

Lesson 7: Advanced Inventory in Tally.ERP 9

Lesson Objectives

On completion of this lesson, you will be able to

- ❑ Record orders placed/received
- ❑ Make a reorder analysis of inventory
- ❑ Create and maintain batch wise details, bill of materials and price lists
- ❑ Display reports on various stock valuation methods and inventory ageing analysis
- ❑ Record zero valued entries
- ❑ Record transactions using different actual and billed quantities

7.1 Order Processing

Order Processing refers to placing orders with suppliers for purchasing from them or receiving orders from customers for the purpose of selling.

In Tally.ERP 9, Order Processing is linked to Inventories. Using Order processing you can:

- ❑ Track the order position of a stock item;
- ❑ Know whether the goods ordered have arrived or not;
- ❑ Know whether the orders have been delivered on time and the reasons for the delay if any.

In this lesson, you will learn the method of recording and linking purchase orders to purchase invoice and sales orders to sales invoices. You will also learn how to display outstanding orders and the effect of orders on stocks.

Setup :

Ensure that you are at the Gateway of Tally of **National Traders**. In the **F11: Features (Inventory Features)**, activate the following features:

- **Allow Purchase Order Processing.**
- **Allow Sales Order Processing.**
- **Use Tracking Numbers (Delivery / Receipt Notes)**



- *Orders do not affect financial records nor do they update inventories.*
- *In this section, set the **Tracking Numbers to Not Applicable**.*

7.1.1 Purchase Order Processing

Raise a Purchase Order on 15-12-2009 on Navketan Bricks (vide Order No. 1) for 5,000 pcs of Bricks @ Rs.3 /brick. (Godown - Warehouse). The due date is 26-12-2009 and additional Freight charges @ 3% is applicable.

Setup:

- Create a Supplier - **Navketan Bricks** Under **Sundry Creditors** with **Maintain Balances bill-by-bill** set to **Yes**.
- Create a **Stock Item - Bricks** under **Building Materials** Stock Group, and select **Not Applicable** for the Stock category and specify the unit of measure as **Pcs** (If not listed create using **Alt+C**).
- Press **F12: Purchase Order Configuration** and ensure that:
 - **Accept Supplementary Details** is set to **No**.
 - **Complete Accounting Allocations in Order/Delivery Note** is set to **Yes**.
 - **Use Common Ledger for Item allocation** is set to **No**.

Step 1: Create Purchase Order

Go to **Gateway of Tally > Inventory Vouchers > F4: Purc. Order**.

1. **Date: 15-12-09.**
2. **Party's A/c Name: Navketan Bricks**
3. **Order No: 1** This particular Order No. field is an additional field to record the order number if different from the voucher number.
4. **Name of the item: Bricks.** Press **Enter** and the **Item allocation** sub-screen appears.
 - **Due on: 26-12-09** (It is the due date for the delivery of the item. This will enable the monitoring of outstanding deliveries. The order can be split for delivery on different dates).
 - **Location: Warehouse.** (Only when the multiple location feature is active, this field is required to be given, else it does not appear.)

- **Quantity, Rate and Amount - 5,000 Pcs @ 3 per Pcs** (The amount is calculated automatically but is modifiable to enable rounding off)

The completed **Stock Item Allocation** sub-screen appears as shown below :

Stock Item Allocations				National Traders	Ctrl + M
Purchase Order No. 1				15-Dec-2009 Tuesday	
Party's A/c Name : Navketan Bricks				Order No. : 1	
Current Balance :					
Item Allocations for : Bricks				Quantity	Rate per Disc.%
For Order Number : 1					Amount
Godown	Quantity	Rate per Disc.%	Amount	5,000 Pcs	3.00 Pcs
Due on 26-Dec-2009					
Warehouse	5,000 Pcs	3.00 Pcs	15,000.00		
Due on					
				5,000 Pcs	15,000.00
				5,000 Pcs	15,000.00

Figure 7.1 Item Allocation for Bricks

5. Press **Enter** until you reach the **Accounting Details** screen.
 - Allocate the amount to **Purchases** ledger and return to the **Purchase Order** screen.
 - Press **Enter** on the blank field to take the cursor to the tax/ expense field.
6. Select **Freight Charges** at **3%** on the item value.
7. **Narration:** Optional.

7.1.2 Altering a Purchase Order

To Alter a Purchase Order,

Go to **Gateway of Tally > Display > Day Book > F4: Chg Vch** and select **Purchase Orders** or
Go to **Gateway of Tally > Display > Inventory Books > Purchase Order Book**.

7.1.3 Sales Order Processing

Enter a Sales Order on 16-12-2009 on WinLab Technologies (vide Order No. WT/5) for 4,000 pcs (godown - Warehouse) of Bricks @ Rs. 5 /brick. The due date is 27-12-2009 and tax @ 17.5% is applicable.

Step1: Create Sales Order

Go to **Gateway of Tally > Inventory Vouchers > F5: Sales Order.**

1. **Date: 16-12-09.**
2. **Party's A/c Name: WinLab Technologies**
3. **Order No:** Enter **WT/5** - The voucher number is automatically displayed here but you are allowed to change it, because this particular Order No. field is for the customer's order number which is most likely to be different from the voucher number.
4. **Name of the item: Bricks.** Press **Enter** and the **Item allocation** sub-screen appears.
 - **Due on: 27-12-09.** The due date for delivery of the item. This will enable monitoring of outstanding deliveries. The order can be split for delivery on different dates.
 - **Location: Warehouse.**
 - **Quantity, Rate and Amount – 4000 Pcs @ 5 per Pc** allocate to **Sales Account** (create it if not present)
5. Press **Enter** on the blank field to take the cursor to the tax/ expense field.
6. Select **Tax @ 17.5%** (Create it under **Duties & taxes** to be charged on the total sales).
7. Type the narration as **Sales Order entry as on 16th December 2009.**

The completed **Sales Order** appears as shown below :

Inventory Voucher Creation		National Traders		Ctrl + M
Sales Order No. 1				16-Dec-2009 Wednesday
Party's A/c Name : WinLab Technologies		Order No. : WT/5		
Current Balance : 13,50,000.00 Dr				
Name of Item	Quantity	Rate per	Disc. %	Amount
Bricks	4,000 Pcs	5.00 Pcs		20,000.00
Tax @ 17.5%			17.50 %	3,500.00
Narration: Sales Order Entry as on 16th December 2009				
				4,000 Pcs
				Accept ? Yes or No

Figure 7.2 Sales Order Entry

8. Press **Y** or **Enter** to accept the screen and return to the Gateway of Tally.

7.1.4 Altering a Sales Order

To Alter a Sales Order,

Go to **Gateway of Tally > Display > Day Book > F4: Chg Vch** and select **Sales Orders** or Go to **Gateway of Tally > Display > Inventory Books > Sales Order Book**.

7.1.5 Display Order Position

Now that we have raised one purchase order and one sales order, let us view the order position to know the amount of stock that is in the process of order both inward and outward:

Go to **Gateway of Tally > Stock Summary**.

- ❑ Press the **F7: Orders** button or press **Alt + F7**.
- ❑ Select **Sales Orders Outstanding**, set **No** to **Use Due orders only?**

- ❑ Select **Building Materials** field and drill down to the **Order Details** screen, by pressing enter twice.
- ❑ In the **Sales Order Outstanding** screen. Press **Alt+F1** to view the report in detailed format.

The **Order Details** screen appears as shown below :

Order Details		National Traders		Ctrl + M			
Item: Bricks				1-Apr-2009 to 20-Dec-2009			
Sales Orders							
Date	Order Number	Name of Party	Ordered Quantity	Balance Quantity	Rate (Disc %)	Value	Due on (overdue)
Sales Orders Outstanding:							
16-Dec-2009	WT/5	WinLab Technologies	4,000 Pcs	4,000 Pcs	5.00	20,000.00	27-Dec-2009
16Dec-2009 Sales Order 1			4,000 Pcs				
			4,000 Pcs			20,000.00	

Figure 7.3 Order Details screen

The Order Details report is generated as on December 20, 2009. Change the period to a different month and observe what happens. You will discover that the entry appears in the report based on the due date given in the order.

- ❑ Press **F12: Configure** and set **Yes** to all the fields.

The report now shows the **Outstanding positions** of the Sales and Purchase Orders for the stock item **Bricks**.

Order Details		National Traders		Ctrl + M			
Item: Bricks				1-Apr-2009 to 27-Dec-2009			
Order Analysis							
Date	Order Number	Name of Party	Ordered Quantity	Balance Quantity	Rate (Disc %)	Value	Due on (overdue)
Sales Orders Outstanding:							
16-Dec-2009	WT/5	WinLab Technologies	4,000 Pcs	4,000 Pcs	5.00	20,000.00	27-Dec-2009
		Warehouse					(0 days)
16Dec-2009 Sales Order 1			4,000 Pcs				
			4,000 Pcs			20,000.00	
Purchase Orders Outstanding:							
15-Dec-2009	1	Navketan Bricks	5,000 Pcs	5,000 Pcs	3.00	15,000.00	26-Dec-2009
		Warehouse					(1 days)
15Dec-2009 Purchase Order 1			5,000 Pcs				
			5,000 Pcs			15,000.00	

Figure 7.4 Order Details screen



- The **Sales Order Outstanding** screen, by default will show the report as on last date of the voucher entry. Hence, change the period to view the report of the desired period
- The value and magnitude of information changes online depending on the date filter you use. This is Tally.ERP 9's Power of Real Time Report Generation.

7.1.6 Display Columnar Orders & Stock Details

To view Columnar Order Position, return to the **Stock Summary** screen.

- Press **F1: Detailed** and view the report as on **31-12-2009**.
- Press **Alt + N** or **Auto-Column** Button, select **Orders & Stock Details**.
- Remove **Rate** and **Value** from display, by configuring it in **F12: Configuration** (This will enable all the columns to fit in one screen).

The screen appears as shown below :

Stock Summary		National Traders				Ctrl + M
Particulars	National Traders 1-Apr-2009 to 31-Dec-2009 Stock In Hand	National Traders 1-Apr-2009 to 31-Dec-2009 Sales Orders Outstanding (due)	National Traders 1-Apr-2009 to 31-Dec-2009 Saleable Stock (due)	National Traders 1-Apr-2009 to 31-Dec-2009 Purchase Orders Outstanding (due)	National Traders 1-Apr-2009 to 31-Dec-2009 Nett Stock (due)	
	Closing Balance Quantity	On Order Quantity	Closing Balance Quantity	On Order Quantity	Closing Balance Quantity	
Building Materials						
Bricks		4,000 Pcs	(-)4,000 Pcs	5,000 Pcs	1,000 Pcs	
Cement						
Steel						
Computers						
HCL PIV	5 Nos		5 Nos		5 Nos	
IBM PIV	2 Nos		2 Nos		2 Nos	
	3 Nos		3 Nos		3 Nos	
Foodstuffs						
Wheat	(-)100 Bags		(-)100 Bags		(-)100 Bags	
Peripherals						
Accessories						
Components	67 Nos		67 Nos		67 Nos	
Printers						
HP - 27 Printer Cartridges	16 Nos		16 Nos		16 Nos	
HP Laserjet1010 Series	5 Nos		5 Nos		5 Nos	
Samsung Laserjet 1500	5 Nos		5 Nos		5 Nos	
	6 Nos		6 Nos		6 Nos	
Grand Total	21 Nos		21 Nos		21 Nos	

Figure 7.5 Stock Summary



- You may further drill down each column to view it in detail.
- In the Stock Summary screen, you can even bring up a new column using the New Column button and get more options for more details.
- Experiment with the different Types of Values to get familiar with them and Return to the Gateway of Tally.

7.1.7 Adjusting Orders

Orders are adjusted at the time of raising delivery notes and invoices.

Step 1: Create Purchase Invoice

Go to **Gateway of Tally > Accounting Vouchers > F9: Purchase > select As Invoice.**

1. In the **Supplier Invoice No.** field enter **NB/6**.
2. **Date: 26-12-09.**
3. Press **F12: Configure** and set **Accept Supplementary Details** to **Yes**.
4. **Party's A/c Name: Navketan Bricks.**
5. Press **Enter** to view the **Receipt Details** screen as shown below:

Party Details		National Traders		Ctrl + M										
Purchase No.	11	Date	26-Dec-2009	Saturday										
Supplier Invoice No.	NB/6	Date	26-Dec-2009	Saturday										
Party's A/c Name	Navketan Bricks													
Current Balance														
Name of Item	Quantity	Rate per	Disc. %	Amount										
Receipt Details														
Receipt Note No.(s)	: <input type="checkbox"/> End of List													
Order Details														
Order No(s)	: 1													
<table border="1"> <thead> <tr> <th colspan="2">List of Orders</th> </tr> </thead> <tbody> <tr> <td><input type="checkbox"/> End of List</td> <td></td> </tr> <tr> <td><input type="checkbox"/> New Number</td> <td></td> </tr> <tr> <td><input type="checkbox"/> Not Applicable</td> <td></td> </tr> <tr> <td>1</td> <td>15-Dec-2009</td> </tr> </tbody> </table>					List of Orders		<input type="checkbox"/> End of List		<input type="checkbox"/> New Number		<input type="checkbox"/> Not Applicable		1	15-Dec-2009
List of Orders														
<input type="checkbox"/> End of List														
<input type="checkbox"/> New Number														
<input type="checkbox"/> Not Applicable														
1	15-Dec-2009													
Supplier's Details														
Supplier	: Navketan Bricks													
Address	:													
Sales Tax No.	:													

Figure 7.6 Receipt Details screen

6. In the **Receipt Details** screen, select **1** from the **List of Orders** in the **Order No(s)** field and accept the screen.
7. The stock item **Bricks** appears automatically. Press **Enter** and the **Item Allocations** sub-screen is displayed with the quantity details.
8. **Tracking number: Not Applicable** (as goods are accompanying the bill) and re-accept the order number.
9. Select **Purchases** in the **Accounting Allocation** screen.
10. Select **Freight** at **3%** on the item values.
11. Enter the rest of the details and accept the screen.

