QuickBooks Online Foundations

Inflow Heating and Cooling

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QuickBooks Online Foundations

presented by

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Important Information about the Structure of this Training

Our QuickBooks Online Training is intended as the foundation for using QuickBooks® as a bookkeeping, business management and cash flow building tool. The material provides a critical basis for establishing bookkeeping best practices and ensuring accurate financial information.

Please ask questions throughout the presentation.

In addition to what you will learn today this manual is a post-training reference guide.

We are happy you are here and look forward to helping you master QuickBooks!

The most important reason to advance our knowledge of QuickBooks® and basic bookkeeping principles, whether you are a business owner or employee, is to improve business performance.

While we identify specific learning objectives at the beginning of each section, 3 overall objectives include:

1. Introduction to key features in QuickBooks Online and how they apply to best practice bookkeeping principles.
2. How to effectively and efficiently use QuickBooks Online to manage daily bookkeeping tasks and develop an understanding of how the data is entered, processed and reviewed.
3. How to customize QuickBooks Online to meet the specific needs of a business.

Why we teach Cash Flow with QuickBooks®

Business owners typically identify Cash Flow as their number one area of concern. QuickBooks Accounting Software, when utilized correctly, allows users to run Cash Flow projections and develop a Cash Flow management strategy to prevent shortfalls. This training will help participants develop a strong knowledge base of how to use QuickBooks reports to manage a business and build cash flow.

The foundation of business success is in the daily use of accurate, real-time financial data. "*What we measure, we manage; what we manage, we improve.*"

It is important to focus on the areas of our business that contribute most to profitability. QuickBooks helps us quickly identify areas of focus if we know where to look.

The 80/20 rule, the 'Pareto Principle', is a powerful concept that consistently rings true.

In most cases, 20% of our customers generate 80% of our net profit. At the same time, 20% of the goods or services we sell contribute 80% of our revenue. etc. You get the idea.

The most important aspect of accurate financial data is the action plan it creates.

By generating daily reports that uncover the best customers, jobs, services, or products, you will soon see how you can refocus internal efforts on high value work.

Accurate real-time data with one click access to reports, is an enormous benefit of using QuickBooks® Online the 'right-way'.

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Online Foundations Training

SECTION 1
GETTING STARTED

Objectives
Features
Subscriptions
Student Setup
About Inflow Heating and Cooling
Navigation
Practice Test
Case Study Activities

Upon completion of Section 1, each participant will be familiar with:

- How to choose the right subscription.
- How to use additional features.
- How to import company data.
- How to setup a company file.
- How to view and use the Dashboard.
- How to navigate using QuickBooks Online Plus.

Important: As part of your Intuit Education student subscription, you will receive a free 1-year trial of QuickBooks Online Plus that includes a 12-month subscription.

The purpose of this section is to familiarize yourself with the different available options as if you were a business owner deciding which subscription is right for your business.

Video links are available throughout this manual. Use **Ctrl + Left Click** for direct access.
If you choose to build a company from scratch, follow the Case Study Activities at the end of each section.

The screen shots used throughout the training are based on a Case Study that has already been completed. They may not match yours until you have completed the Case Study Activities. Also, while this training is updated throughout the year, keep in mind Intuit may introduce an update that results in a screen shot that is not an exact match.

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Chrome Browser

Chrome is the recommended browser used to access QuickBooks Online. There are a few things you need to know going forward.

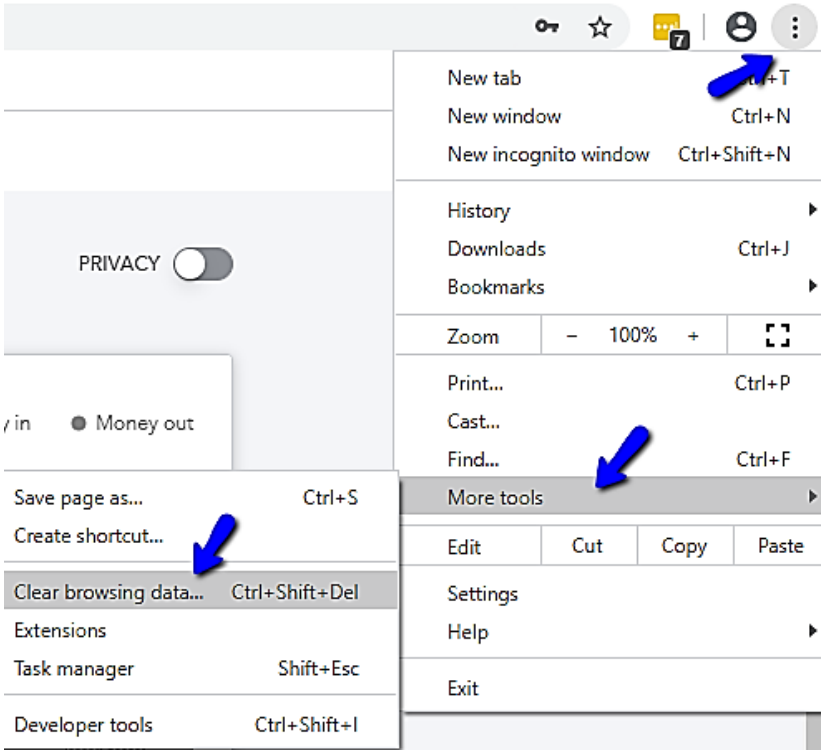
Cookies and Cache

If you receive an error message when trying to access your company file:

Click the **three dots** in the upper right section of the Chrome browser.

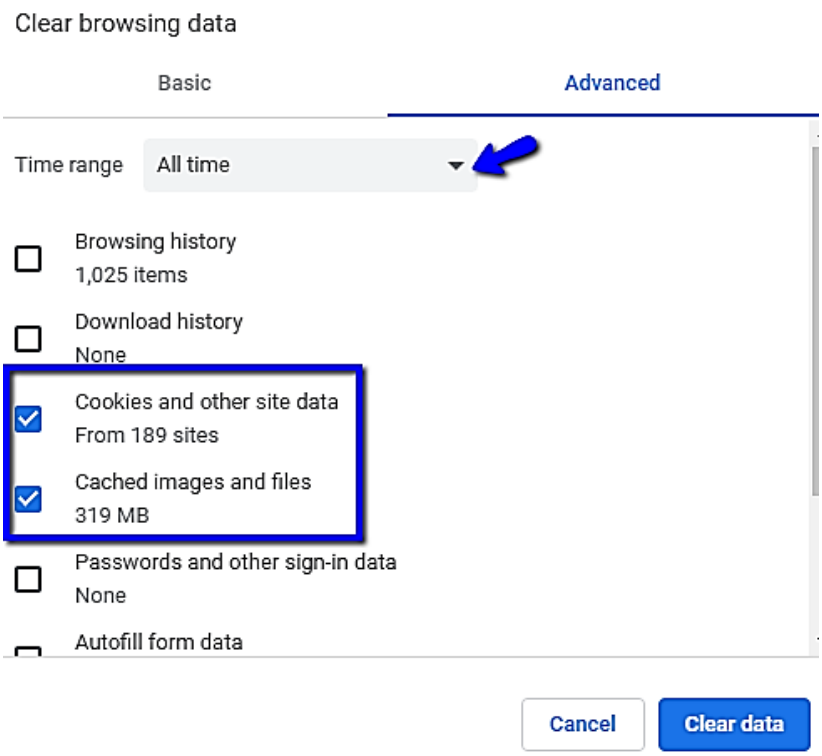
Click **More Tools.**

Click **Clear browsing data**.



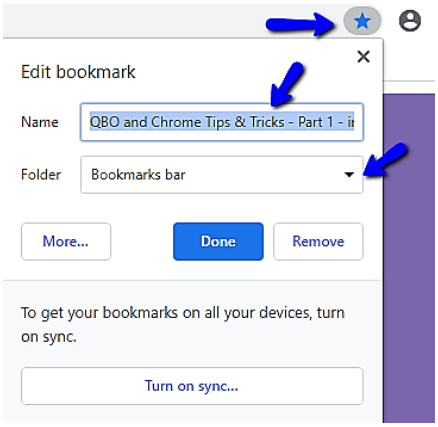
Select the **Time range**, **Cookies and other site data**, and **Cached images and files.**

Click **Clear data.**



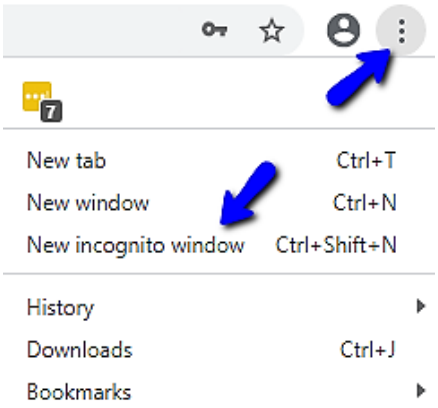
Bookmarks

Create bookmarks to save favorite pages. Click the **Star** on the right top of the browser bar to create bookmarks. Choose a name and select a folder, then click done.



Incognito

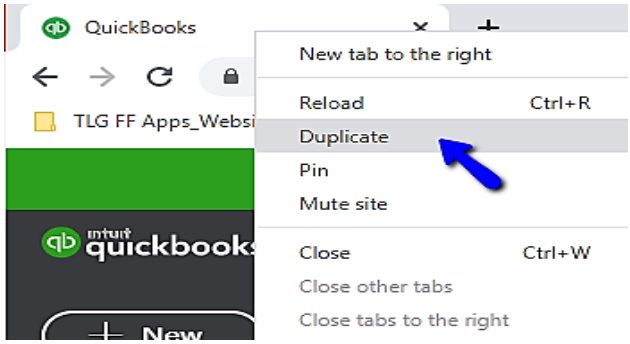
Incognito Mode "referred to as private browsing" is a privacy feature that disables the browsing history of Chrome.



Multiple Windows

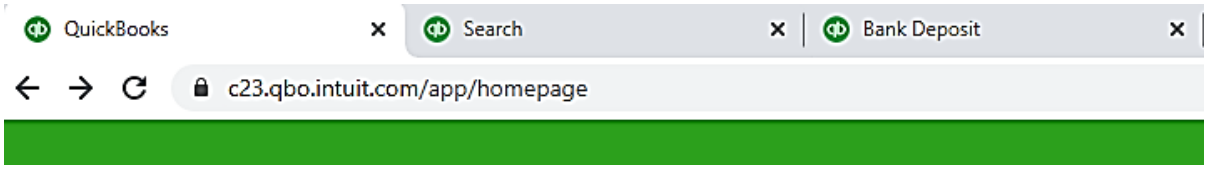
Web-based applications utilize the functionality of web browsers, allowing you to work in several different windows in your QuickBooks® Online company file. Log in to your company data file. In this example we will use Google Chrome.

Right click the **QuickBooks Tab -> Duplicate.** You now have multiple windows open and can perform multiple tasks. This is a great way to enter and review historical transactions during the cleanup process.



Another way to access multiple windows is as follows:

After logging into QuickBooks® Online go to the URL/address bar and **copy (Ctrl + C)** the website's address. Then, open a new tab. **Paste (Ctrl + V)** this address into the window. The tabs are as follows: first tab – **Dashboard**, second tab – **Search**, and third tab – **Bank Deposit.**



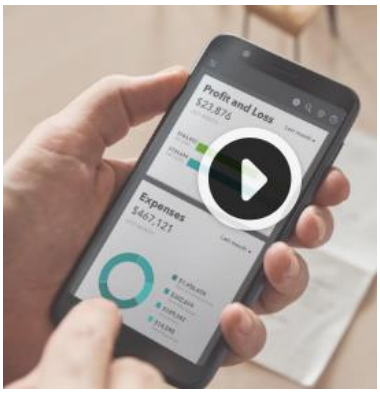
Note: In Chrome you can create an additional user specifically for QuickBooks® Online. You can then save all your favorite tabs/pages and have them available when you log in to your company data file.

QuickBooks Online Mobile App

The QuickBooks Online Mobile App allows instant access to your QBO data from your mobile device. More and more business owners are on the go and need easy and fast visibility to their accounting data. You can create multiple types of transactions and attach supporting documents or photos from your mobile app. Download the QuickBooks® Mobile App to your Android phone, iPhone, or tablet. Once you complete the installation, log in to your company file.

Review Video Links:

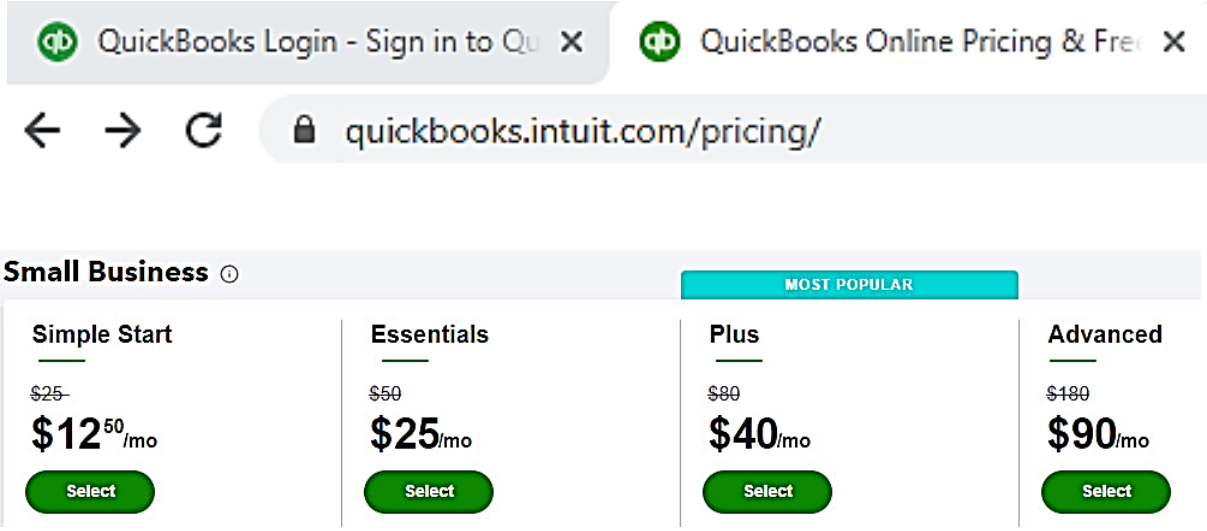
- Mobile App
- Mobile App Dashboard
- Customers and Vendors
- Mobile Banking IOS
- Mobile Banking Android
- Mobile App Reports
- Record an Invoice
- Record an Expense



Log in to your company data file from a computer. Click the **Search** icon and select the transaction you just created from your mobile app to add or change information as needed. Verify the receipt photo/document is now available in the attachments list.

To determine the right QuickBooks® Online subscription for your business, open a new browser window and enter this URL:

https://quickbooks.intuit.com/pricing



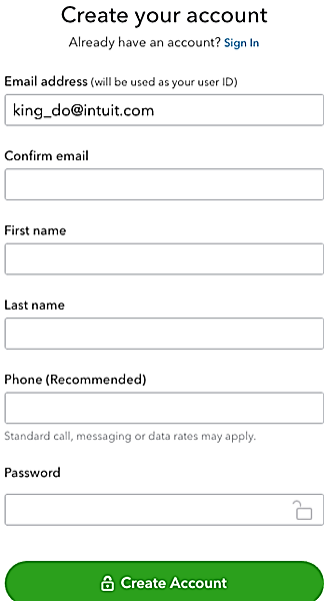
Note: There are five subscriptions available: Self-Employed, Simple Start, Essentials, Plus and Advanced. PLUS is the most popular. It is important to know all the features included in the Plus subscription. For example, Inventory and Project tracking.

The pricing will change periodically. Use the table to determine which subscription is best for your business. Compare the features of each and gain an understanding of those included in the Plus subscription, the one we will use for this training.

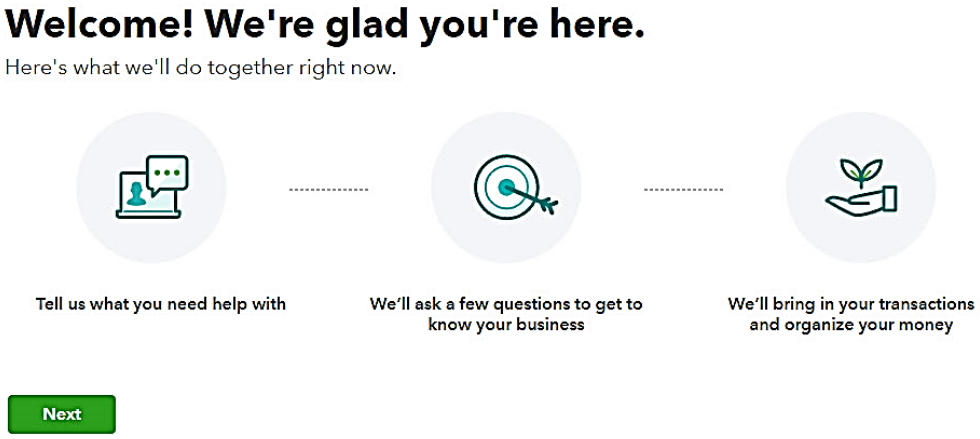
If you would like more information about the features and capabilities of the software application, access the sample company file to explore “Craig’s Landscaping” test drive company.

Craig's Landscaping Test Drive Company

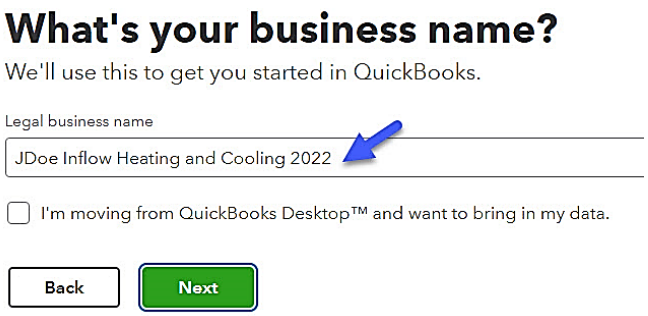
Complete the following steps to successfully create your new Intuit QuickBooks Online Company file. **Accept Invitation -> Create Account -> Next.**



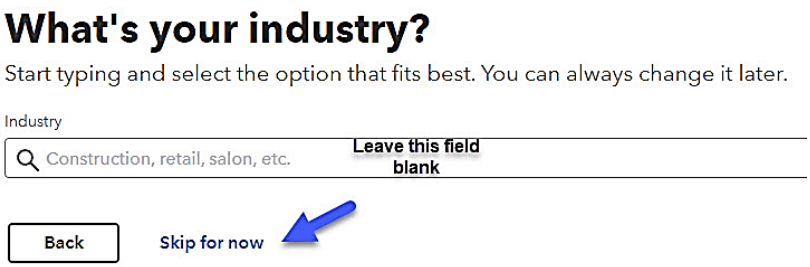
Click **Next.**



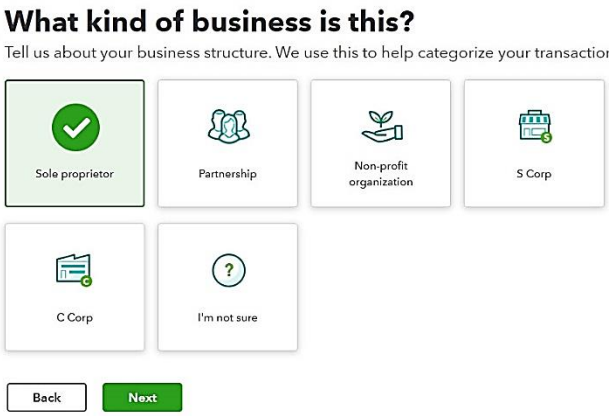
For the Legal business name, use **(Your First initial and Last name) Inflow Heating and Cooling. Example:** JDoe Inflow Heating and Cooling. Click **Next.**



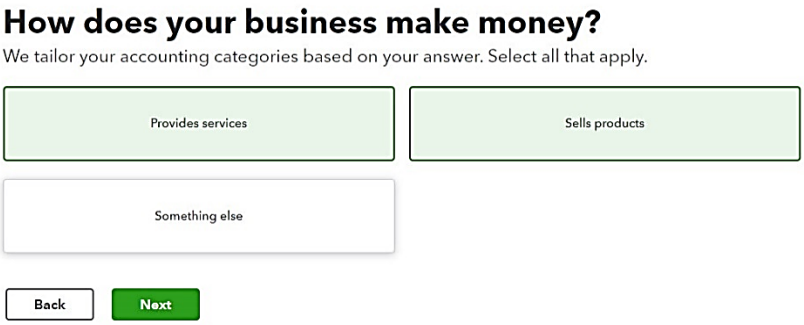
Important! industry type should be **empty.** This will reduce the number of account categories that auto populate during this setup process. Click **Skip for now.**



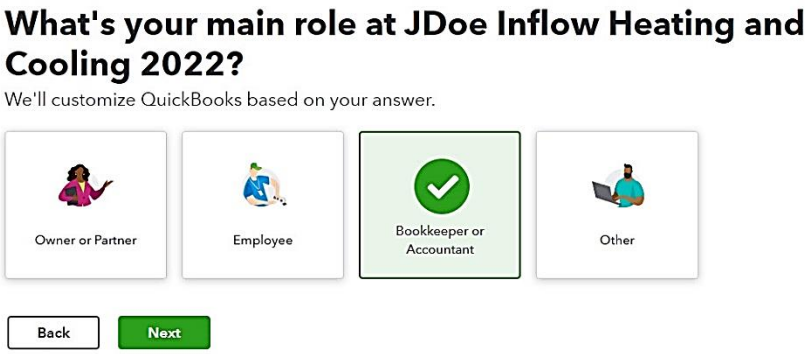
What kind of business is this? **Sole Proprietor**. Click **Next.**



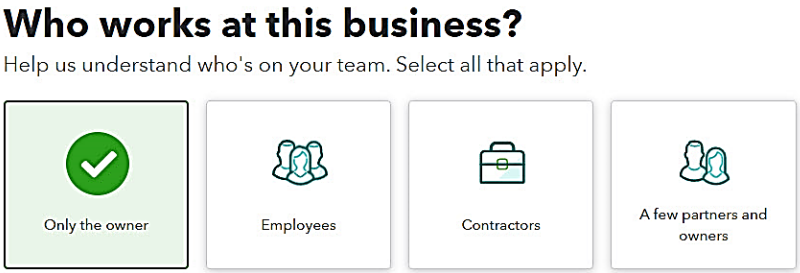
Do you provide services, sell products or both? Your selection will auto-populate account categories in your Chart of Accounts. Click **Next,** then select **Provides services.** Click **Next.**



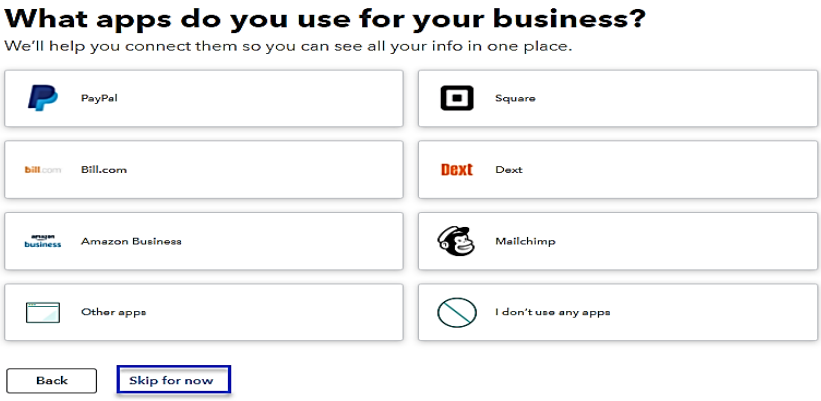
It is important to select **Bookkeeper/Accountant** for this step. This affects the terminology used on the main windows in QuickBooks Online. Click **Next.**



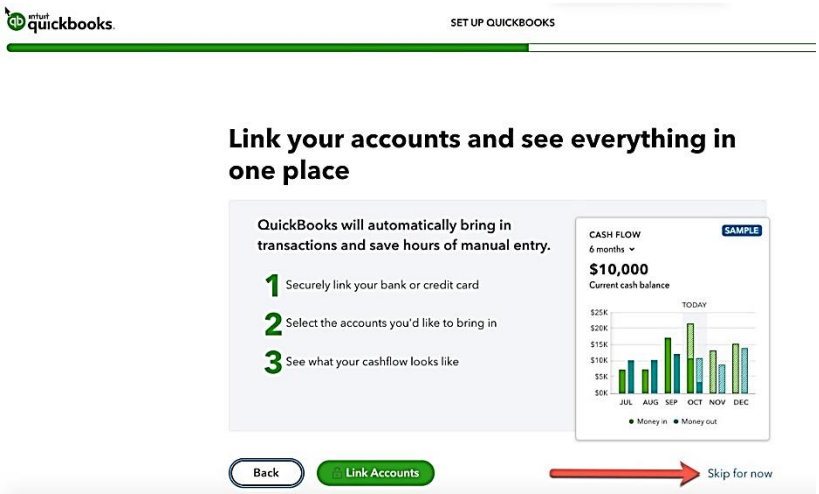
Who works at this business? Select **A few partners and owners.** Click **Next**.



The next step is to select apps you currently use in your business. QuickBooks allows you to link 3rd party apps in order to save time, by automating data entry or tracking industry specific information. You can search for apps in the apps area of the navigation bar or **Intuit 3rd Party Apps**. Click **Skip for now.**



Link your accounts and see everything in one place. We will not actually connect accounts for this training. Click **Skip for now.**

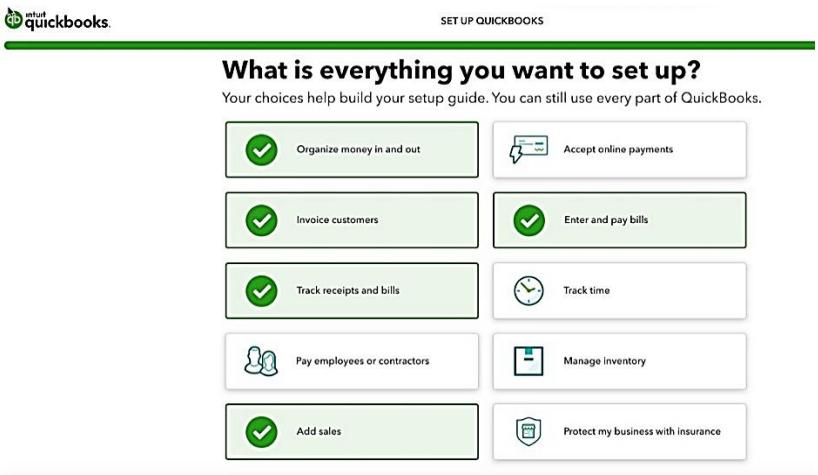


Note: Know how to access the Online apps marketplace. Use the link above or the Apps Center from the left-navigation bar. Apps automate data entry and save time. Apps integrate information.

What is everything you want to setup? **Check all options to match the screen shot below.**

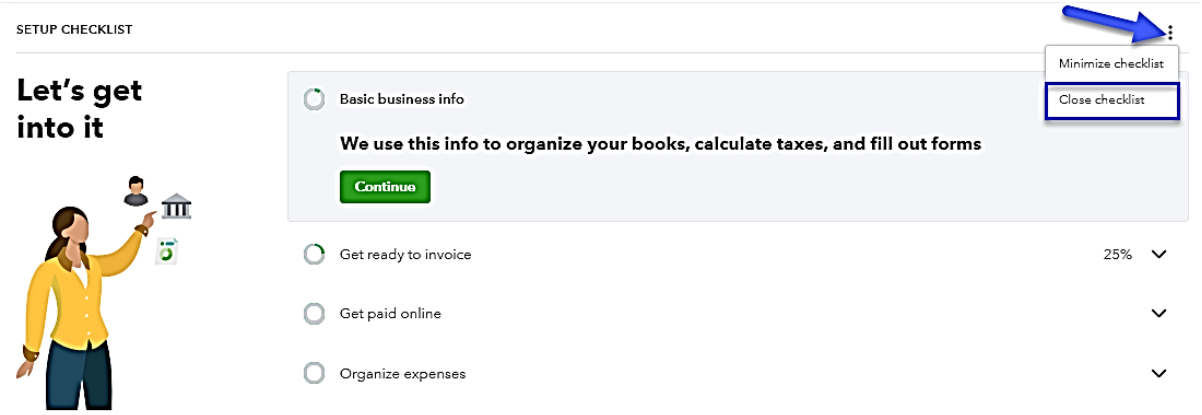
Click **Next.** You will see a window pop up, **We're almost ready to dive in!**

Click **Let's Go.**



If the Setup Checklist window appears, simply click the three dots and close the window.

We will address these steps in the case study activities.



About Inflow Heating and Cooling

Josh Hawkins, a San Diego resident and Certified HVAC Technician, (Heating, Cooling, and Air Conditioning), opened the doors to his new business, **Inflow Heating and Cooling**, in 2015. Josh started as a Sole Proprietor but may need to revisit his entity selection now that he is a well-established business. Inflow is in its sixth year of operation, files tax returns on a cash basis and operates on the calendar year (information you will need later to complete various activities).

The business installs both heating and cooling systems, and services the residential, commercial, and new construction markets. Inflow also provides monthly service contracts. Josh owns the building and pays rent to his LLC. Inflow has 6 service technicians in the field and 5 service trucks. Two of the trucks are paid in full and three are still under financing contracts. There are 8 employees, including an office manager and shop attendant. The business did over 2 million in annual revenue as of the end of last year.

Josh is currently using QuickBooks Desktop, but after serious consideration, has determined QuickBooks Online better serves his needs. The app will provide far more flexibility for his technicians in the field. Josh lacks confidence that he has taken proper steps to build a solid financial foundation and does not understand how to interpret and use his financial reports to improve company performance. He has never referenced industry reports and has no idea how he stacks up.

This is where you come in; you will help Josh set up a new QuickBooks Online company file and establish best practice bookkeeping and accounting processes. Let's become an integral part of Inflow's future success and help this dynamic company thrive in a very competitive market!

We have organized a step-by-step action plan, including activities, that directly relates to each aspect of implementing best practice financial processes. Make this project your own.

Good luck and have fun!

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QuickBooks Entity Options:

Note: Here is additional information regarding a Sole Proprietor entity. If you want more information about different types of entities available to business owners, visit www.irs.gov.

Who is Self-Employed?

Generally, you are self-employed if any of the following apply to you:

- You carry on a trade or business as a sole proprietor or an independent contractor.
- You are a member of a partnership that carries on a trade or business.
- You are otherwise in business for yourself (including a part-time business).

What are My Self-Employed Tax Obligations?

As a self-employed individual, generally you are required to file an annual return and pay estimated tax quarterly.

Self-employed individuals generally must pay self-employment tax (SE tax) as well as income tax. SE tax is a Social Security and Medicare tax primarily for individuals who work for themselves. It is like the Social Security and Medicare taxes withheld from the pay of most wage earners. In general, anytime the wording "self-employment tax" is used, it only refers to Social Security and Medicare taxes and not any other tax (like income tax).

Before you can determine if you are subject to self-employment tax and income tax, you must figure your net profit or net loss from your business. You do this by subtracting your business expenses from your business income. If your expenses are less than your income, the difference is net profit and becomes part of your income on page 1 of Form 1040 or 1040-SR. If your expenses are more than your income, the difference is a net loss. You usually can deduct your loss from gross income on page 1 of Form 1040 or 1040-SR. But in some situations, your loss is limited.

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You must file an income tax return if your net earnings from self-employment were $400 or more. If your net earnings from self-employment were less than $400, you still must file an income tax return.

How Do I Make My Quarterly Payments?

Estimated tax is the method used to pay Social Security and Medicare taxes and income tax, because you do not have an employer withholding these taxes for you. , Use the worksheet found in Form 1040-ES, Estimated Tax for Individuals to find out if you are required to file quarterly estimated tax.

Form 1040-ES also contains blank vouchers you can use when you mail your estimated tax payments, or you may make your payments using the Electronic Federal Tax Payment System (EFTPS). If this is your first year being self-employed, you will need to estimate the amount of income you expect to earn for the year. If you estimated your earnings too high, simply complete another Form 1040-ES worksheet to refigure your estimated tax for the next quarter. If you estimated your earnings too low, again complete another Form 1040-ES worksheet to recalculate your estimated taxes for the next quarter.

See the Estimated Taxes page for more information. The Self-Employment Tax page has more information on Social Security and Medicare taxes.

How Do I File My Annual Return?

To file your annual tax return, you will need to use Schedule C to report your income or loss from a business you operated or a profession you practiced as a sole proprietor.

In order to report your Social Security and Medicare taxes, you must file Schedule SE.

Use the income or loss calculated on Schedule C to calculate the amount of Social Security and Medicare taxes you should have paid during the year.

Am I Required to File an Information Return?

If you made or received a payment as a small business or self-employed (individual), you are most likely required to file an information return to the IRS.

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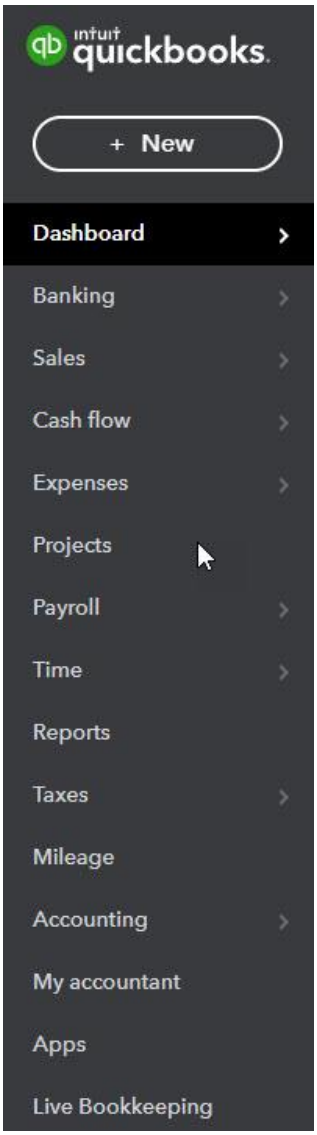
Now let's explore the best way to get around in **QuickBooks® Online.**

Left Navigation Bar



The links on the left side act as your menu bar and will take you to frequently used areas in QuickBooks® Online.

Use the + New icon to manually input data for customers, vendors, employees and other.

Post bank and credit card transactions in the Banking Center.

View expense history and vendor information.

Access Sales, customers and Products from the Sales Center.

Manage Employees and Contractors.

View and customize reports.

Review and maintain Sales and Payroll Taxes.

Track your mileage.

Maintain your Chart of Accounts categories.

Reconcile bank and credit card accounts.

Explore additional applications that work with QuickBooks® Online.

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Dashboard (Getting things done).

Once the new company setup process is complete, you will automatically land on the Dashboard (Getting things done) tab. The icons shown in the screen shots below are shortcuts to various areas of QuickBooks Online.

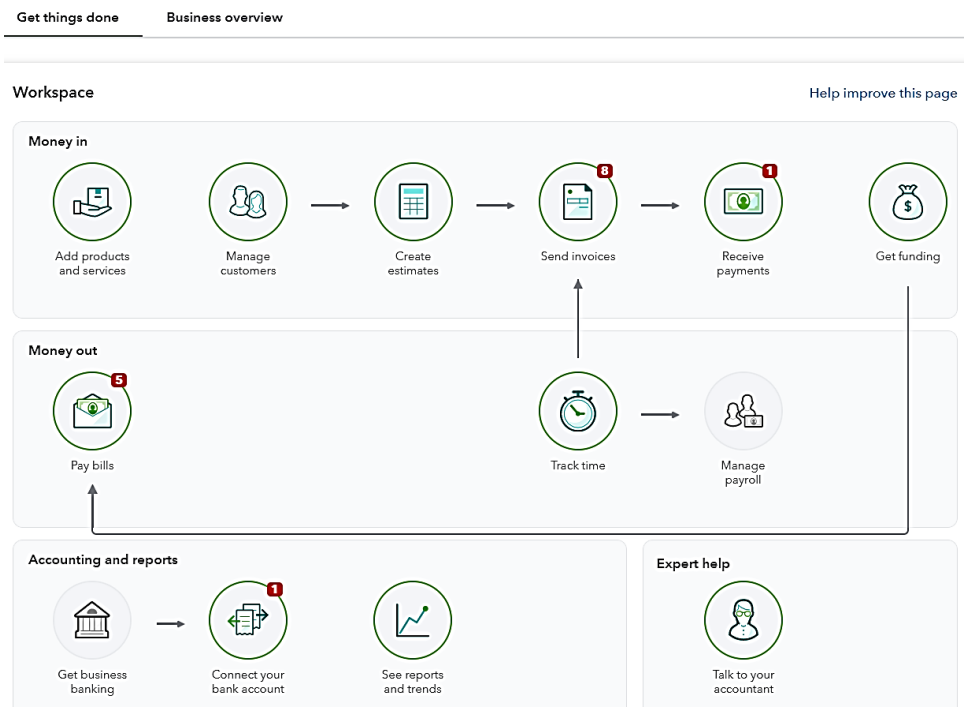
Note: What actions can you perform from Dashboard views?

Here are a few examples:

Review banking transactions

Add a new customer

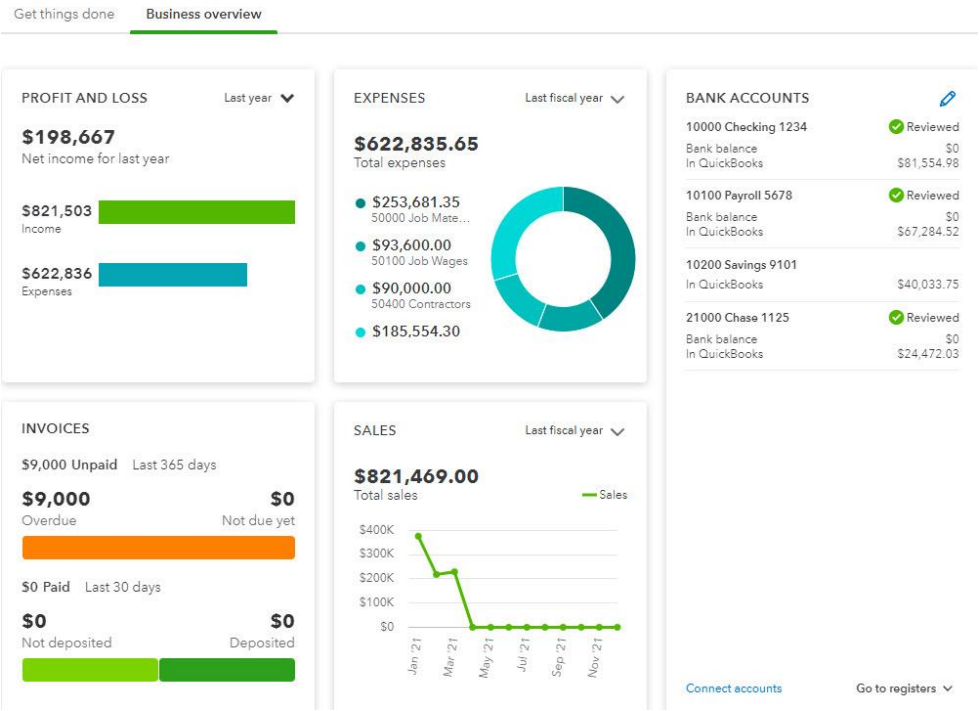
Review expense totals for the previous month



Feel free to click and explore. You cannot hurt anything by navigating through the clickable icons.

Dashboard (Business Overview)

Monitor the activity and status of your company. Access your data and drill down to detailed information with a simple click.



You can monitor **Money in** and **Money out**. You can access **customers, vendors, Transactions, and Reports.** You can also organize and monitor **Bank** and **Credit Card** accounts, review **Income** and **Expenses**, and watch **Sales** trends.

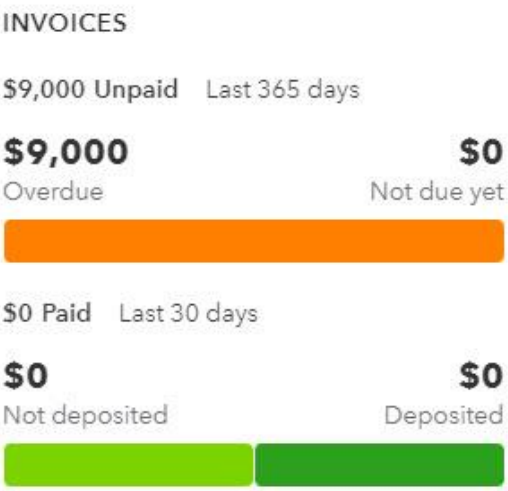
Tip: Click anywhere there is a word in bolded color, an icon, a drop-down arrow, etc. Feel free to explore without worry!

Let's begin!

Invoices

The invoice section of the Dashboard allows you to view invoices that are open, overdue, and paid in the last 30 days.

Click the **Invoices** color bars to view and manage a detailed list of open invoices currently owed to you by your customers.



Expenses

The Expenses section of the Dashboard allows you to view a graph of expenses broken down by amounts based on the last 30 days.

Scroll your mouse over the graph to create a pop-up of expenses related to specific categories.

Click the drop-down arrow next to **Last Month** to change the period for which the data is displayed.

Profit and Loss

This section of the Dashboard provides a graphical view of your net income, income, and expenses for the last 30 days.

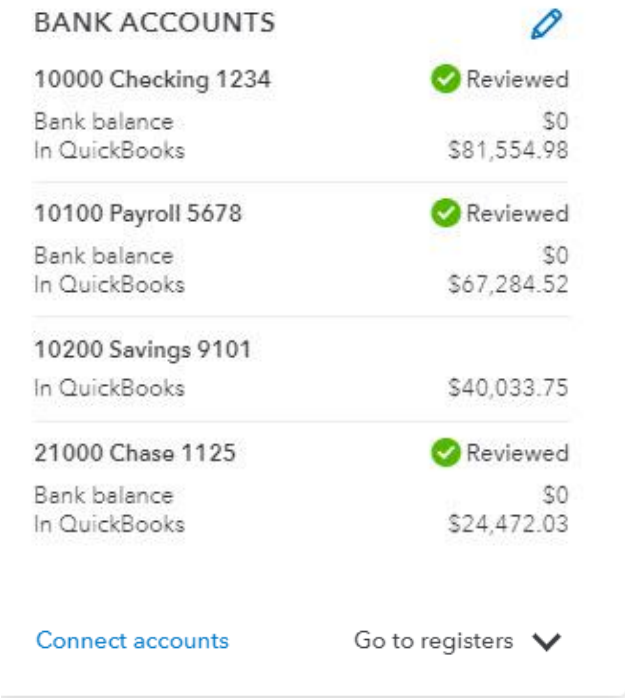
Click the drop-down arrow next to **Last Month** to change the period for which the data is displayed.

Sales

The Sales section of the Dashboard displays a graphical view of sales for the prior month.

Click the drop-down arrow next to **Last Month** to change the period for which the data is displayed.

Access and manage bank accounts from the **Dashboard**. Change the order of how your accounts are displayed in the Banking Center and dashboard. You can access bank registers by clicking Go to Registers. You can connect bank and credit cards accounts in the Banking Center.



Note: The order displayed here will be the same in the Banking Center.

Logo

Click the **Logo** icon to add your custom company logo from your desktop or hard drive.

+ New

The **+ New icon** in the Left Navigation Bar provides access to data input windows. This is where you go to Create Invoices, Receive Payments, Enter Expenses, Checks, Bills and more. Although you will spend most of your time in the Banking Center, you still need to know how to enter transactions manually.

Click the **(+ New)** icon to create manual transactions.

CUSTOMERS	VENDORS	EMPLOYEES	OTHER
Invoice	Expense	Payroll	Bank deposit
Payment link	Check	Time entry	Transfer
Receive payment	Bill		Journal entry
Estimate	Pay bills		Statement
Credit memo	Purchase order		Inventory qty adjustment
Sales receipt	Vendor credit		Pay down credit card
Refund receipt	Credit card credit		
Delayed credit	Print checks		
Delayed charge			

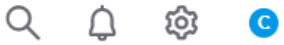
Show less

Tip: Always enter data from “top to bottom, left to right’ to avoid missing fields that require information.

Additional icons include **Help, Search, Notifications** and **Settings Gear** and **Sign out**. Click the Help icon to address questions for specific areas of **QuickBooks®**. Click the **Bell** icon to view recent notifications.

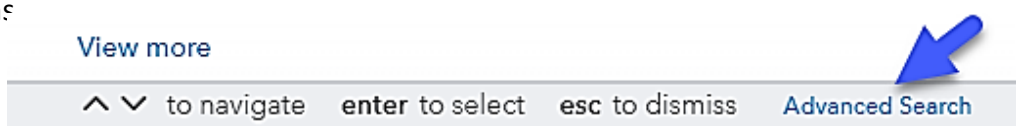
Search Icon

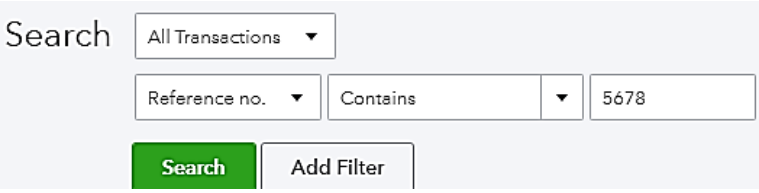
The **Search** (magnifying glass) icon at the top of the **Dashboard** will allow you to easily search recent and historical transactions.

Click the **Search** icon. 

Enter a transaction number, date, amount, etc. for a simple search.

Click **Advanced Search** to filter specific transaction types and more. Click the down-arrows to the right of **All transactions, Reference no.** or **Contains**. to access additional search options





Note: The **Search** feature is widely utilized by users. It is important to know how to access and use this feature.

Gear Icon

Click the **Gear** icon at the top right of your **Dashboard** to access company default settings, lists, and tools.

YOUR COMPANY	LISTS	TOOLS	PROFILE
Account and settings	All lists	Order checks	Feedback
Manage users	Products and services	Import data	Refer a friend
Custom form styles	Recurring transactions	Import desktop data	Privacy
Chart of accounts	Attachments	Export data	Switch company
QuickBooks labs	Custom fields	Reconcile	
	Tags	Budgeting	
		Audit log	
		SmartLook	
		Resolution center	

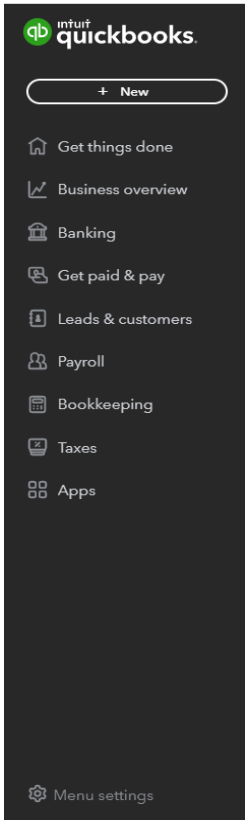
You're viewing QuickBooks in **Accountant view.** Learn more

Switch to Business view

There are two ways to view the left navigation bar. Click the **Gear** icon, Click **Switch to Accountant** or **Business view.** The business view changes the word "banking" to "transactions" and adds the Cash Flow feature.

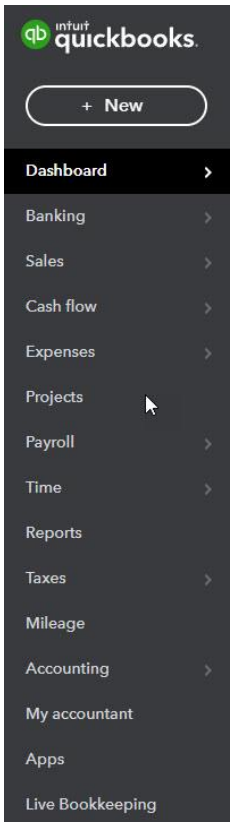
Left Navigation Bar

Business View



Left Navigation Bar

Accountant View



Note: We will use **Accountant View vs. Business View** for the remainder of this training. Your subscription may look slightly different depending on which version you are using. It is also possible updates have been released.

Cash Flow

Cash flows are the net amount of cash and cash-equivalents being transferred into and out of a business. As a business owner, cash flow management and the use of cash flow best practices is critical.

Do you have enough each week to pay bills, debts, owner pay and more? Many business owners confuse net profit and cash flow. It is important to maintain a healthy cash on hand balance. You can accomplish this by consistently moving a percentage of all sales to your savings account and implementing cash flow best practices.

Click **Cash Flow** from the **Left Navigation Bar -> Overview tab.**

Click icons, words in blue, and drop-down arrows to explore links to additional information related to cash flow management.

Note: While this feature will not be reviewed in detail in this training, we highly recommend you invest time to learn about the cash flow tool.

1. **Which QuickBooks® Online subscription is most popular?**
   a) Self-Employed
   b) Plus
   c) Essentials
   d) Advanced

2. **Which of the following features are included in the PLUS subscription?**
   a) Includes up to 5 users and 2 accountants
   b) Includes inventory tracking
   c) Includes project tracking
   d) All the above

3. **What is the recommended browser for QuickBooks Online?**
   a) Internet Explorer
   b) Firefox
   c) Chrome
   d) None of the above

4. **When looking at the dashboard, which actions can you take?**
   a) Review banking transactions
   b) Add a new customer
   c) Review expense totals from the previous month
   d) All the above

5. **To locate a transaction that was previously entered, where do you go?**
   a) + New icon
   b) Gear icon
   c) Search icon
   d) None of the above

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1. **Review Video Links: Ctrl + Left Click**

   Versions of QuickBooks Online

   Billing and Subscriptions

   Multiple Windows

2. **Explore Additional Features:**
   1. Chrome
   2. Multiple Window
   3. Mobile App

3. **Verify your Subscription:**

   Verify access to your free subscription of QuickBooks Online. This file does not contain data. You should have received an invite from your Instructor and completed the signup process. Refer to Section One **Student Setup** if you need help.

4. **Student Setup: (Use the following Information)**
   - Your First Initial Last Name (i.e., JDoe Inflow Heating and Cooling)
   - Tax Federal Identification Number (FEIN) 12-3456789
   - Tax Form: Sole proprietor (1040)
   - Email: Intuiteducation@intuit.com
   - Phone: +1 6509446000
   - Website: intuit.com/partners/education-program
   - Address 7535 Torrey Santa Fe Rd, San Diego, CA 92129

5. **Dashboard – Getting things done:** Click the different icons to see where they lead.

6. **Dashboard – Business overview:** Click where there is a word in bolded color, an icon, a drop-down arrow, etc.

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7. **Review Video Links:**

   Navigation Bar

   Use Search

   Use Advanced Search

   Gear Button

   New Button

8. **Navigation Bar -** Click on the following Centers and explore. Become familiar with moving around the Centers:
   a. Expenses -> vendors
   b. Sales -> customers
   c. Reports
   d. Taxes
9. **Search:** Become familiar with search filters.
10. **Gear:** Explore the different options.
11. **+ New -** Click the following menu options and become familiar with the different fields per window:
    a. Invoice
    b. Receive Payment
    c. Estimate
    d. Expense
    e. Check
    f. Bill
    g. Pay bills
    h. Purchase Order
    i. Sales Receipt
    j. Invoice
    k. Credit Memo
    l. Bank Deposit
    m. Transfer
    n. Journal Entry

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Online Foundations Training

SECTION 2:
SET UP YOUR NEW QUICKBOOKS® ONLINE COMPANY

Objectives
Account and Settings
Manage Users
Lists
Chart of Accounts
Practice Test
Case Study Activities

Section 2 Objectives

Upon completion of Section 2 each participant will be familiar with:

- How to manage account and settings default preferences.
- How to set up and manage users.
- How to import and manage lists.
- How to set up and use the Chart of Accounts, and how it connects to all transactions.

In the last section, we helped Josh walk through the first steps of setting up a new company in QuickBooks Online, learned how to import lists, and successfully navigate the app. Our next step is to gain an understanding of Account Settings and how custom and default settings work. Most problems that arise in accounting applications directly relate to an incorrect setup; Accounts and Settings plays a critical role in the accuracy of financial reports.

Once optimal settings are established for Inflow, let's move on and set up users in the system. The app provides the ability to limit what each user can access, an important fraud prevention component. After you set-up users, set up the Products and Services list, a critical element of QBO as it integrates with sales forms, inventory, the all-important Chart of Accounts and far more.

The Chart of Accounts, an organizational tool that provides the business owner with a breakdown of every financial transaction in the company, deserves intense focus. It is the basis upon which a solid financial foundation is built. This is a foreign concept to Josh, and he does not fully understand its importance or how to use the information to improve financial performance. Let's remove the "intimidation factor" and provide the training he needs to confidently interpret his numbers and the story they tell.

Upon completion of this section, Josh will be excited to learn that much of Inflow's bookkeeping process can be automated, saving the company considerable time and money.

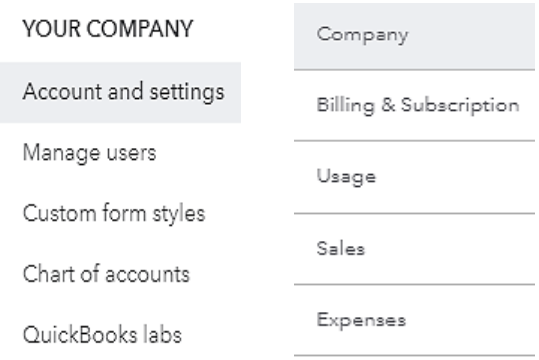
Use **Account and Settings** to **turn on/off** QuickBooks® Online features. It is important to turn off features you will not be using because it creates less fields during the input process. It is OK to turn on features as the need arises. This creates more efficiency and less guess work.

Although it is simple to turn settings on and off, it is important to set up your company settings and data correctly. Seek help from your Instructor/Advisor if you find you are "guessing."

Click the **Gear** icon to review, edit, and turn on/off settings.

Click **Account and Settings.**

Click the **Company** tab in the left menu bar, then click the setting you choose to edit or click the **pencil** on the right side of the screen.

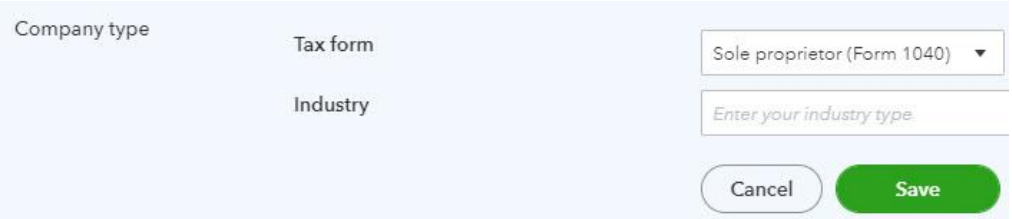


Company Name

Add a **customized logo**, verify your **company name,** or add a **legal name** and **EIN** to match the information on the company tax return. Click **Save** anytime you change settings.

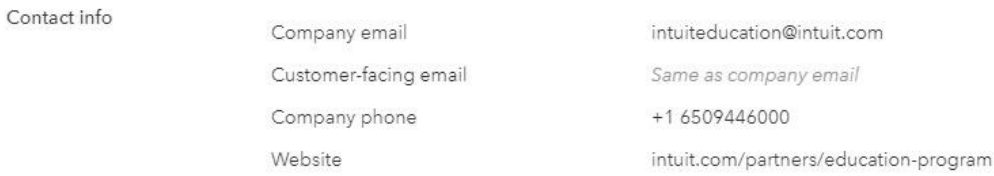
Company Type

Select the legal entity type you will use when filing your tax return, then select industry type. Click **Save.**



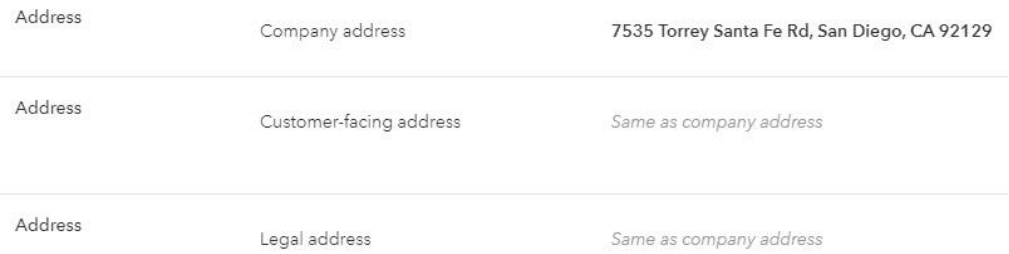
Contact Info

Verify or edit **contact info**. Click **Save**.



Address

Verify or edit your company **address.** Click **Save.**



Communications with Intuit

Click **Marketing Preferences** to allow or disallow promotional offers from Intuit.

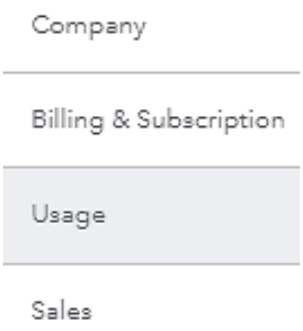
Billing & Subscription

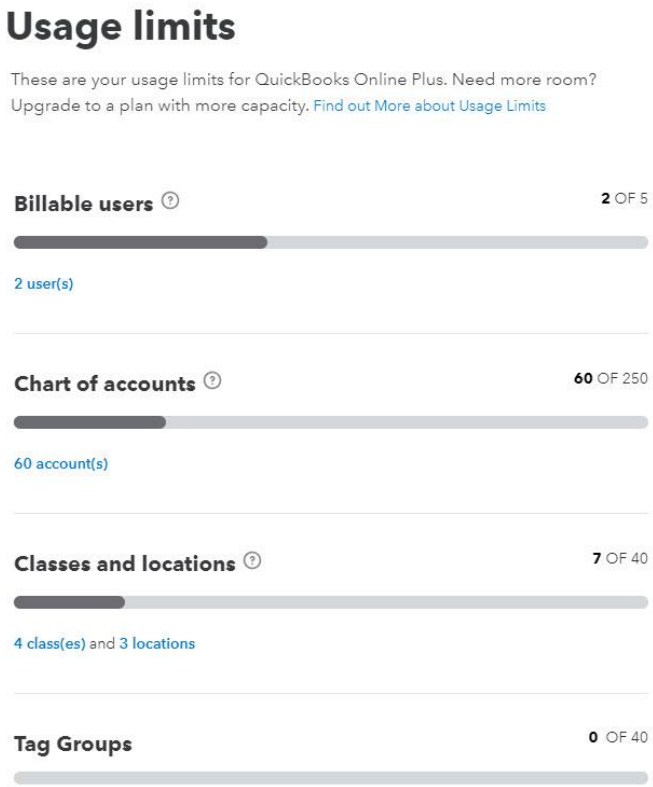
This section does not require any changes.

Usage

Click the **Usage** tab in the left menu bar.

This is where you monitor users and account categories limits. If you reach the limits, you will be required to upgrade your subscription.



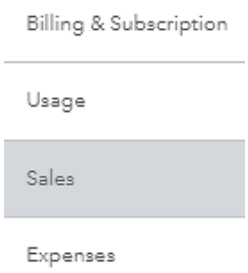


Sales

Click the **Sales** tab in the left menu bar.

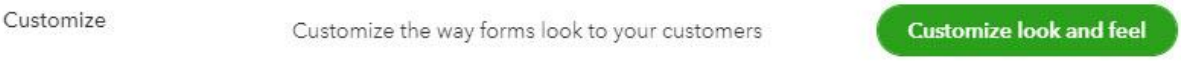
Click the setting you choose to edit or

click the **pencil** on the right side of the screen.



Customize

Click **Customize Look and Feel** to customize invoices, estimates, and sales receipts.



You can edit the existing standard template or create a new custom template.

Click **New Style**. Select **Style** and choose the type of sales form you would like to customize.

Select a template, add a title and logo, choose a color scheme, and preview the form.

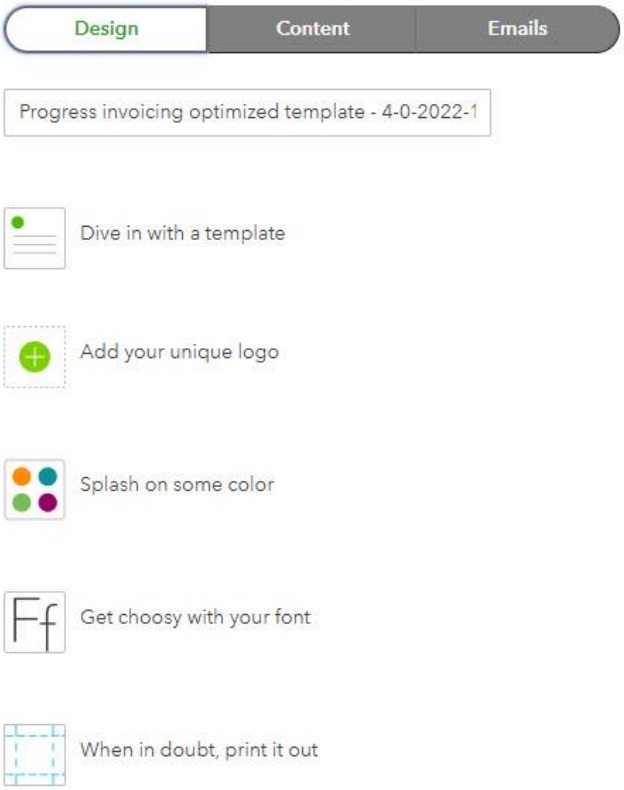
Let's choose **invoice** for this example.

Select the **Design** tab to change your invoice template, add a logo, modify color schemes, change font sizes, or print a sample.

Select the **Content** tab and then click on **invoice Form** to change the header, form name and numbers, displayed information, or to add a customer field.

Select the **Emails** tab to change the outgoing email subject and default message.

Note: Do not overlook the **Reminder Email** feature.
Click **Preview PDF** to review the sales form or click **Done.**

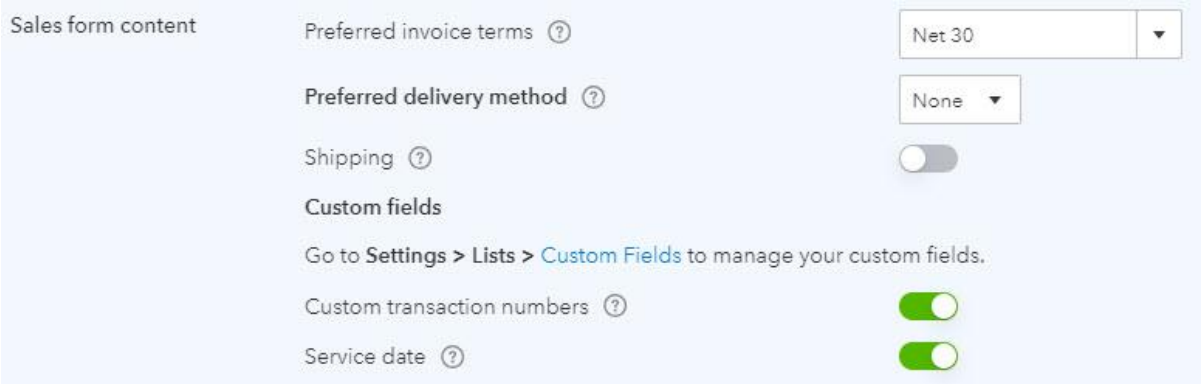


Sales form Content

Click **Sales Form Content** to select and turn on/off settings for sales forms.

Preferred Invoice Terms sets the default payment date. "Net 30" means payment is due 30 days from the date used to create the invoice.

Preferred Delivery Method allows you to set a preferred default to print or send sales forms later.



Shipping adds a shipping field to sales forms.

Custom fields can be added and managed in **Gear settings -> Lists -> Custom fields.**

Custom Transaction Numbers allows you to choose your own numbering system.

Service Date creates a service date field. This tracks the dates services were performed when they are different from the invoice date.

Note: When you turn on the **Shipping** feature, be sure to add the default shipping account category in the **Advanced->Chart of Accounts Settings**.

Discounts reduce the amount of the invoice or sales receipt; amounts can be set as value or percentage.

Deposit adds a deposit field to Invoices and allows you to offset the balance owed with amounts paid before the service was completed.

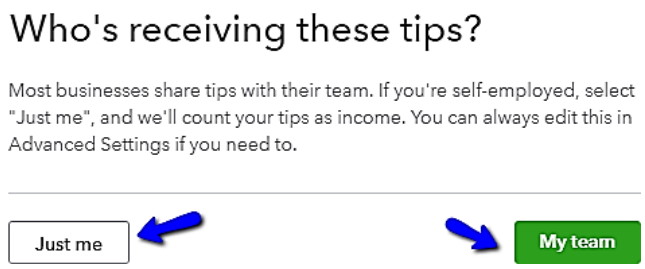
Note: What do you know about discounts? Also, once you turn on **Discounts**, you will need to add a discount account in the **Advanced -> Chart of Accounts Settings.**

Tips and Gratuity- Adds a tips field to Sales Forms. Select **(Just Me) to record tip** income or select **(My Team)** to track tips that need to be paid out to your team.

Tags allow you to create tags and tag groups to customize the way you track information. (Recommended feature we will cover in more detail later in the training.)

Discount	Off
Deposit	On
Tips (Gratuity)	Off
Tags	On

Note: Once you turn on **Tips and Gratuity**, you will need to add a **Tip Income (Just Me**) account or **Tips Payable (My Team)** account in the **Accounts and Settings->Advanced->Tips Payable Account.**



Products and Services

Click **Products and Services** to turn on/off desired settings.

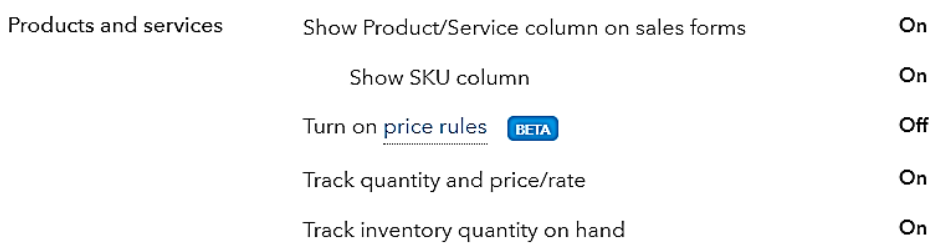
Show Product/Service column on sales forms adds a column so you can choose from the list of products or services.

Show SKU column allows you to track products and services by SKU number.

Turn on price rules allows you to provide discounts for specific products to certain customers for a specified amount of time.

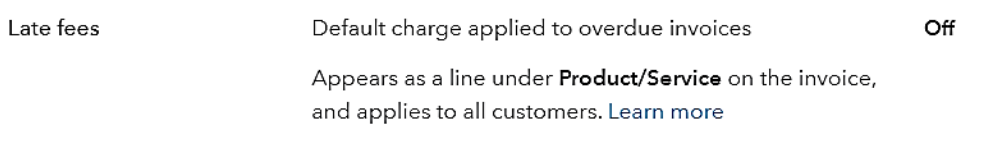
Track quantity and price/rate adds a field to show quantities and pricing on sales forms.

Track inventory quantity on hand allows the tracking of products you buy, store and sell.



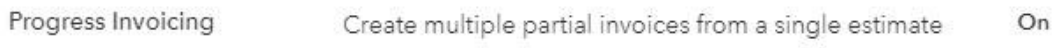
Late Fees

Late Fees allow you to automatically apply a flat fee or percentage to outstanding invoices. Select “Default charge applied to overdue invoices” to turn this feature on. Select Flat fee or Percentage of remaining balance and continue to select the required information. Click Save.



Progress Invoicing

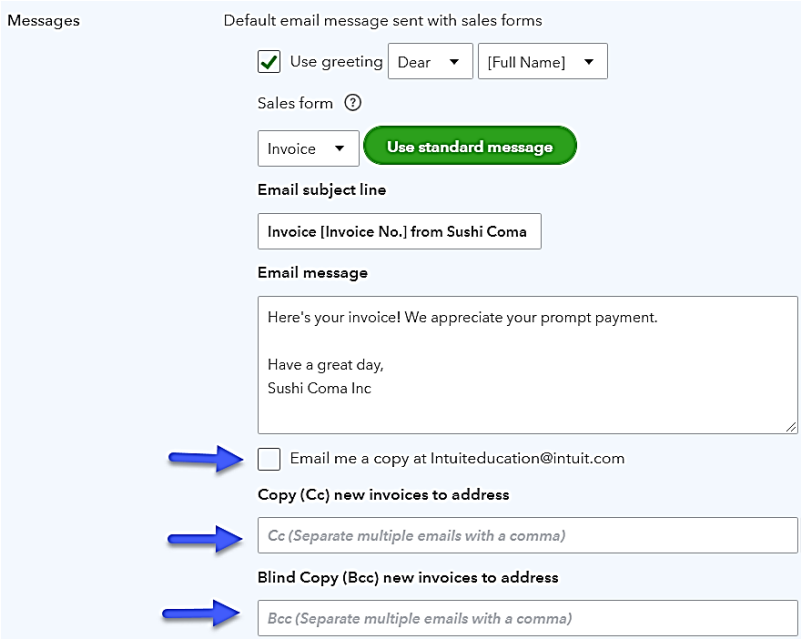
Progress Invoicing allows you to create multiple partial Invoices from a single estimate. (This feature is great for contractors providing services for new construction.)



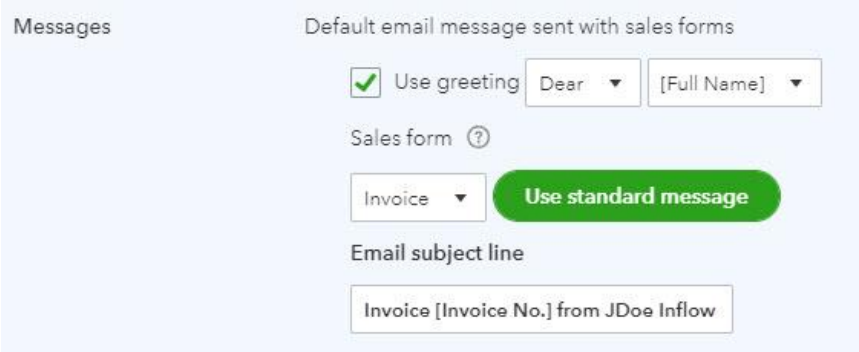
Messages

Click **Messages** to add a default email message sent with Sales Forms, Invoices, Estimates, Credit Memos, Sales Receipts, Statements, and Refund Receipts**.**

Click **Email me a copy** to receive a copy of emailed Sales Forms. You can include a Cc or Bcc email as well.

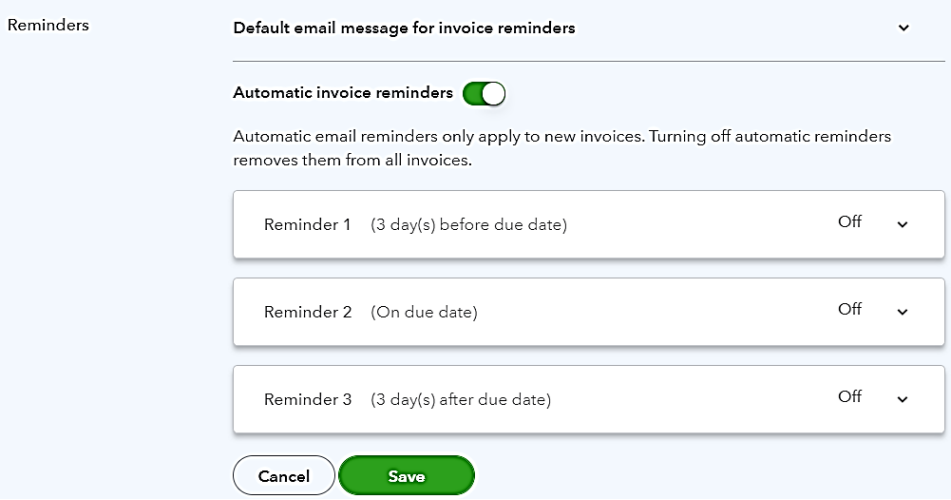


Your default message sent with Sales Forms can be changed when creating Estimates, Invoices and other Sales Forms.



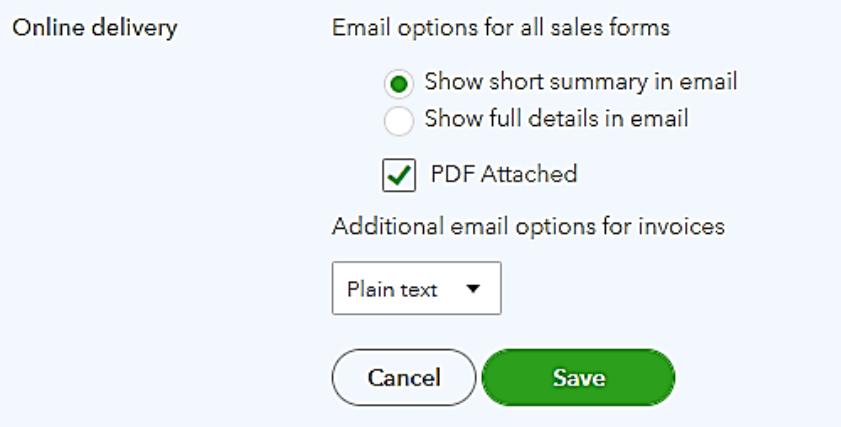
Note: A default email message sent with Reminders is also available.

Click **Reminders** to change the default subject and email message. Turn on **Automatic invoice reminders** and let the system do the work for you.



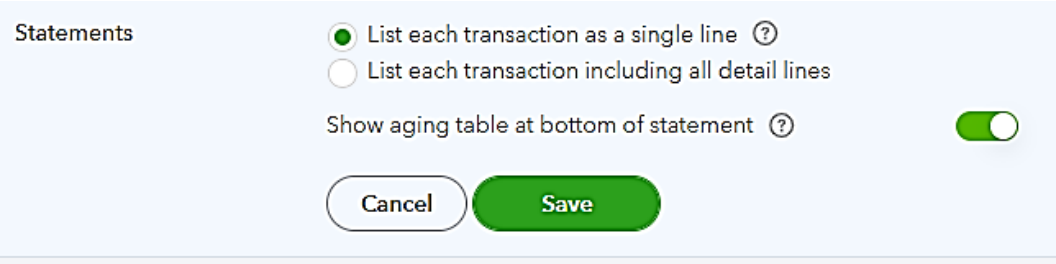
Online Delivery

Click **Online delivery** to attach sales forms as a PDF, show summary or detail, and change your email text preference.



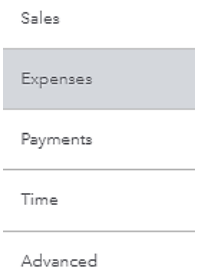
Statements

Click **Statements** to change settings to display all your customers' unpaid transactions by a single line item or include detail. **Show aging table** displays outstanding balances by days delinquent at the bottom of the statement. Send a courtesy statement when customers are no longer current. Click **Save->Done** in the bottom right corner.



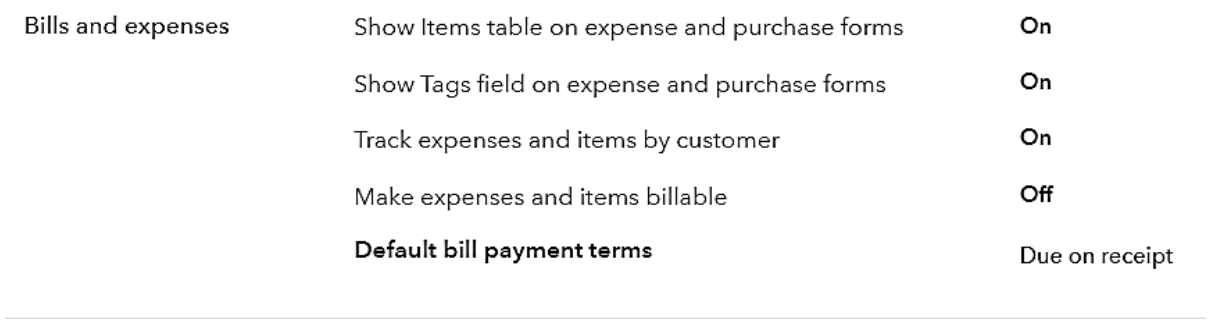
Expenses

Click the **Expenses** tab in the **Account and Settings** menu bar and then click the setting you choose to edit or click the **pencil** on the right side of the screen.



Bills and Expenses

Click **Bills and expenses** to turn on/off settings, add columns on forms, and track expenses.
Show Items table on expense and purchase forms adds products column to forms.
Show Tags field adds a field that allows you to track transactions using tags and tag groups.
Track expenses and Items by customer adds a column to track transactions by customers.
Make expenses and items billable adds a column to track expenses billable to the customer and provides an option to add a default markup rate. Simply mark expenses as billable; when creating the invoice, a message will appear showing billable expenses. You can select the expense and populate them directly on the invoice.
Default bill payment terms is used to set default terms for bills, such as net 30.



Note: Know where to turn on billable expenses and items. This creates a column on purchase forms to mark Expenses billable to your customers. When you create an invoice billable expenses will appear and allow you to populate them directly to the invoice.

Purchase Orders

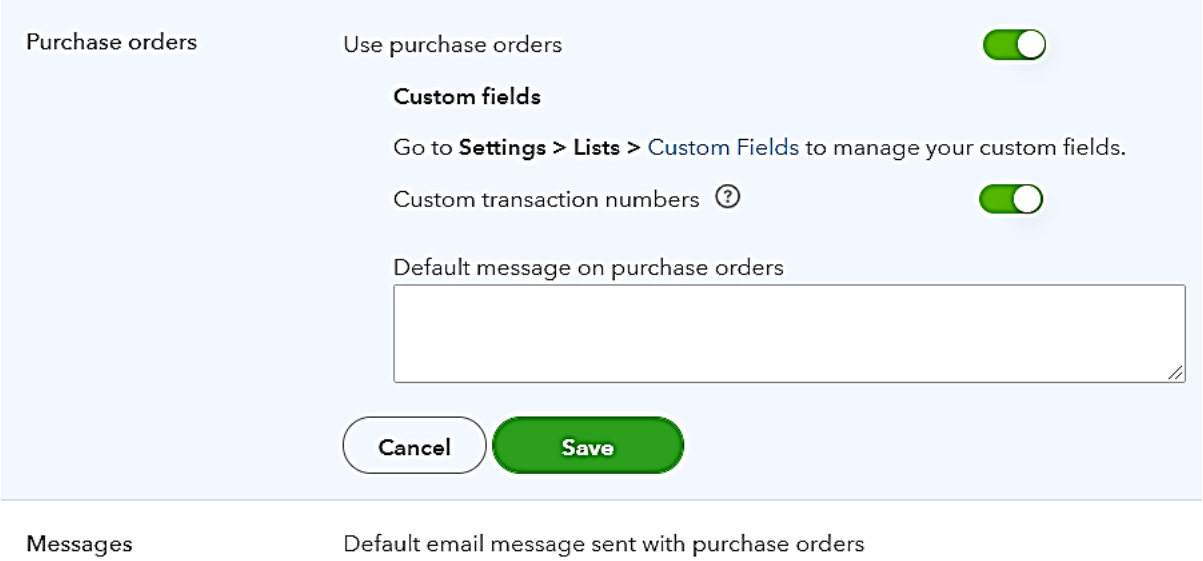
Click **Purchase orders** to turn on/off **Use purchase orders** and create custom fields. Purchase orders are used to track product purchased from vendors. This is helpful when tracking open orders for inventory and in comparing costs to actual bills.

Custom fields allows you to add extra fields to purchase orders to track information using custom reports.

Custom transaction numbers allows you the option to use your own numbering system. If this is not checked, QuickBooks® Online will automatically assign a number.

Default message on purchase orders adds a default message to all purchase orders. This can be changed when adding new purchase orders in QuickBooks® Online .

Copy estimates to purchase orders provides the ability to copy an estimate to a purchase order to track product purchased from vendors. **Note:** Click **Messages** to change outgoing email messages specifically for purchase orders. Click **Save -> Done.**



Payments Tab

This setting allows you to connect Intuit merchant services to your QuickBooks Online company file. You or your customers can enter details and pay their invoice with a credit card or bank transfer. QuickBooks Online automatically records the payment transaction for you. The merchant fee is processed as a separate transaction.

QuickBooks Payments	Get paid more ways, fast! • Take credit cards or bank transfers • Accept payments through QuickBooks, emailed invoices, and mobile • QuickBooks automatically updates when you're paid	Learn more
Existing account	If you already have a Payments account with Intuit (you may know it as GoPayment or Merchant Services), connect it to your QuickBooks.	Connect

Time

Click the Time tab to turn on/off time features. Basic time is included in your QBO subscription plan. However, you can upgrade to Premium or Elite. Click **See Plans** to learn more**.**

General	Who tracks time	0 team members
	First day of work week	Monday
Timesheet	Show service field	Off
	Allow time to be billable	Off

Note: We will not activate the time feature for this training.

Advanced

Click **Advanced** in the **Account and Settings** menu bar and then click the setting you choose to edit or click the **pencil** on the right side of the screen.

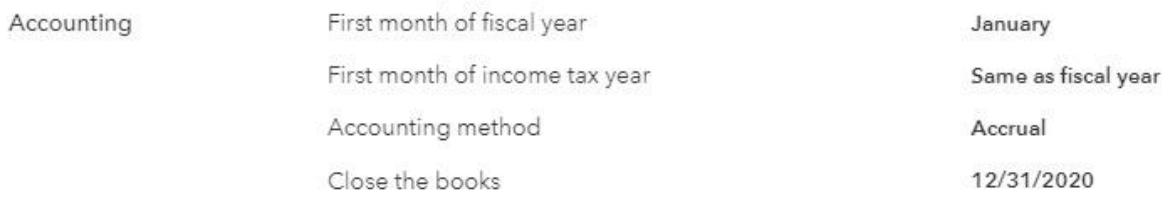
Click **Accounting** to turn on/off and change settings.

First month of fiscal year is usually January, based on the calendar. Some companies use a different month to start their fiscal year.

First month of income tax year lets you click the drop-down arrow to select **January** or **Same as fiscal year**.

There are two **Accounting methods** for running reports: accrual and cash.

If you use Accounts Receivable and/or Accounts Payable in QuickBooks® Online, then you should choose the **Accrual** basis. If not, then use the **Cash** basis.



Close the books is a great feature that allows you to close a period and assign a password. Turning on this setting triggers a warning box that prevents users from changing historical data, especially important when sales, payroll, and tax returns have been filed.

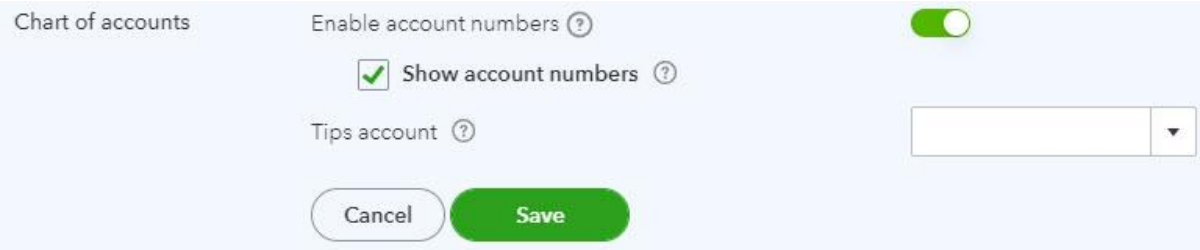
Company Type

Tax Form

Click the **Tax form** drop-down list to select the entity type used when filing your company's tax return. If you are unsure about this, contact your Accountant.

Chart of Accounts

Click **Chart of Accounts** to turn on/off **account numbers** and assign default income accounts. This allows business owners to organize their Chart of Accounts categories in a way that is meaningful to them. Here is where you assign specific account categories for discounts and tips payable.



Note: You may need to create the categories in the Chart of Accounts, or re-visit this setting once you have populated and cleaned up the Chart of Accounts.

Categories

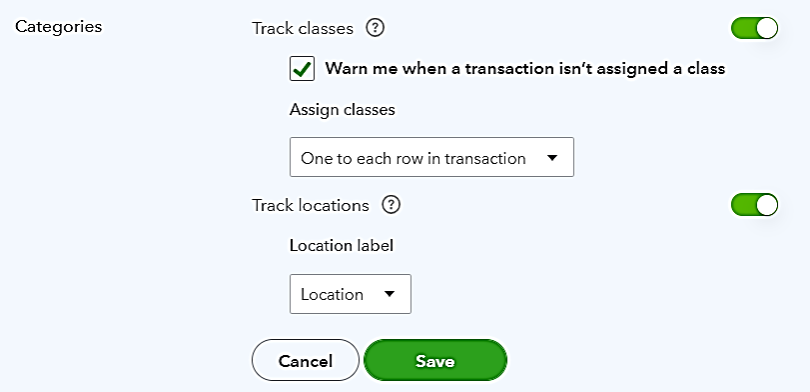
Classes

Assign classes to transactions in order to gather data and review reports that display income and expenses by class.

For example, Inflow tracks sales for commercial, residential and new construction. They need to record sales to clearly see how each aspect of the business is performing. This feature allows them to review a Profit & Loss by class.

Click the appropriate box to turn on **Track Classes.** Then click **"Warn me when a transaction isn't assigned a class."** This will create an alert when the Training entry is missed during the data entry process.

Assign Classes gives you the option to assign classes to a transaction or to individual line items.



Locations

Track locations is used to gather data for a specific location, department, property, etc. For example, Inflow uses locations to track sales by county or sales by property address. This provides the ability to review a Profit & Loss by location.

Automation

Click **Automation** to turn on/off settings for pre-filled forms, apply credits, and more.

Pre-fill Forms with previously entered content fills form fields with memorized content from prior vendor, customer, and employee transactions.

Automatically apply credits posts outstanding credits to newly created invoices.

Automatically invoice unbilled activity creates an invoice for tagged transactions waiting to be billed to a customer. When the invoice is generated, an alert is sent to the activities section of the Dashboard.

Automatically apply bill payments applies bill payments to the oldest open bill first.

Automation	Pre-fill forms with previously entered content	Off
	Automatically apply credits	Off
	Automatically invoice unbilled activity	Off
	Automatically apply bill payments	Off

Projects

Turning on **Projects** allows you to organize all job-related activity in one place. It allows you to review all Sales, Expenses, and Time by Project. Here we can track information from a cost perspective.

Projects	Organize all job-related activity in one place	On

Currency (Leave it turned off)

Multicurrency lets you track transactions in foreign currencies. Use it only if you have bank accounts, customers, or vendors that do not use your home currency. Otherwise, select the default, **Home Currency**. **Warning!** Once you select a home currency, you will not be able to change it to another option.

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Other Preferences

Click **Other Preferences** to turn on/off and edit settings that trigger warnings and formatting preferences.

Date format is a preference with several options.

Number format is a personal preference.

Customer label reflects the type of customers you service or sell to. The label you choose will appear on the Navigation Menu Bar and transactions related to customers, such as invoices, sales orders, credit memos, etc.

Warn if duplicate check number is used populates a warning box when a duplicate check is entered.

Warn me when I enter a bill number that's already been used for that vendor populates a warning box when a duplicate number is used.

Warn if duplicate journal number is used populates a warning box when a duplicate journal entry number is used.

Sign me out if inactive for a period. It let's you choose between 1 and 3 hours.

Click **Save -> Done.**

Other preferences	Date format	MM/dd/yyyy
	Number format	123,456.00
	Customer label	Customers
	Warn if duplicate check number is used	On
	Warn me when I enter a bill number that's already been used for that vendor	On
	Warn if duplicate journal number is used	On
	Sign me out if inactive for	1 hour

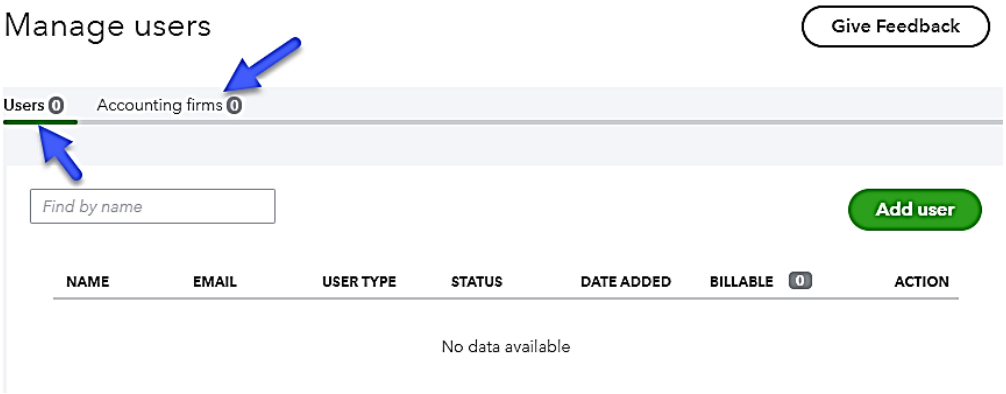
Note: The default label is Customers, we have changed it to **Clients** in **Other preferences.**

When inviting users, you can establish the level of access a user has to your company data. Maintaining user access is important to implement checks and balances and view activity by user. This can serve as a training tool to address and avoid common errors.

Click the **Gear** icon.

Click **Manage Users.**

Select the **Users** tab to add and customize a user or select the **Accounting Firms** tab to invite your accountant. The initial user is known as the primary admin. If you want to transfer this role to another user, set them up as an admin user and use the action drop-down menu to transfer the rights to the new user. The new user will receive an email notification.



Note: This is informational only. We will not invite users during this training. You can click through the steps and exit when asked for user information.

Click **Add User** to add a new User.

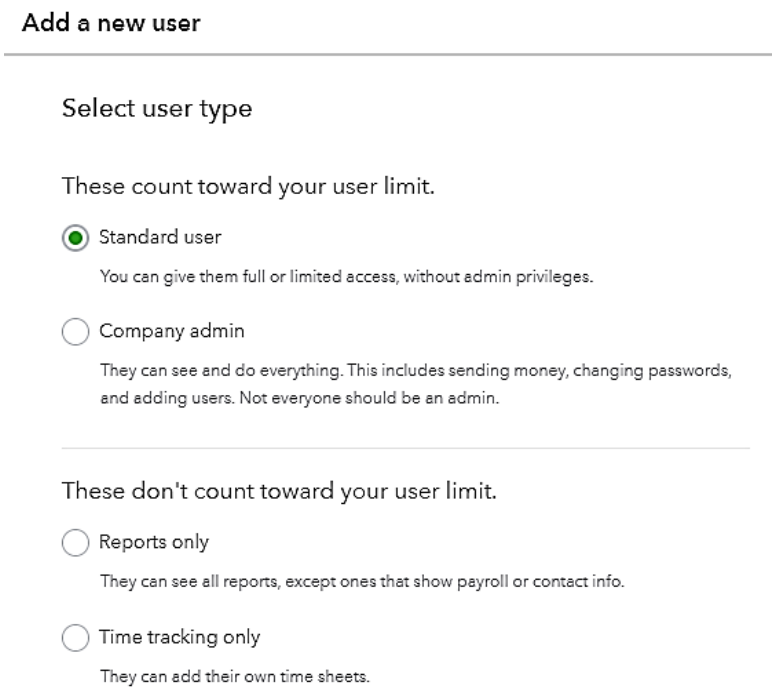
Standard User allows you to select which areas a user can access (included in billable users).

Company admin allows access to all areas of QuickBooks® Online Plus (included in billable users).

Reports only will allow users access to most **Reports only** will allow User's access to most reports; the exceptions are Payroll and Contact info. They do not count toward your User limit.

Time Tracking only limits users to entering their time. They do not count towards your User limit.

Click **Next** and follow the screens until you have successfully added a User.

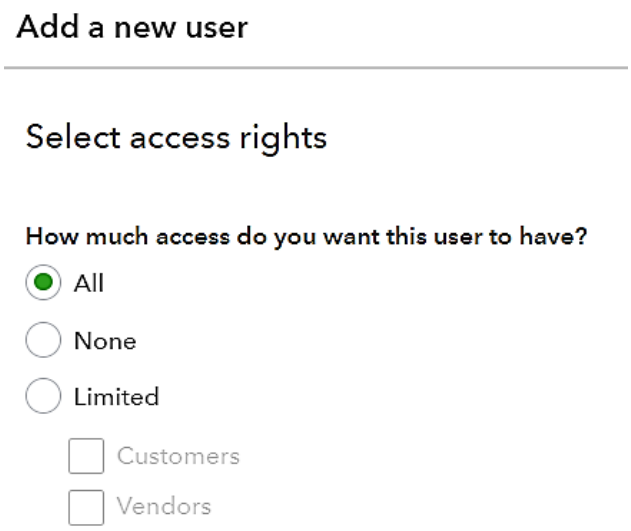


Note: You can invite 5 users and 2 accountants using the Plus subscription.

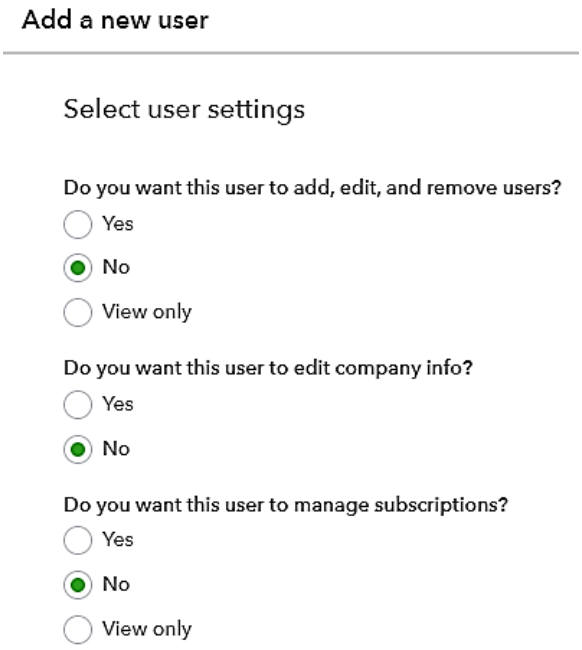
Use the edit feature in the user list to transfer the primary (master) admin from one user to another. Billable users include Admin and Standard users.

Continue to click **Next** until you complete the **Add User** process.

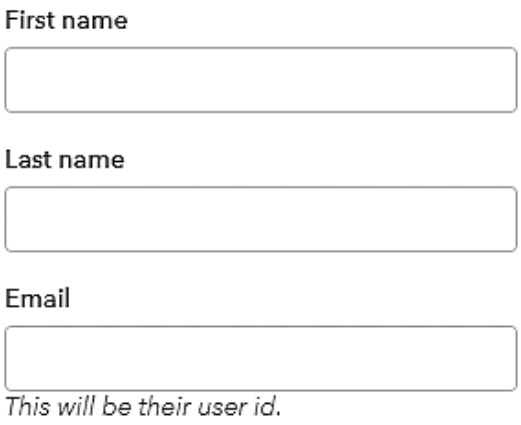
Note: A box appears with a list of access rights based on your selection.



For those with a **Plus** subscription, you will have the ability to set the administrative rights for specific users.

