

Cost Center

Cost centre is a location, person or an item of equipment (or group of these) for which cost may be ascertained and used for the purpose of cost control.

In other words it is the unit used to allocate the expenses between the units, person, location

For eg: The Person is paying salary different employees and there is no need for him to maintain the account of each employee instead he can maintain salary account and he can treat the employees as cost center

How To Create and Maintain Cost Center's In Tally

From Gate Way Of Tally Press F11 → Accounting Features → Maintain Cost Center To Yes

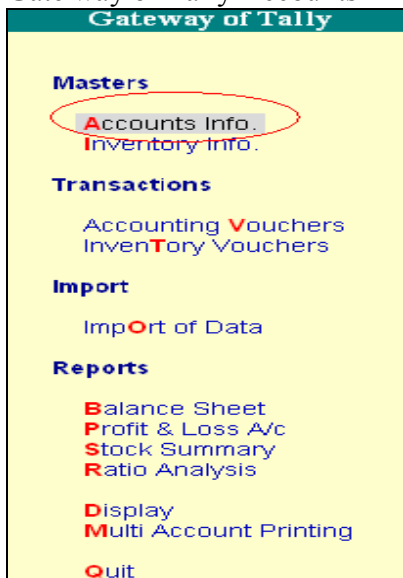
The image shows two screenshots from the Tally software. The top screenshot is the 'Gateway of Tally' menu, where 'Accounting Features' is highlighted with a red oval. The bottom screenshot is the 'Accounting Features' dialog box for 'Company: Cost Center'. In this dialog, the 'Maintain Cost Centres' option is checked (Yes) and highlighted with a red oval. At the bottom of the dialog, there are function key shortcuts: F1: Accounts, F2: Inventory, and F3: Statutory.

Company: Cost Center			
Accounting Features			
General			
Integrate Accounts and Inventory	? Yes		
Income/Expense Statement instead of P & L	? No		
Allow Multi-Currency	? No		
Outstandings Management			
Maintain Bill-wise Details (for Non-Trading A/cce also)	? Yes		
	? No		
Activate Interest Calculation (use advanced parameters)	? No		
	? No		
Cost/Profit Centres Management			
Maintain Payroll	? No		
Maintain Cost Centres	? Yes		
Use Cost Centre for Job Costing	? No		
More than ONE Payroll / Cost Category	? No		
Use Pre-defined Cost Centre Allocations during Entry	? No		
Invoicing			
Allow Invoicing	? Yes		
Enter Purchases in Invoice Format	? Yes		
Use Debit/Credit Notes	? No		
Use Invoice mode for Credit Notes	? No		
Use Invoice mode for Debit Notes	? No		
Budgets & Scenario Management			
Maintain Budgets and Controls	? No		
Use Reversing Journals & Optional Vouchers	? No		
Other Features			
Enable Cheque Printing	? No		
Set/Alter Cheque Printing Configuration	? No		
Allow Zero valued entries	? No		

F1: Accounts F2: Inventory F3: Statutory

How To Create Cost Center :

Gate way of Tally Accounts Info→Cost Center→Create



when we click on create the screen looks as below

Cost Centre Creation

Name :

(alias) :

Under : Primary

In the Name type Mr.A under Primary and accept the screen in the same way create B,C,D

Let us Take the example Of Salary only. There are 4 Employees in a company MR.A,B,C,D and company is paying salary of 4000,5000,6000,5000 respectively and how to maintain this in Cost Center

We will create a ledger by name Salary Exp under indirect exp and we need to set the option cost centers applicable to Yes

Ledger Creation **Cost Center**

Name : **Salary Exp**

(alias) :

Under : **Indirect Expenses**

Inventory values are affected ? **No**

Cost centres are applicable ? **Yes**

Opening Balance (on 1-Apr-2008) :

Now we will pass one payment entry using this

In the Account field select the Bank\Cash and in particular's select Salary Exp account as soon as we give the amount the POPUP screen will come as below

Cost Allocations for : **Salary Exp**
Upto: **Rs. 20,000.00 Dr**

Name of Cost Centre	Amount
<input type="text"/>	<input type="text"/>

In Name Of Cost Center select the Employees and give the amount the screen will be like this

Cost Allocations for : Salary Exp Upto: Rs. 20,000.00 Dr	
Name of Cost Centre	Amount
MR.A	4,000.00
MR.B	5,000.00
Mr.C	6,000.00
MR.D	5,000.00
20,000.00	

