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FREE EBOOK

ACCOUNTING AND BUSINESS

Tally with GST Study Book

The complete study notes, practice questions and glossary for Tally with GST

INSIDE THIS BOOK

- Accounting Basics and the Golden Rules
- Getting Started with TallyPrime and Creating a Company
- Ledgers and Groups in TallyPrime
- Vouchers and Their Function Keys
- Inventory Masters: Stock Groups, Units and Items
- ...and 2 more chapters, practice questions and a glossary

Beginner to intermediate

Commerce students, shop owners and accounts assistants

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Tally with GST Study Book

Learn the golden rules of accounting, then keep books in TallyPrime: create a company, ledgers and stock items, enter vouchers with their function keys, record GST invoices and read the main reports.

WHO IT IS FOR	Commerce students, shop owners and accounts assistants
LEVEL	Beginner to intermediate
SUBJECT AREA	Accounting and business
WHAT IS INSIDE	7 chapters, practice questions with answers, and a glossary

HOW TO USE IT

Read one chapter at a time and try the examples as you go: on a computer, at your workbench or in your notebook. The boxes give tips, safety points and short activities. When you finish, test yourself with the practice questions and check your answers at the end. Words you may not know are explained in the glossary.



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Accounting Basics and the Golden Rules

Before you open TallyPrime, you need to understand the accounting it does for you.

Accounting is the process of recording, classifying and summarising the money transactions of a business, so that the owner knows what was earned, what was spent, and what the business owns and owes.

The double-entry system

Every transaction affects at least two accounts. When Ramesh Traders pays ₹ 5,000 rent in cash, the rent expense goes up and the cash goes down. In the **double-entry system**, one account is **debited (Dr)** and another is **credited (Cr)** with the same amount, so total debits always equal total credits.

- **Debit** is the left side of an account.
- **Credit** is the right side of an account.
- Debit and credit do not mean good or bad; they are simply the two sides of every entry.

Three types of accounts

Type	What it covers	Examples
Personal	People, firms, banks and other organisations	Ramesh, State Bank of India, Capital (the owner)
Real	Assets and property	Cash, furniture, building, computer
Nominal	Expenses, losses, incomes and gains	Rent, salary, commission received

The golden rules

1. **Personal account:** Debit the receiver, credit the giver.
2. **Real account:** Debit what comes in, credit what goes out.
3. **Nominal account:** Debit all expenses and losses, credit all incomes and gains.

Applying the rules

Transaction	Debit	Credit
Started business with cash ! 1,00,000	Cash A/c (comes in)	Capital A/c (the owner is the giver)
Paid rent ! 5,000 in cash	Rent A/c (expense)	Cash A/c (goes out)
Bought furniture from Gupta Furniture on credit	Furniture A/c (comes in)	Gupta Furniture A/c (the giver)
Received commission ! 2,000 in cash	Cash A/c (comes in)	Commission Received A/c (income)
Paid Gupta Furniture ! 10,000 by cheque	Gupta Furniture A/c (the receiver)	Bank A/c (the bank is the giver)

Journal, ledger and trial balance

Transactions are first written date-wise in the **journal**, the book of original entry. They are then posted to the **ledger**, where each account has its own page showing every debit and credit and its **closing balance**. A **trial balance** lists the closing balance of every ledger account; if the debit and credit totals match, the double entry is arithmetically correct.

In TallyPrime you only enter vouchers. The journal, the ledgers and the trial balance are produced for you automatically, but you still decide which account is debited and which is credited.

When you are unsure of a debit or credit, first decide the type of each account, then apply its golden rule.

KEY POINTS

- Every transaction is recorded with an equal debit and credit: the double-entry system.
- Personal accounts: debit the receiver, credit the giver.
- Real accounts: debit what comes in, credit what goes out.
- Nominal accounts: debit expenses and losses, credit incomes and gains.
- A trial balance checks that total debits equal total credits.

TRY THESE EXERCISES

1. Sort a list of 15 account names, such as Cash, Salary, Furniture, Ramesh, Bank, Capital and Commission Received, into personal, real and nominal accounts in a three-column table.
2. Write the debit and credit for ten transactions of an imaginary shop, such as starting the business with cash, paying rent, buying furniture on credit and depositing cash in the bank, naming the account type and the golden rule used for each.
3. Record five transactions in a journal on paper, post them to ledger accounts, find each closing balance and prepare a trial balance to check that the debit and credit totals agree.

CHAPTER 2

Getting Started with TallyPrime and Creating a Company

TallyPrime is accounting and business-management software from Tally Solutions, used widely by shops, traders, accountants' offices and small businesses in India. It replaced the older Tally.ERP 9. These lessons follow TallyPrime; a few menu names can differ slightly between releases.