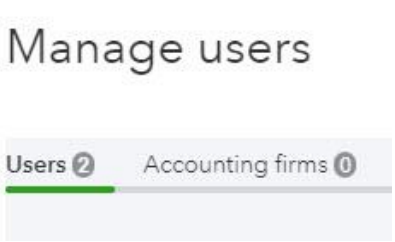


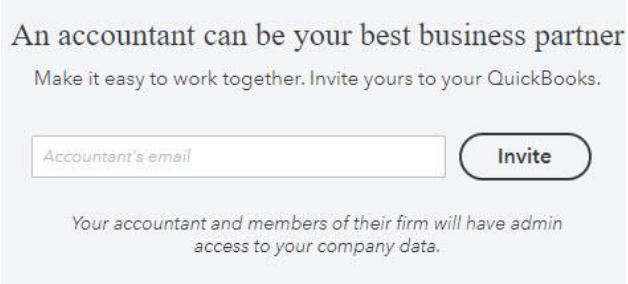
Enter **username** and **email** information; an invite will be sent to the user, and they can accept the invite and create a password.



Note: To invite an accounting firm with administrative rights to your company data, from the **Manage Users** main screen click **Accountants** if your Accountant subscribes to QuickBooks® Online Accountant.

Enter your Accountant's email address and ask your Accountant to accept the invite.

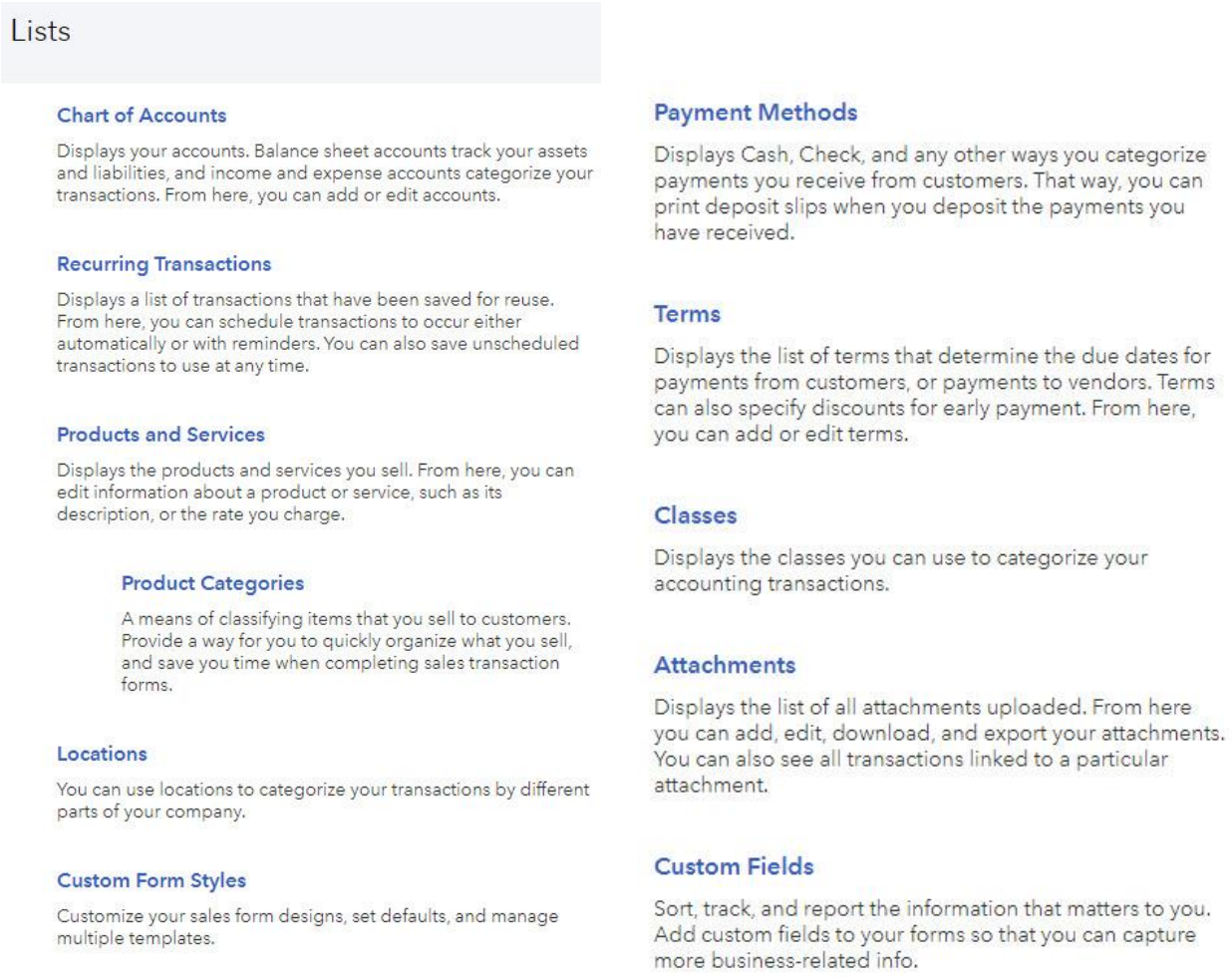




Lists are one of the basic features of QuickBooks® Online. A list is a series of like information compiled into an organized directory. This helps save time and ensures that information is entered consistently and correctly.

Click the **Gear** icon.

Click **All Lists ->** Select the list you would like to maintain.



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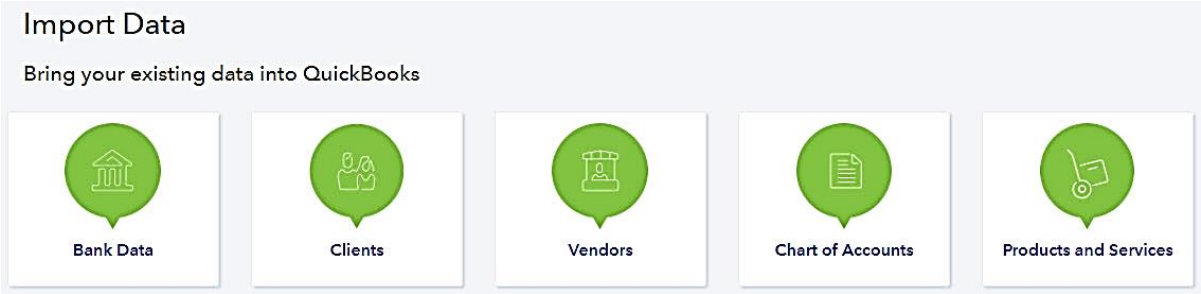
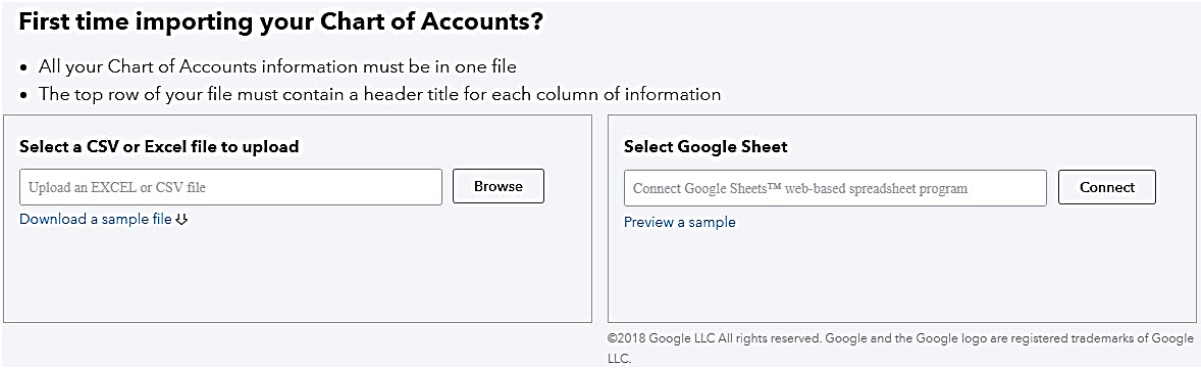
Importing Lists

You can import list information from Excel or Google Sheets to save time. You can import customers, vendors, accounts, and products and services. You can download a sample file to see how to set up your import file.

Click **Gear icon -> Import data.**

Click on the icons to access and download the sample CSV, Excel, or Google template. You can download or preview a sample file to get started.





Note: What type of lists can be imported? Review above.

Accurate Numbers

The bookkeeping function is a critical component of a firm's success.

Many business owners underestimate the importance of good numbers and how to put them to work to improve company performance. Having accurate, real-time financial data and the knowledge of how to put them to work for a company is a powerful component of business success.

QuickBooks is designed to help you with everyday organization, from organizing expenses, to connecting bank and credit card accounts for automatic downloads, to categorization and far more. As we will demonstrate, the software automatically tracks inventory on hand and per-item cost so you can keep a better handle on productivity and profit margins, among other things. In addition, it provides real-time data with one-click reporting that explains how the business is performing.

QuickBooks can help a business control cash flow. The software automatically stays on top of who owes what and will even email overdue customers. Automated invoicing and more, will streamline processes, dropping more to the bottom line.

As you can see, learning how to take advantage of important features of accounting software can mean the difference between success and failure in a business.

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The Chart of Accounts is a list of categories that make up your Balance Sheet and Profit & Loss Statements. Every transaction entered in QuickBooks® will post to the accounts list. This is how data is compiled to produce important reports used to manage a business.

Balance Sheet

Assets (what your company owns): Bank Accounts, Petty Cash, Fixed Assets (equipment or vehicles), Inventory, Undeposited Funds (payments from customers waiting to be deposited).

Liabilities (what your company owes): **A**ccounts Payable, Loans, Sales, Payroll Taxes.

Equity (the net worth of your company): Money that owners contribute to or draw from the business and an accumulation of net profits and losses from the start of the business to present or sale.

Profit & Loss

Income (what you have earned): sales of Products, Labor, Interest, Rental Income, Materials, etc.

Expenses (what you have spent): Office Expenses, Wages, Professional Fees, Rent, Utilities, etc.

The Profit & Loss Statement shows the net loss or gain for a period. At the end of a calendar or fiscal year, the net profit or loss rolls into the Equity section of the Balance Sheet.

Note: Keep your Chart of Accounts simple. Add new accounts when you need to track specific information. Use reports to customize information within an account. Discuss account changes with your accountant. Start by adding bank and credit card accounts.

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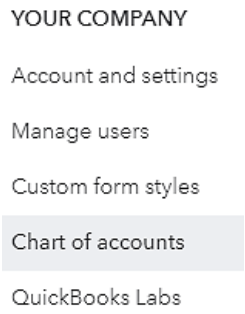
Manage Accounts



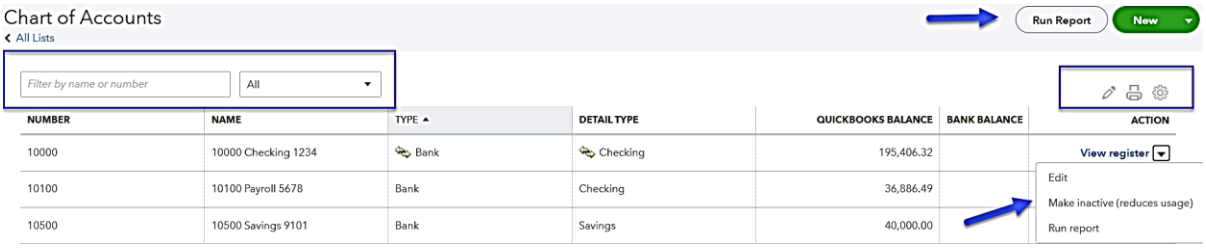
Click the **Gear** icon -> **Chart of Accounts** or

Left Navigation Bar -> Accounting -> Chart of Accounts.

Click **View Register** to manage transactions for a specific account.

Click the drop-down list to edit, make inactive, or run reports.

Click the header name to sort by column.



Type an account name in the **Filter by name** field to search for an account.

Select **Show all** or categories that count towards your usage limits.

Click the **pencil** icon to edit multiple Chart of Account names.

Click the **printer** icon to print a list of your Chart of Accounts.

Click the **Gear** icon to add/remove display columns, change the number of rows, or include inactive accounts.

Note: Verify your account numbers account numbers are turned on in Accounts and Settings.

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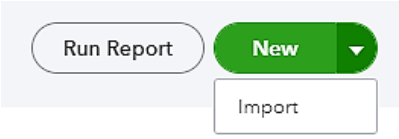
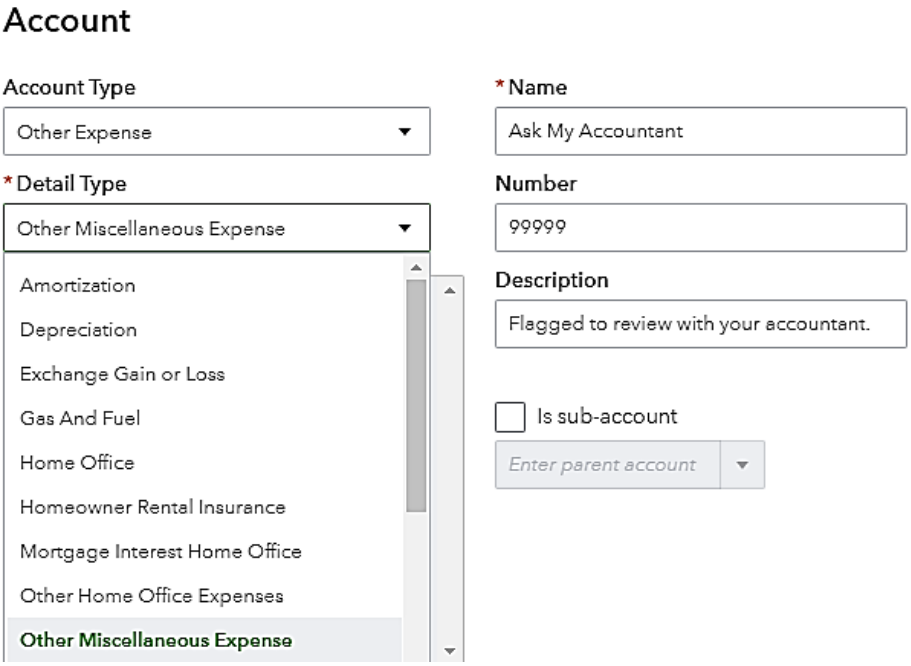
Add Accounts



Click **New** or the drop-down list to add an account or import from a .csv file.

Create a new account and name it **Ask My Accountant.** Set the **Account Type** to **Other Expense** and the **Detail Type** to **Other Miscellaneous Expense**. Change the account name to **"Ask My Accountant".**

This will position the account at the bottom of your Profit & Loss Statement, where it will stand out as a reminder to address or research questionable transactions before processing financials for the month or year. Click **Save and New** to add another account or **Save and Close** to return to the Chart of Accounts list.



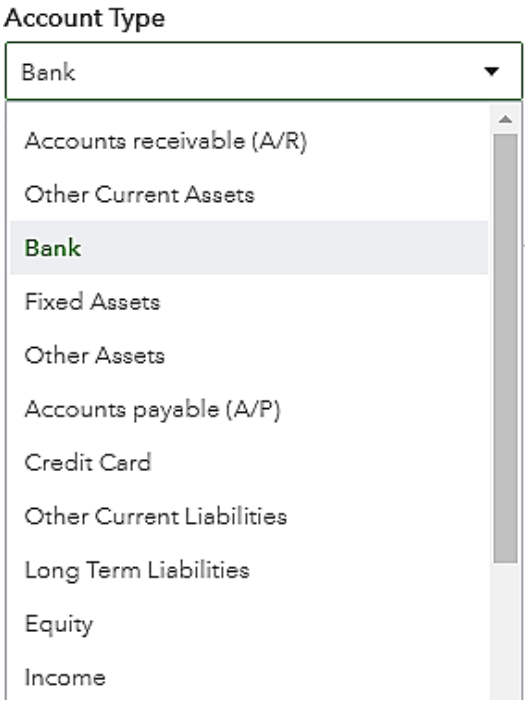
Note: Home Depot and Walmart are not account categories. They are vendors used to purchase supplies and materials (supplies and materials are account categories).

Add Bank Accounts

Click **New** from the Chart of Accounts List.

Select the **Account Type** from the drop-down menu.

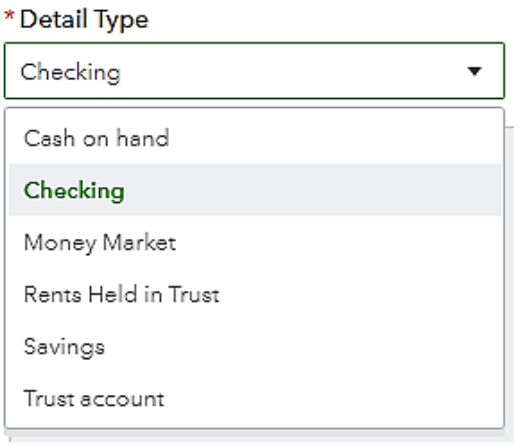
In this example we are setting up a new bank account.



Select the appropriate **Detail Type**.

Each **Account Type** has a specific detail type list to select from.

Being consistent with type choices is important in case you need to merge accounts in the future.



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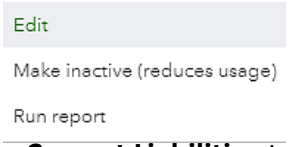
Edit Account

From the **Chart of Accounts** list locate the Account you would like to edit.

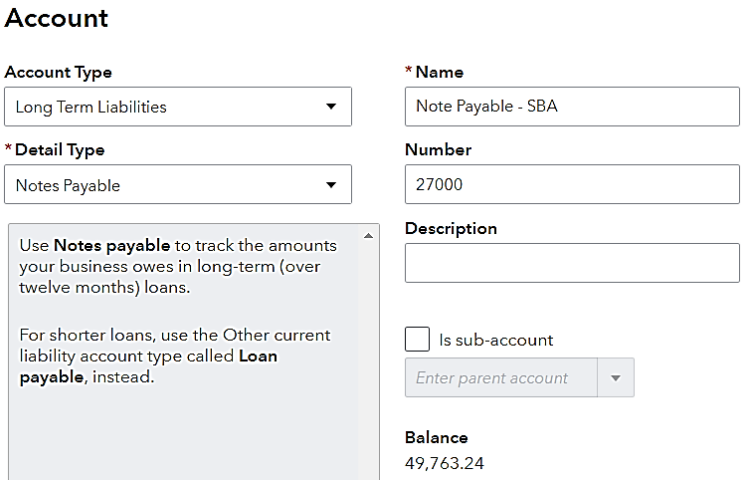
In this example: The Loan Payable is a five-year vehicle loan and should be categorized as a long-term liability. Current liabilities are usually paid within a year; examples are sales and payroll taxes, lines of credit etc.

Arizona Dept. of Revenu	Other Current Liabi...	Sales Tax Payable
Board of Equalization Pi	Other Current Liabi...	Sales Tax Payable
Loan Payable	Other Current Liabi...	Other Current Liabi...

From the **Action Menu** column, click the drop-down list**->Edit.**



Use the **Account Type** drop-down list to change the type from **Other Current Liabilities** to **Long Term Liabilities**. Change the **Detail Type** to **Notes Payable** and change the name and description to be more specific. Remember to click **Save and Close**.



Make Inactive

From the Chart of Accounts List:

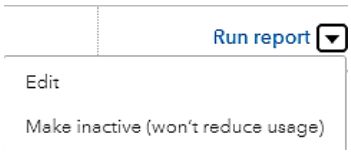
Click one time to highlight the Account you would like to inactivate.

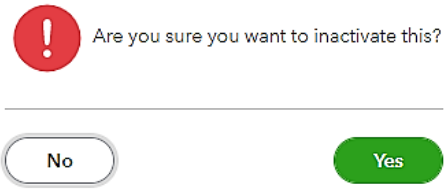
For this example, we will inactivate the **Miscellaneous** Account.

Miscellaneous	Other Expense	Other Miscellaneous Expense
Penalties & Settlements	Other Expense	Penalties & Settlements

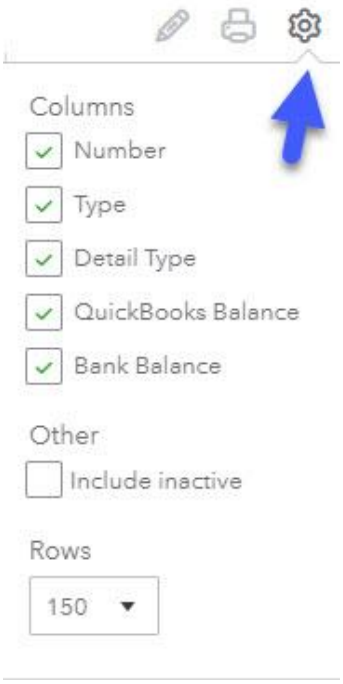
Click **Make inactive** in the action column drop-down list.

An "alert" will pop up and ask you to confirm. Click **Yes**.





The **Miscellaneous** Account will no longer appear in the Chart of Accounts List. However, the Account is technically inactive and will appear on the list when you choose **Include Inactive** from the **gear** icon.

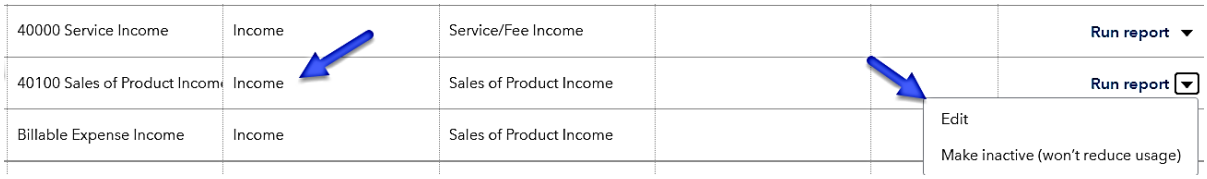


Merge Accounts

Merging accounts is helpful if two or more accounts are being used for the same types of transactions and you want to combine the transactions into a single account.

Caution: The merge process cannot be undone and is permanent. It is important to confirm that the merge process will not affect the financial statements used to file tax returns.
It is advisable to discuss the cleanup of your **Chart of Accounts** with your Accountant or ProAdvisor before merging accounts.
In this example we have two accounts being used to track accounting expenses.

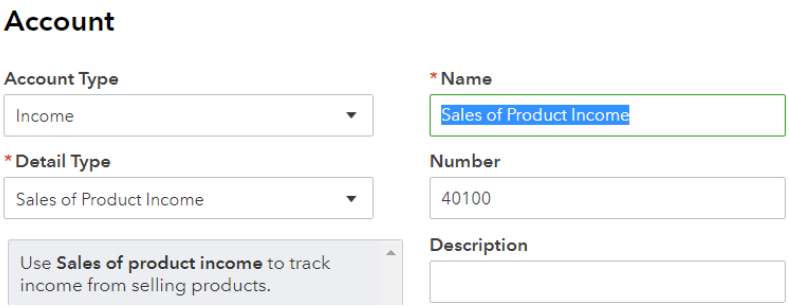
We will merge **Shipping Income** with **Sale of Product Income** from the Chart of Account Settings window.
Click one time to highlight the account then keep, "Sale of Product Income"
Click **Edit** from the Action Column drop-down list.



Note: The **Account Type** and **Detail Type** must be the same for accounts you intend to merge. When merging sub-accounts, both accounts must be a sub of the same parent account.

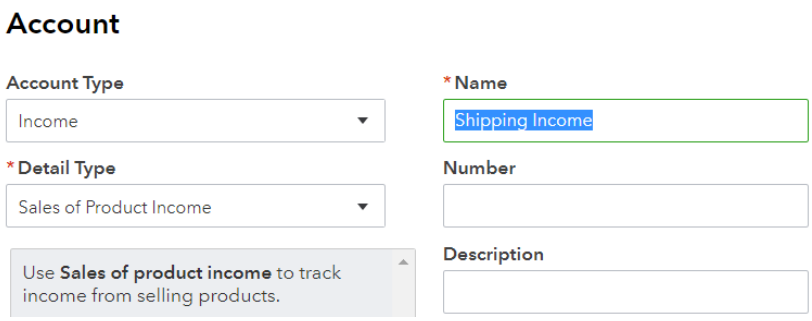
Highlight the name **Accounting** and copy **(Ctrl + C)** the Account name.

Click the **Cancel** button in the lower left to return to the **Chart of Accounts Settings List.**

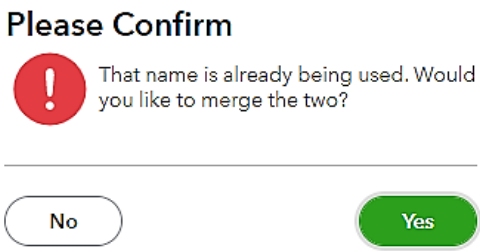


Select the Account "Bookkeeper."

Click **Edit** from the action column drop-down list.



Highlight the Name **Bookkeeper** and Paste **(Ctrl + V)** to replace "Bookkeeper" with "Accounting." Click **Save -> Yes.**



Sub-accounts

Sub-accounts are a great way to organize your Chart of Accounts when used properly.

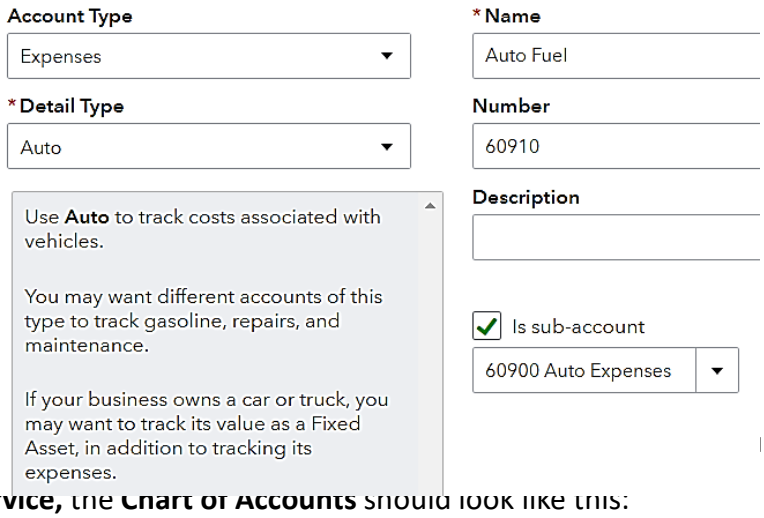
It is important to select Sub-accounts in all transactions and avoid using the main Account.

Click **New** from the Chart of Accounts List.

For this example, we will create **S**ub-accounts for automobile expenses.

Note: The **Account Type** is **Expenses**, the **Detail Type** is **Auto**, and the **Name** is **Service**.

Click the box **Is sub-account** and select the main Account **Automobile**. Repeat the process to create additional Sub-accounts for **Insurance, License**, and **Service**.



Now that you ha ... nts for **Fuel**, **License**, and **Service,** the **Chart of Accounts** should look like this:

Automobile	Expenses	Auto
Fuel	Expenses	Auto
License	Expenses	Auto
Service	Expenses	Auto

1. **You have finished your year-end review and taxes have been filed. You want to set a closing date and password. How do you do that?**
   a) Gear->Account and Settings->Company
   b) Gear->Account and Settings->Chart of Accounts
   c) Gear->Account and Settings->Advanced->Accounting
   d) Gear->Account and Settings->Advanced->Automation

2. **You have a new Accountant. Where would you go to invite your Accountant to your company file?**
   a) Gear->Manage users->Accounting firms
   b) Gear->Account and Settings->Chart of Accounts
   c) Gear->Manage users->Users
   d) + New->Vendors

3. **Which list(s) can you import in the PLUS subscription through the import data window?**
   a) Chart of Accounts
   b) Customers
   c) Products and Services
   d) All the above

4. **Which of the following statements is NOT true about Products and Services?**
   a) Service items can be changed to other types.
   b) You can set up Inventory, Non-inventory, Service, and Bundle types.
   c) Inventory types can be changed to another type.
   d) You can set up and manage categories to group Products and Services.

5. **Which of the following is NOT true about merging accounts?**
   a) When you merge accounts, all transactions are recorded to the new account.
   b) You can undo a merge.
   c) You can merge accounts of the same type.
   d) To merge accounts, copy the display name on the entry you no longer want to see.

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You are now ready to begin the process of setting up a new company in QuickBooks Online! As previously mentioned, you have been employed by Inflow Heating and Cooling to help them set up and customize QuickBooks Online and to manage their ongoing bookkeeping and financial tasks.

Simply follow the steps outlined in this manual. As you progress, you will see the numbers come to life, gain an understanding into what they mean, and learn how to use them to improve company performance.

1. **Watch the Video Links:**
   Accounting Terms You Need to Know
   Check Your Settings
2. **Setup Inflow Heating and Cooling**
   Refer to the accounts and settings screen shots provided in the training.
   Turn on/off default features and follow the screen shots:
   Information you will need to fill out the Company Tab:
   - Your First Initial Last Name (i.e., JDoe Inflow Heating and Cooling)
   - Tax Federal Identification Number (FEIN) 12-3456789
   - Tax Form: Sole Proprietor (1040)
   - Email: Intuiteducation@intuit.com
   - Phone: +1 6509446000
   - Website: intuit.com/partners/education-program
   - Address 7535 Torrey Santa Fe Rd, San Diego, CA 92129
3. **Review Video Links:**
   Customize Sales Forms
   Intro
   Look and Feel
   Header
   Body
   Footer and Messaging

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4. **Customize the Inflow Heating and Cooling invoice template -** You can choose the style and colors.
5. **Add an Avatar or Logo. (Optional)**
6. **Review Video Link:**

   Set Up a New User

   How to Invite your Accountant
7. **Explore Manage Users:**

   We will assume Josh is already setup as an admin user. You will not need to invite additional users for this activity.
8. **Review Video Link:**

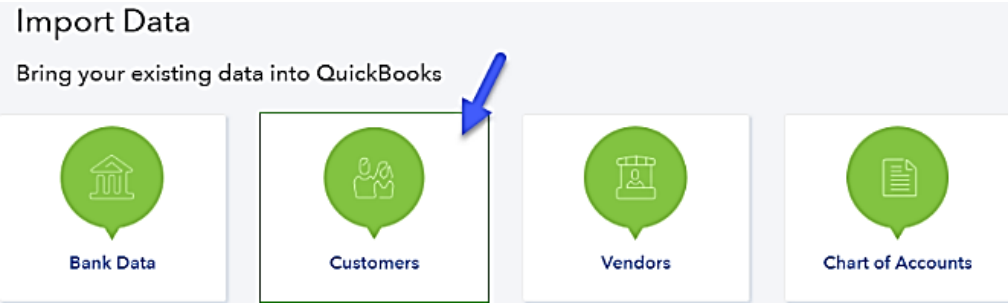
   Customer List: Intro

   Customer List: Customize

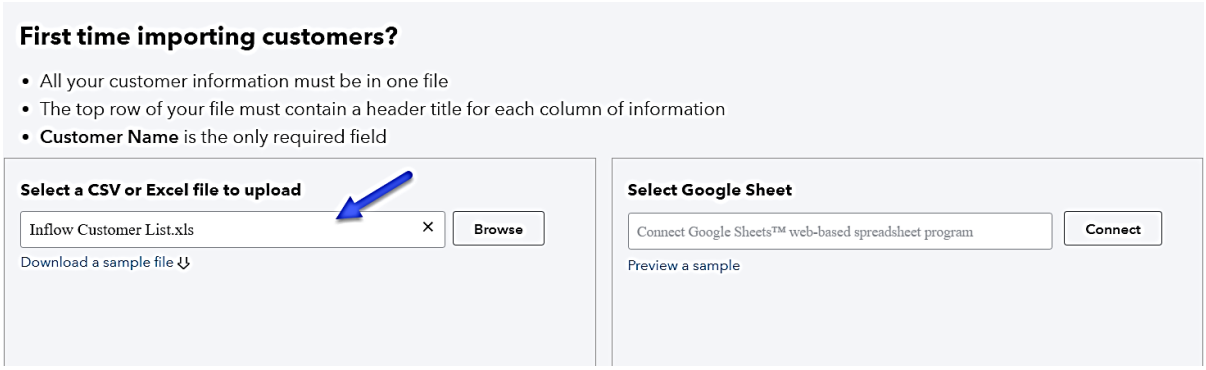
   Customer List: Find and Record Transactions

   Importing Data from Excel

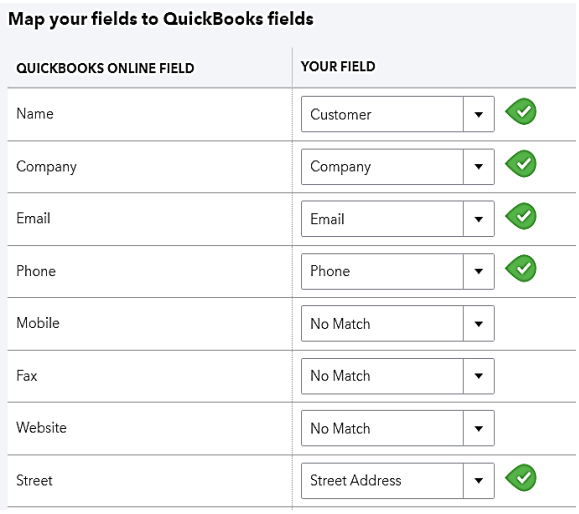
9. **You can choose to add customers manually or import the Customer List Excel file.**
   a. **If you choose to import the list, click Gear Icon -> Import data-> Select Customers.**



b. **Upload the Inflow Customer List.xls file**. Make sure the file is available on your local computer or USB Flash Drive. **Click Browse -> Select the file -> Click Next.**

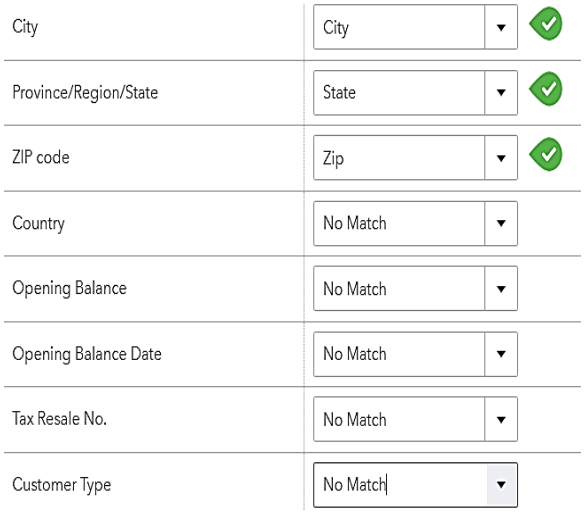


c. **Follow the screen shot to Map fields between QuickBooks Online and the Customer List.** Verify all fields with a check mark, then continue to the next slide to complete this step.



Map your fields to QuickBooks fields

QUICKBOOKS ONLINE FIELD	YOUR FIELD
Name	Customer
Company	Company
Email	Email
Phone	Phone
Mobile	No Match
Fax	No Match
Website	No Match
Street	Street Address



City	City
Province/Region/State	State
ZIP code	Zip
Country	No Match
Opening Balance	No Match
Opening Balance Date	No Match
Tax Resale No.	No Match
Customer Type	No Match

d. **Go to the Customer Center and verify your Customer List matches this one.** You can always add customers as you enter sales receipts or invoices.

Note: Sub-customers Property 1 and Property 2 are not included in the import file, you will add them later in the training.

Batch actions ▾ Search

CUSTOMER / PROJECT ▲ / COMPANY	ADDRESS
A1 Property Management	321 Heinz El Cajon CA 90219
Property 1 A1 Property Management	321 Heinz El Cajon CA 90219
Property 2 A1 Property Management	321 Heinz El Cajon CA 90219
Eastside General Hospital	7177 Eastside Rd El Cajon CA 92020
Harbor View Cinema Harbor View Cinema	321 Sandy Beach Chula Vista CA 91902
Houze Custom Homes Houze Custom Homes	78755 Highland Village Place San Diego CA 92129
Kids School Kids School	258 Smart Place San Diego CA 92129
Little Peeples Pediatrics - Dr. Smalley	123 Pebble Rd El Cajon CA 92020
Ocean Breeze Athletic Center	123 Fit Court San Diego CA 91911
Service Calls	
The Hospital Southern California	12345 West Hwy El Cajon CA 92019
West Coast Community Hospital	9110 Sandy Beach Avenue Chula Vista CA 91902
Wine Coffee & Chocolate Shoppe	1 Business Circle Chula Vista CA 91902 91902

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10. Review Video Link:

Vendor List: Intro

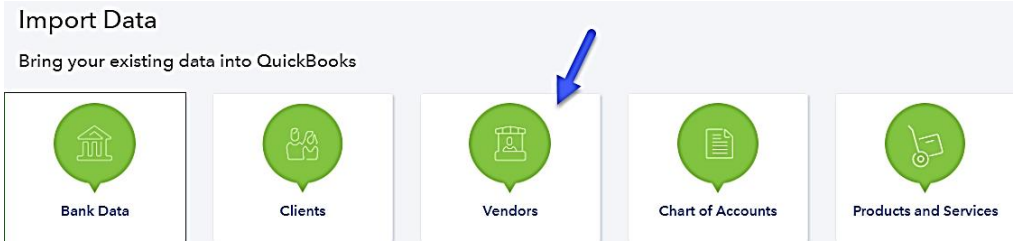
Vendor List: Customize

Vendor List: Find and Record Transactions

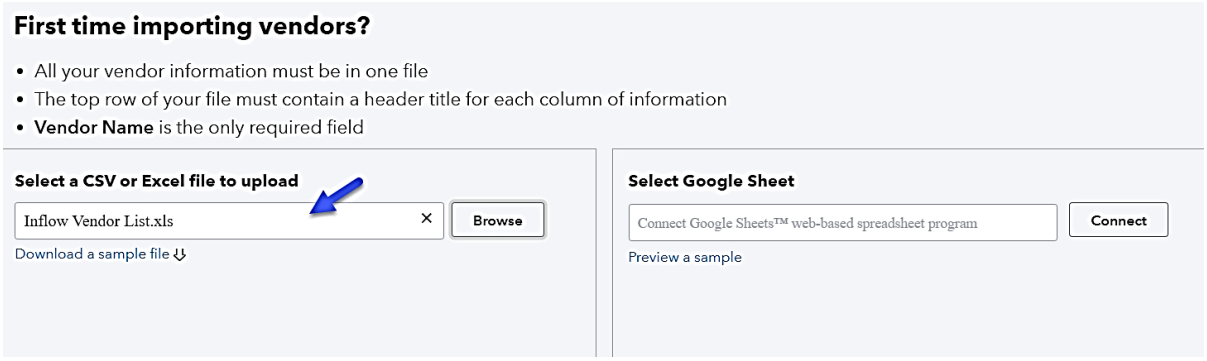
11. You can choose to add Vendors as you enter Bills and Expenses or Import the Vendor List .csv file. If you choose the import, complete the following steps.

a. **To import the Vendor list, click Gear Icon -> Import -> Select Vendors.**

.

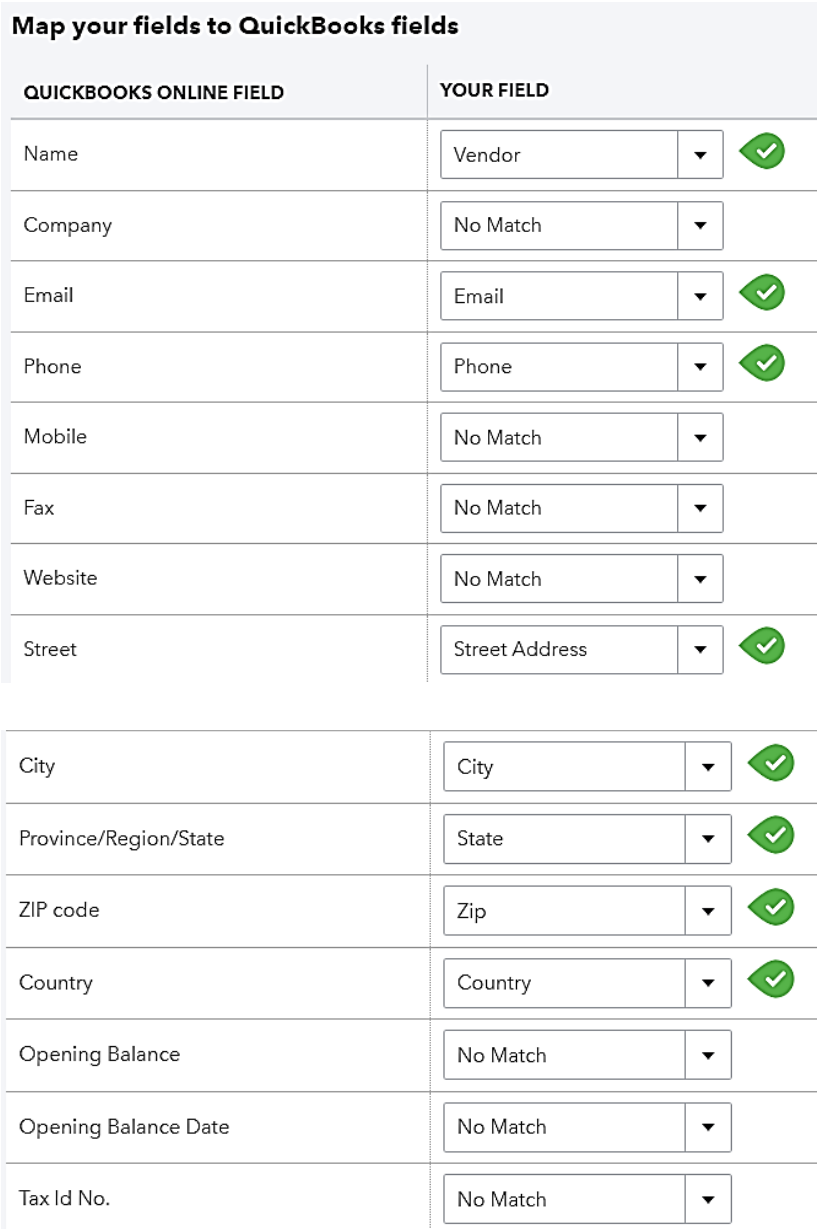


b. **Upload the Inflow Vendor List.xls file**. Make sure the file is available on your local computer or USB Flash Drive. **Click Browse -> Select the file -> Click Next.**



c. **Follow the screen shot to Map fields between QuickBooks Online and the Vendor List.**

Verify all fields with a check mark. Click **Next.** Verify the list. Click **Import.**



Map your fields to QuickBooks fields

QUICKBOOKS ONLINE FIELD	YOUR FIELD
Name	Vendor
Company	No Match
Email	Email
Phone	Phone
Mobile	No Match
Fax	No Match
Website	No Match
Street	Street Address
City	City
Province/Region/State	State
ZIP code	Zip
Country	Country
Opening Balance	No Match
Opening Balance Date	No Match
Tax Id No.	No Match

d. **Go to the Vendor Center and verify your vendor list matches this one.** You can always add vendors as you are entering bills or expenses.

Vendor
ACH Auto Loans
Apple Store
BTU Energy Inc.
CA DMV
CA Employment Development Department
Centrifugal Bond Insurance
Chase Bank
Chase CC
Chiller HVAC Parts House
City of San Diego
Delta T Telephone & Internet
Happy Cans
HFPF Financial LOC
Home Depot
HVAC Continuing Education
Ignitor Travel Package
Industrial Uniforms Inc.
Internal Revenue Service
Intuit Merchant Services
Intuit QBO Subscription
Josh Hawkins Owner
Josh Hawkins, LLC
Lucca Accounting
Mansfield Legal Firm
OAT Auto Insurance
Office Flow Products
PAG Fuel
Plenum Liability Insurance
PTAC Security Systems
QuickBooks Payroll
Radiant Advertising
SD Garnishments
SD Trash & Water
Seasonal Tires & Service
Secretary of State
SEER Construction, LLC
The Fish Market
Thermal Zone
Transfer
Watts WC Insurance

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Great Job! Let's continue importing and creating lists.

Josh has narrowed down categories he wants to use to track data in their Chart of Accounts. Your challenge is to import, add, edit, merge or inactivate categories to fulfill their request.

The ability to setup, cleanup and manage a Chart of Accounts is an excellent skill set in high demand in the accounting industry.

12. Review Video Links:

Understanding the Chart of Accounts

Set Up a New Account

Set Up and Use Account Numbers

Introduction to Subaccounts

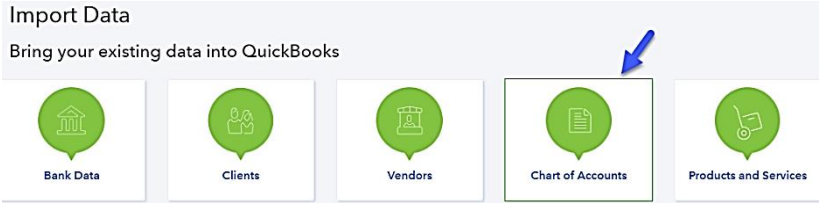
Create a New Subaccount

a. **Import or manually create the Chart of Accounts.**

   Here is what you need to know:

   Your subscription will auto-populate a Chart of Accounts. You can also import a Chart of Accounts .csv file, which we have provided, or you can manually create the Chart of Accounts. The accounts with assigned numbers will be used for this Case Study activity.

b. **Click Gear -> Import Data -> Chart of Accounts.** Follow the same process as you did for customers and vendors.



c. **Upload the Inflow Chart of Accounts List.csv file.**

Make sure the file is available on your local computer or USB Flash Drive.

Click Browse -> Select the file -> Next.

d. **Next step is to map your fields as shown in the screen shot.**

Map your fields to QuickBooks fields

QUICKBOOKS ONLINE FIELD	YOUR FIELD
Detail Type	Detail Type
Account Name	Account Name
Account number	Account Number
Type	Type

e. **Select all accounts - > Import.**

There are approximately 72 accounts. If a red box appears around an account category, simply uncheck the box to the left of that category. The red box tells us the category already exists in your Chart of Accounts or there is an issue with the import process. Don't worry! You will address missing or incorrect account categories in the following steps.

Important to note: Your subscription will auto-populate some Chart of Accounts categories. If you left the industry field blank while setting up your initial Chart of Accounts, it will look like the screen shot provided. If you were required to add an industry, your Chart of Accounts will be different than the screen shot. Make sure all account categories match the import file and only use the accounts with assigned numbers.

Your challenge is to manually add, edit, merge or inactivate accounts as you follow along with this activity. The next few slides will guide you.

Chart of Accounts

Name	Type	Detail Type
Uncategorized Asset	Other Current Assets	Other Current Assets
Owner's Investment	Equity	Owner's Equity
Owner's Pay & Personal Expenses	Equity	Owner's Equity
Retained Earnings	Equity	Retained Earnings
Sales	Income	Sales of Product Income
Uncategorized Income	Income	Sales of Product Income
Advertising & Marketing	Expenses	Advertising/Promotional
Ask My Accountant	Expenses	Utilities
Bank Charges & Fees	Expenses	Bank Charges
Car & Truck	Expenses	Auto
Contractors	Expenses	Payroll Expenses
Insurance	Expenses	Insurance
Interest Paid	Expenses	Interest Paid
Job Supplies	Expenses	Supplies & Materials
Legal & Professional Services	Expenses	Legal & Professional Fees
Meals & Entertainment	Expenses	Entertainment Meals
Office Supplies & Software	Expenses	Office/General Administrative Expenses
Other Business Expenses	Expenses	Office/General Administrative Expenses
Reimbursable Expenses	Expenses	Supplies & Materials
Rent & Lease	Expenses	Rent or Lease of Buildings
Repairs & Maintenance	Expenses	Repair & Maintenance
Taxes & Licenses	Expenses	Taxes Paid
Travel	Expenses	Travel
Uncategorized Expense	Expenses	Other Miscellaneous Service Cost
Utilities	Expenses	Utilities

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Let's Start with the Balance Sheet Asset account categories.

13. Add or edit the following asset accounts. Pay attention to the number, name, type, and detail type. The goal is to make your Chart of Accounts match the screen shots provided and/or the import file provided. (Refer back to the Chart of Accounts section of the training for additional guidance.)

- Bank Accounts
- Accounts Receivable
- Undeposited Funds
- Inventory

Note: Throughout this activity ignore all accounts without numbers. Some accounts cannot be inactivated because they are part of other features in the QBO application and auto populate during the setup process.

NUMBER	NAME	TYPE ▲	DETAIL TYPE
10000	10000 Checking 1234	Bank	Checking
10100	10100 Payroll 5678	Bank	Checking
10500	10500 Savings 9101	Bank	Savings
11000	11000 Accounts Receivable (A/R)	Accounts receivable (A/R)	Accounts Receivable (A/R)
12000	12000 Inventory Asset	Other Current Assets	Inventory
12100	12100 Undeposited Funds	Other Current Assets	Undeposited Funds
	Uncategorized Asset	Other Current Assets	Other Current Assets

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Let's continue with the Balance Sheet Asset account categories.

a. Add or edit the following fixed and other asset accounts. Pay attention to the type, detail type and number.

- Fixed Assets
- Other Assets

15000	15000 Furniture & Fixtures	Fixed Assets	Fixed Asset Furniture
15100	15100 Machinery & Equipment	Fixed Assets	Machinery & Equipment
15200	15200 Vehicles	Fixed Assets	Vehicles
16000	16000 Accumulated Depreciation	Fixed Assets	Accumulated Depreciation
17000	17000 Leasehold Improvements	Fixed Assets	Leasehold Improvements
17500	17500 Accumulated Amortization	Fixed Assets	Accumulated Amortization
19000	19000 Security Deposit	Other Assets	Security Deposits

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Let's continue with the Balance Sheet Current Liability account categories.

b. Add or the following Current Liability accounts. Pay attention to the type, detail type and number. If the account already exists and is the correct type, simply add the number.

- Accounts Payable
- Credit Card
- Payroll Tax Payable and Wage Garnishments
- Sales Tax (If the California Department of Taxation account is not available, do not add it now. It will populate when you setup the Sales Tax Center.)
- Line of Credit

20000	20000 Accounts Payable (A/P)	Accounts payable (A/P)	Accounts Payable (A/P)
21000	21000 Chase 1125	Credit Card	Credit Card
22000	22000 Federal Tax Payable	Other Current Liabilities	Payroll Tax Payable
22100	22100 State Tax Payable	Other Current Liabilities	Payroll Tax Payable
22200	22200 Wage Garnishments	Other Current Liabilities	Other Current Liabilities
22300	22300 California Department of Tax and Fe	Other Current Liabilities	Sales Tax Payable
23000	23000 Line of Credit 1946-01	Other Current Liabilities	Line of Credit
	Out Of Scope Agency Payable	Other Current Liabilities	Sales Tax Payable

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Let's continue with the Balance Sheet Long-Term Liability and Equity account categories.

c. Add or Edit the following Long-Term Liability and Equity accounts. Pay attention to the type, detail type and number. If the account already exists and is the correct type, simply add the number.

- Notes Payable
- Open Balance Equity
- Retained Earnings
- Owner's Investment
- Owner's Draw

27200	27200 Note Payable - 2017 GMC	Long Term Liabilities	Notes Payable
27300	27300 Note Payable - 2018 GMC	Long Term Liabilities	Notes Payable
27400	27400 Note Payable - 2019 Ford Truck	Long Term Liabilities	Notes Payable
30000	30000 Opening balance equity	Equity	Opening Balance Equity
32000	32000 Retained Earnings	Equity	Retained Earnings
33000	33000 Owner's Investment	Equity	Owner's Equity
33100	33100 Owner's Draw	Equity	Owner's Equity

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Now we will focus on the Profit & Loss Income account categories.

d. Add or Edit the following Income and Cost of Goods Sold Accounts.

40000	40000 Service Income	Income	Service/Fee Income
40100	40100 Sales of Product Income	Income	Sales of Product Income

50000	50000 Job Materials & Supplies	Cost of Goods Sold	Supplies & Materials - COGS
50100	50100 Job Wages	Cost of Goods Sold	Cost of labor - COS
50200	50200 Job Payroll Taxes	Cost of Goods Sold	Cost of labor - COS
50400	50400 Contractors	Cost of Goods Sold	Cost of labor - COS
50600	50600 Equipment Rental	Cost of Goods Sold	Equipment Rental - COS
50700	50700 Permits	Cost of Goods Sold	Other Costs of Services - COS
50900	50900 Inventory Shrinkage	Cost of Goods Sold	Supplies & Materials - COGS

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Now we will focus on the Profit & Loss expense account categories.

e. Add or Edit the following expense account categories.

Note: Payroll and auto expenses include sub-accounts.

60000	60000 Payroll Expenses	Expenses	Payroll Expenses
60100	60100 Salaries & Wages	Expenses	Payroll Expenses
60200	60200 Payroll Tax Expense	Expenses	Payroll Expenses
60300	60300 Payroll Service Fee	Expenses	Payroll Expenses
60800	60800 Advertising & Marketing	Expenses	Advertising/Promotional
60900	60900 Amortization	Expenses	Other Business Expenses

61000	61000 Auto & Truck Expenses	Expenses	Auto
61100	61100 Auto Fuel	Expenses	Auto
61200	61200 Auto License	Expenses	Auto
61300	61300 Auto Service	Expenses	Auto
61500	61500 Bank Fees	Expenses	Bank Charges
61700	61700 Merchant Service Fees	Expenses	Bank Charges
62000	62000 Continuing Education	Expenses	Other Business Expenses
62500	62500 Depreciation	Expenses	Other Business Expenses
62600	62600 Dues & Subscriptions	Expenses	Dues & subscriptions
63100	63100 Insurance - Auto	Expenses	Insurance

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f. **Continue to Add or Edit the following expense account and other type categories.**

63200	63200 Insurance - Liability	Expenses	Insurance
63300	63300 Insurance - Bond	Expenses	Insurance
63400	63400 Insurance - Workers Comp	Expenses	Insurance
63700	63700 Interest Expense	Expenses	Interest Paid
64100	64100 Legal & Professional	Expenses	Legal & Professional Fees
64200	64200 License & Fees	Expenses	Other Business Expenses
64300	64300 Meals & Entertainment	Expenses	Entertainment Meals
64500	64500 Office Expense	Expenses	Office/General Administrative Expenses
64600	64600 Rent Expense	Expenses	Rent or Lease of Buildings
64700	64700 Repairs & Maintenance	Expenses	Repair & Maintenance
65200	65200 Security	Expenses	Other Business Expenses
67100	67100 Small Tools & Supplies	Expenses	Other Business Expenses
68000	68000 Taxes Paid	Expenses	Taxes Paid
68100	68100 Telephone & Communications	Expenses	Utilities
68300	68300 Travel	Expenses	Travel
68400	68400 Uniforms	Expenses	Other Business Expenses
68600	68600 Utilities	Expenses	Utilities
	Unapplied Cash Bill Payment Expense	Expenses	Unapplied Cash Bill Payment Expense
	Uncategorized Expense	Expenses	Other Miscellaneous Service Cost
70000	70000 Interest Income	Other Income	Interest Earned
70100	70100 Cash Rewards	Other Income	Other Miscellaneous Income
99999	99999 Ask My Accountant	Other Expense	Other Miscellaneous Expense

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Online Foundations Training

SECTION 3:
CLASSES, LOCATIONS & TAGS

Objectives
Class Tracking
Location Tracking
Tag Tracking
Practice Test
Case Study Activities

Upon completion of Section 3, each participant will be familiar with:

- How to setup and maintain Classes.
- How to use Class tracking.
- How to setup and review Class Reports.
- How to setup and maintain Locations.
- How to use Location tracking.
- How to setup and review Location Reports.
- How to use Tags.
- How to setup and review Tag Reports.

Josh is excited about QBO's ability to customize information he can track; customized reports will help him analyze various aspects of the business. He can track financial data regarding different revenue streams, status of bill payments, future cash flows and more. A business that does not track its financial data risks operating in the dark concerning the ability to pay debts.

As we follow Josh's journey, the time has come to determine what to track and how to apply the location, class, and tags classifications to the data. Josh is confused about what to use when and does not really understand the differences between those classifications. For example, he can use classes to track data by residential, commercial and new construction. He can use the location classification to track sales tax in various areas, and the tags feature to track jobs by employee, etc.

Help Josh clarify his understanding of how to apply these features. The ability to quickly pull reports and determine exactly where the company stands on any area of the business is extremely powerful as it provides guidance on where to focus.

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What you need to know: During the setup process, it is wise to give some thought to what types of data you want to track. It will prevent you from having to go back into transactions, after the fact, to apply the classifications. As your business grows and you discover additional segments of information that would be useful to track, you can go back and apply **Classes**, **Locations** and **Tags** at any time. (It will just be more time consuming than if they were setup early in the process.)

When deciding which of the three classifications to use, keep in mind that **Classes** is the only feature that allows you to track information per line item. In other words, you can apply a **Tag** or **Location** to the overall transaction, but not to each line item that is broken out on the transaction.

Also, not every QBO subscription provides access to these features:

Classes

- Available in QBO Plus or Advanced Subscriptions and limited to 40 combined with Locations.

Locations

- Available in QBO Plus or Advanced subscriptions and limited to 40 combined with Classes.

Tags

- Available in all QBO subscriptions. 300 tags and tag groups max.

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Classes

Classes allow you to track the profitability of departments within your business. You can run a Profit & Loss to view income and expense by department. The Profit & Loss displays segments of your business as columns of data.

In order to use the Class feature in QBO, we must turn it on in Account and Settings. Let's verify the feature is turned on.

Click **Gear icon -> Account and settings -> Advanced tab -> Categories.**

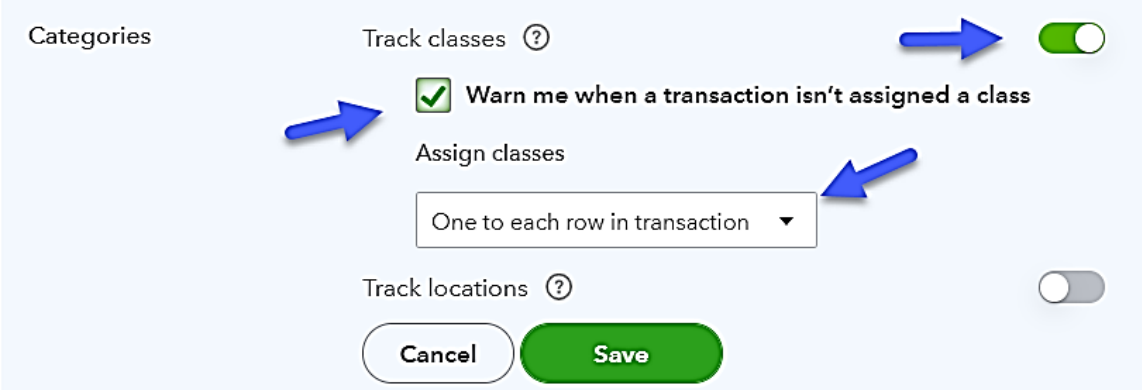
Turn on **Track classes.**

Select **Warn me when a transaction isn't assigned a class.** This feature will help eliminate unnecessary cleanup. If you do not enter a Class for a transaction, you will need to edit the transaction later.

Select **One to each row in transactions.** This feature allows you to use multiple Classes in a single transaction. This is great when splitting income or expenses between multiple Classes.

The other option is to select **One to entire transaction.** This limits you to one Class per transaction.

Click **Save -> Done.**



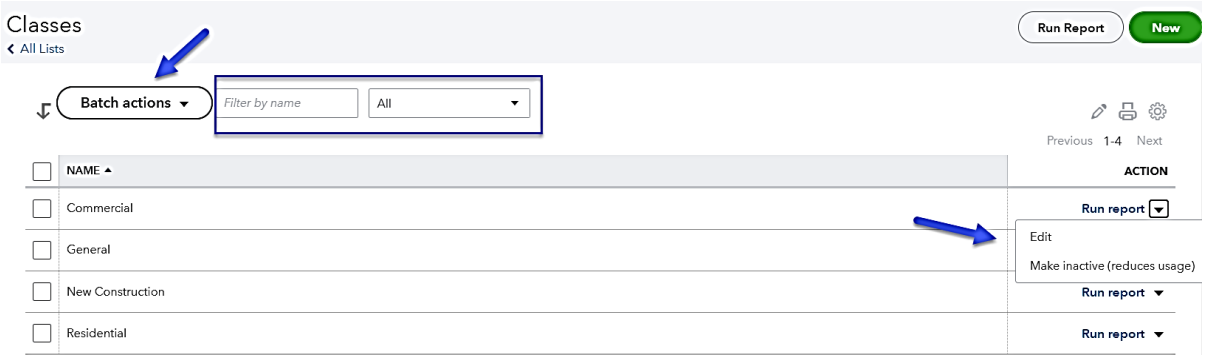
Note: It is important to know what classes can do.

You can now set up and maintain your **Class List**. Create classes that represent different parts of your business. Remember, it's best to keep it simple. The more straightforward your classes are, the easier it is to understand your reports.

Click **Gear icon -> All lists -> Classes.**

Notice the additional options to **Filter by name** or use **Batch actions** to inactivate multiple classes from the list.

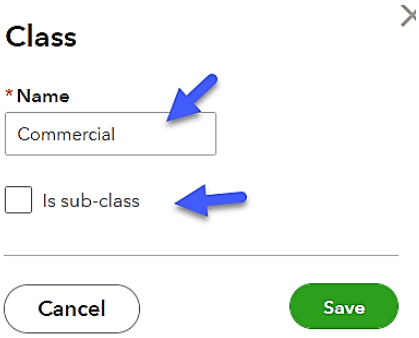
Explore the **Action menu** to **Edit, Run Report** or make classes **Inactive.**



Click **New -> Add a Class Name**.

Notice you can also select sub-class. This helps you to organize your classes in groups.

Click **Save.**



Let's locate reports related to Class tracking. Once we have populated data, we will be able to review and discuss these reports later in the training.

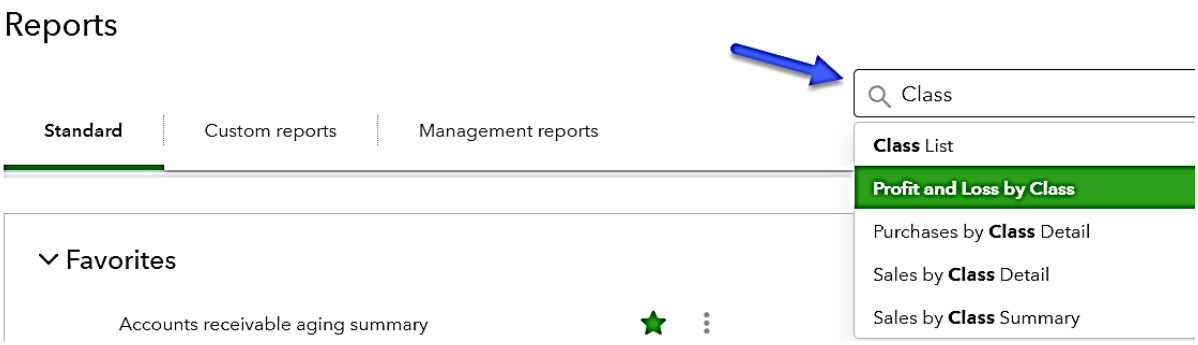
Click Reports in the Left-Navigation bar -> Standard tab -> scroll to Business overview and save the following reports as favorites by clicking the star to the right of the report:

Profit and Loss by Class

Scroll to Sales and Customers and save the following report as favorites:

Sales by Class Summary

Sales by Class Detail



Locations

Locations track the profitability of your transactions by city. You can generate a Profit & Loss to track income and expense by city.

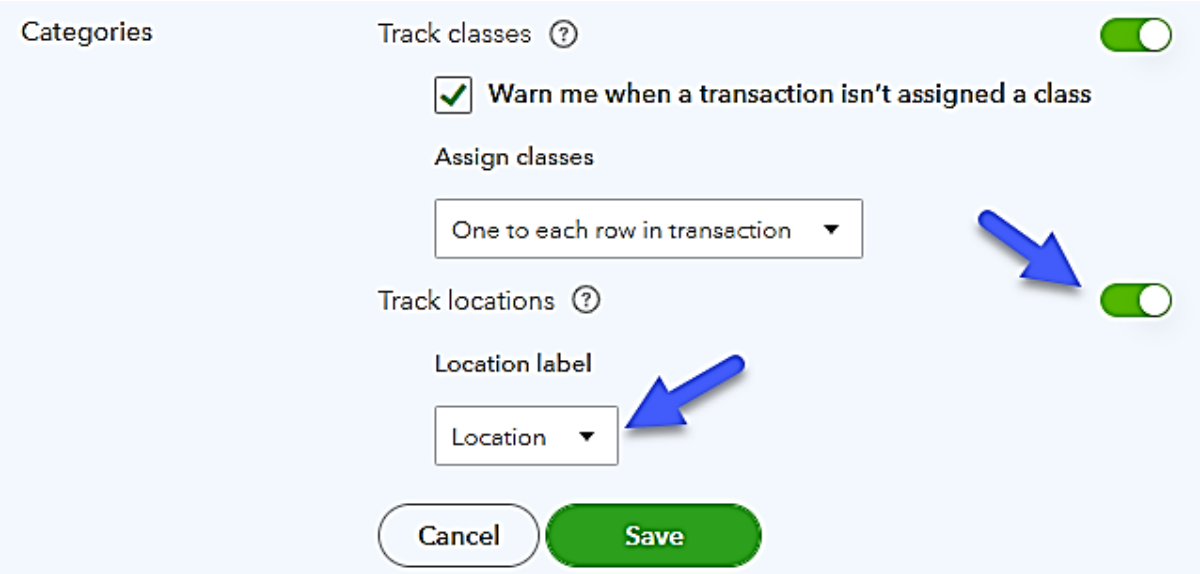
In order to use the location feature in QBO, we must turn it on in Account and Settings.

Click **Gear icon -> Account and settings -> Advanced tab -> Categories.**

Turn on **Track Locations.**

Select **Location label**.

Click **Save -> Done.**

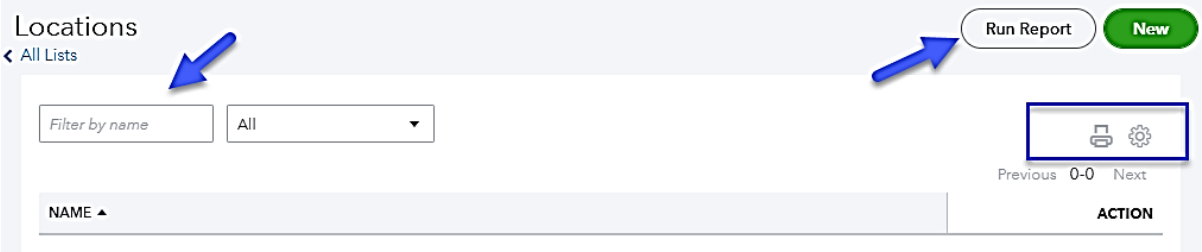


Note: It is important to know what Locations can do.

Now you can set up and maintain your Locations List. Create locations that allow you to track Income and expense separately. Maybe you have two company locations and want to view reports by location. It is best to keep it simple. The more straightforward your locations, the easier it is to understand your reports.

Click **Gear icon -> All lists -> Locations.**

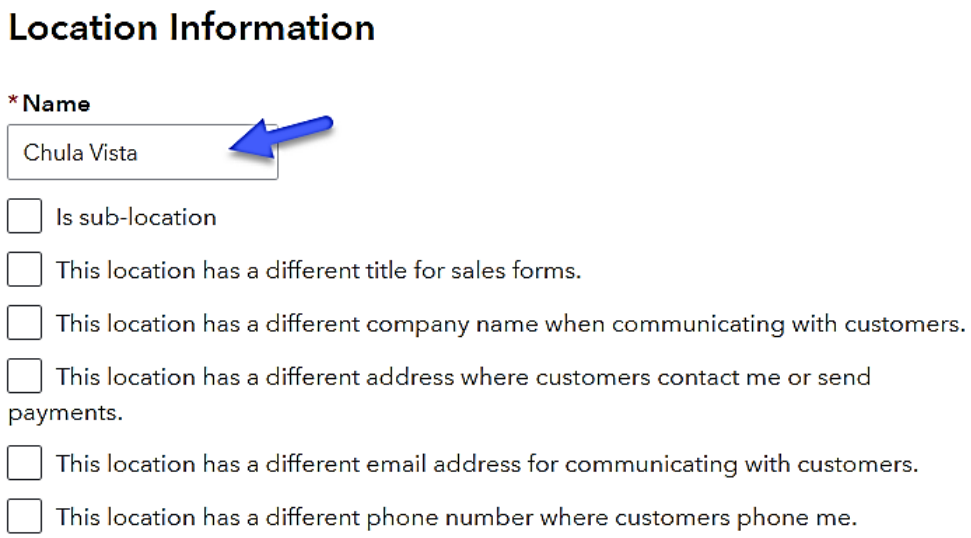
Notice the additional options to **Filter by name or print your list.**



Click **New.** Add a **Location**.

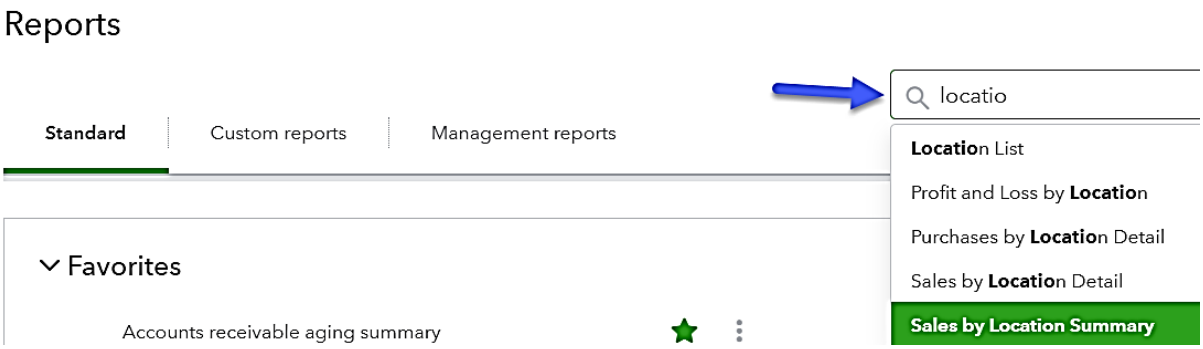
Notice you have options to use different information on sales forms as you add locations.

Click **Save.**



Let's locate reports related to location tracking. Later in the training, once we have populated data, we will review and discuss the information.

Click **Reports in the Left-Navigation bar -> Search Reports by Locations**



Locate and save the following location reports as favorites by clicking the star to the right of each report.

Profit and Loss by Location

Sales by Location Summary

Sales by Location Detail

Tags provide a way to track different types of jobs, ad campaigns, sales reps, etc. They allow you to customize what you track, as there is no “one size fits all” when it comes to what a business owner finds important. You can use tags in two ways: to run reports and search transactions.

Tip: It is important to group your tags. Why? If you do not group tags, you cannot run tag-specific reports, which provide great insights. With ungrouped tags, you can only search for individual transactions.

Here is an example:

Inflow may choose to use tags to track sales commissions. Josh may want to pull a tag report of all sales commissions earned per salesperson or track what jobs each employee worked. If he chooses to track employees by job, he can quickly pull a report to see who is working on what jobs and who may have availability.

When utilizing groups, you can analyze your business through targeted lenses. Run profit and loss and transaction list reports by tag groups to gain deep insights into the specifics of company performance.

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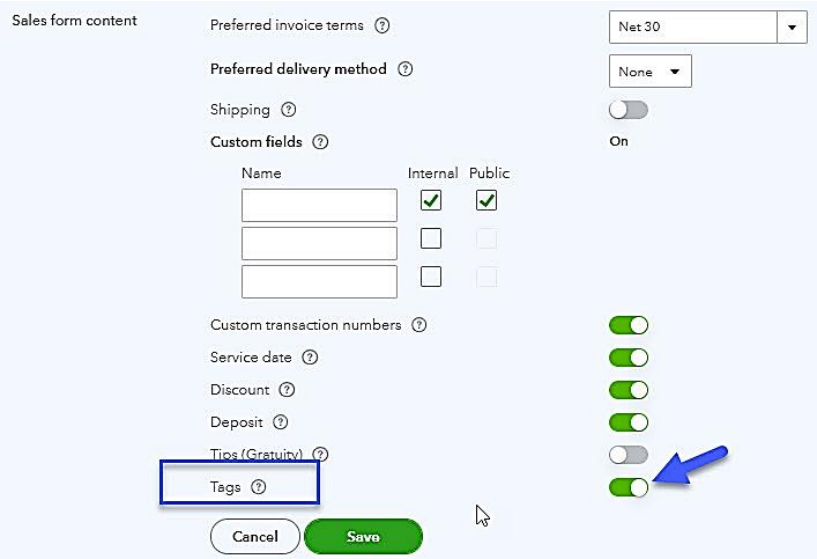
In order to use the tag feature in QBO, we must turn it on in Account and Settings.

Click **Gear icon -> Account and settings -> Sales -> Sales form content.**

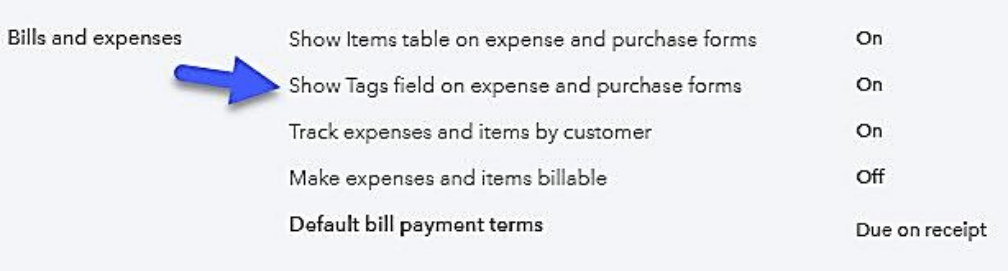
Turn on **Tags.**

Click **Save -> Done.**

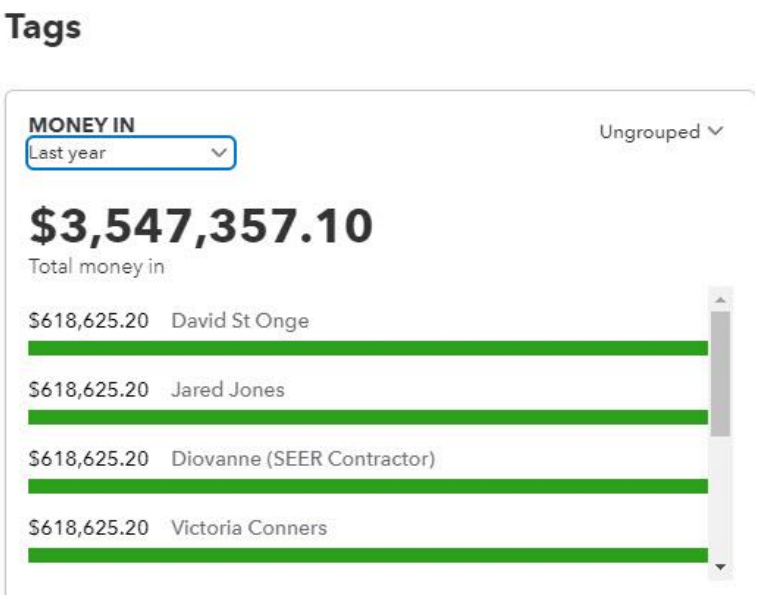


While in **Account and Settings**, click the **Expense tab.**

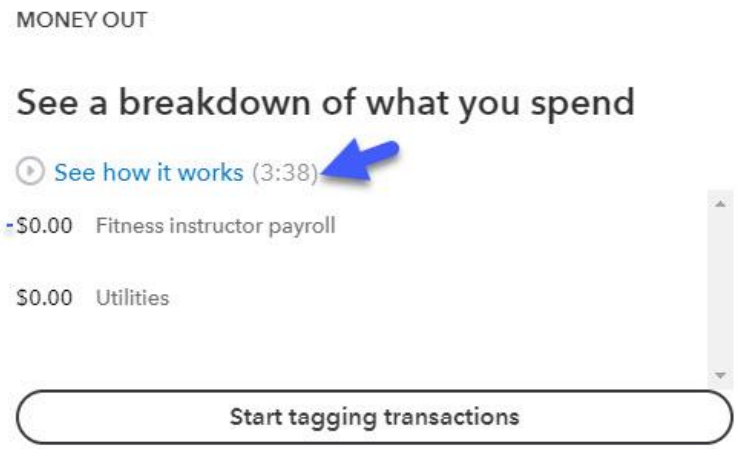
Turn on **Show Tags field on expense and Purchase forms.**



You can use tags in two ways; to get more information about what you earn and to see a breakdown of what you spend. There are multiple ways to access the **Tags** center. Click **Gear -> Tags** or click **Banking -> Tags tab.**



We can also tag transactions to track money going out of the company.

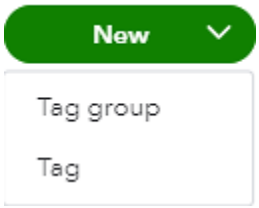


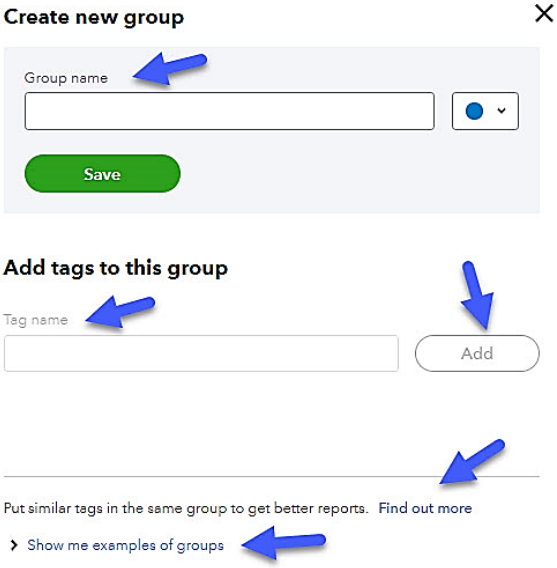
Click **New.** Add a **Tag Group** or Individual **Tags.**

Once you create a tag group, you can add individual tags to the group.

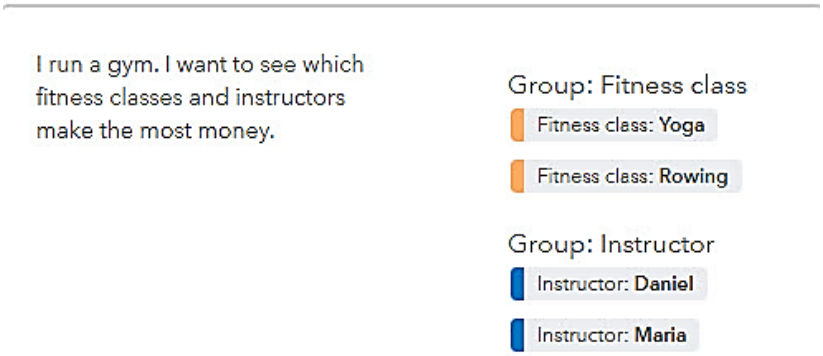
Click **Find out more -> Show me examples of groups**.

Click **Save.**

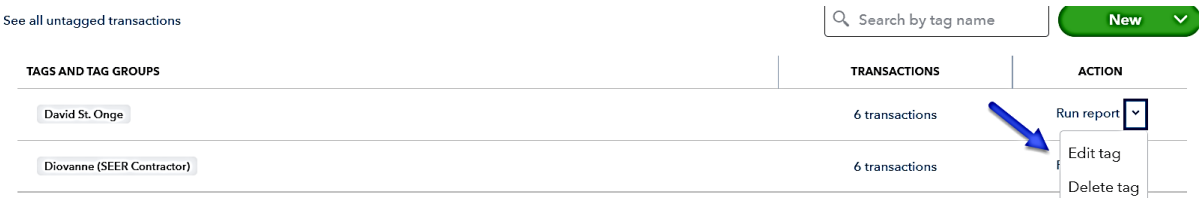




Here are a few examples:

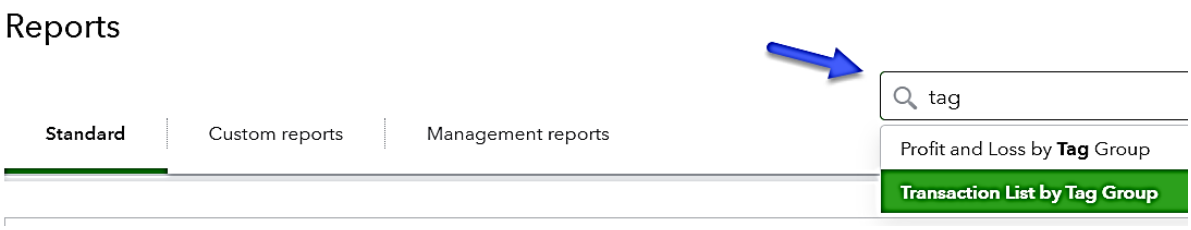


Once you create a tag group and tags, you can edit, delete and run reports. This provides a method to populate information that can save valuable time. This feature was designed with the business owner in mind and provides additional options to track information.



Let's locate reports related to tag tracking. Later in the training, once we have populated data, we will review and discuss the information.

Click **Reports in the Left-Navigation bar -> Search reports by Tags.**

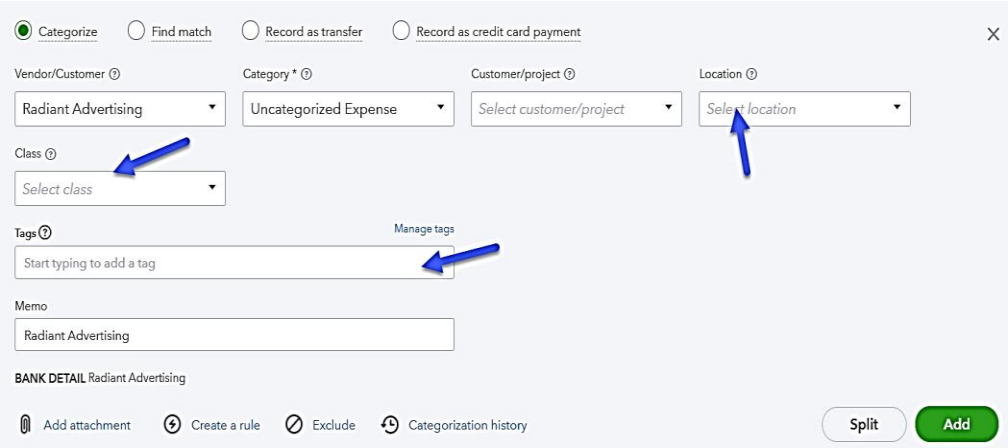


Locate and save the following tag reports as favorites by clicking the star to the right of each report.

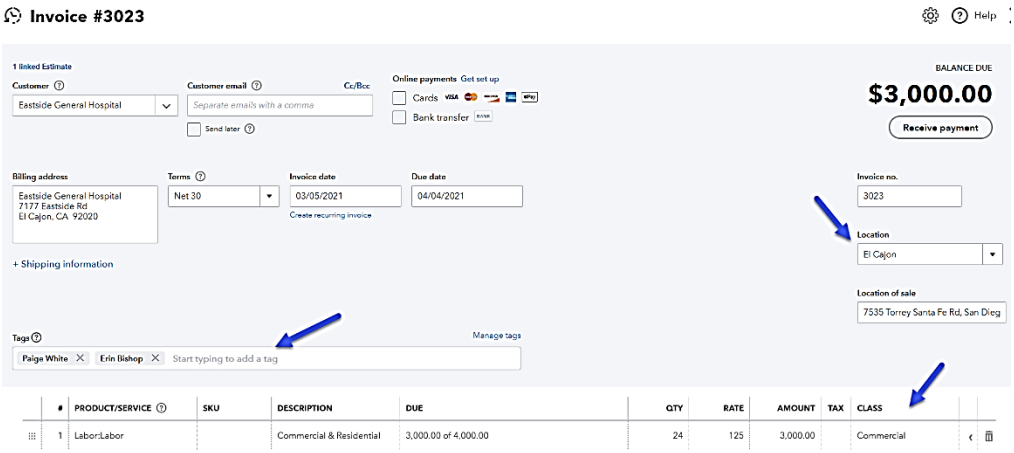
- **Profit and Loss by Tag group.**
- **Transaction List by Tag group.**

Keep in mind, when using **Classes**, **Locations** or **Tags**, you must consistently add the information to each transaction in order to populate accurate reporting information. When you forget to add the information to the transaction the data will not populate on the reports. In addition, the Profit & Loss by Class or Location will provide an unspecified column where you can make corrections to missed transactions.

Example: Using these features in the Banking Center.



Example: Using these features in an invoice.



1. **To turn on class and location tracking, where do you go?**
   a) Gear->Account and Settings->Advanced->Categories
   b) Gear->All Lists
   c) Sales->Overview
   d) + New->Other

2. **To add classes to track income and expenses, where do you to go?**
   a) Gear->Products and services
   b) + New->Other
   c) Gear->All Lists->Classes
   d) Accounting->Chart of Accounts

3. **Which of the following reports allows you to track sales by location?**
   a) Product and Services Sales
   b) Open Invoices
   c) Sales by Customer Detail
   d) Sales by Location Summary

4. **Which report would you use to review income and expense by class?**
   a) Sales by Customer Summary
   b) Profit & Loss by Class
   c) Unpaid Bills
   d) Sales by Product/Service Detail

5. **Which of the following is true about tags?**
   a) You can access tags from the + New menu.
   b) You can run a Balance Sheet by tags report.
   c) You do not need tag groups to run tag reports.
   d) You need to create a tag group in order to run tag reports.

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1. **Review Video Link:**

   Classes: Intro

   Turn on and set up Classes

   Record Class on a transaction

   Class Reports

2. **Verify Classes, Locations and Tags are turned on in Account and Company Settings.**
3. **Create the following classes:**
   a. Commercial
   b. Residential
   c. General
   d. New Construction
4. **Locate and save the following class reports as favorites:**
   a. Profit and Loss by Class
   b. Sales by Class Summary
5. **Create the following locations:**
   a. Chula Vista
   b. El Cajon
   c. San Diego
6. **Locate and save the following location reports as favorites:**
   a. Profit and Loss by Location
   b. Sales by Location Summary
7. **Review Video Link:**

   How to Use Tags

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8. **Create the following tags:**
    a. Nico Quinn
    b. Diovanne (SEER Contractor)
    c. Erin Bishop
    d. Paige White
    e. David St Onge
    f. Sean Black
    g. Jared Jones
    h. Victoria Conners

Tags will be used during this training. However, it is important to note they do not impact the financial data and are simply used to track information. Explore the reports to determine how much revenue each employee produced.

9. **Locate and save the following tag reports as favorites:**
    a. Profit and Loss by Tag Group
    b. Transaction List by Tag Group

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Online Foundations Training

SECTION 4:
SALES TAX

Objectives
Sales Tax Set Up
Sales Tax Center
Sales Tax Reports
Sales Tax Filing
Practice Test
Case Study Activities

Upon completion of Section 4, each participant will be familiar with:

- How to setup Sales Tax.
- How to manage the Sales Tax center.
- How to review Sales Tax reports.
- How to file Sales Tax returns.

Inflow Heating and Cooling is required to track sales of items for sales tax purposes. A sales tax is a consumption tax imposed by the government on the sale of goods and services; it is collected at the point of sale by the retailer (Inflow Heating and Cooling) and passed on to the government.

In California, where Inflow is located, there is a statewide tax rate plus city and county sales tax rates. The total is collected per each sale (e.g., an air conditioning system, but not the service fee to install the system). Inflow is required to file a sales tax report monthly and remit payment to the state of California.

Here is the good news, QuickBooks Online has sales tax rates built into the application for each area of the country and tracks the information for you. It also enters the information on forms such as sales receipts. When this feature is setup and utilized correctly, it is easy to keep track of what is owed. These processes are critical when it comes to helping Josh remain in compliance with reporting requirements and avoid costly late fees.

Let’s learn more about the efficiencies of the Sales Tax Center and how to utilize this important feature in QuickBooks Online.

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Sales tax is calculated on the sale or lease of goods and services in the United States. Sales tax rates are state regulated, and percentages vary across the United States.
Sales tax is calculated by multiplying the purchase price by the applicable tax rate. The seller collects the tax at the time of sale and tracks the amounts collected. Each month, quarter or year the information is reported, and amounts collected are paid to the Department of Taxation for the state in which the taxable good or services were provided. It is the business owner's responsibility to collect, report and pay all sales tax collected.

Another form of sales tax is referred to as **Use Tax**. This tax is reported and paid when a business owner does not pay tax on products purchased. For example, online vendors or suppliers do not always charge sales tax, therefore the business owner is responsible for keeping track of use tax. Locate the Department of Taxation for your state to learn more and determine percentage of sales tax to collect.

When you purchase or lease goods and pay the sales tax at the time of purchase, you are not required to collect sales tax from your customers. If you do not pay the sales tax at time of purchase, you are required to charge customer's sales tax. Example: A contractor may purchase parts at wholesale pricing and include sales tax when using those parts on a customer job.

How would a late Sale Tax payment affect our Case Study?
WOW! In California, a 10 percent **penalty** is assessed if you do not file your sales tax return by its due date. Ongoing Interest is based on the interest rate shown at the bottom of your return for each month or partial month that the tax remains unpaid. California's criminal failure to pay sales tax penalty is a misdemeanor with $1,000 – $5,000 fine and/or imprisonment for up to 1 year. It is a felony if intent to evade and unreported tax exceeds $25,000 in 12-month period.

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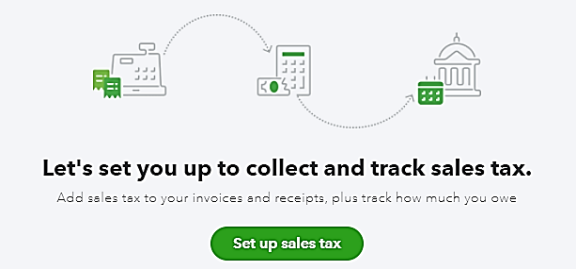
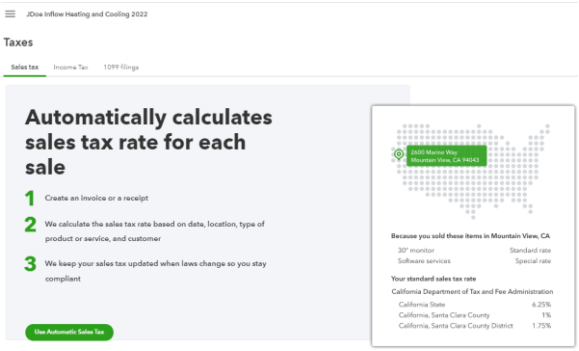
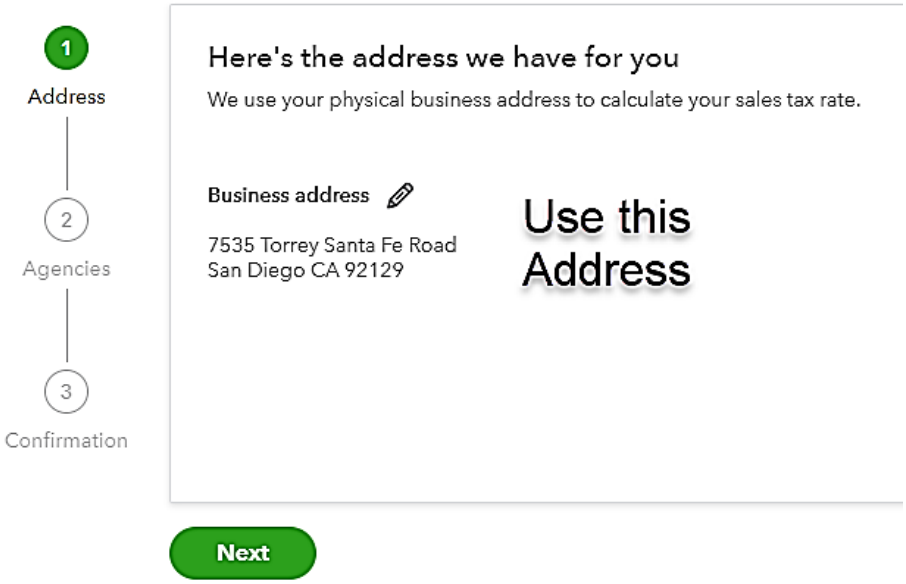
Click **Taxes** in the **Left Navigation Bar - > Taxes -> Sales Tax -> Set up sales tax.** If the **Automatically calculates sales tax rate for each sale** appears, follow the steps.



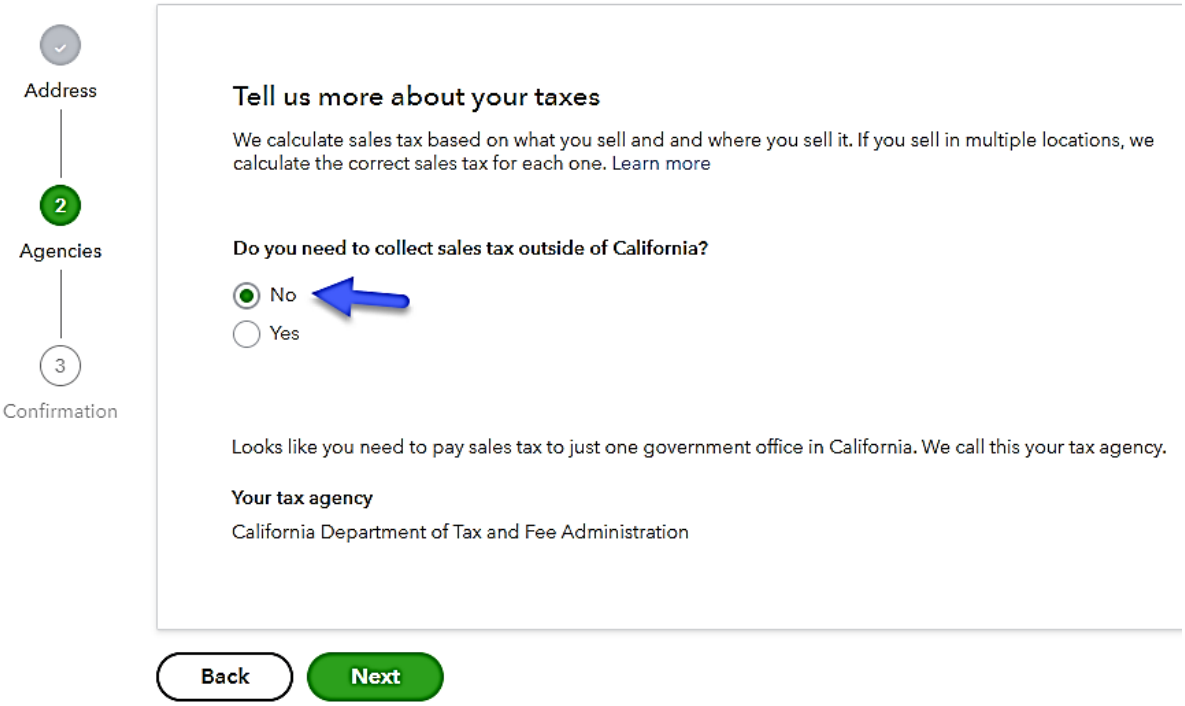


Verify your address. The tax rate is calculated on the address and zip code in Accounts and Settings.

