sure you've already built two Simple Units before creating a Compound Unit.

To construct a compound unit, such as a Doz (Dozen) of 12 Nos (Numbers), for instance, you must first create two simple units, a Doz (Dozen) and a Nos (Numbers), and then set the conversion factor to 12.

1. Select Inventory Info > Units of Measure > Create from the Gateway of Tally. The screen for creating units is presented as is. Now press the Backspace key or click on the type field.

2. Click Compound under Types of Units, then hit Enter. For constructing compound units, the Conversion field will be visible.

3. From the Units List, choose the First unit. The First Unit in the aforementioned case will be Dozen.

Provide the Conversion Factor in 4. The conversion factor in the aforementioned case will be 12.

Fifth, choose the Second Unit from the Units List. Number will be the second unit in the aforementioned illustration. It is also known as the Tail Unit.

6. To save the creation of a compound unit, press CTRL + A or accept the screen.

Modifying Units of Measure

The measurement units created in Tally can be changed.

ERP 9.

1. Select Inventory Info. > Units of Measure > Alter from the Gateway of Tally menu.

2. From the Units list, choose the Name of the Unit you wish to change. The Unit Alteration screen looks like the illustration below:

3. Make the required adjustments.

4. To accept, press Ctrl + A.

By using Alt+D, you can remove a unit of measurement. A unit of measure that is a component of a compound measure, however, cannot be removed without also removing the compound measure

Units of Measure Display

Since it simply displays Tally, you can display the currently used units of measurement.

You cannot change any information in display mode in ERP 9.

1. Select Inventory Info > Units of Measure > Display from the Gateway of Tally.

2. From the Units list, choose the unit of measurement you want to see. A compound unit or a simple unit can be chosen from the list. As seen below, the unit display screen looks like this:

Note: No modifications can be made while in display mode.

## 1.6 INVENTORY CREATION / ALTERATION

Stock Units of Measure Creation, Modification, and Removal in TallyPrime

Receiving and delivering items are the core ideas of trading activities. They are commonly referred to as PURCHASE or SALE actions. RAW MATERIAL, FINISHED GOODS, SEMI-FINISHED GOODS, etc. are all acceptable trading items. You can categorize the trading item using groups and subgroups for better organization.

Chart of Accounts Inventory Master:

Navigation: Chart of Accounts

1. Easy units of measurement

1. Go to the Tally Gateway, click Create, then type or choose Unit and press Enter.

Alternately, use Alt+G (Go To) > Create Master > enter after typing or selecting Unit.

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This field will display the units' kind.

Simple \sCompound.

Nos, PCs, and other simple units are examples. Two simple units are combined to form a compound unit.

TallyPrime will by default display the Simple unit for generating the unit of measurement.

By clicking in that field or by pressing SHIFT+TAB [cursor will proceed to the previous field], you can choose the compound units.

2. Specify the unit's symbol, for instance, "Nos." Printed materials and all displays use this symbol.

3. Include the formal name of the symbol, such as Numbers.

4. The department measures quantity in the submitted returns using the Unit Quantity Code (UQC), a standardized measurement unit. UQCs are employed to preserve uniformity and avoid

differences in quantities in the returns submitted by various businesses. Businesses are required to measure the amounts of items using the UQC from the department's list.

You can file the returns and map your unit of measurement to the UQC provided by the department using TallyPrime.

5. You can enter a number of decimal places for units ranging from 0 to 4 in this field. For units that use fractional measurements, this field is helpful.

Consider the kilogram unit. 1.255 kg, where 1 is the kilogram and 255 the gram. Three decimal places are needed for this unit.

2. Compound Measurement Units

A relationship between two Simple Units is known as a Compound Unit. As a result, make sure you've already built two Simple Units before creating a Compound Unit.

To construct a compound unit, such as a Doz (Dozen) of 12 Nos (Numbers), for instance, you must first create two simple units, a Doz (Dozen) and a Nos (Numbers), and then set the conversion factor to 12.

1. Go to the Tally Gateway, click Create, then type or choose Unit and press Enter.

Alternately, use Alt+G (Go To) > Create Master > enter after typing or selecting Unit.

The screen for creating units is presented as is. then select the Type field or

Press the Backspace key or SHIFT + TAB.

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2. Choose Compound from the Types of Units menu, then hit Enter. For constructing compound units, the Conversion field will be visible.

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3. From the Units List, choose the First unit. The First Unit in the aforementioned case will be Dozen.

4. Be specific about the conversion factor. The conversion factor in the aforementioned case will be 12.

4. Choose the Second Unit from the Units List. 5. Number will be the second unit in the aforementioned illustration. It is also known as the Tail Unit.

6. To save the creation of a compound unit, press CTRL + A or accept the screen.

3. Modification or Removal of Stock Units

The units of measurement that TallyPrime has established can be changed or deleted.

1. Go to the Tally Gateway, choose Alter, then type or choose Unit Name and press Enter to change.

Alternatively, you can use the keys Alt+G (Go To) and Alter Master, then type or choose Unit Name and hit Enter.

2. From the Units list, choose the Name of the Unit you wish to change. The screen for Unit Alteration appears.

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3. Make the necessary adjustments.

In order to accept, press Ctrl+A.

By using Alt+D, you can remove a unit of measurement.

A unit of measure that is a component of a compound measure, however, cannot be removed without also removing the compound measure.

The following options are available from this menu, where you can create the inventory:

Create your group here, such as raw materials, works-in-progress, finished goods, etc. Stock Group

Create your stock items here, such as a TV, sound system, VCD, and so forth.

Create your own units of measurement for items, such as LTR, MTR, PCS, BOX, etc.

We need to understand the definition of stock units of measurement before we can create the Inventory info menu.

Units of measure for stocks:

The majority of stock items are bought and sold based on quantity. Units are used to measure the quantity in turn. Similar to how money is measured in currency, stock items can be measured in units. As an illustration, use liters, meters, kilograms, pieces, boxes, dozen, etc. Following types can be used to categorize units:

Simple or Single Units: When a single unit is employed for both the receiving and the issuance of stock items. All of the examples of single units described above.

Compound Units: A compound unit is one in which two different types of Units may be employed for the receipt and issuance of a Stock item. For instance:

**1.6.1 Inventory Features**

Features of Tally ERP 9's inventory

The inventory features in Tally ERP 9 are customizations for inventory transactions and reports. The seven functions that make up the inventory features are as follows:

General

Organizing and Classifying

ordering procedures

Invoicing

Purchase Administration

Retail Management

Other attributes

starting the inventory features

The following steps should be followed: Tally Main > Gateway of Tally > F11: Features > Company Features > Inventory Features, or select F2: Inventory.

Features of Tally ERP 9's inventory

How to make inventory features available

Using the inventory features, we can enable or disable the options for regular business operations. The following screen will appear following the completion of the inventory features:

Features of Tally ERP 9's inventory

On the Company Alteration Screen, update the following information:

General

Integrate accounts and inventory: Select this option if you wish to include stock or inventory balances in your inventory records.

Enable Zero-Value Transactions: Select Yes for this option if you wish to allow zero-value transactions.

Keeping and classifying things

Maintain numerous godowns: Select this option if we have multiple storage facilities and godowns for the materials.

Maintain stock categories: Select this option if you want to define or keep track of stock categories.

Maintain batch-wise details: If we wish to keep track of stock items' batch-wise details, we should enable this option.

Set expiry dates for batches: Select this option if you want to keep the batch expiration dates.

Use distinct columns for the actual and billed quantity.

ordering procedures

Enable sales order processing: Select this option if you want to define sales orders.

Enable work order processing: Select this option if you want to define job orders.

If we wish to define job orders, we need to activate the processing of purchase orders option.

Invoicing

Activate Invoicing:

Keep track of purchases using invoice mode.

Create distinct discount columns in your invoice.

Utilize debit or credit notes:

Put debit notes in invoice mode to record.

Put credit notes in invoice mode to record.

Purchase Administration

Keep track of additional spending costs

retail management

Use a range of price points

Other attributes

Utilize material entry and exit tickets

Use both internal and external rejection notes.

Implement tracking numbers

For stock items, use cost tracking.

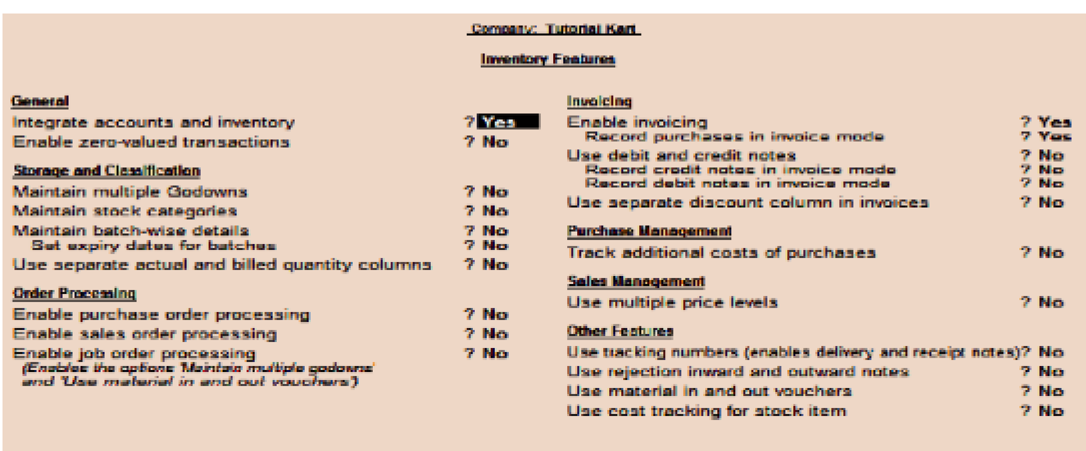


**Fig 1.3 INVENTORY FEATURES**

### 1.6.2 Invoicing of Daily Trades

A time-stamped commercial document known as an invoice lists the specifics of a transaction between a buyer and a seller and records it. The invoice often details the conditions of the contract and lists the acceptable forms of payment if goods or services were acquired on credit.

Paper receipts, bills of sale, debit notes, sales invoices, and online electronic records are examples of invoice types.

A paper receipt from a store or an online record from an e-tailer are examples of documents that retain a record of a transaction between a buyer and a seller.

A vital component of accounting internal controls and audits are invoices.

The accountable management employees must approve any charges that appear on an invoice.

The terms of payment, unit costs, delivery, handling, and any other conditions agreed upon during the transaction are typically detailed in invoices.

The Fundamentals of a Bill

An invoice must clearly identify itself as such on the front of the document. It often has an invoice number, a distinctive identification that can be used for both internal and external references. Invoices often include the seller's or service provider's contact information in case there is a billing problem.

On the invoice, payment terms may be listed together with any applicable discounts, early payment information, or finance costs for late payments. It also displays the cost of each unit, the total number of units purchased, the freight, handling, and shipping costs, as well as any applicable taxes, and it lists the total amount owed.

Invoices for all unpaid transactions may be sent as a simple month-end statement by businesses. The statement must mention that no additional invoices will be sent if this is the case.

In the past, invoices have been created on paper, frequently in numerous copies so that both the buyer and the seller had a copy of the document for their records. Computer-generated invoices are widely used right now. They can be emailed to the parties to a transaction or printed to paper on demand. Additionally, discovering and sorting specific transactions or dates is made simpler with the use of electronic data.

A pro forma invoice is a draft bill of sale that is provided to customers prior to the shipment or delivery of goods. The invoice will normally list the things that were purchased along with other crucial details like shipping costs and weight. Pro forma invoices are frequently used in cross-border transactions, particularly for import customs purposes.

The Value of the Invoice Date

The invoice date indicates the time and date that the items were billed and the transaction was formally documented. Since the invoice date determines the credit period and bill due date, it contains important information about payments. This is especially important for businesses that extend credit, like net 30. The invoice's actual due date is typically 30 days following the invoice date. Similar to this, businesses that provide customers the choice to return things usually have a deadline based on a specific number of days following proof of purchase, as stated on the invoice.

E-Invoicing

People and businesses have found it simpler to rely on electronic invoicing as an alternative to paper papers since the dawn of the computer era. Electronic invoicing, often known as e-invoicing, is a type of electronic billing used to create, store, and track records connected to transactions between parties and guarantee that the conditions of their contracts are met.

Invoices and receipts, purchase orders, debit and credit notes, payment terms and instructions, and remittance slips are some examples of these e-documents.

Typically, digital invoices are transmitted via email, a website, or an app. Among the benefits are the following:

permanence and physical injury resistance

Searching and sorting names, keywords, or dates with ease

higher auditability

the capability of reproducing or printing on demand

Data collecting and business intelligence capabilities

Reduced consumption of paper

E-invoicing, which refers to any process that presents an invoice to a customer electronically for payment, encompasses a number of technologies and entry choices. A number of e-invoicing standards, including EDIFACT and UBL, have been created globally to promote acceptance and effectiveness.

Accounts Payable and Invoices

For inventory, accounting, and tax purposes, invoices keep track of goods sales, which aids in keeping track of accounts payable and other outstanding obligations.

The total sum due becomes an account payable for the buyer and an account receivable for the seller because many businesses ship the product and expect payment at a later time.

Invoices sent today are not printed on paper, but rather sent electronically. The buyer may ask the seller for a duplicate of an invoice if it is misplaced. Because the seller has supplied a product or rendered a service without being paid in advance, the use of an invoice signifies the presence of credit.

Purchase orders, which are made prior to a customer placing an order for a good or service, are distinct from invoices.

Internal Controls and Bills

A crucial component of internal accounting controls is invoices. The accountable management employees must approve all charges before they appear on an invoice. Alternately, a purchase order and an invoice are compared, and after the data is reconciled, payments are made for approved transactions. When checking for expense cutoff, an auditing firm makes sure invoices are recorded in the proper accounting period.

An invoice is a written statement of the products and services that a business provides to a client and the terms of the client's financial obligation to pay for those goods and services. The accounting system of a small business is built on invoices. An invoice explains what services you provided, how much your client owes you, and when payment is due.

For small businesses, invoices are essential since they serve as the official records that enable companies to get compensated for the services they provide. According to the Oxford English Dictionary, an invoice is "a list of items shipped or services provided, with a description of the sum payable for these; a bill."

Invoices are used as a source document in accounting. Invoices are generally used by commercial organizations to record all sales transactions with their clients.

Every company and professional issues one to keep track of sales made and services rendered. Companies utilize invoices for a variety of purposes, including the following:

The basis for requesting clients or customers to make on-time payments is the invoice.

to maintain a record of the purchases or sales.

to keep track of the company's inventory.

To forecast upcoming revenue, invoices can be used as historical data.

to maintain records of business revenue for tax purposes.

When is a bill raised and sent out?

In ordinary business jargon, invoices are sent for the supply of products as soon as they are delivered, with a customary credit term lasting up to 30 days from the invoice date.

Invoices for the provision of services must be submitted on a monthly basis by the end of the month. Once more, a 30-day credit period is applied starting from the invoice date.

Nonetheless, the GST law generally dictates when tax bills must be raised. For the supply of products and services, there are different deadlines for issuing invoices. For additional information, see our article on the deadline for submitting invoices and bills of supplies.

A due date for an invoice is what?

A due date should be included on invoices to encourage prompt payment.

The term "due date" in a broad commercial context refers to the latest date by which a payment on an invoice may be made before it becomes past-due or past-due. These dates indicate when a payment is due, and missing that deadline will result in a number of penalties and interest charges.

Including the due date in the invoice will keep the customer informed because an invoice is a legal document that is a component of a sale. It eliminates any ambiguity regarding the payment's due date and the potential for information about the payment to be withheld.

Indian legislation governing billing

In order to sell products or services to clients, GST-compliant invoices must be provided if your organization is registered for GST in India. An invoice can be in any format that is acceptable. However, according to Rule 46 of the CGST Rules, certain fields on the invoice are required to be present.

With staggered implementation based on turnover, the country will transition from optional to required e-invoicing standards on October 1, 2020. In order for the GST Network to validate and authenticate an already created standard invoice, e-invoicing entails submitting it to a common e-invoice portal or invoice registration portal.

A tax invoice serves as proof of supply under GST, making it essential for the purchaser or recipient to claim Input Tax Credit (ITC). The recipient must have an invoice to claim the ITC, as stated in Section 16 of the CGST Act.

The Indian Customs law also makes reference to business invoices for imports and exports in addition to GST. A commercial invoice and packing list must be sent with the customs declaration form, also known as the Bill of Entry or Shipping Bill, in accordance with current Customs rules for both import and export.

For customs reasons, the business invoice and packing list are crucial since the former establishes the worth of the imported or exported goods. The latter also facilitates the examination of quantity and duty.

the various invoices that companies may send to their clients or consumers.

The most typical type of invoice, used primarily by small firms, is a basic invoice. It may be customized to match most sectors and billing cycles.

Credit notes and debit notes are the next items on the list. Other names for it are debit memo and credit memo. For lowering and raising the values of previously raised bills, respectively, credit and debit notes are employed.

Credit notes are employed, for instance, when a company wants to offer a discount or a return to its clients or consumers. Debit notes, on the other hand, are utilized to raise the original invoice's quantity or value.

The pro forma invoice is yet another variety of invoice. Before providing services, a business will send a consumer a pro forma invoice as an estimate. A pro forma invoice estimates the cost of the work that has to be done and provides that information to the client. Pro forma invoices must be modified to appropriately reflect the hours worked once a project is finished.

A commercial invoice is a record offered by a business for goods it offers to customers all over the world. Commercial invoices provide the sale-related data necessary to compute customs duties for international transactions.

When a business or employee bills for services based on the number of hours they work and the hourly rate they are paid, they utilize a timesheet as an invoice. Timesheets are used by contract employees who are paid hourly by their employer.

Other invoice kinds include expense reports, interim and final invoices, past-due invoices, recurring invoices, and electronic invoices.

Optimal invoice structure and content

It's important to consider the services or supplies, your clients' wants, and your company's or business objectives when choosing the ideal invoice template for your firm's invoicing.

Choosing a format that enables you to bill for your services while still getting paid on time is the key to choosing the ideal invoice.

In order for you to manage your billing, a suitable invoice format is prepared with your needs in mind.

With a professionally written invoice, you can bill customers for your services or sales, set up account information, receive payment on time, and have all the information you require, including tax information.

The appropriate invoice format can make it simple to charge for your supplies and receive money from clients or consumers. To fit your needs, your invoice must first be formatted and customized.

To ensure that you are paid appropriately and on time, structure your invoice with all pertinent information. This information will not only help you be paid by your customers, but it will also assist you manage the financial aspects of your business. If you utilize the right format, your invoice will be more organized and efficient

In addition to meeting business and customer needs, the organization must follow all applicable GST legislation and e-invoicing regulations.

A perfect invoice would include the items listed below:

a header that features your company name and logo

A unique identity or an invoice number

Information about your company's location

Billing date

The number and description of the sold goods or services

Extra fees, taxes, or levies

sum total due

Terms of payment

dates for completion

The following elements should be present on a tax invoice:

Address, name, and GSTIN of the vendor or seller

If the recipient or buyer is registered under the GST HSN code or SAC for goods and services, their name, address, and GSTIN must be provided.

Serially numbered and distinct invoice number for each fiscal year.

Invoice types, such as tax invoices, supplemental invoices, and updated invoices

Description of the provided products or services

quantities of products and services in units
Each item's tax rate is listed on the invoice.
Separate columns for the CGST, SGST, IGST, or UTGST amounts
Condition of the supply and the source
total number of supplies of goods and services
If the delivery address differs from the supply location,
Reverse charges must be properly disclosed if they apply.
Digital signature of the vendor or another authorized individual
The ideal GST invoice produced by billing software looks like this:

A web-based form, an online bank, or the seller's billing software are used to create an electronic invoice. The buyer's software may then receive a straight forwarding or download of the electronic invoice file. Also, the electronic invoice generated by invoicing software can serve as the foundation for the construction of a ledger and the accounting of the buyer's or debtor's account.

With electronically generated invoices, or e-invoicing, problems like manual data entry errors, gaps in accuracy checks, and software swapping can be eliminated. The invoice needs to be in a format that the buyer's system can understand in order for this to happen.

Electronic invoices are not scans of paper invoices or documents that have undergone OCR processing. Also, it cannot be in manual editing-required formats like Word, Excel, or PDF.

The following are some ways that ClearOne Invoicing software benefits companies and professionals:

Select from many invoice templates in accordance with your company's demands.
helps one create and add fields to an invoice according to their business needs.
Fills in client and item information automatically on the invoice
makes it possible to quickly seek up HSN codes to check for mistakes.
keeps up with the most recent government regulations and is future-proof
enables quick and simple document exchange with consumers
Receive instant access to e-way bills, e-invoicing, and GST

### 1.6.3 Inventory Reporting

Inventory and sales statistics are extremely informative in the retail industry. However, close to 50% of small businesses either don't track their inventories or do so manually.

Retailers are therefore vulnerable to false reporting. Even while it might seem trivial, when using data to guide company decisions, it could mean the difference between a sales season that tanks and one that succeeds.

In the sections below, we'll discuss what an inventory report is and how to make reports that will help your retail business.

An inventory report is a summary of the stock that a merchant currently has. It summarizes information about the state and performance of inventory, including specifics like how much stock you have, which products are selling the quickest, category performance, and other statistics. You can use a variety of inventory reports, each with a specific function.

Elliot Walters, implementation manager at Stitch Labs, argues that inventory reports are crucial for keeping track of the most valuable and expensive asset in your company. Inventory is essential to the success of retail enterprises because without it, there would be nothing to sell.

The knowledge it delivers merchants about their business is essentially what makes inventory reporting valuable. The top performers in the sector are data-driven, and metrics for inventory reporting offer broad and detailed perspectives on the company's operations.

According to Chris Guillot of Merchant Method, "Retail is both an art and a science, and inventory reporting is a crucial component of that science." They assist you in developing a compelling, fact-based business narrative. Because directional data is more informative than no data at all, the data doesn't have to be "huge data."

Walters provides a real-world illustration of data-driven insights. Monitoring inventory shrink over several months "may indicate possibilities for the merchandising team to re-merchandise to prevent theft, opportunities for the operations team to discover SKU integrity mistakes and areas of internal theft," the author claims. "With inventory reporting, a single report will make information from several departments useful."

report on an inventory

Juli Lassow, creator and principal of JHL Solutions, advises thinking about what you want to gain out of the inventory report before acting. The key performance indicators (KPIs) your organization will monitor should be described, she advises. This will keep your reporting process focused and actionable given the large number of metrics to take into account.

Think about your tech stack, or the software programs you employ to manage your company's technology. For the process to go more quickly, to reduce human error, and to sync data amongst tools, you'll need trustworthy inventory management software. In actuality, software integration problems account for 15% of inventory distortion problems.

Even if it is technically possible to use Excel spreadsheets and manual reports, using contemporary technology, such as Vend's POS system, will make inventory reporting simpler, more precise, and more valuable. Guillot claims that retailers who use POS systems can create reports more quickly than those who don't track sales and inventory down to the SKU level.

When everything is ready, it's time to run the data.

Create your shopping list first.

Export this data from your POS, your inventory control program, or another database that has the data. Include fundamental details like the quantity of units you have on hand, their location, the versions they belong to, their serial and SKU numbers, their pricing, and other essential details. The details you provide will be heavily influenced by the queries you are trying to get answered.

2. Decide on a timeline.

You must collect all metrics from the same time period in order to avoid having inconsistent data. You might zoom out to a year or into an hour. Make sure you are comparing like with like when comparing eras. In other words, you'll probably see a significant change if you compare June sales figures to November ones because of holiday customers.

3. Execute the reports.

The next step is to decide which reports to run and how to produce the numbers. Guillot advises beginning with canned or auto-generated reports. The POS dashboards and pre-built reports are excellent places to start your study, according to her. But bear in mind that getting an accurate picture of your end-of-period (EOP) inventory is unlikely without an enterprise reporting system or best practices for tracking your inventory ownership across time.

The only universal recommendation for frequency of inventory reporting is to make it a regular practice and to always do it before and after a recognized busy time.

monthly and weekly

Utilize your inventory management solution, POS, ecomm storefront, and data exporting capabilities to retrieve inventory reports, advises Walters. Additionally, he adds that it depends on the data and the user. Weekly and monthly reports may be helpful to various teams. A weekly report, for instance, can help the merchandising and marketing team compare how the introduction and positioning of a new product affects sales of current ones.

After brisk selling seasons

Guillot emphasizes the value of examining the analytics following hectic selling seasons. Create inventory reports following each significant business period, she advises. Creating and analyzing reports at the conclusion of each week, month, quarter, half, and year is frequently a part of this. Reports should be generated following other noteworthy occasions, such as the holiday season. Both your sales trends and period over period growth are significant. Compare the holidays of 2019 and 2018."

Considering how your business is run

Lassow advises taking a close look at your company's activities. Do you place orders on a regular basis, such as daily, weekly, or monthly? Important information from inventory reports can be used to guide purchases. Given the rapid pace of change in the retail industry, she asserts that it is crucial to monitor inventory health in order to manage consumer satisfaction and business profitability.

many inventory report formats could be used

You can get numerous kinds of inventory reports, as we previously said. Each has its own objective, target audience, and insights. But don't forget to connect the data together as well.

According to Lassow, inventory management cannot be done independently of other important merchandising indicators. "And the inventory planning team cannot do it alone."

So where should we begin?

Guillot instructs, "First, evaluate your auto-generated reports."

However, she issues a word of caution: "Remember that without an enterprise reporting system — or best practices to record your inventory ownership across time — it's unlikely that you'll obtain an accurate look at your end of period (EOP) inventory," she adds. Any size shop needs EOP inventory to realize the full potential of inventory reporting, according to the author.

1. Availability of stock

Reports on inventory on hand show the number of product units and current stock value that a retailer has in each of their stores. This is essentially a measurement of the capital you now have in your inventory, which aids in forecasting, budgeting, and financial planning as well as reordering.

2. Small stock

The annual loss to retailers from out-of-stocks, overstocks, and returns is $1.75 trillion. Reports on low stock inventories let you know which items are getting low. This report is essential when taking the cost of out-of-stocks into account. If you constantly experience stockouts, customers will stop coming to your store and start buying elsewhere. This makes it easier for you to monitor items with low stock levels and place prompt reorders.

Tristam Eriksson, the retail business development manager at Vapouriz, and his coworkers frequently assess their reorder levels to ensure they consistently have enough to meet demand.

3. Report on product performance

You may learn which products are the most profitable and well-liked from these inventory data. Consider examining the time between purchases. You should look into why it isn't selling right away, for instance, if there was a considerable period of time between the first and last sale dates. And you can think about placing the greatest orders if you have products that are selling like hotcakes.

Use the sales velocity and aging inventory data, according to Walters. "Your creative team, planning, merchandising, and marketing might benefit from having visibility on sales success by styles," he says.

4. Reduce

Shrink in 2017 cost global retailers close to $100 billion. It represented 1.85% of retail sales in the United States. Those are gains you worked hard to obtain, despite the fact that they may appear little. You can analyze rates over time with the aid of shrink reports to see if a greater issue needs to be addressed.

5. Report on inventory replenishment

The inventory replenishment report includes data on your closing inventory, sold goods, daily sales, days covered, and average cost. You can use this report to determine how quickly specific products are moving so that you can order stock appropriately.

Additionally, it can reveal market trends and client demand, which can help you make a choice about how much inventory to keep on hand.

6. Comparisons to standards

According to Walters, "Inventory visibility is not something that develops overnight." "Developing and perfecting best practices takes months." Industry averages are useful, but they don't take into account the differences that each retail store must deal with. Comparing yourself to yourself is the finest comparison you can make. You'll be able to build benchmarks in your data over time, allowing you to keep track of how well you're doing over time.

According to Guillot, "any individual report will show a portion of what's happening in your organization." You can hone your analytical skills and manage future inventory investments by periodically triangulating the data in each of these reports.

## 1.7 UNIT END QUESTIONS

**A. Descriptive Questions**

**Short Questions**

1.What is digitalization of accounting?

2.How does digitalization affect accounting?

3.What is digitization in finance?

4.Why is digital accounting important?

5.When did digital accounting start?

**Long Questions**

1.Is accounting becoming automated?

2.What is digital bookkeeping?

3.What are the applications of digital financial services?

4.What are the digital skills of accounting professionals needed in the future?

5.What is a digital finance system?

**B. Multiple Choice Questions**

1. The account which increases equity is known as?

    a. debit Account

    b. Credit Account

    c. Revenue

    d. treasury Stock

2. What are the long-term assets which do not have any physical existence?

    a. Intangible Assets

    b. Tangible Assets

    c. Current Liabilities

d. Current Assets

3. What is the supporting evidence in a business transaction called?

a. Journal

b. Ledger

c. Voucher

d. Contra Voucher

4. The Expenses, Profit & Loss of an organization are recorded in which account?

a. Current Account

b. Personal Account

c. Nominal Account

d. None of the above

5. Which person owes an amount to a business organization for buying goods and services on a credit basis?

a. Creditors

b. Debtors

c. Owner

d. None of the above

Answer :1.c,2. a,3.c,4.c, 5.b

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# UNIT- 2 INVENTORY CONTROL

**STRUCTURE**



## 2.0 OBJECTIVES

After studying this unit, student will be able to:

Learn about

- Material Availability.
- Better Level of Customer Service.
- Keeping Wastage and Losses to a Minimum.
- Maintaining Sufficient Stock.
- Cost-Effective Storage.
- Cost Value of Inventories Can Be Reduced.
- Optimizing Product Sales.

## 2.1 INTRODUCTION

Inventory control, also known as stock control, is the procedure used to guarantee that a business has the appropriate amount of supplies on hand. As long as internal and production controls are in place, the business can meet client demand and maintain financial flexibility.

Data from purchases, reorders, shipping, warehousing, storage, receiving, customer satisfaction, loss prevention, and turnover are all necessary for effective inventory control. Nearly half of small businesses, according to the 2017 "State of Small Business Report," do not maintain their inventory, not even manually.

Without compromising customer pleasure, inventory control offers the greatest profit from the smallest stock investment. When done correctly, it enables businesses to evaluate their existing situation with regard to assets, account balances, and financial data. Out-of-stock (stockout) situations can be avoided with the aid of inventory control. For instance, Walmart calculated that stock outs caused by insufficient inventory control methods cost it $3 billion in sales in 2014.

Supply chain management (SCM), which controls the flow of goods and services to the location where a business or its consumers consume them, is a crucial component of inventory control. The area of stock control also includes warehouse management. The integration of product coding, reorder points, reports, all product information, inventory lists, counts, and selling or storing techniques are all part of this process. Sales and purchases are then coordinated by warehouse management with the inventory on hand.

A more general word called inventory management refers to the entire process of buying, storing, and selling your products or services for a profit. While inventory management and control may seem to be the same thing, they are not. What is already there in the warehouse is governed by inventory control. The scope of inventory management is much broader, governing everything from the contents of the warehouse to the method of delivery and the final location of the item.

More than only finished and unfinished commodities should be covered by inventory control techniques and policies. The items that a business could manage utilizing these techniques are all represented in the following graphic.

Inventory Control's Scope Goes Beyond Finished and Raw Goods

inventory management

The various facets of inventory control in a business are depicted in this diagram.

Any business that sells products has one of the highest capital expenditures: inventory. This sort of company's balance sheet is likely to show that inventory consumes a significant amount of working capital and makes up a sizable component of current assets.

Controlling inventory helps businesses avoid the significant expenses associated with overbuying inventory and the stress of operating without it. Even though certain businesses that use just-in-time ordering may have incredibly low inventories, almost every industry needs some sort of inventory, which is best controlled through inventory control systems.

A corporation may discover new cash available for growth or profits if it can reduce inventory. A corporation may have better sales and once again higher profits if it needs to carry more inventory and strict inventory control procedures increase inventory levels. Inventory control is a surefire approach to reduce costs and manage any kind of product in your warehouse, stock room, supply room, or storefront.

Implementing appropriate inventory control procedures can assist guarantee that a company is operating at its peak financial potential and that its products match the needs and expectations of its consumers. 62% of customers have discontinued doing business with a brand because of bad customer care, according to the 2015 "Global State of Multichannel Customer Service Report". Frustration over backordered or out-of-stock items tops the list of customer service grievances. In fact, studies on convenience stores reveal that stock shortages may result in a complete loss of one out of every 100 customers. Additionally, when their preferred item is out of stock, 55% of customers in any retailer would not buy an alternative. Inventory control techniques and procedures could also help organizations in other areas where they incur costs or lose sales, such as:

- Spoilage
- stock dead
- Extra storage expenses
- Cost-efficiency
- reduced sales
- losing devoted clients
- surplus stock
- inventory tracking being lost
- things missing from the storehouse

According to David Pyke, professor of operations and supply chain management at the University of San Diego and co-author of Inventory and Production Management in Supply Chains, now in its fourth edition, "owners of small and emerging businesses would be stunned to see how much help and money they can save by wisely managing their inventory. Many small businesses struggle with cash flow, and a large portion of their capital is locked up in inventory. The best techniques strike a balance between managing inventories and meeting client demand.

For some firms, fully delving into the concepts and practices of inventory control may be too much. The advice provided below can assist you in determining what has to be done before introducing a new inventory management procedure:

A Good Inventory Control Plan Must Include These Important Elements: Investing in a software program that handles your warehouse supply is insufficient. A solid inventory control strategy takes into account your orders at every stage, from manufacture or acquiring to selling the goods and ultimately erasing them from your books. Reducing unused warehouse space, placing supply orders with the help of a forecasting formula, and establishing vendor connections are all factors that should be taken into account by an inventory control program.

Any manager who is worth their salt will tell you that inventory management and control are ongoing processes that extend beyond the confines of the warehouse. Your plan should be updated frequently before implementation. You should be monitoring metrics, revising your monthly estimates on a weekly basis, and adjusting your stock management strategy as necessary. On the basis of global events, it can also be necessary to modify your inventory management strategy.

Make Sure You Always Have Critical Stock: Determine which stock is essential and make sure that it never runs out, whether it be machine components or an item that drives sales. You should set up an inventory control procedure for this.

Review Every Shipment Thoroughly: When an item is first delivered to your company, inventory loss often starts. Check the merchandise and packing slips carefully for any damage.

Select the Appropriate Members for the Inventory Management Team: Although employee buy-in is important, ensure those chosen to own the inventory control processes are qualified for the position. They should be able to complete the work successfully because math should be one of their strengths. Your inventory management team should ideally consist of individuals who have experience with each stage of the procedure, from warehouse managers to procurement experts to floor pickers. Smaller companies should think about including some front-line personnel and all managers.

As much as you can, gather similar items together in one location. Additionally, only one storage site should be used for special products.

Find a Balance Between the Costs of Having Stock on Hand and the Benefits of Having Inventory: Finding the ideal balance between the expense of producing and keeping the goods and preventing stock outs is essential for creating an inventory control system that is actually effective. The funds of your company are invested in that stock. Fortunately, learning enough about your industry will help you select the appropriate procedures and forecasting strategies. You want to find the overall cost of your inventory, taking into account things like perishables and warehousing fees, and balance it against the cost of stockouts and the demand.

Examine Different High-Level Plans: You should probably focus on other aspects of your business if you do not have effective management over your inventory. Do you have a quality management plan that is adequate? Have you recently reviewed your facility management plan?

It can be tempting for small firms to acquire software systems that are universally applicable or, conversely, free or inexpensive. Instead, choose a scalable solution. Systems built on the cloud may expand with a company and offer the analytics you need to keep your firm expanding.

Your software can only be as effective as your processes; it can only automate inefficient procedures.

No matter how sophisticated the software or carefully considered the procedure, be sure your company has a backup plan for power outages and theft. A cloud server is always preferable than a local server.

Tips for Success from an Inventory Management Professional

inventory control

The business sector has a poor understanding of inventory management and control, according to inventory control specialist Dr. Pyke. They receive only superficial training, and occasionally they use their meager experience in their practices. Sometimes it works out really well. However, in my 30 years of experience, I have observed that thorough training and management of inventory control can result in significant cost savings.

"There are undoubtedly instances where flow might be improved, similar to Toyota's Kanban approach for maximizing setups. While maintaining that balance, businesses should be proactive rather than reactive in their sequencing system. Planning allows you to look at the fundamental mechanics and go forward from there. Depending on the circumstances, the system you use can significantly change how you really perform.

How to Maintain Inventory Control?

To evaluate what you have, you must first identify what you have and where you store it. This is the essence of taking stock. Not every firm or each stage of an organization's growth and development need the same warehouse control techniques. Some techniques are excessively complex, particularly for smaller businesses.

Four Common Methods for Inventory Control

You should be able to track inventory levels, make orders, and distribute products using your system. Some fundamental inventory tracking systems are as follows:

Manual: The simplest approach to keep track of what comes in and goes out is to manually record inventory using a ledger or a stock book. Utilizing this kind of system is acceptable for small enterprises with few products. Because it is a real record that you cannot mine and use for planning, this system can be difficult.

Stock Cards: Stock cards, also known as bin cards, are used in a little more complicated technique. A stock card is a table that keeps track of each product's running unit price, selling price, and inventory count. In sizable warehouses or stock rooms, utilize unique cards for every item. The system keeps track of purchases, sales, refunds, and other stock withdrawals for purposes like promotions. On the stock card, you can make extra notes on the item, such as any issues it may have. Consistent updates are essential for a stock card system to function well. Additionally, you need to keep track of any unexpected stock pulls to avoid having erroneous data.

Simple Spreadsheets: To keep track of inventory, many firms, particularly small ones, use spreadsheets. Spreadsheets are a technique to begin automating and electronically gathering product data, whether they use Microsoft Excel or something comparable. You may make sure that you have access to the most recent stock levels and statistics by updating often and using simple scripting. These systems may be rapidly modified by businesses to suit their needs. Users will need in-depth understanding of the spreadsheet's functionality because every person who creates a spreadsheet does so slightly differently. Because there are no high-level macros or coding connections that allow the spreadsheet system to automatically update itself, this approach is also referred to as manual.

Simple inventory software is typically affordable and geared for small and medium-sized businesses. This straightforward automation frequently runs on the cloud and integrates with your point-of-sale program to produce real-time, automatic stock adjustments. Additionally, you may use analytics and statistics to compare costs, place reorders, find the best- and worst-selling products, and dig into order specifics or customer behavior. Some straightforward inventory management software programs can be expanded to include more sophisticated features as your company expands.

Some companies prefer to remain with the straightforward methods of inventory management. Other businesses make growth and scaling plans. Added tools for tracking inventory include:

Advanced Software: Most of these focused software solutions for tracking inventory can interact with current software, are scalable, and offer analytics and templates. Many small and medium firms may now afford advanced software since it is no longer prohibitively expensive.

Inventory Control System Types

Systems for inventory control and monitoring are accounting techniques for keeping track of the quantity of inventory. Inventory across stores, warehouses, and even the internet is frequently monitored by large corporations. Periodic and eternal tracking systems are the two basic systems.

Comparing the perpetual system and the periodic system

Comparison of the Periodic and Perpetual Systems

System of Periodic Inventory

Due to the lack of complicated software or inventory scanning, the majority of small enterprises continue to employ periodic inventory management. Periodic physical counts of the inventory are necessary for a periodic inventory system. The demands of the firm determine the accounting periods, but inventory is not tracked continually or daily. All transactions are instead recorded to a purchase account. The sum in the purchase account is transferred to the inventory account after the physical inventory is completed. The inventory account is then adjusted to reflect the cost of the ending stock. Either FIFO (first in, first out) or LIFO can be used to determine the cost of ending inventory (last in, first out).

When carrying out a physical inventory count, the problems with the periodic system become especially clear. The majority of regular business operations must be put on hold during this time because it involves a lot of human labor. Many businesses employ more personnel and attempt to complete this work outside regular business hours, such as during a night shift. Because there is no way to track inventory between physical counts, which reduces accountability between inventories, and because it is harder to pinpoint the exact location of any inventory discrepancies, this type of system encourages fraud more.

**Continuous Inventory System**

Due to the necessity for hardware and software, the perpetual system could be more expensive to construct than the periodic system. The technology, however, instantly and continuously updated inventory figures. Through the point of sale and asset management software, this system computes inventory based on sales and purchases. You can maintain correct stock on-hand accounting in this manner. The greatest approach to prevent stockouts when your customers run out of a particular product is through continuous tracking. You can accomplish little employee contact with the products using a perpetual system.

When you employ this kind of system without additionally conducting physical inventories, difficulties arise. In other words, even after taking into consideration drop shipments and inventory that is on order, the recorded inventory may not always precisely reflect what is really in-stock over time. To make sure the system is accurate, you must take into account loss, theft, and broken or lost items. The inventory records are also impacted by mistakes and incorrectly scanned objects. Applying modifications that primarily take into consideration these factors will allow you to handle this mathematically. Although physical inventories are uncommon, experts concur that you need to employ a manual stock taking method to support a perpetual system. To make speedier decisions based on data, you can link these types of solutions with supply-chain automation.

Barcodes

A perpetual or periodic inventory system can both use barcodes. While some people might believe barcodes to be a component of an inventory management system, in reality, this equipment is covered by your current stock management system. Basically, each stock item has a little image with text or numbers called a barcode. A lot of information is stored in the text or numbers. This data is read by a scanner and sent to a database, which keeps track of the pieces and their locations. When a new product is received and distributed, the system runs scans. Even for small organizations, barcodes have a quick return on investment (ROI) since they reduce operating costs after implementation.

Additional advantages of barcoding include:

- the eradication of human mistake in data entry
- quicker gathering of inventory data

- Auto-updates to the inventory
- Streamlining of reporting and documentation
- facilitating the transfer of merchandise between several warehouses and departments
- Identifying minimal levels and rearranging essential levels is simple and quick.

Barcodes are a good idea to utilize on inventory since they provide accuracy and scalability for small and developing enterprises.

Identification Using Radio Frequency (RFID)

Another piece of equipment that is covered by an existing inventory management system are RFID tags. An example of smart tracking is RFID tags. More information is stored electronically on RFID tags than is feasible with traditional barcodes. Tags may be either passive or active: Batteries are a feature of active RFID tags, but not of passive tags. While active tags emit their own radio waves, passive tags are powered by the RFID reader using radio waves. To identify the stock and record any relevant data, both kinds of tags automatically update.

RFID tags are an efficient approach to safeguard expensive products and goods that need to meet additional security requirements, such medications. The greatest option for businesses where inventory security has been a problem is active tagging.

Although security is the main advantage of RFID, it also has the following features:

Remote Tag Reading: For passive tags, the reading range is about 40 feet, whereas for active tags, the reading range is 300 feet.

Multiple tags can be scanned by the system concurrently, allowing it to check in an entire pallet of goods at once.

Unique Tag Codes: You can assign tags unique identification codes to track unique products rather than just one sort of product.

Continuous Updates: You can send updates to the item, such as the warehouse location, via your active tag or by keeping the passive tag system operational, without having to change the actual tag on the item.

The following are some difficulties with RFID use:

- Scanners or handheld readers are needed for passive RFID tags.
- Some companies may find the cost to be unaffordable.
- The tools required for RFID tags are likewise required by the supply chain.

If you're thinking about employing RFID tags, you should know that prices have dropped recently. According to experts, placing RFID tags at high-risk areas adjacent to your stock, like at exits, is the ideal usage for them. Last but not least, an RFID system can provide details about products with a short shelf life to maintain quality control, such as when they were brought in and their expiration dates (if relevant).

The adoption of QR codes, which are similar to barcodes but can be read without expensive equipment, is a recent trend among small enterprises. A QR code reader app can be installed on a smartphone. Due to their matrix-like patterns, they also contain more data than a barcode. Unlike active RFID tags, which are both more expensive and active devices, QR codes are passive.

Methods of Inventory Control

Utilizing your company's contacts, experience, calculations, and forecasts, inventory control systems let you decide how much supply to maintain, sell, store, and order. Effective inventory management strikes a balance between cost reduction and customer satisfaction.

Days of Inventory Outstanding (DIO) is a metric used to determine how long a corporation keeps stock before selling it. Due to the financial linkages created by product stock, the DIO is an efficiency measure. The DIO should be as minimal as possible, especially for small businesses. DIO scores have climbed by 8.3% over the last five years, indicating that businesses' inventory control procedures have gotten worse. In addition, more warehouse space is required, which entails...

The best inventory control strategy can differ from company to company. Whatever approach you select, make sure that its policies and procedures are apparent to staff. If your process includes software, seek for systems that provide the essential capabilities your business requires, not just a one-size-fits-all bundle. Whether using SKUs or a more intricate system, item labeling is the first step towards organizational control. The implementation of quality standards and policies is necessary for quality control.

Pick a Management Improvement Methodology: These approaches go beyond simple inventory management. With a management approach that you adhere to, your company can be improved from top to bottom. Lean, Six Sigma, and Kaizen are some examples.

Optimize Your Purchasing Processes: Good inventory management places a premium on using data and forecasting to guide your purchasing practices. This also entails identifying products by keeping an eye on client demand, getting rid of stock that is no longer needed, and altering safety stock and reorder points.

Manage Supplier Relationships: It's important to effectively manage supplier relationships because doing so often allows you to anticipate and address issues before they arise. Suppliers, for instance, can provide your company with a negotiated minimum order size, accept products that are not selling, and assist you in promptly restocking when sales for a particular product pick up.

Create Automated Reports: Organizations need to discover ways to evaluate, report, and utilize the enormous amounts of data that inventory control and management systems generate. For inventory status, stock logs, reconciliation, historical stock, aging inventory, and inventory financials, many systems create reports automatically. Additionally, businesses should determine where in their supply chain they should share these findings with suppliers so they can make the necessary preparations.

Perform a risk assessment: Issues frequently arise in enterprises, whether you have a sudden increase in sales, a cash shortage, insufficient warehouse space, an incorrect estimate of your inventory, slow-moving products, or discontinued products. Create a risk assessment matrix to identify your biggest hazards and how to handle them if they materialize.

Conduct routine audits to make sure that your reported stock and actual stock are consistent. Cycle counting, spot checking, and physical items are the three methods used to conduct an audit. Counting all of your inventory is required for a physical inventory, which should be done at least once a year and frequently at the end of the year to correspond with income tax reports. Spot checking is selecting one or more items from the entire inventory at a later time, physically inspecting them, and then comparing the results with the information in your records or software system. Spot checks work well on products that have problems or sell quickly. The reconciliation is spaced out throughout the course of the year via cycle counting. There is an audit time for each product, but you should examine expensive products more frequently. See "Using Inventory Control Software for Cycle Counting" for additional details on cycle counting.

Numerous methods, including ABC analysis, are included in selected inventory control and management, often known as forecasting. You categorize the inventory using one of the following factors in this type of analysis: utilization value, procurement source, procurement difficulties, seasonality, unit price, and consumption rate. Based on the relative significance of each classification and how much it has an impact on the stock, select a formula.

Methodologies of Management Used in Inventory Control

Whether you work for a large oil corporation or a shoe retailer, many inventory control and management strategies are applicable to all sectors of the economy. The various management techniques:

Lean Manufacturing: Lean production is a high-level management philosophy that increases manufacturing productivity to provide value to customers. Kanban, a straightforward, scalable, and visual scheduling solution, is also used in lean manufacturing. All of the tasks in a project can be seen by employees under one of the headings: To Do, In Progress, or Done. Through the lack of movement from one column to the next, this procedure identifies any bottlenecks or backlogs so you can address them.

Six Sigma: Six Sigma is one of the most well-known management methodologies. Using the continuous process improvement approaches of define, measure, analyze, improve, and control, the methodology seeks to decrease the likelihood that errors or defects will occur (DMAIC). Employing these fundamental management principles, professionals can use Six Sigma and other inventory control techniques to reduce problems like stockouts and enhance production and delivery timeliness.

Lean Six Sigma: This technique, which combines Lean and Six Sigma, is focused on reducing waste and product defects. Finding and removing the underlying causes of supply chain and inventory management waste is particularly helpful when using Lean Six Sigma. You can find strategies to improve, such as lowering inventory expenses and streamlining your stocktaking process, by combining the various techniques.

Techniques for Restocking Stock

Whether you utilize methods that dictate when to order, forecasting algorithms, or selling and storing methods, there are many ways to regulate stock.

## 2.2 MAINTAINING INVENTORY OF SOME FIRM AND ORGANIZATION

Many businesses base their daily operations on their inventory levels. The products that are available for sale and under the supply and control of an organization are referred to as inventory. Although a company's stock of products or items is how inventory is typically thought of, it can actually take many various forms.

In actuality, there are numerous types of inventory classifications. For instance, raw materials are the components utilized to make or build a product. While finished goods are materials that have concluded the manufacturing process and are prepared for sale, inventory that is a work in progress consists of materials that are in the middle of the manufacturing process. Inventory or tools used by businesses that provide services make up service inventory. Finally, inventory that is currently being transported—whether by truck, boat, rail, or airplane—is referred to as in-transit inventory.

Businesses Maintain Inventories

One of the most important factors in maintaining efficient business operations is keeping your inventory well-stocked. Companies choose to maintain inventory stored in their facilities for a few major reasons.

First, keeping inventory on hand enables a business to accommodate any anticipated demand growth. Additionally, it guarantees that there will be enough supplies on hand in the event of an unanticipated rise in demand. Additionally, maintaining a healthy inventory supply enables a business to take advantage of sporadic price breaks when buying essential raw materials in bulk.

Additionally, having inventory on hand ensures that the business won't suffer significantly from a system failure or breakdown because there will still be a supply of products that can be sold. Last but not least, consistent inventory enables a business to distribute goods to retailers on a regular basis as needed, as opposed to needing to deliver periodic batches dependent on the manufacturing cycle or specific requests.

In addition to these important justifications, businesses have financial incentives to maintain a healthy inventory. In addition to being included in a firm's cost of goods, inventory also affects the profit margin of the company. For accounting purposes, inventory is included in the calculation of a company's total assets and even impacts its tax liabilities. Because inventory is so closely linked to a company's financial operations, success in the future depends on knowing how it affects the business.

How Businesses Manage Inventories

Companies can use a variety of techniques to monitor their inventory and establish appropriate levels. Among the most popular strategies are:

First in, first out – This strategy operates under the premise that the item that is sold initially was also the thing that was first obtained.

The principle of "last in, first out" states that the last item purchased will be the first to be sold.
Lower cost or market (LCM or LOCOM) – Depending on how the item's value has changed, this approach records the item at either the historical cost or the current market value.

Each of these approaches can be altered to better suit the requirements of your particular inventory and business.

A computerized system to keep track of inventory (or even a virtual inventory system) is one of the best tools available in today's technology age, regardless of the approach you select. Even if stocks are geographically dispersed across several locations, there are many different types of inventory software programs available that can readily sync with other systems currently in use and provide an accurate, real-time assessment of inventory levels at any given time.

Typical Inventory Risks

Keeping and managing inventory carries some dangers, just like anything else. Among the most prevalent problems are:

- accumulating an overabundance of unsold inventory
- being oversupplied and under demanded
- Inventory loss due to deterioration or expiration
- lack of sufficient raw materials to support manufacturing levels
- observing drops in product values
- erroneous inventory control procedures

Utilizing distribution partners who have the flexibility to return products whenever they want, resulting in a surplus

Maintaining and controlling inventories continues to be a crucial aspect of business operations despite the hazards associated. The food distribution, e-commerce, consumer goods, and electronics sectors, in particular, take extra care to preserve their stocks to ensure smooth, effective operations.

Good Inventory Control, Easy Operations

There are both practical and financial advantages to keeping inventory under proper supervision and maintenance. Without having to wait for a whole manufacturing cycle to be completed before receiving a new product, it enables you to consistently meet surges in demand. It enables you to swiftly and effectively fill orders. Additionally, it keeps you from losing sales in the event that your facility encounters a system failure by offering a dependable backup supply.

Regardless of your specific business objectives, keeping track of and precisely estimating inventory will help your firm get ready for just about everything.

## 2.3 TRIAL BALANCE

A trial balance is a list of all the general ledger accounts (both capital and revenue) that are present in a company's ledger. Each nominal ledger account's name and current balance amount will be listed in this list. Either a debit balance or a credit balance will be present in each nominal ledger account. The trial balance will show the credit value balance in the credit column and the debit balance values in the debit column. The ledger accounts mentioned on the same balance can then be used to construct the trading profit and loss statement, balance sheet, and other financial reports.

The Particularis de Computis et Scripturis part of Luca Pacioli's Summa de Arithmetica from 1494 is the first description of the procedure ever printed. He effectively advocated a method akin to a post-closing trial balancing, while not using the phrase.

Usage

A trial balance is used to demonstrate that the sum of all debit value balances and credit value balances is equal. There is a problem with the nominal ledger accounts if the total of the debit column does not match the total of the credit column. Before a balance sheet and profit and loss statement can be created, this error must be discovered. Trial balance is crucial in cases of changes because of this. Run a trial balance after every adjustment to ensure that all of the debit amounts are equal to the credit amounts.

A bookkeeper or accountant will often produce the trial balance after recording financial transactions in daybooks and posting them to nominal ledgers and personal ledger accounts. The trial balance utilizes the traditional "T" account format for showing values and is a component of the double-entry bookkeeping system.

Limitations

A trial balance just compares the total of the debits and credits. Because of this, it cannot ensure that there are no mistakes. The main categories of errors that the trial balance cannot identify are as follows.

