Intuit QuickBooks Training
by Real World Training

Mastering QuickBooks®

Level 2

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Table of Contents

Select the headers below to be taken to the content

Chapter 1: Overview 8
Introduction 9
Reasons for QuickBooks 9

Chapter 2: Setup Issues 10
Should I Start Over? 11
Purge Company 12
Creating a New Account 12
With the Same Email 12
New Company File Best Practices 14
Import Company Information 13
Import from QuickBooks Desktop 14
Import Lists from CSV or Excel Files 17
Step 2: Opening Balances Intro 18
Enter Account Opening Balances 18
Enter Customer Opening Balances 20
Enter Vendor Opening Balances 22
Enter Inventory Opening Balances 23
Step 3: Enter Transaction History 25
Sign up for Online Banking 26
Download Transaction History 26

Chapter 3: Customizing QuickBooks 27
Account and Settings 28
Company Settings 28
Sales Settings 30
Bills and Expense Settings 32
Advanced Settings 34
Customer Type 38
Set Up and Assign Customer Type 38
Run Customer Type Reports 40
Classes 40
Turn on and Set Up Classes 41
Record Class on a Transaction 42
Class Reports 44
Locations 45
Turn on and Set Up Locations 45
Record Location on a Transaction 47
Location Reports 48
QBO Advanced: Improved Custom Fields 49
Set up Improved Custom Fields 49
Use Improved Custom Fields 50
Report Options for Custom Fields 51

Chapter 4: Items/Inventory 52
Bundle Items 53
Set Up a Bundle 54
Use a Bundle Item 54
Manufacturing and Assemblies 56
Set up a Product you Assemble / Manufacture 56
Assemble from Other Inventory 56
Assemble from Scratch 59
Record In-Store Use of Inventory 62
Non-Inventory and Service Purchases 64
Purchase Non-Inventory and Items 64

Chapter 5: Sales Transactions 67
Price Rules 68
Set up Temporary Price Reduction / Increase 69
Record a Sale During a Temporary Price Reduction 70
Changes Prices for a Customer Type 71
Change the Price Rule on a Sale 72
Billable Cost 75
A/R and Invoice Troubleshooting 77
Apply Invoice Payment from Deposit 78
Apply Invoice Payment from Payment 80
Undeposited Funds Problems 81
Apply Payments to Existing Deposit 81
Group Multiple Payments into Deposit 84

Chapter 6: Sales Workarounds 85
Prepayments from Customers 86
Record a Customer Prepayment 88
Apply a Customer Prepayment 91
Reconcile Customer Prepayment 92
Track Customer Prepayments 93
Bad Debt: Intro 95
Write off Bad Debt without Sales Tax 97
Write off Bad Debt with Sales Tax 98
Customer Prepayments 100
Customer Underpayment 102
Customer Overpayment 104
Transfer Customer Credit to Vendor 106
Daily Sales: Intro 107
Products and Services 108
Paid Outs 107
Credit Cards 107
Over/Short 111
Deposits 112
NSF/ Bounced Customer Payments 113
Record Bounced Check 113

Reinvoice Customer for Bounced Check....115
Chapter 7: Purchasing....119
Recategorize Multiple Expenses / Checks....120
Fixed Asset....121
Enter a Fixed Asset your Already Own....121
Record the Purchase of a New Fixed Asset....122
Loans....124
Enter a Loan from a Previous Year....124
Record a Loan to your Bank Account....125
Record a Mortgage, Note or Loan for Purchase....127
Pay Off a Loan....130
Lines of Credit....132
Receive Money from a Line of Credit....132
Pay Off a Line of Credit....133
Charitable Donations....135
Monetary Charitable Donations....135
Bill Payment Errors....137
Apply Existing Check / Expense to Bill....138
Close Paid Bill in QuickBooks....139
Petty Cash....140
Deposit Money to Petty Cash....140
Spend Money From Petty Cash....141
Reconcile Petty Cash....141
1099's....143
Set Up 1099 Contractors / Vendors....143
Map 1099 Accounts....145
Review and Errors....146
Confirm and Send....147
Chapter 8: Advanced Purchases....148
Employee and Owner Purchased....149
Set Up Owner Equity Accounts....149
Owner Purchases....151
Owner Reinmbursement....152
Owner Deposits to Company Bank Accounts....152
Owner Withdrawl from Company Bank Account....153
Employee Reimbursement....153
Employee Use of Business Funds....154
Prepaid Expenses....155
Record Prepaid Expense....156
Distribute a Prepaid Expense....156
Vendor Deposits....157
Record a Deposit with a Vendor....157
Use a Deposit with a Vendor....158
Match Vendor Deposits to Payments....158

Track Vendor Deposit Balance 159
Record Installment Purchases 161
Record from a Vendor 164
Record the Refund of a Vendor Credit 164
Transfer Vendor Balance to a Customer 167
Void Prior Year Checks 169
Journal Entries 171
Void Check 172
Void Prior Year Checks: Reports 172

Chapter 9: Projects and Job Costing 176
Projects 177
Set up and Use Projects with Payroll 178
Projects Center with Payroll 179
Set Up and Use Projects without Payroll 183
Projects Center without Payroll 185
Account for Owner's Time 191
Estimate Cost vs. Actual Cost 193
Create a Budget for a Customer or Project 194
Estimate vs. Actual Report 195

Chapter 10: Payroll 196
Employee Loans and Advanced 197
Record the Loan to an Employee 197
Set Up a Loan Deduction 199
Deduct Loan Repayment from an Employee 200

Chapter 11: Reports 202
Budgets 203
Create a Budget for the Company 203
Budget Vs. Actual Report 206
QBO Advanced: Import Budgets from Excel 208
Intro to Excel and Sheets 209
Track Commissions on Excel Spreadsheet 210
Management Reports 211
Run and Edit a Management Report 211

Chapter 12: Utilities 215
Remove All Billable Time and Costs 216
Export Company 218
Import Information from Other QBO Company 218
Purge Company 210

Chapter 13: Accountants 220
Journal Entry Rules 221
Reversing a Journal Entry 222
Year-End Procedures 223
Closing Entries 223

Reset Equity at the Beginning of the Year 224
Invite Accountant 225
QBO Accountant 225
Accountant Client Dashboard 227
Undo a Reconciliation 230
Reclassify Transactions 232

Chapter 14: Multicurrency 235
Multicurrency Introduction 236
Set Up Foreign Currency Bank Account 237
Foreign Currency Vendor and Bills 237
Pay Foreign Currency Vendor and Bills 238
Foreign Currency Customer and Invoices 241
Receive Payment for Foreign Currency Customer 242

Chapter 1

Overview

Introduction

In Mastering QuickBooks Online Level Two you will learn:

- Advanced features and capabilities of QuickBooks that make you more productive.
- How to solve difficult problems or errors you might encounter while using QuickBooks.
- Advanced workarounds required for tricky transactions.
- Tips and tricks that save you time. QuickBooks has some great shortcuts for entering transactions and customizing the software. Why perform tasks the "long way" if a shorter, faster way gives you the same results?
- Functions and quirks that are unique to QuickBooks. This helps you avoid unexpected errors when using the program.
- Advanced techniques that you can use to set up QuickBooks when starting a new file or when helping someone set up QuickBooks for the first time.
- Advanced report techniques. The eventual goal of ALL accounting is reports! You must be able to access information in the format you need. This vital information will help you become a more productive and effective QuickBooks user.

Reasons for QuickBooks

There's an important part of the history of QuickBooks that's helpful if you're an accountant or accustomed to other accounting software. Intuit designed QuickBooks for people with NO accounting background. That's because customers want an easy-to-understand accounting package. This design makes QuickBooks DIFFERENT from most other accounting programs. So don't attempt to make QuickBooks behave like other accounting programs. By learning the UNIQUE ways QuickBooks handles accounting, you can enter transactions correctly. This ensures that reports provide all the information YOU need. Even if you are an accounting professional, it's still preferable to use QuickBooks in the way it was designed…rather than entering everything as journal entries.

Chapter 2

Setup Issues

Introduction

Setting up a new company file can be intimidating and there are multiple ways to do it. In this chapter, you learn to set up an account correctly and avoid common mistakes and problems that you might encounter during the process.

Some companies decide to create a new company account because their old one wasn't maintained properly or is just damaged beyond repair. Learn about the options for starting your company file over again, as well as best practices when starting over. It's important to know what to set up and when.

Learn how to properly set up your company's Chart of Accounts and account balances. You'll also discover important information about entering the transaction history for your company and editing beginning balances in this chapter.

Should I Start Over?

QuickBooks users sometimes face a very difficult decision of whether or not there is a need to start their company file over, and unfortunately there is not a clear answer because it depends on many factors. Here are 4 questions to ask that can help in making the decision.

Number 1: "Would it be better to fix your current account rather than start a new file?"

Generally speaking, it's easier to "do something right the first time" than "fix someone else's mistakes." Depending upon the severity of the errors, you might spend LOTS of time just identifying HOW to fix the errors…BEFORE you can begin making corrections. This is where an accountant or Diamond VIP can be helpful to you. Because of their knowledge and experience, they can help you quickly fix those tough errors.

Number 2: "How much time can you invest to set up your file correctly?"

In the REAL WORLD, the time you use to start a new file could be time and money you LOSE because you can't complete other vital tasks.

Number 3: "Would starting over provide additional information you would use?"

The key to managing your business is how you use the information provided by QuickBooks reports. If your accountant prepares your taxes, and you never rely on reports to make business decisions…the time spent might not be worth your effort.

Number 4: "Can you wait until the end of the current financial year to start over?"

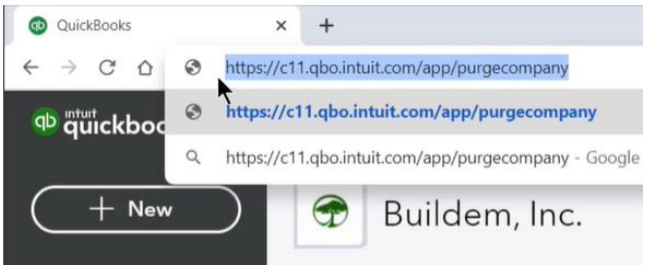
This is the best time to start a new account…and it saves a lot of effort required to enter the current year's transactions or transaction history.

If you're thinking about starting a new account, consider all these questions FIRST!

Purge Company

If your QuickBooks Online account is 60 days or newer you can choose to purge all of the data you've entered and start over.

1. Login to your QuickBooks account
2. In the URL bar click, and remove "**homepage**"
3. Replace it with **"purgecompany**"

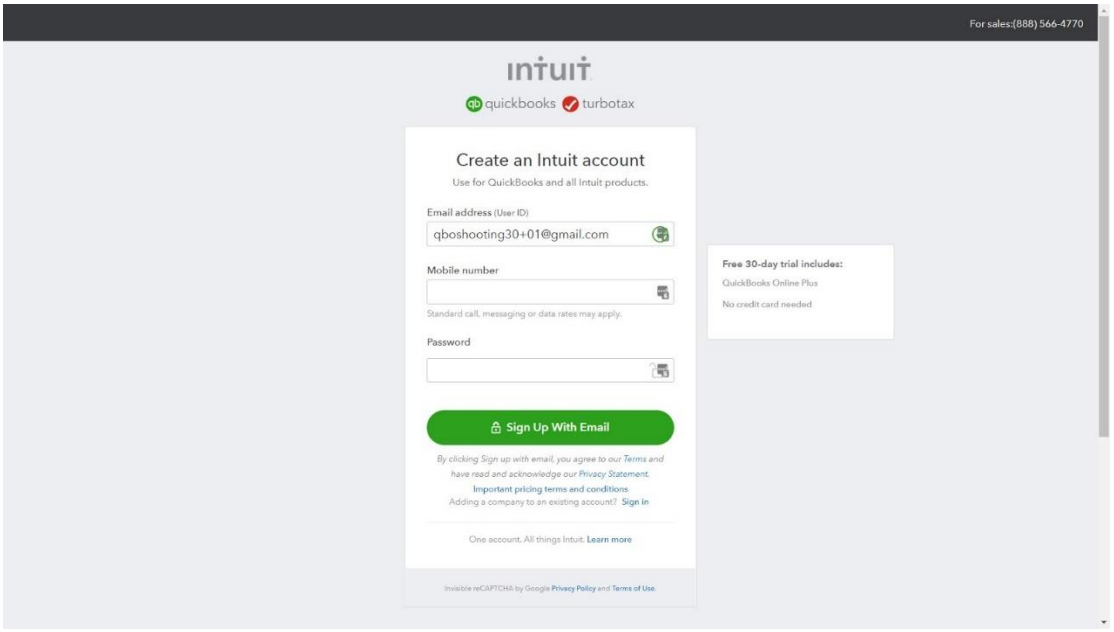


4. Press **Enter**
5. **Complete the steps** as QuickBooks instructs you on the process of cleaning out your data.

Creating a New Account (With the Same Email)

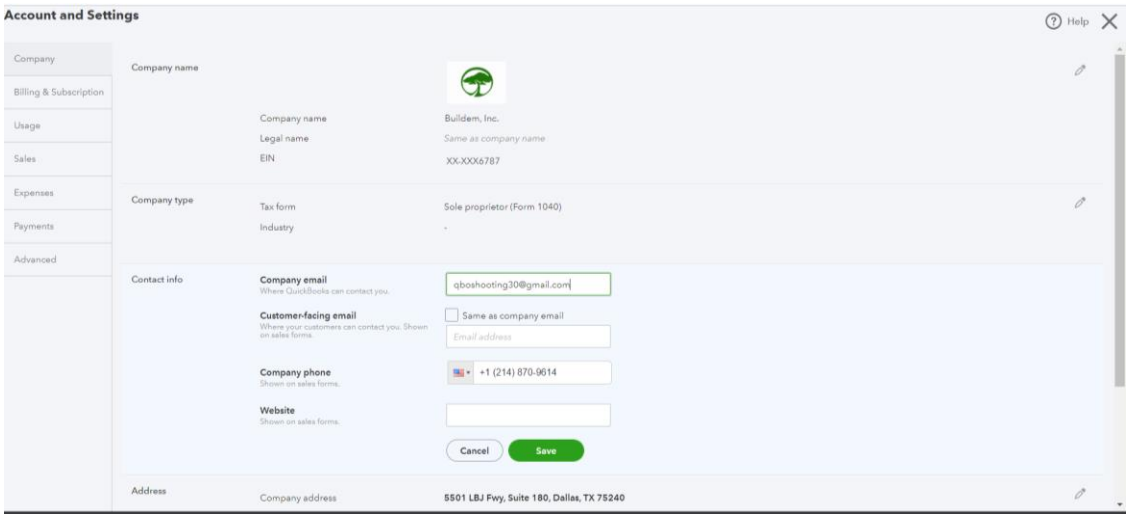
If your company is too old to be purged you can still start over, but you'll need to do so with a new account. Unfortunately, when you go to create a new account, QuickBooks warns you that you cannot create a second account with the same email address. Fortunately, there is a workaround.

1. Sign up for a new account **using the same email** you used to create your original account.
2. QuickBooks gives you the warning that you can't use the same address.
    - The workaround: before the @ symbol, **press the plus button** on your keyboard...and **then type 1**.
3. Enter the rest of your account details.



This process creates a second account with the same email address. Even though you included the plus one…or any other number, for that matter, QuickBooks interprets it as the email address without the number.

4. After creating your account, **open your settings** from the Gear menu.
5. **Change the email address** in your contact information.



6. Once you've set up your new account…
7. Log into your old account and **cancel your subscription**.

New Company File Best Practices

There are a lot of different ways to use QuickBooks. And a lot of them are correct...but...some are MORE correct than others. Here are recommendations for the best first steps to take when you create a new account.

Step 1: Check your Settings

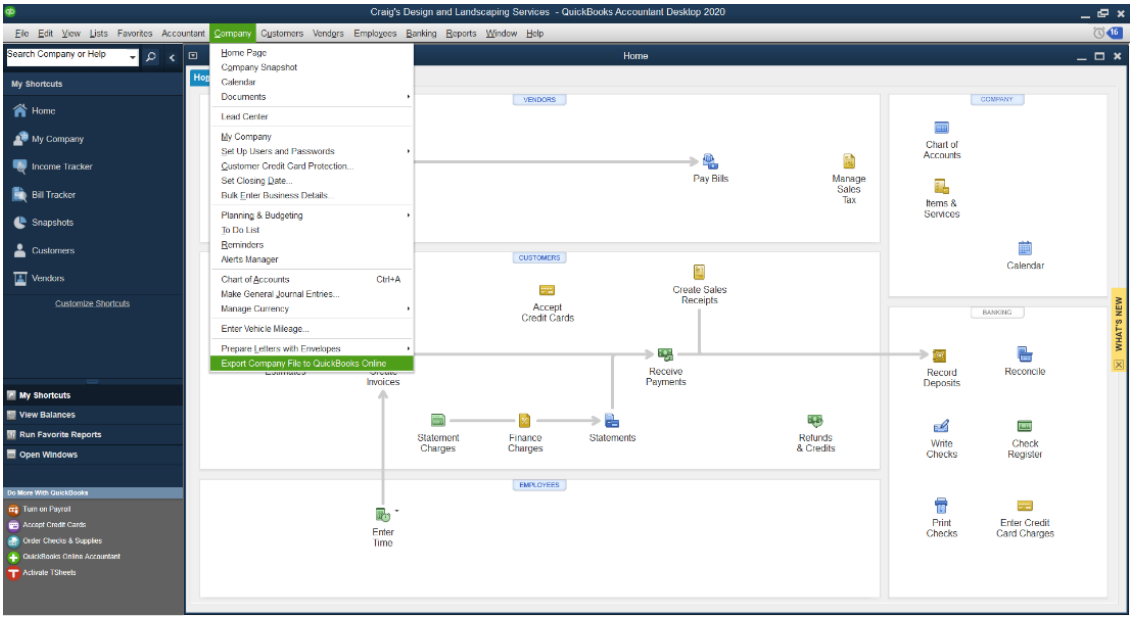
1. Select the **Gear menu**
2. Select **Account and Settings**
3. Go through each tab of settings on the left and make sure that it's set up correctly for your business. This is crucial because these settings decide what you can and cannot record on transactions later.

    - If you skip this step you might have to go back to each individual transaction you've recorded and fix them after you change your settings.

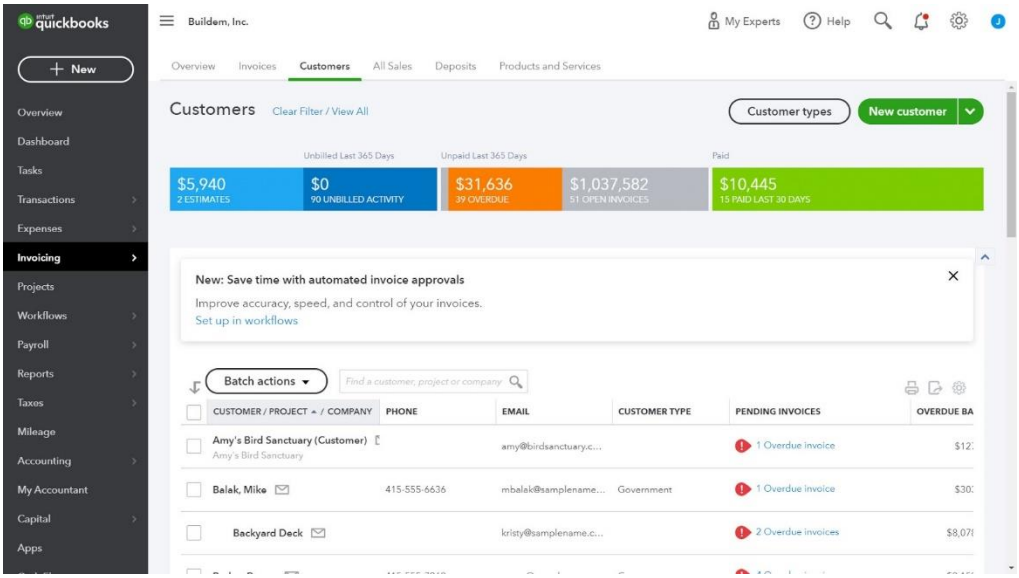
Step 2: Import Company Information

Option 1: Import from QuickBooks Desktop

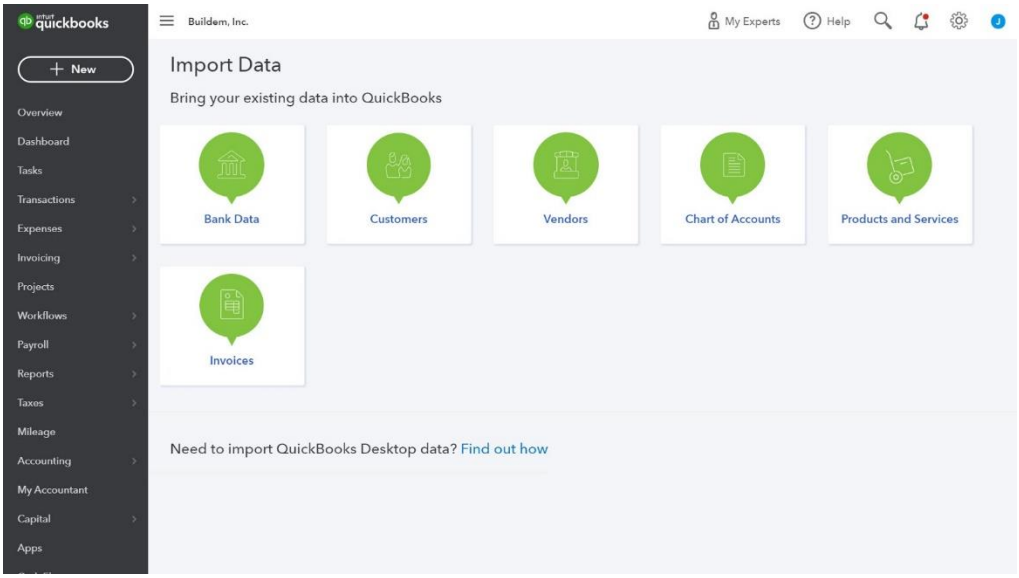
1. Within QuickBooks Desktop, click the **Company menu** and select **Export Company File** to **QuickBooks Online**.
2. Follow the onscreen instructions.



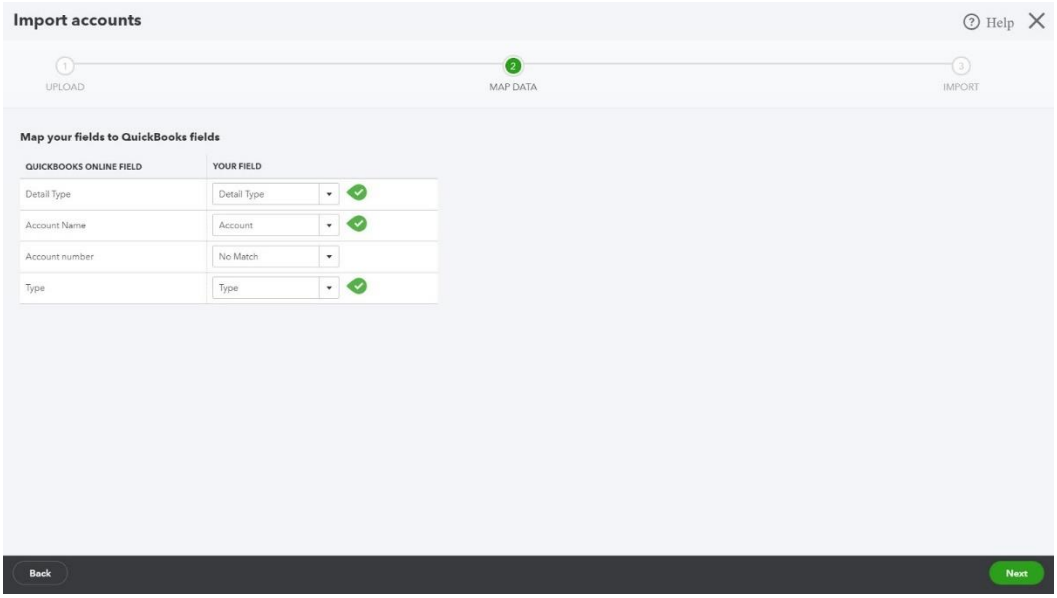
Option 2: Set Up Lists



You can set these up manually by just opening a list and then adding information for each individual customer, vendor or account. A faster way to set these up is to import them though, which you also do through the **Gear menu**. If you're going to import your lists, it's important to import them in the correct order.



1. The first list to import is the Chart of Accounts. That is because information on other lists sometimes points towards the Chart of Accounts. Note that when you import your Chart of Accounts there is no way for you to enter a beginning balance. That must be added later.