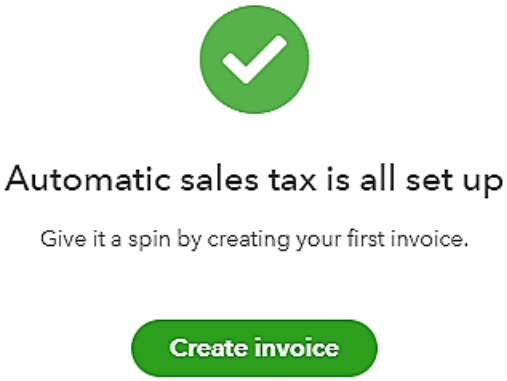
Click **Next.**



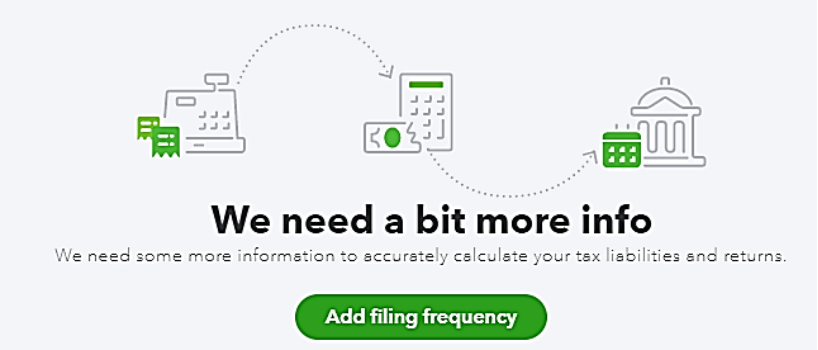
You can sell taxable items to multiple states and counties. We will not collect Sales Tax outside of California for this training. Select **No -> Next.**



Click **Next.** A window will pop up asking you to create an Invoice. Click **X** to exit the window instead of creating an Invoice.

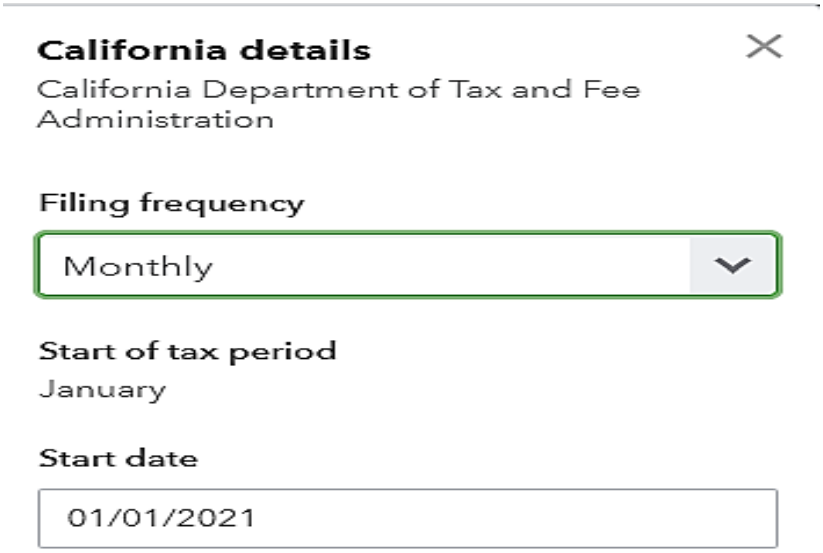


Click **Add Filing Frequency.**

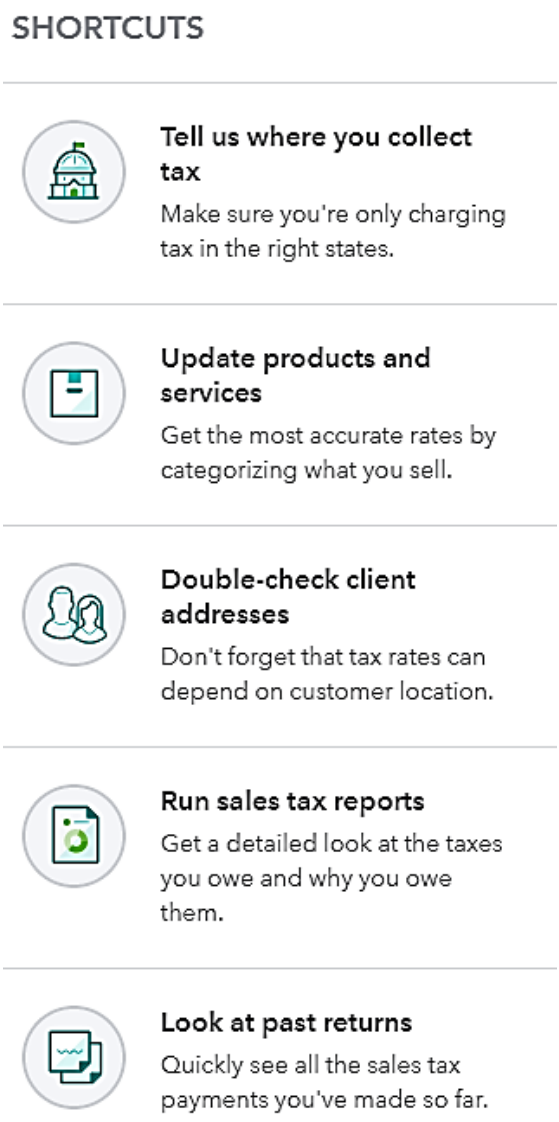


Select **Filing Frequency Monthly.**

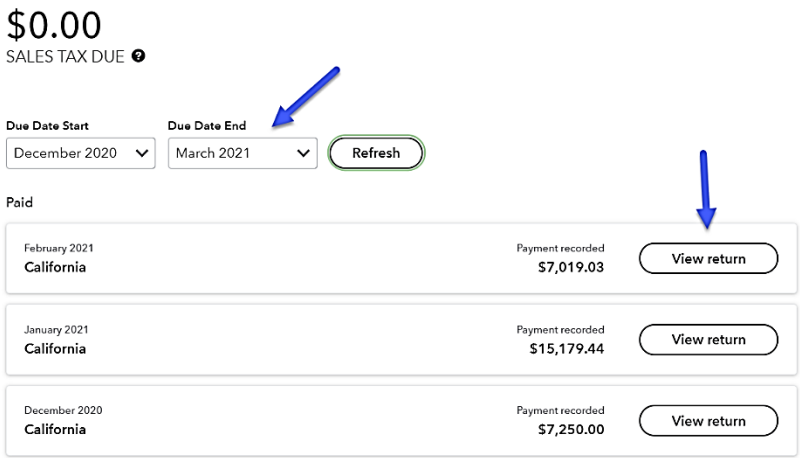
Click **Save.**



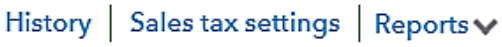
Once the **Sales Tax Center** is activated you can choose from a variety of shortcuts to manage where you collect tax, update products and services, or check customer addresses. Other options include running reports and viewing past returns.



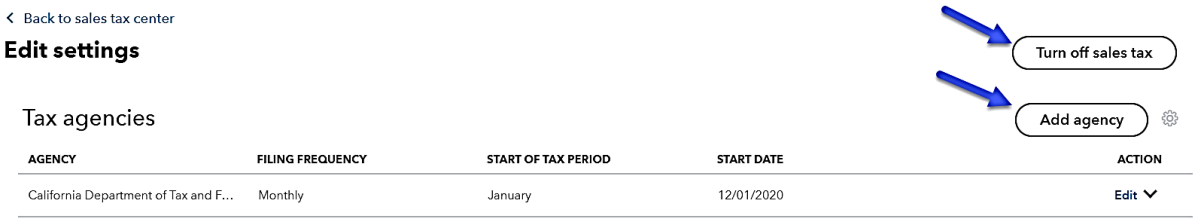
From the new **Sales Tax Center**, you can **view tax returns**, **amounts due** by custom date range and **upcoming taxes**.



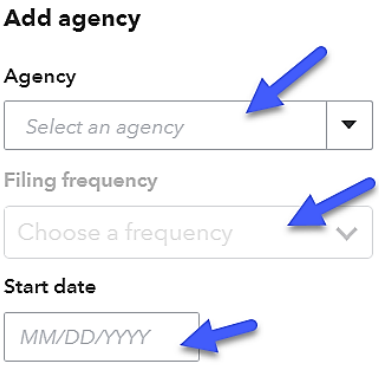
Click **History** to view sales tax returns for previous periods of time.



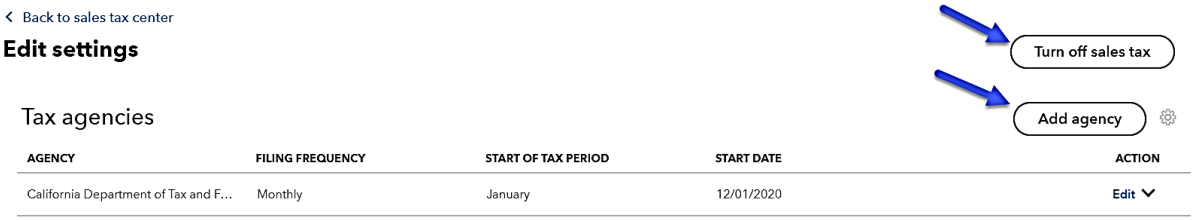
Click **Sales tax settings.** This is where you can turn off sales tax, add a tax agency, and manually add a custom rates.



Click **Add agency,** select the **state, city, or county** to match your agency. Next select the **frequency** you are required to file and the **start date.** A sales tax liability will auto-populate in your Chart of Accounts. Click **Save.**



Edit the tax agency or click the down-arrow under the action menu to make it inactive.



Add the custom tax rates for California.

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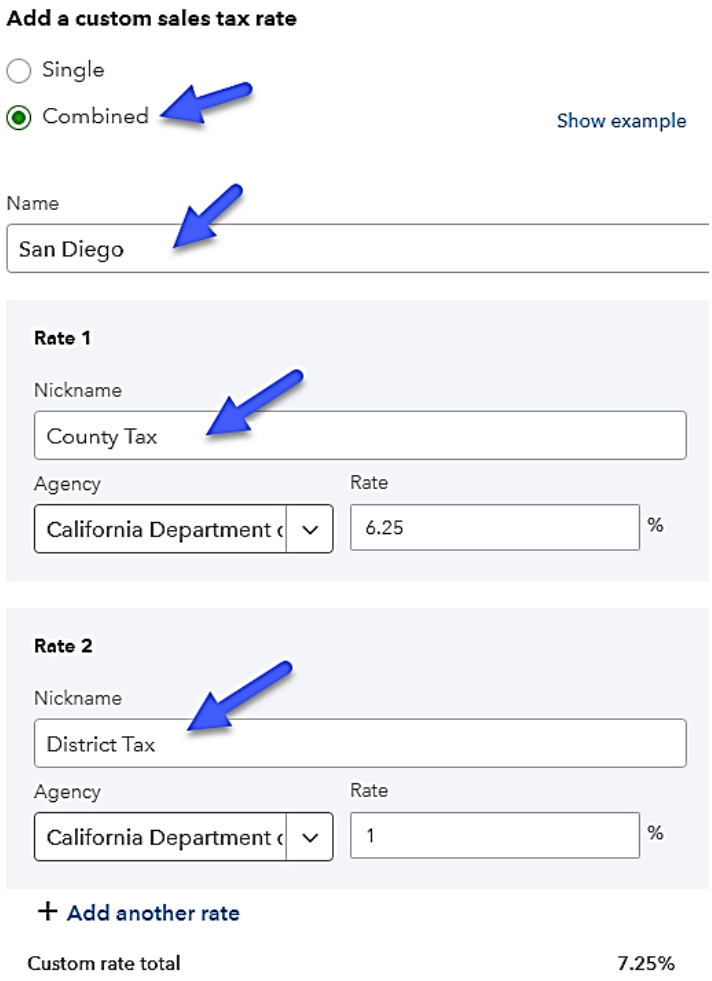
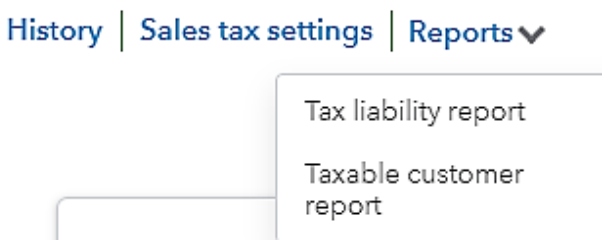
Per the sales tax agency populated using the address and zip code in Accounts and Settings, you can add custom tax rates. It is important to change each invoice and/or sales receipt default sales tax when using custom sales tax rates. This will be addressed in the Accounts Receivable section of this training. Choose **Combined, San Diego, County Tax (Rate 1 6.25%)** and **District Tax (Rate 2 1%), California Department of Taxation** for both. Total combined tax rate is **7.25%.**



Click **Reports** from within the **Sales Tax Center** to view **Tax liability** and **Taxable customer reports.**



Tax Liability Report provides the information required to complete tax forms per state. Select the date range you are required to report, tax agency and accounting method. The accounting method is based on your state's requirements.

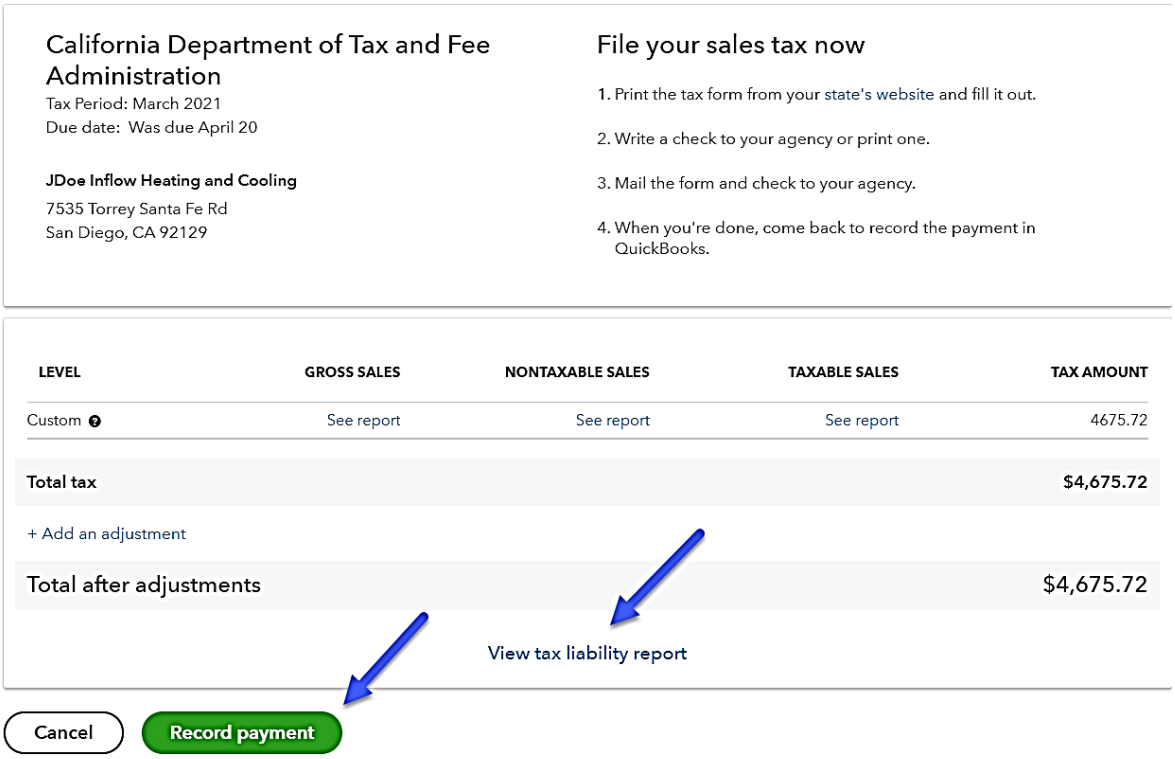
Reference the **Taxable customer report** to manage tax status and rate defaults for each customer.

Click **Reports from the left navigation bar -> Standard -> Search Sales Tax** to view list of available reports:
Locate and save the following reports as favorites by clicking the **Star** to the right of each report.

- **Taxable Sales Summary**
- **Taxable Sales Detail**

Note: What you need to know:
You can mark a product or service as taxable or nontaxable on the sales transaction. If you sell a taxable item to a nontaxable customer, QuickBooks Online will not calculate any sales tax. The default tax status for all new customers is taxable.

From the **Sales Tax Center**, click **View return.** Click the **+ Add an adjustment link**, if you need to adjust the balance due. **Click Record payment** to create a transaction and post to your bank register. It is important to record all sales tax payments using the record payment option in the Sales Tax Center. Complete the following instructions. Most state tax agencies have an online system for completing filing requirements and making payments.



1. **To setup the Sales Tax Center, where do you go?**
   a) Left Navigation Bar->Taxes
   b) Gear->Account and settings
   c) Accounting->Chart of Accounts
   d) None of the above

2. **To edit sales tax rates for a specific county, where do you go?**
   a) + New->Other
   b) Left Navigation Bar->Taxes->Sales tax settings
   c) Left Navigation Bar->Sales
   d) All the above

3. **To create a new taxable product, where do you go?**
   a) + New->Sales Receipt
   b) Gear->All Lists->Products and services
   c) Gear->Products and services
   d) Both B & C

4. **Which of the follow reports would you use to review sales tax owed?**
   a) Sales by Customer Summary
   b) Balance Sheet
   c) Sales Tax Liability
   d) Both B & C

5. **To enter a new invoice with sales tax, where do you go?**
   a) + New->Sales Receipt
   b) Gear->All Lists
   c) + New->Invoice
   d) Both B & C

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1. **Review Video Links:**

   How to Set up Sales Tax

   How to Track and Pay Sales Tax: Tracking, Recording, & Reports

   How to Collect & Record Sales Tax:

2. **Setup the Sales Tax Center. Click through the first screen in the wizard and complete the setup manually.**
   a. Start Date 01/01/Current Year
   b. Frequency - Monthly
3. **Setup custom sales tax rates:**
   a. The Tax Agency should already be; California Department of Tax and Fee Administration
   b. San Diego Combined = 7.25% Total, County Tax 6.25%, District Tax 1%
   c. City of Chula Vista 8.75% (Not Combined)
   d. City of El Cajon 8.25% (Not Combined)
4. **Explore the Sales Tax Center.**
5. **Explore the Sales Tax Center Shortcuts.**
6. **Locate and review the following Sales Tax reports:**
   a. Tax Liability Report
   b. Taxable Customer Report
   c. Taxable Sales Detail
   d. Taxable Sales Summary

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Online Foundation Training

SECTION 5
PRODUCTS AND SERVICES

Objectives
Product and Services List
Product and Service Types
Product and Sales Reports
Practice Test
Case Study Activities

Upon completion of Section 5, each participant will be familiar with:

- How to set up Products and Services.
- How to manage the Products and Services List.
- How to determine Products and Services types.
- How to review Products and Services reports.

The next step in Inflow's setup process is to create a **Products and Services** list. The Products and Services list represents the list of products and/or services that a business sells, a foundational element in QuickBooks Online. You will use items from the list to create customers, invoices, enter purchase orders, track inventory levels and re-order points, and much more. Every item on the list interacts with the Chart of Accounts.

Josh does not fully comprehend how QBO utilizes Products and Services types. It is important we clarify his understanding as many business owners find this confusing. We will help him set up **classes** to track information for commercial, new construction, and residential jobs. The ability to track this information will help him determine which areas of the business are producing the most profit, etc. Use the **location** classification for Chula Vista, El Cajon, and San Diego to help Josh track sales by location for city license reporting. Also, show him how he can access a Profit & Loss report by class or by location. Finally, show Josh how to use **tags** to track employees and the jobs they worked.

We will then conclude the section by showing Josh how to access several key Inflow reports related to the products and services he sells. We guarantee Josh will be excited when he sees the depth of information that is simply one click away!

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Products and Services

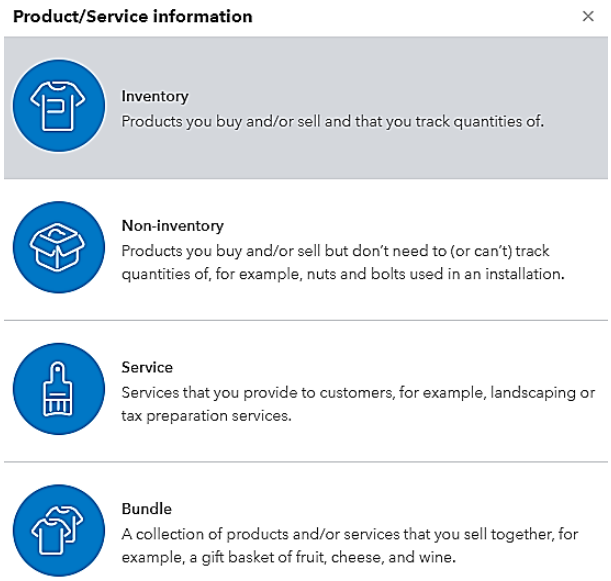
It is time to set up a list of Products and Services if you are using invoices and sales receipts to charge customers, generate sales reports and track top selling items.

Click the **Gear icon -> Products and Services.**

If the following window appears, click **Add an item.**

If not, continue forward to the next slides.

Select a type to add or click the **X** to return to the products and services list window. We will utilize **Inventory, Non-inventory, Service**, and **Bundle items**.



Note: You are not required to use the Products and Services list. However, if you intend to invoice customers, track sales and populate sales reports you will need to create and maintain a Products and Services list. Products and services allow you to use standardized descriptions across all customer sales forms.

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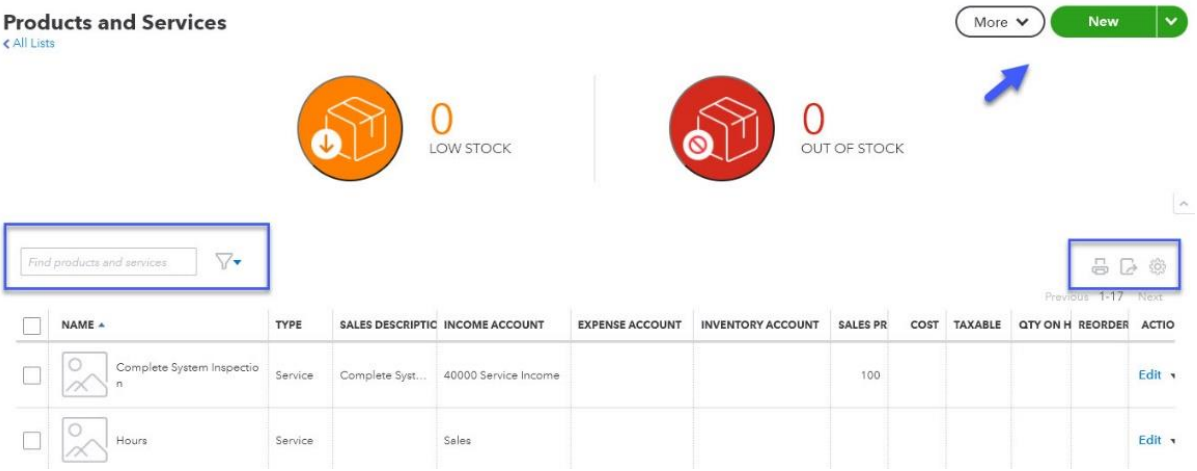
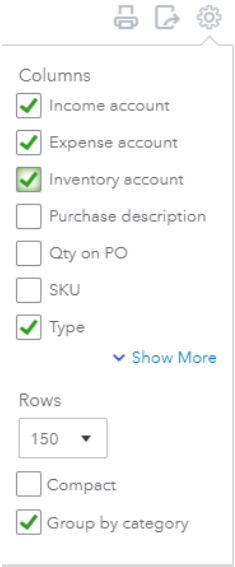
As you add items to your list, you can use the following features to manage your products and services. This will help ensure accuracy between the list and the chart of accounts.

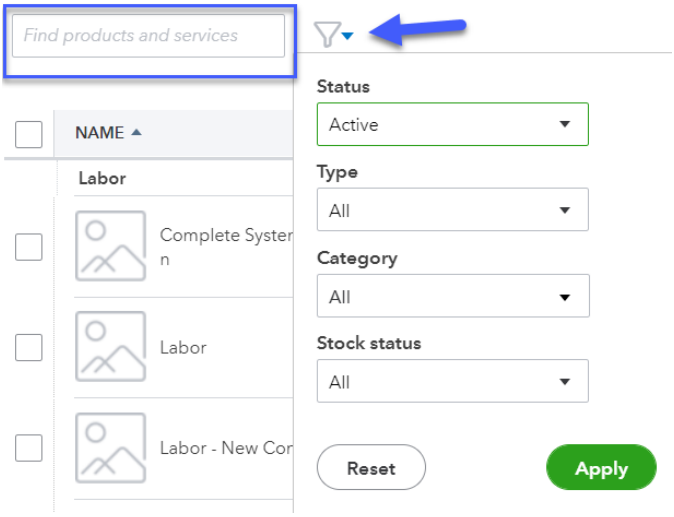


Click the **Small Gear** to add or remove columns you wish to display in your products and services list. This will provide information at the time of need.



Search Products and Services

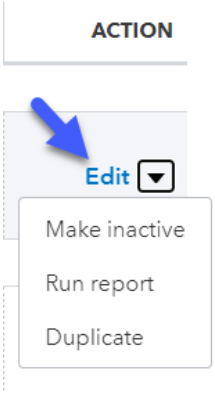
Use the Search and Filter features to find specific items. You can filter by **Status** (**Active**, **Inactive**, or **All**), as well as by **Type** and **Category.**



Edit Products and Services

Click **Edit** to change information for a Product or Service.

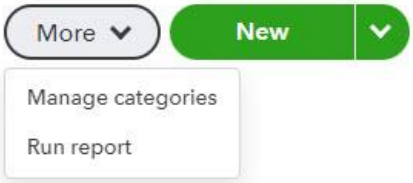
Click the down arrow to duplicate, inactivate, or run a report for a service item.



Run Reports or group products/services by **Category**.

The **Product and Services** list displays information for each product or service.

Click the **Gear** icon to add and remove columns from the list.



Products and services are required on sales forms, bills, checks, and expenses to track sales and costs per item.

- **Inventory items –** Products we purchase, store on a shelf, and sell later. This type of item is tracked as an Inventory Asset on your Balance Sheet. When we sell an inventory item, the asset is reduced, and the sale and cost of the item is recorded on the Profit and Loss as income and Cost of Goods Sold.

- **Non-inventory items –** Products we do not stock but buy and sell to customers. We can track how many we have sold without tracking quantity on hand. The sale is recorded as Income and the purchase is recorded as Cost of Goods Sold on the Profit & Loss.

- **Service items** – Allows you to track the work or services you provide customers (i.e.. installation fees for fountains, sprinklers, etc.) also allows us to see how much we have sold per item.

- **Bundle Items** – A group of multiple existing items. A Bundle will populate on sales forms. This works great when you have recurring invoices with multiple items that are the same each month.

Note: What are the different Product and Service types, what is their functionality? If you are using a shopping cart or other third-party platform to track sales, you will need to map the application to QBO if you want to sync the information.

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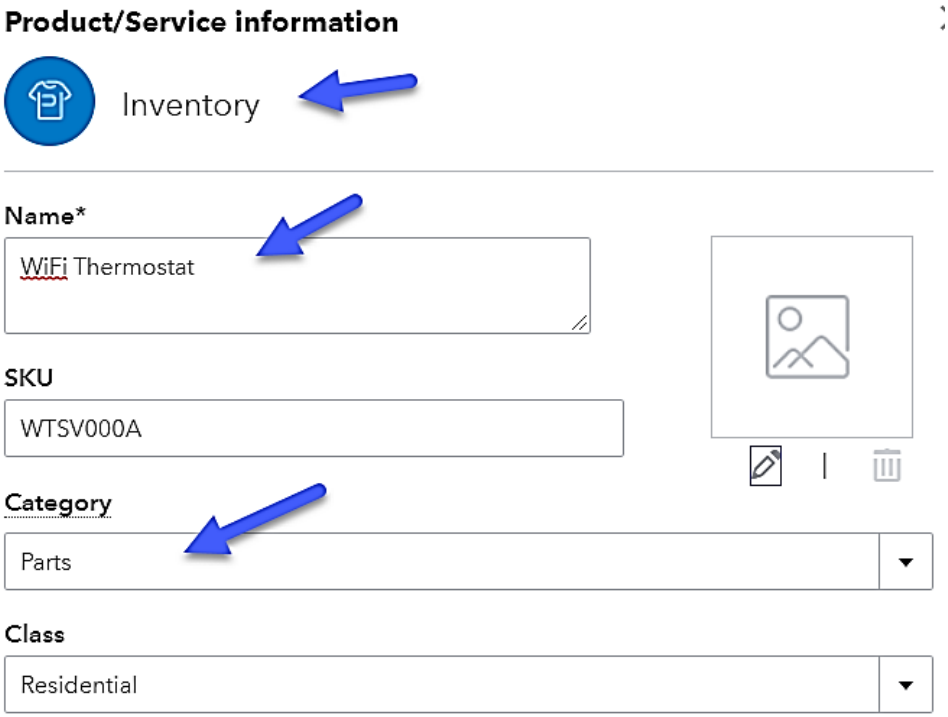
Inventory Item

Inventory items are products we purchase, store on a shelf, and sell later.

Enter the **Name** of the **Inventory** item, **SKU** number if applicable, **Upload a Photo** of the product, and organize products by **Category.**

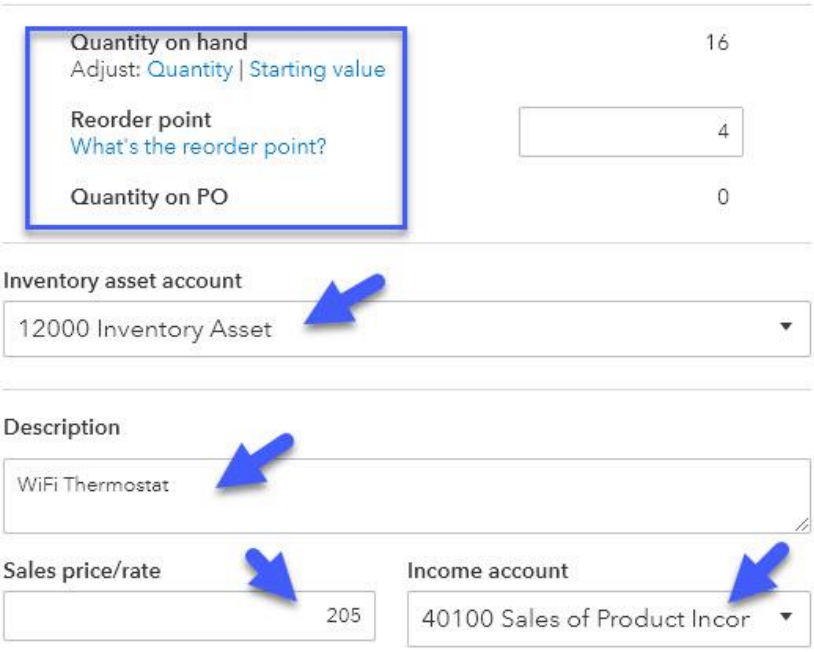
Click the Gear icon -> select Inventory.

Note: Fill in the name and category fields. Categories help us group Products and Services. If you are using classes, you can add a default class to an item or add it as you enter transactions.



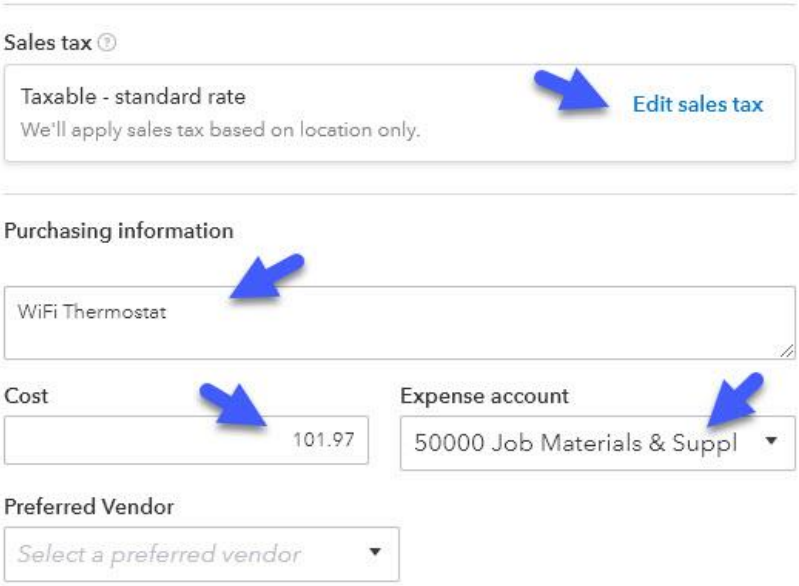
Note: Non-Inventory, Service and Bundles can be changed to Inventory types. Once you change the type to an Inventory item, you cannot change it again.

When you create an inventory Item, the quantity and starting value will be zero. It is important to set the starting value date prior to the date you will use when entering transactions that use this item. The re-order point alerts us when we are getting low as we sell those items. The Inventory Asset default account tracks current inventory value on our Balance Sheet. The description will auto populate on sales receipts and invoices. It is important to set a default sales price and income account. This helps us track a value for income on the Profit & Loss. This information is also tracked with Inventory and Sales reports.



Note: For each product and service, you need to enter an income account in order to record the sale properly. Products allow you to set reorder points to track low quantities.

The last section of an inventory item setup is to enter purchase information. Products we sell are often considered taxable and we are required to collect the tax on behalf of the state. It is important to select the taxable option to track this information. The purchase information will auto-populate on purchase orders, bills, checks and expenses. The cost and expense accounts will track and post information to the Profit and Loss. We will discuss sales tax, purchasing and inventory later in this training.



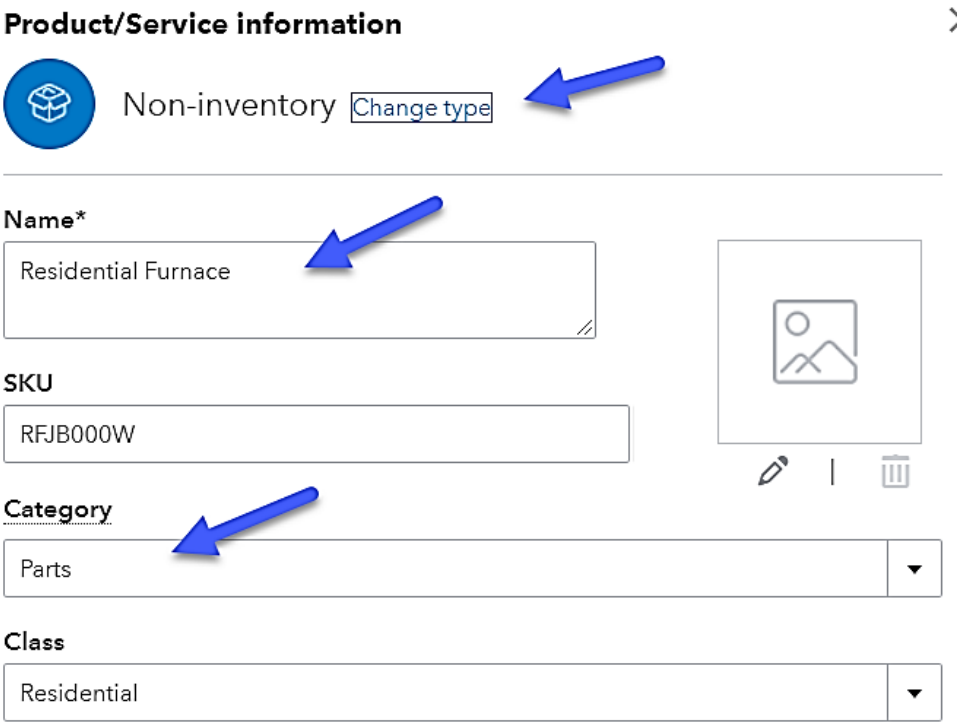
Note: What you need to know about Inventory items: Inventory is anything you buy, sell, and track quantity on hand. Inventory is available with QuickBooks Plus and Advanced. When you setup an inventory item, you must specify the quantity on hand as the starting point (even if it is zero). You can adjust the quantity on hand. Use the Open Purchase Order Detail report to see the inventory items that have been ordered and are waiting to be received.

Non-Inventory Item

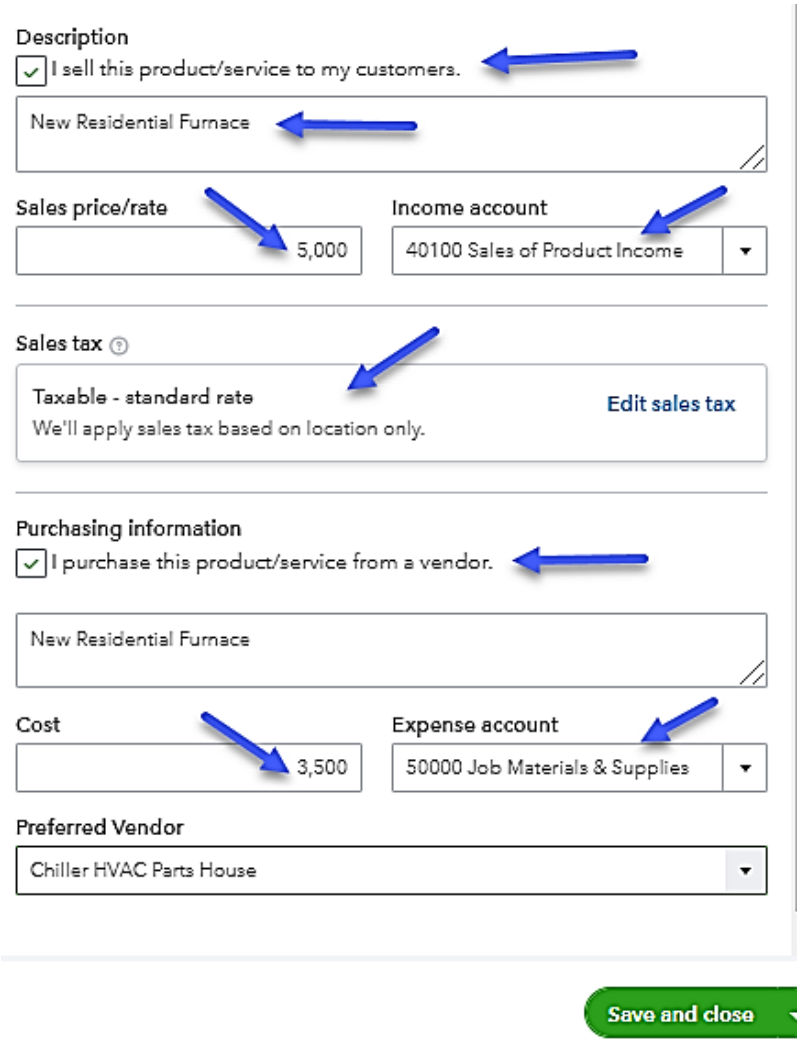
Non-inventory items are products we sell to customers without tracking quantity on hand. We purchase them specifically for jobs and projects. This type of item gives us the ability to track sales of items without having to keep track of inventory.

Click the Gear icon -> Products and Services -> New -> select Non-Inventory.

Note: The name and category fields are filled in. Categories help us organize products and services and you can change the type after you create the product or service in the system. In our example, Residential Furnace, can be purchased as inventory items and made available for sale, or they can be treated as non-inventory which allows the customer to order a specific furnace for a specific project.



Notice the box “I sell this product/service to my customers” is checked. A sales price and Income account are required. This Non-inventory item is taxable. We do not check the box “I purchase this product/service from a Vendor” because we create this item using multiple ingredients, then sell it to our customers. In this case we will track sales only. Notice the required fields for a service item. **Click Save & Close.**



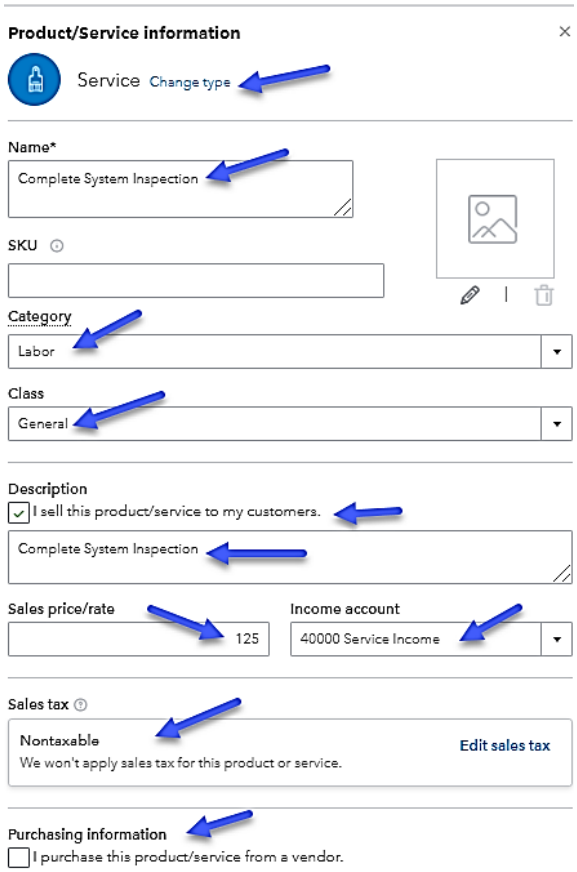
Service Item

A Service item is used to track all services you provide customers.

Click the **Gear icon -> select Service.**

Notice you can change a service item type after you set up the service. This helps to fix errors when setting the type incorrectly.

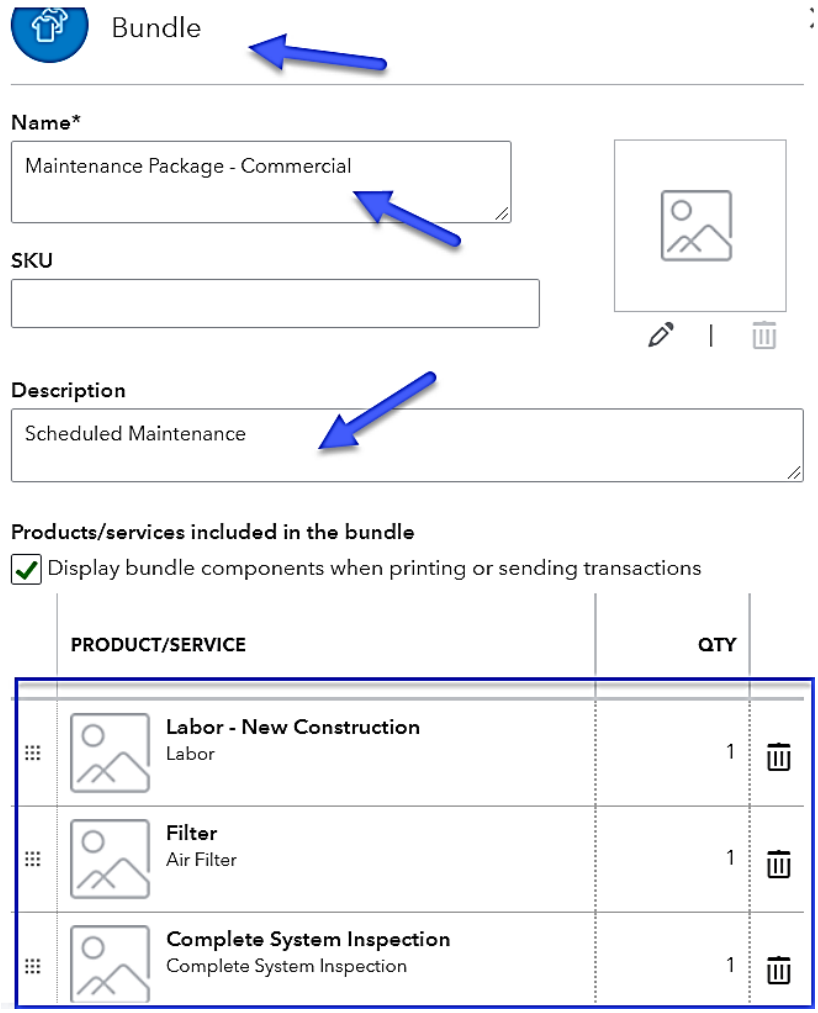
Service items do not require the collection of sales tax. To avoid mistakes, change the default setting to non-taxable. Click **Edit Sales Tax -> Scroll to Still don't see what you're looking for?** Select **Non-Taxable -> Done.**



Note: The sales tax field would be set to "Nontaxable"; **t**he purchase information does not typically apply to service items. Simply uncheck the box **"I purchase this product/service from a vendor."** We would not need a 'Design' income category since we are tracking sales by service. We already have it set up as a service item tracked through reports.

Bundle

A bundle is created when we group individual items together as a package. This helps to populate several line items on a sales receipt or invoice using one item made up of multiple items. Each individual item has its own default setting, then is grouped in the bundle.



Do not overlook the power of reports and the importance of consistently utilizing the information to manage your business. In most Centers or areas of QuickBooks Online, you will find useful reports to help develop a deeper understanding of your business and how to use the financial data to continually improve company performance. Reports can be very powerful when the data is accurate.

Click **Reports in the Left Navigation Bar -> Standard -> Search Sales** to locate the following reports, (save them as favorites):

Sales by Products/Services Summary provides a summarized view for all sales of products and services. When sorted in descending order, we can see our top selling products or services instantly.

Sales by Products/and Services Detail - Provides detailed information for sales of products and services.

1. **You are setting up an item for a customer for a part you do not stock regularly. Which item type would you use?**
   a) Non-Inventory
   b) Bundle
   c) Inventory
   d) Service

2. **You are setting up items for parts you stock and sell regularly. Which item type would you use?**
   a) Service
   b) Inventory
   c) Non-Inventory
   d) Bundle

3. **You are setting up an item to invoice customers for labor on specific jobs. Which item type would you choose?**
   a) Inventory
   b) Non-Inventory
   c) Bundle
   d) Service

4. **Which of the following statements is NOT true about Products and Services?**
   a) Service items can be changed to other types.
   b) You can set up Inventory, Non-inventory, Service, and Bundle types.
   c) Inventory types can be changed to another type.
   d) You can set up and manage categories to group Products and Services.

5. **You want to invoice several items at the same time. What item type would you use?**
   a) Service
   b) Non-Inventory
   c) Bundle
   d) Inventory

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In order to record sales and invoice customers, we need to set up our Products and Services items. Remember, this allows the owners to track sales by product or service to determine their top selling products and services. Josh has already determined the items that will be used when recording sales going forward.

1. **Review Video Link:**
   The Products and Services List
   Advantages of Products and Services
2. **Manually create the Inflow Product & Services List** using **the Inflow Heating and Cooling Products and Service List.csv file** provided by your Instructor. Remember to pay attention to all the details in the file for an accurate setup., especially when it comes to the inventory items. You can compare your results to the .csv file and screen shots on the following slides.
   Starting value for qty on hand should be 8 for all inventory items. Date 12/1/prior year, cost is included in the .csv file.
3. **Manually create two bundle type service items.** Use the individual items you setup in the services and products list.
   a. **Maintenance Package – Commercial:**
      Labor – Commercial & Residential
      Filter
      Complete System Inspection
   b. **Maintenance Package – Residential:**
      Labor- Commercial & Residential
      Filter
      Complete System Inspection

Important! You can use the **Product and Service List.xlsx** file as a reference. This file contains valuable information such as default classes and locations. It is important this list is accurate, as it is used in many transactions in the remaining Case Study Activities.

4. **Compare your service list to the following screen shot.** Make corrections as needed.

   Note: Remember you can filter item types when viewing the list on the screen. Also, you can use the small gear to add and remove columns you view on the screen.

NAME	TYPE	SALES DESCRIPTION	INCOME ACCOUNT	EXPENSE ACCOUNT	SALES PI	COST	TAXAB	REORDE	ACTION
Labor									
Complete System Inspection	Service	Complete System Inspection	40000 Service Income		125				Edit
Labor - Commercial & Residential	Service	Commercial & Residential	40000 Service Income		125				Edit
Labor - New Construction	Service	Labor	40000 Service Income		150				Edit
Service Calls	Service	Service Calls	40000 Service Income		125				Edit

5. **Compare your inventory items to the following screen shot.** Make corrections as needed.

NAME	TYPE	SALES DESCRIPTION	INCOME ACCOUNT	EXPENSE ACCOUNT	SALES PI	COST	TAXAB	REORDE	ACTION
Parts									
Contactor	Inventory	Contactor	40100 Sales of Product ...	50000 Job Material...	21	10.06	✔	4	Edit
Filter	Inventory	Air Filter	40100 Sales of Product ...	50000 Job Material...	15	5	✔	4	Edit
Ignitor	Inventory	Ignitor	40100 Sales of Product ...	50000 Job Material...	37	18.90	✔	4	Edit
Programable Thermostat	Inventory	Programable Thermostat	40100 Sales of Product ...	50000 Job Material...	82	40.75	✔	4	Edit
Universal Blower Motor	Inventory	Blower Motor	40100 Sales of Product ...	50000 Job Material...	450	220.25	✔	4	Edit
WiFi Thermostat	Inventory	WiFi Thermostat	40100 Sales of Product ...	50000 Job Material...	205	101.97	✔	4	Edit

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6. **Compare your Non-Inventory items to the following screen shot.** Make corrections as needed.

NAME	TYPE	SALES DESCRIPTION	INCOME ACCOUNT	EXPENSE ACCOUNT	SALES PI	COST	TAXAB	REORDE	ACTION
Parts									
Commercial Unit	Non-inventory	New Commercial Unit (Hea...	40100 Sales of Product ...	50000 Job Material...	12,700	6,350	✓		Edit
Compressor	Non-inventory	Compressor	40100 Sales of Product ...	50000 Job Material...	1,910	954.55	✓		Edit
Residential AC	Non-inventory	New Residential A/C	40100 Sales of Product ...	50000 Job Material...	5,000	3,500	✓		Edit
Residential Furnace	Non-inventory	New Residential Furnace	40100 Sales of Product ...	50000 Job Material...	5,000	3,500	✓		Edit

7. **Compare your Bundle items to the following screen shot.** Make corrections as needed.

NAME	SKU	TYPE	SALES DESCRIPTION	SALES PRICE	COST	TAXABLE	QTY ON HAND	REORDER POINT	ACTION
Maintenance Package - Residential		Bundle	Scheduled Maintenance						Edit
Maintenance Package - Commercial		Bundle	Scheduled Maintenance						Edit

Note: If you make a mistake setting up your products and services list, you can make the necessary adjustment manually. However, you will also need to manually correct transactions where those items were previously used.

Online Foundation Training

SECTION 6
SUB-CUSTOMERS & PROJECTS

Objectives
Sub-Customers
Projects
Practice Test
Case Study Activities

Section 6 Objectives

Upon completion of Section 6, each participant will be familiar with:

- How to set up and use Sub-customers.
- How to track Projects.
- How to review Customer and Project Reports.

Inflow Heating and Cooling has recurring monthly maintenance contracts with multiple customers, as well as customers with multiple addresses (locations). Josh knows there is a more efficient way to invoice ongoing service contracts and track information by location. He can use the Bundle Product and Service Type to create a recurring invoice for customers who subscribe to multiple services or product items.

It would be wise for Josh to track all locations as a separate Sub-customer (job) and add the specific location address to each Sub-customer. Using Sub-customers works best for multiple jobs under one customer, something he will encounter a lot in the commercial side of Inflow's business. They can still bill the Parent customer for all locations. The use of Sub-customers will help Josh see all income and expenses per job, even though they bill the same customer.

The use of Projects requires the Plus or Advanced QBO subscription. This feature is used when there is a need to track income and costs such as time and burden rate per Project. The Projects page lists all current Projects and provides a snapshot of each Project's profitability.

Help Josh decide when to use Projects vs. Sub-customers and make sure he understands the difference. As we follow Inflow's journey, we begin to understand the power of accounting applications and how they can impact on the company's success!

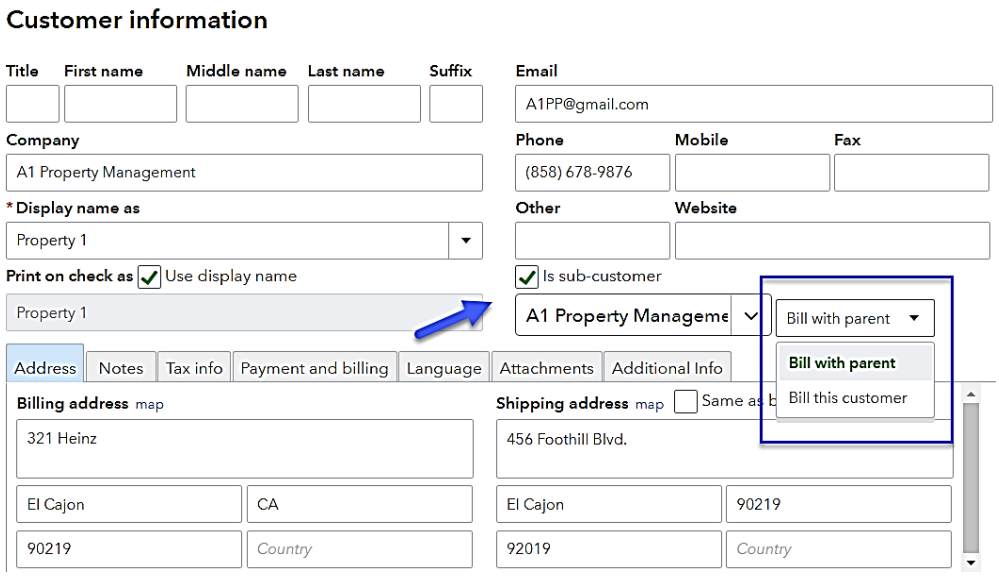
Sub-Customers

Sub-customers are used to track information for multiple jobs for a specific customer. An example includes multiple jobs for multiple locations for the same customer.

Add a new customer and check the box, **is a sub-customer.**

(Sub-customers can be used for different billing addresses, however, avoid using sub-customers as projects. Projects do not show in the Customer List.)

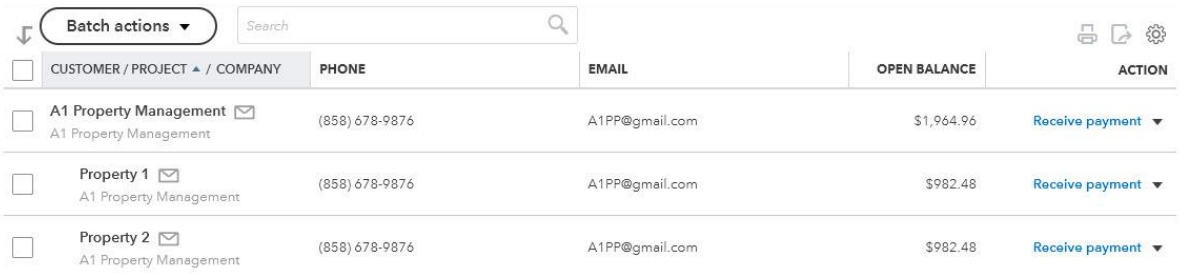
Sub-customers works best for multiple jobs under one customer.



Bill with parent –allows you to invoice the parent customer and receive payments across multiple sub-customer invoices.

Bill with customer –allows you to create the invoice and receive the payment using the sub-customer. You can use different addresses when invoicing a sub-customer.

Here is an example of a customer with sub-customers. It is important to select the sub-customer when creating transactions.



Sub-customer Reports:

Estimates by Customer – Displays estimates and status per customer and sub-customer.

Income by Customer Summary – Horizontal view of income, expenses, and net income per customer and sub-customer.

Profit and Loss by Customer – Identifies income and expenses by customer and sub-customer.

Customer Balance Summary – Totals view of Open Balances by customer and sub-customer.

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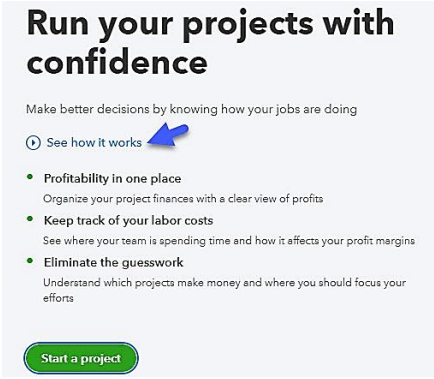
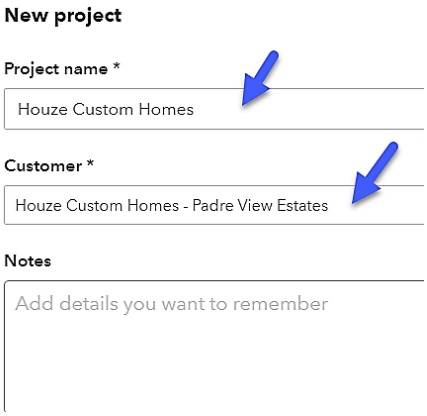
Set up and use **Projects** when tracking income, material costs, and labor expenses. (Assigning income and costs to a project is a more efficient way to determine profitability. Adding labor costs with or without QuickBooks Online Payroll will help identify non-productive time that impacts our bottom line.) Projects allow you to track how far you are into a specific project by choosing the status (in progress, completed, or canceled). If using QBO Payroll, use time tracking to allocate the employees wages and costs to the project. If you do not use QBO Payroll, you can assign hourly rates to account for the costs associated with labor.

Click **Projects -> see how it works (to watch the video) -> Start a project.**

Create a **Project name** (different than the customer's name), select the appropriate customer from the customer list, add any notes regarding the project.

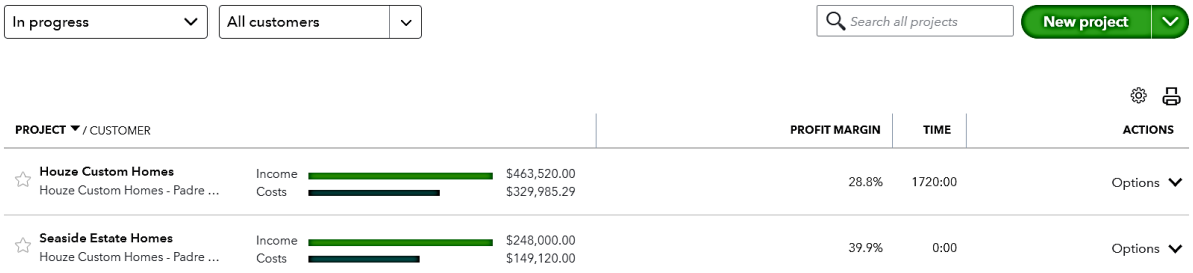




Important to know: Projects are available in both Plus and Advanced subscriptions. Projects runs independently from payroll processing and help to track job costs and income to determine profitability for each job.

From the **Projects** window, you can filter progress per customer or for all customers, search or add a new project, or change the status of a current project. You can edit or delete projects as needed.

Click the **small gear** icon to manage how columns are displayed.

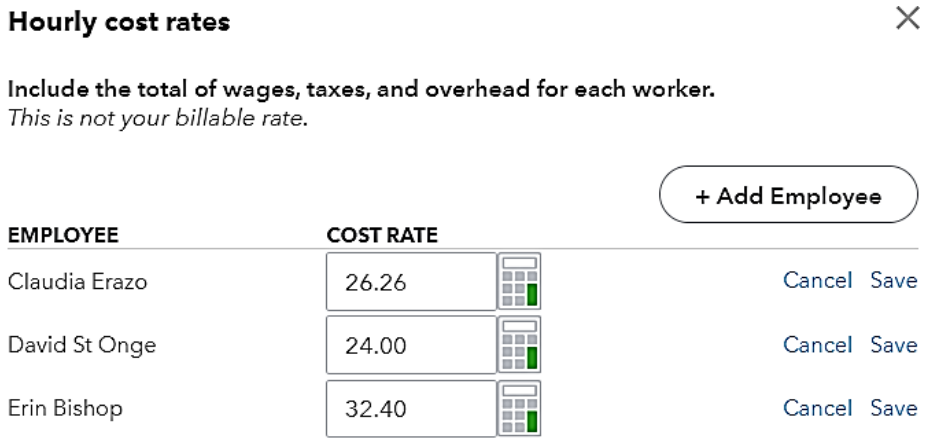


Note: Use the status drop-down menu to track projects in progress, completed or cancelled.

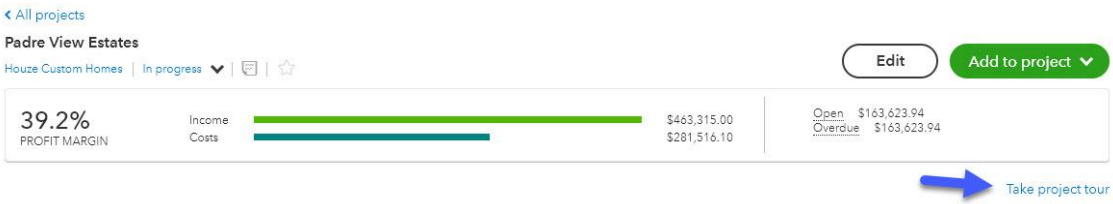
You can add a percentage to an employee's current hourly rate. First determine all categories you will include in your cost rate.

Cost rate – Pay rate + % of overhead + employer taxes + any additional expenses

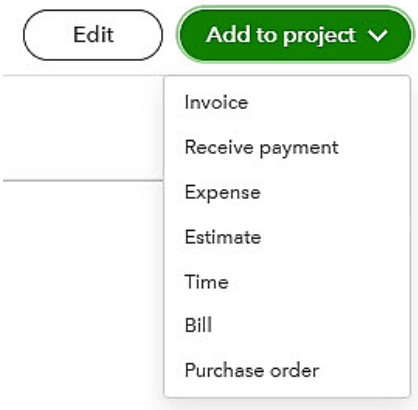
Billable rate –Amount you charge customers for products and services. The billable rate represents potential Income. Sales (income) – Cost rates (expenses) = Profit from a Sale or Project.



Once you create a Project, click the **Project** to open the Project window. Click **Take project tour.**

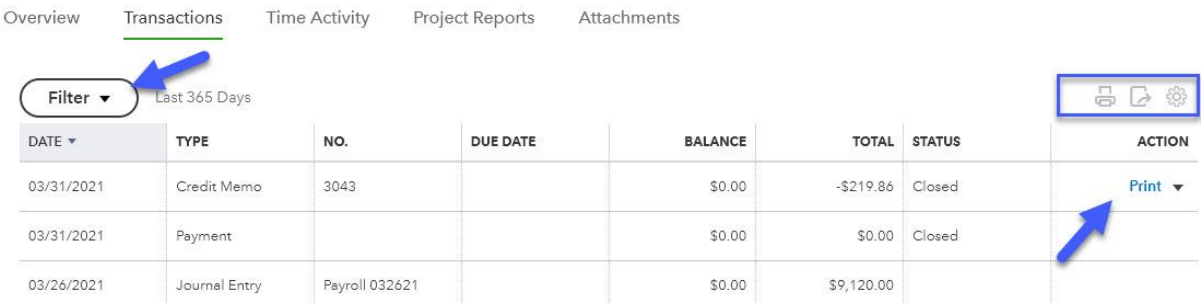


Click the drop-down arrow next to **Add to Project** and select additional features you would like to add to the project. (Invoices, Receive payments, Expenses, etc.). You can click the Edit button to change project information.

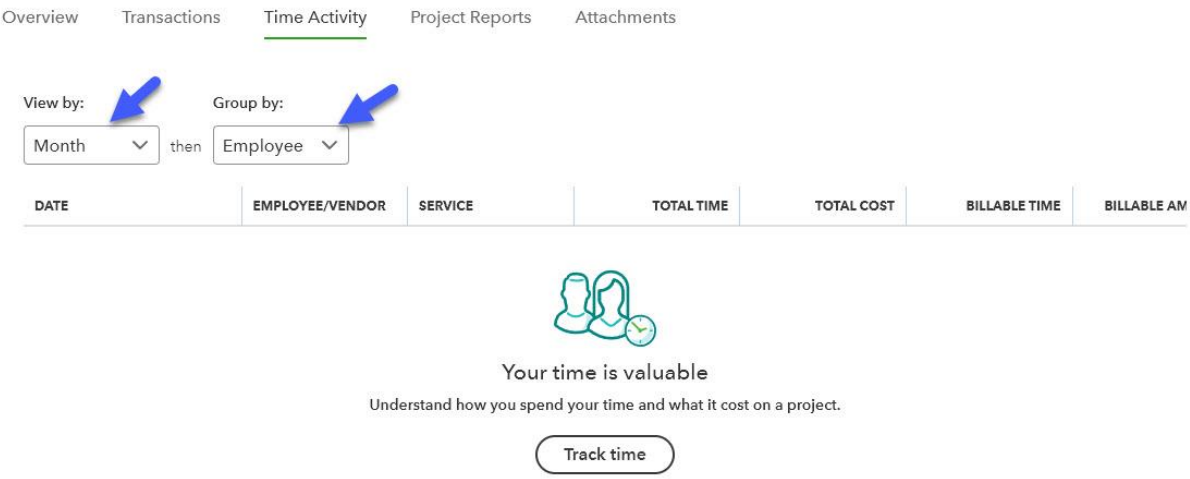


Overview tab – View your project's performance from start to finish. Track income and costs, including labor.

Transactions tab – Follow the money to see your project organized by income and costs to make sure you stay profitable.



Time Activity tab – You can add your team's time, know what they worked on and how it affected the project costs. This pulls from timesheets, not actual payroll. You can track billable time and convert the time activity into customer invoices.

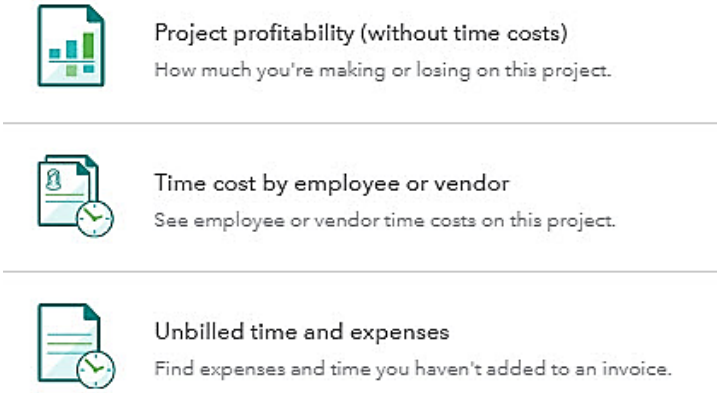


Project Reports tab– Provides multiple views of your project. Drill down to access details on what has been spent, how much has been invoiced, etc.

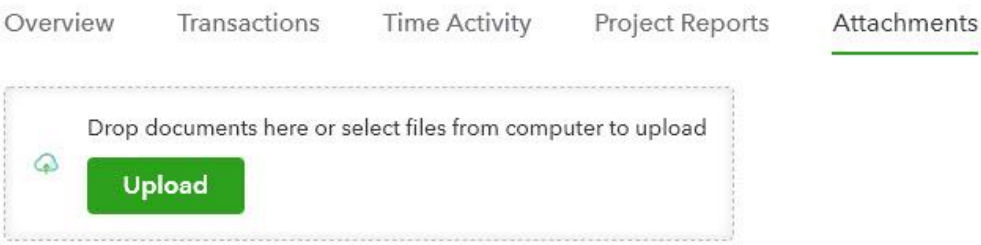
Project profitability report – Provides information on all costs except time tracked.

Time cost by employee or vendor - Provides information on time tracked per project based on the hourly cost rate entered for each employee or vendor.

Important! Unbilled time and expense is used to review the unbilled time and costs you intend to invoice your customer. You can find unbilled time in Expenses under the Project tab and Unbilled Time and Charges from the Reports window.



Attachments tab – Provides the ability to upload documents related to projects. This is a very useful feature that ensures backup information is available at the time of need.



1. **You want to track income and expenses for a customer with multiple locations, which classification would you use to setup the customer?**
    a) Sub-customer
    b) Customer
    c) Vendor
    d) Project

2. **You decide to track income and costs for a specific customer, which option would you choose?**
    a) Sub-customer
    b) Project
    c) Customer
    d) Vendor

3. **You want to create a new project, where would you go?**
    a) Customer Center
    b) Gear->Lists
    c) +New->Customer->Projects
    d) Left Navigation Bar->Projects->New Projects

4. **You want to create a Sub-customer, where would you go?**
    a) Left Navigation Bar->Projects->New Project
    b) Gear->Projects
    c) Gear->All lists
    d) Left Navigation Bar->Sales->Customers

5. **You want to create a list of employees and add their Hourly Cost Rate, where would you go?**
    a) Left Navigation Bar->Cash Flow center
    b) Left Navigation Bar->Customer Center
    c) Left Navigation Bar->Projects
    d) Gear->All Lists

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1. **Review Video Links:**

   [Organize Customers with Sub-Customers]

2. **Create Sub-Customers for A1 Property Management.** Refer to the training if you need additional help. Go to the Customer Center to complete this account.

Property 1 Shipping Address	**Property 2 Shipping Address**
456 Foothill Blvd	458 Foothill Blvd
El Cajon, CA 90219	El Cajon, CA 90219

Note: Property 1 and Property 2 have different addresses. Because we used the bill to parent feature, they will show in the customer list with the parent address.

☐	**A1 Property Management**	321 Heinz El Cajon CA 90219	(858) 678-9876	A1PP@gmail.com
☐	**Property 1** A1 Property Management	321 Heinz El Cajon CA 90219	(858) 678-9876	A1PP@gmail.com
☐	**Property 2** A1 Property Management	321 Heinz El Cajon CA 90219	(858) 678-9876	A1PP@gmail.com

3. **Review Video Links:**

   Projects: Intro

   Customer and Project Costs: Intro

   Turn on Customer/Project Costs

   Record Customer/Project Costs

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4. **Create two Projects – Go to Projects from the left navigation bar.**
    a. Project Name – Padre View Estates

       Customer – Houze Custom Homes
    b. Project Name – Seaside Estate Homes

       Customer – Houze Custom Homes

5. **Add Employees and their cost rates. Use the screen shot below.**
6. Click **+Add Employee** and enter the name, click **Save**. Click **Add** to the right of the employee's name and enter the cost rate, click **Save.**

Hourly cost rates

Include the total of wages, taxes, and overhead for each worker.
This is not your billable rate.

+ Add Employee

EMPLOYEE	COST RATE
Claudia Erazo	$26.26/hr
David St Onge	$24.00/hr
Erin Bishop	$32.40/hr
Jared Jones	$32.40/hr
Nico Quinn	$18.00/hr
Paige White	$32.40/hr
Sean Black	$36.00/hr
Victoria Conners	$32.40/hr

Online Foundation Training

SECTION 7
BEGINNING BALANCES

Objectives
Beginning Balances
Historical Transactions
Recurring Transactions
Case Study Activities

Section 7 Objectives

Upon completion of Section 7, each participant will be familiar with:

- How to enter Beginning Balances.
- How to enter Historical Transactions.
- How to manage Recurring Transactions.
- How and when to use Adjusting Journal Entries.

When Inflow Heating and Cooling was first established in 2015, they used QuickBooks Desktop as their accounting application. They now know QuickBooks Online will better serve their needs. Let's help Josh establish and enter beginning balances to ensure the accurate start necessary to build a solid financial foundation.

The QuickBooks Desktop file Josh used previously was too large to upload directly to QuickBooks Online. Because of this, we will use adjusting journal entries to enter the Balance Sheet and Profit & Loss totals as of 12/31/19 to record beginning balances.

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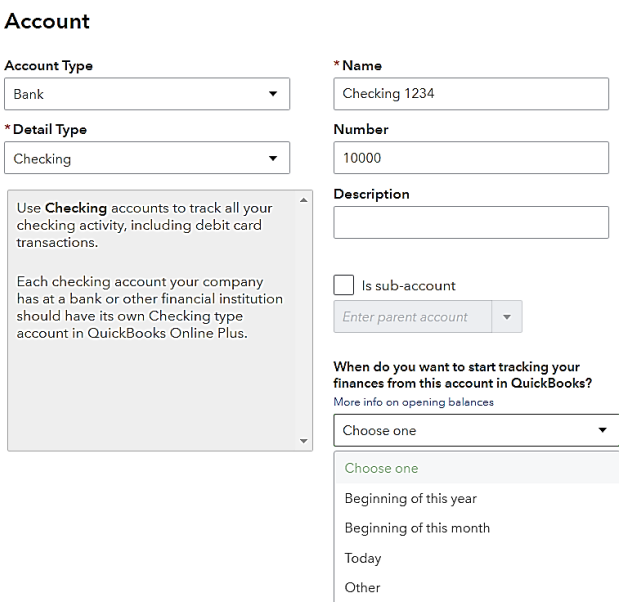
It is important to verify or enter beginning balances and historical data. Your Accountant can assist you in using a journal entry or you can add beginning balances when adding accounts to your Chart of Accounts list.

If you have converted data, then you would have compared a Balance Sheet and Profit & Loss Statement (set for all dates and accrual basis) in QuickBooks® Online with the same reports in the accounting application you were using.

Enter beginning balances when setting up a new bank account, credit card account, and other assets and liabilities. Opening balances default to **Open Balance Equity** in the Chart of Accounts.



Note: Accounts Receivable (customer invoices) and **Accounts Payable** (unpaid bills) should be entered individually to match beginning balances.

Journal Entries are used to record beginning balance transactions, or transactions that occur outside of the business bank and credit card accounts. QuickBooks automatically enters the date and journal entry number, but you can change them anytime. You must enter at least two accounts and at least one debit and one credit, in order to save the journal entry. The debit and credit totals must match.

Click **+ New -> Journal Entry.**

Verify the date and Journal number. Enter the account, amounts, description and name if applicable. Click **Save.**

Journal Entry #AJE01 Balance Sheet Help

12/31/2020 AJE01 Balance Sheet

	#	ACCOUNT	DEBITS	CREDITS	DESCRIPTION	NAME	LOCATION	CLASS
	1	10000 Checking 1234	30,250.25		Beginning Balance		San Diego	General
	2	10100 Payroll 5678	15,000.00		Beginning Balance		San Diego	General
	3	10200 Savings 9101	10,000.00		Beginning Balance		San Diego	General
	4	12000 Inventory Asset	7,938.26		Beginning Balance		San Diego	General
	5	15000 Furniture & Fixtures	7,529.67		Beginning Balance		San Diego	General
	6	15100 Machinery & Equipment	25,276.23		Beginning Balance		San Diego	General
	7	15200 Vehicles	119,615.59		Beginning Balance		San Diego	General
	8	16000 Accumulated Depreciation		68,725.22	Beginning Balance		San Diego	General
	9	17000 Leasehold Improvements	35,312.87		Beginning Balance		San Diego	General
	10	17500 Accumulated Amortization		6,035.24	Beginning Balance		San Diego	General
	11	19000 Security Deposits	5,000.00		Beginning Balance		San Diego	General
	12	21000 Chase 1125		5,932.31	Beginning Balance		San Diego	General
	13	23000 Line of Credit 1946-01		15,026.27	Beginning Balance		San Diego	General
	14	22000 Federal Tax Payable		7,629.88	Beginning Balance		San Diego	General
	15	22100 State Tax Payable		7,243.76	Beginning Balance		San Diego	General
	16	22200 Wage Garnishments		139.50	Beginning Balance		San Diego	General
	17	27200 Note Payable - 2017 GMC		28,784.32	Beginning Balance		San Diego	General
	18	27300 Note Payable - 2018 GMC		24,159.67	Beginning Balance		San Diego	General
	19	33100 Owner's Draw	72,000.00		Beginning Balance		San Diego	General
	20	32000 Retained Earnings		164,246.70	Beginning Balance		San Diego	General
	21							

Add lines Clear all lines

Memo

Note: What is required to create a journal entry? Accountants typically provide adjusting journal entries when completing the tax return. For example, Depreciation Expense is used in conjunction with Fixed Assets. We depreciate assets over specific periods of time.

Entering Historical Information

When entering historical information use the following process:

Accounts Receivable – Enter transactions (invoices, payments, and deposits) in the same order and date they were created or received. This process creates a historical record of transactions by Customer.

Invoice – Click the **+ New icon -> Invoice** and enter each invoice sent between your start date and today. Be sure to use the correct dates as well as the Products and Services List.

Receive Payment – Click the **+ New icon -> Receive Payment** and enter all payments received by Customers between your start date and today. When payments are received, they are posted to a default holding account known as Undeposited Funds.

Bank Deposit – Click the **+ New icon -> Bank Deposit** to select payments and post deposits to the bank register. This is a very important step intended to group payments that match the deposit sent to the bank. This step clears out the Undeposited Funds holding account.

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Pay Bills – Click the + New -> Pay Bills to attach payments to bills.

Bank Transactions – If you are entering historical transactions for more than a one-month time frame, enter the transactions one month at a time and reconcile all bank and credit card accounts before going on to the next month.

There are three ways to enter historical bank transactions: manually, import feature or connect bank accounts (per Section 2 training).

Use the following process to enter bank transactions:

1) Manually enter all checks by clicking the **+ New icon -> Check** and entering all checks posted one month at a time.
2) Manually enter debits by clicking the **+ New icon -> Expenses** and entering all debits posted to the bank one month at a time.
3) Connect the bank account to QuickBooks® Online – **Dashboard -> Connect Accounts or Banking -> Add Account** and follow the setup process. Use caution when selecting the period to download transactions to avoid duplicate transactions.
4) Export and import transactions from your bank to QuickBooks Online.
5) Complete Bank Reconciliation – Click the **Gear icon -> Reconcile**. Deposits and bill payments should already be posted to the register.

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Recurring transactions are memorized transactions that recur daily, weekly, monthly, etc. Use this feature to record repetitive transactions such as bills, checks, auto-debits, invoices, and credit memos. When properly maintained, the use of Recurring transactions can save considerable time and effort. Work-flow efficiencies translate into higher profit margins.

Note: It is important to understand the different types of Recurring Transactions and the following Recurring Transaction options:

Scheduled – Automatically records the transactions.

Reminder – Appears on your dashboard and when selected, will take you to the reminder list to edit or enter the transaction.

Unscheduled – Appears on the recurring transaction list to use at any time, however, does not record the transaction.

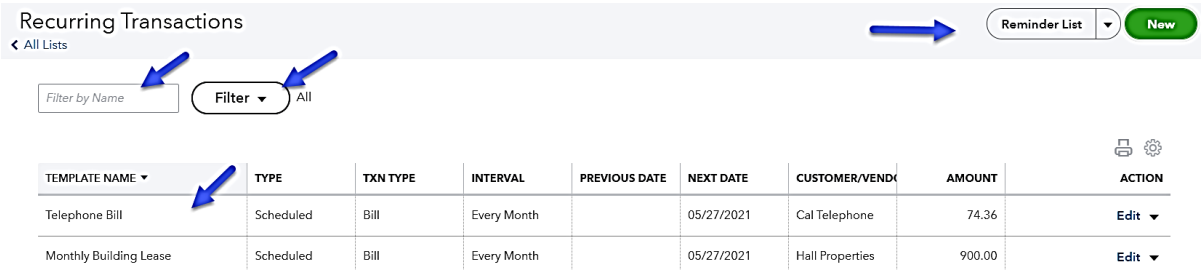
Click the **Gear icon** -> **Recurring Transactions** under **Lists.**

In the **Recurring Transactions** window, you can filter by **Name, Template Type,** or **Transaction Type**. You can also filter by location if the feature is turned on.

Use the **Reminder List** to create or skip memorized transactions. Use the drop-down arrow to **Run a Report**.

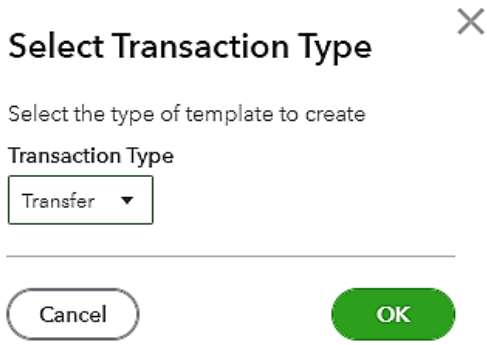
Click **Edit** from the **Action** column to change default information for a recurring bill.

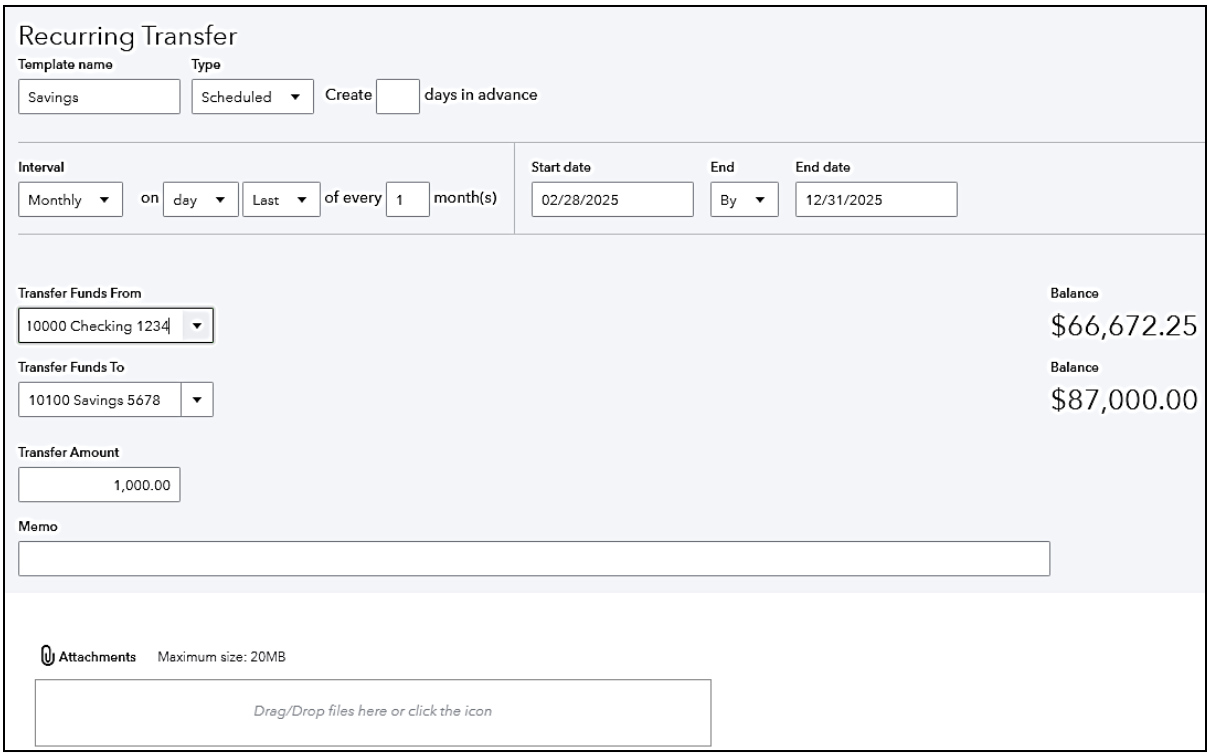
Click the drop-down arrow in the **Action** column to select, **duplicate, resume** or **delete** a recurring transaction. Click the **Gear** icon to change the number of **Rows** displayed.



Click **New** and select the **Transaction Type** to create a **Recurring Transaction**.

Enter all details. It is important to maintain your Recurring Transaction list.





Fantastic! After a long journey through the first five sections, you have completed the setup process and are now ready to enter startup balances. This is where the company file comes to life. There are multiple ways to enter startup transactions; you will use **Journal Entries** to complete the next three activities.

1. **Review Video Links:**

   Entering Accounts and Opening Balances

   Enter Historical Transactions

   Recurring Transactions: Intro

   Set Up a Scheduled Transaction

   Assign a Frequency and Save a Scheduled Transaction

   Edit a Recurring Transaction

   Intro to Journal Entries

   General Journal Entries

You will enter the Balance Sheet and the Profit & Loss balances as of 12/31/Prior year.

2. **Enter Journal Entry AJE01 Balance Sheet.**
3. **Enter Journal Entry AJE02 Profit & Loss.**

Note: Your Instructor will provide Journal reports.pdf as a reference for this activity. Remember to use the same dates and accrual basis when comparing reports. It is important to enter the information top to bottom/left to right to avoid missing fields. This will require an understanding of which account categories are debited and which are credited.

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Online Foundations Training

SECTION 8
ACCOUNTS PAYABLE

Objectives
Vendor Center
Contractors
1099s
Expenses
Checks
Bills
Pay Bills
Vendor Credits
Apply Vendor Credits
A/P Reports
Intro To Inventory
Purchase Orders
Practice Test
Case Study Activities

Upon completion of Section 8 each participant will be familiar with:

- Overview of Accounts Payable.
- How to turn on/off Accounts Payable-related Accounts and Settings.
- How to use the Vendor Center.
- How and when to Create and Pay Bills.
- How to Create Checks and Expenses.
- How to Create Credit Card Expenses.
- How to view and save Accounts Payable-related reports.
- How to use Purchase Orders.
- How to get started with Inventory.

Accounts Payable significantly impacts cash flow in a business. It is imperative Josh establish a best practice Accounts Payable Policy to manage the outflow of cash. Most vendors (companies they purchase supplies from) establish terms, (a time period in which they are required to pay the bill), to avoid late fees. If they pay bills immediately, instead of waiting closer to the due date, it could negatively impact cash flow.

Inflow Heating and Cooling would like to use purchase orders to track orders with suppliers. Josh also wants to establish a structured bill pay process. He wants to be as lean as possible regarding overhead expenses and wants more training on how to correctly use the Vendor Center. In addition, Josh is unfamiliar with how to manage his 3 truck payments in QuickBooks Online and wants help regarding the best way to setup and manage the payments in the system.

In addition, show him how to setup a new vendor, create and pay bills, create checks and expenses and credit card expenses. Josh mentioned he wants to focus on paying supplier bills after receiving a payment (or progress payment) from customers. Our work is cut out for us!

What do you recommend regarding Accounts Payable reports? How can this information be used to improve company performance?

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In the Accounts Payable section, we will discuss the importance of managing the payment process and taking advantage of discounts offered by vendors. This process has a significant impact on cash flow. Consistently implementing a 'best practice' Accounts Payable Policy also reduces potential fraud.

Biz Q&A:

- Why do you think it is important to manage Accounts Payable?
- Why do you think business owners should have an Accounts Payable policy?

Wow Fact:

According to JPMorgan, 60 percent of organizations were exposed to attempted or actual payments fraud in one year alone.

The typical financial loss as a result of payments fraud was $23,100 per business.

The lack of internal controls and ineffective Accounts Payable processes can end up costing the business in fraudulent payments, double payments, late fees, lost discounts, additional allocation of labor to locate invoices, etc. Also, we will explain how the Accounts Payable process can affect vendor relationships; e.g., reduced credit, requiring payment up front, and less favorable payment terms.

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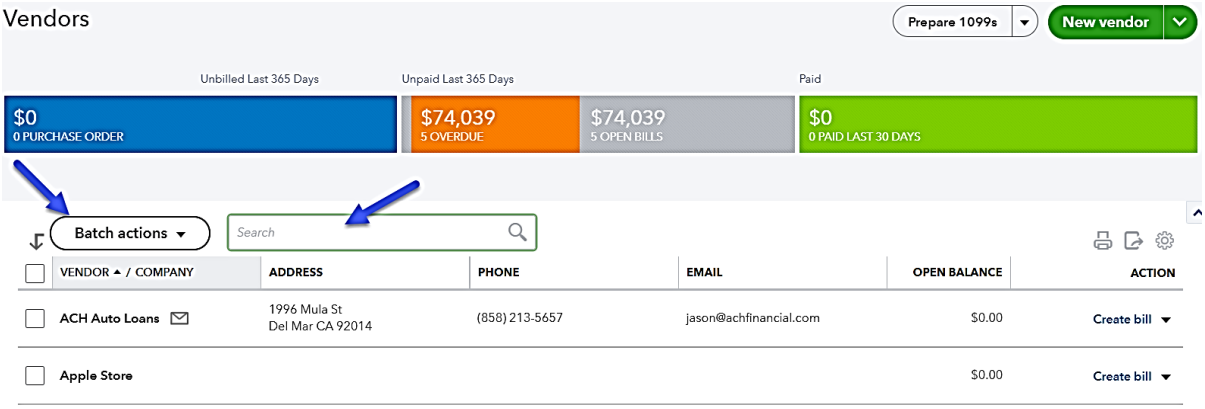
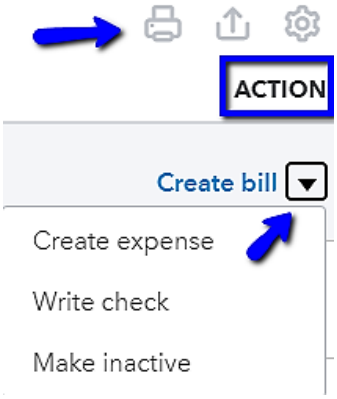
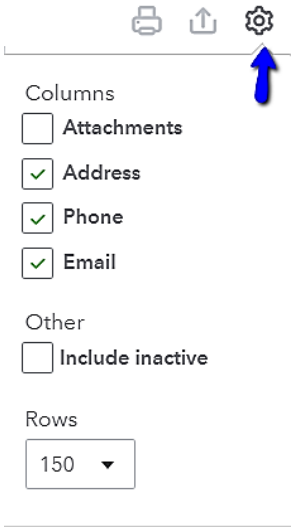
Click **Expenses -> Vendors** in the **Left Navigation Bar** to access the **Vendor Center.** Here, we will view open and overdue bills, maintain vendor information, and view historical transactions. Use the search bar to find a vendor or company. You can email vendors directly by clicking the drop-down arrow for **Batch actions.** You can click **Prepare 1099s** and complete the step-by-step wizard.



Click the drop-down arrow in the **Action** column to create bills, create expenses, write checks, and more.

Click the **Gear** icon to add and remove columns displayed.



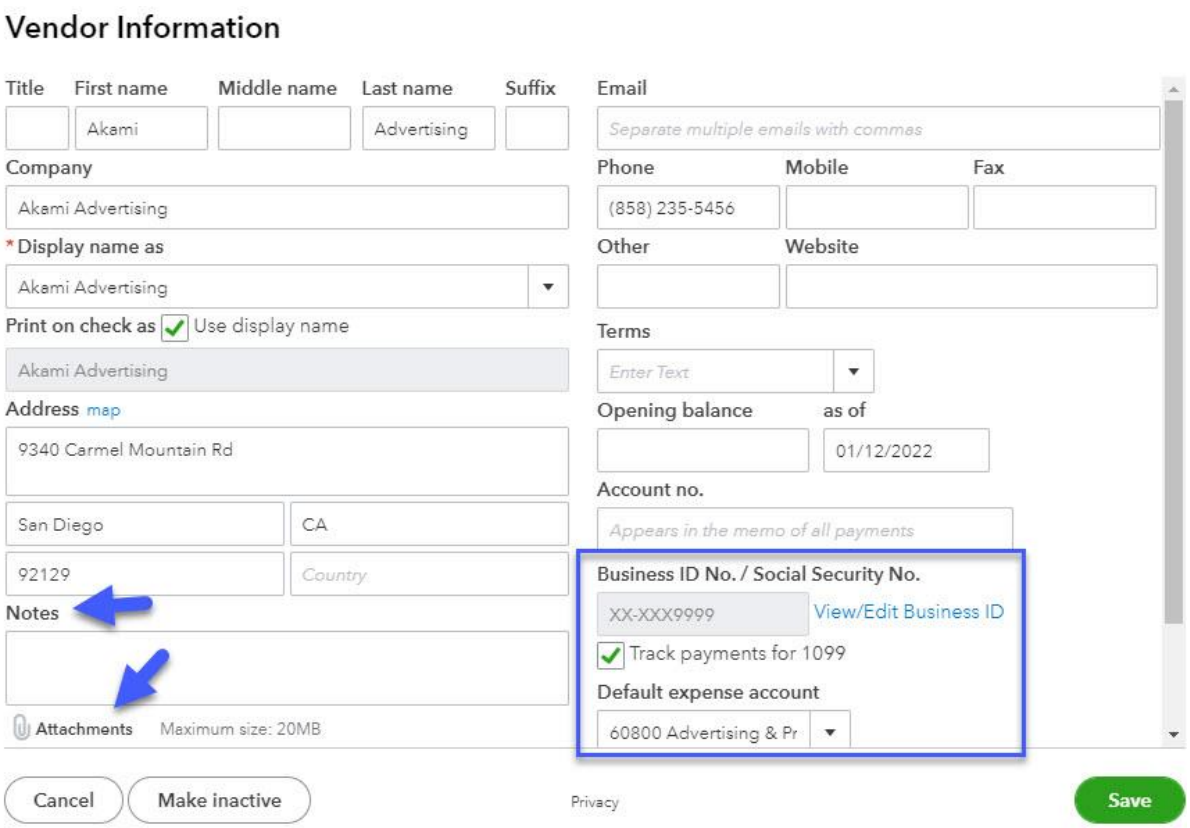


Add Vendor

Click **New Vendor**

Enter the **Company** name and other details you have on file. The **Display name** is the only information that must be unique. It is used to track balances as well as default sorting.

Use the scroll bar to keep private notes, access the drop and drag box for attachments, add default terms, and enter the **Business ID No.** You can also check the **Track payments for 1099** box for all vendors for which you are required to file 1099s.



Note: What is the purpose of the terms feature? What is unique about the display name?

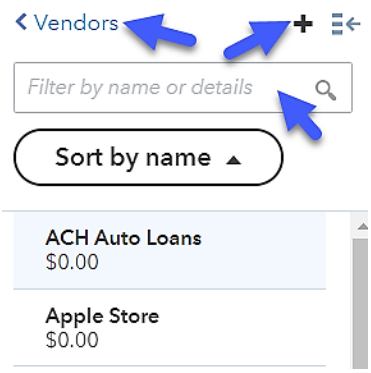
Click on a **Vendor** from the list in the Vendor Center.

Use the **bar/arrow** to **Search by name or company.**

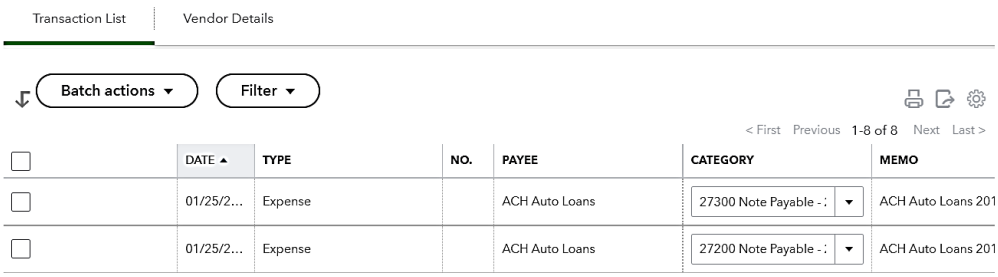
Sort by name or **Open balance.**

Collapse the list by clicking the **bar/arrow** icon.

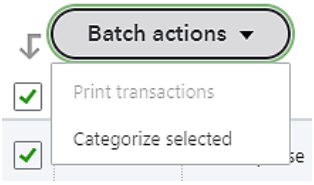
Click the **symbol** icon to add a new Vendor.

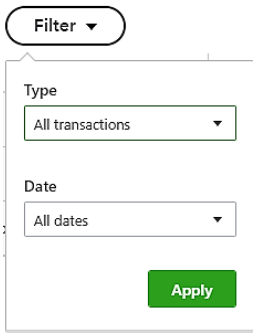


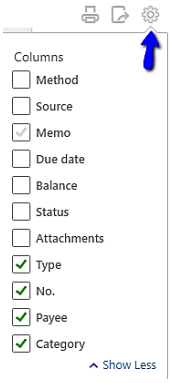
Each vendor has **Transaction List** and **Vendor Details** tabs containing transaction history and vendor information, respectively. You can choose to print or export transaction history to Excel.