When the incorrect amount is included on both sides of a transaction, that is an error of the original entry.

As an illustration, if a purchase invoice for £21 is entered as £12, it will result in an incorrect debit entry (to purchases) and an incorrect credit entry (to the appropriate creditor account), both for £9 less. As a result, the total of both columns will be £9 less, and the transaction will balance.

A full omission of a transaction from the accounting records constitutes an error of omission.

The totals would remain balanced even if the transaction weren't included because the debits and credits for it would balance. Omitting one of the ledger account totals from the trial balance is a variant of this error (but in this case the trial balance will not balance).

When entries are made to the proper amount but with credits instead of debits, or vice versa, that is a reversal error.

As an illustration, suppose a £100 cash sale is deducted from the Sales account and credited to the Cash account. Such a mistake won't have an impact on the sums.

When entries are made with the proper amount, side (debit or credit), and amount, but one or more entries are made to the incorrect account with the appropriate kind, it is a commission error.

For instance, if the postage account is wrongly debited for the cost of fuel (both expense accounts). The sums won't be impacted by this. Confusion between revenue and capital spending might also lead to this.

In contrast to a commission error, a mistake of principle occurs when the correct amount and side (debit or credit) are entered, but the incorrect type of account is used. For instance, if stock is debited for fuel costs (an expense account) (an asset account). The sums won't be impacted by this.

Multiple unconnected errors that, if separately, would cause an imbalance but, taken collectively, balance each other out are compensating errors.

example 1

As per the definition of the trial balance, it is the first step in the preparation of the accounts of the statement of any firm. It is prepared at the end of the year of an accounting period to assist in preparing the final accounts.

Let's take the first example of NSBHandicraft. We will prepare the trial balance as per the transactions shown below table for the firm on March 31st, 2019

| Particular | Amount (INR) | Particular | Amount (INR) | Particular | Amount (INR) |
|---|---|---|---|---|---|
| Bill Payable | **5,000/-** | Rent | **15,000/-** | Drawings | **2,000/-** |
| Insurance Charges | **5,000/-** | Outstanding Salaries | **5,000/-** | Equipment | **20,000/-** |
| Owner Investments | **80,000/-** | Machinery | **30,000/-** | Maintenance Expenses | **3,000/-** |
| Unearned Revenue | **4,000/-** | Prepaid Rent | **4,000/-** | Accrued Expenses | **1,000/-** |
| Bank Loan | **25,000/-** | Sundry Debtors | **15,000/-** | Mics Expenses | **2,000/-** |
| Marketable Security | **10,000/-** | Accrued Revenue | **20,000/-** | Sales | **42,250/-** |
| Accrued Depreciation – Equipment | **14,000/-** | Unexpired Insurance | **10,000/-** | Purchases | **30,000** |
| Depreciation Expenses-Equipment | **3,000/-** | Vendor Payable | **4,000/-** | Taxes | **11,250/-** |

Trial Balance is the end of the accounting process and the first step in preparing a final firm account. In the **double-entry accounting system**, each debit balance will have the same credit balance amount. If there is a difference between all debit and credit balances, there would be some errors in the posting of the **accounting transactions**.

Let's consider another example to understand the method of preparation of trial balance. Below are the balances from the books of Jyoti Enterprises as of March 31st, 2019.

| Particular | Amount (INR) | Particular | Amount (INR) | Particular | Amount (INR) |
|---|---|---|---|---|---|
| Owner Equity | **5,00,000/-** | Bills Payable | **80,000/-** | Bank Loan | **50,000/-** |
| Machinery | **2,00,000/-** | Sales | **3,40,000/-** | Salaries | **1,00,000/-** |
| Cash | **10,000/-** | Agent Commission | **1,200/-** | General Reserve | **10,000/-** |
| Bills Receivable | **70,000/-** | Phone Charges | **7,000/-** | Discount Given | **1,000/-** |
| Plant and Building | **2,00,000/-** | Rent | **10,000/-** | Drawings | **20,000/-** |
| Repair and Maintenance | **8,000/-** | Furniture | **20,000/-** | Bad Debts | **4,400** |
| Stock in Hand | **50,000/-** | Purchases | **2,50,000/-** | Interest Received | **5,000** |
| Insurance Charges | **54,000/-** | Discount Received | **2,000/-** | Taxes | **30,000/-** |

From the above two examples, we have seen that both debit and credit side balances are the same in the trial balance, indicating no error in posting accounting entries. Sometimes due to the non-awareness of the accountant about any particular transaction, the accountant would post that transaction in a **suspense account**, which would clear after discussion with the concerned person for that particular transaction, and the accountant would try to match the end balance in the trial balance.

In the same way, we will prepare a trial balance for Go Green Pvt. Ltd as per the balance is shown below from the books of the accounts,

| Particular | Amount (INR) | Particular | Amount (INR) | Particular | Amount (INR) |
|---|---|---|---|---|---|
| Cash in Hand | 5,000/- | Sales | 3,00,000/- | Office Rent | 2,000/- |
| Cash at Bank | 2,00,000/- | Purchases | 80,000/- | Drawings | 22,000/- |
| Sundry Debtors | 30,000/- | Carriage Inwards | 3,000/- | Stock | 18,000/- |
| Sundry Creditors | 14,000/- | Employee Salary | 25,000/- | Capital A/c | 100,000/- |
| Bills Receivables | 22,000/- | Marketing Expenses | 5,000/- | Furnitures and Fixtures | 7,000/- |
| Bills Payables | 7,000/- | Insurance Paid | 2,000/- | | |

**Trial Balance**

**Go Green Pvt. Ltd. as on March 31st, 2019**

| Sr.No. | Particulars | Amount (INR) | |
|---|---|---|---|
| | | Dr. | Cr. |
| 1 | Cash in Hand | 5,000 | |
| 2 | Cash at Bank | 2,00,000 | |
| 3 | Sundry Debtors | 30,000 | |
| 4 | Sundry Creditors | | 14,000 |
| 5 | Bills Receivable | 22,000 | |
| 6 | Bills Payable | | 7,000 |
| 7 | Capital A/c | | 1,00,000 |
| 8 | Drawings | 22,000 | |
| 9 | Sales | | 3,00,000 |
| 10 | Purchases | 80,000 | |
| 11 | Carriage Inwards | 3,000 | |
| 12 | Employee Salary | 25,000 | |
| 13 | Marketing Expenses | 5,000 | |
| 14 | Insurance Paid | 2,000 | |
| 15 | Furniture and Fixtures | 7,000 | |
| 16 | Stock | 18,000 | |
| 17 | Office Rent | 2,000 | |
| | **Total** | **4,21,000** | **4,21,000** |

A firm's trial balance is a statement of the balances in all of its ledger accounts as of a specific date.

As there will always be a debit and a credit for the same amount in each transaction, the sum of both sides implies that the debit and credit sides should be equal.

The ledger posting for each transaction is complete if the sum of the credit and debit sides is equal.

Let's say the sums in the two side columns do not add up. If so, there is a mistake in the ledger posting for that specific account. After consulting with management and the affected team, the discrepancy would be recorded into a suspense account and corrected.

## 2.4 PROFIT AND LOSS ACCOUNT

A financial statement known as a profit and loss (P&L) statement provides an overview of the revenues, expenditures, and expenses incurred for a given time period, typically a quarter or fiscal year. These documents reveal if a business can produce profit by raising sales, cutting expenses, or doing both. P&L statements are frequently displayed using the cash or accrual method. P&L statements are used by investors and corporate managers to assess a company's financial condition.

A financial statement that lists the revenues, expenditures, and expenses incurred over a given time period is called a profit and loss (P&L) statement.

Along with the balance sheet and the cash flow statement, every publicly traded firm also releases a P&L statement quarterly and annually.

The P&L statement, balance sheet, and cash flow statement when combined offer a thorough analysis of a company's total financial performance.

The cash method or accrual method of accounting are both used to create statements.

Comparing P&L statements from various accounting periods is crucial because any alterations over time have more significance than the raw data.

How P&L (Profit and Loss) Statements Operate

Along with the balance sheet and the cash flow statement, the P&L statement is one of the three financial statements that every publicly traded company releases on a quarterly and annual basis. Due to the fact that it displays the amount of profit or loss a corporation made, it is frequently the most well-known and frequent financial statement in a business plan.

P&L statements are also known as a(n) the following:

- Loss and profit statement
- Operation statement
- Financial performance or income statement
- Income statement
- Expense report

income declaration

Similar to the cash flow statement, the P&L or income statement displays changes in accounts over a predetermined time period. The balance sheet, on the other hand, provides a picture of the company's assets and liabilities at any given time. Given that a business might record revenues and expenses before actual cash exchanges hands when using the accrual method of accounting, it is crucial to compare the income statement with the cash flow statement.

The sample below demonstrates how this document adheres to a general format. The top line, which represents the entry for revenue, is the starting point from which the bottom line—which includes the cost of products sold, operational expenses, tax charges, and interest expenses—is subtracted. Net income, also known as profit or earnings, is the difference, often known as the bottom line.

P&L management is the process by which a business manages its revenue and expenditures to produce its P&L statement.

A P&L Statement: What Is It?

From Investopedia, Grace Kim

P&L Statement Comparison

Comparing income statements from various accounting periods is crucial. This is due to the fact that trends in revenues, operational expenses, spending on research and development (R&D), and net income are more important than the raw figures. For instance, a business's revenues can increase steadily while its expenses might increase considerably more quickly.

Investors might assess a firm's financial health further by comparing its P&L statement to that of another similar-sized company in the same industry. For instance, doing so can show that one company manages expenses more effectively and has a higher potential for growth than the other.

For nonprofit organizations, revenues and costs are typically reported in a financial report known as the statement of activities. Because of this, this report is sometimes referred to as a statement of support or a statement of financial activity.

P&L (Profit and Loss) Statement Types

A P&L statement can be created in one of two ways, as was mentioned above. The cash method and the accrual technique are these.

using cash

Only when cash enters and exits the business is the cash method, also known as the cash accounting method, used. This is a fairly straightforward system that merely tracks money that has been paid or received. When money is received in a transaction, it is recorded as income; when it is spent on obligations, it is recorded as a liability. Smaller businesses and consumers who want to manage their own money frequently employ this technique.

accrual approach

Revenue is recorded using the accrual accounting method as it is earned. This indicates that a business utilizing the accrual technique records the amount of money it anticipates receiving in the future. For instance, even when it hasn't yet received payment, a business that delivers a good or service to a customer records the revenue on its P&L statement. Similar to assets, liabilities are recorded even if no expenses have been paid by the business.

A variety of free templates for personal and corporate P&L statements are available online.

A profit and loss (P&L) statement illustration

The income or P&L statement for the fictitious company Butterfly Industries for 2020 and 2021 may be found below. Except for the per-share data, all numbers are in millions of US dollars (USD):

The gross profit margin, operating profit margin, net profit margin, and operating ratio are just a few of the metrics that may be calculated using the income statement. An in-depth examination of a company's financial performance is provided by the income statement, along with the balance sheet and cash flow statement. One of the three types of financial statements created by firms is a profit and loss (P&L) statement. The balance sheet and the cash flow statement make up the other two. The P&L statement's goal is to display a company's earnings and expenses for a given time period, typically one fiscal year.

By integrating this data with insights from the other two financial statements, investors and analysts can utilize this information to evaluate the profitability of the business. To determine a company's return on equity (ROE), an investor could, for instance, compare its net income (as shown on the P&L) to the amount of shareholder stock (as shown on the balance sheet).

The P&L statement of a business displays its revenue, expenses, and profitability over time. On the other hand, the balance sheet offers a snapshot of its assets and liabilities as of a specific date. Usually, the balance sheet is shown as of the final business day of the fiscal year. By contrasting the quantity and caliber of the company's assets with its liabilities, investors can determine the company's financial health by looking at its balance sheet.

P&L statements and financial statements must be prepared by publicly traded corporations and filed with the U.S. Securities and Exchange Commission (SEC) so that investors, analysts, and regulators can review them. When preparing these statements, businesses must adhere to a set of regulations and standards known as generally accepted accounting principles (GAAP).

Contrarily, private businesses are not always obligated to adhere to GAAP. However, some smaller businesses might not even create formal financial statements at all.

the conclusion

The revenues, costs, and expenses of a business over a given time period are compiled in a P&L statement. The balance sheet and the cash flow statement are the other two financial statements that public firms are required to release on a quarterly and annual basis. Financial statements are used by analysts and investors to evaluate a company's financial standing and possibilities for expansion.

Company XYZ ltd is in the textile industry, which is manufacturing and selling the different readymade garments in the market. The company has the policy to prepare a Profit and Loss Statement every month and then after the end of the financial year, one profit and loss statement for the whole year.

During the month of June-2019 Company generated revenue by selling the garments of $ 100,000, when the cost of goods sold was $ 60,000. Along with this, the Company generates income from selling the waste material left after making the garments worth $ 9,000 and an interest income of $ 4,000.

On the expense side, during the month the company incurs expenditure on rent of premises of $ 5,500, wages to factory workers of $ 15,000, an annual depreciation charge of $ 7,700, utility expense
of $ 9,000.
Prepare the Profit and Loss Statement for the month ending on June 31, 2019, for the company.

## Statement of the Profit and Loss Account

**Company XYZ Ltd.**
**Profit and Loss Statement**
**For the Month Ending on 31st June, 2019**

| Particulars | Amount ($) | Amount ($) |
|---|---|---|
| **Revenues** | | |
| Sales | $100,000.00 | |
| Scrap Sales | $9,000.00 | |
| Interest Income | $4,000.00 | |
| **Total Revenues (A)** | | **$113,000.00** |
| **Expenses** | | |
| Cost of Goods Sold | $60,000.00 | |
| Rent | $5,500.00 | |
| Wages | $15,000.00 | |
| Depreciation | $7,700.00 | |
| Utilities | $9,000.00 | |
| **Total Expenses (B)** | | **$97,200.00** |
| **Net Income (A-B)** | | **$15,800.00** |

Company ABC ltd is in the business of manufacturing and selling sports equipment in the market. The company has the policy to prepare a Profit and Loss Statement after the end of the financial year for the whole year. During the year ending December 31, 2018, the Company generated revenue of $ 1000,000 by selling the different types of equipment manufactured by it.
The costs of goods sold
in the material used were $ 600,000 during the year. The Opex
incurred by the company during the year includes advertisement expenses of $ 60,000 depreciation expenses of 80,000, rent charges of $15,000, payroll taxes
of $5,000, salaries and wages of $ 51,000, commission to agents for the sales worth $ 5,000 and

other operating expenses of $ 7,000.

During the year, interest earned by the company on loan given to other parties was $ 10,500, and interest paid on loan taken was $ 9,100. Prepare the Profit and Loss Statement for the year ended December 31, 2018, for the company.

**Profit and Loss Statement**
**For the year ended December 31, 2018**

| Particulars | Amount ($) | Amount ($) |
|---|---|---|
| Sales | $1,000,000 | |
| Cost of goods Sold | $ 600,000 | |
| **Gross Profit** | | **$ 400,000** |
| **Operating Expenses** | | |
| Advertisement expenses | $ 60,000 | |
| Depreciation expense | $ 80,000 | |
| Rent expense | $ 15,000 | |
| Payroll taxes | $ 5,000 | |
| salaries and wages | $ 51,000 | |
| Commission expense | $ 5,000 | |
| Other Operating Expenses | $ 7,000 | |
| **Total operating Expenses** | | **$ 223,000** |
| **Operating Income** | | **$ 177,000** |
| **Non-operating Income** | | |
| Revenue from Interest | $ 10,500 | |
| Interest Expenses | $ (9,100) | |
| **Total Non- operating Income** | | **$ 1,400** |
| **Net Income** | | **$ 178,400** |

## 2.5 BALANCE SHEET

A financial statement that lists a company's assets, liabilities, and shareholder equity at a certain point in time is referred to as a balance sheet. The foundation for calculating investor return rates and assessing the capital structure of a company is provided by balance sheets.

The balance sheet is a financial statement that gives a quick overview of the assets and liabilities of a firm as well as the amount of shareholder investment. When doing basic analysis or calculating financial ratios, balance sheets can be utilized in conjunction with other crucial financial data.

An organization's assets, liabilities, and shareholder equity are listed on a balance sheet, which is a financial statement.

One of the three primary financial statements used to assess a company is the balance sheet.

It offers a snapshot of the assets and liabilities of a corporation as of the publication date.

The assets on the balance sheet are equal to the total of the liabilities plus the shareholders' equity.

Financial ratios are computed using balance sheets by fundamental analysts.

Overview Of The Balance Sheet

Workings of Balance Sheets

A company's balance sheet gives a quick snapshot of its financial situation at any one time. On its own, it cannot provide an understanding of the tendencies manifesting over a longer time frame. Due to this, the balance sheet and those from earlier periods should be compared.

The debt-to-equity ratio, the acid-test ratio, and many other ratios that can be generated from a balance sheet can be used by investors to gauge a company's financial health. Additionally helpful background for evaluating a company's financial health can be found in the income statement, statement of cash flows, and any comments or addenda in an earnings report that might make a reference to the balance sheet.

The balance sheet follows the accounting formula below, where assets are on one side and liabilities + shareholder equity are on the other:

Assets are equal to liabilities plus shareholders' equity.

Assets = Liabilities + Ownership Equity

This formula makes sense. This is so that a business may pay for all it possesses (assets) by either borrowing money from other people (taking on liabilities) or raising money from investors (issuing shareholder equity).

If a business borrows $4,000 over five years from a bank, its assets (particularly, the cash account) will rise by $4,000 as a result. In order to balance the two sides of the equation, its liabilities (more particularly, the long-term debt account) will rise by $4,000 as well. The company's assets and shareholder equity will both rise by $8,000 if it raises $8,000 from investors. Any profits the business makes that are more than its costs will be deposited in the shareholder equity account. On the assets side, these revenues will balance out as cash, investments, inventory, or other assets.

Since different industries employ various methods of financing, balance sheets from companies in the same industry should also be compared.

Particular Considerations

A company's balance sheet contains details on its assets, liabilities, and shareholder equity, as was previously mentioned. Always make sure that the assets are equivalent to the obligations and shareholder equity. The name comes from the fact that the balance sheet should always be in balance. There may be issues if they don't balance, such as erroneous or misplaced data, inventory or exchange rate errors, or improper computations.

The specifics of a company's finances are broken down into each category's many smaller accounts. Industry-specific differences in these accounts mean that even the same terms can have a variety of meanings depending on the type of business. Investors are, nevertheless, likely to encounter a few standard parts.

Assets

This segment's accounts are arranged from top to bottom according to their liquidity. This is how quickly they can be turned into cash. They are separated into two categories: current assets, which may be turned into cash in a year or less, and non-current or long-term assets, which cannot.

The general arrangement of accounts within current assets is as follows:

The most liquid assets are cash and cash equivalents, which can also comprise short-term certificates of deposit and Treasury bills in addition to physical currency.

Equity and debt securities with active markets are referred to as marketable securities.

Money that clients owe the business is referred to as accounts receivable (AR). As some customers might not pay what they owe, this could also include a provision for shaky accounts.

Any item that is available for purchase and valued at the lower of its cost or market price is referred to as inventory.

Prepaid expenses, like insurance, advertising contracts, or rent, are costs that have already been paid for.

There are several long-term assets, including:

Securities that cannot or will not be liquidated in the upcoming year are considered long-term investments.

Land, tools, equipment, structures, and other long-lasting, typically capital-intensive assets are examples of fixed assets.

Non-physical (yet valuable) assets like goodwill and intellectual property are examples of intangible assets. Typically, these assets are only included on the balance sheet if they are purchased rather than created internally. As a result, their value may be drastically inflated or drastically underestimated (by not adding, for instance, a globally recognizable logo).

Liabilities

Any sum of money that a business owes to third parties, including rent, utilities, salaries, interest on bonds issued to creditors, and bills it must pay to suppliers, is known as a liability. Current liabilities are those that have a one-year payoff window and are arranged by due date. On the other hand, long-term obligations are payable at any time after the first year.

Accounts for current obligations may include:

The fraction of a long-term debt that is due within the next 12 months is called the current portion of the debt. One year is a current responsibility and nine years are a long-term liability, for instance, if a business has a loan with 10 years remaining to pay for its warehouse.

The term "interest payable" refers to cumulative interest that is owed and is frequently required as part of a past-due obligation, such as a late property tax payment.

Salaries, wages, and perks to employees are referred to as wages payable, frequently for the most recent pay period.

Customer prepayments are sums of money received by a customer prior to the provision of the service or delivery of the product. The business is required to either (a) offer that good or service or (b) reimburse the client for their money.

Dividends authorized for payment but not yet issued are referred to as dividends payable.

Prepayments and earned and unearned premiums are similar in that a corporation receives money upfront but hasn't yet fulfilled their end of the bargain and is required to pay back unearned cash if they don't.

Most frequently, accounts payable is a current liability. Debt obligations on invoices processed as part of a business's operations are known as accounts payable and are frequently due 30 days after receipt.

Long-term obligations may consist of:

Any interest and principal on issued bonds are included in long-term debt.

A company's obligation to contribute funds to its employees' retirement accounts is referred to as a pension fund liability.

The amount of taxes that have accrued but will not be paid for another year is known as deferred tax liability. This number also balances discrepancies between the standards for financial reporting and the methods used to calculate taxes, such as depreciation computations.

Some liabilities are deemed off the balance sheet, which means they do not show up there.

Investor Equity

The money that can be traced back to a company's owners or shareholders is known as shareholder equity. Since it is equal to a company's total assets minus its liabilities, or the debt it owes to parties other than shareholders, it is sometimes referred to as net assets.

Net profits are what a firm keeps after paying its debts and reinvesting them back into the company. Dividends are paid out to shareholders with the balance remaining.

The stock a corporation has repurchased is known as treasury stock. It may be held back to fend off a hostile takeover or sold later to raise money.

Preferred stock, which some businesses issue, will be classified separately from common stock under this section. As with common stock, preferred stock is given an arbitrary par value that is unrelated to the share's market value. The par value of the shares issued is multiplied by the number of shares to determine the common stock and preferred stock accounts.

The amount shareholders have invested over and above the common or preferred stock accounts, which are based on par value rather than market price, is known as additional paid-in capital or capital surplus. The market capitalisation of a corporation is not directly correlated with shareholder equity. While paid-in capital is the total amount of equity that has been acquired at whatever price, the latter is based on the stock's current price.

Par value is frequently only a very modest sum, like $0.01.

Regardless of a company's size or the sector in which it competes, a balance sheet has various advantages, including

Using balance sheets, assess risk. This financial statement covers all assets and liabilities for a corporation. A business will be able to determine in a timely manner whether it has taken on too much debt, whether the liquidity of its assets is inadequate, or whether it has enough cash on hand to cover immediate needs.

Balance sheets can also be used to raise money. For a company to be approved for a business loan, a lender often needs a balance sheet. A balance sheet is typically required when a business seeks private equity investment from investors. In both situations, the outside party seeks to determine a company's financial stability, creditworthiness, and ability to pay off short-term loans.

Financial ratios are a tool that managers can use to assess a company's liquidity, profitability, solvency, and cadence (turnover). Some financial ratios call for data from the balance sheet. Managers can better understand how to improve a company's financial health when data is evaluated over time or compared to similar organizations.

Finally, balance sheets can help recruit and keep talent. Employees typically prefer to know that their jobs are secure and that their employer is doing well. Employees have the opportunity to review how much cash the company has on hand, whether the company is managing debt wisely, and whether they believe the company's financial health is in line with what they expect from their employer thanks to the requirement that public companies must disclose their balance sheet.

Issues with a Balance Sheet

There are several limitations to the balance sheet, despite the fact that it is a crucial piece of information for analysts and investors. Since the balance sheet is static, many financial ratios rely on information from the more dynamic income statement and statement of cash flows as well to provide a more complete picture of the status of a company's operations.

Because of this, a balance may not accurately depict a company's financial situation.

A balance sheet has limitations because of its constrained timing. The financial position of a corporation is only depicted in the financial statement as of one particular day. It could be tough to determine whether a company is functioning effectively from just one balance sheet. Consider a scenario in which a business reports having $1,000,000 in cash on hand at the end of the month. Knowing how much cash a company has on hand has minimal relevance without context, a reference point, knowledge of its historical cash balance, and comprehension of industry operating requirements.

The numbers reported on a balance sheet will also vary depending on the accounting software used and how depreciation and inventories are handled. Managers can therefore manipulate the figures to make them appear more favorable. Pay close attention to the footnotes to the balance sheet to ascertain the systems being used in their accounting and to spot any warning signs.

Last but not least, a balance sheet is vulnerable to a variety of expert judgment calls that could significantly affect the report. For instance, receivables need to be continuously checked for impairment and amended to account for any uncollectible debt. Unable to predict which receivables it will really receive, a corporation must estimate and include its best guess on the balance sheet. Executives, investors, analysts, and regulators utilize the balance sheet as a crucial tool to comprehend the current financial condition of a corporation. It frequently coexists with the income statement and the cash flow statement, the other two categories of financial statements.

The user may quickly see the company's assets and liabilities thanks to balance sheets. Users can use the balance sheet to determine things like whether a firm has a positive net worth, if it has enough cash and short-term assets to pay its debts, and whether it is heavily indebted in comparison to its competitors.

The assets and liabilities of a corporation are disclosed in the balance sheet. This could include long-term assets like property, plant, and equipment or short-term assets like cash and accounts receivable, depending on the business (PP&E). Similar to its assets, its liabilities could consist of long-term debts like bank loans and other debt commitments or short-term debts like accounts payable and salaries payable.

The balance sheet may be created by a variety of parties, depending on the business. The proprietor or a company bookkeeper may construct the balance statement for small privately held firms. They may be prepared internally for mid-sized private businesses and then reviewed by an outside accountant.

Public firms, on the other hand, must ensure that their accounts are kept to a far higher standard and obtain external audits by public accountants. These businesses are required to prepare their balance sheets and other financial statements in line with generally accepted accounting principles (GAAP) and submit them on a regular basis to the Securities and Exchange Commission (SEC).

A balance sheet details a company's financial situation at a certain time. A balance sheet is used to assess the position of a business on a particular day, as opposed to an income statement, which presents financial data across time.

Parties outside of a firm frequently examine a bank statement to determine the situation of the organization. Banks, lenders, and other institutions may compute financial ratios based on balance sheet balances to assess a firm's level of risk, the liquidity of its assets, and the likelihood that the company will continue to operate.

Even though the data on a balance sheet is typically less useful than that on an income statement, a business can nevertheless utilize it to make internal decisions. A business may use its balance sheet to assess risk, check that it has adequate cash on hand, and determine how to raise further capital (through debt or equity).

A company's assets, liabilities, and equity are balanced to create a balance sheet. Total assets are equal to total liabilities plus total equity.

The aggregate of all short-term, long-term, and other assets is referred to as total assets. The sum of all current, future, and other liabilities is used to compute total liabilities. Net income, retained earnings, owner contributions, and shares of issued stock are added together to determine total equity.

Example of a Balance Sheet

The image below is an example of a comparative balance sheet of Apple, Inc. This balance sheet compares the financial position of the company as of September 2020 to the financial position of the company from the year prior.

Apple Balance Sheet

Apple Balance Sheet.

In this example, Apple's total assets of $323.8 billion is segregated towards the top of the report. This asset section is broken into current assets and non-current assets, and each of these categories is broken into more specific accounts. A brief review of Apple's assets shows that their cash on hand decreased, yet their non-current assets increased.

This balance sheet also reports Apple's liabilities and equity, each with its own section in the lower half of the report. The liabilities section is broken out similarly as the assets section, with current liabilities and non-current liabilities reporting balances by account. The total shareholder's equity section reports common stock value, retained earnings, and accumulated other comprehensive income. Apple's total liabilities increased, total equity decreased, and the combination of the two reconcile to the company's total assets.

Apple Inc.
CONSOLIDATED BALANCE SHEETS
(In millions, except number of shares which are reflected in thousands and par value)

| | September 26, 2020 | September 28, 2019 |
|---|---|---|
| **ASSETS:** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 38,016 | $ 48,844 |
| Marketable securities | 52,927 | 51,713 |
| Accounts receivable, net | 16,120 | 22,926 |
| Inventories | 4,061 | 4,106 |
| Vendor non-trade receivables | 21,325 | 22,878 |
| Other current assets | 11,264 | 12,352 |
| Total current assets | 143,713 | 162,819 |
| Non-current assets: | | |
| Marketable securities | 100,887 | 105,341 |
| Property, plant and equipment, net | 36,766 | 37,378 |
| Other non-current assets | 42,522 | 32,978 |
| Total non-current assets | 180,175 | 175,697 |
| Total assets | $ 323,888 | $ 338,516 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY:** | | |
| Current liabilities: | | |
| Accounts payable | $ 42,296 | $ 46,236 |
| Other current liabilities | 42,684 | 37,720 |
| Deferred revenue | 6,643 | 5,522 |
| Commercial paper | 4,996 | 5,980 |
| Term debt | 8,773 | 10,260 |
| Total current liabilities | 105,392 | 105,718 |
| Non-current liabilities: | | |
| Term debt | 98,667 | 91,807 |
| Other non-current liabilities | 54,490 | 50,503 |
| Total non-current liabilities | 153,157 | 142,310 |
| Total liabilities | 258,549 | 248,028 |
| Commitments and contingencies | | |
| Shareholders' equity: | | |
| Common stock and additional paid-in capital, $0.00001 par value: 50,400,000 shares authorized; 16,976,763 and 17,772,945 shares issued and outstanding, respectively | 50,779 | 45,174 |
| Retained earnings | 14,966 | 45,898 |
| Accumulated other comprehensive income/(loss) | (406) | (584) |
| Total shareholders' equity | 65,339 | 90,488 |
| Total liabilities and shareholders' equity | $ 323,888 | $ 338,516 |

### 2.5.1 Bank Reconciliation Statement

Meaning of a Bank Reconciliation Statement

A bank account's transactions are documented in a bank reconciliation statement. The account holders can update their transaction records and verify and monitor their funds with the aid of this statement. Bank passbook is another name for a bank reconciliation statement. The balance stated in the cash book must match the balance stated in the bank passbook or statement. All deposits will appear in the credit column of the statement, and all withdrawals will appear in the debit column. But if the withdrawal is greater than the deposit, a negative balance will be displayed (overdraft).

Check out these crucial inquiries for bank reconciliation statements.

a bank reconciliation statement's importance

The balance typically does not match when comparing the company's bank balance and cash book. As a result, it's crucial to identify the reason for the discrepancy, list it in the bank reconciliation statement, and then add up the two balances. The disparity between the company's bank balance and cash book is explained in the bank reconciliation statement. Differences between the bank passbook and the cash book are brought on by:

The discrepancy in when the transactions were recorded: Numerous reasons, including the following, may account for the timing difference:

Cheque drawn on a bank but not yet deposited for payment

deposited a paid check however it hasn't yet been cleared

The customer initiated a direct debit through their bank.

Direct deposit of a check or money into a bank account

Interest and dividends gathered by the bank

The customer made a direct payment to the bank.

Dishonored bills and deposited checks

Errors committed by the business or the bank: The inaccuracy in the two balances might occasionally occur on the bank's end or in the company's cash book. Here are a few mistakes:

errors the business made when registering the transaction

errors caused by the bank when recording the transaction

DK Goel Solutions for Bank Reconciliation Statement is Recommended Reading

Bank Reconciliation Statement Types

There are two methods for creating the bank reconciliation statement:

recording a bank reconciliation statement without changing the balance in the cash book.

after amending the cash book balance, filing the bank reconciliation statement

Reconciliation of Bank Statement Preparation Steps:

- The date the statement was recorded is listed first.
- The statement then includes the balance that was shown in the cash book.
    - There are situations when the passbook balance can also be referenced.
- The deposited checks that are not picked up are subtracted.
- Then the amounts that were directly deposited into the bank account rather than being issued as checks for payment are recorded.
- Deductions are made for all transactions, including overdraft interest, money the bank debited but did not enter in the cash book, and dishonored checks and bills.
- The total of all the company's credits and profits that were directly deposited in the bank is added.

- Corrections for mistakes are made
- Now, the cash book and statement balance should be equal or the same.

A bank reconciliation statement compares an entity's bank account with its financial records by providing a summary of banking and business activity. The statement lists all transactions involving a bank account for a given time period, including deposits, withdrawals, and other activity. An effective financial internal control instrument used to fight fraud is a bank reconciliation statement.

- A bank reconciliation statement compares an entity's bank account to its financial records and describes banking and commercial activity.
- Statements of bank reconciliation attest to the processing of payments and the depositing of cash earnings into a bank account.
- A reconciliation statement must provide a breakdown of any fees that a bank has assessed against an account.
- The balance on a bank reconciliation statement should match the bank account's final balance after all adjustments.

Statement of Bank Reconciliation

Knowing how to read a bank reconciliation statement

Statements of bank reconciliation confirm that cash receipts have been placed into the bank and that payments have been handled. The reconciliation statement assists in processing any necessary adjustments or corrections by highlighting discrepancies between the bank balance and the book balance. Reconciliation statements are normally processed by an accountant once a month.

For instance, on July 1st, a company's operating account had a balance of $15,000. They write three checks, for $1,000, $397, and $1,900, throughout the course of the month.

They also put down $7,000 in the process. The book balance indicates a balance of $18,648 but their reconciliation statement indicates a balance of $18,703. They discovered that they neglected to report the $25 monthly service charge for the account when they examined the bank reconciliation statement. Additionally, they discover that the $397 cheque was accidentally cashed for $367. Now they can take action to fix the mistakes and balance their claims.

Bank reconciliation software can assist cut down on errors brought on by manual processes.

How to Consolidate Your Bank Accounts

You'll need your company ledger, the current and prior months' bank statements, in order to effectively perform your bank reconciliation. Although there are many internet templates that might help you, a straightforward spreadsheet works just as well.

Start with the previous month's closing balance. Your starting point will be that number.

Checks in transit are subtracted, and any deposits that might not have cleared are added. This is your cash balance after adjustment.

You can now add any interest that has accrued or subtract any fees, fines, or cheques returned for insufficient funds (NSF) that may not have been noted in your business records once you have your updated cash balance.

Verify that the sums of your deposits and cleared checks correspond to those that the bank has on file. The final balance then needs to be the same.

Investigate any inconsistencies to determine whether there were any mistakes made at the bank or omissions from your recording.

A reconciliation statement must take into account all deposits and withdrawals that have been posted to an account.

Changing Balance as Per Book

It might also be necessary to make adjustments to the cash account balance in an entity's financial records. For instance, a bank might impose a price only to start the account. Usually, the bank automatically withholds and processes the fees from the bank account. Therefore, any costs deducted from the account must be recorded by creating a journal entry when creating a bank reconciliation statement.

Interest earned is another factor that needs to be adjusted. After a predetermined amount of time, interest is automatically paid into a bank account. In order to increase the amount of cash now indicated in the financial records, the accountant may need to write an entry. The balance should match the bank account's closing balance after all bookkeeping corrections have been made. A successful bank reconciliation statement has been created if the statistics are equal.

A bank reconciliation statement's advantage

Statements of bank reconciliation are useful instruments for spotting fraud. The dishonest behavior can be stopped, for instance, if a check is altered and the resulting payment is more than expected.

Statements of bank reconciliation also aid in finding mistakes that could harm financial reporting. Financial statements are frequently used to determine profitability because they depict a company's health for a given time or period. Financial statements that are accurate give businesses a clear view of their cash flows and enable investors to make well-informed judgments.

Rectifying discrepancies that influence tax reporting is made easier by reconciling bank statements. Without balancing, businesses risk paying taxes that are either too high or too low.

A bank reconciliation statement illustration

Financial records and bank statements are compared in bank reconciliation statements. Companies are able to locate the root of mistakes and fix them when there are differences.

For instance, ABC Holding Co. entered a $480,000 ending balance on its books. But according to its bank statement, the final sum was $520,000. Following a thorough inquiry, ABC Holding discovered that a vendor's $20,000 cheque had not been presented to the bank and that a client's $20,000 deposit had been accidentally left out of the company's records. As a result, ABC Holding updated its records to reflect the missing deposit and the outstanding check

Comparing financial record activities to bank statement activities is the first stage in reconciling a bank statement. Adjustments to the bank statement balance should be made for any bank errors, unaccounted-for deposits, and unpresented checks. Some personal or corporate accounts don't take bank-related expenses like interest and maintenance fees into account. For these variations, the cash account records need to be adjusted. Compare the balances to verify if they match after corrections and adjustments have been made. If not, try again until the accounts are balanced.

When reconciliations are infrequent, it might be challenging to solve issues because the necessary data may not always be accessible. A mismatch might also happen when transactions are not immediately reported and when bank fees and penalties are in effect.

Checks returned for insufficient funds (NSF) are noted on the bank reconciliation statement as an amended book balance line item, with the NSF amount subtracted from its balance

Errors that may impact tax and financial reporting are easier to find with the aid of bank reconciliation. Additionally, it assists in recognizing and preventing fraud.

Reconciling bank statements should be done every month or as often as statements are generated in order to immediately discover and correct problems.

the conclusion

The use of bank reconciliation statements as a check-and-balance method helps to identify fraud, mistakes, and other irregularities. They assist businesses in detecting fraud before it causes significant harm and stop errors from multiplying when performed frequently. Additionally, it is a straightforward and practical method for managing financial flows.

Bank Reconciliation Example – 1

Markson's & Co. has a balance as per pass book of $1,000 as on 31st March 2019. It has a balance as per Cash Book as on 31st March 2019 of $1050. Further details are as follows:

A cheque of $300 was deposited, but not collected by the bank.

Bank charges of $50 were recorded in Passbook, but not in Cash Book.

Cheques worth $200 were issued, but not presented for payment.

Bank interest of $100 was recorded in Passbook, but not in Cash Book.

**Solution:**

**Bank Reconciliation Statement of Markson's & Co. as on 31st March 2019**

| **Particulars** | **Amount (in $)** | **Amount (in $)** |
|---|---|---|
| **Balance as per Passbook** | | 1,000 |
| Add: Cheque deposited, but not collected | 300 | |
| Bank charges not recorded in Cash Book | 50 | 350 |
| Less: Cheques issued, but not presented for payment | 200 | |
| Bank interest received unrecorded in Cash Book | 100 | (300) |
| **Balance as per Cash Book** | | **1050** |

Bank Reconciliation Example – 2

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Project Finance Training

Three cheques of $2,000, $1,500 and $2,500 were deposited in the bank on 30th December 2018 but were recorded in the bank statement in January 2019.

Cheque of $500 issued on 31st December 2018 was not presented for payment.

A dividend of $1,000 on stocks was credited in Bank Account, but not recorded in Cash Book.

A direct deposit of $400 was made in Bank Account by a customer, which was not recorded in Cash Book.

Bank charges of $100 were entered only in Bank Passbook

Balance as per Cash Book on 31st December 2018 was $14,200.

**Solution:**

**Bank Reconciliation Statement of Wright Inc. as on 31$^{st}$ December 2018**

| Particulars | Amount (in $) | Amount (in $) |
|---|---|---|
| **Balance as per Passbook** | | 10,000 |
| Add: Cheques deposited, but not collected by bank ($2,000+$1,500+$2,500) | 6,000 | |
| Bank charges recorded only in Bank Passbook | 100 | 6,100 |
| Less: Cheque issued, but not presented for payment | 500 | |
| Dividends collected by bank | 1,000 | |
| Direct deposit not recorded in Cash Book | 400 | (1,900) |
| **Balance as per Cash Book** | | **14,200** |

### 2.5.2 Advance Accounting in Tally

A payment made in advance, also known as an advance, is the portion of a contractually owed sum that is paid or received before the delivery of the goods or services, as opposed to the balance that will be included in the invoice. In accrual accounting, all payments received in advance are recorded as a prepaid expense for the business making the advance.

In most cases, advances are listed as assets on the balance sheet.

These assets are expended as they are used, and the corresponding amount is shown on the income statement for the relevant period. Some of the frequently seen prepaid assets in the corporate sector are rents, advertising, and insurance.

Since these assets will materialize at some point in the future, recording them becomes crucial for future references. ERP machines keep a record of these entries, record them, and provide references for them, which aids in recording the material entry at the time of passing the final entry for reflecting the actual expenses in books of accounts.

The most recent Tally version is TallyPrime. Tally products are known for their simplicity, speed, versatility, and dependability, and with TallyPrime, you'll experience them at a whole new level. You can multitask without losing your place in the process, navigate and find what you're looking for far more easily, invoice with incredible ease, and do so much more to your delight.

To see how TallyPrime benefits your organization, read "5 Things in TallyPrime for Enhanced Business Efficiency." View a list of instructional films on TallyPrime as well.

TallyPrime

Tally was created with you in mind, taking inspiration from the way you operate.

Entry of advance payment in Tally.

ERP 9 - Post GST Changes

With Tally.ERP 9, we can now record advance payments made to registered or unregistered dealers in a payment voucher, raise a liability in a journal voucher (GST Tax liability on purchases), and record a refund in a receipt voucher when such an advance payment transaction is canceled. We can also cancel the liability (GST Tax liability on purchases) on the advance payment in the journal voucher.

Therefore, following the implementation of GST, an entry must be passed in order to recognize tax responsibility in circumstances of advance payments to suppliers. Meaning that once the receiver has received the advance, it is required by law to first offset that amount against any outstanding tax debt before applying the remaining balance to the party's balance.

Step 1

Click Accounting Vouchers > F5: Payment in the Tally Gateway.

Step 2

To mark the voucher for advance payment, select N: Nature of Payment > Advance payment under reverse charge.

Step 3

Choose the bank to which the payment will be made on the payments voucher screen. (Using the Bank Ledger to Credit Payment)

Step 4

Choosing the party ledger (Entry to pass is Debit to Party ledger)

Step 5

Enter the Advance Amount after choosing the Stock Item (for items eligible for GST) or Ledger

Name (for services eligible for GST).

Note 1: The tax amount is determined using the Advance Amount, which appears as the Taxable Value. The amount on which we must create the liability in a journal voucher is based on the tax values displayed in the advance payment details.

Note 2: Depending on the state chosen for the party ledger, the tax type may display as integrated tax, central tax, or state tax.

Step 6

To save the Advance Payment Details screen, press Ctrl + A.

Step 7

Enter the reference information on the Bill Wise Details screen with the Advance reference type selected.

Step 8

To accept, press Ctrl + A.

Phase II: Acknowledging Tax Liability and Making an Effective Journal Entry Starting Point: Tally's front entrance. Accounting Vouchers > F7 Journal in ERP 9

To convey a journal to effect a tax liability entry on account of advance payments, select Destination: ALT + J > Stat adjustment.

Steps to pass a journal entry in detail to raise the tax liability on advances

Step 1

Click Accounting Vouchers > F7: Journal in the Tally Gateway.

Step 2

Click J to adjust your stats.

Step 3

Choose one of the choices as:

The GST is a type of duty or tax.

Adjustments nature: An increase in tax liability

Additional information: Reverse charge payments made for advances

Step 4

Dr. Tax in advance [debiting the ledger generated in whatever name under current asset] is to be entered in the journal. xxx

Cr. GST Ledger [Select the relevant transaction for intra-state (CGST and SGST) and inter-state

(IGST) transactions] xx

Step 5

To save, key in "enter"

How can Tally ERP 9 modify an advance amount against a purchase?

After making an entry for an advance payment, it is crucial to adjust that amount against the bill that will be paid at a later time. This operation appears to be as straightforward as it can be with Tally. ERP 9.

Tally's method of adjustment

Adjusting advance payments against purchases with ERP 9:

The first step is to record the purchase using Tally's Accounting Vouchers section's F9 for purchases option.

The advance payment made was Rs. 1,000,000, however the bill value is really Rs. 1,25,000 at the bill-by-section screen. Give the purchase invoice or supplier reference number for the remainder amount (in this case, to be Rs. 25,000/-) under New reference column and the advance reference number used while passing the advance entry for Rs.

**2.5.3 Import/Export Data with Excel**

Excel can import and export a wide range of file types in addition to the common.xlsx format. You might need to save data as a different file type or import files of a different file type if your data is shared by other programs, such as a database.

Publish Data

Export data from Excel in a format that can be understood by other programs, such as a text or CSV file, when you need to move information to another system

On the File tab, click.

Data on Import and Export

Click Export on the left.

Select the Change File Type button.

Choose a file type from the list of other file types.

Text (Tab delimited): A tab will be used to delimit the cell data.

The cell data will be separated by commas in a CSV file.

Formatted Text (Space Delimited): A space will be used to separate the cell data.

Save as Another File Type: When the Save As dialog box displays, choose a different file type.

The type of file you choose will depend on what kind of file the software that will use the exported data needs.

Press Save As.

Data on Import and Export

Choose a location to save the file.

Press Save.

Data on Import and Export

A popup window advising that some workbook features might be lost displays.

Select Yes

Upload Dat

Excel has the ability to import data from other files, databases, and websites.

On the Ribbon, select the Data tab.

select "Get Data" from the menu.

The connection process can frequently be highly complicated, and some data sources may require specific security access. Recruit the aid of the technical support team at your company.

Choose From File.

From Text/CSV, choose.

Data on Import and Expor

Choose one of those choices from the Get External Data category in place of the others if you have data to import from Access, the internet, or another source.

Choose the import-related file.

To import, click.

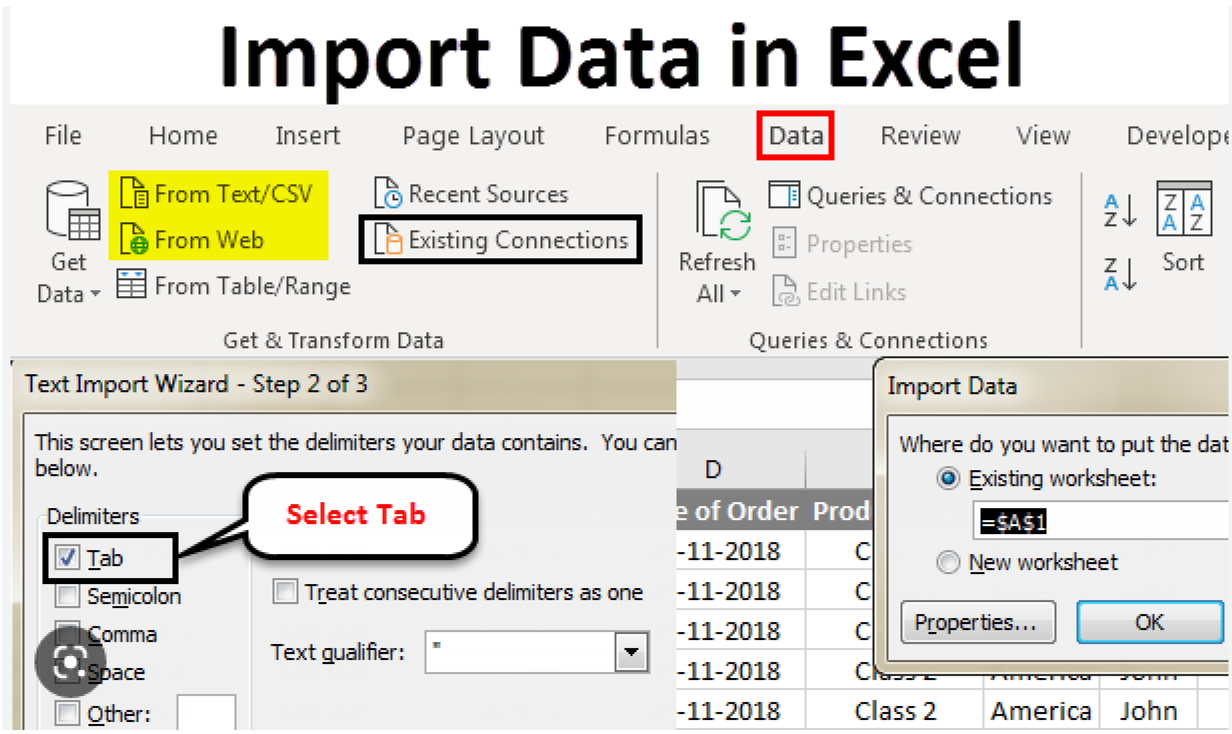
If a security warning displays while importing external data warning that a connection to an external source may not be secure, click OK.

Data on Import and Export

Verify the preview appears as it should.

The delimiter is already established because we explicitly said that the data is separated by commas. This option allows you to update it if necessary.

click "load"




## 2.6 SECURITY CONTROL IN TALLY.ERP 9

We take care of your company's data. Since most organizations rely on the confidentiality of the information, data security has been a concern for the business owner. TallyPrime provides a range of security tools to protect the information in your business. The security function in Tally allows you to do much more, such password-protect company data, set separate user security levels, and more. Depending on the needs of the business, the administrator can provide various permissions to various types of users. Encryption utilizing TallyVault can also be used to secure corporate data.

The Security of Data in Tally Products

Protect Business Data with TallyVault

Turn on security for your corporate data

Set Up Password Policy

Security for Voucher Type

Authorizing Security Levels for Users and Auditors in Tally.NET

Security of Data in Tally Products

For the authentication, authorization, integrity, and confidentiality of user data, Tally provides a thorough security architecture.

The following is a description of certain security framework highlights:

Connection Security

Tally.ERP 9 uses a secure multi-step handshake to connect to Tally.Net Server. As part of the handshake, the product license and Tally Software Services (TSS) license are validated.

Secure Communication

Before the transfer procedure is started, data transmitted between Tally.ERP 9 and Tally.Net Server is compressed and encrypted using an improved version of the Triple Data Encryption Algorithm, which is widely used in the industry.

Data corruption and change during transfer can be found using message digests.

Safe Data Transfer

The synchronization setting governs how customer data is shared between two Tally.ERP 9 systems. The systems that will participate in data exchange, the data that will be transferred, and each participating system's role are all specified in this setup.

Before data is exchanged, the synchronization configuration must be approved by the users on both systems. Data exchange after authorization occurs exclusively at the user's request.

Tally.NET only keeps encrypted data in order to speed up synchronization. The Tally.NET Server deletes data after synchronization.

Discreet Storage

Tally.ERP 9 offers the option to TallyVault-encrypt and save customer data on disk.

Tally.NET Server encrypts all customer data it handles, both in memory and on disk.

Access to a secure application

Only when the user requests a network service does Tally.ERP 9 open a network port. Only the time required for data transfer keeps the port open.

No other system, whether Tally or a third party, is permitted to open the network port or start a data transfer.

TallyVault provides company data security.

The Tally.ERP 9 feature TallyVault will assist the company in maintaining information confidentiality by encrypting the data.

The TallyVault password should be entered while forming the firm.

Note: If you forget your password, your data can become inaccessible.

TallyVault can be configured for already-existing businesses.

1. TallyVault should be loaded with the Company that needs to be secured.
2. Go to the Tally Gateway. F3 to access Company Info > Modify TallyVault
3. Choose the necessary firm from the List of Companies on the Change TallyVault screen.
4. In the section labeled "New Password," type the password. In Tally.ERP 9, the combination of alphabetic, numeric, and special characters determines how strong the password is.

Note: Click Password Strength Indicator to learn more about the factors that affect a password's strength.

5. In the section labeled "Repeat New Password," type the password again to confirm.
6. Accept the TallyVault password change.
7. To return to Company Info, hit any key once the message Created New Company and the new company number appears in Tally.ERP 9. menu.

The name of the firm and the fiscal year won't be accessible on the Select Company screen once the company data has been encrypted.

A current business's TallyVault can be changed, but each time you do, a new company with a new number is created.

Activate Data Security for Your Company

By selecting the option Use security control while founding a firm, you may safeguard your corporate data. Type in the administrator's name and password. You must enter this user name and password each time you access the firm.

Security level types

Define the security level's access rights.

User and password creation

Assign a Tally.NET user access privileges

Security Level Types

There are two different sorts of security levels by default. The owner is one, and data entry is the other.

Owner - The owner has complete access privileges, allowing him to use all of Tally.ERP 9's capabilities, with the exception of Tally Audit and Company Alteration, which are only available to the Administrator. The Administrator can construct additional security levels based on predefined security levels and assign or restrict access in accordance with the necessity.

Data Entry - Access to Data Entry is restricted, however the administrator can grant or deny access based on demand.

Define the Security Level's Access Rights

To give a user a user with a certain set of access capabilities, you can establish and assign security levels. You need to log in as an administrator in order to create a new security level.

1. Open the Tally Gateway and select F3: Cmp Info > Security Control > Types of Security.
2. As seen below, add a new security level to the list of security levels.
3. To display the Security Levels screen, hit Enter.
4. Set the appropriate security parameters.

The screen for Security Levels looks as follows:

5. Ctrl+A is used to accept.

User and Password Creation

For the created users, you can create users, apply security levels, restrict/allow remote access, and local TDLs.

1. Visit the Tally Gateway and select F3: Company Info > Security Control.
2. the Users and Passwords option

The screen for List of Users for Company looks as follows:

3. From the Security List, choose the necessary Security Level.
4. In the Username area, type the user's name.
5. In the Password (if any) section, enter your password.
6. Allow Remote Access and Allow Local TDL are by default set to No and ignored for users who are not categorized as Tally.NET Users or Tally.NET Auditors.
7. Accept the user's creation.