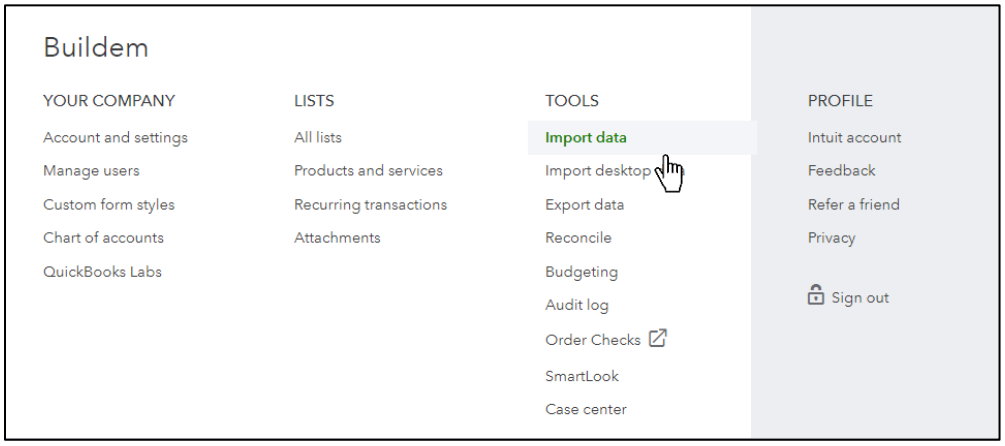
2. After you have imported your Chart of Accounts, you can import your customers, vendors and products and services in any order. Do note, however, that during this process QuickBooks gives you an option to import the opening balances for customers and vendors. While it is OK to do this, the better option is to skip it and leave all your customers and vendors' balances as zero. And that's because of the next step in the process…

3. ...record all your customers' open invoices and also all of the bills that you currently owe to your vendors. By choosing to skip the option to bring in opening balances, and instead enter the actual invoices and bills that are open, you get a lot more detail from your reports.
4. After that, it is time to set up other account balances, like bank accounts and credit cards. Usually businesses set up their accounts from the point of view of the beginning of the year. So, when they set up their Checking account's beginning balance, they choose the balance from that date. Then, every transaction that has happened from that date to today gets recorded into QuickBooks individually. You can do this through the New menu, or you can download your transactions from your bank and credit cards.

Import Lists from CSV or Excel Files

If you currently use QuickBooks Pro or Premier, your lists are imported during the conversion to QuickBooks Online. However, if you use a different accounting program, you can import lists with CSV or Excel files. Just export the lists you want to bring into QuickBooks, such as your list of customers, and use the menu below to bring them into QuickBooks.

1. Click the **Gear** menu and select **Import Data**.



Select the kind of data you want to import into QuickBooks.

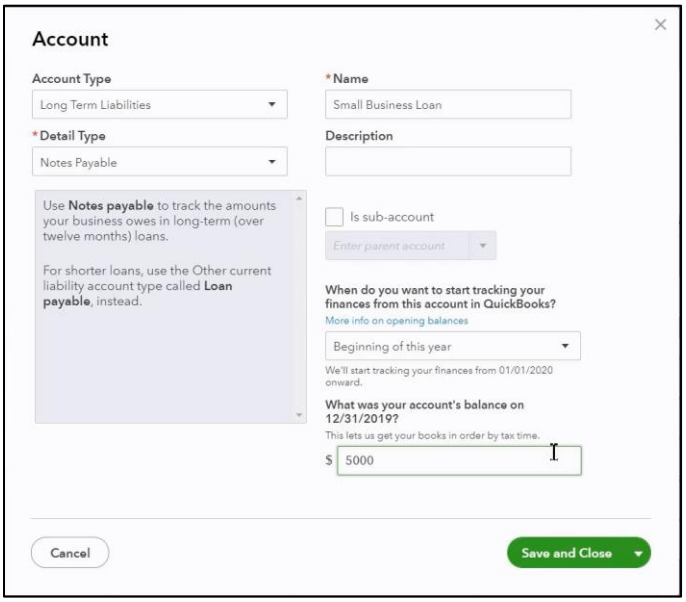
Step 3: Opening Balances Intro

This is the MOST important step if you want to run accurate financial statements because these balances form the foundation of your financial records. Your opening balances are essentially your starting point for your business in QuickBooks. They tell QuickBooks how much your business owns in assets and owes in liabilities and equity at one moment in time. Which moment in time should you choose though?

Most businesses choose to make the beginning of the fiscal year their starting point in QuickBooks, so an account's beginning balance needs to be the balance it had on that day.

- Some opening balances are easy to find.

For instance, you can find your bank and credit card accounts opening balances on the statements you receive from your bank and lending institutions. If you're starting from January 1st of the current year, just find your December statement for the previous year and look to see what the ending balance was for December. That'll be your starting balance for January and thus also your opening balance for the account.



Establishing your beginning balances for other accounts can be difficult though. Your accountant or tax preparer can help you calculate some of your opening balances. If you don't have access to these opening balances, you CAN enter only the account balances you need to get started. Then you or your accountant can add the missing account balances when you have them.

- What account balances do you "need" to get started?

Balances that affect the NEW transactions you enter in your file. These include bank account balances, customer balances, and vendor balances.

- How do you enter opening balances?

Remember, you can enter some balances as you set up new customers, and vendors. But doing so doesn't give you much control.

- There are better ways to enter these important opening balances.

The first method is to edit an account or use an account register. That works perfectly fine for most account balances because typically a bank or credit card balance will have a single balance at the beginning of the year, and you'll use that balance to get everything started.

- A single account balance doesn't tell the full story for every account.

For instance, you could enter a single number for Accounts Receivable, which is the total amount of money customers owe you. But that wouldn't be quite right, because really, each customer has their own Accounts Receivable balance. So your total Accounts Receivable is actually made up of all the individual balances from your customers.

Couldn't you then just enter the individual balances of each customer? Not so fast...because every customer's balance is made up of individual invoices, each with their own due date.

- You shouldn't just enter a single balance for A/R...or even each customer's total A/R.

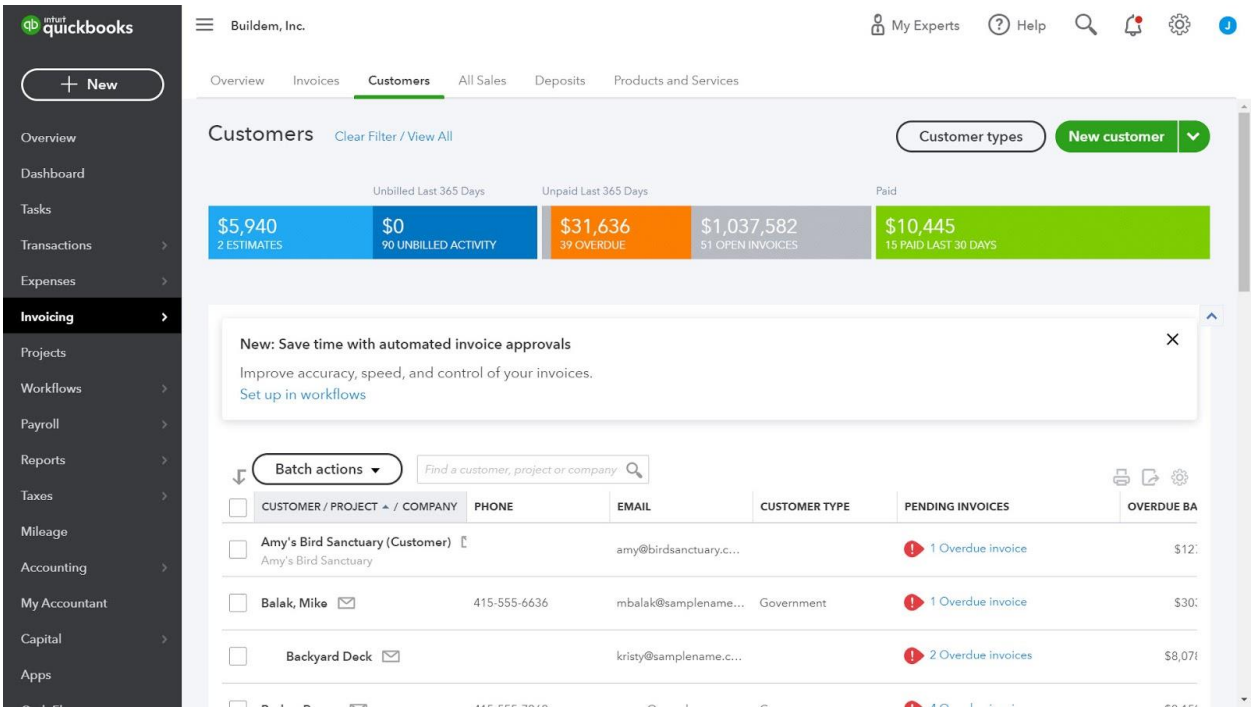
Instead, you should enter each individual open invoice. This same logic follows Accounts Payable and your balances with vendors.

- Remember, you only have to set up opening balances for asset, liability and equity accounts.

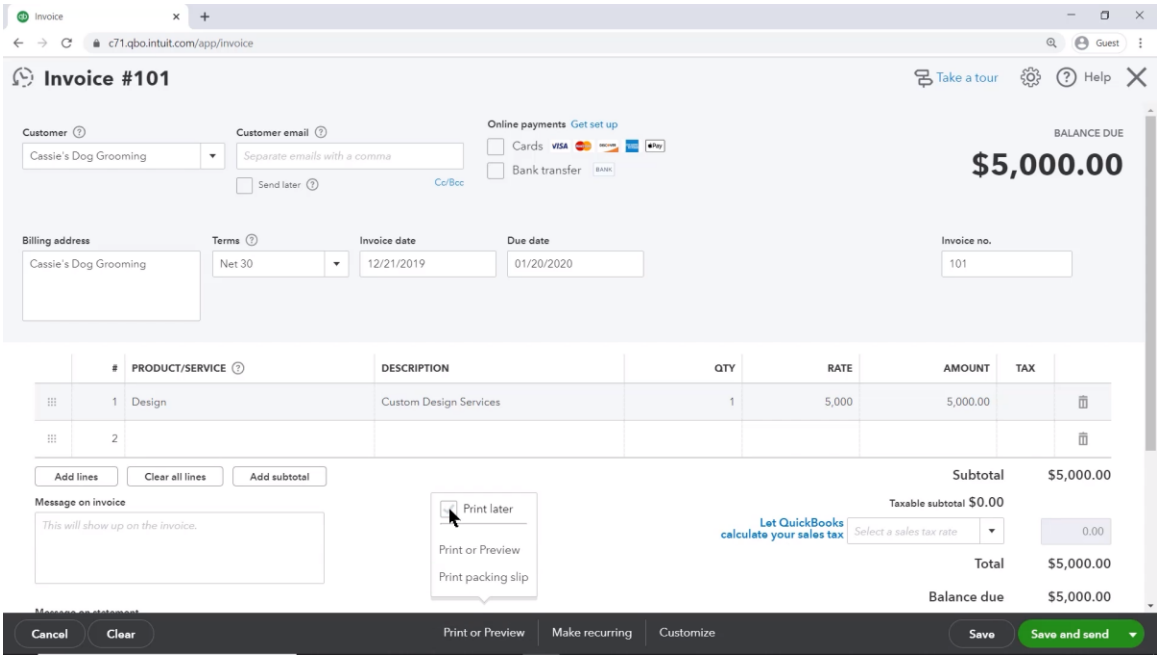
There's no option to enter an opening balance for income, cost of goods sold or expenses because their balances come from all of the transactions you record throughout the year.

Enter Customer Opening Balances

1. Select **Sales > Customers**



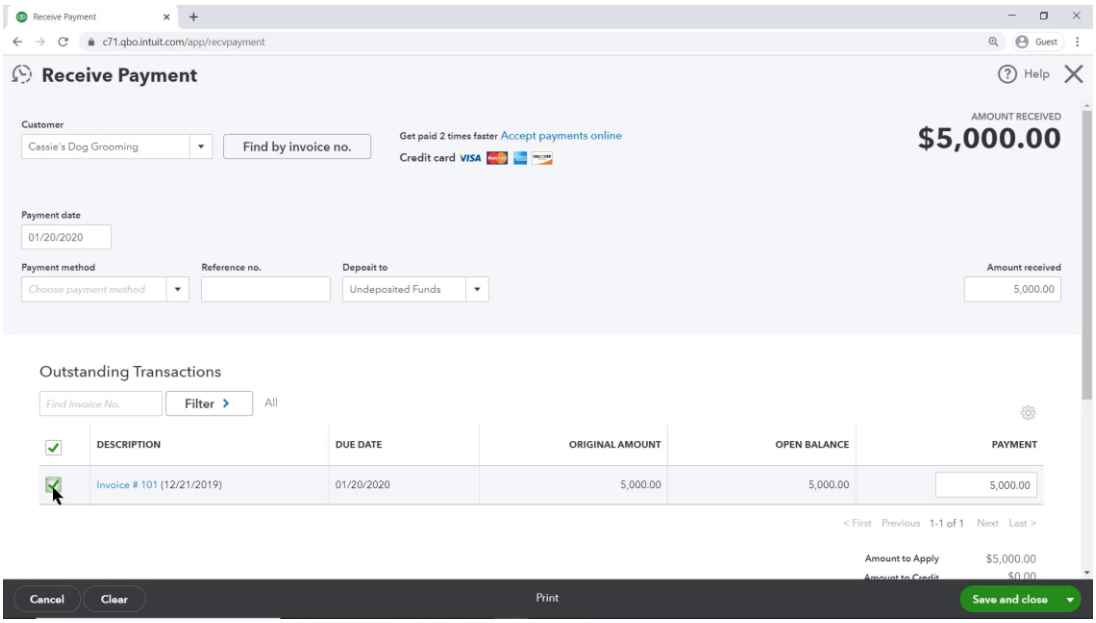
2. Select **New > Invoice**
3. Enter the Customers Name, Invoice Creation Date, Payment Due Date and Invoice Number.
4. In the **Products and Services** section enter what you billed them for.
5. Then enter the amount(s) that you charged them.
6. Click **Print or Preview** button along the bottom of the screen.



7. **Uncheck the Print Later** box and the **Send Later** box, to be sure the customer won't receive the invoice again. You just want a record of it in QuickBooks.
8. **Save** and **Close** the invoice.
9. If this customer has paid you since this established opening balance that you've just entered, you can then enter in a Received Payment transaction for this customer.

Entering in Received Payment

1. Select **New > Receive Payment**
2. Enter the Customer name, the date they paid you, and the account the funds were deposited to.



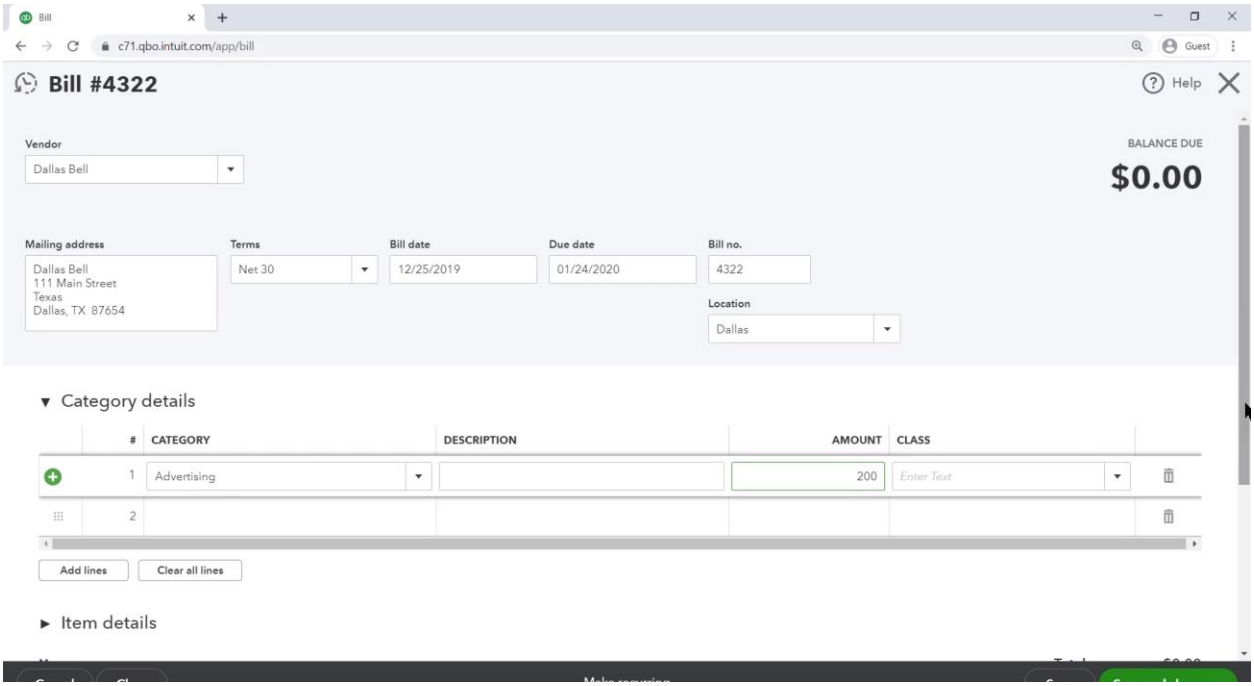
Note: If the transaction was grouped together into a lump sum deposit, you can use **Undeposited Funds** rather than a bank type account.

3. **Select the checkbox** next to the Invoice that was paid by the Customer.

Enter Vendor Opening Balances

If you enter Vendor balances when you set up a vendor, you lose details about open bills...like dates and aging information. To avoid this, use the following method to enter balances that you owed vendors at the beginning of the fiscal year, or whatever date you chose as the starting point for your business.

1. Select **New > Bill**
2. Select the **Vendor** from the drop-down list.
3. Enter the **Date** on the bill. **Note:** Even if you received the bill last year, you should still enter it if it was open at the beginning of the year.
4. Enter the reference **number** that appears on the bill.



Note: This might also be called the invoice number on the document your vendor sent you. If this vendor calls about this specific bill you can easily find as long as you enter the number.

5. Enter the **Category**
6. Enter the **Amount** of money owed on the Bill.
7. Select **Save and Close**.

Enter Inventory Opening Balances

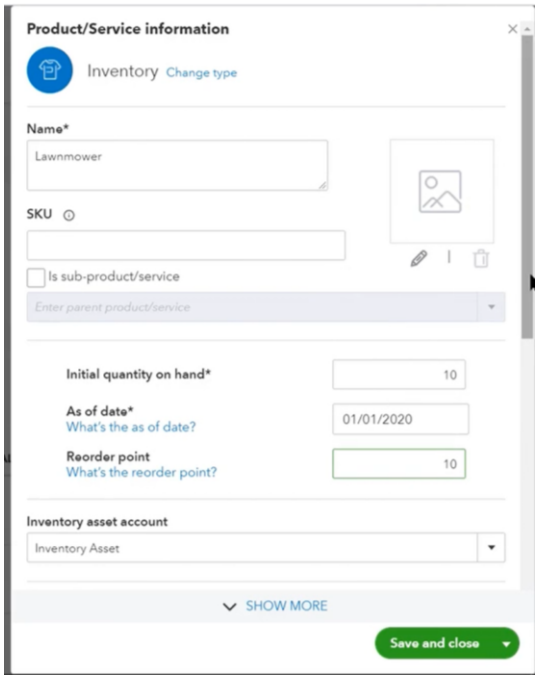
To get an accurate accounting of your inventory throughout the year, you need to record in QuickBooks how much you had at your company's starting point. Again, this is usually the beginning of your fiscal year, but if you chose a different date you would use that as your start.

1. Select the **Gear menu > Products and Services**
2. Select **New**
3. Select **Inventory** for the product or service type.

Inventory products are set up in largely the same way as other products and services, by entering their name, SKU, income account, sales description, etc.

But where inventory products differ is the quantity on hand, and their inventory asset account, which is used to track the total value of your inventory on hand.

1. Enter the **product name**.
2. Add in **SKU** #, upload a photo, and provide a Category if desired.
3. In the **Initial Quantity on Hand** field, enter the quantity on hand.
4. Enter the appropriate **As o**f date with the corresponding quantity.
5. Enter the reorder point to be reminded when to order new inventory.
6. Choose Accounts to track your **Asset Value**, **Income**, and **Cost of Goods Sold** for this Inventory Item.

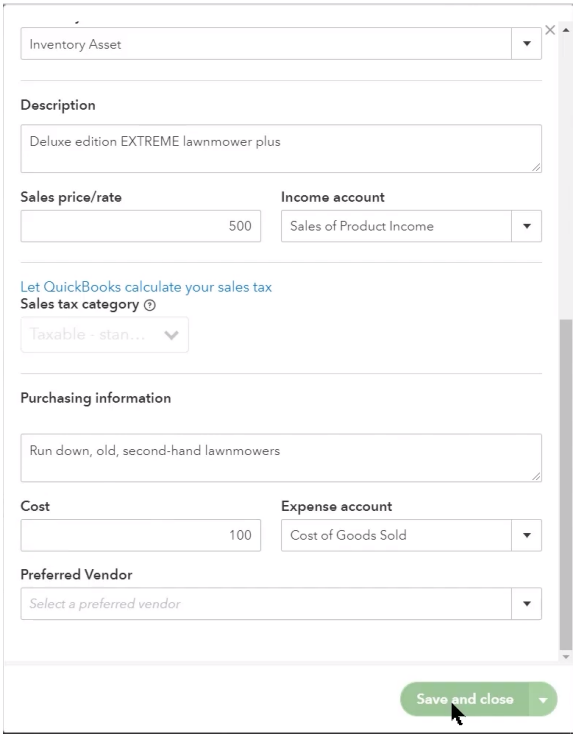


QuickBooks creates a single Asset account to track the Asset Value of your Inventory. You can choose to use other accounts if you wish. Sales Information is what customers are going to see when you create invoices, sales receipts, and other customer-facing transactions.

7. Enter in any desired Sales information in the **Description** field.

8. Enter the Sales Price/Rate
9. Enter the **Income Account** you wish to associate with this product. Change this to whatever income account works best for you.
10. If you charge sales tax on a product, select "taxable" from the drop-down list, so that QuickBooks will automatically apply sales tax when you record sales.

What you enter in the **Purchasing Information** field is what will automatically appear on Purchase Orders, Checks, Expenses, and Bill transactions.



11. Enter the **Cost**, which represents the amount of money you paid for products when you purchased it from your Vendor(s).
12. Enter the desired **Expense Account** associated with the purchase of this product.
13. Your inventory is all ready to use, so click **Save and Close**.

Step 3: Enter Transaction History

Now that you have set up balances for your company, it is time to consider what you want to get from QuickBooks, to know how to move forward. The goal of using QuickBooks is to be able to run reports about an entire fiscal year so that you can have an accurate accounting of your income, cost of goods sold and expenses when you file your taxes for that year.

So if the start of the fiscal year is our starting point...point A...and having good reports is your goal...point B. The way you get from point A to point B is to record every transaction that happened from the beginning of the fiscal year to the end.

- How do you tell QuickBooks that a transaction happened sometime in the past though?

Every transaction has a Date field. And that Date tells QuickBooks when the transaction happened. So if you're recording something that happened on the tenth of January this year, enter that in the Date field when you record the transaction.

There are two options for entering your company's transaction history.
Option 1: Enter historical transactions in sequential order.

- For example, you must enter the invoice BEFORE you enter the customer's payment. You enter bank account transactions last because the other transactions can affect your bank balance. When you finish entering all your historical transactions, your check register should be up to date.

Option 2: What if you don't have time to enter your history but want to start using QuickBooks? Enter current transactions as they occur so you do not get behind and catch up with historical transactions when time permits. However, your account balances will be incorrect (and your reports may be wrong) until you have entered all the transaction history.

- Historical transactions can be entered one-by-one or downloaded through online banking. The online banking method is definitely faster, but if you choose that route make sure that you've set up all of your beginning balances, including open invoices and bills first, because the transactions you record from the beginning of the year to today might need to be matched against those open A/R and A/P transactions.

Sign up for Online Banking

Option 1: Download Transaction History

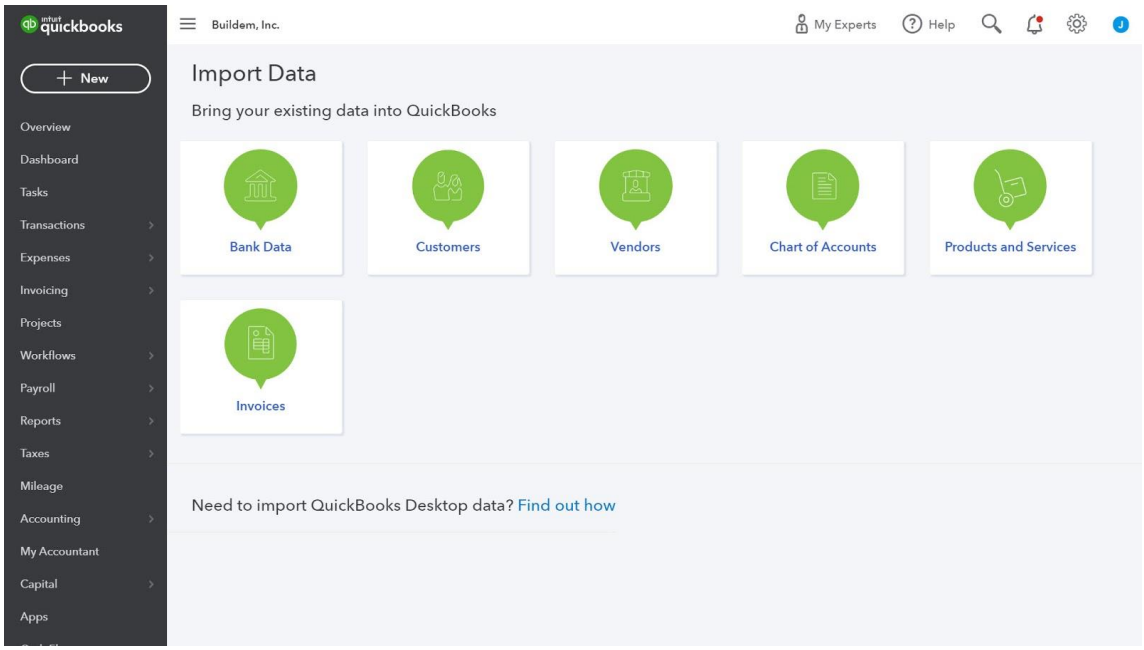
Most businesses just connect to the bank and credit card accounts so that transactions are downloaded automatically. But if your bank or credit card doesn't support this feature or if you just don't want to use it you can still upload transactions manually through files that you download from your financial institution's website.