Select **transactions**, then click the drop-down arrow for **Batch actions** to print or recategorize transactions. Click the drop-down arrow for **Filter** to sort by **Type** and **Date.** Click the **Gear** to select columns to display.

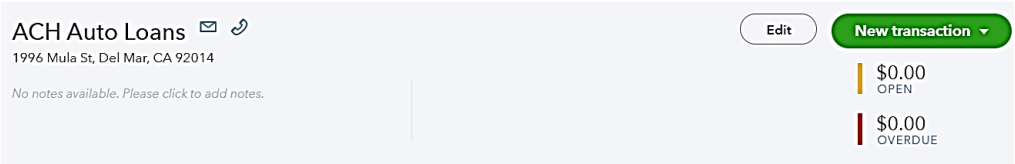






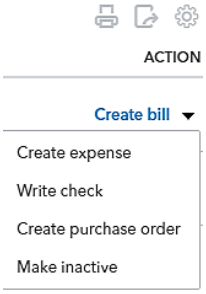
Edit Vendor

Click on the **Vendor** in the Vendor Center that you wish to edit. Click the **Edit** button to open the vendor information window.



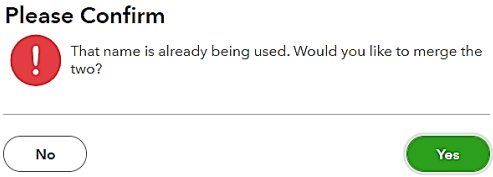
Make Inactive

Select from the **Action** column in the Vendor Center to make a vendor inactive or edit the vendor and click the **Make Inactive** button.



Merge Vendors

Edit the vendor you intend to keep, copy (Ctrl + C) the vendor's name, and then click cancel. Edit the vendor you intend to merge and paste (Ctrl + V) to replace the vendor's name with the correct name. Click **Save.**



A **Please Confirm** warning box will appear; click **Yes** to confirm. The old vendor will be removed from the list and remain in an inactive status.

Note: The merge process cannot be undone.

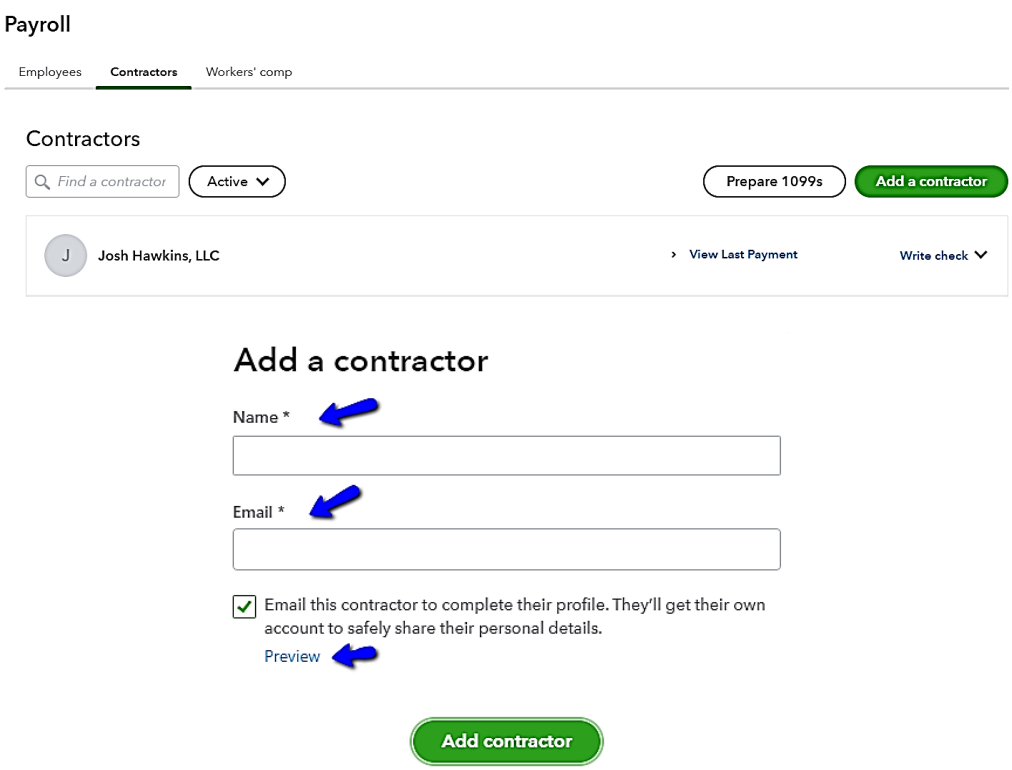
Add Contractor

1099 Workers are independent contractors who provide a service. They determine how, when and where they work to complete tasks. They are neither full-time nor part-time workers. You are not required to withhold taxes, provide heath insurance, sick pay, or vacation leave.

Note: It is important to understand 1099 guidelines.

It's crunch time and we realize we are missing Contractor information to process 1099s. You can invite Contractors via email. The Contractor will be prompted to input the required information.

Click **Payroll** -> in the left navigation bar. Click the **Contractors** tab -> **Add a contractor**. Enter **Name** and **Email** to send Contractor invite to complete their profile. This will setup an account to safely share their personal information. Use the Contractor Center to write a check, create an expense or bill, and prepare 1099s.



Many business owners are unaware of their responsibility to file 1099 forms with the Internal Revenue Service each year. If you pay an individual or business $600 or more for services rendered, you are required to file form 1099-NEC. However, you are **NOT** required to file form 1099 for services rendered, when the entity is a Corporation. Form W-9 is used to determine entity type and reporting information. It is important to supply and require recipients to fill out form W-9. This will save you a lot of time tracking down information at the end of each year.

If you pay rent for a building or space, you are required to file form 1099-Misc.
If you borrow money from an individual and pay interest, you are required to file form 1099-Int.
If you are paid via credit card, all payments are reported on a 1099-K form.

It is important to incorporate the following best practices in your business:

- Require all individuals or businesses providing services to complete a W-9 form.
- Do not pay for services rendered until you receive a signed W-9 form.
- Add a recurring event to complete 1099 filing before January 31st each year.
- Keep track of all 1099 recipients in QuickBooks Online all year.

Note: You can visit www.irs.gov to learn more about the various types of 1099 reporting.

The general rule is that you **must** issue a Form **1099**-NEC to any vendors or sub-contractors you have paid at least $600 in rents, services, prizes and awards, or other income payments during your trade/business in a given tax year (you do not need to issue 1099s for payments made for personal purposes).

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W-9 Form

Th W-9 Form requires the recipients **name, address, entity type, Social Security number or Employer Identification Number, signature and date**.

Form **W-9**
(Rev. October 2018)
Department of the Treasury
Internal Revenue Service

Request for Taxpayer Identification Number and Certification

▶ Go to *www.irs.gov/FormW9* for instructions and the latest information.

Give Form to the requester. Do not send to the IRS.

Print or type. See Specific Instructions on page 3.

1 Name (as shown on your income tax return). Name is required on this line; do not leave this line blank.

2 Business name/disregarded entity name, if different from above

3 Check appropriate box for federal tax classification of the person whose name is entered on line 1. Check only **one** of the following seven boxes.

☐ Individual/sole proprietor or single-member LLC ☐ C Corporation ☐ S Corporation ☐ Partnership ☐ Trust/estate

☐ Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=Partnership) ▶

Note: Check the appropriate box in the line above for the tax classification of the single-member owner. Do not check LLC if the LLC is classified as a single-member LLC that is disregarded from the owner unless the owner of the LLC is another LLC that is **not** disregarded from the owner for U.S. federal tax purposes. Otherwise, a single-member LLC that is disregarded from the owner should check the appropriate box for the tax classification of its owner.

☐ Other (see instructions) ▶

4 Exemptions (codes apply only to certain entities, not individuals; see instructions on page 3):

Exempt payee code (if any)

Exemption from FATCA reporting code (if any)

(Applies to accounts maintained outside the U.S.)

5 Address (number, street, and apt. or suite no.) See instructions.

Requester's name and address (optional)

6 City, state, and ZIP code

7 List account number(s) here (optional)

Part I **Taxpayer Identification Number (TIN)**

Enter your TIN in the appropriate box. The TIN provided must match the name given on line 1 to avoid backup withholding. For individuals, this is generally your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the instructions for Part I, later. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN*, later.

Note: If the account is in more than one name, see the instructions for line 1. Also see *What Name and Number To Give the Requester* for guidelines on whose number to enter.

Social security number

☐☐☐ - ☐☐ - ☐☐☐☐

or

Employer identification number

☐☐ - ☐☐☐☐☐☐☐

Part II **Certification**

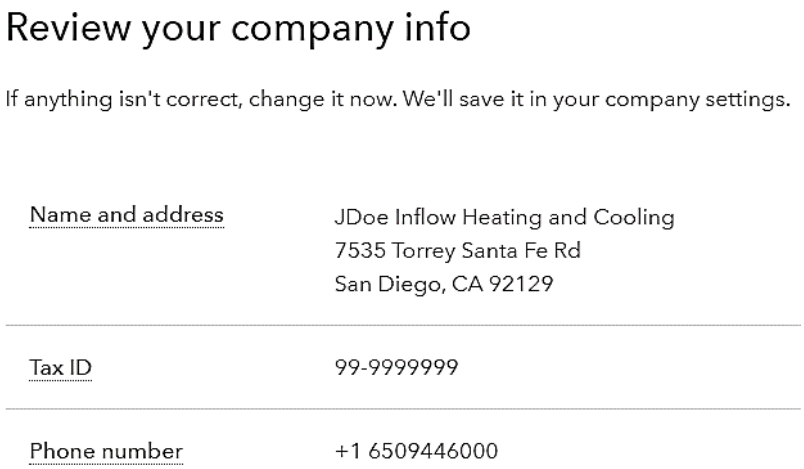
Under penalties of perjury, I certify that:

1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me); and
2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding; and
3. I am a U.S. citizen or other U.S. person (defined below); and
4. The FATCA code(s) entered on this form (if any) indicating that I am exempt from FATCA reporting is correct.

Certification instructions. You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions for Part II, later.

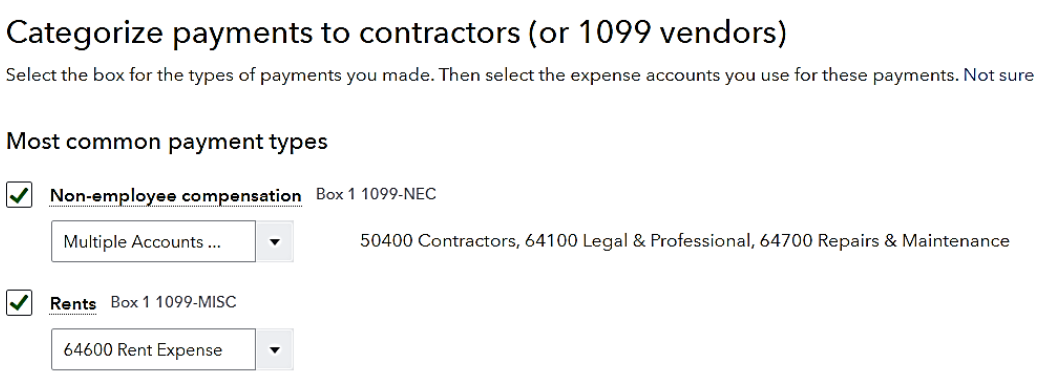
Sign Here Signature of U.S. person ▶ Date ▶

Next, Go to **the Vendor Center**, click **Prepare 1099s -> Continue your 1099s** and review your company information. You must have a **Tax ID.** Use this temporary number 99-9999999 in order to move forward. Click **Save -> Next.**

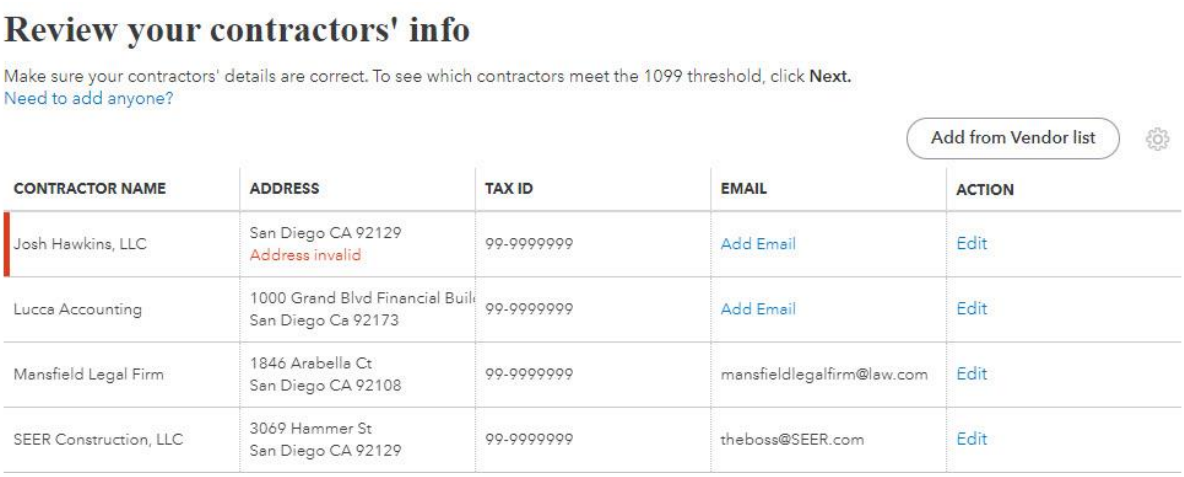


Contractor or services rendered are always **Box 1 using form 1099-NEC**. There can be multiple categories per box. It all depends on the categories you used in posting transactions related to recipients. Continue to map the account categories to the appropriate boxes. **Rents is always Box 1 using form 1099-Misc.**

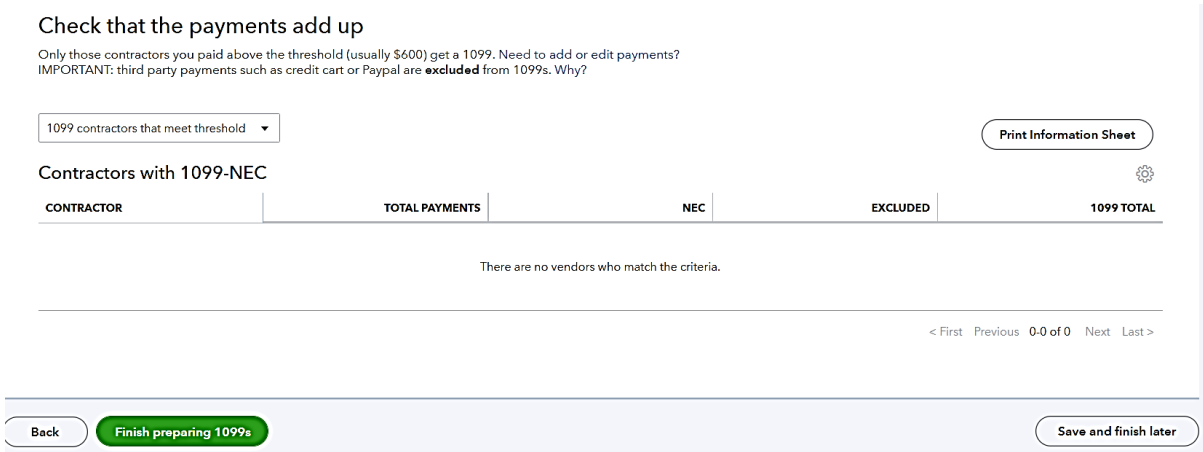
Non-employee compensation and rents are the most common payment types. Review the additional payment types. Click **Next.**



Review your contractor's info. Required information will appear in red. Edit the vendor and add missing information. If you notice vendors missing from the list, click **Add from Vendor list.** Click **Next** or **Save and finish later.**



Next, you will verify the totals. If the name still appears in red, add the missing information to complete the process. Click **Finish preparing 1099s** or **Save and finish later**.



Note: The last step is to select one of the options. If you select Automated E-File and Delivery, Intuit will process the forms. If you choose Print & Mail, you will receive a kit in the mail and will be responsible for filing the forms.

It is important to differentiate between checks and expenses. While many checks are written for expenses, but not all checks, they are handled in a different manner than expenses in QBO. This makes a difference when bank transactions attempt to find a match during the sync process in the Banking Center. Expenses are typically debits/ACH and credit card-type transactions.

When you use an expense transaction to record a credit card purchase, QuickBooks debits the expense account and credits the credit card payable account. The expense appears on the Profit & Loss and the credit card liability appears on the Balance Sheet.

To enter Expenses manually:

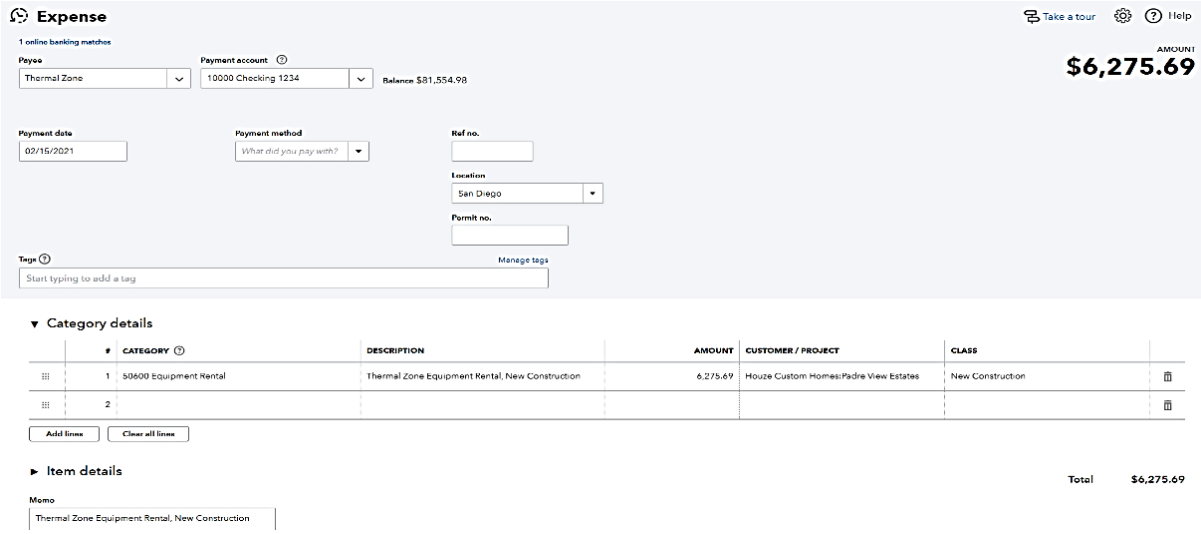
Click the **+ New icon -> Expense.**

Enter or verify the following information:

Vendor name, bank account, payment date, and reference number.

Enter the account, description, and amount, specify whether the Expense is billable, and assign the transaction to a Customer or Job.

Click **Item details** to enter the **Product/Service** you are tracking. This section is typically used when tracking inventory-related products. Click **Save and New** or **Save and Close**.



Here is where we enter checks written manually or checks to be printed. Be sure to include the check number in the reference number field. Also, select **Check** instead of **Expense**. This makes a difference when bank transactions attempt to find a match during the sync process in the Banking Center. A check debits the expense and credits the bank account.

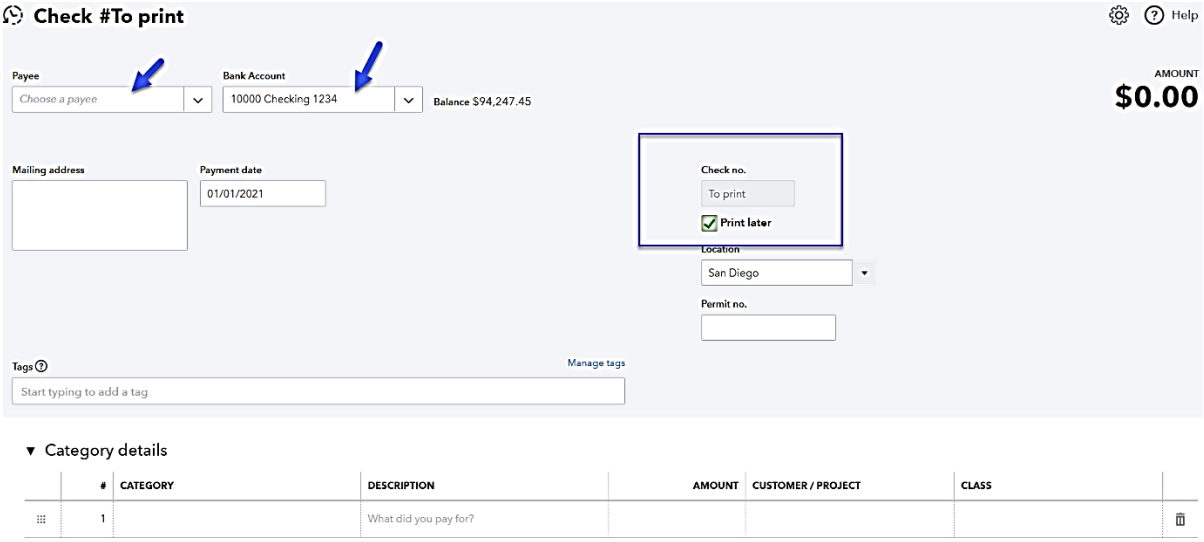
Click the **+ New icon -> Check.**

Enter or verify the following information:

Payee name, bank account, payment date, and check no.

Enter the account, description, and amount, specify whether the check is billable, and assign the transaction to a customer or job.

Click **Item Details** to enter the **Product/Service** you are tracking. This section is typically used when tracking inventory-related products. Click **Save and New** or **Save and Close**.



Note: If you have an outstanding check to a vendor that you are confident will never be cashed, use the void feature. If you have a duplicate check, then it would be appropriate to delete the uncleared duplicate check. Voiding or deleting a check does NOT notify the bank to place a stop payment. Deleted transactions will appear in the audit log only. Voided transactions still appear in your records. Void vs. Delete video link.

Bills are an important part of Accounts Payable. We enter bills to be paid later. Use reports to monitor due dates and budget for next bill pay day.

Click the **+ New icon -> Bill**.

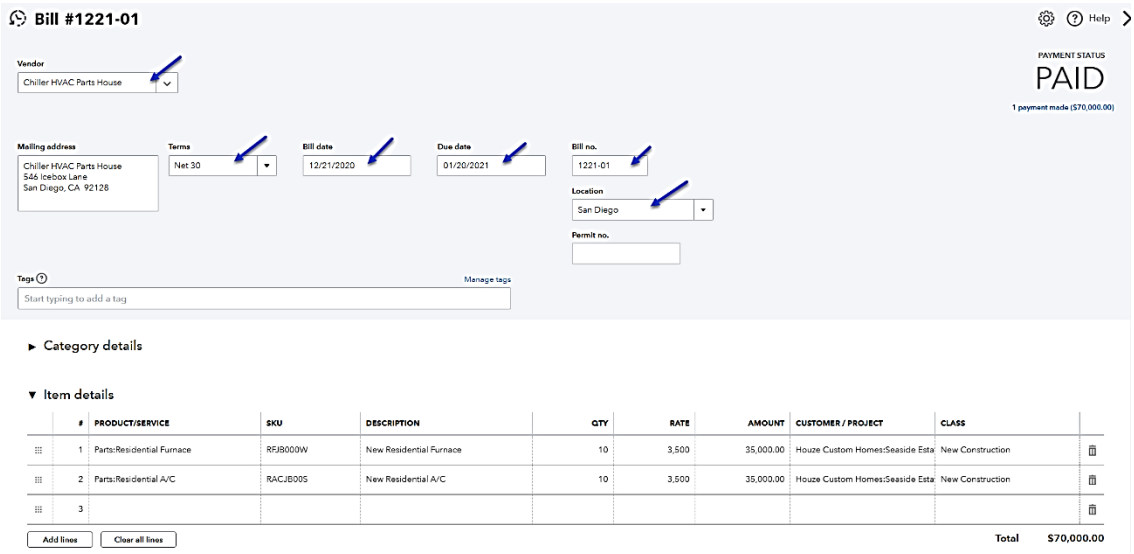
Enter or verify the following information:

Vendor name, mailing address, terms, bill date, due date, and bill no.

Enter the account and amount, specify whether the bill is billable, apply sales tax and assign the transaction to a customer or job.

Click **Item details** to enter the **Product/Service** you are tracking. This section is typically used when tracking inventory related products.

Click **Save and New** or **Save and Close**.



Note: Click **Make Recurring** if you want to memorize a bill and have it automatically posted.

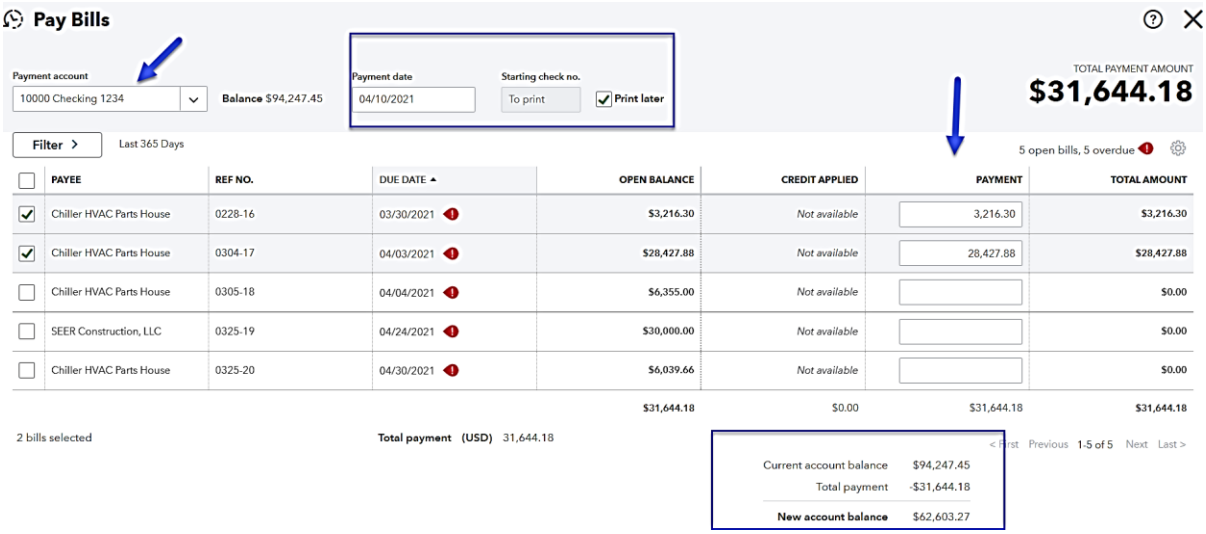
To Pay Bills

Click the **+ New icon -> Pay Bills.**

Select the **Payment account**.

Select the **Payment date.**

Select the bills you want to pay. If you need to make a partial payment, simply change the amount in the **Payment** column. Click the drop-down arrow to change the **Filter** criteria or click the **Gear** icon to change the number of rows being displayed.



If you are paying with a handwritten check, uncheck **Print later** and click **Pay Bills**. If you are printing a check, select **Print later**. Click **Save and Print** or **Save and Close.** After you select **Save and Print**, the **Print Checks Setup** window will appear. Simply follow the steps.

Note: If you have a duplicate or outstanding bill payment, you can void or delete the transaction. Voiding a bill payment does not void the associated bill. Deleting a bill payment does not delete the associated bill.

.

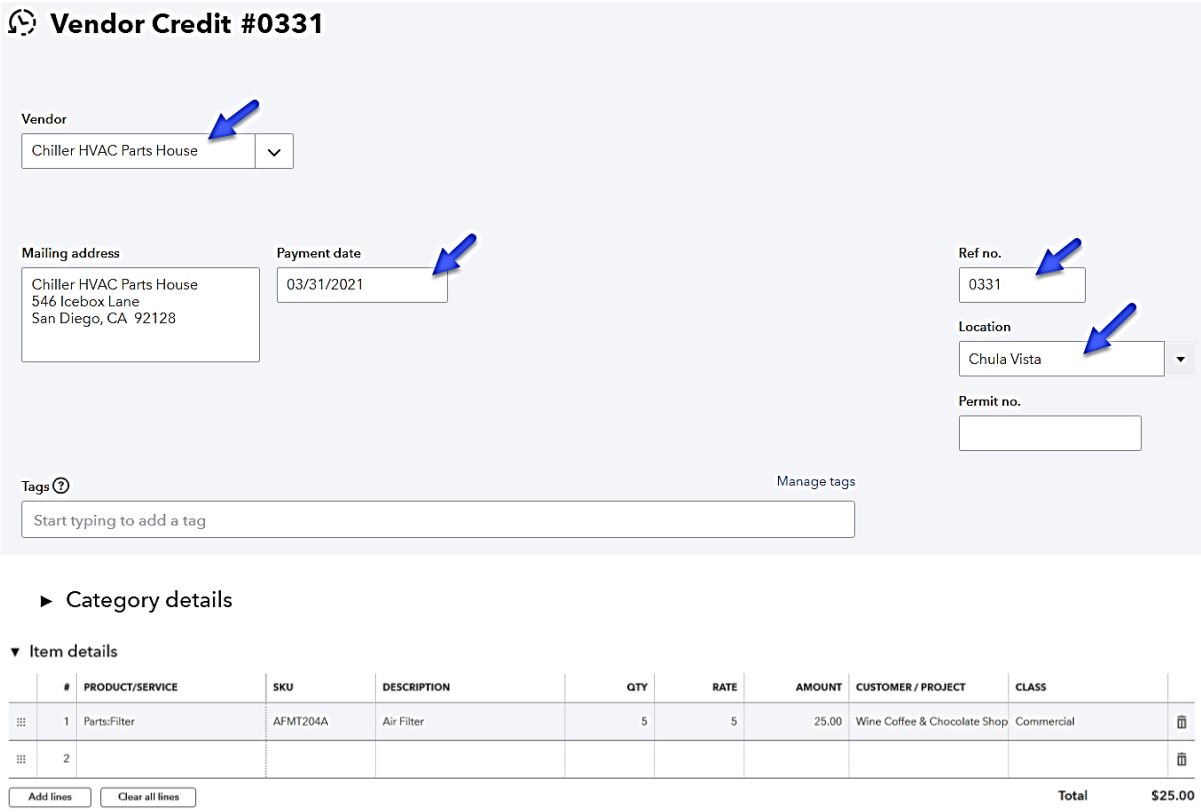
Vendor Credits

On occasion, you will receive a credit from a Vendor for returned merchandise or due to an error in billing. Vendor credits reduce the balance that you owe a vendor or supplier. When you use the original category or item, it reduces the amount purchased. Once you enter a vendor credit, you will use the pay bills window to apply the credit to the open bill.

Click the **+ New icon -> Vendor Credit.**

Enter the following information:

Select a Vendor, payment date, ref no., account, amount, billable, tax, and customer or job. Enter the expense in the **Account** field or click the **Item Details** if you are tracking inventory products. Click **Save and Close.**



Tracking and applying Vendor credits has a positive impact on cash flow.

Click the **+ New icon -> Pay Bills.**

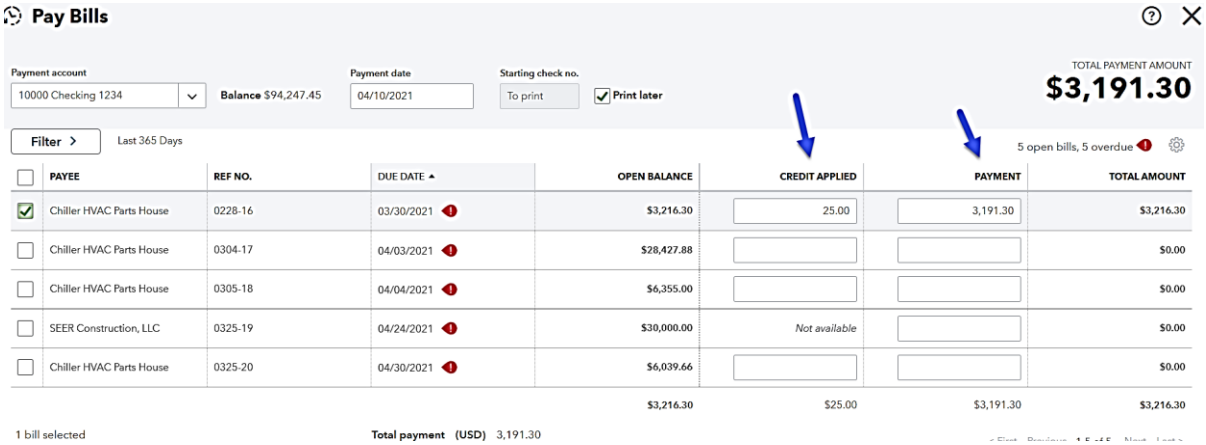
Select the **Payment account** and **Payment date.**

Select the Vendor you wish to pay, and the credit will appear in the Credit Applied column.

You can pay the balance or adjust the amount in the Payment column.

Vendor Credits are automatically applied to the oldest Bill when the setting is turned on.

We have turned off the automatically apply credits feature for this training.



Note: What is the process for creating a vendor credit and applying the credit to an existing bill? Always use the original category used when creating the bill.

There are several reports to support Accounts Payable. Let's explore the options and then determine which reports are best for your company.

Click **Reports** in the **Left Navigation Bar.**

Click **Standard ->** Scroll to **What you owe** or use the **Find report by name** search feature.

Recommended reports are as follows:

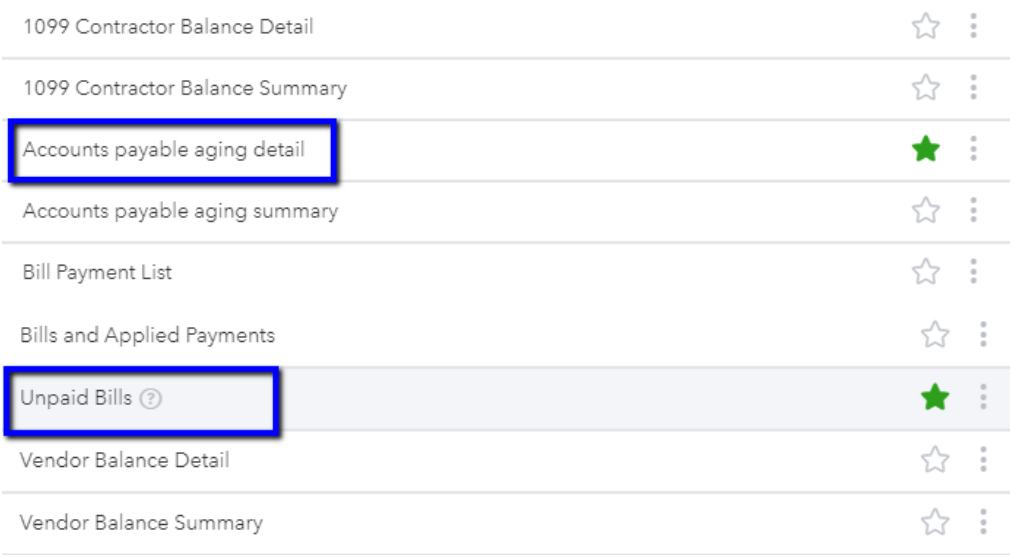
A/P Aging Detail - displays Unpaid Bills current, 1-30, 30-60, 60-90 days based on due date.

Unpaid Bills - displays open transactions by vendor. (All bills that are still unpaid.)

Vendor Balance Detail - displays open transactions by vendor. (All bills that are still unpaid and the running balance.)

Vendor Expense Report – displays total amount spent per vendor.

Transaction List by Vendor - displays all money out transactions, broken down by vendor.



Note: Become familiar with the Accounts Payable and Vendor reports. What information do they provide?

Inventory is the process of purchasing items in bulk to sell or to use in the production of other goods and services to sell. Not every business industry uses inventory in their process. Service companies, for example, will quite commonly not have inventory.

QBO is setup to manage inventory. The inventory module and tools can track purchasing and stocking, track quantity on hand (and alert you when supplies are low), and report on sales related to inventory. All these tools work together to make inventory management efficient and easy.

Furthermore, QBO inventory tools function behind the scenes to adjust inventory levels as you add Products and Services to Purchase Orders, Bills, Expenses, Checks, Invoices and Sales Receipts. With these tools in place, you can accurately access inventory levels 24/7.

When you sell a product, the cost is calculated based on the FIFO method (First In, First Out), meaning that the **Cost of Goods Sold** for each item will be determined based on the cost of the first purchase, then the second purchase price and so on.

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Purchase Orders are used when requesting the purchase of products from a vendor. Purchase orders are used to keep track of inventory orders. They are a non-posting transaction that does not impact the financial reports until the items are received and the purchase order is turned into a bill. A purchase order does not affect inventory levels in QBO as items have not been received.

The **Purchase Order** tells the vendor what you want to buy and how much of each item you want to purchase.

Purchase Orders are also good for tracking the delivery of purchased items. When your shipment arrives, scan down your **Purchase Order** and double-check that the correct quantities and items arrived. This process is handy for keeping vendors accountable for delivering the correct products, quantities, and pricing.

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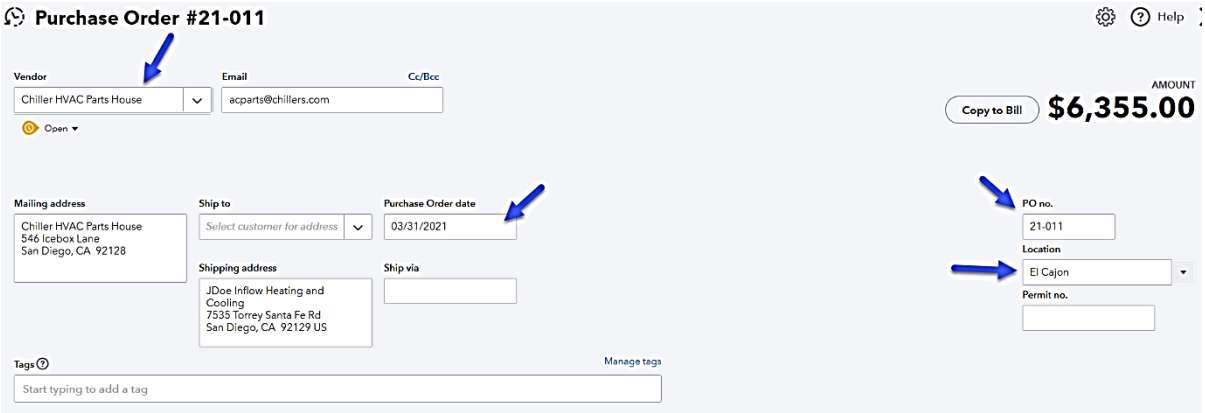
Filling out a **Purchase Order** is very similar to filling out a **Bill.** It is important to recognize the difference between the **Category details** and **Item details** sections.
The **Category details** section allows us to post transactions using the Chart of Accounts categories. This posts directly to financial statements.

The **Items details** section allows us to track items we purchase. It indirectly posts to the Chart of Accounts through the item itself. This method of tracking items also populates inventory, sales and other important reports.

Like a bill, you will need to enter information in all required fields in the first section of a purchase order: **Vendor, Date, PO number, Locations**, and **Shipping Address**.



Notice the category details and item details options in the second section of a purchase order. Enter the items you are purchasing and tracking.

Enter the following: **Item, Qty**, and **Class.**

As you enter the items from the Products and Services list, the description and rate should auto-populate

▼ Item details

	#	PRODUCT/SERVICE	SKU	DESCRIPTION	QTY	RATE	AMOUNT	CUSTOMER / PROJECT	CLASS	RECEIVED	CLOSED	
	1	Parts:Commercial Unit	CPJB000A	New Commercial Unit	1	6,350	6,350.00	Eastside General Hospital	Commercial	0		
	2	Parts:Filter	AFMT204A	Air Filter	1	5	5.00	Eastside General Hospital	Commercial	0		
	3											

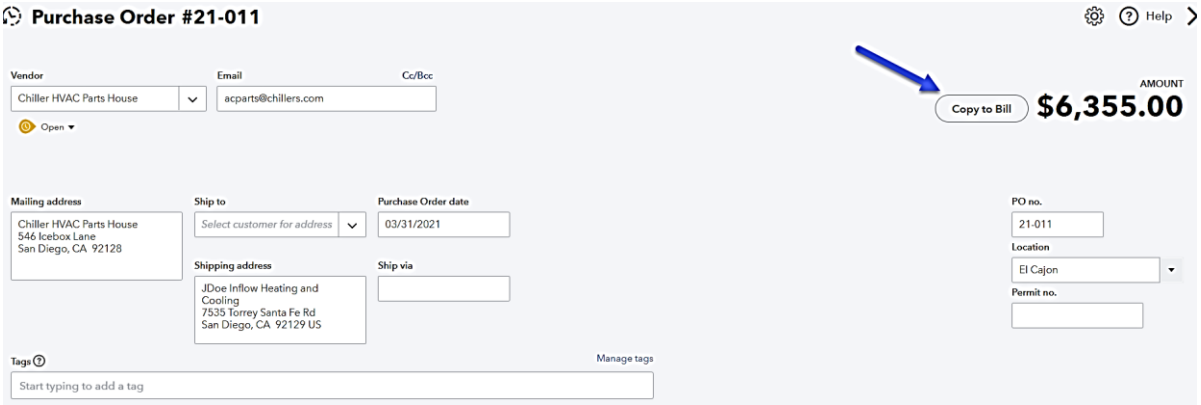
Add lines Clear all lines Total $6,355.00

Your message to vendor

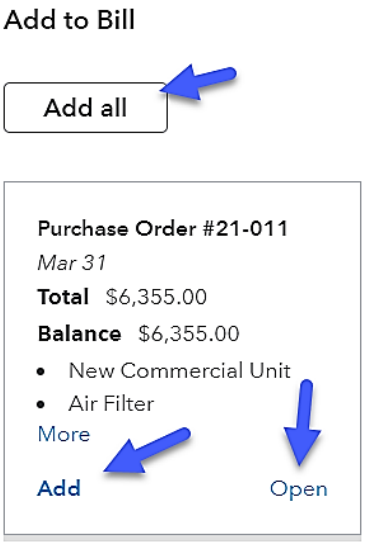
You can use reports to track open purchase orders. When the **inventory** order is delivered, pull up the **Purchase Order** and compare the quantity delivered with the quantity ordered. You can pull up the **Purchase Order** by going to the **Vendor** in the **Vendor Center** and clicking on the **Purchase Order,** from a report or search the reference number.

Once you have finished counting and receiving your new **Inventory,** create a **Bill** from the **Purchase Order.** There are two ways to link a purchase order to a bill.

Option 1 – Locate the purchase order and click **Copy to Bill.**



Option 2 – Click **+ New -> Enter Bill.** As you enter the vendor's name, the open purchase orders will appear to the right of the screen. Select **Add all** or **Add** to link the individual purchase order information into the bill.



Once the information from the **Purchase Order** has been linked to the **Bill,** adjust the **Quantity** to reflect the amount delivered. If the full amount is not delivered and **Quantity** is changed, when you go back to the original **Purchase Order,** you will see the amount you did receive. The **Purchase Order** will remain open so you can receive the remaining amount later. When the full amount is received, the **Purchase Order** will be closed.

▼ Item details

	#	PRODUCT/SERVICE	SKU	DESCRIPTION	QTY	RATE	AMOUNT	CUSTOMER / PROJECT	CLASS	RECEIVED	CLOSED	
	1	Parts:Commercial Unit	CPJB000A	New Commercial Unit	1	6,350	6,350.00	Wine Coffee & Chocolate Sl	Commercial	1	✓	
	2	Parts:Filter	AFMT204A	Air Filter	1	5	5.00	Wine Coffee & Chocolate Sl	Commercial	1	✓	
	3											

Add lines Clear all lines

Total $6,355.00

1. **You want to track an order you just placed with a vendor (supplier), which option do you use?**
   a) Sales Receipt
   b) Estimate
   c) Purchase Order
   d) Sales Order

2. **You mailed a check to pay the rent. The check was lost in the mail and never cashed. What should you do with the outstanding check?**
   a) Change the amount of the check to zero
   b) Delete the check
   c) Make a journal entry to reverse the check
   d) Void the check

3. **Where would you go to recategorize all expenses for a vendor?**
   a) Vendor Center->Click the Vendor->Select Transactions->Batch Actions->Categorize Selected
   b) Vendor Center->Edit Vendor
   c) Accounting->Chart of Accounts
   d) Gear->Account and Settings

4. **It is time to pay bills. Where do you go?**
   a) + New icon->Expense
   b) + New icon->Check
   c) + New icon->Vendor Credit
   d) + New icon->Pay Bills

5. **You want to view bills to be paid to Vendors and check for errors, which report do you choose?**
   a) Unpaid Bills Report
   b) A/P Aging Summary
   c) A/P Aging Detail
   d) Bill Payment List

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1. **Review Video Links:**

   Money Out Workflow

   What is Accounts Payable

   Vendor List: Intro

   Vendor List: Customize

   Vendor List: Find and Record Transactions

   Record a Check

   Record an Expense Record a Bill

   Record a Bill Payment

   Accounts Payable Reports

2. **Review Video Link:**

   How to Setup a Contractor

3. **Enter 1099 tracking information for the following vendors:**

   Navigate to the Vendor Center and edit the vendor.

   Add Business ID -> Select Track payments for 1099.

Vendor	ID	Category Account
Josh Hawkins, LLC	99-9999999	64600 Rent Expense
Lucca Accounting	99-9999999	64100 Legal & Professional
Mansfield Legal Firm	99-9999999	64100 Legal & Professional
SEER Construction, LLC	99-9999999	50400 Contractors

Good news, you already imported or created your vendor list during the setup process.

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4. **Review Video Link:**

   [Set up and track your inventory]

   [What is Inventory in QBO?]

   [What QuickBooks Needs for Inventory]

   [Turn on Inventory]

   [New Inventory Setup]

   [Purchase Orders: Intro]

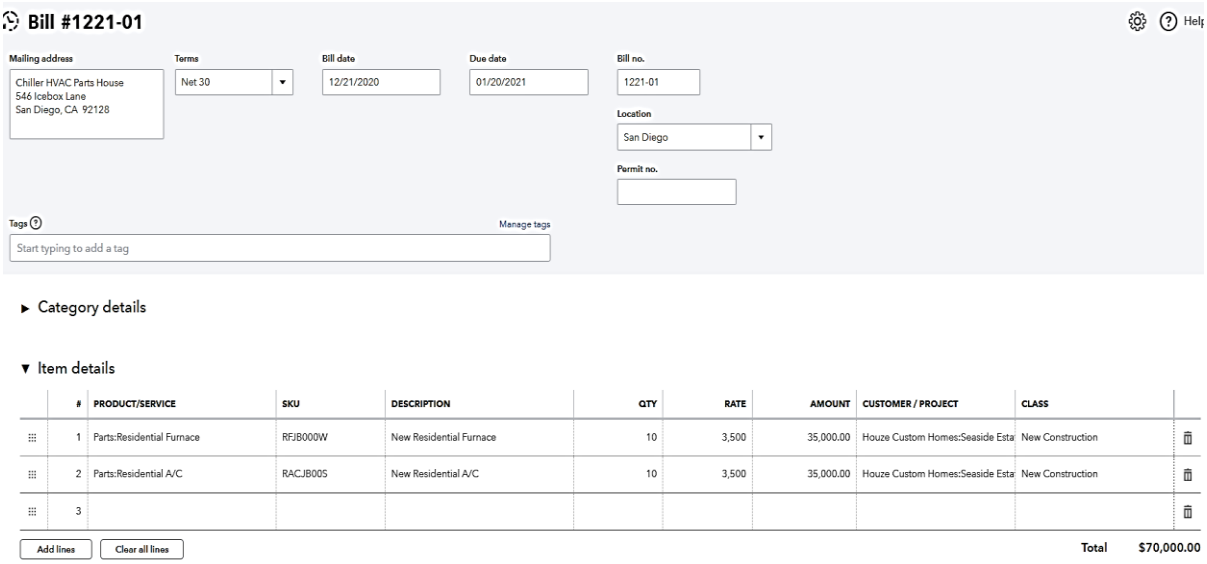
   [Record and Send a Purchase Order]

   [Receive Inventory: Intro]

   [Receive Inventory Against a Purchase Order]

   [Receive Inventory Without a Purchase Order]

5. **Enter bill 1221-01 for December 12/21 of the previous year. (No Purchase Order)**



Note: Since we are focusing on Accounts Payable before Accounts Receivable our bank balances, inventory and reports will be off as we make purchases and pay bills. When you finish the Accounts Receivable section of this training everything will begin to balance out as we create sales receipts, invoices, receive payments and make deposits.

Use the following screen shots and **Inflow PO Transaction List with Splits.pdf** as a guide.

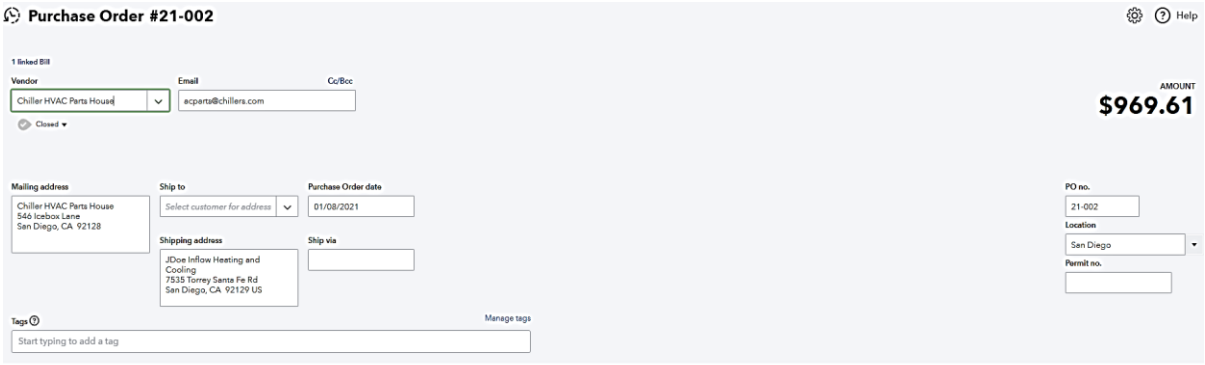
6. Add purchase order (PO) 21-001 for January 01/04 of the current year.

▸ Category details

▾ Item details

#	PRODUCT/SERVICE	SKU	DESCRIPTION	QTY	RATE	AMOUNT	CUSTOMER / PROJECT	CLASS	RECEIVED	CLOSED
1	Parts:Residential AC	RACJB00S	New Residential A/C	12	3,500	42,000.00	Houze Custom Homes - Padre View	New Construction	12	✓
2	Parts:Residential Furnace	RFJB000W	New Residential Furnace	12	3,500	42,000.00	Houze Custom Homes - Padre View	New Construction	12	✓
3	Parts:Filter	AFMT204A	Air Filter	12	5	60.00	Houze Custom Homes - Padre View	New Construction	12	✓
4	Parts:WiFi Thermostat	WTSV000A	WiFi Thermostat	12	101.97	1,223.64	Houze Custom Homes - Padre View	New Construction	12	✓

7. Add PO 21-002 for January 01/08 of the current year.



▸ Category details

▾ Item details

#	PRODUCT/SERVICE	SKU	DESCRIPTION	QTY	RATE	AMOUNT	CUSTOMER / PROJECT	CLASS	RECEIVED	CLOSED
1	Parts:Compressor	CPJB000A	Compressor	1	954.55	954.55	Kids School	Commercial	1	✓
2	Parts:Contactor	COSR164A	Contactor	1	10.06	10.06	Kids School	Commercial	1	✓
3	Parts:Filter	AFMT204A	Air Filter	1	5	5.00	Kids School	Commercial	1	✓

8. Add PO 21-003 for January 01/11 of the current year.

Purchase Order #21-003

1 linked Bill

Vendor: Chiller HVAC Parts House
Email: acparts@chillers.com
Cc/Bcc
Closed

AMOUNT **$6,355.00**

Mailing address: Chiller HVAC Parts House
546 Icebox Lane
San Diego, CA 92128

Ship to: Select customer for address
Purchase Order date: 01/11/2021

Shipping address: JDoe Inflow Heating and Cooling
7535 Torrey Santa Fe Rd
San Diego, CA 92129 US

Ship via:

PO no.: 21-003
Location: El Cajon
Permit no.:

Tags: Start typing to add a tag
Manage tags

▸ Category details

▾ Item details

#	PRODUCT/SERVICE	SKU	DESCRIPTION	QTY	RATE	AMOUNT	CUSTOMER / PROJECT	CLASS	RECEIVED	CLOSED
1	Parts:Commercial Unit	CPJB000A	New Commercial Unit	1	6,350	6,350.00	Little Peeples Pediatrics - Dr. Smalle	Commercial	1	✔
2	Parts:Filter	AFMT204A	Air Filter	1	5	5.00	Little Peeples Pediatrics - Dr. Smalle	Commercial	1	✔

9. Add PO 21-004 for January 01/15 of the current year.

Purchase Order #21-004

1 linked Bill

Vendor: Chiller HVAC Parts House
Email: acparts@chillers.com
Cc/Bcc
Closed

AMOUNT **$70,000.00**

Mailing address: Chiller HVAC Parts House
546 Icebox Lane
San Diego, CA 92128

Ship to: Select customer for address
Purchase Order date: 01/15/2021

Shipping address: JDoe Inflow Heating and Cooling
7535 Torrey Santa Fe Rd
San Diego, CA 92129 US

Ship via:

PO no.: 21-004
Location: San Diego
Permit no.:

Tags: Start typing to add a tag
Manage tags

▸ Category details

▾ Item details

#	PRODUCT/SERVICE	SKU	DESCRIPTION	QTY	RATE	AMOUNT	CUSTOMER / PROJECT	CLASS	RECEIVED	CLOSED
1	Parts:Residential AC	RACJB00S	New Residential A/C	10	3,500	35,000.00	Houze Custom Homes - Padre View	Residential	10	✔
2	Parts:Residential Furnace	RFJB000W	New Residential Furnace	10	3,500	35,000.00	Houze Custom Homes - Padre View	Residential	10	✔

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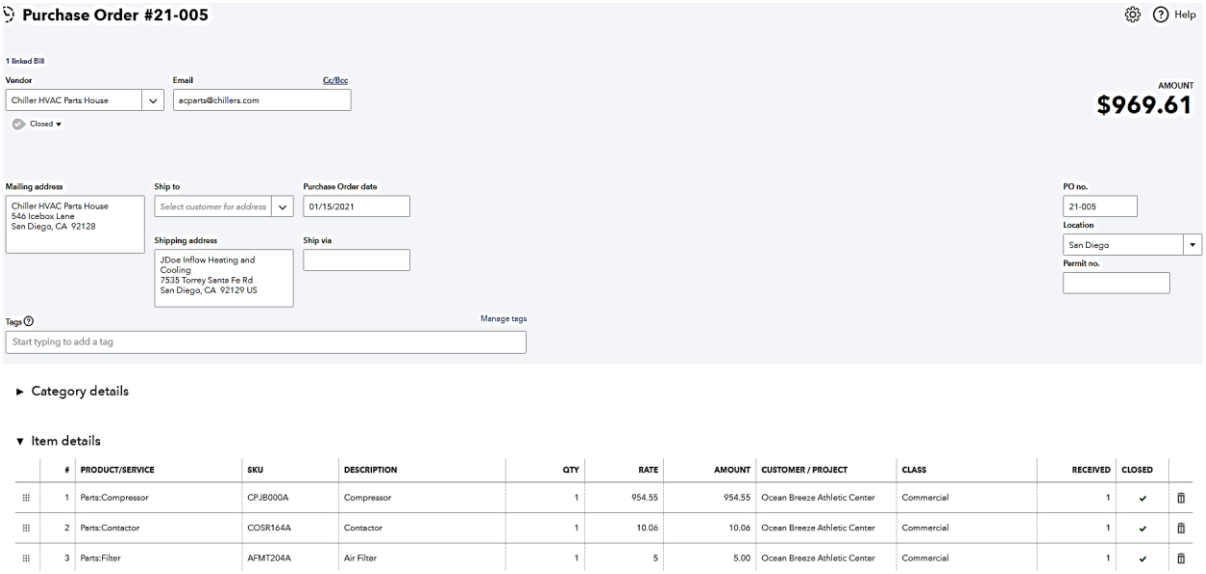
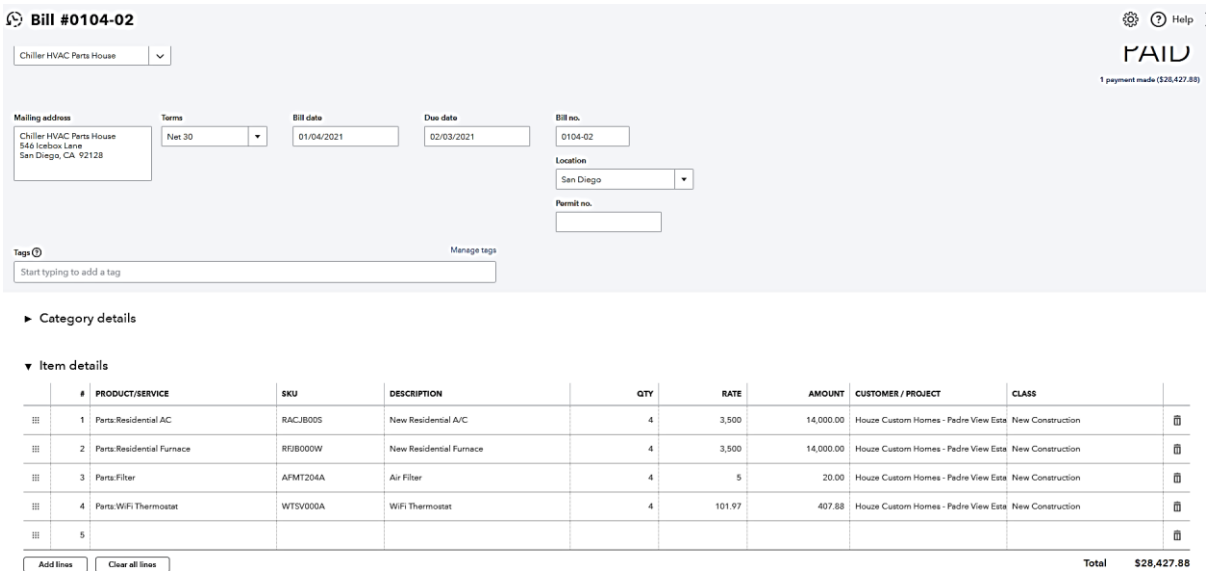
10. Add PO 21-005 for January 01/15 of the current year.

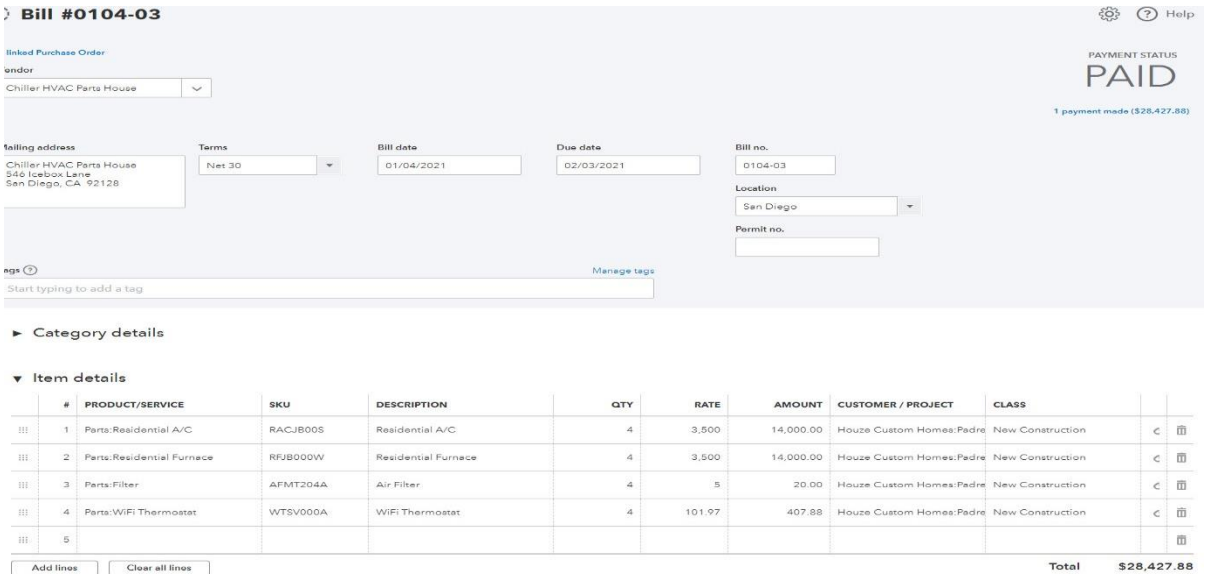


Enter bills for January of the current year: Remember to connect the purchase orders to the bills. Use the follow screen shots and **Inflow Bill Transaction List with Splits.pdf.**

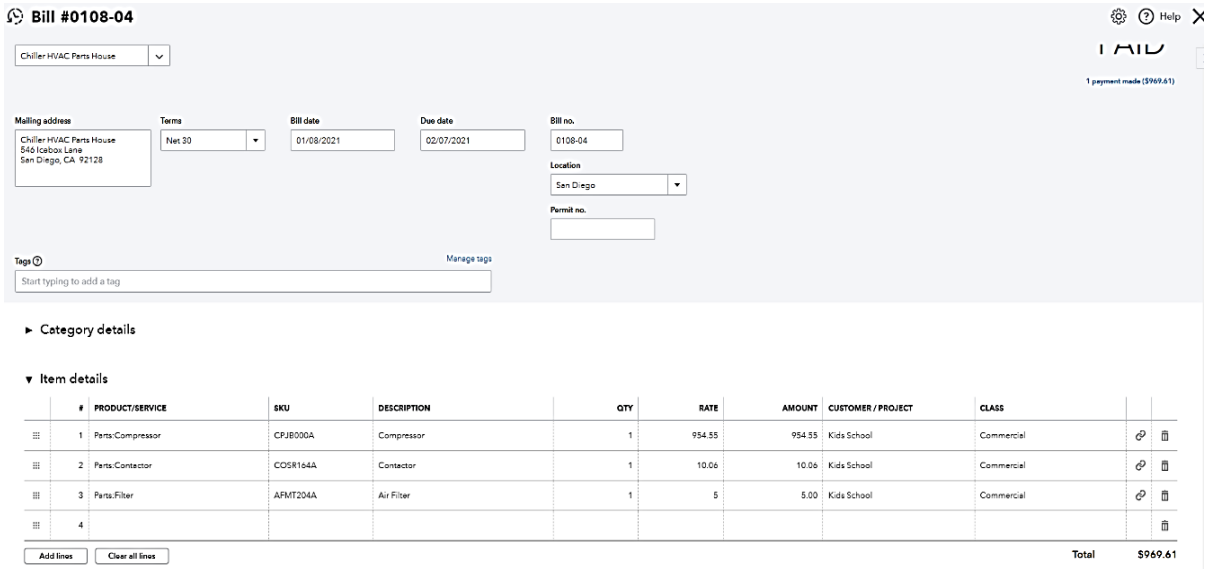
11. Add bill 0104-02, no PO for January 01/04 of the current year.



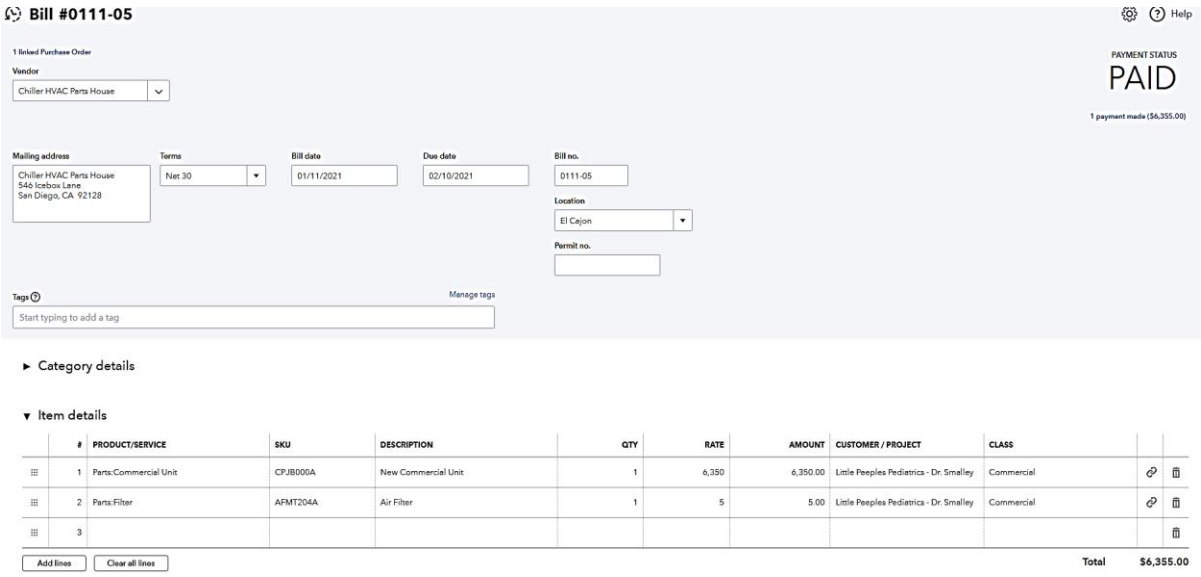
12. Add bill 0104-03 and link PO 21-001 (Partial) for January 01/04 of the current year.



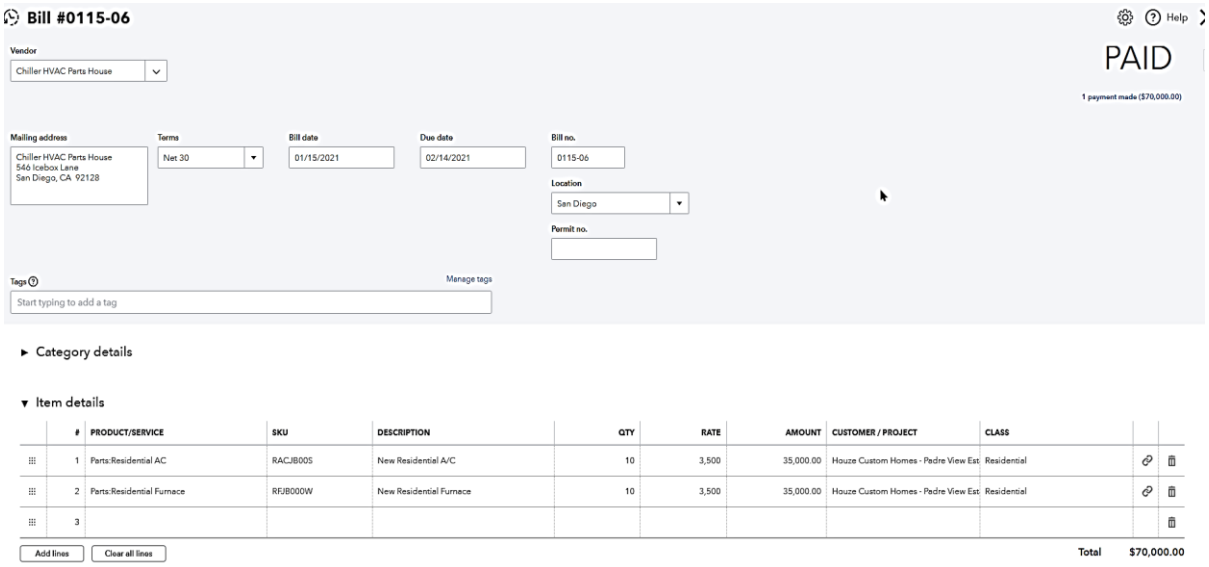
13. Add bill 0108-04 and link PO 21-002 for January 01/08 of the current year.



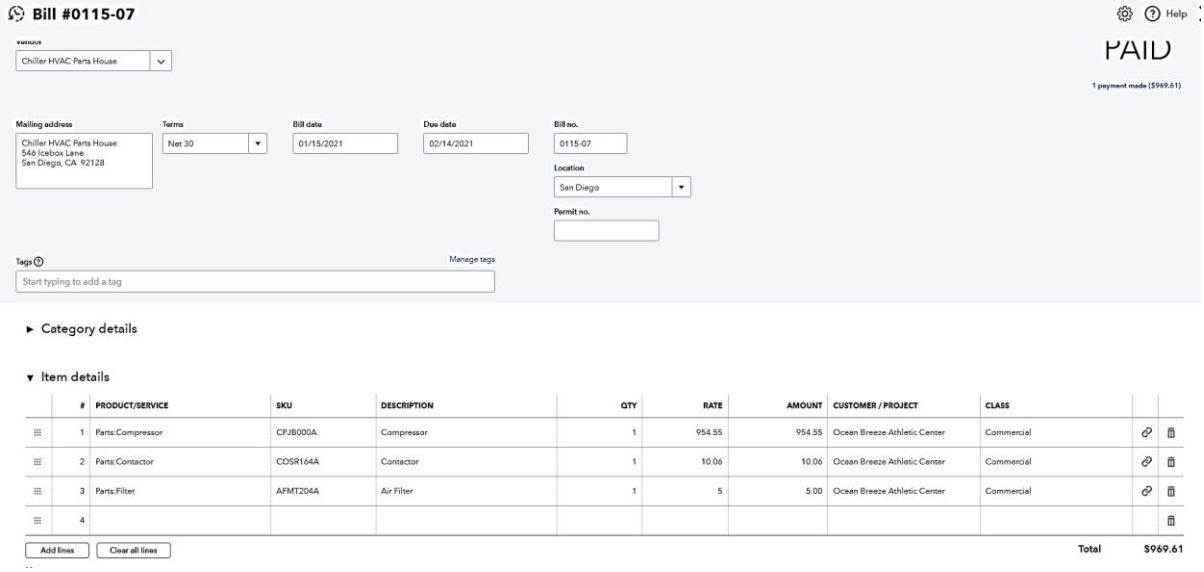
14. Add bill 0111-05 and link PO 21-003 for January 01/11of the current year.



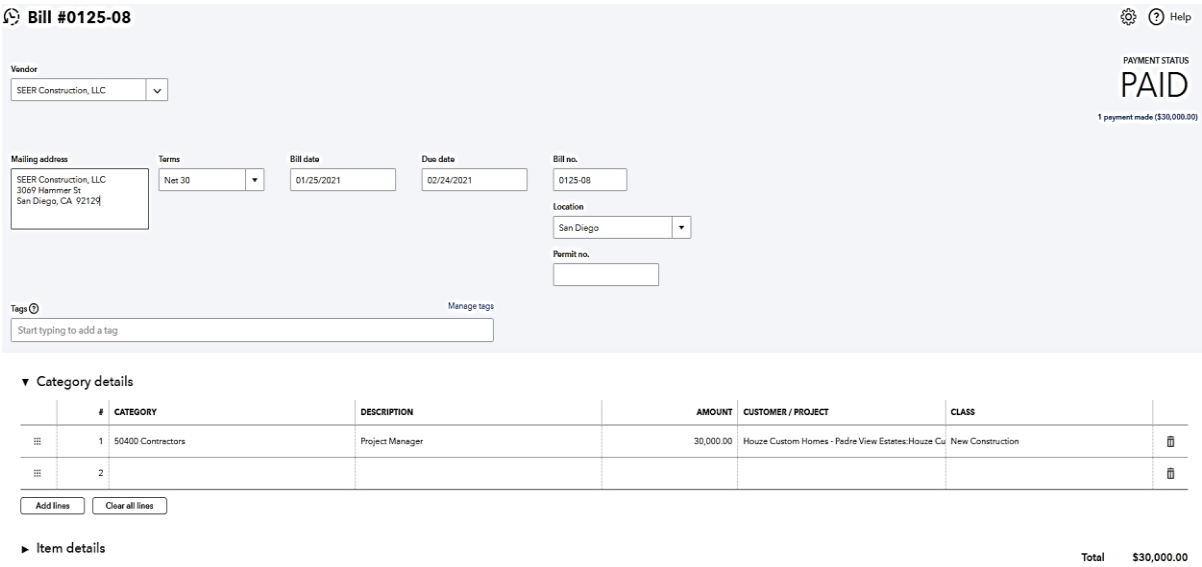
15. Add bill 0115-06 and link PO 21-004 for January 01/15 of the current year.



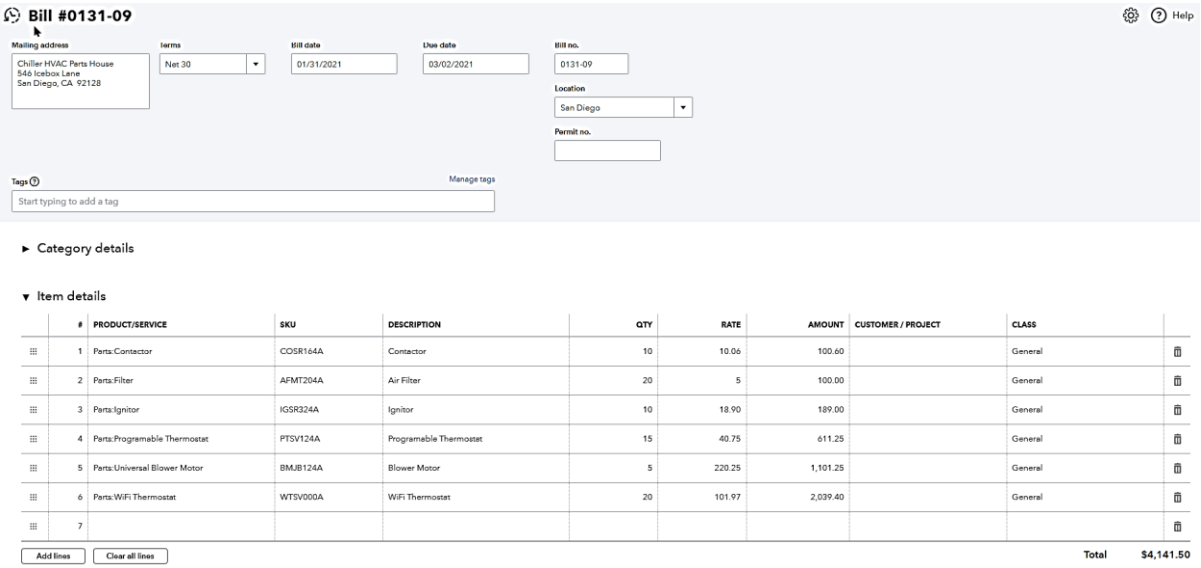
16. Add bill 0115-07 and link PO 21-005 for January 01/15 of the current year.



17. Add bill 0125-08, no PO for January 01/25 of the current year.



18. Add bill 0131-09, no PO for January 01/31 of the current year.



Bill #0131-09

Help

Mailing address: Chiller HVAC Parts House, 546 Icebox Lane, San Diego, CA 92128

Terms: Net 30

Bill date: 01/31/2021

Due date: 03/02/2021

Bill no.: 0131-09

Location: San Diego

Permit no.:

Tags: Start typing to add a tag — Manage tags

Category details

Item details

#	PRODUCT/SERVICE	SKU	DESCRIPTION	QTY	RATE	AMOUNT	CUSTOMER / PROJECT	CLASS
1	Parts:Contactor	COSR164A	Contactor	10	10.06	100.60		General
2	Parts:Filter	AFMT204A	Air Filter	20	5	100.00		General
3	Parts:Ignitor	IGSR324A	Ignitor	10	18.90	189.00		General
4	Parts:Programable Thermostat	PTSV124A	Programable Thermostat	15	40.75	611.25		General
5	Parts:Universal Blower Motor	BMJB124A	Blower Motor	5	220.25	1,101.25		General
6	Parts:WiFi Thermostat	WTSV000A	WiFi Thermostat	20	101.97	2,039.40		General
7								

Add lines | Clear all lines

Total $4,141.50

19. Pay bills for January of the current year:

Vendor	Date	Check#	Bill #	Acct/Total Amt
Chiller HVAC Parts House	01/20/Current Year	5000	0104-02 0108-04 0111-05	Checking 1234 $35,752.49
Chiller HVAC Parts House	01/25/Current Year	5001	1221-01	Checking 1234 $70,000.00

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20. Add PO 21-006 for February 02/01 of the current year. Use the following screen shots and Inflow PO Transaction List with Splits.pdf as a guide.

Purchase Order #21-006

Help

Vendor: Chiller HVAC Parts House
Email: acparts@chillers.com
Cc/Bcc
Closed

AMOUNT
$6,594.15

Mailing address: Chiller HVAC Parts House
546 Icebox Lane
San Diego, CA 92128

Ship to: Select customer for address
Purchase Order date: 02/01/2021

Shipping address: JDoe Inflow Heating and Cooling
7535 Torrey Santa Fe Rd
San Diego, CA 92129 US

Ship via:

PO no.: 21-006
Location: El Cajon
Permit no.:

Tags: Start typing to add a tag
Manage tags

▸ Category details

▾ Item details

	#	PRODUCT/SERVICE	SKU	DESCRIPTION	QTY	RATE	AMOUNT	CUSTOMER / PROJECT	CLASS	RECEIVED	CLOSED	
⠿	1	Parts:Commercial Unit	CPJB000A	New Commercial Unit	1	6,350	6,350.00	Eastside General Hospital	Commercial	1	✔	🗑
⠿	2	Parts:Universal Blower Motor	BMJB124A	Blower Motor	1	220.25	220.25	Eastside General Hospital	Commercial	1	✔	🗑
⠿	3	Parts:Ignitor	IGSR324A	Ignitor	1	18.90	18.90	Eastside General Hospital	Commercial	1	✔	🗑
⠿	4	Parts:Filter	AFMT204A	Air Filter	1	5	5.00	Eastside General Hospital	Commercial	1	✔	🗑

21. Add PO 21-007 for February 02/10 of the current year.

Purchase Order #21-007

Help

1 linked Bill

Vendor: Chiller HVAC Parts House
Email: acparts@chillers.com
Cc/Bcc
Closed

AMOUNT
$969.61

Mailing address: Chiller HVAC Parts House
546 Icebox Lane
San Diego, CA 92128

Ship to: Select customer for address
Purchase Order date: 02/10/2021

Shipping address: JDoe Inflow Heating and Cooling
7535 Torrey Santa Fe Rd
San Diego, CA 92129 US

Ship via:

PO no.: 21-007
Location: Chula Vista
Permit no.:

Tags: Start typing to add a tag
Manage tags

▸ Category details

▾ Item details

	#	PRODUCT/SERVICE	SKU	DESCRIPTION	QTY	RATE	AMOUNT	CUSTOMER / PROJECT	CLASS	RECEIVED	CLOSED	
⠿	1	Parts:Compressor	CPJB000A	Compressor	1	954.55	954.55	Harbor View Cinema	Commercial	1	✔	🗑
⠿	2	Parts:Contactor	COSR164A	Contactor	1	10.06	10.06	Harbor View Cinema	Commercial	1	✔	🗑
⠿	3	Parts:Filter	AFMT204A	Air Filter	1	5	5.00	Harbor View Cinema	Commercial	1	✔	🗑

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22. Add PO 21-008 for February 02/10 of the current year.

Purchase Order #21-008

1 linked Bill

Vendor: Chiller HVAC Parts House
Email: acparts@chillers.com
Cc/Bcc
Closed

AMOUNT **$6,355.00**

Mailing address: Chiller HVAC Parts House, 546 Icebox Lane, San Diego, CA 92128
Ship to: Select customer for address
Purchase Order date: 02/10/2021
Shipping address: JDoe Inflow Heating and Cooling, 7535 Torrey Santa Fe Rd, San Diego, CA 92129 US
Ship via:
PO no.: 21-008
Location: El Cajon
Permit no.:
Tags: Start typing to add a tag
Manage tags

▸ Category details

▾ Item details

	#	PRODUCT/SERVICE	SKU	DESCRIPTION	QTY	RATE	AMOUNT	CUSTOMER / PROJECT	CLASS	RECEIVED	CLOSED
	1	Parts:Commercial Unit	CPJB000A	New Commercial Unit	1	6,350	6,350.00	The Hospital Southern California	Commercial	1	✓
	2	Parts:Filter	AFMT204A	Air Filter	1	5	5.00	The Hospital Southern California	Commercial	1	✓

23. Add PO 21-009 for February 02/15 of the current year.

Purchase Order #21-009

1 linked Bill

Vendor: Chiller HVAC Parts House
Email: acparts@chillers.com
Cc/Bcc
Closed

AMOUNT **$6,395.75**

Mailing address: Chiller HVAC Parts House, 546 Icebox Lane, San Diego, CA 92128
Ship to: Select customer for address
Purchase Order date: 02/15/2021
Shipping address: JDoe Inflow Heating and Cooling, 7535 Torrey Santa Fe Rd, San Diego, CA 92129 US
Ship via:
PO no.: 21-009
Location: Chula Vista
Permit no.:
Tags: Start typing to add a tag
Manage tags

▸ Category details

▾ Item details

	#	PRODUCT/SERVICE	SKU	DESCRIPTION	QTY	RATE	AMOUNT	CUSTOMER / PROJECT	CLASS	RECEIVED	CLOSED
	1	Parts:Commercial Unit	CPJB000A	New Commercial Unit	1	6,350	6,350.00	West Coast Community Hospital	Commercial	1	✓
	2	Parts:Filter	AFMT204A	Air Filter	1	5	5.00	West Coast Community Hospital	Commercial	1	✓
	3	Parts:Programable Thermostat	PTSV124A	Programable Thermostat	1	40.75	40.75	West Coast Community Hospital	Commercial	1	✓

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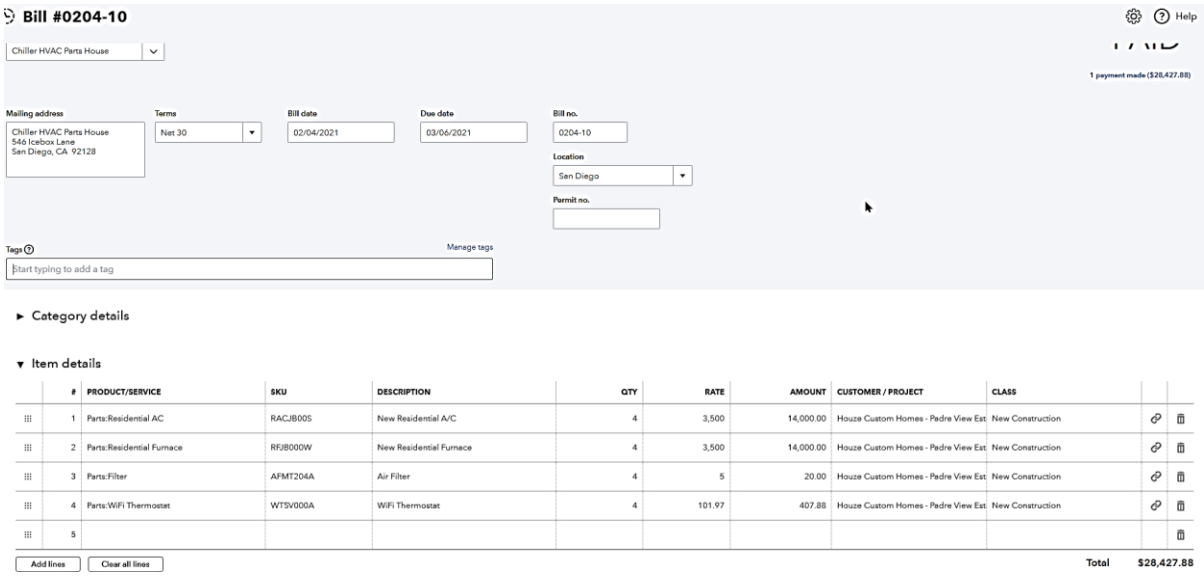
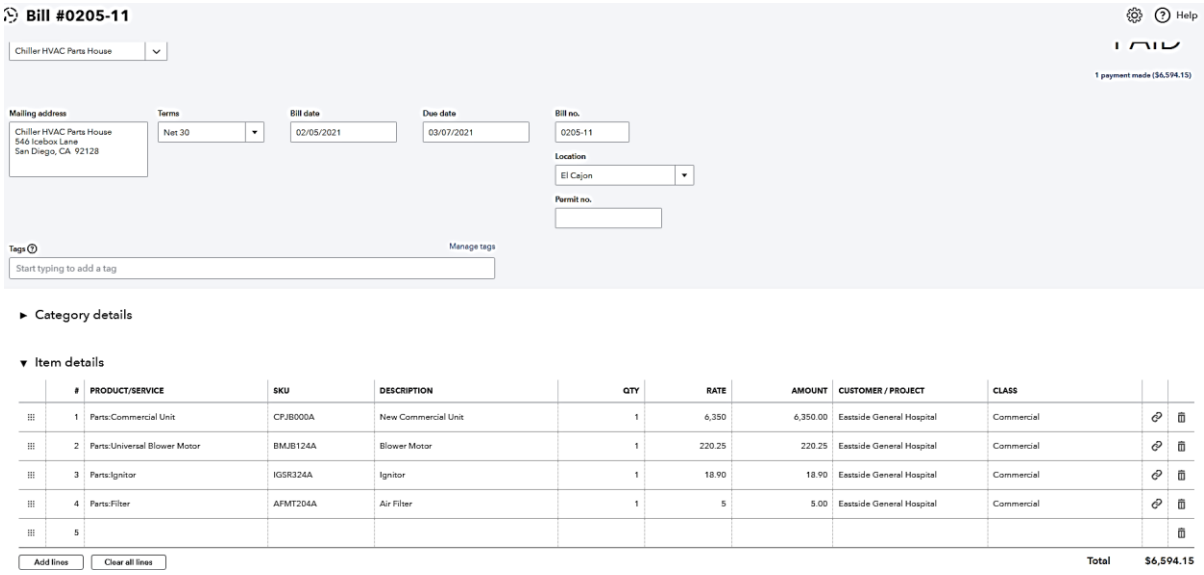
Enter bills for February of the current year: Remember to connect the purchase order to the bill. Use the follow screen shots and the **Inflow Bill Transaction List with Splits.pdf** as a reference guide.

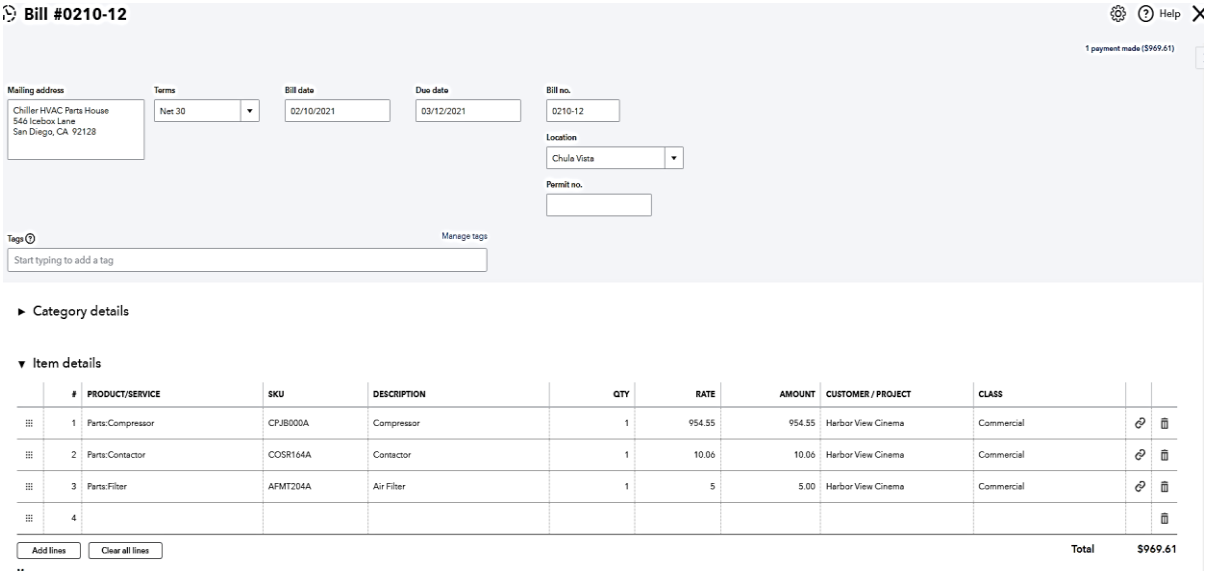
24. Add bill 0204-10 and link PO 21-001 (partial) for February 02/04 of the current year.



25. Add bill 0205-11 and link PO 21-006 for February 02/05 of the current year.



26. Add bill 0210-12 and link PO 21-007 for February 02/10 of the current year.



Bill #0210-12

Help

1 payment made ($969.61)

Mailing address: Chiller HVAC Parts House, 546 Icebox Lane, San Diego, CA 92128

Terms: Net 30

Bill date: 02/10/2021

Due date: 03/12/2021

Bill no.: 0210-12

Location: Chula Vista

Permit no.:

Tags: Start typing to add a tag — Manage tags

Category details

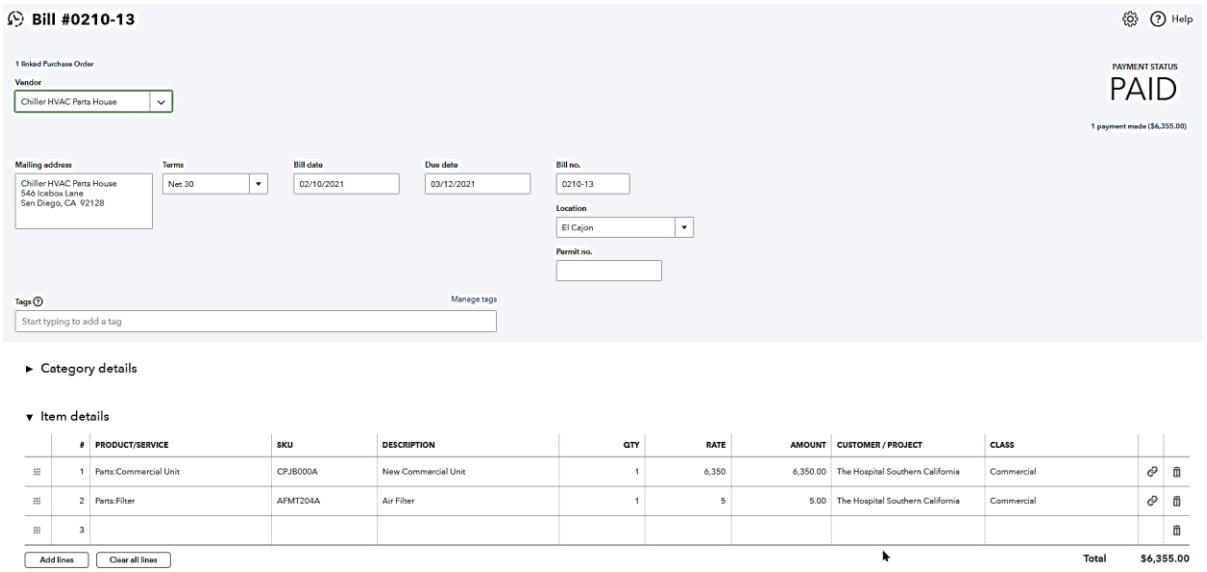
Item details

#	PRODUCT/SERVICE	SKU	DESCRIPTION	QTY	RATE	AMOUNT	CUSTOMER / PROJECT	CLASS
1	Parts:Compressor	CPJB000A	Compressor	1	954.55	954.55	Harbor View Cinema	Commercial
2	Parts:Contactor	COSR164A	Contactor	1	10.06	10.06	Harbor View Cinema	Commercial
3	Parts:Filter	AFMT204A	Air Filter	1	5	5.00	Harbor View Cinema	Commercial
4								

Add lines | Clear all lines

Total $969.61

27. Add bill 0210-13 and link PO 21-008 for February 02/10 of the current year.



Bill #0210-13

Help

1 linked Purchase Order

Vendor: Chiller HVAC Parts House

PAYMENT STATUS: PAID

1 payment made ($6,355.00)

Mailing address: Chiller HVAC Parts House, 546 Icebox Lane, San Diego, CA 92128

Terms: Net 30

Bill date: 02/10/2021

Due date: 03/12/2021

Bill no.: 0210-13

Location: El Cajon

Permit no.:

Tags: Start typing to add a tag — Manage tags

Category details

Item details

#	PRODUCT/SERVICE	SKU	DESCRIPTION	QTY	RATE	AMOUNT	CUSTOMER / PROJECT	CLASS
1	Parts:Commercial Unit	CPJB000A	New Commercial Unit	1	6,350	6,350.00	The Hospital Southern California	Commercial
2	Parts:Filter	AFMT204A	Air Filter	1	5	5.00	The Hospital Southern California	Commercial
3								

Add lines | Clear all lines

Total $6,355.00

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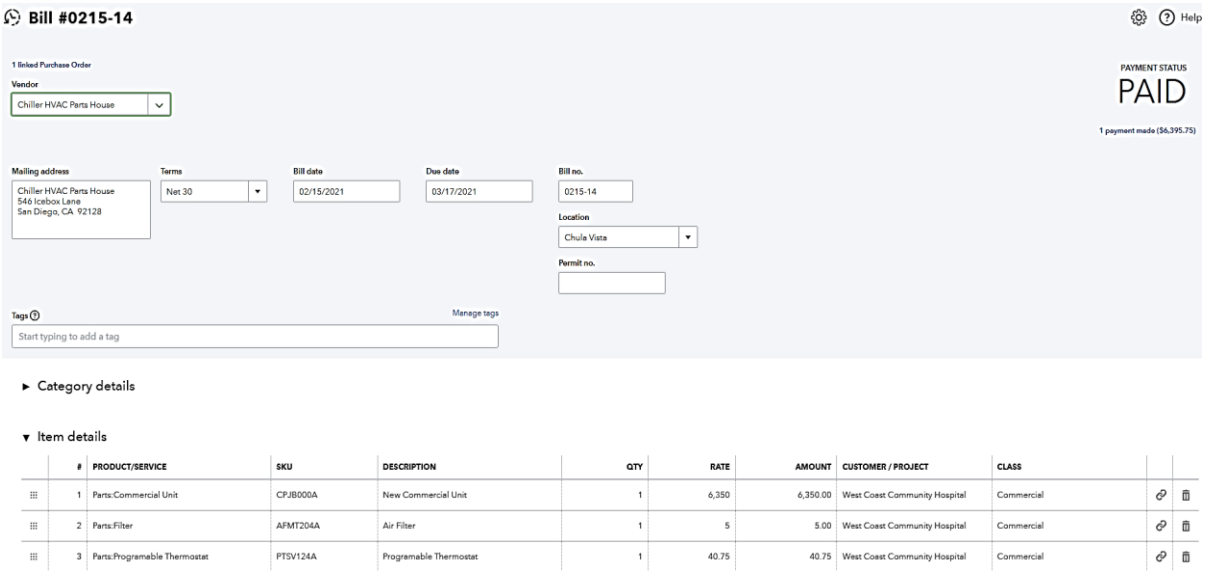
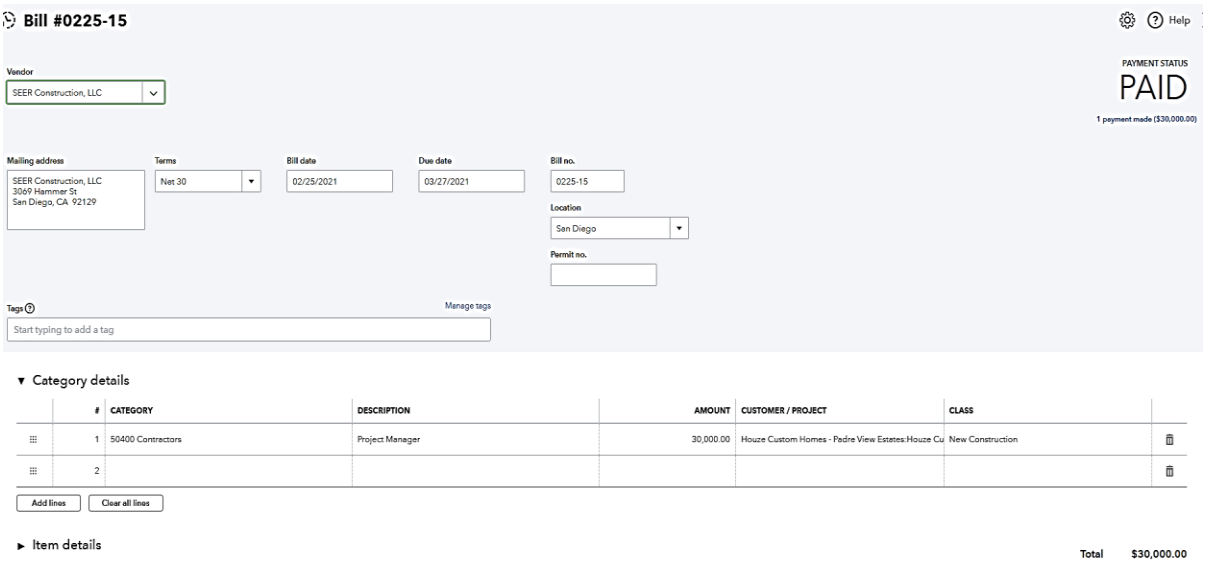
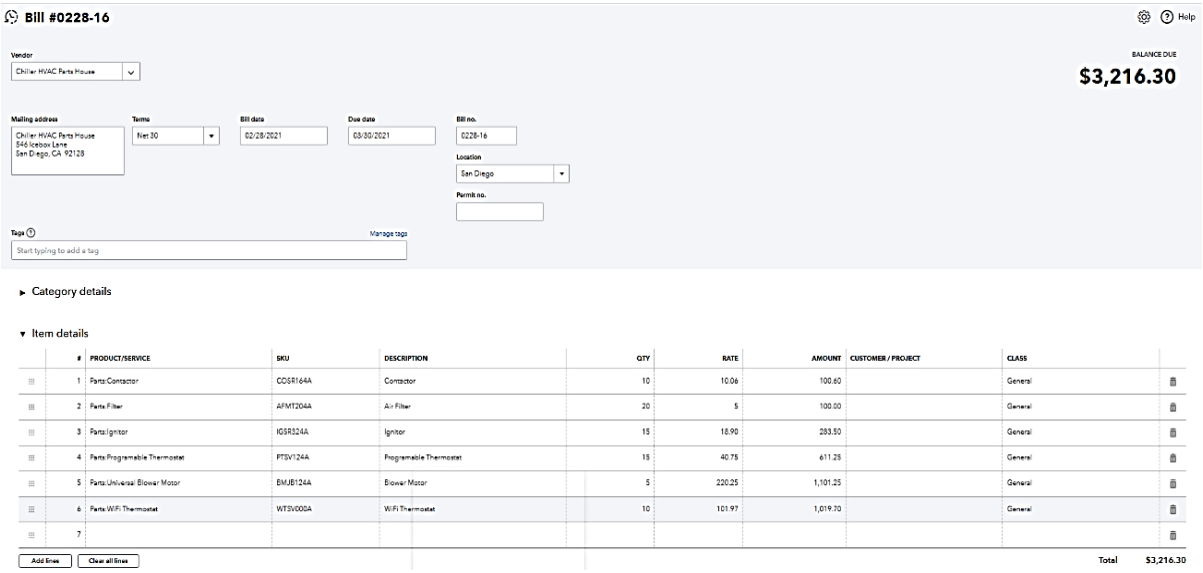
28. Add bill 0215-14 and link PO 21-009 for February 02/15 of the current year.