The Gateway of Tally

When a company is open, TallyPrime shows the **Gateway of Tally**, its main menu. It is divided into sections:

- **Masters:** Create, Alter and Chart of Accounts, for ledgers, groups, stock items and other masters.
- **Transactions:** Vouchers, for entering transactions, and Day Book.
- **Utilities:** Banking tools.
- **Reports:** Balance Sheet, Profit & Loss A/c, Stock Summary, Ratio Analysis and Display More Reports.

Across the top is a menu bar with options such as **Company (Alt+K)**, **Data (Alt+Y)**, **Go To (Alt+G)**, **Export (Alt+E)** and **Print (Alt+P)**. A button bar on the right lists the shortcut keys that work on the current screen.

Moving around

- **Enter** accepts a field and **Esc** goes back one screen.
- **Ctrl+A** accepts and saves the whole screen.
- The highlighted letter in a menu item works as its shortcut, for example **C** for Create on the Gateway.
- **Alt+G (Go To)** opens any report or screen when you type part of its name.

Creating a company

In TallyPrime a **company** is a separate set of books for one business. Press **Alt+K** and choose **Create**, then fill in the details:

Field	Example
Company name	Sharma Electronics
Mailing name and address	Shop 12, Lajpat Nagar, New Delhi
State and country	Delhi, India
Pincode, phone and e-mail	As applicable
Financial year beginning from	1 April of the year you start
Books beginning from	The date you start entering transactions
Base currency	! , Indian Rupee

In India the financial year runs from **1 April to 31 March**, which is why TallyPrime suggests a 1 April start. Press **Ctrl+A** to save. TallyPrime then offers the **Company Features** screen, which you can also open at any time with **F11**. There you switch on options such as maintaining inventory and GST. Features can be changed later.

Managing companies

The **Company** menu (Alt+K) also has **Select** to open an existing company, **Shut** to close the open company, and **Alter** to change its details. To delete a company, open it in Alter and press **Alt+D**. Take a backup first from the **Data** menu (Alt+Y), because a deleted company cannot be brought back from inside TallyPrime without one.

Enter the correct state when you create a company. TallyPrime uses it later to decide whether a sale is within the state or to another state for GST.

KEY POINTS

- TallyPrime opens on the Gateway of Tally, its main menu.
- Ctrl+A saves a screen and Esc goes back one screen.
- Create a company from the Company menu (Alt+K) and choose Create.
- The Indian financial year runs from 1 April to 31 March.
- F11 opens Company Features, where inventory and GST are switched on.

TRY THESE EXERCISES

1. Create a practice company in TallyPrime with a name, a Delhi address, the state set to Delhi and the financial year beginning on 1 April, and save it with Ctrl+A.
2. Open Company Features with F11 for your practice company, switch on inventory and save, then use Alt+G to open the Balance Sheet and the Day Book and return to the Gateway of Tally with Esc.
3. Take a backup of your practice company from the Data menu (Alt+Y), then shut the company and open it again with Select from the Company menu (Alt+K).

CHAPTER 3

Ledgers and Groups in TallyPrime

In TallyPrime, every account is a **ledger**, and every ledger must belong to a **group**. The group tells TallyPrime where the ledger appears in the Balance Sheet or the Profit and Loss account, so choosing the right group matters more than the ledger's name.

Predefined groups

TallyPrime comes with **28 predefined groups: 15 primary groups and 13 sub-groups**. Of the 15 primary groups, 9 appear in the Balance Sheet and 6 in the Profit and Loss account.

Balance Sheet groups (9)	Profit and Loss groups (6)
Capital Account	Sales Accounts
Loans (Liability)	Purchase Accounts
Current Liabilities	Direct Incomes
Fixed Assets	Indirect Incomes

Balance Sheet groups (9)	Profit and Loss groups (6)
Investments	Direct Expenses
Current Assets	Indirect Expenses
Branch / Divisions	
Misc. Expenses (ASSET)	
Suspense A/c	

Common sub-groups are **Sundry Debtors**, **Bank Accounts**, **Cash-in-Hand** and **Stock-in-Hand** (under Current Assets), **Sundry Creditors**, **Duties & Taxes** and **Provisions** (under Current Liabilities), **Secured Loans** and **Unsecured Loans** (under Loans (Liability)), and **Reserves & Surplus** (under Capital Account). Two ledgers are predefined: **Cash** and **Profit & Loss A/c**.

Which group?