Assign Tally.NET user access rights

For various types of users of your company's data, you can grant a certain set of rights. You can achieve this using the security levels.

Go to the Tally Gateway and press Alt+F3 to access Security Control > Types of Security. The name of the security level is listed as Tally.NET User on the Security Levels for Tally.NET User screen.

The administrator can choose the necessary facility from the Security List by choosing "Use Basic Facilities of." If user-defined security levels already exist, they will be shown in the

Security List. When the user creates a new security level, the newly created level will be presented.

Days Allowed for Backdated Vouchers: This field's default value is 0, therefore provide the necessary amount of days. Backdated vouchers can be changed or added to within the specified number of days following the date of last entry.

Cut-off date for backdated vouchers: You can enter a specific deadline. You cannot record a transaction in Tally.ERP 9 before the specified date. Days Allowed for Backdated Vouchers may be combined with this. When the audit is over and there are no changes to the data that need to be made, this information will be helpful.

Set Rules for Print Before Save: Using this option, you can prevent a security level from printing a specific type of voucher before saving the voucher or from printing all possible forms of voucher before saving the vouchers.

It is set to No by default to Let Company Connect. If you need to link the relevant company to the Tally.NET Server, set this to Yes.

Rules for Print Before Save - By default, this option is set to No, allowing the user to print any sort of voucher they choose.

o Choose the necessary voucher type from the Types of Vouchers that is permitted for printing before saving in the Allow the following Voucher Types column of the Print Vouchers Before Save Rules screen.

Choose the necessary voucher type from the Types of Vouchers that has to be banned for printing before saving in the Disallow the following Voucher Types column.

Establish Password Policy

Only authorized users will be able to examine financial data with the help of a strong password policy, improving data security. When using Tally.ERP 9, the Administrator can establish a password policy that users must follow when establishing and managing passwords for their organization.

1. Select Company Info > Security Control > Password Policy from the Gateway of Tally menu.

The screen for the company's password policy will show up as follows:

2. Activate password policy is enabled.

Note: The same can be disabled after a certain period of time by the administrator. Once it is re-enabled, the policy will retain its original values.

Password Resilience

The administrator can select the minimum amount of characters that a password must have in the Minimum password length field. The default setting for the minimum password length is eight (This value is derived from the PCI-DSS standards). This value may still be changed by the administrator if necessary.

Enable the Advanced password strength parameter to set a cap on the number of letters, numbers, and special characters that can be used in a password.

expired password

You can provide a password expiration date. The value will by default be 90 days, which comes from the PCI-DSS.

The users can be informed when their passwords are about to expire. The notice period is programmable.

Tally.ERP 9's password history feature is used to limit the use of old passwords. After selecting the option to restrict the use of old passwords, you may set the maximum number of old passwords that can be used.

If the organization's password policy mandates that users change their passwords when they log in for the first time, turn on the option Change password on initial login.

You can also allow users to modify their own passwords as part of the password policy.

In addition to setting up the password policy, the administrator can also change a user's status to Active or Inactive. Only users who are actively using the company are permitted to log in, and inactive users are not permitted to load the company. In F12: Configure, turn on the Show user status option. A user can be made inactive by the administrator, which will prevent them from logging in to the firm.

Security for Voucher Type

The business owner can establish each Voucher Type (Contra, Payment, etc.) restrictions as well as activity level (Sales Department, Procurement Department, etc.) restrictions for distinct individuals using Voucher Type Security.

The types of tasks or actions for which the control can be established include having full access to any specific type of voucher in Tally.ERP 9 or the ability to create, modify, print, or perform any of these actions.

Benefits of security of the voucher type

- Provide consumers with voucher-type security
- Protection for set-aside groups of vouchers
- Tally.ERP 9's "Voucher type security add-ons" and "Voucher type security feature"

Benefits of Security of the Voucher Type

The administrator can use Tally.ERP 9's Voucher Type Security functionality to

Create a department- and role-based access segregation for various users.

For instance, personnel in those areas of work could have access depending on sales, purchases, accounts, and payroll, among other things.

Specify or withhold the amount of activity that various users may perform on a Voucher.

For instance, User C can only read a Payment Voucher while Users A and B can create and modify them.

Give users access to a full collection of vouchers, such as all accounting vouchers or all inventory vouchers.

Set Users' Voucher Type Security

Example: Arun, a user at ABC Company, logs Sales and Receipt transactions. He has to have access to the ability to create and modify sales and receipt vouchers.

1. Voucher Types and Groups of Vouchers (Accounting Vouchers, Inventory Vouchers, Order Vouchers, and Payroll Vouchers) have been added to the List of Reports on the Security Levels screen to enable the setting of Voucher Type Security
2. Set the Security Level as shown to allow users to Create/Alter Sales and Receipt Voucher Types:
3. To open the Company, enter Arun's login information as indicated below:
4. Only the Accounting Vouchers option is visible in the Tally Gateway, as illustrated below:
5. Only receipt and sales vouchers are available for documenting transactions when choosing this option.
6. When Arun navigates to Day Book, Tally.ERP 9 will show all the vouchers entered within the selected time period, however it will not let the user change or print any restricted vouchers. Tally.ERP 9 will display the error No Access Allowed if the user chooses any voucher other than a receipt or a sales voucher. . Protection for set-up groups of vouchers

To help customers easily configure voucher level security, Tally.ERP 9 offers four pre-defined groups of vouchers.

The following categories are used to classify the many types of vouchers in Tally.ERP 9:

1. Accounting Receipts
2. Inventory Receipts
3. Purchase Orders
4. Payroll Receipts

The Voucher Types indicated under each of the aforementioned groups will have the same access configuration if users are Allowed or Disallowed access to any of the groups mentioned above.

The user's ability to Create Voucher Types will remain accessible even if access to Voucher Types is denied. Access to Masters must be denied for a user in order to prevent them from creating voucher types.

As a result, in the example given above, Arun cannot record transactions using Payment Vouchers since he has been denied access to them, but he is still able to create a Voucher under the Payment Voucher Type. It is necessary to disallow access to Accounting Masters in order to limit Arun's ability to create vouchers under the Payment Voucher Type.

Tally.ERP 9's Voucher Type Security Add-ons and Voucher Type Security feature

If a Voucher Type Security Add-on is currently in use,

It will integrate the access configurations set up using Tally.ERP 9 with the Add-on.

For instance, User A won't have access to both Payment and Receipt Vouchers if Full Access to Payment Voucher is Disallowed for User A in Tally.ERP 9, and Full Access to Receipt Voucher is Disallowed in the Add-on.

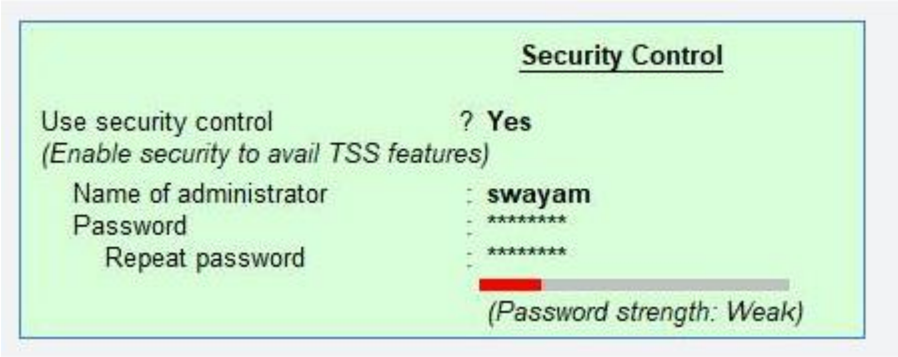
The Voucher Type Security setting in Tally.ERP 9 will take precedence over the setting in the Add-on.

For instance, User A won't be able to use Payment Voucher if Full Access to the group Accounting Vouchers is Disallowed for User A in Tally.ERP 9, yet Full Access to Payment Voucher is Allowed in the Add-on.

For users and auditors of Tally.NET, approving security levels

The system administrator can give permission for a Tally.NET User or Tally.NET Auditor to access data remotely depending on the circumstances.

By default, the Tally.NET user has limited access to the company data but is authorized to enter data. Similar to this, the Tally.NET auditor has full access to the company's data and is authorized as the company's owner. However, depending on the situation, the system administrator may alter the access restrictions for Tally.NET users or Tally.NET auditors. To access data, each user created under these security levels needs to be authenticated by Tally.NET.





## 2.7 TALLY AUDIT CONTROLS

Audit Tally

Any business organization that does audits knows that the company had true and fair transactions throughout the year. Tally Audit, a built-in function of TallyPrime, allows the auditor to conduct an audit or track changes that compromise the integrity of a transaction. Modifications to the date, ledger masters, and amount in the voucher are examples of changes that are reflected in the Tally Audit Listings.

Set Tally Audit Features to On

When creating a company, you must enable the Security Controls and Tally Audit function. By selecting Audit Listings in the appropriate security levels, you can establish a user with Tally

Audit access or log in as the administrator.

To make Tally Audit possible

Alt+K (Company) + Alter at the Tally Gateway.

Set the Enable Tally Audit features checkbox to Yes in the Company Alteration screen.

Note: Before enabling the Tally Audit, the user should enable Control User Access to Company Data, set up an auditors login id and password, or use the administrator's login id.

The Tally Audit Listing is viewable or printable by the auditor or administrator, who can then confirm the transactions. If the auditor or administrator is pleased with the veracity of the transaction or the adjustments made, he will click the appropriate button to accept all or a subset of the transactions. Once the transactions have been approved, they are deleted from the audit listing and are no longer visible.

List of Auditable Voucher Types

For the voucher kinds you created for your business, you can audit them.

To show the Tally Audit Statistics for different types of vouchers:

Select Statement of Accounts > Tally Audit > Voucher Types from the Gateway of Tally > Display More Reports menu.

The Audit Statistics page, which displays audit statistics based on voucher types, is displayed as illustrated, with a columnar display of the number of entered and altered vouchers.

Configuration, F12.

To display all the voucher kinds with accepted entries, set Show Voucher Type having no entries to Yes.

To display the count of Modified, Canceled, and Deleted vouchers in columnar format, set Show count of Modified, Canceled, and Deleted Vouchers to Yes.

To display a list of voucher types in alphabetical order according to their parent voucher types, set Sort by default voucher to Yes.

Available in Voucher Type-Specific Audit Statistics are buttons and bars.

F2: Period: To modify the currently selected period, click F2: Period or press F2.

F8: Today's Changes: It lists the changes that were made to the vouchers today. Viewing every modification made by the User for any voucher type on that specific day is highly beneficial. Regardless of the voucher date, this report is based on the System date for the Altered vouchers. The screen for today's changes looks as follows:

In the list that appears, choose the necessary User action on transactions by pressing Ctrl + B (Basis of Values).

Altered: This option enables you to view and audit all of the modified, canceled, and deleted vouchers that have been audited.

You can view and audit only the audited canceled vouchers using this option.

Deleted: You can inspect and audit only the audited deleted vouchers using this option.

You can examine and audit only the Modified vouchers with this option if the Date, Amount, and Ledger Masters have been changed in the audited vouchers.

Note: In contrast to Canceled and Deleted, User action on transactions, selecting Altered and Modified, User action on transactions allows the user to configure using F12: Configure all the options like Show Bill-wise details, Show Inventory details, Show Descriptions for Stock Items, Show Mode of Payment, Show additional Bank details, and Show Cost Center details.

When the Show Narrations option in F12: Configure is set to Yes, the user can specify the reason for the cancellation in the Narration box for canceled vouchers.

To view all the altered vouchers for a given day, update the report's Current date or Default System date by pressing F2.

Note: The system date is automatically displayed as the current date when F2 is pushed.

F8: All Voucher: Press Alt+F8 to display all 1,000 of the company's coupons for auditing, regardless of the type of voucher or the user.

The administrator or auditor clicks R: Accept One or presses Alt+R to accept each transaction individually after it has been verified, or clicks S: Accept All or presses Alt+S to accept every transaction at once. The transactions will be withdrawn from the Tally Audit Listing once they have been approved by the administrator or auditor.

The administrator or auditor can also manually check the transactions on a hard copy of the Tally audit listing before accepting them.

Note: The button R: Accept One changes to R: Accept Selected if more than one coupon is chosen for auditing.

Monthly Tally Audit Register

Drilling down from the Vouchers Types column will provide the Tally Audit Monthly Register as follows:

F12: Set up

To display the number of modified, canceled, and deleted vouchers in columnar style, set the option Show count of Modified, Canceled & Deleted Vouchers to Yes as shown below:

Note: If you drill down from the Type of Vouchers column, this Configuration option will only appear; if you drill down from the Entered, Modified, Canceled, Deleted, and Altered columns, it won't appear at all.

According to the required Periodicity (4 week month, Daily, Fortnightly, Half Yearly, Monthly, Quarterly, Weekly, Yearly), data will be displayed.

Available in Tally Audit Monthly register are button bar variations.

F4: Voucher Type: Click F4: Voucher Type and choose the necessary Voucher Type as indicated to filter the selected List of Entered/Altered Voucher Type for a certain Voucher Type:

F6: Monthly: Press F6 (Monthly) to access the Tally Audit Monthly Register's Monthly Summary.

F6: To view the quarterly summary of the Tally Audit Monthly Register, press Alt+F6 (quarterly).

F6: To view the daily summary of the Tally Audit Monthly Register, press Ctrl+F6 (daily).

Tally Audit Listing for the appropriate Voucher Type will be shown when you drill down from the Tally Audit Monthly Register for a particular month, quarter, or day.

Ctrl+H (Change View) (Change View)

A report's details can be shown in various views, with extra information or for a certain time frame. Associated reports with the present report are also available for viewing.

Press Ctrl+H (Change View) > type or choose from the list of views (Daily, Weekly, Fortnightly, Monthly, Quarterly, Half yearly) > press Enter to view the different periodicity views for Tally Audit Monthly Register.

To view the default report, enter the Tally Audit Monthly Register again after pressing Esc to exit the report.

Listing of Masters' Audits

For the masters developed and maintained for your business, you can perform an audit.

Follow these instructions to display the Tally audit statistics for Masters:

Select Statement of Accounts > Tally Audit > Masters from the Gateway of Tally's Display More Reports menu.

As seen, the Audit Statistics tab for Masters displays the Audit Statistics.

Under the heading Accounting Masters, only Ledger Masters are currently accessible.

Available Button Bar Options in Master Wise Audit Statistics

F8: Today's Changes: It provides a list of the voucher modifications performed today.

Ctrl+H (Change View) (Change View)

A report's details can be shown in various views with more information or for a certain time period. Associated reports with the present report are also available for viewing.

Press Ctrl+H to examine the different displays for audit statistics (Change View)

You can choose to switch to Voucher type-wise Audit Statistics by doing this.

You can choose to switch to User-wise Audit Statistics by doing this.

Audit Listing for Tally

The Tally Audit Listing for the List of Entered Ledgers is displayed when you drill down from the Master Wise report Name column.

List of Entered Ledgers will be provided when you drill down from the Master Wise report's Entered column, as shown:

The List of Altered Ledgers will appear when you drill down from the Master Wise report's Altered column.

The List of New / Entered Ledgers displays changes made to the Ledger Name, Opening Balances, or newly generated Ledgers since the last audit. By comparing the ledger Ids assigned to each ledger and comparing them to a previous paper copy of the audit listings, the auditor can determine if the ledger names have been switched.

Ctrl+J (Exception Reports) (Exception Reports)

By clicking Ctrl+J (Exception Reports), you can read the exceptions connected to the data displayed in the current report without quitting it.

Press Ctrl+E (Exception Reports) > type or pick List of Unused Ledgers > and press Enter to view the List of Unused Ledgers for Tally Audit Listing. To read the default report, press Esc.

The administrator or auditor clicks R: Accept One or presses Alt+R to approve each master individually after it has been verified, or clicks S: Accept All or presses Alt+S to accept all the masters. The masters will be taken down from the Tally Audit Listing once they have been approved by the administrator or auditor.

The administrator or auditor can also manually check the masters before accepting them by taking a physical copy of the Tally audit listing.

Note:

1. When choosing many masters for auditing, the R: Accept One button changes to R: Accept Selected.

2. It is advised that the administrator or auditor print out the Tally audit listing showing the ledger Id, ledger Name, and Opening Balance as soon as the ledger masters are created and their opening balance is posted to prevent the interchanging or modification of the ledger names and opening balance.

Users' Audit Listing

You can also conduct audits for the various users in your business.

To show Users the Tally audit statistics

Visit the Gateway of Tally > Reports > Statement of Accounts > Tally Audit > Users to view more reports.

As seen, the Audit Statistics panel displays the Audit Statistics for Users.

The total number of Entered & Altered for a specific user contains the number of Masters and Vouchers in addition to the user name and user type.

Options for Button Bars in User-Friendly Audit Statistics

Period: It can be used to refer to a certain time period.

F8: Today's Changes: It provides a list of the voucher modifications performed today.

Ctrl+H (Change View) (Change View)

A report's details can be shown in various views, with extra information or for a certain time frame. Associated reports with the present report are also available for viewing.

Press Ctrl+H (Change View) to view the various Audit Statistics views:

You can choose to switch to Voucher type-wise Audit Statistics by doing this.

This gives you the option to switch to master-wise audit statistics.

Configurations, F12.

To display all users, including those without entries, set Show User having no entries to Yes.

To display the number of Modified, Canceled, and Deleted vouchers in columnar format as shown below, set Show count of Modified, Canceled, and Deleted Vouchers to Yes.

User Information

The Accounting Masters and Type of Vouchers are displayed when you dig down from the User Wise Audit Statistics for a certain user as shown:

Drilling down from the User Wise Audit Statistics will display the following reports:

Accounting Masters: The List of Entered Ledgers, List of Altered Ledgers, or both are shown in this section.

Voucher Type: The List of Entered or List of Altered Vouchers, or both, are shown in this section. Drilling down from the Type of Vouchers section will reveal the Tally Audit Monthly Register.

Note: The aforementioned reports can be set up to separately display the Canceled and Deleted counts in columnar style.

Available Button Bar Options in User Statistics Report

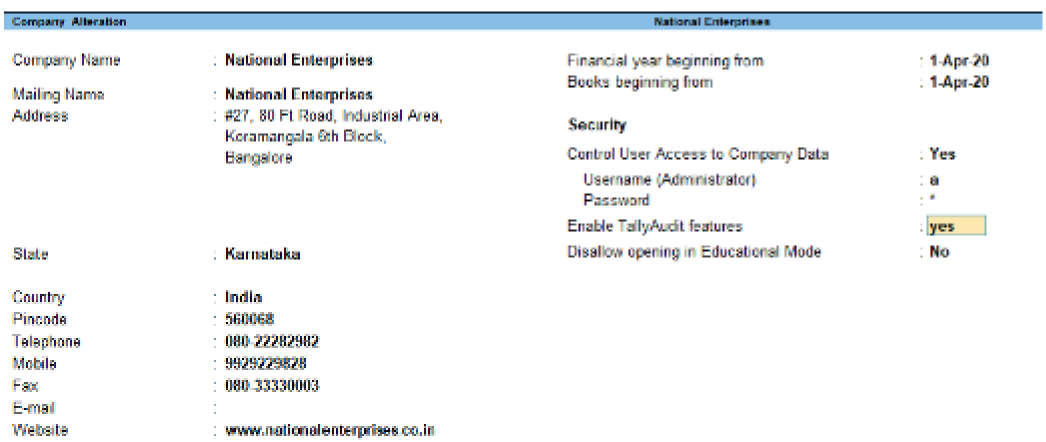
If necessary, F2: Period can be used to modify the period.

You can change the user from the List of Users by pressing F4: Change User.

Ctrl+H (Change View): You can display a report's details in various views with extra information or for a certain time period. Associated reports with the present report are also available for viewing.

Ctrl+H (Change View) — type statistics or choose it — enter —

To read the default report, press Esc.




## 2.8 UNIT END QUESTIONS

### A. Descriptive Questions

### Short Questions

1.What is inventory in tally?

2. Does Tally have inventory management?

3.What are the 4 types of inventory?

4.What is the inventory formula?

5.What is an inventory example?

### Long Questions

1.What is the entry for inventory?

2.What are different types of inventory?

3.How many types of inventory are there in Tally?

4. What are the 3 inventory accounts?

5. What is an inventory process?

### Multiple Choice Questions

1. When are balance sheets prepared?

   a. Quarterly

   b. Yearly

   c. Monthly

d. None of the above

2. What is Activity Ratio?
   a. Financial Ratios that measure a firm's ability to convert different accounts into a balance sheet.
   b. Ratios that measure a company's ability to pay debt obligations and its margin of safety.
   c. Financial measurements that assess the ability of a company to meet its financial obligations
   d. The ratio that evaluates the company's ability to generate income as compared to its expenses.
3. What is Current Liability?
   a. Assets of a company that are expected to be sold or used as a result of standard business operations over the next year.
   b. A potential liability that may occur in the future.
   c. Company's short-term financial obligations that are due within one year or within a normal operating cycle.
   d. Obligations listed on the balance sheet not due for more than a year.
4. What is an operating cycle?
   a. A metric that expresses the time (measured in days) it takes for a company to convert its investments in inventory and other resources into cash flows from sales.
   b. The time it takes a company to buy goods, sell them and receive cash from the sale of said goods.
   c. The process of hiring personnel to conduct the daily operations of the business.
   d. collective process of identifying, analyzing, and recording the accounting events of a company.
5. What are Outstanding Expenses?
   a. Expenses which are not paid off in the current balance sheet.
   b. The necessary purchases that keep a business going day-to-day.
   c. Type of expense that is due but has not been paid.
   d. None of the above.

**Answer:** 1.b, 2. a, 3.c, 4.b, 5.c

## 2.9 REFERENCES

**Reference Books:**

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# UNIT - 3 MULTIPLE PRICE LIST QUOTATION PURCHASE ENQUIRY

**STRUCTURE**



## 3.0 OBJECTIVES

After studying this unit, student will be able to:

Learn about:

- Total cost. ...
- Breakdown of costs. ...
- Variations. ...
- Revisions. ...
- Schedule for work. ...
- Payment terms and conditions. ...
- Quote expiry date.

## 3.1 INTRODUCTION

A standard price list is used by many companies, including hair salons, and it is the same for every client. Some companies, like painters and decorators, are required to offer customized prices for the particular goods or services a customer wants to purchase. Often, an estimate or a quotation are used for this. Bigger, more complex projects are frequently priced using a thorough tender document created by the client.

How to communicate your prices to customers is described in this guide. It explains how to establish a price list, clarifies the distinction between a quotation and an estimate, provides instructions on how to put together a quotation and an estimate, and provides guidance on how to determine the cost of a contract tender.

Establish a price list.

What separates a quotation from an estimate

Create an estimate in writing.

Make a written statement

Prepare a tender price.

Gain business at a fair price.

Establish a price list.

The majority of firms will eventually need to create a price list. This may be the sole method of pricing you require if you sell a set range of goods. You can price your non-standard orders using this type of standard price list as a guide.

Date your pricing lists, especially if you anticipate that your consumer will keep them for a long time. Such special deals should be made explicit as to their expiration dates. Also, it can be helpful to state at the end of the price list that prices are subject to change.

All delivery, packing, or postage expenses should be made explicit in your pricing. Also, even though you are not required to include discounts for large orders on your pricing list, doing so could increase sales.

You might be able to create intricate price lists with the aid of software programs like Sage Simply Accounting.

What separates a quotation from an estimate

Some firms are unable to provide regular prices for goods and services. This may be due to the fact that each job's skill, time, and material requirements vary based on the needs of various clients.

Certain trades see this circumstance more frequently than others; decorators or builders, for instance, rarely complete the same task twice. When using a standard pricing list is not an option,

you must provide a quotation or estimate.
A quote is a fixed-price offer that, once accepted by the client, cannot be modified. This is true even if you end yourself having to do a lot more work than you anticipated.
Giving an estimate makes more sense if you believe this is likely to occur. Also, you can make it clear in the quotation exactly what it covers and that any deviations will incur additional fees.
An estimate is a reasonable approximation as to how much a task would cost, but it is not legally binding. You should offer many estimates based on various conditions, including the worst-case scenario, to allow for potential unforeseen developments. This will stop your buyer from being caught off guard by the price.
You need to be aware of your fixed and variable costs in order to create a quote or estimate. They include the price of the items you'll need as well as the cost of labor per hour. Afterwards, your quote or estimate is created based on what you anticipate the task to entail.
All quotations and estimates must be made in writing and include a thorough breakdown. This will assist in preventing any disagreements over the work that is included in your final fee.
Another option is to specify an expiration date. After this time, your estimate or quote will no longer be valid.
Create an estimate in writing.
It's best practice to provide the customer with a written estimate that includes a detailed breakdown of prices.
Your estimate needs to take into account:
overall cost breakdown, a breakdown of the pricing schedule's elements, information on when work will be completed or products will be delivered, terms and conditions, and the length of time the estimate is valid
Your estimates must contain all of your company's contact information. It's a good idea to print your estimates on your letterhead if you have one.
If applicable, you should also include the GST/QST component of your price.
It is a good idea to get your estimate signed and confirm that your consumer understands the terms of the agreement.
Add a disclaimer that states unequivocally that the estimate's cost is tentative. Before to any variations, decide how much they will cost.
This may occur if the client modifies their specifications or if a work proves to be more

challenging than anticipated.

It's a good idea to provide several estimations based on various situations if you believe price issues are likely to occur. Once the task is done, this will help to prevent any conflicts with your client.

When you begin to work or provide, it's important to keep thorough records of any cost overruns, including the circumstances behind them.

You can use software to determine the expenses associated with the task for which you are generating an estimate. This can be accomplished using a variety of spreadsheet and accounting programs.

Make a written statement

Quotes bind you to the price you specify, hence they are typically used for the following situations:

The needs for the task you are quoting have been specified in terms of time, labor, materials, etc.

You're confident that the work won't end up being more difficult than anticipated because your costs are steady.

Giving your consumers a written quote is good business practice. This must to incorporate the overall price breakdown of the price's components, detailing what is and is not covered time The quotation is valid for delivery dates for the products or work, complete business contact information, and payment terms or schedule.

Also, it's a good idea to have your customer's written approval that they are satisfied with the cost you have quoted and the work it contains. This needs to be done before you start working or before you provide the goods or services.

You can use computer software to assist you estimate the expenses associated with any work for which you're preparing a quotation. This can be done using a variety of spreadsheet and accounting software.

Prepare a tender price.

Whether you offer products or services to other companies or the public sector, you could be required to submit a tender in order to compete for contracts. Value for money can be a significant factor in many tenders, but how you price your bid can also determine whether you get the job or not.

Similar to quotations, if your tender is approved, you are bound by the price you offer.

Check the directions in your client's bid specification before you set a tender price. They frequently specify how the prices should be presented so that bids may be more easily compared.

You might be required to offer:

a breakdown of the project's various stages' component costs (e.g. weekly or monthly)

Admin time and expenses

management expenses and time

administration expenses and time

estimates of the costs that can be reimbursed

Even if a thorough explanation isn't requested, you should nevertheless give one. By demonstrating to your client that you are providing good value, it can help you secure contracts.

In the business sector, the term "price level" has two distinct meanings. One is the value of the assets that are traded on the market. Another is a term used to describe inflation and the cost of goods and services.

It mostly relates to a commercial choice to modify prices in response to daily market conditions or trends. To put it another way, depending on how two businesses execute the new policy, two businesses that raise prices on the same products by the same amount may experience quite different outcomes.

Effective pricing adjustments require close attention to time. It necessitates understanding how to influence how your clients view the intrinsic value of the products you are selling. You are compelled to research and correctly forecast the responses of your rivals.

Businesses encourage businessmen to journal in books of accounts for all future references in order to know the shifting trends in the product line and to keep up with them. The ideal way to record these events is through an ERP system, which can then be used to create invoices, provide quotes, or pitch a sales order to a client.

The most recent Tally version is TallyPrime. Tally products are known for their simplicity, speed, versatility, and dependability, and with TallyPrime, you'll experience them at a whole new level. You can multitask without losing your place in the process, navigate and find what you're looking for far more easily, invoice with incredible ease, and do so much more to your delight

To see how TallyPrime benefits your organization, read "5 Things in TallyPrime for Enhanced Business Efficiency." View a list of instructional films on TallyPrime as well.

TallyPrime

When a sales transaction is passed in Tally.ERP 9, there is a collection of predefined numerous tiers where we may set pricing for the product and can choose the suitable price list. For instance, price lists for distributors, dealers, and retailers can be created.

Tally.ERP 9 shows the cost price as well as the most recent price (historical data) for each stock item when constructing price lists. This speeds up and streamlines invoicing while also removing any chance of mistakes being made when entering invoices.

Define price level in Tally: Tally price level definition. Setting up these various price levels in the ledger creation screen of ERP 9 is simple. The easiest rule is to select the stock item, enter the amount, and then let Tally take care of automatically prefilling the price based on the levels provided.

Route: To configure Tally's price levels:

Starting Point: The Tally Gateway

Select F11: Inventory Features as your destination.

What to do when you arrive at your destination

By choosing a category appropriate for the transaction, set Use Multiple Price Levels to Yes.

Dealer

Retailers

Distributors

Wholesale

Route: To configure the Tally pricing list:

Starting Point: The Tally Gateway

Choose Inventory Info as your destination. The price list

What to do when you get to your destination:

Select All Items or any Group.

Set rates for each item/group (Note: Different rates can be set for various quantities of the same item discount%).

to update the Tally price list

Step 1: Go to the Tally Gateway > F11: Features > F2: Inventory Features screen as directed.

Step 2: To access the Company Price Levels screen, scroll down to the Use Multiple Price Levels section and hit Enter.

Step 3: To change a price level's name, follow the same steps as those described in Creating

Price Levels. To save the modifications, we can only overwrite the names that were previously supplied.

How can I load an Excel file of a price list into Tally.ERP 9?

From the Tally Gateway, proceed to the Price List Import Screen. On the following screen, you will be prompted to choose and fill out the following information.

Choose an Excel format to view the price list from.

where the file is. Choose where you want to save the file on your computer.

Name the file "Price List" (for convenience)

Label the following tiles with Item Name, Applicable Date, Pricing Level, From Quantity, To Quantity, Rate, and Discount to activate the price list feature for that table or sheet.

Finally, select Export Price List and then click Yes.

Step 1: Use the aforementioned procedure to create a price list.

Step 2: Access the Tally Gateway and select Inventory Info > Price List.

Step 3: Choose the product stock group that needs to be printed

Step 4: Choose the previously generated Price Level now.

Step 5: To get the price list, press enter at the end.

Step 6: Press Alt + P or the Print button.

Step 7: Click Yes to print the price list

## 3.2 ORDER PROFORMA INVOICE

A pro forma invoice serves as a "good faith" contract between the seller and the buyer. The terms, including the price, quantity, and other details, are negotiable. It clearly states "proforma invoice" and lacks an invoice number, making it useless for accounts payable in contrast to sales invoices. However, some people opt to utilize a pro forma invoice number in accordance with AP best practices. The invoice must have all the details that a final sales invoice generally includes in order to provide the buyer with all the information necessary to negotiate the purchase price with the seller.

Additionally, it serves as an agreement between the buyer and seller that neither party will accept money until the necessary products or services have been sold or purchased. Once the final sales invoice is sent out, sellers may rest comfortable that the buyer will finish the order and make payment. Additionally, customers are shielded from any unforeseen surcharges or overcharging on the part of the seller.

Due to the fact that it includes all the information required for customs clearance, it is also utilized when importing and exporting goods internationally.

A pro forma invoice is not the legal final sales invoice, as was already stated. It is issued when the buyer is determined to acquire something from the vendor but has not yet come to an agreement. As a result, it acts as a binding agreement between buyers and sellers regarding the specifics, including price, quantity, and specs. Buyers may also utilize it to get internal approval before making purchases of products or services.

They are also often used by foreign sellers of commodities. Customs regulations at ports around the world demand that information about the products being shipped be readily available and visible. Proforma invoices are useful for sharing information such as weight, value, taxes, shipping expenses, delivery fees, etc. to enable a quick customs clearance.

Advantages of pro forma invoices

simplifies negotiations between the buyer and seller before a deal is finalized.

Clarifies all the terms that have been agreed upon, such as the delivery date, price, amount, etc., to create transparency.

It may be used as a quotation or purchase order. Buyers might require this for internal buying approval.

Both the customer and the seller may use the invoice to bargain for better terms and alter the order because it is not legally binding.

Improves and prolongs client relationships because proforma invoices serve as "good faith" agreements. It guarantees the commitment of the buyer and seller to the sale or purchase of the products or services.

A pro forma invoice serves no accounting function and differs from a final sales invoice. In contrast to a sales invoice, which is definitive and binding, the information provided in the invoice can be negotiated and amended. It is not included in the accounts payable procedures and is more akin to a quotation. As a result, it is not enforceable.

The answer is that it isn't necessary. The fact that it is not a bill is the reason. It functions similarly to a quote or an estimate of what the buyer can expect from the seller in exchange for the acquisition of the necessary goods or services. There is no need for action if the sale is unsuccessful.

Proforma invoices differ from other forms of bills in certain ways.

Business Invoice

After the goods have been sent or delivered, this invoice is generated.

The details, such as quantity, are not confirmed when a pro forma invoice is given before the sale of the products. Commercial invoices, which reflect the precise quantity shipped, are typically used for overseas transactions. It makes it simpler and more effective for vendors to deliver their items to customers. Customs officials use a commercial invoice as a shipping document at every port. The invoice aids customs authorities in collecting the proper tariffs, import charges, and taxes. Customs officials can be confident that the standards for export compliance have been completed thanks to the information on the business invoice.

sales statement

When the goods or services have been delivered and payment is due, a sales invoice with an invoice number is issued. It is recorded in accounts payable and constitutes a binding contract. The proforma invoice, on the other hand, is similar to a quotation but is sent before the transaction and its specifics have been confirmed. It is also not legally binding. Since a sales invoice includes VAT/GST and other taxes, it can also be used as a tax invoice. You can get your VAT/GST back by using the final sales invoice.

Credit Note

A seller has the right to provide the buyer a credit memo if the items they got are harmed or there was a mistake with the order. With a credit memo, you can receive a partial or full refund that can be used for future orders. A pro forma invoice is sent before the ordering of the items, but a credit memo is issued after the delivery of damaged goods.

Purchase Request

A purchase order (PO) is a legal document that attests to the acquisition of commodities. It is delivered to the seller by the buying division of the buyer. A purchase order is enforceable since the terms are set in stone and cannot be changed. A pro forma invoice and a purchase order are both sent before the products are delivered, but the PO procedure is a confirmation of the order sent from the buyer to the seller, whilst a pro forma invoice is a quotation sent from the seller to the buyer.

Taxes and proforma invoices

Proforma invoices cannot be utilized for tax purposes or considered as VAT/GST invoices because they are not final sales invoices. This is due to the fact that it doesn't correspond to the supply-related "tax point." The final sales invoice, which includes the transaction date, serves as the tax point for claiming VAT/GST because it reflects the actual time of supply.

Proforma invoices should also include a list of all applicable taxes (VAT, GST, etc.), particularly if the company is VAT/GST registered.

The buyer's and supplier's respective VAT/GST registration numbers should be plainly legible on the invoice, if appropriate. There is no need to include tax information if the supplier is not registered for GST or VAT. Additionally, taxes are not necessary if the products are VAT/GST exempt.

How to draft an invoice in proforma?

The final sales invoice and a proforma invoice are quite similar and include the same information. Using word processing or accounting software, they are simple to make.

The buyer should be able to confirm or request authorisation for placing the order using the information on the invoice. The information to mention is:

- Period of Issue
- Seller and Buyer Information (Address, contact, etc)
- Details of the goods or services
- Cost of the Goods
- Validity of the Price Offered
- Arrangements for payment
- any applicable taxes
- Any shipping fees
- Number of pro forma invoice, if any
- Proforma Invoice label
- Not a Tax Invoice label

Conclusion

A proforma invoice is crucial since it guarantees smooth company transactions when buying products and services. It helps establish openness between buyers and sellers. Additionally, it not only serves as an effective negotiation tool and is necessary for shipping goods internationally, but it also fosters closer ties between buyers and sellers.

An invoice given to a buyer as a preliminary bill of sale to request payment for goods and services before they are delivered is known as a proforma (or pro forma). A sale's transaction, items, and total payment information are all included in this advanced total, or estimate of the total.

A proforma invoice can be used by buyers and sellers in good faith to guarantee that the seller will deliver the requested products to the buyer following payment.

Is a Proforma Invoice a Binding Contract?

There are many similarities between a proforma invoice and a final sales invoice. A proforma invoice is not enforceable, nevertheless, because the conditions of the sale are still liable to alter.

A proforma invoice resembles a sales quote more than a final sales invoice in that regard. This implies that you shouldn't record the entire amount owed under accounts receivable or utilize the proforma invoice to recoup value-added tax (VAT).

Alternative Invoice Types vs. Proforma

A proforma invoice is used to give the buyer the last-minute information of an order before they make a purchase. The buyer can then choose whether or not to proceed with the sale based on this good faith assessment.

Invoice vs. Proforma Invoice

A proforma invoice merely specifies the terms of the transaction for the buyer and seller, unlike an actual invoice which is formal and legally enforceable. For accounting purposes in the event of an audit, a standard or official invoice is kept on file in your accounts payable or receivable.

A proforma invoice is used to initiate a transaction in the accounts payable process, while an official invoice is used to confirm the sale.

A proforma invoice should be clearly labeled as "proforma" and normally contains all the information included in a standard invoice. Consider mentioning the proforma invoice number on the ordinary invoice to prevent double payments.

Commercial invoice versus pro forma invoice

Commercial invoices and proforma invoices are both common export records used in international trade. Yet, the primary variations lie in their methods of application.

Proforma invoices are used by buyers to get around import limitations that can interfere with the sale. Proforma invoices, for instance, can be used by buyers to convince the government that they require an import license. They can more quickly get ready to welcome the shipment thanks to this.

Contrarily, customs uses a commercial invoice to determine the tariffs, taxes, and other import fees related to the sale. The buyer's and seller's banks, the maritime insurance provider, the import broker, and other key parties are also given important instructions via a commercial invoice.

Purchase Order vs. Proforma Invoice

Proforma invoices appear to be purchase orders at first glance. The following is present in both documents:

Descriptions

Quantities

Prices

Discounts

Terms of payment

Added conditions of the sale

A proforma invoice and a PO differ only in their place of origin. A proforma invoice is created by the seller and delivered to the purchaser. A purchase order is issued and sent to the seller by the buyer (and their accounts payable department), who then utilizes it to compare invoices when disbursing funds.

A proforma invoice is a quote from a sale, not a confirmation, whereas a purchase order is regarded as a commercial document, denoting a formal confirmation of a sale. Because of this, the stipulations in a proforma invoice are still nonnegotiable, whereas a purchase order is an irrevocable contract.

Samples of Proforma Invoices

As a proforma invoice is not an official confirmation of a sale, the parties may still bargain over the terms.

In a manufacturing use case, a proforma invoice would be utilized as follows:

Imagine that a company called ABC Clothes receives a request for 5,000 shirts. Without consulting the customer, ABC Clothing starts manufacturing as soon as it receives the order.

ABC Clothing issues the customer an official invoice after production is complete. The customer is unhappy, though, because they could have gotten a better deal and desired a quicker delivery date in addition to lengthier payment terms.

By racing to make the delivery deadline, canceling the previous invoice, and preparing a new one with prices and payment terms the buyer accepts, ABC Clothing can still save the deal at this point. Yet, this complicates and wastes time in their workflow.

ABC Clothes could instead create a proforma invoice to avoid this circumstance. The clothes maker would provide a proforma invoice after getting the order, which would include:

information such as the cost of 5,000 shirts

estimated day of delivery

Terms of suggested payment

Discounts for early payments

The terms of the sale, such as an early payment discount, can be negotiated once the buyer receives the proforma invoice.

Only after both parties have agreed to an updated proforma invoice as a good faith estimate and accepted ABC Clothing's requirements do they start manufacturing.

Ultimately, they can create a formal invoice utilizing the data from the proforma invoice by using invoicing software. They gain even more time back in the sales process as a result.

When Does a Proforma Invoice Be Sent by the Seller?

When a commercial invoice is not yet available—in other words, when the seller still needs to pay for the goods—proforma invoices are frequently used for export sales. The proforma invoice must have all the information necessary for U.S. Customs to examine the goods and determine the appropriate duties. The commercial invoice is necessary for U.S. Customs if the seller has already paid for the items.

Proforma invoices are not exclusively for importing items. The buyer may request a proforma invoice at any time, ensuring that both parties are aware of what to expect from one another.

What Details Must Be Included in a Proforma Invoice?

A typical proforma invoice used for export sales should include the following details:

• Exact product descriptions, including the country of origin and the Harmonized System or Schedule B number (six digits) that U.S. Customs uses to calculate duties and taxes.

• The cost of the goods

• Delivery conditions, including the origin of the shipment and the delivery location

• Expiration or validity date (or how long the price is valid for)

• "Proforma invoice" so that the purchaser is aware that it is not a sales or tax invoice.

A formal invoice is a non-negotiable document that must include a few essential details including the invoice number and date, as well as the due date and the terms of payment. It ought to have:

• The name, address, and phone number of your business.

• The name and billing address of your client

• When the goods were delivered

• Information on items

• Total amount owed, together with delivery fees and any relevant taxes

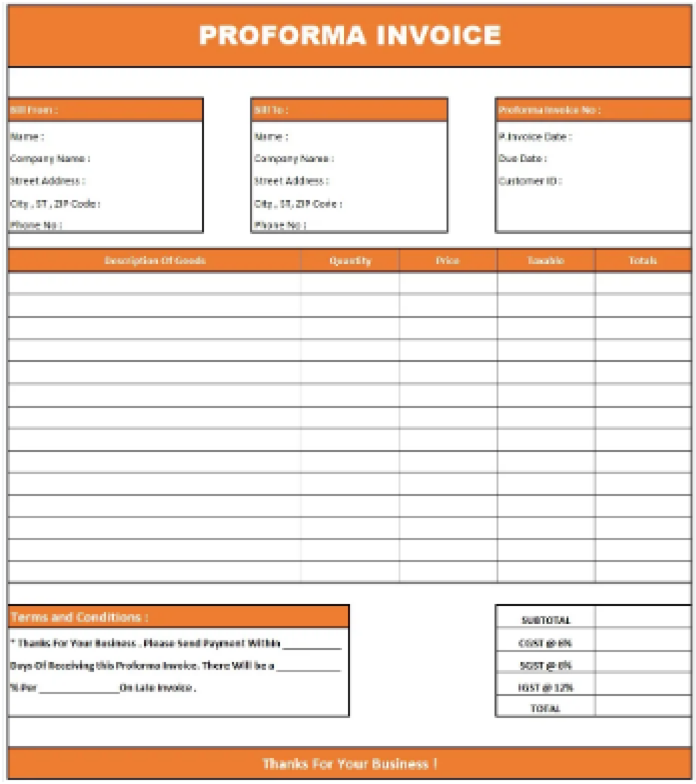
The purpose of pro forma invoices in business.

A proforma invoice ensures that all parties have agreed to the terms from the start, which streamlines the sales process. This ends any back and forth between the buyer and supplier that can increase production costs, cause a delivery to be rushed, or result in a dissatisfied client.

Proforma invoices might also help your company save time if it employs invoicing software. After the sale has been validated, the program can instantly create an official invoice using the data from a proforma invoice.

Proforma invoices may also be necessary for some companies' internal purchasing approval procedures. To use for their accounts payable records, the buyer still requires a valid, legally binding invoice.

International trade also makes use of pro forma invoicing. When a seller desires to export a goods before delivering a commercial invoice, U.S. Customs normally requires them.


PROFORMA INVOICE

Bill From :
Name :
Company Name :
Street Address :
City , ST , ZIP Code :
Phone No :

Bill To :
Name :
Company Name :
Street Address :
City , ST, ZIP Code :
Phone No :

Proforma Invoice No :
P.Invoice Date :
Due Date :
Customer ID :

| Description Of Goods | Quantity | Price | Taxable | Totals |
|---|---|---|---|---|
| | | | | |

Terms and Conditions :
* Thanks For Your Business . Please Send Payment Within ________
Days Of Receiving this Proforma Invoice. There Will be a ________
% Per ____________ On Late Invoice .

| | |
|---|---|
| SUBTOTAL | |
| CGST @ 6% | |
| SGST @ 6% | |
| IGST @ 12% | |
| TOTAL | |

Thanks For Your Business !

## 3.3 SALES PURCHASE AND REJECTION VOUCHER

The inventory vouchers in tally are the Rejections In and Rejections Out vouchers.

Let me clarify that these coupons are used to exchange damaged or defective goods for new ones when they are returned.

The newsletter sign-up form ID is 3.

Rejections In Vouchers are used in Tally for sales returns, or the return of products that were sold but were flawed.

In Tally, the Rejections Out voucher is used for returns of purchases, or for returning things that we bought but turned out to be defective.

These returns are not 100% complete sales or purchase returns, to put it briefly. They are just being returned so that new, defect-free items can be put in their place.

Let's get started by looking at how to make both vouchers in Tally with GST.

Rejections in the Tally with GST Voucher

Rejections Out Voucher with GST in Tally

Rejections Out Voucher in Tally differs from Rejections In Voucher.

Difference Between Rejections and Sales Return in Tally

Difference between Purchase Return in Tally and Rejections Out

Rejects in Voucher with GST in Tally - CTRL + F6

Let's use an illustration before moving on.

One example

Yashaswini has already purchased 250 t-shirts from you, but she has returned 50 of them because they were flawed

The cost of the t-shirts is $2,000 each shirt, so $2,000 x 50 = $1,000,000 will be needed to purchase all 50 t-shirts.

I've expanded on the cost centers in the example from a previous post.

We will submit a voucher in the voucher in tally for this.

Go to Inventory Vouchers from the Tally Gateway.

By default, you will be in the stock journal voucher.

By clicking CTRL + F6, which is a shortcut for rejections in the voucher in tally, choose Rejections In.

Select Yashaswini in the Ledger Account box.

Name and address of the customer will match.

Pick a T-shirt under the Name of the Item.

The tracking number will be the original sales voucher's tally voucher number. Since it is 1 in my instance, I have chosen that.

Rejections in the Tally with GST Voucher

Rejections in the Tally with GST Voucher

Take 50, and Tally will automatically calculate a price that is the same as that on the original sales voucher.

According to our example, the total will be 1,000,000.

To save the entry, hit Enter.

Congratulations! You were successful in creating a GST-compatible Rejections In voucher in Tally.

One of two rejection vouchers are included in the total.

We will distribute rejection vouchers in a similar manner.

ALT + F6 for Rejections Out Voucher in Tally with GST

Because the number of rejections will now be in the total, let's use another purchase example.

Instance No. 2

This example from the post on cost centers and categories in tally has also been continued.

We had purchased cotton from Yash to make t-shirts. I upped the purchase from the original 10 bales of cotton to 15 bales so that we can return 5 bales of cotton.

5 bales were returned to Yash because they did not meet the specifications.

You pass a Rejections Out coupon in the tally for that as follows.

Visit the Inventory Vouchers page on the Tally Gateway.

To access the Rejections Out voucher, press ALT + F6.

The Supplier's Name and Address box will automatically be filled up after you choose Yash in the Ledger Account box.

To enter the stock item in tally, choose Cotton from the Name of Item drop-down menu.

Rejections Out Voucher with GST in Tally

Rejections Out Voucher with GST in Tally

Choose the tracking number, which will correspond to your purchase voucher's tally voucher number. It is 1 in my situation.

Enter 5 bales in the Quantity field, and the total will be calculated by tally using the buying voucher.

To save the entry, hit Enter.

Congratulations! You were successful in creating a GST-compatible Rejections Out coupon in Tally.

This was the second voucher to be rejected in the total.

Let's go on and examine some distinctions now.

Rejections Out Voucher in Tally differs from Rejections In Voucher.

Between Rejections In and Rejections Out Voucher, there is only one difference in the total.

Rejections In vouchers are used to send back any damaged goods we've sold someone.

Rejections Out vouchers are utilized to send back any damaged goods we've bought from someone.

It is coming in or leaving if it is referred to as IN or OUT.

The only significant difference between the two vouchers, aside from the background color, is that the rejections in the voucher have a pink backdrop while the rejections out voucher has a greenish blue background.

Difference between Sales Return and Rejections in Tally

This is a very insightful and intriguing query.

If we examine voucher rejections, it only appears to be a sales return. However, it is not a 100% sales return.

Returning rejected or damaged goods is what it is.

Rejection refers to the process of rejecting and returning things. They weren't entirely given back.

In the event that certain goods are returned to us after being rejected, we give new and fresh goods in exchange for the rejected ones.

We have already completed a tally of voucher rejections. Let's now look at the stock summary and see what is contained within.

Navigate to Stock Summary in Tally's Gateway.

Pick the t-shirt from the stock inventory.

The rejections on the voucher will be labeled as "Sales Bills Pending."

Sales Bills Pending - Voucher Rejections in Tally

Sales Bills Pending - Voucher Rejections in Tally

The term "sales bills pending" refers to the fact that we must supply them with new materials or products in exchange for their rejected goods.

We employ credit notes in tally for total sales returns or absolute sales returns. It is employed when a customer simply dislikes the goods for whatever reason.

With a credit note, the customer can make any purchase from us in exchange, but if it is rejected, the buyer must still receive the same goods

Difference between Purchase Return in Tally and Rejections Out

The distinction between rejections out and purchase returns is the same as that between rejections in and sales returns that was previously described.

The only distinction is that we are returning the flawed goods in rejections.

Similar in meaning.

We use the debit note in tally for absolute purchase returns. We can keep a record of the returns we've made thanks to the debit note.

Rejections out in the tally are just used to return the things that are rejected, other than that.

You can find the following in the image if you look at the cotton stock summary for which we have sent out entry rejections.

Purchase Bills Pending - Out Voucher for Rejections

Purchase Bills Pending - Out Voucher for Rejections

The phrase "Purchase Bills Pending" will be used.

It simply means that bills must be paid before we can receive new and fresh things, which requires us to create a new purchase invoice in Tally.

Vouchers for Rejection in & Out in Tally with GST - Video

Conclusion

I believe I have allayed your concerns about the in-tally rejects in and out vouchers.

Additionally, you now understand the distinction between rejections out and buy returns in tally as well as rejections in and sales returns.

Rejections In and Out Vouchers can also be utilized with orders in Tally, allowing you to monitor the transaction using Tally's delivery notes and receipt notes.

You now know when to utilize the debit and credit notes in tally as well as the rejection vouchers.

However, if you have any questions, please leave a comment below and I will respond to it.

# Rejection In Voucher (Ctrl+F6) in TallyERP9

This voucher is used to record goods received back from a customer after rejection. This Inventory voucher does not affect Accounting which affect inventory of the business only.

***Example:***

Swayam Sales takes back the following items rejected by a customer ***Lexsite Pvt. Ltd.*** which was issued through Delivery Note.

*Printer Epson Lq 1024*     1 Nos.     Rs. 21875

***Setup :***

Press **F11 : Features**, Select **F2:Inventory** and make **YES** to both features

i.e. Use Tracking numbers – Yes

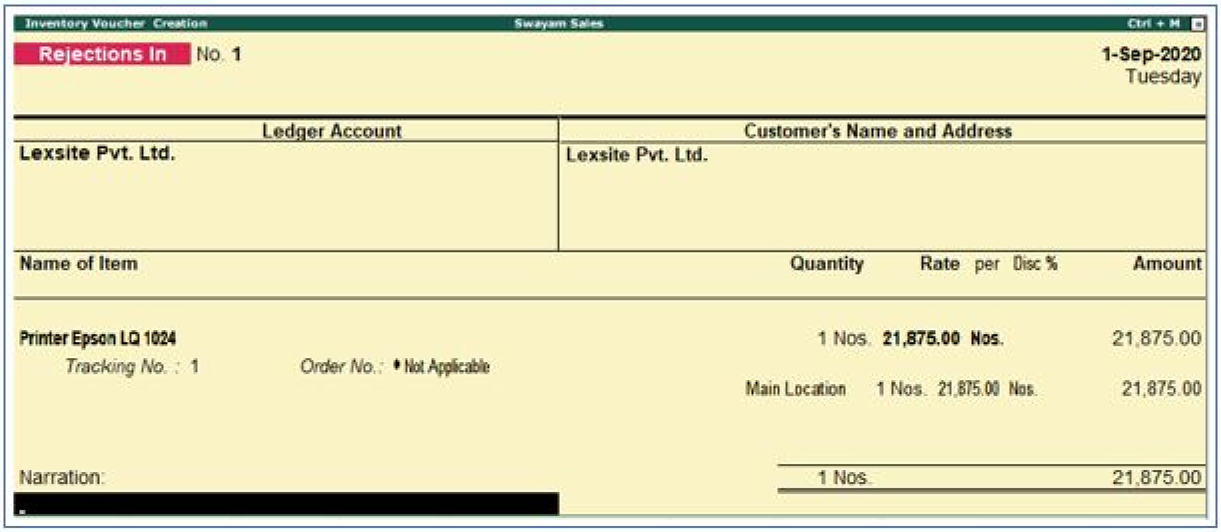
& Use Rejection Inward and outward notes – YES

***Solutions :***

To view the **Rejections In** Voucher

1. Go to **Gateway of Tally > Inventory Vouchers**
2. Press the **Ctrl+F6** or select the button **<u>F6</u>: Rej. In** from the Button Bar

The Rejection In Voucher of the above example transaction will be as below :




### 3.3.1 Additional Purchase

A corporation or organization uses the purchasing process to buy products or services in order to achieve its objectives. Although many businesses make an effort to establish standards for the purchasing process, procedures can differ significantly between firms.