29. Add bill 0225-15, no PO for February 02/25 of the current year.



30. Add bill 0228-16, no PO for February 02/28 of the current year.



Bill #0228-16

Help

Vendor: Chiller HVAC Parts House

BALANCE DUE $3,216.30

Mailing address: Chiller HVAC Parts House, 546 Icebox Lane, San Diego, CA 92128

Terms: Net 30

Bill date: 02/28/2021

Due date: 03/30/2021

Bill no.: 0228-16

Location: San Diego

Permit no.:

Tags: Start typing to add a tag — Manage tags

Category details

Item details

#	PRODUCT/SERVICE	SKU	DESCRIPTION	QTY	RATE	AMOUNT	CUSTOMER / PROJECT	CLASS
1	Parts:Contactor	CCSR164A	Contactor	10	10.06	100.60		General
2	Parts:Filter	AFMT204A	Air Filter	20	5	100.00		General
3	Parts:Ignitor	IGSR324A	Ignitor	15	18.90	283.50		General
4	Parts:Programable Thermostat	PTSV124A	Programmable Thermostat	15	40.75	611.25		General
5	Parts:Universal Blower Motor	BMJB124A	Blower Motor	5	220.25	1,101.25		General
6	Parts:WiFi Thermostat	WTSV000A	WiFi Thermostat	10	101.97	1,019.70		General
7								

Add lines — Clear all lines — Total $3,216.30

31. Pay bills for February of the current year:

Vendor	Date	Check #	Bill #	Acct/Amt
Chiller HVAC Parts House	02/03/Current Year	5002	0104-03	Checking 1234 $28,427.88
Chiller HVAC Parts House	02/10/Current Year	5003	0115-06 0115-07	Checking 1234 $70,969.61
SEER Construction LLC	02/24/Current Year	5004	0125-08	Checking 1234 $30,000.00

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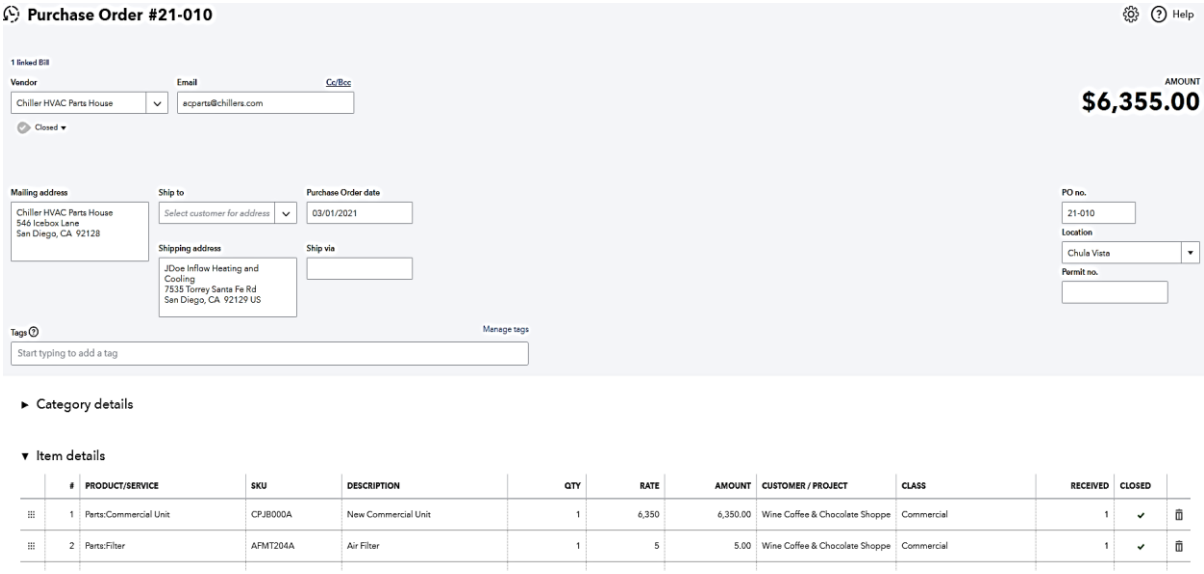
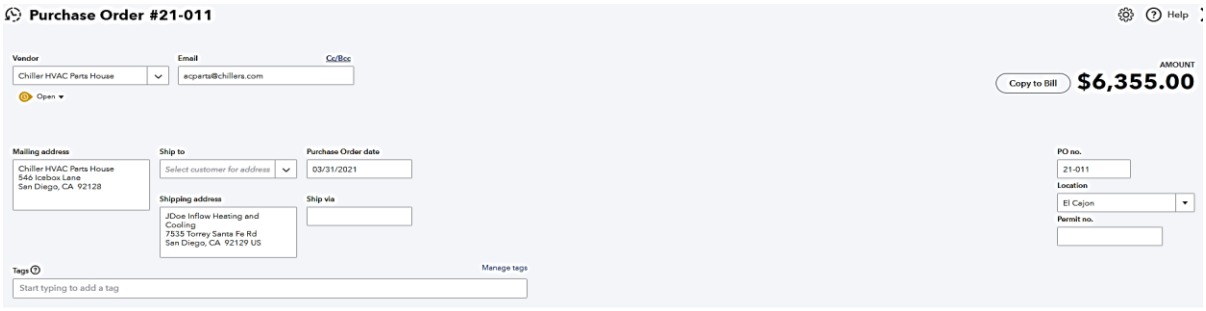
Use the following screen shots for reference AND the Inflow PO Transaction List with Splits.pdf. Both will be very helpful in completing this activity. Pay attention to the change in information as we move from February to March.

32. Add PO 21-010 March 3/01 of the current year.



#	PRODUCT/SERVICE	SKU	DESCRIPTION	QTY	RATE	AMOUNT	CUSTOMER / PROJECT	CLASS	RECEIVED	CLOSED
1	Parts:Commercial Unit	CPJB000A	New Commercial Unit	1	6,350	6,350.00	Wine Coffee & Chocolate Shoppe	Commercial	1	✓
2	Parts:Filter	AFMT204A	Air Filter	1	5	5.00	Wine Coffee & Chocolate Shoppe	Commercial	1	✓

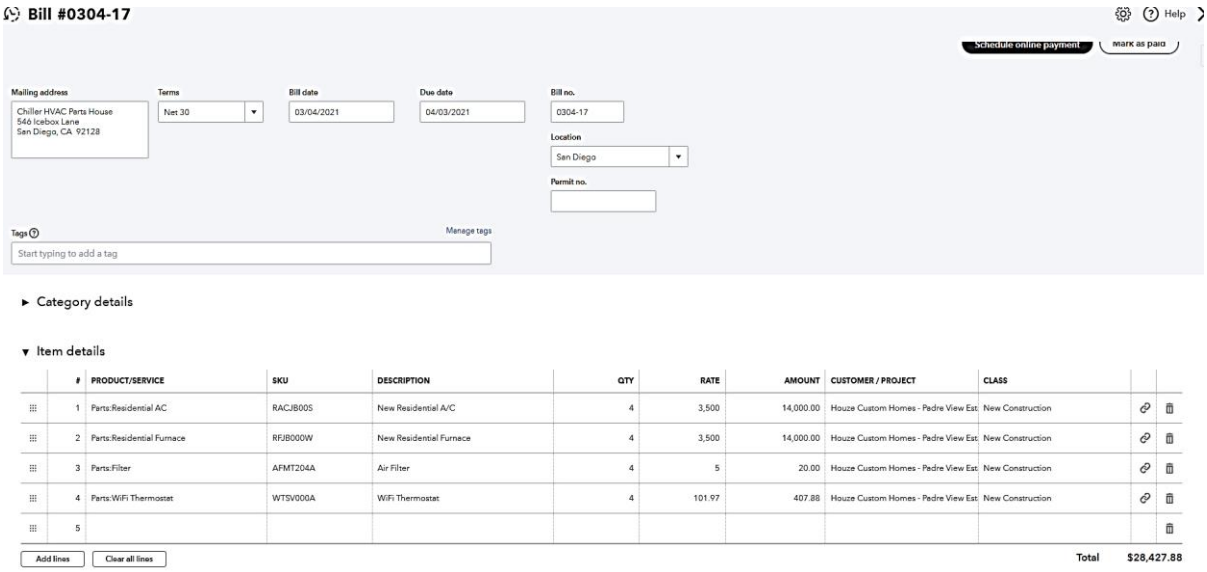
33. Add PO 21-011 for March 3/31 of the current year.



#	PRODUCT/SERVICE	SKU	DESCRIPTION	QTY	RATE	AMOUNT	CUSTOMER / PROJECT	CLASS	RECEIVED	CLOSED
1	Parts:Commercial Unit	CPJB000A	New Commercial Unit	1	6,350	6,350.00	Eastside General Hospital	Commercial	0	
2	Parts:Filter	AFMT204A	Air Filter	1	5	5.00	Eastside General Hospital	Commercial	0	

Enter bills for March of the current year: Remember to connect the purchase order to the bill. Use the follow screen shots and the **Inflow Bill Transaction List with Splits.pdf** as a reference guide.

34. Add bill 0304-17 and link PO 21-001 (partial) for March 03/04 of the current year.



Bill #0304-17

Help

Schedule online payment | Mark as paid

Mailing address: Chiller HVAC Parts House, 546 Icebox Lane, San Diego, CA 92128

Terms: Net 30

Bill date: 03/04/2021

Due date: 04/03/2021

Bill no.: 0304-17

Location: San Diego

Permit no.:

Tags: Start typing to add a tag | Manage tags

Category details

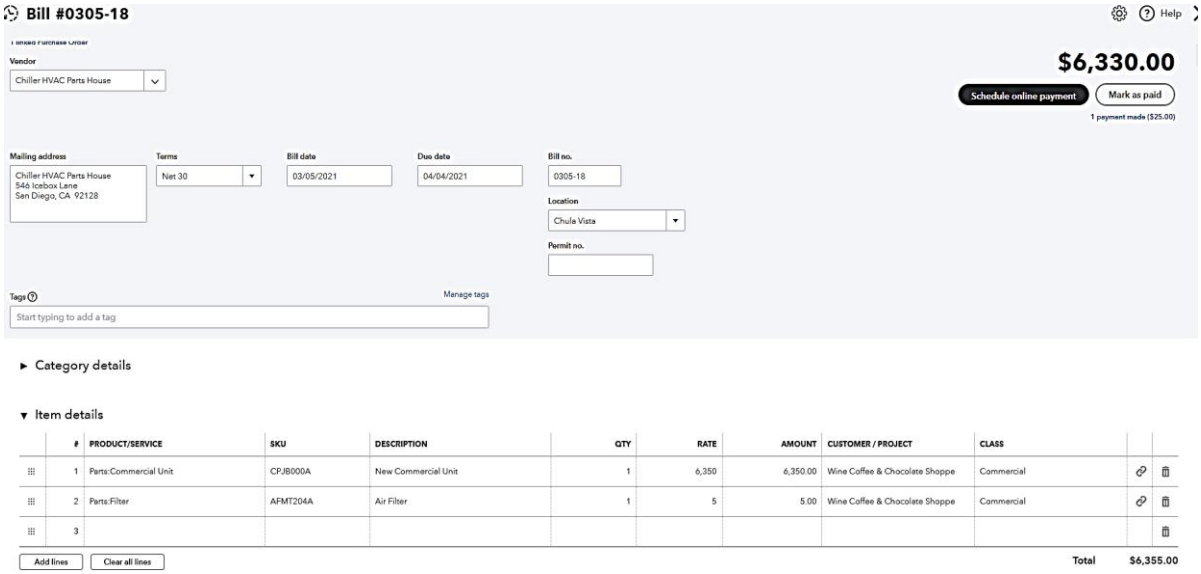
Item details

#	PRODUCT/SERVICE	SKU	DESCRIPTION	QTY	RATE	AMOUNT	CUSTOMER / PROJECT	CLASS
1	Parts:Residential AC	RACJB00S	New Residential A/C	4	3,500	14,000.00	Houze Custom Homes - Padre View Est	New Construction
2	Parts:Residential Furnace	RFJB000W	New Residential Furnace	4	3,500	14,000.00	Houze Custom Homes - Padre View Est	New Construction
3	Parts:Filter	AFMT204A	Air Filter	4	5	20.00	Houze Custom Homes - Padre View Est	New Construction
4	Parts:WiFi Thermostat	WTSV000A	WiFi Thermostat	4	101.97	407.88	Houze Custom Homes - Padre View Est	New Construction
5								

Add lines | Clear all lines

Total $28,427.88

35. Add bill 0305-18 and link PO 21-010 for March 03/05 of the current year.



Bill #0305-18

Help

Vendor: Chiller HVAC Parts House

$6,330.00

Schedule online payment | Mark as paid

1 payment made ($25.00)

Mailing address: Chiller HVAC Parts House, 546 Icebox Lane, San Diego, CA 92128

Terms: Net 30

Bill date: 03/05/2021

Due date: 04/04/2021

Bill no.: 0305-18

Location: Chula Vista

Permit no.:

Tags: Start typing to add a tag | Manage tags

Category details

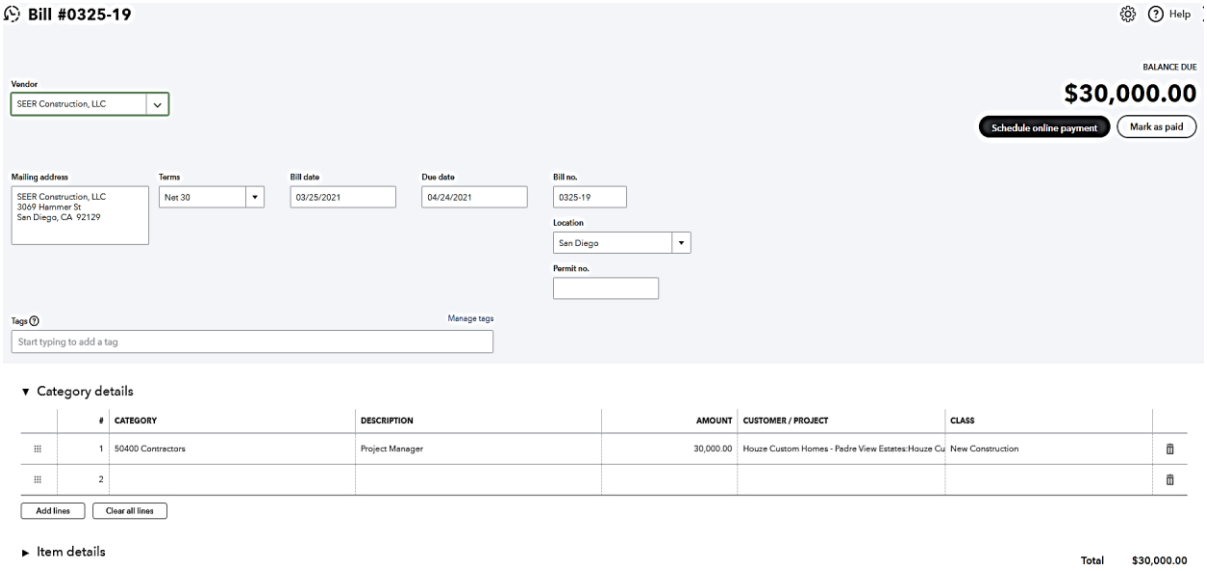
Item details

#	PRODUCT/SERVICE	SKU	DESCRIPTION	QTY	RATE	AMOUNT	CUSTOMER / PROJECT	CLASS
1	Parts:Commercial Unit	CPJB000A	New Commercial Unit	1	6,350	6,350.00	Wine Coffee & Chocolate Shoppe	Commercial
2	Parts:Filter	AFMT204A	Air Filter	1	5	5.00	Wine Coffee & Chocolate Shoppe	Commercial
3								

Add lines | Clear all lines

Total $6,355.00

36. Add bill 0325-19, no PO for March 03/25 of the current year.



Bill #0325-19

Help

BALANCE DUE
$30,000.00

Schedule online payment | Mark as paid

Vendor: SEER Construction, LLC

Mailing address: SEER Construction, LLC
3069 Hammer St
San Diego, CA 92129

Terms: Net 30
Bill date: 03/25/2021
Due date: 04/24/2021
Bill no.: 0325-19
Location: San Diego
Permit no.:

Tags: Start typing to add a tag — Manage tags

Category details

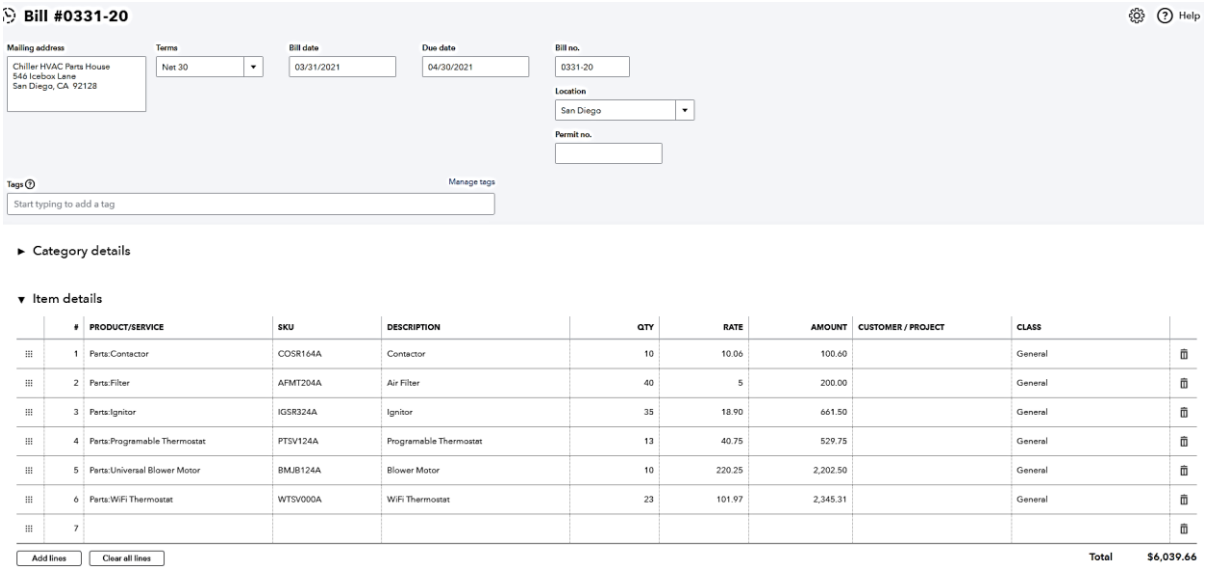
#	CATEGORY	DESCRIPTION	AMOUNT	CUSTOMER / PROJECT	CLASS
1	50400 Contractors	Project Manager	30,000.00	Houze Custom Homes - Padre View Estates:Houze Cu	New Construction
2					

Add lines | Clear all lines

Item details

Total $30,000.00

37. Add bill 0331-20, no PO for March 03/31 of the current year.



Bill #0331-20

Help

Mailing address: Chiller HVAC Parts House
546 Icebox Lane
San Diego, CA 92128

Terms: Net 30
Bill date: 03/31/2021
Due date: 04/30/2021
Bill no.: 0331-20
Location: San Diego
Permit no.:

Tags: Start typing to add a tag — Manage tags

Category details

Item details

#	PRODUCT/SERVICE	SKU	DESCRIPTION	QTY	RATE	AMOUNT	CUSTOMER / PROJECT	CLASS
1	Parts:Contactor	COSR164A	Contactor	10	10.06	100.60		General
2	Parts:Filter	AFMT204A	Air Filter	40	5	200.00		General
3	Parts:Ignitor	IGSR324A	Ignitor	35	18.90	661.50		General
4	Parts:Programable Thermostat	PTSV124A	Programable Thermostat	13	40.75	529.75		General
5	Parts:Universal Blower Motor	BMJB124A	Blower Motor	10	220.25	2,202.50		General
6	Parts:WiFi Thermostat	WTSV000A	WiFi Thermostat	23	101.97	2,345.31		General
7								

Add lines | Clear all lines

Total $6,039.66

38. Pay bills for March of the current year:

Vendor	Date	Check #	Bill #	Acct/Amt
Chiller HVAC Parts House	03/10/ Current Year	5005	0210-12 0210-13 0215-14	Checking 1234 $13,720.36
Chiller HVAC Parts House	03/10/Current Year	5006	0131-09 0204-10 0205-11	Checking 1234 $39,163.53
SEER Construction LLC	03/25/Current Year	5007	0225-15	Checking 1234 $30,000.00

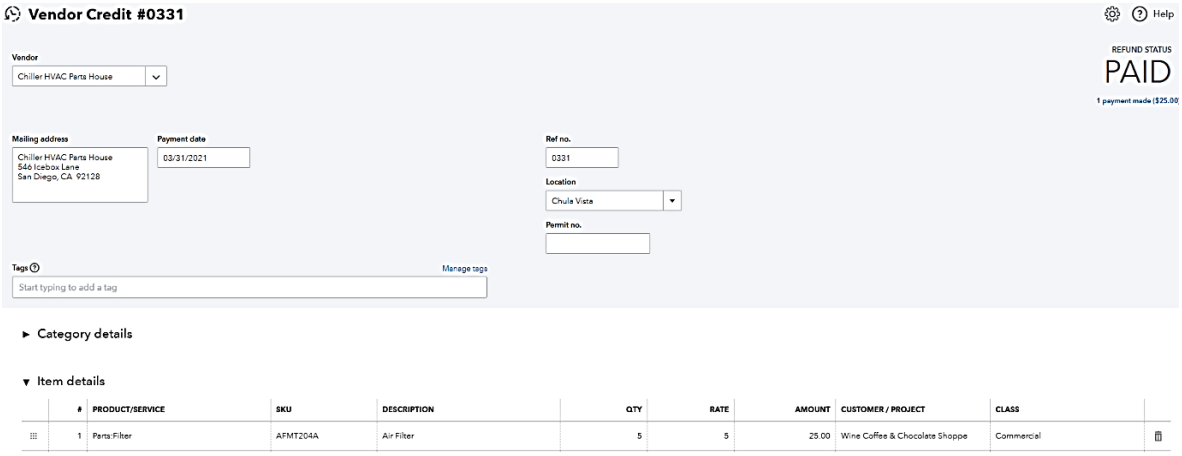
39. Review Video Links:

Vendor Credits: Intro

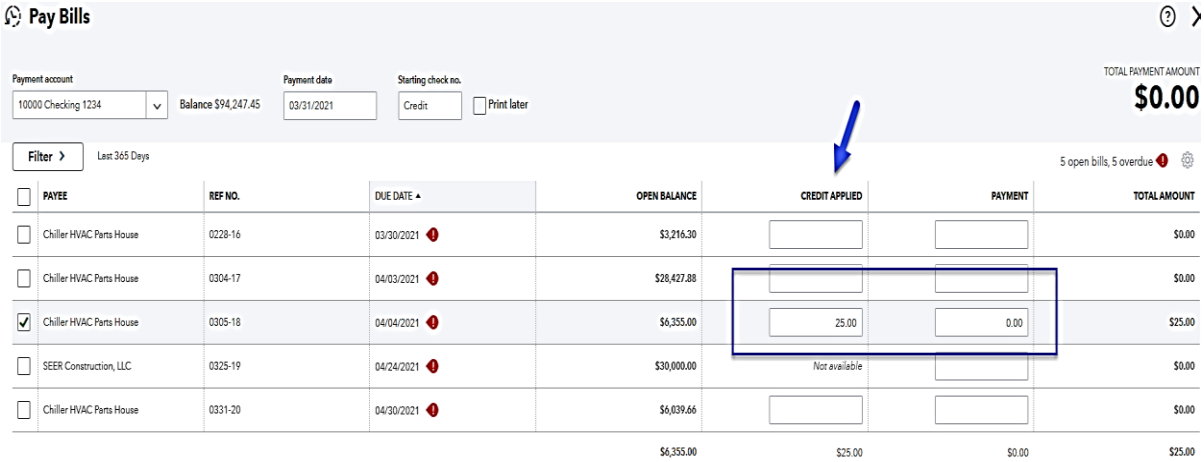
Record a Vendor Credit

Apply a Vendor Credit

40. Add Vendor Credit 0331:



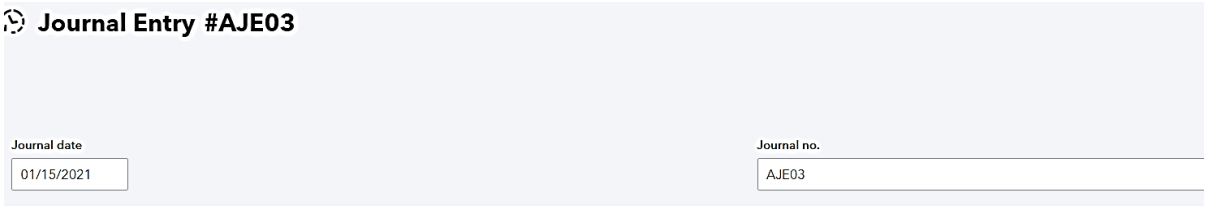
41. Create the following vendor credit and apply the credit to bill #0305-18 03/31 current year:



	PAYEE	REF NO.	DUE DATE	OPEN BALANCE	CREDIT APPLIED	PAYMENT	TOTAL AMOUNT
☐	Chiller HVAC Parts House	0228-16	03/30/2021	$3,216.30			$0.00
☐	Chiller HVAC Parts House	0304-17	04/03/2021	$28,427.88			$0.00
☑	Chiller HVAC Parts House	0305-18	04/04/2021	$6,355.00	25.00	0.00	$25.00
☐	SEER Construction, LLC	0325-19	04/24/2021	$30,000.00	Not available		$0.00
☐	Chiller HVAC Parts House	0331-20	04/30/2021	$6,039.66			$0.00
				$6,355.00	$25.00	$0.00	$25.00

Great news! We can purchase a new truck.

42. Record the purchase of a 2019 Ford Truck 01/15 current year.



#	ACCOUNT	DEBITS	CREDITS	DESCRIPTION	NAME	LOCATION	CLASS
1	15200 Vehicles	68,989.00		To record purchase of 2019 Ford	ACH Auto Loans	San Diego	General
2	27400 Note Payable - 2019 Ford		68,989.00	To record purchase of 2019 Ford	ACH Auto Loans	San Diego	General

43. Locate and review the following Accounts Payable reports:

a. Accounts Payable Aging Summary
b. Accounts Payable Aging Detail
c. Unpaid Bills
d. Expense by Vendor Summary
e. Open Purchase Order List

Online Foundations Training

SECTION 9
ACCOUNTS RECEIVABLE

Objectives
Customer Center
Sales Receipts
Bank Deposits
Estimates
Invoices
Progress Invoicing
Receive Payments
Credit Memos
Apply Credits
Refund Receipts
Sales and A/R Reports
Statements
Practice Test
Case Study Activities

Upon completion of Section 9 each participant will be familiar with:

- An overview of Accounts Receivable.
- How to correctly use Customer and Accounts Receivable-related accounts and settings.
- How to use the Customer Center.
- How and when to use a Sales Receipt versus an Invoice.
- How to Receive Payments and Record Deposits.
- How to view and save Sales and Accounts Receivable-related reports.

Now that the Inflow Heating and Cooling owner understands how to use reports as a management tool, let's dive in deeper and learn the proper way to record daily transactions in the business, starting with Accounts Receivable (an area that significantly impacts cash flow). To do this, we must become familiar with the Customer Center, and how-to setup customers in the system.

Josh has asked for clarification on when to use an invoice versus a sales receipt and does not understand the difference between the two. We will cover this topic in detail for him and provide clear instruction on how to record payments received and bank deposits.

Also help Josh setup and use the bundle feature to invoice monthly maintenance contracts. He would like to use estimates and progress invoicing to help with cash flow. He mentions that he wants to focus on sales growth over the next few years and wants advice on which reports to track that will help him make wise business decisions.

What Accounts Receivable reports do you recommend he access and review on a regular basis? What kind of information can these reports provide? How can this information be used to improve company performance and support his goal of sales growth?

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In the Accounts Receivable section, we discuss the importance of managing open invoices owed to you by your customers. You might be surprised by how costly this process can be if an efficient system is not in place and the affect it can have on cash flow.

Biz Q&A:

- Why do you think it is important to manage your Accounts Receivable?
- Why do you think business owners should have an Accounts Receivable and Collections policy?

Wow Fact:

According to the Harvard Business Review, here is an average of what receivables cost a company:

30 days – 1.82%

60 days – 9.20%

90 days – 17.74%

120 days – 26.71%

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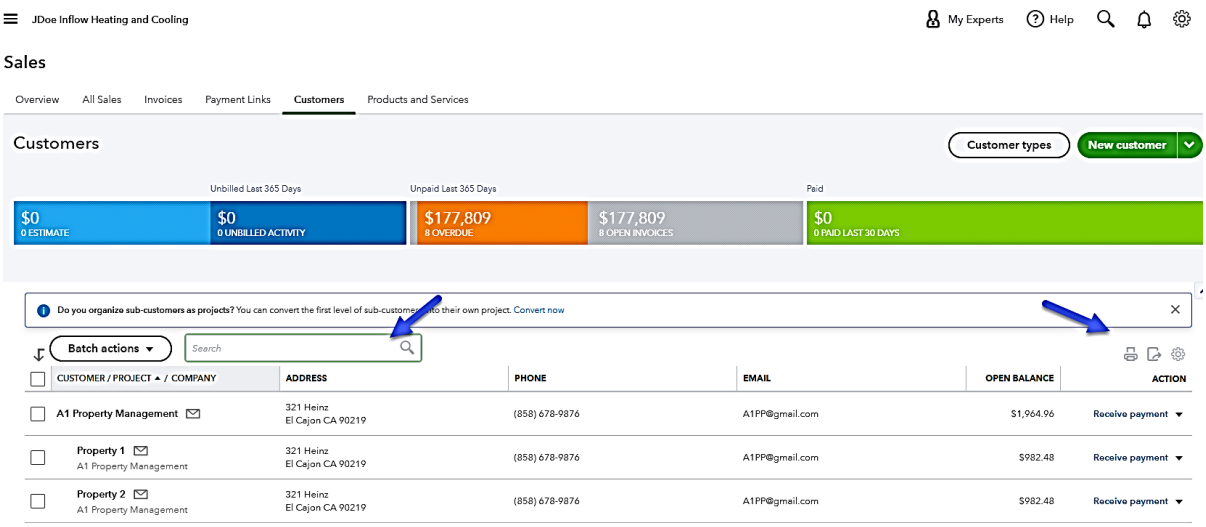
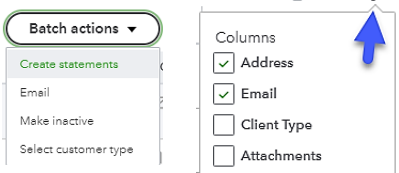
The **Customer Center** includes options for maintaining customer lists, adding invoices, receiving payments, and viewing transactions related to your customers.

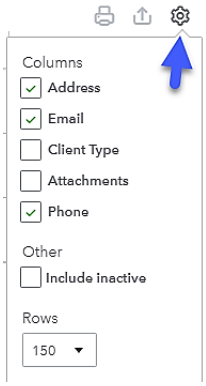
From the left navigation bar click **Invoicing -> Customers** to access the **Customer Center.**

Click the **Invoices** tab to view and manage invoices. Click the drop-down arrow to select options, such as **Send Reminders**, **Create Statements**, **Invoices**, **Sales Receipts**, and **Estimates.**



Use **Batch Actions** to create statements or email several invoices at one time. The search field is a quick way to find a customer.





Click the **Gear** icon to edit the way columns are displayed.

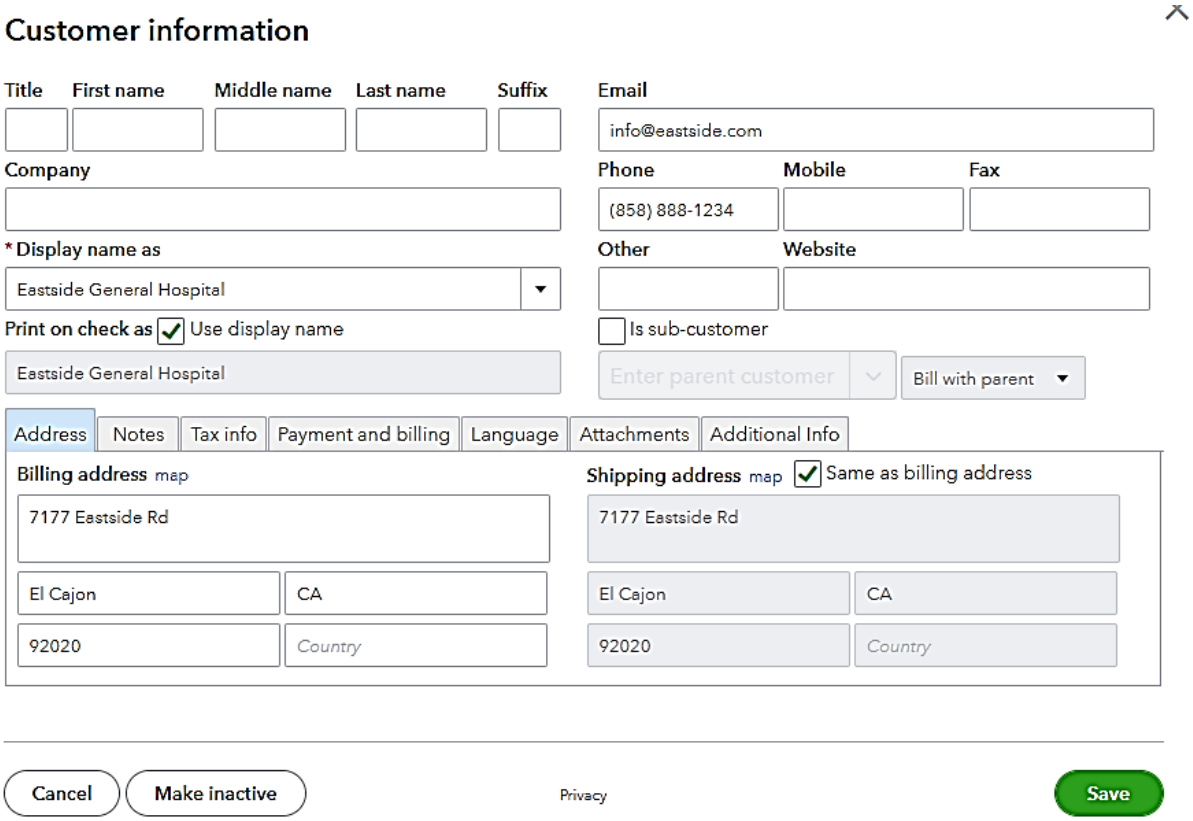
Note: You can manage **Sales, Products and Services** and more, from the **Sales Center.**

Add Customer

Click **New Customer** (top right of your screen).

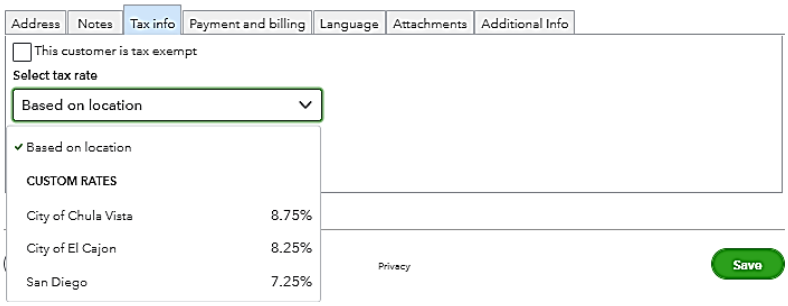
Enter **Customer** and **Display Name** (the way you would like the name displayed in the Customer list). Add address and contact information. Important! The display name is the only field that must be unique. It is used to track balances for each entry and for default sorting.

Note: Customers may have two different addresses for billing and shipping. By default, the shipping address is the same as the billing. The billing address is for any invoicing or payment related transaction, and the shipping would be the location where you ship goods or provide services. It is important to understand why the display name is unique.



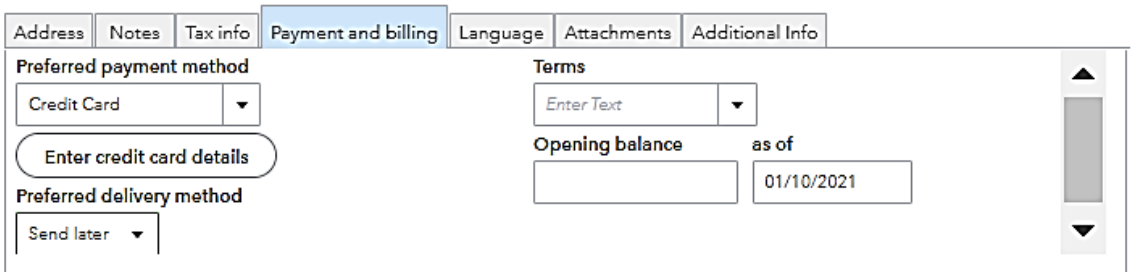
The **Notes** tab provides an area to track private notes for specific Customers.

If you are charging Sales Tax for Products or Services, the **Tax info** tab is where you indicate a Customer is tax-exempt. Customers are assumed to be taxable by default. If they are tax-exempt, enter their Tax ID number here. This is also where we enter the default state tax code. The Sales Tax feature is turned off for this training.



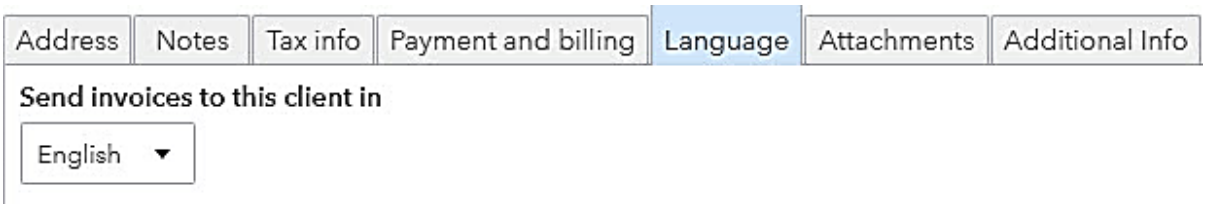
The **Payment & Billing** tab is where you enter the Customer's preferred payment method, invoice delivery method, payment terms, and opening balance (if there is one). You can assign default payment **Terms** for each customer. You can add or change terms as you enter sales receipts or Invoice transactions. You can add or manage terms in the terms list. **Gear -> All Lists.**

Terms example: 2% 10 Net 30 means the customer may take a 2% discount if they pay within 10 days. If it is not paid within 10 days, the full amount is due within 30 days.

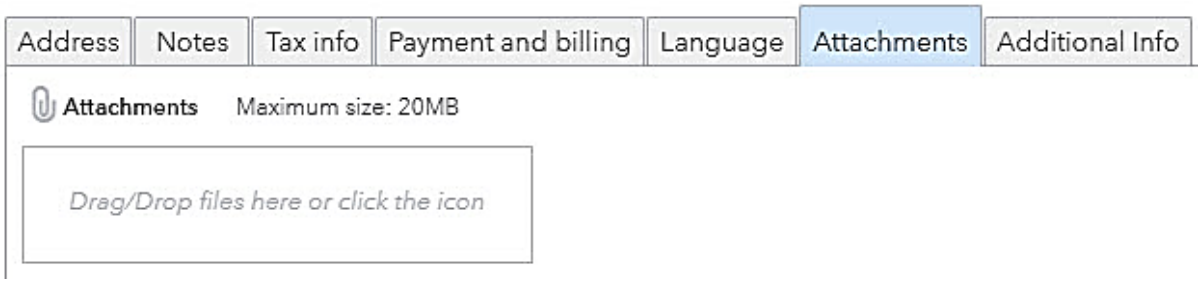


Note: Know where to set default terms for Customers. You can manage terms in the terms list. Gear -> All Lists. What does 2% 10 Net 30 mean?

The **Language** tab has a limited selection of languages you can track by Customer.

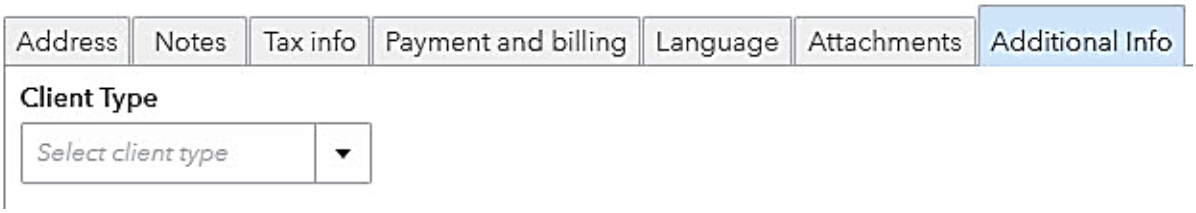


The **Attachments** tab allows you to drag and drop attachments specific to a Customer.



The **Custom Fields** tab is available in QuickBooks Online Advanced subscription.

The **Additional info** tab is where you can assign a Customer type to track specific information. Create the **Customer types** list first. **C**lick **Customer types** from the Customer Center.

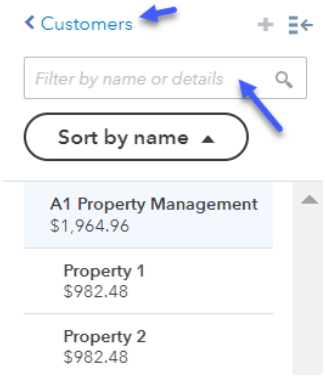


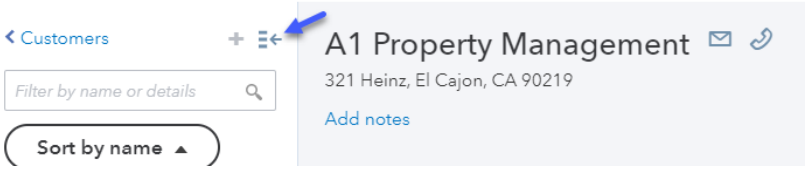
Once you click on a customer from the list you have the option to **Filter by name** or **details.**

Sort by name or **open balance.**

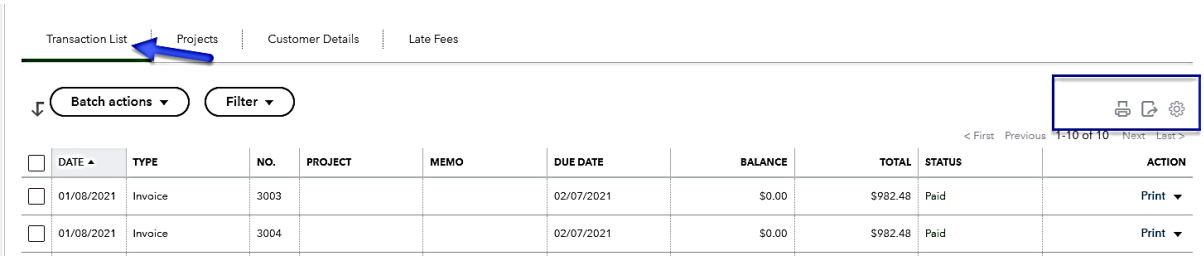
Collapse the list by clicking the **bar/arrow** icon.

Click the **symbol** to add a new customer.





Each customer has a **Transaction List** and a **Customer Details** tab where you can view transaction history and customer information. Track **Late Fees** per customer or send transactions and reminders using the **Batch Actions** options. You can print, export to Excel, or use the **Gear** icon to change the way the information is displayed on the screen.



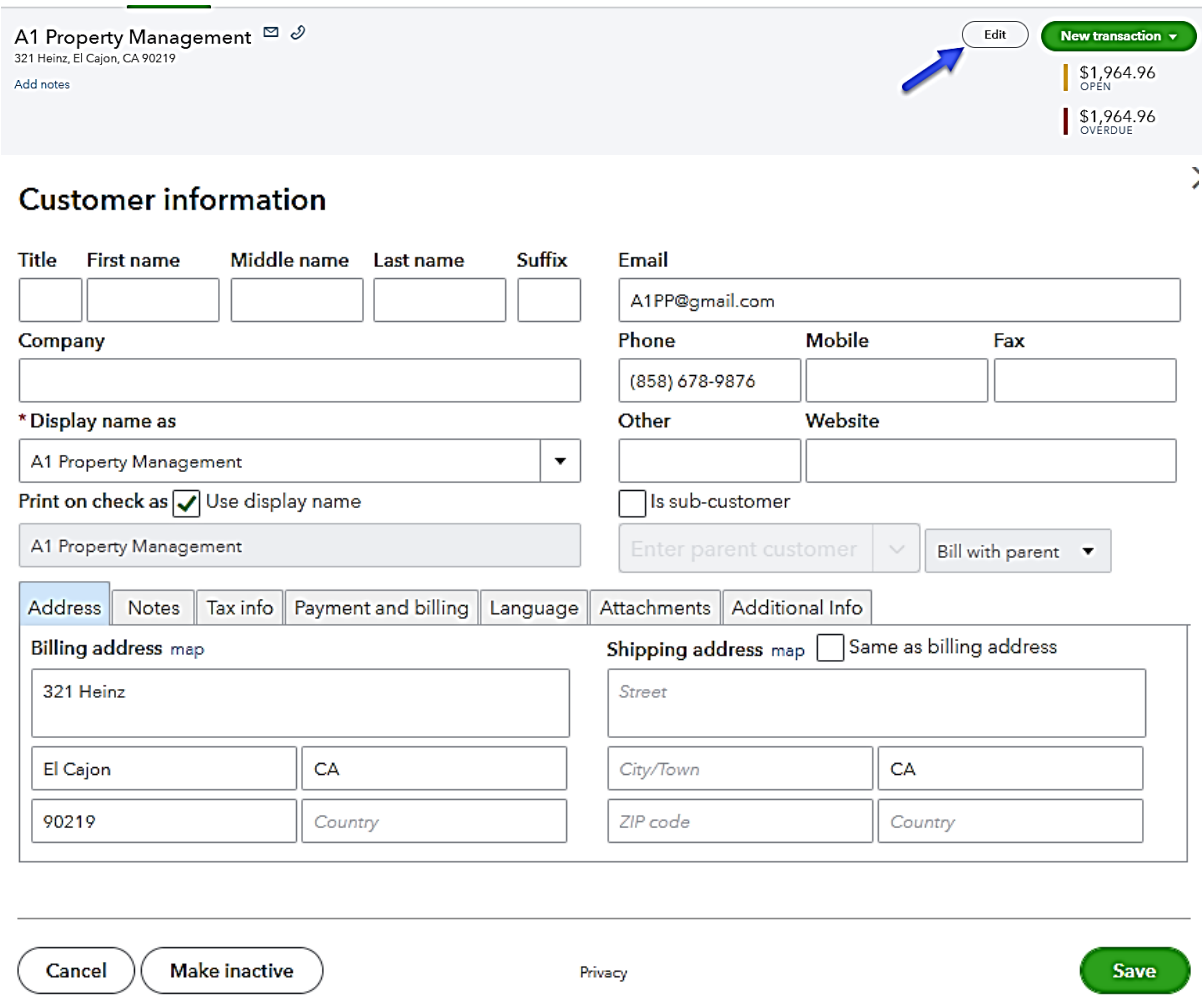
DATE	TYPE	NO.	PROJECT	MEMO	DUE DATE	BALANCE	TOTAL	STATUS	ACTION
01/08/2021	Invoice	3003			02/07/2021	$0.00	$982.48	Paid	Print
01/08/2021	Invoice	3004			02/07/2021	$0.00	$982.48	Paid	Print

Edit Customer

Editing customer information is important to ensure all sales receipts and invoices are sent to the correct location or email address.

From the **Customer Center,** click on the customer's name you wish to edit. Click the **Edit** button to open the customer information window to add or make changes. You can make a customer inactive or copy the display name to merge with another customer.

Click **Save** when done.

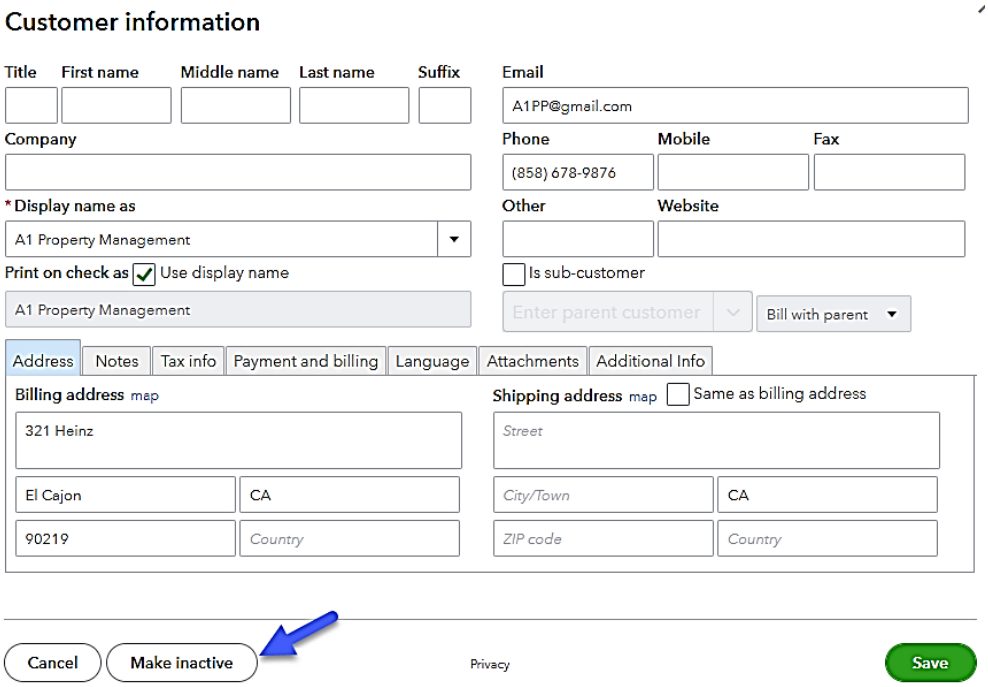


Make Inactive

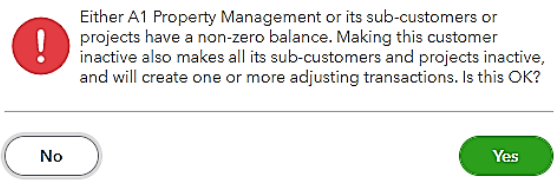
Making a customer inactive does not remove them from the system. You will have the option to view inactive customers in the **Customer Center**. Maintaining your customer list is very useful and cuts down on time searching for customers while entering transactions.

From the **Customer Center** click the **Customer** you would like to make inactive.

Click **Edit.** Click the **Make Inactive** button.



Note: A warning message will appear if there is an outstanding balance for a customer you are trying to inactivate. An adjusting transaction will be created if you click **Yes**.



Merge Customers

Merging customers is useful when there are duplicate names in the customer list.

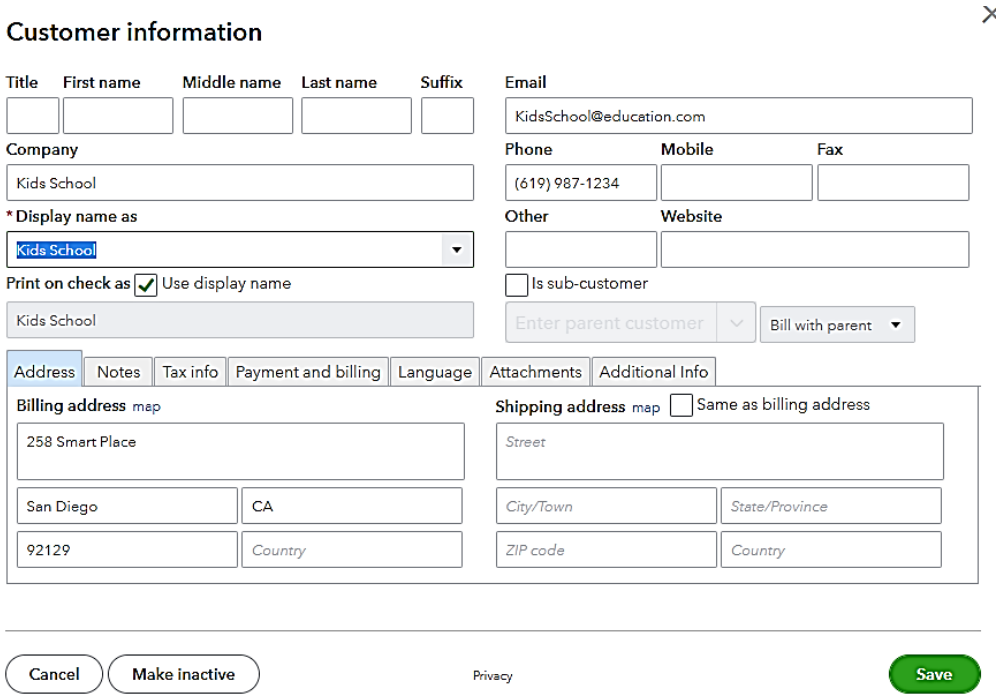
From the **Customer Center**, click the **Customer** you intend to keep.

Click **Edit** and **copy (Ctrl + C)** the customer display name; then click **cancel.**

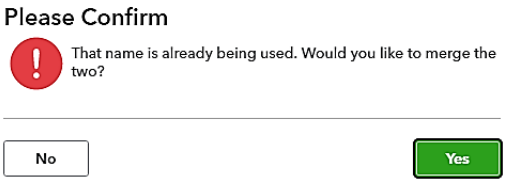
Click on the **Customer** you intend to merge.

Click **Edit** and **paste (Ctrl + V)** to replace the customer display name with the correct name.

Click **Save.**



A **Please Confirm** warning box will appear; click **Yes** to confirm. The old customer will be removed from the list and remain in an inactive status.

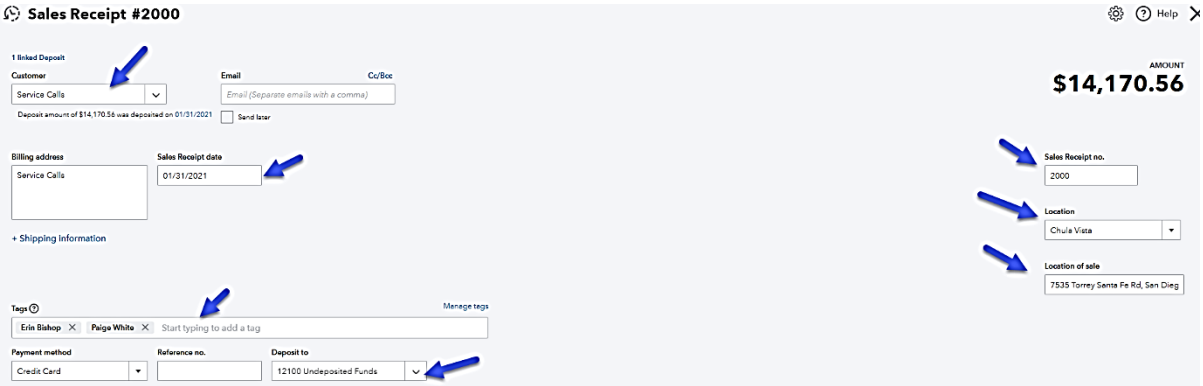


Note: The merge process cannot be undone.

A sales receipt is used when a customer pays you on the spot for goods or services and you need to record the sale after the fact.

Click the **+ New icon -> Sales Receipt** under the **Customers** menu.

It is important to understand the difference between the sales receipt and invoice process. Processing a **Sales Receipt** requires two steps. **1) Create Sales Receipt using Undeposited Funds for the Deposit to category. 2) Bank Deposit.**



Undeposited Funds is a holding account that allows you to receive sales receipts or payments against invoices. This allows you to group payments from multiple customers into one deposit in order to match the deposit sent to the bank.

This section of a Sales Receipt requires the items we are selling. Here is where your Products and Services or Items list comes into play. This allows us to track Sales by Item to determine our top selling product or service.

#	PRODUCT/SERVICE	SKU	DESCRIPTION	QTY	RATE	AMOUNT	TAX	CLASS
1	Labor:Service Calls		Service Calls	40	125	5,000.00		Commercial
2	Parts:Universal Blower Motor	BMJB124A	Blower Motor	5	450	2,250.00	✔	Commercial
3	Parts:Filter	AFMT204A	Air Filter	5	15	75.00	✔	Commercial
4	Parts:Programable Thermostat	PTSV124A	Programable Thermostat	5	82	410.00	✔	Commercial
5	Labor:Service Calls		Service Calls	40	125	5,000.00		Residential
6	Parts:WiFi Thermostat	WTSV000A	WiFi Thermostat	5	205	1,025.00	✔	Residential
7	Parts:Filter	AFMT204A	Air Filter	5	15	75.00	✔	Residential
8								

Clear all lines

Subtotal $13,835.00

Taxable subtotal

The last section of a Sales Receipt records Sales Tax, discounts and tips. You can switch the order of the Sales Tax and discounts, so the discount is taken prior to the Sales Tax calculation.

Select tax rate

City of Chula Vista (8.75%)

335.56

See the math

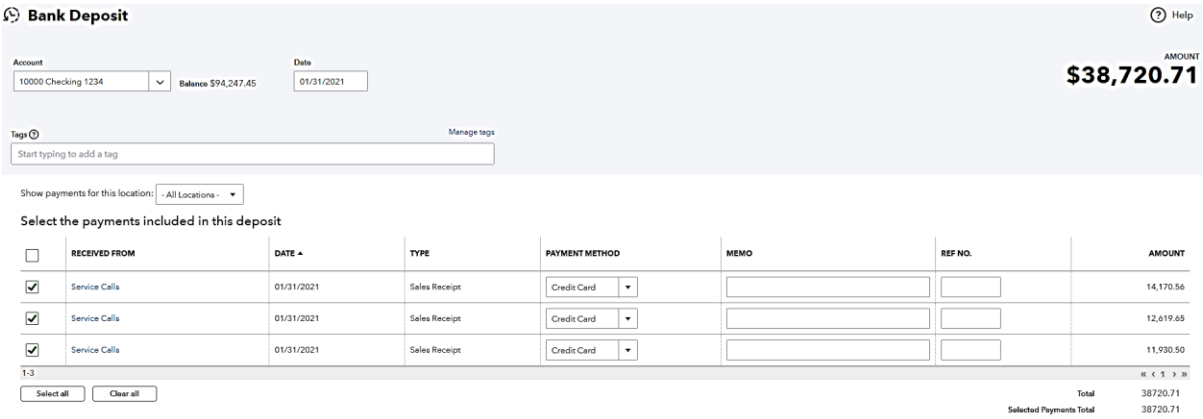
Total	**$14,170.56**
Amount received	**$14,170.56**
Balance due	**$0.00**

Note: You can mark a product or service as a taxable or non-taxable on the sales transaction. You might want to check your default settings in your Products and Services list. Sales tax will not auto-calculate for non-taxable products. The default status for new customers is automatically set as taxable. Revisit the customer center to change default settings.

Creating bank deposits is a very important step that follows the sales receipt or receive payment process and is often overlooked. This can lead to a compounding issue with undeposited funds and can be costly to clean up.

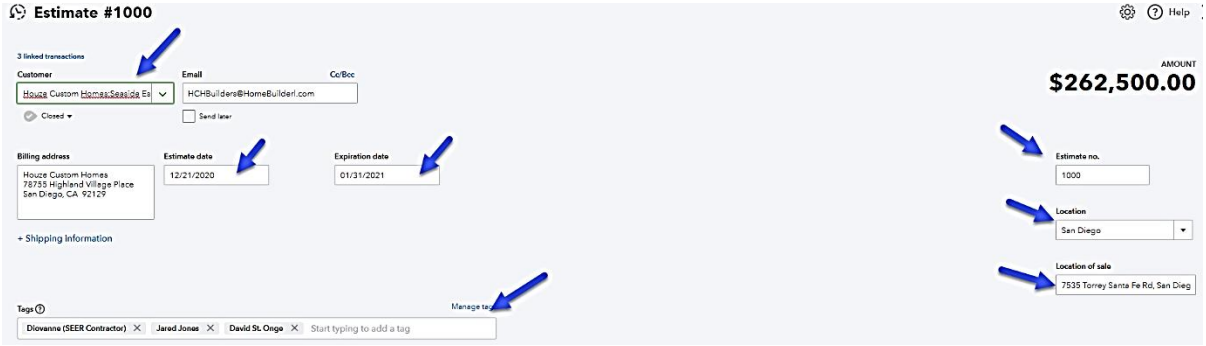
Click the **+ New icon -> Bank Deposit.**

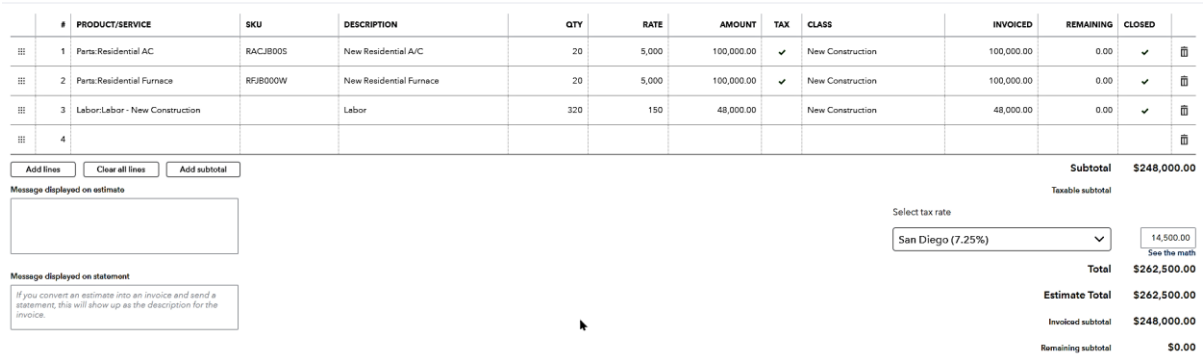
It is very important to select the correct bank account for each deposit. Some businesses have multiple accounts. It is important to make sure that the total amount of selected individual payments in undeposited funds matches the total amount deposited at the bank. Checks and cash might be grouped together, whereas credit card payments are deposited based on the batch transferred to the bank. For this example, we deposited online customer sales for both locations.



Estimates are non-posting (meaning it does not impact financial data until it becomes an actual invoice) transactions used to create a bid or proposal for work you plan to do for a customer. An estimate looks like an invoice but has a different purpose. It helps you track details you will use when discussing the scope of the job with your customer.

Click + **New** from the left navigation bar **-> Estimate.** The more information you populate on the estimate, the better. This information carries forward when converting an estimate to an invoice. Start with the customer field, track the status of your estimates and use tags to keep track of valuable information as you complete the process. In this example, we track the employees or contractors assigned to the job. The estimate is helpful when keeping track of multiple proposals and any changes prior to starting the job.





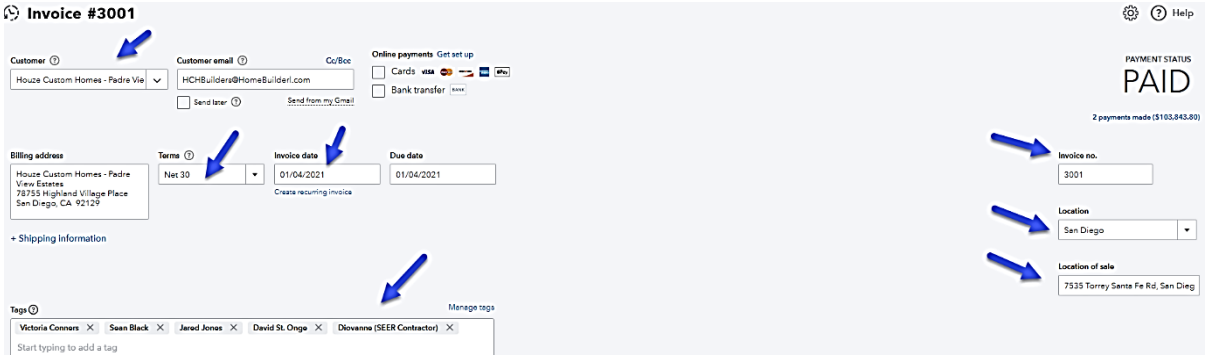
#	PRODUCT/SERVICE	SKU	DESCRIPTION	QTY	RATE	AMOUNT	TAX	CLASS	INVOICED	REMAINING	CLOSED
1	Parts:Residential AC	RACJB00S	New Residential A/C	20	5,000	100,000.00	✓	New Construction	100,000.00	0.00	✓
2	Parts:Residential Furnace	RFJB000W	New Residential Furnace	20	5,000	100,000.00	✓	New Construction	100,000.00	0.00	✓
3	Labor:Labor - New Construction		Labor	320	150	48,000.00		New Construction	48,000.00	0.00	✓
4											

An invoice is used when a customer agrees to pay you later. Terms are set up to determine how long the customer has before payment is due. If they do not pay within a specified time, the invoice is considered overdue.

An **invoice** requires three-steps. **1) Create invoice. 2) Receive payment to undeposited funds 3) Bank Deposit** Click the **+ New icon -> Invoice.**

Enter the following information:

Customer name, email, invoice date, terms, invoice date and verify the location information.



Many business owners end up with duplicate transactions and unnecessary cleanup when they do not complete the steps in the proper order, or when they post payments directly to the bank account instead of Undeposited Funds.

Note: Know the difference between Invoices and Sales Receipts. You can save, send and attach either to an email. Invoices increase the Accounts Receivable balance on the Balance Sheet. (An Invoice does require a name.)

The next section of an invoice is all about the products or services you are selling the customer. In this example, we used the Maintenance Package.

#	PRODUCT/SERVICE	SKU	DESCRIPTION	QTY	RATE	AMOUNT	TAX	CLASS
1	Maintenance Package - Commercial		Scheduled Maintenance Your customer will see all items in this bundle	1	980	980.00		Commercial
	Labor - Commercial & Residential		Commercial & Residential Labor	6	125			Commercial
	Complete System Inspection		Complete System Inspection	2	100			Commercial
	Parts:Filter	AFMT204A	Air Filter	2	15		✓	Commercial
2								

Add lines | Clear all lines | Add subtotal

Subtotal $980.00

The last section of a sales receipt records sales tax, discounts and tips. You can switch the order of the sales tax and discounts, so the discount is taken prior to the sales tax calculation.

Select tax rate

City of El Cajon (8.25%) 2.48

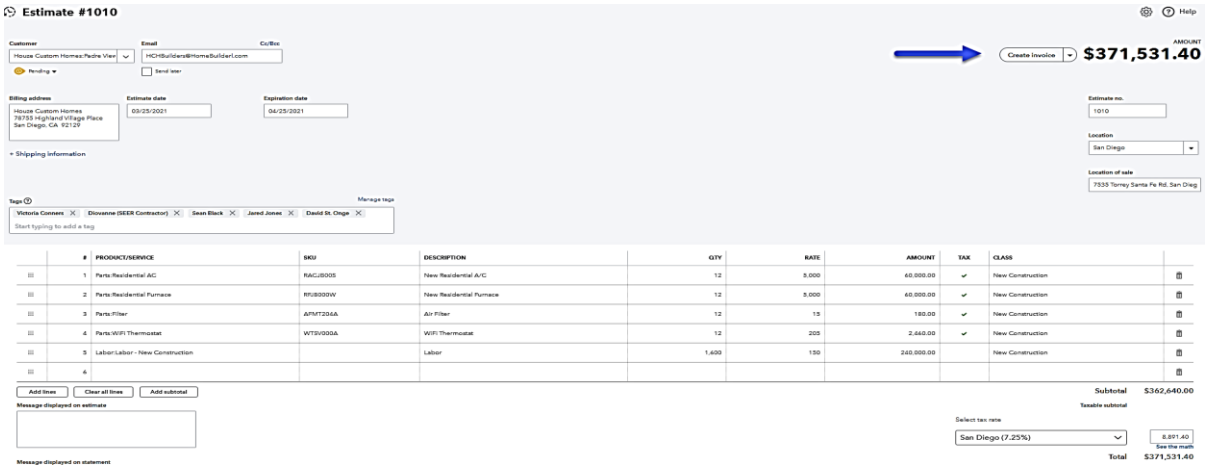
See the math

Need help with sales tax? Learn more

Total	$982.48
Deposit	
Amount received	$982.48
Balance due	$0.00

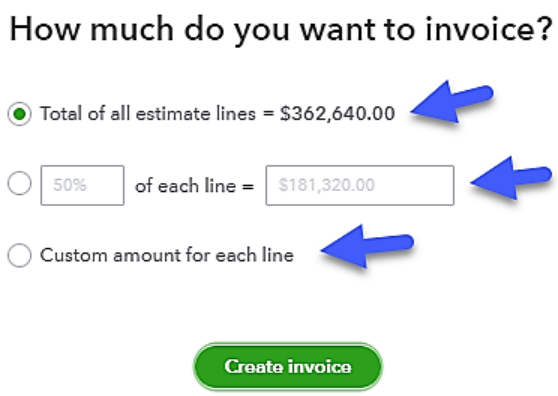
Progress invoicing, also known as progress billing, is the process of incrementally invoicing a client for work as it is completed. Thus, you will receive multiple partial payments throughout the timeline of one job, instead of one full payment at the end. In QuickBooks when you turn on the progress invoicing feature it allows you to create an invoice for part of an estimate using percentages.

The first step is to locate an open or pending estimate. You can use the estimate by customer report. Next, verify all details and line items are correct and click **Create Invoice.**

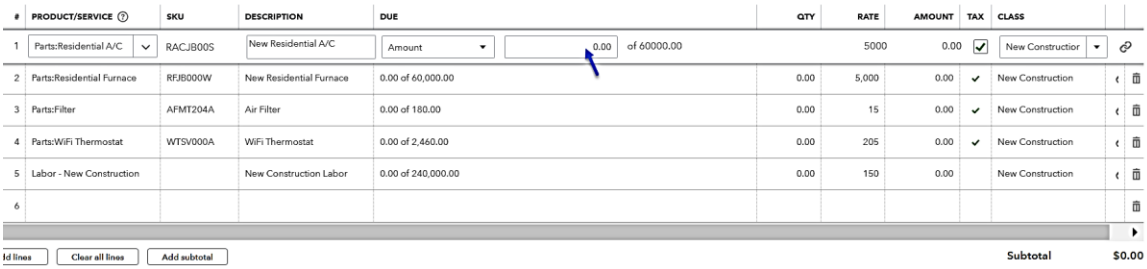


Several choices are provided, and you need to determine which of the following to choose:

- **Total of all estimate lines**
- **% of each line**
- **Custom amount for each line**



When you use the custom amount for each line option, you must manually enter the amounts you would like to invoice for each line item.



#	PRODUCT/SERVICE	SKU	DESCRIPTION	DUE	QTY	RATE	AMOUNT	TAX	CLASS
1	Parts:Residential A/C	RACJB00S	New Residential A/C	Amount 0.00 of 60000.00		5000	0.00	☑	New Constructior
2	Parts:Residential Furnace	RFJB000W	New Residential Furnace	0.00 of 60,000.00	0.00	5,000	0.00	✓	New Construction
3	Parts:Filter	AFMT204A	Air Filter	0.00 of 180.00	0.00	15	0.00	✓	New Construction
4	Parts:WiFi Thermostat	WTSV000A	WiFi Thermostat	0.00 of 2,460.00	0.00	205	0.00	✓	New Construction
5	Labor - New Construction		New Construction Labor	0.00 of 240,000.00	0.00	150	0.00		New Construction
6									

Clear all lines | Add subtotal | Subtotal $0.00

Receiving full or partial payments against open invoices is part of the Account's Receivable management process. Having accurate customer balances is key to avoiding messy cleanup and cash flow issues.

Note: Always apply the amount received to the appropriate invoice. This will ensure that the invoice is closed out properly. If a partial payment is received, then a balance will remain on your Accounts Receivable Aging report for that customer.

If you use Square or PayPal, merchant fees are deducted for each transaction. Other merchant services will deduct their fees at the end of the month. Not to worry! Merchant fees will be addressed in the Bank Deposit process.

Undeposited Funds is simply an asset account that acts like a clearing account. When payments are posted to Undeposited Funds, they sit in this account until a deposit is made to offset the balance.

When a payment is received, Undeposited Funds is debited, and Accounts Receivable is credited. When a deposit is made, the bank account is debited, and Undeposited Funds is credited. Undeposited Funds should ultimately have a zero balance.

Select **Undeposited Funds** for the **Deposit To** box.
This will allow you to group cash, checks, and credit card payments to match the deposit sent to the bank. It is very important to match deposits in QuickBooks to the deposits posted at your bank. This will help to create a more efficient reconciliation process.

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Click the **+ New icon -> Receive Payment.**

Enter the following information:

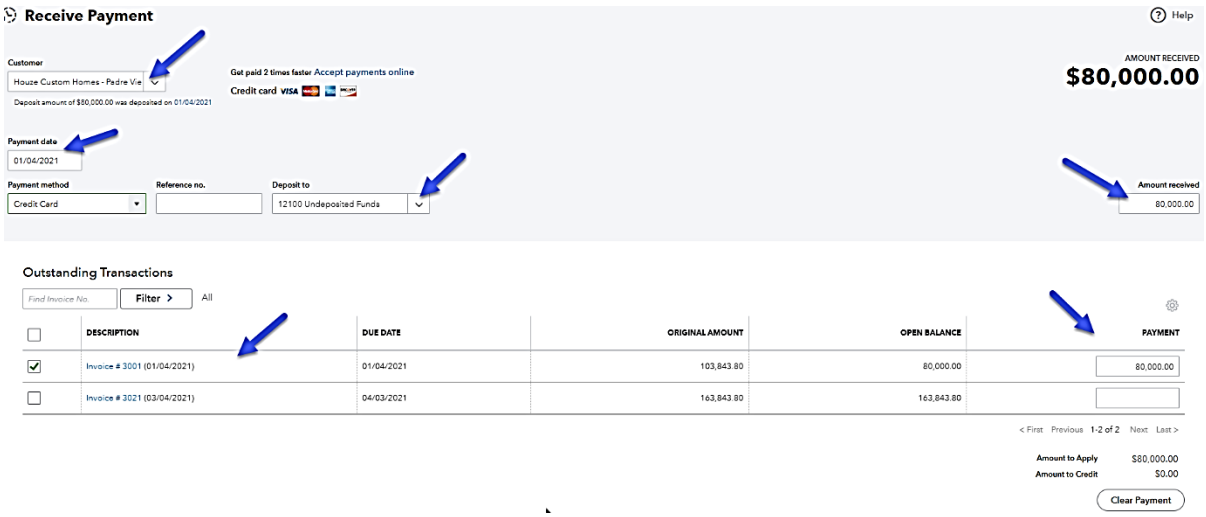
Customer name, date, method, reference, and deposit account.

Select invoices and verify the total received.

Verify the invoices selected; match the payment stub or backup.

Notice the **Find by Invoice no**. and **Filter** feature.

Click **Save and Close** or **Save and New**.



Note: Remember to complete the deposit process after receiving all payments related to the deposit sent to the bank.

Credit memos are used to clear out uncollectible invoices and to clean up odd transactions in Accounts Receivable. Use the Open Invoice report to help keep A/R accurate.

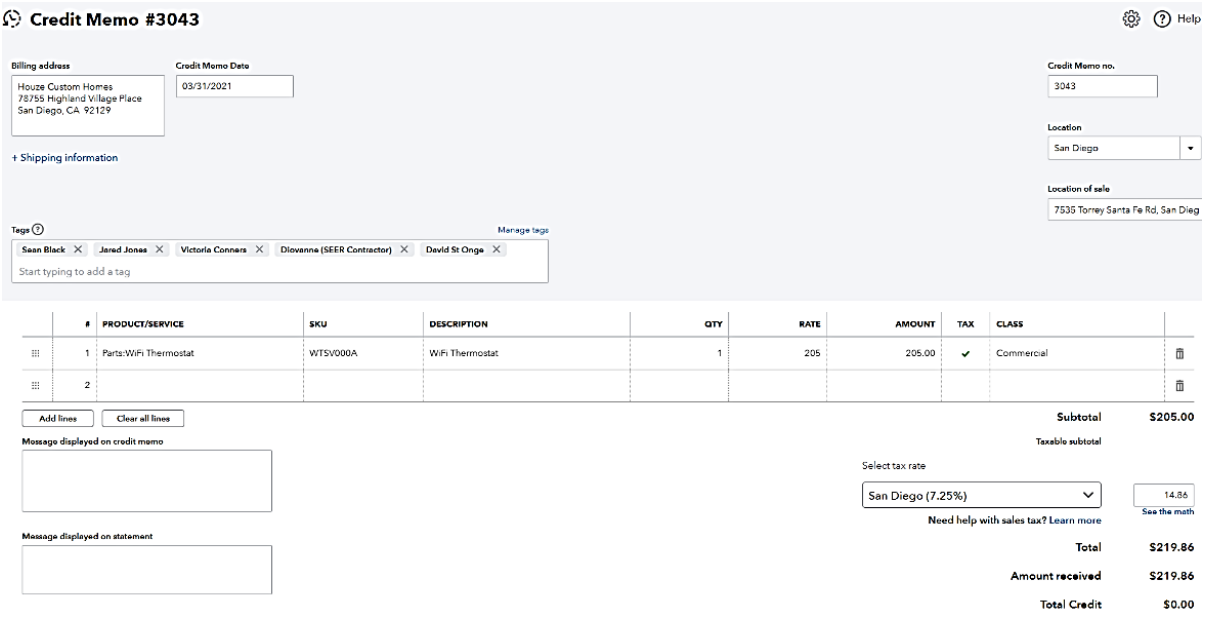
Click the **+ New icon -> Credit Memo.**

Review the invoice you are trying to clear out in order to create an accurate credit memo.

Enter the following information:

Customer, date, and product or service being credited. Verify the amount.

Click the **Print or Preview** link if you want to print the credit memo to deliver it manually to the customer or **Save and Send** if you want it emailed to the customer.



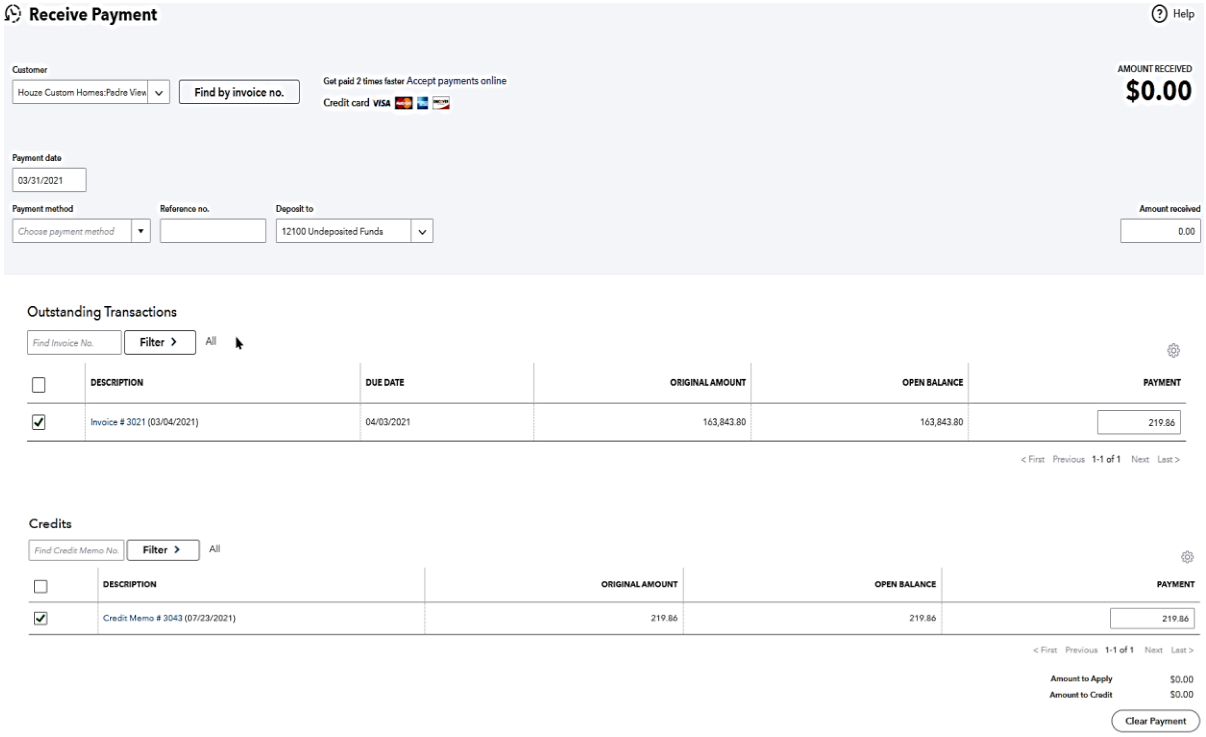
Note: Credit Memo's reduce the current open balance and is applied to the invoice with a payment transaction.

Applying existing credits to open invoices can be accomplished by receiving a zero payment and selecting both the invoice and credit. Another method is clicking **Account and Settings -> Advanced Settings -> Automation -> Automatically Apply Credits.** This method will automatically apply credits to the oldest open invoice.

Click the **+ New icon -> Receive Payment.**

Enter the following Information:

Customer and date. Check off both the invoice and credit memo and verify that the total payment received is zero.



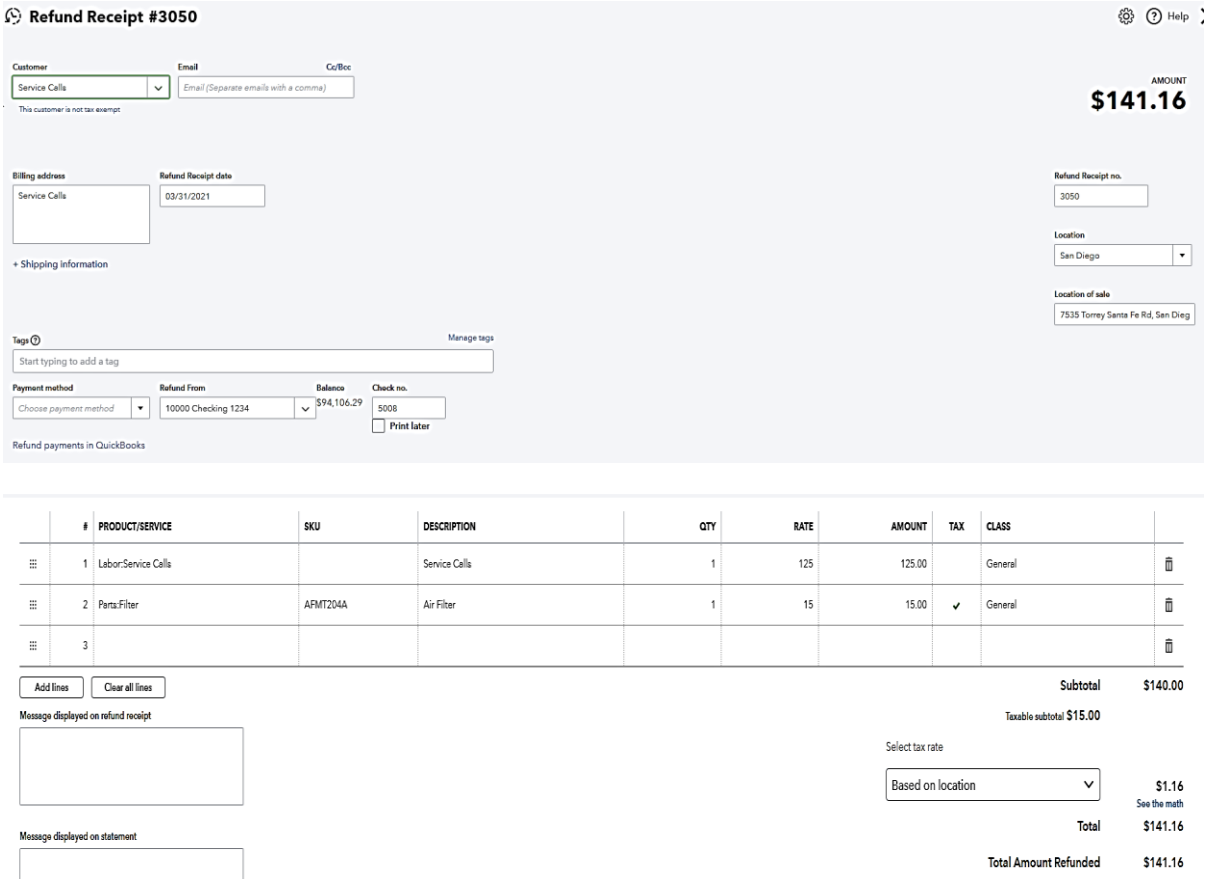
Note: If you have the **Automatically apply credits** option selected in Accounts and Settings, the system automatically creates a payment transaction to apply it to the invoice. If the setting is turned off, you manually enter the payment transaction and apply the credit memo to the invoice.

There may be a time when you need to refund a customer. Using **Refund Receipt** is the best method.

Click the **+ New icon -> Refund Receipt.**

Enter the following information:

Customer, date, payment method, refund from, product/service, etc. Once you choose the bank account you can check the **Print Later** or **Print or Preview** link at the bottom of the screen. Click **Save and Close** or **Save and Send.**



Accounts Receivable Reports

Let's look at reports related to Accounts Receivable.

Click **Reports** in the **Left Navigation Bar Menu -> Standard.**

Scroll to **Who owes you ->** select **Accounts receivable aging detail.**

Recommended Reports are as follows:

Accounts Receivable Aging Summary informs us of the outstanding total balances for our Customers.

Accounts Receivable Aging Detail provides us with a more in-depth view of the outstanding balances for our Customers and whether they are current or past due.
Remember, the number of days it takes to collect a payment has a direct effect on cash flow. The older the Invoices become, the more costly the collection process becomes.

The **Open Invoice** report provides open Invoice detail for each Customer. This is a great tool to help clean up your Accounts Receivable.

Note: Be sure to know the different types and purpose of the Accounts Receivable reports.

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Next, we will locate and save a few sales reports as favorites. The Sales by Customer Summary report helps us identify our top customers.

Sales Reports

Let's look at reports related to sales.

Click **Reports** in the **Left Navigation Bar.**

Use the search field to locate the following reports:

- **Sales by Customer Summary:** Identifies the top 20% of our customers that bring in 80% of our revenue.
- **Sales by Product/Service Summary:** Provides a historical glimpse of the best-selling products and services for a specific date range. This report includes Quantity, Amount, % of Sales and Avg. Price, Cost of Goods Sold (COGS), and Gross Margin.
  Click **Reports** in the **Left Navigation Bar -> Standard.**
  Scroll to **Sales and Customers ->** select **Sales by Product/Service Summary.**

Note: Customize these reports by changing the sort option to **"Total in descending order."**

Be familiar with the different sales reports and the information they provide.

Estimates & Progress Invoice Reports

Now search:

- **Estimates by Customer:** Shows estimate status and amounts by customer.
- **Estimates & Progress Invoicing Summary by Customer:** Shows status and amounts by customer. This reports adds the amount invoiced, % invoiced and balance. This is a great way to track different stages when using progress invoicing.

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Statements are typically sent to customers with outstanding invoices. This process should be part of your Accounts Receivable and Collections policy. There are two ways to populate statements. The first option is as follows:

Click the **+ New icon**.
Click **Statement** from the “Other” list.
This is a basic statement that will populate
for all customers.

A **Balance Forward Statement** shows all activity between your start and end dates, plus the balance from the prior period.

An **Open Item Statement** shows only items for the last 365 days that have not yet been paid.

A **Transaction Statement** shows each transaction and the total amount billed and received for the period, instead of a running balance. This option is especially useful for the year-end contribution statements that nonprofits send out.
Use the **Statement Management** section to select customers, edit the delivery method, and preview statements before they are sent.

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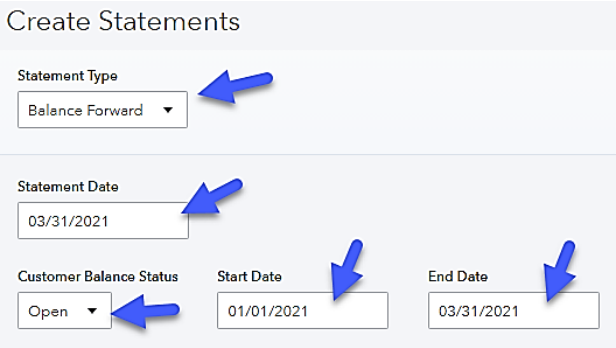
In the following screens:

Select **Statement Type** and **Statement Date.**

Select **Customer Balance Status.**

Set **Start** and **End Dates.**

Next, select the **Recipients** you would like to send statements to. You can change email addresses on the fly.



The second option for populating statements is more specific to customers with outstanding balances.

Click **Invoicing -> Customers.**

Select the **Customers** you want to receive a statement.

Click **Batch actions -> Create Statements.**

1. **Which report displays a list of unpaid invoices by customer?**
   a) Profit & Loss
   b) Sales by Item Detail
   c) Sales by Customer Summary
   d) Open Invoice

2. **You sold product to a customer and received payment at the time of sale. Now you need to record the sales in QuickBooks®. Which form would you use?**
   a) Bill
   b) Deposit
   c) Sales Receipt
   d) Check

3. **You just opened the mail and need to post three payments for open invoices. Where do you go to record the payments?**
   a) Gear->Make Deposit
   b) + New icon->Receive Payments
   c) + New icon->Sales Receipt
   d) Search Icon->Create Invoice

4. **You received payments for multiple invoices, and now you need to deposit them. Where do you go next?**
   a) Left Navigation Bar->Banking
   b) Sales->Customer->Receive Payment
   c) + New icon->Receive Payment
   d) + New icon->Bank Deposit

5. **You need to identify which customers purchase the most. Which report will help you with this?**
   a) Profit & Loss
   b) Sales by Item Detail
   c) Sales by Customer Summary
   d) Open Invoice

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What a journey! You now understand the critical importance of the setup process and are ready to manage Accounts Receivable for Inflow Inc. Josh has decided to track sales weekly, so track sales for both locations separately. Leave time to complete Section 9 activities and watch the company come to life. Accounts Receivable and Sales reports will help tell the company's story. Be prepared to discuss the results.