Practice Exercise

1. Enter a sales invoice on 27-12-2009 and link it to the sales order of 16-12-2009 and view the Orders position (including the cleared orders).
2. Raise a Purchase Order on 20-12-2009 on **Navketan Bricks** with the order number - **PO/001**. Give the due date as 28-12-2009 and quantity as 4500 pcs (godown - Warehouse) @ Rs. 4 per brick piece. Add Freight charges @ 3%.
3. Enter another Purchase Order on 26-12-2009 on **Navketan Bricks** with the order number as **PO/002**, due date as 31-12-2009 and quantity as 5500 pcs (godown - Warehouse) @ Rs. 4 per Pc. Add Freight charges @ 3%.
4. On 22-12-2009 and 27-12-2009 raise two Sales Orders on **WinLab Technologies (WT/001 and WT/002)**. Give the due date as 29-12-2009 and 3-1-2010 and quantity as 3000 pcs and 4,250 pcs respectively @ Rs. 6 per Pc. Tax @ 17.5% for both orders.
5. View the Order Position and then return to the Gateway of Tally.

7.2 Reorder Levels

Reorder level is the level on reaching which an order has to be placed for a stock item. The importance of a reorder level arises from the desire to have sufficient stocks to service customer orders and at the same time not to have unnecessarily high stocks. Therefore, the points to be considered in deciding reorder levels are:

- ❑ Lead time for suppliers to deliver stock
- ❑ Delivery time specified by the customer
- ❑ The stock in hand to satisfy orders in the meantime.

7.2.1 Defining Reorder Levels

Reorder Levels can be defined in either **Simple Mode** or **Advanced Mode**.

Go to **Gateway of Tally > Inventory Info. > Reorder Levels**

- ❑ Select **Building Materials** and press **Enter**
- ❑ The **Specify Reorder Levels** screen appears where all the Stock Items (Bricks, Cement and Steel) under the Stock Group (Building Materials) are displayed.

The **Simple Reorder Level** appears as shown:

Specify Reorder Levels		National Traders		Ctrl + M
Under Group : Building Materials		1-Apr-2009 to 31-Dec-2009		
Name of Item	Reorder Quantity	Minimum Order Quantity		
Bricks				
Cement				
Steel				

Figure 7.7 Simple Reorder Level screen



The Reorder Level screen appears based on the books beginning from and the date of last entry.

- ❑ Click **Alt+R** : **Adv Reorder** button
- ❑ Click **Alt+M** : **Adv Min Qty** button

The following buttons are used in **Reordering**:



- ❑ **Ctrl + F4**: **New Parent** (to change the Stock Group).
- ❑ **Alt + R** : **Simple Reorder** (toggles with Advanced Reorder).
- ❑ **Alt + M**: **Simple Minimum Quantity** (toggles with Advanced Minimum Quantity).

The latter two buttons allow you to define the reorder levels using either simple parameters or advanced parameters.

The **Advanced Reorder Level** screen appears as shown below :

Specify Reorder Levels		National Traders		Ctrl + M		
Under Group : Building Materials		1-Apr-2009 to 31-Dec-2009				
Name of Item	Reorder Quantity	Advance Parameter for Reorder Level (Consumption for the last)		Minimum Order Quantity	Advance Parameter for Minimum Order (Consumption for the last)	
		Period	Criteria		Period	Criteria
Bricks						
Cement						
Steel						

Figure 7.8 Advanced Reorder Level screen



The **Advanced parameters** allow you to specify the quantities for the **Reorder level** and the **minimum order quantity**. The reorder and minimum order quantity is defined based on **consumption patterns**.

Consumption patterns are decided based on a stipulated time period. Tally.ERP 9 allows you to choose from the time parameters of **Days, Weeks, Months** and even **Years**.

- Set the **Reorder Level** and **Minimum Order Quantity** for the stock item **Bricks** using advanced parameters as shown below :

Specify Reorder Levels		National Traders				Ctrl + M
Under Group : Building Materials		1-Apr-2009 to 31-Dec-2009				
Name of Item	Reorder Quantity	Advance Parameter for Reorder Level (Consumption for the last)		Minimum Order Quantity	Advance Parameter for Minimum Order (Consumption for the last)	
		Period	Criteria		Period	Criteria
Bricks	4,500 Pcs or	5 Days	Higher	1,500 Pcs or	5 Days	Higher
Cement						
Steel						

Figure 7.9 Reorder Level screen

- Set the **Reorder level** at **4,500** pcs (user-defined) or you may also consider the consumption pattern for the last 5 Days and accept the value computed as the Reorder Level.
- Press **Ctrl+A** to accept the screen and return to the Gateway of Tally.



Consumption patterns can be given only if you specify a user-defined quantity as the **Reorder level** and **Minimum Order quantity**. Tally.ERP 9 then compares the two values and considers the lower or higher of the two figures as per our specifications.

7.2.2 Display Reorder Status

We have so far defined the Reorder Levels. However, since the actual analysis is possible only through the Reorder Status report, let us view the same.

Go to **Gateway of Tally > Display > Statements of Inventory > Reorder Status**

- Select **Building Materials**
- Press **F2** and change the period from **1-4-2009** to **30-1-2010**

The **Inventory Reorder Status** screen appears as shown below :

Inventory Reorder Status									
National Traders									
Ctrl + M									
Items Under : Building Materials									
(all items) as at 30-Jan-2010									
Name of Item	Closing Stock	Purc Orders Pending	Sale Orders Due	Nett Available	Re-order Level	Short fall	Min Reorder Qty	Order to be Placed	
Bricks	1,000 Pcs	10,000 Pcs	7,250 Pcs	3,750 Pcs	4,500 Pcs	750 Pcs	1,500 Pcs	1,500 Pcs	
Cement									
Steel									

Figure 7.10 Inventory Reorder Status

- Click the **A: Reorder Only** button (**A: Reorder Only** button toggles with the **A: Show All** button).

Inventory Reorder Status									
National Traders									
Ctrl + M									
Items Under : Building Materials									
(only items below re-order levels) as at 30-Jan-2010									
Name of Item	Closing Stock	Purc Orders Pending	Sale Orders Due	Nett Available	Re-order Level	Short fall	Min Reorder Qty	Order to be Placed	
Bricks	1,000 Pcs	10,000 Pcs	7,250 Pcs	3,750 Pcs	4,500 Pcs	750 Pcs	1,500 Pcs	1,500 Pcs	

Figure 7.11 Inventory Reorder Status

A report is displayed giving the details of only Bricks, since the report is configured to display only those items which are below the reorder level. To analysis the Inventory Reorder Status Report, place the cursor on any of the details given in the above report and press **Enter**. You can view the details to verify its correctness.



i. Name of Item

The list of stock items are displayed which are grouped under the selected stock group. Highlight the required item and press **Enter** to arrive at the Movement Inward details. This gives us the details of the stock items in terms of the quantity, rate and value. You can drill down to the last level of voucher details.



ii. Closing Stock

Remember, in the section on Order Processing we first raised a Purchase Order for 5000 pcs which we then purchased. After that, we raised a Sales Order for 4000 pcs which we subsequently sold - this resulted in a closing quantity of 1000 pcs. The column next to the name of the item displays the closing quantity as per the date specified in the report.

Press **Enter** on the value shown under closing stock and you will get a monthly inward-outward-closing balance report of the selected stock item.

iii. Purchase Orders Pending

This quantity is arrived at on the basis of the total purchase orders pending. Remember we raised 2 Purchase Orders for 4500 pcs and 5500 pcs. The total of 10000 pcs appears in the Purchase Orders Pending column.

Press **Enter** on the value shown under Purchase Orders Pending and you will get a report displaying outstanding purchase orders.

iv. Sales Orders Due

This quantity is arrived at on the basis of the total sales orders due. Remember, we raised 2 Sales Orders for 3000 pcs and 4250 pcs. The total of 7250 pcs appears in the Sales Orders Due column.

Press **Enter** on the value shown under Sales Orders Due and you will get a report of the outstanding sales orders.

v. Nett Available

The quantity given here is arrived at based on the formula: **Closing Quantity + Purchase Orders Pending - Sales Orders Due** i.e., $1000 + 10000 - 7250 = 3750$ pcs.

vi. Reorder Level

As per our definition, if we select the greater of 4500 pcs or the level of Consumption over the last 5 days then the reorder level will be displayed as 4500.

To define consumption pattern as lower, highlight the Reorder Level column and press **Enter** to view the Specify Reorder Level screen.

vii. Shortfall

Shortfall is displayed as on 31-1-2010 with the specifications:

- ❑ **Reorder level** being 4500 pcs or consumption of last 5 days whichever is higher.
- ❑ **Minimum order quantity** of 1500 pcs or consumption of last 5 days whichever is higher.

The quantity is arrived at based on 4500 (reorder level) - 3750 (nett available) = 750 pcs shortfall. The reorder level if more than the nett available, the difference will be shown as Shortfall.



viii. Minimum Order Quantity

The minimum order quantity is the level below which when the quantity of stock falls, an order has to be placed. Press **Enter** on Minimum Order Quantity to view the reorder level and minimum order quantity definition screen of the selected stock item.

ix. Order to be Placed

The amount is arrived at based on the following interpretations:

- **Shortfall > Minimum Order Quantity.** The quantity displayed in Shortfall column will be displayed in the column Order to be Placed or
- **Shortfall < Minimum Order Quantity.** The quantity displayed in Minimum Order Quantity column will be displayed in the column Order to be Placed.

In our example, Shortfall (750 pcs) is less than Minimum Order Quantity (1500 pcs) hence, minimum order quantity of 1500 pcs is the order to be placed as on 31-1-2010.

Practice Exercise

1. In **Indus Enterprises** experiment by giving your own values for reorder level and minimum order quantity and observe the report as on various dates (depending on the entry dates). Discover and analyse the stock status.

7.3 Tracking Numbers

Many businesses deliver stock with a delivery note or a challan and the bill is raised later. There may be a situation where you raise a bill first and then deliver the goods against the bill raised or receive the goods against a purchase bill. In such cases, it is important to 'Track' the delivery or receipt of inventory against the bill. Tally.ERP 9 has a feature called Tracking Numbers to achieve the same.

'Tracking' the delivery or receipt of inventory, is purely an inventory-related activity. Tally.ERP 9 helps in bringing such entries into the accounting statements to help the user in ascertaining the profit or loss for a stipulated period. In case sales bills are to be raised an additional element in the detailed Profit & Loss statement appears as **Sales bills pending** and for Purchases the same will appear as **Purchase Bills pending**.

7.3.1 Using Tracking Numbers

On 28-12-09 Ref GRN/NB - 1,000 Pcs of Bricks received from Navketan Bricks @ Rs. 4 /Pc at the warehouse.

In the earlier sections, we have recorded two Purchase Orders on 20-12-2009 and 25-12-2009 with due dates 28-12-2009 and 31-12-2009 respectively. The above receipt of 1,000 pcs is received against the ordered quantity of 4,500 pcs.

Let us raise a **Receipt Note** for the **PO/001** raised on 20-12-2009 with due date 28-12-2009.

Setup:

In the **F11: Features (Inventory Features)**, activate

- ❑ **Use Tracking Numbers** to enable the **Receipt Note (Goods Receipt Note)** and **Delivery Note (Delivery Challan)**.
- ❑ **Use Rejection Notes** to enter **Rejections In** vouchers and **Rejections Out** vouchers.

Step 1: Create Receipt Note

Go to **Gateway of Tally > Inventory Vouchers > F9: Receipt Note**.

1. Date: **28-12-09**
2. Party's A/c Name: **Navketan Bricks**
3. Purchase Ledger : **Project Purchases**
4. Name of the item: **Bricks**
5. In **Item Allocations** for screen, Select **Tracking No.** as **GRN/NB**, **Order No.** as **PO/001** and **Due on:** **28-12-09**
6. In the main voucher screen, enter **3%** for **Freight charges** and the value gets calculated automatically.
7. Enter the remaining details and accept the voucher.

7.3.2 Display Purchase Bill Pending

Go to **Gateway of Tally > Display > Statements of Inventory > Purchase Bills Pending >**

- ❑ Press **Alt + F1** for a **detailed** view.

The **Purchase Bills Pending** report appears as shown below :

Purchase Bills Pending		National Traders		Ctrl + M	
Purchase Bills Pending				1-Apr-2009 to 31-Dec-2009	
Date	Tracking Number	Name of Item	Pending Quantity	Rate (Disc %)	Value
Goods Recd. but Bills not Recd. :					
28-Dec-2009	GRN/NB	Bricks	1,000 Pcs	4.00	4,000.00
Warehouse					
From: Navketan Bricks					
28-Dec-2009	Receipt Note 4	1,000 Pcs @		4.00	

Figure 7.12 Purchase Bills Pending

Tally.ERP 9 tracks down the details of goods received for which bills have not been received. To view effect of above report,

Go to **Gateway of Tally > Profit & Loss Account** and view the **Purchase Accounts**.

