

COST CATEGORIES

Tally gives substantial flexibility to allocate ledger account figures to Cost Centers. However some organisation may need to allocate the expenses in more than one dimension. If your requirement of allocation of Cost Center is more demanding, then you may use Cost Categories. Cost Categories allow parallel sets of Cost Centers to allocate.

For Example

A Company may allocate an amount independently to Salesman, Products & Agents as follows:

Cost Category	Salesman	Products	Agents
Cost Centers	Mr. A	ITEM 1	ABC
	Mr. B	ITEM 2	XYZ

Having done like this, now you will get reports of allocated amount accordingly

Note :- Normally, most of the organisation will find Cost Centers alone sufficient for cost allocation and would not require Cost Categories. Before opting Cost Category, weigh its merits & complexity as it will increase data entry. If Cost Centers alone serves your purpose, avoid Cost Category.

○ To Activating Cost Category

- **Gateway of Tally > F11 : Accounting Features > Set option Activate to More than One Payroll / Cost Category To 'Yes' & Press Ctrl + A to Save the Screen**
- Press **Esc** & return to **Gateway of Tally**

○ Creating New Cost Category

- **Gateway of Tally > Account Info. > Cost Categories > Single Cost Categories > Create**

Name	Sales Man
Alias	
Allocate Payroll to this	Yes
Allocate Non-Payroll to this	No

- Press **Esc** & return to **Gateway of Tally**
- **Gateway of Tally > Accounts info. > Cost Center > Create (Single) Cost Centre > Create**

Category	Salesmen
Name	Nilmesh
Alias	Enter
Under	Primary.
Accept ? Yes or No	Yes

Category :	Sales Man
Name :	Nilmesh
(अवस्था) :	
Order :	J Primary
Accept ? Yes or No	

Likewise Create a New Cost Center ' Yash ' & ' Nikhil '

- Press Esc & return to **Gateway of Tally**

Date	Transaction
2/8/2008	Paid Rs.470 for Traveling Exp. Cost Center 'Head Office' & Cost Category 'Nilmesh'

F2 : Date	02/08/2008
Dr	Travelling Exp.
Amount	470/-
Name of Cost Categories	Primary Cost Category
Name Of Cost Center	Head Office
Amount	Enter
Name of Cost Categories	Salesman
Name Of Cost Center	Nilmesh
Amount	Enter
Cr.	Cash
Amount	Enter
Accept ? Yes or No	Yes

Payment No. 59		2-Aug-2008 Saturday
Particulars	Debit	Credit
Dr Travelling Exp.		
<i>Cur Bal: 4,820.00 Dr</i>		
Primary Cost Category		
Head Office	470.00 Dr	
SalesMan		
Nilmesh	470.00 Dr	
Cr Cash		
<i>Cur Bal: 7,69,851.72 Dr</i>		
Narration:		
	470.00	470.00

- **Exercise :** - Enter the following Payment Transaction using Cost Centers & Cost Categories

Date	Transaction
2/8/2008	Paid Cash To Petrol Exp. Rs.90/- Cost Center ' Factory 1 ' & Cost Category ' Nilmesh '
2/8/2008	Paid Cash To Petrol Exp. Rs. 60/- Cost Center ' Factory 2 ' & Cost Category ' Yash '
2/8/2008	Paid Cash To Petrol Exp Rs. 120/- Cost Center ' Head Office ' & Cost Category ' Nikhil '
2/8/2008	Paid Cash To Traveling Exp Rs.230/- Cost Center ' Factory 1 ' & Cost Category ' Nilmesh '
2/8/2008	Paid Cash To Traveling Exp Rs.500/- Cost Center ' Head Office ' Cost Category ' Nikhil '
2/8/2008	Paid Cash To Traveling Exp Rs.400/- Cost Center ' Head Office ' & Cost Category ' Yash '
2/8/2008	Paid Cash To Traveling Exp.Rs.250/- Cost Center ' Factory 2 ' & Cost Category ' Nikhil '
2/8/2008	Paid Cash To Petrol Exp. Rs. 130/- Cost Center ' Factory 1 ' Cost Category ' Nilmesh '
2/8/2008	Paid Cash To Traveling Exp. Rs.190/- Cost Center ' Head Office ' & Cost Category ' Yash '
2/8/2008	Paid Traveling Exp.Rs.750/- Cost Center ' Factory 2 ' Cost Category ' Nilmesh '
2/8/2008	Paid Cash To Petrol Exp. Rs.120/- Cost Center ' Branch Office ' & Cost Category ' Nikhil '
2/8/2008	Paid Cash To Petrol Exp. Rs. 60/- Cost Center ' Factory 2 ' & Cost Category ' Yash '
2/8/2008	Paid Cash To Petrol Exp Rs. 120/- Cost Center ' Head Office ' & Cost Category ' Nikhil '
2/8/2008	Paid Cash To Traveling Exp Rs.230/- Cost Center ' Factory 1 ' & Cost Category ' Nilmesh '
2/8/2008	Paid Cash To Traveling Exp Rs.500/- Cost Center ' Branch Office ' Cost Category ' Nikhil '