1. **Review Video Link:**

   [Invoices vs Sales Receipts: Which to use When]

   [Money in Workflows: Sales Receipts]

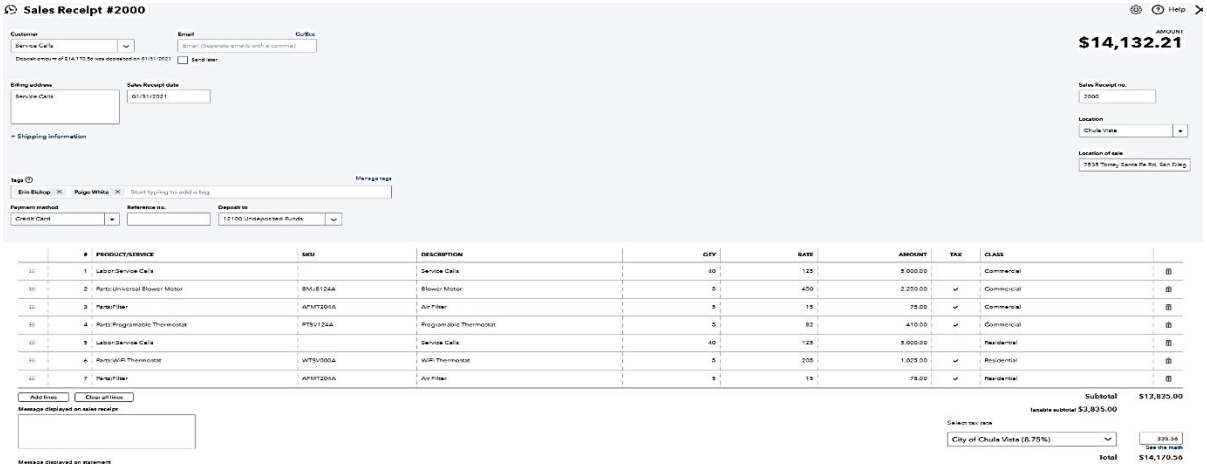
   [Record a Sales Receipt]

2. **Add Sales Receipt 2000 for January 01/31 of the current year:** Use the following screen shots and the **Inflow Sales Receipt Transaction List with Splits.pdf** as a reference guide. **Change the labor rate to $125.00.**

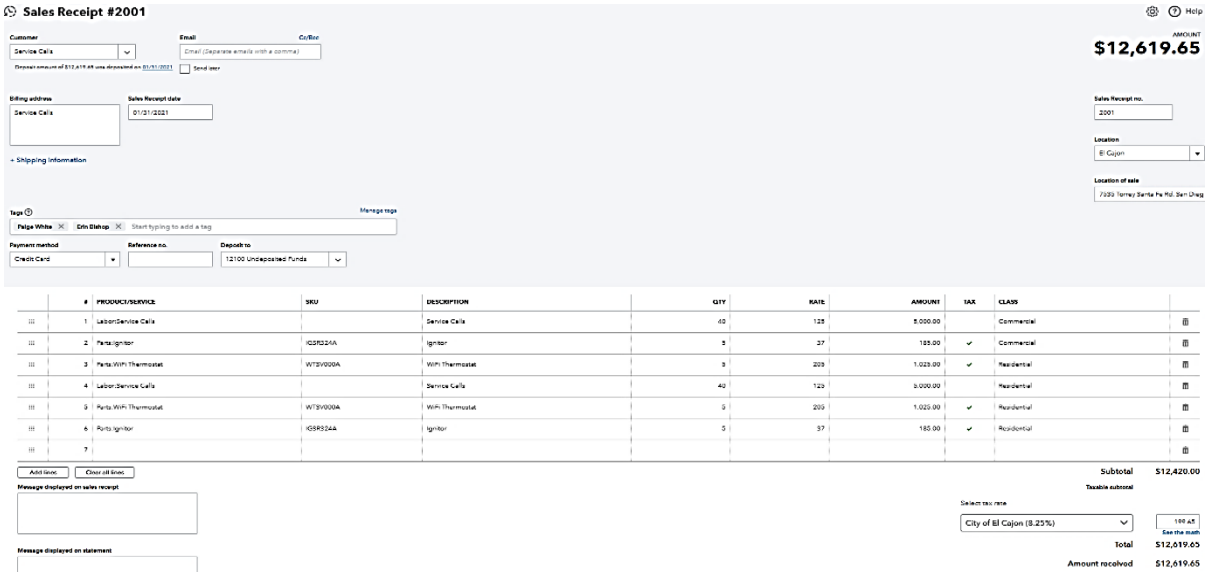
   Caution! Pay attention to the details such as location, class, sales tax, tags.

   Add Paige White and Erin Bishop to the tag field for all sales receipts.

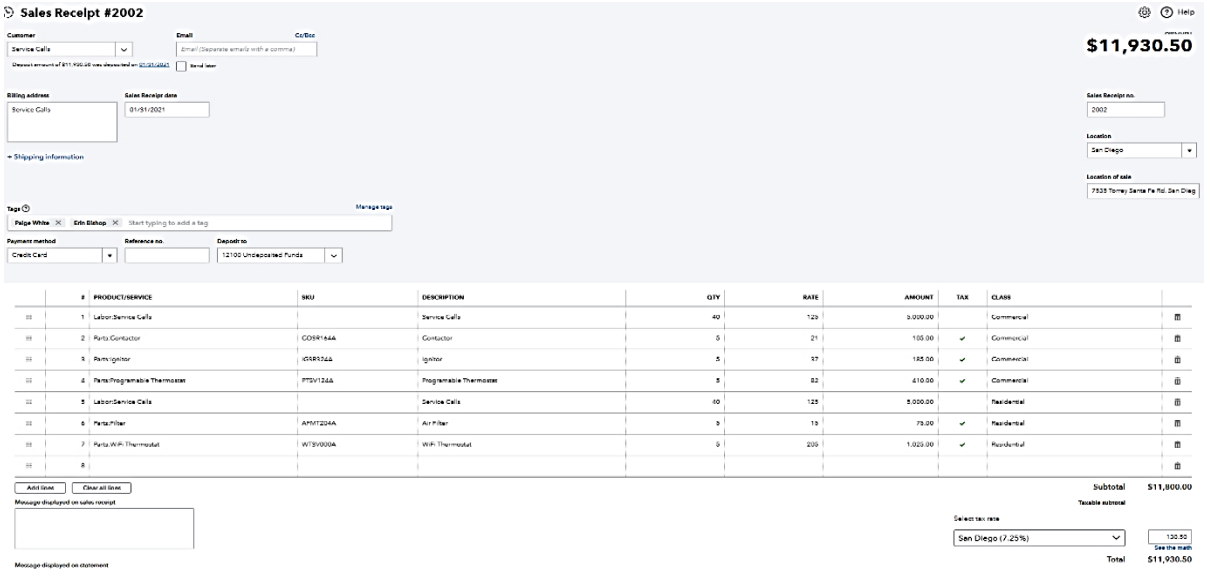
   Make sure the sales tax displayed at the bottom of the screen matches the location.



3. **Add Sales Receipt 2001 for January 01/31 of the current year: Change the labor rate to $125.00.**



4. **Add Sales Receipt 2002 for January 01/31 of the current year: Change the labor rate to $125.00.**



5. **Review Video Links:**

   What are Estimates?

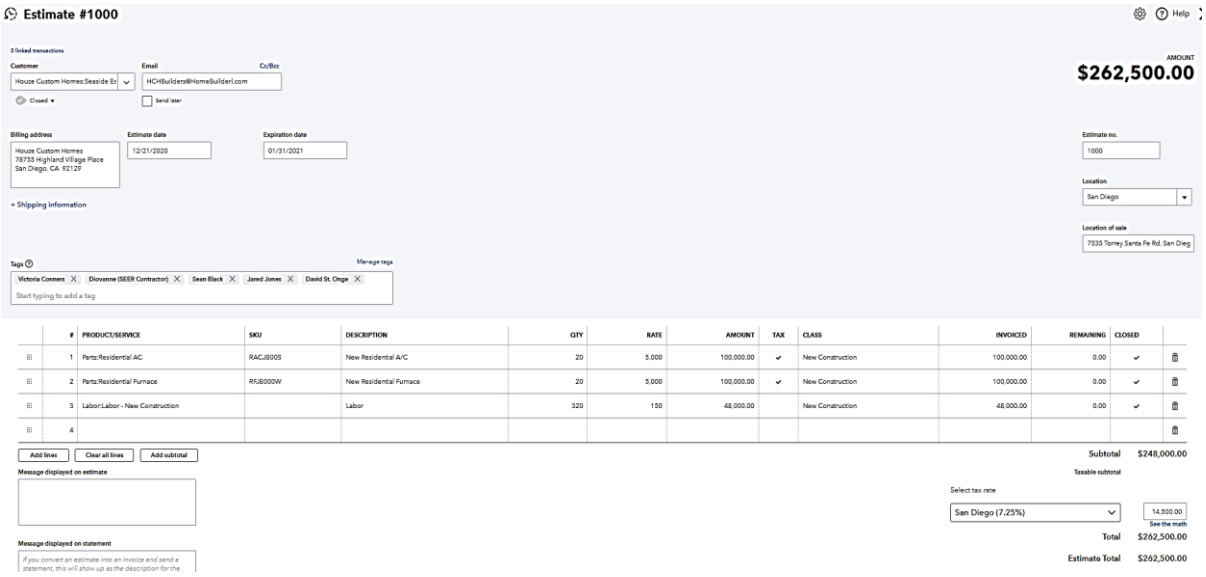
   Record and Send an Estimate

   Create an Invoice from an Estimate

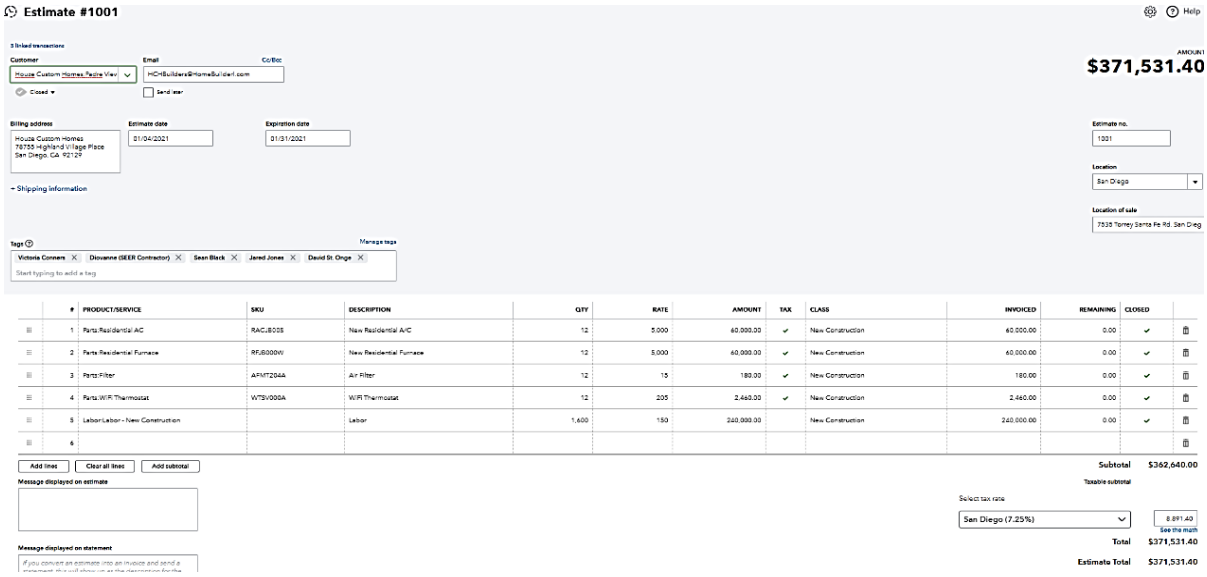
   Create Multiple Invoices from an Estimate

   Track Estimates

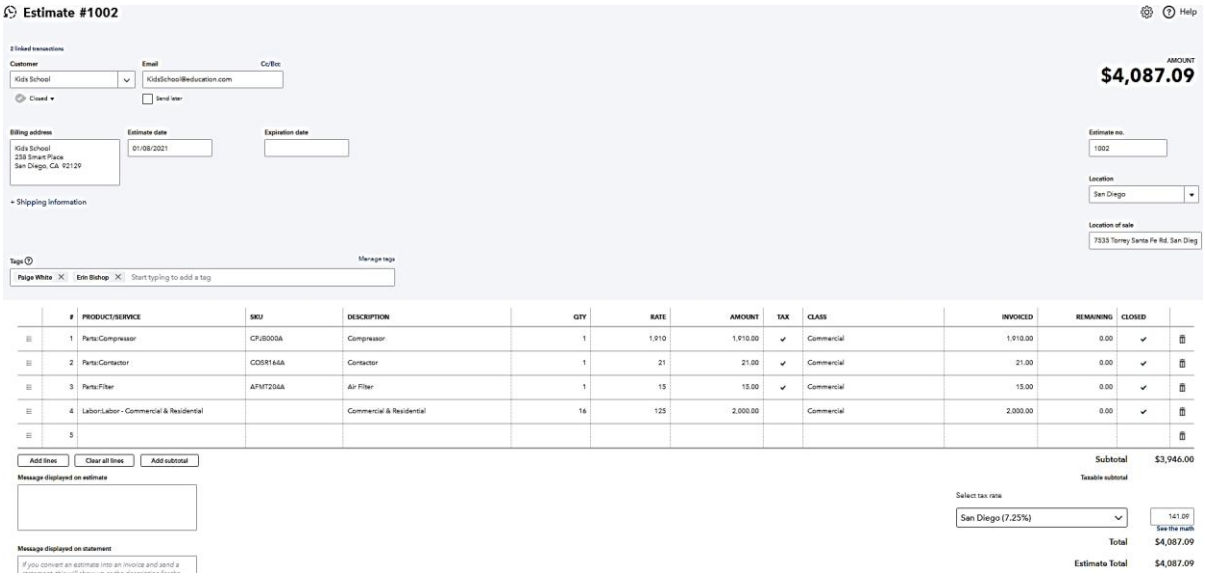
6. **Add Estimate 1000 for December 12/21 of the previous year:** Use the following screen shot and the **Inflow Estimate Transaction List.pdf** as a reference guide. Remember to pay attention to the details for sub-customers vs projects, locations, classes, sales tax and tags. Your sales tax rate should match your location (NOT location of the sale) field.



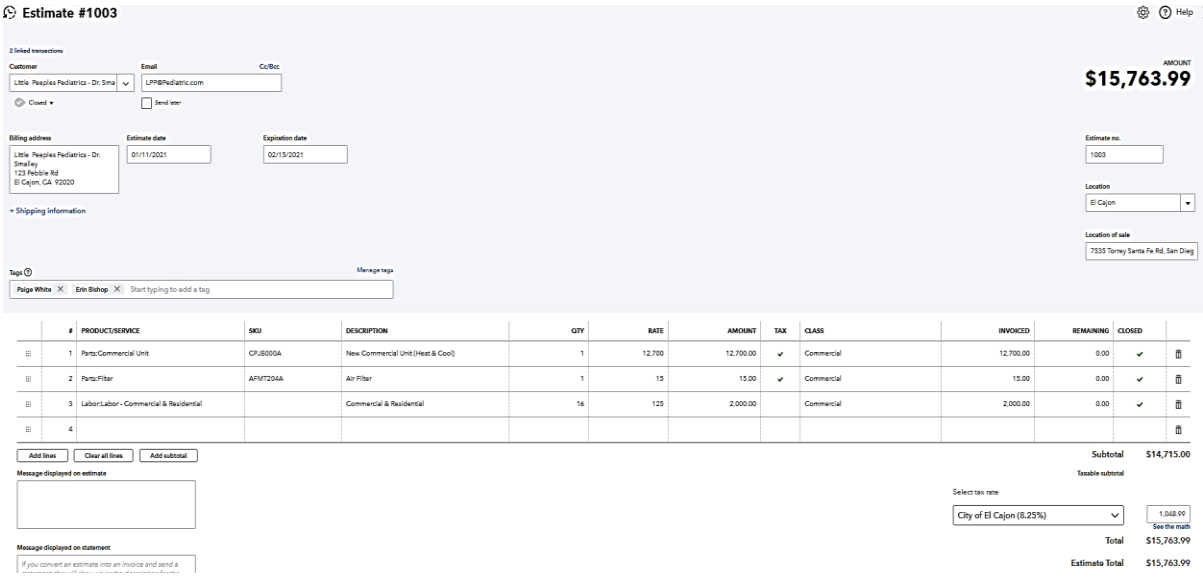
7. Add Estimate 1001 for January 01/04 of the current year:



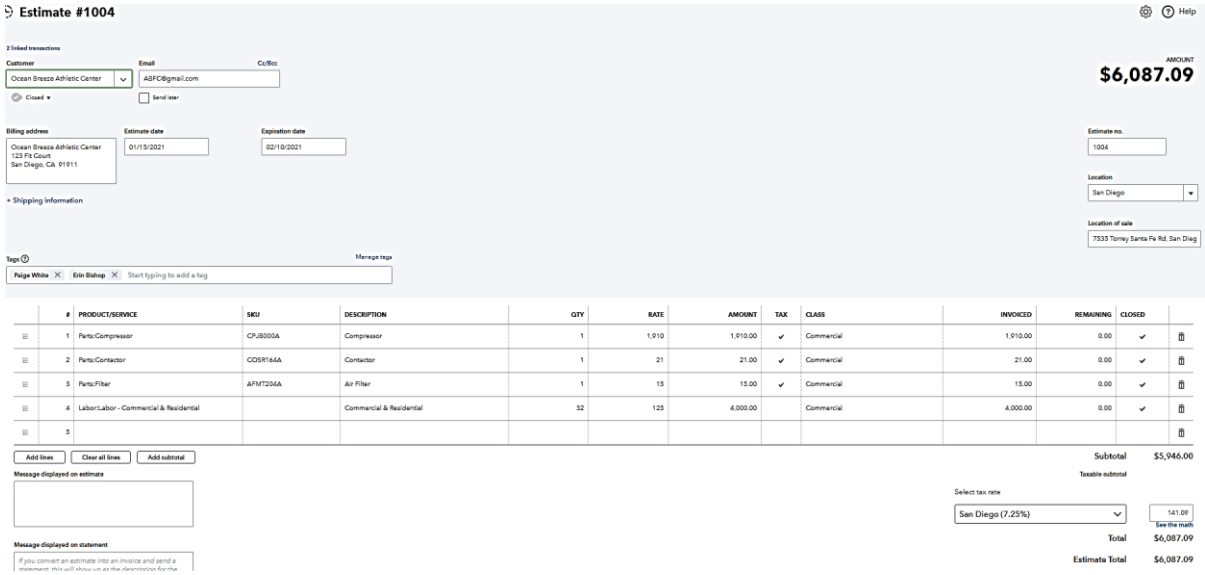
8. Add Estimate 1002 for January 01/08 of the current year:



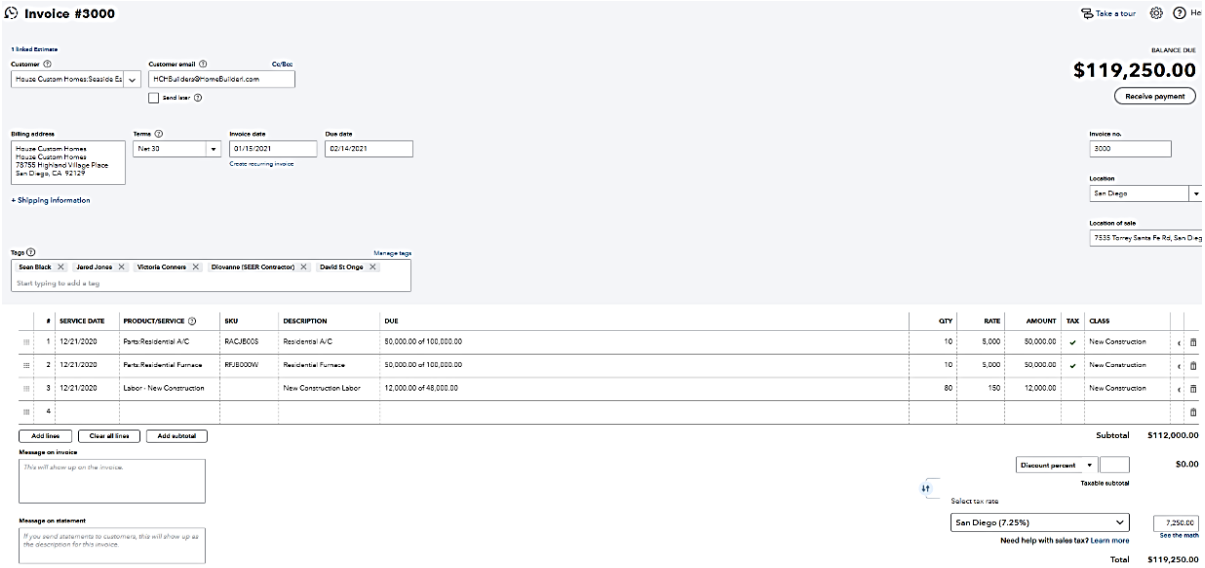
9. Add Estimate 1003 for January 01/11 of the current year:



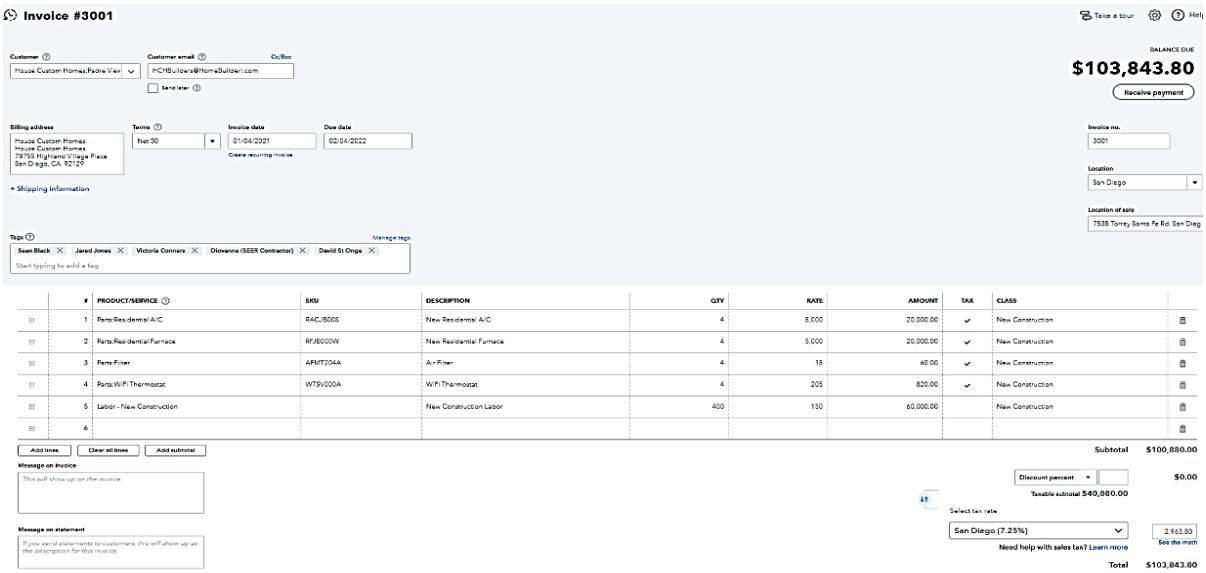
10. Add Estimate 1004 for January 01/15 of the current year:



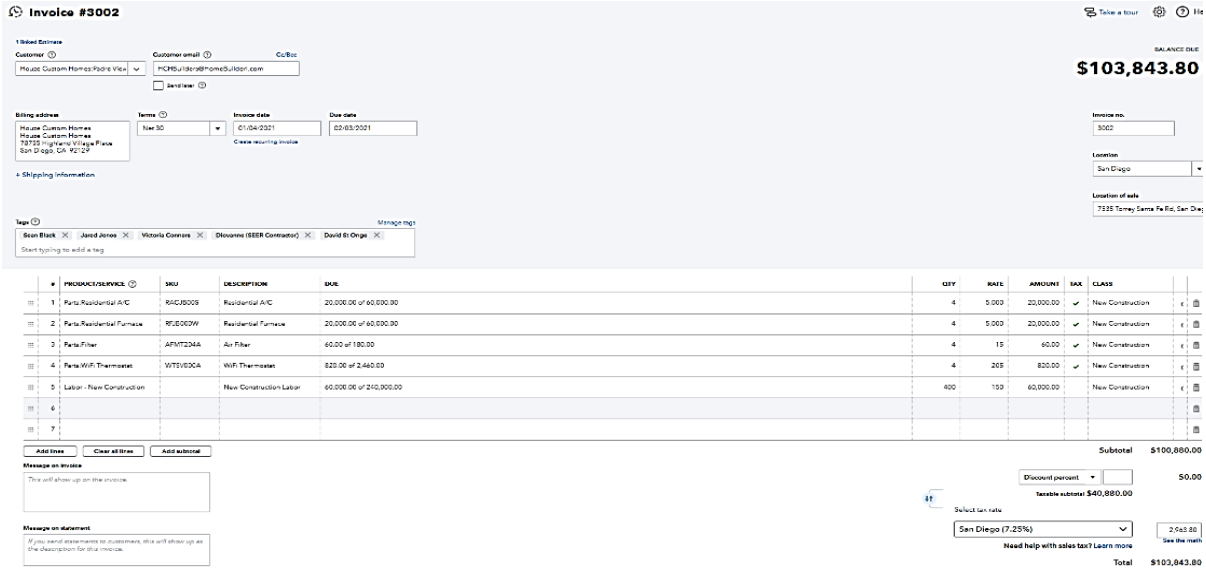
11. Locate Estimate 1000 and Create Progress Invoice 3000 for December 12/21 of the prior year: You will choose the custom option and manually enter the amounts to match the screen shot.



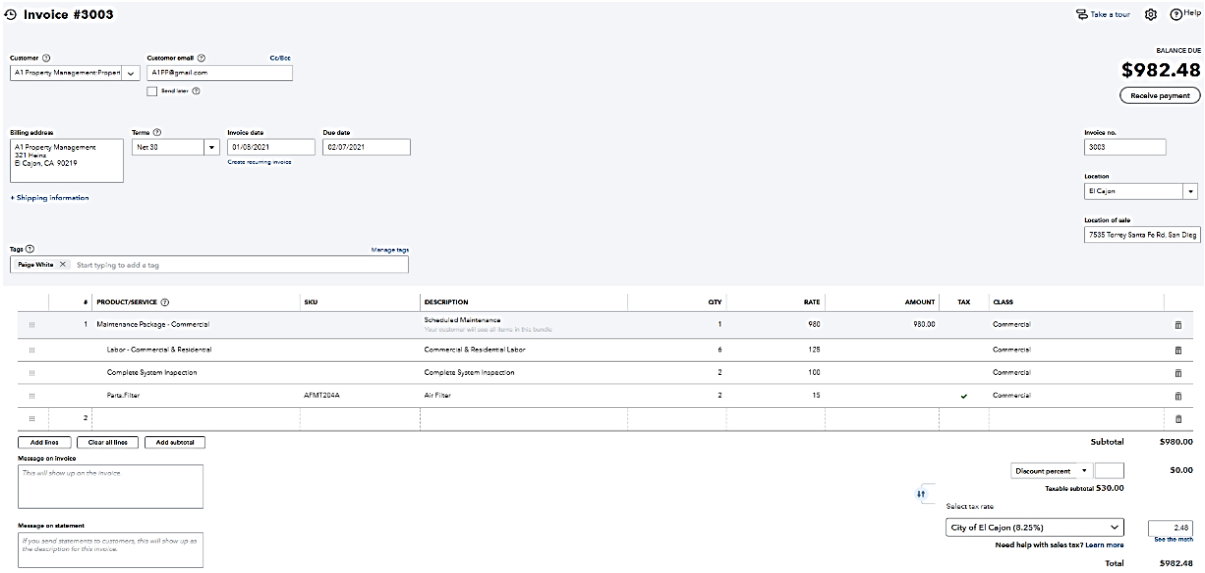
12. Add Invoice 3001 without an Estimate for January 01/04 of the current year:



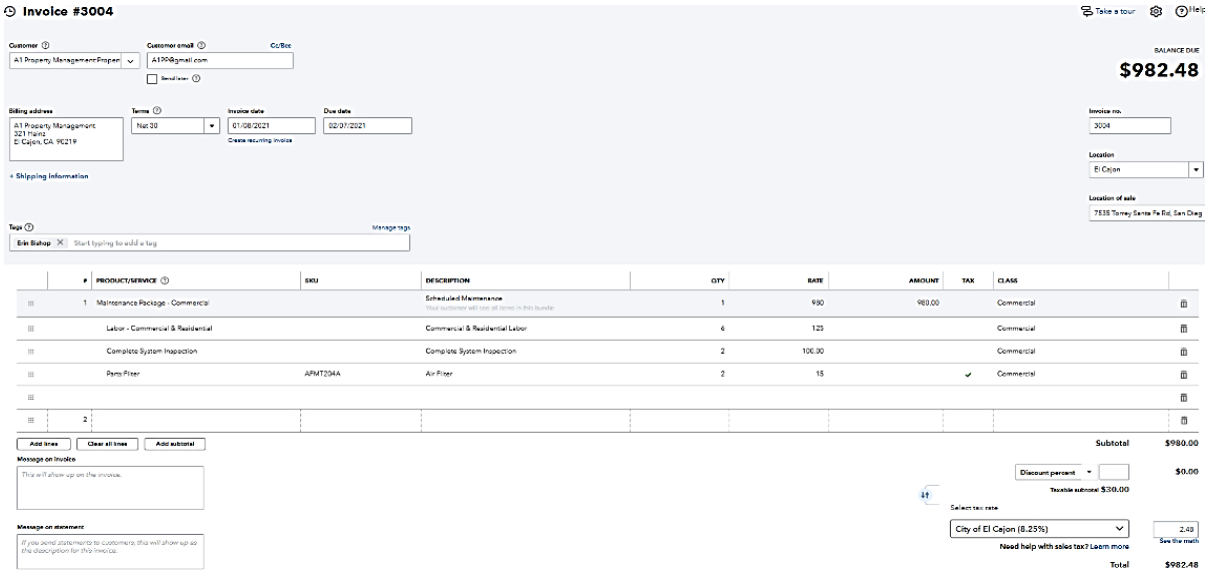
13. Locate Estimate 1001 and Create Progress Invoice 3002 for January 01/04 of the current year: You will choose the custom option and manually enter the amounts to match the screen shot.



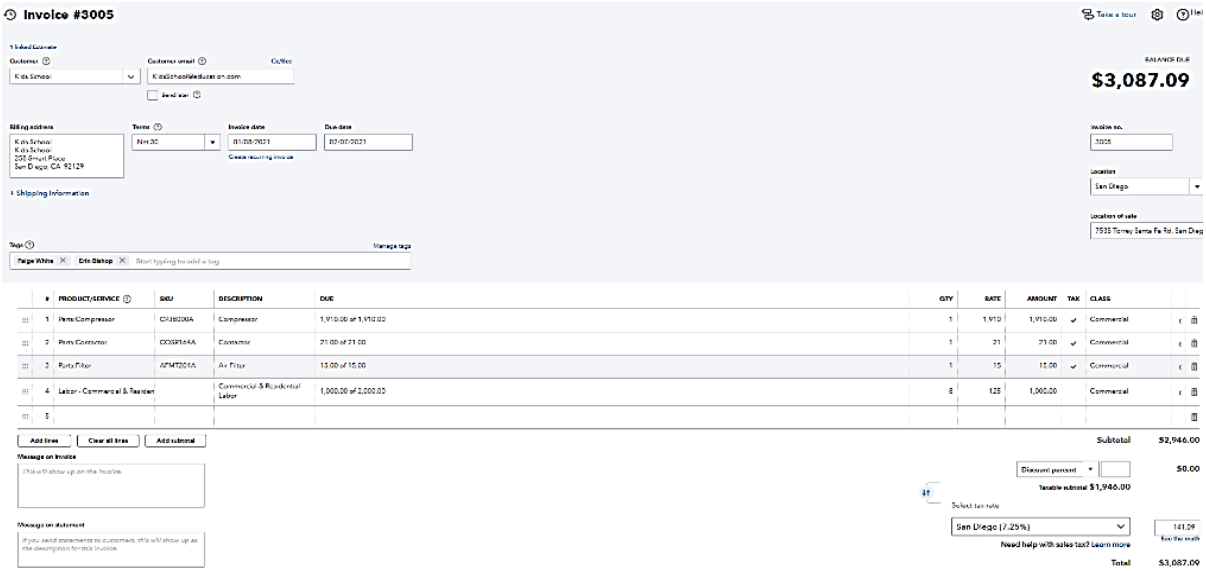
14. Add invoice 3003 using the bundle service type without an Estimate for January 01/08 of the current year:



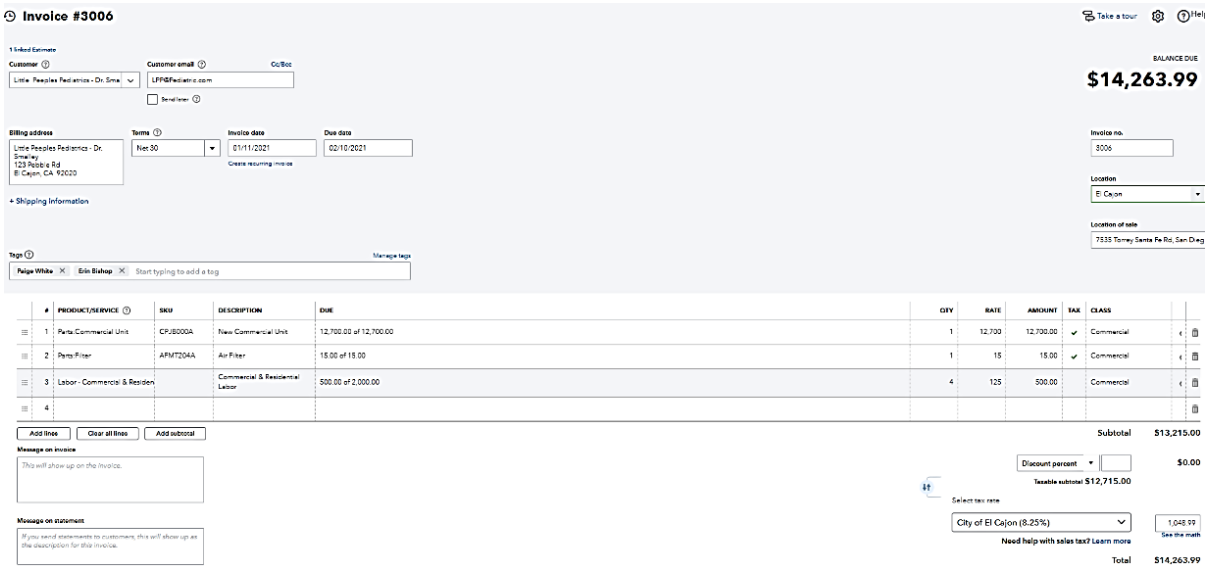
15. Add invoice 3004 using the bundle service type without an Estimate for January 01/08 of the current year:



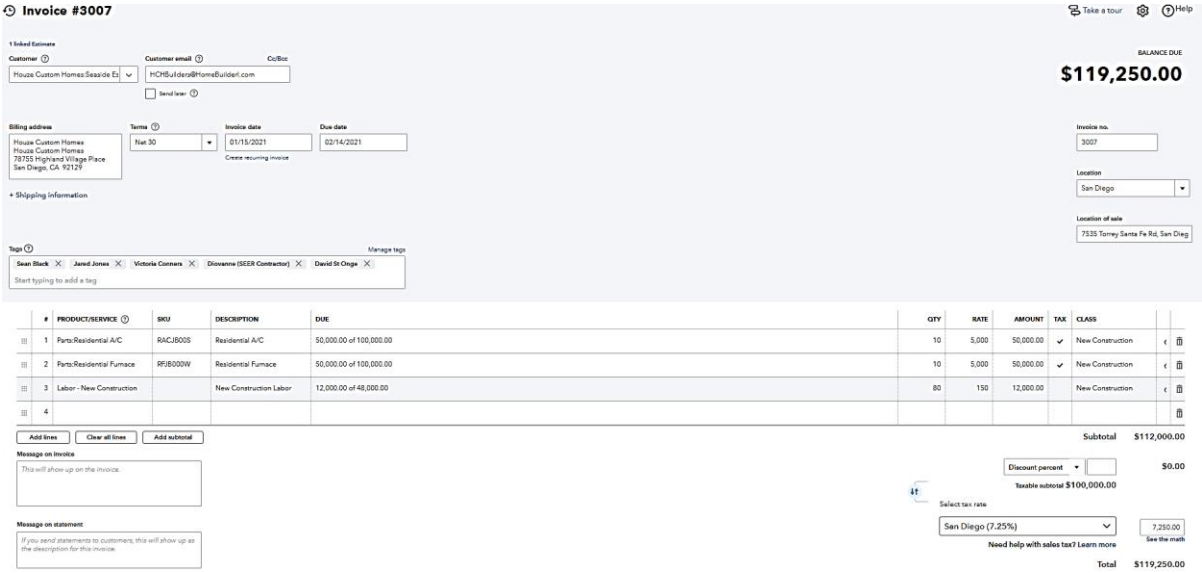
16. Locate Estimate 1002 and Create Progress Invoice 3005 for January 01/08 of the current year: You will choose the custom option and manually enter the amounts to match the screen shot.



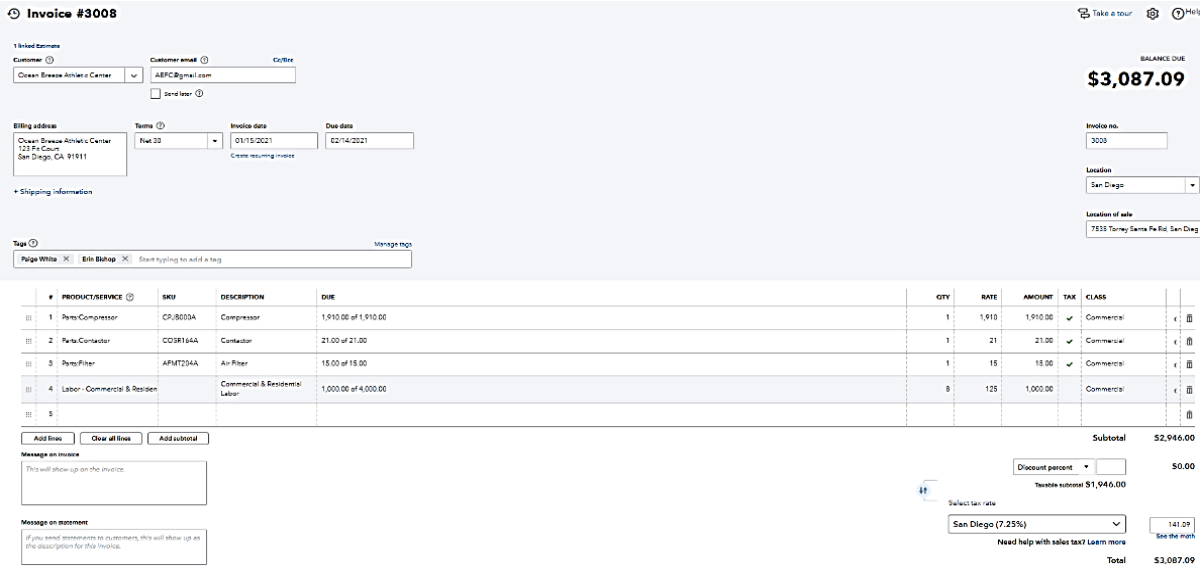
17. Locate Estimate 1003 and Create Progress Invoice 3006 for January 1/11 of the current year: You will choose the custom option and manually enter the amounts to match the screen shot.



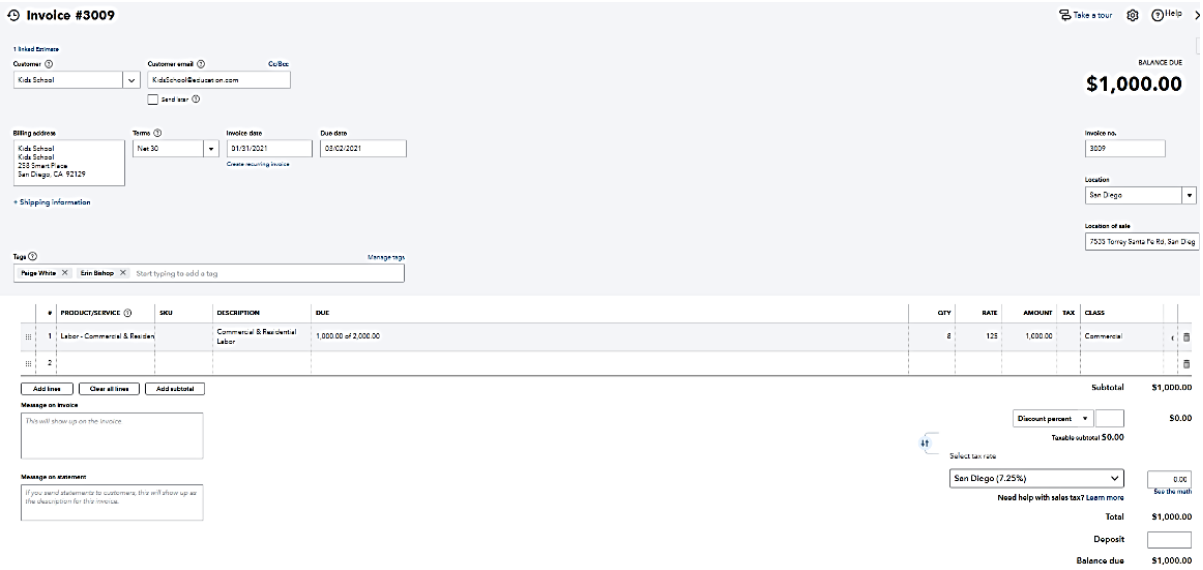
18. Locate Estimate 1000 and Create Progress Invoice 3007 for January 1/15 of the current year: You will choose the custom option and manually enter the amounts to match the screen shot.



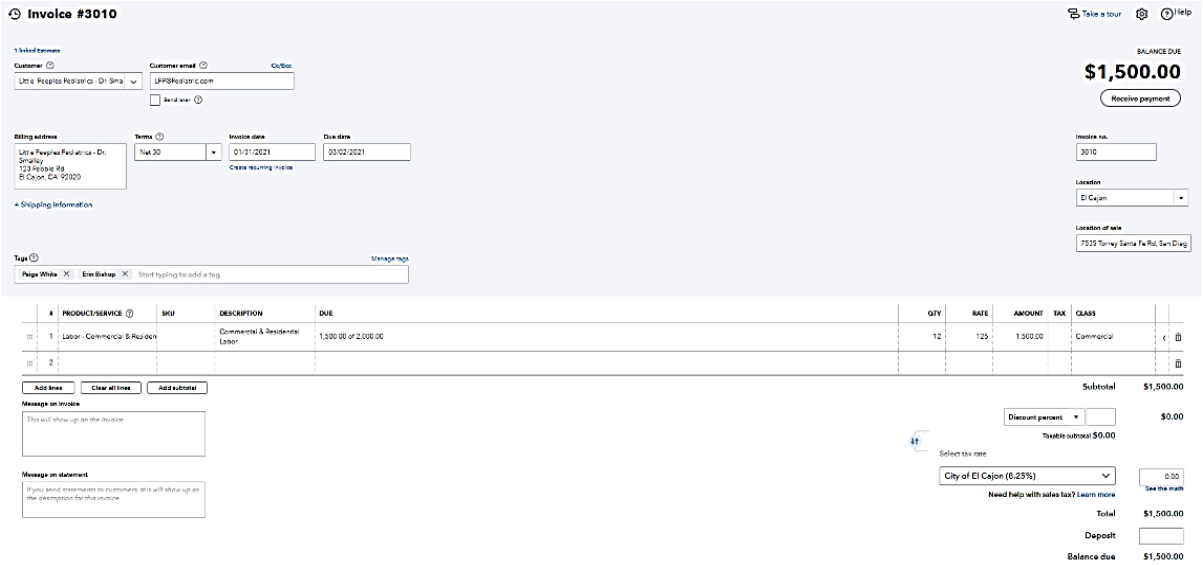
19. Locate Estimate 1004 and create Progress Invoice 3008 for January 1/15 of the current year: You will choose the custom option and manually enter the amounts to match the screen shot.



20. Locate Estimate 1002 and Create Progress Invoice 3009 for January 1/31 of the current year: You will choose the custom option and manually enter the amounts to match the screen shot.



21. Locate Estimate 1003 and Create Progress Invoice 3010 for January 01/31 of the current year: You will choose the custom option and manually enter the amounts to match the screen shot.



22. Review Video Link:

[Receive Payment Towards an Invoice]

23. Receive and apply payments to open invoices for January of the current year: Use the following tables and the **Inflow AR Additional Transaction List with Splits.** Remember to use Undeposited funds in the **Deposit to** field. Do not worry about payment reference numbers; you can make them up if you want to. Keep payment type simple, avoid using credit card or ACH to avoid required credit and bank processing information.

Customer	Date	Invoice	Amt
House Custom Homes: Padre View Estates	01/04/current year	3001	$80,000

24. Continue receiving and applying payments to open invoices for January of the current year:

Customer	Date	Inv #	Amt
Kids School	01/08/current year	3005	$3,087.09
Little Peeples Pediatrics	01/11/current year	3006	$14,263.99
Ocean Breeze Athletic Center	01/15/current year	3008	$3,087.09
Houze Custom Homes:Seaside Estates	01/20/current year	3000	$119,250.00

25. Review Video Link:

Record a Bank Deposit

Deposit Only Method

Uses of Deposit Only Method

What is Undeposited Funds

26. Create deposits for January of the current year: All deposits are posted to the checking 1234 account.

Date	Payments	Total Deposit
01/04/current year	Houze Custom Homes:Padre View Estates	$80,000.00
01/20/current year	Kids School Little Peoples Pediatrics Ocean Breeze Athletic Center	$20,438.17
01/20/current year	House Custome Homes:Seaside Estates	$119,250.00
01/31/current year	Service Calls 3 Sales Receipts	$38,720.71

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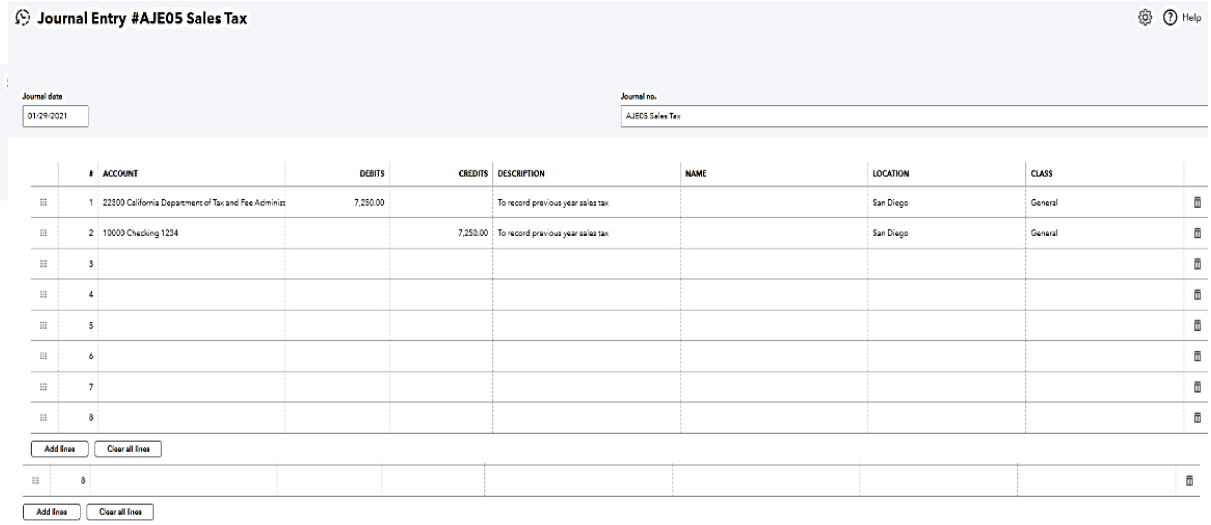
27. Pay Sales Tax for December on 1/15 current year: Since we did not collect sales tax using Invoices or Sales Receipts for December, we will use a Journal Entry to record the payment. An Expense type transaction would work as well.

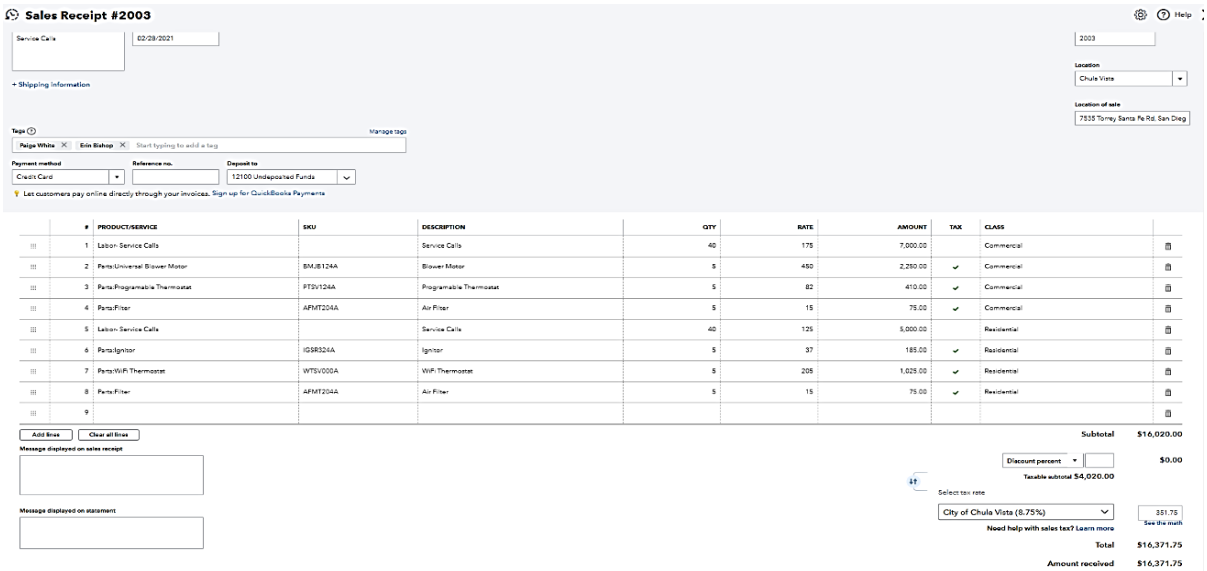


Let's go on to February.

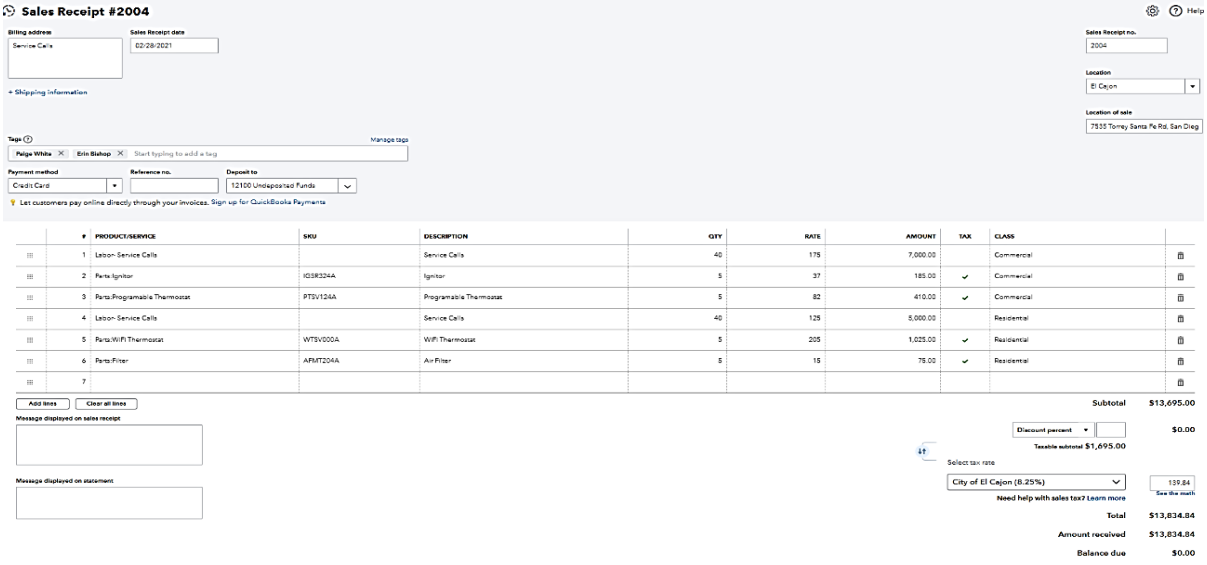
28. Add Sales Receipts 2003 for February 2/28 of the current year:

Use the **Inflow Sales Receipt Transaction List with Splits.pdf** as a reference guide.

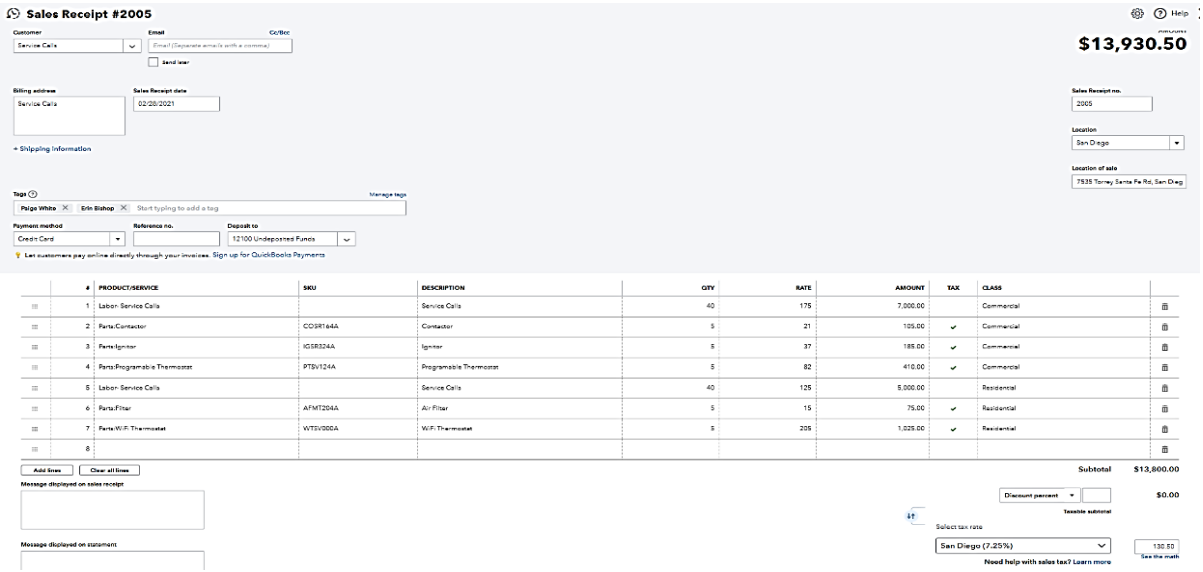
Important! The labor rate for commercial service calls changed to $175.00.



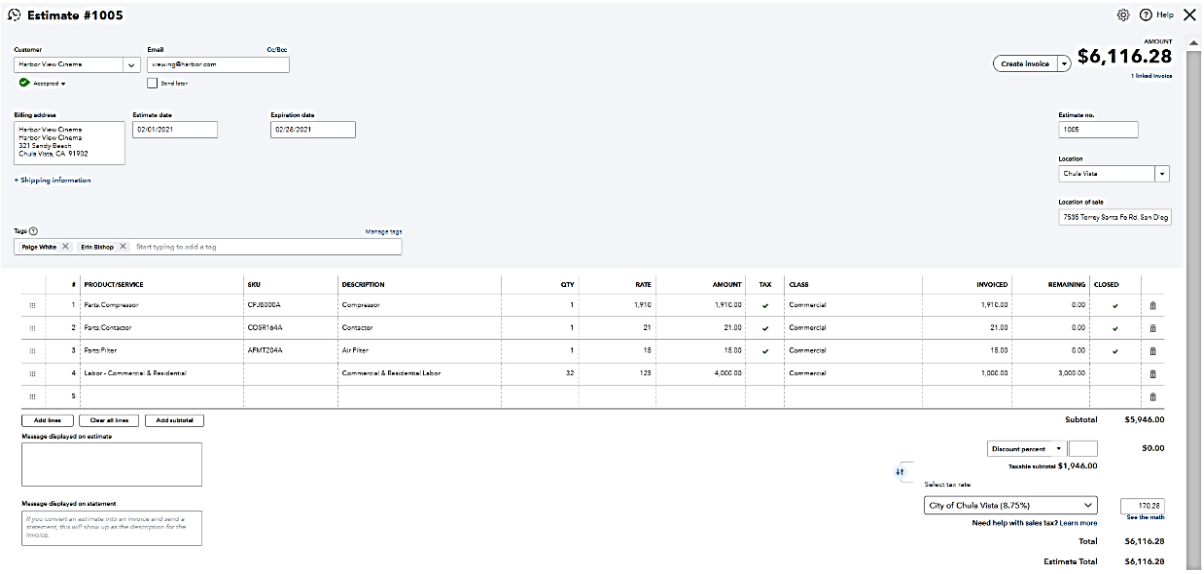
29. Add Sales Receipt 2004 for February 2/28 of the current year:



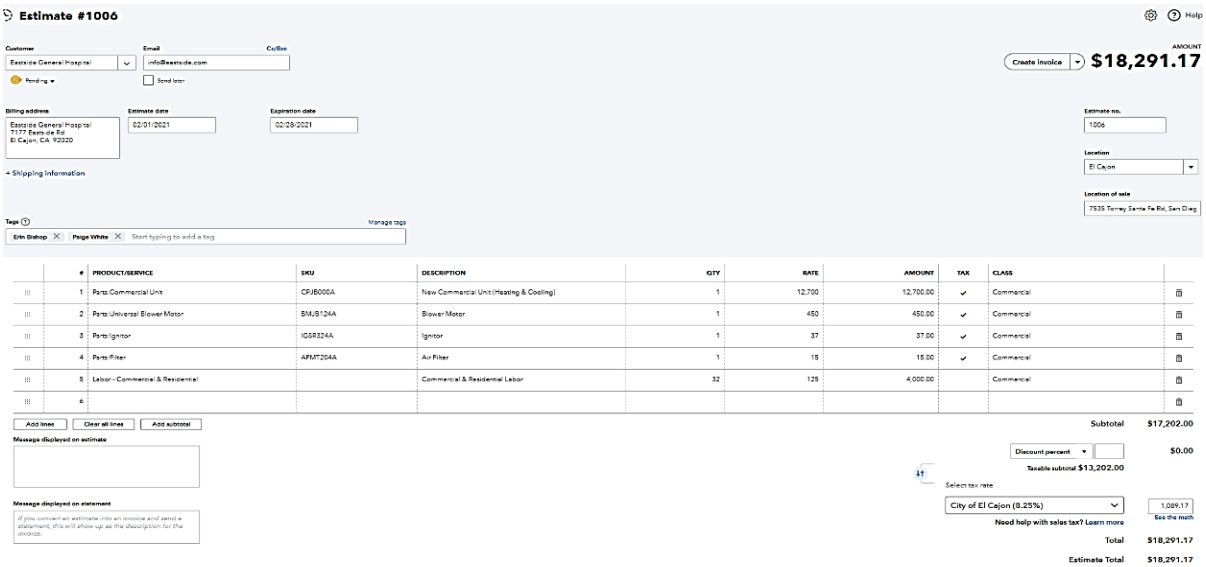
30. Add Sales Receipt 2005 for February 2/28 of the current year:



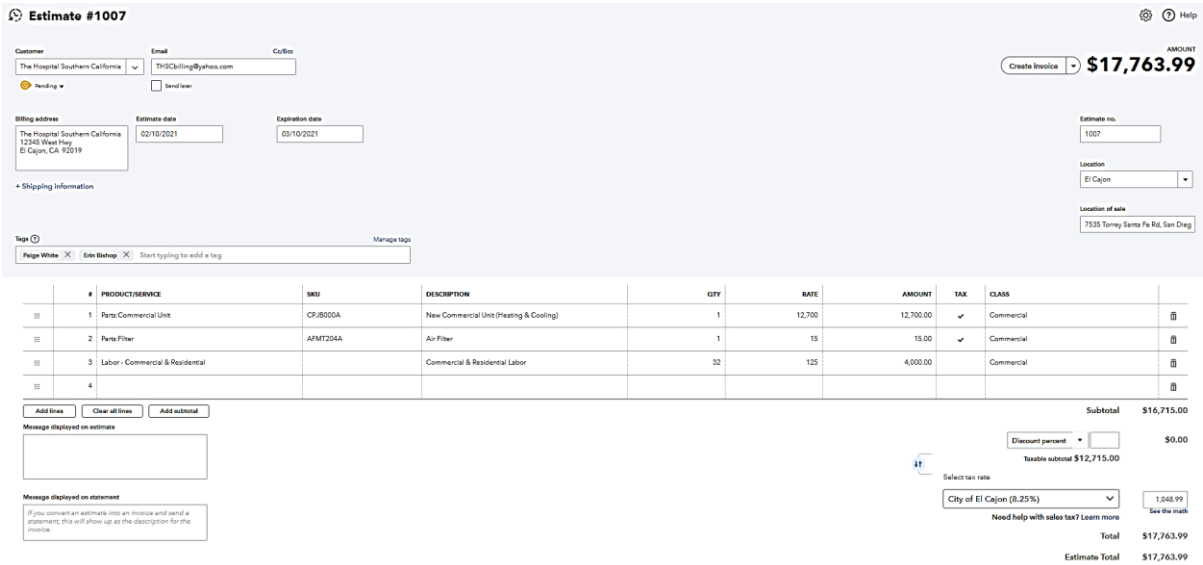
31. Add Estimate 1005 for February 2/1 of the current year:



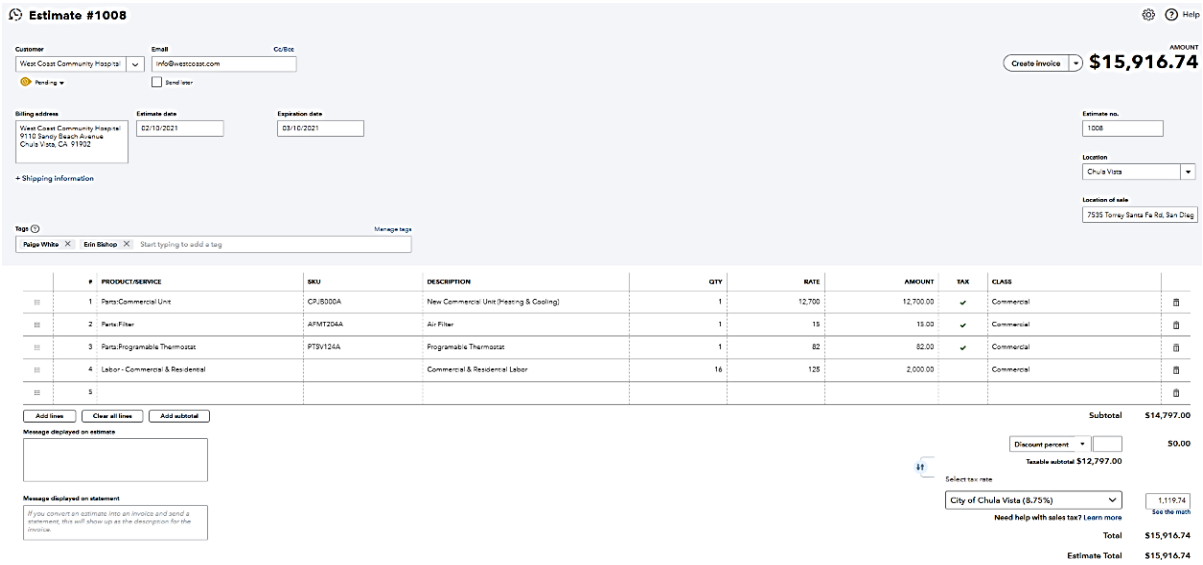
32. Add Estimate 1006 for February 2/1 of the current year:



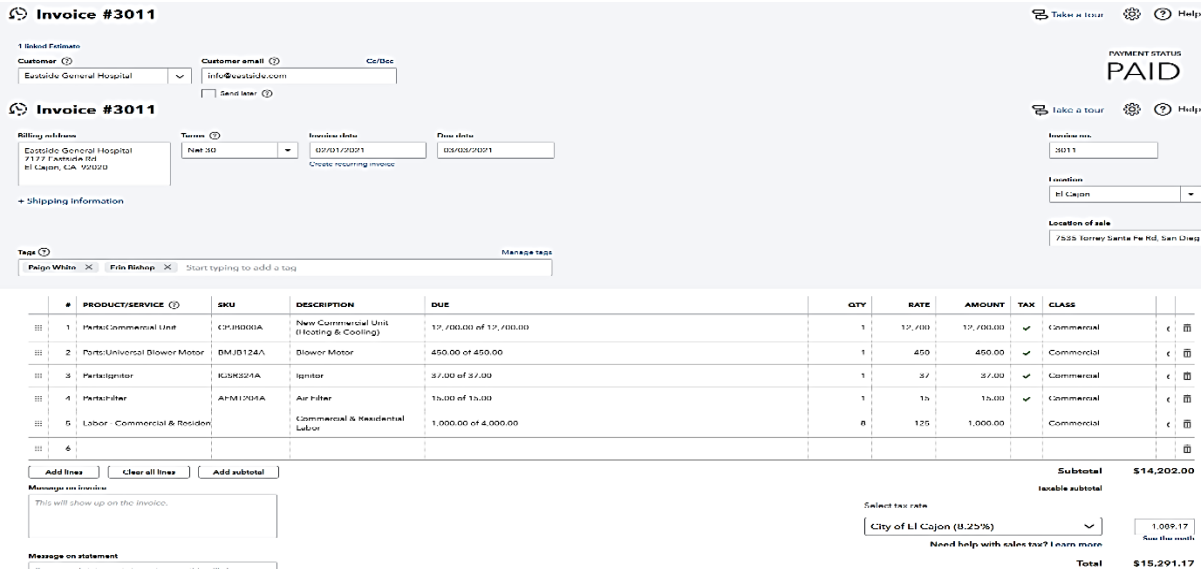
33. Add Estimate 1007 for February 2/10 of the current year:



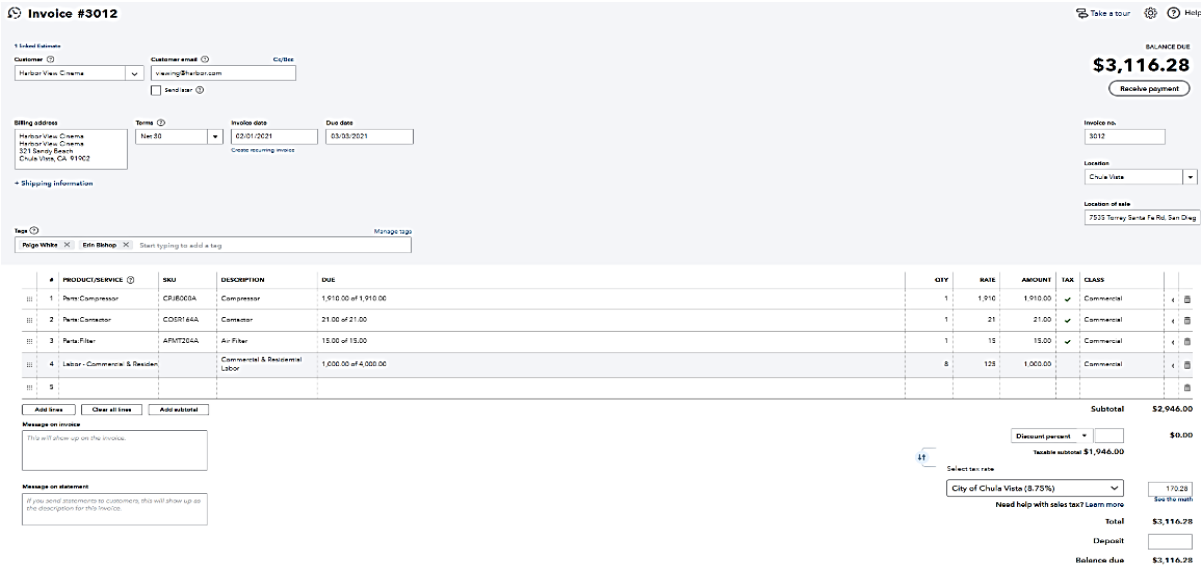
34. Add Estimate 1008 for February 2/10 of the current year:



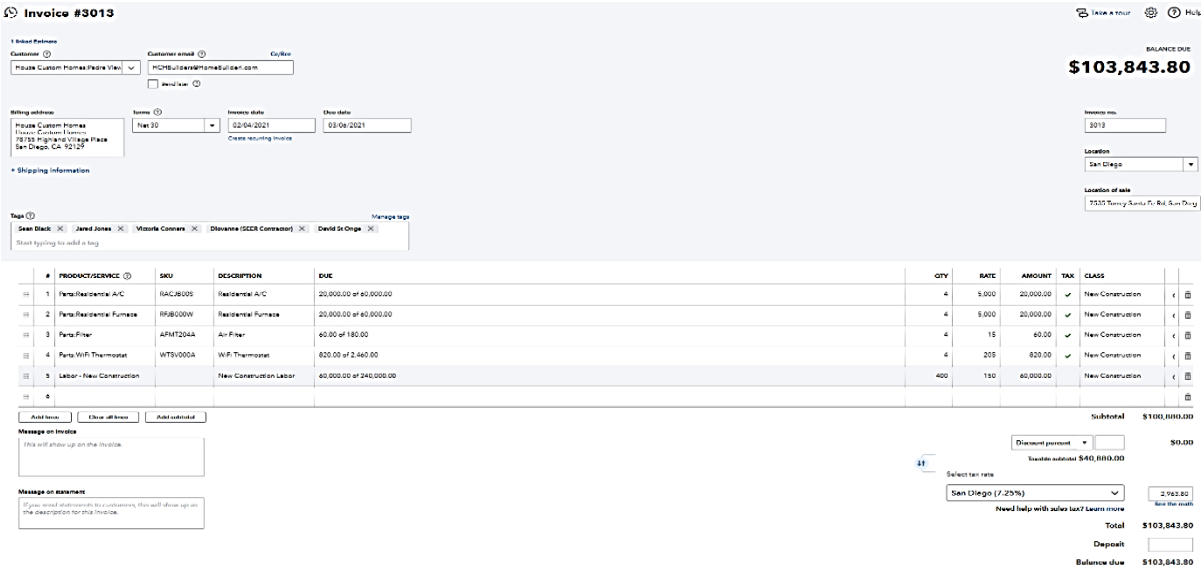
35. Locate Estimate 1006 and Create Progress Invoice 3011 for February 2/1 of the current year: You will choose the custom option and manually enter the amounts to match the screen shot.



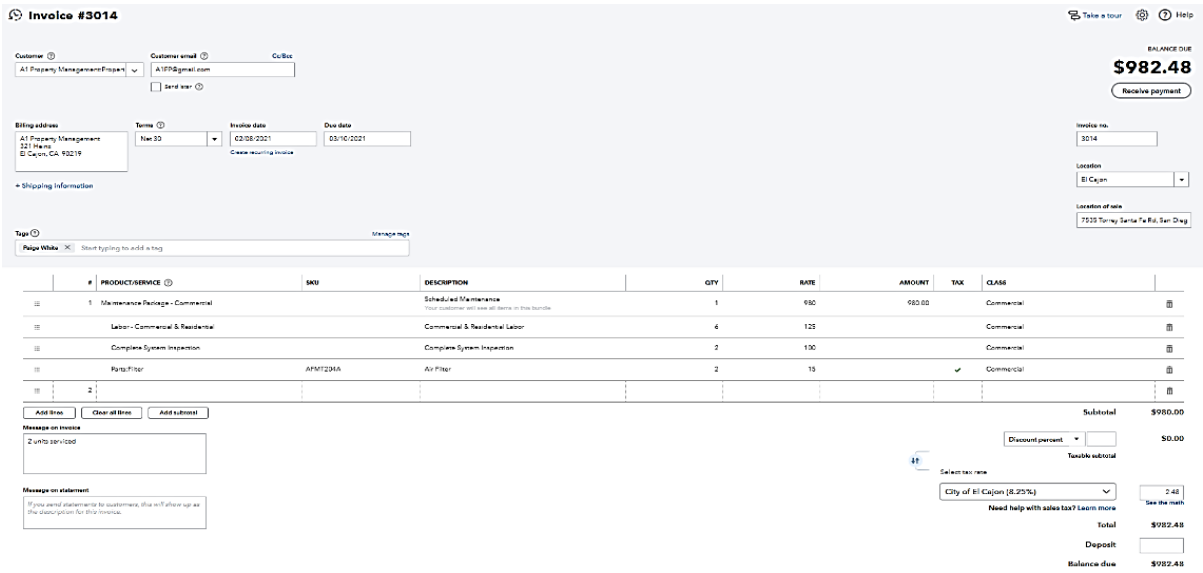
36. Locate Estimate 1005 and Create Progress Invoice 3012 for February 2/1 of the current year: You will choose the custom option and manually enter the amounts to match the screen shot.



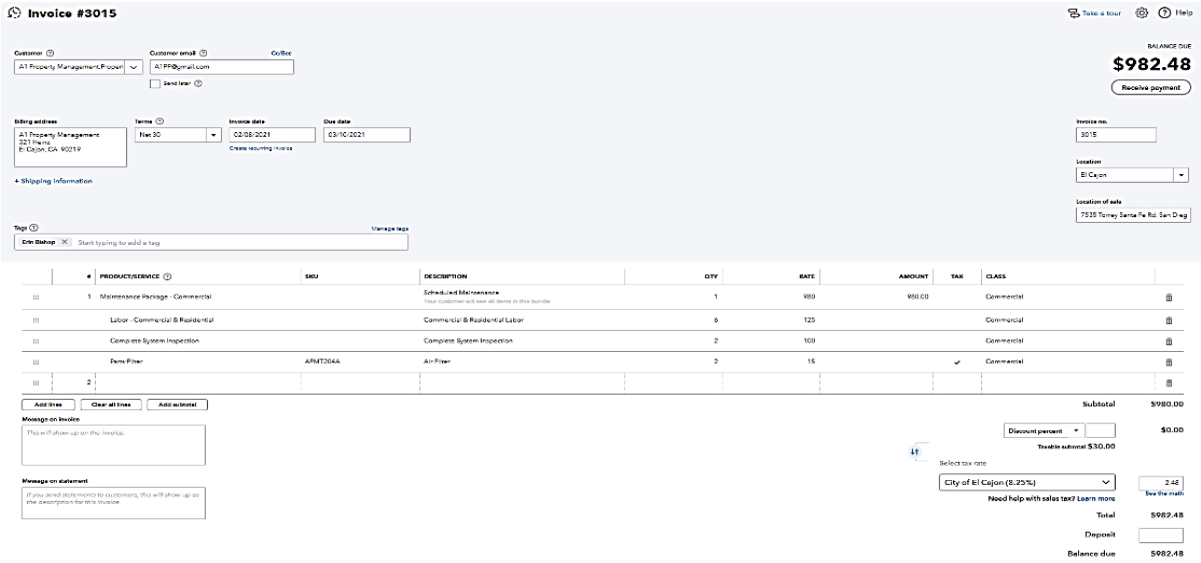
37. Locate Estimate 1001 and Create Progress Invoice 3013 for February 2/4 of the current year: You will choose the custom option and manually enter the amounts to match the screen shot.



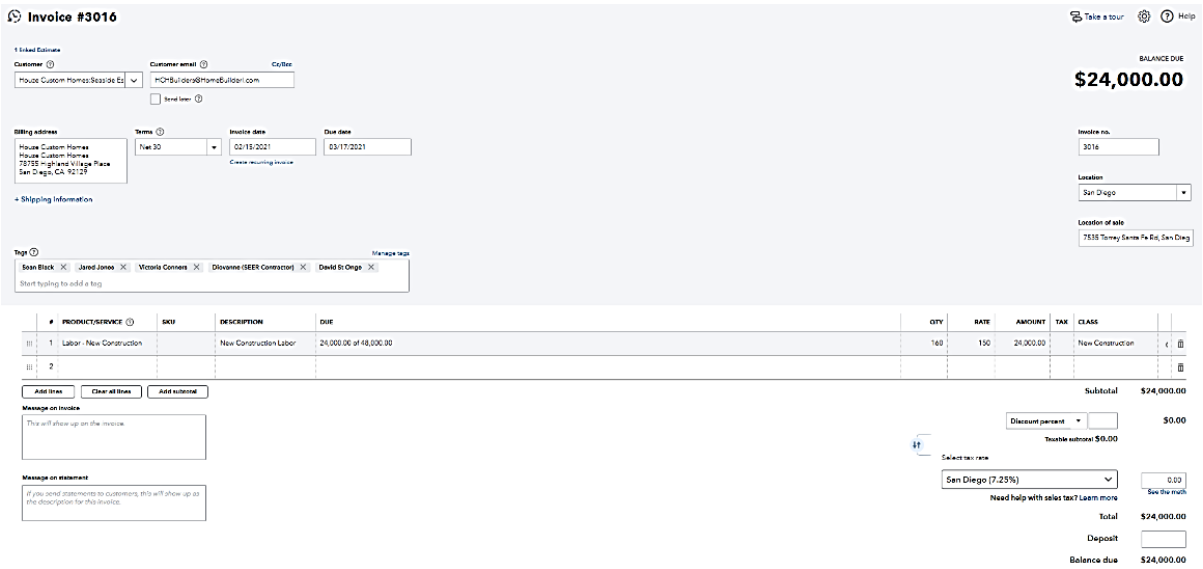
38. Add invoice 3014 using the bundle service type without an Estimate for February 2/8 of the current year:



39. Add invoice 3015 using the bundle service type without an Estimate for February 2/8 of the current year:

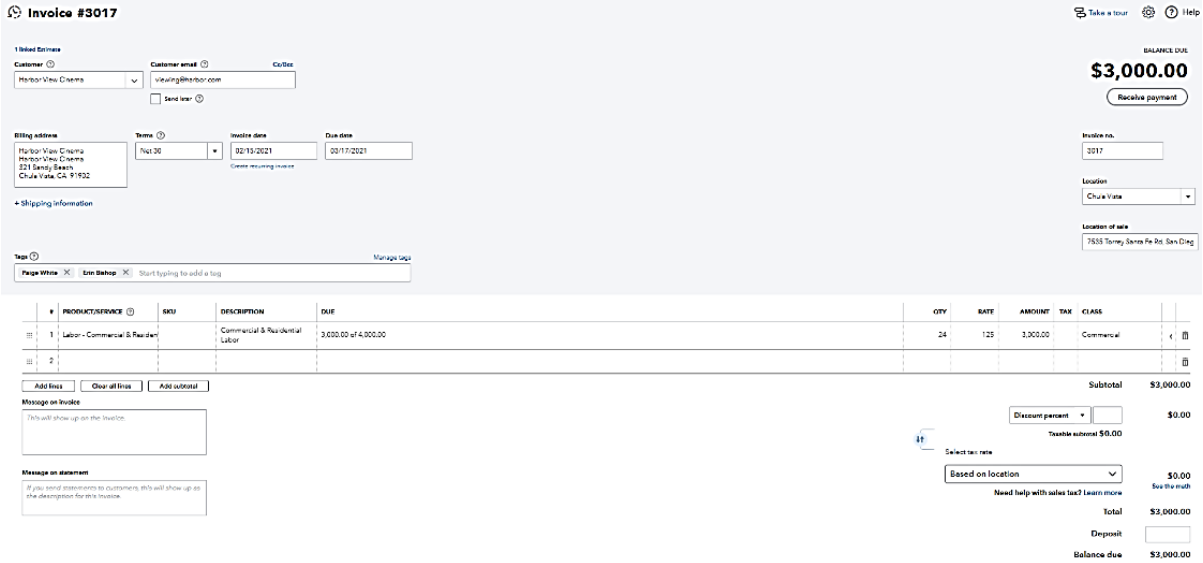


40. Locate Estimate 1000 and Create Progress Invoice 3016 for February 2/15 of the current year: You will choose the custom option and manually enter the amounts to match the screen shot.

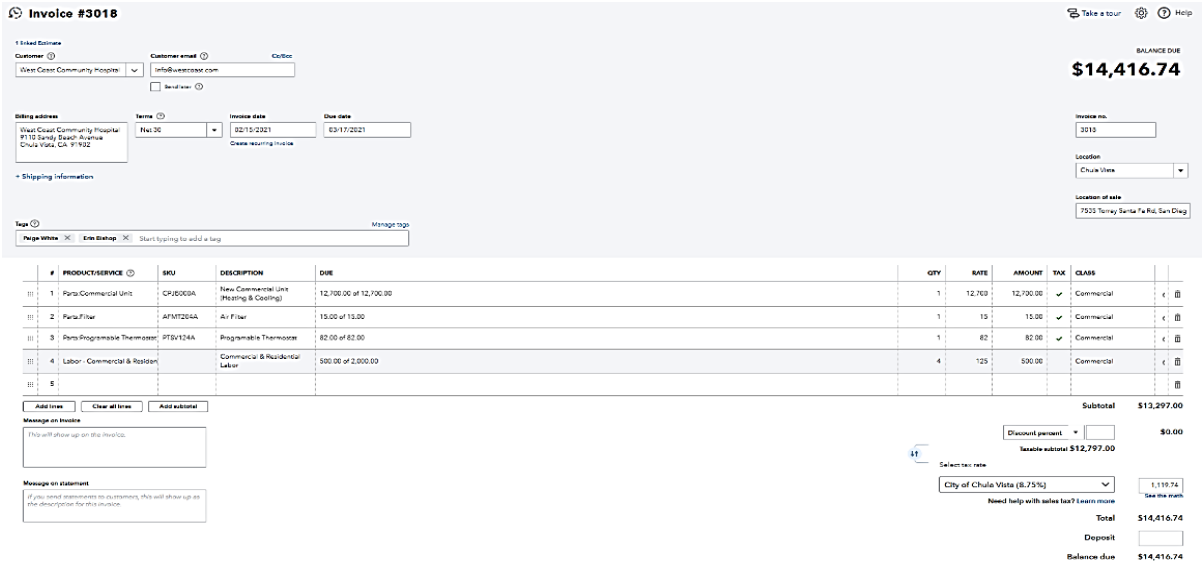


41. Locate Estimate 1005 and Create Progress Invoice 3017 for February 2/15 of the current

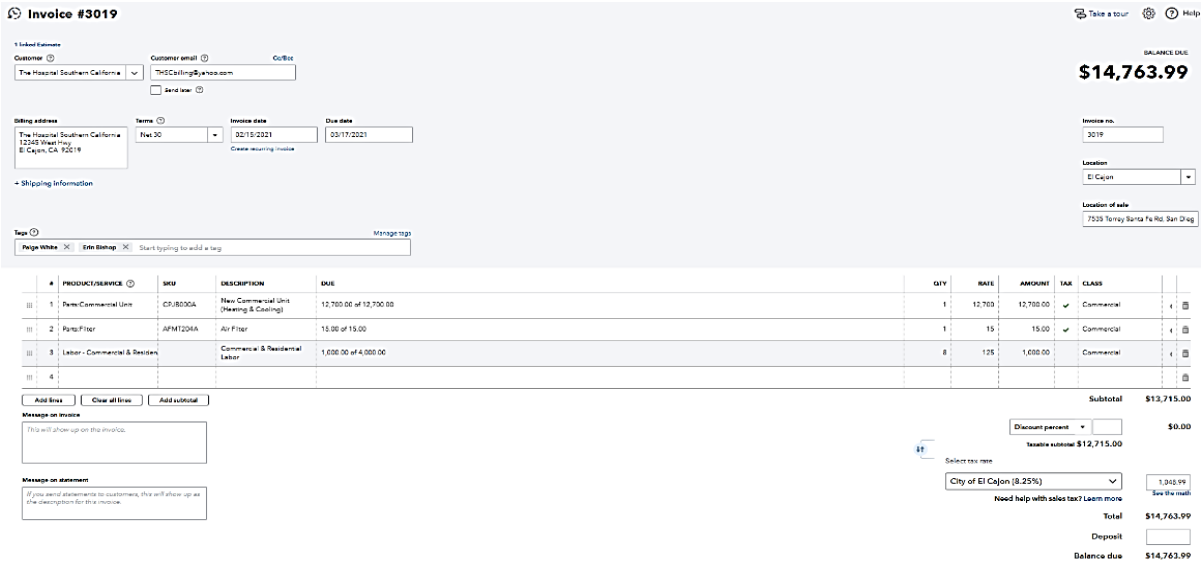
year: You will choose the custom option and manually enter the amounts to match



42. Locate Estimate 1008 and Create Progress Invoice 3018 for February 2/15 of the current year: You will choose the custom option and manually enter the amounts to match the screen shot.



43. Locate Estimate 1007 and Create Progress Invoice 3019 for February 2/15 of the current year: You will choose the custom option and manually enter the amounts to match the screen shot.



44. Receive and apply payments to open invoices for February of the current year:

Customer	Date	Inv #	Amt
Eastside General	02/01/current year	3011	$15,291.17
Harbor View Cinema	02/01/current year	3012	$3,116.28
Houze Custom Homes: Padre View Estates	02/02/current year	3002	$103,843.80
Houze Custom Homes:Padre View Estates	02/04/current year	3013	$103,843.80

45. Receive and apply payments to open invoices for February of the current year:

Customer	Date	Inv #	Amt
Houze Custom Homes: Padre View Estates	02/04/current year	3001	$23,843.80
A1 Property Management: Property 1	02/07/current year	3003	$982.48
A1 Property Management: Property 2	02/08/current year	3004	$982.48
Houze Custom Homes:Seaside Estates	02/15/current year	3007	$60,000.00
West Coast Community Hospital	02/15/current year	3018	$14,416.74
The Hospital So Cal	02/15/current year	3019	$14,763.99

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46. Add Deposits for February of the current year:

Date	Customer	Total Deposit
02/04/current year	Eastside General Hospital Harbor View Cinema Houze Custom Homes: Padre Estates 3 payments	$249,938.85
02/08/current year	A1 Property 2 payments	$1,964.96
02/15/current year	Houze Custom Homes: Seaside Estates West Coast Community Hospital The Hospital Southern California	$89,180.73

47. Pay Sales Tax for January current year. Remember! You must make the payment from within the Sales Tax Center.

Sales tax payment

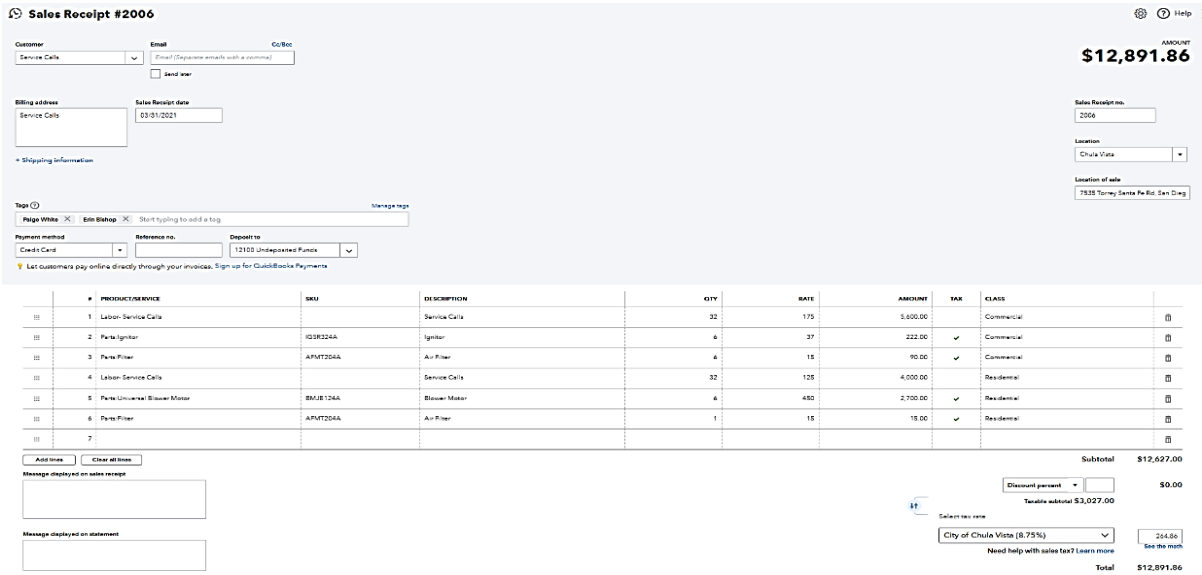
Tax agency
California Department of Tax and Fee Administration

Payment made
$15,179.44

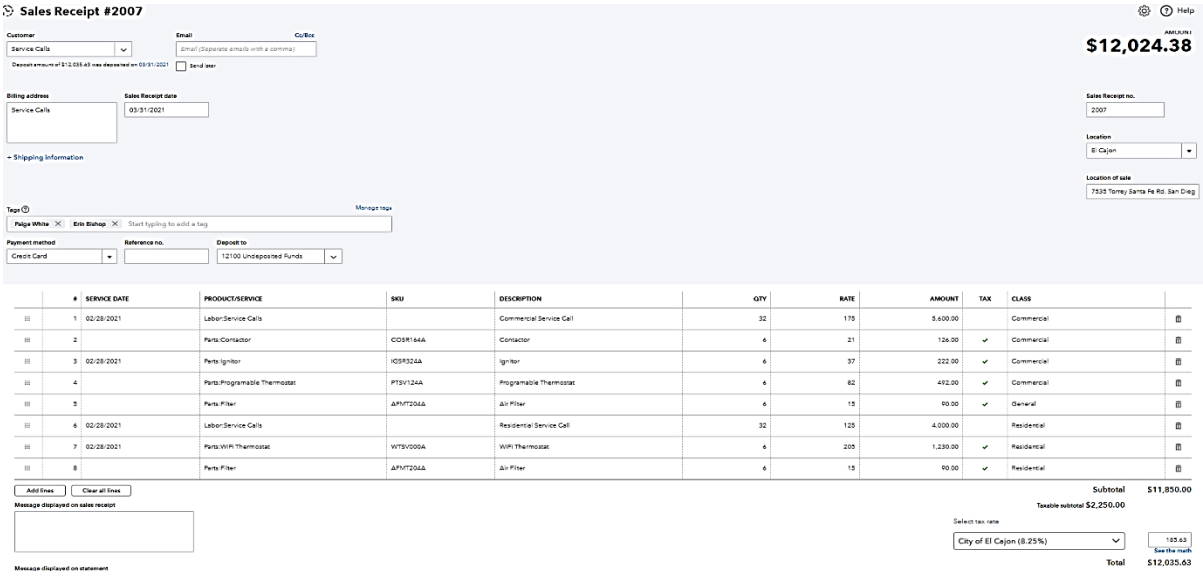
Payment date
02/19/2021

Bank account
Checking 1234

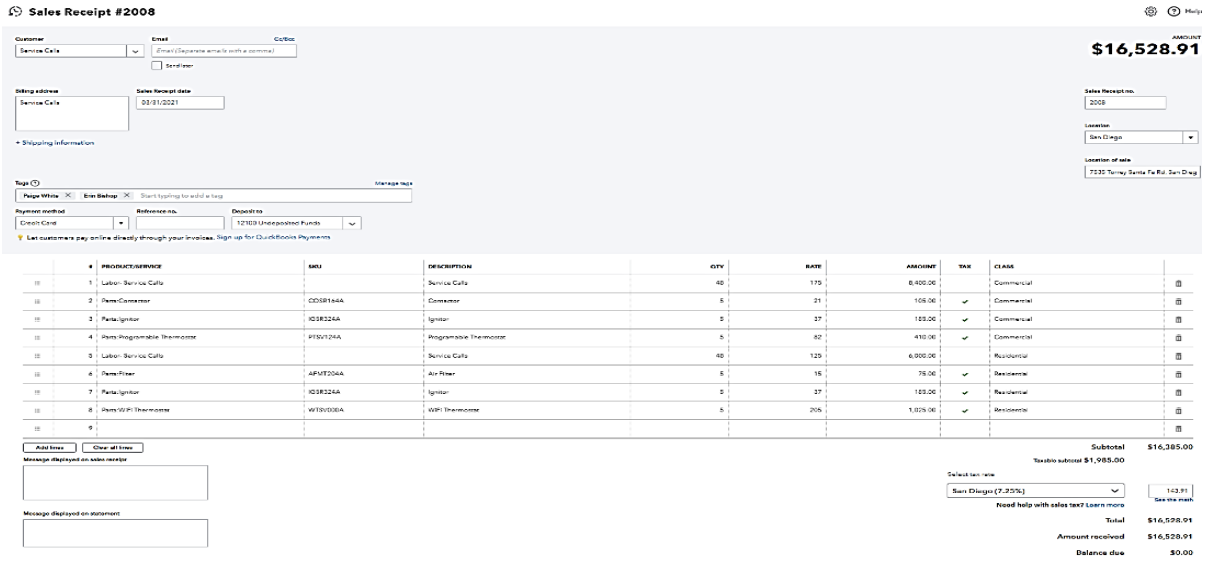
48. Add Sales Receipt 2006 for March 3/31 of the current year. Use the following screen shots and the **Inflow Sales Receipt Transaction List with Splits.pdf** as a reference guide.



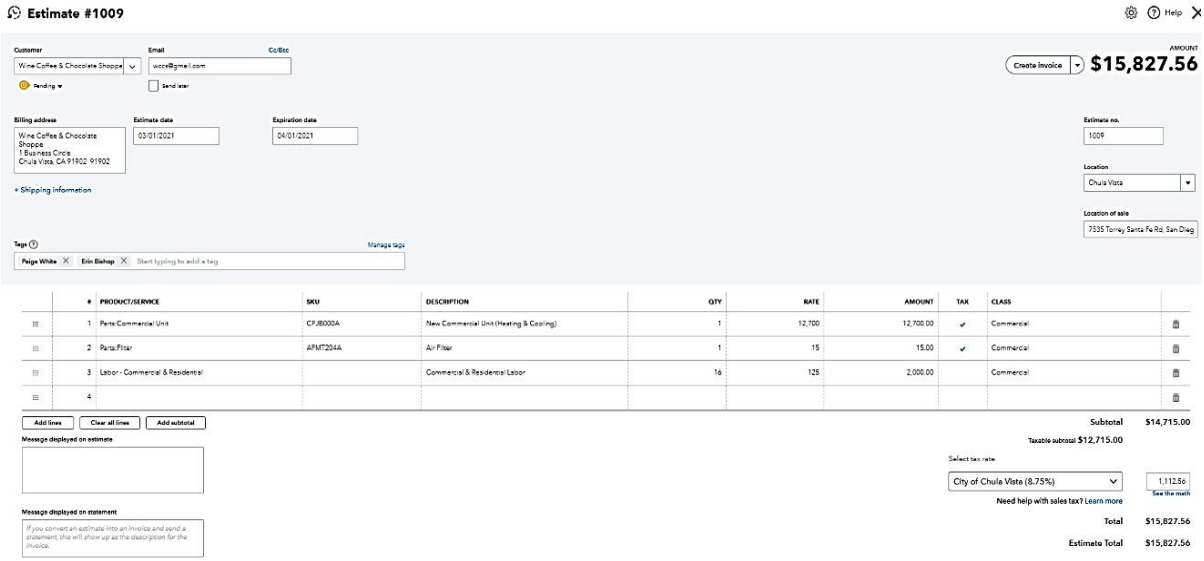
49. Add Sales Receipt 2007 for March 3/31 of the current year.