You will find that the value of goods received (recorded through Receipt Note) are included in the Purchase Accounts under **Purchase Bills to come**, for ascertaining the profits accurately. Also

view **Sundry Creditors** from **Balance Sheet**, you will find that liability is created under **Purchase Bills to come**.



- Ensure that in **F11: Features (Accounting Features)**, **Integrate Accounts with Inventory** is set to **Yes**.
- For details on **Original Quantity**, drill down the **Purchase Bills pending** and activate the option **Show Original Quantity** in **F12: Configure**. You will get an additional field called **Initial Quantity**.

On 28-12-09, you receive the purchase Bill No. NB/15 from Navketan Bricks for their Delivery Note No. GRN/NB for 1,000 Pcs of Bricks @ Rs.4 /Pc. A credit of 30 days is allowed.

Setup :

- Activate **Cost Centre** for **Freight charges** Ledger

Step 1: Create Purchase Voucher

Go to **Gateway of Tally > Accounting Vouchers > F9: Purchase**

1. **Ref: NB/15**
2. Credit **Navketan Bricks: Rs. 4,120**
3. Bill-wise Details: **NB/15 30 days 4,120**
4. Debit **Purchases: Rs. 4,000**
5. **Tracking Number:** Select **GRN/NB** and give the required inventory allocation.
6. Debit **Freight Charges: Rs. 120**
7. Select **Projects and Assignments** Category and **Buildings** Cost centre
8. Accept the **Purchase voucher**.

After completing the above entry, view **Purchase Bills Pending**.

Practice Exercise

Make the following voucher entries:

1. On 1-2-2010, you received an order from **FirstCom Solutions** for 25 Nos of **HP - 27 Printer Cartridges** to be delivered on 15-2-2010 @ Rs. 250 each. Order number **FCS/9**. You propose to deliver from On-Site, allocate to Sales-Printer, Cost Centre Amar.
2. On 13-2-2010, received 22 Nos of **HP - 27 Printer Cartridges** @ Rs. 200 from **Power Line Computers** and stored in On-Site. The invoice **PLC12** was also received. Credit period was 30 days.
3. On 15-2-2010, National Traders delivered 20 Nos of **HP - 27 Printer Cartridges** from On-Site to **FirstCom Solutions** against their Order **FCS/9**.
 - Since you will raise the invoice later, give a new tracking number as **Ex1**.

- The terms are Credit period of 45 days from the date of invoice. The sale price is Rs. 250 each. No interest is to be charged.
- 4. On 17-2-2010, **FirstCom Solutions** returned 2 defective pcs of **HP - 27 Printer Cartridges**, track it against **Ex1**.
- 5. On 1-3-2010, National Traders raised the invoice for the 18 pcs of goods retained by **FirstCom Solutions**. Link the invoice with the delivery note.
 - Display **Sales Bills Pending** on 28-2-2010. and view **Profit & Loss A/c** on 28-2-2010 to view changes in **Sales Bills to make**.
 - Change the date to 2-3-2010 and check, are there any **Sales Bills to Make**
- 6. Prepare a Purchase invoice on 13-2-2010 and track it against the receipt note dated 13-2-2010.



- *Activate **Rejection Notes** in the **F11: Features (Inventory features)**, if not activated.*
- *Create a Receipt Note for Exercise 2, and give the tracking number as **PLC12**.*
- *For **Exercise 4**, create **Rejections In Voucher***
- *For **Exercise 5**, raise a Invoice for 18 Pcs only.*
- *After completing the above practical exercises, return to Gateway of Tally and disable tracking numbers in the **F11: Features (Inventory Features)**.*



*Once entries are recorded using **Rejections In** and **Rejections Out Notes**, the option **Use Rejection Inward/Outward Notes** in **F11: Features (Inventory Features)** cannot be set to **No**.*

7.4 Batch-wise Details

Batch details are used to identify the movement of inventory in batches or lots. Although this is a requirement primarily of the pharmaceutical industry, the same can be used by other industries that maintain or manufacture perishable goods. Many organisations also purchase in batches in order to monitor the result of the batch purchased individually. Hence, Tally.ERP 9 has used the term Batch/Lot.

Batches/Lots are also often used to monitor the date of manufacture, date of receipt or the date of expected time when it cannot be further used (perished or expired). Tally.ERP 9 makes provisions to enter both the manufacturing date and the expiry date to take decisions as required.

In this section the following topics are discussed :

- Activate **Batch-wise Details** and enter vouchers using them.

- Set **Manufacturing Date & Expiry Date** for Batches.



- *Manufacturing Date & Expiry Date for Batches is useful for businesses that deal in goods that have expiry dates like medicines, food and other perishables.*
- *During Voucher entry, the date of manufacture of the product, by default takes the date of the voucher, this can however be changed subject to*
 - *Date of Manufacture is not later than the Voucher Date.*
 - *Expiry Date is not earlier than the Date of Manufacture.*

7.4.1 Activating Batch-wise Details

Batch-wise details are given for maintaining batch information pertaining to stock items. The **Manufacturing date** and **expiry date** can also be set for batch wise details.

To activate Batchwise Details,

Go to **Gateway of Tally > press F11: Features (Inventory Features)**.

- Set **Maintain Batch-wise details** and **set Expiry Dates for Batches to Yes**.

7.4.2 Using Batch-wise Details in Purchase Invoice

On 15-12-09, purchased Saridon - 250 nos from GetWell Pharmacy @ 5.50 each with batch number ST/101 having Manufacturing date as 15-8-2009 and Expiry Date as 14-8-2010.

Setup:

- Create **GetWell Pharmacy Ledger** under **Sundry Creditors**
- Create the following Stock Item
 - **Name: Saridon**
 - **Under: Medicines** (create the group under primary)
 - **Category: Pain Killers** (create the category under primary).
 - **Maintain in Batches: Yes.**
 - **Track date of Mfg: Yes**
 - **Use expiry dates: Yes**
 - **Alter Standard Rates: No**
 - **Rate of Duty: 5**
 - Retain all the other fields as default and accept the stock item creation screen.
 - Return to the Gateway of Tally.

- During Voucher entry, press **F12: Purchase Invoice Configuration** and set **Honor Expiry Dates usage for Batches** to **Yes**.

Step 1: Create Purchase Voucher

Go to **Gateway of Tally > Accounting Vouchers > F9: Purchase**

1. Enter the item as per the transaction details.
2. After you enter **Saridon**, an **Item Allocation** screen will appears,
 - Enter the batch no. as **ST/101** having manufacturing date as **15-8-09** and **Expiry Date** as **14-8-10**.
3. Select **Onsite** in Godown field. The **Batch details** appears as shown below :

Stock Item Allocations					National Traders		Ctrl + M	
Purchase No. 11		Date :		15-Dec-2009 Tuesday				
Supplier Invoice No. :		Date :						
Party's A/c Name : GetWell Pharmacy		Current Balance :						
Item Allocations for : Saridon					Quantity	Rate per	Disc. %	Amount
Godown	Batch / Lot No.		Quantity	Rate per	Disc. %	Amount		
	Mfg Dt.	Expiry Date						
			250 Nos	5.50 Nos		1,375.00		
Order No.: □ Not Applicable								
On-Site	ST/101		250 Nos	5.50 Nos		1,375.00		
	15-Aug-2009	14-Aug-2010						
			250 Nos		1,375.00			
			250 Nos		1,375.00			

Figure 7.13 Item Allocations for Saridon

4. Allocate it to **Purchase account** (not project purchases). Purchase invoice number **NM**. Credit period 60 days.
5. Press **Enter** and accept the voucher.



Go to **Gateway of Tally > Stock Summary > Medicines > press F1: Detailed** as on 15-12-2009. You will see the batch details of Saridon 250 nos with the rate and the total closing value.

7.4.3 Using Batch-wise Details in Sales Invoice

On 27-12-09 , raise a Cash Sales Invoice for 200 nos of Saridon @ Rs. 7.50 from the above Batch No.ST/101.

Setup :

- ❑ Create **Cash Ledger** under **Cash-in-Hand** group
- ❑ Activate Cost Centre for **Export Saes Ledger**

Step 1: Create Sales Voucher

Go to **Gateway of Tally > Accounting Vouchers > F8: Sales**

1. Enter the item as per the transaction details.
2. Select the Batch as **ST/101**
3. Select Godown as **Onsite**
4. Select the **Sales Ledger** as **Export Sales**
5. Allocate the Sales to Cost Centre : **Amar**

Step 2 : View Stock Summary

Go to **Gateway of Tally > Stock Summary > Medicines**

- ❑ Specify the date as 27-12-2009
- ❑ Press **F1: Detailed**, you will find that the stock balance is **50 nos**.

Practice Exercise

1. On 28-12-09, raise another purchase invoice on **GetWell Pharmacy** with the following details
 - ❑ Batch No. : **ST/102**
 - ❑ Quantity : **300 nos**
 - ❑ Rate : **Rs. 6 per nos**
 - ❑ Godown : **On-site**
 - ❑ Manufacture date : **15-8-09**
 - ❑ Expiry date : **31-12-09**
 - ❑ Purchase Ledger : **Purchases**

- Total Invoice Value : **Rs. 1,800**
- 2. On 1-1-10, make a Cash Sales Invoice for Saridon - **50 nos** from batch **ST101** and **200 nos** from batch **ST102** @ Rs. 7.50 each.

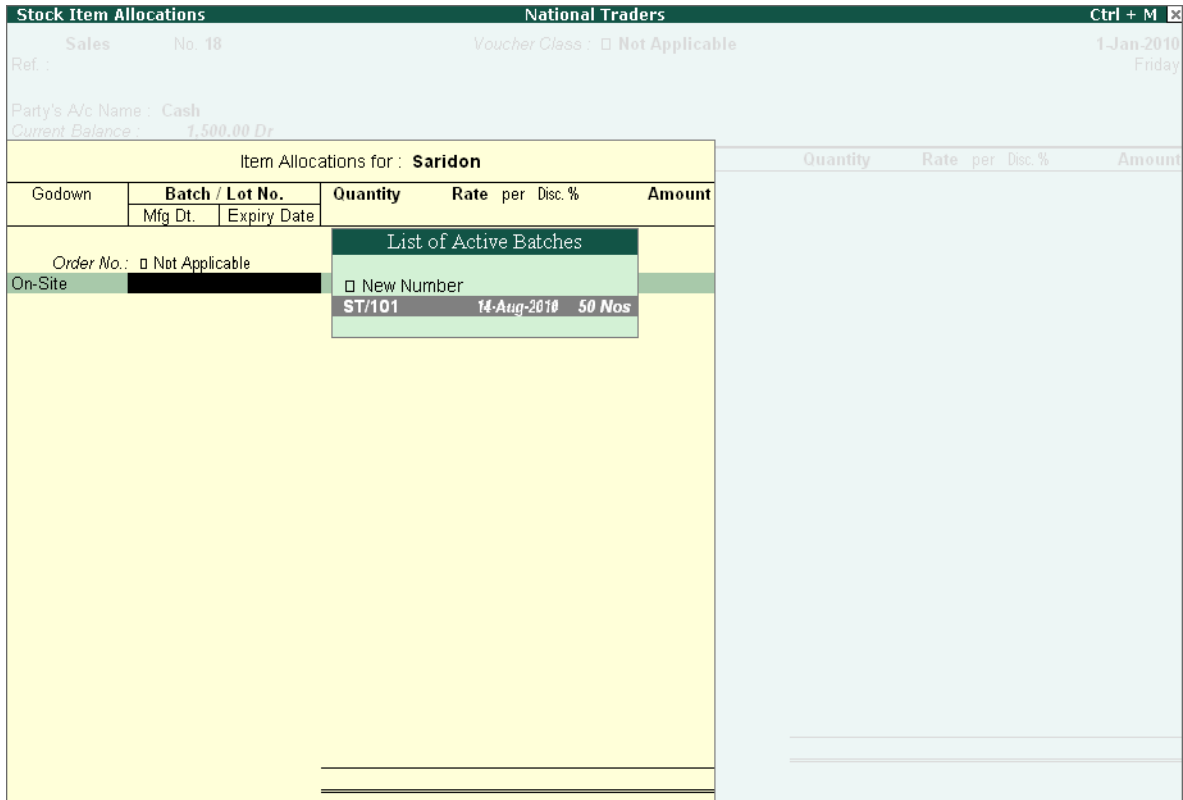


Figure 7.14 Item Allocation for Saridon

- You may not be able to display the batch **ST/102**, use backspace key and go back to the invoice screen and change the invoice date to 31-12-2009.