The expediting, supplier quality, transportation, and logistics are often also included in the larger procurement process, which includes purchasing.

The organization's acquisition criteria and procedures are directed by purchasing managers/directors and procurement managers/directors. The majority of businesses base their purchasing systems on a three-way check[citation needed]. As a result, three organizational departments complete various phases of the purchase process. For the purpose of discouraging unethical behavior and enhancing the process' credibility, the three departments do not all report to the same senior manager. These divisions could be purchasing, receiving, and accounts payable; engineering; a plant manager; purchasing; and accounts payable. Accounts payable and the purchasing department are often two of the three departments involved, however combinations might vary greatly.

It is often referred to as a two-way check or two-way purchase order when the receiving department is not involved. The purchasing department issues a purchase order receipt that is not necessary in this case. The accounts payable department will then go directly to the person who requested the purchase order to confirm that the products or services were received when an invoice arrives against the order. Usually, this is how goods and services that won't go via the receiving department are handled. Software distributed digitally, NRE work (non-recurring engineering services), consultation hours, etc. are a few examples.

In the past, the purchasing division made purchases for goods, services, machinery, and raw materials. Then, "blanket" or "master" agreements were implemented in an effort to reduce the administrative costs related to the repetitive ordering of basic consumable commodities. To optimize the numbers of scale concepts, these types of agreements often have a longer period and larger scope. A straightforward release would be given to the supplier to deliver the goods or services when extra supplies were needed.

The usage of business credit cards, commonly referred to as "Purchasing Cards" or simply "P-Cards," is another way to reduce the administrative costs related to recurring contracts for common materials. Although P-card schemes differ, all of them have internal audits and checks to guarantee proper use. The purchasing managers understood that once contracts for the low-cost consumables were established, procurement could play a limited part in the administration and utilization of the contracts. The majority of their time is now available to negotiate significant purchases and the establishment of other long-term contracts. Oversight still exists in the form of audits and monthly statement reviews. These agreements are frequently renegotiated every year.

The industry saw various adjustments as a result of this shift away from tactical purchasing, which is the everyday procurement function. The first was a personnel cutback. The purchasing departments had shrunk. The army of clerks that once processed orders for individual parts was no longer required. The emphasis on contract negotiations and the purchase of significant capital equipment was another modification. The purchasing departments were able to contribute the most money to the organization thanks to both of these tasks. Strategic sourcing and Sourcing Managers are a new word and job title that have evolved. These experts concentrated on the entire supply function as well as the procurement process and supplier negotiations. They were able to maximize savings for corporations and create value in their roles.

This value showed up in lower inventories, fewer employees, and a speedier delivery of the finished product to the customer. Success in these positions allowed purchasing managers to be given new responsibilities in areas such as logistics, materials management, distribution, and warehousing, which are unrelated to the traditional purchasing function. As supply chain managers, more and more buying managers were taking on extra responsibilities inside their organizations' operations. Others besides purchasing managers went on to become supply chain managers. The broader function was taken on by logistics managers, material managers, distribution managers, etc. Some of these managers now had oversight of the purchasing functions.

The quantity of items a corporation purchased throughout the course of this year is known as purchases in accounting. It also relates to details on the type, caliber, amount, and pricing of purchased products that should be preserved. They are included in the stock. Purchase discounts, returns, and allowances are used to offset purchases. The trade's Free On Board (FOB) policy will determine when it should be added. If the policy was FOB shipping point, the seller removes this item from its inventory and adds this new inventory for the buyer on shipment. On the other hand, if the policy was FOB destination, the buyer added this inventory upon receipt, and the seller removed this item from its inventory upon delivery.

Products purchased for uses other than direct sales, including research and development, are put to inventory and their utilization is credited to the cost of research and development. Aside: Purchases of equipment for research and development are financed as assets rather than being added to inventories.

### 3.3.2 Effective Rates Invoice

The effective bill rate is one of the more crucial variables to keep an eye on in a professional services organization. The effective bill rate is computed by dividing the project's overall income by the project's overall labor hours. Both billable and non-billable hours should be included in the overall number of hours worked. In general, time spent on the sales process or on relationship management in general is not taken into account when determining the effective bill rate.

Because it can differ significantly from the proposed (or expected) bill rate of a project for many firms. Let's imagine your business suggests a 1,000-hour project with a total cost of $200,000 at

$200 per hour. A junior team member makes some blunders during the project, necessitating the redo of 200 hours of work. The additional 200 hours are regarded as non-billable because it wouldn't be right to charge the client for those hours (worked at no cost to the client). Thus, in order to generate the $200,000 in revenue, 1,200 hours of effort were actually necessary, resulting in an effective rate of $166.67 (which is 16.7% less than the rate that was initially intended).

The ability to compare fixed fee engagements with time and materials engagements is one benefit of keeping track of the effective bill rate for each project. In order to deliver projects with a better gross margin, some professional services firms sometimes propose engagements on a fixed fee basis. However, fixed fee engagements come with a number of delivery risks that might hurt the bottom line (usually connected to scope management). The effective bill rate for the identical $200,000 project above would be $100 per hour if it were presented on a fixed fee basis but required 2,000 hours to complete. The management of the company can identify the projects that have the best profit margins by tracking the effective bill rates of all the projects.

Variance of Actual-to-Plan Effective Rates

Professional services companies that deliver similar sorts of engagements with a regular project team composition can benefit from tracking the effective bill rate alone. The effective bill rate is a useful metric for assessing project success when the entire portfolio of projects is homogeneous. However, the effective bill rate can no longer be utilized as a stand-alone benchmark when the projects and project team organization differ.

Assume two recent projects for a software engineering consultancy have been finished. The effective bill rate for Project A was $125 per hour, while the effective bill rate for Project B was $90 per hour. Project A is unquestionably superior to Project B. Perhaps, but perhaps not. Project B might have a better gross margin than Project A if it were to be predominantly delivered by an offshore team at a significantly lower labor cost.

The difference between a project's projected effective rate and its actual effective rate should be given the highest weight when evaluating effective rates. You should have a solid understanding of the anticipated responsibilities, tasks, hours, income, costs, and profit before a project's initial estimate is made. The anticipated effective rate ought to be very close to reality by the time the project is resourced and prepared to start.

Every project should ideally start with a projected effective rate so that you can track the deviation and make plans as needed. It becomes evident that Project B was managed more effectively to plan if, in our earlier example, Project A had a planned effective rate of $150 and Project B had a planned effective rate of $80. Companies with highly variable labor costs (such leverage models or offshore models) should place a lot of emphasis on the effective rate variance when making planning decisions.

## 3.4 GENERATION OF REPORTS

A report generator is a type of computer application. This computer program's objective is to accept information or data from the database, spreadsheet, or XML stream that serves as the source and then use the information to create a structured composition that satisfies the needs of a particular human readership. Report creation is the process of creating reports using a tool designed for business users, and the program used to implement this method is referred to as a report generator. A report generator is more effective and appropriate for producing reports than excel.

Report generating is required since it eliminates the need for manual report creation. The possibility of errors is also decreased through report production. It enables us to study the facts and information. The report generator handles the report's explanation, which involves acquiring the data's kind, location, and presentation style.

Report processor is allowed to operate with a report using a report generator, and data is joined with the report layout and removed using the definition of the report that is provided. The tool for creating reports not only enables previewing the report but also publishing it to a server for later transfer. The information can then be shared with your coworkers, directors, or allies.

Features of Report Generator: The report generator is efficient and user-friendly for every stage of report generation.

Report generators may simply extract data from a variety of sources.

Real-time operators of report generators. After setting up templates, the reports are generated automatically and delivered to the specified email address with the frequency of yearly, quarterly, monthly, and daily reports.

The use of templates again and again in report generation is supported.

The report generator supports printing and exporting of reports. The report can be downloaded or printed in excel, pdf, or pictures.

With the aid of the report generator, users may use their phones to study the reports at any time and anywhere.

How do report generators and report production tools streamline the process of creating reports?

The report generating method comes in two flavors, which are as follows:

completely automated generation

automated creation in part

Completely automatic generation is a technique that is based on templates. MoM (Month over Month) ranking and YoY (Year over Year) ranking are often used financial information. Consider the most frequently used metrics, such as MoM and YoY Ranking. The report generator has financial statistics layouts built in for use at that time. All we need to do to fully automate the generating is link to the database and drag the relevant cell.

2. Semi-automatic Generation: Using professional functions, each module is automatically generated in semi-automatic generation. As opposed to fully automatic report generating, semi-automatic generation is more prevalent and is more likely to satisfy clients' unique requirements.

Reports are submitted for the server to process.

All reports are treated as report groups by the software Tivoli Netcool Performance Manager. Each report inside a report group is given a report number (task ID), a report name, and a group number (job ID). Report group runs are waiting in line.

a report group, which causes the group's reports to all execute simultaneously.

The report output becomes available in the Monitor tab if a report within the report group is successfully generated. Under the event that it is a local report, it also appears in the Browse tab.

In the event that report production is unsuccessful, the Monitor tab will provide the status of the report and any other run-related data.

A report generator is a type of computer application. This computer program's objective is to accept information or data from the database, spreadsheet, or XML stream that serves as the source and then use the information to create a structured composition that satisfies the needs of a particular human readership. Report creation is the process of creating reports using a tool designed for business users, and the program used to implement this method is referred to as a report generator. A report generator is more effective and appropriate for producing reports than excel.

Creating reports is Required:

Report generating does away with the need to create reports manually. The possibility of errors is also decreased through report production. It enables us to study facts and information. The report generator handles the report's explanation, which involves acquiring the data's kind, location, and presentation style.

Report processor is allowed to operate with a report using a report generator, and data is joined with the report layout and removed using the definition of the report that is provided. the tool for creating reports not only enables previewing the report but also publishing it to a server for later transfer. The information can then be shared with your coworkers, directors, or allies.

Reporting tool features:

The report generator is efficient and user-friendly for all stages of report generation.

Report generators may simply extract data from a variety of sources.

Real-time operators of report generators. After setting up templates, the reports are generated automatically and delivered to the specified email address with the frequency of yearly, quarterly, monthly, and daily reports.

The use of templates again and again in report generation is supported.

The report generator supports printing and exporting of reports. The report can be downloaded or printed in excel, pdf, or pictures.

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2. Semi-automatic Generation: Using professional functions, each module is automatically generated in semi-automatic generation. As opposed to fully automatic report generating, semi-automatic generation is more prevalent and is more likely to satisfy clients' unique requirements.

## 3.5 CASH BOOK

All cash transactions made during an accounting period are documented in a cash book, which is set up as a subsidiary to the general ledger. The cash book is typically split into two sections in larger organizations: the cash disbursement journal, which records all cash payments, and the cash receipts journal, which records all cash received by the company.

All cash receipts and outlays, including bank deposits and withdrawals, are recorded in a cash book, which is a financial journal. After then, the general ledger is updated with the cash book's entries.

Dissecting the Cash Book

A cash book is created as the general ledger's replacement, and it records all cash transactions during an accounting period in sequential order. The cash disbursement journal records cash payments, and the cash receipts journal records all cash received by the business. Larger organizations typically divide the cash book into these two sections.

Payments made to merchants to reduce accounts payable are reported in the cash disbursement report, and payments made to customers for accrued accounts receivable or cash transactions are included in the cash receipts log. A cash book and a cash account are dissimilar in some ways.

Cash Account vs. Cash Book

A cash account is an account in the general ledger, whereas a cash book is a distinct ledger in which cash transactions are recorded. A cash account is structured like a ledger, but a cash book acts as both a journal and a ledger. In contrast to a cash account, a cash book requires explanations or narratives regarding the origin or usage of funds.

A corporation should report transactions using a cash book rather than a cash account for a number of reasons, including natural exposure and assurance of the daily cash balances.

Verification makes errors simple to see, and entries are kept current because the balance is reviewed daily. Balances for cash accounts are typically reconciled at the end of the month, following the publication of the monthly bank statement.

Words Associated With Private Limited Company (PVT LTD)

A private firm is one that has a relatively small number of shareholders or members, non-governmental organizations, or both as owners.

Voucher Any written evidence proving the accuracy of the transaction's accounting reflected in the account books is referred to as a voucher.

Tender

There is a lot of dealing and trading of goods and services when it comes to the business industry.

Non-Performing Assets, or NPA

It speaks of credit advances and loans that are in default or arrears.

Elevator Clause

The condition that permits an automatic increase in the salaries or prices is referred to as an escalator clause or an escalation clause.

Agency Issue

The agency problem is a situation with a conflict of interest that exists in all relationships where one party is expected to act in the interests of the other party.

The cash receipts journal would cover items like payments made by customers on unpaid accounts receivable or cash sales, whereas the cash disbursement record would include items like payments made to vendors to lower accounts payable

The main objective of a cash book is to successfully manage cash by making it simple to ascertain cash balances at any given time. This enables managers and corporate accountants to effectively budget their cash as necessary. Additionally, accessing monetary information through a cash book is far quicker than tracking the cash through a ledger.

Cash Account vs. Cash Book

A cash account is different from a cash book in a few ways. A cash account is an account within a general ledger, but a cash book is a distinct ledger where cash transactions are recorded. A cash account is set up like a ledger, but a cash book acts as both a journal and a ledger. A cash book must include information regarding the origin and use of monies, whereas a cash account need not.

There are several reasons a company could choose to record transactions in a cash book rather than a cash account. Daily cash balances are simple to find and retrieve. Verification makes mistakes easy to find, and since the balance is checked daily, entries are always current. Cash account balances, on the other hand, are often reconciled at the end of the month, following the release of the monthly bank statement.

Filling up a Cash Book

Every transaction in a cash book has both a debit and a credit side. All cash payments are recorded by date on the right-hand side as credits, and all cash receipts are recorded as debits on the left-hand side. If there is positive cash flow, the difference between the left and right sides represents the amount of cash on hand, which should be a net debit balance.

There are columns in the cash book. The cash book is available in three typical configurations: single column, double column, and triple column. Only cash payments and receipts are displayed in the single-column cash book. Cash revenues and payments are recorded in the double-column cash book together with information on bank activities. All of the foregoing, in addition to details on purchase or sales discounts, are displayed in the triple column cash book.

These four column headers are usual for a single column cash book: "date," "description," "reference" (or "folio number"), and "amount." Both the left side, which displays receipts, and the right side, which displays payments, both have these headings. The transaction date is indicated in the date column.

The cash book will be in chronological order by transaction because it is updated regularly. The accountant enters a brief summary of the transaction in the description field. The accountant enters the account number for the associated general ledger account in the reference or ledger folio column. The final column contains the transaction's total. All cash transactions made during an accounting period are documented in a cash book, which is set up as a subsidiary to the general ledger. The main objective of a cash book is to properly manage cash by making it simple to ascertain cash balances at any given time, enabling managers and corporate accountants to budget their cash. Additionally, accessing monetary information through a cash book is far quicker than tracking the cash through a ledger.

The cash book is typically split into two sections in larger organizations: the cash disbursement journal, which records all cash payments, and the cash receipts journal, which records all cash received by the company. The cash receipts journal would cover items like payments made by customers on unpaid accounts receivable or cash sales, whereas the cash disbursement record would include items like payments made to vendors to lower accounts payable.

A cash account is different from a cash book in a few ways. A cash account is an account within a general ledger, but a cash book is a distinct ledger where cash transactions are recorded. A cash account is set up like a ledger, but a cash book acts as both a journal and a ledger. A cash book must include information regarding the origin and use of monies, whereas a cash account need not.

## 3.6 LEDGER ACCOUNTS

You are already aware that several accounting books contain records of business activities. Here is not where the accounting process ends. The transactions are recorded chronologically in a number of accounting records. Such business transaction tracking only has minimal use in the accounting process. Items with the same name throughout all volumes must be recorded in a location specifically referred to as Account. Each object has its own Account, which is documented in a book known as the Ledger.

A separate book named Ledger will be opened and maintained for all the Accounts recognized based on the transactions documented in various journals.

So a ledger is a book of accounts that contains all different kinds of accounts for assets, liabilities, capital, expenses, and revenues. It is an entire set of financial records for a company.

Ledger is contained in a book with sequentially numbered pages. Another option is a stack of sheets.

Posting entries from Journal to Ledger Accounts is the process through which all of the items from the journal are registered in Ledger Accounts.

Ledger Account Features

A ledger book is an accounts book where various business transactions are recorded under various Accounts.

The double-entry method is used.

Since it is the book of final recording of transactions following the journal or all-purpose books, it is often known as the principal book of accounts.

All account types pertaining to assets, liabilities, capital, and revenue are kept in the Ledger.

It is the only document that categorizes the business transaction into the appropriate Accounts.

It makes future financial statement preparation easier.

Ledger Account Format

Ledger Account Types

General Ledger –

A general ledger is the central grouping of all the Accounts that list every transaction made inside an organization. There could be a select group of ledgers that are included in the overall ledger. All transactions that appear in the company's financial statements are recorded in the general ledger.

Each transaction entered into it has a debit and credit entry to match the overall debit and credit balance. To create the financial statements from it, it must match.

There are two varieties:

The Nominal Ledger is where all nominal accounts, such as expenses, losses, earnings, and gains, are kept. Examples include wages, sales, purchases, inbound/outbound returns, rent, office supplies, insurance, depreciation, etc.

Accounts that are confidential, such as capital, drawings, salary, etc., are kept in the private ledger. Only a few people have access to these Accounts.

Purchase Ledger 2.

All of the business's interactions with suppliers are documented in the purchase ledger. It displays which purchases have been paid for and which still need to be. A purchase ledger is not necessary if there are few purchases being made. Instead, this data is directly entered into the General Ledger.

Each Account will typically have a credit balance, which represents the sum that the company owes a supplier. Accounts payable is the total amount that a business owes to its suppliers.

3. The Sales Ledger

One Account in the Nominal Ledger will suffice if the company just has one customer, hence it won't be necessary to keep a sales ledger. However, since many businesses operate on a credit basis and have a sizable clientele, maintaining a sales ledger is crucial for them.

All transactions in which the items were sold to the customer on credit are recorded in this account. The total amount of money that has been extended on credit is referred to as accounts receivable.

The value of the ledger balance

The ledger, which contains all of the transaction data in individual Accounts, serves as the foundation of business accounting. All Accounts will have all the information about all the transactions pertaining to them by the conclusion of the Accounting period.

1. Basic facts regarding business

Ledger offers a thorough record of all transactions, assisting the company in examining expenses and revenues. The appropriate steps are performed if differences between the two are discovered.

2. Understanding asset book value

All of the business's asset-related records are centrally located in the ledger.

Each asset and its associated transactions are kept in a separate Account. Anytime, the Ledger can be used to determine the book value of any asset.

3. Beneficial for managing

Financial statements go on to use the information provided by the ledger accounts to determine the company's growth or the causes of any losses. Based on it, management may make wise decisions.

4. The cause of the gap in costs or earnings

The Ledger keeps track of both the business's income and expenses. Therefore, if there is any variation in their balance, they must reassess and address the issue

Posting-

1. All independent and respective Accounts that have been debited and credited in the journal entry must be posted after every journal entry. For instance, the journal might debit the machinery account and credit the purchases account for a purchase of machinery. Both the machinery account and the sales account must be updated when this entry is posted to the ledger.

2. Posting will occur on the account's credit side (if it has been credited in the journal book) and debit side (if it has been debited in the journal book). In the instance of the machinery purchase example from above, posting will be done on the credit side of the Purchases a/c and the debit side of the Machinery a/c Accounts, respectively, as those accounts had been credited and debited, respectively, in the journal.

3. The transaction date must be entered in the date column. Similar to keeping a journal, the Ledger uses the same process for data entry.

4. When posting to an account's debit side, we should record the name of the account that was credited in the journal in the particular field and place the phrase "To" before the name.

5. In a similar vein, when posting to an account's credit side, we must write the name of the account that has been debited in the journal and follow it with the term "By." In the aforementioned example, we would enter "To purchases A/c" in the details column on the Cash Account's debit side and "By Machinery A/c" in the details column on the Sales Account's credit side.

6. Only when both sides of posting, credit and debit, have entries, is a Ledger Account complete.
7. The page number of the diary where the relevant journal entry is recorded must be mentioned in the folio column. In order to complete the cross-reference, the page number of the ledger accounts will also be placed in the journal's "Ledger folio" column.
8. The amount that is recorded in the journal entry needs to be entered in both of the Ledger Account's amount columns.

An explanation of ledger accounts

A business records all of its activities and financial statements in a book called a ledger account. The balance sheet is organized under the general ledger and contains numerous Accounts, including assets, accounts receivable, accounts payable, stockholders, liabilities, and equities, as well as revenues, taxes, expenses, profit, and loss, as well as funds, loans, bonds, stocks, salaries, and wages, among others.

In this article, we'll discuss the many types of ledgers, ledger posting, and ledger account templates in Excel, Google Sheets, and PDF, as well as their formats and samples.

A ledger is a book used to record accounting transactions. Any financial statement pertaining to the company's financial situation is only produced by the Accounts. This Ledger is hence referred to as the primary book. Due to everything said above, it is crucial to link all of the information for any Account that is included in the Ledger. Because it is the most important book in every company, the accounting book is known as the "King of All Books." The Ledger book is also frequently referred to as the last entry book. The book that holds all of the accounting data for the business is called the Ledger Account.

The Various Forms of Ledgers

Three main categories of ledgers exist:

1. Sales Ledger - A sales Ledger is a ledger in which a business keeps track of the goods and services it sells to customers as well as the costs associated with those sales. This Ledger shows the sales revenue and the income statement.
2. Purchase Ledger: An acquisition A company keeps a ledger where it logs all of its transactions for getting goods, services, or both from other businesses. It enables you to view the sums that the business has distributed to other businesses.
3. General Ledger: The general ledger comes in two flavors: nominal ledger and private ledger. The notional Ledger keeps track of all financial activities, including purchases, sales,

depreciation, insurance, and others. Private information like wages, capital, and salaries is kept in private ledgers. Not everyone has access to a private Ledger.

7 Essential Elements of a Ledger

The top seven qualities of Ledger are as follows:

Each Account will have a heading in the ledger.

Account transactions are tracked using a unique table.

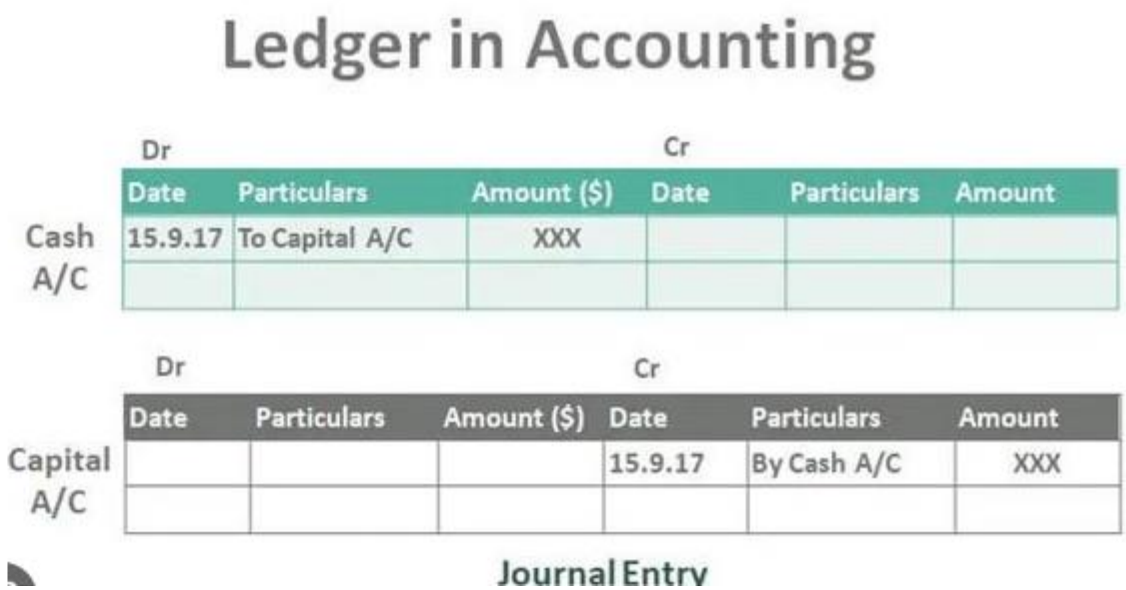
The transactions on the Account are arranged in date order.

There is a two-amount column in each ledger. The transaction amount is entered in each column as debit or credit

There is a column on both sides of the Account where you can enter the reference number.

The Account balance is determined at the conclusion of the time period.

After the calculation is finished, the Debit and Credit Columns are closed by drawing two parallel lines beneath the total of both sides.


Ledger in Accounting

Cash A/C

| Dr | | | Cr | | |
|---|---|---|---|---|---|
| Date | Particulars | Amount ($) | Date | Particulars | Amount |
| 15.9.17 | To Capital A/C | XXX | | | |
| | | | | | |

Capital A/C

| Dr | | | Cr | | |
|---|---|---|---|---|---|
| Date | Particulars | Amount ($) | Date | Particulars | Amount |
| | | | 15.9.17 | By Cash A/C | XXX |
| | | | | | |

Journal Entry

## 3.7 UNIT END QUESTIONS

**Descriptive Questions**

**Short Questions**

**1.** is the multiple price level in Tally?

2.How do you use multiple price levels in Tally prime?

3.How can the price list be activated?

4.How many price levels and price lists can be created in Tally prime?

5.What is the use of a price list in Tally?

**Long Questions**

1.What is a price list in business?

2.Where can you apply price levels to customers?

3.How can I add the selling price in Tally?

4.How do I import a price list in Tally Prime from Excel?

5.What is a price list inquiry?

**B. Multiple Choice Questions**

1. What does a master budget include?

   a. Material Budget
   b. Production Budget
   c. Sales Budget
   d. All of The Above

2. Transaction is referred to as which event in accounting?

   a. Political Event
   b. Economic Event
   c. Dividend
   d. Cash Transaction

3. Recording financial transactions is part of?

   a. Accounting
   b. Bookkeeping
   c. Data Entry
   d. Journal

4. Examining financial information refers to?

   a. Analysis
   b. Auditing
   c. Recording

d. Balance Sheet

5. Who is an external user of financial statements?
   a. Shareholders
   b. CEO
   c. Manager
   d. Creditor

**Answer :**1. d, 2.b, 3.b, 4.b, 5.d

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# UNIT- 4 BILL WISE DETAILS

**STRUCTURE**



## 4.0 OBJECTIVES

After studying this unit, student will be able to:

Learn about

- This is used at the time of passing sales and purchase
- entries which will later serve for
- Against reference entries to be passed under Sundry debtors and creditors ledger

## 4.1 INTRODUCTION

Detail by bill totals Bills Receivable are legally binding demands for payment that a business holds for goods and services rendered that customers have ordered but have not yet paid for. Typically, these take the form of invoices that a business issues and delivers to the customers for payment within a predetermined time frame.

The bills of exchange that a business will eventually be paid for, as well as the related portion of its financial statements Bills receivable are included in the assets of the business. Amount owing is known by several names, including bills receivable and accounts receivable debtor. Payment has not yet been received for the products and services rendered for which Ann has issued an invoice. As an illustration, if I do work for you and you agree to pay me later, the debt will remain on my balance sheet as an asset until you pay me, at which point it will be converted to cash. Liabilities like utility bills fall under the category of "bills payable.

" Banks typically borrow money on a short-term basis and owe it to other banks. Creditors for purchases are represented by bills payable. And every creditor, whether fictional or real, is a person. Therefore, a personal account is used for bills payable. Account payable is a liability owed to a specific creditor when it orders products or services without making a cash payment up front, indicating that you purchased the things on credit or with unpaid bills. Both payable and receivable.

Bill-wise information Bill-by-bill information is used to keep track of balances owed to various debtors and creditors, as well as the overall amount owed, the amount paid and received, and the amount remaining owed as we use it. When credit purchase and sales purchase are present, bill-wise details are created. We produce bill-by-bill details for a variety of debtors and creditors with unpaid invoices to keep. 4 different bill-specific details At the time of sales and purchases is a new reference.

When cash was received and paid: Against reference. Advance: Money given as a gift. At the time interest is charged: on account

If we make an entry to a ledger tha requires bill-specific information, we must provide the information at the voucher entry level. Where we can access bill data, certain credit periods, and each ledger's accurate outstanding result (balance).

However, when there are numerous entries, it gets challenging to connect a payment to an invoice. The Bill-Wise Accounting system is used to maintain creditor and debtor information at the invoice level.

Method of Access:

For the accounting functionality to be enabled Access the Tally Gateway by selecting F11: Features > F1: Accounts.

Under the title of outstanding management features, we can now enable the Bill Wise Accounting tool.

Cost-effective Accounting:

To see the option Maintain balances bill by bill in all ledgers created under various debtors and creditors, enable this option.

When the bill-wise option is selected during the entry of sales and buy information, Tally.ERP 9 urges us to give the invoice the proper reference number.

Bill-by-bill information types in Tally.ERP 9

Bill's smart details come in four different flavors.

A fresh reference

This is done when passing sales and buy entries that will subsequently be utilized as references for passing against entries under the Sundry Debtors and Creditors ledger.

Contra Reference

When we pass receipt entries or payment entries, we compare them to the references made when we passed initial entries like sales and purchases.

Advance

When any sum is paid in advance for future purchases or when any cash is received in advance for any services given or outward supply of commodities, this term is employed.

In other words, this kind of bill-by-bill detail is kept in situations where the nature of the service, the nature of the product, or the terms of the contract require advance receipts or payments to be made. To keep track of these, these entries would be used as a guide when the business becomes actualized and bills or invoices are raised.

On that note

These kinds of references are used in interest receipt entries and interest payment entries. But aside from these, this form of reference is also employed when it is unclear whose bill the debtor has paid the amount against.

Therefore, until it is determined to which Invoice the amount refers, all of those types of entries are held under this reference.

Overview of TallyPrime's bill-by-bill information

Benefits of Bill-by-Bill Detail Maintenance in Tally.ERP 9

To simply generate and keep outstanding reports of Payables and Receivables

to keep track of and monitor accounts payable and receivable depending on each bill

The speed and simplicity made possible by Tally are the main advantages of this capacity.

ERP 9

helps to create a report for payables and receivables using an age-based analysis.

How can Bill Wise Accounting be enabled in Tally.ERP 9?

To enable this feature in Tally, only a few simple steps are needed.

ERP 9

Step 1:

In the F11: Accounting Features window, set Maintain Bill wise Details to Yes.

Step 2 :

To create a Party (Ledger A/c) under the group of Unrelated Debtors and Unrelated Creditors

Step 3 :

maintaining balances bill by bill for the parties during ledger construction should be set to Yes.

Step 4 :

In the Bill Allocations for the screen, enter the transaction by providing a Bill reference number and the due dates for the money to be received or paid. This may be done via Gateway of Tally > Accounting Vouchers > Sales (F8) or Purchase (F9), respectively (we can also break up the amount into multiple reference numbers with different due dates)

to create different kinds of Bill-by-Bill summary reports in Tally.

ERP 9

Typically, we must go to Gateway of Tally > Display > Statement of Accounts > Outstandings > Receivables in order to access Receivables / Payables Reports (to view due to the company). This report lists each overdue bill for each party, along with the amount owing and the date it is due.

Report Format

Description

Individual party-wise, overdue bills

From the Outstandings menu, choose Ledger.

We will now receive a report detailing every overdue bill for the concerned party, along with the total amount still owed.

Group Outstanding Report: Outstanding Bills

Select Group from the Outstandings menu, then choose the particular group or subgroup to view the group outstanding report.

Aging analysis report: unpaid bills

By specifying multiple time periods and seeing outstanding throughout the chosen time slabs, we may also view Aging Analysis of Outstandings.

For instance, 0 to 30 days, 30 to 45 days, 45 to 75 days, and so forth.

Go to Gateway of Tally > Display > Outstandings > Receivables or Payables to get the Aging Analysis Report.

press F6 (Age wise)

Provide Aging Methods and Periods Details

For non-trading accounts, use bill-wise accounting

In Tally, it is possible to keep track of every bill's data for trading accounts.

Using Bill Wise Details in ERP 9. The tracking and management of non-trading accounts, such as loans, advances, and installment payments, etc., are also supported by the same robust and practical feature.

Business owners may simply keep track of bills for expenses, installment payments, and loan amounts due by using this function. Thus, "Bill wise Details" can be used to track the specifics of any payments that have already been made or that are due, as well as to quickly and easily produce payables or receivables reports.

## 4.2 INTEREST MONEY RECEIPT AND CHEQUES

A printed recognition of the sum of money received during a transaction involving the transfer of cash or cash equivalents is known as a cash receipt. The vendor gives the consumer the original copy of the cash receipt, keeping the other copy for accounting needs.

When a vendor accepts cash or an equivalent in cash from a third party, such as a client, investor, or bank, a cash receipt is created. Usually, when cash is taken from a customer to settle the unpaid balance of accounts receivable created by the credit sale transaction, the cash is recognized.

It can also be thought of as a grouping of funds that raises the amount of cash and cash equivalents on a company's balance sheet.

Typically, a cash receipt includes the information below:

The day that the transaction took place

the special number given to the document as identification

who the customer is named

The sum of money received

The payment method, including the choice between cash, check, etc.

the vendor's signature

Illustrations of Cash Receipt Journals

Instance No. 1:

Assume a vendor has put up a food truck in the area to serve clients on the weekends by selling vada pav, a well-liked Indian snack. With the idea that the money will be paid right away, the vendor sells a plate of vada pav for Rs. 20 in this simple business model

No plate of vada pav is ever sold by the vendor on credit; instead, a cash payment is made immediately after the sale ( debit the cash account, credit the sales account ).

In this illustration, the vendor sells each plate of vada pav in exchange for a cash payment from the customer of Rs. 20, after which the vendor gives the customer a cash receipt.

Let's now have a look at an illustration of a cash receipt diary linked to a credit sale that generates receivables.

Assume there is a sizable distributor of mobile phones that offers a wide range of different brands. The distributor has a solid business network because of his or her extensive business experience.

Due to their long-standing relationship, the distributor receives favorable credit conditions that let him order mobile phones as and when he needs them. The distributor buys the mobile phones from a variety of mobile phone manufacturers.

In this illustration, a mobile phone manufacturer would document a sale to the distributor following the delivery of the phones to him; the manufacturer would not document the receipt at this time.

Instead, the manufacturer would note the sale in the income statement and identify a balance owing in 30 days on the balance sheet ( debit the receivable account, credit the sales account ). The receipt won't actually be given out until the cash or check used to make the payment is recognized. In that instance, the amount of outstanding receivables would be decreased and the balance of cash would be raised ( debit the cash account, credit the receivable account ).

Advantages of Obtaining or Providing Cash Receipts

serves as evidence that you own the purchased item.

helpful to a customer in the event that they want to exchange or return a product.

useful for a vendor when he has to deal with client product warranty claims.

The accuracy of the accounting records that demonstrate the existence of recording transactions is a key advantage of a cash receipt.

A cash receipt also becomes crucial because one of the main justifications for an audit is the absence of records (such as cash receipts) attesting to the transaction's completion. Thus, having cash receipts and correct filing will reduce the possibility of audit-related problems. The accounting record is incomplete in the absence of a cash receipt, which is problematic over time.

Despite the many advantages, it becomes even more crucial for businesses dealing with credit transactions. The majority of organizations now use accounting software to create credit sales as well as cash receipt transactions. In this manner, business owners are always aware of the invoices that have been paid and those that are still outstanding.

We have presented an explanation of what a cash receipt is and talked about 'Cash Receipt Journal' samples, formats, and applications. To find out more about entering a cash receipt in Tally, click here. ERP 9

A check, or a cheque (American English; see spelling variations), is a piece of paper that instructs a bank (or credit union) to transfer a certain sum of money from a person's account to the person whose name is on the cheque. The drawer, who is the individual who writes the cheque, keeps the funds in a transaction banking account (also known as a current, cheque, chequing, checking, or share draft account). The drawer instructs their bank, known as the drawee, to pay the specified amount of money to the payee by writing down different details on the check, including the dollar amount, date, and payee.

Despite the fact that cheques have existed since at least the ninth century and maybe earlier, their use peaked in the 20th century when they became a very common non-cash payment option. Billions of checks were written every year by the second half of the 20th century as a result of automated check processing; the peak was reached in or around the early 1990s. [1] Since then, the use of checks has decreased and has been partially supplanted by electronic payment methods. Cheques have either been totally phased out or have been reduced to a supplemental payment method in an increasing number of nations.

The type of a check

A check is a negotiable instrument that instructs a financial institution to transfer money from a designated transactional account maintained in the drawer's name at that institution in the amount and currency specified. Drawer and payee might both be actual people or legal entities. Cheques are order instruments and, unlike bearer instruments, are often payable to the payee rather than just the bearer. In some nations, including the US, the payee can select a third party to whom the check should be paid by endorsing the document.

Cheques are a sort of bill of exchange that were created to eliminate the need for carrying large sums of cash when making payments. Promissory notes, another type of negotiable instrument like to check that they were initially a written command to pay the specified sum to whoever held it in their hands, gave rise to paper money.

Regular checks typically have three parties: a drawer, which is the depositor who writes the check; a drawee, which is the financial institution where the check can be submitted for payment; and a payee, which is the organization to which the drawer issues the check. Particularly in the US, cutting a check is sometimes referred to as the drawer drafting or drawing a check. There may also be a beneficiary; for instance, when depositing a check with the custodian of a brokerage account, the beneficiary may be indicated by the notation "F/B/O" (for the benefit of).

Finally, there must be at least one endorsee, who may be a third party to whom the payee owes money or who the payee intends to make a payment. Typically, this endorsee is the financial institution that manages the payee's account.

When a payee receives a check, they usually deposit it in an account at their bank, who then processes the check. In other instances, the payee will take the check to a drawee bank branch and cash it there. A check is said to have been dishonored if the drawee bank refuses to cash it or returns it to the bank where it was deposited because there are not enough funds to cover the transaction. A cheque is stamped with a cancellation mark, such as a "paid" stamp, once it has been accepted and all relevant accounts involved have been credited. The check has been canceled at this time. Cheques that are returned are kept in the account holder's file. As evidence of a payment, the account holder may ask for a copy of a canceled check. This is referred to as the cycle for clearing checks.

Cheques may disappear during the cycle, go missing, or be delayed if more verification is required in the event of suspected fraud. Thus, a check may bounce after it has been deposited.

At events, symbolic checks are utilized to represent the money given to the payee.

The United Kingdom Office of Fair Trading established a working group to examine the check clearing cycle in 2006 in response to worries regarding the length of time it took the Cheque and Credit Clearing Company to clear cheques. Although they acknowledged that clearing times could be sped up, they also noted that given the decreased use of checks, the expenses of doing so could not be justified. [30] But they came to the conclusion that the main issue was how long a bank may take to dishonor a check. In order to solve this, modifications were made, resulting in the "certainty of fate" principle, which limited the amount of time a cheque may be returned after being deposited to six days.

The drawer benefits from using checks rather than debit card transactions because they are aware that the bank will not release the funds for several days.

t is generally forbidden in the US to pay with a check and deposit the money before the check clears the drawer's bank, a practice known as "kiting" or "floating," but it is rarely enforced unless the drawer uses several chequing accounts with different institutions to lengthen the delay or steal the money.

decreasing usage

For point of sale transactions, where credit cards and debit cards are increasingly preferred, as well as for third party payments (such as bill payments), the use of cheques has been declining for some time. This decline has been accelerated by the emergence of telephone banking, online banking, and mobile banking. Banks in many nations increasingly discourage the usage of checks by charging for them or by making the alternatives more enticing to clients because cheques are paper-based and more expensive for banks to process than electronic payments. Particularly laborious and time-consuming is the handling of money transfers. The check needs to be delivered in person or mailed. Since automated teller machines (ATMs) are becoming more prevalent, it is occasionally unnecessary to write a check for modest sums of money instead

EXAMPLE

Advantages of a Payment and Receipts Account

Let's look at the advantages of a receipts-and-payments account now that we understand what they are:

It is helpful to check the cash records, receipts, and payments accounts.

A receipts and payments account shows total receipts and payments for all headings at a glance.

It makes creating an income or expense account simple.

This account contains categorised records for various receipt and payment kinds.

The creation and submission of accounts are described in the section that follows.

Accounts preparation and filing

You must take out receipts from the cash book throughout the year in order to construct a receipts-and-payments account. Each item in a cash book is displayed separately and chronologically, and the contents are categorized under many topics.

You can prepare a receipt payment account by following these instructions.

Write the bank balances and open cash on the left-hand side.

To write the title of the account, use the format in the sample.

Add all receipts with various dates under the same heading.

Write the totals for each receipt and all payments on the left-hand page.

Sum up all payments made on various dates under the same title. To do it, use a different sheet.

Subtract all costs, then determine the closing balance.

The Primary Characteristics of Payment and Receipt Accounts

Many crucial components make up a receipt payment account.

The debit side of a receipts or payments account records all receipts, and the credit side records all payments (the credit side).

A cashbook's summary can be found in a receipt payment account. It starts with the opening cash and bank balance, which are occasionally combined. Finally, the closing amounts are combined.

This account keeps track of all capital and revenue-related receipts and payments. Also, it includes all of the current year's bank and cash receipts. They may be connected to previous, ongoing, or upcoming accounting periods.

Receipts and payments accounts are not included in the double-entry system. These accounts solely have records of bank and cash transactions. Everything other than cash is excluded.

These accounts solely display the cash positions for the period, not any surpluses or deficits. Often, these accounts display a debit balance. The credit will be reflected in the bank balance in the event of a bank default.

Not to mention, the accounts for receipts and payments are always prepared at the conclusion of the accounting month. A receipts or payments account could also have a zero balance, however this is uncommon.

You will learn the fundamentals of double-entry accounting in this book, which is a crucial initial step for any accountant. This basic idea is the foundation for all other complex accounting procedures, and once you grasp it, everything else becomes simple.

Advantages of a Receipt and Payment Account in Additional

The following are some additional advantages of a receipt and payment account:

Accounting on an accrual basis

Whether or not a transaction involves cash, it is recorded in the books of accounts using accrual accounting. This accounting system enables businesses to make better financial decisions by providing more thorough information about business transactions.

Money-Based Accounting

Only cash-related transactions and payments are recorded in the books of accounts under cash basis accounting. Despite the fact that this system is less common than accrual-based accounting, many companies still employ it due to its ease of use.

Transactions are now simpler to track and manage thanks to this technology.

## 4.3 DEBIT AND CREDIT NOTES

A debit note, also known as a debit memo, is a written notice of current debt obligations given by a seller to a buyer. These notes are frequently used in business-to-business transactions, such as when one company provides another with goods or services prior to sending an official invoice. In order to record the transaction, the debit note "takes note" of it.

In business-to-customer transactions, such as when a consumer returns goods that were given to them on credit, debit notes are also used. The debit note is in this instance given to the seller by the buyer.

A credit note is a piece of writing that a seller will give to a buyer to let them know that credit will be applied to their account. These may also be referred to as credit memos, you never know. If you're a seller and you need to cancel all or a portion of an invoice for a variety of reasons, such as:

Order modifications made after an invoice has been sent

Rejected or returned goods or services

Products were harmed in transit

Pricing errors on the initial bill

A credit note is used to offset an earlier invoice that has already been paid; no actual money is transferred.

A debit note is a document or voucher sent by one party to another that certifies that the recipient's account has been debited in the sender's books.

As an illustration, a merchant named "ABC" buys products from "XYZ." Following receipt of the merchandise, ABC discovered that it contained several defective items worth Rs. 10,000. Now ABC must lower the liability that is showing as owing to creditor XYZ on his records. As a result, ABC notifies XYZ that he has debited his account in his books and sends a debit notice for Rs. 10,000 in the process.

Entry for a debit note in the books

It is a straightforward accounting entry where the account due to which the debit note is issued is credited and the individual to whom the debit note is to be sent is debited. Example entry in the scenario above will be

10,000 XYZ A/c Dr.

To Buy Return Account 10,000

Common Motives for Issuing Debit Notes

Buyer returns item after buying

When getting incomplete or damaged goods, the buyer.

Whether the customer believes the seller overpaid him or agreed to a discount.

If the merchant undercharged the buyer unintentionally.

Also Read - GST Invoicing

What A Credit Note Means

A credit note is a document or voucher sent by one party to another that certifies that the recipient's account has been credited in the sender's books.

For instance, in the scenario above, the XYZ discovers that the content sent is faulty. As a result, he issues ABC a credit note, which lowers the number of debtors. In contrast to a debit note, it.

Entry for Credit Note in Accounting

It is a straightforward accounting entry where the account due is debited and the individual to whom the credit note is to be issued is credited. Example entry in the scenario above will be

10,000 Sales Return Account Dollars

10,000 to ABC A/c

Common Motives for Issuing Credit Notes

On a sales return, by the seller.

In the event that the seller overcharged.

If the vendor is required to offer a discount or a plan benefit.

If the buyer accidentally undercharged the seller.

Debit/credit notes can be written in any format. You can obtain a sample Excel format here: Credit Note | Debit Note

There is no time limit for issuing a debit note, unlike a credit note, which can be issued at any time. Additionally, the issuing of Debit Notes and Credit Notes must be disclosed in the GST returns that are submitted for the month in which the document is issued.

Additionally, there is a maximum time frame for GST return inclusion. The earlier of the following dates must be used to declare the details:

thirty-ninth day of September following the year in which such supply was made

the actual date that the pertinent yearly return was filed.

Include the information below.

(a) the supplier's name, address, and Goods and Services Tax Identification Number.

(c) the document's nature.

(c) a unique for a financial year, continuous serial number of no more than sixteen characters, in one or more series, made up of alphabetic or numeric characters, special characters (hyphen, dash, and slash, symbolized as "-" and "/," respectively), or any combination thereof;

(d) The document's issuance date.

(e) the recipient's name, address, and, if registered, their Goods and Services Tax Identification Number or Unique Identity Number.

If the recipient is not registered, the name and address of the recipient, the delivery address, the name of the State and its code, and so forth are included in (f).

(g) the bill of supply's serial number and the date of the related tax invoice, if applicable.

(h) the price of the taxable supply of goods or services, the tax rate, and the total amount of tax credited or debited to the receiver, if applicable.

I the supplier's physical or digital signature, or that of his authorized agent.

Read more about GST credit notes and debit notes here and here, respectively.

How long credit notes and debit notes should be held on to

The credit note and debit note records must be kept on file for 72 months following the deadline for submitting the annual return for the year relevant to such accounts and records.

If such accounts and documents are maintained manually, they must be preserved at each associated location listed in the certificate of registration, and if they are maintained digitally, they must be accessible at each related location.

EXAMPLE

For example: A trader “ABC” purchases goods from “XYZ”. After receiving the material, ABC founds that the goods contain some defective goods of value of Rs. 10,000. Now ABC has to reduce the liability standing in his books as payment due to creditor XYZ. Therefore ABC sends a debit note amounting to Rs. 10,000 to XYZ stating that he has debited his account in his books.

Accounting Entry for Debit Note

It is a simple accounting entry in which the person to whom debit note is to be issued is debited and the account due to which it is issued is credited. For example entry in above case will be

XYZ A/c Dr 10,000

To Purchase Return A/c 10,000

Common Reasons for which Debit Note is issued

By buyer, on purchase return

By buyer, on receiving damaged goods or short quantity.

By buyer, if he is overcharged or seller agrees to give discount.

By seller, if he by mistake undercharged the buyer.

**CREDIT NOTE 1**

**Date** December 17, 2018

**Invoice Number** 87
**Invoice Date** December 17, 2018

*Alpha Computer*

One way road, Manpura Colony, Near Gold Medal Showroom
Jalore, Rajasthan (RJ - 08), PIN Code 343001, India
9929590888
alphahpjalore@gmail.com
hp partner id 2-1ESCTP0
A/C No. 200000421003
IFSC- ESFB0001001
Bank- Equitas Bank, Jalore
GSTIN: 08CGOPB5049L1Z0

*Bill to:*

A-One Computer
Jalore
Jalore, Rajasthan (RJ - 08), PIN Code 343001, India
9001447413 Bhanwar Solanki
Place of Supply: RJ (08)

| NO | PRODUCT / SERVICE NAME | HSN/SAC | QTY | UNIT PRICE | CGST | SGST | AMOUNT |
|---|---|---|---|---|---|---|---|
| 1 | Backpack Bags | 4202 | 13.00 | 932.20 | 1,090.68<br>9.00% | 1,090.68<br>9.00% | 14,299.95 |
| | Shipping & Packaging | @18% | | 236.00 | 21.24 | 21.24 | 278.48 |
| | TOTAL | | 13.00 | 12354.60 | 1111.92 | 1111.92 | 14578.43 |

Total: ₹ Fourteen Thousand Five Hundred Seventy Eight Only

AUTHORIZED SIGNATORY

| | |
|---|---|
| TOTAL BEFORE TAX | 12,354.60 |
| TOTAL TAX AMOUNT | 2,223.83 |
| ROUNDED OFF | (-) 0.43 |
| TOTAL AMOUNT | ₹ 14,578 |

## 4.4 CREATING AND CONFIGURING NEW COMPANY ACCOUNTS

The daily upkeep of your business transactions is essential to its success. Create a corporation in TallyPrime first in order to keep track of all commercial transactions. You may also examine and edit all of your transaction entries within the firm as necessary, as well as browse the financial reports depending on the transactions you manage.

Create a business: Simply enter the company name, address, and other information, such as the financial year, security, and base currency information, to start the firm. Once your business has been set up, you can use the accounting, inventory, payroll, and taxation tools based on your preferences. Additionally, you can indicate the tax registration information that will be used to account for your transactions, such as GST, VAT, excise, TCS, or TDS.

Security: Every commercial transaction you conduct within the corporation is kept secure. To prevent unauthorized access to your company's transaction records, you can set extra security options.

You can configure security for each user according to their roles if you have several users logging into your organization.

Each user may have their own account in TallyPrime. You have access to the tasks that the user is capable of carrying out based on their roles. Click here for additional details.

Multiple businesses: Do you operate more than one company? If so, you can set up many businesses in TallyPrime, keep transactions distinct for each one, and manage returns for each firm as needed.

Group Company: If you are managing many firms, you may use the Group Company feature to get a consolidated view of these business reports. It can be time-consuming to view the financial data for each business separately and manually consolidate the finances.

After setting up your business in TallyPrime in accordance with your needs, you may record, manage, and track daily transactions even from a distance.

Establish a Company to Keep Track of Business Transactions

To keep track of all your business operations and get pertinent financial information, you must establish a corporation. Simply enter the company name and address, as well as any updated contact and financial year information, to start a new firm.

In this paragraph

Organize a business

Company Features setting

Charge the business

Organize a business

Choose Create Company when TallyPrime first launches.

Press Alt+K (Company) > Create if you already have one company open and want to start a new one.

details about the company.

Type in your name, mailing address, and zip code. Click here for additional details.

Note: By default, your company data will be saved in the folder where TallyPrime is installed, which is the location indicated under Company Data Path. Consult Manage Your Company Data for further details on setting up your data flow.

the State, the Country, and any other contact information. Below, a sample image is displayed. If necessary, you can publish these specifics on your bills.

Click here for additional details.

State and Country in the Creation of Companies

Accept the display. Ctrl+A can be used as usual to save the information and create the firm. The remaining corporate information (steps 3 and 4 below) can be configured at a later time.

Note: Release 6.6.3 includes the names of the new union territories Dadra & Nagar Haveli and Daman & Diu. The name of the newly created union territory is automatically modified on all masters with Daman & Diu and Dadra & Nagar Haveli. In the State (before reorganization) box, the state or union territory name was recorded prior to the merger. Keeping the state/union territory name from before the merger makes it easier to manage transactions and tax filings from that time.

Configure security settings and financial year information.

fiscal year starting with: This section is already filled in by TallyPrime depending on the computer's date settings and the country you choose when creating the company. Click here for additional details.

Books commencing from: TallyPrime fills up this field by default with the date the financial year started. If necessary, you can change this. Let's say you founded your company and have kept track of all business dealings from October 1, 2020. The financial year will start on 1-Apr-2020, and you can update the books starting on 1-Oct-2020.

Enable Edit Log: Starting with TallyPrime Release 2.1, this feature is optional. Under F12, you can activate Edit Log for the Company and Set Edit Log Applicability. This will make it easier for you to view the Edit Log for the upcoming tasks you'll complete in the masters and transactions.

Additionally, Company-level actions that affect the Edit Log report of masters and transactions, such as enabling or disabling the Edit Log feature, data migration, or data splitting, will be noted in the Edit Log report under Company.

Safety: This is an optional step. Later on, you can turn on security tools for your business like TallyVault and User controls.