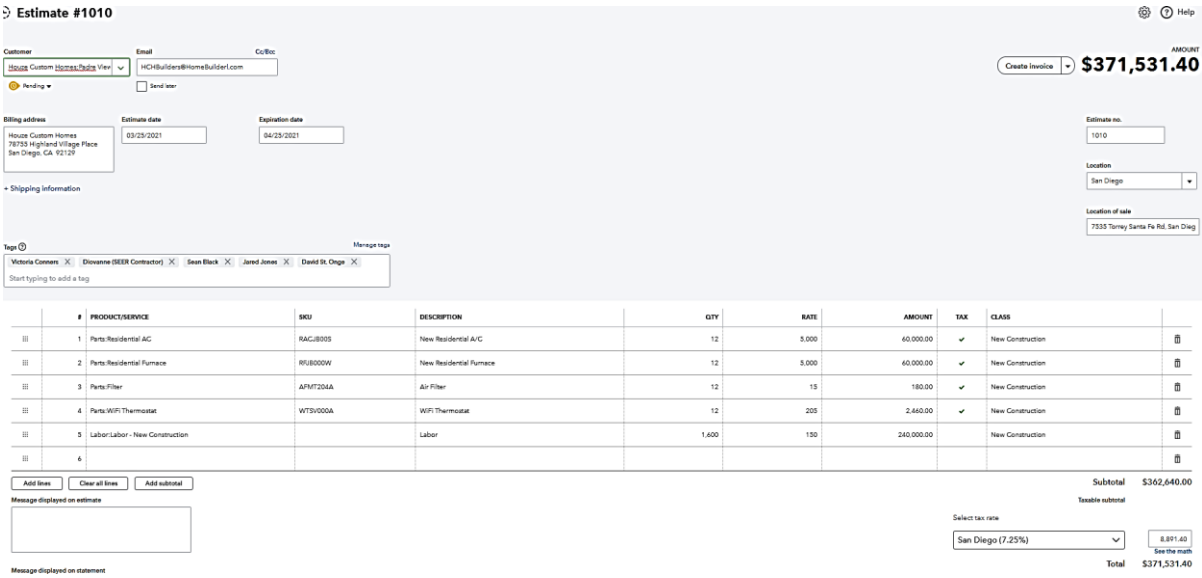
50. Add Sales Receipt 2008 for March 3/31 of the current year.



51. Add Estimate 1009 for March 3/1 of the current year. Use the following screen shot and the **Inflow Estimate Transaction List.**

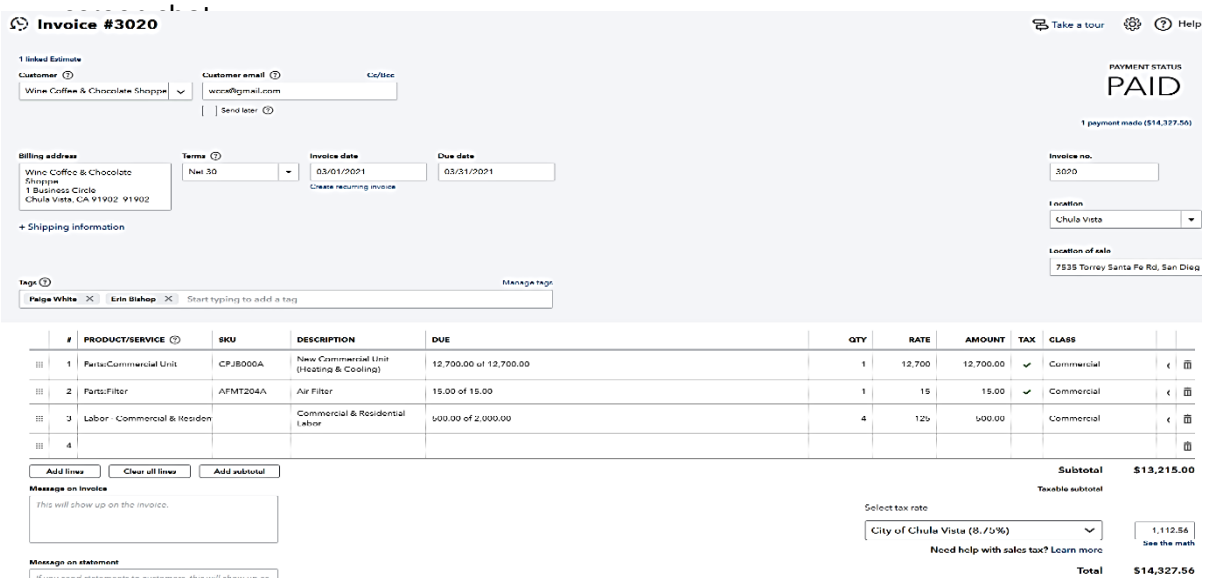


52. Add Estimate 1010 for March 3/25 of the current year.

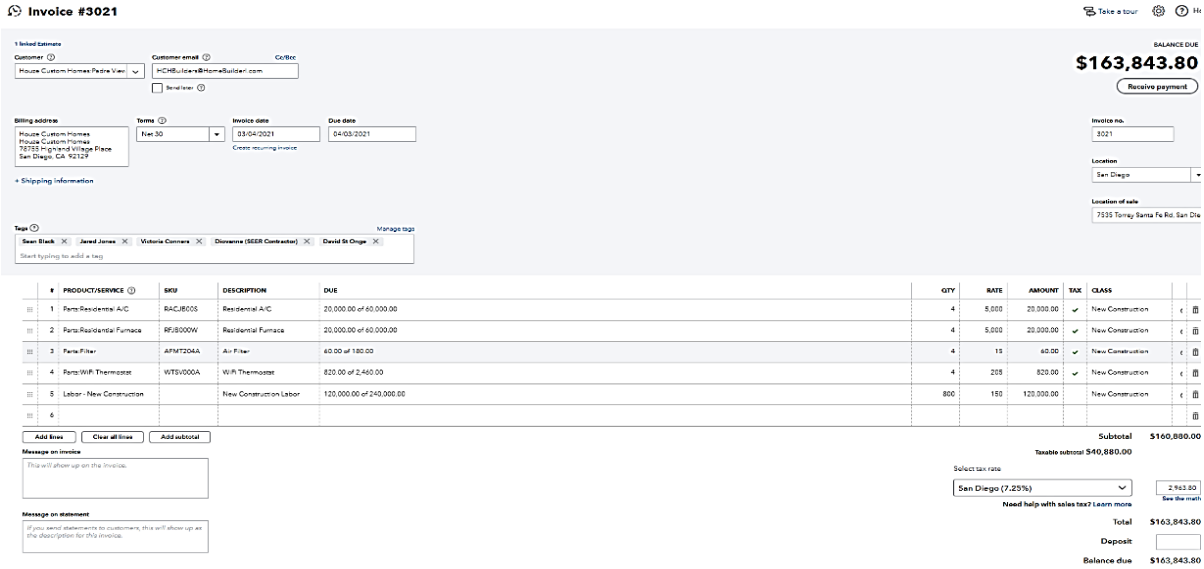


53. Locate Estimate 1009 and Create Progress Invoice 3020 for March 3/1 of the current year:

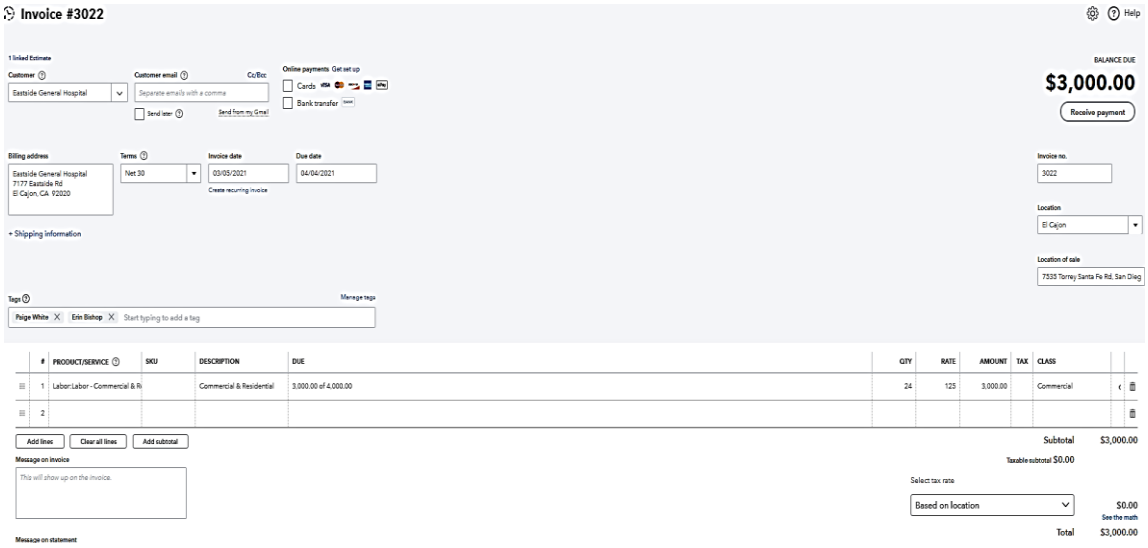
You will choose the custom option and manually enter the amounts to match the



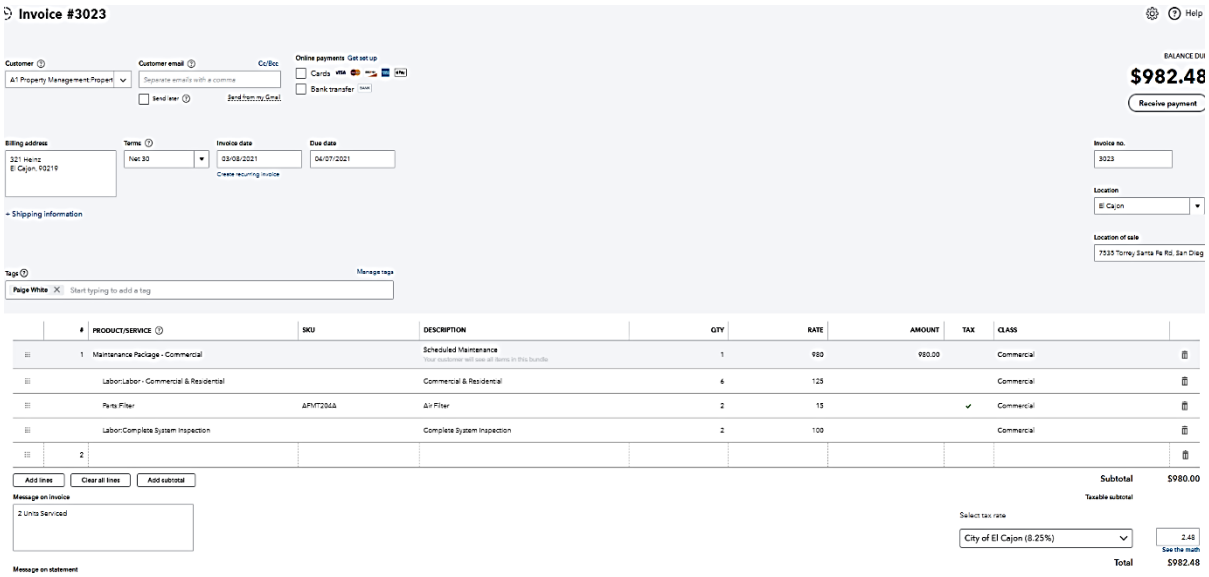
54. Locate Estimate 1001 and Create Progress Invoice 3021 for March 3/4 of the current year: You will choose the custom option and manually enter the amounts to match the screen shot.



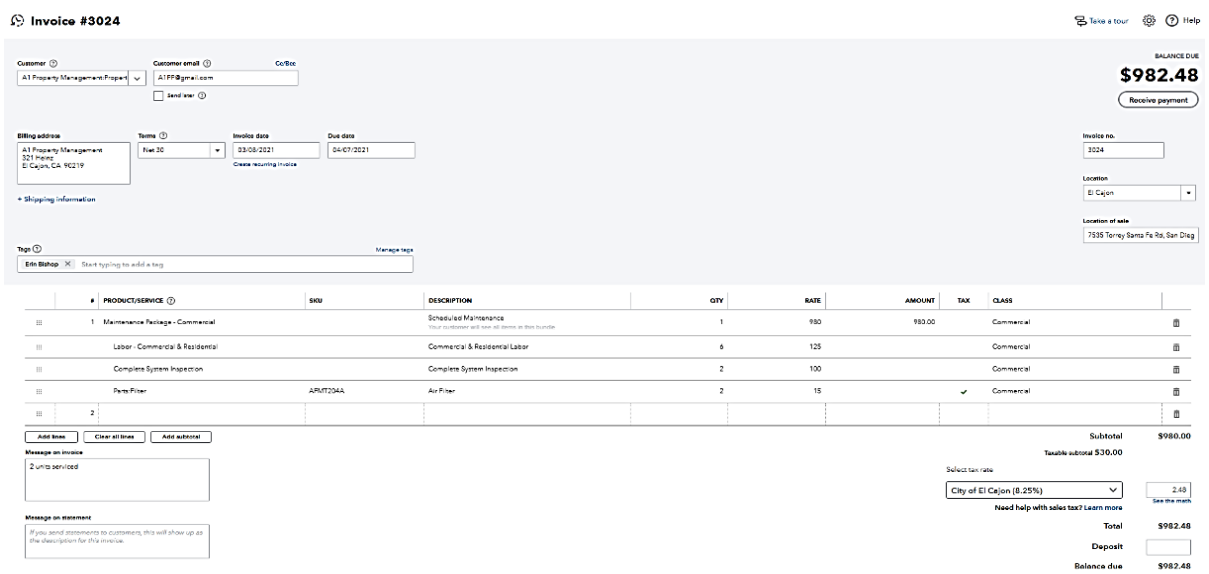
55. Locate Estimate 1006 and Create Progress Invoice 3022 for March 3/4 of the current year: You will choose the custom option and manually enter the amounts to match the screen shot.



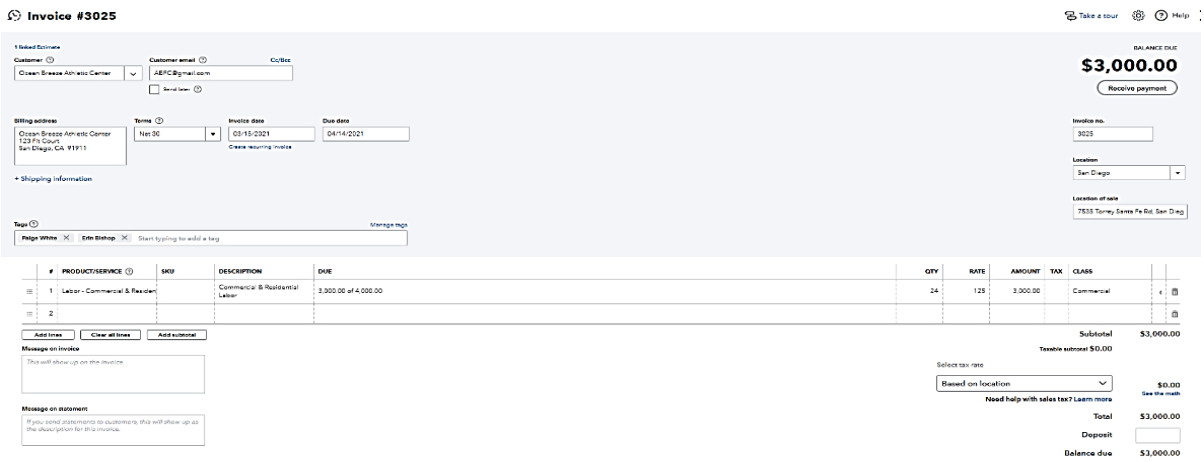
56. Add invoice 3023 using the bundle service type without an Estimate for March 3/8 of the current year:



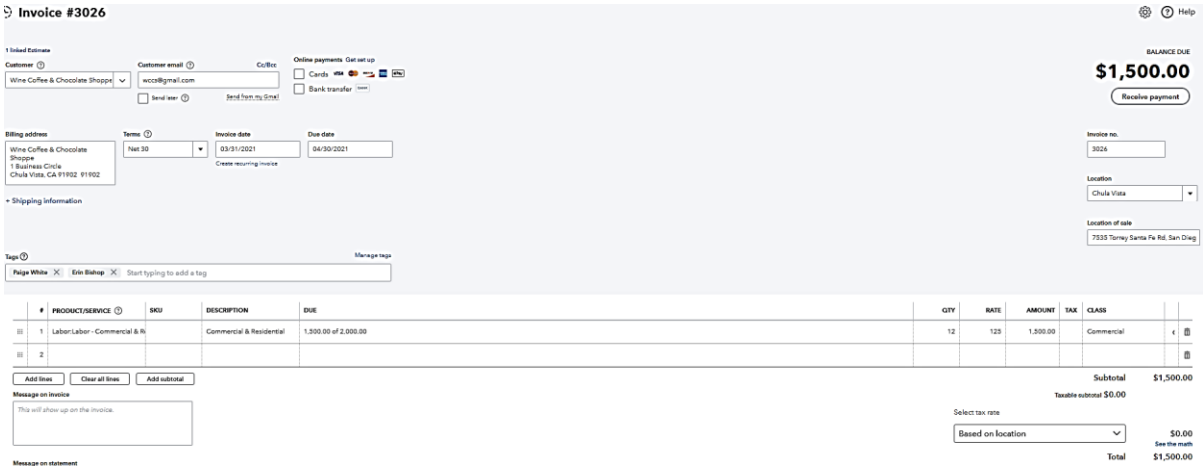
57. Add invoice 3024 using the bundle service type without an Estimate for March 3/8 of the current year:



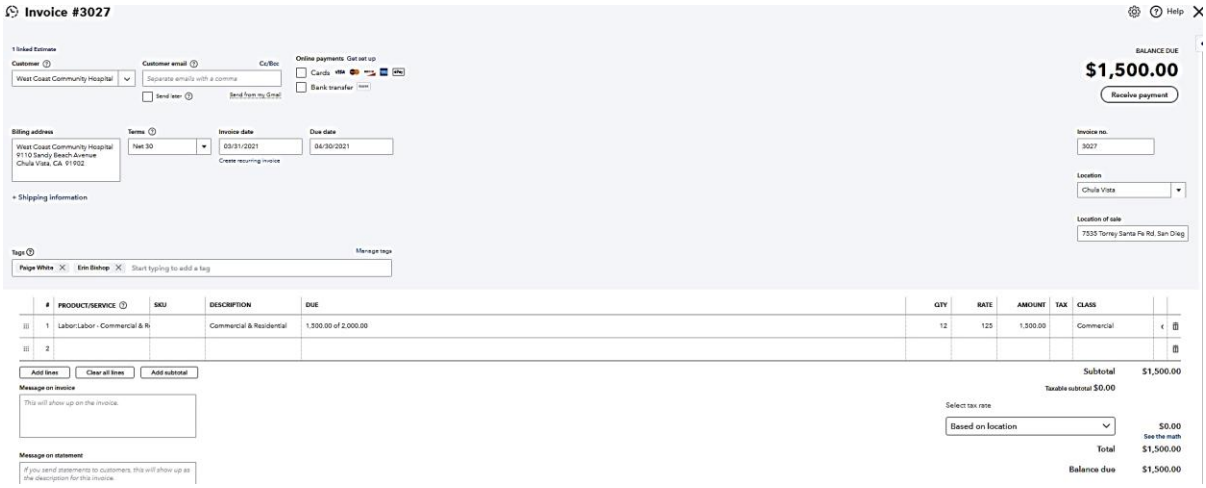
58. Locate Estimate 1004 and Create Progress Invoice 3025 for March 3/15 of the current year: You will choose the custom option and manually enter the amounts to match the screen shot.



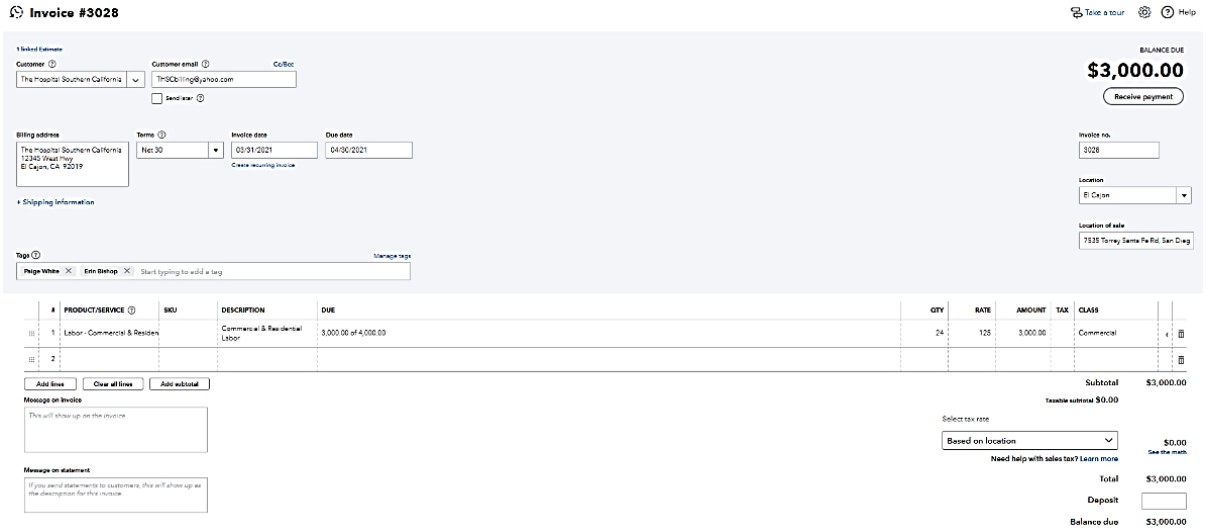
59. Locate Estimate 1009 and Create Progress Invoice 3026 for March 3/31 of the current year: You will choose the custom option and manually enter the amounts to match the screen shot.



60. Locate Estimate 1008 and Create Progress Invoice 3027 for March 3/31 of the current year: You will choose the custom option and manually enter the amounts to match the screen shot.



61. Locate Estimate 1007 and Create Progress Invoice 3028 for March 3/31 of the current year: You will choose the custom option and manually enter the amounts to match the screen shot.



62. Receive and apply payments to open invoices for March of the current year:

Customer	Date	Inv#	Amt.
Wine Coffee & Chocolate Shoppe	03/01/current year	3020	$14,327.56
Little Peeples Pediatrics	03/02/current year	3010	$1,500.00
Kids School	03/02/current year	3009	$1,000.00
A1 Property Management: Property 1	03/10/current year	3014	$982.48
A1 Property Management:Property 1	03/10/current year	3015	$982.48
Houze Custome Homes:Seaside Estates	03/15/current year	3007	$59,250.00
Harbor View Cinema	03/17/current year	3017	$3,000.00
Houze Custom Homes:Seaside Estates	03/17/current year	3016	$24,000.00

63. Add Deposit for March of the current year:

Date	Customer	Total Deposit
03/02/current year	Service Calls 3 Sales Receipts Wine Coffee & Chocolate Shoppe Little Peeples Pediatrics Kids School	$60,964.65

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64. Add Deposits for March of the current year:

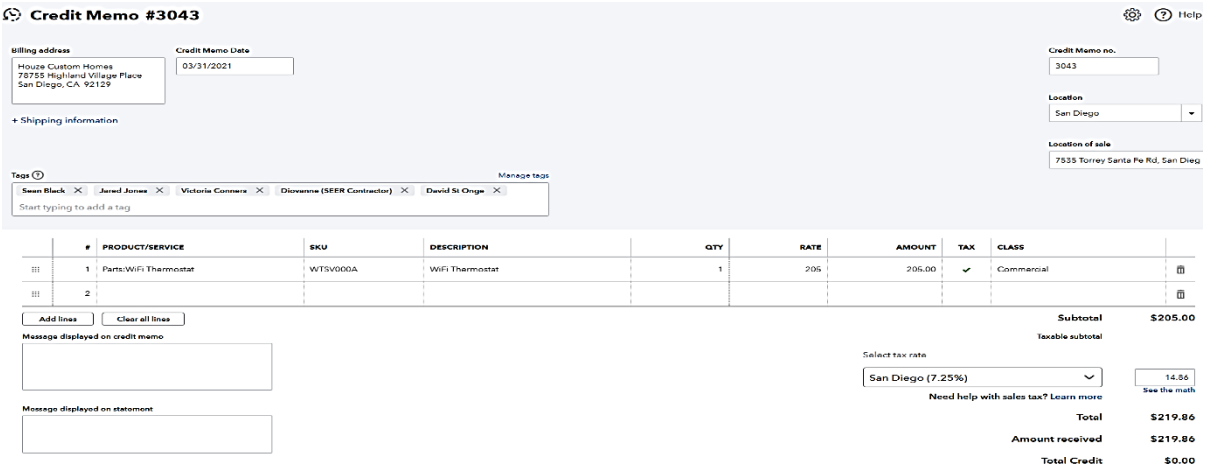
Date	Customer	Total Deposit
03/10/current year	A1 Property Management: Property 1 and 2.	$1,964.96
03/17/current year	Houze Custom Homes:Seaside Estates (2 payments) Harbor View Cinema	$86,250.00
03/31/current year	Service Calls (3 payments)	$41,456.40

65. Review Video Link:

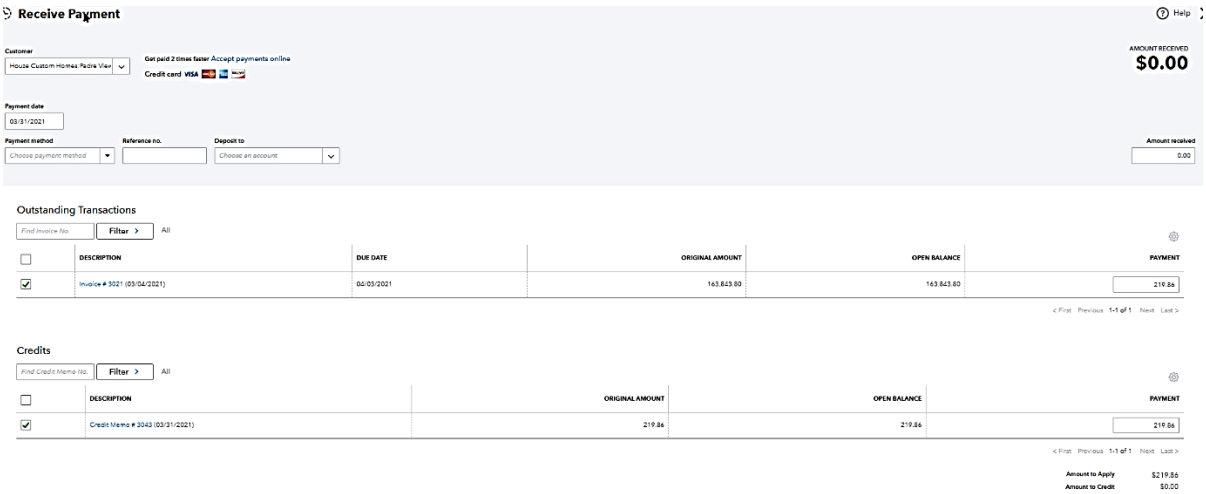
[Record a Credit Memo]

[Apply a Credit Memo]

66. Create credit memo 3043 3/31 current year: Use the following screen shot and **A/R Additional Transaction List with Splits.pdf** as a guide.



67. **Apply credit memo 3043 3/31 to invoice 3021 using the following screen shot and A/R Additional Transaction List with Splits.pdf as a guide.**

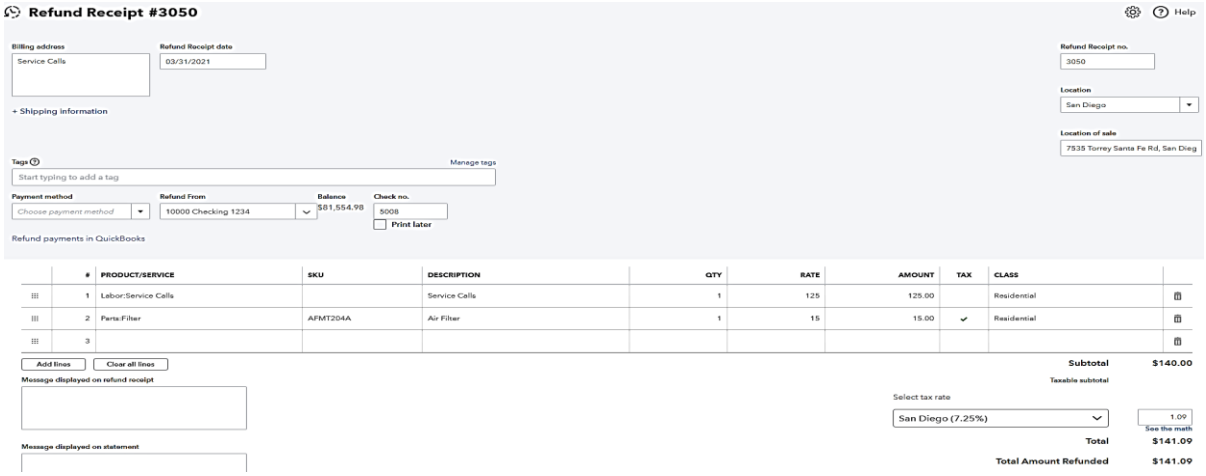


68. **Review Video Link:**

[Refunds and Credits: Intro]

[Record a Refund]

69. **Add a Refund Receipt 3050 3/31 using the following screen shot and A/R Additional Transaction List with Splits.pdf as a guide.**



70. Pay Sales Tax for February current year.

Sales tax payment

Tax agency
California Department of Tax and Fee Administration

Payment made
$7,019.03

Payment date
03/31/2021

Bank account
Checking 1234

71. Review Video Links:

Accounts Receivable Reports

Customer Statements: Intro

Balance Forward Statement

Open Item Statement

Transaction Statement

72. Locate and Review the following reports: (Save them as favorites)

a. Accounts Receivable Aging Summary
b. Accounts Receivable Aging Detail
c. Open Invoices
d. Sales by Customer Summary
e. Sales by Product/Service Summary
f. Estimates by Customer
g. Estimates & Progress Invoicing Summary by Customer

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Online Foundations Training

SECTION 10:
MANAGING INVENTORY

Objectives
Inventory Tracking
Inventory Adjustments
Inventory Reports
Practice Test
Case Study Activities

Section 10 Objectives

Upon completion of Section 10, each participant will be familiar with:

- How to track Inventory.
- How to manage Inventory.
- How to locate and review Inventory reports.

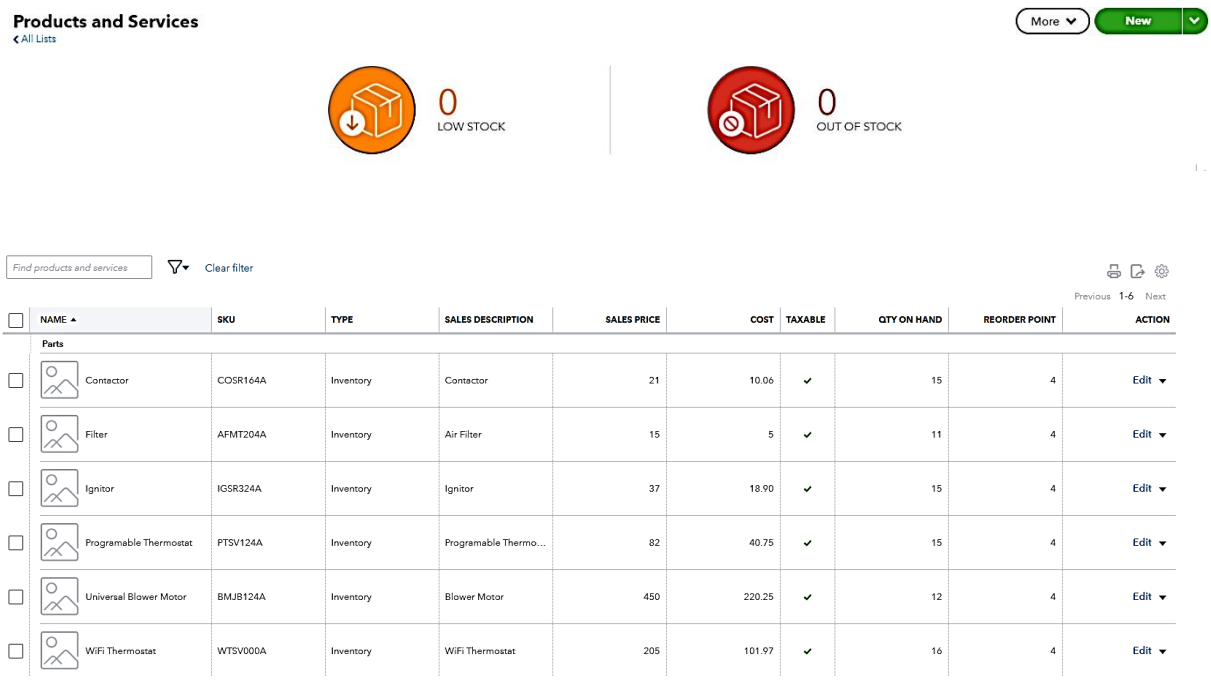
Inventory management is critical to both small and large businesses. Effective inventory management helps prevent stockouts, allows us to manage multiple locations, ensures accurate record keeping and more. Managing inventory levels prevents a common business mistake; tying up too much cash flow in inventory and hurting the business, or not keeping enough inventory on hand to meet customer demands. Inventory management can also help prevent fraud.

Inflow Heating and Cooling has a policy of keeping some inventory on the trucks such as filters, contactors, ignitors, programmable thermostats, etc. Josh uses established re-order points to manage the quantity on hand. Non-inventory items are only purchased once he receives acceptance of an estimate, a sound policy.

Some businesses track inventory and items sold using third party applications, however Josh has decided to track inventory using QuickBooks Online inventory features. A significant benefit is that the system tracks re-order points. A purchase order system will be implemented to track outstanding orders and help monitor vendor pricing.

During the Accounts Payable training we were introduced to Inventory and Purchase Orders. It is important to implement best practice inventory management policies to avoid unnecessary expenses. We now understand that using the bill feature increased our inventory counts and the invoice and sales receipts reduced them.

As we set re-order points, the system informs us when we are getting low on an item or when we record more sold than purchased. This will leave a negative balance in inventory.



Verify **Inventory** quantity on-hand at regular intervals. This process will include counting the **Inventory** and comparing it to the quantity that QBO is reporting. (This will take theft into account, etc. that obviously will not show in QBO.)

It is important to develop an inventory policy and process. How often should a physical inventory count take place? This depends on the business and how closely they should manage their inventory.

Click **Reports -> Standard -> Sales and Customers -> Physical Inventory Worksheet.**

JDoe Inflow Heating and Cooling

Physical Inventory Worksheet

PRODUCT	DESCRIPTION	QTY ON HAND	REORDER POINT	QTY ON PO	PHYSICAL COUNT
Parts:Contactor	Contactor	15.00	4.00	0.00	
Parts:Filter	Air Filter	11.00	4.00	1.00	
Parts:Ignitor	Ignitor	15.00	4.00	0.00	
Parts:Programable Thermostat	Programable Thermostat	15.00	4.00	0.00	
Parts:Universal Blower Motor	Blower Motor	12.00	4.00	0.00	
Parts:WiFi Thermostat	WiFi Thermostat	16.00	4.00		

This report shows the **Qty on Hand** and has a spot for you to count the number of items physically on-hand; write in the total counted. When there is a difference between the two columns, make an **Inventory Adjustment.**

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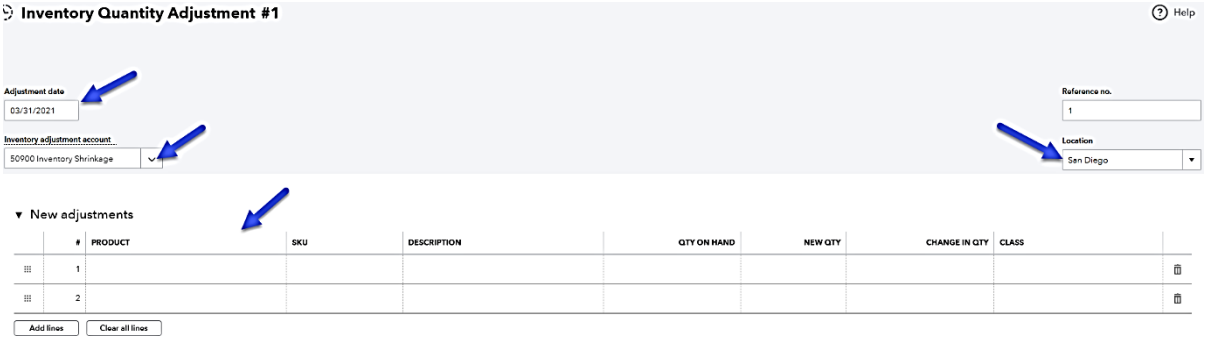
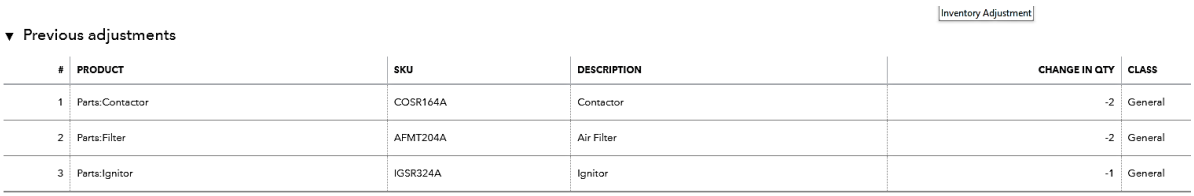
Once you have completed a physical count of inventory, the system provides a feature that allows us to adjust the quantity on hand. This adjustment uses a category referred to as **Shrinkage** and increases or decreases Cost of Goods Sold.

To enter an inventory adjustment, click **+ New-> Inventory Qty Adjustment.** An adjustment will be required for each location.



Here is an example of a previous adjustment.



#	PRODUCT	SKU	DESCRIPTION	CHANGE IN QTY	CLASS
1	Parts:Contactor	COSR164A	Contactor	-2	General
2	Parts:Filter	AFMT204A	Air Filter	-2	General
3	Parts:Ignitor	IGSR324A	Ignitor	-1	General

Note: It is recommended you research the cause for the discrepancies in inventory before resorting to adjustments. It is possible a transaction was not entered correctly or there is fraudulent activity taking place.

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There are several reports used to manage inventory.

Inventory Reports:

Physical Inventory Worksheet – Lists all inventory items with current quantity on hand and allows space to add actual physical quantity. It is then used to make inventory adjustments.

Inventory Valuation Summary – Lists all inventory items with current quantity on hand, asset value and average cost.

Inventory Valuation Detail – Lists all inventory items with detail information such as: Vendor, Transaction type, Qty, Rate, FIFO cost, Qty on hand, Asset value. This is a great report to use when investigating issues regarding an item.

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1. **Which option would you use to set reminders to re-order items?**
   a) Re-order Points
   b) Qty on Hand
   c) Item Type
   d) SKU

2. **Which report would you use to complete a physical inventory count?**
   a) Product and Service List
   b) Inventory Valuation Summary
   c) Physical Inventory Worksheet
   d) Inventory Valuation Detail

3. **Which report would you use to track the history of an item?**
   a) Product and Service List
   b) Inventory Valuation Summary
   c) Open Purchase Order List
   d) Inventory Valuation Detail

4. **Where would you go to complete an inventory adjustment?**
   a) Gear->Products and Services->Adjust Qty
   b) Profit & Loss by Class
   c) + New->Inventory Qty Adjustment
   d) Both A and C

5. **Which account category is used when adjusting inventory?**
   a) Cost of Goods
   b) Inventory Shrinkage
   c) Inventory Asset
   d) Sale of a Product

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You have purchased and sold inventory items. Josh requests a physical inventory count and adjustments to ensure QuickBooks is accurate.

1. **Review Video Links:**

   Stock Keeping Options

   Record an Inventory Sale

   Effect of Inventory Sale

   What if Your Quantity on Hand is Wrong?

   Record an Inventory Adjustment

   Run Purchase Order Reports

2. **From the Products and Services List, change the filter to Inventory type to review qty on hand for the following inventory items:**

Find products and services | Clear filter

Previous 1-6 Next

NAME	SKU	TYPE	SALES DESCRIPTION	SALES PRICE	COST	TAXABLE	QTY ON HAND	REORDER POINT	ACTION
Parts									
Contactor	COSR164A	Inventory	Contactor	21	10.06	✓	15	4	Edit
Filter	AFMT204A	Inventory	Air Filter	15	5	✓	11	4	Edit
Ignitor	IGSR324A	Inventory	Ignitor	37	18.90	✓	15	4	Edit
Programable Thermostat	PTSV124A	Inventory	Programable Thermo...	82	40.75	✓	15	4	Edit
Universal Blower Motor	BMJB124A	Inventory	Blower Motor	450	220.25	✓	12	4	Edit
WiFi Thermostat	WTSV000A	Inventory	WiFi Thermostat	205	101.97	✓	16	4	Edit

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3. **Create an inventory adjustment using the following screen shot:**

Product	Change in Qty	Class
Parts: Contactor	-2	General
Parts: Filter	-2	General
Parts: Ignitor	-1	General

4. **Locate and review the following reports, save them as favorites:**
   a. Open Purchase Order List
   b. Physical Inventory Worksheet
   c. Inventory Valuation Detail

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Online Foundations Training

SECTION
PAYROLL 11

Objectives
Payroll Setup
Workers Compensation
Wage Garnishments
Run Payroll
Payroll Taxes
Payroll Tax Forms
Payroll Reports
Case Study Activities

Upon completion of Section 11 each participant will be familiar with:

- Overview of Payroll.
- How to setup Payroll.
- How to run Payroll.
- How to manage Payroll taxes.
- How to process Payroll forms.
- How to create and review Payroll reports.

Inflow Heating and Cooling has decided to outsource the payroll function to a third-party payroll service, a very common practice in most industries. They are using the Semi-Monthly option verses Weekly option, to reduce the number of payrolls and keep the payroll expense in control, (another important aspect of good cash flow management). Inflow has 8 employees, 6 HVAC technicians, an office manager and shop attendant.

Josh wants to incorporate time tracking for all employees and implement a strong review and approval process. In addition, he wants to track time per job or project, a wise management strategy. Advise Josh to build up the payroll account with reserves, to eliminate stress during payroll processing. It is important to him that employees are well paid, paid on time and know they are appreciated. He hopes to implement benefits soon.

Payroll is typically one the largest expenses in a business and implementation of sound payroll management strategies is critical. Payroll has many elements business owners tend to overlook. Let's walk through an overview of the payroll process, then dive in and set up best practices around this important function.

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Throughout the year, many business owners are required to process payroll, pay taxes and file forms with the Internal Revenue Service and their state agency. How business owners determine the status of an individual (employee vs. contractor) depends on the nature of the services they provide.

There are three tests that can be used to determine status of employment.
Control Test – The employer has the right to tell the employee what to do.
Integration Test – The work done is an integral part of the business.
Multiple Test – The individual must wear the company's uniform and be available for work when needed.

Visit **Irs.gov** for more information and requirements for employing individuals.
https://www.irs.gov/newsroom/understanding-employee-vs-contractor-designation

Once a business owner hires employees, it is important to create an Employee Handbook, complete the employee/payroll setup process and follow best practice procedures. Many owners struggle with this process as it is one of the highest expenses in a business.

Cash flow is critical in order to avoid late payroll tax payments, unnecessary penalties and interest. Outsourcing this process to QuickBooks full-service payroll is highly recommended. This helps avoid unnecessary costs or fees and keeps the business owner in compliance.

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Payroll setup in QuickBooks Online requires turning the feature on and selecting a subscription. We will not turn on Payroll during this training. However, we will discuss the process and required information needed.

First, you will need a Federal Identification Number, typically setup when you open a business. (It is also used to open bank accounts.)
Second, you will need an EFTPS.gov account and login. This requires you to enter owner and bank info and allows you to process tax payments online.
Third, you will need to contact your state agency to address all filing requirements (varies per state).

Next, gather the following information from employees:

- **I-9 Employment Eligibility Verification** – Verifies the identity and employment authorization of individuals hired for employment in the United States. This requires two specific forms of identification. Business owners must maintain this information for all employees and provide it if requested by the U.S. Citizenship and Immigration Services.
- **W-4** - Used by employers to determine how much federal income tax to withhold from an employee's pay.

Refer to IRS **Publication 15 (Circular E) –** If you have questions about IRS Payroll requirements.

www.irs.gov
California Employers Guide

What is Workers' Compensation Insurance?

Workers' comp insurance protects you in case one of your employees is injured on the job. If an accident happens, workers' comp covers medical bills. Plus, it can cover lost wages and legal expenses. You're also protected from lawsuits from employees who are injured while working.

Do I need workers' comp insurance?

In 49 states (all but Texas), most employers are required to have workers' comp insurance.

How do I get workers' comp insurance?

One option is to go to Intuit's workers' comp page to get a quote and more information. They work with you to find the best workers' comp carrier and payment options for your unique business.

How do I calculate workers comp?

Employee Classification Rate X Employer Payroll (Per $100) X Experience Mod Rate (Mod) = Your Workers' Comp Premium.

(Monthly Employee Payroll/100) x Workers' Comp Insurance Rate.

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A **garnishment** is the result of a legal proceeding that requires an employer to withhold wages from an employee's pay and remit the money to an agency or creditor. We further define garnishment in the sections below and explain how to ensure compliance.

What is a garnishment?

A garnishment is the result of a legal proceeding that requires an employer to withhold wages from an employee's pay and remit the money to an agency or creditor. A garnishment order can be called an earnings withholding order, federal tax levy, support order, bankruptcy order, writ of garnishment, writ of attachment, or garnishment summons.

A garnishment is involuntary, so you as the employer have no choice but to withhold the money when you receive a legal garnishment order. You might receive an order to garnish an employee's wages from a court, from the federal government, or from a state agency.

Types of garnishments include federal tax levies, child or spousal support withholding orders, bankruptcy, state tax levies, creditor garnishments, federal student loans, state student loans, and federal agency debt (non-tax).

Federal and state laws govern garnishments to provide protection for the employee, and to prioritize the claims of multiple creditors. State law can allow a smaller amount to be garnished than federal law. The manner in which garnishments are calculated varies according to the type of garnishment and sometimes the state.

Garnishment orders might also allow you to impose an administrative fee on the employee.

Wage garnishment compliance

In order to run payroll, select one of the following pay period options:

Semi-Monthly – This option requires 2 pay periods a month, 24 per year. Semi-monthly is typically selected by higher-level professional businesses. For example, a pay period would be from the 1st to the 15th (paid on the 20th) and 16th-30/31st (paid on the 5th). There are 88 hours in a pay period.

Bi-Weekly – This option means payroll is paid every two weeks. 2 months a year employees receive three paychecks for a total of 26 per year. This method is more common with hourly employees and equates to an 80 hour pay period.

Weekly – This option means payroll is paid per week, for a total of 52 per year. This method is commonly used amongst contractors, roofers, plumbers, etc.

There are 2080 hours in a year for full-time employees, regardless of which option you choose. Research the options prior to running your first payroll. Yes! It is possible to change a payroll processing period.

Something to consider - A business has costs associated with processing payroll. It is important to establish an efficient routine or outsource the payroll function.

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When each Payroll is processed, the individual W-4 information is used to calculate federal taxes for each employee. The employer withholds Federal and State taxes, then calculates the employer's portion and processes payments online.

Employee calculations (provided access to pay stubs each Payroll)

Number of hours x pay rate = Gross Payroll

Subtract Federal Employee Taxes

- Federal Income Tax – IRS Table and W-4
- Social Security 6.2%
- Medicare 1.45%

Subtract State Employee Taxes (depends on the state)

- State Income Tax
- State Disability Tax

Equals Net Payroll, the amount paid to the employee.

The employer then adds the following to calculate the Federal and State Liability (amounts owed by the employer): Due dates are determined by the agencies.

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The employer then adds the following to calculate the Federal and State Liability (amounts owed by the employer): Due dates are determined by the agencies.

Total Federal Tax Liability (due date determined by the IRS)

- Federal Income Tax - Employee
- Social Security – Employee
- Social Security – Employer
- Medicare Employee
- Medicare Employer
- Federal Unemployment

Total State Tax Liability (due quarterly) State Income Tax

- State Disability
- State Unemployment
- State Employer Training Tax

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Quarterly

941 (Internal Revenue Service)

Reports Gross Wages, Federal Income Tax, Social Security wages and taxes, Medicare wages and taxes, tip wages, employer liabilities and payments paid.

Inflow, Inc. is in California, thus we have included key forms relevant to California state reporting requirements, but they are available for every state.

DE-88 (California Employment Development Department)

DE 9 (California Employment Development Department)

DE 9C (California Employment Development Department)

Reports wages, state taxes withheld, and state taxes paid.

Yearly (in additional to quarterly reports)

W-2 (Social Security Division) – Reports all employee wage information used to file individual tax returns.

W-3 (Social Security Division) - Reports summary of W2's reported.

940 (Internal Revenue Service) – Reports employer federal unemployment for all employees.

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Many business owners use third party time tracking apps to track individual employee time. These apps sync with payroll processing in QBO, making the process quick and efficient. There are many payroll reports used to manage payroll. Payroll reports commonly used in QuickBooks Online are as follows:

Time tracking reports – Tracks time per employee per time period.
Payroll Summary – Provides summary view of information per employee and pay period.
Payroll Details – Provides details per employee per pay date and totals per pay period.
Tax and Wage Summary – Tracks total wages, taxable wages and tax amount by category.

Best practices: Keep good records of time tracking and payroll reports per pay period. Business owners often fall behind in making timely payroll tax payments and the penalties add up quickly. One more reason to invest time in understanding cash flow and establishing best practice procedures.

Optional Video Links to Review:

How to set up QuickBooks Online Payroll - Part One

How to Set Up QuickBooks Online Payroll - Part Two

How to add employees to payroll in QuickBooks Online

How to Track hours in QuickBooks Time

How to Enter Billable Time: Employees & Contractors

Get started with the QuickBooks Time Mobile App

Common questions about payroll and salaried employees

Pay an employee different hourly rates

Determine the hourly rate of salaried employees

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Let's begin the process of recording payroll information in our company file. Suggest Josh switch to QuickBooks Full-Service Payroll so you can integrate payroll processing from within QuickBooks Online and save time. In the mean-time, enter adjusting journal entries for each payroll using the follow .pdf files:

1. **Create adjusting journal entries:** Remember to pay attention to all details and use the copy feature to duplicate and change the information for each payroll. Keep in mind that each payroll has line items per customer job or project.

- Inflow Payroll AJE 011521.pdf
- Inflow Payroll AJE 012921.pdf
- Inflow Payroll AJE 021221.pdf
- Inflow Payroll AJE 022621.pdf
- Inflow Payroll AJE 031221.pdf
- Inflow Payroll AJE 032621.pdf

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Online Foundations Training

SECTION 12
BANKING

Objectives
Connect Accounts
Banking
Reconcile Accounts
Practice Test
Case Study Activities

Upon completion of Section 12, each participant will be familiar with:

- An overview of the Banking Center.
- How to connect bank and credit card accounts.
- How to manage transactions.
- How to transfer funds.
- How to reconcile bank and credit card accounts.
- How to access and view bank reports.

Important! We will not actually connect bank and credit card accounts. Instead, we will manually import the transactions and post them through the Banking Center.

Josh understands he can connect bank and credit card accounts directly to his QuickBooks Online company file. This means all transactions will automatically import into QBO, saving considerable time. He will also be able to view real time bank balances without logging into his bank app, right in QuickBooks.

Josh would like an overview of how the Banking Center works, how to connect accounts, manage transactions, and transfer funds. Why does he need to reconcile the bank and credit card accounts each month; doesn't the software do that for him?

Advise Josh to keep his checking and payroll accounts separate for budget purposes. He has established a goal of building up the payroll account to cover 3 payrolls and wants to establish a regular transfer to savings, building up 3 months of operating expenses.

Complete this section by ensuring Josh understands how to access bank reports. Where does he go to find the information? What kind of information can these reports provide? How can this information be used to improve company performance?

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Banking in QuickBooks Online

The Banking Center in QuickBooks is the central location for managing day-to-day bank transactions downloaded from your bank and credit card accounts. QuickBooks includes a powerful feature referred to as the “Bank Feed”. In other words, you can connect your online bank and credit card accounts directly to your QuickBooks company file.

Connecting your bank and credit card accounts to QuickBooks Online is a great way to track income and spending without having to manually enter every transaction. Only recording income through sales forms, while leaving out expenses, provides an incomplete perspective of your business’ overall health. However, creating records for *every* transaction can be a huge task.

If you connect your online bank accounts in QuickBooks Online, the program will automatically download the last 90 days of transactions recorded by your bank. The program will match existing entries already in QuickBooks online and add new records for incoming transactions without a matching entry. This feature ensures your accounts are always up-to-date and drastically reduces the amount of daily data-entry.

The efficiencies built into the Banking Center translate into higher profit margins, better and real-time data, and a more profitable business.

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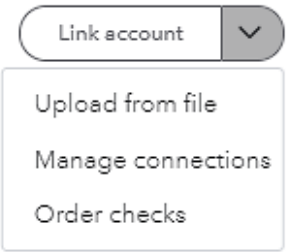
Connecting bank and credit card accounts to QuickBooks® Online is a simple process. It is important you understand how to manage the **Banking Center** to avoid posting old and/or duplicate transactions. Although connecting your bank and credit card accounts is a great way to enter historical transactions, it is recommended that new users also become comfortable manually entering transactions. Please seek help from your Instructor or Accountant to avoid costly cleanup. There are two ways to connect bank and credit card accounts to your company file.

It is important to learn how to manage the **Bank Center** to avoid posting old and/or duplicate transactions. Although connecting your bank and credit card accounts is a great way to enter historical transactions, we recommend new users become comfortable manually entering transactions as well. Please seek help from your instructor or accountant to avoid costly cleanup. There are two ways to connect bank and credit card accounts to your company file.

Click **Dashboard** in the **Left Navigation Bar.**
Click **Connect Accounts.**

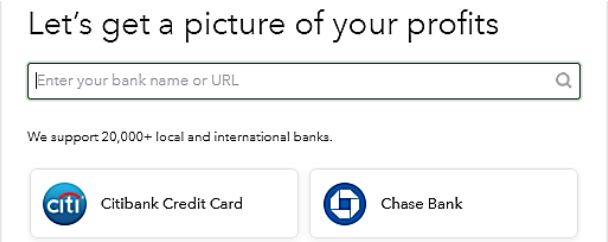
Click **Banking (Transactions)** from the **Left Navigation Bar.**
Click **Link account.**



Note: You can connect and download transactions from many types of accounts. Business checking, savings, money market, credit card and Paypal accounts. You may need to manually export a downloaded file from your bank and upload it to the Banking Center.

Informational purpose only.

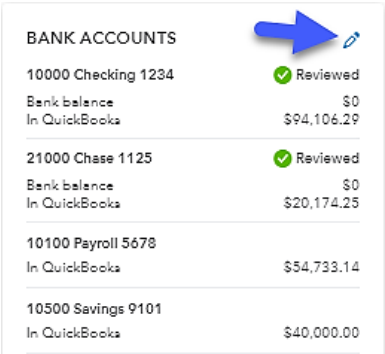
Next, Select or enter the bank name in the search field or click the appropriate icon. Follow the steps to connect your accounts. Once the connection is made, the bank will import the last 90 days of transactions. You may need to import historical data through the manual import process. You will be asked to login using your bank credentials.

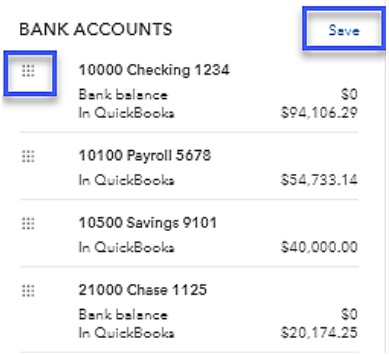


Banking Center

Now that your bank and credit card accounts are connected, you can manage transactions for each account. Organize your bank and credit card accounts to avoid posting duplicate transactions. Start with main checking, additional checking, savings, then credit card accounts.

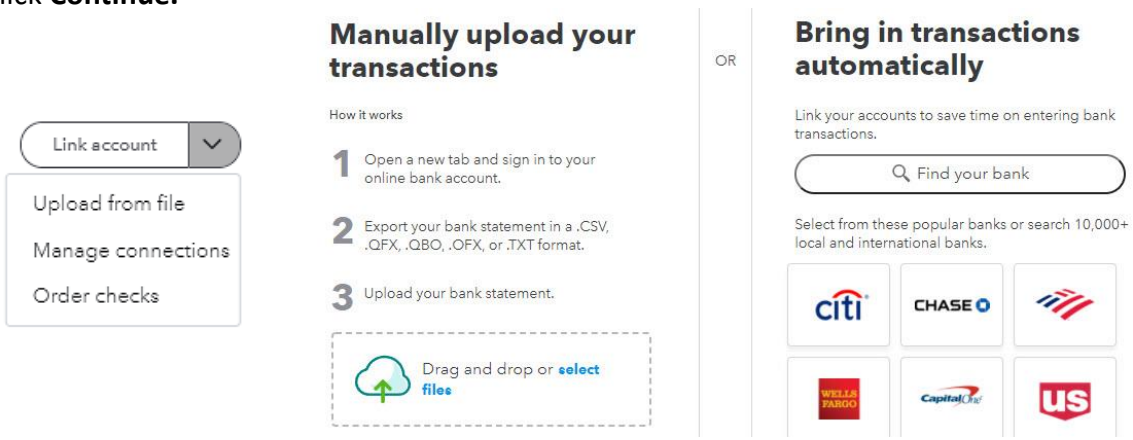
Click **Dashboard** from the **Left Navigation Bar -> Bank accounts pencil -> Re-arrange the order of accounts -> Save.**



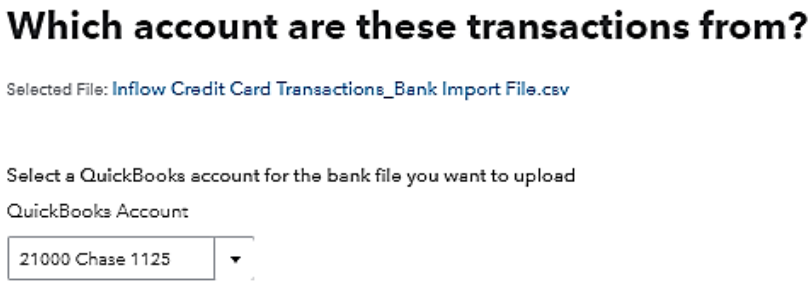


Let's walk through the manual export and import process for bank and credit card transactions. Once you login to your online bank account outside of QuickBooks Online, determine how transactions are exported, the date range available and the type of export available. Some banks won't let you go back more than 18 months (or even 3 months) at a time. There might be several download file types available, depending on which bank you use. The QuickBooks web connect option is preferred. Once you successfully download and save the export file from your bank, the next step is to go to the Banking Center in QuickBooks Online.

Click **Banking -> drop-down arrow to the right of Link Account -> Upload from file.**
Click **Browse** and select the bank file you downloaded from your computer.
Click **Continue.**

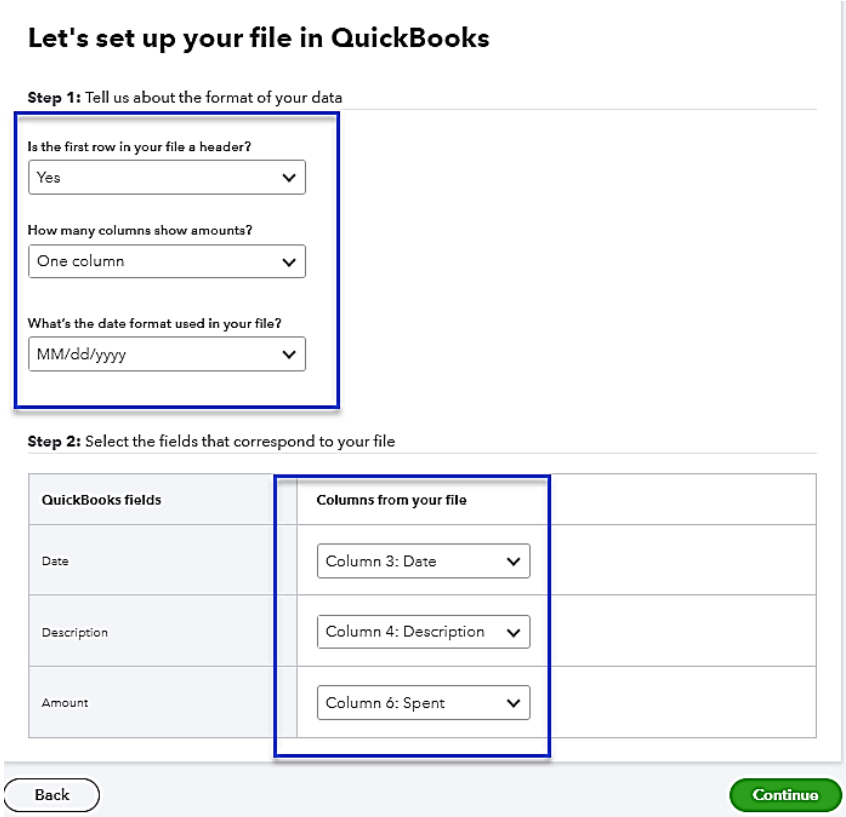


Select the account category from the Chart of Accounts List you want the transactions to connect with. Be careful!



Map fields between QBO and the bank account.

Select the **field options,** change the **Amoun**t field to **Spent** and select one of the column options. Click **Continue.**



Select all the transactions available to import**.** Click **Continue.**

A window will appear to inform you how many transactions are being imported. Make sure all transactions are selected. Sometimes the system will not accept a transaction, simply uncheck those with issues and manually enter them later.

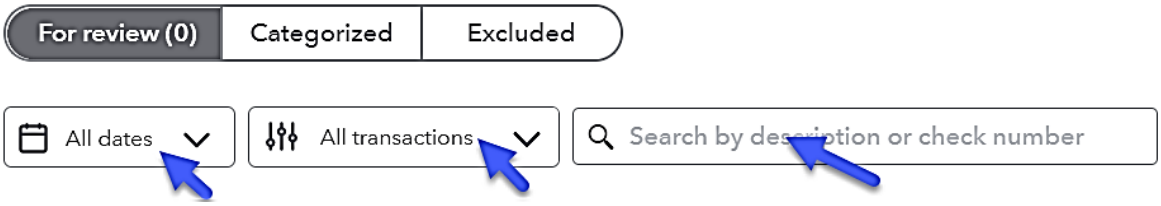
Do you want to import now? Click **Yes -> Done.**

Click **Banking (Transactions)** in the **Left Navigation Bar.**

The Banking Center window will appear. All accounts linked to the bank or transactions manually imported will appear in the Banking Center. Click on the bank or credit card account you would like to manage.

As the bank populates transactions, they reside in the **Review** section of the Bank Center. It is up to you to accept these transactions. Once accepted they post to the bank register and move to the **Reviewed** section. If a duplicate or old transaction appears for review, simply exclude the transaction. On occasion, you might want to undo an excluded transaction and move it back to review.

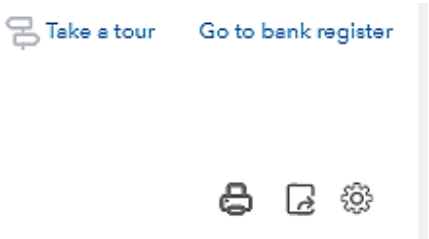
Search or **filter** transactions to accept or post transactions more efficiently.

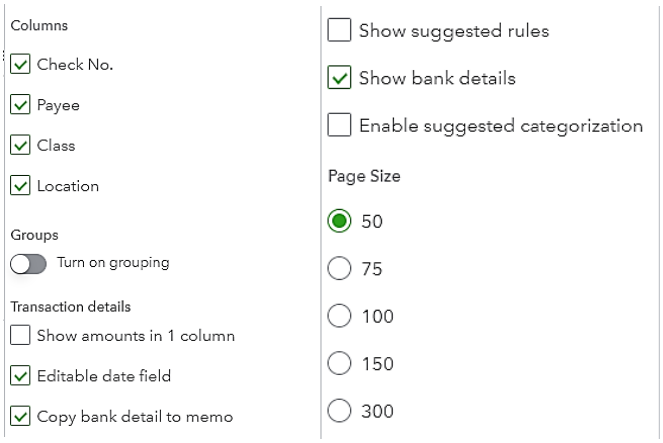


When bank transactions populate in the Bank Center, they look for existing transactions to find a match. The order in which transactions are posted is important in order to avoid duplicate transactions and costly cleanup. We recommend the following industry best practices order:

1. Sync or Import Payroll when using a payroll service or QuickBooks Payroll.
2. Receive payments against invoices and make deposits.
3. Clear up Undeposited Funds.
4. Apply Checks to Open Bills.
5. Open and review each transaction.

You can access the Bank Register. Other options include printing, exporting to Excel and changing the columns displayed using the **Gear** icon. We recommend changing settings to match the screen shots provided.





Click on individual transactions to open the window with all available fields. Notice the different options:

Categorize – is the preferred option. It allows you to control where the transactions are going and is more forgiving if you need to make changes later.

Find match – looks for a transaction that already exists in the register. The order of operations is very important. When you complete the Undeposited Funds deposit process, the bank feeds will match up the transactions and all you do is verify and accept them.

Record as transfer – recognizes transfers between accounts and sometimes picks up expenses or ACH payments as transfers. Transfers do not require a vendor name. Let's say you are transferring funds from the checking to the savings account. You can use Record as Transfer or change it to Categorize, Create a Vendor Named Transfer and select the savings account as the category from the Chart of Accounts. Transfers are not as forgiving if you need to make edits later. Also, it only recognizes balance sheet accounts.

Record as credit card payment – is a new 2020 feature that creates a payment from the checking to the credit card account. This feature is not as forgiving as categorize and harder to change later. It only recognizes credit card accounts in the Chart of Accounts.

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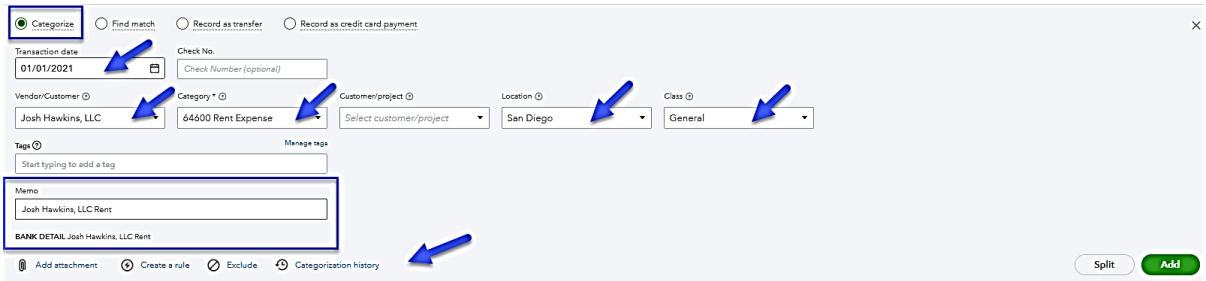
While the transaction is open, verify the date, vendor, category, and any other fields that require information. When you turn on features such as locations and classes, they will appear in each transaction. It is your job to assign a Location or Class as you accept the transactions. This will prevent having to go back and edit transactions, a time-consuming process.

Memo - This is an extremely valuable field that provides bank description information that tells a story. Often the vendor's name and other important information can help us to complete the transaction.

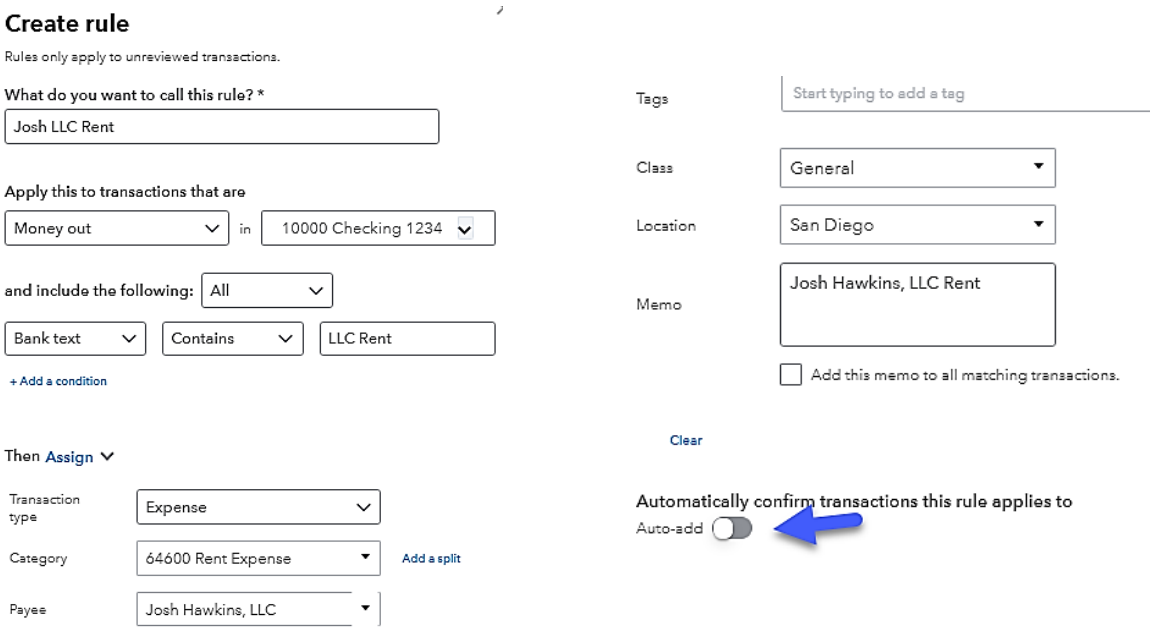
Notice the options to **Add attachments, Create a rule, Exclude** or **Split transactions.**

Split – Provides the option to split a transaction between account categories and classes. It can be very helpful when you need to split an expense or principal and interest for a loan payment.



Rules

Rules are a great way to identify where a transaction should be posted. Rules save time during the Review and Accept process because they memorize how specific transactions for specific vendors should be recorded. Keep in mind, QuickBooks will remember prior posted transactions and populate vendor names and categories based on the memorization of the rule. Take time to review each transaction before accepting to avoid costly cleanup errors. Click the **Rules Tab -> New rule.** Customize your rule by selecting available options, adding conditions, Transaction type, Payee and Category.



Danger! Danger! Turn off auto-add until you are confident using the Banking Center and rules. Auto-add automatically accepts transactions to the bank register without your knowledge. We recommend you change description to bank text when setting conditions. This will help the system recognize transactions to automatically assign the vendor/customer and account category.

Receipts

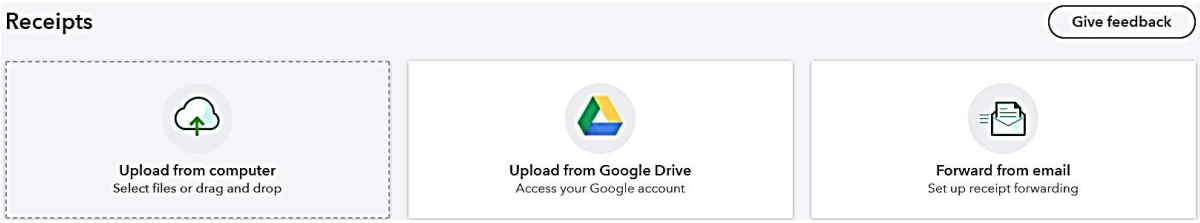
Receipt Capture in QuickBooks Online allows users to directly upload receipts to the QuickBooks Online Banking Center where QuickBooks will read the receipt and either match it to an existing transaction or allow users to add a new transaction.

Click the **Receipts** tab.

Drag and drop receipts directly into QuickBooks Online or select **Browse** to upload them. Ensure that each image or file contains only a single receipt.

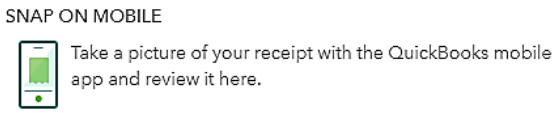
Upload from Google Drive by logging into your Google account.

Forward from email will require you to setup a custom email address with Intuit.

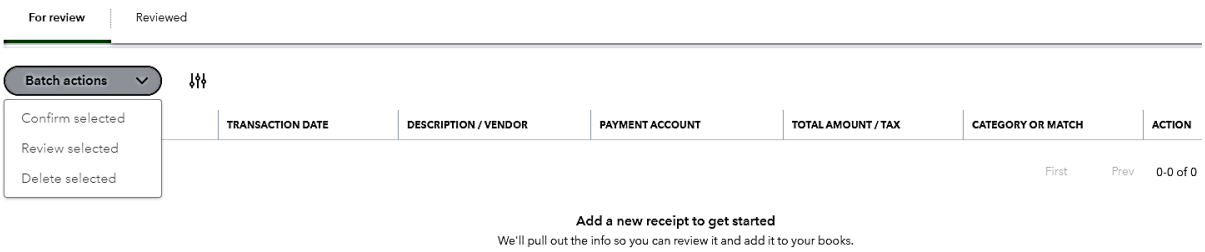


Mobile App

To scan a receipt, install the "QuickBooks Accounting: Invoicing and Expenses" app on your phone. Then, open the app and tap the menu button. Select the Receipt Camera and snap a photo of your receipt. Once you do, it will automatically appear in the Receipts tab with any other receipts you have added.



Click the “For review” tab to manage receipts or bills. Use the **Batch actions** menu to select multiple documents to **Confirm, Review** or **Delete** attachments.

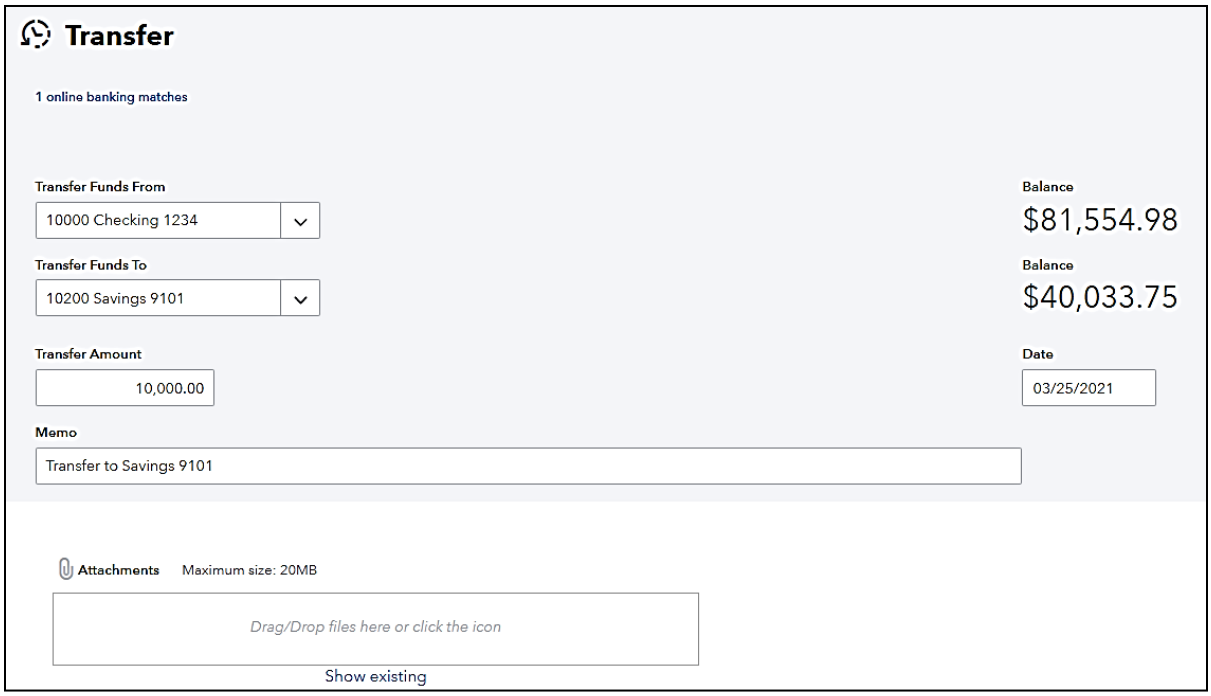


Note: You can send multiple receipts in one email, however if you send too many, the file size may exceed your email provider’s limits.

Transfers

In some cases, a payment to a Vendor or Payee populates as a transfer type transaction instead of an expense. In this case, we recommend you change it to a categorized transaction, as explained in the Banking Center section.

Click **+ New** and select **Transfer** to move money from one bank account to another.



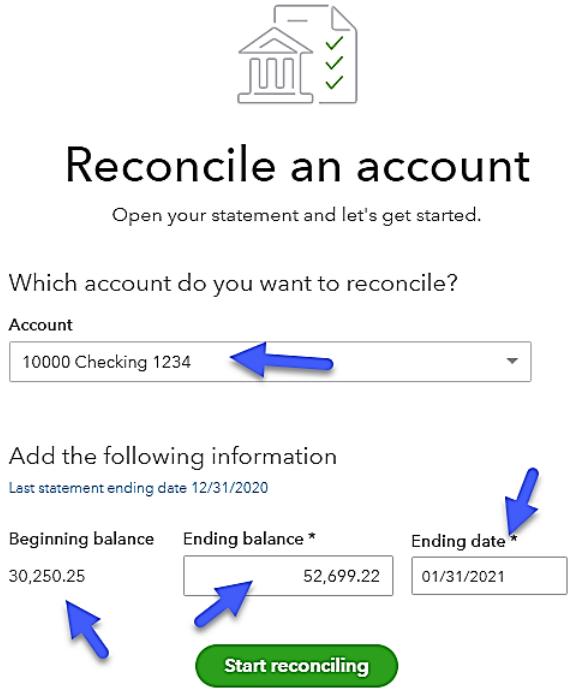
Note: Transfers do not require a vendor name and need to be deleted if you need to adjust or correct a mistake.

Reconciling your bank and credit card accounts is an important task to ensure all transactions are accounted for, input errors are corrected, and all outstanding transactions are verified. Completing the bank reconciliation process for all financial accounts is key to accurate data and financial statements.

Click the **Gear** icon -> **Reconcile**.

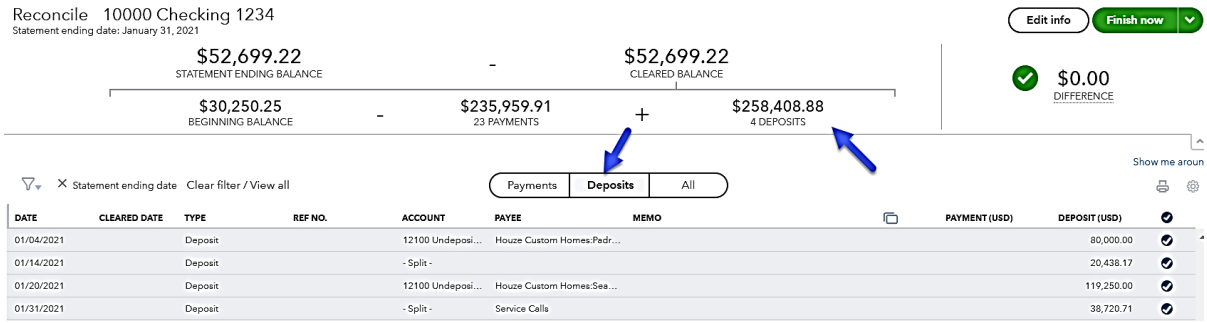
Select the **Account** you wish to reconcile from the drop-down list.

Refer to the bank statement to verify the **Beginning balance,** enter the **Ending balance,** and enter the **Ending Date.** Click **Start reconciling**.



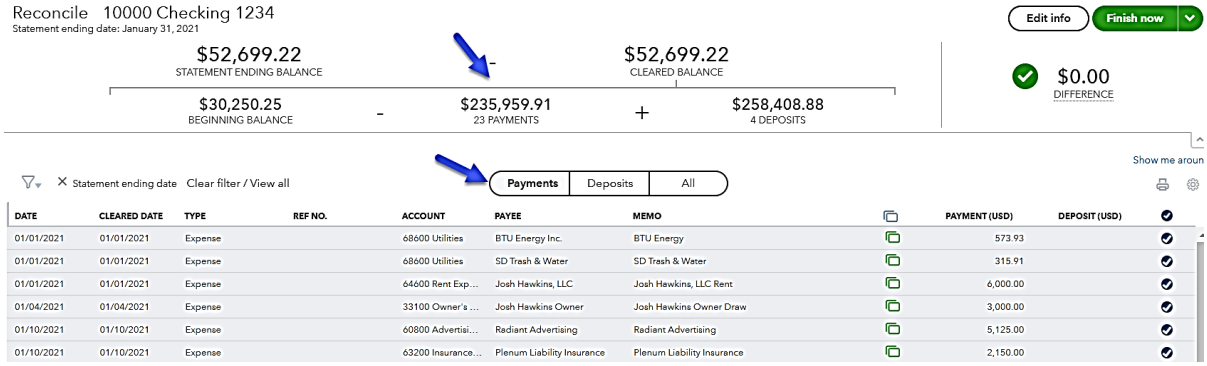
Now you are ready to reconcile the account.

Select **Deposits** and check off all deposit and credit transactions that appear on the bank statement. Verify outstanding transactions and make corrections as needed.



Select **Payments** and check off all checks and ACH transactions that appear on the bank statement.

Verify outstanding transactions; research and make corrections as needed.



Click **Edit Info** to change the ending balance or statement date.

Verify that the following match the bank statement:

1. **Beginning Balance**
2. **Statement Ending Balance**
3. **Payments total**
4. **Deposits total**

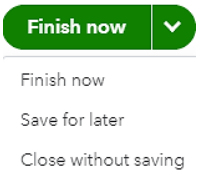
The **Difference** should be $0.00 when you are done.

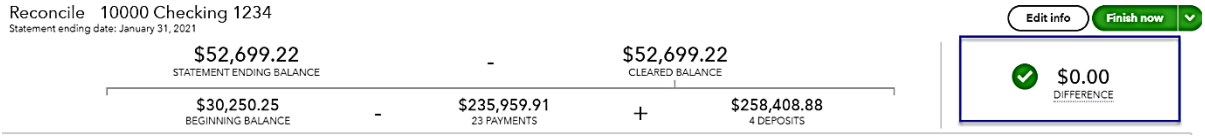
Click the drop-down arrow to choose one of the following options:

Finish now to complete the bank reconciliation process.

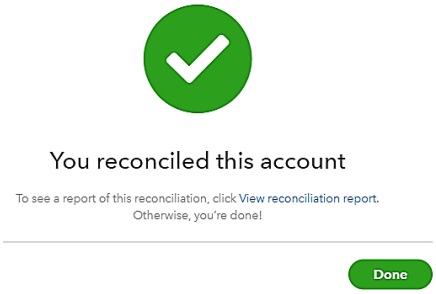
Finish later to save your work and resume later.

Close without Saving to start over—your work will not be saved.





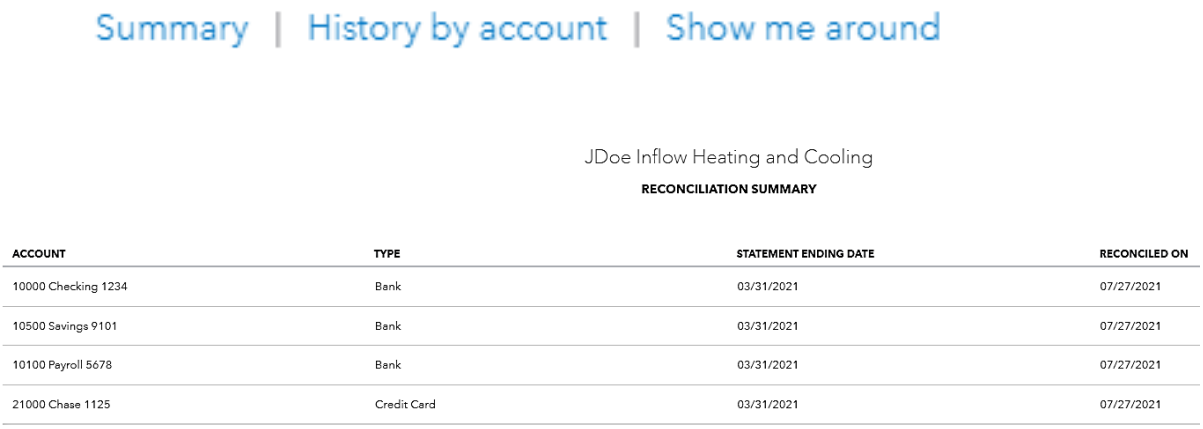
Now that we have completed a successful **Bank Reconciliation** in QuickBooks®, you can click **Done** or **View Report** (a reconciliation report will open providing summary and detail information).



Once the bank and credit card accounts are reconciled, reports and historical information are available from the reconcile window.

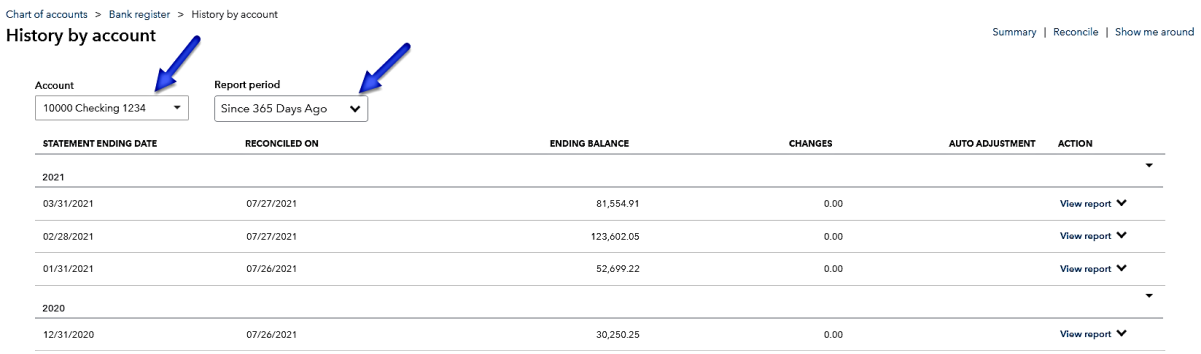
If you are no longer in the reconcile window, click **Gear -> Reconcile**

Click **Summary** to access a list of recent reconciliation summaries.



ACCOUNT	TYPE	STATEMENT ENDING DATE	RECONCILED ON
10000 Checking 1234	Bank	03/31/2021	07/27/2021
10500 Savings 9101	Bank	03/31/2021	07/27/2021
10100 Payroll 5678	Bank	03/31/2021	07/27/2021
21000 Chase 1125	Credit Card	03/31/2021	07/27/2021

Click **History by account** to access all reconciliation summaries by account.



STATEMENT ENDING DATE	RECONCILED ON	ENDING BALANCE	CHANGES	AUTO ADJUSTMENT	ACTION
2021					
03/31/2021	07/27/2021	81,554.91	0.00		View report
02/28/2021	07/27/2021	123,602.05	0.00		View report
01/31/2021	07/26/2021	52,699.22	0.00		View report
2020					
12/31/2020	07/26/2021	30,250.25	0.00		View report

Click **Show me around** for a step-by-step tour.

1. **You plan on reconciling your checking account, which of the following information is required to begin?**
   a) Statement Ending Balance
   b) Total Deposits
   c) Statement Ending Date
   d) Both A and C

2. **You have already reconciled for the month and found an old transaction in the Banking Center review section. Which action would you choose to address this?**
   a) Review
   b) Exclude
   c) Go to register
   d) All the above

3. **How do you manage default information for bank transactions that are downloaded?**
   a) Banking->Add Account
   b) Banking->Rules
   c) Banking->Update
   d) Banking->Match

4. **Which action would you take to make sure all income and expenses are entered correctly and match the monthly statements for your bank and credit card accounts?**
   a) Add Account
   b) Import
   c) Reconcile
   d) Update

5. **What report is available after a bank account has been compared to the bank statement?**
   a) Statement of Cash Flows
   b) Bank Register
   c) Balance Sheet
   d) Reconciliation Summary

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We will now complete the process of posting transactions and reconciling the checking account. We will not connect bank accounts for this training; however, we will import debit and ACH transactions using the manual import feature.

1. **Review Video Links:**

   Begin a Reconciliation

   Select Cleared Transactions

   What Causes a Difference

   Complete a Reconciliation

   Reconciliation History

2. **Reconcile the Checking Account for December.** Refer to this section of the training if you need help.

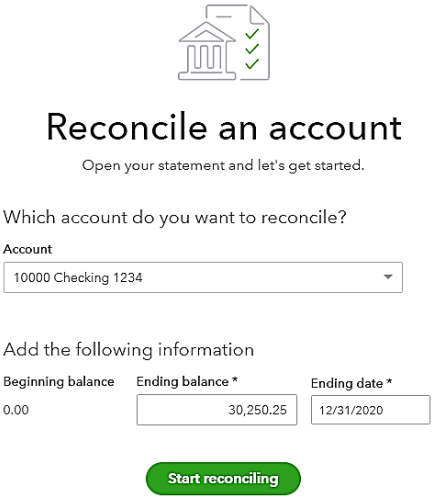
   Click **Gear -> Reconcile -> Select the Checking Account 1234**

   Beginning Balance should be zero.

   Enter Ending Balance $30,250.25.

   Enter Ending Date 12/31/prior year.

   Click **Start Reconciling.**



Note: Ignore the service charge and interest earned fields if they appear in the window. These types of transactions are already included in the Banking Center when importing transactions.

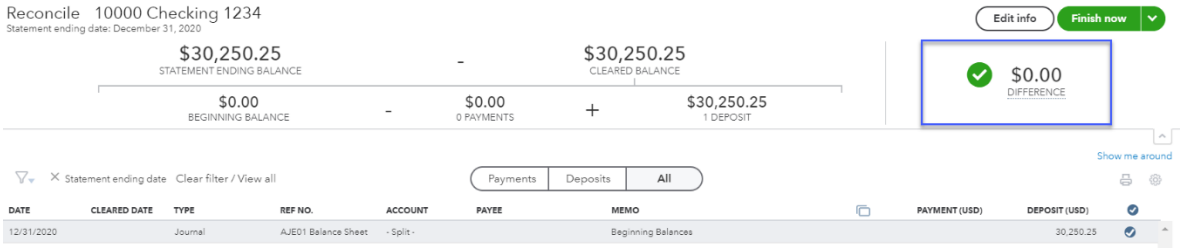
a. **Select all transactions.** The difference should be zero.

b. **Verify the Payee field has a vendor name for all checks and ACH transactions.**

   If the difference is zero and there are no unexplained outstanding transactions, click **Finish now -> Done.** Your screen should match the screen shots provided for all December reconciliations.

   Refer to the **Inflow Checking 1234 December Reconciliation Report.pdf.**

Note: We recommend you clear all deposits, then payments to aide in narrowing down potential errors. Also, when you see a green box under the box column, it means the transaction was imported manually or from the bank. If you see a green box with a plus sign, it means the auto-add feature was turned on. No box, means the transaction was entered manually. Notice the only transactions for December were part of the adjusting journal entries you entered in the Beginning Balances section of this training.



3. **Reconcile the Payroll Account 5678 for December:**

   Beginning Balance should be zero.

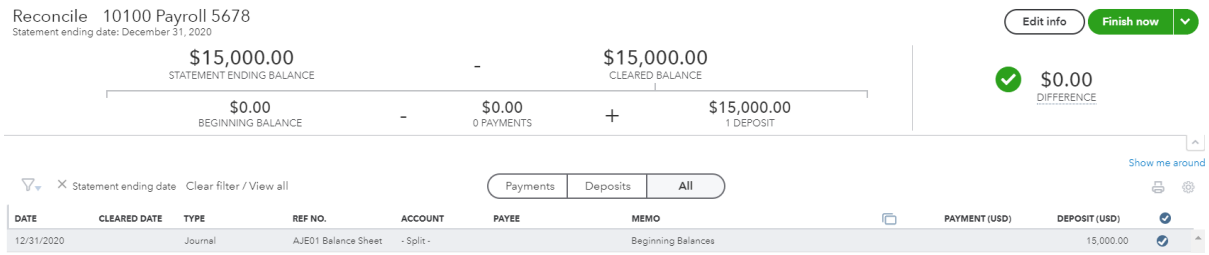
   Enter Ending Balance $15,000.00.

   Enter Ending Date 12/31/prior year.

   Click **Start Reconciling.**

   Select all transactions. Difference should be zero. Click **Finish now -> Done.**

   Refer to the **Inflow Payroll 5678 December Reconciliation Report.pdf.**



4. **Reconcile the Savings 9101 Account for December:**

   Beginning Balance should be zero.

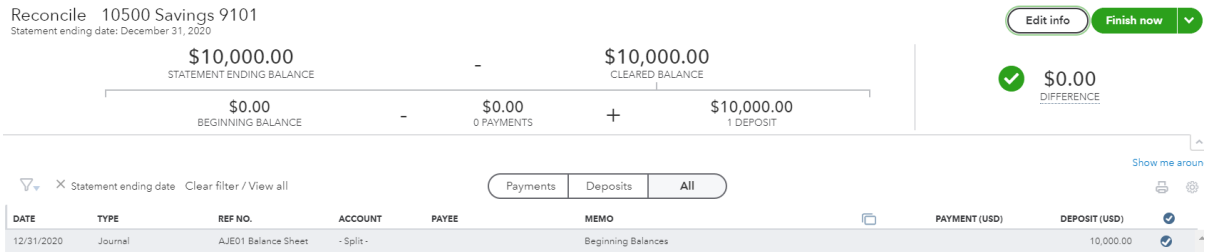
   Enter Ending Balance $10,000.00.

   Enter Ending Date 12/31/prior year.

   Click **Start Reconciling.**

   Select all transactions. Difference should be zero. Click **Finish now -> Done.**

   Refer to the **Inflow Savings 9101 December Reconciliation Report.pdf.**



5. **Reconcile the Credit Card Account Chase 1125 for December:**

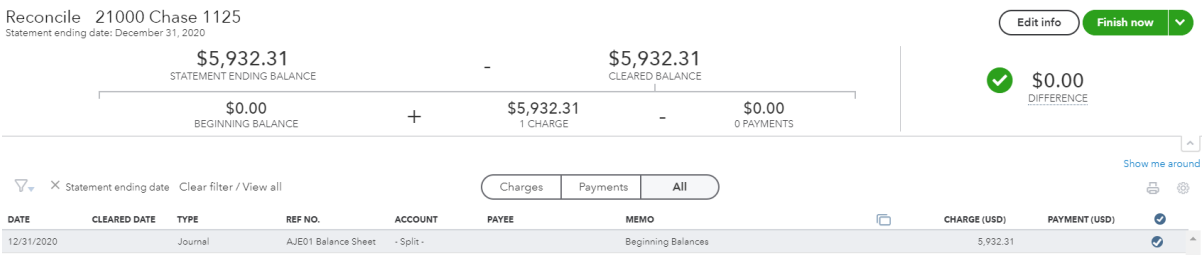
   Beginning Balance should be zero.

   Enter Ending Balance $5,932.31.

   Enter Ending Date 12/31/prior year.

   Select all transactions. Difference should be zero. Click **Finish now -> Done.**

   Refer to the Inflow Credit Card 1125 December Reconciliation Report.



6. **Compare the report to the Inflow December Transaction List with Splits provided**
7. **Watch Video Links**

   [What is a Closing Date?]

   [Set Up a Closing Date]

8. **Close the period.** Now that the books are complete through the end of the year, Josh prepares to file their S-corporation and individual tax returns. Josh suggests you set a closing date and password to prevent changes to prior transactions.

   Gear-> Company -> Settings -> Advanced -> Accounting -> Close the books.