Ledger	Group
Neha Enterprises, a customer who buys on credit	Sundry Debtors
Kapoor Distributors, a supplier	Sundry Creditors
The firm's current account with a bank	Bank Accounts
Furniture, computers, vehicles	Fixed Assets
Office rent, staff salary, electricity	Indirect Expenses
Factory wages, freight paid on purchases	Direct Expenses
Commission received, interest received	Indirect Incomes
CGST, SGST and IGST ledgers	Duties & Taxes
The owner's capital	Capital Account

Direct expenses and incomes relate to buying or making the goods and affect the **gross profit**. **Indirect** ones relate to running the business and affect the **net profit**.

Creating a ledger

1. From the Gateway of Tally, choose **Create** and then **Ledger**.
2. Type the **Name**, for example Neha Enterprises.

3. In **Under**, select the group, for example Sundry Debtors.
4. For a customer or supplier, add the address, state and GSTIN if they are registered, and keep **Maintain balances bill-by-bill** set to Yes to track each invoice.
5. Enter the **opening balance**, if the account already had one on the books-beginning date, and mark it Dr or Cr.
6. Press **Ctrl+A** to save.

To change a ledger, use **Alter**. To delete one, open it in Alter and press **Alt+D**; a ledger that already has vouchers cannot be deleted. You can also create your own groups, such as Delhi Customers under Sundry Debtors, to organise a long list of parties.

While entering a voucher, press **Alt+C** in a ledger field to create a missing ledger without leaving the voucher.

KEY POINTS

- Every ledger belongs to a group, and the group decides where it appears in reports.
- TallyPrime has 28 predefined groups: 15 primary groups and 13 sub-groups.
- Cash and Profit & Loss A/c are the two predefined ledgers.
- Customers go under Sundry Debtors, suppliers under Sundry Creditors and tax ledgers under Duties & Taxes.
- Alt+C creates a missing ledger from inside a voucher.

TRY THESE EXERCISES

1. Create ledgers for three customers under Sundry Debtors, two suppliers under Sundry Creditors, a bank account under Bank Accounts and Rent and Electricity under Indirect Expenses, giving the bank ledger an opening balance.
2. Make a list of 15 ledgers, such as Furniture, Factory Wages, Interest Received, CGST and the owner's Capital, write the correct group beside each, then create them in TallyPrime and check where they appear in Chart of Accounts.
3. Create your own group called Delhi Customers under Sundry Debtors, use Alter to move two customer ledgers into it, and delete a spare test ledger with Alt+D.

Vouchers and Their Function Keys

A **voucher** is the entry for one transaction. You record vouchers, and TallyPrime posts them to the ledgers and updates every report. Choose **Vouchers** on the Gateway of Tally, then press a function key to pick the voucher type.

The main voucher types

Key	Voucher	Use it for	Example
F4	Contra	Transfers between cash and bank only	Depositing ! 20,000 cash into the bank
F5	Payment	Money paid out in cash or by bank	Paying ! 8,000 shop rent
F6	Receipt	Money received in cash or by bank	Receiving ! 15,000 from a customer
F7	Journal	Adjustments with no cash or bank	Depreciation on furniture
F8	Sales	Selling goods or services	An invoice to Neha Enterprises
F9	Purchase	Buying goods for the business	A bill from Kapoor Distributors

TallyPrime also has other voucher types, such as **Credit Note** for sales returns and **Debit Note** for purchase returns.

Contra or payment?

Use **Contra** only when money moves between your own cash and bank ledgers: depositing cash in the bank, withdrawing cash from the bank for office use, or transferring between two of your own bank accounts. If someone outside the business is paid, it is a **Payment**; if money comes from outside, it is a **Receipt**.

Entering a payment voucher

Example: on 5 April, Sharma Electronics pays ! 8,000 rent in cash.

1. Press **F5** for Payment.
2. Press **F2** to change the voucher date to 5 April, if needed.
3. In **Account**, select Cash.
4. Under **Particulars**, select Rent and type 8,000.
5. Type a **Narration**, such as Shop rent for April paid in cash, and press **Ctrl+A** to save.

TallyPrime debits Rent and credits Cash, exactly as the golden rules say.

Journal entries

A **Journal (F7)** voucher is for transactions that involve no cash or bank, such as depreciation (debit Depreciation, credit Furniture) or an expense that is due but not yet paid at the year end. You enter the debit and credit lines yourself, and the totals must match before TallyPrime saves the voucher.

Sales and purchase vouchers

Sales (F8) and **Purchase (F9)** vouchers can be entered in **Item Invoice** mode, which lists stock items with quantity and rate and updates stock, or in **Accounting Invoice** mode, which records only the amounts. Press **Ctrl+H** to change the mode.

Correcting vouchers

Open the **Day Book**, select a voucher and press **Enter** to alter it. Press **Alt+X** to cancel a voucher, which keeps its number in the series but removes its amounts, or **Alt+D** to delete it completely.

Learn the six keys in order: F4 Contra, F5 Payment, F6 Receipt, F7 Journal, F8 Sales, F9 Purchase.