Tally.ERP 9 displays the **batch ST/102** as shown below :

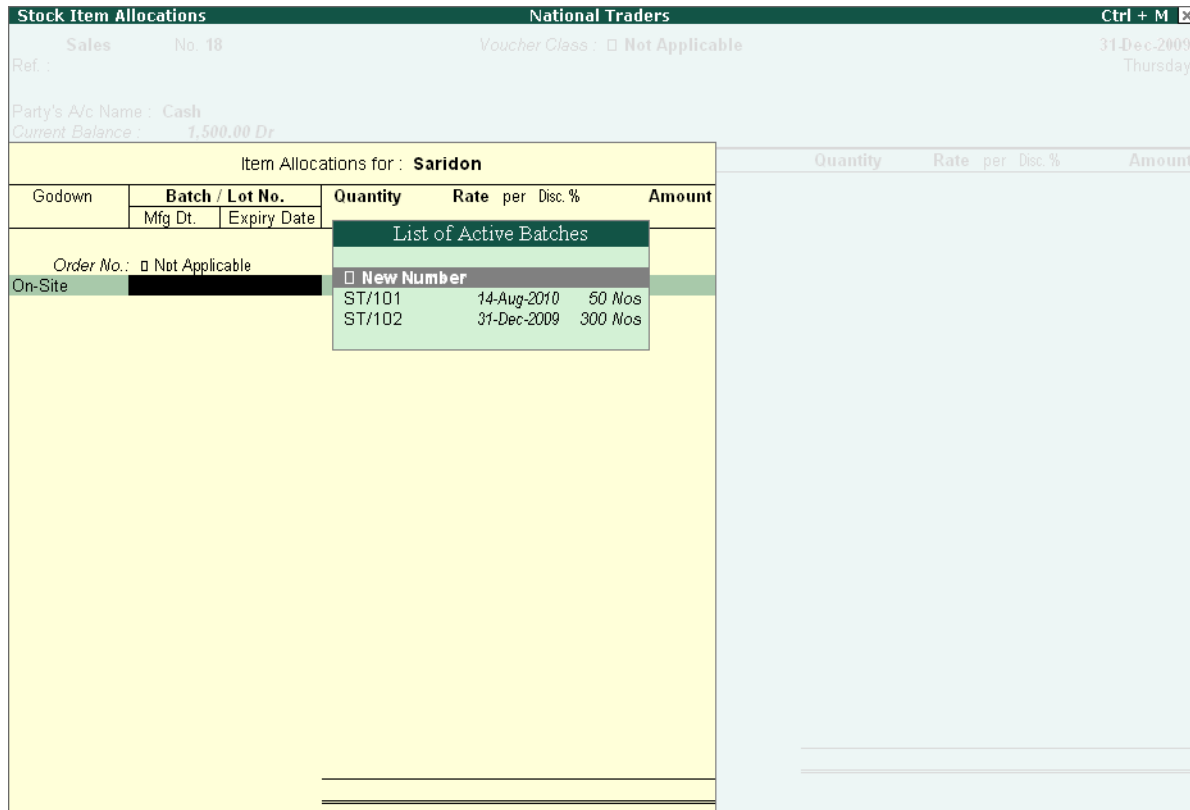


Figure 7.15 Item Allocation screen

Tally.ERP 9 does not display batch ST/102 when we make the entry on **1-1-2010** because the expiry date of ST/102 was **31-12-2009**. But when we changed the entry date to **31-12-2009** the batch is displayed! This is because the option **Honor Expiry Dates usage for Batches** is set to **Yes** in the **F12: Configuration**.



*When **Honor Expiry Dates usage for Batches** is set to **Yes** in the **F12: Configuration**, Tally.ERP 9 does not allow selection of expired batches during voucher entry (i.e., Batches for which, the expiry dates falls before the voucher date).*

7.5 Additional Cost Details

The cost of an item is the rate at which the item is purchased. However, there are other expenses like Packing charges, Freight charges, Cartage incurred, etc. which add to the cost of purchasing the item. Thus, the additional cost details are required to be added to the actual cost of purchase.

Let us now see how Tally.ERP 9 handles this requirement.

7.5.1 Activating Additional Cost Details

- Ensure that you are at the **Gateway of Tally of National Traders**.
- Press **F11: Features (Inventory Features)**, set **Track Additional Costs of Purchases** to **Yes**.

7.5.2 Creating Purchase Voucher with Additional Cost Details

Setup :

- Create a **ledger – Stationery House** under **Sundry Creditors** with only the bill-wise details set to **Yes**.
- Create the following stock items:

Name of Item	Under	Category	Units	Maintain in Batches
Stapler	Primary	Not Applicable	Nos	No
Stapler Pins	Primary	Not Applicable	Nos	No

- Create a new group **Expenses on Purchases** under the default group **Purchase Accounts** and select **Not Applicable** for **Method to Allocate when used in Purchase Invoice**.



*The option **Method to Allocate**, when used in **Purchase Invoice** will not appear, if the feature **Enter Purchases in Invoice format** is set to **No** in **F11: Features (Accounting Features)**.*

- Create the following ledgers under the newly created group **Expenses on Purchases** with the option **Inventory Values are Affected** and **Maintain Cost centres** set to **No**.
 - **Packing Charges on Purchases**
 - **Cartage Charges**

Step 1: Create Purchase Voucher

Go to **Gateway of Tally > Accounting Vouchers > F9: Purchase**

1. Press **Ctrl+V** for **Voucher Mode**
2. **Date: 1-3-2010**
3. Credit **Stationery House: Rs. 7,500**
4. Debit **Purchases: Rs. 7,500** and press **Enter**
5. Tally.ERP 9 prompts for the **Item details** (as **Inventory values are affected** is set to **Yes**)
6. Select item **Stapler** and press **Enter**
7. In the **Item allocation** screen,

- ❑ **Order number: Not Applicable**
 - ❑ **Godown: On-Site**
 - ❑ **Quantity: 100 nos**
 - ❑ **Rate: Rs. 20 each**
8. Press **Enter** till you reach the additional cost details screen
 9. Select **Packing Charges on Purchases** and type Rs. 110 (The total packing charges of Rs. 290 is incurred for both items).
 10. Now select the ledger **Cartage Charges** and type Rs. 90 (The total cartage charges of Rs. 210 is incurred for both items).

The **Additional Cost Details** screen appears as shown below :

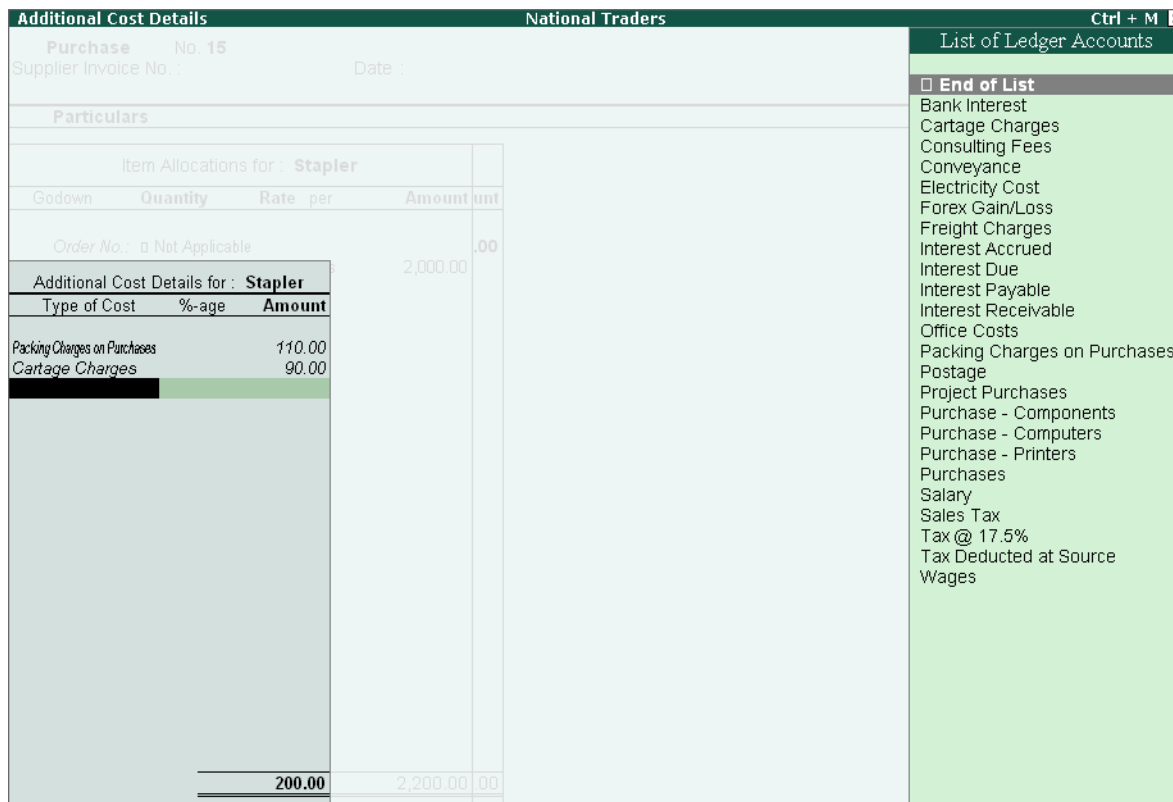


Figure 7.16 Additional Cost Details for Stapler

11. Press **Enter**, Tally.ERP 9 prompts for the tracking number details
12. Select **End of List**.

The **Inventory Allocations for: Purchases** appears as shown below :

Inventory Allocations for : Purchases			
Name of Item	Quantity	Rate per	Amount
Stapler	100 Nos	20.00 Nos	2,000.00
	<i>Actuals:</i>	22.00 Nos	(2,200.00)

Figure 7.17 Inventory Allocations for Purchases

13. Select the Item **Stapler Pins** in the **Item Allocation** screen and

- ❑ **Order number: Not Applicable**
- ❑ **Godown: On-Site**
- ❑ **Quantity: 200 nos**
- ❑ **Rate: Rs. 25 each**
- ❑ Press **Enter** till you reach the **additional cost details** screen.

14. Select **Packing Charges on Purchases** and enter the balance amount of Rs. 180.

15. Select the ledger **Cartage Charges** and enter the balance amount of Rs. 120.

16. Press **Enter** till you reach the narration field.



- ❑ *In the invoice, we have incurred the total packing charges of Rs. 290 for both items. Out of which Rs. 110 is already specified the previous stock item **Stapler**. Hence, Rs. 180 is entered for **Stapler Pins**.*
- ❑ *(In the invoice, we have incurred a total of Rs. 210 as cartage charges for both items. Out of which Rs. 90 is entered for the previous stock item **Stapler**. Hence, Rs. 120 is entered for **Stapler Pins**.*
- ❑ *Ensure that the option **Show Inventory Details** is set to **Yes** in the **F12: Configuration**.*

The completed **Purchase voucher** appears as shown below:

Accounting Voucher Creation		National Traders		Ctrl + M
Purchase No. 15		Date :		1-Mar-2010 Monday
Supplier Invoice No. :				
Particulars		Debit	Credit	
Cr Stationery House			7,500.00	
<i>Cur Bal: 7,500.00 Cr</i>				
New Ref SH/1	7,500.00 Cr			
Dr Purchases		7,500.00		
<i>Cur Bal: 25,675.00 Dr</i>				
Stapler 100 Nos 20.00/Nos	2,000.00			
<i>Actuals :</i> 22.00/Nos	(2,200.00)			
Stapler Pins 200 Nos 25.00/Nos	5,000.00			
<i>Actuals :</i> 26.50/Nos	(5,300.00)			
Narration:		7,500.00	7,500.00	
				Accept ? Yes or No

Figure 7.18 Purchases Voucher

You will notice an additional line displaying the actual value of the item. The item value appearing here will also be appearing in the stock reports.

17. Press **Y** or **Enter** to accept the screen and return to the Gateway of Tally.

Display Stock Summary Report

Go to **Gateway of Tally > Stock Summary**

- Highlight the item **Stapler**, you will find closing balance of 100 nos @ Rs. 22 each worth Rs. 2,200.
- Return to the Gateway of Tally.

Display Stock Voucher Report

Cross verify the stock details of stock summary with the Stock Vouchers report as shown below :

Go to **Gateway of Tally > Display > Inventory Books > Stock Item**

- Select **Stapler** and press **Enter** till you reach a report displaying the list of vouchers as shown below:

Stock Vouchers		National Traders						Ctrl + M				
Stock Item: Stapler		1-Mar-2010 to 31-Mar-2010										
Date	Particulars	Vch Type	Vch No.	Inwards			Outwards			Closing		
				Quantity	Rate	Value	Quantity	Rate	Value	Quantity	Rate	Value
1-3-2010	Stationery House	Purchase	15	100 Nos	22.00	2,200.00				100 Nos	22.00	2,200.00
Totals :				100 Nos	22.00	2,200.00				100 Nos	22.00	2,200.00

Figure 7.19 Stock Vouchers



Purchased Stapler 100 nos at Rs. 20/no., total being Rs. 2000. Additional expenses of Rs. 200 i.e.,

- *Packing Charges - Rs. 110*
- *Cartage Charges - Rs. 90*

The total Purchase Cost is arrived as shown below :

Purchase total + Additional Expenses total (Rs. 2,000 + Rs. 200) = Rs. 2,200. This is divided by quantity of 100 nos > Rs. 2,200/100 nos = Rs. 22/nos.



The Additional Cost details option will be available only in the Purchase Voucher and not in Purchase Invoice.

7.5.3 Creating Purchase Invoice with Additional Cost Details

Setup:

- Ensure that **Enter Purchases in Invoice Format** in **F11: Features (Accounting Features)** is set to **Yes**

Step 1: Create Purchase Invoice

Go to **Gateway of Tally > Accounting Vouchers > F9: Purchase**

1. Select **As Invoice**
2. Change the date to 3-3-2010 and make the entry as per the purchase voucher details dated 1-3-2010.