- Press **Esc** & return to **Gateway of Tally**

To Check Whether you have entered Correctly - **Gateway of Tally > Display > Trial Balance**

Particulars	M/s. SHRIRAM ELECTRONICS 1-Apr-2008 to 2-Aug-2008	
	Closing Balance	
	Debit	Credit
Capital Account		6,18,476.20
Loans (Liability)		13,32,619.40
Current Liabilities	1,11,113.70	61,60,869.72
Fixed Assets	2,74,649.00	
Investments	1,75,500.00	
Current Assets	83,14,830.62	
Sales Accounts		23,72,727.00
Purchase Accounts	15,76,879.00	
Direct Expenses	4,859.00	
Indirect Expenses	26,861.00	
Grand Total	1,04,84,692.32	1,04,84,692.32

1. The petty cashier Mr. Dutta has given the following details on 01/05/08:

Transaction	Amount
Printing Paper	150
Postal stamps	30
Pen & Pencil	75
Travelling	200
Stapler & Pin	150
Employee Refreshment	300
Tea & Snacks	105
Cleaning Charges	45

Pass the entry accordingly allocating the expenses in proper head and proper cost centre.

2. Furniture purchased for office from M/S. Kabita Furniture by cheque (SBI ch no.:100105) Rs. 2,300 on 02/05/08.

3. Company paid Rs. 50000 through SBI (Ch# 100106) for Advertisement in following media on 02/05/08:

News Paper		Rs. 20000
HT	Rs. 3000	
Telegraph	Rs. 5000	
Economics Times	Rs. 9000	
ABP	Rs. 3000	
In house Poster		Rs. 5000
Banner		Rs. 15000
Hording		Rs. 10000

COST CENTERS

While Accounts ledger provides information about the nature of transaction, it does not identify the departments or divisions involved with it. Cost Centers (and Categories) gives additional dimension to the transaction. Cost Center is any unit in an organisation to which costs can be allocated. Cost Centers may be various Branches, Departments, Projects, Products, Persons etc.

You can organise Cost Centres into numerous (Primary & Secondary) levels, in hierarchical structure without any limit.

For example, you may analyse the Salary Expenses according to Branches and Departments. Simultaneously you want the Salary Expenses to be split up into Ledger Accounts like Basic, DA, TA, etc. So that you know the department-wise break-up of these elements. In such situation, only Ledger Accounts are insufficient as they will not provide you two-way analysis. Such concept may be extended to any Income or Expense, Spanning Over number of Cost (or Profit) Centers.

Following example will better clarify the utility of Cost Centers

1) Head Office 2) Branch Office 3) Factory 1 4) Factory 2

And you are interested to get Ledgerwise as well Office/Factorywise breakup of expenses figures. For this purpose, Create Cost Centers for each Office/Factory and while entering such expenses in Vouchers, allocate to respective Cost Centers. Then you will be able to get:-

Ledger Accountwise Figures

Cost Centerwise Figures

Cost Centerwise breakup of each Ledger

Ledger Accountwise breakup of each Cost Center

Normally, Cost Centers are used to allocate Revenue Accounts (Expenses & Income), You can even allocate non revenue account (for example, Capital Project Cost, Fixed Assets etc.) to Cost Centers.

○ Activation of Cost Center

● Gateway of Tally > F11 : Accounting Features

Set following Options **Maintain Cost Centers** To 'Yes'

Set following Options **More than one Cost Category.** To 'No'

Press Ctrl + A Press Esc & return to the Gateway of Tally .

○ Steps for Creating New Cost Centers.