KEY POINTS

- F4 Contra, F5 Payment, F6 Receipt, F7 Journal, F8 Sales, F9 Purchase.
- Contra is only for transfers between your own cash and bank ledgers.
- Journal vouchers record adjustments that involve no cash or bank, such as depreciation.
- F2 changes the voucher date and Ctrl+H switches between Item and Accounting Invoice modes.
- Alt+X cancels a voucher and Alt+D deletes it.

TRY THESE EXERCISES

1. In your practice company, enter one voucher of each main type with a narration: a Contra depositing cash in the bank, a Payment for rent, a Receipt from a customer, a Journal for depreciation, a Sales and a Purchase.
2. Write down the voucher type and function key for eight transactions, such as withdrawing cash from the bank for office use and paying a supplier by cheque, and then enter all eight in TallyPrime.
3. Open the Day Book, alter the amount of one voucher, cancel a second with Alt+X and delete a third with Alt+D, and note how the Day Book shows each change.

CHAPTER 5

Inventory Masters: Stock Groups, Units and Items

A shop has to track not only money but also stock: which items it has, how many, and what they are worth. TallyPrime does this with **inventory masters**.

Switching on inventory

Press **F11 (Features)** and set **Maintain Inventory** to Yes. The same screen has further inventory options, such as maintaining more than one godown and using batches.

The inventory masters

Master	Purpose	Example
Stock Group	Groups similar items	Mobile Accessories, LED Lights
Stock Category	An optional second way to classify items	Premium range, Economy range
Unit of Measure	How the item is counted	Nos, Kg, Box, Mtr
Godown	Where the stock is kept	Main Shop, Okhla Warehouse
Stock Item	The actual product bought and sold	Mobile Charger 20W, LED Bulb 9W

Create the masters in a sensible order: units first, then stock groups (and categories or godowns if you use them), and stock items last, because a stock item asks for its group and its unit.

Units of measure

A **simple unit** has a symbol and a formal name, such as Nos (Numbers) or Kg (Kilograms), plus the number of decimal places it allows: 0 for Nos, because you cannot sell half a charger, and usually 3 for Kg. A **compound unit** joins two simple units with a conversion, such as a Box of 12 Nos, so you can buy in boxes and sell single pieces.

Creating a stock item

1. From the Gateway of Tally, choose **Create** and then **Stock Item**.
2. Enter the **Name**, for example LED Bulb 9W.
3. In **Under**, choose the stock group, such as LED Lights.
4. In **Units**, choose Nos.
5. If GST is enabled, fill in the item's GST details, such as the HSN code and the rate that applies. Take the rate from the official GST rate notifications or your accountant, never from memory.
6. Enter the **opening balance**: quantity, rate and value, for example 100 Nos at ! 60 each, a value of ! 6,000.
7. Press **Ctrl+A** to save.

How stock moves

When you enter a Purchase voucher in Item Invoice mode, the item's quantity goes up; a Sales voucher brings it down. The **Stock Summary** report on the Gateway of Tally shows the closing quantity, rate and value of every item, arranged by stock group. Select a line and press **Enter** to drill down to the movements behind it.

Godowns

If you keep stock in more than one place, enable multiple godowns in F11 and create each godown. Purchases and sales then record which godown the goods came into or went out of, and stock reports can be viewed godown-wise.

Name stock items the way they appear on supplier bills and on your shelves, so that searching while billing is quick and the same item is never created twice.

KEY POINTS

- Switch on inventory in F11 with Maintain Inventory.
- Create units and stock groups before stock items.
- A compound unit, such as a Box of 12 Nos, joins two simple units.
- Item Invoice purchases increase stock and sales reduce it.
- Stock Summary shows the closing quantity and value of every item.

TRY THESE EXERCISES

1. Switch on Maintain Inventory with F11, then create the simple units Nos, Kg and Box, a compound unit Box of 12 Nos, and two stock groups such as Mobile Accessories and LED Lights.
2. Create five stock items with their groups, units and opening quantities and rates, such as 100 Nos of LED Bulb 9W at 60 rupees each, and check their values in the Stock Summary.
3. Enter one purchase and one sale of a stock item in Item Invoice mode, then open the Stock Summary and press Enter on that item to drill down to the movements behind its closing quantity.

CHAPTER 6

GST Concepts: GSTIN, CGST, SGST, IGST and ITC

GST (Goods and Services Tax) is an indirect tax on the supply of goods and services in India. It came into effect on 1 July 2017 and replaced many earlier indirect taxes, such as VAT and service tax. GST is charged at each stage of supply, but a registered business can usually claim credit for the tax it has already paid, so the tax is finally borne by the consumer.