Press F12 (Configure) and set the following choices to Yes if you do not see the Security option:

Encrypt company data with the TallyVault Password.

Employ user access controls

Click here for additional details.

Indicate the Base Currency Details.

Depending on the currency used in your firm to record transactions, you can adjust the base currency.

Press F12 (Configure) > set Provide Additional Base Currency information to Yes to see all the base currency options.

Refer to the Multi-currency topic if your business involves currency conversions.

Accept the screen for company creation. You can save by pressing Ctrl+A as usual.

You arrive at the Firm Features screen after saving the company, where it is indicated that the creation of the company was successful.

Copany Information

Configure company features

According to your business requirements, you can configure the appropriate features while you start a company in TallyPrime now or at a later time. The essential functions that are necessary for you to begin keeping track of your business transactions are by default enabled and displayed. To view other features in the screen for company features

Select Yes for the Show additional features option.

Select Yes for the Show all features option.

Maintain Accounts By default, this option is set to Yes. Your company's accounting-related options will be disabled if you set it to No.

Allow bill-by-bill entry

To see the option to "Maintain balances bill-by-bill created under several debtors and creditors," enable this option.

With the bill-wise option enabled, TallyPrime helps you to identify the invoice with the proper reference number when you enter the information of sales and purchases.

The right invoice can then be paid for in order to keep an exact account of what is still owed by using the reference number.

When one has to track either an installment to be paid or a loan amount to be received over a specific time period, bill-wise details for non-trading accounts are helpful.

Activate Cost Centers

To see this option, turn Show more features on.

used to keep track of and assign costs to cost centers.

the option to calculate interest

To see this option, turn Show more features on.

Enable this option to have interest calculated automatically using the given interest rate and calculation method.

This is helpful because interest rates occasionally change.

Inventory

Upkeep of Inventory

By default, this selection is set to Yes. This enables you to keep track of your inventory or goods.

Your business's inventory-related functions will be disabled if you set this to No.

Sync accounts and inventory

Choose Yes to Show additional features.

Maintain both your books of accounts and your stock or inventory.

Errors in stock records could be the result of incorrect item allocation. With the use of this feature, financial books can be closed without having to wait for stock reconciliation.

To examine the Stock Register, drill down from the Balance Sheet.

Activate various Price Levels

Choose Yes to Show additional features.

Make your stock items available at several price points.

Activate batches

Choose Yes to Show additional features.

Keep track of batch details for stock items. The Maintain in Batches area in the Stock Item Creation screen is displayed when this option is set to Yes.

Maintain Batch Expiration Date

Choose Yes to Show additional features.

Set the batches' expiration dates. This causes the Stock Item Creation screen to display the Use Expiry Dates column.

Process Job Orders if possible.

Set Yes next to Show all features.

Make Job Work In or Job Work Out instructions.

Switch on cost tracking

Set Yes next to Show all features.

Analyze and keep track of an item's transactional cost.

In invoices, use the Discount column.

Choose Yes to Show additional features.

Invoices should include separate Actual and Billed Quantity columns.

Choose Yes to Show additional features.

When billing, specify amounts that are different from those that were delivered or received.

Taxation

Activate the Goods and Services Tax (GST)

Set this option to Yes and provide the GST Details for your firm if it is subject to the GST regime.

Activate Source Deduction for Taxes (TDS)

Set this option to Yes and supply the TDS deductor information along with the applicable Rates and Exemptions if your company considers TDS payments.

Enable Source-Based Tax Collection (

Choose Yes to Show additional features.

Set this option to Yes and give the TCS collector information along with the applicable Rates and Exemptions if your company considers TCS payments.

Switch on Value Added Tax (VAT)

Set Yes next to Show all features.

Set this option to Yes and provide the VAT Details for your firm if it is subject to the VAT regime.

Activate Excise

Set Yes next to Show all features.

Permit taking into account excise-related information when entering vouchers.

Turn on service tax

Set Yes next to Show all features.

Set this option to Yes and provide the service tax information, as well as your company's preferences, if you pay service tax as part of your business transaction.

Web-based Access

Enable Reports Browser Access

Choose Yes to Show additional features.

Once your firm is connected to the Tally.NET server, you can use your Tally.NET credentials to access the important business report from any device using the browser.

Enable Remote Access & Synchronization for Tally.NET Services

Choose Yes to Show additional features.

Use synchronization and remote access features.

Payroll upkeep of payroll

Set Yes next to Show all features.

Maintain payroll data for the chosen firm in TallyPrime.

Enable Statutory Payroll

Set Yes next to Show all features.

Maintain mandatory data pertaining to payroll.

Others

Add additional addresses

Choose Yes to Show additional features.

According to your company's demands, add additional addresses.

Mark changed the vouchers

Choose Yes to Show additional features.

View all vouchers that have been changed after they were created for auditing purposes.

The company name appears in bold under Name of Firm in the Gateway of Tally page once you have founded the company.

Do you have many enterprises to keep track of and manage? In TallyPrime, you are allowed to establish an unlimited number of companies and handle your business transactions independently in each one. Use TallyPrime's Group Company function if you also like to obtain a consolidated picture of the state of several enterprises or send summarized reports for auditing purposes.

Charge the business

Once a corporation has been created, it can be loaded in one of the following ways:

Choose the business

Select the firm from the List of Companies in TallyPrime by pressing Alt+F3 (Select Company).

You can browse to the data route and choose the necessary company to open if you have created more than one company.

Choose a company

company startup load

You can configure TallyPrime to load one or more firms by default each time it is opened.

Press F1 (Help) > Settings > Startup to display the Startup Settings window.

Press Enter to load the companies after setting the Load companies on startup option to Yes.

Charge Business at Startup

Choose one or more companies from the List of Companies to Load on the Startup page depending on your requirements.

After choosing the businesses to load at startup, choose End of List.

When you launch Tally Prime in the future, the firms you choose here will be loaded by default.

Change company information by updating it

You can amend these facts in TallyPrime if your company's address, phone number, or other contact information has changed or was not previously supplied. Any updates made to these details will be displayed appropriately in your reports and printed invoices.

To change, press Alt+K (Company).

Make the appropriate adjustments on the Company Alteration screen.

Change Company Information

Accept the display. You can save by pressing Ctrl+A as usual.

You can also eliminate the firm if you decide you no longer need it. Click here for additional details.

Backdated transaction entries are permitted; update the financial year

You can add all of the back-dated transactions to your firm in TallyPrime if you keep your books of accounts up to the current financial year. Let's imagine that you launched your business on June 1, 2019, and that you have continued to do business ever since. On May 1, 2019, however, you established a firm in TallyPrime. TallyPrime's books and financial years are both set by default to 1-Apr-2020.

You must change the company's financial year information in order to permit transaction entries commencing on June 1, 2019, in TallyPrime.

To change, press Alt+K (Company).

Update the Financial year beginning from date to 1-Apr-2019 and the Books commencing from date to 1-Jun-2019 on the Company Alteration screen.

In TallyPrime, permit back-dated transactions.

Accept the display. You can save by pressing Ctrl+A as usual.

You can always make back-dated entries for the fiscal year 2019–2020 by changing the Books beginning date in the Company Alteration screen up to 1-Apr-2019.

Click here for additional details.

TallyPrime Release 2.1's Edit Log

You may examine the Edit Log of transactions and masters, including ledgers, groups, and stock items, in TallyPrime Release 2.1 and later.

Activate Edit Log While Changing the Company

From the screen for Company Alteration, turn on the feature as follows:

To change, press Alt+K (Company).

Activate the option to edit logs.

Edit Log Enabled: Yes.

Activate TallyPrime's Edit Log Company Alteration feature.

Press F12 (Configure) > Set Edit Log applicability: Yes if you don't see the option.

Company Alteration - Edit Log Option Configuration, Enable and Disable

The feature cannot be enabled or disabled using this option. The sole purpose of this operation is to show the Company Alteration screen's choice to enable or disable.

Once Edit Log is enabled, you will see the notice below.

Message in TallyPrime When You Enable Edit Log

This notice appears because editing the log has an impact on master and transaction-related activity. Additionally, any activity, such as adding, changing, or removing masters or transactions, will result in the creation of logs in the corresponding masters and transactions after the feature has been enabled.

To preserve the setting, press Ctrl+A.

To go on, press Y.

To preserve the settings, press Ctrl+A.

From this point on, an edit log will be produced for each action taken in relation to transactions, ledgers, groups, and stock items.

The message will appear as it is seen below.

Message in TallyPrime When You Disable Edit Log

This error appears because TallyPrime cannot trace the activity pertaining to masters and transactions in TallyPrime if Edit Log is disabled. As a result, unless you enable the option once more, you won't be able to access Edit Log. When you enable the Edit Log functionality once more, you may access the previously recorded edit logs for transactions and masters. This is due to TallyPrime's retention of the logs that were created while the Edit Log option was activated.

Press Y to turn off.

Events Affecting the Edit Log

The Edit Log for transactions and masters is affected by actions like enabling or removing the Edit Log feature, data migration, data splitting, and other Company-level changes. You are kept informed about activities that affect the Edit Log of transactions and masters by the Activities Affecting Edit Log report under Company.

It's critical to understand that this report only includes activities that have the potential to impact the Edit Log of transactions and masters, and is not an Edit Log report for the Company.

To edit the log, press Alt+K (Company).

Edit Log Under Company in TallyPrime: Activities Affecting Edit Log

The List of Companies screen occurs if TallyPrime has been loaded with many companies.

Choose the company whose Activities Affecting Edit Log report you want to read.

Visit Activities under Edit Log for Company to learn more about the kind of activities that the

Company's Edit Log records.

Configure User Access Control | Change Security Preferences

Business transactions and financial records must be secure in order to prevent fraud or unauthorized access. TallyPrime assists you in configuring security for your business and updating credentials as needed. By changing the company in TallyPrime, you can enable the security option according to your business procedures.

In this paragraph

Control Security Settings

Remove the security measure

TallyVault

limit user access to corporate information

To change, press Alt+K (Company)

the security information

Set "Yes" for "Control User Access to Company Data."

Press F12 (Configure) and change Use User Access Control to Yes if you do not see this choice.

Specify the Administrator Username and Password: These details must be entered each time your business is accessed.

Company Security Preferences

The following alert occurs as you press Enter:

Notification of User Credentials

Accept the alterations. You can save by pressing Ctrl+A as usual.

Utilize Tally Audit's functionality to track changes to the accounting data. Tally Audit gives the administrator or an auditor profile user this ability.

Disallow opening in educational mode: If you do not want the company to be launched in an educational mode, set this option to Yes.

You can only record transactions in the instructional mode on the first and last days of each month.

If you have a TallyVault password, TallyPrime will request you to input it when you accept the company creation screen.

Modify security

After saving the firm, you can change the credentials whenever you like, from:

Company change screen

Menu for Users and Passwords

From the company alteration screen, change security:

To change, press Alt+K (Company).

If more than one company is loaded, choose the appropriate one.

The administrator's username, password, or both can be modified.

To only change the administrator's name:

Enter a new Username under Security (Administrator).

In each password area, type the current password.

Only changing the password:

Security Control > Type in Your Current Username (Administrator).

In the section labeled "Repeat Password," type a new password.

Input the previous password.

To change the administrator's username and password

Input a new Administrator username and password.

Input the previous password.

From the User and Passwords menu, change security

Alt+K for the Tally Gateway (Company)

Change the password or username.

Choose Change Username and enter another username to change the user.

Alternate Password:

Input the previous password.

In the section labeled "Confirm New Password," type a new password twice.

Giving the old password when changing security settings ensures that only authorized users are attempting to change the company's login credentials.

Remove the security measure

To change, press Alt+K (Company).

Activate No for Control User Access to Company Data.

In the Current/Existing Password section, enter the current password.

Accept the alterations. You can save by pressing Ctrl+A as usual.

TallyVault

Use TallyVault in accordance with your business environment if you want to keep the firm you founded in TallyPrime private. Your company and all the transaction details, including the company name, are encrypted when you enter a TallyVault password. You must first enter this password the following time you access your business to view

name of the business and other information.

Data encryption is possible with the increased security technology TallyVault. Encryption involves transforming information from Tally that is typically available into unrecognizable information that can only be reconverted by authorized individuals.

A TallyVault password can be set by:

When starting a firm in TallyPrime, on the Company Creation screen.

By choosing the TallyVault option from the Business menu: Alt+K (Company) > TallyVault (if you had already registered a company but had forgotten your TallyVault password).

On the same screen, you may change the TallyVault password as well.

Refer to TallyVault's Access Control and Security section for more details.

Note: If you have both the TallyVault password and the security control credentials provided, you must enter the TallyVault password first before entering the security control credentials the next time you open the company.

Set Up Base Currency | Use Currency as Appropriate for Transactions

The country you choose when creating your company determines the currency information that is pre-filled for your organization. The base currency is set by default to rupees if your company is registered in India. The base currency that is selected for your account will be displayed in all transactions that you record and reports that you view in TallyPrime.

company. You can designate the base currency as appropriate for the country your consumers are from if your company is based in India but has clients from other nations.

To change, press Alt+K (Company).

Base Currency Symbol: As an illustration, AED stands for United Arab Emirates (UAE), and so on, for Rupee.

You can modify the remaining options for that currency based on the currency you select. As an illustration, assuming you selected AED as the base currency:

Change the name to Dirham from Formal.

Setting the suffix symbol to amount to Yes ensures that the AED will always follow the number (for example, 5000 AED).

Update the remaining choices in a similar manner to reflect the selected currency.

Set the Company Base Currency

Accept the display. You can save by pressing Ctrl+A as usual.

Click here for additional details.

Multi-currency

You can utilize numerous currencies in TallyPrime if your company has clients in different countries or you need to keep track of transactions in various currencies. Refer to the Multi-currency subject for further details.

**4.4.1 Account Masters "Maintenance;**

Introduction to Accounts and Records

Every registered taxpayer under the GST Goods and Services Tax scheme is required to maintain accounts and records at their primary place of business (how to maintain gst account ). Accounts of every registered taxpayer with an annual revenue of more than Rs. 2 crores must be routinely audited (monthly, quarterly, or annually). A cost accountant or a chartered accountant is required to conduct this audit.

The following people are in charge of keeping these records:

an entrepreneur

Operator of a godown or storage facility

All transporters

Every registered person is required by the GST to keep the following records:

- manufactured and produced items
- Outbound and incoming shipments of goods and/or services
- Goods on hand
- used the input tax credit (ITC)
- Output tax was paid and payable.
- Additional prescribed information

A registered taxpayer under GST must maintain a number of accounts, including:

- Revenue Account
- Spending Account
- Stock Balance

- Digital Cash Ledger
- Digital Credit Ledger
- CGST (Central GST) Account input
- CGST Account Output
- SGST (State GST) Account Input
- SGST Account Output
- Account for IGST (Integrated GST) Input
- IGST Output Account

2. GST Accounting Entries

The GST provisions have greatly simplified and clarified accounting. There have been many explanations made regarding accounting and bookkeeping under GST. The ability for traders to immediately deduct their Input Tax Credit (ITC) on services from their output tax on sales is one of the main benefits of accounting entries under the GST.

3. Digital ledgers

The Goods and Services Tax (GST) law mandates that registered taxpayers maintain three ledgers. During registration, these ledgers will be generated automatically. Additionally, electronic maintenance will be performed on them. The three digital ledgers are as follows:

The Electronic Cash Ledger acts as the taxpayer's electronic wallet. As with adding cash to a wallet, cash will need to be placed into the taxpayer's electronic cash ledger. Other payments will be made using the increased cash amount.

Electronic Credit Ledger: This document will show the taxpayer's purchase-related input tax credit. Three categories—CGST (Central GST), SGST (State GST), and IGST—will reflect this (Integrated GST). The taxpayer can then use the remaining input tax credit amount in this electronic credit ledger account solely for tax payment. The use of this account is not permitted for payments of other types of tax-related debt, such as interest or penalty fines.

After netting-off, the e-Liability Ledger will display the taxpayer's complete tax liability for a specific month. The taxpayer's tax liabilities will automatically be added to the e-liability ledger.

Continue reading: GST verification Free APIs, API Full Forms for GST, OCR Invoice Processing, Waybill Apps, and Invoice Automation Software

4. The GST Accounts Retention Period

Every registered taxpayer must keep their records and books of accounts for a minimum of 72 months, or six years, according to the Goods and Services Tax (GST) Act. The beginning of this period is the date on which the taxpayer last submitted an annual return for the relevant fiscal year.

The 31st of December of the following year is the deadline for submitting annual returns for a specific fiscal year.

If a taxpayer is being investigated or is a party to legal action before a court (First Appellate), they are required to keep their books of account for a period of one year following the decision in the legal action.

5. The Effects of Improper Record Maintenance

The taxpayer will be held accountable if they don't keep complete and accurate records of their purchases of goods and/or services. The appropriate officer will handle the unaccounted goods and services as though the taxpayer provided them. The officer will next apply and establish the tax responsibility for such unaccounted goods and services. The taxpayer will be responsible for paying both the tax debt and the associated penalty.

### 4.4.2 Account Vouchers Maintenance

A voucher is any written record that attests to the correctness of the accounting for the transaction and the entries made in the account books. For instance, a bill, an invoice, a receipt, a pay slip counterfoil, a checkbook counterfoil, or a trust deed.

A redeemable transaction bond in the form of a voucher has a set cash value and can only be used to purchase certain items or services. Vouchers for housing, transportation, and meals are a few examples of this.

Accounting Receipt

Once we have a supplier's invoice in hand, we create a voucher. When a cheque or digital payment is sent to a supplier, it must be stamped as "paid" and then archived with any accompanying paperwork

Account payable systems use a method known as a "payment run" to generate payments that match the outstanding vouchers. The voucher can be used to correct an account in accounts receivable. Additionally, the voucher—known as a journal voucher—can be used to change the accounts in the general ledger.

Parts of a Voucher

This is most frequently observed in manual payment schemes, where it functions as a control

mechanism. Typically, a voucher includes the following details:
Supplier reference number
The sum owed
When the money will be transferred
The liability will be recorded by the payables.
any legitimate early payment discounts
The seal or signature of approval
Various Voucher Types
Vouchers come in a variety of forms in accounting. As follows:
Voucher for debit or payment
Voucher for credit or receipt
supporting receipt
voucher for non-cash or transfer (Journal voucher)
Benefits
A few advantages of keeping vouchers are as follows:
To maintain better control over the payables process, vouchers are helpful.
The number of checks needed can be decreased by paying multiple bills at once.
It makes the payables audit trail simpler and can be pre-numbered.
In order to maximize productivity and make planning simpler, invoice approval and payment are kept separate.
The cashier, who reports to the treasurer, is responsible for collecting invoice payments. Voucher accounting is often a component of a manual payment system with a robust control mechanism. The source papers, including challans, counterfoils, check books, receipts, bank deposit slips, bills, cash memos, and other information, are used to produce the vouchers. The source documents support the existence of such transactions and are pertinent to the financial transaction.
The information and data that a voucher typically includes are as follows:
Voucher code
Date and accounting voucher kinds
Columns for credit and debit
Details column: It provides a succinct summary of the transaction information.

Supplier's identification number

The amount due in numbers and words

Table for total

The payment deadline

Account number and name under which the liability is created

stipulations for a discount or other offers

accountant's signature and approval stamp

Signed by the higher authority in authority

signature of the recipient

Making the accounting vouchers can be challenging. While creating the vouchers for the actual transaction, the accountant must exercise caution. Every small detail needs to be double- and triple-checked. The following are some of the key considerations that the accountant should make when creating the voucher:

It is important to carefully verify the supporting documentation.

The accompanying paperwork for the voucher should be signed by an authorized signatory.

The accountant should use relevant voucher kinds that are appropriate for the transaction.

The voucher's credit and debit sides need to be added up and balanced.

The accountant must make sure that the correct account head is indicated on the voucher at all times. By doing this, the transaction would be duly documented in the books of accounts.

Accounting voucher types

The accountant should be well-versed in the many forms of vouchers as well as the meaning of vouchers in accounting. This helps the accountant create a proper voucher that is pertinent to and related to the financial transaction. Vouchers come in a variety of forms, each with its own implications and meanings.

Here are some examples of the various sorts of vouchers:

1. Invoice Voucher

A receipt voucher is used to document bank or cash receipts. There are two sorts of receipt vouchers: the cash receipt voucher and the name bank receipt voucher. For the amount of cash received, a cash receipt voucher is made. The demand draft or check is recorded as having been received on the bank receipt vouchers. This suggests that the money is actually received in the bank rather than in cash.

2. Payment Receipt

The receipt voucher is placed in opposition to the payment voucher. Payment vouchers show transactions with an outflow of funds whereas receipt vouchers show the input of monies. The goal of creating payment vouchers is to keep track of all bank and cash transactions that need to be paid for within an organization.

Payment vouchers are likewise divided into two categories, much like receipt vouchers: bank payment vouchers and cash payment vouchers. A cash payment voucher is used to record cash payments made to an organization, while a bank payment voucher is used to record payments made via demand draft or check.

3. Journal Entry

Transfer vouchers and non-cash vouchers are other names for journal vouchers. Journal vouchers are used for any transactions that do not involve cash, banking, or the inflow or outflow of money. They serve as genuine documentary evidence of the transaction.

The journal voucher, for instance, is generated for a transaction where the products are sold on credit and there is no instant cash or bank transaction. To complete the accounting entry, the sales amount is debited from the debtor and credited to the sales account.

4. Sales Coupo

A sales voucher is used to process every purchase of products and services. The sales voucher is generated to document the organization's credit and cash sales. The sales account is credited and the related debtor account is debited. The sales voucher serves as verification and documentation of the organization's sales transaction for goods and services.

5. Order Voucher

The transaction of purchasing products and services within an organization is documented by a buy voucher. The purchase can be made using cash, a bank account, or credit. When a purchase is made on credit, the applicable supplier receives credit. The purchase voucher is accompanied by a number of pertinent documents, including the supplier slip, the purchase order, and other documents related to the required purchase.

6. a supporting document

A supporting voucher is used to provide evidence for every transaction that has ever taken place within the organization. It is a written record of events that occurred in the past inside an organization. For instance, supplementary vouchers are connected to the spending bill in order to support the primary voucher. Fuel invoices and other supporting documents might serve as evidence of an employee's travel.

The purpose of creating accounting vouchers

The accountant is required to create a voucher in accounting when a company receives an invoice from a supplier and there is a payment obligation. The ledger file and the vouchers serve as the supporting documentation for all payments made.

Additionally, accounting vouchers are taken into account to be the original document and proof that the business organization actually carried out the financial transaction. As a result, they are essential to the organization's audit trail procedure. The vouchers are viewed as audit evidence by the external auditors. The usage of vouchers makes it simple to monitor and oversee the organization's transactions.

Using accounting vouchers: the procedure

Payment for products and services isn't made right away. It is typically due on a specific day in the future. Payment delays of thirty, sixty, or ninety days are typically accepted. Therefore, the company issues an accounting voucher as a reminder for the payable amount when it gets services or commodities.

A specific procedure is followed in order to create a voucher. Below is mentioned this:

A supplier receives an order for products or services.

The vendor confirms, accepts, and acknowledges the order.

The authorized person confirms that the products and services are in accordance with the contract or agreement's terms.

The voucher is made based on the transaction. It includes all pertinent and associated data regarding the transaction. Additionally, connected to the transaction are the supporting documentation.

The organization carefully examines the voucher and the relevant paperwork before making the payment.

The transaction's connected and pertinent data and information are all contained in the accounting vouchers. The accounting voucher is accompanied by various documentation. The following list includes a few of the key documents:

the supplier's invoice for the provided products and services

Basic information on the provider, including name, address, phone number, and bank information.

Information on the payment due, including the amount, any discounts, the deadline, and other specifics.

specifics of a purchase order.

a statement confirming the products or services have been received in accordance with the contract and the invoice.

To support the accounting objective, use a general ledger account.

An authorized signature is required to verify the payment and the purchase. Any authorized individual who is in charge of the transaction can be this.

paperwork showing the payment was made, such as a voucher.

advantages of an accounting voucher

The proper and efficient operation of any organization's payment process depends on maintaining vouchers. It serves as proof in any legal proceeding and is used in the same way during an audit's verification procedure.

The following is a list of some of the main advantages of establishing and managing vouchers:

A key component of having tight control over the payables process is the accounting voucher in Tally or any other accounting software.

A voucher can be used to pay many invoices at once if it is still intact. As a result, fewer checks are utilized and issued.

Pre-numbering the vouchers makes creating an audit trail in payables easier.

The two critical stages of invoice payment and invoice approval are properly separated. This facilitates the payment plan and maximizes efficiency.

If the voucher is given out, it means that the goods and services have been delivered accurately and in accordance with the previous arrangement.

Additionally, it states that the payment is validly authorized.

The significance of accounting receipts

Accounting vouchers are crucial components of all types of audit procedures and control systems. Through the auditing process, the accuracy of the data and information in an organization's financial accounts is confirmed. With the vouchers in place, conducting the audit process and authenticating the transactions is quick and straightforward. For the transactional papers that are carried out within the organization, vouchers are a requirement and rationale.

Through the use of vouchers, the organization also controls and keeps track of all transactions. It lessens the possibility of any sort of misbehavior in a company. The vouchers serve as a form of paper trail for the transaction, the parties involved, and the responsibilities connected to them. As a result, the vouchers foster a sense of accountability among the participants in the transaction and the employees.

Furthermore, see Cash Memo Template

Conclusion

The sustainability of every organization depends heavily on accounting vouchers. It keeps track of financial transactions, documents them, and verifies that the law is followed. The accounting vouchers also maintain appropriate management and organization, prepare the organization for any form of audit, and guarantee control. To meet the demand at hand, different sorts of accounting vouchers might be utilized. So, we're hoping that you now have a comprehensive knowledge of these vouchers and their importance to businesses. This is where the Biz Analyst app comes in handy. You can stay connected to your business, ensure sales development, and securely create receipts and payments for accounting.


**4.4.3 Inventory Masters Maintenance**

The items and materials a company keeps on hand with the intention of reselling, producing, or using them are referred to as inventory (in American English) or stock (in British English).

The main focus of inventory management is determining the location and shape of stocked commodities. It is necessary to go before the regular and scheduled course of manufacturing and stocking of materials at various places within a facility or at several sites of a supply network.

By defining work in process (or work in progress) broadly as "all work that is or has occurred prior to the completion of production," the concept of inventory, stock, or work in process (or work in progress) has been expanded from manufacturing systems to service businesses and projects . Inventory in the context of a manufacturing production system refers to all work that has been completed, including raw materials, products that have been partially finished, finished products that have not yet been sold, and items that have left the manufacturing system. Inventory in the context of services refers to all work completed prior to sale, including information that has not yet been fully processed.

Time - Due to the time delays experienced along the whole supply chain, from the supplier to the end user, you must keep a certain amount of inventory on hand. In actuality, though, inventory must be kept on hand for use during "variations in lead time." By placing an order that many days in advance, the lead time itself can be handled.

Seasonal demand: While demand fluctuates seasonally, production capacity is constant. Consider how commodities used exclusively during holidays might result in the accumulation of substantial stockpiles in expectation of future consumption as an illustration of how this can lead to stock accumulation.

Inventory buffers are kept on hand to address demand, supply, and product movement risks.

Economies of scale - The ideal scenario of "one unit at a time at a location where a user wants it, when he needs it" tends to result in high logistical costs. Therefore, moving and storing items in bulk results in economies of scale and inventory.

Value growth - In some circumstances, a stock will increase in value after being held for a while in order to reach the appropriate level for consumption or production. As in the case of beer in the brewing sector.

Any owner or product may be affected by any of these stock causes.

words used specifically in relation to inventory management

SKUs, or stock keeping units, are distinct internal identifiers given to each product and each of its variations. As long as the method is consistent and applied to all the products in the inventory, SKUs can be any combination of letters and numbers. Product code, barcode, part number, and MPN (Manufacturer's Part Number) are further terms for SKU codes.

Stockout refers to an SKU's inventory running out.

The term "new old stock" (NOS) is used in commerce to describe goods that are being sold that were produced in the past but have never been used. The new old stock might be the only market source for a specific item at the moment because such goods might not be manufactured any longer.

Typology

Safeguard/buffer stock

Reorder level: The level at which a corporation places an order to replenish its supplies. Reorder point is determined by a company's inventory management strategy. Some businesses will place orders when their inventory is below a certain quantity, or "x." Some businesses routinely place orders.

Rotate stock (Used in batch processes, it is the available inventory, excluding buffer stock)

Decoupling (Buffer stock stored between the machines in a single process which serves as a buffer for the next one allowing smooth flow of work instead of waiting the previous or next machine in the same process) (Buffer stock held between the machines in a single process which serves as a buffer for the next one allowing smooth flow of work instead of waiting the previous or next machine in the same process)

stock of anticipation (Building up extra stock for periods of increased demand – e.g. ice cream for summer)

petroleum stock (Goods still in transit or in the process of distribution – have left the factory but not arrived at the customer yet)

Quantity used on average daily or weekly X Lead time in days + Safety stock

Examples of inventories

While manufacturers, service providers, and not-for-profit organizations all have inventories (fixtures, furnishings, supplies, etc.) that they do not intend to sell, accountants frequently refer to inventory in terms of products for sale. Inventory from producers, distributors, and wholesalers typically assembles at warehouses. Inventory for retailers may be kept in a warehouse or a customer-accessible shop or store. Any location that an organization employs may be used to store inventories that are not intended for sale to customers or clients. Stock consumes cash and, if unchecked, makes it impossible to determine its actual amount, making it challenging to keep costs related to storing excess or insufficient inventory under control.

While the justifications for keeping stock were previously discussed, most manufacturing companies typically categorize their "goods for sale" inventory into the following groups:

Raw materials are the supplies and parts intended for use in producing a finished good.

Materials and components that are in the process of being transformed into final goods are known as work in process, or WIP. These are neither raw materials nor finished products because they are employed in the manufacturing process.

things that are finished and prepared for sale to consumers.

Returns that can be sold are considered to be products for resale.

Stocks in transit are materials that are not at the seller's or the buyer's locations but rather somewhere in between. Alternatively, we may state that the supplies are in transit if they have left the seller's plant but have not yet arrived at the buyer.

Consignment stocks are inventories in which the buyer is in possession of the items, but the seller retains legal ownership of them up until a sale is made. Even though the products were delivered to the customer, payment is only made when the goods are sold; for this reason, these stocks are referred to as consignment stocks.

maintenance provision.

For instance:

Manufacturing

The ingredients needed to make the foods that will be canned, empty cans and their lids (or coils of steel or aluminum for making those components), labels, and anything else (solder, glue, etc.) that will go into a finished can are all included in a canned food manufacturer's inventory of materials. These materials are included in the company's work-in-progress inventory from the time they are released to the production floor until they are finished and prepared for sale to wholesale or retail clients. This could be sub-assemblies of food components, filled cans without labels, or vats of produced meals. It might also include finished cans that haven't been put into pallets or cartons yet.

All of the food cans that are filled and labeled in its warehouse are considered to be its finished goods inventory. It intends to sell these goods to food distributors (wholesalers), grocery shops (retailers), and possibly even to consumers through channels like factory stores and outlet centers.

capital initiatives

A measure of inventory built during the work execution of a capital project, such as one seen in the development of civil infrastructure or the oil and gas industry, is known as partially finished work (or work in process)Inventory may include both knowledge work-in-process and tangible goods (such as supplies, parts, and partially finished subassemblies) (such as partially completed engineering designs of components and assemblies to be fabricated).

a virtual stock

A "virtual inventory," also referred to as a "bank inventory," allows a number of users to share components, especially when their availability quickly may be essential but they are unlikely to be needed by more than a few bank members at once.

Distributors and fulfillment centers can also send products directly from stock to retailers, whether the stock is kept in a warehouse, stock room, or retail location.

Stock or inventory is used as collateral for obtaining credit, and this practice is known as inventory credit. Inventory credit is a potentially significant means to overcome financial limits in situations where banks may be reluctant to accept traditional collateral, such as in underdeveloped nations where land title may be absent. [25] This idea is not new; in fact, there is evidence that it was used in Ancient Rome. In a large portion of the world, getting financing against stockpiles of a variety of goods kept in a bonded warehouse is typical. Italians, for instance, combine it with Parmesan cheese. In many Latin American and certain Asian countries, inventory credits are based on the agricultural output that has been stored. Banks must have faith in the availability of the stored commodity in order to grant such credit, which necessitates the presence of a trustworthy network of accredited warehouses. A further challenge for banks is valuing the goods. They are typically hesitant to lend more than around 60% of the value of the inventory at the time of the loan due to the likelihood of abrupt drops in commodities prices.

It appears that industrial practices changed circa 1880, going from vertically integrated firms with relatively uniform product lines to those with an extraordinary range of processes and goods. These businesses (particularly those in the metalworking industry) sought success by utilizing economies of scope, or the benefits of collaboratively producing two or more items in a single facility.

The managers now required precise product cost data in order to assess how changes regarding product mix would affect overall profits. Several attempts to accomplish this have failed because of the significant overhead involved in information processing at the time. However, after 1900, there was an unavoidable need to account for stock financially, and the requirement for management to manage product costs was eclipsed. The requirement for audited accounts in particular sealed the demise of managerial cost accounting. With few exceptions, financial reporting accounting continues to dominate management accounting, and since that time, effective management 'cost' accounting has been warped by financial reporting definitions of 'cost'. Particularly in the case of inventory.

As a result, the two fundamental formulas for high-level financial inventory connect to the accounting period as follows:

Cost of Beginning Inventory at the beginning of the period plus inventory acquisitions during the period plus the cost of production during the period equals the cost of the items that are currently available.

Cost of available goods less the cost of liquidating inventories at the end of the period equals the cost of goods sold.

The first of these calculations has the advantage of including all production overheads and raw material costs into an inventory value for reporting. The second formula then establishes a new starting point for the following period and provides a number that must be deducted from the sales price in order to calculate some sort of sales-margin number

Inventory turnover rates and average days to sell inventory are of more significance to manufacturing management since they provide information about relative inventory levels.

Cost of goods sold / Average Inventory = Cost of Goods Sold / ((Beginning Inventory + Ending Inventory) / 2) is the inventory turnover ratio, often known as inventory turns.

and its opposite

Number of Days in a Year / Inventory Turnover Ratio = 365 days in a year / Inventory Turnover Ratio gives the average days to sell inventory.

This ratio provides an approximation of the inventory turnover rate each year. This figure reveals how much money or products are held up while waiting for the process, and it serves as a crucial indicator of the process' dependability and efficiency. Accordingly, a factory with two inventory rotations has six months' worth of stock on hand, which, depending on the industry, is typically not a good statistic. In contrast, a factory that increases from six turns to twelve turns has likely increased its efficacy by 100%. Since less "value" is being stored in the plant as inventory, this improvement will have some negative financial reporting effects.

Due to their simplicity, these accounting measures of inventory are very helpful, but they also carry the risk of their own presumptions. In reality, there are so many variables concealed beneath this facade of simplicity that a number of "adjusting" hypotheses may be applied. These consist of:

Particular Identification

cheaper in price or market

Average Weighted Cost

Cost-of-Moving Average

LIFO and FIFO.

Theory of queues.

Inventory Turn is a tool used in financial accounting, not necessarily in management, to assess inventory. Inventory control should be proactive. Based on the historical cost of goods sold, a technique has been used. The ratio might not be able to accurately reflect both client and future production demand.

Just in Time (JIT) Inventory, Vendor Managed Inventory (VMI), and Customer Managed Inventory (CMI) are three business strategies that aim to reduce on-hand inventory and boost inventory turns. Due to the success of independent vendors who provide additional skills and knowledge that businesses might not possess, VMI and CMI have attracted a lot of attention.

Risk in inventory management varies based on where a company is in the distribution chain. The width of the commitment, the period of the duration, and the depth are some common indicators of inventory exposure [definition needed].

Modern inventory management is online-focused and more profitable in digital form. End-to-end visibility, collaboration across fulfillment processes, real-time data automation among different organizations, and system integration will all be necessary for this form of dynamic order management.

Each nation has its own inventory accounting regulations that correspond to its requirements for financial reporting.

As an illustration, businesses in the US define inventory in accordance with their needs while still adhering to US Generally Accepted Accounting Practices (GAAP), the regulations established by the Financial Accounting Standards Board (FASB) (and others) and upheld by the Securities and Exchange Commission (SEC) and other federal and state agencies. Similar structures are frequently found in other nations, however they use their own national institutions and accounting standards.

It is on purpose that cost accounting operates internally to an organization and potentially with far greater flexibility, and that financial accounting employs standards that enable the public to compare organizations' performance. Following various instances and a discussion of inventory from a financial accounting viewpoint, inventory is discussed from a conventional and Theory of Constraints-based (throughput) cost accounting perspective.

Inventory internal costing and appraisal can be challenging. In the past, most businesses operated straightforward, one-process factories, but in the twenty-first century, such businesses are likely in the minority. Where "one process" industries are present, the goods produced have a market, which creates a separate market value for the good. Many items in inventory that were once finished goods are now held as "work in process" due to multistage process corporations (WIP). Since there is no market for the partially finished product, the valuation must be made by management in order to be recorded in the books. Due to the allocation of overheads and the rather arbitrary "value" of WIP, certain unanticipated and unpleasant outcomes have occurred.

Financial management

The balance sheet asset status of an organization's inventory can appear to be a mixed blessing because it holds up funds that could be used for other reasons and necessitates additional costs for its upkeep. Depending on the regulations of the country in question governing the depreciation of inventory, as in the case of Thor Power Tool Company v. Commissioner, inventory may also result in considerable tax expenses.

Because it can, in theory, be sold to generate cash, inventory is shown as a current asset on a company's balance sheet. In order to artificially inflate their apparent asset value and their perceived profitability, some businesses maintain greater inventories than their activities require.

Inventory comes with fees for warehouse space, utilities, insurance to cover people to handle and safeguard it from fire and other calamities, obsolescence, shrinkage (theft and errors), and other expenses in addition to the money committed by purchasing inventory. These holding expenses, which range from a third to a half of the purchase price annually, quickly add up.

Businesses with insufficient inventory cannot profit from huge consumer orders if they are unable to fulfill them. The competing goals of cost reduction and customer satisfaction frequently pit a company's finance and operational managers against its sales and marketing divisions. Because salespeople frequently receive commissions, unavailable goods may lower their potential personal revenue.

By lowering manufacturing time to be close to or below customers' anticipated delivery time, this conflict can be minimized. This "Lean production" initiative will greatly cut working capital held in inventory and manufacturing costs (See the Toyota Production System).

Inventory accounting's function

The accountants can assist the public sector in changing in a very good way that increases value for the taxpayer's investment by assisting the organization in making better decisions. By making sure that achievement is suitably acknowledged in both the formal and informal reward systems of the company, it can also serve to encourage progress and to guarantee that reforms are durable and successful over time.

It would be an understatement to suggest they have a significant role to play. The majority, if not all, of the organization's important business procedures are tied to finance. It ought to be in charge of the stewardship and accountability frameworks that guarantee the organization is carrying out its operations in a proper, moral manner. These foundations must be solidly established. They serve as a litmus test by which public support for the institution is frequently gained or lost.

Additionally, finance should offer information, analysis, and guidance to help the service managers of the businesses run efficiently. This goes beyond the typical concern with budgets, such as how much we've already spent and how much is still remaining to spend. It aims to improve the organization's understanding of its own performance. That entails drawing links and comprehending the linkages between the resources that are used, or the inputs, and the results and outputs they produce. Additionally, it entails recognizing and proactively managing hazards related to the company and its operations.

Accounting terms: FIFO and LIFO

Accounting methods FIFO and LIFO

The cost of goods sold is deducted from the inventory account value when a business purchases items from inventory (COGS). When the cost has not changed across those that are in stock, this is straightforward; but, when it has, a consensus technique must be developed to assess it. Accountants must select a strategy for commodity goods that are difficult to track separately based on the specifics of the sale. First in, first out (FIFO) and last in, first out (LIFO) are two common techniques (last in – first out).

According to FIFO, the first item that entered inventory counts as the first item sold. According to LIFO, the first item sold is the last item to enter the inventory. Whichever approach an accountant chooses can have a big impact on net income, book value, and taxation.

Due to the consequences of inflation, a corporation often reports lower net income and lower book value when using LIFO accounting for inventory. Taxation is typically reduced as a result. UK GAAP and IAS have essentially outlawed LIFO inventory accounting due to its propensity to inflate inventory value. Section 472 of the Internal Revenue Code permits LIFO accounting in the United States.

## 4.5 UNIT END QUESTIONS

**A. Descriptive Questions**

**Short Questions**

1.What do you mean by Bill Wise details?

2.How many types of bill wise details are there?

3.What are Bill Wise's details in TallyPrime?

4.How do I check my bill wise?

5.What is the use of Bill Wise details in Tally?

**Long Questions**

1.What are the four methods of adjustment in Bill Wise details?

2.What are the features of bills?

3.How can we see Vat reports?

4.How can I maintain balance by bill in Tally?

5.What is the due date of the bill?

**B. Multiple Choice Questions**

1. What is the common characteristic of all the assets owned by a company?

   a. Intangible
   b. Long Life
   c. Future Economic Benefits
   d. None of the above

2. Capital + Liabilities =?

   a. Revenue
   b. Assets
   c. Unearned Income
   d. Voucher

3. Owner's claim on total assets is?

   a. Liability

b. Assets
c. Equity
d. Cash

4. What are Drawings?
   a. Accounting method used to allocate the cost of a tangible or physical asset over its useful life or life expectancy.
   b. The amount of cash that a business disburses.
   c. An increase in the value of an asset over time.
   d. Money that is taken from the business account for personal use.
5. What occurs when expenses are greater than income?
   a. Net Loss
   b. Net Profit
   c. Debts
   d. Decrease in Assets

**Answer :**1.c, 2.b, 3.c, 4.d, 5.a

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# UNIT- 5 DISPLAY TRIAL BALANCE

**STRUCTURE**



## 5.0 OBJECTIVES

After studying this unit, student will be able to:

Learn about

- There are few rules which need to be considered before preparing Trial Balance.
- Firstly, all the assets should be on the Debit side and all the liabilities must be on the Credit side.
- Secondly, all the income or gains must be put on the Credit side and all the expenses must be on the Debit side. These are very important rules to consider as these are the basic rules without which you cannot make Trial Balance.

## 5.1 INTRODUCTION

A financial statement that lists a company's assets, liabilities, and shareholder equity at a certain point in time is referred to as a balance sheet. The foundation for calculating investor return rates and assessing the capital structure of a company is provided by balance sheets.

The balance sheet is a financial statement that gives a quick overview of the assets and liabilities of a firm as well as the amount of shareholder investment.

When doing basic analysis or calculating financial ratios, balance sheets can be utilized in conjunction with other crucial financial data.

- An organization's assets, liabilities, and shareholder equity are listed on a balance sheet, which is a financial statement.
- One of the three primary financial statements used to assess a company is the balance sheet.
- It offers a snapshot of the assets and liabilities of a corporation as of the publication date.
- The assets on the balance sheet are equal to the total of the liabilities plus the shareholders' equity.
- Financial ratios are computed using balance sheets by fundamental analysts.

Workings of Balance Sheets

A company's balance sheet gives a quick snapshot of its financial situation at any one time. On its own, it cannot provide an understanding of the tendencies manifesting over a longer time frame. Due to this, the balance sheet and those from earlier periods should be compared.

The debt-to-equity ratio, the acid-test ratio, and many other ratios that can be generated from a balance sheet can be used by investors to gauge a company's financial health. Additionally helpful background for evaluating a company's financial health can be found in the income statement, statement of cash flows, and any comments or addenda in an earnings report that might make a reference to the balance sheet.

The balance sheet follows the accounting formula below, where assets are on one side and liabilities + shareholder equity are on the other:

Assets are equal to liabilities plus shareholders' equity.

Assets = Liabilities + Ownership Equity

This formula makes sense. This is so that a business may pay for all it possesses (assets) by either borrowing money from other people (taking on liabilities) or raising money from investors (issuing shareholder equity).

If a business borrows $4,000 over five years from a bank, its assets (particularly, the cash account) will rise by $4,000 as a result. In order to balance the two sides of the equation, its liabilities (more particularly, the long-term debt account) will rise by $4,000 as well. The company's assets and shareholder equity will both rise by $8,000 if it raises $8,000 from investors. Any profits the business makes that are more than its costs will be deposited in the shareholder equity account. On the assets side, these revenues will balance out as cash, investments, inventory, or other assets.

Since different industries employ various methods of financing, balance sheets from companies in the same industry should also be compared.

Particular Considerations

A company's balance sheet contains details on its assets, liabilities, and shareholder equity, as was previously mentioned. Always make sure that the assets are equivalent to the obligations and shareholder equity. The name comes from the fact that the balance sheet should always be in balance. There may be issues if they don't balance, such as erroneous or misplaced data, inventory or exchange rate errors, or improper computations.

The specifics of a company's finances are broken down into each category's many smaller accounts. Industry-specific differences in these accounts mean that even the identical terms might have a variety of meanings depending on the type of organization. Investors are, nevertheless, likely to encounter a few standard parts.

Assets

This segment's accounts are arranged from top to bottom according to their liquidity. This is how quickly they can be turned into cash. They are separated into two categories: current assets, which may be turned into cash in a year or less, and non-current or long-term assets, which cannot.

The general arrangement of accounts within current assets is as follows:

The most liquid assets are cash and cash equivalents, which can also comprise short-term certificates of deposit and Treasury bills in addition to physical currency.

Equity and debt securities with active markets are referred to as marketable securities.

Money that clients owe the business is referred to as accounts receivable (AR). As some customers might not pay what they owe, this could also include a provision for shaky accounts.

Any item that is available for purchase and valued at the lower of its cost or market price is referred to as inventory

Prepaid expenses, like insurance, advertising contracts, or rent, are costs that have already been paid for.

There are several long-term assets, including:

Securities that cannot or will not be liquidated in the upcoming year are considered long-term investments.

Land, tools, equipment, structures, and other long-lasting, typically capital-intensive assets are examples of fixed assets.

Non-physical (yet valuable) assets like goodwill and intellectual property are examples of intangible assets. Typically, these assets are only included on the balance sheet if they are purchased rather than created internally. As a result, their value may be drastically inflated or drastically underestimated (by not adding, for instance, a globally recognizable logo).

Liabilities

Any sum of money that a business owes to third parties, including rent, utilities, salaries, interest on bonds issued to creditors, and bills it must pay to suppliers, is known as a liability. Current liabilities are those that have a one-year payoff window and are arranged by due date. On the other hand, long-term obligations are payable at any time after the first year.

Accounts for current obligations may include:

The fraction of a long-term debt that is due within the next 12 months is called the current portion of the debt. One year is a current responsibility and nine years are a long-term liability, for instance, if a business has a loan with 10 years remaining to pay for its warehouse.

The term "interest payable" refers to cumulative interest that is owed and is frequently required as part of a past-due obligation, such as a late property tax payment.

Salaries, wages, and perks to employees are referred to as wages payable, frequently for the most recent pay period.

Customer prepayments are sums of money received by a customer prior to the provision of the service or delivery of the product. The business is required to either (a) offer that good or service or (b) reimburse the client for their money.

Dividends authorized for payment but not yet issued are referred to as dividends payable.

Prepayments and earned and unearned premiums are similar in that a corporation receivs money upfront but hasn't yet fulfilled their end of the bargain and is required to pay back unearned cash if they don't.

Most frequently, accounts payable is a current liability. Debt obligations on invoices processed as part of a business's operations are known as accounts payable and are frequently due 30 days after receipt.

Long-term obligations may consist of:

Any interest and principal on issued bonds are included in long-term debt.

A company's obligation to contribute funds to its employees' retirement accounts is referred to as a pension fund liability.

The amount of taxes that have accrued but will not be paid for another year is known as deferred tax liability.

This number also balances discrepancies between the standards for financial reporting and the methods used to calculate taxes, such as depreciation computations

Some liabilities are deemed off the balance sheet, which means they do not show up there.

Investor Equity

The money that can be traced back to a company's owners or shareholders is known as shareholder equity. Since it is equal to a company's total assets minus its liabilities, or the debt it owes to parties other than shareholders, it is sometimes referred to as net assets.

Net profits are what a firm keeps after paying its debts and reinvesting them back into the company. Dividends are paid out to shareholders with the balance remaining.

The stock a corporation has repurchased is known as treasury stock. It may be held back to fend off a hostile takeover or sold later to raise money.

Preferred stock, which some businesses issue, will be classified separately from common stock under this section. As with common stock, preferred stock is given an arbitrary par value that is unrelated to the share's market value. The par value of the shares issued is multiplied by the number of shares to determine the common stock and preferred stock accounts.

The amount shareholders have invested over and above the common or preferred stock accounts, which are based on par value rather than market price, is known as additional paid-in capital or capital surplus. The market capitalisation of a corporation is not directly correlated with shareholder equity. While paid-in capital is the total amount of equity that has been acquired at whatever price, the latter is based on the stock's current price.

Par value is frequently only a very modest sum, like $0.01.

The significance of a balance sheet

Regardless of a company's size or the sector in which it competes, a balance sheet has various advantages, including

Using balance sheets, assess risk. This financial statement covers all assets and liabilities for a corporation. A business will be able to determine in a timely manner whether it has taken on too much debt, whether the liquidity of its assets is inadequate, or whether it has enough cash on hand to cover immediate needs.

Balance sheets can also be used to raise money. For a company to be approved for a business loan, a lender often needs a balance sheet. A balance sheet is typically required when a business seeks private equity investment from investors. In both situations, the outside party seeks to determine a company's financial stability, creditworthiness, and ability to pay off short-term loans.

Financial ratios are a tool that managers can use to assess a company's liquidity, profitability, solvency, and cadence (turnover). Some financial ratios call for data from the balance sheet. Managers can better understand how to improve a company's financial health when data is evaluated over time or compared to similar organizations.

Finally, balance sheets can help recruit and keep talent. Employees typically prefer to know that their jobs are secure and that their employer is doing well. Employees have the opportunity to review how much cash the company has on hand, whether the company is managing debt wisely, and whether they believe the company's financial health is in line with what they expect from their employer thanks to the requirement that public companies must disclose their balance sheet.

Issues with a Balance Sheet

There are several limitations to the balance sheet, despite the fact that it is a crucial piece of information for analysts and investors. Since the balance sheet is static, many financial ratios rely on information from the more dynamic income statement and statement of cash flows as well to provide a more complete picture of the status of a company's operations. Because of this, a balance may not accurately depict a company's financial situation

A balance sheet has limitations because of its constrained timing. The financial position of a corporation is only depicted in the financial statement as of one particular day. It could be tough to determine whether a company is functioning effectively from just one balance sheet. Consider a scenario in which a business reports having $1,000,000 in cash on hand at the end of the month. Knowing how much cash a company has on hand has minimal relevance without context, a reference point, knowledge of its historical cash balance, and comprehension of industry operating requirements.

The numbers reported on a balance sheet will also vary depending on the accounting software used and how depreciation and inventories are handled. Managers can therefore manipulate the figures to make them appear more favorable. Pay close attention to the footnotes to the balance sheet to ascertain the systems being used in their accounting and to spot any warning signs.

Last but not least, a balance sheet is vulnerable to a variety of expert judgment calls that could significantly affect the report. For instance, receivables need to be continuously checked for impairment and amended to account for any uncollectible debt. Unable to predict which receivables it will really receive, a corporation must estimate and include its best guess on the balance sheet.

A balance sheet example

An example of Apple, Inc.'s comparative balance sheet is shown in the image below. This balance sheet contrasts the company's financial standing as of September 2020 with that of the same month a year earlier.

Apple Income Statement

Balance Sheet for Apple.

In this illustration, Apple's $323.8 billion in total assets are shown separately toward the top of the report. Each of the two categories in this asset section—current assets and noncurrent assets—is further subdivided into a variety of accounts. A quick examination of Apple's assets reveals that while their non-current assets rose, their cash on hand shrank.

Liabilities and equity for Apple are also reported in this balance sheet, with each item receiving its own section in the lower half of the document. Similar to the assets part, the liabilities section is divided into current liabilities and non-current obligations, with each category showing balances per account. The common stock valuation, retained earnings, and accumulated other comprehensive income are all disclosed in the section on total shareholder equity. Apple's total liabilities increased, its total equity declined, and when the two are added together, the total assets of the business are equal.

Executives, investors, analysts, and regulators utilize the balance sheet as a crucial tool to comprehend the current financial condition of a corporation. It frequently coexists with the income statement and the cash flow statement, the other two categories of financial statements

The user may quickly see the company's assets and liabilities thanks to balance sheets. Users can use the balance sheet to determine things like whether a firm has a positive net worth, if it has enough cash and short-term assets to pay its debts, and whether it is heavily indebted in comparison to its competitors.

The assets and liabilities of a corporation are disclosed in the balance sheet. This could include long-term assets like property, plant, and equipment or short-term assets like cash and accounts receivable, depending on the business (PP&E). Similar to its assets, its liabilities could consist of long-term debts like bank loans and other debt commitments or short-term debts like accounts payable and salaries payable.