The **purchase invoice** appears as shown below:

Accounting Voucher Creation		National Traders		Ctrl + M	
Purchase No. 20		Date :		3-Mar-2010 Wednesday	
Supplier Invoice No. :		Date :			
Party's A/c Name : Stationery House		Current Balance : 20,000.00 Cr		Purchase Ledger : Purchases	
Name of Item	Quantity	Rate	per Disc. %	Amount	
Stapler	100 Nos	20.00	Nos	2,000.00	
Stapler Pins	200 Nos	25.00	Nos	5,000.00	
				<hr/> 7,000.00	
Packing Charges on Purchases				290.00	
Cartage Charges				210.00	
Narration:				<hr/> 300 Nos <hr/> 7,500.00	

Figure 7.20 Purchase Invoice

3. Press **Y** or **Enter** to accept the screen and return to the Gateway of Tally.

Display Stock Voucher Report

Let us see the rate that is displayed in the stock item voucher report.

Go to **Gateway of Tally > Display > Inventory Books > Stock Item >**

- Select **Stapler**
- Press **Enter** till you reach the **Stock Vouchers** screen as shown below:

Stock Vouchers		National Traders		Ctrl + M								
Stock Item: Stapler				1-Mar-2010 to 31-Mar-2010								
Date	Particulars	Vch Type	Vch No.	Inwards			Outwards			Closing		
				Quantity	Rate	Value	Quantity	Rate	Value	Quantity	Rate	Value
1-3-2010	Stationery House	Purchase	15	100 Nos	22.00	2,200.00				100 Nos	22.00	2,200.00
3-3-2010	Stationery House	Purchase	16	100 Nos	20.00	2,000.00				200 Nos	21.00	4,200.00
Totals :				100 Nos	22.00	2,200.00				100 Nos	22.00	2,200.00

Figure 7.21 Stock Vouchers

7.5.4 Appropriate Additional Costs

In the entry dated 1-3-2010, we gave the additional cost details for each item (Stapler and Stapler Pins). This additional cost was calculated and added to the cost of the item. The additional costs are not added to the cost of the items, when the entry is made in the invoice format.

To appropriate the additional costs to purchase invoice of **3-3-2010**,
Go to **Gateway of Tally > Accounts Info. > Groups > Single > Alter**

- Select **Expenses on Purchases**

The screen appears as shown below:

Group Alteration		National Traders
Name	: Expenses on Purchases	
(alias)	:	
Under	: Purchase Accounts	
Group behaves like a Sub-Ledger		? No
Nett Debit/Credit Balances for Reporting		? No
Used for Calculation (eg. Taxes, Discounts) (for Sales Invoice Entry)		? No
Method to Allocate when used in Purchase Invoice		? Appropriate by Qty
		Allocation Methods
		<input type="checkbox"/> Not Applicable
		<input checked="" type="checkbox"/> Appropriate by Qty
		<input type="checkbox"/> Appropriate by Value

Figure 7.22 Group Alteration



*The option **Method to Allocate when used in Purchase Invoice** allows you to apportion or appropriate or allocate additional cost details entered in Invoice mode, based on the purchase value or purchase quantity.*

- Select **Appropriate by Qty** from the **Allocation Methods** list.
- Accept the screen and return to the Gateway of Tally
- Similarly, select the option **Appropriate by Qty** in the **Purchase Accounts** group also.



*To use the **Appropriate by Qty** option, ensure that the items in the purchase invoice have the same unit of measure.*

Display Stock Voucher Report

Go to **Gateway of Tally > Display > Inventory Books > Stock Item**

- Select **Stapler**
- Press **Enter** till you reach the stock voucher screen
- Select the purchase voucher dated **3-3-2010** and re-accept the voucher for the additional cost to take effect

The **Stock Vouchers with additional cost details** for Stapler appears as shown below :

Stock Vouchers				National Traders						Ctrl + M		
Stock Item: Stapler				1-Mar-2010 to 31-Mar-2010								
Date	Particulars	Vch Type	Vch No.	Inwards			Outwards			Closing		
				Quantity	Rate	Value	Quantity	Rate	Value	Quantity	Rate	Value
1-3-2010	Stationery House	Purchase	15	100 Nos	22.00	2,200.00				100 Nos	22.00	2,200.00
3-3-2010	Stationery House	Purchase	16	100 Nos	21.67	2,166.67				200 Nos	21.83	4,366.67

Figure 7.23 Stock Vouchers Report



In the entry dated 3-3-2010:

- i. **Total Additional Cost = Rs. 500 (290 + 210)**
- ii. **Total Quantity = 300 nos (Stapler 100 nos+ Stapler Pins 200 nos)**
- iii. **Cost per Unit (Nos) = Rs. 500 / 300 Nos - Rs. 1.67**
- iv. **Stapler rate for 1 nos = Rs. 20 + Rs. 1.67 = Rs. 21.67**

- Use **F4: Item** button and select **Stapler Pins**

The **Stock Vouchers with additional cost details** for Stapler Pins appears as shown below:

Stock Vouchers				National Traders						Ctrl + M		
Stock Item: Stapler Pins				1-Mar-2010 to 31-Mar-2010								
Date	Particulars	Vch Type	Vch No.	Inwards			Outwards			Closing		
				Quantity	Rate	Value	Quantity	Rate	Value	Quantity	Rate	Value
1-3-2010	Stationery House	Purchase	15	200 Nos	26.50	5,300.00				200 Nos	26.50	5,300.00
3-3-2010	Stationery House	Purchase	16	200 Nos	26.67	5,333.33				400 Nos	26.58	10,633.33

Figure 7.24 Stock Vouchers Report



In the entry dated 3-3-2010:

- i. **Total Additional Cost = Rs. 500 (290 + 210)**
- ii. **Total Quantity = 300 nos (Stapler 100 nos+ Stapler Pins 200 nos)**
- iii. **Cost per Unit (Nos) = Rs. 500 / 300 Nos - Rs. 1.67**
- iv. **Stapler Pins rate for 1 nos = Rs. 25 + Rs. 1.67 = Rs. 26.67**

7.5.5 Additional Costs incurred after Purchases

Setup :

- Create the following stock item:

Name of Item	Under	Category	Units	Maintain in Batches	Track Date of Mfg	Use expiry dates
Batch Additional Cost Item	Primary	Not Applicable	Nos	Yes	Yes	Yes

- Alter the ledger **Packing Charges on Purchases** and set the option **Inventory Values are Affected** to **Yes**.

Step 1: Create Purchase Invoice

On 1-3-10, make a purchase entry for 10 nos of **Batch Additional Cost Item** (Batch/ 001) @ Rs. 100 from **Stationery House**.

Go to **Gateway of Tally > Accounting Vouchers > F9: Purchases**

1. Select Party as **Stationery House**
2. Select Stock item as **Batch Additional Cost Item**
3. Select Godown as **Onsite** and select the **Batch details** as shown below

Item Allocations for : Batch Additional Cost Item					
Godown	Batch / Lot No.		Quantity	Rate per Disc. %	Amount
	Mfg Dt.	Expiry Date			
Order No.: <input type="checkbox"/> Not Applicable					
On-Site	Batch/001		10 Nos	100.00 Nos	1,000.00
	Mar-2010	31-Mar-2010			

Figure 7.25 Item Allocations for Batch Additional Cost Item

4. Enter the **Qty** and **Rate** and allocate it to **Purchases ledger**.
5. Enter the required bill-wise details and accept the entry.

Step 2: Create Purchase Invoice

*On 2-3-10, make a purchase entry for 20 nos of **Batch Additional Cost Item** (Batch/ 002) @ Rs. 200 from **Stationery House**.*

Go to **Gateway of Tally > Accounting Vouchers > F9: Purchases**

1. Select Party as **Stationery House**
2. Select Stock item as **Batch Additional Cost Item**
3. Select Godown as **Onsite** and select the **Batch details** as shown below

Item Allocations for : Batch Additional Cost Item					
Godown	Batch / Lot No.		Quantity	Rate per Disc. %	Amount
	Mfg Dt.	Expiry Date			
Order No.: <input type="checkbox"/> Not Applicable					
On-Site	Batch/002		20 Nos	200.00 Nos	4,000.00
	2-Mar-2010	31.3.2010			

Figure 7.26 Item Allocations for Batch Additional Cost Item

Step 3 : Create Payment Voucher

On 3-3-10, make a Bank Payment entry for payment of Rs. 900 (Rs. 300 for Batch/001 and Rs. 600 for Batch/002) towards Packing charges on Purchases.

Go to **Gateway of Tally > Accounting Vouchers > F5: Payment**

1. Debit the ledger **Packing Charges on Purchases**.
2. Select the item **Batch Additional Cost Item**
3. In **Item Allocations** for screen,
 - Select **Batch/001** and enter **300** in Amount field
 - Select **Batch/002** and enter **600** in Amount field. The screen appears as shown below :

Item Allocations for : Batch Additional Cost Item					
Godown	Batch / Lot No.		Quantity	Rate per	Amount
	Mfg Dt.	Expiry Date			
Order No.: <input type="checkbox"/> Not Applicable					
On-Site	Batch/001				300.00
	Mar-2010	31-Mar-2010			
Order No.: <input type="checkbox"/> Not Applicable					
On-Site	Batch/002				600
	2-Mar-2010	31-Mar-2010			

Figure 7.27 Item Allocations for Batch Additional Item

4. Credit **Bank Account** for the same amount (Rs. 900) and accept the entry.

Step 4 : Display Stock Summary

Go to **Gateway of Tally > Stock Summary**

- Press **F12: Range** and specify details as shown below :

Range of Information in Report
(show only those lines satisfying the given conditions)

Stock Item having Name containing Batch Additional

Condition

End of List
and
or

Figure 7.28 Range details

- ❑ Accept the **Range of information** to return to the **Stock Summary** screen.
- ❑ The report now displays only one stock item **Batch Additional Cost Item**, press **Shift + Enter** to view the batch details.

The **batch details** will be displayed as shown below :

Stock Summary	National Traders	Ctrl + M X		
Particulars	National Traders			
	1-Apr-2009 to 3-Mar-2010			
	Closing Balance			
	Quantity	Rate	Value	
Batch Additional Cost Item	30 Nos	196.67	5,900.00	
Batch/001 On-Site	10 Nos	130.00	1,300.00	
Batch/002 On-Site	20 Nos	230.00	4,600.00	

Figure 7.29 Stock Summary



The figures have been calculated as follows:

- ❑ **Batch/001 - 10 nos**
 - i. Purchased 10 nos at Rs.100 = Rs.1000 + Additional Cost Rs.300 = Rs.1,300
 - ii. Rs.1,300 / 10 nos = Rs.130
- ❑ **Batch/002 - 20 nos**
 - i. Purchased 20 nos at Rs 200 = Rs.4000 + Additional Cost Rs.600 = Rs.4,600
 - ii. Rs. 4,600 / 20 nos = Rs. 230

Practice Exercise

Ensure that you are in **Indus Enterprises**,

1. Enter a purchase invoice on **15-10-2009** for 10 Nos of **Item One** @ Rs. 100 each and 20 nos of **Item Two** - @ **Rs. 200** each from the **Supplier**.

Setup :

- Create two stock items **Item One** and **Item Two** with the unit of measure as **nos**.
- Create the ledgers - **Supplier** (Sundry Creditors), **Delivery Charges on Purchases** and **Tax on Purchases** (under Purchase Accounts).
- Alter the group **Purchase Accounts** and select **Appropriate by Value** as the method of appropriation.



- Enter a purchase invoice on **15-10-2009**, select party as **Supplier** and select **Item One** - 10 nos at Rs. 100 each and **Item Two** - 20 nos at Rs. 200 each.
- Select **Delivery Charges on Purchases** and **Tax on Purchases** ledgers and enter the amounts as Rs. 50 and Rs. 250 respectively and accept the entry.
- View the **Stock Item** report.



After completing the above exercise, in **F11: Features (Inventory Features)** disable the option **Track Additional Cost of Purchases**.

7.6 Bill of Materials (BoM)

A Bill is termed as an authenticated document for the materials which are taken out from the stock either for sale or for transfer to other godowns or for manufacturing, etc. In order to avoid this continuous process of issuing a bill at every stage, a system has been evolved wherein the items with their quantity details can be allotted towards manufacturing a certain product or by-product. This facilitates the immediate reduction in stock of the item automatically. This process of listing the items that make up another item is termed as the **Bill of Materials (BoM)**.

7.6.1 Creating Bill of Materials

You can create a Bill of Material (BoM) for any stock item. Typically, a BoM can be created at the time of manufacturing/ assembling the item. You may specify a BoM at the time of creating a stock item or altering its master.

National Traders is engaged also in the business of assembling and manufacturing **Televisions**.

To enable **Bill of Materials** feature,

Setup:

Ensure that you are in **National Traders**,

Go to **Gateway of Tally > F12: Configure > Accts / Inventory Info.**

- set **Allow Component list details (Bill of Materials)** to **Yes**

Step 1 : Creating Bill of Materials

- Create the following stock item (Final Goods) :

Name of Item	Under	Category	Units	Maintain in Batches	Set Components (BoM)
Television Flatron	Home Electronics	Not Applicable	Nos	No	Yes

- In the **Components of: Television Flatron**, enter the **Unit of manufacture** (the number of items to be manufactured) as **1**.
- In the **Item details** section, create these items without any opening balances. Select **1** unit of these items and store them in the **On-site** godown.