GST rates and return due dates change from time to time. These lessons do not quote them: always check the current rate for an item, and current deadlines, from official sources or your accountant.

Types of GST

Tax	Collected by	Charged on
CGST (Central GST)	Central government	Supplies within a state, together with SGST
SGST (State GST)	State government	Supplies within a state, together with CGST
UTGST (Union Territory GST)	Union territory administration	Supplies within a union territory without its own legislature, with CGST
IGST (Integrated GST)	Central government	Supplies from one state to another, and imports

The choice depends on the **place of supply**:

- **Intra-state supply** (supplier and place of supply in the same state): charge **CGST + SGST**, in two equal halves. A Delhi shop selling to a customer in Delhi charges CGST and SGST.
- **Inter-state supply** (different states): charge **IGST**. The same shop selling to a buyer in Jaipur, Rajasthan charges IGST.

Example, using a made-up rate of 10% only to keep the maths easy: on a taxable value of ! 10,000, an intra-state sale carries CGST ! 500 and SGST ! 500, while an inter-state sale carries IGST ! 1,000. The total tax is the same; only the split changes.

GSTIN

Each GST registration gets a 15-character **GSTIN** (GST Identification Number), written in a pattern such as 07ABCDE1234F1Z5.

Characters	Meaning
1 and 2	State code, for example 07 for Delhi and 27 for Maharashtra
3 to 12	The PAN of the business
13	Entity number, for more than one registration under the same PAN in a state
14	Z by default
15	Check character, which helps catch typing mistakes

Input tax credit (ITC)

GST paid on purchases is **input tax**; GST charged on sales is **output tax**. A registered business can usually reduce its output tax by the input tax credit available and pay only the difference. If Sharma Electronics charges ₹ 9,000 GST on its sales in a month and has ₹ 6,000 of eligible credit, it pays ₹ 3,000. Credit comes with conditions, such as holding a valid tax invoice. CGST credit cannot be used to pay SGST, and SGST credit cannot be used to pay CGST.

HSN and SAC

- **HSN** (Harmonized System of Nomenclature) codes classify **goods**. HSN is an international system.
- **SAC** (Services Accounting Code) codes classify **services**, and they begin with 99.

Tax invoice essentials

A GST tax invoice shows, among other details, the supplier's name, address and GSTIN; a serial invoice number and the date; the recipient's name, address and GSTIN if registered; HSN or SAC, description, quantity and taxable value; the rate and amount of CGST and SGST, or IGST; the place of supply; whether tax is payable on reverse charge; and the signature of the supplier or an authorised person.

KEY POINTS

- Intra-state supplies carry CGST plus SGST; inter-state supplies carry IGST.
- A GSTIN has 15 characters: state code, PAN, entity number, Z and a check character.
- Input tax credit lets a business reduce its output tax by eligible tax paid on purchases.
- HSN codes classify goods and SAC codes classify services.
- Always check current GST rates and deadlines from official sources.

TRY THESE EXERCISES

1. Using a made-up practice rate of 10%, work out the CGST and SGST on an intra-state sale and the IGST on an inter-state sale for five different taxable values, and show that the total tax is the same both ways.
2. Break the sample GSTIN 07ABCDE1234F1Z5 into its parts in a table, labelling the state code, PAN, entity number, Z and check character, then do the same for the GSTINs printed on two shop bills from home.
3. Make up the output tax and eligible input tax credit for three months of an imaginary shop and calculate the GST payable each month, following the lesson's example of 9,000 rupees of output tax less 6,000 rupees of credit.

CHAPTER 7

GST in TallyPrime and the Main Reports

Once you understand GST, setting it up in TallyPrime takes a few steps. After that, the software works out the tax on every invoice and builds the reports for you.

Setting up GST

1. Press **F11 (Features)** and set **Enable Goods and Services Tax (GST)** to Yes.
2. Enter the company's GST details, such as the state, the registration type (for example Regular) and the GSTIN.
3. Create the tax ledgers under **Duties & Taxes**, with **Type of duty/tax** set to GST and **Tax type** set to Central Tax for CGST, State Tax for SGST, or Integrated Tax for IGST.
4. In each customer and supplier ledger, enter the state, registration type and GSTIN.
5. Enter the HSN or SAC and the GST details in each stock item, or in the sales and purchase ledgers.

A GST sales invoice

Sharma Electronics, registered in Delhi, sells 10 LED bulbs to Neha Enterprises. Press **F8**, select the party and the sales ledger, enter the stock item, quantity and rate, and then select the tax ledgers. Because Neha Enterprises is also in Delhi, the supply is intra-state: you select the CGST and SGST ledgers and TallyPrime calculates **CGST and SGST**. If the party's ledger showed Haryana instead, the supply would be inter-state, and you would

select the IGST ledger so that TallyPrime calculates **IGST**. To decide which applies, TallyPrime compares the company's state with the place of supply, which by default is the party's state.