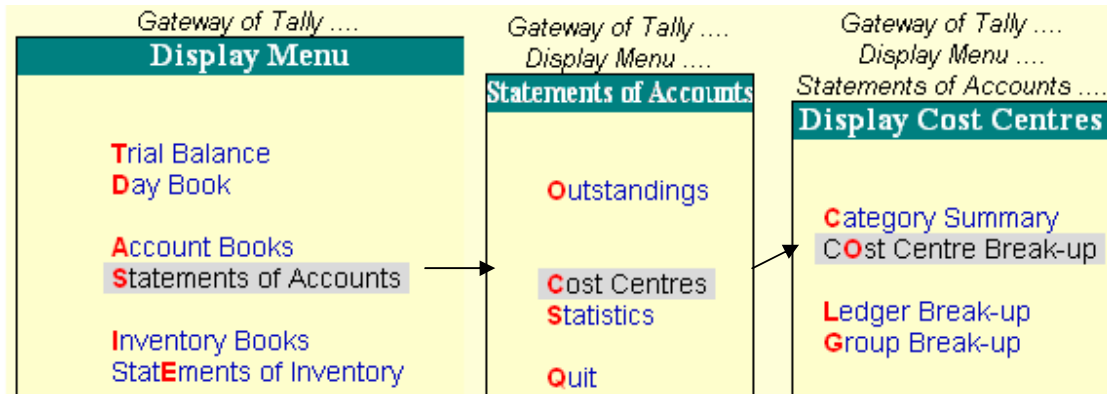
The payment entry looks like below

Accounting Voucher Creation		Cost Center	Ctrl + M X
Payment	No. 1		1-Apr-2008 Tuesday
Account: Cash <i>Cur Bal: 20,000.00 Cr</i>			
Particulars			Amount
Salary Exp			20,000.00
<i>Cur Bal: 20,000.00 Dr</i>			
MR.A	4,000.00 Dr		
MR.B	5,000.00 Dr		
Mr.C	6,000.00 Dr		
MR.D	5,000.00 Dr		
Narration:			20,000.00

Now we will see how we can use Cost Centre in Sales the cost center be the same and we will treat them as sales person and we can check which sales person made how much sales.

We will pass one Sales Item Invoice

Select the party and after than in name of the item should select the item as soon as you select the item you will be getting screen Accounting details for item and there in particular have to create sales ledger under sales account and enable cost centers for that ledger and accept the screen then you will be getting the screen as below



Then you'll get the cost center's name

Name of Cost Centre

1 A

List of Cost Centres

MR.A

MR.B

Mr.C

MR.D

select the particular cost center to View the Report as below

Particulars	Transactions		Closing Balance
	Debit	Credit	
Sales Accounts			
Sales		500.00	500.00 Cr
Expenses (Indirect) (Indirect Expenses)	4,000.00		4,000.00 Dr
Salary Exp	4,000.00		4,000.00 Dr
Grand Total	4,000.00	500.00	3,500.00 Dr

This Break up shows How much sales done by the MrA and what are all the expenses incurred for him

What is a Cost Category:

Cost category is used to differentiate the Cost between different Branches Or Department

For example in a company there may be different department Like administration, sales, purchase, accounts so to divide the expenses between these department cost category may be used

How to create :

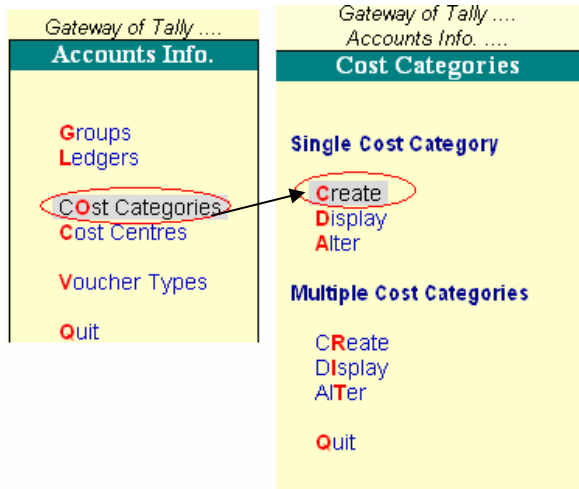
Go to F11 → Accounting Features → Enable the option More Than One Category to Yes

Company: Cost Center			
Accounting Features			
General		Invoicing	
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	? No	Use Debit/Credit Notes	? No
		Use Invoice mode for Credit Notes	? No
		Use Invoice mode for Debit Notes	? No
Outstandings Management		Budgets & Scenario Management	
Maintain Bill-wise Details (for Non-Trading A/cs also)	? Yes ? No	Maintain Budgets and Controls	? No
Activate Interest Calculation (use advanced parameters)	? No ? No	Use Reversing Journals & Optional Vouchers	? No
Cost/Profit Centres Management		Other Features	
Maintain Payroll	? No	Enable Cheque Printing	? No
Maintain Cost Centres	? Yes	Set/Alter Cheque Printing Configuration	? No
Use Cost Centre for Job Costing	? No	Allow Zero valued entries	? No
<u>More than ONE Payroll / Cost Category</u>	? Yes		
Use Pre-defined Cost Centre Allocations during Entry	? No		
F1: Accounts F2: Inventory F3: Statutory			