- **Log into your** bank or credit card account's **online banking portal.**

Note: From there though it's a little hard for us to explain because every website is different. Usually, though you'll find a page that lets you enter a date range and then see all of the transactions that occurred within that range of dates. Once you've entered a range of dates you want to see you should then be able to download the transactions in a few different file types.
If your bank gives you the option to download QBO format files, download that. OFX and QFX format files also work very well. Your last resort should be CSV files. It's not that CSV files are bad...they work well, too. But the other file types are designed by Intuit, so they naturally work the best with QuickBooks

Option 2: Importing Banking Data

1. Select Gear Menu > Select Import Data.
2. Choose the **Bank Data**.
3. **Upload the file** from your bank's website and follow the screens. Before you know it, you'll see your transactions in the Banking, or Transactions, Center.



Note: You can do this later as well to update the account over time.
To do so, choose the account in the Banking or Transaction Center and then select the Upload From File button at the top right.

Chapter 3

Customizing QuickBooks

Introduction

There are a lot of ways to change how QuickBooks works for you. In this chapter we'll focus on customization settings and how they change your options when you record data. In this chapter, you will learn how to:

- Change all the settings in your company account.
- Set up different "types" of customers, so you can track your sales performance separately for each type.
- Determine if classes and/or locations would be beneficial to your business reporting in QuickBooks. These two methods divide your company's data, so you can run reports based on department, fund, or store. It's also useful if your company has multiple "doing-business-as" names.
- Set up and work with special custom field options that are only available if you use QuickBooks Online Advanced.

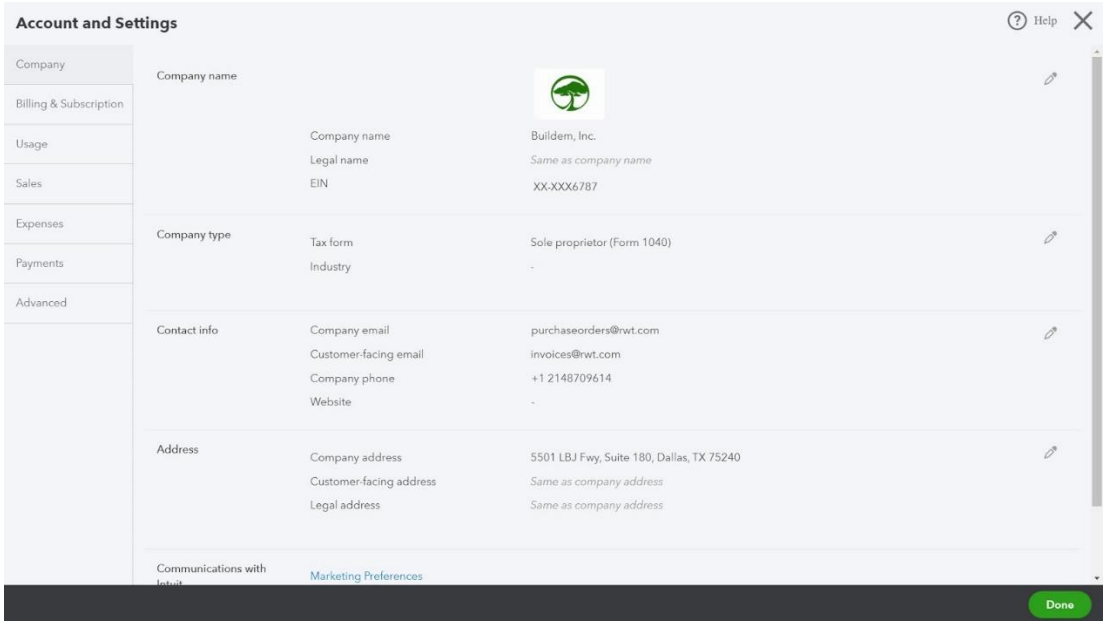
Account and Settings

The settings for your company…

- Determine what you can and can't do with QuickBooks.
- Set up many of your defaults, including what customers see as your contact information on all of the forms you send them, this is a very important part of your communication to customers, so much so that we recommend setting them up before recording any transactions.

Company Settings

The Company Settings screen is where you enter basic information about your business, like your contact and tax information. This info is used when you communicate with customers and vendors from QuickBooks.



1. Select the **Gear Icon > Account and Settings**

Let's start with **your Logo**.

- Select the logo box to upload your company's logo. After you upload it, QuickBooks automatically adds it to invoices or other forms that you email or print for your customers, like statements.

This is also where you can change your **Company Name**, which shows up on printed or emailed sales forms and purchase orders.

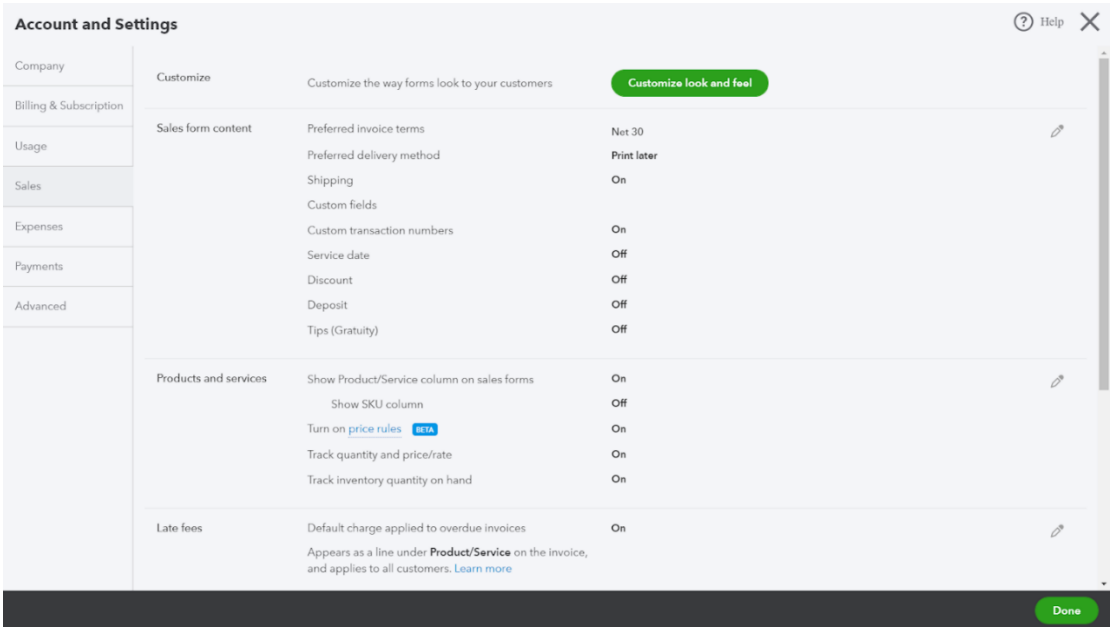
- If your legal name, which appears on tax forms, is different, uncheck the "Same as company name" box and enter the legal name for your company. This way, your customers can see one name, but your legal information is still captured on official documents in QuickBooks.

The last part of this section lets you enter your Federal Employer Identification Number or Social Security Number.
In the **Company Type** section, you choose the tax form you use when filing your yearly taxes (if you are unsure ask your accountant).
And you can also record what **Industry** your business is in.
Entering your **contact information** helps customers get in touch with you.

- If your **company email** ever changes, just change it in the company email field. When you send something to your customers, it will usually include your company email. But if you have a different email your customers should use to contact you, uncheck the box and enter the email address in the **Customer-facing email** field.
- If you enter your **company's phone number** and **website** on this page, you can include that information whenever you communicate with customers or vendors.
- Your **company address** is important, because QuickBooks uses it to calculate taxes, like the sales tax you charge customers or your state payroll taxes. It's also usually included whenever you send a sales form or purchase order.

  If you want customers to send payments or write back to you at a different address, again uncheck this checkbox...and enter your customer-facing address. You can also have a different address that's used whenever you file your taxes.

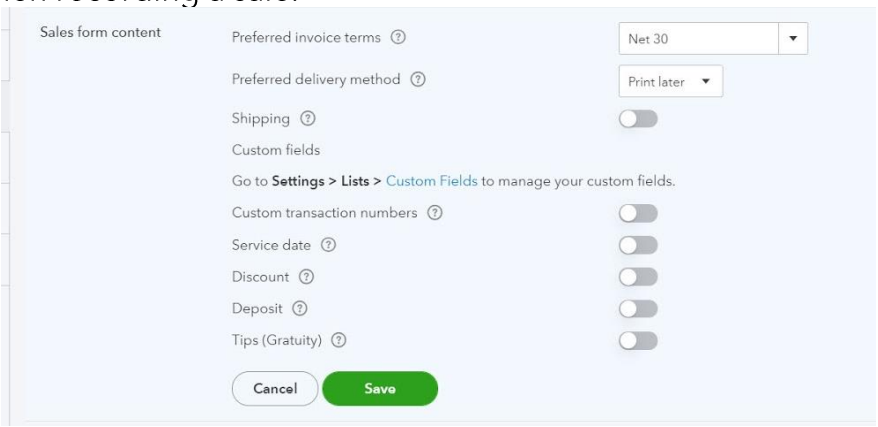
Sales Settings



1. Select the **Gear Icon > Account and Settings**
2. Select **Sales**

Just like in previous settings screens, you need to click each section to see it in more detail.

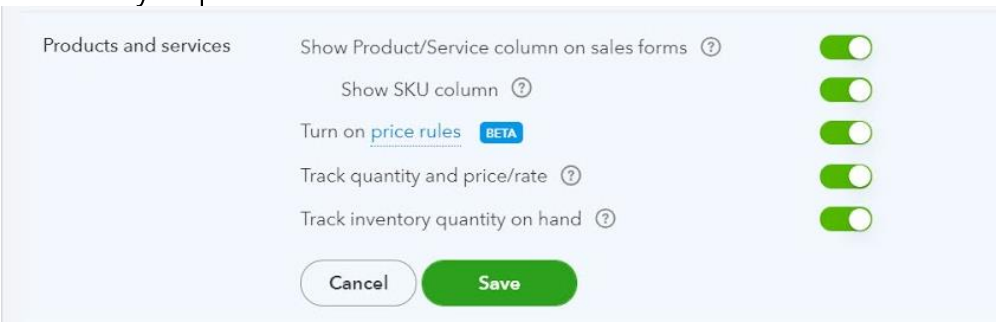
The top button, **Custom Form Customization**, allows you to change what your sales forms look like when they are sent to customers.
Sales form content. Select any of these options to start tracking additional information when recording a sale.



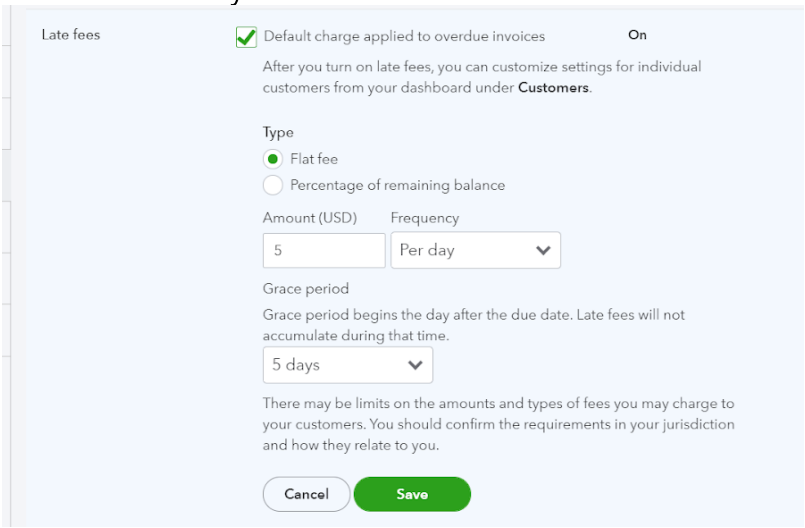
- If you charge customers for shipping, or track shipping addresses, toggle the **Shipping** option. Not all businesses need to track all this information, so these settings are not on by default. Make sure you are tracking everything you need to get the most out of your sales data.
- If you always give all your customers the same number of days to pay their invoices, enter those default terms in the **Preferred invoice terms** field.

- Or if you want to print or email your sales in a batch after recording them, choose a **Preferred Delivery** method from the drop-down list.

The **Products and Services** section allows you to choose how to track the things you sell or the services you provide.



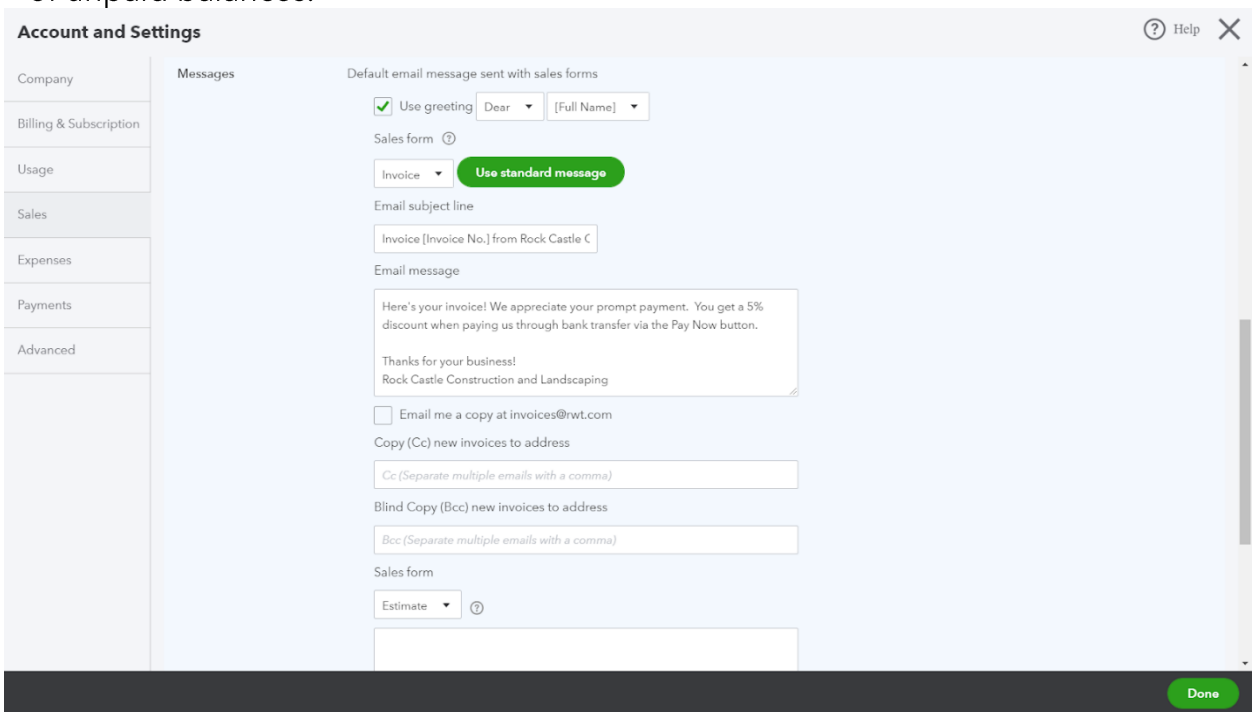
- To keep track of specific information, like a **Stock Keeping Unit (SKU)**, toggle the option on.
- If you keep an inventory of products and track quantities in QuickBooks, toggle the last option. This feature, to **track inventory quantity on hand**, is only allowed in QuickBooks Online Plus and Advanced. You can skip this if you only sell services.
- **Price rules** lets you set up automatic price changes based on the date of the sale or the type of customer you are charging.
- **Late fees** help you to automatically charge customers a fee if they pay an invoice late.
  - **Note**: Late fees are only calculated on new invoices, it will not affect any existing transactions or any that are over 6 months overdue.



- Make sure you turn on the **Progress Invoicing** feature if you create estimates for customers, then charge them in intervals for the work as it gets completed.
- You can also personalize your communications with customers.

Use the **Messages** section to customize your emails to customers.

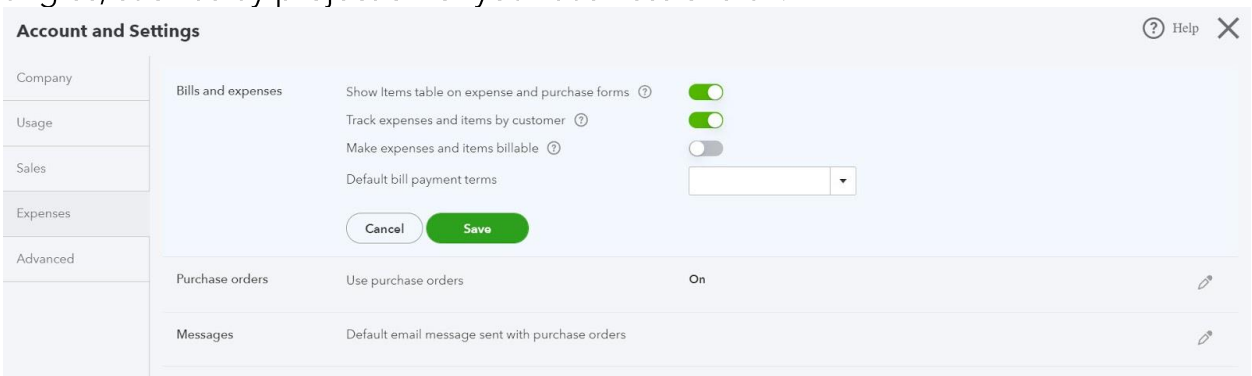
- Check the "email me a copy" box, if you'd like to receive a copy of messages you send to your customers.
- You can also change the email QuickBooks sends to customers to remind them of unpaid balances.



The **Delivery Options** let you choose how much detail to include on emailed invoices and sales receipts...and whether or not you include a pdf in your emails.
In the **Statements** section, you can choose whether or not to list each product and service they've been charged for...and whether or not to include how overdue they are on old invoices.

Bills and Expense Settings

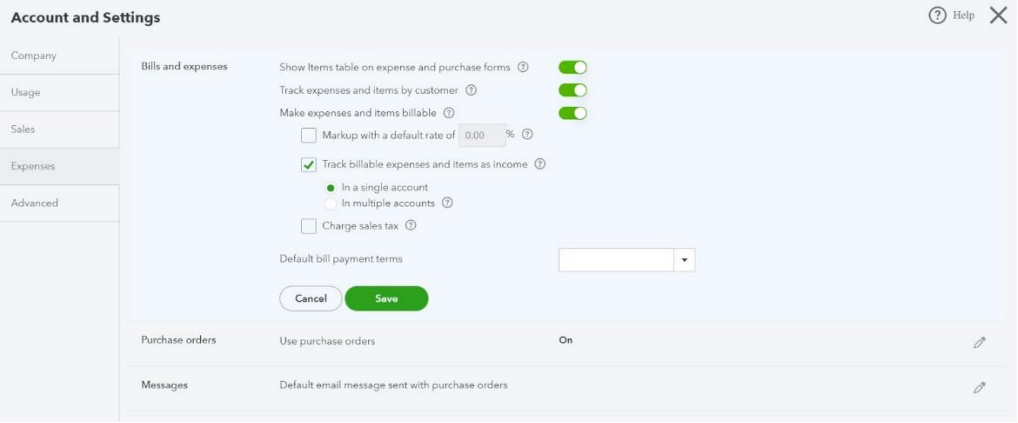
QuickBooks has some great features to help you keep track of your expenses. Let's go over the options and settings that help you see your profitability from different angles, such as by project or for your business overall.



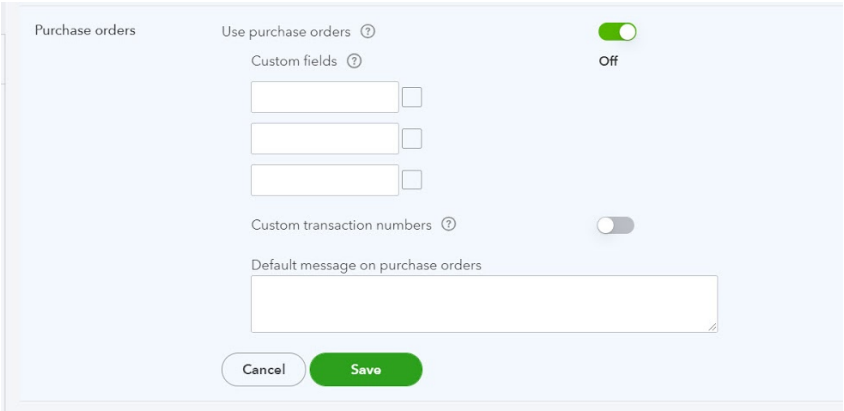
1. Select the **Gear icon > Account and Settings**
2. Select **Expenses**

- **Show the Item Table** on expenses only if you need to use QuickBooks to manage your inventory and want to mark an expense, bill, or check as an inventory purchase.
- **Track Expense and Items by Customer** is a great feature if your business works on a project basis. It lets you measure the profitability of your customers and projects.\

Make your Expenses Billable: This feature allows you to charge customers for expenses related to the work you are performing for them. If you want to charge customers a **markup on expenses**, toggle this setting and enter your default markup rate. **Note**: You can change this later when recording the expense.

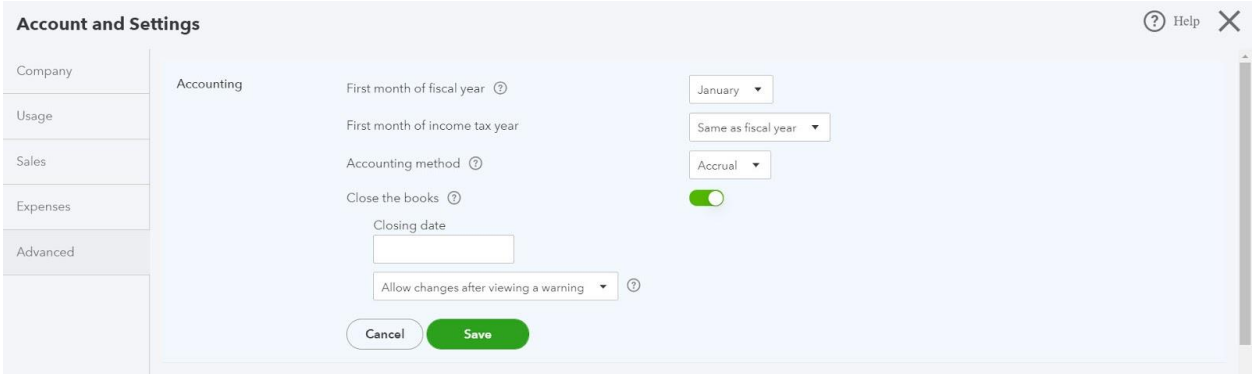


- By default, when customers repay you for expenses, those expenses are tracked as income, so that you can see both the reimbursement and the original expense on your statements. By unchecking the box, QuickBooks will then track it all with the **same expense account**.
- If you charge sales tax on billable expenses, check this box.
- **Default Bill Payment Terms**: If most of your vendors give you the same amount of time to pay bills, use this field to choose the most common Terms.
- **Purchase Orders**: This lets you send orders to your vendors.