GST reports such as GSTR-1 and GSTR-3B can be opened with **Alt+G** (Go To) by typing their name. Use them to check your data before returns are filed.

The main reports

Report	What it shows
Day Book	Every voucher entered for a date or period
Trial Balance	The closing balance of every group or ledger, with equal debit and credit totals
Profit & Loss A/c	Incomes and expenses for a period, with gross profit and net profit or loss
Balance Sheet	What the business owns (assets) and owes (liabilities and capital) on a date

- **Day Book** opens on the current date. Press **Alt+F2** to change the period, for example to the whole month.
- **Trial Balance** is under Display More Reports. TallyPrime saves only balanced vouchers, so a difference in the trial balance usually comes from unequal opening balances.
- **Profit & Loss A/c** first works out the **gross profit** from sales, purchases, direct expenses and the change in stock. It then deducts indirect expenses and adds indirect incomes to reach the **net profit**.
- **Balance Sheet** always balances: assets equal liabilities plus capital. The profit for the period appears through the Profit & Loss A/c ledger.

Drilling down

TallyPrime reports are linked. Select a line and press **Enter** to drill down: from the Balance Sheet to a group, from the group to a ledger, and from the ledger to a single voucher, which you can then alter. Press **Esc** to climb back up. Use **Alt+P** to print a report and **Alt+E** to export it, for example to Excel or PDF.

Check the Day Book at the end of every working day. A wrong date, ledger or amount is much easier to fix on the same day.

KEY POINTS

- Enable GST in F11 and enter the company GST details.
- Create CGST, SGST and IGST ledgers under Duties & Taxes with the matching tax type.
- TallyPrime picks CGST and SGST or IGST by comparing the company state with the place of supply.
- Day Book, Trial Balance, Profit & Loss A/c and Balance Sheet are the core reports.
- Press Enter to drill down in any report and Esc to come back.

TRY THESE EXERCISES

1. Enable GST with F11 for your practice company, enter its GST details, and create CGST, SGST and IGST ledgers under Duties & Taxes with the matching tax type for each.
2. Create one customer ledger with Delhi as the state and another with Haryana, enter a sales invoice for each and select the tax ledgers it needs, then check that the Delhi invoice carries CGST and SGST while the Haryana invoice carries IGST.
3. Open the Day Book for a whole month with Alt+F2, drill down from the Balance Sheet to a group, a ledger and a single voucher with Enter, and export the Profit & Loss A/c to PDF with Alt+E.

CHECK YOURSELF

Practice questions

Choose the best answer for each question. The answers, with a short explanation, are in the next chapter.

1. According to the golden rules, how is a personal account treated?

- | | |
|--|---|
| a) Debit the receiver, credit the giver | b) Debit the giver, credit the receiver |
| c) Debit what comes in, credit what goes out | d) Debit all expenses, credit all incomes |

2. Rent of ₹ 5,000 is paid in cash. Which entry is correct?

- | | |
|-----------------------------|--------------------------------|
| a) Cash A/c Dr, Rent A/c Cr | b) Rent A/c Dr, Capital A/c Cr |
| c) Rent A/c Dr, Cash A/c Cr | d) Capital A/c Dr, Cash A/c Cr |

3. Which type of account is Furniture A/c?

- a) Real account
- b) Personal account
- c) Nominal account
- d) Representative personal account

4. A business starts with cash of ! 1,00,000 brought in by the owner. Which account is credited?

- a) Cash A/c
- b) Sales A/c
- c) Furniture A/c
- d) Capital A/c

5. What does a trial balance check?

- a) That the business has made a profit for the year
- b) That every customer has paid all outstanding bills
- c) That the GST return for the month was filed on time
- d) That the total of debit balances equals the total of credit balances

6. In India, the financial year normally runs from:

- a) 1 April to 31 March
- b) 1 January to 31 December
- c) 1 July to 30 June
- d) 1 October to 30 September