Name of the Item	Stock Group	Standard Cost (in Rs.) Applicable from 1-12-2009	Units of Measure
VDU	Television Flatron	2,000	Nos
Picture Tube	Television Flatron	3,750	Nos
IC Chips	Television Flatron	5,000	Nos
Sound card	Television Flatron	500	Nos
Aerial	Television Flatron	300	Nos

The **Bill of Material component screen** of Television Flatron appears as shown below :

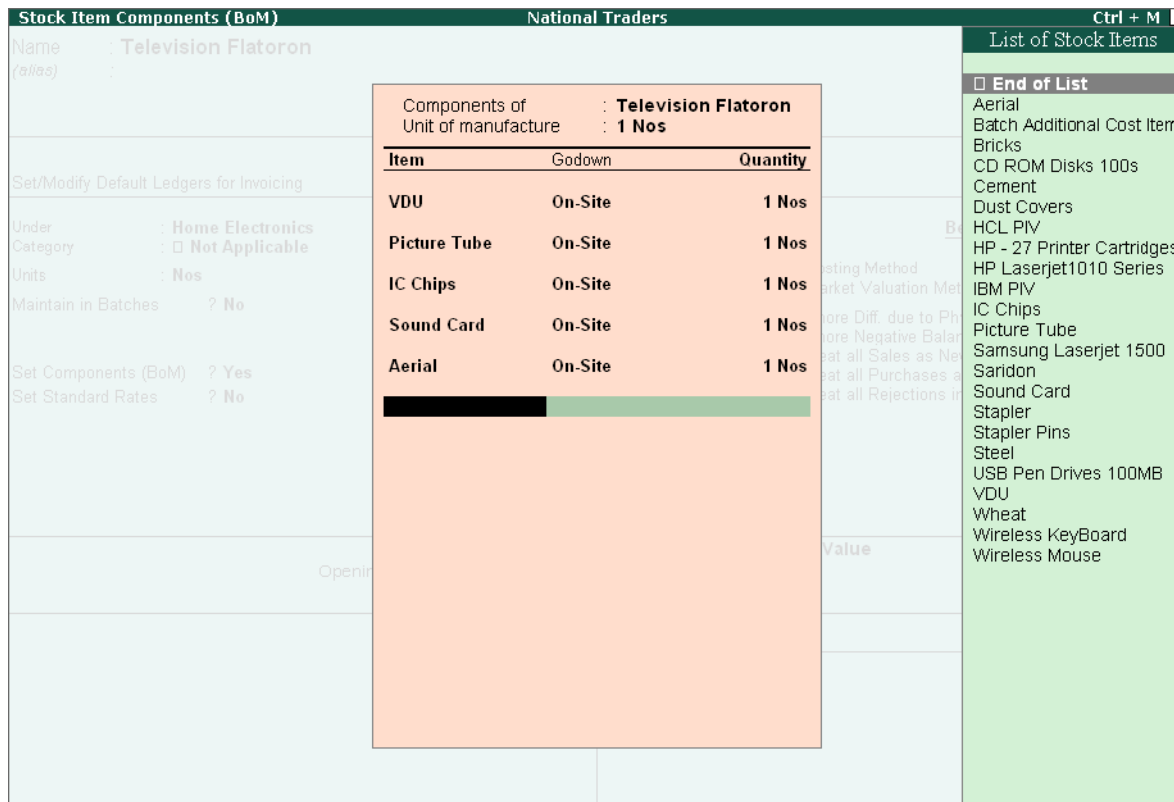


Figure 7.30 Stock Item Components (BoM)

- Accept the above settings for the item Television Flatoron.

The purpose of creating a bill of material is to enable the consumption of the materials in the ratio specified, when the product is manufactured. Tally.ERP 9 allows us to use a Manufacturing Journal to enter the goods manufactured with the bill of materials.

7.6.2 Creating a Manufacturing Journal

To create a new **Manufacturing Journal**,

Go to **Gateway of Tally > Accounts Info. > Voucher Type > Create**

1. Type **Manufacturing Journal** as the **Name**
2. Under **Voucher Types**, select **Stock Journal**
3. Type **Mfg Jrnl** for abbreviation and select automatic voucher numbering
4. Select **Yes** for **Use as Manufacturing Journal** and accept the screen

The **Manufacturing Journal voucher type** creation screen appears as shown

Voucher Type Creation		National Traders	Ctrl + M
Name : Manufacturing Journal			
(alias) :			
General		Printing	Name of Class
Type of Voucher	: Stock Journal	Print after saving Voucher	? No
Abbr.	: Mfg Jml		
Method of Voucher Numbering	? Automatic		
Use Advance Configuration	? No		
Use EFFECTIVE Dates for Vouchers	? No		
Make 'Optional' as default	? No		
Use Common Narration	? Yes		
Use as a Manufacturing Journal	? Yes		

Figure 7.31 Voucher Type Creation — Manufacturing Journal

5. Press **Ctrl+A** to accept the above screen and return to the Gateway of Tally.



The Manufacturing journal is a variant of the Stock Journal, where the Bill of Material comes up automatically. Hence, the manufacturing journal should be used where a BoM situation exists.

7.6.3 Using Bill of Materials

On 21-12-09, bought 10 pcs of each of the following items from Star Electronics @ standard cost as mentioned below :

Name of the Item	Standard Cost (in Rs.) Applicable from 1-12-2009
VDU	2,000
Picture Tube	3,750
IC Chips	5,000
Sound card	500
Aerial	300

The total purchase invoice value amounted to **Rs. 1,15,500**. The above goods are stored in **On-Site**. A Cheque was paid from **Bank Account** immediately.

On the same day, 5 Nos of **Television Flatoron** is manufactured in **On Site** godown. Additional expenses of **Rs. 3,000** and **Rs. 2,000** was incurred towards **Wages** and **Power** respectively.

Step 1: Create Purchase Invoice

Go to **Gateway of Tally > Inventory Vouchers > F9: Purchase**

1. Select the Party as **Star Electronics**
2. Allocate to **Purchases** Account
3. Select the items with the quantity and standard rates as given in the table above
4. Select the Godown as **Onsite**
5. Accept the entry

Step 2: Create Manufacturing Journal

Go to **Gateway of Tally > Inventory Vouchers > Alt+F7: Stock Journal**.

1. Select the **Manufacturing Journal** and ensure that the date is **21-12-2009**.
2. Under the **Name of Product** to be manufactured, type **Television Flatoron** (you will notice the items given in the master as Bill of Materials appear automatically).
3. Manufacture it in **On-Site**.
4. **Quantity** to be manufactured - **5** (you will notice the rates of the items appear automatically).



*Under **Components (consumption)** the items to be used in proportionate quantity for manufacturing **Television Flatoron** is picked up automatically from the stock item master. The default location as specified in the BoM is also given for each component. The standard cost is picked up for each item. Tally.ERP 9 also allows you to alter these details.*

5. Under **Additional Cost Components**, specify additional cost of **Wages - 3,000** and **Power - 2,000** (If the ledger accounts for these expenses do not exist, create them under **Direct Expenses**).



The additional costs entered for the ledgers, do not reflect in the relevant ledgers with the amount but only add to the cost of the item.

The completed **Manufacturing Journal** as shown below

Inventory Voucher Creation		National Traders		Ctrl + M	
Manufacturing Journal No. 1				21-Dec-2009 Monday	
Manufacture of Materials					
Name of Product : Television Flatoron Godown: On-Site Qty 5 Nos					
Batch Name : Mfg Dt.: Expiry :					
Components (Consumption)				Cost of Components :	
Name of Item	Godown	Quantity	Rate	Amount	Type of Addl. Cost %age
VDU	On-Site	5 Nos	2,000.00/Nos	10,000.00	Wages 3,000.00 Power 2,000.00
Picture Tube	On-Site	5 Nos	3,750.00/Nos	18,750.00	
IC Chips	On-Site	5 Nos	5,000.00/Nos	25,000.00	
Sound Card	On-Site	5 Nos	500.00/Nos	2,500.00	
Aerial	On-Site	5 Nos	300.00/Nos	1,500.00	
				Total Addl. cost	: 5,000.00
				Effective Cost	: 62,750.00
				Effective Rate	: 12,550.00/Nos
		25 Nos		57,750.00	
Narration:					

Figure 7.32 Manufacturing Journal

6. Type the narration and press **Y** or **Enter** to accept the screen.
7. Return to the Gateway of Tally.

Display Stock Summary

Go to **Gateway of Tally > Stock Summary**

- Press **Enter** on **Home Electronics**

You will find that the closing quantity, rate and value details for the stock item - **Television Flatoron**.

Practice Exercise

Load **Indus Enterprises**, make the following entries

1. Create a **Manufacturing Journal** for manufacturing 1 Nos of **Computer** from the following components :

Name of the Item	Qty
Hard Disk Drive	1 Nos
Floppy Disk Drive	1 Nos
CPU	1 Nos
Monitor	1 Nos
Keyboard	1 Nos
Mouse	1 Nos

Setup :

- Create a **BOM** for stock item **Computer** which requires the following items.
 - Hard Disk Drive - 1 Nos
 - Floppy Disk Drive - 1 Nos
 - CPU - 1 Nos
 - Monitor - 1 Nos
 - Keyboard - 1 Nos
 - Mouse - 1 Nos
- Store them in the **Bangalore** godown.



Enter a **manufacturing journal** to indicate the consumption of goods at the time of manufacture.

7.7 Price Levels and Price Lists

A **Price List** refers to a list of items maintained by an organisation along with their price details. A price list is generally used by organisations which deal in multiple products. **Price Lists** are maintained in various structures for different types of buyers (customers), viz., Wholesalers, Dealers, Retailers, etc. The price list is structured based on the classification of buyers and is referred to at the time of making sales. Whenever the sale prices change (on the basis of time), the changes reflect in the Price List also. In case of bulk sales, discounts can also be given to the buyers.

Let us now see how Tally.ERP 9 handles such a situation through the Price List feature.

7.7.1 Activating Price Lists and Defining Price Levels

Setup:

Go to **Gateway of Tally > F11: Features (Inventory Features)**

- Set **Use Multiple Price Levels for Invoicing** to **Yes**. (This will appear only if the feature **Allow Invoicing** is set to **Yes**.)

- Tally.ERP 9 takes you to the **Company Price Levels** screen, type different price levels for National Traders as
 - Retail Sales
 - Export Sales
 - Wholesale
- Accept the screen and return to the Gateway of Tally.

Step 1: Creating a Price List

Go to **Gateway of Tally > Inventory Info. > Price List**

1. Select the Group **Components** (you will notice that all the items grouped under **Components** appear automatically).
2. Select **Retail Sales** as **Price Level** and specify **1-1-2010** in the **Applicable From** field
3. For **USB Pen Drives 100MB** give the details as follows:
 - Less than - 10 nos - Rs.1,250/- and no discount
 - From 10 nos and Less than 25 nos - Rs.1,250/- and 5% discount
 - From 25 nos onwards - Rs.1,250/- and 7.5% discount
4. Specify the price details for other items as it appears in the **Price List** screen below :

Price List		National Traders				Ctrl + M		X
Under Group : Components								
Price Level : Retail Sales		Applicable From: 1-Jan-2010						
S.No.	Name of Item	Quantities		Rate	Disc. % (if any)	As on : 1-Jan-2010		Cost Price
		From:	Less than			Rate	Disc. %	
1.	USB Pen Drives 100MB		10 Nos	1,250.00/Nos		1,250.00/Nos		1,250.00/Nos
			25 Nos	1,250.00/Nos	5 %	1,250.00/Nos	5 %	
				1,250.00/Nos	7.50 %	1,250.00/Nos	5 %	
2.	Wireless KeyBoard		10 Nos	490.00/Nos		490.00/Nos		490.00/Nos
			25 Nos	490.00/Nos	5 %	490.00/Nos	5 %	
				490.00/Nos	7.50 %	490.00/Nos	7.50 %	
3.	Wireless Mouse		10 Nos	250.00/Nos		250.00/Nos		250.00/Nos
			25 Nos	250.00/Nos	5 %	250.00/Nos	5 %	
				250.00/Nos		250.00/Nos	5 %	

Accept ?
 Yes or No

Figure 7.33 Price List



The explanation of the fields appearing in the **Price List** is given below:

- **Under Group** – The screen displays the name of the selected Stock Group (Components) whose stock items are being displayed.
- **Price Level** – Tally.ERP 9 displays a pop-up list displaying the price levels defined in the F11: Features (Inventory Features). The price levels displayed are Export Sales, Retail Sales and Whole Sale. We have selected Retail Sales.
- **Applicable From** – The date from which the defined Price List is applicable. For example, we have designed two Price Lists - one as on 1-3-2010 and the second as on 15-3-2010. The Invoices raised during the period 1-3-2010 to 14-3-2010 will reflect the price list details of 1-3-2010. Similarly, the invoices raised on or after 15-3-2010 will reflect the price list details of 15-3-2010. Any number of Price Lists can be defined for any of the stock items.
- **Quantities** – There are two columns: From and Less Than. Here you can define the quantity range of the items as per your requirements.
- **Rate** – The Rate for the item based on the quantity range given.
- **Discount % (if any)** – You can define a discount percentage in the Price List which will be taken automatically in the sales invoice.
- **Historical Details** – There are two columns: Rate and Disc %. Tally.ERP 9 provides the historical details of the sale rate and discount percentage of any previously created Price Lists. Therefore, you can define the current price details based on the information given in the Historical details.
- **Cost price** – In this column, Tally.ERP 9 displays the cost price of the item calculated based on the stock valuation method given in the item master. This has been provided to assist the user in giving the appropriate sale price. By viewing the historical price details of an item, we can accordingly define the sale price for the new Price List.