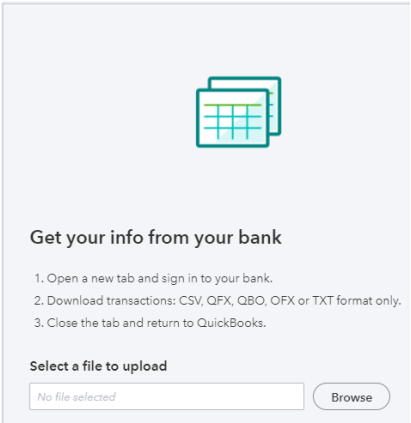
   Use date 12/31/prior year. Discuss settings and password with your Instructor.

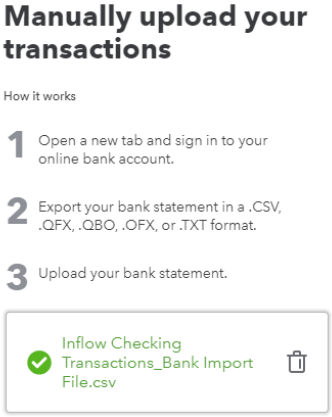
Now it is time to complete the process of posting transactions for the checking account. We will not connect bank accounts for this training; however, we will import transactions using the manual import feature.

9. **Import and map bank transactions for January-March for Checking 1234.**

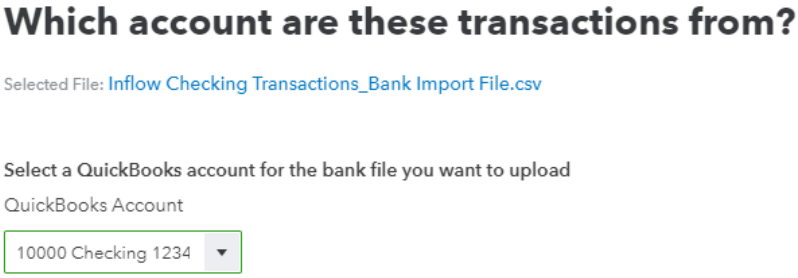
   The first time you import transactions click the Gear - Import data -> Bank Data. This will open the banking center. The next time you import a .csv file click **Banking -> drop-down arrow to the right of Link Account -> Upload from file.**

   Click **select files or drag and drop** the **Inflow Checking Transactions Bank Import .csv** file from your computer. Click **Continue.**



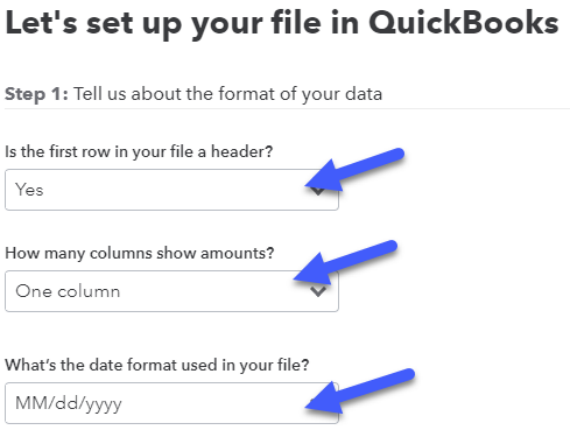


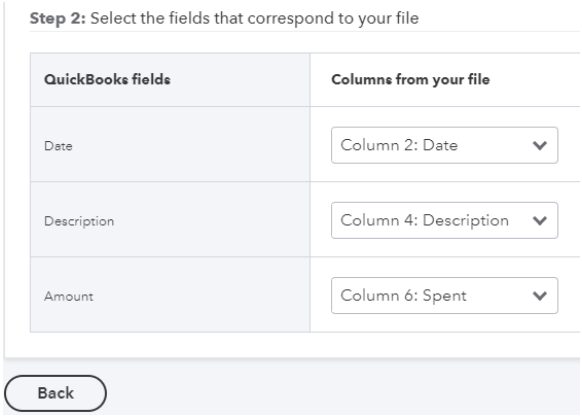
   a. **Select the Checking 1234 Account from the Chart of Accounts list.** Click **Continue.**



b. Map fields between QBO and the bank account.

Select the **field options,** change the Amount field to Spent to match the following screen shot. Click **Continue.** Make sure your screen matches the screen shots provided.

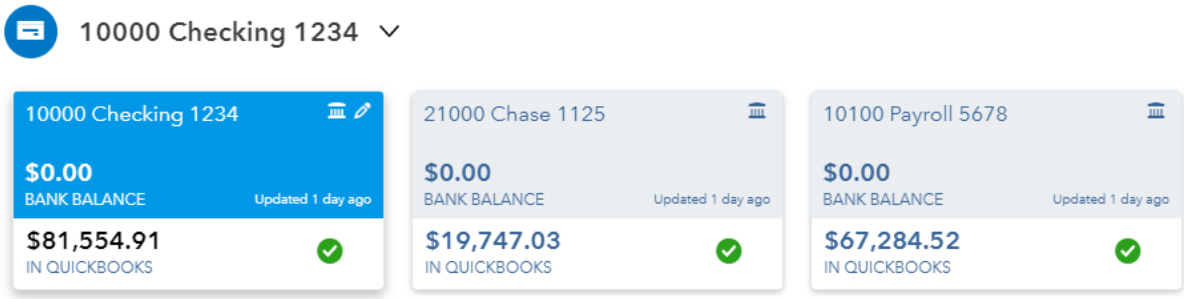




c. Select all the transactions available to import. Click **Continue.**

A window will appear with a list of transactions to import. Make sure all transactions are selected. **Do you want to continue?** Click **Yes -> Done.**

d. From the Banking Center, select the checking account to begin accepting transactions.



10. Review Video Links:

Set Up a Bank or Credit Card Account with Online Banking

Set Up a Bank or Credit Card Account without Online Banking

The Online Banking Center

Add Transaction

Match and View Transactions

Match a Downloaded Transaction

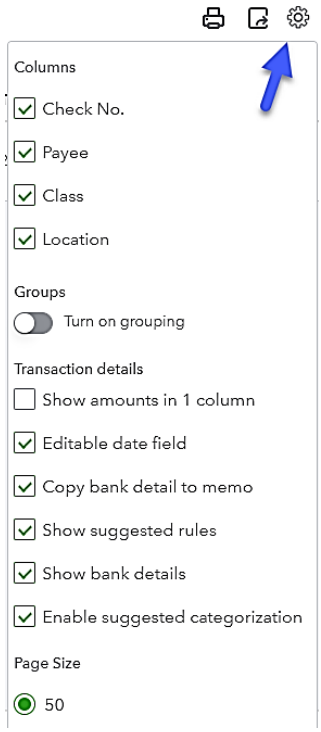
Add a Deposit

Add an Expense with a Split

When Should you Exclude Transactions

Exclude a Transaction

11. Next, click the Gear in the Banking Center and select all columns and transactions details in the screen shot.



Click on each transaction and verify or edit the fields. **Be Careful!** This is where errors tend to occur. QuickBooks Online tries to determine the category for you.

12. Post transactions for Checking 1234, one month at a time.

Use information in the memo to determine Payee, Category, Location, Class etc.

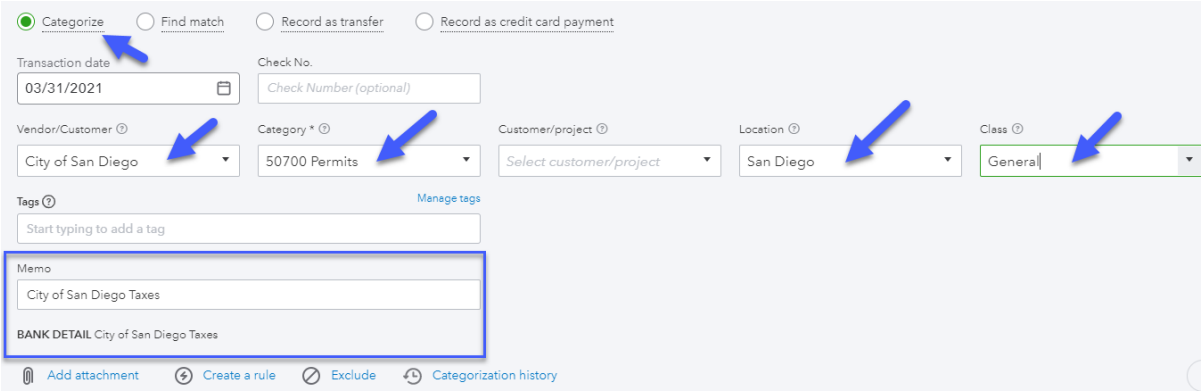
Watch for additional instructions for split transactions.

Be careful!

Class: General for all transactions, unless specified in the memo or bank details.

Location : San Diego for all transactions, unless specified in the memo or bank details.

Caution! Messages will appear asking you to create rules. Review the **rules section of this training** before creating rules. Pay attention to detail to avoid unnecessary clean up.



a. **Use the following table to split transactions as you post them in the Banking Center.**

All transactions are for the current year, location San Diego, Class General.

Splits	Date	Amt	Category	Split Amt
ACH Auto Loans	01/25	$831.00	Note 2017 GMC Interest Expense	$733.00 $ 98.00
	02/25	$831.00	Note 2017 GMC Interest Expense	$735.00 $ 96.00
	03/25	$831.00	Note 2017 GMC Interest Expense	$738.00 $ 93.00
ACH Auto Loans	01/10	$541.00	Note 2018 GMC Interest Expense	$452.00 $ 89.00
	02/10	$541.00	Note 2018 GMC Interest Expense	$453.00 $ 88.00
	03/10	$541.00	Note 2018 GMC Interest Expense	$455.00 $86.00
ACH Auto Loans	02/15	$1,247.00	Note 2019 Ford Interest Expense	$1,060.00 $ 187.00
	03/15	$1,247.00	Note 2019 Ford Interest Expense	$1,063.00 $ 184.00
HFPF Financial LOC	01/10	$525.00	Note LOC Interest Expense	$325.91 $199.09
	02/10	$525.00	Note LOC Interest Expense	$330.23 $194.77
	03/10	$525.00	Note LOC Interest Expense	$334.60 $190.40

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b. Use the following table to split transactions as you post them in the Banking Center.

Splits	Date	Amt	Customer	Split Amt	Location	Class
City of San Diego	01/04/ current year	$1500.00	Houze Custom Homes:Padre View Estates West Coast Community Hospital Kids School	$1,000.00 $250.00 $250.00	San Diego	New Construction Commercial Commercial
City of San Diego	01/18/ current year	$500.00	Little Peeples Pediatrics Ocean Breeze Athletic Center	$250.00 $250.00	San Diego	Commercial Commercial
City of San Diego	02/01/ current year	$1,500.00	Houze Custom Homes:Padre View Estates Eastside General Hospital Harbor View Cinema	$1,000.00 $250.00 $250.00	San Diego	New Construction Commercial Commercial
City of San Diego	02/15/ current year	$500.00	The Hospital Southern CA Wine, Coffee & Chocolate Shoppe	$250.00 $250.00	San Diego	Commercial Commercial
City of San Diego	03/01/ current year	$1,500.00	Houze Custom Homes:Padre View Estates West Coast Community Hospital Ocean Breeze Athletic Club	$1,000.00 $250.00 $250.00	San Diego	New Construction Commercial Commercial

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13. **Repeat the manual import process and post transactions for Payroll 5678 January-March current year.** Use the **Inflow Payroll Transactions Bank Import File.csv.**
14. **Repeat the manual import process and post transactions for the Credit Card 1125 January-March current year.**

    Use the **Inflow Credit Card Transactions Bank Import File.csv**.

Next, we will complete the reconciliation process for all bank and Credit card accounts for January through March current year.

14. **Reconcile Checking 1234 for January.**

    Click **Gear -> Reconcile -> Select the Checking Account 1234**

    Beginning Balance should be $30,250.25.

    Enter Ending Balance $52,699.22.

    Enter Ending Date 01/31/current year.

    Click **Start Reconciling.**

    a. **Select all deposits**.
    b. **Verify the Payee field has a vendor name for all checks and ACH transactions.**
    c. **Select all the payments -** If the difference is zero and there are no unexplained outstanding transactions, Click **Finish now -> Done.**
    d. Refer to the **Inflow Checking 1234 January Reconciliation Report.pdf.**

16. **Reconcile Payroll 5678 for January:**

    Beginning Balance should be $15,000.00.

    Enter Ending Balance $34,057.30.

    Enter Ending Date 01/31/current year.

    Select all transactions, difference should be zero.

    Click **Finish now -> Done -> Summary.**

    Refer to the **Inflow Payroll 5678 January Reconciliation Report.pdf.**

Note: If you have a non-zero balance, compare to **Inflow Checking 1234 January**

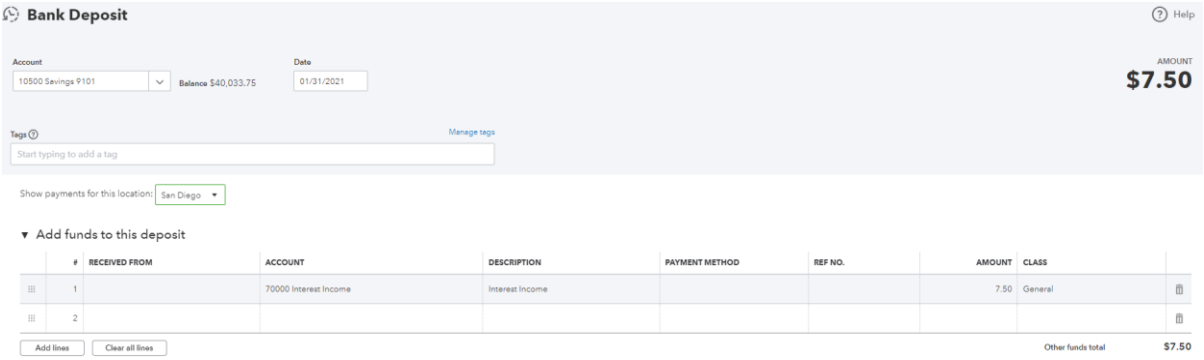
17. **Manually add Interest to the Savings Account**: Click **+ New -> Bank Deposit** and use the screen shot to enter the following transactions:

    Savings Account:

    01/31/current year, San Diego, General, Interest Income, $7.50

    02/28/current year, San Diego, General, Interest Income, $11.25

    03/31/current year, San Diego, General, Interest Income, $15.00



18. **Reconcile Savings 9101 for January:**

    Beginning Balance should be $10,000.00.

    Enter Ending Balance $20,007.50.

    Enter Ending Date 01/31/current year.

    Click **Start Reconciling.**

    Select all transactions, difference should be zero.

    Click **Finish now -> Done -> Summary.**

    Refer to the **Inflow Savings 9101 January Reconciliation Report.pdf.**

19. **Reconcile Credit Card 1125 for January:**

    Beginning Balance should be $5,932.31.

    Enter Ending Balance $10,331.62.

    Enter Ending Date 01/31/current year.

    Click **Start Reconciling.**

    Select all transactions, difference should be zero.

    Click **Finish now -> Done -> Summary.**

    Refer to the Inflow **Credit Card 1125 January Reconciliation Report.pdf.**

20. **Continue to reconcile all bank and credit card accounts for February and March using the following information:** Remember! Complete the posting process in the Banking Center for the checking, payroll and credit card accounts if you chose to post one month at a time per account.

21. **Reconcile Checking Account 1234 for February:**

    Beginning Balance should be $52,699.22.

    Enter Ending Balance $123,602.05.

    Enter Ending Date 02/28/current year.

    Click **Start Reconciling.**

    Select all transactions, difference should be zero.

    Click **Finish now -> Done -> Summary.**

    Refer to the **Inflow Checking 1234 February Reconciliation Report.pdf.**

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22. Reconcile the Payroll Account for February:

Beginning Balance should be $34,057.30.

Enter Ending Balance $50,601.16.

Enter Ending Date 02/28/current year.

Click **Start Reconciling.**

Select all transactions, difference should be zero.

Click **Finish now -> Done -> Summary.**

Refer to the **Inflow Payroll 5678 February Reconciliation Report.pdf.**

23. Reconcile Savings Account 9101 for February:

Beginning Balance should be $20,007.50.

Enter Ending Balance $30,018.75.

Enter Ending Date 02/28/current year.

Click **Start Reconciling.**

Select all transactions, difference should be zero.

Click **Finish now -> Done -> Summary.**

Refer to the **Inflow Savings Account 9101 February Reconciliation Report.pdf.**

24. Reconcile Credit Card Account 1125 for February:

Beginning Balance should be $10,331.62.

Enter Ending Balance $13,890.52.

Enter Ending Date 02/28/current year.

Click **Start Reconciling.**

Select all transactions, difference should be zero.

Click **Finish now -> Done.**

Refer to the **Inflow Credit Card 1125 February Reconciliation Report.pdf.**

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25. Reconcile Checking 1234 for March:

Beginning Balance should be $123,602.05.

Enter Ending Balance $81,554.91.

Enter Ending Date 03/31/current year.

Click **Start Reconciling.**

Select all transactions, difference should be zero.

Click **Finish now -> Done -> Summary.**

Refer to the **Inflow Checking 1234 March Reconciliation Report.pdf.**

26. Reconcile Payroll 5678 for March:

Beginning Balance should be $50,601.16.

Enter Ending Balance $67,284.52.

Enter Ending Date 03/31/current year.

Click **Start Reconciling.**

Select all transactions, difference should be zero.

Click **Finish now -> Done -> Summary.**

Refer to the **Inflow Payroll 5678 March Reconciliation Report.pdf.**

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27. Reconcile Savings 9101 for March:

Beginning Balance should be $30,018.75.

Enter Ending Balance $40,033.75.

Enter Ending Date 03/31/current year.

Click **Start Reconciling.**

Select all transactions, difference should be zero.

Click **Finish now -> Done.**

Refer to the **Inflow Savings 9101 March Reconciliation Report.pdf.**

28. Reconcile Credit Card 1125 for March:

Beginning Balance should be $13,890.52.

Enter Ending Balance $24,472.03.

Enter Ending Date 03/31/current year.

Click **Start Reconciling.**

Select all transactions, difference should be zero.

Click **Finish now -> Done.**

Refer to the **Inflow Credit Card 1125 March Reconciliation Report.pdf.**

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Congratulations! You have completed the Banking Section of this training. You now understand the importance the bookkeeper plays in a business (and to the owners of Inflow Heating and Cooling). A business owner has access to great information when fully utilizing accounting software; they need to trust and use financials daily to make important business decisions. Therefore, it is imperative to ensure all transactions are accounted for, and all accounts are reconciled. This process directly impacts both the Balance Sheet and Profit & Loss. To compete in our data driven society, accurate financials and the knowledge of how to use them is paramount. In many cases, it means the difference between success and failure in a business.

There is one more step before the final review that will help verify the data in your company file matches the company file used in this training.

29. Create the following report: Transaction List with Splits.

Click Reports (Left Navigation Bar) -> Scroll to the “For my accountant” section -> Select Transaction List with Splits or use the Search feature.

Rows/Columns:

Add Debit & Credit and Remove Amount.

Add Classes & Locations.

Group by Transaction Type.

Sort by Num.

Save as a Custom Report.

Compare your Transaction List with Splits to the Inflow Transaction List with Splits Report.pdf provided by your Instructor.

Online Foundations Training

SECTION 13
BUDGETING

Objectives
Creating a Budget
Budget Reports
Practice Test
Case Study Activities

Section 13 Objectives

Upon completion of Section 13, each participant will be familiar with:

- An overview of Budgets.
- How to create and maintain a Budget.
- How to access and view Budget reports.

Josh is aware that he should establish a budget but feels overwhelmed as he does not understand the process. He has never set up or worked within a budget and has not yet experienced how powerful this tool can be and how it can help guide Inflow to improved company performance.

Let's first help Josh gain insight into budgets with an overview, teach him how to create a budget in QuickBooks Online, and then show him how to maintain the budget. Also demonstrate how to compare the budget to actuals and develop a plan around the results. He can use the budget to set sales growth goals and keep expenses under control.

Another item you might suggest to Josh, is the benefit he would derive from establishing a budget per job. We will conclude with information on how he can access and view budget reports.

Many business owners underestimate the value of using a budget in their daily operations. Let's make sure Josh Hawkins is not one of them!

Budgets are a very important and an often-overlooked financial process for many small business owners. A budget is a financial plan for a defined period and can help achieve long-term goals as well as improve cash on hand.

A budget is a checks and balance system that helps us track goals such as targets for revenue and expenses. It provides financial data that allows us to compare what we bring in and spend compared to those goals. There are many ways to budget and several types of budgets.

There are many benefits of working within a budget. Here are a few:

- Helps business owners effectively manage cash flow.
- Assists in appropriate allocation of resources to projects.
- Helps business owners monitor company performance.
- Helps business owners establish and meet objectives.
- Improves decision-making.
- Identifies problems before they occur – Cash flow difficulties, the need to raise more money, etc.
- Helps develop future business strategies.
- Increases staff motivation.

Why do you think it is important to establish and maintain a budget? What are the benefits, versus not having a budget in place? What types of information can a budget provide?

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Let's create a simple Profit & Loss budget:

Click **Gear icon -> Budgeting -> Add budget.**

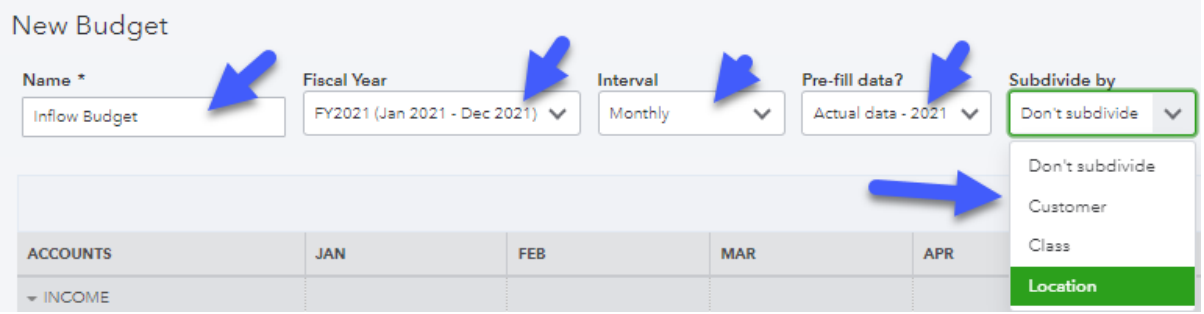
Create a **name**.

Select the **Fiscal Year** and **Interval**. If you have history from previous years, you can **Pre-fill** the budget with actual data from the previous or current year. If not, create your budget from scratch.

Subdivide by Customer, Class or Location.

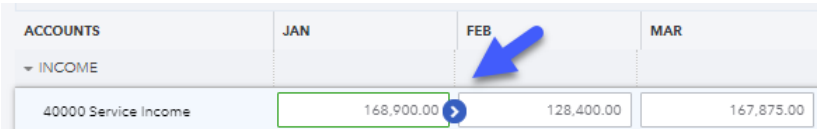
Add **Subdivided budget** for all or specific locations.

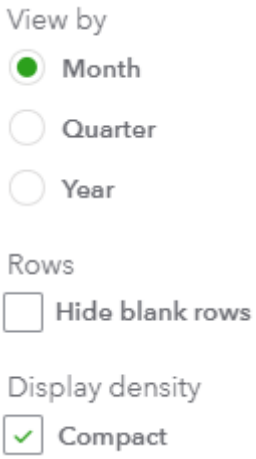
Click **Create Budget**. If you choose actual data, the amounts will populate for each account category used in the company file.



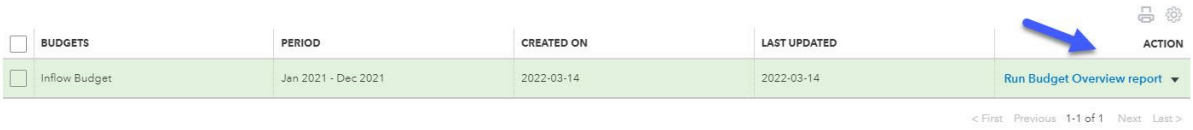
Additional Budget features:

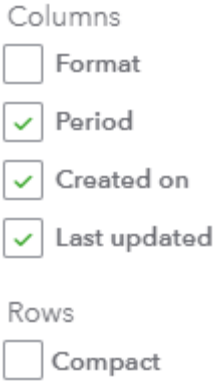
As you enter totals in the cells, you can use the copy across option to auto-populate all twelve months. Click **Gear** icon from within the budget to change view options, hide blank rows and display options.





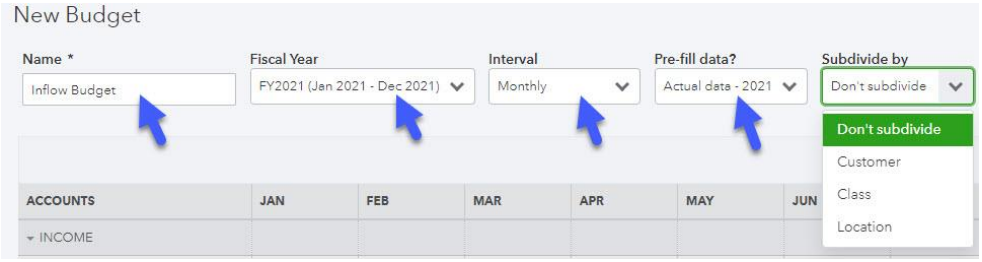
Once your budget has been saved you can use the **Edit** feature to make changes, copy, delete or run reports.





Now we can add or change amounts for income accounts. In this example we populated data from the current year and are focusing on January – March. We need to change the amounts to reflect projected sales, the dollar amount of sales we anticipate receiving during that timeframe. (Optional) We can subdivide the budget by customer, class or location.

Once you manually add or change budget amounts, you can click the **Gear** from within the budget to **Hide blank rows.**



Inflow Budget

Name *

Inflow Budget

ACCOUNTS	JAN	FEB	MAR
INCOME			
40000 Service Income	168,900.00	128,400.00	167,875.00
40100 Sales of Product Income	206,482.00	89,115.00	60,697.00
Total Income	375,382.00	217,515.00	228,572.00
OTHER INCOME			
70000 Interest Income	7.50	11.25	15.00
Total Other Income	7.50	11.25	15.00

Next, add or edit Cost of Goods Sold budget amounts. Click **Save** when you complete this process.

COST OF GOODS SOLD			
50000 Job Materials & Supplies	148,394.25	59,126.09	46,161.01
50100 Job Wages	31,200.00	31,200.00	31,200.00
50200 Job Payroll Taxes	7,085.52	7,085.52	7,085.52
50400 Contractors	30,000.00	30,000.00	30,000.00
50600 Equipment Rental	400.00	6,675.69	6,675.69
50700 Permits	2,000.00	2,000.00	2,000.00
50900 Inventory Shrinkage	0.00	0.00	49.02
Total Cost of Goods Sold	219,079.77	136,087.30	123,171.24

Finally, add or edit the expense budget amounts. Click **Save** when you complete this process.

EXPENSES			
60000 Payroll expenses	279.00	418.50	279.00
Salaries & Wages	4,100.00	4,100.00	4,100.00
Payroll Tax Expense	931.12	931.12	931.12
Payroll Service Fee	97.81	97.81	97.81
Total 60000 Payroll expenses	5,407.93	5,547.43	5,407.93
60800 Advertising & Promotio...	5,125.00	5,125.00	5,125.00
61500 Bank Fees	12.00	12.00	12.00
61700 Merchant Service Fees	927.25	995.77	1,025.23
62000 Continuing Education	0.00	0.00	3,500.00

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The **Budget vs Actual** report compares our budgeted amounts to the actual revenue and expenses found on the Profit & Loss. Another great feature in the report is the Over Budget and Under Budget for both amounts and percentages. This tells us if we are over or under our budgeted amounts. You can discuss the results and adjust accordingly. Trimming expenses at the same time you are focused on sales growth is a balanced approach to improving cash on hand and profitability.

From the **Budget** window, click the drop-down arrow next to edit to select the **Budget vs Actual report.**

The following example provides actual vs budget based on choice to populate data from actual. The amounts will match until you manually change the budget figures. Notice the amount over or under budget and the percentage over or under budget.

	JAN 2021				FEB 2021			
	ACTUAL	BUDGET	OVER BUDGET	% OF BUDGET	ACTUAL	BUDGET	OVER BUDGET	% OF BUDGET
Income								
40000 Service Income	168,900.00	168,900.00	0.00	100.00 %	128,400.00	128,400.00	0.00	100.00 %
40100 Sales of Product Income	206,482.00	206,482.00	0.00	100.00 %	89,115.00	89,115.00	0.00	100.00 %
Total Income	**$375,382.00**	**$375,382.00**	**$0.00**	**100.00 %**	**$217,515.00**	**$217,515.00**	**$0.00**	**100.00 %**
Cost of Goods Sold								
50000 Job Materials & Suppl...	147,293.00	147,293.00	0.00	100.00 %	58,465.34	58,465.34	0.00	100.00 %
50100 Job Wages	31,200.00	31,200.00	0.00	100.00 %	31,200.00	31,200.00	0.00	100.00 %
50200 Job Payroll Taxes	7,085.52	7,085.52	0.00	100.00 %	7,085.52	7,085.52	0.00	100.00 %
50400 Contractors	30,000.00	30,000.00	0.00	100.00 %	30,000.00	30,000.00	0.00	100.00 %
50600 Equipment Rental	400.00	400.00	0.00	100.00 %	6,675.69	6,675.69	0.00	100.00 %
50700 Permits	2,000.00	2,000.00	0.00	100.00 %	2,000.00	2,000.00	0.00	100.00 %
50900 Inventory Shrinkage		0.00	0.00			0.00	0.00	
Total Cost of Goods Sold	**$217,978.52**	**$217,978.52**	**$0.00**	**100.00 %**	**$135,426.55**	**$135,426.55**	**$0.00**	**100.00 %**
GROSS PROFIT	**$157,403.48**	**$157,403.48**	**$0.00**	**100.00 %**	**$82,088.45**	**$82,088.45**	**$0.00**	**100.00 %**

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1. **You want to create a budget for your company. Where do you access budgets in QuickBooks Online Plus?**
   a) Gear->Budgeting
   b) Banking->Rules
   c) Accounting->Chart of Accounts
   d) None of the above

2. **Which report compares the amounts we budgeted to the amounts we received and spent?**
   a) Balance Sheet
   b) Budget vs Actual
   c) Profit & Loss
   d) All the above

3. **What types of change does a budget vs actual report show?**
   a) Dollars
   b) Percentage
   c) Cash Flow
   d) Both A and B

4. **You are creating a new budget and need to determine an interval, what are the options?**
   a) Monthly
   b) Quarterly
   c) Yearly
   d) All the above

5. **You are creating a new budget and want to subdivide the budget, what are the options?**
   a) Customer
   b) Class
   c) Location
   d) All the above

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Josh has asked you to produce an overall budget and a budget per location. He realizes the importance of a budget and how it will help him stay in check with sales and spending.

1. **Review Video Links:**

   How to run Budget vs Actual Report

   Create and Import Budgets into QuickBooks Online

2. **Instructor to determine how you will complete Budget Case Study activities.**

   The budget should be created for January-March current year.

3. **Locate and review the Budget vs Actual report for January-March current year.**

   Make sure you have created a budget before completing this activity.

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Online Foundations Training

SECTION 14
FINAL REVIEW

Objectives
Custom Reports
Inflow Heating and Cooling Final Review

Upon completion of Section 14 each participant will be familiar with:

- How to save and group Custom Reports.
- How to setup and review a Balance Sheet.
- How to setup and review a Profit & Loss.
- How to review an Audit Log.
- How to create a report and utilize Ask My Accountant.
- Review and Discussion of Inflow Heating and Cooling Financial Reports.

In this section, Inflow Heating and Cooling will come to life as you gain an understanding of how QuickBooks Online takes raw, meaningless numbers and converts them into highly valuable information. You will begin to see how the numbers tell Inflow's story and how to use those numbers to improve company performance.

By this point, you will have foundational knowledge of how to navigate a Balance Sheet and Profit & Loss statement, the difference between the two and what it all means. You will also have experience on how to run an Audit Log, which will help the Inflow Heating and Cooling owner detect fraudulent activity.

Invest time in drilling down on reports and make sure you understand the data. Ask lots of questions if you need more clarification in any area. The ability to analyze data and the story it tells is important in business because it exposes problem areas that need focus. Better yet, the numbers provide guidance on how to use data to thrive in all areas.

While this area of a business can be intimidating for many, financial literacy is not rocket science as we hope this training has made abundantly clear. Let's dive in and watch the numbers take on meaning! What reports do you find the most valuable at this point in the training and why?

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When we discussed the Chart of Accounts, we learned that categories in the account list make up the Balance Sheet and Profit & Loss statements. We learned the types of transactions that each report displayed and how important these reports are to business owners, the story they tell and how they help with cash management and profitability. Let's review.

Balance Sheet

Assets (what your company owns): bank accounts, petty cash, fixed assets (equipment or vehicles), inventory, undeposited funds (payments from Customers waiting to be deposited).

Liabilities (what your company owes): accounts payable, credit cards, loans, sales & payroll taxes.

Equity (the net worth of your company): Money that owners contribute to or draw from the business and an accumulation of net profits and losses from the start of the business to present or sale.

Profit & Loss

Income (what you have earned or performance over a period of time): sales of products, interest, rental income, etc.

Cost of Goods Sold (What you have spent directly related to sales): The costs that are subtracted from sales to determine gross profit margin.

Expenses (what you have spent): office expenses, wages, professional fees, rent, utilities.

The Profit & Loss Statement shows the net loss or gain for a date range. At the end of a calendar or fiscal year, the net profit or loss rolls into the equity section of the Balance Sheet.

Note: Another important report not included in this training is the Statement of Cash Flows. This reports has tree sections: Operations, Investments, and Financing. This report shows the money flowing in and out of the business. It is important to be aware of all three reports and their purpose.

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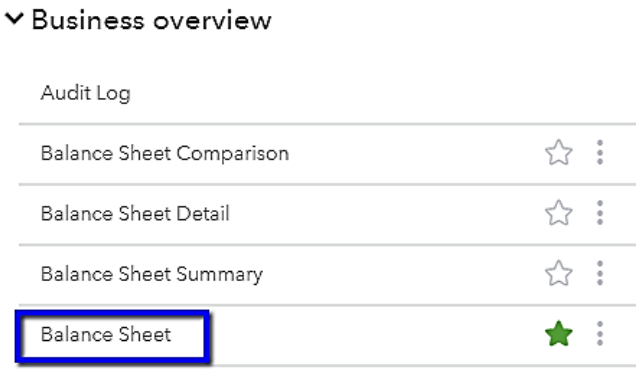
Customizing and viewing reports on a regular basis is an important aspect of running a successful company. Reports are critical when it comes to providing information you need to make better management decisions.

Manage reports using the **Custom Reports** section which allows you to save Custom Reports in groups. This will streamline the time it takes to review reports daily, weekly, monthly etc.

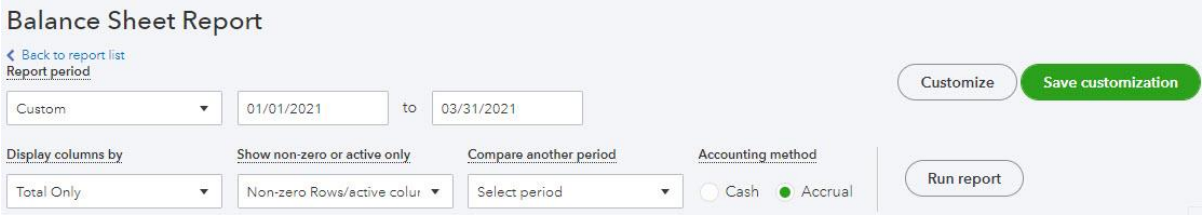
The **Balance Sheet** and **Profit & Loss** offer a quick view of a business's financial standing. Bankers, Investment Capitalists, etc. evaluate these reports to determine if they will loan money or invest in your business. It's important business owners and Accountants understand how to read and interpret balance sheets. Without this snapshot, they may make decisions that have negative repercussions on their companies' financial standing.

Balance Sheet

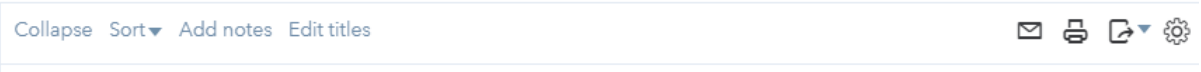
Click **Reports** in the **Left Navigation Bar -> Standard -> Scroll to Business Overview -> Balance Sheet** or use the search feature to locate the report. When you click the star, the standard report appears in the favorites section at the top of the window.



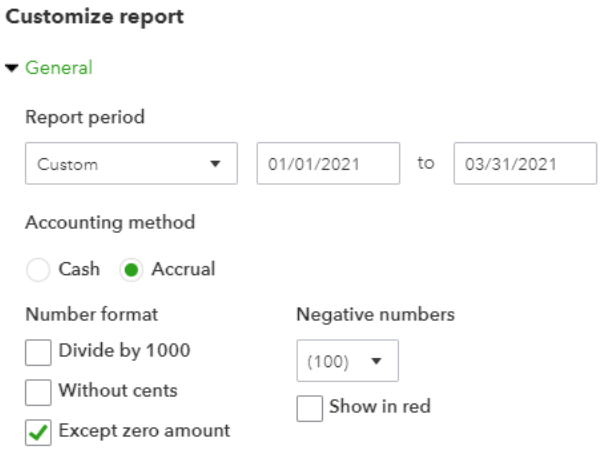
There are several ways to filter data to create custom reports. Change the **Report period**, **Display columns** (to show columns by month)**, Show non-zero** or **active only**, and **Accounting method**. The **Compare Report periods** is highly recommended and tells a story**.**



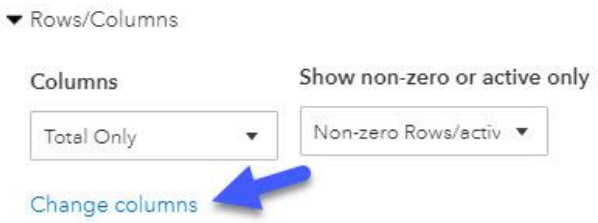
The **Collapse** option consolidates all sub-account balances within the main account. The **Expand** option displays all sub-account balances. **Sort** by ascending or descending order and **Add notes** or **Edit titles**. Click the appropriate icon to **Email, Print** or **Export** a report.



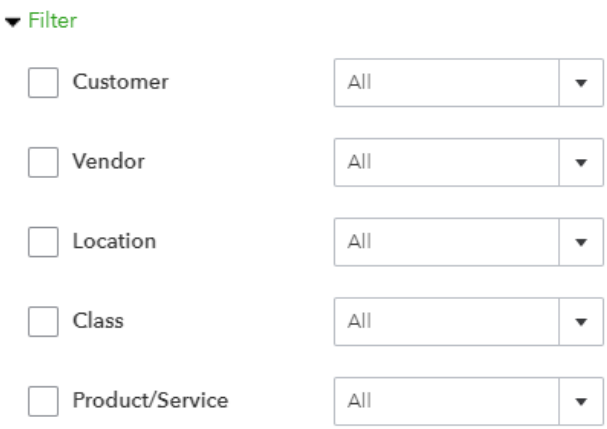
Click **Customize.**



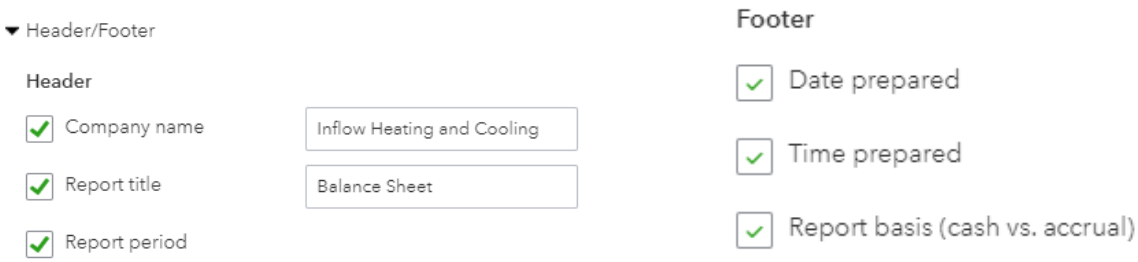
Click **Rows/Columns** to change the way **Columns** are displayed, **Show non-zero rows and columns**, or add **Period Comparisons.**



Click **Filter** to select specific **Customers, vendors,** or **Product/Service** items to be displayed.

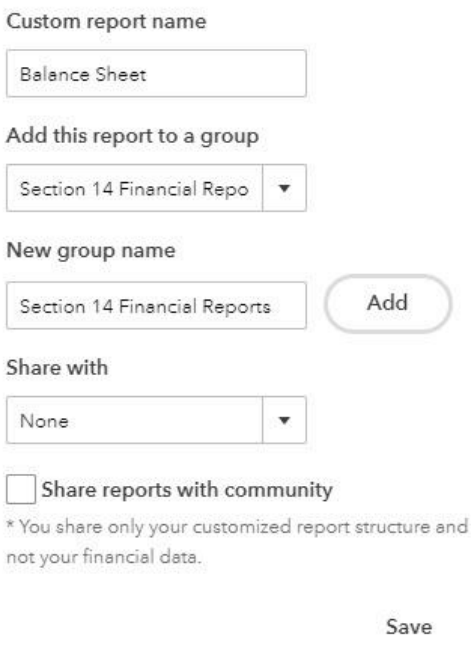


Click **Header/Footer** to change the Report title, remove information displayed, and change the alignment of the report. Click **Run Report.**



Click **Save customization.**

Name your Custom Report or use the default name, add this report to a group, or share it with a coworker. Organizing your reports in groups will save time locating and reviewing your favorite reports. Click **Save**.



Now simply click on **Reports- > Custom Reports** to quickly access your customized **Balance Sheet**.

NAME	CREATED	DATE RANGE	EMAIL	ACTION
› Review Reports			Unscheduled	Edit
Transaction List with Splits	Kristine Mehler	All Dates		Edit
› Section 14 Financial Reports			Unscheduled	Edit
Balance Sheet	Kristine Mehler	01/01/2021-03/31/2021		Edit

The **Balance Sheet** tells us much more than most business owners realize. When your Balance Sheet is accurate, it becomes a great cash flow management tool and supplies the information we need to calculate Key Performance Indicators (KPI'S) in our business. For example, we can calculate our Current Ratio, a ratio designed to measure the ability to pay short-term obligations, (those due within one year) and compare them to industry standards. The Balance Sheet allows us to run projections on ways to improve our Current Ratio, providing an action plan for improvement. Banks rely heavily on the Balance Sheet to determine if a business can pay back borrowed debt. Pay attention to and learn from the numbers in this report.

Collapse Sort Add notes Edit titles

JDoe Inflow Heating and Cooling 2022

Balance Sheet
As of March 31, 2021

	TOTAL
ASSETS	
Current Assets	
Bank Accounts	
10000 Checking 1234	81,554.98
10100 Payroll 5678	67,284.52
10200 Savings 9101	40,033.75
Total Bank Accounts	**$188,873.25**
Accounts Receivable	
11000 Accounts Receivable (A/R)	177,588.90
Total Accounts Receivable	**$177,588.90**
Other Current Assets	
12000 Inventory Asset	13,313.43
Total Other Current Assets	**$13,313.43**
Total Current Assets	**$379,775.58**

This sample displays the Assets portion of the Balance Sheet. In order to rely on your financial data, it is important to verify that all Asset account balances are accurate.

Now let's look at the Fixed and Other Asset section of the Balance Sheet. Fixed assets consist of Equipment, Furniture & Fixtures, Vehicles etc. Security Deposits is another type of asset, money we do not have access to until we no longer lease the building. The asset sections of the Balance Sheet are all about what the business owns. If we were to take all the cash in the bank, collect all the money owed to us, and sell our assets, would we have enough to pay all our debts? This is referred to as Liquidity.

Fixed Assets	
15000 Furniture & Fixtures	7,529.67
15100 Machinery & Equipment	25,276.23
15200 Vehicles	188,604.59
16000 Accumulated Depreciation	(68,725.22)
17000 Leasehold Improvements	35,312.87
17500 Accumulated Amortization	(6,035.24)
Total Fixed Assets	**$181,962.90**
Other Assets	
19000 Security Deposits	5,000.00
Total Other Assets	**$5,000.00**
TOTAL ASSETS	**$566,738.48**

The next section of a Balance Sheet is all about liabilities and what the business owes. There are both current and long-term liabilities. Current means you are going to pay them in less than a year and includes bills, credit cards, line of credit etc. Long-Term means you are going to pay them in more than a year and includes equipment, vehicle loans, etc.

LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
20000 Accounts Payable (A/P)	74,013.84
Total Accounts Payable	**$74,013.84**
Credit Cards	
21000 Chase 1125	24,472.03
Total Credit Cards	**$24,472.03**
Other Current Liabilities	
22000 Federal Tax Payable	8,952.08
22100 State Tax Payable	8,295.50
22300 California Department of Tax and Fee Administr...	4,659.77
23000 Line of Credit 1946-01	14,035.53
Total Other Current Liabilities	**$35,942.88**
Total Current Liabilities	**$134,428.75**
Long-Term Liabilities	
27200 Note Payable - 2017 GMC	26,578.32
27300 Note Payable - 2018 GMC	22,799.67
27400 Note Payable - 2019 Ford Truck	66,866.00
Total Long-Term Liabilities	**$116,243.99**
Total Liabilities	**$250,672.74**

The last section of a Balance Sheet is Equity, or what the business is worth.

When a business owner first sets up up an entity, they add personal or investment monies for startup costs, building improvements, legal fees, etc. This is money that owners contribute, and these funds are recorded in the Equity section. Anytime an owner draws money, it is recorded here. The owner draw section of the balance sheet shows money and other assets that the owner takes from the business for personal use.

Each year the profits or losses roll into the Equity section of the Balance Sheet. This is how we connect the Balance Sheet to the Profit & Loss.

We want to make sure that all the account categories on a Balance Sheet are accurate and reliable.

Equity	
30000 Opening balance equity	3,175.44
32000 Retained Earnings	206,246.70
33100 Owner's Draw	(93,000.00)
Net Income	199,643.60
Total Equity	**$316,065.74**
TOTAL LIABILITIES AND EQUITY	**$566,738.48**

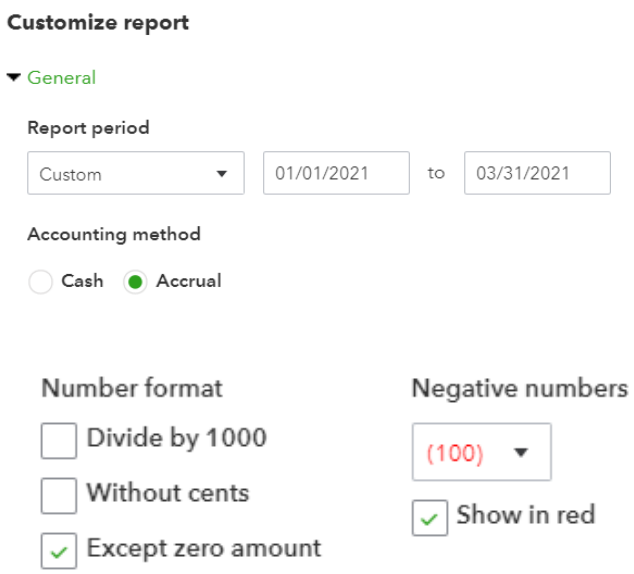
Accrual basis

Profit & Loss

The **Profit & Loss** report summarizes Revenue, Costs and Expenses that are incurred over a specified time period. At the end of each year, the Net Profit or Loss rolls into the Equity section of the Balance Sheet. Each new year starts with a zero balance for Income and Expenses.

Click **Reports** in the **Left Navigation Bar -> Reports -> Standard -> Scroll to Business Overview.** Click **Profit and Loss % of Total Income** or use the search feature to locate the report.

Click **Customize.** Change the **Negative numbers** to display with parenthesis and check the box, "Show in red."



Note: It is important to choose the same date range and accounting method used to customize the Balance Sheet.

The **Profit & Loss** provides vital information about the health of a business. It answers such questions as, “Are we hitting sales growth targets? Is our Gross Profit enough to pay all costs? Did we hit our Net Income before Taxes goals? How does our profit margin compare to industry standards?” Never underestimate the power of this report; it tells the story of your business and provides guidance as to which areas need focus. The first section of a Profit & Loss is Income and tells us the percentage of each income category. You can see that Food Sales is where the business is making the most money.

Collapse Sort Add notes Edit titles

JDoe Inflow Heating and Cooling 2022

Profit and Loss % of Total Income

January - March, 2021

	TOTAL	
	JAN - MAR, 2021	% OF INCOME
Income		
40000 Service Income	465,175.00	56.63 %
40100 Sales of Product Income	356,294.00	43.37 %
Total Income	$821,469.00	100.00 %

Note: Remember to click **Save Customization** and add this report to your new report group in **Custom Reports.**

The next section of a Profit & Loss is referred to as Direct Costs or Cost of Goods Sold. They are costs directly related to sales. Each line category or line item is a percentage of total sales. Is our total Cost of Goods Sold in line with our industry? Is our gross profit margin better than industry standards? The percentages help us set targets and goals and provides the ability to compare goals to our actual results. The gross profit margin determines if we have enough after Direct Costs or Cost of Goods Sold to pay the rest of the bills and show a profit.

Cost of Goods Sold		
50000 Job Materials & Supplies	253,681.35	30.88 %
50100 Job Wages	93,600.00	11.39 %
50200 Job Payroll Taxes	21,256.56	2.59 %
50400 Contractors	90,000.00	10.96 %
50600 Equipment Rental	13,751.38	1.67 %
50700 Permits	6,000.00	0.73 %
50900 Inventory Shrinkage	49.02	0.01 %
Total Cost of Goods Sold	**$478,338.31**	**58.23 %**
GROSS PROFIT	**$343,130.69**	**41.77 %**

The last section of a Profit & Loss displays all other expenses and determines net income or loss. We can drill down to view detailed information about each category. This helps us to verify all transactions are in the correct account category and verifies percentage of income or sales is accurate. Notice the simplicity of this report and the clean Chart of Accounts. The report provides critical information necessary to make sound business decisions. Where could we cut costs and improve net income? Should we focus on sales growth and expense management at the same time?

Expenses		
60000 Payroll Expenses		
60100 Salaries & Wages	12,300.00	1.50 %
60200 Payroll Tax Expense	2,793.36	0.34 %
60300 Payroll Service Fee	293.43	0.04 %
Total 60000 Payroll Expenses	**15,386.79**	**1.87 %**
60800 Advertising & Marketing	15,375.00	1.87 %
61000 Auto & Truck Expenses		
61100 Auto Fuel	14,205.42	1.73 %
61200 Auto License	1,524.66	0.19 %
61300 Auto Service	9,332.05	1.14 %
Total 61000 Auto & Truck Expenses	**25,062.13**	**3.05 %**
61500 Bank Fees	36.00	0.00 %
61700 Merchant Service Fees	2,948.25	0.36 %
62000 Continuing Education	3,500.00	0.43 %
62600 Dues & Subscriptions	210.00	0.03 %
63100 Insurance - Auto	1,875.00	0.23 %
63200 Insurance - Liability	6,450.00	0.79 %
63300 Insurance - Bond	3,000.00	0.37 %
63400 Insurance - Workers Comp	1,608.99	0.20 %
63700 Interest Expense	2,197.93	0.27 %
64100 Legal & Professional	12,385.00	1.51 %
64200 License & Fees	1,250.00	0.15 %

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Continue reviewing expenses found on the Profit & Loss statement.

64300 Meals & Entertainment	1,269.55	0.15 %
64500 Office Expense	1,047.81	0.13 %
64600 Rent Expense	18,000.00	2.19 %
65200 Security	594.00	0.07 %
67100 Small Tools & Supplies	7,878.66	0.96 %
68000 Taxes Paid	4,725.00	0.58 %
68100 Telephone & Communications	2,428.32	0.30 %
68300 Travel	7,500.00	0.91 %
68400 Uniforms	825.00	0.10 %
68600 Utilities	2,786.65	0.34 %
Total Expenses	**$138,340.08**	**16.84 %**
NET OPERATING INCOME	**$204,790.61**	**24.93 %**
▾ Other Income		
70000 Interest Income	33.75	0.00 %
Total Other Income	**$33.75**	**0.00 %**
▾ Other Expenses		
99999 Ask My Accountant	5,180.76	0.63 %
Total Other Expenses	**$5,180.76**	**0.63 %**
NET OTHER INCOME	**$ (5,147.01)**	**(0.63 %)**
NET INCOME	**$199,643.60**	**24.30 %**

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Fraud prevention is a growing topic and unfortunately many business owners have experienced fraud firsthand. Implementing fraud prevention policies, processes, and procedures can help detect and prevent fraudulent activity.

Biz Q&A:

- *How do you prevent fraud from occurring in a business?*
- *How do you identify areas where the likelihood of fraud is the greatest?*
- *How do you protect your business assets and cash?*
- *Did you know that businesses with strong internal controls in place have more accurate financial statements?*

Important Fact:

According to the Association of Certified Fraud Examiners, the average business will lose approximately 7% of revenues due to employee theft. Small businesses have a 38% greater amount of fraud than larger companies. This is due to the fact many small businesses do not have a fraud prevention strategy in place, while larger companies do.

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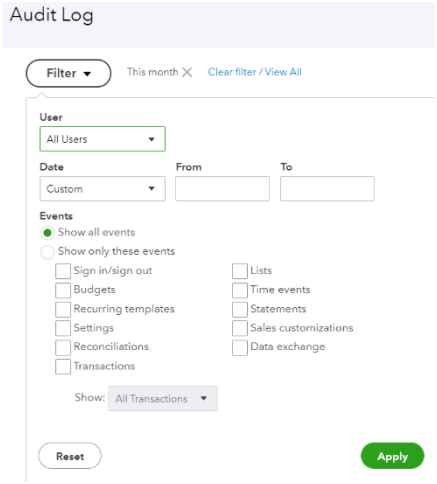
Audit Log

The Audit Log Report is a good way to view activity by user. This is a great training tool used to enforce accurate data entry. The Audit Log is also a way to detect fraudulent activity.

Click **Reports -> All -> Scroll to Business Overview -> Audit Log** or **Gear icon -> Audit Log** or

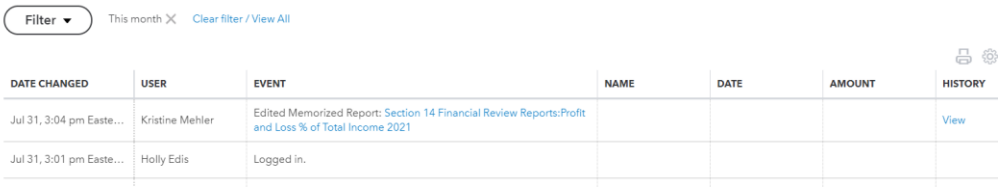
Click the **Filter** button to search historical transactions by **Users, Dates,** or **Events**.



Notice the filter criteria is set for a specific user and the historical data indicates when he logged in and out, as well as specific transactions that were edited by Kristine Mehler.

Click the **Gear** icon to select columns to view.

Click **View** to see details for a specific transaction.



Ask My Accountant

This report can be a very helpful tool and is used to post transactions when the user is not sure which category to use. The **Memo** field allows the user to post notes and questions for their Accountant. It can be a great way to train a new bookkeeper or business owner.

Click on **Accounting** in **the Left Navigation Bar -> Chart of Accounts tab.** Locate **Ask My Accountant** in other expense type, then click **Run report.**

99999	99999 Ask My Accountant	Other Expense	Other Miscellaneous E...			Run report
	Reconciliation Discrepanci	Other Expense	Other Miscellaneous E...			Run report

Click **Customize -> Header/Footer** to change the **Header** to **Ask My Accountant**.

Change the **Report Period** to **All Dates** then click **Run report.** Remember click **Save. Customization** to save your report in **Custom Reports.**

JDoe Inflow Heating and Cooling

Ask My Accountant

All Dates

DATE	TRANSACTION TYPE	NUM	NAME	MEMO/DESCRIPTION	ACCOUNT	CLR	AMOUNT	BALANCE
99999 Ask My Accountant								
01/10/2021	Expense		Apple Store	Apple Store (IPADS) Ask My Acc...	99999 Ask My Accountant		5,180.76	5,180.76
Total for 99999 Ask My Accountant							**$5,180.76**	
TOTAL							**$5,180.76**	

Note: It is important to clear up all transactions on this report before year end and especially before filing a tax return. This is a placeholder for transactions that need more information to post in the correct account or category.

Final Review – Balance Sheet

Josh has requested a financial review of several custom reports. You now have the skillset to create and save custom reports. Let's begin with a Balance Sheet, only this time, impress them with a 4-month comparison.

1. **Review Video Links:**

   Types of Reports

   Summary Reports

   Detail Reports

   How to Customize Reports

   How to Save Customized Reports

   Balance Sheet

   Profit & Loss

   Accrual vs Cash

   Collapse Report

   What is the Audit Log?

   Use the Audit Log

Josh has requested a financial review of several custom reports. You now have the skillset to create and save custom reports. Let's begin with a Balance Sheet, only this time, impress him with a 3-month comparison.

2. **Create, Customize and Save a Balance Sheet four-month comparison report:**

   Date: 12/1 prior year – 03/31/current year

   Display columns by: Months (you can toggle between months and total only)

   Show non-zero or active only: Non-zero Rows & Non-zero columns

   Negative numbers: Parenthesis (100)

   Header: Balance Sheet by Month

Summary of discussion points for the Balance Sheet:

- Cash on Hand (COH) is steady and growing each month. (Improving COH will help the current ratio when comparing to industry standards.)
- Healthy monthly transfers to savings are a plus. This will help build reserves for lean months.
- Bank Accounts are reconciled, and we can rely on the numbers.

Inflow Heating and Cooling

Balance Sheet
As of March 31, 2021

	JAN 2021	FEB 2021	MAR 2021
ASSETS			
Current Assets			
Bank Accounts			
10000 Checking 1234	52,699.22	123,602.05	81,554.98
10100 Payroll 5678	34,057.30	50,601.16	67,284.52
10500 Savings 9101	20,007.50	30,018.75	40,033.75
Total Bank Accounts	**$106,764.02**	**$204,221.96**	**$188,873.25**

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Summary of discussion points for the Balance Sheet continued:

- Accounts Receivable management is good, progress invoicing keeps the cash flowing in. Inventory management is good, always room for improvement. Suggest monthly inventory counts. Adjustments for March were minimal.
- Assets and depreciation are reflected on the Balance Sheet.
- Security deposit is accounted for on the Balance Sheet.

Accounts Receivable			
11000 Accounts Receivable (A/R)	251,402.56	90,714.96	177,588.90
Total Accounts Receivable	**$251,402.56**	**$90,714.96**	**$177,588.90**
Other Current Assets			
12000 Inventory Asset	11,278.25	10,798.70	13,313.43
12100 Undeposited Funds	0.00	44,137.09	0.00
Total Other Current Assets	**$11,278.25**	**$54,935.79**	**$13,313.43**
Total Current Assets	**$369,444.83**	**$349,872.71**	**$379,775.58**
Fixed Assets			
15000 Furniture & Fixtures	7,529.67	7,529.67	7,529.67
15100 Machinery & Equipment	25,276.23	25,276.23	25,276.23
15200 Vehicles	188,604.59	188,604.59	188,604.59
16000 Accumulated Depreciation	(68,725.22)	(68,725.22)	(68,725.22)
17000 Leasehold Improvements	35,312.87	35,312.87	35,312.87
17500 Accumulated Amortization	(6,035.24)	(6,035.24)	(6,035.24)
Total Fixed Assets	**$181,962.90**	**$181,962.90**	**$181,962.90**
Other Assets			
19000 Security Deposit	5,000.00	5,000.00	5,000.00
Total Other Assets	**$5,000.00**	**$5,000.00**	**$5,000.00**
TOTAL ASSETS	$556,407.73	$536,835.61	$566,738.48

Note: Vehicles are listed as Fixed Assets on the Balance Sheet. Accountants typically provide journal entries to record depreciation and amortization (the value a business owner can write off on their taxes). Depreciation expense is debited and appears on the Profit & Loss. Accumulated Depreciation (or amortization) is credited and appears on the Balance Sheet to reduce the value of the asset.

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Summary of discussion points for the Balance Sheet continued:

- Accounts Payable management is good, always room for improvement. They are working to collect receivables prior to paying supplier bills. Great way to keep cash in the bank. Suggest taking advantage of supplier discounts when bills are paid within the first 10 days. Use trade credit or vendor financing when reasonable. Stretch payables.
- Credit card needs a strong policy, maintaining a balance 30% or less of the credit limit will improve their credit score and keep their current liabilities down.
- Payroll is managed by a third party to make sure they stay on top of federal and state agency tax liabilities. (When a business owner falls behind on tax obligations it can really hurt cash flow and the ability to grow a healthy business.)
- Wage garnishments are zero. This means they are paying timely.

LIABILITIES AND EQUITY			
Liabilities			
Current Liabilities			
Accounts Payable			
20000 Accounts Payable (A/P)	133,538.99	86,100.19	74,013.84
Total Accounts Payable	**$133,538.99**	**$86,100.19**	**$74,013.84**
Credit Cards			
21000 Chase 1125	10,331.62	13,890.52	24,472.03
Total Credit Cards	**$10,331.62**	**$13,890.52**	**$24,472.03**
Other Current Liabilities			
22000 Federal Tax Payable	8,952.08	8,952.08	8,952.08
22100 State Tax Payable	8,295.50	8,295.50	8,295.50
22200 Wage Garnishments	139.50	0.00	0.00

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Summary of discussion points for the Balance Sheet continued:

- Sales tax is managed from within QuickBooks, they need to be very careful with this feature when creating sales receipts and invoices to make sure the appropriate county rate is populated correctly.
- Line of Credit has a balance and small payments are made each month. This might be an area they revisit to make sure they replace what they borrow each month.
- Purchasing vehicles and paying loans with low interest help with cash flow. Also, they can deduct the cost of the vehicle for tax purposes. The new purchase added a large payment per month, increasing cash out. They might want to visit the return on investment for the 2019 Ford. Continue to split principal and interest for each loan payment.

22300 California Department of Tax and Fee A...	15,179.44	7,019.03	4,659.77
23000 Line of Credit 1946-01	14,700.36	14,370.13	14,035.53
Total Other Current Liabilities	**$47,266.88**	**$38,636.74**	**$35,942.88**
Total Current Liabilities	**$191,137.49**	**$138,627.45**	**$134,428.75**
Long-Term Liabilities			
27200 Note Payable - 2017 GMC	28,051.32	27,316.32	26,578.32
27300 Note Payable - 2018 GMC	23,707.67	23,254.67	22,799.67
27400 Note Payable - 2019 Ford	68,989.00	67,929.00	66,866.00
Total Long-Term Liabilities	**$120,747.99**	**$118,499.99**	**$116,243.99**
Total Liabilities	**$311,885.48**	**$257,127.44**	**$250,672.74**

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Summary of discussion points for the Balance Sheet continued:

- The owner has not had to add additional personal funds to the business.
- Net Income is steadily improving.
- Total Equity is a positive number.

Total Liabilities	**$311,885.48**	**$257,127.44**	**$250,672.74**
Equity			
30000 Opening Balance Equity	3,175.44	3,175.44	3,175.44
32000 Retained Earnings	206,246.70	206,246.70	206,246.70
33100 Owner's Draw	(81,000.00)	(87,000.00)	(93,000.00)
Net Income	116,100.11	157,286.03	199,643.60
Total Equity	**$244,522.25**	**$279,708.17**	**$316,065.74**
TOTAL LIABILITIES AND EQUITY	$556,407.73	$536,835.61	$566,738.48

- Question: Are they liquid? Do they have more in Current Assets than Current Liabilities?
- Question: Do they have more in Total Assets compared to Total Liabilities?
- Question: Do you think Josh should setup a mid-year tax planning and strategy appointment with his tax professional?

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Let's review and discuss the Profit and Loss three-month comparison report. We will look at Income and Cost of Goods Sold first.

1. **Create, Customize and Save a Profit & Loss three-month comparison report:**

   Date: 01/01– 03/31 current year

   Display columns by: Months (you can toggle between months and total only)

   Show non-zero or active only: Non-zero Rows & Non-zero columns

   Negative numbers: Parenthesis (100), select "show in red"

   Header: Profit & Loss by Month

   (Optional) Compare another period: Select % of Income

Summary of discussion points for the Profit & Loss three-month comparison:

- Sales in December reflect all the prior year; the current year includes 3 months. What are they on pace to make in the current year?
- Service Income is higher than Product Sales.
- Sales were higher in January compared to February and March.
- Gross profit margin (41.77%) is a little higher than industry standards for the current year. This is good news, what company wants to be average?

Collapse Sort Add notes Edit titles

Inflow Heating and Cooling 2022

Profit and Loss

January - March, 2021

	JAN 2021		FEB 2021		MAR 2021		TOTAL	
	CURRENT	% OF INCOME	CURRENT	% OF INCOME	CURRENT	% OF INCOME	CURRENT	% OF INCOME
Income								
40000 Service Income	168,900.00	44.99 %	128,400.00	59.03 %	167,875.00	73.45 %	$465,175.00	56.63 %
40100 Sales of Product Income	206,482.00	55.01 %	89,115.00	40.97 %	60,697.00	26.55 %	$356,294.00	43.37 %
Total Income	**$375,382.00**	**100.00 %**	**$217,515.00**	**100.00 %**	**$228,572.00**	**100.00 %**	**$821,469.00**	**100.00 %**
Cost of Goods Sold								
50000 Job Materials & Supplies	148,394.25	39.53 %	59,126.09	27.18 %	46,161.01	20.20 %	$253,681.35	30.88 %
50100 Job Wages	31,200.00	8.31 %	31,200.00	14.34 %	31,200.00	13.65 %	$93,600.00	11.39 %
50200 Job Payroll Taxes	7,085.52	1.89 %	7,085.52	3.26 %	7,085.52	3.10 %	$21,256.56	2.59 %
50400 Contractors	30,000.00	7.99 %	30,000.00	13.79 %	30,000.00	13.12 %	$90,000.00	10.96 %
50600 Equipment Rental	400.00	0.11 %	6,675.69	3.07 %	6,675.69	2.92 %	$13,751.38	1.67 %
50700 Permits	2,000.00	0.53 %	2,000.00	0.92 %	2,000.00	0.88 %	$6,000.00	0.73 %
50900 Inventory Shrinkage					49.02	0.02 %	$49.02	0.01 %
Total Cost of Goods Sold	**$219,079.77**	**58.36 %**	**$136,087.30**	**62.56 %**	**$123,171.24**	**53.89 %**	**$478,338.31**	**58.23 %**
GROSS PROFIT	**$156,302.23**	**41.64 %**	**$81,427.70**	**37.44 %**	**$105,400.76**	**46.11 %**	**$343,130.69**	**41.77 %**

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Summary of discussion points for the Profit & Loss continued:

- Do they have enough money left to pay the rest of their expenses including Payroll?
- Payroll is consistent, which is amazing for this industry.
- Insurance is an expense that should be monitored each year.
- Dues and Subscriptions are a growing expense for many business owners due to technical advances related to workflow efficiencies.

Inflow Heating and Cooling 2022

Profit and Loss

January - March, 2021

	JAN 2021		FEB 2021		MAR 2021		TOTAL	
	CURRENT	% OF INCOME	CURRENT	% OF INCOME	CURRENT	% OF INCOME	CURRENT	% OF INCOME
Expenses								
60000 Payroll expenses							$0.00	0.00%
60100 Salaries & Wages	4,100.00	1.09 %	4,100.00	1.88 %	4,100.00	1.79 %	$12,300.00	1.50 %
60200 Payroll Tax Expense	931.12	0.25 %	931.12	0.43 %	931.12	0.41 %	$2,793.36	0.34 %
60300 Payroll Service Fee	97.81	0.03 %	97.81	0.04 %	97.81	0.04 %	$293.43	0.04 %
Total 60000 Payroll expenses	**5,128.93**	**1.37 %**	**5,128.93**	**2.36 %**	**5,128.93**	**2.24 %**	**$15,386.79**	**1.87 %**
60800 Advertising & Promoti...	5,125.00	1.37 %	5,125.00	2.36 %	5,125.00	2.24 %	$15,375.00	1.87 %
61000 Auto & Truck Expenses							$0.00	0.00%
61100 Auto Fuel	4,649.57	1.24 %	5,103.21	2.35 %	4,452.64	1.95 %	$14,205.42	1.73 %
61200 Auto License	1,524.66	0.41 %					$1,524.66	0.19 %
61300 Auto Service	2,679.25	0.71 %	3,276.25	1.51 %	3,376.55	1.48 %	$9,332.05	1.14 %
Total 61000 Auto & Truck E...	**8,853.48**	**2.36 %**	**8,379.46**	**3.85 %**	**7,829.19**	**3.43 %**	**$25,062.13**	**3.05 %**
61500 Bank Fees	12.00	0.00 %	12.00	0.01 %	12.00	0.01 %	$36.00	0.00 %
61700 Merchant Service Fees	927.25	0.25 %	995.77	0.46 %	1,025.23	0.45 %	$2,948.25	0.36 %
62000 Continuing Education					3,500.00	1.53 %	$3,500.00	0.43 %
62600 Dues & Subscriptions	70.00	0.02 %	70.00	0.03 %	70.00	0.03 %	$210.00	0.03 %
63100 Insurance - Auto	625.00	0.17 %	625.00	0.29 %	625.00	0.27 %	$1,875.00	0.23 %
63200 Insurance - Liability	2,150.00	0.57 %	2,150.00	0.99 %	2,150.00	0.94 %	$6,450.00	0.79 %
63300 Insurance - Bond			3,000.00	1.38 %			$3,000.00	0.37 %
63400 Insurance - Workers C...	536.33	0.14 %	536.33	0.25 %	536.33	0.23 %	$1,608.99	0.20 %

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Summary of discussion points for the Profit & Loss continued:

- Net profit margin (24.52%) is higher than industry standards for the current year.
- What else do you see?
- Why is net income higher in January?
- Do you think this is a healthy business?
- Do you think they can cut 10% of their expenses? How would they go about it?

Inflow Heating and Cooling 2022

Profit and Loss

January - March, 2021

	JAN 2021		FEB 2021		MAR 2021		TOTAL	
	CURRENT	% OF INCOME	CURRENT	% OF INCOME	CURRENT	% OF INCOME	CURRENT	% OF INCOME
63700 Interest Expense	639.31	0.17 %	807.89	0.37 %	750.73	0.33 %	$2,197.93	0.27 %
64100 Legal & Professional Fe...	795.00	0.21 %	795.00	0.37 %	10,795.00	4.72 %	$12,385.00	1.51 %
64200 License & Fees			1,250.00	0.57 %			$1,250.00	0.15 %
64300 Meals & Entertainmnet					1,269.55	0.56 %	$1,269.55	0.15 %
64500 Office Expense	267.55	0.07 %	422.46	0.19 %	357.80	0.16 %	$1,047.81	0.13 %
64600 Rent Expense	6,000.00	1.60 %	6,000.00	2.76 %	6,000.00	2.62 %	$18,000.00	2.19 %
65200 Security	198.00	0.05 %	198.00	0.09 %	198.00	0.09 %	$594.00	0.07 %
67100 Small Tools & Supplies	1,726.73	0.46 %	2,726.76	1.25 %	3,425.17	1.50 %	$7,878.66	0.96 %
68000 Taxes Paid					4,725.00	2.07 %	$4,725.00	0.58 %
68100 Telephone & Commun...	809.44	0.22 %	809.44	0.37 %	809.44	0.35 %	$2,428.32	0.30 %
68300 Travel					7,500.00	3.28 %	$7,500.00	0.91 %
68400 Uniforms	275.00	0.07 %	275.00	0.13 %	275.00	0.12 %	$825.00	0.10 %
68600 Utilities	889.84	0.24 %	945.99	0.43 %	950.82	0.42 %	$2,786.65	0.34 %
Total Expenses	**$35,028.86**	**9.33 %**	**$40,253.03**	**18.51 %**	**$63,058.19**	**27.59 %**	**$138,340.08**	**16.84 %**
NET OPERATING INCOME	**$121,273.37**	**32.31 %**	**$41,174.67**	**18.93 %**	**$42,342.57**	**18.52 %**	**$204,790.61**	**24.93 %**
Other Income								
70000 Interest Income	7.50	0.00 %	11.25	0.01 %	15.00	0.01 %	$33.75	0.00 %
Total Other Income	**$7.50**	**0.00 %**	**$11.25**	**0.01 %**	**$15.00**	**0.01 %**	**$33.75**	**0.00 %**
Other Expenses								
99999 Ask My Accountant	5,180.76	1.38 %					$5,180.76	0.63 %
Total Other Expenses	**$5,180.76**	**1.38 %**	**$0.00**	**0.00%**	**$0.00**	**0.00%**	**$5,180.76**	**0.63 %**
NET OTHER INCOME	**$ (5,173.26)**	**(1.38 %)**	**$11.25**	**0.01 %**	**$15.00**	**0.01 %**	**$ (5,147.01)**	**(0.63 %)**
NET INCOME	**$116,100.11**	**30.93 %**	**$41,185.92**	**18.93 %**	**$42,357.57**	**18.53 %**	**$199,643.60**	**24.30 %**

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Now that we have a sense of Sales by Month, it would be helpful to know how each location is doing in terms of income and expenses.

Let's review the Profit & Loss by Location.

1. **Create and Save a custom Profit & Loss by location report.**

   Date: 01/01 – 03/31 current year

Collapse Sort Add notes Edit titles

JDoe Inflow Heating and Cooling 2022

Profit and Loss by Location

January - March, 2021

	CHULA VISTA	EL CAJON	SAN DIEGO	TOTAL
Income				
40000 Service Income	39,600.00	47,300.00	378,275.00	$465,175.00
40100 Sales of Product Income	38,340.00	45,177.00	272,777.00	$356,294.00
Total Income	**$77,940.00**	**$92,477.00**	**$651,052.00**	**$821,469.00**
Cost of Goods Sold				
50000 Job Materials & Supplies	19,014.46	22,496.03	212,170.86	$253,681.35
50100 Job Wages	8,704.00	11,776.00	73,120.00	$93,600.00
50200 Job Payroll Taxes			21,256.56	$21,256.56
50400 Contractors			90,000.00	$90,000.00
50600 Equipment Rental			13,751.38	$13,751.38
50700 Permits			6,000.00	$6,000.00
50900 Inventory Shrinkage			49.02	$49.02
Total Cost of Goods Sold	**$27,718.46**	**$34,272.03**	**$416,347.82**	**$478,338.31**
GROSS PROFIT	**$50,221.54**	**$58,204.97**	**$234,704.18**	**$343,130.69**
Expenses				
60000 Payroll expenses				$0.00
60100 Salaries & Wages			12,300.00	$12,300.00
60200 Payroll Tax Expense			2,793.36	$2,793.36
60300 Payroll Service Fee			293.43	$293.43
Total 60000 Payroll expenses			**15,386.79**	**$15,386.79**

Let's look at more expense categories by location. What do you see?

Inflow Heating and Cooling 2022

Profit and Loss by Location
January - March, 2021

	CHULA VISTA	EL CAJON	SAN DIEGO	TOTAL
60800 Advertising & Promotional			15,375.00	$15,375.00
61000 Auto & Truck Expenses				$0.00
61100 Auto Fuel			14,205.42	$14,205.42
61200 Auto License			1,524.66	$1,524.66
61300 Auto Service			9,332.05	$9,332.05
Total 61000 Auto & Truck Expenses			**25,062.13**	**$25,062.13**
61500 Bank Fees			36.00	$36.00
61700 Merchant Service Fees			2,948.25	$2,948.25
62000 Continuing Education			3,500.00	$3,500.00
62600 Dues & Subscriptions			210.00	$210.00
63100 Insurance - Auto			1,875.00	$1,875.00
63200 Insurance - Liability			6,450.00	$6,450.00
63300 Insurance - Bond			3,000.00	$3,000.00
63400 Insurance - Workers Comp			1,608.99	$1,608.99
63700 Interest Expense			2,197.93	$2,197.93
64100 Legal & Professional Fees			12,385.00	$12,385.00
64200 License & Fees			1,250.00	$1,250.00
64300 Meals & Entertainmnet			1,269.55	$1,269.55
64500 Office Expense			1,047.81	$1,047.81
64600 Rent Expense			18,000.00	$18,000.00
65200 Security			594.00	$594.00
67100 Small Tools & Supplies			7,878.66	$7,878.66
68000 Taxes Paid			4,725.00	$4,725.00
68100 Telephone & Communications			2,428.32	$2,428.32
68300 Travel			7,500.00	$7,500.00
68400 Uniforms			825.00	$825.00
68600 Utilities			2,786.65	$2,786.65
Total Expenses	**$0.00**	**$0.00**	**$138,340.08**	**$138,340.08**
NET OPERATING INCOME	**$50,221.54**	**$58,204.97**	**$96,364.10**	**$204,790.61**
Other Income				
70000 Interest Income			33.75	$33.75
Total Other Income	**$0.00**	**$0.00**	**$33.75**	**$33.75**
Other Expenses				
99999 Ask My Accountant			5,180.76	$5,180.76
Total Other Expenses	**$0.00**	**$0.00**	**$5,180.76**	**$5,180.76**
NET OTHER INCOME	**$0.00**	**$0.00**	**$ (5,147.01)**	**$ (5,147.01)**
NET INCOME	**$50,221.54**	**$58,204.97**	**$91,217.09**	**$199,643.60**

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Now that we have a sense of sales by month and location, it would be helpful to know if restaurant sales are higher than online sales. We will review Income and Cost of Goods Sold by Class.

Let's review the Profit & Loss by Class. What do you see?

1. **Create and Save a custom Profit & Loss by class report.**

   Date: 01/01 – 03/31 current year

Collapse Sort Add notes Edit titles

JDoe Inflow Heating and Cooling 2022

Profit and Loss by Class

January - March, 2021

	COMMERCIAL	GENERAL	NEW CONSTRUCTION	RESIDENTIAL	TOTAL
Income					
40000 Service Income	85,300.00		336,000.00	43,875.00	$465,175.00
40100 Sales of Product Income	79,549.00		263,520.00	13,225.00	$356,294.00
Total Income	**$164,849.00**	**$0.00**	**$599,520.00**	**$57,100.00**	**$821,469.00**
Cost of Goods Sold					
50000 Job Materials & Supplies	39,611.82		137,593.91	76,475.62	$253,681.35
50100 Job Wages	19,456.00	8,160.00	54,720.00	11,264.00	$93,600.00
50200 Job Payroll Taxes		21,256.56			$21,256.56
50400 Contractors			90,000.00		$90,000.00
50600 Equipment Rental			13,751.38		$13,751.38
50700 Permits	4,000.00		2,000.00		$6,000.00
50900 Inventory Shrinkage		49.02			$49.02
Total Cost of Goods Sold	**$63,067.82**	**$29,465.58**	**$298,065.29**	**$87,739.62**	**$478,338.31**
GROSS PROFIT	**$101,781.18**	**$ (29,465.58)**	**$301,454.71**	**$ (30,639.62)**	**$343,130.69**
Expenses					
60000 Payroll expenses					$0.00
60100 Salaries & Wages		12,300.00			$12,300.00
60200 Payroll Tax Expense		2,793.36			$2,793.36
60300 Payroll Service Fee		293.43			$293.43
Total 60000 Payroll expenses		**15,386.79**			**$15,386.79**

Notice the types of expenses listed under the Administrative class.

JDoe Inflow Heating and Cooling 2022

Profit and Loss by Class

January - March, 2021

	COMMERCIAL	GENERAL	NEW CONSTRUCTION	RESIDENTIAL	TOTAL
60800 Advertising & Promotional		15,375.00			$15,375.00
61000 Auto & Truck Expenses					$0.00
61100 Auto Fuel		14,205.42			$14,205.42
61200 Auto License		1,524.66			$1,524.66
61300 Auto Service		9,332.05			$9,332.05
Total 61000 Auto & Truck Expen...		**25,062.13**			**$25,062.13**
61500 Bank Fees		36.00			$36.00
61700 Merchant Service Fees		2,948.25			$2,948.25
62000 Continuing Education		3,500.00			$3,500.00
62600 Dues & Subscriptions		210.00			$210.00
63100 Insurance - Auto		1,875.00			$1,875.00
63200 Insurance - Liability		6,450.00			$6,450.00
63300 Insurance - Bond		3,000.00			$3,000.00
63400 Insurance - Workers Comp		1,608.99			$1,608.99
63700 Interest Expense		2,197.93			$2,197.93
64100 Legal & Professional Fees		12,385.00			$12,385.00
64200 License & Fees		1,250.00			$1,250.00
64300 Meals & Entertainmnet		1,269.55			$1,269.55
64500 Office Expense		1,047.81			$1,047.81
64600 Rent Expense		18,000.00			$18,000.00
65200 Security		594.00			$594.00
67100 Small Tools & Supplies		7,878.66			$7,878.66
68000 Taxes Paid		4,725.00			$4,725.00
68100 Telephone & Communicati...		2,428.32			$2,428.32
68300 Travel		7,500.00			$7,500.00
68400 Uniforms		825.00			$825.00
68600 Utilities		2,786.65			$2,786.65
Total Expenses	**$0.00**	**$138,340.08**	**$0.00**	**$0.00**	**$138,340.08**
NET OPERATING INCOME	**$101,781.18**	**$ (167,805.66)**	**$301,454.71**	**$ (30,639.62)**	**$204,790.61**
Other Income					
70000 Interest Income		33.75			$33.75
Total Other Income	**$0.00**	**$33.75**	**$0.00**	**$0.00**	**$33.75**
Other Expenses					
99999 Ask My Accountant		5,180.76			$5,180.76
Total Other Expenses	**$0.00**	**$5,180.76**	**$0.00**	**$0.00**	**$5,180.76**
NET OTHER INCOME	**$0.00**	**$ (5,147.01)**	**$0.00**	**$0.00**	**$ (5,147.01)**
NET INCOME	**$101,781.18**	**$ (172,952.67)**	**$301,454.71**	**$ (30,639.62)**	**$199,643.60**

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Upon the completion of each section of training, we saved several reports in our favorites group. We have provided an additional list of recommended reports from each section to review and discuss: Use 01/01-03/31 current date range for all reports when comparing.

- **Profit & Loss by Customer** – Breaks down all income and expense by customer. Recommend Josh track more expenses by job or customer to see how profitable he is on each job.
- **Sales by Class Summary** – Sort by descending order. New Construction is in the lead, Commercial is a distant second. How should they focus on marketing strategies?
- **Sales by Location Summary** – Sort by descending order. San Diego shows most sales by far.
- **Sales by Customer Summary –** Sort by descending order. Who would you take to lunch?
- **Sales by Product/Service Summary –** Sort in descending order. You will see the top selling items: New Construction Labor and Residential AC and Furnaces win overall.
- **Open Invoices –** All open invoices are due in April of the current year. This shows a strong A/R management process.
- **Estimates by Customer** – Shows status of all estimates for each customer. Only one pending for Padre View Estates. The rest are closed.
- **Projects –** Play around in the Projects Center to review Padre View Estates and Seaside Estate Homes. Review the graphs and discuss income compared to costs?

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- **Unpaid Bills –** Shows current except for one bill that was due 3/30. Way to stretch the cash flow.
- **Expenses by Vendor Summary –** Sort in descending order to top vendor expenses. Looks like Josh may be able to negotiate with Chiller HVAC Parts House as their top supplier.
- **Open Purchase Order list –** One open PO #21-011.
- **Sales Tax Liability** – Shows a $4,659.77 tax amount due for 03/01-03/31 current year. We already paid January and February liabilities. This should match the California Department of Tax amount due on the Balance Sheet as of 03/31 current year.
- **Physical Inventory Worksheet** – Shows qty on hand and re-order point for inventory items. Looks like we have enough on hand to carry on.
- **Bank Reconciliation Summary** – Access this report for each month you have completed reconciliations for checking, savings and credit card accounts. (Found in the reconciliation feature.)
- **Budget vs Actual** – Results of this report depend on the budget you created.
- **Ask My Accountant** – One unsolved transaction for iTunes iPads. Where should it go?
- **Audit Log** – Explore and practice with the filter feature.

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This concludes the Inflow Heating and Cooling training.

A few final thoughts:

A business owner may overlook the fact that a correct accounting software setup is the basis upon which a solid financial foundation is built. QuickBooks Online incorporates accounting best practices and is a powerful platform upon which to build a successful business.

Workflow automation is all about streamlining simple, manual, and repetitive tasks and processes which take up valuable time and resources that could be better invested in growth-generating projects. Automated workflows in QuickBooks Online empower growing businesses to reduce the time and money they'd normally spend on processes, such as sending and paying invoices, transactional customer communications, and, perhaps most important, cash flow management.

Most important of all is access to real time data. While many business owners are intimidated by the numbers, the most successful business owners understand the daily use of financial reports will guide them every step of the way and provide deep insights into what action steps are necessary to improve results.

We hope you enjoyed this experience and have gained insight into the value of accurate financial data, automated processes and workflow best practices. There is a significant need for business owners to understand financial reports, learn how to build and manage cash flow and grow a healthy business. You are now a part of that process!

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APPENDIX A
ADDITIONAL FEATURES

Attachments
Mileage
Importing Data from Desktop

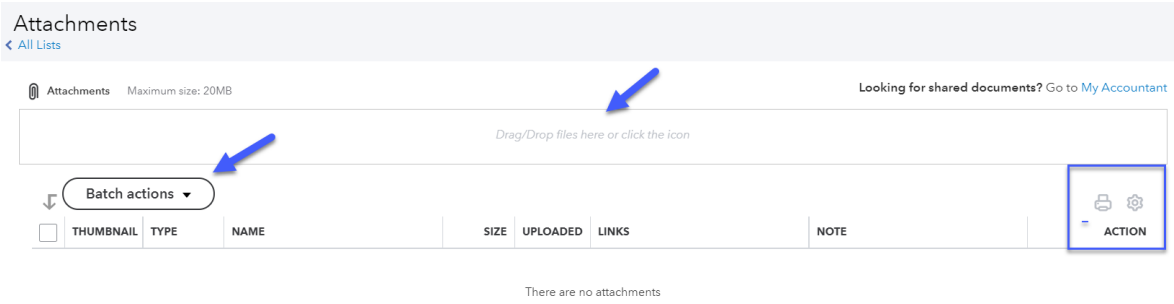
This feature allows you to drag and drop files directly into the **Attachment Center,** where you can manage documents and create transactions.

Click the **Gear** icon.

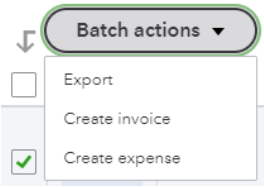
Click **Attachments** under **Lists.**

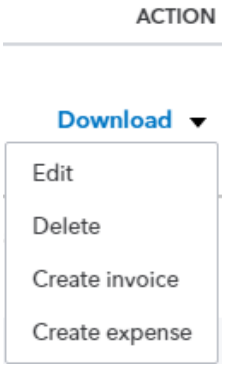
Select the **Attachment paperclip** or use the drag and drop feature to import files.

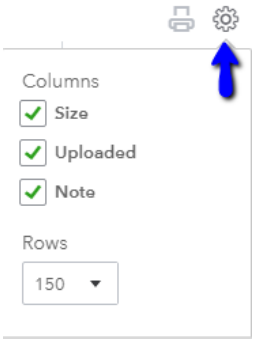
Click **Go to My Accountant** to locate shared documents.



Click the drop-down arrow for **Batch actions** to export documents or create a batch of invoices or expenses. Click the drop-down arrow in the **Action** column to edit, delete, or create an invoice or expense for a single file. Click the **Gear** icon to change the way columns and rows are displayed.







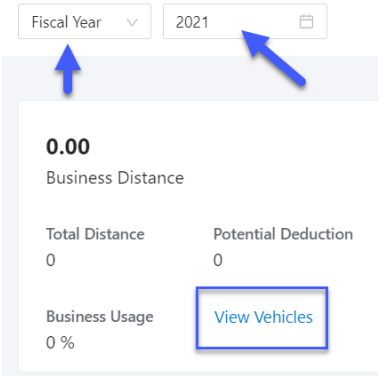
Tracking mileage is a necessary task for many business owners. You can manually track your mileage from within the company file or use the mobile app.

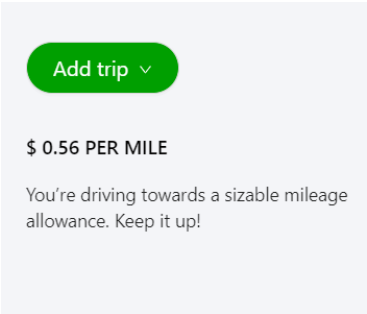
Within the company file:

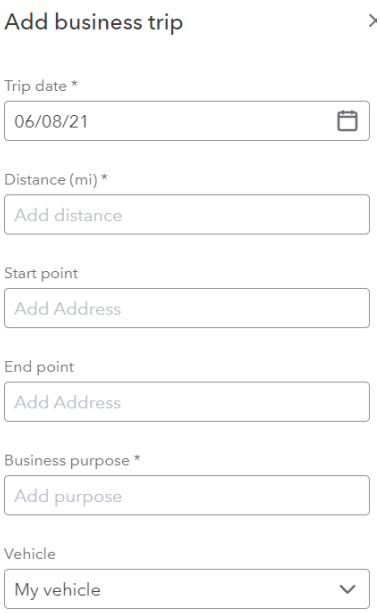
Click **Mileage** from the **Left Navigation Bar -> Or add trips manually.**

Mileage can be tracked for business or personal, and the history will be kept for years.

Click the **Add Trip** button to manually add a vehicle and record a recent trip. Click **Save.**







Business owners transitioning from the QuickBooks Desktop version to QuickBooks Online, will be interested in this important Import feature. Learn how-to set up a new company when converting from the Desktop version of QuickBooks Online by reviewing the information below:

Click **Gear Icon -> Import desktop data.**

Click **See how it works, watch the video and follow the instructions.**

Online Foundations Training

APPENDIX B
GLOSSARY OF TERMS
KEYBOARD SHORTCUTS

Accounts Receivable - Accounts receivable (AR) is the balance of money owed to you for goods received or services delivered but not yet paid by customers.

Accounts Payable - Accounts payable are amounts due to vendors or suppliers for goods or services received that you have not yet paid for.

Assets - An asset is anything of value that can be converted into cash.

Fixed Asset - A fixed asset is a long-term tangible piece of property or equipment that a firm owns and uses in its operations to generate income. Fixed assets are not expected to be consumed or converted into cash within a year.

Liabilities – Your company debt. What you owe.

Equity - The net worth of a company. This is the difference between what you owe (liabilities) and what you own (assets).

Balance Sheet - A financial statement of assets, liabilities, and capital; the report details the balance of income and expenditure over a specified period of time.

Profit & Loss - A financial statement that summarizes the revenues, costs, and expenses incurred during a specified period, usually a fiscal quarter or year.

Statement of Cash Flow - A financial statement that provides aggregate data regarding all cash inflows a company receives from its ongoing operations and external investment sources.

Cash Flow Projection - A cash flow projection shows the amount of money expected to come into a business minus money expected to go out over a determined amount of time.

Cash flow - Cash flow is the net amount of cash and cash-equivalents being transferred into and out of a business.

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Cost Analysis – The goal of Cost Analysis is to determine the true cost of the products or services you are offering.

Expenses – A resource or service you spend money on in order to generate revenue (wages, computers, etc.).

Direct Cost – A cost that can be directly tied to the production of specific goods or services.

Indirect Cost – A cost that is not directly related to a cost object (such as a specific project, facility, function or product).

Overhead - Ongoing business expenses not directly attributed to creating a product or service.

Breakeven - The level of production at which the costs of production equal the revenues for a product or service.

Variable Costs - A variable cost is an expense that changes in proportion with production output.

Fixed Costs – A cost that does not change with an increase or decrease in the amount of goods or services produced or sold.

Inventory – Products you purchase and currently stock to resell or products in stock you produce from raw goods to sell.

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Revenue, Sales, Income - Revenue is the income a company generates before any expenses are subtracted from the calculation. **Sales** are the proceeds a company generates from selling goods or services to its customers. **Income** is a company's total earnings or profit.

Cost of Goods Sold - An account for costs directly related to producing a service or product for sale.

Chart of Accounts - An organizational tool that provides a digestible breakdown of all the financial transactions that a company conducted during a specific accounting period, broken down into subcategories.

Gross Payroll vs Net Payroll - Gross payroll refers to the total amount of money the company pays out for its employees during a pay period. N**et payroll** refers to the money that employees receive from the company after it deducts the required withholdings.

Gross Profit Margin - Gross profit margin is the proportion of money left over from revenues after accounting for the cost of goods sold (COGS).

Net Profit Margin - Net profit margin is the percentage of profit generated from revenue after accounting for all expenses, costs, and cash flow items.

Contribution Margin – Determines how much revenue can be used to contribute to fixed costs and profit.

Cash vs Accrual Basis – **Cash basis** accounts for the costs and sales where payments have already changed hands. **Accrual** includes AP, and AR where services and goods have been provided, but have not yet been paid for.

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From the Dashboard use [Ctrl]+[Alt]+[?] to show **Keyboard Reference** while logged into QuickBooks®

Regular Pages

Ctrl + Alt + i	Invoice
Ctrl + Alt + w	Check
Ctrl + Alt + e	Estimate
Ctrl + Alt + x	Expense
Ctrl + Alt + r	Receive payment
Ctrl + Alt + c	Customers
Ctrl + Alt + v	vendors
Ctrl + Alt + a	Chart of accounts
Ctrl + Alt + l	Lists
Ctrl + Alt + h	Help
Ctrl + Alt + f	Search transactions

Transaction Pages

Ctrl + Alt + x	Exit transaction view	**Ctrl + Alt + c**	Cancel
Ctrl + Alt + s	Save and new	**Ctrl + Alt + d**	Save and close
Ctrl + Alt + m	Save and send (think of it as “send as message”)		
Ctrl + p	Print		

Online Foundations Training

APPENDIX C
RESOURCES

Debits & Credits
Quick Accounting Review

Assets	
Debits	Credits
Increase	Decrease
Normal Balance	

Liabilities	
Debits	Credits
Decrease	Increase
	Normal Balance

Equity Owner's Contributions	
Debits	Credits
Decrease	Increase
	Normal Balance

Equity Owner's Distributions	
Debits	Credits
Increase	Decrease
Normal Balance	

Income	
Debits	Credits
Decrease	Increase
	Normal Balance

Expense	
Debits	Credits
Increase	Decrease
Normal Balance	

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ASSETS (what you own—things of commercial value)	=	Liabilities (what you owe others)	+	Equity (what your business is currently worth; in other words, your assets minus liabilities)
• Bank accounts		• Accounts payable (unpaid bills)		• Assets left over after paying all liabilities
• Petty cash		• Loans		• Owner investment
• Fixed assets (equipment, computers, trucks, etc.)		• Credit cards		• Owner draws
• Inventory		• Taxes (income tax, sales tax, payroll tax owed to the government, etc.)		• Stock
• Cash & checks on hand (not yet deposited in the bank)		• Line of credit balance		• Retained earnings
• Accounts receivable (what others owe you that you have not yet collected)		• Accrued wages (compensation earned but not yet paid to employees)		As you can see, revenue increases equity and expenses decrease equity.

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