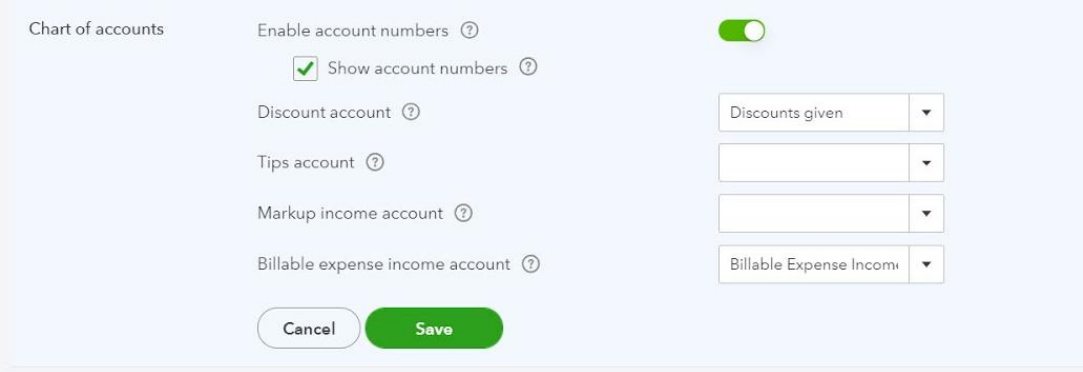
Advanced Settings

1. Select **Gear icon > Account and Settings**
2. Select **Advanced**



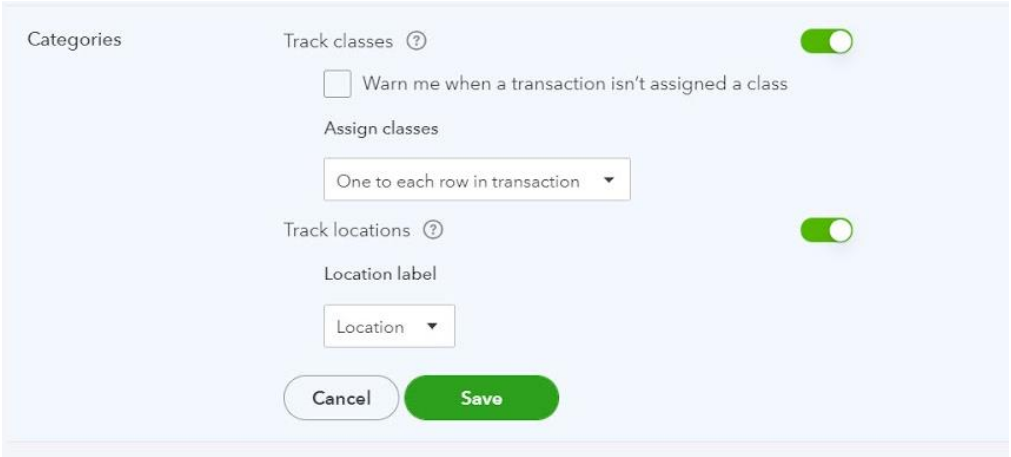
- **Fiscal Year**: If your fiscal year doesn't start in January, you can change it here. You can also set the first month of your income tax year, as well as the accounting method you use to run reports and file taxes.
- **Close your Books**: Closing your books prevents users from making changes to any transactions or accounts prior to the closing date. This is important because you used those exact numbers when you filed your taxes.
- **When is your closing date?** After you file your taxes, most businesses set the last day of the previous fiscal year as their closing date.

Chart of Accounts



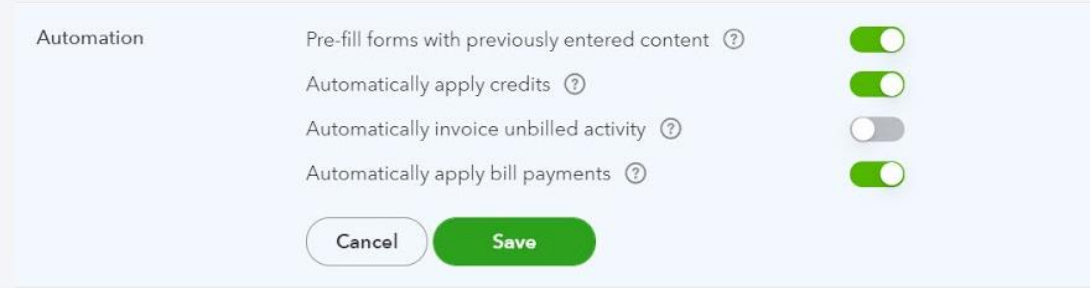
- **Enable Account Numbers:** This feature, when turned on, allows you to assign numbers to accounts. The show account numbers will show the numbers on transactions and reports. When using an account on a transaction you can quick fill using the number or the account name.
- **Discount, Tips, Billable Expense Account:** You can assign accounts that QuickBooks uses for these different transaction related items. Default accounts are present in your QuickBooks account, but these can be changed if desired.

Classes and Locations



- **Classes** lets you divide your income and expenses between different parts of your business. You can assign classes to entire transactions...or split transactions so that they affect multiple classes.
- **Locations** can be used in situations where your business has multiple office buildings (for example), you can track them with locations, and even set up separate sets of contact information for each location.
- These settings let you track profitability by departments, groups, orgs, funds, locations or anything else you want to track. QuickBooks can also warn you when you don't enter a class on a transaction.

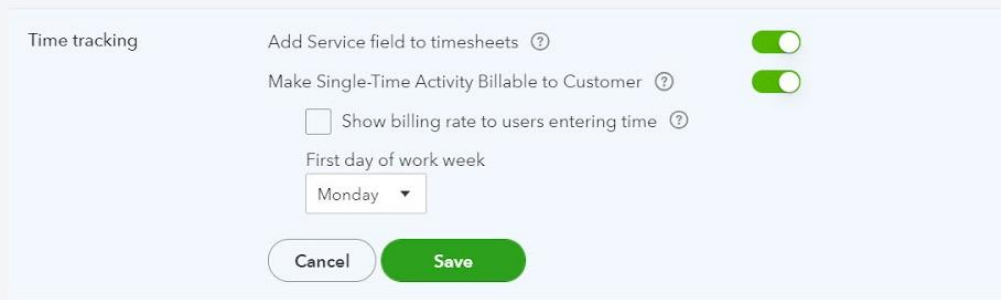
Automation



- **Pre-fill forms with previously entered content:** This feature can help you save time by automatically filling in transactions based on the last money out type transactions for that customer, vendor or employee.
- Other Automation features include
    - Apply credit memos to open invoices
    - Automatically invoice for unbilled activity
    - **Automatically apply Bill Payments**: The last setting in this section only applies if you enter transactions directly to the bank or credit card registers. With this turned on QuickBooks attempts to apply money out transactions with open bills from the selected payee.

Projects: This enables a whole new section in QuickBooks with features specifically designed to help you manage and determine the profitability of your projects.

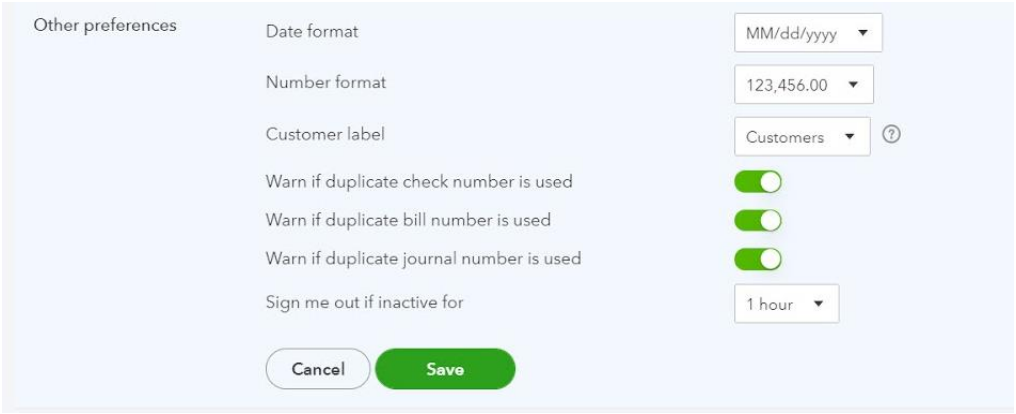
Time Tracking



- Toggle on **Add service field to timesheets setting** if you want to track which specific services your team performed when working for a client. This adds a field to timesheets that allows you to input the services from your Products and Services list and associate it with specific time worked.
- **Make Single-time Activity Billable to Customer**: You can also let your employees and vendors see how much you charge clients for their work if you select this checkbox. You also have the option to change the first day of the work week to a different day.
- **Multicurrency**: Turn this feature on if you do business with customers, vendors or bank accounts that use different currencies.

Other Preferences

- Date and Number format
- **Change how QuickBooks refers to customers.** This is handy if you would rather refer to customers as Donors, Clients, or anything else you see on this list.
- **Turn on warnings for duplicate numbers.** This helps to ensure that you don't enter the same bill, check or purchase order twice.
- **Sign me out if Inactive:** Choose how much inactive time elapses before QuickBooks logs you out.



Customer Type

If you want to measure the performance of different "types" of customers, or you want to change the price of products and services based on the type of customer, those are things that you can do in your QuickBooks Online account. If you're a company that sells products, you may want to set a specific price for retail customers that is different from wholesale customers. This is also possible in QuickBooks Online.
The first step to achieve both of these goals, is to set up and assign customer types. Then you'll be able to run reports specific to those new customer types.

Set Up and Assign Customer Type

1. Select **Sales> Customers**

Select the **Customer Types** button in the right corner.

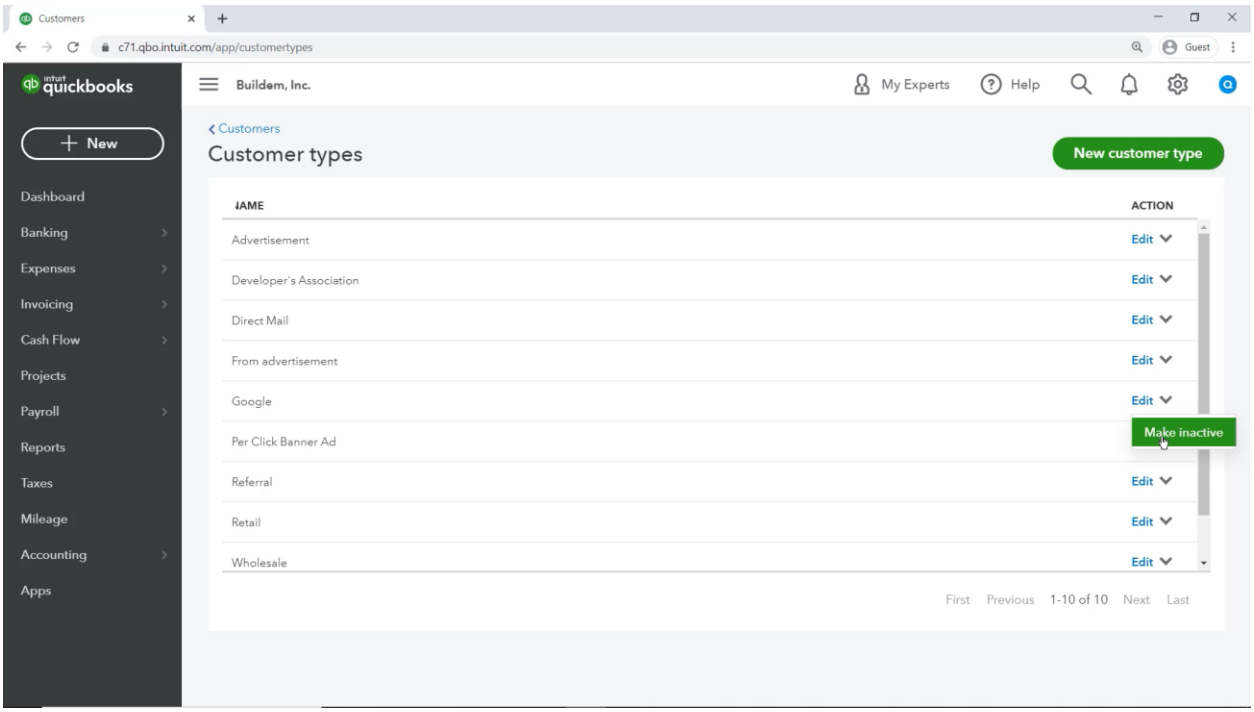
Note: The customer types are determined entirely by you, so just set up the types of customers that make sense for your business.

2. Select the **New Customer Type** button
3. Enter the **Name** that you want to categorize these customers by.
4. Select **Save**.
5. Now your can assign your newly created Customer Type to your Customers.
6. From the Customer List, select the customer you want to assign a type to > select **Edit**.
7. Select the **Additional Info** tab> Assign the customer type here.

Assigning Customer Type in a Batch

1. From the **Customers List**, select the checkbox beside the customers you want to assign a type to.
2. Select **Batch Actions > Select Customer Type**
3. Choose the type to assign to them.

Editing Customer Type



4. To change a customer type "name," select **Edit.**
5. Select the drop-down arrow and remove the Customer Type from the list by selecting "**Make Inactive**."

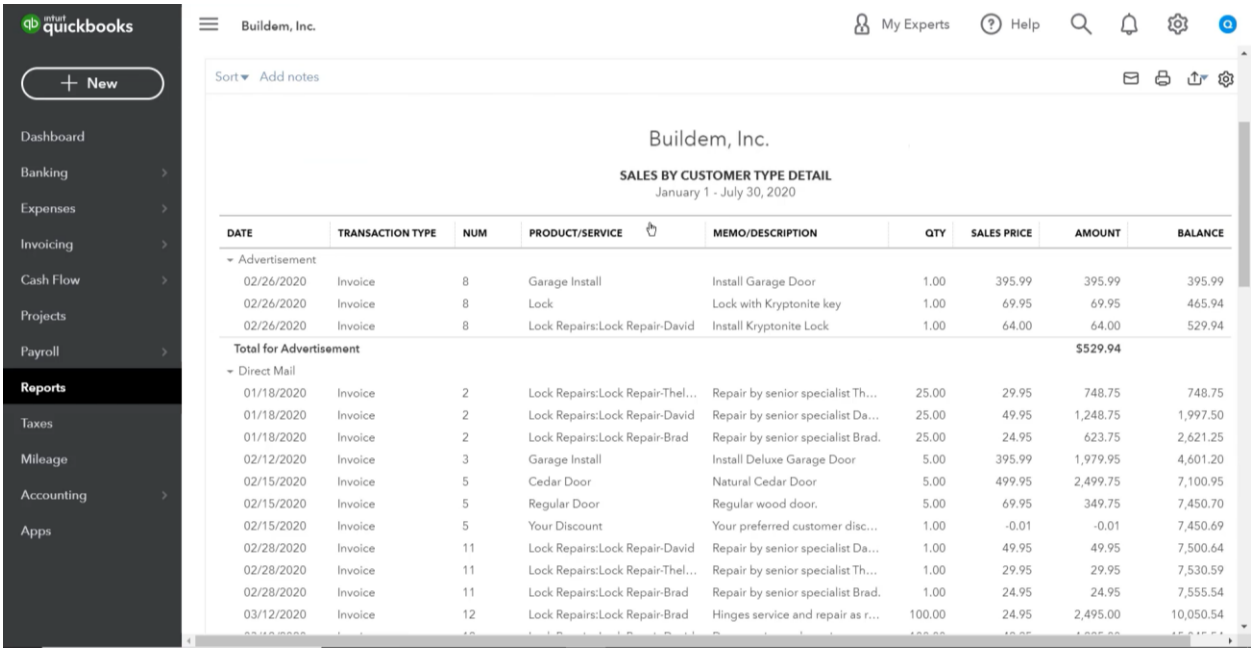
Run Customer Type Reports

Now that you've set up customer types, you can run a special report.

6. Select **Reports**
7. Search for **Sales by Customer Type** > Click to open the report
8. Run this report for **This Year-to-date**> click **Run Report**.

- This report displays all of your company's sales over the selected date range and groups them by Customer Type. You also get a total for each customer type.

Note: The Customer Type is used as the "**Group by**." Change the Group by on nearly any Detail type report to change how it groups your data.



DATE	TRANSACTION TYPE	NUM	PRODUCT/SERVICE	MEMO/DESCRIPTION	QTY	SALES PRICE	AMOUNT	BALANCE
Advertisement								
02/26/2020	Invoice	8	Garage Install	Install Garage Door	1.00	395.99	395.99	395.99
02/26/2020	Invoice	8	Lock	Lock with Kryptonite key	1.00	69.95	69.95	465.94
02/26/2020	Invoice	8	Lock Repairs:Lock Repair-David	Install Kryptonite Lock	1.00	64.00	64.00	529.94
Total for Advertisement							$529.94	
Direct Mail								
01/18/2020	Invoice	2	Lock Repairs:Lock Repair-Thel…	Repair by senior specialist Th…	25.00	29.95	748.75	748.75
01/18/2020	Invoice	2	Lock Repairs:Lock Repair-David	Repair by senior specialist Da…	25.00	49.95	1,248.75	1,997.50
01/18/2020	Invoice	2	Lock Repairs:Lock Repair-Brad	Repair by senior specialist Brad.	25.00	24.95	623.75	2,621.25
02/12/2020	Invoice	3	Garage Install	Install Deluxe Garage Door	5.00	395.99	1,979.95	4,601.20
02/15/2020	Invoice	5	Cedar Door	Natural Cedar Door	5.00	499.95	2,499.75	7,100.95
02/15/2020	Invoice	5	Regular Door	Regular wood door.	5.00	69.95	349.75	7,450.70
02/15/2020	Invoice	5	Your Discount	Your preferred customer disc…	1.00	-0.01	-0.01	7,450.69
02/28/2020	Invoice	11	Lock Repairs:Lock Repair-David	Repair by senior specialist Da…	1.00	49.95	49.95	7,500.64
02/28/2020	Invoice	11	Lock Repairs:Lock Repair-Thel…	Repair by senior specialist Th…	1.00	29.95	29.95	7,530.59
02/28/2020	Invoice	11	Lock Repairs:Lock Repair-Brad	Repair by senior specialist Brad.	1.00	24.95	24.95	7,555.54
03/12/2020	Invoice	12	Lock Repairs:Lock Repair-Brad	Hinges service and repair as r…	100.00	24.95	2,495.00	10,050.54

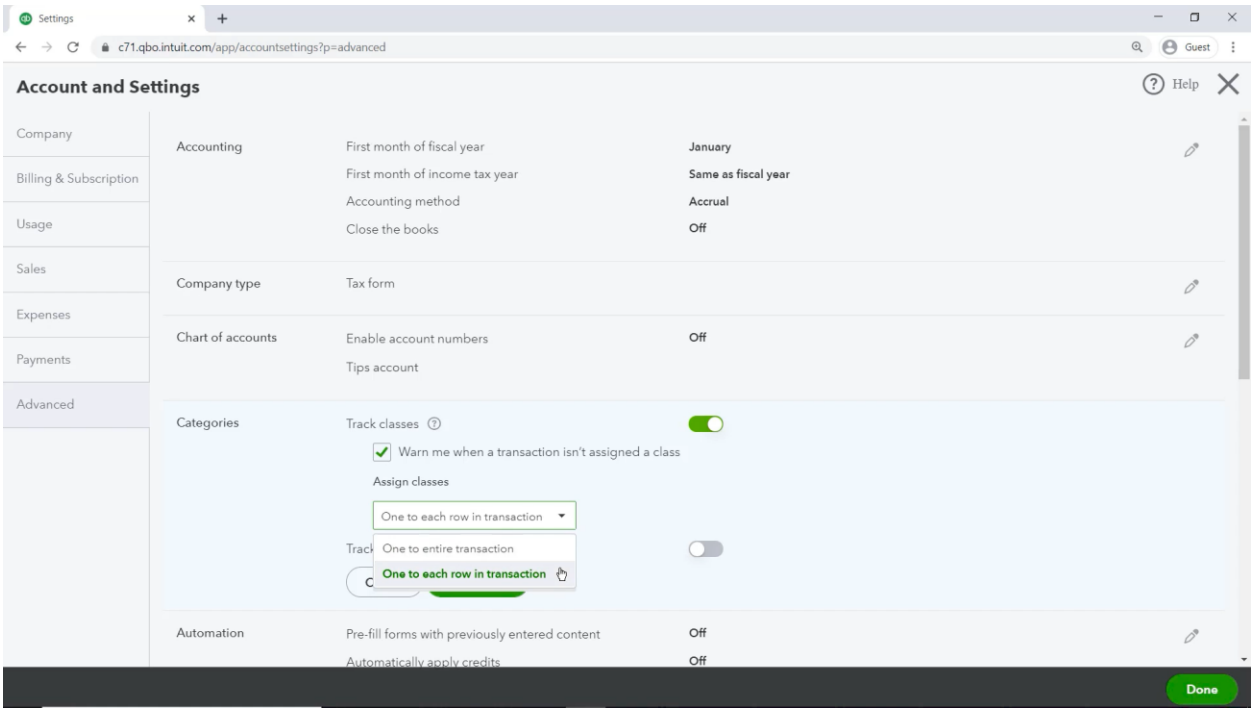
Classes

QuickBooks offers a powerful tool called classes. Classes allow you to track how individual offices, departments, locations, or even employees, for example, are doing in your business.

Turn on and Set Up Classes

To get started, you must turn this feature on, in your Account and Settings.

1. Select the **Gear** icon > select **Account and Settings> Advanced** settings.
2. In the **Categories** section, click to activate **Classes**.

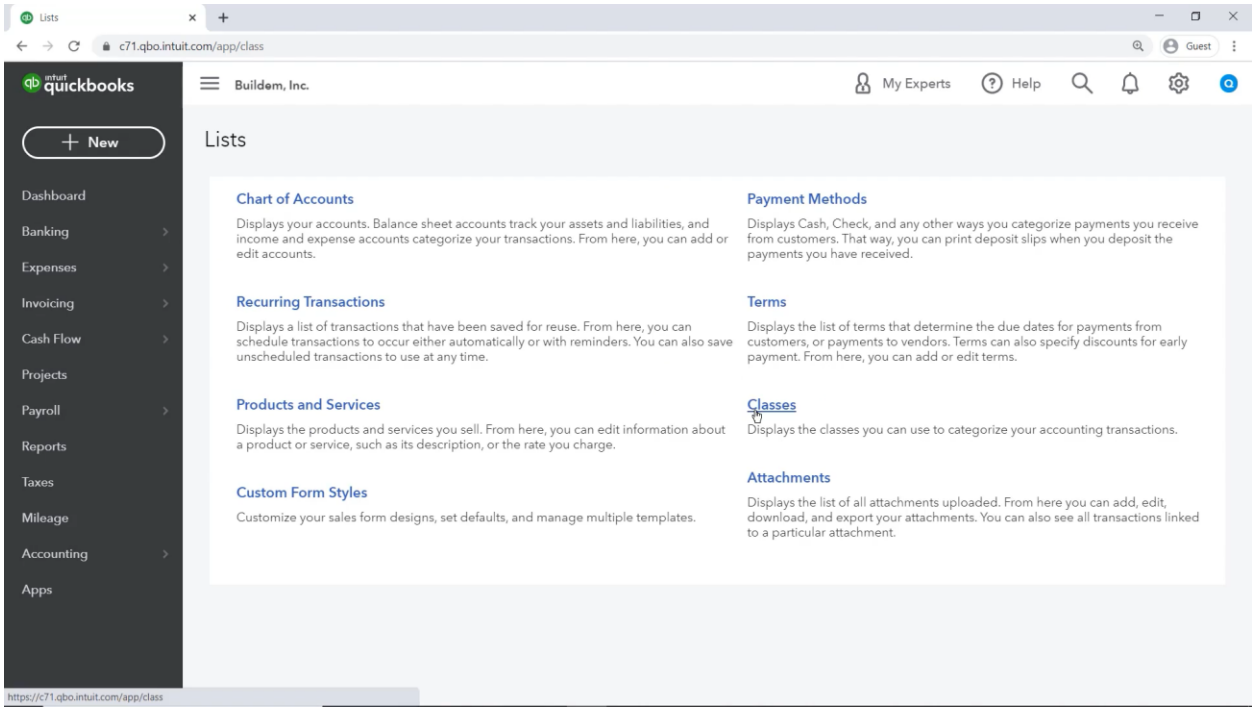


- Since classes are a way for you to track different departments or funds within our business, you probably want every transaction to have a class, or multiple classes, assigned to it. QuickBooks gives you a helping hand with this option, "**warn me when a transaction isn't assigned a class**." QuickBooks issues a warning when transactions are recorded without a class. This is a great option because the class is often the easiest part of a transaction to forget.
- Choose whether you want the class to apply to entire transactions or pick and choose on a line-by-line basis.

3. Select **Save and Done.**

Set up Class Lists

4. Select **Gear icon > All Lists**
5. Select **Classes > New**
6. Create any desired Classes > click **Save.**



Now that you've set up your classes, they can be added to transactions. Be aware that when you set up a class you can make it a sub-class of another class. This works in the same way as sub-accounts on the Chart of Accounts.