7. Which key combination accepts and saves a screen in TallyPrime?

- a) Alt+D
- b) F12
- c) Ctrl+A
- d) Ctrl+Q

8. What is the main menu screen of TallyPrime called?

- a) Gateway of Tally
- b) Control Panel
- c) Start Ribbon
- d) Company Window

9. Which key opens the Company Features screen, where inventory and GST are switched on?

- a) F12
- b) F11
- c) F2
- d) F8

10. In TallyPrime, which shortcut opens the Company menu used to create, select, alter or shut a company?

- a) Alt+G
- b) Alt+K
- c) Alt+P
- d) Alt+E

11. How many predefined groups does TallyPrime have?

- a) 28
- b) 15
- c) 13
- d) 32

- 12. Under which group should a customer who buys on credit be created?**
- a) Sundry Debtors
 - b) Sundry Creditors
 - c) Sales Accounts
 - d) Current Liabilities
- 13. Office rent paid every month should be created under which group?**
- a) Indirect Expenses
 - b) Direct Expenses
 - c) Purchase Accounts
 - d) Current Liabilities
- 14. Which two ledgers are already created in every new TallyPrime company?**
- a) Cash and Capital A/c
 - b) Sales A/c and Purchase A/c
 - c) Bank A/c and Capital A/c
 - d) Cash and Profit & Loss A/c
- 15. CGST, SGST and IGST ledgers are created under which group?**
- a) Indirect Expenses
 - b) Sundry Creditors
 - c) Duties & Taxes
 - d) Provisions
- 16. Which voucher type is used when cash is deposited into the business bank account?**
- a) Payment
 - b) Receipt
 - c) Journal
 - d) Contra
- 17. Which function key opens a Receipt voucher?**
- a) F6
 - b) F5
 - c) F7
 - d) F4
- 18. Which voucher type records depreciation on furniture?**
- a) Payment
 - b) Journal
 - c) Contra
 - d) Sales
- 19. Pressing F9 in voucher entry selects which voucher type?**
- a) Sales
 - b) Purchase
 - c) Journal
 - d) Payment
- 20. Which shortcut switches a sales voucher between Item Invoice and Accounting Invoice mode?**
- a) Ctrl+A
 - b) Ctrl+H
 - c) Alt+C
 - d) Alt+X
- 21. A stock item asks for its unit when you create it. Which master must therefore exist first?**
- a) Voucher type
 - b) Unit of measure
 - c) Cost centre
 - d) Budget

22. A "Box of 12 Nos" in TallyPrime is an example of:

- a) A simple unit
- b) A compound unit
- c) A stock category
- d) A godown

23. Which report shows the closing quantity and value of every stock item?

- a) Day Book
- b) Trial Balance
- c) Stock Summary
- d) Ratio Analysis

24. What is a godown in TallyPrime?

- a) A group of related ledgers
- b) A place where stock is stored
- c) A type of accounting voucher
- d) A unit for counting stock

25. A Delhi trader sells goods to a customer in Delhi. Which taxes apply?

- a) IGST only
- b) CGST and SGST
- c) CGST and IGST
- d) SGST and UTGST

26. A Delhi trader sells goods to a buyer in Rajasthan. Which tax applies?

- a) CGST and SGST
- b) UTGST
- c) SGST only
- d) IGST

27. How many characters are there in a GSTIN?

- a) 10
- b) 12
- c) 15
- d) 16

28. What do the first two digits of a GSTIN represent?

- a) The year of registration
- b) The type of business
- c) The state code
- d) The check character

29. SAC codes are used to classify:

- a) Goods
- b) Bank accounts
- c) Services
- d) Stock godowns

30. What does input tax credit allow a registered business to do?

- a) Stop charging GST on its sales to registered customers
- b) Claim a refund of the income tax paid by its owner
- c) Issue sales bills without serial invoice numbers
- d) Reduce the GST payable on sales by eligible GST paid on purchases

31. Which detail must a GST tax invoice show?

- a) The customer's Aadhaar number
- b) The supplier's bank balance
- c) The salesperson's date of birth
- d) The supplier's GSTIN