The balance sheet may be created by a variety of parties, depending on the business. The proprietor or a company bookkeeper may construct the balance statement for small privately held firms. They may be prepared internally for mid-sized private businesses and then reviewed by an outside accountant.

Public firms, on the other hand, must ensure that their accounts are kept to a far higher standard and obtain external audits by public accountants. These businesses are required to prepare their balance sheets and other financial statements in line with generally accepted accounting principles (GAAP) and submit them on a regular basis to the Securities and Exchange Commission (SEC).

A balance sheet details a company's financial situation at a certain time. A balance sheet is used to assess the position of a business on a particular day, as opposed to an income statement, which presents financial data across time.

Parties outside of a firm frequently examine a bank statement to determine the situation of the organization. Banks, lenders, and other institutions may compute financial ratios based on balance sheet balances to assess a firm's level of risk, the liquidity of its assets, and the likelihood that the company will continue to operate.

Even though the data on a balance sheet is typically less useful than that on an income statement, a business can nevertheless utilize it to make internal decisions. A business may use its balance sheet to assess risk, check that it has adequate cash on hand, and determine how to raise further capital (through debt or equity).

A company's assets, liabilities, and equity are balanced to create a balance sheet. Total assets are equal to total liabilities plus total equity.

The aggregate of all short-term, long-term, and other assets is referred to as total assets. The sum of all current, future, and other liabilities is used to compute total liabilities. Net income, retained earnings, owner contributions, and shares of issued stock are added together to determine total equity.

## 5.2 TRIAL BALANCE

A trial balance is an accounting worksheet where the balances of all ledgers are totaled into equal amounts in the columns for the debit and credit accounts. A corporation occasionally creates a trial balance, often at the conclusion of each reporting period. To check that the entries in a company's bookkeeping system are mathematically correct, a trial balance is generally produced.

A trial balance is not a complete audit of the accounts; rather, it tests a key component of the books in question.

Because it enables auditors to confirm that there are no mathematical problems in the bookkeeping system before going on to more involved and in-depth studies, a trial balance is frequently the first stage in an audit procedure.

A worksheet with two columns—one for debits and one for credits—called a trial balance is used to check the accuracy of a company's bookkeeping.

All business transactions for a corporation over a specific time period are included in the debits and credits, including the total of accounts for assets, expenses, liabilities, and revenues.

In order to verify that there are no mathematical errors, the debits and credits of a trial balance must add up; nonetheless, there may still be faults or errors in the accounting processes.

Test of Balance

A Trial Balance's Operation

A double entry accounting system's mathematical flaws can be found by creating a trial balance for a business. The trial balance is deemed to be balanced and there shouldn't be any arithmetic errors in the ledgers if the total debits and total credits are equal. This does not, however, imply that an organization's accounting system is error-free. For instance, the trial balance technique would not catch material accounting problems caused by transactions that were incorrectly categorized or simply absent from the system.

Qualifications for a Trial Balance

Business transactions are initially entered by companies into bookkeeping accounts in the general ledger. Accounts in the ledgers may have been debited or credited during a certain accounting period before they are used in a trial balance worksheet, depending on the types of business activities that have taken place. Additionally, it's possible that different company transactions were recorded in different accounts. As a result, the trial balance worksheet's concluding balance for each ledger account is the total of all debits and credits recorded to that account as a result of all associated business transactions.

A general ledger is used to keep track of all of a company's transactions, which are then added up to create a trial balance.

The accounts of asset, expense, and loss should each have a debit balance at the conclusion of each accounting period, whereas the accounts of liability, equity, income, and gain should each have a credit balance.

However, when related business transactions lower their respective accounts' debit and credit balances, an opposite effect on those accounts' ending debit or credit balances, certain accounts of the former type may also have been credited and certain accounts of the latter type may also have been debited during the accounting period. On a trial balance worksheet, the account titles are located to the far left of the two columns, with all of the debit balances forming the left column and all of the credit balances forming the right column.

Trial Balance Types

Three primary varieties of trial balance exist:

Incorrect trial balance

A corrected trial balance

The trial balance following the close

These three categories are identical in format but utilized in slightly different ways. Before correcting journal entries are finished, the unadjusted trial balance is created on the spot. It serves as a log of daily transactions and can be used to correct entries in a ledger to bring it into balance.

An adjusted trial balance can be finished once a book is balanced. The final balances for each account are listed in this trial balance, which is also utilized to create the financial statements. The balances are displayed in the post-closing trial balance following the completion of the closing entries. Your first trial balance for the upcoming year is this one.

Balance Sheet vs. Trial Balance

A trial balance and a balance sheet have significant differences in scope. In addition to the accounts' final balances, a balance sheet also lists the company's assets, liabilities, and equity. It is typically made available to the public rather than being used only internally, and it needs an auditor's signature to be taken seriously.

An informal document is a trial balance. Trial balances can be produced as frequently as a company needs them, and there are no set norms regarding how they should be created. A balance sheet is a legally binding summary of a company's financial situation at the end of a fiscal year, but a trial balance is frequently used as a tool to monitor a company's finances during the year.

Particular Considerations

Add up all debit balances and credit balances separately to demonstrate equality between total debits and total credits after listing all ledger accounts and their balances in a trial balance worksheet's standard style. This consistency ensures that no wrongly recorded unbalanced debits and credits were made during the double entry recording process.

A trial balance, however, cannot find bookkeeping flaws that are not only simple mathematical errors. A trial balance would still display a flawless balance between total debits and credits even if equal debits and credits were entered into the incorrect accounts, a transaction was not recorded, or offsetting errors were made with both a debit and a credit at the same time

In a double entry accounting system, any mathematical errors can be found using a trial balance. The trial balance is deemed to be balanced and there shouldn't be any arithmetic errors in the ledgers if the total debits and total credits are equal.

Unadjusted trial balances, adjusted trial balances, and post-closing trial balances are the three different forms of trial balances. Each is utilized at various times throughout the accounting cycle.

It varies. A trial balance can be used by businesses to monitor their financial status, and they may create multiple different types of trial balances over the course of the fiscal year. All of the significant accounting items, including assets, liabilities, equity, revenues, expenses, gains, and losses, may be included in a trial balance.

A worksheet with two columns—one for debits and one for credits—called a trial balance is used to check the accuracy of a company's bookkeeping. All business transactions for a corporation over a specific time period are included in the debits and credits, including the total of accounts for assets, expenses, liabilities, and revenues.

A trial balance's debits and credits must add up in order for there to be no arithmetic mistakes. The accounting systems may still contain inaccuracies or errors, nevertheless. Between comprehensive annual audits, a company's financial situation can be evaluated using a trial balance.

EXAMPLE

## Trial Balance Example #1

Suresh Oberoi is in the stage of preparing financial statements for the quarter ended March 2019. They have just completed the posting of general entries and recording all of their transactions. Below are balances reported at the end of the quarter. You are required to prepare a trial balance.

| Particulars | Amount |
|---|---|
| Equity Shareholders | 100,000 |
| Reserves | 50,000 |
| Payables | 25,000 |
| Provision for Bad Debts | 2,000 |
| Fixed Assets | 75,000 |
| Receivables | 25,000 |
| Cash and Bank | 10,000 |
| Inventory | 20,000 |
| Creditors | 3,000 |
| Investments | 50,000 |
| Total | **360,000** |

| Particulars | Class | Amount | |
|---|---|---|---|
| | | Debit | Credit |
| Equity Shareholders | Liability | | 100,000 |
| Reserves | Liability | | 50,000 |
| Payables | Liability | | 25,000 |
| Provision for Bad Debts | Liability | | 2,000 |
| Fixed Assets | Asset | 75,000 | |
| Receivables | Asset | 25,000 | |
| Cash and Bank | Asset | 10,000 | |
| Inventory | Asset | 20,000 | |
| Creditors | Liability | | 3,000 |
| Investments | Asset | 50,000 | |
| Total | | **180,000** | **180,000** |

EXAMPLE 2

Gold Gems has reported the below transactions for the month of Feb 2019, and the accountant wants to prepare the trial balance for the month of Feb 2019.

| | |
|---|---|
| Purchase of Raw Material in cash | 25,00,000 |
| Purchase of Raw Material on credit | 25,00,000 |
| Selling of Finish product in cash | 35,00,000 |
| Selling of Finish product on credit | 40,00,000 |
| Salary paid in cash | 1,00,000 |

You are required to prepare a trial balance based upon the above transactions only.

First, we will find out the balances of the accounts, and we will then classify them into assets and liabilities and will prepare a trial balance.

**Journal Entry:**

| Particulars | Account Type | Amount | |
|---|---|---|---|
| | | Debit | Credit |
| Purchase of Raw Material in cash | Purchase Account | 25,00,000 | |
| | Cash Account | | 25,00,000 |
| Purchase of Raw Material on credit | Purchase Account | 25,00,000 | |
| | Creditors Account | | 25,00,000 |
| Selling of Finish product in cash | Sales Account | | 35,00,000 |
| | Cash Account | 35,00,000 | |
| Selling of Finish product on credit | Sales Account | | 40,00,000 |
| | Debtors Account | 40,00,000 | |
| Salary paid in cash | Salary Account | 100,000 | |
| | Cash Account | | 100,000 |

## 5.3 DAY BOOK

In a daybook, or original entry book, an accountant logs all transactions by date as they take place. Later, this data is put into a ledger, where it is then compiled into a set of financial statements. Daybooks are exclusively utilized in manual accounting settings; they are therefore uncommon in contemporary accounting systems. Day books are straightforward diaries that are intended to document daily activities as they happen. Books of this kind offer a daily written record that typically contains information like the date, time of day, and the fundamentals of the event. They can be useful in a variety of business contexts, such as when creating a timeline of transactions that will eventually be included in accounting records.

A day book is frequently used in a variety of contexts. This technology will be used by numerous law enforcement organizations, including neighborhood police departments, to document arrests and other events as they happen.

The book will serve as a vital backup source for any information placed into a permanent record and can later be utilized to cross-check the correctness of reports submitted to the department.

Day books can be used to keep track of the tasks that are finished throughout a working day.

Day books can be used to keep track of the tasks that are finished throughout a working day.

Similar to this, company executives will occasionally utilize such records to keep track of the activities they did throughout the course of the workday. The information that is typically documented includes occasions like conferences and meetings, conversations with department heads, and time spent entertaining clients. These straightforward books, like other recordings, make it much simpler to produce a more permanent record later on without being very distracting at the time the events are happening.

There are electronic versions of day books in addition to the classic ones, which are physical books with pages, a strong binding, and a cover.

There are electronic versions of day books in addition to the classic ones, which are physical books with pages, a strong binding, and a cover.

The salesman uses the sales day book for a similar reason. Any events or transactions connected with the sales attempt are documented in the book. This covers any possible transactions, such as a new sale, a meeting with a potential or current client, the signing of a new client, or the extension of a contract with an existing client. In this application, it offers a quick and simple way to record pertinent events, making it simpler to later provide a more thorough explanation of each event.

A day book can be used to keep track of appointments and daily activities.

A day book can be used to keep track of appointments and daily activities.

While a conventional day book is a physical book with pages, a strong binding, and a cover, electronic versions of this useful tool are also offered. It's incredibly simple to access and change the entries for a given day because many electronic books are set up to load easily on mobile devices. In some instances, the software that powers it will also enable the download of the notes into other applications, such a sales database. The user can then browse each entry that has recently been downloaded, add more information, and compile an exhaustive list of all the events that took place on that day as a result. Credit sale transactions, not cash-based sale transactions, are recorded in the sales day book. Credit sales transactions allow consumers, buyers, or purchasers of services to pay a firm for the services they have received at a later date as opposed to on the day of the actual purchase. These transactions provide the buyer, customer, or purchaser enough time to complete payments.

Because of this, the company and salesperson keep a sales day book that will record the customer's name, invoice number, sales amount, and credit sale date in order to keep track of such transactions. These books are updated every day. Monthly totals are computed for the amount so entered in the book.

The revenue generated on a monetary basis

never make an appearance in the sales day book. The cash book contains the sales made on a cash basis.

Any asset sale or investment transaction made on credit would not be recorded in the sales book. Instead of the sales book, the journal books are used to record these transactions. The sales book is updated only for finished product sales made on credit.

Importance

The sales day book is a crucial piece of paperwork since it enables the company to keep track of daily credit sales. As a result, the book is an essential resource for small- to medium-sized organizations. This document satisfies the requirement to account for all credit sales transactions that frequently occur daily since these entities depend on converting each sale from credit to cash. Additionally, small to medium-sized firms can follow up with their clients to ease collection depending on reconciliation.

Advantages

It assists in daily credit sales recording.

This list of clients makes it easier to locate those from whom they still expect payment.

It encourages accountability in both small and medium-sized organizations.

makes it easier to reconcile the sales ledger on a monthly basis.

It makes it possible to divide up tasks, and it offers sales data in an easily digestible style.

They support the precise information gathering process.

The sales day book is thought of as the record of the salesperson's credit sales to the clients. It includes the name of the client, the sales amount, the invoice number, and the date of the invoice. Credit sales are tallied at the conclusion of each work day to determine the effective credit sales value, and this reconciliation is done every month. The sales day book can be thought of as a manual ledger that contains specific data on the sales that a salesperson made to customers for a specific business day. For instance, it would record data on the name of the customer, the date of the invoice, the specific invoice number, and the volume of the credit sale that day. The data gathered for a certain business day is subsequently transferred to the sales ledger.

Consequently, a sales ledger

might be thought of as a collection of daybooks for everyday sales. It is applied while manually reporting sales data. It is also known as a cash register. Every month, these books are reconciled, and the management then examines the effective sum. It is viewed as a book of credit sales as well.

or sales logs

sold books, etc.

It is a supplementary or intermediate book. After the end of the month, the total sales are then updated on the sales ledger. A sales day book is required to record these transactions because they take place on credit sales. As a result, it is considered a special journal.

and it keeps track of all sales-related non-cash transactions.

Since everything is written in chronological order, the firm can quickly and effectively account for every transaction. These records also become essential from the perspective of the audit, aiding in the division of labor.

EXAMPLE

# Example of Sales Day Book

Let us take the example of ABC Company. The business made a credit sale of $200 to X customer on 06/17/2020. It additionally made credit sales to customers Y and Z of $300 each on 06/18/2020. Help the management prepare the sales day book for 06/17/2020 and 06/18/2020.

06/17/2020, it would look as shown below –

| ABC Company | | | |
|---|---|---|---|
| Sales Day Book | | | |
| Date | Particulars | Invoice Number | Amount |
| 06/17/2020 | X | 001 | $200.00 |
| | | | |
| | | | |
| | | | |
| | | | |

On 06/18/2020, it would look as shown below –

| ABC Company | | | |
|---|---|---|---|
| Sales Day Book | | | |
| Date | Particulars | Invoice Number | Amount |
| 06/18/2020 | Y | 002 | $400.00 |
| 06/18/2020 | Z | 003 | $400.00 |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

**5.3.1 Account Books**

There are two main books of accounts, Journal and Ledger. Journal used to record the economic transaction chronologically. Ledger used to classify economic activities according to nature.

books of accounts

Types of Journals

Special Journals are used in large business organizations, where it is found inconvenient to journalize every transaction in one journal. Therefore, the journal is subdivided into different journals known as the subsidiary books. The journal is divided in such a way that a separate book is used for each class of transactions The important books of accounts used in modern business world are the following:

Purchase Day Book

Sales Day Book

Return Inward Book

Return Outward Book

General Journal

A journal is a sub book of accounts used to record financial transactions in accordance with accounting principles. The information regarding the accounts that are impacted by each transaction is provided in the chronological sequence in which these transactions are logged. As the first stage of the accounting process, it is known as that.

How does it function?

The following are characteristics of a journal:

Chronology: By putting the journal entries in date order, you can check the transactions much more rapidly.

Journal entries use a double entry technique in which each transaction is recorded on both the debit and credit sides. An illustration of a dual entry system is this. The identical amount is deducted from one account and credited to the other.

Daybook: For convenience and consistency, a journal keeps track of transactions daily.

Compound entry: A journal entry may contain multiple connected transactions, and a single record may have two or more accounts on the same day.

The narration is a brief description that is part of every transaction (within brackets). It aids in describing the transaction's nature and goal.

A ledger is what?

The main function of a ledger, which is a principal book of accounts, is to transfer transactions from a journal and then classify them into distinct accounts. Due to its role in helping firms create accounting documents like the Trial Balance, ledger is also known as the book of final entry.

The following are a ledger's characteristics:

Every ledger has two sides, called the debit and credit sides. On a ledger, credit entries appear on the right side, while debit entries appear on the left.

Every transaction has an effect on two or more ledger accounts since it relates to a specific person, asset, expense, or income.

Ledger balancing: A ledger must always have the same totals on the debit and credit sides. The debit side may be greater than the credit side, and vice versa, thus that is not always the case. We must enter the discrepancy between the two on the deficient side of the ledger in order to balance it. The balance, referred to as a debit balance, is recorded on the credit side when the debit side is greater than the credit side. Similar to this, a balance is recorded on the credit side and is referred to as a credit balance when the credit side is greater than the debit side.

What distinguishes a journal from a ledger?

The following list summarizes the key distinctions between Journal and Ledger:

- Journal
- Ledger

Definition

Transactions are recorded in a supplementary book of accounts called the journal.

A ledger is a main book of accounts used to organize the transactions entered in a journal.

Order

On the day of the transaction, the journal entries are entered in reverse chronological order.

The transactions from the journal are categorized in the ledger under the relevant accounts to which they are related.

Explanation

Every journal entry includes a thorough description of the transaction.

There is no comprehensive description of every transaction in the ledger accounts.

Result

The whole outcomes of a transaction are not made available in the journal.

The Ledger accounts aid in illuminating the outcome of transactions for a certain account.

Test of Balance

The journal is unable to immediately assist with Trial Balance preparation.

The Trial Balance is created with the aid of the ledger.

Accounting Statements

The creation of financial statements like the balance sheet and profit and loss account does not directly include the journal.

Financial statements like the profit and loss account and balance sheet are prepared with the use of the balances from various ledger accounts.

Initial Balance

A journal simply considers the current transactions that take place on a daily basis and does not have an opening balance.

The closing balance from the prior year serves as the opening balance for some ledger accounts.

Conclusion

Even though the Journal and Ledger differ greatly from one another, both are essential to accounting. They are essential to the process of creating financial statements like the balance sheet and profit and loss account.

Every time a financial transaction occurs, it is initially entered in the Journal, a supplemental day book. In order to refer to the transactions in the future, they are consistently and neatly recorded in this. It draws attention to the two accounts that are impacted by the transaction; one is debited and the other is credited with the same amount.

Each record is accompanied by a brief note known as the "Narration," which provides a succinct explanation of the transaction. Journalizing is the term used to describe the full process of keeping a journal. Date, Particulars, Ledger Folio, Debit, and Credit are its five columns. A journal could be:

One debit and one corresponding credit make up a single entry.

Compound entries include those with one debit and multiple credits, multiple debits for a single debit, or entries with two or more debits and multiple credits. It should be remembered that the total of the debits and credits will add up in the case of compound entry.

The meaning of ledger

A major book called a ledger contains a number of accounts into which transactions from a journal are transferred. Transactions are categorized and uploaded into distinct accounts after being recorded in the diary. Ledger refers to the collection of nominal, personal, and actual accounts where account-by-account information is kept.

For the purpose of posting transactions to the ledger, separate accounts for each account should be created. A ledger account is formed like a "T," with credit and debit on both sides. The word "To" is inserted when a transaction is entered on the debit side; however, if the transaction is entered on the credit side, the word "By" is entered in the relevant column along with the account name.

The ledger account is in balance at the end of the fiscal year. The totals of the two sides must first be determined for this purpose, and the difference between the two sides must then be computed. There is a debit balance if the amount on the debit side is more than the amount on the credit side; however, there is a credit balance if the credit side is higher. If an account has a debit balance, for example, you must put "By Balance c/d" with the difference amount on the credit side. Both sides will be counted in this manner.

Now, at the start of the new period, you must transfer the opening balance as "To Balance b/d" to the other side (in our example, the debit side). Here, the terms "carried down" and "brought down" are interchangeable.

Ledger and Journal: Key Differences

The following factors make it easy to distinguish between a journal and a ledger

All financial transactions are first recorded in a book called the Journal. Transactions are put into distinct accounts known as Ledger once they are entered in the journal.

Ledger is a major book, whereas The Journal is a secondary book.

Ledger is a book of second entries, whereas the Journal is known as the book of original entries.

Transactions are entered into journals in a chronological order, whereas they are entered into ledgers in an analytical order.

The transactions are listed in order in the journal. On the other hand, the ledger records the transactions according to accounts.

Although they are two opposing sides in the ledger, Debit and Credit are columns in the journal.

Narration that supports the entry must be written in the journal. However, there is no demand for narration in the ledger.

Balance in the ledger accounts is required, but not in the journal.

Conclusion

We began by discussing the steps involved in documenting a transaction. It entails a series of steps, such as the first recording in the journal, classification and grouping into distinct accounts, posting into the ledger, transfer to trial balance, and creation of the final accounts. These actions offer a foundation for creating a company's financial accounts. It would be challenging to prepare the final accounts if any of the aforementioned stages were absent.

### 5.3.2 Statement of Accounts

A statement of accounts is a document that lists all the transactions you have with a specific customer during a specific time period. In order to inform their clients of the amount they owe for purchases made during that time period on credit, business owners typically issue statements of accounts to their clients. The manual explains the statement of accounts' contents and demonstrates how to file it for clients.

importance of account statements

Giving your clients a summary of the goods and services that were billed to them is a terrific approach to keep them informed. Additionally, statements aid company owners in verifying the payments that clients have previously paid for a statement period, which is often a month.

When you have regular clients for whom you must produce bills on a monthly, quarterly, or annual basis, the statement is useful. The consumer often receives a statement of account in addition to the individual invoices delivered for each and every purchase he makes. It is simpler to monitor all invoices sent and payments received for a certain customer in one location because payments are automatically created on a regular basis. As it informs the business owner of the customer's regular spending, it can also be used as a tool for payment reminders. The owner of the firm may then issue a reminder for advance payments.

The summary report of the statement gives a business owner the ability to determine whether a client has paid his debts whenever there is an inconsistency in the company's records.

They are able to identify data inconsistencies in this way. The statement can also be used by the business owner to confirm that the declared amount due includes the customer's prior payments. Even transactions that were unintentionally conducted twice can be caught with its assistance.

The statement of accounts also gives business owners a precise record of the prices they charged clients for each item they sold. This makes it possible for them to follow a customer's associated information for any period of time (such as the purchases the consumer has made) and helps them spot problems.

Sample of a statement of accounts

Typically, a statement of accounts is split into two parts. An overview of the customer's accounts is provided in the upper half. The specifics of each transaction are listed in the bottom half.

Sample Format for a Statement of Account - Zoho Books

Account summary

The name and address of the consumer and the business owner are displayed in the top part of the statement.

The time period for which the statement has been prepared is also included. Some companies close on the last business day of every month. The statement will then include the month's invoices and credit notes. What dates should be used for the statements, however, is not governed by any precise rules.

The account summary, which includes the opening balance, invoiced amount, paid amount, and balance outstanding, is also included in this section.

The "total due" amount from the statement that was sent out for the prior period is the opening balance. Any time period, including monthly, quarterly, and yearly, might be considered the period.

The sum that your client is obligated to pay for the products or services they purchased from you during the current period is known as the billed amount.

The sum paid represents the money that has already been paid by the client. To determine the current amount owed, this is subtracted from the total amount invoiced.

The amount that the client has yet to pay you is known as the balance due.

Payment information

Date: This is the day that the credit note or invoice was sent.

Information: The numbers that correspond to the credit note or invoice that was sent at the specified time. The cash register's reference numbers can be used to assign payments as well.

It describes the kind of transaction that will affect the client.

Amount: The amount in the customer's chosen currency of the sales invoice or credit note. Due to the fact that they lower the customer's outstanding balance, credit notes are typically shown as having a negative value.

Payment: The payments the customer has already made during the month are displayed in this column.

A running total of the money the client now owes you is known as the balance due.

various parts

Every organization has a different preferred format for their statement of accounts. Other fields that could be present are as follows:

Remittance: The sum of money a consumer sends to a seller in settlement for a transaction is known as a remittance. A remittance coupon is made easier for the client to mail to the seller by having the vendor's business name and address printed on it. In order to identify which consumer provided the remittance, the seller might also fill out the customer's information on the right side.

Cut-off dates for customers: Many vendors have a cut-off date for each month after which any invoices and credits will be included in the next month. The statement of accounts should ideally be given to the customer prior to the cut-off date with all invoices and credit notes added.

Manage your business easily.

You'll have consumers when your company grows for whom you'll need to send and receive recurring invoices. Since payments for these clients would be automatically logged, it will be simpler to view all the transactions connected to a customer in one location. Similar to a bank statement, a statement of accounts is one that is given by a seller to a consumer. It assists in finding errors in transaction records, tracking unauthorized expenses, uncovering fraud, and stopping minor billing or payment errors from becoming major issues. The structure of a statement of accounts might vary depending on the needs of an organization and the kinds of information that they wish to include in the client invoice.

With only one click using Zoho Books, you can quickly create and distribute the statement of accounts to your clients. Your customers can manage their outstanding payments and quickly access this under the name "Customer statement" from the client site. Check out how you may generate the statement right from the customer profile using our free online accounting software.

A statement of account provides a thorough account's contents report.

A statement that is delivered to a customer as an example shows billings to and payments from the customer over a predetermined period of time, resulting in an ending balance. The statement serves as a reminder to a customer of sales made on credit but not yet paid to the seller. Although it is often printed, the statement can also be sent electronically. Typically, the following details are included in a sample statement of account:

the initial sum of all overdue invoices.

the sum of all invoices sent to the client within the specified period, together with the invoice number, date, and amount.

the customer's account number, credit date, and the total amount of all other credits that were given to them during that time.

The date of each payment and the total amount that the vendor received throughout the period.

the overall balance after all mentioned transactions, net. The total sum owed to the vendor is indicated here.

A remittance slip that can be taken off and used to pay the vendor is located at the bottom of the page. The slip often includes the customer's name, a mail-to address, and a space to enter the payment amount.

The contact information for the seller's collections staff may also be listed in a block on the statement, in case the receiver wishes to get in touch with them to discuss the information therein.

Time Buckets for Account Statements

The number of invoices displayed on the statement may be broken down into time periods so that the reader can quickly see which ones are past due and which ones are still owed. The most common time ranges are 0 to 30, 31 to 60, 61 to 90, and 90+ days. The lengths of these time buckets may be modifiable depending on the accounting program.

Rarely, the existence of sizable credits on an account statement may indicate that the seller owes the customer money. In these circumstances, a payment or ongoing credit is arranged.

Benefits of the Account Statement

Customers are reminded of the amounts they owe to the issuer by a statement of account, which is used as a collection technique. They work best when sent along with a payment link in an email so that clients can make one quick credit card payment.

The Statement of Account's drawbacks

The statement of account's usefulness is debatable given that it takes some accounting staff time to prepare, costs money to mail, and might not even be read by its intended audience. Additionally, when it interferes with the monthly closing procedure, it is typically issued right after the following month-end.

Alternative Terms for Statement of Account

Account statement is another name for a statement of accounts.

A periodic overview of account activities with a start and end date is known as an account statement. The most well-known are the quarterly or monthly statements for brokerage accounts and checking accounts, which are often delivered periodically. Account statements also include monthly credit card statements.

A periodic statement that summarizes account activity over a predetermined time period is known as an account statement.

Account statements, which comprise statements of the services rendered, the fees levied, and the amount outstanding, can be seen as a summary of the account.

The accuracy of account statements should be carefully examined, and historical statements are essential for budgeting.

Wherever an account is held, account statements relate to nearly any formal summary of an account. For instance, account statements describing paid-in cash values may be provided by insurance providers. For nearly any sort of account that represents ongoing transactions involving the recurrent exchange of funds, statements can be generated. This can include credit card accounts, savings accounts, brokerage accounts, and accounts used for internet payments like PayPal.

Account statements that indicate usage and any overages throughout the payment cycle are typically generated for customers by utility companies, telephone companies, and subscription television services. In such statements, debits paid, incoming payments or credits received by the account holder, and account maintenance fees are frequently listed. For instance, unless a specific minimum quantity of cash is maintained in the account, certain types of savings accounts may be subject to recurring maintenance fees. State taxes and other fees that are part of the normal service may be included in cable television subscriptions.

The accuracy of account statements should be carefully examined, and historical statements are essential for budgeting. In addition to the outstanding sum owing, a credit or loan account statement could include the interest rate applied to the debt as well as any fees that have been accrued throughout the repayment period. This can include late penalties for payments that aren't made by the due date as well as overdraft costs for people who overspend on their bank accounts.

A look into your finances is provided by your account statements.

The statement might include financial details about the account holder, such as their credit score or the anticipated length of time it will take to pay off a debt entirely through installment payments. On these statements, there may also be alerts and notices to the account holder drawing their attention to issues with the account that need to be handled, such as unexpected charges that should be examined and validated.

Account Statement Red Flags

Strange things on an account statement could indicate that the account has been compromised, possibly by a credit or debit card that has been stolen or by identity thieves who have accessed account information. For instance, the financial institution or the account holder may notice an unusual charge for a luxury good like concert tickets. Account holders may be able to contest such erroneous charges and submit a claim that they weren't the ones who made the purchase. Reviewing your account statements as they arrive is a wise financial practice that can help you spot these warning signs before they spiral out of control. An invoice is not a statement of account. It is a report that a vendor issues and sends to a client by email, usually in PDF format.

The financial transactions between the two businesses over a given time period—typically one month—are documented in a statement of account. The document includes a breakdown of all payments and invoice amounts. The vendor's returns would also be included. The client may still owe money, according to the statement of account.

A bill is a distinct type of document. Although it is merely a bill for one transaction, it is still issued by the vendor.

Whether or not it has been paid, each invoice for the time period being recorded is reported as a line item in the statement of accounts. The associated payments will also be present. Both the vendor and the customer can then determine whether a payment is due or not and whether the client's account is current.

What you will notice on an invoice and a statement of account will differ from one another as shown below. a statement:

describes the products bought (or the services rendered) and the cost per unit.

raises taxes.

shows the overall amount owed.

outlines the terms and conditions of payment.

An account statement

lists each individual line item's value for each preceding invoice, along with the invoice's number and date.

enumerates each payment or credit as a separate line item.

shows any outstanding balance from all transactions, if any.

Cost buckets might be listed (more on that below).

Vendors can use a statement of account to inform customers that their accounts have not yet been settled in full. This is crucial since the client payments that follow boost a vendor's cash flow and enable management to use the funds to buy the supplies they require to maintain the operation.

For a client, the statement of account is crucial since it enables them to keep track of their spending. Additionally, the statement can allow customers to save money; if there is any money owed, they can pay it right away and possibly avoid a late fee.

Read "What Are Trade Receivables" for more advice on how to expedite payments to your business.

Though there are numerous distinct statement of account templates, they all commonly include the following:

Name, location, contact info, and email of the vendor.

Name, address, contact info, and email for the client.

Date of Statement (or date of issue).

Statement quantity.

Account number or Customer ID number

Earlier balance (from the last statement of account issued).

every transaction (each transaction is given its own line, whether invoice, payment or credit).

Payment receipt (optional).

Due to the possibility that a business may send multiple invoices with various due dates to the same client, a vendor will frequently include a section that lists out "time buckets" to indicate how past due a specific amount is. A statement of accounts' time buckets might appear something like this:

Right now: $42.00

0 - 30 days: $0.00

31 - 60 days: $0.00

61 - 90 days: $0.00

90+ days: $0.00

The aforementioned illustration would demonstrate to a consumer that he now owes $42 but has no past-due debts.

Last but not least, there can be a note informing the client that this is a statement rather than a charge. For instance, the client may already be aware that the invoice is being processed when he sees the $42.00 outstanding and will not need to take any further action.

Account Statement for a Bank

Account statements are another thing that banks give their clients. They list every transaction that took place during a certain time period, just like the statements that companies produce for their customers. This is typical for all account types that a bank provides, including savings accounts, checking accounts, and brokerage accounts.

Since the development of digital technology, banks no longer produce as many statements for individual accounts. This is due to the fact that customers may now pay their bills or transfer money online and see transactions up to the instant they log in. To avoid paying for the printing and mailing of an account statement, banks will even request that their clients "convert to paperless." A consumer receives an account statement on a regular basis. It includes a summary of account activity over a specific time frame, typically a month, quarter, year, or other specified time frame. Credit card statements, account statements for brokerage accounts, and account statements for checking accounts are a few examples of account statements.

Statement of Account

Summary

Account activity for the most recent period, which can be a month, quarter, year, or other specific time, is summarized in an account statement.

The account statement displays a list of all invoices sent, money received, and other charges related to account maintenance.

Any sort of account with continuing transactions, such a brokerage account, insurance account, credit card, or bank account, can generate an account statement.

An account statement gives crucial details such as a summary of the services offered to the client, the costs associated with those services, the client's outstanding balance, and any prepayments made to the account.

Additionally, it can display billings sent to and payments received from customers, producing an ending balance that may be either positive or negative. Customers may receive the account statement from businesses as a reminder of any outstanding credits for the services received.

The customer's physical address will receive a printed copy of the account statement, or their email address will receive an electronic copy. Customers can download a statement of their accounts for the time period by logging into the service provider's portal.

All types of accounts with active transactions have account statements generated. For instance, when a credit card customer uses their card to make a purchase, the transaction is reflected as it happens.

The money is shown in the account when credit card owners settle their debts. The creditor sends credit card statements at the conclusion of the billing cycle that detail all purchases made with the card, any fees incurred, and the outstanding debt on the card.

Similar to this, online payment processors like PayPal let users examine credit card statements for whatever time frame they choose. The statement includes any cash deposits and withdrawals, and the ending balance displays the current account balance at the conclusion of the reporting period.

Additionally, service providers send consumers a periodic account statement that details their consumption, outstanding credits, prepayments, and the total amount owed for the period. Cable TV services, telephone and internet service providers, water suppliers, and electricity companies are a few examples of utilities.

The aforementioned businesses typically charge their clients at the end of each month and deliver a statement of accounts outlining all transactions on the client's account. The account's debits and credits are listed on the statement, along with account maintenance costs, state taxes, and any applicable surcharges.

Some utility companies impose a flat rate that applies whether or not the client uses the service or goods offered.

Account Statement's Elements

A customer's transaction history during the billing cycle should be accurately reflected in an account statement's financial data. Name, address, contact information, and email addresses for both the company and the client are displayed in the account statement's upper portion. The additional elements consist of:

Date range: The time period that the statement covers. The statement often can span a particular month, quarter, or year.

Opening balance: The first sum in the account statement that displays the sums owed for the previous period.

The total amount of products or services that the customer consumed during the current time is the invoiced amount.

Amount paid: The sum of all payments made by the customer, less the amount invoiced for the current period.

Balance due: The sum that the consumer owes the business for the current period. If the customer owes the vendor money, if the vendor owes the customer money, or if it is zero (all payments have been settled).

The Importance of the Account Statement

Customers receive an account statement that lists all the goods and services they have used and been charged for during a specific time period. The statement includes all payments made to the account throughout the period, as well as any balance due for the billed period and the billing cycles that came before the current cycle.

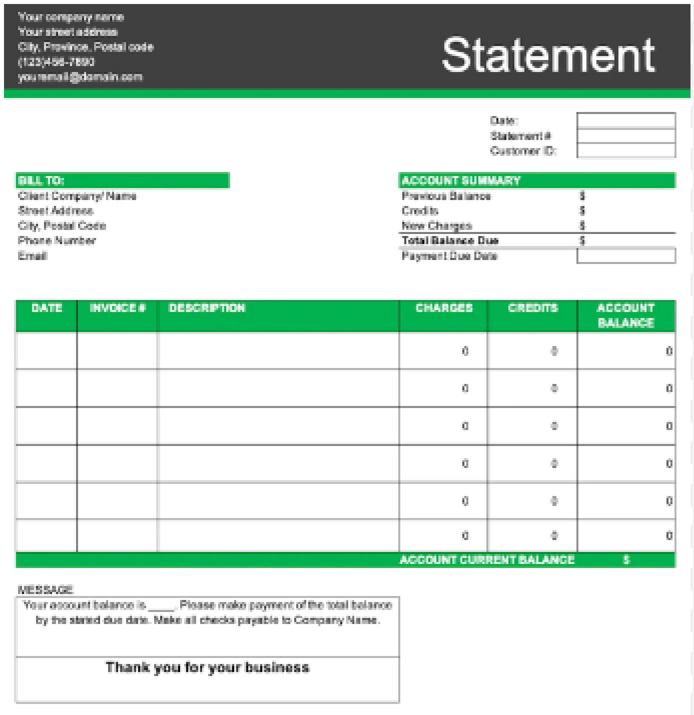
The customer can also challenge any transaction on the account statement that the service provider or financial institution has to address.

For instance, the amount owed could also contain extra expenses like late payment fines, interest on the debt, overdraft fees, duplicate charges, etc. The added expenses raise the overall amount owed, and the consumer might ask that these expenses be looked at to relieve the debt load.

When examining if the entries in a customer's account are consistent, the account statement is also crucial. It can be used by the company to confirm that a customer has already paid all sums due to it, and if there are any unpaid balances, the owner can send the customer a payment reminder.

The business owner can analyze and cross-check all payments to confirm the accuracy of all recorded transactions if the system detects any double charges or multiple payments.

The account statement makes it simpler to view all invoices submitted to and payments received from recurring clients who get bills on a regular basis. Any differences are quickly found and fixed.



Your company name
Your street address
City, Province, Postal code
(123)456-7890
youremail@domain.com

Statement

Date:
Statement #
Customer ID:

| BILL TO: |
|---|
| Client Company/ Name |
| Street Address |
| City, Postal Code |
| Phone Number |
| Email |

| ACCOUNT SUMMARY | |
|---|---|
| Previous Balance | $ |
| Credits | $ |
| New Charges | $ |
| Total Balance Due | $ |
| Payment Due Date | |

| DATE | INVOICE # | DESCRIPTION | CHARGES | CREDITS | ACCOUNT BALANCE |
|---|---|---|---|---|---|
| | | | 0 | 0 | 0 |
| | | | 0 | 0 | 0 |
| | | | 0 | 0 | 0 |
| | | | 0 | 0 | 0 |
| | | | 0 | 0 | 0 |
| | | | 0 | 0 | 0 |
| | | ACCOUNT CURRENT BALANCE | | | $ |

MESSAGE
Your account balance is ____. Please make payment of the total balance by the stated due date. Make all checks payable to Company Name.

Thank you for your business

### 5.3.3 Inventory Books

The ledgers, books, and registers for the transactions entered in TallyPrime are instantly updated. Based on these transactions, TallyPrime generates its inventory reports. Instant reporting and quicker decision-making are made possible by this.

You can alter the way that reports look to suit your needs. You can create comparison reports that compare several organizations, financial year periods, etc.

The TallyPrime inventory reports are listed below:

Track Your Stock | Stock Overview

In TallyPrime, a stock summary is a declaration of the actual stock on hand on a specific day. It is one of the main inventory statements that is updated as and when transactions are recorded. Using the Stock Summary report, TallyPrime enables you to view all of the stock transfers, sales, and purchases you've made as well as group inventory maintenance, business needs, and stock item sales and purchases.

Summary of Location/Godown

The Location/Location Summary report, one of TallyPrime's inventory reports, summarizes the specifics of the stock items that are available in each Location. The report provides you with an aggregated picture of the stock available if you have created locations in a hierarchy. You can see your stock's closing and opening balances, inbound and outbound stock data, and any associated transactions. Additionally, the report offers precise information about your company's consumption, earnings, and stock position generally.

For further information, see the Godown Summary subject.

Movement Evaluation

Only those inventory transactions that are integrated with the accounts, or inventories that are also documented in the books of accounts, are analyzed in movement analysis. Inventory vouchers that simply have a quantitative impact on the stock are not taken into account.

Comparative investigations use movement analysis reports. They provide information about an organization's stock flow characteristics. Additionally, it aids in identifying the slow-moving goods that obstruct the organization's working capital's flow.

Aging Analysis of Stocks

TallyPrime's Stock Ageing Analysis shows the stock-in-age. This report breaks down the inventory by age to identify old stock. Users of TallyPrime have the freedom to create their own aging slabs.

Items that have expired or could expire soon are listed batch by batch in the aging analysis. As older goods may lose value or become obsolete and cause a loss, keeping track of its age and quick-moving inventory will be made easier with the use of this information.

Stock Search

A specific stock item's full information is provided in the Stock Query report. Alias, Part No., Stock Group, Stock Category, available Closing Quantity & Balance, Cost Price, and Standard are among the details. Price of sale, costing technique, market valuation technique, etc.

Real-World Stock Register

To document the actual stock of a certain stock item, a physical stock voucher is employed. The actual stock balance as of the voucher entry date is recorded in the inventory records, and any discrepancy in stock is immediately added either inwards or outwards depending on the situation. The physical stock journal voucher's narrative field is where the source of the discrepancy can be noted.

Cost estimation for stock

Cost estimation is a claim that quantifies the expense paid in producing finished goods. To learn more, click here. For further information, see the Stock Cost Estimation subject under Manufacturing. Transactions entered in Tally.ERP 9 are promptly posted to the appropriate ledgers, books, and registers. These transactions serve as the basis for the inventory reports. Instant reporting and quicker decision-making are made possible by this.

You can alter the way that reports look to suit your needs.

By selecting the item and pressing Enter, you can drill down to the next level of details from a report. You can dig further till you find a certain voucher. By hitting the [Esc] key, you can also go back to higher levels.

The button bar lists the unique features that are available for the report that is now being presented. These features can be enabled with a single click. Reports can be edited and printed based on your needs.

The upcoming reports can be seen...

show the stock summary

Present Stock Items

Summary of Location/Godown

Movement Evaluation

Aging Analysis of Stocks

Orders for goods and services

Status of Reorder

Present Batchwie Reports

1. Tally.ERP9 Stock Summary Report

A Statement of Stock in Hand on a Specific Date is referred to as a Stock Summery. Every transaction updates the statement, which shows the stock position at any given moment.

Stock Summary is one of the Primary Statements in Tally.ERP, and it is directly available via the Tally.ERP Gateway. Like all Tally.ERP Reports, this one may be customized to display different data as well as the overall Flow of Stock.

Visit Tally.Gateway ERP's and select Stock Summary.

TallyERP9 Inventory Reports and Statement

Reconciliation of Stock Flow (Opening-Inward-Outward-Closing)

The flow of goods can be shown in the Stock Summary Statement.

Whenever you are on the Stock Summary Screen, press F12: Configure.

Opening Stock, Goods Inward, Goods Outward, and Closing Stock are all shown in this statement as the stock flow.

2. Reporting Stock Items in Tally.ERP 9

Depending on the configuration you require for an efficient examination of your stocks, you can display stock items in.

To see available goods

1. Select Display > Inventory Books > Stock Item from the Gateway of Tally.
2. Choose a product from the list of products.
3. To access the Configuration panel, press F12: Configure.
4. Show Graph by Values (not Qty) set to true? to Yes, then hit Enter. This will show a graph of commodities entering and leaving the country (red for inwards, blue for outwards).

TallyERP9 Inventory Reports and Statement

TallyERP9 Inventory Reports and Statement

The Stock Summary can be used to view Stock Items as well. Press Enter after moving the cursor over the object.

Viewing Stock Item Certificates

Additionally, you can view stock item vouchers with dates for inner or outward balance as well as a daily breakdown.

the stock item vouchers page

1. Select Display > Inventory Books > Stock Items from the Gateway of Tally.
2. From the List of Items, pick a stock item.
3. To view Stock Vouchers, drill down from any month.

The list of stock vouchers for the current month is displayed on the Stock Vouchers screen as follows

TallyERP9 Inventory Reports and Statement

TallyERP9 Inventory Reports and Statement

3. Tally.Godown ERP9's / Location Summary Report

The Godown/Location Summary report from Tally.ERP 9 provides an overview of the stock items that are available in each godown. The report provides you with a comprehensive picture of the stock you have access to if you have constructed godowns in a hierarchy. You can see your stock's closing and opening balances, inbound and outbound stock data, and any associated transactions.

Go to the Tally Gateway, Display, Statements of Inventory, and then pick the Godown.

The Godown/Location Summary report displays the closing balance and a summary of the stock for each godown.

To view the next level of data for the chosen godown on the same screen, press Shift + Enter while it is selected. The stock item will be shown in the report as follows:

TallyERP9 Inventory Reports and Statement

TallyERP9 Inventory Reports and Statement

4. Tally.Movement ERP9's Analysis Report

Only those inventory transactions that are integrated with the accounts, or inventories that are also documented in the books of accounts, are analyzed in movement analysis. Inventory vouchers that simply have a quantitative impact on the stock are not taken into account.

Comparative investigations use movement analysis reports. They provide information about an organization's stock flow characteristics. Additionally, it aids in identifying the slow-moving goods that obstruct the organization's working capital's flow.

Select Display > Inventory Books > Movement Analysis from the Gateway of Tally.

TallyERP9 Inventory Reports and Statement

Only inventory transactions for which accounting transactions have also been recorded are displayed in movement analysis reports. By stock groupings, categories, financial groups, or ledgers, you can examine stock movement.

Movement Evaluation (Stock Group Analysis)

This report provides specifics on all the stock items in that group's inbound and outbound transactions.

Select a Stock Group by going to Gateway of Tally > Display > Inventory Books > Movement Analysis > Stock Group Analysis

TallyERP9 Inventory Reports and Statement

TallyERP9 Inventory Reports and Statement

The overall Inward and Outward movement of all the items in a given stock group is shown by the movement analysis of that stock group.

Analysis of Stock Item Movement

The stock item movement analysis report includes information on stock item movement by supplier, buyer, and consumption. You can observe here a comparison of the item's purchase costs across suppliers and its sale values among buyers.

Item Movement Analysis report can be seen here.

1. Click on the Gateway of Tally link and select Display > Inventory Books > Movement Analysis > Stock Item Analysis.

2. From the list of stock items, choose the desired item. The screen for Item Movement Analysis looks as follows:

TallyERP9 Inventory Reports and Statement

TallyERP9 Inventory Reports and Statement

3. Press Enter after selecting the Supplier, Buyer, or Stock Journal Name. The item's transaction level information are displayed as follows:

TallyERP9 Inventory Reports and Statement

Analysis of Accounts Group Movement

Information regarding Items transacted in Vouchers for the Ledgers generated under the specified Group is included in the Group Analysis report.

To view the movement analysis for any specific Account Group, click here.

Enter the Tally Gateway, select Display, Inventory Books, and Group Analysis (Sundry Creditor)

TallyERP9 Inventory Reports and Statement

TallyERP9 Inventory Reports and Statement

Information about Quantity, Effective Rate, and Value is shown under different columns for Sales and Purchase after selecting an Account Group from the List of Groups.

Movement Analysis for Ledgers

Similar to group movement analysis, ledger analysis allows for the viewing of stock item sales and purchases involving the selected ledger. The transaction-level specifics are revealed at the following level of information.

If you want to see the movement analysis for a certain account ledger

Select Display > Inventory Books > Movement Analysis > Ledger Analysis from the Gateway of Tally. When you select Ledger Cash, the report for Ledger Analysis appears as follows:

TallyERP9 Inventory Reports and Statement

TallyERP9 Inventory Reports and Statement

The things that are transacted in the selected ledgers' sales and purchase vouchers are detailed in this report.

The sale and purchase of every item affecting the ledger you choose (Debtor/Creitor/Cash/Bank) will be shown in this report when you choose an account ledger (Debtor/Creditor/Cash/Bank).

Analysis of Transfer (Movement)

Transfer Analysis provides the movement information for each type of stock journal when employing various stock journals for each transaction.

The things that are transacted in the stock journal voucher are detailed in this report. Movement of goods, production of items, or inter-godown transfers are typically recorded in stock journal vouchers.

This costing and waste analysis tool is really helpful. This report is a simple check to ensure that all transfer entries have been submitted accurately in non-manufacturing setups with multiple godowns.

For any stock journal voucher type, to display the Transfer Analysis screen:

Select Display > Inventory Books > Movement Analysis > Transfer Analysis from the Tally Gateway ( Select Manufacturing Journal)

TallyERP9 Inventory Reports and Statemen

In order to configure the Transfer Analysis Report, press F12.

TallyERP9 Inventory Reports and Statement

Tally.ERP 9's Stock Aging Analysis Report

Tally.ERP 9's Stock Aging Analysis Report shows how old the stock-in-hand is. This report breaks down the inventory by age to identify old stock. Users of Tally.ERP 9 have the freedom to create their own aging slabs

Items that have expired or could expire soon are listed batch by batch in the aging analysis. As older goods may lose value or become obsolete and cause a loss, keeping track of its age and quick-moving inventory will be made easier with the use of this information.

You can alter the Appearance of Stock Item Names as well as examine the Aging Analysis report.

Select the group for which an aging analysis is necessary by going to the Tally Gateway > Display > Inventory Books > Aging Analysis.

TallyERP9 Inventory Reports and Statement

TallyERP9 Inventory Reports and Statement

This report is presented in a columnar fashion, including information on each item's description, number, value, and age breakdown.

Select Primary from the List of Groups to obtain a report that includes all of the stock items.

Press the Hide Amount button from the button bar or press Alt+A to see only the item's amount.

By default, the aging analysis report displays all of the stock items alphabetically by stock item name. The General Configuration screen (Gateway of Tally > F12: Configuration > General) contains a definition for this.

Default Aging Period Adjustment

A default aging term of 45 days, 45-90 days, 90-180 days, and >180 days is generated by the Aging Analysis report. Depending on the need, you can define the aging slabs.

By default, the date of purchase is used to determine the age of the objects. By changing the setup parameters, you can adjust this. Press F6 to specify the aging slab.

TallyERP9 Inventory Reports and Statement

The purchase date, expiry date, manufacturing date, and other dates are just a few of the several aging styles that Tally.ERP 9 offers.

To view the aging styles, use Alt+S.

TallyERP9 Inventory Reports and Statement

TallyERP9 Inventory Reports and Statement

Tally.Sales ERP9's and Purchase Order Report

Multiple sales and purchase order capabilities, including sales order books, sales order summaries, purchase order books, purchase order summaries, and sales and purchase bills pending data, are supported in Tally.ERP 9.

Purchase Order Book

All of the sales orders for each month are shown in this report. This is viewable and configurable:

Inventory Books > Sales Orders Book through the Tally portal

Order Summary for Sales

The sales orders that are still pending are displayed in various reports. You can view the unfulfilled orders by stock group, stock category, stock item, account group, ledger, or all orders.

Select the report to examine from the Tally Gateway > Display > Statement of Inventory > Sales Order Outstanding.

Book of Purchase Orders

When material is requested, a purchase order is generated. The list of all purchase orders is displayed in the purchase order book. A list of all purchase orders up to the date of the most recent order entry is available. You may see this

Select Display > Inventory Books > Purchase Order Book from the Gateway of Tally menu. It shows the Purchase Order Book.

Summary for Purchase Orders

An itemized statement of outstanding purchase orders is provided in the buy order summary. You can view the unfulfilled orders by Stock Group, Stock Category, Stock Item, Account Group, Ledger, or All Orders.

Access the Tally Gateway by selecting Display > Statements of Inventory > Purchase Order Outstandings.

Pending Purchase Bills

The Purchase Bills Pending report lists the bills for which the accounting transactions have been completed but the inventory transactions have not.

Log into Tally's Gateway and select Display > Statements of Inventory > Purchase Bills Pending. The report for Purchase Bills Pending is displayed.

Bills of Sale Awaiting

All incomplete transactions, including those in which the products may have been delivered but not invoiced, are listed in the Sales Bills Pending report. Invoices that were raised but for which goods were not delivered are also listed.

The transactions for Delivered Goods with Unbilled Sales and Unbilled Sales are listed in this report.

Tally Gateway > Display > Inventory Statements > Sales Bills Pending

**5.3.4 Statements Of Inventory**

TallyERP9 Inventory Reports and Statements

The ledgers, books, and registers for the transactions entered in Tally.ERP 9 are promptly updated. These transactions serve as the basis for the inventory reports. Instant reporting and quicker decision-making are made possible by this.

You can alter the way that reports look to suit your needs.

By selecting the item and pressing Enter, you can drill down to the next level of details from a report. You can dig further till you find a certain voucher. By hitting the [Esc] key, you can also go back to higher levels.

The button bar lists the unique features that are available for the report that is now being presented. These features can be enabled with a single click. Reports can be edited and printed based on your needs.

The upcoming reports can be seen...

show the stock summary

Present Stock Items

Summary of Location/Godown

Movement Evaluation

Aging Analysis of Stocks

Orders for goods and services

Status of Reorder

Present Batchwise Reports

1. Tally.ERP9 Stock Summary Report

A Statement of Stock in Hand on a Specific Date is referred to as a Stock Summery. Every transaction updates the statement, which shows the stock position at any given moment.

Stock Summary is one of the Primary Statements in Tally.ERP, and it is directly available via the Tally.ERP Gateway. Like all Tally.ERP Reports, this one may be customized to display different data as well as the overall Flow of Stock.

View Stock Summary to see:

Visit Tally.Gateway ERP's and select Stock Summary.