● Gateway of Tally > Account Info. > Cost Center > Single Cost Center > Create

Field	Type
Name	Head Office
Under	Primary
Accept? Yes/No	Enter

Cost Center Creation Screen is shown as below.

Name (Arabic)	Head Office
Under	: 1 Primary
Accept ? Yes or No	

• Create the following Cost Centers as above

- 1) Branch Office 2) Factory 1 3) Factory 2

Alter the following Expenses Ledgers Account's

• Gateway of Tally > Accounts Info > Ledger > Alter > Select Travelling Exp.

Name	Travelling Exp.
Under	Expenses [Indirect]
Inventory Values Are affected	No
Cost Center are Applicable	Yes
Opening Balance	
Accept ? Yes or No	Yes

Alter the following Expenses Ledgers Account's as shown Above

Ledger	Group
Electricity Exp	Expenses [Indirect]
Telephone Exp.	Expenses [Indirect]
Petrol Exp.	Expenses [Indirect]

Ledger	Group
Octroi Exp.	Expenses [Direct]
Transport Exp	Expenses [Direct]
Hamali Exp.	Expenses [Direct]

Cost Center allocation in Voucher Entry

Date	Transaction
01/08/2008	Paid Cash Rs. 210/- to <u>Petrol Expenses</u> Cost Center <u>HEAD OFFICE</u>

• Gateway of Tally > Accounting Voucher > Press F5 : Payment

F2 : Date	01/08/2008
Dr	Petrol Exp.
Amount	210/-
Name Of Cost Center	Head Office
Amount	Enter
Cr.	Cash
Amount	Enter
Accept ? Yes or No	Yes

Payment

No. 21

1-Aug-2008

Friday

Particulars	Debit	Credit
Dr Petrol Expenses	210.00	
Cur Bal: 360.00 Dr		
Head Office	210.00 Dr	
Cr Cash		210.00
Cur Bal: 1,99,206.30 Dr		
Narration:	210.00	210.00

- **Exercise :** Enter the following Payment Voucher using Cost Center

Date	Transaction
01/08/2008	Paid Cash To Transport Exp. Rs. 170/- Cost Center Factory 1
01/08/2008	Paid Cheque of Rs.300/-To Telephone Exp. Cost Center Factory 2.
01/08/2008	Paid Cash To Petrol Exp. Rs.80/- Cost Center Branch Office.
01/08/2008	Paid Cheque of Rs.350/- To Electricity Exp. Cost Center Head office.
01/08/2008	Paid Cheque of Rs.320/- To Telephone Exp. Cost Center Branch office.
01/08/2008	Paid Cash To Octori Exp. Rs. 240/- Cost Center Head Office.
01/08/2008	Paid Cheque of Rs.370/- To Electricity Exp. Cost Center Head Office.
01/08/2008	Paid Cash To Petrol Exp. Rs. 80/- Cost Center Factory 1.
01/08/2008	Paid Cheque of Rs. 340/- To Electricity Exp. Cost Center Head office.
01/08/2008	Paid Cheque of Rs. 350/- To Telephone Exp. Cost Center Factory2.
01/08/2008	Paid Cash To Petrol Exp. Rs.85/- Cost Center Head Office.
01/08/2008	Paid Cheque of Rs.330/- To Electricity Exp. Cost Center Factory 1.
01/08/2008	Paid Cheque of Rs. 375/- To Telephone Exp. Cost Center Head office.
01/08/2008	Paid Cash To Octori Exp. Rs.190/- Cost Center Factory2
01/08/2008	Paid Cash To Transport Exp. Rs. 150/- Cost Center Head Office.
01/08/2008	Paid Cash To Petrol Exp. Rs. 90/- Cost Center Factory 2.
01/08/2008	Paid Cash To Transport Exp. Rs. 130/- Cost Center Factory 1.
01/08/2008	Paid Cheque of Rs. 360/- To Telephone Exp. Cost Center Head Office.
01/08/2008	Paid Cheque of Rs. 415/- To Electricity Exp. Cost Center Branch Office.
01/08/2008	Paid Cash To Octori Exp. Rs. 150/- Cost Center Head Office..
01/08/2008	Paid Cheque of Rs. 320/- To Telephone Exp. Cost Center Factory 2.
01/08/2008	Paid Cheque of Rs. 370/- To Electricity Exp. Cost Center Factory 1.
01/08/2008	Paid Cash To Petrol Exp. Rs. 80/- Cost Center Head Office.
01/08/2008	Paid Cash To Octori Exp. Rs. 230/- Cost Center Branch Office.
01/08/2008	Paid Cheque of Rs. 370/- To Telephone Exp. Cost Center Head Office..
01/08/2008	Paid Cheque of Rs. 410/- To Electricity Exp. Cost Center Factory 2.