For the discount percentage to be taken in the **Price List**, you should activate the feature **Separate Discount Column on Invoices** in the **F11: Features (Inventory Features)**.

5. Accept the **Price List** Details
6. Similarly, create another **Retail Sales Price List** as on 3-1-2010 with the following rates:
 - **USB Pen Drives 100MB - Rs.1,500**

- **Wireless Keyboard - Rs.500**
 - **Wireless Mouse - Rs. 300**
7. The **Quantity** and **Discount** details are similar to the price list screen given previously. Ensure the price details are as shown below :

Price List		National Traders				Ctrl + M		
Under Group : Components								
Price Level : Retail Sales Applicable From: 3-Jan-2010								
S.No.	Name of Item	Quantities		Rate	Disc. % (if any)	As on : 1-Jan-2010		Cost Price
		From:	Less than			Rate	Disc. %	
1.	USB Pen Drives 100MB		10 Nos	1,500.00/Nos		1,250.00/Nos		1,250.00/Nos
		10 Nos	25 Nos	1,500.00/Nos	5 %	1,250.00/Nos	5 %	
		25 Nos		1,500.00/Nos	10 %	1,250.00/Nos	5 %	
2.	Wireless KeyBoard		10 Nos	500.00/Nos		490.00/Nos		490.00/Nos
		10 Nos	25 Nos	500.00/Nos	5 %	490.00/Nos	5 %	
		25 Nos		500.00/Nos	10 %	490.00/Nos	7.50 %	
3.	Wireless Mouse		10 Nos	300.00/Nos		250.00/Nos		250.00/Nos
		10 Nos	25 Nos	300.00/Nos	5 %	250.00/Nos	5 %	
		25 Nos		300.00/Nos	10 %	250.00/Nos	5 %	

Accept ?

Yes or No

Figure 7.34 Price List

8. Press **Y** or **Enter** to accept the Price List.

7.7.2 Using Price Lists

On 2-1-10 raise a sales Invoice on Beltron Computers for the following Items :

Name of the Item	Qty
USB Pen Drives 100MB	30 Nos
Sound Card	10 Nos

The Invoice amounted to **Rs. 35,687.50**.

Setup:

- Create a **New customer** called **Beltron Computers** with the following details.

Pricing Level Applicable	Maintain balances bill-by-bill	Cost Centres are applicable	Activate Interest Calculation
Retail Sales	Yes	No	No

- In the **F11: Features (Inventory Features)** activate **Separate discount column on invoices**.

Step 1: Create Sales Invoice

1. On **2-1-10** raise a **sales Invoice** on **Beltron Computers**
2. Select the stock item **USB Pen Drives 100MB** from **On-site**
3. Specify quantity as **30 nos**.
4. **Rate** and **discount** automatically appears as **Rs. 1,250** and **7.5%** respectively (as the required price level is selected in the ledger master of Beltron Computers).
5. Ignore negative stock and allocate to **Sales- Components**
6. Select **Amar** as **Cost Centre**.
7. Now, select another item - **Sound Card**
8. Type the quantity as **10 nos** (here in this case, the cursor prompts in the **Rate** field since price lists is not defined for this item)
9. Specify **Rs. 100** as **Rate**
10. Press **Enter** to skip the **discount** field
11. Allocate to **Sales- Components** and select **Amar** as **Cost Centre**.
12. Give the bill-wise details as required and accept the entry



Tally.ERP 9 provides you flexibility to select items with and without the Price List in the same invoice. For example, in the above case, for the item which had the Price List defined, Tally.ERP 9 took the details automatically. Whereas for the stock item which did not have a Price List defined, Tally.ERP 9 prompted for the same.

Step 2: Create Sales Invoice

On 5-1-10 raise a sales Invoice on Beltron Computers for the following Items :

Name of the Item	Qty
USB Pen Drives 100MB	30 Nos
Sound Card	10 Nos

The Invoice amounted to **Rs. 41,500**.

1. Similar to invoice dated **2-1-10** select the item **USB Pen Drives 100MB**

2. Specify quantity as **30 nos.**
3. Rate as **Rs. 1,500** and discount of **10%** appears automatically (as we have defined it in the Price List dated **3-1-10**)



Tally.ERP 9 automatically applies the Price list for the specific period. For example, when we entered the invoice as on 2-1-10, Tally.ERP 9 displayed the discount percentage as 7.5% and as on 5-1-10, 10% is displayed.

4. Ignore the negative stock and allocate to **Sales- Components**. Select **Amar** as **Cost Centre**.
5. Accept the quantity details of the **USB Pen Drives 100MB** stock item
6. Select another item, **Sound Card** and give the quantity as **10 nos**
7. Specify **Rs.100** as the **Rate**.
8. Tally.ERP 9 prompts for the discount information. Let us leave it blank (you already know that you can specify as required or simply leave it blank).
9. Allocate to **Sales- Components** ledger
10. Give the bill-wise details as required.
11. Accept the entry



- *The party details, item details, and quantity details provided are the same, different rates have been taken automatically by only changing the date of the invoice.*
- *After completing the above exercise, go to **Gateway of Tally > F11: Features (Inventory Features)** and set **Separate Discount column on Invoices to No.***

7.8 Stock Valuation

As per accounting rules, the final results of a company's working depend on the valuation of inventory (stocks). As per norms, there are many concepts of evaluating the company's stock. Tally.ERP 9 goes one step ahead, by providing all the required stock valuation methods for you to choose from. In addition, Tally.ERP 9 allows you to choose different valuation methods for different items.

7.8.1 Stock Valuation Methods

The **Stock Valuation / Costing Methods** provided in Tally.ERP 9 are:

- ❑ **Average Cost**
- ❑ **At Zero Cost**
- ❑ **First In First Out (FIFO)**
- ❑ **Last Purchase Cost**
- ❑ **LIFO Annual (Last In First Out Annual)**
- ❑ **LIFO Perpetual (Last In First Out Perpetual)**
- ❑ **Monthly Avg. Cost**
- ❑ **Standard Cost**



The selection of an appropriate stock valuation/ costing method is essential as this helps in knowing the value of the closing stock for a specified date range based on the purchase rates/ cost.

In addition, Tally.ERP 9 provides the following **Market Valuation Methods**:

- ❑ **At Zero Price**
- ❑ **Average price**
- ❑ **Last Sale Price**
- ❑ **Std. Price**

Depending on the **Market Valuation Method** defined in the stock item master, Tally.ERP 9 displays the rate/ price automatically at the time of Invoice entry. The **Market Valuation Method** is set as **Average Price** by default. The **Average Price** displays the average of all the sales prices given in the previous sales entries, as the selling rate/ price while the current sales entry is being made.



*The valuation of **Closing Stock** is done based on the **Costing / Stock Valuation Methods** and is not based on the **Market Valuation Methods**.*

Let us now examine the result of the different stock valuation methods.

7.8.2 Display Stock Summary

Setup :

- Go to **Gateway of Tally > F12: Configure > Accts / Inventory Info.**
 - Set **Allow Advanced Entries in Masters** in Inventory Masters to **Yes**.
- Go to **Gateway of Tally > Inventory Info. > Stock Item > Alter,**
 - Select **HP - 27 Printer Cartridges**, you will find that the details of **Costing Method** and **Market Valuation Method** under **Behaviour**
 - Select **Average Cost** and **Average price** respectively
 - Accept the master information.

Go to **Gateway of Tally > Stock Summary,**

- Select **Printers Stock Group**
- Press **F2: Period** and change the period from **1-07-2009** to **31-07-2009**.
- Click **Auto Column (Alt + N)** button and select **Stock Valuation Methods**.

The closing balance of stock as per **Default** and **FIFO** stock valuation methods are shown below :

Stock Summary		National Traders			Printers National Traders		
Particulars	1-Jul-2009 to 31-Jul-2009 Default			1-Jul-2009 to 31-Jul-2009 FIFO			
	Closing Balance			Closing Balance			
	Quantity	Rate	Value	Quantity	Rate	Value	
HP - 27 Printer Cartridges	6 Nos	850.00	5,100.00	6 Nos	850.00	5,100.00	

Figure 7.35 Stock Summary



- **Alt+R** – This is a special key combination in Tally.ERP 9 used for hiding the line (row).
- **Alt+U** – This is a special key combination which brings back the THE LAST hidden line (row) which was hidden using Alt+R.
- **Alt+S** – This special key combination brings back ALL the hidden lines (rows) which were hidden using Alt+R.

Tally.ERP 9 displays the closing stock of **6 nos of HP - 27 Printer Cartridges** as per different stock valuation methods. Since there are 11 columns in the report the same is displayed in six screens as shown below:

The closing balance of stock as per **LIFO Perpetual** and **LIFO Annual** stock valuation methods are shown below:

Stock Summary		National Traders			National Traders			Ctrl + M
Particulars	Printers National Traders 1-Jul-2009 to 31-Jul-2009 LIFO Perpetual			Printers National Traders 1-Jul-2009 to 31-Jul-2009 LIFO Annual				
	Closing Balance			Closing Balance				
	Quantity	Rate	Value	Quantity	Rate	Value		
HP - 27 Printer Cartridges	6 Nos	850.00	5,100.00	6 Nos	850.00	5,100.00		

Figure 7.36 Stock Summary

The closing balance of stock as per **Std. Cost** and **Avg. Cost** stock valuation methods are shown below :

Stock Summary		National Traders			National Traders			Ctrl + M
Particulars	Printers National Traders 1-Jul-2009 to 31-Jul-2009 Std. Cost			Printers National Traders 1-Jul-2009 to 31-Jul-2009 Avg. Cost				
	Closing Balance			Closing Balance				
	Quantity	Rate	Value	Quantity	Rate	Value		
HP - 27 Printer Cartridges	6 Nos	850.00	5,100.00	6 Nos	850.00	5,100.00		

Figure 7.37 Stock Summary

The closing balance of stock as per **Last Purchase Cost** and the **Std. Price** stock valuation methods are shown below:

Stock Summary		National Traders			National Traders			Ctrl + M
Particulars	Printers National Traders 1-Jul-2009 to 31-Jul-2009 Last Purchase Cost			Printers National Traders 1-Jul-2009 to 31-Jul-2009 Std. Price				
	Closing Balance			Closing Balance				
	Quantity	Rate	Value	Quantity	Rate	Value		
HP - 27 Printer Cartridges	6 Nos	850.00	5,100.00	6 Nos	1,150.00	6,900.00		

Figure 7.38 Stock Summary

The closing balance of stock as per **Avg. Price** and the **Monthly Avg. Cost** stock valuation methods are shown below:

Stock Summary		National Traders			National Traders			Ctrl + M
Particulars	Printers National Traders 1-Jul-2009 to 31-Jul-2009 Avg. Price			Printers National Traders 1-Jul-2009 to 31-Jul-2009 Monthly Avg. Cost				
	Closing Balance			Closing Balance				
	Quantity	Rate	Value	Quantity	Rate	Value		
HP - 27 Printer Cartridges	6 Nos	1,150.00	6,900.00	6 Nos	850.00	5,100.00		

Figure 7.39 Stock Summary

The closing balance of stock as per **Monthly Avg. Cost** and the **Last Sale Price** (Monthly Avg. Cost is repeated) stock valuation methods are shown below:

Stock Summary							National Traders			Ctrl + M		
Particulars	Printers						Printers					
	National Traders						National Traders					
	1-Jul-2009 to 31-Jul-2009						1-Jul-2009 to 31-Jul-2009					
	Monthly Avg. Cost			Last Sale Price								
	Closing Balance			Closing Balance								
	Quantity	Rate	Value	Quantity	Rate	Value	Quantity	Rate	Value	Quantity	Rate	Value
HP - 27 Printer Cartridges	6	Nos	850.00	5,100.00	6	Nos	1,150.00	6,900.00				

Figure 7.40 Stock Summary

Let us now discover how the above figures are calculated. To analyse the same, press **Enter** on the **Default** column till you reach the report displaying the vouchers. The screen appears as shown below :

Stock Vouchers													National Traders			Ctrl + M		
Stock Item: HP - 27 Printer Cartridges													1-Jul-2009 to 31-Jul-2009					
Date	Particulars	Vch Type	Vch No.	Inwards			Outwards			Closing								
				Quantity	Rate	Value	Quantity	Rate	Value	Quantity	Rate	Value						
13-7-2009	Power Line Computers	Purchase	5	10 Nos	850.00	8,500.00				10 Nos	850.00	8,500.00						
14-7-2009	FirstCom Solutions	Sales	8				5 Nos	1,150.00	5,750.00	5 Nos	850.00	4,250.00						
15-7-2009	Power Line Computers	Purchase	6	5 Nos	850.00	4,250.00				10 Nos	850.00	8,500.00						
16-7-2009	FirstCom Solutions	Sales	9				4 Nos	1,150.00	4,600.00	6 Nos	850.00	5,100.00						
Totals :				15 Nos	850.00	12,750.00	9 Nos	1,150.00	10,350.00	6 Nos	850.00	5,100.00						

Figure 7.41 Stock Vouchers

We have a purchase entry first, followed by a sale and again another purchase and a sales entry as given below:

- ❑ Purchased 10 nos HP - 27 Printer Cartridges @ Rs. 850 = Rs. 8,500
- ❑ Sold 5 nos HP - 27 Printer Cartridges @ Rs. 1,150 = Rs. 5,750
- ❑ Purchased 5 nos HP - 27 Printer Cartridges @ Rs. 850 = Rs. 4,250
- ❑ Sold 4 nos HP - 27 Printer Cartridges at Rs. 1150= Rs. 4600

We have purchased a total of 15 nos for Rs. 12750. The average now is **Rs. 12,750 / 15 = Rs. 850** with a closing balance of **6 nos x 850 = Rs. 5,100** (Average cost method of valuation)



FIFO

FIFO Stands for First-In-First-Out. This is one of the systems of costing where the value is calculated after an outward (consumption or sale) is made for the first purchase entry. The outwards consumption is taken from the stock that is purchased first.