TallyERP9 Inventory Reports and Statement

Reconciliation of Stock Flow (Opening-Inward-Outward-Closing)

The flow of goods can be shown in the Stock Summary Statement.

Whenever you are on the Stock Summary Screen, press F12: Configure.

Opening Stock, Goods Inward, Goods Outward, and Closing Stock are all shown in this statement as the stock flow.

TallyERP9 Inventory Reports and Statement

TallyERP9 Inventory Reports and Statement

2. Reporting Stock Items in Tally.ERP 9

Depending on the configuration you require for an efficient examination of your stocks, you can display stock items in.

To see available goods

1. Select Display > Inventory Books > Stock Item from the Gateway of Tally.
2. Choose a product from the list of products.
3. To access the Configuration panel, press F12: Configure.
4. Show Graph by Values (not Qty) set to true? to Yes, then hit Enter. This will show a graph of commodities entering and leaving the country (red for inwards, blue for outwards).

TallyERP9 Inventory Reports and Statement

The Stock Summary can be used to view Stock Items as well. Press Enter after moving the cursor over the object.

Viewing Stock Item Certificates

Additionally, you can view stock item vouchers with dates for inner or outward balance as well as a daily breakdown.

the stock item vouchers page

1. Select Display > Inventory Books > Stock Items from the Gateway of Tally.
2. From the List of Items, pick a stock item.
3. To view Stock Vouchers, drill down from any month.

The Stock Vouchers screen displays the month's worth of stock vouchers.

it appears as follows:

TallyERP9 Inventory Reports and Statement

3. Tally.Godown ERP9's / Location Summary Report

The Godown/Location Summary report from Tally.ERP 9 provides an overview of the stock items that are available in each godown. The report provides you with a comprehensive picture of the stock you have access to if you have constructed godowns in a hierarchy. You can see your stock's closing and opening balances, inbound and outbound stock data, and any associated transactions.

Go to the Tally Gateway, Display, Statements of Inventory, and then pick the Godown.

The Godown/Location Summary report displays the closing balance and a summary of the stock for each godown.

To view the next level of data for the chosen godown on the same screen, press Shift + Enter while it is selected. The stock item will be shown in the report as follows:

TallyERP9 Inventory Reports and Statement

4. Tally.Movement ERP9's Analysis Report

Only those inventory transactions that are integrated with the accounts, or inventories that are also documented in the books of accounts, are analyzed in movement analysis. Inventory vouchers that simply have a quantitative impact on the stock are not taken into account.

Comparative investigations use movement analysis reports. They provide information about an organization's stock flow characteristics. Additionally, it aids in identifying the slow-moving goods that obstruct the organization's working capital's flow.

Select Display > Inventory Books > Movement Analysis from the Tally Gateway menu.

TallyERP9 Inventory Reports and Statement

Only inventory transactions for which accounting transactions have also been recorded are displayed in movement analysis reports. By stock groupings, categories, financial groups, or ledgers, you can examine stock movement.

4.1. Movement Evaluation (Stock Group Analysis)

This report provides specifics on all the stock items in that group's inbound and outbound transactions.

Select a Stock Group by going to Gateway of Tally > Display > Inventory Books > Movement Analysis > Stock Group Analysis

TallyERP9 Inventory Reports and Statement

The overall Inward and Outward movement of all the items in a given stock group is shown by the movement analysis of that stock group.

4.2. Analysis of Stock Item Movement

The stock item movement analysis report includes information on stock item movement by supplier, buyer, and consumption. You can observe here a comparison of the item's purchase costs across suppliers and its sale values among buyers.

Item Movement Analysis report can be seen here.

1. Click on the Gateway of Tally link and select Display > Inventory Books > Movement Analysis > Stock Item Analysis.
2. From the list of stock items, choose the desired item. The screen for Item Movement Analysis looks as follows:

TallyERP9 Inventory Reports and Statement

3. Press Enter after selecting the Supplier, Buyer, or Stock Journal Name. The item's transaction level information are displayed as follows:

TallyERP9 Inventory Reports and Statement

4.3. Analysis of Accounts Group Movement

Information regarding Items transacted in Vouchers for the Ledgers generated under the specified Group is included in the Group Analysis report.

To view the movement analysis for any specific Account Group, click here.

Enter the Tally Gateway, select Display, Inventory Books, and Group Analysis (Sundry Creditor).

TallyERP9 Inventory Reports and Statement

Information about Quantity, Effective Rate, and Value is shown under different columns for Sales and Purchase after selecting an Account Group from the List of Groups.

4.4. Movement Analysis for Ledgers

Similar to group movement analysis, ledger analysis allows for the viewing of stock item sales and purchases involving the selected ledger. The transaction-level specifics are revealed at the following level of information.

If you want to see the movement analysis for a certain account ledger

Select Display > Inventory Books > Movement Analysis > Ledger Analysis from the Gateway of Tally. When you select Ledger Cash, the report for Ledger Analysis appears as follows:

TallyERP9 Inventory Reports and Statement

The things that are transacted in the selected ledgers' sales and purchase vouchers are detailed in this report.

The sale and purchase of every item affecting the ledger you choose

(Debtor/Creditor/Cash/Bank) will be shown in this report when you choose an account ledger

(Debtor/Creditor/Cash/Bank).

4.5. Analysis of Transfer (Movement)

Transfer Analysis provides the movement information for each type of stock journal when employing various stock journals for each transaction.

The things that are transacted in the stock journal voucher are detailed in this report. Movement of goods, production of items, or inter-godown transfers are typically recorded in stock journal vouchers.

This costing and waste analysis tool is really helpful. This report is a simple check to ensure that all transfer entries have been submitted accurately in non-manufacturing setups with multiple godowns.

For any stock journal voucher type, to display the Transfer Analysis screen:

Select Display > Inventory Books > Movement Analysis > Transfer Analysis from the Tally Gateway ( Select Manufacturing Journal)

TallyERP9 Inventory Reports and Statement

In order to configure the Transfer Analysis Report, press F12.

TallyERP9 Inventory Reports and Statement

5. Tally.ERP 9's Stock Aging Analysis Report

Tally.ERP 9's Stock Aging Analysis Report shows how old the stock-in-hand is. This report breaks down the inventory by age to identify old stock. Users of Tally.ERP 9 have the freedom to create their own aging slabs.

Items that have expired or could expire soon are listed batch by batch in the aging analysis. As older goods may lose value or become obsolete and cause a loss, keeping track of its age and quick-moving inventory will be made easier with the use of this information.

You can alter the Appearance of Stock Item Names as well as examine the Aging Analysis report.

Select the group for which an aging analysis is necessary by going to the Tally Gateway > Display > Inventory Books > Aging Analysis.

TallyERP9 Inventory Reports and Statement

This report is presented in a columnar fashion, including information on each item's description, number, value, and age breakdown.

Select Primary from the List of Groups to obtain a report that includes all of the stock items.

Press the Hide Amount button from the button bar or press Alt+A to see only the item's amount.

By default, the ageing analysis report displays all of the stock items alphabetically by stock item name. The General Configuration screen (Gateway of Tally > F12: Configuration > General) contains a definition for this.

5.1. Default Ageing Period Adjustment

A default ageing term of 45 days, 45-90 days, 90-180 days, and >180 days is generated by the Ageing Analysis report. Depending on the need, you can define the aging slabs.

By default, the date of purchase is used to determine the age of the objects. By changing the setup parameters, you can adjust this. Press F6 to specify the aging slab.

TallyERP9 Inventory Reports and Statement

Getting Older

The purchase date, expiry date, manufacturing date, and other dates are just a few of the several ageing styles that Tally.ERP 9 offers.

To view the aging styles, use Alt+S.

TallyERP9 Inventory Reports and Statement

6. Tally.Sales ERP9's and Purchase Order Report

Multiple sales and purchase order capabilities, including sales order books, sales order summaries, purchase order books, purchase order summaries, and sales and purchase bills pending data, are supported in Tally.ERP 9.

Purchase Order Book

All of the sales orders for each month are shown in this report. This is viewable and configurable:

Inventory Books > Sales Orders Book through the Tally portal

Order Summary for Sales

The sales orders that are still pending are displayed in various reports. You can view the unfulfilled orders by stock group, stock category, stock item, account group, ledger, or all orders.

Select the report you want to view by going to the Tally Gateway > Display > Statement of Inventory > Sales Order Outstandings.

Book of Purchase Orders

When material is requested, a purchase order is generated. The list of all purchase orders is displayed in the purchase order book. A list of all purchase orders up to the date of the most recent order entry is available. You may see this.

Select Display > Inventory Books > Purchase Order Book from the Gateway of Tally menu. It shows the Purchase Order Book.

Summary for Purchase Orders

An itemized statement of outstanding purchase orders is provided in the buy order summary. You can view the unfulfilled orders by Stock Group, Stock Category, Stock Item, Account Group, Ledger, or All Orders.

Access the Tally Gateway by selecting Display > Statements of Inventory > Purchase Order Outstandings.

Pending Purchase Bills

The Purchase Bills Pending report lists the bills for which the accounting transactions have been completed but the inventory transactions have not.

Log into Tally's Gateway and select Display > Statements of Inventory > Purchase Bills Pending. The report for Purchase Bills Pending is displayed.

Bills of Sale Awaiting

All incomplete transactions, including those in which the products may have been delivered but not invoiced, are listed in the Sales Bills Pending report. Invoices that were raised but for which goods were not delivered are also listed.

The transactions for Delivered Goods with Unbilled Sales and Unbilled Sales are listed in this report.

Gateway of Tally > Display > Statements of Inventory > Sales Bills Pending Reports are crucial for managing daily business activities effectively in any organization. These reports are essential for tracking a company's growth and profitability because they provide you with a comprehensive picture of your enterprise. A report of this type is an inventory report.

The term "inventory" refers to the items and materials that a company keeps on hand with the intention of reselling them in the context of commercial accounting. Businesses must select a technique for precise inventory tracking. There are periodic and perpetual methods of inventory accounting. Accounting records must reflect the quantity of inventory that is always on hand in order to use the perpetual inventory system. For each item in stock, it keeps a distinct account in the subsidiary ledger that is updated whenever a quantity is added or subtracted.

Sales are tracked as they happen in the periodic inventory system, but the inventory is not updated. To calculate the cost of goods, a physical inventory must be done at the conclusion of the fiscal year.

Performing a physical inventory at least once a year is a good practice regardless of the inventory accounting system utilized.

Inventory by itself is not an account on the revenue statement. Since inventory is an asset, its ending balance ought to be shown on the balance sheet as a current asset. But the alteration in inventory is a factor in figuring out the cost of products sold, which is shown on the income statement

Your company's cash flow will directly be impacted by how you handle your inventory. Inventory management inefficiency will hurt your company's bottom line. Your working capital is largely held in inventory, and keeping extra inventory on hand suggests that cash is constrained.

With TallyPrime, inventory management has just been lot easier.

You can operate your business smoothly and without breaking the bank with the use of inventory reports. They can assist you in cost-cutting and lowering the possibility of stock outs. Even while inventory reporting may seem seem like more labor or paperwork, it can actually save you a ton of money and time.

inventory control

Inventory management is one of the main applications of inventory reporting. To make sure you don't run out before filling clients' requests, you must be aware of what you have. Late orders result in out-of-stock merchandise and lost revenue. Too many purchases made too soon tie up funds, raise the possibility of damaged stock, and necessitate extra storage space. For you to refill, accurate inventory reporting lets you know precisely when your stock levels hit the reorder point.

inventory management (within warehouses

You must keep track of where your inventory is located inside the warehouse(s) you utilize for order fulfillment if you have a lot of inventory and a high sales volume. Maintaining order and tracking SKUs by inventory storage location helps simplify your work by reducing wasteful product movement, double handling, and even lost inventory.

You can benefit from it by:

Keep track of the products you ordered between two dates.

If you place orders from many vendors

Determine the products that need to be recalled.

If you must send back products that are harmed

You might need to track the location in order to comply with FIFO (first in, first out) or LIFO (last in, first out) inventory standards if your stock is perishable or its price fluctuates frequently.

Inventories are catgorized.

There may be various ways to categorize your inventory depending on your industry. Finding what you're looking for when faced with a pile of cardboard boxes might be very difficult.

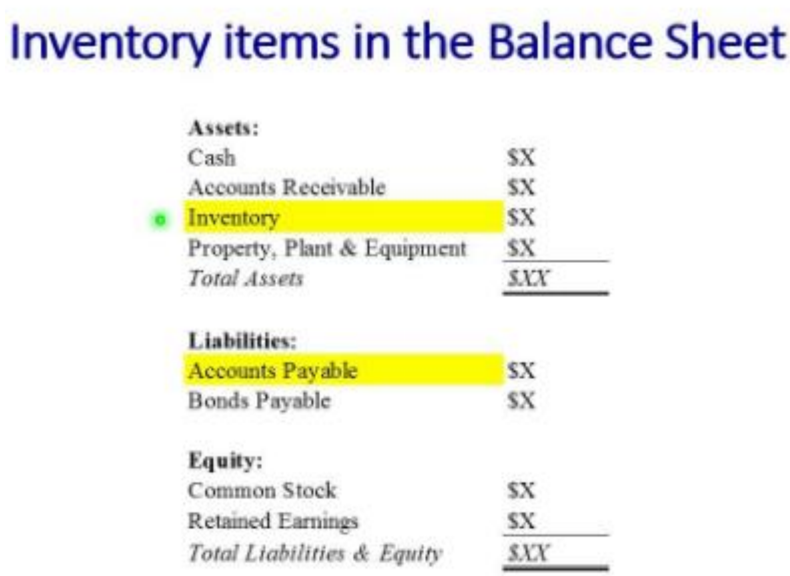
You can track inventory as it flows through the supply chain using a list of items in each category that is updated in real-time. Manufacturers, for instance, frequently need to keep track of inventory as raw materials, goods in production, or inventory that is ready for sale. The tracking of the cost of goods sold for tax purposes and inventory accounting both need the inventory value of each category or phase.

You should keep track of each product as it is received, stored, picked for an order, packed in a box, and dispatched to a customer once it is in your fulfillment center.

Report on inventory illustration

The summaries of the stock, the godown summaries, the movement analysis, and the stock aging should all be included in the inventory reports, along with a complete breakdown of every transaction. The ledgers, books, and registers for the transactions entered in TallyPrime are instantly updated. These transactions serve as the basis for the inventory reports. Instant reporting and quicker decision-making are made possible by this.

You can alter the way that reports look to suit your needs. You could, for instance, create comparison reports between various business entities, fiscal years, and so forth. Each report provides a full knowledge of your inventory status, enabling you to make decisions quickly while you're out and about.



### 5.3.5 Cash/ Fund Flow

The balance sheet, the income statement, the cash flow statement, and the fund flow statement are the four main types of financial statements used in accounting. Here, we examine the last two.

The statement of cash flows in financial accounting describes the change in a company's cash and equivalents from one period to the next. But the fund flow has two distinct interpretations. One is used for accounting, and the other is for investments.

The cash flow and fund flow statements of an organization show two distinct factors over a certain time period.

The cash flow will track a company's actual cash intake and outflow (cash and cash equivalents).

The fund flow keeps track of how much money comes into and goes out of the business.

Both assist in periodically giving investors and the market a glimpse of how the company is doing.

The fund flow statement is better suitable for long-term financial planning, whereas the cash flow statement is best suited to assess a company's liquidity profile.

Money Flow

A company's cash flow statement shows cash flow. One of a company's key financial statements, this one displays the influx and outflow of actual cash (or assets that resemble cash) from its operating activities. According to generally accepted accounting standards, it is a necessary report (GAAP).

Contrary to the income statement, which documents information or transactions that might not have been fully realized, like unrealized revenue or unpaid money, this is not the case. As opposed to this, the cash flow statement will already have this data inputted and provide a more accurate picture of how much cash a company is earning.

On a cash flow statement, cash flow sources can be categorized into three groups:

Cash generated from the general or core operations of the business would be listed under the heading "Cash flows from operating activities."

Cash flows from investing activities: Any cash flow used to purchase investments like new equipment would fall under this division.

Cash flows from financing activities: Transactions involving debtors are included in this category. Examples include dividends given to investors or proceeds from new debts.

Selling products, offering services, disposing of assets, generating interest on investments, collecting rent, taking out loans, or issuing new shares are all ways that businesses bring in income. Purchases, loan repayment, business expansion, paying salaries, and dividend distribution can all result in cash outflows.

Investors and lenders rely on the statement of cash flow to assess a company's liquidity and cash flow management because the Securities and Exchange Commission (SEC) mandates that all listed firms employ accrual accounting, which generally overlooks the actual level of cash on hand. Compared to measurements used by businesses to spruce up their profits, such as earnings before interest, taxes, depreciation, and amortization, it is a more trustworthy tool (EBITDA).

When it was necessary, accountants largely utilized the statement of fund flow to record any change in a company's net working capital, or the difference between assets and liabilities, over a certain time period. The statement of cash flow now includes a lot of this data.

The fund flow does not reveal a company's cash position for investment purposes; if a corporation wants to do that, it would create its cash flow statement.

The fund flow emphasizes just cash movement; specifically, it shows the net movement after comparing cash inflows and outflows. Additionally, it will highlight any behavior that would be inconsistent with the company's norms, like an unusual spending.

The fund flow statement is more important today for investment. It is possible to measure investor mood in relation to several asset classes. For instance, a positive money flow for stocks indicates that investors are generally upbeat about the economy, or at least the near-term profitability of listed companies.

Key variations

The cash flow statement's predecessor is the fund flow statement. Instead of only concentrating on working capital, the cash flow statement is more detailed and outlines all of a company's financial flows.

The fund flow statement is a crucial tool for investors since, in contrast to the cash flow statement, it is best used for understanding a company's liquidity position over the long term. The cash flow statement begins by examining the present level of cash and how it contributes to the closing balance of cash, whereas the fund flow statement can pinpoint the sources and uses of cash. A cash flow is a physical or fictitious movement of money:

The phrase "cash flow" is typically used to represent payments that are projected to happen in the future, are thus unknown, and so need to be forecast using cash flows; a cash flow in its restricted sense is a payment (in a currency), especially from one central bank account to another;

A cash flow's time t, nominal quantity N, currency CCY, and account A are what make it up; symbolically, CF = CF (t,N,CCY,A).

However, it is common to use the term "cash flow" in a broader meaning to describe (symbolic) payments into or out of a company, project, or financial product.

Value, interest rate, and liquidity are only loosely correlated with cash flows. A cash flow that will occur on day tN in the future can be changed into a cash flow with the same value on day t0.

Flow of funds analysis

Cash flows are frequently converted into metrics that provide data about, for instance, the valuation and state of a company:

to estimate the value or rate of return of a project. Financial models like internal rate of return and net present value use the timing of cash flows into and out of projects as inputs.

help identify any liquidity issues a company may be having. Being liquid does not imply being profitable. Even though it is successful, a business can nevertheless fail due to a cash flow problem.

when it is thought that accrual accounting concepts do not accurately reflect economic realities, as a substitute assessment of a company's earnings. For instance, a business could appear to be prosperous, but it may not be producing much operating cash (as may be the case for a company that barters its products rather than selling for cash). In this situation, the business may be generating additional operational cash through the issuance of shares or the acquisition of new debt.

The "quality" of income produced by accrual accounting can be assessed using cash flow. Net income is regarded as being of low quality when it contains significant non-cash components.

to assess the risks contained in a financial instrument, such as assessing default risk, reinvestment requirements, matching cash requirements, etc.

The concept of cash flow is loosely based on accounting standards for cash flow statements. The term is adaptable and can be used to describe both past and future time periods. It may refer to the sum of all related flows or just a portion of those flows.

Three different categories of cash flow are present in cash flow analysis and are used in the cash flow statement:

[Operating cash flow] is a metric used to assess the cash flow from a company's ongoing activities. A company's operating cash flow shows whether it can generate enough money to pay its debts and cover its current expenses.

Cash flow from investing activities refers to the amount of money made by operations like buying tangible assets, investing in securities, or selling securities or other assets.

Cash flow from financing activities (CFF) refers to the net cash flows used to finance the business. Transactions involving dividends, equities, and debt are included in this.

financials of the business

The change in the cash balance throughout this period, which is positive if the cash balance rises (more cash becomes available), and negative if the cash balance falls, determines the (total) net cash flow of a company over a period (usually a quarter, half-year, or a full year). The sum of the three types of cash flows that make up a project's total net cash flow is as follows:

Cash received or spent as a result of a company's internal business operations is referred to as operational cash flows. A project's operating cash flow is defined by:

OCF is equal to incremental earnings plus depreciation, or earnings before interest, tax, and amortization.

OCF is defined as earnings before interest, tax, and depreciation.

OCF is calculated as (revenue x cost of goods sold x operating expense x depreciation) * (1 + tax rate)

OCF is calculated as (Revenue minus Cost of Goods Sold less Operating Expense) * (1 tax rate) plus depreciation (tax rate)

Depreciation shield, which appears at the conclusion of the formula and demonstrates the negative relationship between depreciation and cash flow, is defined as depreciation*(tax rate).

Net working capital fluctuation is the cost or revenue associated with a company's short-term asset, such as inventories.

The cost or profit associated with a company's fixed assets, such as the money spent on new equipment or the money made from selling old equipment, is known as capital spending.

The cash flow for a project will be the total of the three aforementioned components.

And a company's cash flow has three components as well:

Operating cash flow: This term describes the cash a company receives or loses as a result of its internal operations, such as the cash from sales revenue or the cash given to employees.

Investment cash flow: This term describes the flow of funds associated to the fixed assets of the organization, such as equipment, buildings, and so forth, such as the funds used to purchase new machinery or structures.

Cash flow from a company's financing operations, such as issuing stock or paying dividends, is referred to as financing cash flow.

The overall cash flow of a corporation is the sum of the three factors mentioned above.

A cash flow statement, also referred to as a statement of cash flows, is a financial statement used in financial accounting that breaks down the analysis into operating, investing, and financing activities. It illustrates how changes in balance sheet accounts and income affect cash and cash equivalents. The cash inflow and outflow of the business are essentially the focus of the cash flow statement. The statement of cash flows is a useful analytical tool for assessing a company's short-term viability, particularly its capacity to pay its debts. The International Accounting Standard that addresses cash flow statements is IAS 7, or International Accounting Standard 7.

Those and organizations that are interested in cash flow statements are:

Accounting staff who must determine if the company can afford wages and other immediate costs

In order to get a clear image of a company's ability to pay back debt, prospective lenders or creditors

Potential investors should evaluate the company's financial stability.

Those who are considering working for or contracting with the company and want to know whether they will receive pay

Directors of the firm, who are in charge of its governance, are accountable for making sure it is not operating while insolvent.

Owners of the company's shares.

The cash flow statement, formerly known as the flow of funds statement, displays the sources of a company's cash flow as well as how it was used over a given time frame. Because a corporation might show a profit on its income statement while still having inadequate capital to operate, it is a crucial sign of its financial health. A company's profits quality (i.e., how much comes from cash flow as opposed to accounting treatment) and ability to pay interest and dividends are both shown by the cash flow statement.

In contrast to the balance sheet and income statement, the cash flow statement does not include non-cash transactions that accrual basis accounting mandates, such as depreciation, deferred income taxes, write-offs for bad debts, and sales made with credit for which receivables have not yet been collected.

provide details on a company's financial flexibility, solvency, and liquidity (the ability to change cash flows in future circumstances)

aid in estimating future cash flows and borrowing requirements

By removing the effects of various accounting techniques, the operating performance of various organizations can be more easily compared. The cash flow statement has become the industry standard financial report because it does away with allocations that could result from multiple accounting techniques, such as different periods for depreciating fixed assets.

**5.3.6 Payroll Reports**

Depending on the payroll provider and any adaptations made to fit the specific reporting requirements of an organization, payroll reports go by many different names. Among the more typical types are:

Summary reports for payroll

Payroll administrators can view pay data for a single employee, a certain department, or the entire workforce by entering a date range. Payroll summary reports typically include gross and net wages, tax withholdings, and other deductions.

Reports on payroll details

A payroll detail report can be generated by employers if they want a detailed, line-by-line look into an employee's compensation history. Data may also be accessible at the departmental or organizational level, similar to summary reports.

Reports on payroll tax obligations

Employers can view their payroll tax liability reports to see how much tax has been withheld from employee earnings, how much has been paid to the government, and how much is still owed.

summaries of employees

Personal information (name, address, date of hire), pay information (salary, hourly rate), and tax information (quarterly/yearly-to-date totals) are typically included in employee reports.

Contributions to retirement

Retirement contribution reports list all contributions made to a 401(k), 403(b), or comparable retirement plan by both employees and the business.

Unpaid time off (PTO)

These reports enable employers to view the total amount of PTO an employee has used thus far this year as well as the remaining number of hours. They can avoid labor shortages and improve scheduling with the help of this information.

Compensation for workers

Employers who combine payroll and workers' compensation may have the ability to generate reports that assist their insurance provider in determining premium costs. For each $100 spent on payroll, various coverage rates are often available.

Service fees for payroll

Usually, the system may provide the status of invoices from payroll service providers.

Selecting the Best Payroll Service Provider for Your Company

Selecting the Best Payroll Service Provider for Your Company

How to use payroll reports to execute a payroll that is error-free

Time and money can be saved by avoiding payroll mistakes rather than attempting to remedy an inaccurate paycheck or tax deduction. Employers can use the in-built machine learning in payroll software or develop custom static rules that will highlight problem areas. Before they run payroll, they can additionally run any of the reports listed below to help them detect discrepancies in their data:

Insurance reports

The money needed by the employer to process payroll for a specific pay period is shown on a liabilities report. It often includes taxes owed and payments due to employees, but does not take service charges from payroll providers into consideration.

Preview reports for payroll

Payroll previews include line-by-line details on each employee's wage earnings and withholdings, just as the payroll detail report.

Unpaid employees or omitted deductions

Employers can check to see if any active employees aren't getting paid or if a deduction wasn't made. This information may be provided by payroll software in a separate report or it may just be noted with an asterisk.

Unless they are the subject of an IRS audit, a workers' compensation carrier audit, or a state agency audit, businesses are typically not compelled to provide payroll records to a third party. They must submit a few quarterly and annual forms to the federal, state, and municipal governments, though. The accuracy of the data on these forms can be helped by payroll reports. Examples comprise:

Employer's Quarterly Federal Tax Return, Form 941,

The most popular method for businesses to report their federal payroll taxes is using Form 941. It includes details like these:

wages given to workers

Withholding of federal income tax from employee wages

Employee wages are subject to Medicare and Social Security tax deductions.

Employer contributes to Social Security and Medicare taxes

Employer's Annual Federal Tax Return, Form 944

Small firms can file their federal taxes yearly with the IRS's approval.

The annual responsibility for Medicare, Social Security, and withheld federal income taxes for organizations that are often permitted to use Form 944 is $1,000 or less.

Employer's Annual Federal Unemployment Tax Return, Form 940

Businesses report and pay FUTA tax using Form 940. If the employer additionally pays state unemployment tax, the amount owed can be lower and only be 6% of the first $7,000 an employee earns. Typically, payments must be made by January 31st of the following year

Wage and Tax Statement, Form W-2

For the purpose of filing their individual tax returns, employees use Form W-2, which contains information on their annual gross pay, some tax deductions, and other wages and benefits. Employers must give copies of the form to their staff members as well as the relevant federal, state, and local governments by January 31 of the following year.

Transmittal of Wage and Tax Statements, Form W-3

The Social Security Administration receives a summary of all wage and tax statements from a firm on Form W-3. This form must also be submitted by January 31 of the next tax year because it goes along with Form W-2.

reporting on state payrolls

The majority of the 50 states require businesses to pay income taxes and unemployment insurance on a quarterly basis. The precise deadlines and the kinds of state forms utilized, as well as this frequency, may change depending on the locality.

reports on local payroll

In some states, there is additional local and county income tax. Businesses should check with local authorities for precise information as the due dates may be quarterly or yearly.

Regularly asked concerns regarding payroll reports

I need to create a payroll report.

The payroll software being utilized has a significant impact on how payroll reports are created. Basic actions in some situations are

Log in to the payroll application.

Select "Reports" from the menu.

Choose whether to run a payroll or tax report.

Filter by year, pay period, pay period range, or employees

Export or print the report.

Payroll summary reports give a quick overview of a company's payroll responsibilities for a given period of time. It contains information on wage earnings, tax withholdings, benefit deductions, and taxes owing by the business for each employee.

Employees are given pay statements or wage statements to better comprehend their income for the most recent pay period and the entire year. Additionally, it often lists the number of hours worked and all payroll deductions for things like taxes, benefits, and garnishments. Employers should frequently evaluate pay statements against the relevant state and/or local standards to ensure compliance and to reduce the possibility of major financial risk. Pay statements are subject to extensive regulation at the state and local levels.

Payroll reports, which are normally only provided to government organizations during audits, may be useful for completing annual tax forms, such as the ones listed below:

Employer's Annual Federal Tax Return, Form 944

Employer's Annual Federal Unemployment Tax Return, Form 940

Wage and Tax Statement, Form W-2

Transmittal of Wage and Tax Statements, Form W-3

Nonemployee Compensation Form 1099-NEC

Pay rates, hours worked, federal and state income taxes withheld, vacation or sick days taken, overtime done, tax withholdings, and benefit costs are all details that are included in a payroll report

Each pay cycle generates a payroll report. Additionally, on a weekly or annual basis, specific payroll records must be submitted to a federal or state governmental entity. Payroll services are generally used by businesses of all sizes to assist them in staying on top of these reports, deadlines, and other relevant compliance issues.

Payroll reports are produced for a variety of purposes, such as governmental filings and company analysis. However, founders should be aware of the various typical payroll reports in order to stay compliant and avoid being frustrated.

Reports on Federal Payroll

Both quarterly and yearly federal payroll reports must be completed and submitted by founders.

Forms 941 and 944

Startups must submit a Form 941, Employer's Quarterly Federal Tax Return, which details the income and payroll taxes deducted from employees' paychecks, for federal quarterly reports. The Social Security and Medicare taxes deducted for each employee are included in these payroll taxes. These forms can be submitted electronically via the IRS e-File system or by U.S. mail.

Your Form 941 must be submitted one month after the final day of the relevant reporting period. For instance, the deadline for your first quarter's reporting, which covers January 1 through March 31, is April 30. The due date for the second quarter, which runs from April 1 through June 30, is July 31. The due date for the third quarter, which runs from July 1 through September 30, is October 31. Finally, the fourth quarter, which runs from October 1 through December 31 of a given year, is due on January 31 of that same year.

You might be eligible to submit an annual Form 944 rather than a quarterly Form 941 if your projected yearly wage payments are less than $4,000 per employee. If this applies to you, you must obtain IRS approval before submitting your first Form 944.

Employers must be aware that if the Form 941 payroll form is not submitted on time or with the proper information, they risk IRS fines.

W-2 and W-3 forms

Additionally, you must submit a Form W-2 and Form W-3 for each of your employees each year as the employer. The Form W-2, Wage and Tax Statement, contains details on the pay, bonuses, other compensation, and taxes withheld from your employee's paychecks throughout the tax year.

You must send a copy of every Form W-2 you submit for each employee who worked for you during the previous tax year to the Social Security Administration (SSA) so they have a formal recod of the salaries you paid and the taxes you deducted.

By January 31st of each year, employers must send Form W-2s to their staff members and the Social Security Administration for the prior tax year.

The transmittal form, Form W-3, displays all the totals from your Form W-2s. Only if you submitted your W-2s on paper rather than electronically, you must additionally send full Form W-3s to the SSA each year, just like the W-2. You don't need to prepare or submit a Form W-3 if you submit your W-2s online to the SSA.

Independent contractors are not given W-2s that detail their pay. Instead, they'll probably get a Form 1099, depending on the contractor and your company.

Reports on State and Local Payroll

You might also be required to provide quarterly or annual payroll reports to your state or local government, depending on where your startup is based. For instance, you might have to submit reports that reflect the withholding amounts if you reside in a state that levies an income tax. Any filing deadlines must be confirmed with your state or local governments.

Payroll Reports in General

Depending on your payroll system, you can retrieve summary or thorough reports of your payroll, giving you insight into your business, in addition to the legally needed reports, including Forms 941 and W-2.

For instance, you can view detailed payroll information on each employee on a payroll summary report, including gross and net wages, tax withholdings for the current payroll period and the entire year, and any other deductions, like those for health or retirement plans, along with the employer and employee cost-share information.

Additionally, based on your startup, you may be able to obtain reports that are exclusive to certain individuals, divisions, or job titles, providing you with additional useful information for business expansion.

The Best Way to Make a Payroll Report

You must be aware of various elements when preparing a payroll report, whether manually or with a payroll provider.

Determine the data you must first collect from your employees in order to process payroll. The full names, birthdays, Social Security numbers, mailing addresses, and bank account details of the employees will be included (if they choose to be paid by direct deposit). Additionally, an I-9 form must be used to confirm their eligibility for employment.

You must also decide on pay rates, such as hourly or salaried. You must also be aware of how your benefits operate, including how much of the out-of-pocket expenses for health insurance your firm bears compared to what your employees bear. You can compute the appropriate withholdings for employee benefits by being aware of this.

Finally, you must input the rate information for federal, state, and local taxes, as appropriate, depending on where you are located. You can use this information to build a simple payroll register that displays gross and net pay as well as current and year-to-date withholding amounts.

Next, pick a time frame. Do you wish to review your payroll report, for instance, for the quarter, the year, or a particular pay period? Again, the longer the time frame, the more probable it is that you can identify trends that you may utilize to inform your business decisions

Enter all of the information you've acquired so far. If you don't use a payroll provider, you can enter this data into a template or an Excel file. After entering your data, you may begin looking through your payroll for patterns and insights pertaining to your startup.

There are a few things you need to be aware of when conducting a payroll report to determine workers compensation.

First, unlike health insurance or retirement benefits, workers compensation is not withdrawn from your employees' salaries. Instead, the employer is entirely responsible for covering the expense of workers compensation insurance.

The price of your workers' compensation insurance is determined by a portion of your salary, regardless of the state you reside in. Here is a simple formula as an illustration:

(Annual Payroll/$100) x the workers' compensation insurance rate is the workers' compensation premium.

Keep in mind that your annual payroll is calculated using your gross income before any deductions.

For new enterprises, insurers will normally estimate your payroll based on the number of employees and their pay rates. The insurer will then review your actual annual payroll and make any required adjustments once you have completed a fiscal year.

Consult your state's rules on calculations for your industry as workers' compensation vary from state to state.

Sample Payroll Reports

We wanted to share some templates that you can use as you build your startup's payroll system, making it easier for you to check off all the necessary details for paying your employees appropriately.

The first tmplate displays the fundamental data required for each employee in order to determine their paychecks. Along with the dates of the pay periods, the descriptions of the income, and the descriptions of the deductions, you'll also see that personal information is necessary.

the SartSheets websit

Here is a template you may use to ask your employees for permission to deduct specific costs, such retirement plan contributions. As an employer, you must obtain the consent of your employees before making the majority of deductions from their paychecks. Legally necessary deductions like federal income taxes, Medicare premiums, and Social Security contributions are not included in this required consent.

the SmartSheets website

Here is a template to help your staff members keep track of their hours. Make sure the information is accurate because you will need to enter it to your payroll. Maintaining time records improves this accuracy and helps to avoid later, more serious problems.

**PAYROLL ANNUAL SUMMARY REPORT** 2028

| | | | |
|---|---|---|---|
| **Name of Employee** | Becca J. Reed | | |
| **Avg. Daily Hours** | 4h 5m | **Pay Type** | Hourly |
| **Total Regular Hours Worked** | 1820h | **Rate** | $6.00/hr |
| **Total Overtime Hours Worked** | 387h | **Total Wage** | $13,242 |

| Months | Regular Hours | Overtime Hours | Total Worked Hours | Total Wage |
|---|---|---|---|---|
| January | 159h 33m | 9h 35m | 168h 68m | $1,010 |
| February | 155h 20m | 2h 20m | 157h 40m | $945 |
| March | 160h | 4h | 164h | $988 |
| April | 159h 9m | 10h | 169h 9m | $1,018 |
| May | 142h 49m | 11h | 153h 49m | $925 |
| June | 147h 18m | 11h 40m | 158h 58m | $953 |
| July | 160h | 5h | 165h | $998 |
| August | 140h 55m | 5h | 145h 55m | $872 |
| September | 158h 25m | 4h | 162h 25m | $979 |
| October | 145h 24m | 12h 10m | 157h 34m | $945 |
| November | 160h | 7h | 167h | $1,002 |
| December | 160h | 7h 25m | 167h 25m | $1,008 |
| **TOTAL** | 1848h 88m | 89h 16m | **1938h 73m** | $11,643 |

## 5.4 LIST OF ACCOUNTS EXCEPTION REPORTS

Analysts, accountants, and other professionals frequently use it. Its use is expanding beyond accounting and finance, though; it is becoming a crucial tool for data analysis in project management, banking, and retailing. It makes sure that business operations run smoothly on a daily basis. The report can be produced by an entity using a variety of technologies, including spreadsheets and other applications.

An exception report is a document that shows when planned data and actual data differ.

A negative deviation alerts management to take remedial action in order to stop the abnormal occurrences and improve overall business operations efficiency.

The exception document can be modified to track different business units separately or used in conjunction with other documents for efficient administration.

Examples range from Timesheet Exception Report for attendance tracking to Revenue and Expense Exception Document for controlling budget.

Explanation for Exception Reports

The main goal of exception reports is to illustrate anomalous events by revealing absolute and proportional variances. These facts motivate management to launch an inquiry. Managers can then use it to make decisions based on data that deviates from expected results.

By concentrating on the most important component of performance information, it can increase management's productivity.

You may use this picture without restriction on your website, in templates, etc. Just link back to us when you do.

Managers frequently become overwhelmed by the size and sheer volume of data they must sift through and process every day to make sense of their business activities as organizations become more complicated. To give context and lessen uncertainty in daily reporting, measurements and numbers may frequently need to be evaluated collectively rather than separately. Other times, it's necessary to isolate specific data points in order to remove background noise before drawing useful conclusions. Management of a complicated organization is made easier by the usage of an exception reporting system.

Exception reporting systems can give automatic statements and a variety of helpful exception documents to support organizational decision-making operations. When it comes to project management, they punctually and meaningfully deliver up-to-date information about various aspects of project performance to all levels of management. Additionally, different exception forms offer options for solo as well as group reporting and variance analysis that are standardized and supervised. These reports and the fundamental concepts they are based on are illustrated using a digital model.

Such reports are meant to give managers the tools they need to pinpoint important control areas, set time priorities, and increase productivity. A good exception system would ideally record numerous operational and financial risk measures by corporate categories and business divisions and notify management of any potential problem areas. The management can then make adjustments or halt certain activities to account for any situational or environmental changes and return the business to normal as quickly as possible once a red flag or an alert has been produced.

Through exception notification, incomplete input or data can also be indicated. For instance, if address information is missing from a user account in a bank, this could result in delayed services, undeliverable bills, and ultimately a delay in the processing of payments. Shipping companies routinely fine logistics companies for postal codes that are either incomplete or wrong, which can result in significant costs if the error occurs frequently.

Example of Exception Report

Examples of exception reports range from the Revenue and Expense Exception Report for managing the budget to the Timesheet Exception Report for managing attendance. It identifies the differences between the data received and the set of data that was intended. Let's concentrate on the inventory management exception statement.

In organizations like retail establishments and manufacturing facilities, effective inventory management is essential. The production process, as well as the supply and sale of goods, can all be significantly impacted by changes in inventory levels. Different factors, including spoilage and human error, may account for the discrepancy between the actual inventory count and the count on digital records.

Sales exception statements reveal a sudden surge or drop in sales for a particular item in a retail firm, and inventory exception statements assist in identifying anomalies in inventory data. Management might therefore be motivated to look into the situation and ascertain what caused it. Similar to how a sudden interruption in the supply of one component could alert a manufacturing firm to a potential issue. Businesses will benefit from producing frequent exception statements that balance production rates, inventory levels, and sales volumes.

In essence, an exception record is a type of data analysis method that draws attention to transactions when actual or incoming data materially deviates from expected data. The management addresses issues to eliminate anomalies and obtain insights to better use opportunities through the follow-up action based on the report. Such exceptions are simpler to identify and manage in smaller businesses with little data than in large ones with a lot of data.

Questions and Answers (FAQs)

An exception report is what?

The definition of an exception report describes it as a statement that records the actual data of expected events and necessary data. Analyzing the incidence of variations is made easier by presenting actual and expected data. The management is notified by the deviation, which can be either positive or negative, to take the appropriate activities to keep the variation within acceptable bounds.

What does an exception report look like?

The Revenue and Expense Exception Document is one illustration. The report includes information on revenues and costs for a given time period. The report forecasts various expenses and revenues for a given period of time, including actual values, budgeted or anticipated values. The variance information showing the discrepancy between actual and budgeted values is then indicated.

What does a banking exception report mean?

The study monitors deviations in banking related to several topics. For instance, it can keep tabs on debts, expired paperwork, and missing data.

Banking institutions with exceptional management sustain high levels of client satisfaction and legal compliance.

The files of an organization's missing documents are listed in an exception report. It may also comprise documents that need to be amended or that have expired.

Exception reports are most typically used by banks and credit unions to monitor loans (commercial loans in particular). Since each document in a loan file is there for a specific purpose, they are all significant and ought to be gathered and indexed promptly. To control risk, continue to comply with banking rules, and preserve client satisfaction, financial institutions must quickly and effectively handle exceptions.

Exception reports are widely used in commercial lending, but they can also be utilized for non-commercial accounts like trusts or savings.

Users are given the ability to swiftly sort and filter exception data by banks thanks to well-structured exception reports. These filters are used by credit or loan admins to create reports that take into consideration a number of different factors, such as information about the officers, branches, and accounts. By consistently and thoroughly analyzing exception data, banks can spot circumstances that call for urgent action, safeguarding their interests in:

Typical Methods to Track Exceptions

Banks can generate exception reports and track exceptions using a variety of techniques.

Spreadsheets: Using an electronic spreadsheet is a simple and affordable method. Although there is little financial outlay in this case, it takes a lot of time because data entry is required by hand. The spreadsheet is used to generate reports, which are subsequently forwarded via email to the appropriate bank employee. It could be necessary to courier or send printed reports to a different location. Adding a human component can therefore lead to human error.

Databases built internally: A database built internally is another alternative for tracking exceptions; it has the same benefits and drawbacks as a spreadsheet. Additionally, databases provide new technological difficulties that call for IT involvement.

Automated software, like AccuAccount, usually offers a more streamlined method of tracking exceptions, producing reports, and sending flagged items to staff members for resolution. The program can be tailored by a financial institution to highlight "important" deviations that need to be handled right away, such as a registered deed of trust within 30 days or a title policy within 60 days. If the financial institution so chooses, automated exception reports can be generated daily, and they are automatically forwarded via email to the relevant compliance officer, insurance clerk, or other bank staff members as needed.

Example of Exception Report

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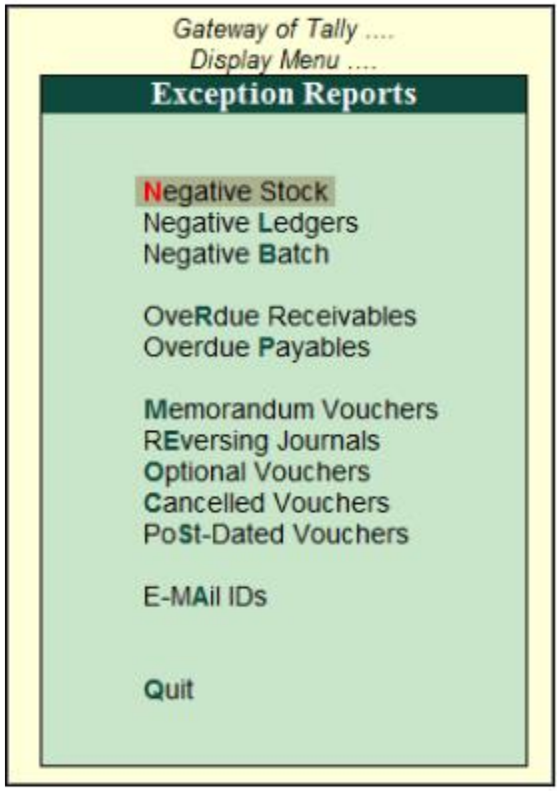
In essence, an exception record is a type of data analysis method that draws attention to transactions when actual or incoming data materially deviates from expected data. The management addresses issues to eliminate anomalies and obtain insights to better use opportunities through the follow-up action based on the report. Such exceptions are simpler to identify and manage in smaller businesses with little data than in large ones with a lot of data.




### 5.4.1 Print Management

From any computer running Windows Server, you can install, examine, and manage every printer in your company with the help of the Print Management Microsoft Management Console (MMC) snap-in.

Overview

The most recent information on the network's printers and print servers is provided by Print Management. A number of client computers can all have printer connections installed simultaneously using Print Management. Using filters in Print Management, you may locate printers that are experiencing problems. It can also run scripts or send emails to alert users when a printer or print server need maintenance. Print Management gives access to additional information on printer models with a printer Web page, including toner and paper levels, which you may manage remotely if necessary.

From any computer running Windows Server, you can install, view, and manage every printer in your company using the Print Management snap-in in Microsoft Management Console (MMC). The most recent information on the network's printers and print servers is provided by Print Management. A number of client computers can all have printer connections installed simultaneously using Print Management. Using filters in Print Management, you may locate printers that are experiencing problems.

It can also run scripts or send emails to alert users when a printer or print server need maintenance. Print Management has access to more information on printer types that offer a Web page, including toner and paper levels, which you may adjust from remote locations if necessary.

The following audiences are the focus of this guide:

Professionals from the help desk and print administrators.

planners and analysts in information technology (IT) who are assessing the product.

IT designers and planners

The early adopters.

Rewarding Print Management

The time spent installing printers on client PCs and administering and monitoring printers is significantly reduced by print management for the print administrator. Today, many computers can be used concurrently and remotely to complete tasks that once required up to 10 stages on a single computer in just 2 or 3.

You may automatically enable printer connections for users and computers in your company by utilizing Print Management with Group Policy. The local subnet of your local print servers can also be automatically searched for and installed network printers using Print Management.

Print Management Requirements

Here are some crucial details about the prerequisites for Print Management and the print servers that Print Management can track for you:

Print Management can only be installed on computers running Windows Server.

Print Management allows you to keep an eye on printers connected to print servers running Microsoft® Windows® 2000 Server, Windows Server 2003, and Windows Server.

You can keep an eye on several print servers at once with Print Management.

On PCs running the Microsoft® Windows NT® Server 4 operating system, Print Management can show and install printer drivers, but it cannot show already-installed printer drivers. Forms cannot be shown on machines running Windows NT 4.

Security Conditions

You must be logged in as an administrator or a member of the Administrators group on the print servers you are managing in order to utilize Print Management to its full potential.

For ordinary, non-administrative work, administrators should utilize a user account with limited capabilities, and they should only use a user account with larger permissions for specialized administrative duties.

Without having administrative rights, you can use Print Management and monitor any print server and printer. However, you won't be able to add and remove printers and printer drivers, or carry out other operations.

Procedures for Installing and Using Print Management

The following steps must be carried out in order to deploy and run Print Management:

Install Print Management in Step 1

Adding or modifying the print server role allows you to install Print Management. It should be noted that a print server is not required for the PC on which Print Management is installed. Choose one of these:

If the print server role is not already set up, take these steps.

the print server role installation

1. Manage Your Server is accessible by clicking Start, All Programs, Administrative Tools, and finally Manage Your Server.
2. To add or remove a role, click.
3. Click Next to proceed to the Server Role page in the Configure Your Server Wizard.
4. Click Print Server and then Next twice on the Server Role screen. To finish the installation, adhere to the wizard's instructions

Perform the following steps if you are using an earlier version of the Windows server operating system that already has the print server role and at least one shared printer installed.

a print server role update

1. Manage Your Server is accessible by clicking Start, All Programs, Administrative Tools, and finally Manage Your Server.
2. To update this role, click.
3. Click Next in the Print Server Role Wizard.
4. To finish the installation, adhere to the wizard's instructions.

Open Print Management in step two.

Open Print Management once Windows Server and it Print Management have been installed. The remote computer must have Windows Server and Print Management installed if you want to use Print Management on it via Remote Desktop.

launching Print Management

To access Print Management, choose Start, All Programs, Administrative Tools, and finally Print Management.

Add and delete print servers in step three.

Both a network print server and a local print server can be added to Print Management. It should be noted that a print server is not required for the PC on which Print Management is installed.

Implementing a Print Server

Use the steps below to add the print server to Print Management if the server that runs Print Management is also a print server and you wish to use Print Management to manage the printers that it hosts.

To expand Print Management's print servers

1. Right-click Print Management in the Print Management tree, and then select Add/Remove Servers.
2. Choose one of the following actions under Specify print server in the Add server section of the Add/Remove Servers dialog box:

Fill in the name.

To identify and choose the print server, click Browse.

3. Add to List by clicking.
4. Click OK after adding as many print servers as you like.

Note

By selecting Add the Local Server, you can include the local server you are now using.

For Print Management to uninstall print servers

1. Right-click Print Management in the Print Management tree, and then select Add/Remove Servers.
2. Select one or more servers under Print servers in the Add/Remove Servers dialog box, then click Remove.

View Printers in Step

Custom Printer Filters, Print Servers, and Deployed Printers are the three locations in the Print Management tree where printer data is kept. The All Printers object, which holds a dynamic view of every printer on every server that Print Management is capable of managing, is found in the

Custom Printer Filters folder. Custom Printer Filters contain all of the custom printer views or filters that you produce.

Print Servers houses the network printer servers that you add. Four objects that act as filters for server-related data are automatically sent to every printer server:

·Drivers

·Forms

·Ports

·Printers

Right-click the Drivers, Forms, or Ports objects and select Manage Drivers, Manage Forms, or Manage Ports to easily open the Print Server Properties dialog box.

All of the printers in Print Management that are controlled by Group Policy objects are listed in Deployed Printers. See Deploying Printers to Users or Computers by Using Group Policy later in this guide for additional details on managing printers with Group Policy.

In-Place Printing Services

The printer server icon will change whenever a server goes offline. Until the server is back online, you won't be able to control the Drivers, Forms, Ports, and Printers objects.

Printer information

The results pane of the snap-in console displays the information for each printer. Columns with values such the printer name, queue status, jobs in the queue, printer location, and driver version can be found in the results pane. You can add and delete columns to only display specific printer features, and you can filter all of the print servers in your company to only show printers that meet the specified criteria. A filtered view and the resulting columns are both displayed in Figure 1.

By clicking on the title of a column, you can sort any view according to one criterion.

You can also display an enhanced view, which allows access to the printer's Web page if one is available and displays extra information about the queue. In the expanded view, you can add, delete, and sort columns.

Columns: Adding and Removing

You may access the columns in the results pane that contain printer details by clicking the Printers object in each printer server or an object in the Custom Printer Filters folder.

creating and deleting columns

1. Right-click Printers beneath a print server in the Print Management tree, select View, and then selet dd/Remove Columns.
2. Select the column name in the Add/Remove Columns dialog box, and then click Add or Remove.

Extending the View

The splitter bar-separated extended view appears in the right window beneath the columns. When you need more details about a print job, such as its owner, the number of pages, the size of the job, when it was submitted, its port, its priority, etc., extended view can be helpful.

A Printer Web Page tab is also visible in extended view if the printer has a Web page.

The Web website offers information on the printer's specifications and physical characteristics, and it occasionally allows for remote administration. Using the printer Web page is covered in more detail later in this book.

To display a longer view

Right-click Printers beneath any print server in the Print Management tree, and then select Show Extended View.

Note

Choose a printer to show or hide columns in extended view. Right-click the column header row in the Jobs tab, then select the name of the column you want to show or hide.

View Filtering

You can create custom printer views using the filtering capability. For instance, it may be useful to filter for printers with a certain fault state or for printers in a collection of buildings regardless of the print server they use. Because each view is dynamic, the information is constantly current.

The Custom Printer Filters folder in the Print Management tree contains all of the filtered views.

Figure 2 displays a possible use-case for a filter. The printers on the given printer server that have a queue status other than Ready and have one or more tasks in the print queue are shown in this custom view.

Figure 2: Customizing a display of printers using filter criteria

You can decide whether to set up email notifications or run a script for each filtered view you create. Refer to Troubleshoot Printers later in this tutorial to understand how to use these choices.

Creating and saving a filtered view

1. Right-click the Custom Printer Filters folder in the Print Management tree, and then select Add New Printer Filter. The New Printer Filter Wizard will then be launched.

2. Enter the printer filter's name and optional description on the Printer Filter Name and Description wizard page. The name will show up in the Print Management tree's Custom Printer Filters folder.

3. Fill out the optional description field.

4. Select the Display the total number of printers next to the name of the printer filter check box to show the number of printers that meet the requirements of a filter.

5. Choose Next.

6. Do the following on the Define a printer filter wizard page:

a. Select the print queue or printer status attribute by clicking it in the Field list.

b. Click the condition in the Condition list.

c. Enter a value in the Value box.

d. Click Next once all of your filter's criteria have been added.