8. **(a) Gateway of Tally.** When a company is open, TallyPrime shows the Gateway of Tally, with Masters, Transactions and Reports.
9. **(b) F11.** F11 opens Company Features; F12 is for configuration, F2 changes the date and F8 is the Sales voucher.
10. **(b) Alt+K.** Alt+K opens the Company menu; Alt+G is Go To, Alt+P is Print and Alt+E is Export.
11. **(a) 28.** TallyPrime has 28 predefined groups: 15 primary groups and 13 sub-groups.
12. **(a) Sundry Debtors.** Customers who owe the business money are debtors, so their ledgers go under Sundry Debtors.
13. **(a) Indirect Expenses.** Office rent is a cost of running the business rather than of buying or making goods, so it is an indirect expense.
14. **(d) Cash and Profit & Loss A/c.** TallyPrime creates only two ledgers by default: Cash and Profit & Loss A/c.
15. **(c) Duties & Taxes.** Tax ledgers belong under Duties & Taxes, a sub-group of Current Liabilities.
16. **(d) Contra.** Moving money between your own cash and bank ledgers is recorded in a Contra voucher (F4).
17. **(a) F6.** The standard keys are F4 Contra, F5 Payment, F6 Receipt and F7 Journal.
18. **(b) Journal.** Depreciation involves no cash or bank, so it is recorded in a Journal voucher (F7).
19. **(b) Purchase.** F8 is Sales and F9 is Purchase.
20. **(b) Ctrl+H.** Ctrl+H changes the voucher mode; Ctrl+A saves, Alt+C creates a master and Alt+X cancels a voucher.
21. **(b) Unit of measure.** A stock item needs a unit, such as Nos or Kg, and a stock group, so units and stock groups are created before stock items.
22. **(b) A compound unit.** A compound unit joins two simple units with a conversion, here Box and Nos.
23. **(c) Stock Summary.** Stock Summary lists every stock item with its closing quantity, rate and value, grouped by stock group.
24. **(b) A place where stock is stored.** Godowns are the locations, such as a shop or warehouse, where stock is kept.
25. **(b) CGST and SGST.** A supply within the same state carries CGST plus SGST, in two equal halves.
26. **(d) IGST.** A supply from one state to another is an inter-state supply and carries IGST.
27. **(c) 15.** A GSTIN has 15 characters: a 2-digit state code, the 10-character PAN, an entity number, Z and a check character.
28. **(c) The state code.** The first two digits are the state code, for example 07 for Delhi.
29. **(c) Services.** SAC (Services Accounting Code) classifies services; HSN codes classify goods.
30. **(d) Reduce the GST payable on sales by eligible GST paid on purchases.** Input tax credit is set off against output tax, so the business pays only the difference.
31. **(d) The supplier's GSTIN.** A tax invoice must show the supplier's name, address and GSTIN, along with the invoice number, date and tax details.

- 32. (c) Day Book.** The Day Book shows all vouchers for the selected date or period, and is the quickest place to review daily entries.
- 33. (d) Integrated Tax.** Central Tax is used for CGST, State Tax for SGST and Integrated Tax for IGST.
- 34. (a) Balance Sheet.** The Balance Sheet shows assets on one side and liabilities and capital on the other, and the two totals always agree.
- 35. (c) It compares the company's state with the place of supply.** The place of supply is by default the party's state. If it is the same as the company's state, TallyPrime applies CGST and SGST; if it differs, IGST.

WORD LIST

Glossary

Balance Sheet

A statement of what a business owns (assets) and what it owes (liabilities and capital) on a particular date.

CGST

Central GST, the part of the tax on a supply within a state that goes to the central government, charged together with SGST.

Contra voucher

The voucher type, opened with F4 in TallyPrime, used only for moving money between the business's own cash and bank accounts.

Day Book

A TallyPrime report that lists every voucher entered for a chosen date or period.

Double-entry system

The method of recording every transaction with an equal debit in one account and credit in another, so that total debits always equal total credits.

Duties & Taxes

The sub-group under Current Liabilities in which tax ledgers such as CGST, SGST and IGST are created.

Gateway of Tally

The main menu TallyPrime shows when a company is open, with sections for masters, transactions, utilities and reports.

Golden rules

The three rules that decide which account is debited and which is credited for personal, real and nominal accounts.

Group

A category that every ledger must belong to, which decides where the ledger appears in the Balance Sheet or the Profit and Loss account.

GSTIN

The 15-character GST Identification Number given to each GST registration, which includes the state code and the business's PAN.

HSN code

A code from the international Harmonized System of Nomenclature that classifies goods for GST.

IGST

Integrated GST, collected by the central government on supplies from one state to another and on imports.

Input tax credit (ITC)

GST paid on purchases that a registered business can usually set off against the GST it charges on its sales, subject to conditions.

Ledger

An individual account in TallyPrime, such as a customer, a bank or an expense, which must belong to a group.

Nominal account

An account for expenses, losses, incomes or gains, such as rent, salary or commission received.

Personal account

An account for a person, firm, bank or other organisation, including the owner's capital account.

Place of supply

The place where a supply is treated as made under GST; compared with the supplier's location, it decides whether the supply is intra-state or inter-state, and so whether CGST and SGST or IGST is charged.

Profit & Loss A/c

A report of incomes and expenses for a period that works out the gross profit or loss and then the net profit or loss.

Real account

An account for assets and property, such as cash, furniture, a building or a computer.

SAC

The Services Accounting Code that classifies services for GST, with codes that begin with 99.

SGST

State GST, the part of the tax on a supply within a state that goes to the state government, charged together with CGST.

Stock item

An inventory master in TallyPrime for a product the business buys and sells, with its stock group, unit and opening balance.

Sundry Debtors

The sub-group under Current Assets for customers who owe the business money, usually for credit sales.

Trial Balance

A list of the closing balances of all ledger accounts, used to check that total debits equal total credits.

Voucher

The entry made in TallyPrime for one transaction, which the software then posts to the ledgers and reports.



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