Record Class on a Transaction

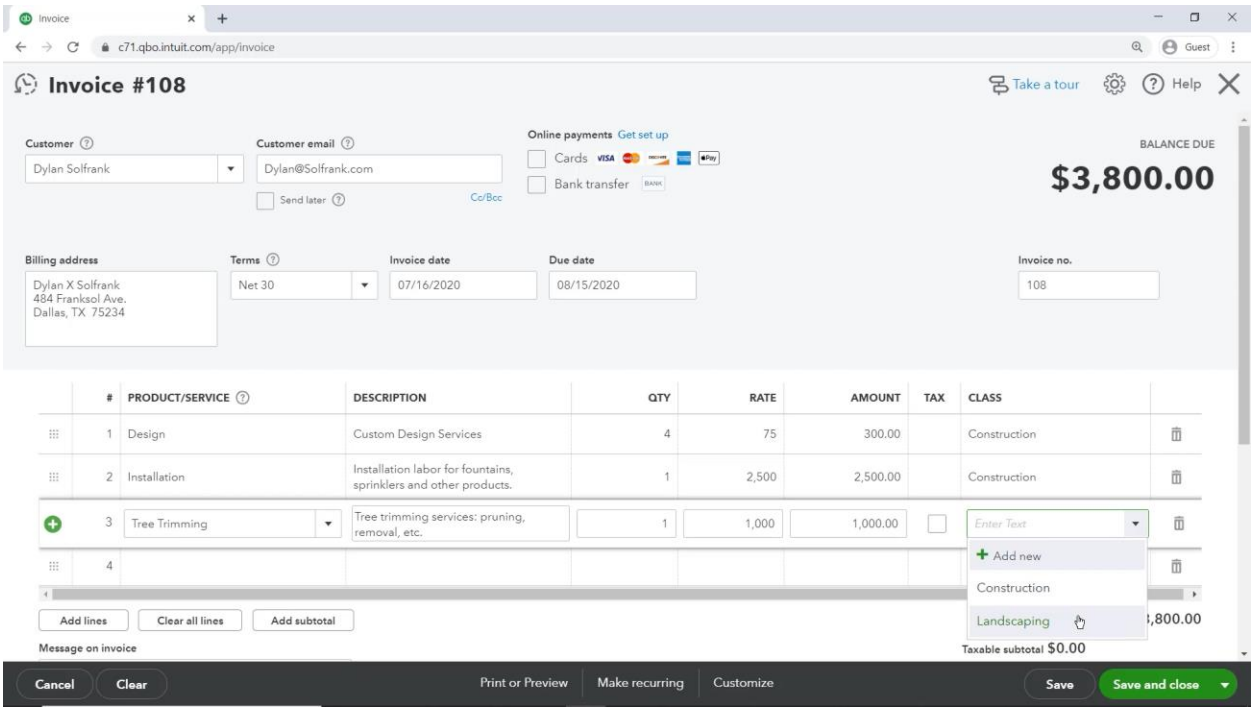
Class on Sales Transaction

We will enter this new Class on a sales form, we will use an Invoice as an example.

1. Select **New+** > **Invoice**
2. Enter Sales details include the Customer, Invoice Date, Product / Service detail(s) and the amount due from the customer.

Each of these products and services are linked to income accounts that will increase by these amounts on the Profit & Loss statement, but when utilizing classes on this transaction, you'll be able to like the Class (department, location, employee, etc.) to the transaction as well.

3. In the **Class** column select the drop-down arrow and choose the Class that is associated with the product/service on this line of the Invoice.



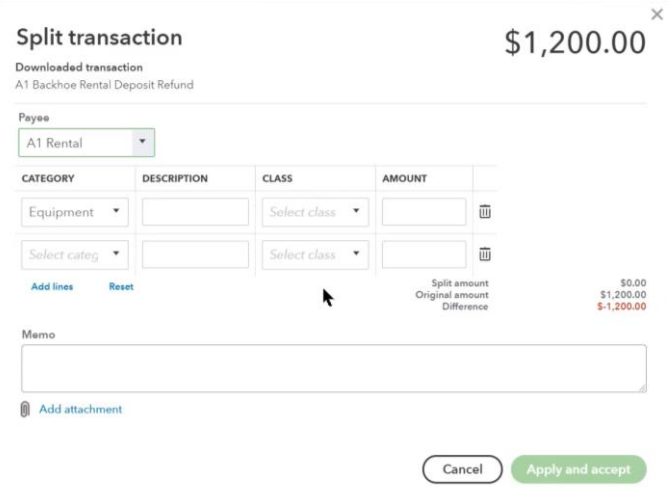
Note: Either use the same class, or a different class on each line as needed.

4. Select **Save and Close.**

Class on Expense Transaction

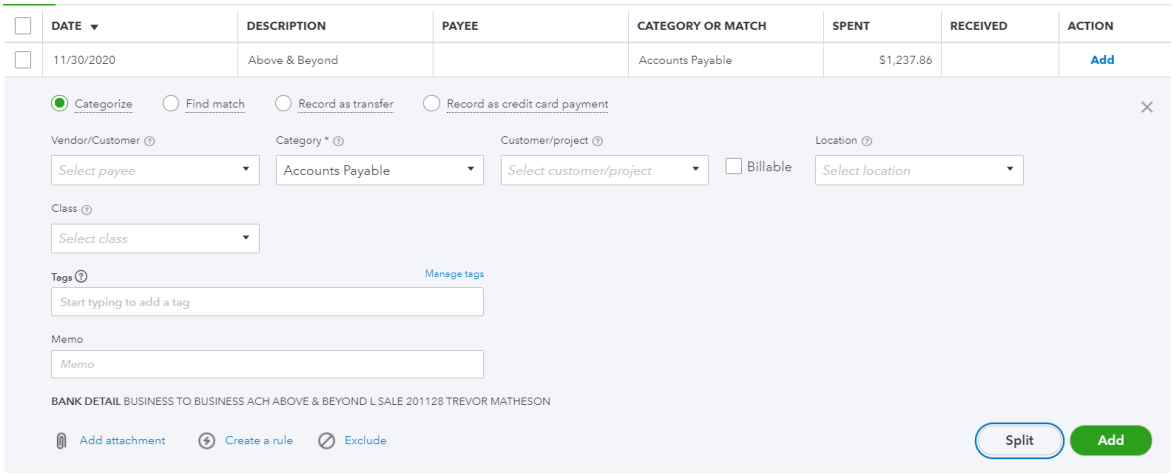
Recording Class in Online Banking Center

1. Select **Banking (or Transactions**) on the left-hand navigation bar.
2. Click **Banking**
3. Click on an expense transaction in your online banking center, to view additional details needed on the transaction. Be sure to enter in the details include **Payee**, and Expense Account in the **Category** field, and **Class** is also listed here.



Note: If you need to split an expense transaction into multiple classes, select the Split icon. This will expand and provide the ability to assign multiple classes to a single transaction.

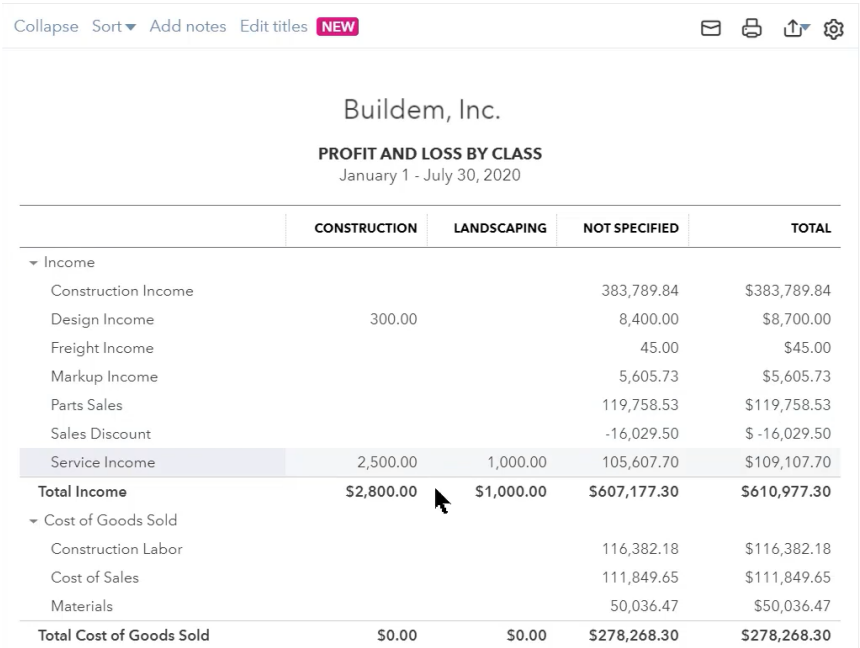
4. Select **Add** to create the expense transaction and apply the **Class** detail(s).



Class Reports

When running reports, in the Reports window, search, in the toolbar for the terms "by Class" to view all reports that can be run which will explicitly show classes associated with your transactions.

- Select **Reports** > **Profit and Loss by Class** to view income, cost of goods sold and any expenses for a class. You can also see the profit, or net income, for each class.

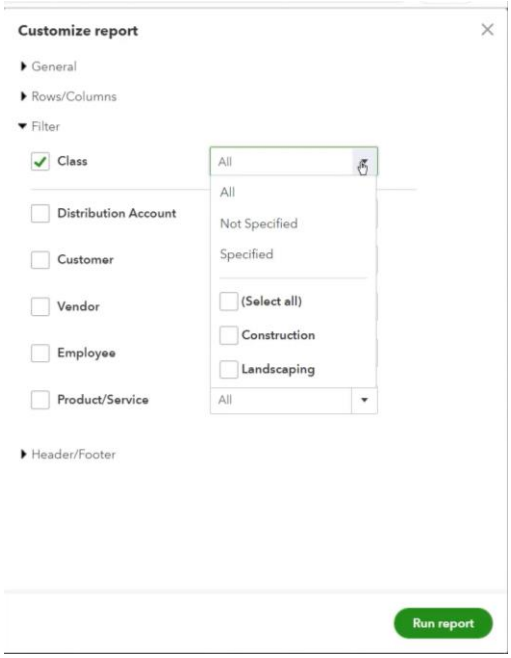


	CONSTRUCTION	LANDSCAPING	NOT SPECIFIED	TOTAL
Income				
Construction Income			383,789.84	$383,789.84
Design Income	300.00		8,400.00	$8,700.00
Freight Income			45.00	$45.00
Markup Income			5,605.73	$5,605.73
Parts Sales			119,758.53	$119,758.53
Sales Discount			-16,029.50	$ -16,029.50
Service Income	2,500.00	1,000.00	105,607.70	$109,107.70
Total Income	**$2,800.00**	**$1,000.00**	**$607,177.30**	**$610,977.30**
Cost of Goods Sold				
Construction Labor			116,382.18	$116,382.18
Cost of Sales			111,849.65	$111,849.65
Materials			50,036.47	$50,036.47
Total Cost of Goods Sold	**$0.00**	**$0.00**	**$278,268.30**	**$278,268.30**

Note: Any transaction listed in the "Not Specified" column, are transactions not associated with a class. To remove transactions from this section, you will need to return to the historical transactions and assign a class to each one.

If you'd rather view details about a particular class, instead of every class, you'll be able to do so by viewing a standard **Profit and Loss** report.

1. Select **Reports** > **Profit and Loss**
2. Select **Customize**
3. Locate the **Filter** section
4. Select **Class** > select the **Class** you want to view details for.
5. Select the **Run Report** button in the bottom of the screen.

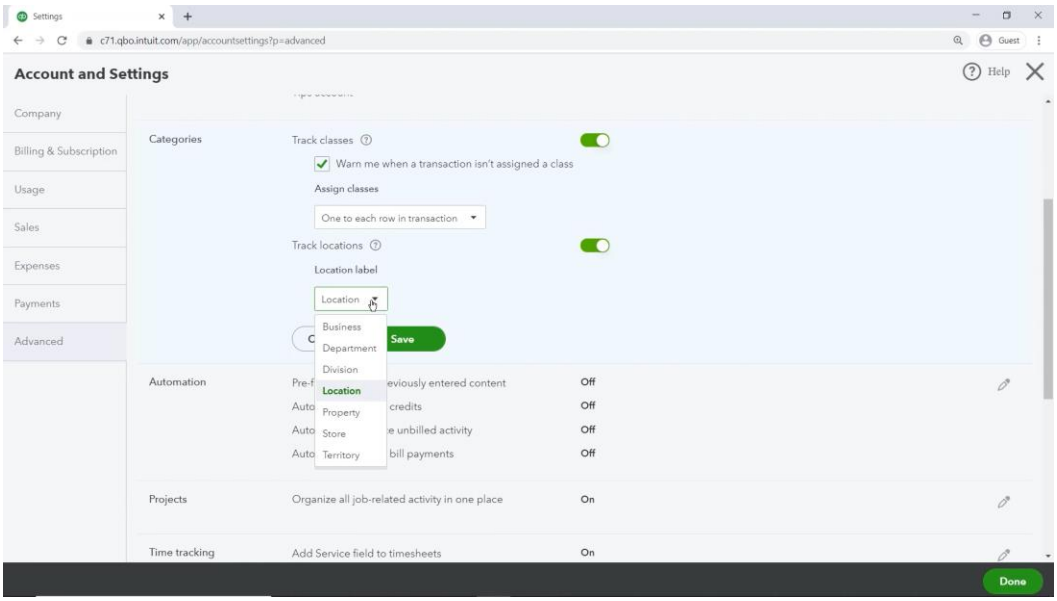


Locations

Locations work almost exactly like classes, letting you divide up your business however you like, so you can run reports to track the performance of those divisions. Here is scenario where locations would benefit your business. If you have multiple locations and desire your customer invoices to have contact information for a specific one of your locations that they purchase items from, this is doable with locations. Only one location can be assigned per an entire transaction, so classes still has the edge when it comes to versatility.

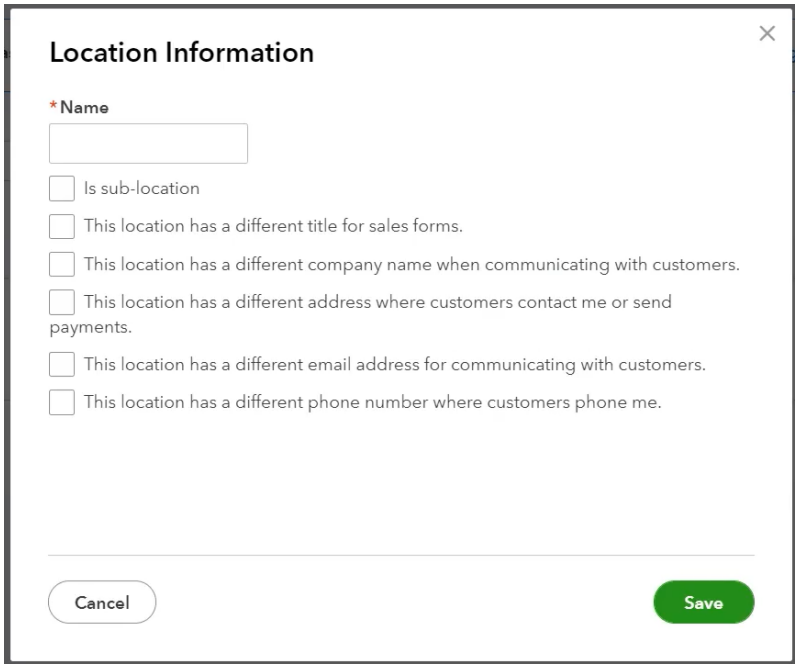
Turn on and Set Up Locations

1. Select **Gear icon** > **Account and Settings**
2. Select **Advanced** settings
3. In the **Categories** section, click to activate Locations.
4. In the **Location** Label dropdown, select the name you want to choose for your locations.
5. Click **Save** > **then Done**.



Set up Location Lists

6. Select **Gear icon > All Lists**
7. Select **Location List > New**
8. Enter the desired **Location name**, and choose any checkbox(es) that apply to this location.



9. Click **Save**.

Record Location on a Transaction

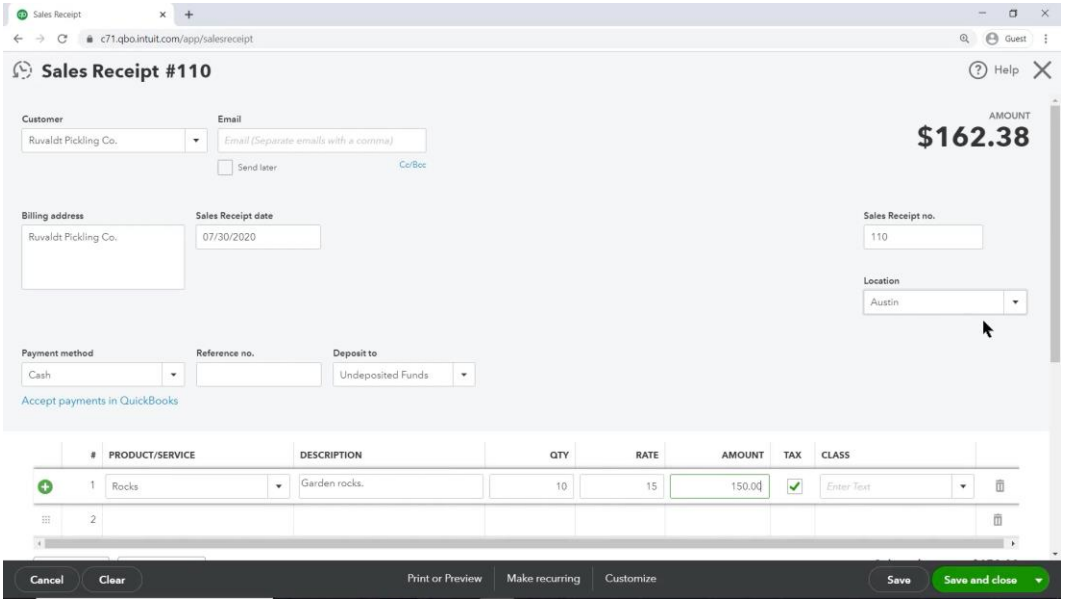
Location on Expense Transaction

1. Select **New+ > Expense**
2. Enter in **payment details** such as Vendor, date, amount, category, etc.
3. Enter a **Location** that you would like to associate with this transaction.
4. Click **Save and Close**

Note: Unlike classes, you won't see any option to split a transaction between locations. You can only assign a single location to an entire transaction.

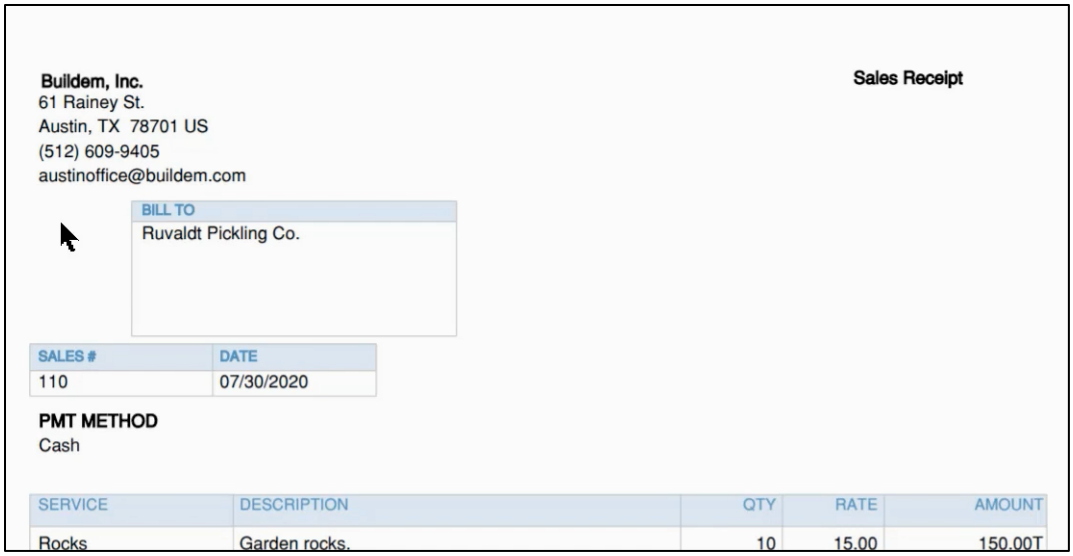
Location on Sales Transaction

1. Select **New+ > Sales Receipt**
2. Enter in payment details such as Payee, date, amount, category, etc.
3. Enter a **Location** that you would like to associate with this transaction.



4. Click **Save**
5. Select **Print or Preview** to see what the customer will see on their receipt.

Note: When you create a sales transaction, such as a sales receipt or invoice, QuickBooks uses the **address of the location** you have assigned on the transaction.



Buildem, Inc.
61 Rainey St.
Austin, TX 78701 US
(512) 609-9405
austinoffice@buildem.com

Sales Receipt

BILL TO
Ruvaldt Pickling Co.

SALES #	DATE
110	07/30/2020

PMT METHOD
Cash

SERVICE	DESCRIPTION	QTY	RATE	AMOUNT
Rocks	Garden rocks.	10	15.00	150.00T

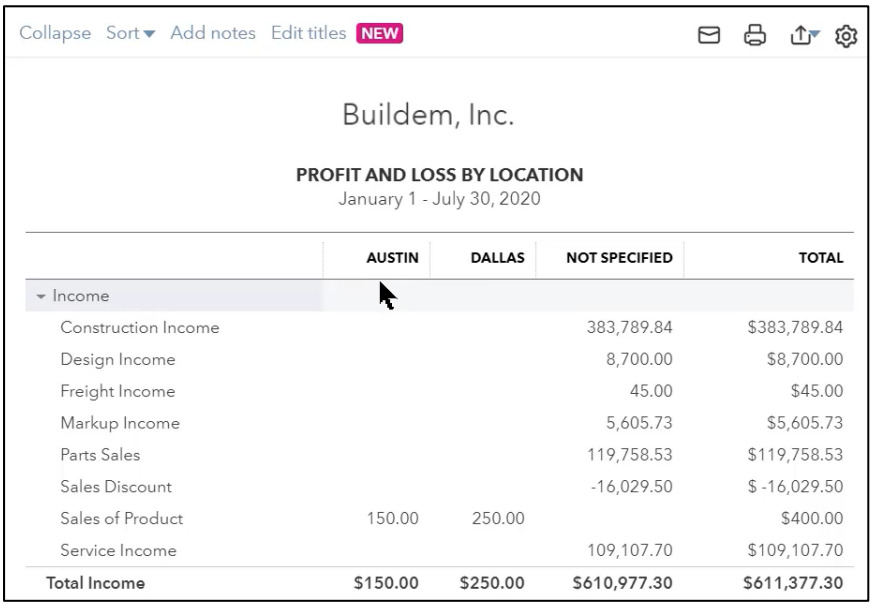
Location Reports

Profit and Loss

6. Select **Reports > Profit and Loss**.
7. Select **Customize** > open the **Filters** section.
8. Select **Location** > select one or multiple locations on which you desire to view details on your report.

- You can see the impact of the sales receipts and the expenses, but it's mixed in together with all of the other transactions we've entered for this year. This sort of statement is great for evaluating the overall health of a business, but with locations we also want to see how each location has performed.

9. Right click **Reports > Open the link** in a new tab.
10. In the new tab, **Search** for by location > Open the **Profit and Loss by Location.**



Collapse Sort Add notes Edit titles NEW

Buildem, Inc.

PROFIT AND LOSS BY LOCATION
January 1 - July 30, 2020

	AUSTIN	DALLAS	NOT SPECIFIED	TOTAL
Income				
Construction Income			383,789.84	$383,789.84
Design Income			8,700.00	$8,700.00
Freight Income			45.00	$45.00
Markup Income			5,605.73	$5,605.73
Parts Sales			119,758.53	$119,758.53
Sales Discount			-16,029.50	$ -16,029.50
Sales of Product	150.00	250.00		$400.00
Service Income			109,107.70	$109,107.70
Total Income	**$150.00**	**$250.00**	**$610,977.30**	**$611,377.30**

- With this report, you can track all of the income, cost of goods sold and expenses for the location, as well as the profit, or net income for each location.
- Any transactions not labeled with a location falls into the Not Specified category. To get rid of this column, you'd need to return to those individual transaction and assign a location to them.
- You can also run sales and purchases reports divided by location.

QBO Advanced: Improved Custom Fields

To track unique fields to your business, use the Custom Fields feature. QuickBooks Online Advanced has extra options available to utilize in addition to the basic custom fields you learned in Level 1.

Set up Improved Custom Fields

Add Custom Field

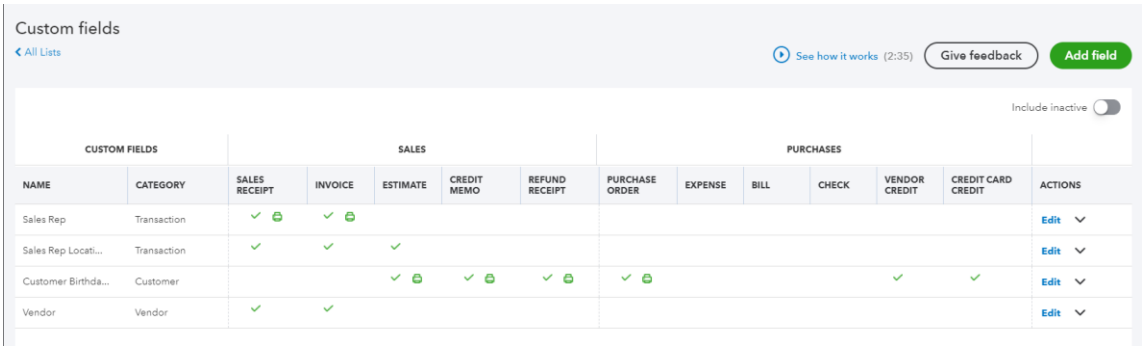
There are two options to create new, and access current custom fields.