7. One or both of the following actions should be taken on the Set Notifications (Optional) wizard page:

Select the Send e-mail notification check box and enter one or more recipient and sender e-mail addresses to set an email notification. To route the message, an SMTP server must be supplied. To separate several accounts, use semicolons and the format account@domain.

Select the Execute script check box, then enter the path to the script's location to make it run. Type additional arguments in the Additional Arguments box to add more.

8. To finish, click.

Saving a custom view in step five

It might be good to store one or more views if you use customized Print Management views. Msc files, or print management files, are files.

You can alter the following Print Management settings for viewing:

Manage printers in Step 6

All of the printers in your company, including those in branch offices, may be managed with Print Management. The same interface may be used to manage print queues, update drivers, and manage printer sharing. It is not essential to go to each printer's specific folder on each printer server.

You can automatically look for and install network printers on a local print server at branch offices by utilizing Print Management together with the Configure Your Server Wizard and Terminal Services. When employees at branch offices lack administrative chores training, this is advantageous. A printer can be made available to every computer in a certain room or to a large number of individuals. Further in this tutorial, under the heading Deploying Printers to Users or Computers by Using Group Policy, is further information.

Automated Printer Installation on the Local Print Server

You have the ability to add and remove printers as the local print server's administrator. Print Management has the ability to automatically identify every printer connected to the print server on the same subnet, install the necessary printer drivers, configure the print queues, and share the printers. There is no need for assistance unless a printer driver cannot be located.

On the PC where the printers will be added, administrator rights are required.

Use Remote Desktop to connect to the remote print server and initiate the procedure from a computer if you want printers at a branch office or another location outside of your server's subnet to be automatically detected. On the PC where the printers will be added, administrator rights are required. After utilizing Remote Desktop to connect to the remote server, you can start Print Management or execute Windowspmcsnapfnprinters.exe from the command line to look for network printers.

To automatically connect network printers to the local printer server

To automatically find and install printers discovered on this server's local subnet, in the Print Management tree, right-click ServerName (local), select Automatically Add Network Printers, and then click Start.

Note

When installing a printer driver, you can be asked which one you wish to use, but other than that, everything is done automatically.

Using Print Management for Large-Scale Printing Tasks

On all the printers on a specific server or all the printers covered by a specific filter, bulk actions can be run.

The following is a list of the tasks that can be done on several printers at once:

Stop printing

Return to printing

Terminate all jobs

Add to Directory

Delete from Directory

·Delete

Device Driver Updates

For each server that you have added to the Print Management snap-in interface, a separate listing of printer driver information is displayed. The environment, provider, driver name, and driver version columns are displayed by default. Additional columns can be added to display extra information, such as the manufacturer, default datatype, driver file path, and paths to the config and data files.

The list of details can be exported to a text file and used elsewhere outside Print Management.

the control of device driver

1. Right-click Drivers beneath the relevant print server in the Print Management tree, and then select Manage Drivers.

2. Perform any of the following:

Click Add and follow the Add Printer Driver Wizard's instructions to add a printer driver.

Choose a driver from the list, click Remove, and the printer driver will be removed.

Select the printer driver you want to restore, and then click Reinstall.

Select the printer driver, click Properties, and then click Details to display the driver's information

Active Directory Printer Listing and Removal

Users can find and install printers more quickly thanks to the Active Directory® directory service's listing of printers. Using Print Management, you can add printers to Active Directory after installing them on a printer server.

In actuality, you can list many printers at once. To make it simple to choose every printer at once, you might want to set up a filter that displays all of the printers you want to list or remove.

Active Directory printer listing and removal

1. Click Printers beneath the relevant print server in the Print Management tree.

2. Right-click the printer you wish to add to the directory service or remove from it from the results pane, and then select List in Directory or Remove from Directory.

List of Printers and Displayed Columns Exporting

Any Printers object's data, including the columns that are currently visible, can be exported as a text file.

to export a printers list

1. Right-click Printers beneath the relevant print server in the Print Management tree, then select Export List.
2. Enter the file's name in the File name field of the Export List dialog box, then click Save.

Utilizing Group Policy to distribute printers to users or computers

To automatically add printer connections to a computer's Printers and Faxes folder, Group Policy and Print Management can be used.

Note

The schema must be modified for the Deploy Printer Connection capability to function. See "Upgrading from a Windows 2000 domain" on the Microsoft website (http://go.microsoft.com/fwlink/?LinkId=52146) for more details on how to change the schema. Visit the Microsoft website (http://go.microsoft.com/fwlink/?LinkId=51166) for more details regarding schema updates.

For this, you need to automatically add a printer connection setting to an active Group Policy object (GPO) in Active Directory using the Deploy with Group Policy dialog box. The printer connection settings are applied to the users or computers linked to the GPO when Group Policy processing is carried out on client systems. When the print server to which they are connected is being monitored, printers you deploy using this method show up in the Deployed Printers object of the Print Management tree. On the GPO to which the printers are being added, you will have Read Access.

When every computer in a lab, classroom, or branch office needs to have access to the same printer, this technique of installing a printer can be helpful. In large firms where computers and printers are frequently divided by purpose, team, or division, like marketing or human resources, it is also helpful.

On whatever computer they log on to in the network, users have access to a printer connection that has been installed using a per-user connection. The printers and faxes folder displays a printer connection that has been installed using a pushed per-machine connection, ready for usage by any user the following time they log on to that computer.

You need to use a program called PushPrinterConnections.exe to turn on this capability.

Note

Only client PCs running Windows 2000, Windows XP, and Windows Server are in need of the PushPrinterConnections.exe program.

Important

The PushPrinterConnections.exe program needs your Active Directory schema to be updated with the Windows Server updates in order for it to function. Visit the Microsoft website (http://go.microsoft.com/fwlink?linkid=51166) for further details on these schema modifications.

First, add the PushPrinterConnections.exe tool to either a user logon routine or a machine startup script (for per-machine connections) (for per-user connections). The application adds the printer connection after reading the GPO settings that contain the printer parameters.

The PushPrinterConnections.exe computer starting or user login script and the printer connection settings should both be managed by the same GPO. As a result, the PushPrinterConnections.exe application will only be launched by people (or computers) who have received the printer connection settings.

Note

On Windows 2000-powered machines, the only supported printer connections are per-user ones. Per-machine printer connections require Windows XP or Windows Server 2003.

Important

To manage printers using the Group Policy object, you must have write access. You must have a GPO for your printer connection settings that is allocated to the relevant users and computers before you add printers using Group Policy. To construct a GPO, utilize Active Directory Users and Computers or the Group Policy Object Editor

See "Management with the Group Policy Management Console" on the Microsoft website (http://go.microsoft.com/fwlink?linkid=22814) for more details on using Group Policy.

Using Group Policy, you can add printers to certain user or machine groups.

1. Click Printers beneath the relevant print server in the Print Management tree.
2. Right-click the printer you wish to deploy in the results pane, and then select Deploy with Group Policy.
3. Select a Group Policy object by clicking Browse in the Deploy with Group Policy dialog box.
4. Select OK.
5. Make one or both of the following decisions to assign the printer connection setting to the

GPO:

Select the The users that this GPO applies to (per user) check box to make this a per-user setting. Select the The machines that this GPO applies to (per machine) check box to make this a per-machine option.

6. Select Add.

7. To add the printer connection setting to another GPO, repeat steps 3 through 6.

8. Select OK.

The PushPrinterConnections.exe file must be used.

1. Right-click the GPO that contains the settings for your printer connections in the Group Policy Management console (Gpmc.msc), and then select Edit.

2. Navigate to one of the following locations in the Group Policy Object Editor tree:

Then navigate to Computer Configuration, Windows Settings, Scripts (Startup/Shutdown) if the printer connections are installed per-machine.

If each user has their own printer connection, navigate to User Configuration > Windows Settings > Scripts (Logon/Logoff).

3. To access properties, select Startup or Logon from the context menu.

4. Click Show Files in the Logon Properties or Startup Properties dialog box.

5. Close the window after moving the PushPrinterConnections.exe file there.

6. Click Add in the Startup Properties or Logon Properties dialog box.

7. In the Script Name box, type PushPrinterConnections.exe.

8. Enter -log in the Script Parameters box to enable logging. On the machine where the policy is applied, log files are written to%windir%TempPpcMachine.log (for per-computer connections) and%temp%PpcUser.log (for per-user connections).

9. Select OK.

Note

When the client computer resumes, the printer connections will be added for per-computer connections. When a user logs on, the printer connections will be added for per-user connections.

Note

When the client computer restarts or a user logs on after you remove the printer connection settings from the GPO, PushPrinterConnections.exe will also remove the associated printers from the client computer.

Step 7: Diagnose printer issues

Even at remote locations, Print Management includes a number of tools that can assist you in locating and fixing printer issues. You can quickly locate any printers that are not in Ready status or that have a backlogged queue by setting pre-defined filters. Regardless of the vendor, many devices offer detailed status information that Print Management can easily access. You could even be able to prevent issues from occurring by regularly monitoring the printers in your company, such as by noticing when paper or toner levels are low.

Email notifications can be set up to notify you when a printer requires repair. This is especially helpful if different persons are in charge of managing printers at several locations. The issue may be fixed more quickly and the monitoring software may require less attention if you utilize an automated system to alert you when a printer or printing server is offline.

For notifications to be issued or for scripts to run, Print Management must be running.

Utilizing the Web Page Printer

There are occasions when multifunction printers feature a Web page that may be accessed through Print Management's extended view. Depending on the printer's model and manufacturer, the functionality on the printer's Web page will change. Some multifunction printers show the toner level, the quantity of paper in each tray, and remote functionality. From the printer's Web pages, you might be able to upgrade device drivers or delete print jobs.

Note

The printer Web page cannot be displayed if the printer is down as a result of a networking issue.

E-mail Notifications Can Be Set

You can choose to automatically send someone an email when the filter's requirements are met when you construct a view or filter for particular printer criteria. This can be helpful for fixing printer issues, especially in a company with numerous facilities and administrators.

For instance, you can create a view of all the printers that are controlled by a specific print server but whose status is not Ready. A notification email from Print Management may then be sent to the administrator if a printer switches from the Ready status to another status.

You must indicate that the SMTP server forward the messages in order to send these notifications.

For e-mail notification settings

1. Choose one of the following actions in the Print Management tree:

Click Properties from the context menu when you right-click the custom printer filter to add a notice to an already-filtered view. Select the Tab for Notifications.

Right-click the Custom Printer Filters folder, and then select Add New Printer Filter to create a notification for a new filtered view. Up to the Set Notifications screen, follow the directions.

2. Check the box next to Send email notification.

3. Please enter the following details:

Type the recipient's email address in Recipient e-mail address(es). Account@domain is the format to use. Multiple accounts should be separated by semicolons.

Enter the sender's email address in the "Sender email address" field. Account@domain is the format to use.

Enter the host name of the SMTP server that will forward the email alerts in the SMTP Server field.

Write a text message outlining the circumstances around the printer issue in Message.

Configuring Server Alerts

You may also configure notifications on printer server objects in addition to a specific group of printers. An email alert can be issued, for instance, if the server goes offline or the spooler fails. To set e-mail notifications, perform a right-click on a print server object, select Set Notifications, and then carry out steps 2 and 3 in that section.

How to Print a Test Page

Any printer in your company can immediately print a test sheet for you. When testing a printer while not in the same building, this is really useful.

a test page to print

1. Select the relevant print server by clicking it in the Print Management tree.

2. Right-click the printer in the results window for which you want a test page, and then select Print Test Page.

Employing Scripts

You can choose to launch a script when the filter's conditions are met when you construct a view or filter for particular printer criteria. The Set Notifications dialog box is where script notifications are defined. For diagnosing printer issues, setting script notifications is helpful.

When printers go down, for instance, you could programmatically run a script to restart a spooler. You may alternatively program a script to print a test page automatically.

UserSpecifiedArgumentsServerOfflineServerName are the arguments.

Any computer-based scripting language, including Visual Basic® Script (.vbs), can be used to create scripts. The machine with Print Management must have the script on it. The script must be operating under your credentials, and you must have the authority to carry out the tasks you have given it.

Start the print spooler as an example of a command you might use in a script:

start spooler net

Step 8: Address Print Management issues

Some or all of the printers on a network print server might not be visible if you're using a firewall with Print Management. Add File and Printer Sharing to the list of exceptions in the firewall software configuration to address the issue. For instance, the setting is located on the Exceptions tab in Windows Firewall.

When use a firewall, how to show every printer on the network print server

1. Click Edit after adding File and Printer Sharing.
2. Click Change scope in the Edit a Service dialog box.
3. Select Any machine in the dialog box for Change Scope (including those on the Internet).

### 5.4.2 Reports Displaying

The information is presented in a way that enables users to profit as much as possible from the data they enter. A user can present data in a variety of ways and receive a comprehensive picture of the data. Data collection is done with the intention of presenting the information in clear accounting reports. Tally.ERP 9 uses the same data when you enter the vouchers and gives you all the books and statements in addition to the management control reports.

Tally.ERP 9's display screens are animated and interactive. They are specifically created for the screen rather than being spooled print files. Depending on the capabilities of your printer, you may be able to print what you see on the screen as well.

types of display :

Reports

Revisions to Reports

1.A financial statement display

Present the Balance Sheet

Show the profit and loss statement

Show Payment & Receipt Account

Present the Trial Balance

Registers and ledgers on display

Sales Register Display

Present the Cash Book

Show Bank Book

Account Statement Display

Purchase Register on Display

Journal Register Display

Daybook on Display

2.Show inventory statements and reports

Stock Summary Display

Display Stock Products

Location/Godown Overview

Movement Evaluation

Analysis of Stock Age

Purchase and Sales OrdersReturn Status

Batchwise Reports Display

3.Reports from management information systems

Payables and Receivables

Price Center Reports

Statements of Cash Flow

Financial Statements

Report on Ratio Analysis

Outstanding Reports

**5.4.3 Accessing Reports**

You may inspect, format, and summarize the data in your Microsoft Access database using reports. You might, for instance, make a straightforward report listing all of your contacts' phone numbers or a summary of the total sales for all regions and time periods.

This article will provide you a general understanding of Access reports. Additionally, you'll master the fundamentals of report creation, how to use tools for grouping, summing up data, and how to preview and print reports.

Note that only Access desktop databases should be used with the information in this article. Reports are not supported by Access web apps.

In this piece,

Overview of Access's reports

In Access, create a report.

Include grouping, sorting, or summaries.

Data that has conditional formatting is highlighted.

Changing fonts and colors

Include a background image or a logo

A report's preview and printing

When you need to show the data in your database for any of the following purposes, a report is a database item that can help:

Publish or disseminate a data summary.

pictures of the data in archives.

Give information on certain records

Publish labels.

Components of a report

For the sake of this article, we'll assume that a report is bound to a data source like as a table or query. It is possible to create "unbound" reports that do not display data. In the Design view, you can see the sections that make up a report's design. You can produce superior reports if you comprehend how each area operates. For instance, Access calculates the results based on the section you choose to place a calculated control in. The section kinds and their applications are enumerated in the list below:

Section

The way the section appears when printed

where to use the section

a report's header

starting with the report.

For details that would typically display on a cover page, such as a logo, a title, or a date, use the report header. The sum calculated is for the entire report when a calculated control using the Sum aggregate function is placed in the report header. Before the page header, the report header is printed.

Page Heading

the very top of each page.

To repeat the report title on each page, use a page header.

Team Header

at the start of each new collection of records.

To print the group name, use the group header. For instance, to print the product name in a report that is grouped by product, use the group header. The sum is for the current group when a computed control using the Sum aggregate function is included in the group header. Depending on how many grouping levels you have set, a report may contain many group header parts. See the section Add grouping, sorting, or totals for further details on how to create group headers and footers.

Detail

every row in the record source only once.

The controls that make up the report's primary body should go here.

Team Footer

each group of records' conclusion.

To print a group's summary information, use a group footer. Depending on how many grouping levels you've set, a report may contain many group footer parts.

Website Footer

at the bottom of each page.

To print page numbers or per-page information, use a page footer.

Document Footer

after the report's conclusion.

Note that the report footer may be seen underneath the page footer in Design view. The report footer, on the other hand, comes just after the last group footer or detail line on the last page in all other views (such as Layout view, when the report is printed, or while it is being previewed)

To print report totals or other summary data for the whole report, use the report footer.

When your database has a thoughtfully planned table structure and relationship between tables, you'll discover that it's much simpler to produce insightful reports. See the article Database design basics for an introduction to database planning and design.

Highest Page

In Access, create a report.

The steps listed below can be used to create reports for your Access desktop database:

First, select a record source.

A table, a named query, or an embedded query are all acceptable record sources for reports. All of the rows and columns of data that you wish to appear in the report must be present in the record source.

Select the table or query in the Navigation Pane if the data comes from an existing table or query, and then move on to Step 2 if it does.

One of the following should be done if the record source is not yet available:

Utilize the Blank Report tool in Step 2 and keep going.

Or

Make the necessary query(s) or table(s) that contain the necessary data. Go to Step 2 after choosing the query or table in the Navigation Pane.

Choose a report tool in step two.

The report tools are found in the Reports group under the Create tab of the ribbon. The choices are listed in the following table:

Tool

Description

Report

creates a straightforward tabular report using each field from the record source you chose in the Navigation Pane.

Report Format

opens a blank report in Design view so you may add the necessary controls and fields to it.

a bare report

reveals the Field List, from which you can add fields to the report, and opens a blank report in Layout view.

Wizard Repor

allows you to configure fields, grouping/sorting levels, and layout settings using a multi-step wizard.

Labels

reveals a wizard where you can choose the fields you want to display and how you want them arranged, as well as standard or custom label sizes.

Create the report in Step 3

Select the tool you wish to use by clicking its button. If a wizard pops up, go through its instructions and click Finish on the last page.

The report is shown in Layout view in Access.

Create the report's format according to your desired appearance:

By selecting them and then dragging the boundaries to the desired size, you can resize fields and labels.

the field you want to move (along with its label, if any) and drag it to the new spot.

Use the commands on the shortcut menu when you right-click a field to combine or divide cells, delete or select fields, or carry out other formatting operations.

Additionally, you can use the features outlined in the subsequent sections to improve the presentation and readability of your report.

Highest Page

Include grouping, sorting, or summaries.

The quickest way to group, sort, or add totals to a desktop database report is to right-click the field you wish to apply the group, sort, or total to, and then select the required command from the shortcut menu.

While the report is open in Layout view or Design view, you can additionally add grouping, sorting, or totals by utilizing the Group, Sort, and Total pane:

Click Group & Sort under the Grouping and Totals group on the Design tab to bring up the Group, Sort, and Total pane if it is not already visible.

Select the field on which you wish to group or sort by clicking Add a group or Add a sort.

To add more options and totals, click More on a grouping or sorting line

Data that has conditional formatting is highlighted.

Access comes several options for emphasizing data in reports. For each control or group of controls, you can apply conditional formatting rules. In client reports, you can also include data bars to compare data.

To provide controls conditional formatting:
Layout View can be accessed by right-clicking the report in the Navigation Pane.
Choose the necessary controls, then click Conditional Formatting under the Control Formatting group on the Format tab.
Hold down the CTRL key when clicking numerous controls to select them all at once.
Click New Rule in the Conditional Formatting Rules Manager dialog box.
Choose one of the options under "Select a rule type" in the New Formatting Rule dialog box:
Select Check values in the current record or employ an expression to define a rule that examines each record separately.
Click Compare to other records to build a rule that uses data bars to compare records to one another.
Select the formatting to be applied as well as the rule for when it should be applied under Edit the rule description, and then click OK.
Repeat this process from step 4 to build an additional rule for the same control or collection of controls.
Highest Page
Changing fonts and colors
To change the fonts and colors, use an app theme.
Right-clicking a report in the Navigation Pane, then selecting Layout View, will open it in Layout view.
Click Themes from the Report Layout Tools menu's Design tab to see a preview of the effects of the various themes in the gallery. To choose a theme, click on it. Then, save your report.
To set colors or fonts independently, use the Colors or Fonts galleries.
Highest Page
Include a background image or a logo
You can include a logo or background picture in a report, and if you change the image, any database references to it will be updated immediately.
Changing or adding an image:
Right-click the report in the Navigation Pane and select Layout View.
Pick the report's position where you want to add the picture, then click the Logo option under the Header/Footer group on the Design menu.

Select the image and then click Open. The image is included to the report by Access.

Right-click the image and select Delete from the shortcut menu to get rid of it.

Adding a backdrop picture

Right-click the report in the Navigation Pane and select Layout View.

Background Image under the Background group on the Format tab.

Click Browse, pick an image, and then click OK to choose an image from the Image Gallery list

Highest Page

A report's preview and printing

Check out a report

Click Print Preview from the context menu of the right-clicked report in the Navigation Pane. Any of the following actions can be performed by using the commands on the Print Preview tab:

Print the document

Adapt the layout or page size

View multiple pages at once, or zoom in or out.

ate the report's data.

Publish the report in a different file format.

Click Print Preview Close

Publish a report

Without first previewing it, print a report:

In the Navigation Pane, select the report, then select Print from the context menu. Your computer's default printer receives the report.

Note: You can choose additional printing choices, such as the number of pages and copies, as well as a printer, if you click the report in the Navigation Pane and choose Print from the File tab.

Click Print to bring up a dialog box where you may choose a printer, specify how many copies you want, and other options.

**5.4.4 Modifying Reports**

The methods you can employ to edit an existing Access report are covered in this topic. Layout view and Design view are two views that Access offers you for editing your report. Which view you choose will depend on the exact activity you're attempting to do. It's possible that you'll need both perspectives to make your modifications.

The easiest view to utilize for report modification is layout view, which can be used for almost all modifications you could wish to make to a report in Access. The report is actually running in Layout view, allowing you to see your data almost exactly as it will on paper. But in this view, you can also alter the report's layout. It's a very helpful view for altering column widths, adding grouping levels, or carrying out nearly any other action that impacts the layout and readability of the report because you can see the data while you are making the modifications. An example of a customer phone book report in layout view is shown in the example below.

Viewing a report in layout

The layout view of the report and the printed version do not exactly match. For instance, in Layout view, there are no page breaks. Additionally, the columns are not shown in Layout view if you used Page Setup to style your report using columns. Layout view, on the other hand, provides a highly accurate representation of the printed report. Use Print Preview to preview how the report will appear when printed.

You must go to Design view in order to do several tasks that you cannot complete in Layout view. Access may occasionally notify you with a notification that you need to switch to Design view in order to perform a specific modification.

Recognize Design view

You can explore your report's structure in more depth in design view. The report, page, and group header and footer bands are visible. Although you cannot see the underlying data while working in Design view because the report isn't actually running there, there are some tasks that are simpler to complete there than in Layout view. One can:

Expand the range of controls you include in your report by using labels, photos, lines, and rectangles.

Without using a property sheet, edit text box control sources directly in the text boxes.

A few properties can be changed that are not visible in Layout view.

An example of a Customer Phone Book report in Design view is shown in the accompanying graphic.

An evaluation in Design perspective

Alternate between viewpoints

There are numerous ways to switch between views in Access. You can change to a different view while the report is already open by carrying out one of the following actions:

Select the desired view from the shortcut menu by performing a right-click on the report in the Navigation Pane.

Select the desired view from the shortcut menu by performing a right-click on the report's document tab or title bar.

To switch between the available views, click the View button under the View group on the Home tab. As an alternative, you can click the arrow next to View and then pick a view from the drop-down menu.

The desired view can be selected by performing a right-click in a blank space of the report itself. You must right-click outside of the design grid if the report is open in Design view.

On the Access status bar, click one of the little view icons.

Double-clicking the report in the Navigation Pane will open it in Report view if it isn't already open. Right-click the report in the Navigation Pane and choose the desired view from the shortcut menu to open it in a different view.

Note: You can only view the columns in Print Preview if you are editing a report that has several columns that you created using Page Setup (such as a mailing label report). Access presents the data in one column whether you examine the report in Report view or Layout view.

Make changes to your report in Layout view.

Some of the typical report alterations that you can make in Layout view are covered in this section.

In Layout view, alter the width of a column or field.

Select the item you want to change by clicking it in the column.

The object has a border drawn around it to show that the field has been chosen.

To make the column the desired width, drag the border's right or left edge.

In Layout view, alter the height of a row or field.

To make changes to a row, click on an item there.

The object has a border drawn around it to show that the field has been chosen.

To make the row the desired height, drag the border's top or bottom edge.

In Layout view, include a field.

Click Add Existing Fields in the Tools section of the Design tab.

It shows the list of available fields. Fields available in other tables: will show any fields that are accessible from other tables.

From the Field List, drag a field onto the report. After you drag the field, a highlighted region will show you where it will go when you let go of the mouse button.

Hold down the CTRL key while clicking each desired field in the Field List to add multiple fields at once. Drag the fields onto the report after releasing the CTRL key. The fields will be situated close to one another.

Highest Page

Recognize control layouts

To offer your report a consistent appearance, control layouts act as guides to align your controls both horizontally and vertically. A control layout can be compared to a table, where each cell has a control. You can add, remove, or rearrange controls in control layouts by using the processes listed below.

There are two types of control layouts: stacked and tabular.

Controls are grouped in rows and columns, much like a spreadsheet, and have labels running across the top in tabular control layouts. In a tabular control arrangement, the labels are always in the section above the controls, regardless of which part the controls are in. A straightforward tabular control layout is shown in the figure below.

simple tabular control structure

Controls are positioned vertically, like they could be on a paper form, in stacked layouts, with a label to the left of each control. A single report section is always home to a stacked arrangement. The fundamental stacking of controls is shown in the following illustration

Simple stacked control arrangement

Multiple control layouts of either type are allowed on a report. To produce a row of data for each record, for instance, you may use a tabular layout. Below that, you might have one or more stacked layouts that carry additional data from the same record.

Design a fresh control layout.

In the following situations, Access automatically produces columnar control layouts:

By selecting the Report Button icon in the Reports group of the Create tab, you can create a new report.

By selecting the Blank Report Button icon in the Reports group of the Create tab and dragging a field from the Field List pane onto the report, you may create a new report.

You can add a new control layout to an existing report by doing the following actions:

Choose the control you wish to include in the layout.

Hold down the SHIFT key while selecting the additional controls you want to add to the layout.

Choose one of these:

Click Tabular or Stacked under the Table group on the Arrange tab.

Click Layout from the context menu of the selected control or controls, then select Tabular or Stacked.

The control layout is created by Access, and the chosen controls are added to it.

Change a control layout's tabular to stacked or stacked to tabular orientation

To completely change a layout from one kind of layout to another:

By clicking the orange layout selector in the layout's upper left corner, choose the control layout.

The layout's cells are all now selected.

Choose one of these:

Select the desired layout type by clicking it in the Table group of the Arrange tab (Tabular or Stacked).

The desired layout type can be selected by right-clicking the control layout, pointing to Layout, and clicking.

The controls are rearranged by Access into the layout type you chose.

Divide a control arrangement into two separate layouts.

Use the following method to divide a control layout into two layouts:

Click the controls you want to shift to the new control layout while holding down the SHIFT key.

Choose one of these

Select the layout type you want for the new layout by clicking it on the Arrange tab's Table group (Tabular or Stacked).

To choose the layout type for the new layout, right-click the chosen controls, point to Layout, and then click it.

The chosen controls are added to a new control layout that Access builds.

Change the layout of the controls.

Drag a control to the desired location inside a control layout to transfer it there. A horizontal or vertical bar shows where the field will be positioned when you release the mouse button when you move it.

A control can be transferred from one control layout to another of the same type. In contrast to tabular layouts, you can move a control from one stacked layout to another stacked layout.

Enhance a control arrangement with controls.

To incorporate a fresh field into an existing control layout by using the Field List pane

Simply drag the field to the layout from the Field List pane. When you let go of the mouse button, a horizontal or vertical bar will show you where the field will be.

To expand an existing control layout with more controls

Choose the first control you want to include in the layout of controls.

Hold down the SHIFT key while selecting the additional controls you want to add to the layout.

Other control layouts have controls that you can choose from.

Choose one of these:

Drag the selected fields to the layout if the report is opened in Design view. When you release the mouse button, a horizontal or vertical bar shows you where the fields will be placed.

If the layout view of the report is active:

Click the kind of the layout you are adding to on the Arrange tab's Table group. Click Tabular if you are adding to a tabular layout. Click Stacked if you are adding to a stacked arrangement.

The selected controls are added to a new layout that Access builds.

Drag the new layout on top of the current one. When you release the mouse button, a horizontal or vertical bar shows you where the fields will be placed.

Eliminate the controls from the control layout.

You can move a control to any location on the report by removing it from a control layout without impacting the placement of any other controls.

Choose the control that needs to be eliminated from the layout. Hold down the SHIFT key while clicking the desired number of controls to select them all at once. Click the layout selector box in the top left corner of the layout to choose all of the controls.

Select Layout from the context menu by selecting one of the chosen controls, and then click Remove Layout.

The chosen controls are removed from the layout by Access.

Tip: Hold down the CTRL key while dragging the control to the desired location to prevent it from being placed into a control layout.

## 5.5 FINANCIAL STATEMENTS

Financial statements are documents that describe a company's operations and financial performance. Government organizations, accounting companies, etc. frequently audit financial statements to guarantee accuracy and for tax, financing, or investing purposes. The balance sheet, income statement, statement of cash flow, and statement of changes in equity are the four basic financial statements for for-profit entities. A similar but distinct set of financial statements is used by nonprofit organizations.

Financial statements are written records that outline an organization's operations and financial performance.

The balance sheet gives a quick picture of the company's assets, liabilities, and shareholders' equity

The revenues and expenses incurred by a corporation during a specific time period are the main subjects of the income statement. The statement generates a profit figure known as net income for a corporation after expenses are deducted from revenues.

The cash flow statement (CFS) gauges how effectively a business earns cash to cover debt payments, operating costs, and investments.

The statement of changes in equity keeps track of whether profits are dispersed to third parties or are kept in-house for future expansion.

Accounting Statements

Getting to Know Financial Statements

Financial information is used by investors and financial analysts to assess a company's performance and forecast where the stock price will go in the future. The annual report, which includes the company's financial statements, is one of the most significant sources of trustworthy and audited financial information.

Investors, market analysts, and creditors assess a company's financial status and profits potential using its financial statements. The balance sheet, income statement, and statement of cash flows are the three main financial statement reports.

Financial statements are not all made equal. The guidelines employed by American businesses are known as Generally Accepted Accounting Principles, while International Financial Reporting Standards are frequently adopted by businesses around the world (IFRS). Additionally, distinct financial reporting guidelines are used by U.S. federal departments.

Account Statement

A company's assets, liabilities, and shareholders' equity are outlined in the balance sheet as a snapshot in time. You may find out when the snapshot was taken by looking at the date at the top of the balance sheet, which is often the conclusion of the reporting period. A list of the components of a balance sheet is shown below.

Assets

Liquid assets include cash and its equivalents, such as Treasury bills and certificates of deposit.

The sum of money owing to the business by its clients for the sale of its goods and services is known as accounts receivable.

Inventory is the stock of items that a corporation has on hand and plans to sell regularly. Finished commodities, unfinished work in progress, and unprocessed raw materials may all be included in an inventory.

Costs that have been paid in advance of their due dates are referred to as prepaid costs. These costs are recorded as an asset since their worth has not yet been appreciated; should this happen, the business would theoretically be entitled to a return.

A firm owns property, plant, and equipment as capital assets for long-term gain. This includes structures that are utilized for production and large equipment that is used to process raw materials.

Assets retained for potential future growth are called investments. These are merely held for capital appreciation and are not employed in operations.

Although they cannot be physically touched, goodwill, patents, trademarks, and other intangible assets have potential economic (and frequently long-term) benefits for the business.

Liabilities

The bills that are due as part of a business's regular operations are known as accounts payable. Utility bills, rent statements, and commitments to purchase raw materials all fall under this category.

Wages payable are sums owed to employees for hours performed.

Official debt arrangements, including the payment schedule and amount, are documented in notes payable, which are recorded debt instruments.

Dividends declared to be paid to shareholders but not yet received are referred to as dividends payable.

Mortgages, sinking bond funds, and other loans with longer-than-one-year full payment due dates can all be considered long-term debt.

Keep in mind that this debt's short-term part is listed as a current liability.

Investors' Equity

A company's entire assets less its total liabilities equals its shareholders' equity. Shareholders' equity, also called stockholders' equity, is the sum of money that would be given back to shareholders if all of the company's assets were sold and all of its debts were settled.

The portion of net earnings that was not distributed to shareholders as dividends is known as retained earnings and is included in shareholders' equity.

Financial Ratios and Calculations

Financial ratios demonstrate your company's financial health in a number of areas, including its capacity to pay off debt and level of profit.

You can use these ratios by entering your financial data into formulas. You can use a variety of formulas or other ratios, depending on whose financial statement you are analyzing.

Financial advisors, investment gurus, CPAs, and authors of corporate annual reports may use Einstein-level mathematics to help their clients make financial decisions. But, in this essay, we'll concentrate on the most fundamental, important ratios that business owners use to analyze the financial statements of their companies and make ongoing operational decisions.

1. Ratios of liquidity

Liquidity ratios are used to determine a company's capacity to quickly turn its assets into cash. These ratios show how well a business can meet its expenses. Examples of liquidity ratios include the current ratio, cash coverage ratio, quick ratio, and liquidity index.

The current ratio is a well-liked metric for evaluating liquidity. To determine this, the corporation looks at the current assets and current liabilities on the balance sheet. To calculate the current ratio, divide the amount of current assets by the amount of current liabilities.

Current Assets / Current Liabilities equals the current ratio.

Example

A company's current ratio would be: If it has $800,000 in current assets and $500,000 in current liabilities.

Solution

800 / 500,000 is the current ratio.

=1.6

It reflects the business' capacity to pay expenses and pay off short-term debts.

1.6:1 means a ratio (assets: liabilities).

You are in trouble if your current ratio is less than 1:1 since you lack the current assets necessary to pay off your immediate debts.

Your ratio today shouldn't be much lower than 2:1. The higher your ratio, the better able you are to cover liabilities

2. The ratio of debt to equity

The debt-to-equity ratio evaluates a company's overall debt in relation to the ownership stake it holds. Both of these numbers will appear on a company's balance sheet. To calculate a company's debt-to-equity ratio, divide all of its liabilities by all of its shareholder equity. Total liabilities / shareholder equity is the D/E ratio.

If a company has a debt-to-equity ratio of 2:1, it signifies that there are $2 in debt for every $1 that shareholders have put in the business. In other words, the company is borrowing money twice as quickly as its owners are investing in it.

Example

ABC Ltd. had $14.2 billion in total liabilities and $9.65 billion in total shareholder equity at the end of 2020.

It will be determined how to calculate the D/E ratio: $14.2 billion / $9.65 billion is the D/E ratio.

Hence, the D/E Ratio is 1.47.

At first glance, ABC's higher leverage ratio appears to indicate a greater risk. This might be too generic at this point to be useful, so more research would be necessary.

Operational margin 3.

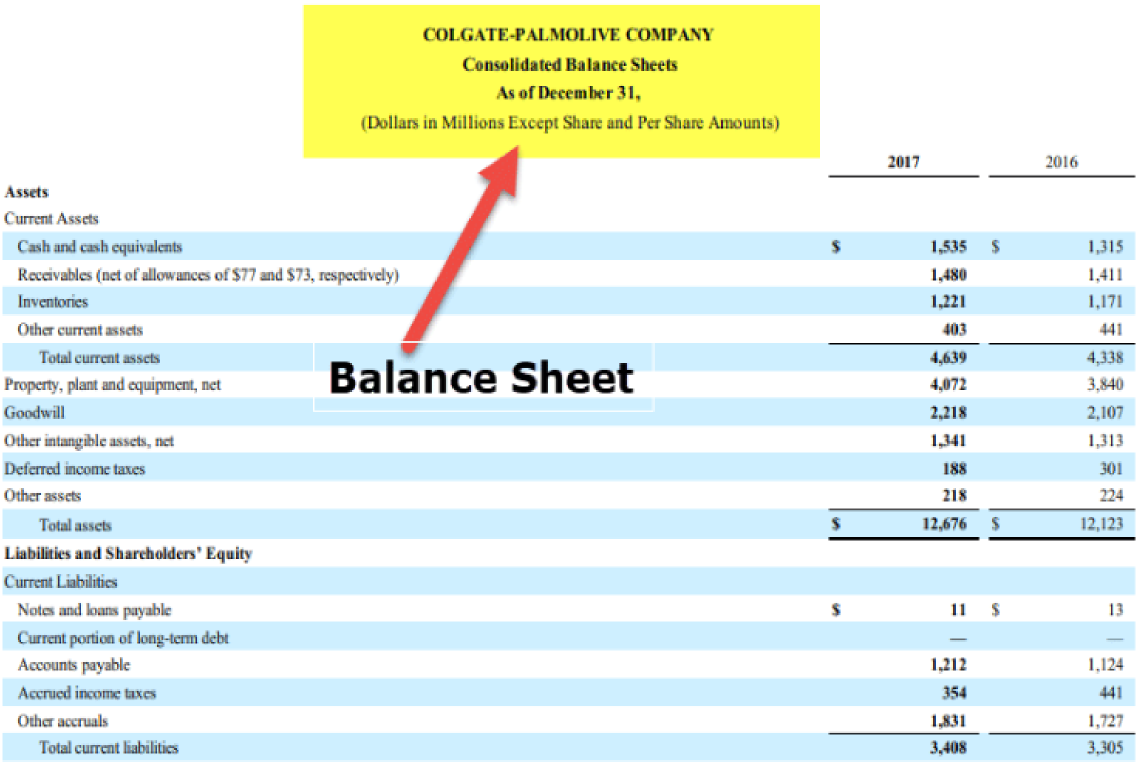
Operating margin is the ratio of an organization's operational income to net revenues. Both of these numbers will appear on a corporation's income statement. To calculate operating margin, divide a company's operational income (before interest and tax expenses) by net revenues, or

Income from Operations / Net Revenues is operating margin.

Operating margin is most frequently expressed as a percentage. It shows the profit margin in percentage terms for each dollar of sales.

Example

Let's assume that the 2020 annual income statement for the XYZ Business showed net sales revenue of $110 million. With total COGS and operational costs of $70 million, operating income for the year was $40 million. It has an operating margin of 40% (40 million dollars divided by 100 million dollars).




COLGATE-PALMOLIVE COMPANY
Consolidated Balance Sheets
As of December 31,
(Dollars in Millions Except Share and Per Share Amounts)

| | 2017 | 2016 |
|---|---|---|
| **Assets** | | |
| Current Assets | | |
| Cash and cash equivalents | $ 1,535 | $ 1,315 |
| Receivables (net of allowances of $77 and $73, respectively) | 1,480 | 1,411 |
| Inventories | 1,221 | 1,171 |
| Other current assets | 403 | 441 |
| Total current assets | 4,639 | 4,338 |
| Property, plant and equipment, net | 4,072 | 3,840 |
| Goodwill | 2,218 | 2,107 |
| Other intangible assets, net | 1,341 | 1,313 |
| Deferred income taxes | 188 | 301 |
| Other assets | 218 | 224 |
| Total assets | $ 12,676 | $ 12,123 |
| **Liabilities and Shareholders' Equity** | | |
| Current Liabilities | | |
| Notes and loans payable | $ 11 | $ 13 |
| Current portion of long-term debt | — | — |
| Accounts payable | 1,212 | 1,124 |
| Accrued income taxes | 354 | 441 |
| Other accruals | 1,831 | 1,727 |
| Total current liabilities | 3,408 | 3,305 |

### 5.5.1 Display of Balance Sheet

The balance sheet of a business, usually referred to as a "statement of financial position," lists the company's assets, liabilities, and equity (net worth). The income statement, cash flow statement, and balance sheet combined form the foundation of any company's financial statements.

It's crucial to comprehend the form of a balance sheet, how to read one, and the fundamentals of balance sheet analysis whether you're a corporate shareholder or prospective investment.

A essential financial statement that gives a quick overview of a company's finances is the balance sheet.

The balance sheet is divided into two columns, each of which balances the other to provide a net of zero.

The itemized assets of a company are listed on the left side, divided into long-term and short-term assets.

Liabilities and shareholders' equity for a company are located on the right side, which is also divided into long-term and short-term equity.t

How to Read a Balance Sheet?

Two components of the balance sheet are separated, and according to the following equation, they must be equal to one another or balance one another out. A balance sheet's primary calculation is:

Liabilities plus shareholder equity equal assets.

This implies that a firm's financial liabilities, coupled with the equity investment made into the company and its retained earnings, balance its assets, or the means utilized to manage the business.

Liabilities and equity are two elements that support a company's assets, which are what it utilizes to run its business. In a publicly listed corporation, owners' equity, also known as shareholders' equity, is the sum of the initial investment plus any retained earnings and serves as a source of finance for the enterprise.

There are two main divisions on the balance sheet. The company's obligations and shareholders' equity are below the assets, to the right of them, while the assets are at the top or on the left. When the value of the assets equals the sum of the liabilities and shareholders' equity, the balance sheet is likewise always in balance.

The assets and liabilities portions of the balance sheet are arranged within each section according to how current the account is. As a result, accounts on the asset side are often ranked from most liquid to least liquid. Short-term borrowings and other commitments are arranged from short to long-term in the accounting for the liabilities side.

Account Statement

Katie Kerpel for Investopedia

It's crucial to remember that a balance sheet just provides a momentary glimpse of the company's financial situation.

Different Assets

### Short-Term (Current) Assets

Current assets can be easily converted into cash because they have a lifespan of one year or less. These asset classifications include of inventory, accounts receivable, and cash and cash equivalents.

Checks and non-restricted bank accounts are also included in cash, the most fundamental of current assets. U.S. Treasury bonds are one example of a very safe asset that can be easily changed into cash as a cash equivalent.

Accounts receivable (AR) refers to the short-term debts that customers owe to the business. Consumers are frequently given credit when purchasing goods or services from businesses, and these obligations are kept in the current assets account until the customers pay them off.

Finally, inventory is made up of the company's raw materials, things that are still being produced, and finished goods. The precise composition of the inventory account will vary depending on the company. For instance, a manufacturing company will carry many raw materials, whereas a retail company will not. A retailer's inventory is often made up of items that were bought from manufacturers and distributors.

### Long-Term (Noncurrent) Assets

Non-current assets are those that are difficult to convert to cash, are anticipated to be converted to cash within a year, and/or have a longer lifespan. They can be used to describe material possessions like equipment, computers, structures, and land. Intangible assets like goodwill, patents, and copyrights can also be non-current assets. Even though these assets aren't tangible, they are frequently the things that can make or destroy a business; the worth of a brand name, for instance, shouldn't be undervalued.

Most of these assets have depreciation calculated and subtracted from them, which represents the economic cost of the asset throughout its useful life.

### Liabilities by Types

Liabilities are shown on the balance sheet's other side. These are the debts that a business owes to third parties. They can be both short-term and long-term, much like assets.

### Short-Term (Current) Liabilities

Liabilities that must be paid by the corporation within a year are known as current liabilities. This covers both short-term borrowings and liabilities that a corporation has over the following 12 months, such as accounts payables (AP) (e.g., payment for purchases made on credit to vendors).

A 10-year loan's most recent interest payment, for example, is one example of a longer-term loan that includes a present part.

Long-Term (Noncurrent) Liabilities

Debts and other non-debt financial obligations that are due after a period of at least one year from the balance sheet date are classified as long-term liabilities. An organization might, for instance, issue bonds with a long maturity.

Investors' Equity

Equity held by shareholders is the initial sum of money invested in a company. Retained profits are moved from the income statement to the balance sheet and into the shareholder's equity account if a firm chooses to reinvest its net earnings (after taxes) back into the business at the end of the fiscal year.

The complete net value of a business is shown in this account. Total assets on one side of the balance sheet must equal total liabilities plus shareholders' equity on the other side for the balance to exist.

Example of a Balance Sheet

Below is a portion of ExxonMobil Corporation's (XOM) balance sheet for fiscal year 2021, reported as of Dec. 31, 2021.

Total assets were $338.9 billion.

Total liabilities were $163.2 billion.

Total equity was $175.7 billion.

Total liabilities and equity were $338.9 billion, which equals the total assets for the period.

| | Note Reference Number | December 31, 2021 | December 31, 2020 |
|---|---|---|---|
| | | (millions of dollars) | |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | 6,802 | 4,364 |
| Notes and accounts receivable - net | 6 | 32,383 | 20,581 |
| Inventories | | | |
| Crude oil, products and merchandise | 3 | 14,519 | 14,169 |
| Materials and supplies | | 4,261 | 4,681 |
| Other current assets | | 1,189 | 1,098 |
| Total current assets | | 59,154 | 44,893 |
| Investments, advances and long-term receivables | 8 | 45,195 | 43,515 |
| Property, plant and equipment, at cost, less accumulated depreciation and depletion | 9 | 216,552 | 227,553 |
| Other assets, including intangibles - net | | 18,022 | 16,789 |
| Total assets | | 338,923 | 332,750 |
| Liabilities | | | |
| Current liabilities | | | |
| Notes and loans payable | 6 | 4,276 | 20,458 |
| Accounts payable and accrued liabilities | 6 | 50,766 | 35,221 |
| Income taxes payable | | 1,601 | 684 |
| Total current liabilities | | 56,643 | 56,363 |
| Long-term debt | 14 | 43,428 | 47,182 |
| Postretirement benefits reserves | 17 | 18,430 | 22,415 |
| Deferred income tax liabilities | 19 | 20,165 | 18,165 |
| Long-term obligations to equity companies | | 2,857 | 3,253 |
| Other long-term obligations | | 21,717 | 21,242 |
| Total liabilities | | 163,240 | 168,620 |
| Commitments and contingencies | 16 | | |
| Equity | | | |
| Common stock without par value (9,000 million shares authorized, 8,019 million shares issued) | | 15,746 | 15,688 |
| Earnings reinvested | | 392,059 | 383,943 |
| Accumulated other comprehensive income | | (13,764) | (16,705) |
| Common stock held in treasury (3,780 million shares in 2021 and 3,786 million shares in 2020) | | (225,464) | (225,776) |
| ExxonMobil share of equity | | 168,577 | 157,150 |
| Noncontrolling interests | | 7,106 | 6,980 |
| Total equity | | 175,683 | 164,130 |
| Total liabilities and equity | | 338,923 | 332,750 |

### 5.5.2 Display Profit and Loss Account

Every firm, typically at the end of the year, needs to know the revenues received and costs incurred over a specific period.

A business's monthly or annual profits and losses are displayed on the profit and loss statement or account.

For the reasons listed below, businesses employ "T Account" and profit and loss statements, respectively. There are two basic purposes for creating a profit and loss statement or account.

Knowing a business's earnings, losses, and other financial transactions

Legislative requirements (Companies Act, Partnership Act or any other law)

To determine the profit or loss, traditionally, there were two steps. It means getting ready for:

Financial Account

Profit and Loss Statement

The trade account displays the company's overall profit or loss. The company's net profit or loss is displayed in the profit and loss account.

Let's walk you through the various profit and loss account formats:

Format for Partnership Firms and Sole Proprietors

P&L Account Format for Businesses

Format for Partnership Firms and Sole Proprietors

For sole proprietors and partnership enterprises, there is no fixed format for the profit and loss statement. Any format for the P&L Account might be prepared by them. It should, however, show the gross and net profits separately.

The "T shaped form" is typically preferred by these businesses for producing P&L accounts.

Shape of a T A P&L account in the shape of a T has two sides: debit and credit. Profit & Loss Statement is generated after the trading account.

EXAMPLE

## Example

From the following trial balance of John and Co., prepare the trading and profit and loss accounts for the year ended 31st December 2019.

| | $ | | $ |
|---|---|---|---|
| **Opening Stock** | **20,000** | **Sales** | **56,000** |
| **Sales Returns** | **1,000** | **Creditors** | **20,000** |
| **Purchases** | **31,000** | **Capital** | **100,000** |
| **Carriage Inward** | **20,000** | **Purchases Return** | **1,000** |
| **Salaries** | **4,000** | **Loan** | **21,000** |
| **Investment** | **20,000** | **Interest on Investment** | **2,000** |
| **Commission** | **500** | | |
| **Wages** | **2,000** | | |
| **Customs Duty** | **4,000** | | |
| **Building** | **80,000** | | |
| **Insurance** | **1,200** | | |
| **Discount** | **300** | | |
| **Furniture** | **4,000** | | |
| **Sundry Debtors** | **20,000** | | |
| **Cash** | **8,000** | | |
| | **200,000** | | **200,000** |

The closing stock was valued at $32,000.

# Solution

**John and Co.**
**Trading and Profit and Loss Account**
**For the Year Ended 31st Dec. 2019**

| | | $ | | | $ |
|---|---|---|---|---|---|
| Opening Stock | | 20,000 | Sales | 56,000 | |
| Purchases | 31,000 | | Less: Sales Return | 1,000 | 55,000 |
| Less: Purchases Return | 1,000 | 30,000 | Closing Stock | | 32,000 |
| Carriage Inward | | 4,000 | | | |
| Wages | | 2,000 | | | |
| Customs Duty | | 4,000 | | | |
| Gross Profit (Transfer to P&L A/c) | | 27,000 | | | |
| | | 87,000 | | | 87,000 |
| Salaries | | 4,000 | Gross Profit b/d | | 27,000 |
| Insurance | | 1,200 | Interest on Investment | | 2,000 |
| Commission | | 500 | | | |
| Discount | | 300 | | | |
| Net Profit (Transferred to Capital A/c) | | 23,000 | | | |
| | | 29,000 | | | 29,000 |

## Example 2

From the following ledger balances extracted from the books of Mr. Bharath, prepare a profit and loss account as on March 31, 2019.

| Particulars | $ | Particulars | $ |
|---|---|---|---|
| To Carriage on Sales | 3,000 | By Gross Profit | 65,000 |
| To Rent | 2,000 | By Commission Received | 8,000 |
| To Insurance Premium | 2,500 | By Interest on Investment | 4,650 |
| To Salaries | 4,000 | | |
| To Bad Debts | 3,500 | | |
| To Discount Allowed | 435 | | |
| To Rate and Taxes | 580 | | |
| To Travel Expenses | 2,800 | | |
| To General Expenses | 800 | | |
| To Net Profit Transferred to Capital A/c | 58,035 | | |
| **Total** | **77,650** | **Total** | **77,650** |

## Solution

**Profit and Loss Account for Mr. Bharath for the Year Ended 31st March 2019**

| Particulars | $ | Particulars | $ |
|---|---|---|---|
| To Carriage on Sales | 3,000 | By Gross Profit | 65,000 |
| To Rent | 2,000 | By Commission Received | 8,000 |
| To Insurance Premium | 2,500 | By Interest on Investment | 4,650 |
| To Salaries | 4,000 | | |
| To Bad Debts | 3,500 | | |
| To Discount Allowed | 435 | | |
| To Rate and Taxes | 580 | | |
| To Travel Expenses | 2,800 | | |
| To General Expenses | 800 | | |
| To Net Profit Transferred to Capital A/c | 58,035 | | |
| **Total** | **77,650** | **Total** | **77,650** |

**Statement of Profit and Loss Account for Mr. Bharath for the Year Ended 31st March 2019**

| Particulars | $ | $ |
|---|---|---|
| Gross Profit | | 65,000 |
| Add: Commission Received | 8,000 | |
| Interest Received | 4,650 | 12,650 |
| | | 77,650 |
| Less: Carriage on Sales | 3,000 | |
| Rent | 2,000 | |
| Insurance Premium | 2,500 | |
| Salaries | 4,000 | |
| Bad Debts | 3,500 | |
| Discount Allowed | 435 | |
| Rate and Taxes | 580 | |
| Travel Expenses | 2,800 | |
| General Expenses | 800 | 19,615 |
| **Net Profit Transferred to Capital A/c** | | **58,035** |

## 5.6 UNIT END QUESTIONS

**A. Descriptive Questions**

**Short Questions**

1.What does a trial balance show?

2. How do you display detailed trial balance in Tally prime?

3. How do you display a balance sheet?

4. How is trial balance displayed in Tally?

5. How do you extract a trial balance?

**Long Questions**

1.What are the three types of trial balance

2.Why is trial balance created?

3.Which bank balance is shown in trial balance?

4.What is trial balance and balance sheet?

5.Is trial balance a financial statement?

**B. Multiple Choice Questions**

1. The revenues and expenses of a company are displayed in which statement?
    a. Balance Sheet
    b. Cash Flow Statement
    c. Income Statement
    d. None of The Above

2. The main Purpose of Financial Accounting is?
    a. To Provide financial information to shareholders
    b. To maintain balance sheet
    c. To minimize taxes.
    d. To keep track of liabilities

3. The expanded accounting equation is used by which statement?
    a. Cash Flow Statement
    b. Balance Sheet
    c. Income Statement
    d. None of the above

4. What type of balance do asset accounts have?

a. Contra

b. Credit

c. Debit

d. All of the above

5.The kind of debts which are needed to be repaid in a short term is known as?

a. Fixed Liabilities

b. Current Liabilities

c. Depreciating Assets

d. Intangible Assets

**Answer:** 1.c, 2.a, 3.b, 4.c, 5.b

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