Accept the screen

Gate way of Tally Accounts Info → Cost category → Create

Gateway of Tally	
Masters	
Accounts Info.	
Inventory Info.	
Transactions	
Accounting Vouchers	
Inventory Vouchers	
Import	
Import of Data	
Reports	
Balance Sheet	
Profit & Loss A/c	
Stock Summary	
Ratio Analysis	
Display	
Multi Account Printing	
Quit	



The creation screen looks like below

Cost Category Creation	
Name	: Accounts
(alias)	: _____
Allocate Revenue Items	? Yes
Allocate Non-Revenue Items	? No

Give the name Of category

Allocate Revenue Items (Yes/No)

Enable this option to allocate all sales, purchase, expenses and income related transactions to cost centres that you will create under cost categories. Normally, you would enable this option. However, should you need to allocate only capital/non-revenue items only to cost centres in this cost category, disable it by selecting "No".

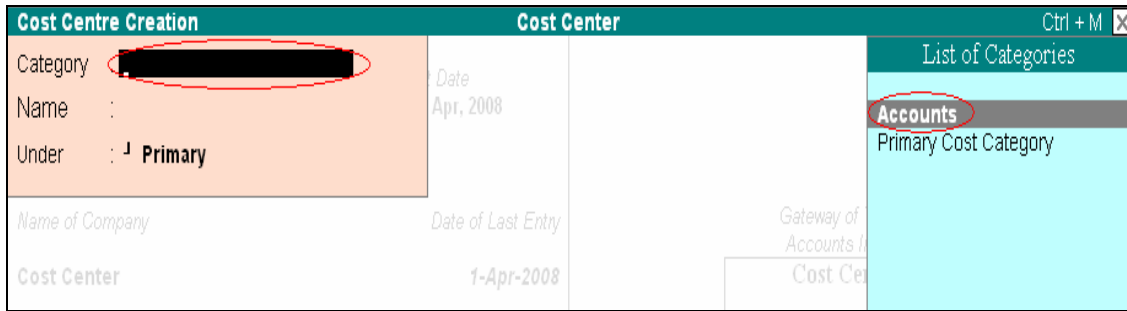
Allocate Non-Revenue Items (Yes/No)

You would, normally, disable this option as most cost centres need only revenue allocation. However, should you wish to allocate items of non-revenue (capital) or Balance Sheet items, you may select "Yes". Organisations are increasingly requiring allocation of capital items to cost centres. They wish to monitor the capital expenditure incurred on cost centres and measure them against revenue earned. Hence, recognising this trend, Tally has provided this facility.

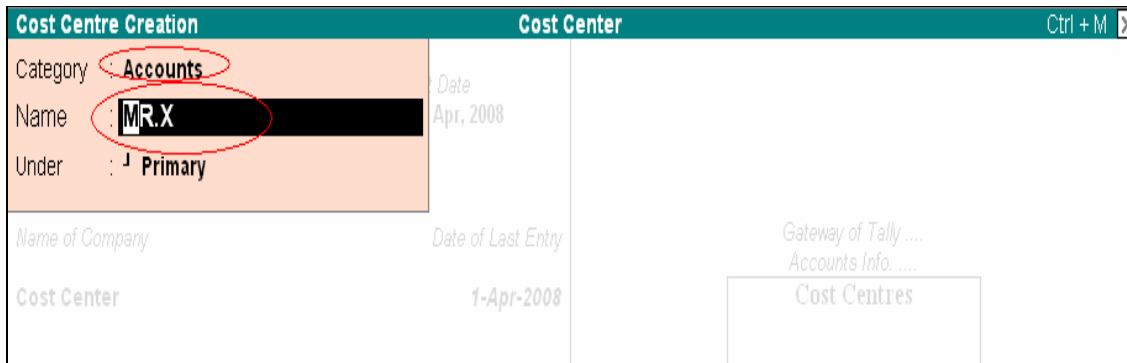
Note: Remember that you must enable either revenue or non-revenue item or both. You may not disable both. Tally sets a default of Yes for revenue items and No for Non-revenue.