Option 1:

- Click the **Gear** menu and select **Custom Fields.**

Option 2:

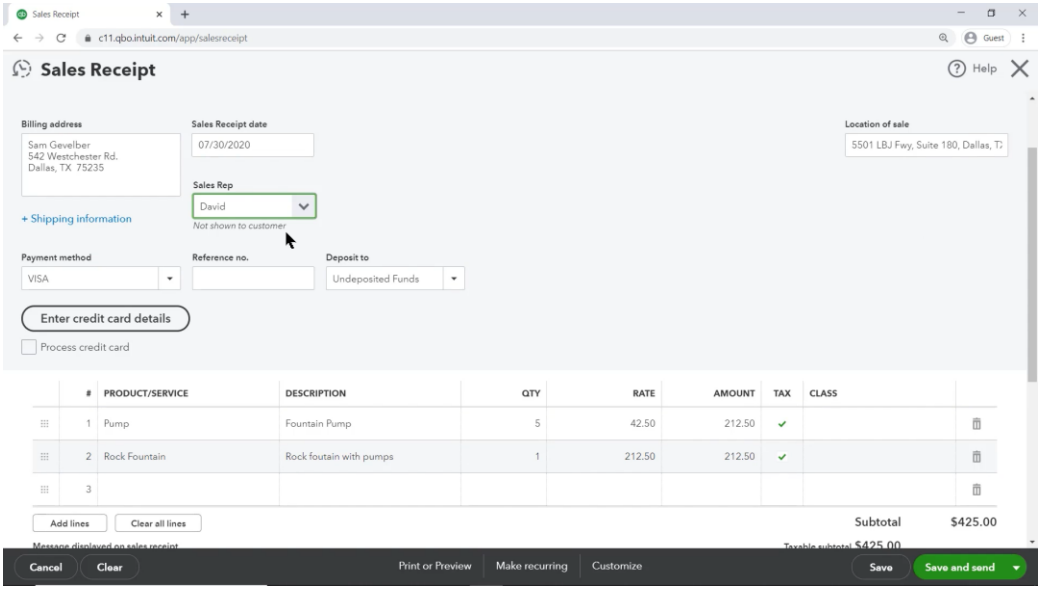
1. Click **Gear menu** > Select **Account and Settings**
2. Select **Sales**> Click in the **Sales Form Content** section.
3. Select **Custom Fields**
4. Select the hyperlinked phrase Custom Fields.



Use Improved Custom Fields

1. Select **New+ > Sales Receipt**

Enter sales transaction details, such as Payee, date, payment method, product and service details.

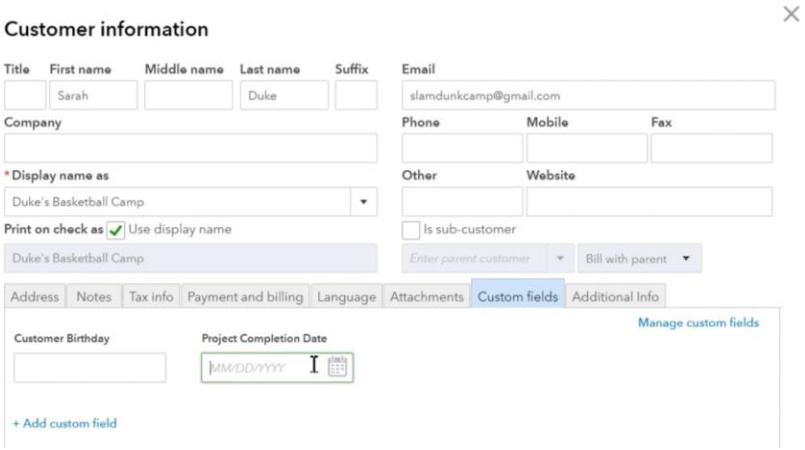


2. Notice your new **Custom Field** shows up on the transaction. Enter the details in your Custom Field for the transaction.
3. Select **Save and Close**.

Custom Field for Customers or Vendors

If you set up a custom field for customers or vendors, you can open the customer or vendor's record to add that.

1. Open the **desired list** (Customer or Vendor).
2. Select the name from the list.
3. Select **Edit**.
4. Add the information to the **Custom Field** section.



Report Options for Custom Fields

There are two methods for looking up information entered with custom fields, and which you prefer to use is entirely up to you. Both have their own advantages and use different kinds of reports.

Sales by Customer Summary

1. Select **Reports**
2. Search for **Sales by Customer Summary**
3. Select **Customize** > scroll down to the **Filters**
4. Click to turn on your desired **Custom Filter** > select **Run Report**

When using the summary type reports filter, you are required to type in the desired custom field you are using.

Sales by Customer Detail

This report shows all sales listed by customer, with each line of each sales transaction listed separately, and a Total by customer. In the top left is an option to select the way customer detail is viewed on the report. Select the **Group by** dropdown to choose a different method for QuickBooks to group transactions on the report.

1. Select the **Group by** dropdown and choose your custom field.
2. Select **Run Report**
   - The advantage to this method is that it displays all entries for the custom field regardless of spelling, so even if you misspelled a name or other piece of data in a custom field it will show up on this report.
3. Select **Save**.

Chapter 4

Items / Inventory

Introduction

Products and Services play a major role in tracking your sales information. Mastering QuickBooks Online Level 1 covers a lot of the basics for items and inventory, but there are some advanced workarounds that help you get even more functionality out of QuickBooks. In this chapter, you will learn how to:

- Create and use Bundles
- Run workarounds that let you record the assembly and manufacture or products.
- Carryout inventory tricks, such as what to do when your company uses some inventory in-house.
- Record the purchase of products and services that are not considered inventory in QuickBooks.

Bundle Items

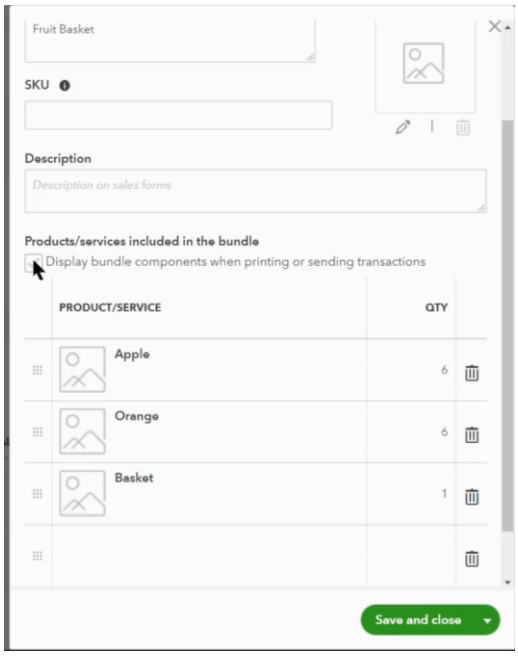
If you have several Products and Services which are provided for your customers, each is probably sold and tracked individually in QuickBooks. If that group of individual items are often sold together, QuickBooks has an option in Products and Services that allows bundling of individual items on Sales Transactions to save on data entry time. Bundles combine existing products and Services together into a single item to make entering Products or Services faster. Inventory, Non-Inventory and Services can be combined into Bundles.

But there is no way to track quantity on hand for Bundles and there is no way to enter a sales price for a Bundle Item. The Bundle's sales Price is the sum of the individual items that were bundled together.

Set Up a Bundle

Before you can put together a bundle you'll need some Products and Services.

1. Select **Sales** or **Invoices tab > Product and Services**
2. Select **New**
3. Enter the name of your Bundle, any desired SKU and/or description.
4. Select the product/service(s) you wish to add to your bundle, add in the Quantities of each product/service that will be included in your bundle.

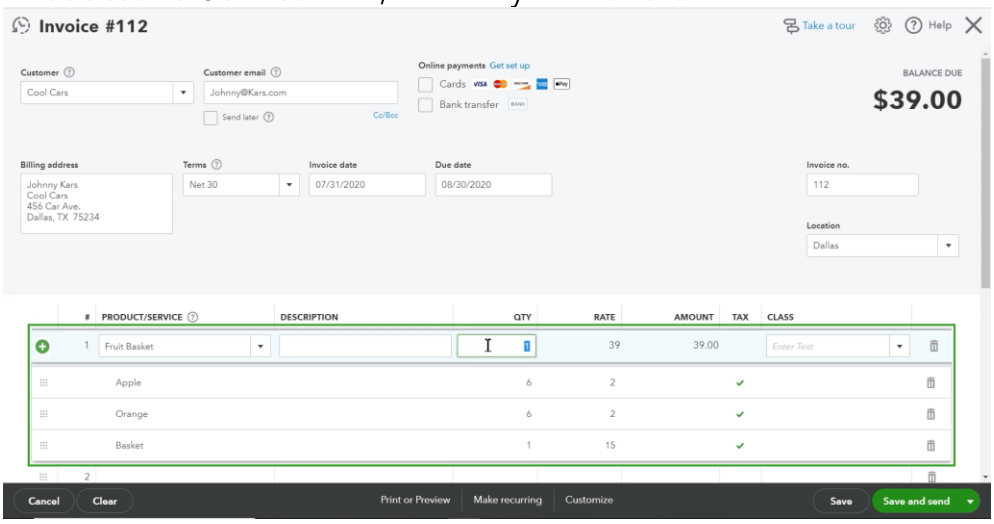


- Notice that there is no place to enter a price for the apple or even the Bundle in general. This is a limitation on how Bundle Items are used. They only *bundle* existing items together at their already assigned prices. But you can still change the prices of the individual items on the invoice or sales receipt.
- Just above the Product/Service selection there is a box to "Display bundle components when printing or sending transactions". Checking this box allows you to show your customers each part of the Bundle on a sales transaction. Leaving it unchecked just displays the Bundle name but not the parts that make it up.

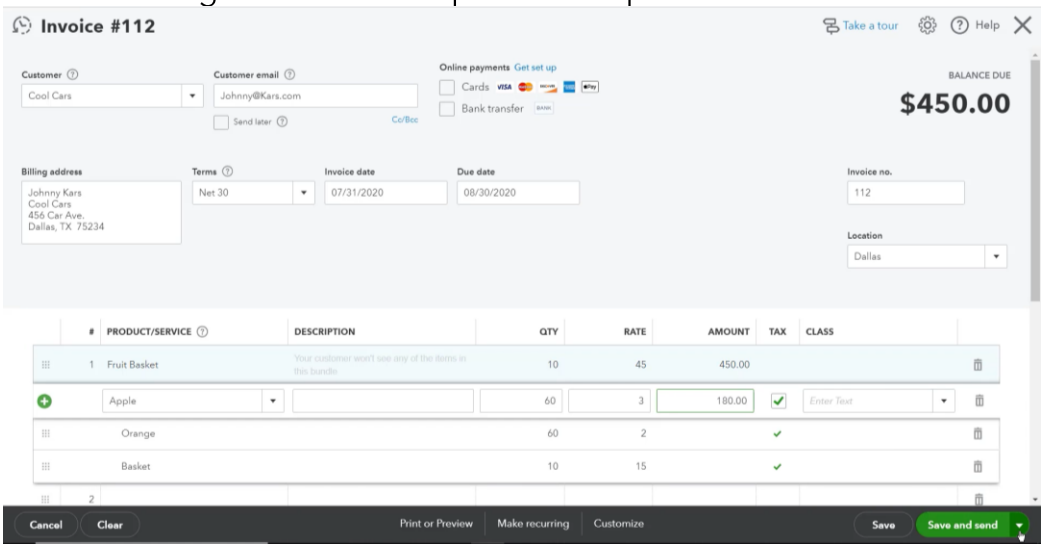
5. Click **Save and Close.**

Use a Bundle Item

1. Select **New** > **Sales Receipt**
2. Enter Customer name, terms and dates and other desired details.
3. In the **Product and Service** field, choose your **Bundle**.



- On the first line, you'll see the bundle name, and on the subsequent lines you'll also see the items that make up the bundle listed below.
- By default, your customer won't see this. They'll only see the name of the Bundle up above. You can choose to show the customer individual items, in the Bundles settings on the product and services list.
- As you change the quantity of bundles sold, the quantities change for individual items.
- The fixed price of your bundle is fixed and cannot be changed, because it's merely the sum of all the products and services in the bundle. The only way to do so is to change the individual price of the parts.



- You can include any Non-Inventory, Inventory or Service in a bundle and you can also include the same products and services in multiple bundles.

Manufacturing and Assemblies

In this section of the chapter you'll learn:

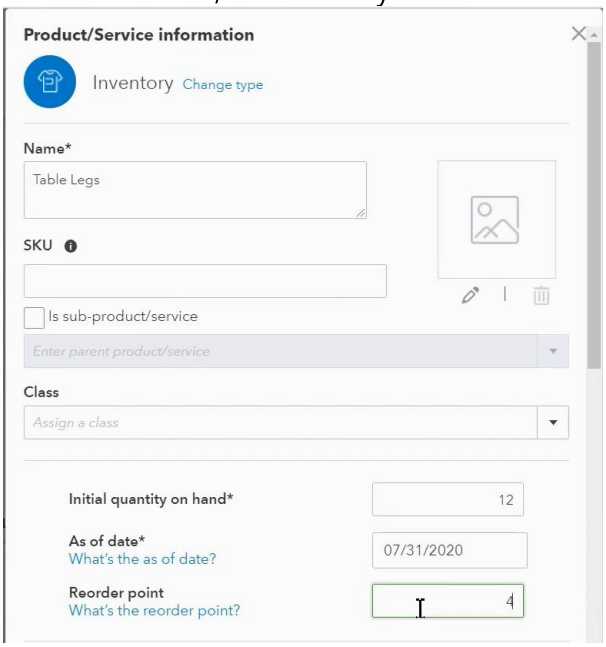
- Some workarounds to help you record, assemble, manufacture and use products and services.
- How to record the manufacture of an item; one method using products and services, the other is used if you build something from raw materials.

Set up a Product you Assemble / Manufacture

In order to assemble an Inventory item you'll need to have its parts already recorded as Items. The parts of an Inventory assembly do not need to be Inventory items themselves though.

1. Select **Sales or Invoicing > Products and Services**
2. Select **New**
3. Select the items you wish to include in your assembly. (You can use Inventory, Non-Inventory or Services as part of your assembly) Enter a **name** for the new product assembly you're creating.

4. Create an item that will be a part of your manufacture / assembly build. Enter in the **initial quantity on hand** and the **date**, as well as your desired **reorder point.**

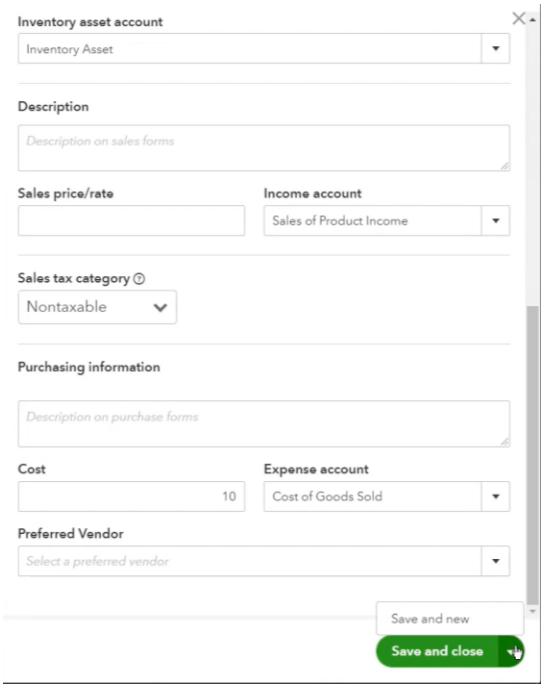


5. If the items aren't sold individually, there is no need to enter a sales description or price.
6. In the **purchase price field**, enter the description and the price that you typically pay your vendors for the parts that you use on the assembly.

Note: QuickBooks associates the quantity on hand with the purchase price you enter to track their value.

7. Select **Save and New**

8. Enter any other products included in this manufacture / assembly using the steps above.

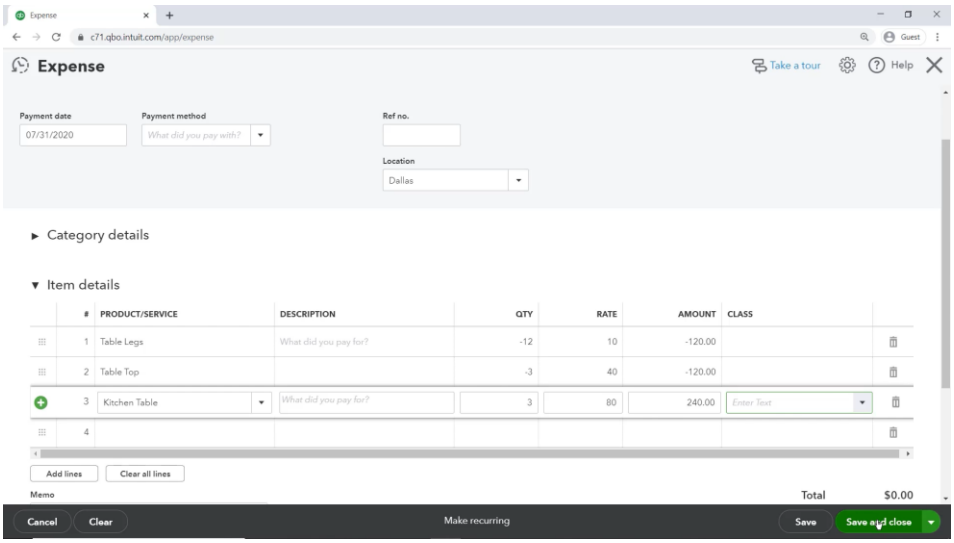


Now you're ready to enter in details about the assembled item.

1. Enter the current **quantity** you have **on hand** that you've already created.
2. There is no **reorder quantity** because you assemble them on site.
3. Enter the desired **date** to start tracking your quantity on hand and an appropriate description.
4. Enter a **sell price**, and you're ready to start tracking your assemblies!

Assemble from Other Inventory

If you are assembling **Inventory items** from bulk raw materials follow the steps listed below.



1. Select **New+> Expense**
2. There is no need to enter a **vendor**, and entering todays **date** will suffice.
3. **Close** the **Category Detail** section, only the Items Details in the workaround are utilized on this transaction.
4. In the **Item Detail** section, enter the **parts** being consumed in this assembly.
5. Enter **each item** on a separate line, and enter the **amount as negative** in order to remove the item from your inventory.
   Note: QuickBooks shows a negative total, which is the value of the items being used in the process of assembly.
6. Enter the **name of the item** that is being assembled.
7. Enter the **quantity as a positive** number to represent the number of new items being created.
8. Next, enter the value on the new items. In this case it is necessary to offset the negative total of the transaction. Enter the **amount** as a **positive** number, in the **Amount** field and press **tab**.
9. You are left with a zero dollar Expense.
10. Select **Save and Close**.

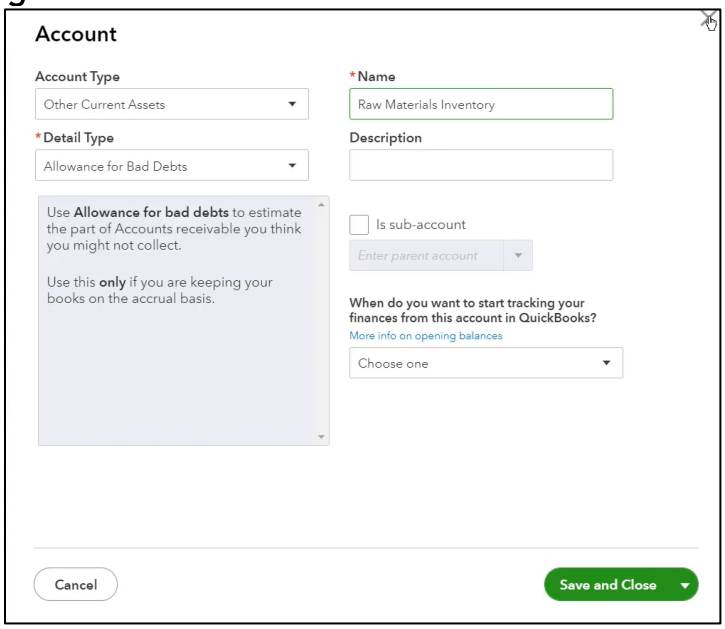
Now the quantity of the individual items has been reduced, you no longer have those on hand because they were used to make the assembly, but the assembled item number has increased.
The value was transferred from the individual items, to the assembled item.

Assemble from Scratch

In the last to assembly sections, items were purchased which were then tracked as products and services, and then these were made into an assembly. But what if you make your assembled items from scratch or from raw materials? How do you use items that you don't buy as part of an assembly?

Track the Value of Materials with an Asset Account

- Select **Accounting> Chart of Accounts > New**



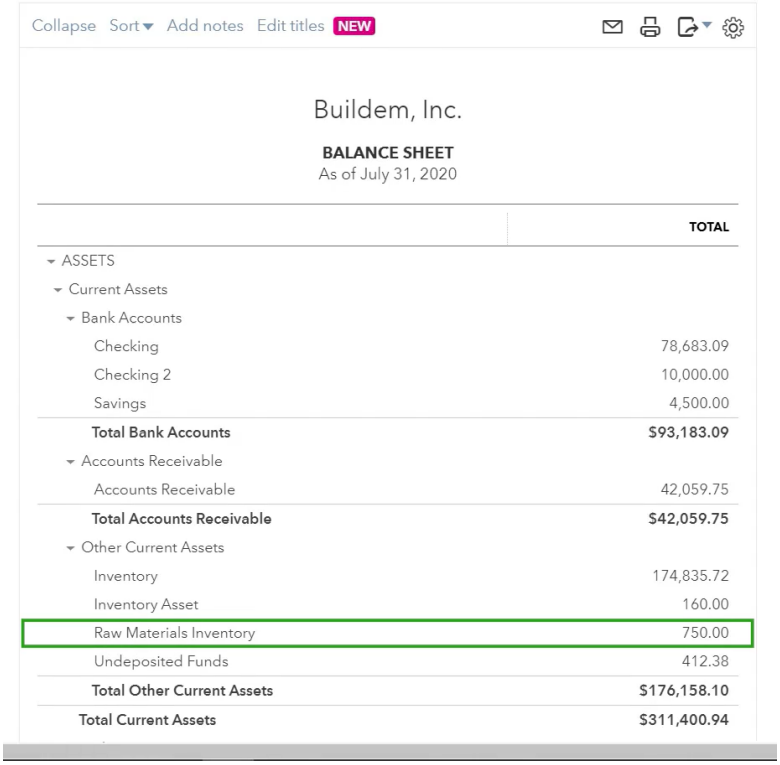
- Set up an **Other Current Asset** account (e.g. Raw Materials Inventory). Whenever you buy raw materials that will later be used to create Inventory Items you use this account on the purchase.

Recording the Purchase of Materials

- Use an **expense, check or bill transactions** to record the purchases. If you're using **online banking,** you can enter the Other Current Asset account in the category.

Track Assemblies with Reports

- Select **Reports > Balance sheet**

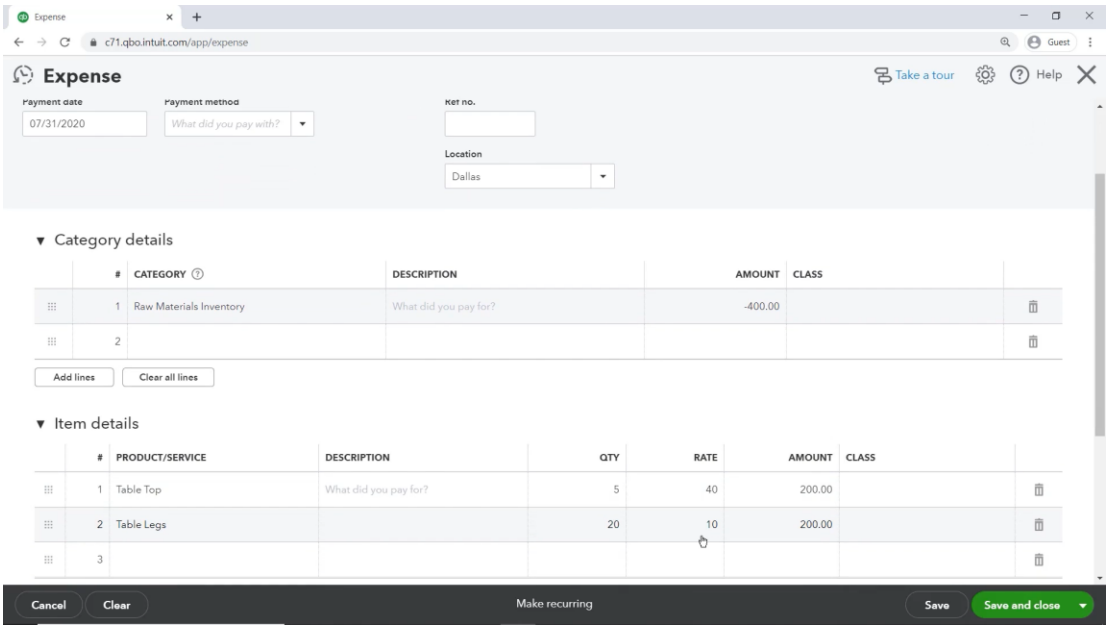


Take a look at the value of your recently created **Asset Account**. This will show you the value of all of your materials purchased over time. As you make items from your raw materials, your asset value will decrease, and the **Inventory Asset** value will increase.