LIFO Perpetual & LIFO Annual

LIFO stands for Last-In-First-Out which means that the outwards (consumption or sale) quantity is taken out from the stock that is purchased last.

- **LIFO Annual:** All the entries of the current financial or specified year are considered.
- **LIFO Perpetual:** All the entries of the company i.e from the books beginning date specified while the creation of a company are considered.

For example: Suppose a company's books begin on 1-4-2009 and the data is present till 31-3-2010. LIFO Perpetual considers the entries from 1-4-2009 onwards, whereas LIFO Annual considers the entries for the year selected/ current year.

Average Cost & Average Price

Average Cost is calculated after each purchase or sale entry for whole year.

Total Inward Value/Total Inward Quantity = Average Cost

Average Price is the average of all the outward entries which are displayed at the time of recording a new sales entry.

At Zero Cost

The stock is valued at zero cost.

Last Purchase Cost / Sale Price

- **Last Purchase Cost:** The stock is valued based on the last purchase cost given in the Purchase entry.
- **Last Sale price:** The stock is valued based on the last sales price given in the Sales entry.

Monthly Avg. Cost

This is the Average Cost where the period is month-wise. Tally.ERP 9 calculates the average value after each purchase or sale for the whole month.

Standard Cost

Standard Cost is a pre-determined cost, based on which you would like to value your closing stock. The standard cost details have to be given in the stock item master.

You can decide which method of stock valuation is most appropriate for your business and accordingly define that in the item master. **FIFO (First In First Out)** and **Average Cost** are the most popular stock valuation methods used in today's business.

7.9 Zero Valued Entries

Zero valued entries in vouchers are required when, for example: you need to despatch inventory as free samples or free replacements, etc.

You can make an entry of issue with the required quantity details but enter the value as zero. This is done so that the entry is reflected only in the Inventory books and not in the Accounting books.

7.9.1 Creating Zero Valued Entries

On 28-02-10, make a Sales invoice on Prism fabrication for 1 Nos of Television Flatoron without value.

Setup:

In **National Traders**,

- Activate the feature **Allow Zero valued entries** in the **F11: Features (Inventory Features)** and accept the other settings.
- Create a ledger account **Samples** under the group **Sales Accounts** and set **Cost Centres are applicable** to **No** and **Inventory values are affected** to **Yes**.

Create Sales Invoice

1. Raise a sales invoice dated 28-02-10 on **Prism fabrication** for 1 Television Flatoron with no value.
2. **Price levels** is to be set as **Not applicable**
3. Allocate it to **Samples**

After passing the above zero valued entries, if you display the Sales Register you may not find this entry. But however, if you display the **Television Flatoron** Stock Item, you will find the quantity sold.



Zero valued entries do not reflect in accounting books but affect only our inventory books.

7.10 Inventory Ageing Analysis

A very important function of Working Capital Management is the monitoring of stocks. Money locked up in stocks can adversely affect the liquidity of a company. Every company strives or should strive to reduce stock levels to the optimum. Most businesses would prefer to dispose off older stocks as they might deteriorate with time, go out of fashion, or simply get forgotten.

Tally.ERP 9's Stock Ageing analysis enables you to know the age of stocks in hand according to when they were received and their purchase value.

7.10.1 View Inventory Ageing Report

Go to **Gateway of Tally > Display > Inventory Books > Ageing Analysis**

- ❑ Select **Medicines**
- ❑ Press **Enter** and change the date to **3-3-2010**
- ❑ **Saridon** with batch number **ST-102** and expiry date is displayed
- ❑ Click on the button **Expired Batches** to view only those items which have expired (The button **All Batches** appears when the expired batches are on display)
- ❑ Press the button **Hide Amounts**, which toggles with **Show Amounts** to view the report with or without values
- ❑ Set ageing style as **By Expiry Date** and the screen appears as shown below :

Stock Ageing Analysis		National Traders				Ctrl + M	
Items Under : Medicine		as at 3-Mar-2010					
All Batches (Aged by Date of Purchase)		Valued based on Actual Purchase					
Particulars	Expiry Date	Total	< 45 days		45 to 90 days		90 to 180 days
		Quantity	Quantity	Value	Quantity	Value	Quantity
Saridon		100 Nos			100 Nos	600.00	2 more ... →
ST/102 (On-Site)	31-Dec-2009	100 Nos			100 Nos	600.00	
Grand Total		100 Nos			100 Nos	600.00	

Figure 7.42 Stock Ageing Analysis

You will find that the **Ageing Periods** are displayed as <45 days, 45-90 days, 90-180 days and >180 days. These are the ageing period that Tally.ERP 9 displays by default. However, you change the ageing period by using **F6: Ageing Periods**.



The Ageing period for Negative Stock Items cannot be determined and are shown in separate column.



- You can view **Inventory ageing report** based on the following **Ageing Styles** :
 - *By Date of Purchase*
 - *By Expiry Date*
 - *By Mfg. Date*
 - *To Be Expired*
- **Monthwise Inward/Outward Quantity Report** : Press **Enter** on **Total Quantity** to view the **month-wise inward, outward and closing quantity** report.
- **Item Inward Details** : Press **Enter** on any of the **Ageing Period** columns to view the **Item Inward Details**. This report shows the inward movement of the item for the date range calculated from the age period. Ageing Analysis is done for the stock-in-hand based on when they were purchased. Hence, while viewing the Ageing Analysis Report, the Item Inwards details statement is very useful and relevant. It provides further information of aged stock like date of purchase and supplier. It also provides a drill down facility to the actual transaction voucher.

Experiment by choosing different ageing styles and observe the changes in the report.

Practice Exercise

1. Select **By Mfg. Date** as **Ageing Style** and view the report as on **31-12-2009**.

7.11 Different Actual and Billed Quantities

The need for different actual and billed quantities may arise in several instances. For example if an extra inventory is sent to cover up for any stock that reaches in a damaged condition or Inventory sent as extra samples or the Stock is despatched to the customer as quantity discount.

Setup:

Ensure that you are in the **Gateway of Tally of National Traders**.

- Go to **F11: Features (Inventory Features)** and set **Use Different Actual & Billed Qty** to **Yes**.

7.11.1 Using different Actual and Billed Quantities

Go to **Gateway of Tally > Accounting Vouchers > F8: Sales**. You will notice that the Quantities column is divided into two columns, viz. Actual and Billed.

On 3-3-2010, make a purchase invoice from Parvathi Stockers for the following items :

Name of the Item	Actual Qty	Billed Qty	Rate (in Rs.)
Rice	100 Kgs	90 Kgs	10
Wheat	50 Kgs	50 Kgs	100

Setup :

- Create a new stock item as **Rice** with the following details :
 - Group it under stock group **Foodstuffs**.
 - Stock category - **Not Applicable**
 - Unit of Measure - **kgs (kilos)** with **decimal places - 3** (create if not present).
 - Accept the master creation without any opening balance and return to the Gateway of Tally.

Step 1 : Create Purchase Invoice

1. Enter a **Purchase invoice** on **3-3-2010** on **Parvathi stockers**.
2. Price level - **Not Applicable**
3. Select **Rice** under Name of Item
4. Order number - **Not Applicable**
5. Select the godown as **Onsite**
6. Type **Actual Quantity** as **100 kgs** and **Billed Quantity** as **90 kgs**
7. Specify the **Rate** as **Rs. 10** and the value appears as **Rs. 900** (billed quantity * rate). The screen appears as shown below :

Item Allocations for : Rice				
Godown	Quantity		Rate per Disc. %	Amount
	Actual	Billed		
Order No.: <input type="checkbox"/> Not Applicable				
On-Site	100.000 Kgs	90.000 Kgs	10.00 Kgs	900.00

Figure 7.43 Item Allocations for Rice

8. Allocate to **Purchases** ledger and press **Enter**.
 - Select another item **Wheat** and enter the following details

- ❑ Tracking number and Order number - Not Applicable
 - ❑ Select **Godown as Onsite**
 - ❑ Type **Actual and Billed quantity - 50 bags**
 - ❑ Specify **Rate as Rs. 100**, the amount is defaulted as **Rs. 5,000**
9. Press **Enter** and accept the purchase invoice with the default bill-wise details. The Purchase invoice amounts to **Rs. 5,900** (Rice - Rs. 900 and Wheat - Rs. 5,000).

Step 3 : Display Stock Summary

Go to **Gateway of Tally > Stock Summary**

- ❑ Select **Foodstuffs** as stock group and press **Enter**

Stock Summary		National Traders		Ctrl + M
Particulars	Foodstuffs			
	National Traders			
	1-Apr-2009 to 3-Mar-2010			
		Closing Balance		
	Quantity	Rate	Value	
Rice	100.000 Kgs	9.00	900.00	
Wheat	150 Bags	306.67	46,000.00	

Figure 7.44 Stock Summary

Tally.ERP 9 displays **100 kgs of Rice** stock item because this is the quantity that we have actually received from the party. In case of **Wheat** the quantity appears as **150 kgs**.

Go to **Gateway of Tally > Display > Account Books > Purchase Register**

- ❑ Select **March** month
- ❑ Press **F12: Value** button,
 - Specify the range as **Voucher - Having - Ledgers - With - Name - Containing - Parvathi stockers** (party name in purchase entry of 5-3-2010)
 - Press **Enter**.
- ❑ Press **Alt+F1** to display the stock summary in detailed format
- ❑ Press **F12: Configure** and activate the option **Show Inventory Details also**

Tally.ERP 9 displays **Voucher Register** as shown below :

Voucher Register		National Traders		Ctrl + M	
List of All Purchase Vouchers		1-Mar-2010 to 31-Mar-2010			
Date	Particulars	Vch Type	Vch No.	Debit Amount	Credit Amount
3-3-2010	Parvathi Stockers	Purchase	21	5,900.00	
	Purchases			5,900.00 Dr	
	Rice	90.000 Kgs	10.00/Kgs	900.00	
	Wheat	50 Bags	100.00/Bags	5,000.00	

Figure 7.45 Voucher Register

The inventory details display **90 kgs** for the stock item **Rice**, because this is the quantity that the party has billed us for. (We have received 100 kgs of Rice i.e, the actual quantity. We will be making the payment for only 90 kgs i.e., the billed quantity). Therefore, the actual quantity affects the inventory books while the billed quantity reflects in the accounting books.

Points to Remember

- ❑ Order processing includes purchase and sales order processing. Here the details of purchase orders placed and sales orders received can be obtained.
- ❑ Reorder level and order processing are linked to each other. The purchase orders are placed and sales orders are accepted based on the reorder level specified.
- ❑ Tracking numbers are used to track the delivery or receipt of inventory against the sales and purchase bills respectively. Tracking numbers are required to know the status of pending sales and purchase bills.
- ❑ Batch-wise details are maintained mainly for perishable goods. The manufacturing and expiry dates can be set for batch-wise details. Tally.ERP 9 has an option to display only those batches which have not expired and hide the expired batches.
- ❑ The additional costs which add to the cost of the actual cost of purchase of an item can be recorded in Tally.ERP 9. Hence, the additional costs on purchases can be apportioned based on the purchase value as well as on the purchase quantity. Additional cost details can be specified even for goods which require batch-wise details.
- ❑ Bill-of-Material is a term generally associated with the manufacturing of goods. Tally.ERP 9's Manufacturing journal records the item manufactured with the use of bill-of-material and enables an automatic reduction in the quantity of stock items consumed.
- ❑ Price list is generally used by organisations which deal in multiple products. It can be created for different dates and can be maintained for different kinds of buyers. Tally.ERP 9 facilitates the setting of different price levels while creating price lists for multiple stock items.
- ❑ For the valuation of inventory, Tally.ERP 9 provides various stock valuation methods. It values stocks based on the costing methods. The rate/price of the item will be displayed depending on the market valuation method defined in the stock item master.
- ❑ Inventory ageing analysis is an important aspect of working capital management. It helps in knowing the age of stocks. Tally.ERP 9 displays stock ageing analysis for items with respect to the date of purchase, expiry date, manufacture date and stocks to be expired.
- ❑ Tally.ERP 9's feature of recording transactions with different actual and billed quantities updates the accounting books based on the value of invoice and inventory books based on the actual quantity purchased or sold.