How To create Cost Centers Below These Cost Categories

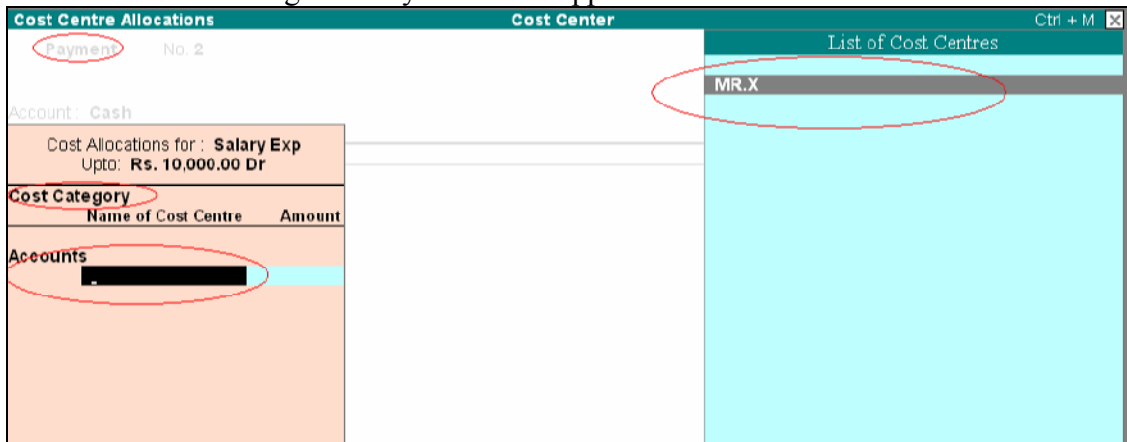
Gate way of Tally Accounts Info→Cost Center→Create The screen appear as below



when you try to create the cost center it asks For Category select the Category and give the name for Cost center



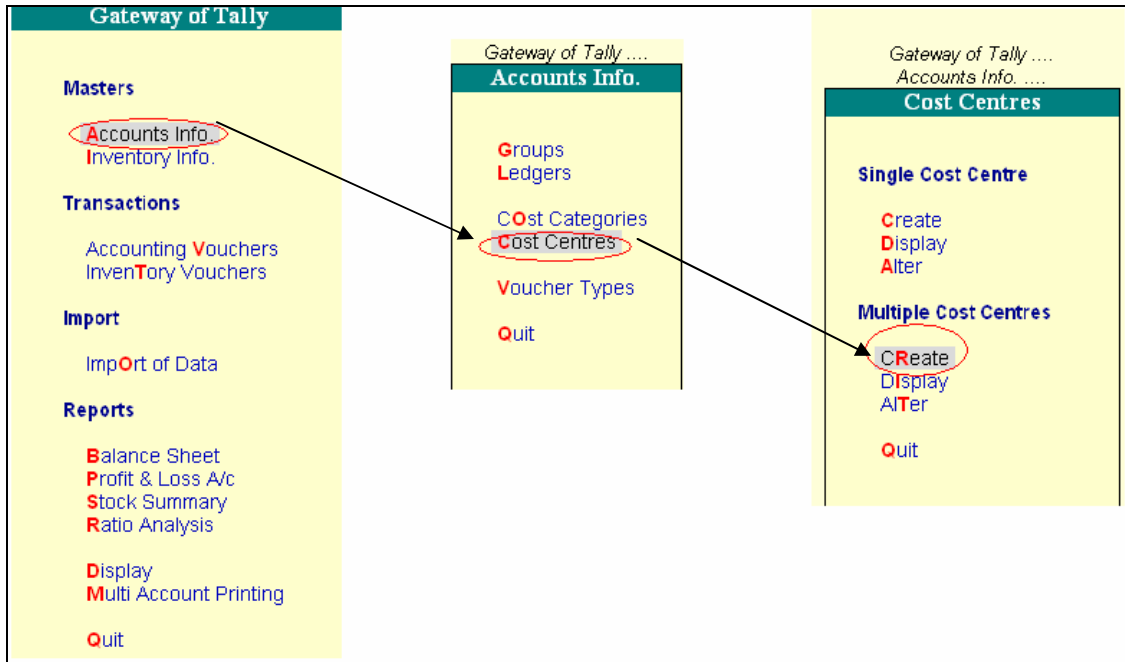
When You Are Passing the entry the screen appers as below



Select the category and cost center and accept the screen

How DO I create All The Cost centers at a time

From Gate Way Of Tally→Accounts Info→Cost Center→Multicreate



As soon as we click on create the screen appear as below

Multi Cost Centre Creation				Cost Center
Under Cost Centre : All Items				Ctrl + M
S.No.	Category	Name of Cost Centre	Under	List of Categories
1.	Accounts	MR.Y	Primary	End of List Accounts Primary Cost Category
2.				

In Under Cost Center Select All Items

In Category select the category under which You Want to Create The Cost Center

In Name Give the Name of that Cost Center

In Under Select Primary and accept the screen

Note :Even though you have create the category and cost center if those things are not coming in while passing the entry means go to category altration screen and set the option Allocate Non Revenue TO Yes and accept the same and pass the entry You'll be able to get the cost centers

Cost Category Alteration		Cost C
Name : Accounts		Date Apr, 2008
Allocate Revenue Items	? Yes	
Allocate Non-Revenue Items	? Yes	
<i>Name of Company</i>		<i>Date of Last Entry</i>
Cost Center		1-Apr-2008