Date	Transaction
01/08/2008	Paid Cheque of Rs. 340/- To Telephone Exp. Cost Center Factory 1.
01/08/2008	Paid Cash To Octori Exp. Rs. 240/- Cost Center Head Office.
01/08/2008	Paid Cash To Petrol Exp. Rs. 130/- Cost Center Branch Office.
01/08/2008	Paid Cheque of Rs. 390/- To Electricity Exp. Cost Center Factory 2.
01/08/2009	Paid Cash To Transport Exp. Rs. 110/- Cost Center Factory 1.
01/08/2009	Paid Cheque of Rs. 390/- To Telephone Exp. Cost Center Head Office.
01/08/2009	Paid Cash To Petrol Exp. Rs. 80/- Cost Center Branch Office.
01/08/2009	Paid Cheque of Rs.350/- To Electricity Exp. Cost Center Head Office.
01/08/2009	Paid Cheque of Rs. 420/- To Telephone Exp. Cost Center Factory 2.
01/08/2009	Paid Cash To Octori Exp. Rs. 90/- Cost Center Factory 1.

• Press **Esc** & return to **Gateway of Tally**

○ **Create Purchase Voucher using As Voucher Format**

• **Gateway of Tally** > Accounting Voucher > Press F9 : Purchase > Press Ctrl + V

Date	Transaction
01/08/08	Purchase Goods 14" B/W Tv - B @ Rs.3665 + Vat@12.5% X 1 Nos From Shri Balaji Ltd of Total.Rs.4123.13/- New Ref- SBL-1526 on ShowRoom & Cost Center Head Office

F2 : Date	01/08/2008
Supplier Invoice No	Enter
Date	Enter
Cr	Shri Balaji Ltd
Amount	4123.13
Name of Item	14" B/W TV - B
Tracking Number	Not Applicable
Godown	ShowRoom
Quantity	1 Nos
Rate Per	Enter
Amount	Enter
Cost Center	Head Office
Amount	Enter
Dr	Purchase @ 12.5%
Amount	Enter
VAT / TAX LEDGER	Purchase @ 12.5%
Dr.	Input Vat @ 12.5%
VAT / TAX Ledger	Input Vat @ 12.5%
Assessable Value	3665/- (Item Amount)
Amount	Enter
Accept ? Yes or No	Yes

Purchase No 40
Supplier Invoice No

Date

1-Aug-2008
Friday

Particulars	Debit	Credit
Cr Shri Balaji Ltd Cur Bal 1,23,823.13 Cr		4,123.13
Dr Purchase @ 12.5% Cur Bal 7,53,128.50 Dr	3,665.00	
14" B/w. Tv - B 1 Nos 3665.00 Nos	3,665.00	
Primary Cost Category Head Office	3,665.00 Dr	
Dr Input Vat @ 12.5% Cur Bal 94,141.10 Dr	458.13	
Narration:	4,123.13	4,123.13

- Press **Esc** & return to **Gateway of Tally**

Have you entered the correct voucher entry you can check it in Trial Balance from the

- **Gateway of Tally** > Display > Trial Balance. The total of debit side and credit side in the Trial balance should be **1,04,84,692.32/-**

Particulars	M/s. SHRIRAM ELECTRONICS 1-Apr-2008 to 1-Aug-2008	
	Closing Balance	
	Debit	Credit
Capital Account		6,18,476.20
Loans (Liability)		13,32,619.40
Current Liabilities	1,11,113.70	61,60,869.72
Fixed Assets	2,74,649.00	
Investments	1,75,500.00	
Current Assets	83,19,050.62	
Sales Accounts		23,72,727.00
Purchase Accounts	15,76,879.00	
Direct Expenses	4,859.00	
Indirect Expenses	22,641.00	
Grand Total	1,04,84,692.32	1,04,84,692.32

- To Display the Cost Center Entries

- **Gateway of Tally** > Display > Statement of Account > Cost Center > Cost Center Break-Up > Cost Center Name