- QuickBooks does not have a designated transaction to create Inventory from scratch so you'll have to use a zero dollar Expense. No name is needed and today's date is fine.

Zero Based Transaction

1. In the real world you are using up materials to create a new Inventory Item. In QuickBooks, you'll use the **Category Details** section to show the value of materials that have been used.
2. In the **Category Details** section, enter in your **Asset account**, and the value of materials being used as negative.
3. In the **Items detail** section, enter the Inventory Item you're making.
4. In the Quantity field, enter how many of this item you are making.



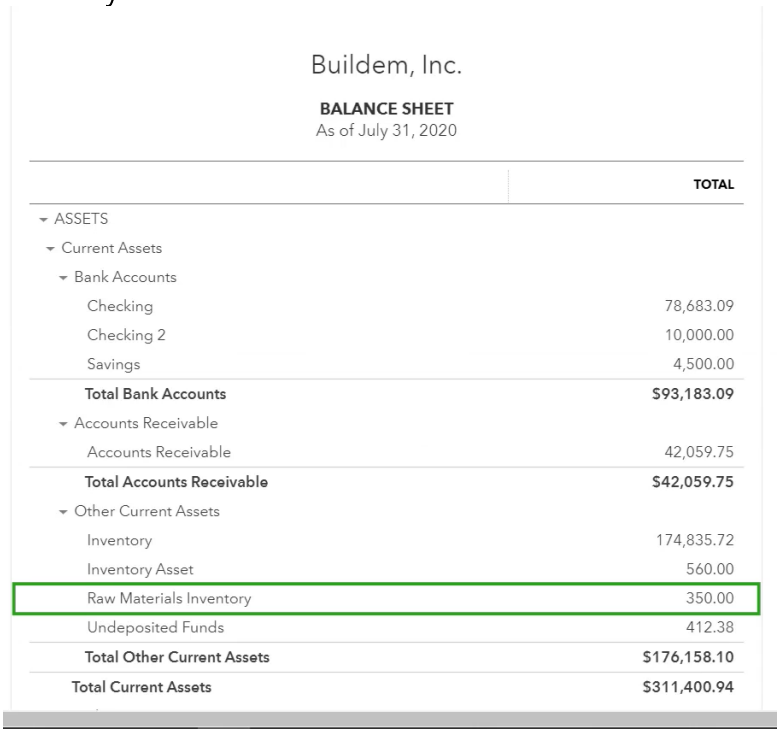
Note: This entry will increase the value of your Inventory on hand, but you also need to record the value of the materials used. You many need to adjust the Rate for the items you are building.

- The goal is to make the total of the items in the **Category** section equal the total of the items in the **Items Detail** section so that the amount you see in the **Amount** field at the top of the screen is zero.

5. Select **Save and Close**

Visit the Balance Sheet

1. Select **Reports > Balance Sheet**
2. Notice that your materials **Asset account** has decreased, and your **Inventory Asset** value has increased by the same amount.



Buildem, Inc.

BALANCE SHEET
As of July 31, 2020

	TOTAL
ASSETS	
Current Assets	
Bank Accounts	
Checking	78,683.09
Checking 2	10,000.00
Savings	4,500.00
Total Bank Accounts	**$93,183.09**
Accounts Receivable	
Accounts Receivable	42,059.75
Total Accounts Receivable	**$42,059.75**
Other Current Assets	
Inventory	174,835.72
Inventory Asset	560.00
Raw Materials Inventory	350.00
Undeposited Funds	412.38
Total Other Current Assets	**$176,158.10**
Total Current Assets	**$311,400.94**

Record In-Store Use of Inventory

Many companies use their on-hand inventory to fix their own equipment or in some way consume Inventory through regular business operations. There is no built-in form to track this process in QuickBooks.

To adjust your inventory to account for the use of these items follow the steps below.

1. Select **Accounting > Chart of Accounts**
2. Select **New** > Create a new **Expense account**

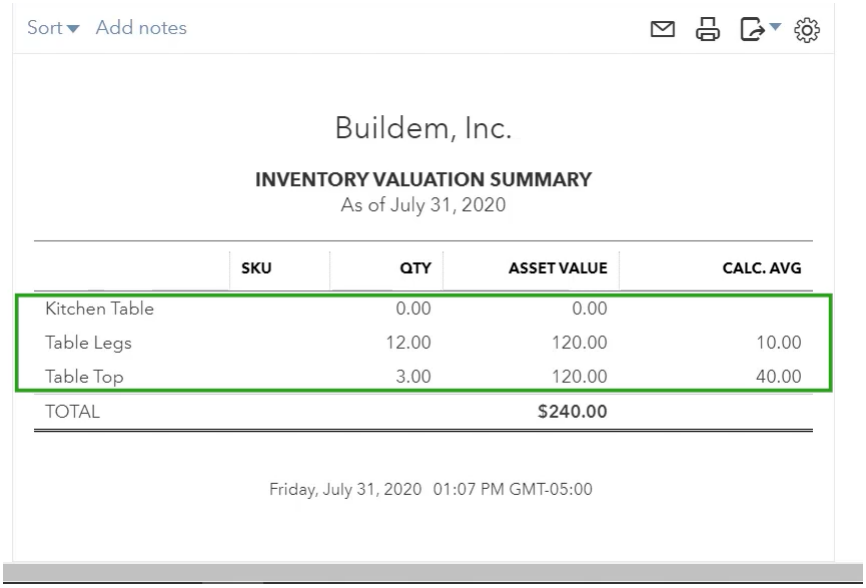
- This account will track the inventory items used in general business operations.

Enter a name for this account (e.g. In Store Use, or Business Operations Use.)

Bank Service Charges	Expenses	Other Miscellaneous Service...			Run report
Business Operations Use	Expenses	Other Business Expenses			Run report
Cleaning	Expenses	Other Miscellaneous Service...			Run report
Contributions	Expenses	Other Miscellaneous Service...			Run report

Scenario: You take an item out of your Inventory to use in your own business (or store). Check to see if you have enough inventory on hand, by opening an Inventory Valuation Summary report.

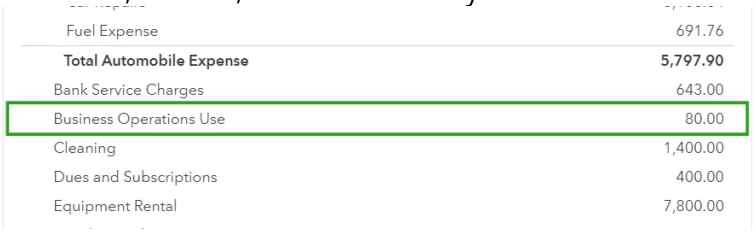
1. Select **Reports** > **Inventory Valuation summary**
2. Verify that you have enough of this inventory item on hand to use with in your store or business.
3. This Is not a Sale, so there is no income. You will need to use the **Inventory Quantity Adjustment** transaction.



4. Select **New > Inventory Quantity Adjustment**
5. Choose the **Inventory item** that you want to decrease in quantity and enter a negative number in the **Change in Quantity** field to show the loss of inventory.
6. In the **Adjustment Account** field, choose an expense type account such as **Business Operations use**, to track the business expense to the company.

7. Click **Save and Close.**
   - Rerun your **Inventory Valuation Summary** to view the decrease of quantity on hand.

- Run the **Profit and Loss** to see the **Business Operations Use** expense account increase to show the use, or loss, of the inventory item.

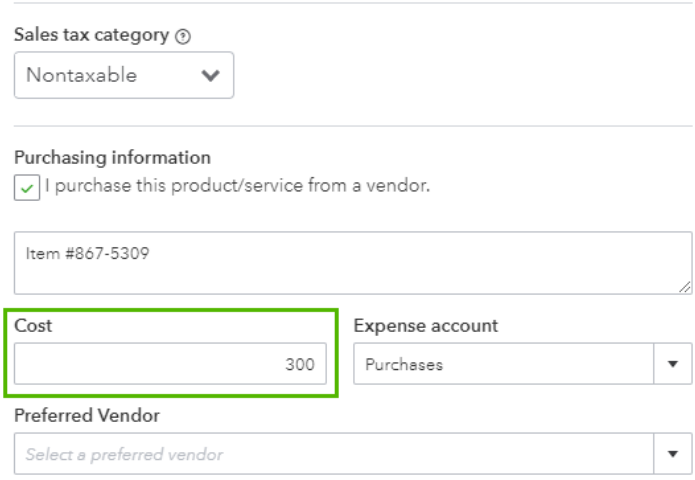


Non-Inventory and Service Purchases

Non-Inventory and Service Items can have their purchase price tracked, which allows you to run reports that show sales price, minus the purchase cost, to give you the profit on non-inventory sales.

Purchase Non-Inventory and Items

First, make sure you're the product and service items are set up correctly. When you edit or create a new product or service, scroll to the bottom of the pop-up window and be sure that the box titled "I purchase this product/service from a vendor" is checked. Without the box being checked, there is not way to include the item on purchases.

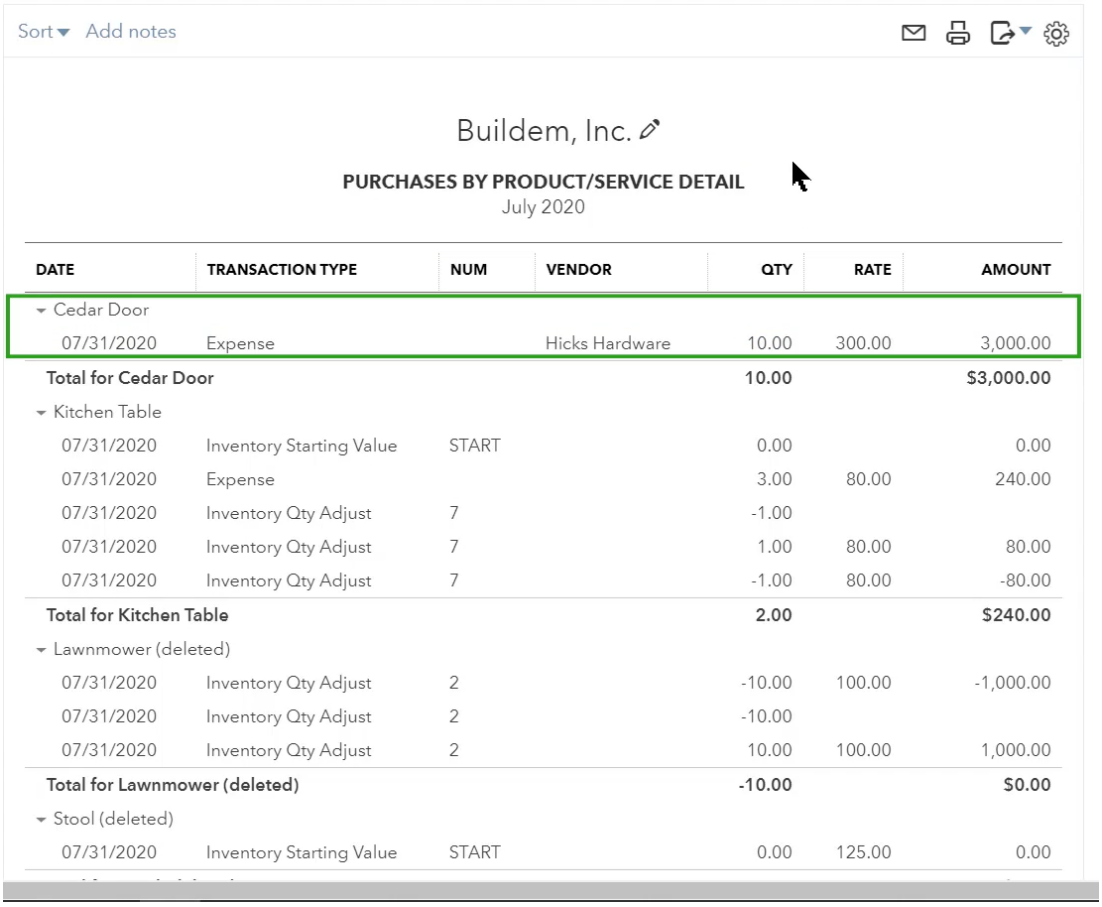


Once your items are correctly set up, you can enter a purchase through an Expense, Check or Bills to purchase your non-inventory items.

1. Select **New + > Expense**
2. Enter the **Vendor, date and account** details.
3. In the **Item Details** section, enter the **Product / Service** details to document what you've purchased.
4. Select **Save and Close**.

Because the product/service(s) are non-inventory, QuickBooks does not track the quantity, but you can still see how much was spent on them.

1. Select **Reports**
2. Search for **Purchase by Product/Service Detail** report.


Sort Add notes

Buildem, Inc.

PURCHASES BY PRODUCT/SERVICE DETAIL
July 2020

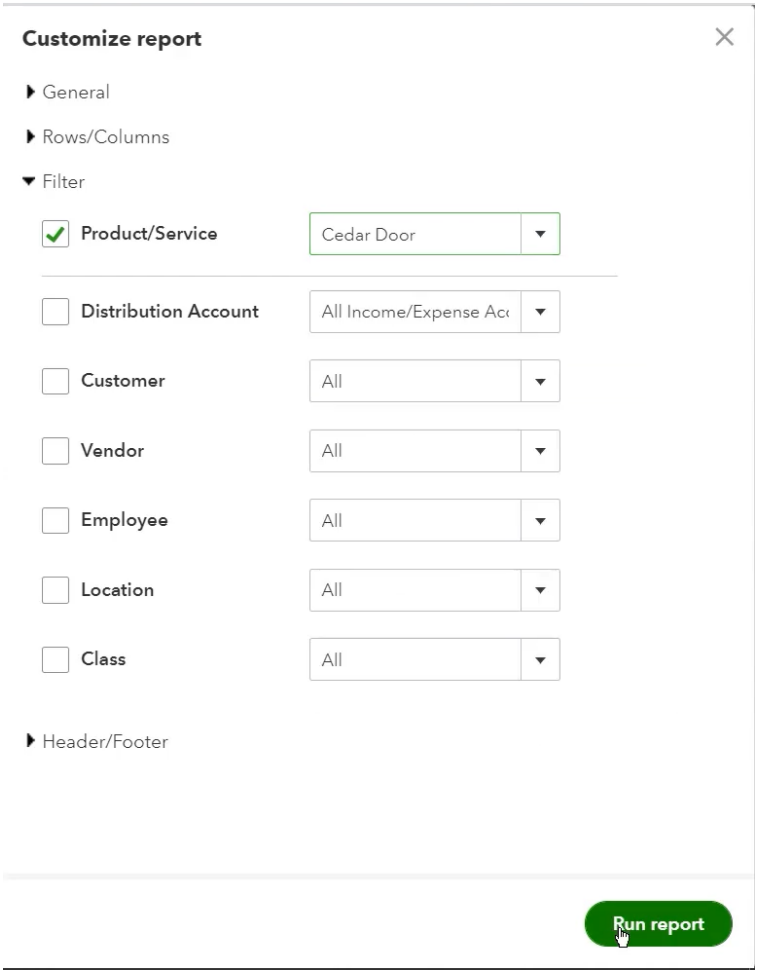
DATE	TRANSACTION TYPE	NUM	VENDOR	QTY	RATE	AMOUNT
Cedar Door						
07/31/2020	Expense		Hicks Hardware	10.00	300.00	3,000.00
Total for Cedar Door				**10.00**		**$3,000.00**
Kitchen Table						
07/31/2020	Inventory Starting Value	START		0.00		0.00
07/31/2020	Expense			3.00	80.00	240.00
07/31/2020	Inventory Qty Adjust	7		-1.00		
07/31/2020	Inventory Qty Adjust	7		1.00	80.00	80.00
07/31/2020	Inventory Qty Adjust	7		-1.00	80.00	-80.00
Total for Kitchen Table				**2.00**		**$240.00**
Lawnmower (deleted)						
07/31/2020	Inventory Qty Adjust	2		-10.00	100.00	-1,000.00
07/31/2020	Inventory Qty Adjust	2		-10.00		
07/31/2020	Inventory Qty Adjust	2		10.00	100.00	1,000.00
Total for Lawnmower (deleted)				**-10.00**		**$0.00**
Stool (deleted)						
07/31/2020	Inventory Starting Value	START		0.00	125.00	0.00

On this report, you'll see the detail information about the items you've purchased, both inventory and non-inventory or services. You'll be able to track

- Quantity you bought
- Price of the purchase
- Amount you spent

To see information on your total profits coming from the sale of your items, run a filtered version of the Profit and Loss.

1. Remove the data for the whole company income and expenses. Select **Customize**.
2. Select **Filter**
3. Choose **Product** and **Service** as a filter.



4. Select the product / service you've purchased. This will filter out all report data except the purchase or sale of the chosen product(s).

Chapter 5

Sales Transactions

This chapter will teach you some of the more advanced, and even complicated, sales options in QuickBooks Online, as well as how to fix common issues that come up when recording Sales. In this chapter, you'll learn about

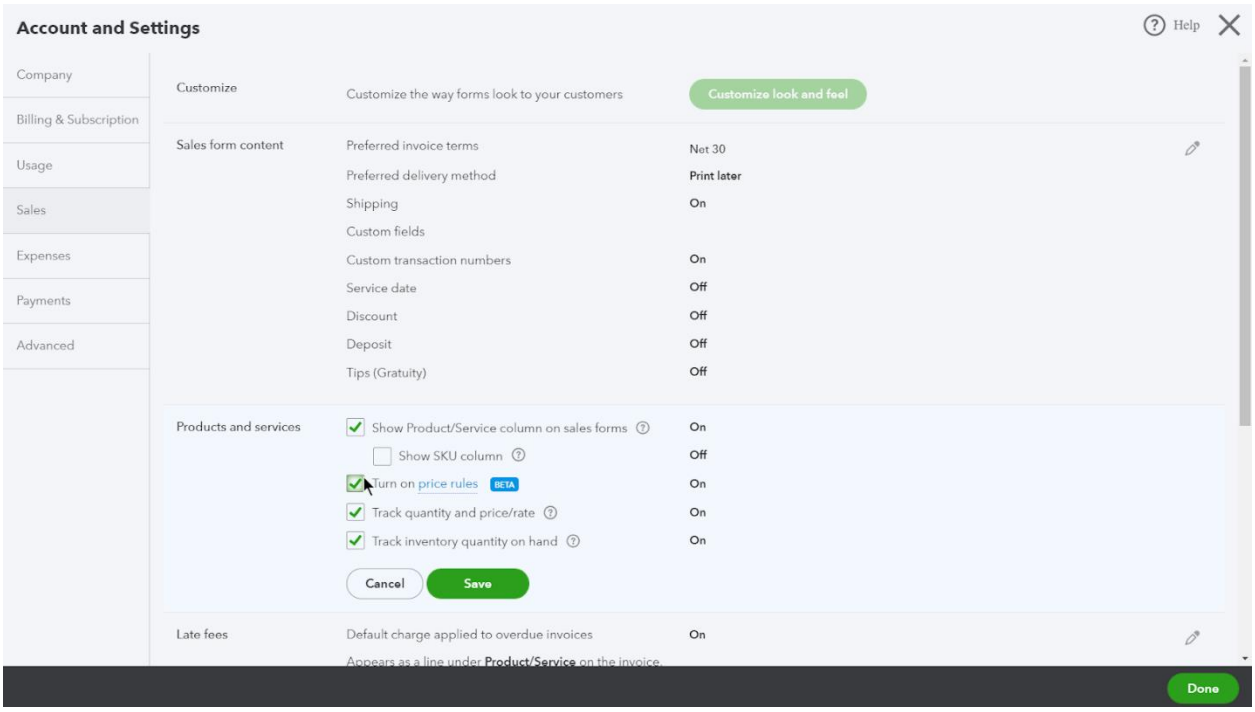
- How to set up Price Rules for different customer groups.
- How to create a sale for a specific date range.
- How to pass project costs back to your customer using the Billable option.
- Common problems when recording Sales, specifically Accounts Receivable and Undeposited Funds.

Price Rules

Price rules let you set automatic price changes based upon customer type, date, product purchased, and other criteria. They are great for automating temporary sales or offering some of your customers different rates on the products and services you sell.

Turn on Price Rules

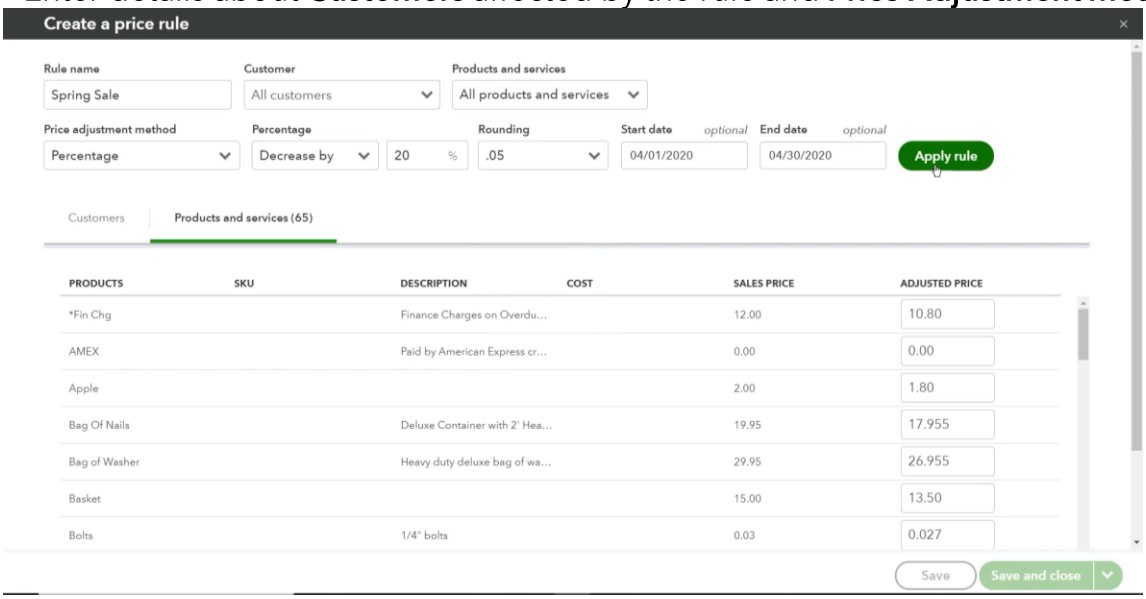
1. Select **Gear Icon> Account and Settings**
2. To turn on Price Rules click the **Gear icon > Account and Settings**.
3. Select Sales > Products and Services settings
4. Select the checkbox for **Turn on Price Rules**.



Now that Price Rules are turned on, you'll find them by clicking the Gear icon and All Lists to get started. Price Rules can be set up in many different ways and in this chapter you'll see multiple examples.

Set up Temporary Price Reduction / Increase

1. Select **Gear Icon > All Lists**
2. Click **Price Rules**
3. Enter the desired name for your **Price Rule**
4. Enter details about **Customers** affected by the rule and **Price Adjustment method**.



Note: If you want the rule to last indefinitely, leave the date range blank.

5. Select the **Products and Services** drop-down menu to limit products and services that the price rule affects.
   - You can make a price rule that affects all services, all inventory, and all non-inventory.
   - You can specify individual products and services to include in the price rule.
6. After selecting the product(s) and/or services to apply to this price rule, QuickBooks displays the names of the products and services and what you normally charge for them.
   - QuickBooks displays the price that you pay for your products and services in the **Cost** column.
   - Adjust the price of each product or service manually here in the **Adjusted Price** column.
   - You can adjust the sales price of multiple products and services by
     - A fixed amount
     - A percentage
     - Or a custom price per item.

Note: Sometimes increasing or decreasing the price of an item leaves it with a price that has more than two decimal places. In other words, it might have a price that involves a monetary denomination smaller than a penny. Apply a rounding rule here to avoid prices that involve an amount smaller than a penny.

7. Click **Apply** and QuickBooks lists the adjusted prices for your products and services.

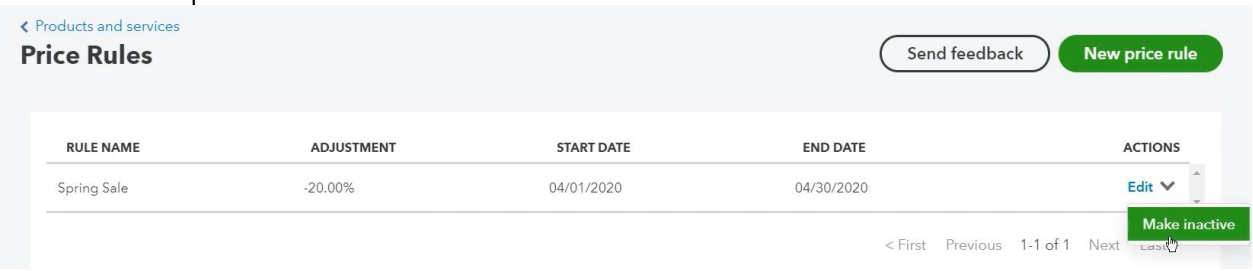
Note: QuickBooks doesn't apply the price change if a product or service has a price of zero. If you need to make adjustments once you've applied one of the above pricing options, you can do so by selecting an amount and replacing it with the preferred amount.

