

Setting Credit Limit for Party Ledgers in Tally.ERP 9

Did you know that you can set credit limits for your business partners in Tally.ERP 9 to ensure that no invoice is wrongfully generated beyond this line of credit?

It is a good practice for a business to monitor the credit limits of customers and suppliers. This helps in managing the receivables and payables of a business in a better way. Credit limit is normally set based on the credibility, volume of transactions, capacity of repayment etc. of the customer and supplier. To ensure better credit management, Tally.ERP 9 provides the Credit Limit option to set the maximum amount of credit that can be allowed to a customer or a supplier. Using this feature, business owners can ensure that no invoice will be generated beyond the set credit limit unless the user has the right to modify the same.

Setting up Credit Limit for the party ledgers in Tally.ERP 9 is very simple and effortless. All it takes is enabling the option and setting the limit on the party ledger creation or alteration screen.

To enable Credit Limit:

- Go to Gateway of Tally > F11: Accounting Features
- Under 'Budgets and Scenario Management', set 'Yes' to 'Maintain Budgets and Controls'

Company: <u>National Traders</u>			
<u>Accounting Features</u>			
<u>General</u>		<u>Invoicing</u>	
Integrate Accounts and Inventory	? Yes	Allow Invoicing	? Yes
Income/Expense Statement instead of P & L	? No	Enter Purchases in Invoice Format	? Yes
Allow Multi-Currency	? Yes	Use Debit/Credit Notes	? No
		Use Invoice mode for Credit Notes	? No
		Use Invoice mode for Debit Notes	? No
<u>Outstandings Management</u>		<u>Budgets & Scenario Management</u>	
Maintain Bill-wise Details (for Non-Trading A/cs also)	? Yes ? No	Maintain Budgets and Controls	? Yes
Activate Interest Calculation (use advanced parameters)	? Yes ? Yes	Use Reversing Journals & Optional Vouchers	? Yes

To set Credit Limit for a Single Ledger:

- Go to Gateway of Tally > Accounts Info. > Ledgers > Select 'Alter' under 'Single Ledger'
- Select the required party ledger from the 'List of Ledgers'

Set the 'Default Credit Period' and 'Credit Limit' amount as shown:

Ledger Alteration		National Traders	
Name : Modern Timbers		Total Op. Bal. 52,400.00 Dr 50,000.00 Cr Difference 2,400.00 Dr	
(alias) :			
Under : Sundry Debtors (Current Assets)		Mailing Details Name : Modern Timbers Address : State : PIN Code :	
Currency of Ledger : ₹			
Maintain balances bill-by-bill ? Yes			
Default Credit Period : 1 Years			
Set Credit Limit : 1,00,000.00 Dr			
Inventory values are affected ? No			
Cost centres are applicable ? No			
Activate Interest Calculation ? No			

Note: You can also specify the Credit Limit and Credit Period at the time of ledger creation or alteration.

To set Credit Limit for multiple party ledgers:

- Go to Gateway of Tally > Accounts Info. > Ledgers > Credit Limits
- Select the required 'Group' in 'List of Groups' like Sundry Debtors, Sundry Creditors
- On 'Multi Ledger Limit Alteration' screen, set the 'Credit Limit' for the ledgers as required

Multi Ledger Limit Alteration		National Traders		Ctrl + M
Under Group : Sundry Debtors		1-Apr-2011 to 30-Jan-2012		
S.No.	Name of Ledger	Credit Limit	Credit Period	
1.	Audio/Video House	3,65,000.00 Dr	6 Months	
2.	Data Link Technologies	5,60,000.00 Dr	10 Months	
3.	Modern Timbers	1,00,000.00 Dr	1 Years	
4.	Spectrum Computers			
5.	Supreme Computers			

- Accept the screen

To demonstrate how Credit Limit effects the transaction, let's try to pass a Sales Invoice using a ledger called 'Modern Timbers' (Sundry Debtors) for an amount of more than ₹1,00,000 which is the specified credit limit for this ledger. Whenever the invoice is raised beyond this limit, Tally.ERP 9 will display a prompt message saying 'Credit Limit of the selected party exceeded' as shown:

Accounting Voucher Creation		National Traders		Ctrl + M
Sales No. 1		1-Apr-2012 Sunday		
Ref. :				
Party's A/c Name : Modern Timbers				
Current Balance : 5,00,000.00 Dr Credit Limit: 1,00,000.00 Dr				
Particulars		Rate	per	Amount
Sales				1,10,000.00
Narration:		Error Eh ? Credit Limit of 'Modern Timbers' 1,00,000.00 Dr exceeded ! (Current :6,10,000.00 Dr)		

The current balance and the credit limit of the Ledger accounts are displayed in the Order and Invoice entry vouchers (Sales and Purchase) and these show the available limits. In case, you need to pass the transaction beyond the Credit Limit, you can alter the credit limit if you have the right permission.

Hence, with Tally.ERP 9, you can easily set credit limits for your party ledgers and take control of your business's receivables and payables. This in turn reduces risks and improves collection for your business.