Changing Price Adjustment Method

If you decide you want to change the method for price adjustment, simply select the desired option from the **Price adjustment method** drop-down. All adjusted prices will reset.

To avoid prices that involve amounts smaller than a penny, you'll round to the nearest five cents if a price involves three or more decimal places.

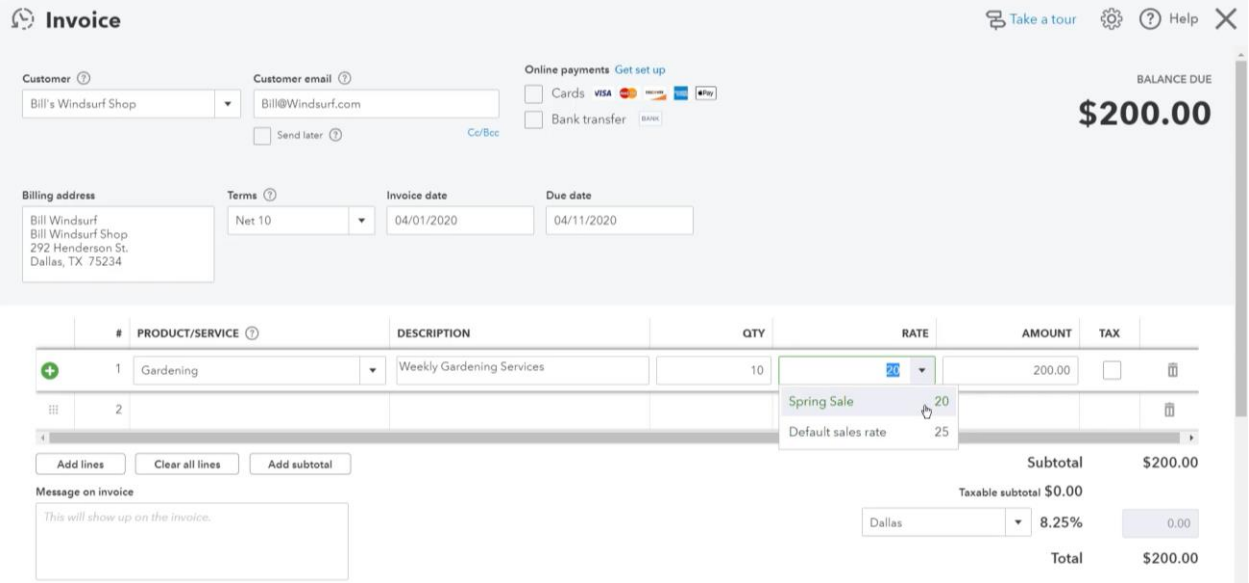
1. After making any desired changes, click **Apply** to see the changes show up in the table below.
2. Click **Save and Close** to finalize the Price Rule.
3. To make any changes to the Price Rule, select **Edit**
4. To make any Price Rules inactive, select the **Actions drop-down** and choose the **Inactive** option.



Record a Sale During a Temporary Price Reduction

1. Select **New + > Invoice**
2. Enter the date, customer and product and service details to document the purchase of the items.

Note: After entering in the customer and product / service(s) associated with this Price Rule, you'll notice the price automatically adjusts on the sales transaction. Click the drop-down to see other rates you've used instead of the current price.



3. Enter any remaining sales transaction details needed.
4. Select **Save**.

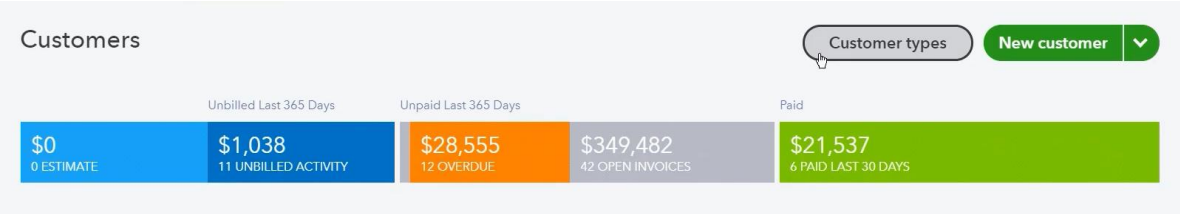
Note: QuickBooks does not explain the price rule to the customer in the preview to the right. You'll need to enter that in the invoice notification email if you want the customer to know about the price rules you've applied.

5. Select **Send and Close.**

Changes Prices for a Customer Type

Price Rules allows you the opportunity to designate different types of customers, assign customer types to customers, and then apply price rules to the entire customer type.

1. Select **Sales > Customers**
2. Select **Customer Types** in the top right.

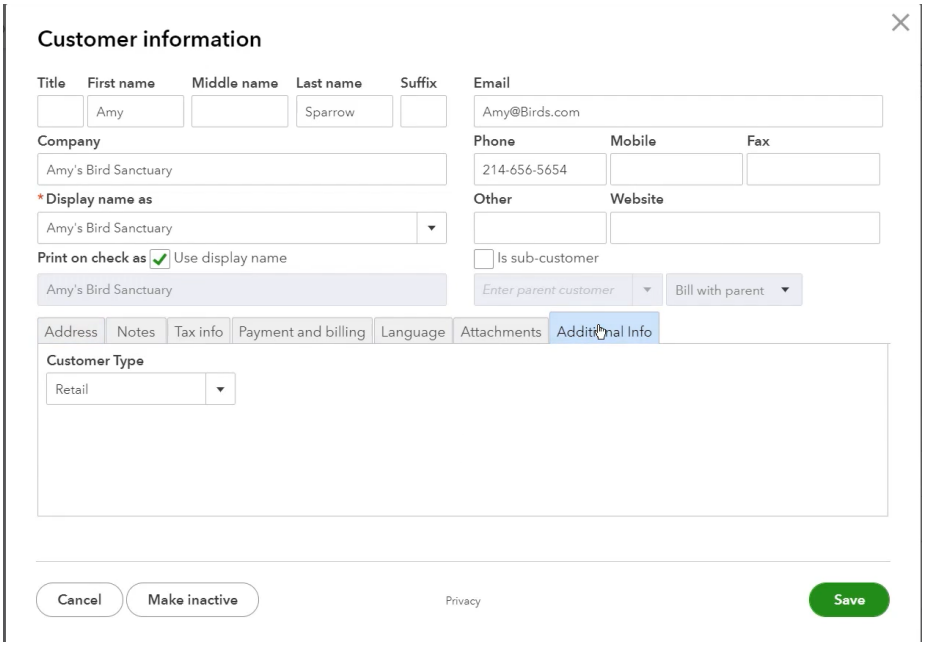


Note: Customer types are completely arbitrary so what customer types you want to create and use is entirely up to you.

3. To create new customer types, select **New** at the top right.
4. Enter the customer type then select **Save**.

Note: You can change the name of a Customer Type with the Edit button.
Or even make them inactive by clicking the Action drop-down arrow...and choosing Make inactive.

5. When back on the Customer page, you can assign them to customers as you set them up, or when you're editing customer details through the **Additional Info** tab in the customer center.

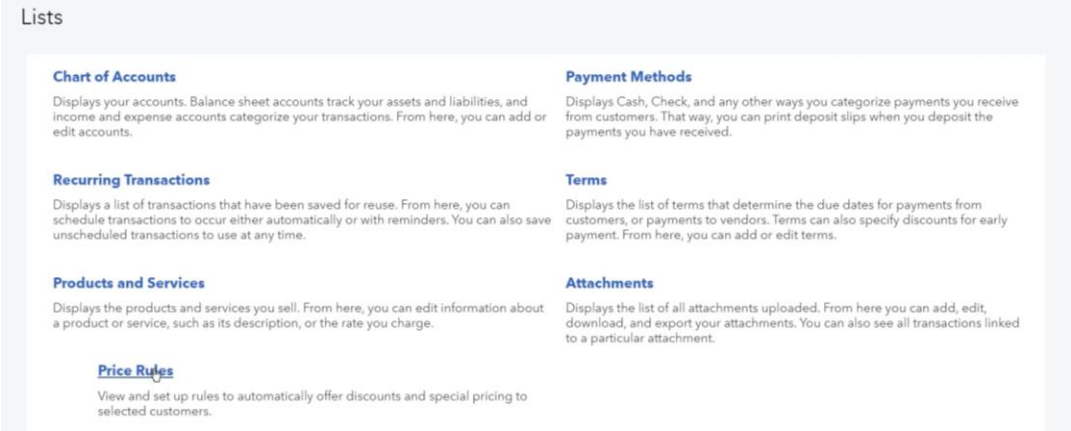


6. Once you've made the desired edits, be sure to click **Save**.

Change the Price Rule on a Sale

Scenario: Your company wants to give a discount to a certain customer type.

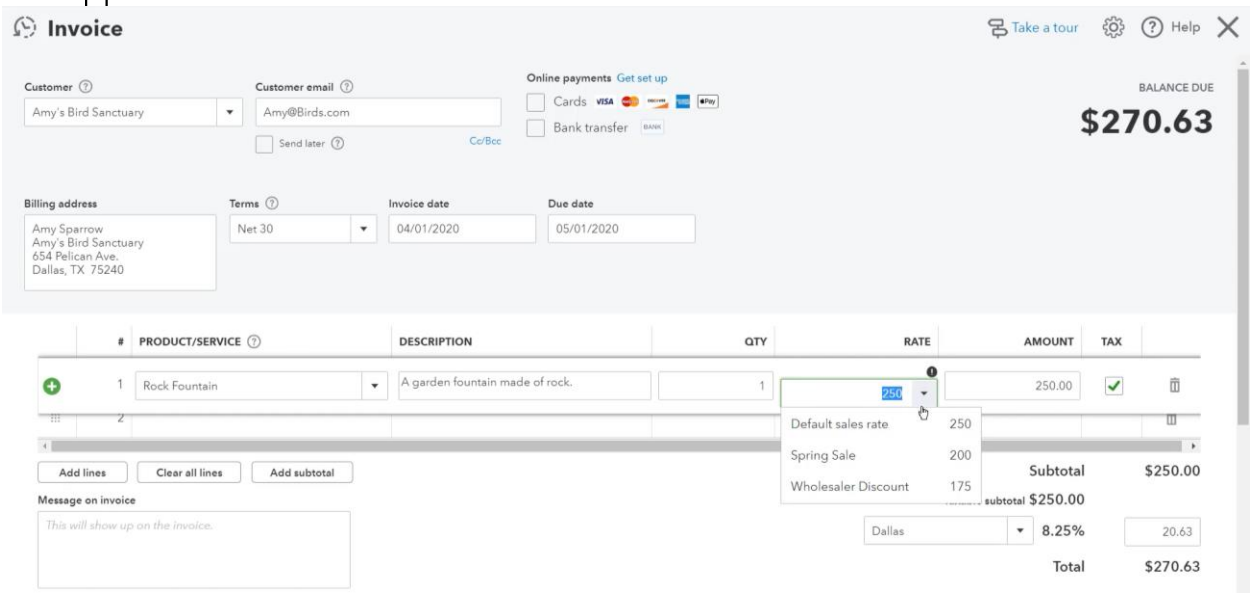
1. Select **Gear Icon > All Lists**
2. Click **Price Rules**



3. Select **New** to create a new Price Rule.
4. Enter the **name** of your rule.
5. Choose the **Customer group** that will have access. At the bottom of the screen, after choosing the desired customer group(s) associated, If you want to exclude any of these customers from the discount though, click the trashcan under **Exclude Customer**.
6. Enter a desired **date range** and any **rounding** and **price adjustment details** necessary.
7. You can change the selection of **products and services** here as well.
8. Select **Update Rule**, then **Save and Close**.

See the Price Rule in Action

1. Select **New + > Invoice**
2. Enter the **Customer name**
3. Enter a product or service that is part of the **Price Rules** category you have just established in the previous step(s). The rate is now lower because the price rule was applied.



Scenario: On a particular transaction, the discount / lowered rate will not be given.

1. Select the **Rate** drop-down arrow and choose the desired price level for this item, or the base sales price (depending on what data you have in your account). You can choose from these different price levels on a sale-by sale basis. It's important to note that even if the customer you're entering a sale for isn't of a particular customer type, you can still apply the customer type price rule to them here. This drop-down menu and all the price rule options will be present on every sale, regardless of the customer.
2. When you eventually print or send the invoice to the customer, it won't include any information about the price rule being applied, so sometimes it's helpful to leave a note in the description field, or in the message to the customer field.
3. Select **Save and Close**.

Billable Cost

With Billable Expenses in QuickBooks you can invoice customers for expenses that you incur while performing a job them.

1. Select the **Gear icon > Account and Settings**
2. Select **Expenses > Bills and Expenses**

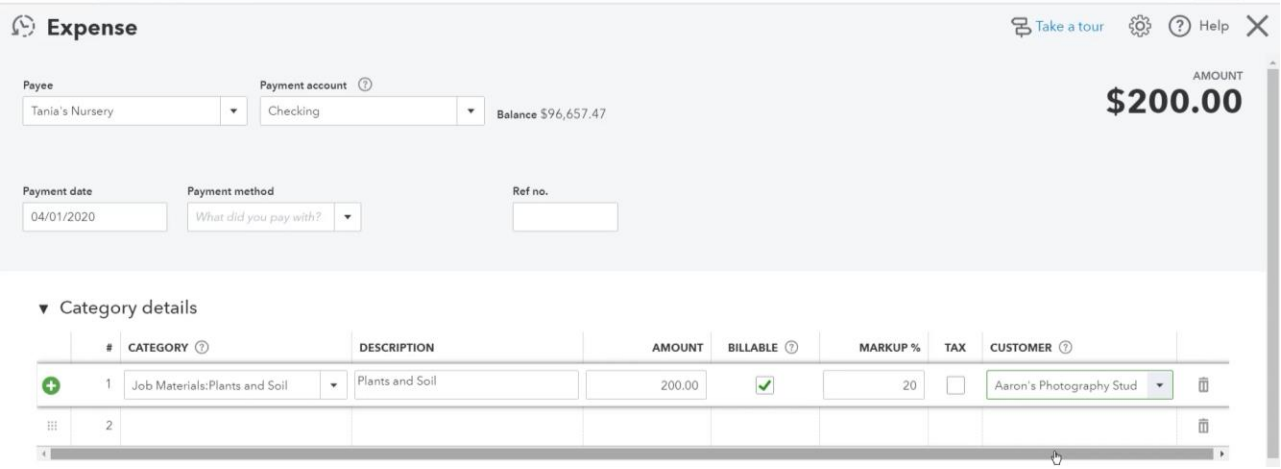
In order to invoice clients for your expenses you need to turn on some of these settings.

3. Select Track expenses and items by customer

Select **Make expense and items billable**. Turn this on if you plan on charging your customers a markup for billable expenses.
Markups can be entered here as a default, or they can be assign on expenses as they are entered.

Tracking Billable Cost

1. Select **New+** > then choose the type of transaction to summarize the purchase
   - Expense
   - Check
   - Bill
2. Choose who you paid for the product / service.
   - In the **Category** section, enter an expense account.
   - If an item on your Product or Service list was purchased, those details can be entered in the **Item Details** area.
3. Enter a **Description**, and the amount of money in the **Amount** field.
   - If you have turned on the option to allow markups, you'll see the markup percentage field. If this is not an option you've turned on, feel free to add in a markup percentage.
4. The **Customer field** is important because it lets you tell QuickBooks who you spent the money for, and it is billable, who we are going to create an invoice to charge.



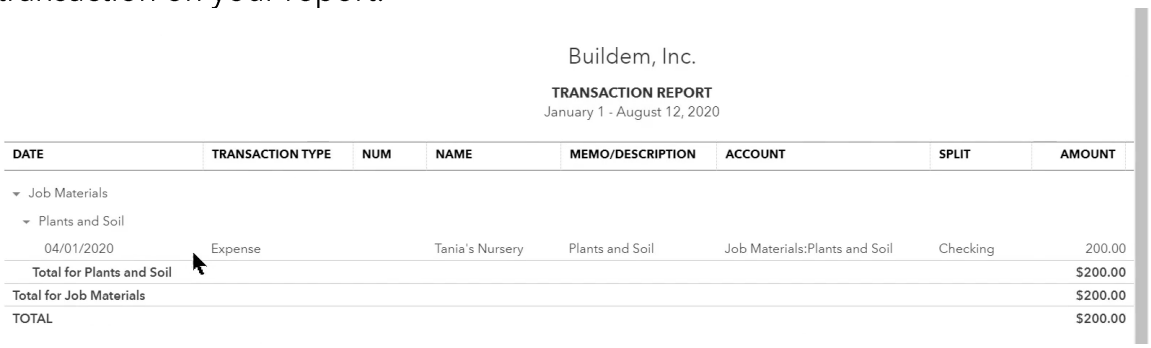
5. Select **Save and Close**.

View Billable Cost Affects on Profit and Loss

1. Select **Reports > Profit and Loss**
2. Locate the expense account entered on your previously entered expense transaction.

	TOTAL
Inventory Shrinkage	1,000.00
Job Materials	
Plants and Soil	200.00
Total Job Materials	**200.00**
Materials	61,688.79
Total Cost of Goods Sold	**$339,676.15**

3. Selecting the number opens a transaction report to see the affect of your transaction on your report.



Buildem, Inc.

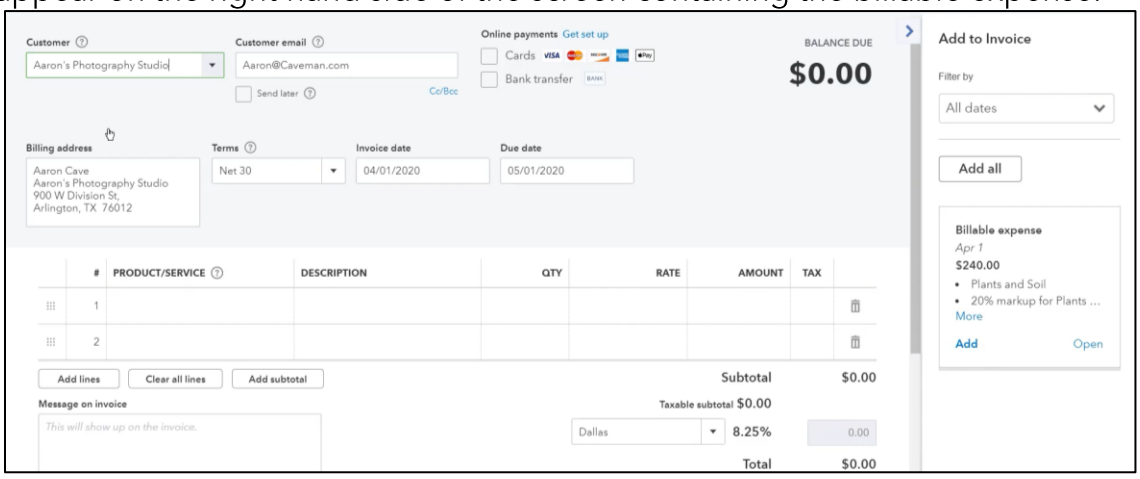
TRANSACTION REPORT

January 1 - August 12, 2020

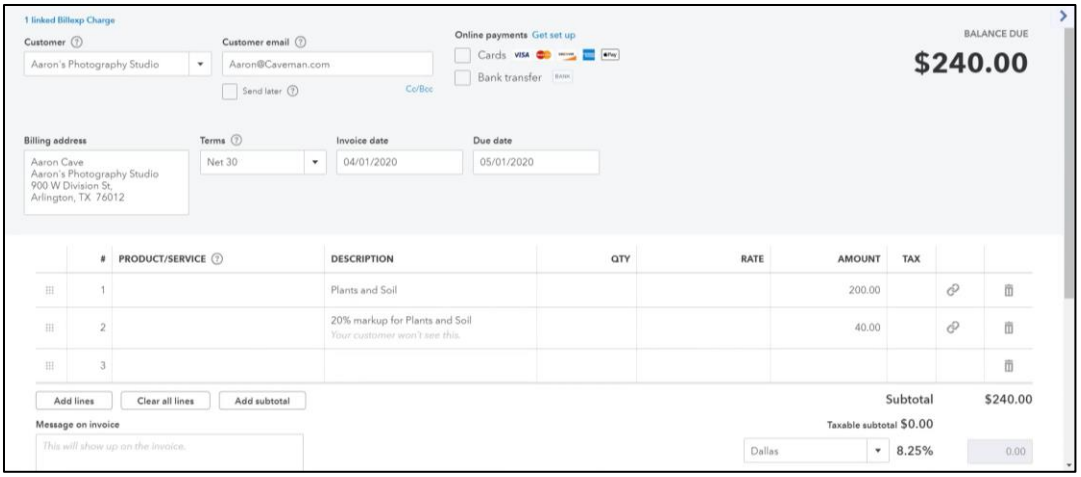
DATE	TRANSACTION TYPE	NUM	NAME	MEMO/DESCRIPTION	ACCOUNT	SPLIT	AMOUNT
Job Materials							
Plants and Soil							
04/01/2020	Expense		Tania's Nursery	Plants and Soil	Job Materials:Plants and Soil	Checking	200.00
Total for Plants and Soil							$200.00
Total for Job Materials							$200.00
TOTAL							$200.00

Invoice a Customer for a Billable Cost

1. Select **New + > Invoice**
2. Enter the customers name associated with the expense and you'll see a drawer appear on the right-hand side of the screen containing the billable expense.



3. Select **Add** to add the expense on the invoice.
4. You will see a description and an amount which came from your previously entered expense, but no product or service.



Note: Many people worry about the markup being here. But don't worry, QuickBooks doesn't show the markup to customers. QuickBooks simply adds the markup to the billable expense line so your customer won't see the markup.

5. Select **Save and Close**
6. You will see the invoice has been created on the **Invoices** page, under the Billable Customers name.

A/R and Invoice Troubleshooting

Sales are very important. In fact, they're so important it's pretty much impossible to have a business without them. Because of that, recording your sales correctly is one of the most important parts of bookkeeping. Unfortunately, mistakes can happen, even in QuickBooks.

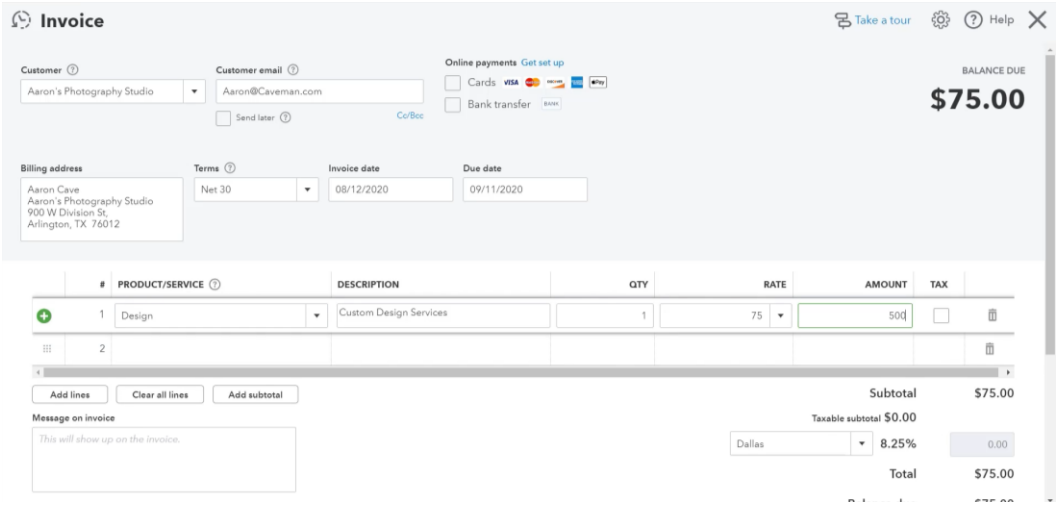
- A common mistake related to recording sales is using the Banking tab incorrectly. Before using the banking tab, income should still be entered manually using the **New button**. Skipping this step means you skip telling QuickBooks about the products and services or inventory you've sold.
- Invoices being paid off are also not connected to the payment without first entering in your deposits. Best practices, manually record the transaction, then match the **Bank Deposit** in the online banking tab.
- If you did not follow the previous steps, there is no way to track your sales, except as income on your Profit and Loss Statement if you **Added** the transaction in the online banking center.
- If your invoices have payments or deposits that are not correctly connected, your Accounts Receivable balance could be incorrect, or show a $0 balance on reports.

Apply Invoice Payment from Deposit

If you have income from a deposit, but no connecting Invoice to provide sale details such as what you sold, and how much, you'll want to create an invoice and link it to the deposit to track that information.

Note: This is a common error when deposits are **Added** in the online banking center, rather than matched.

1. Select **New+ > Invoice**



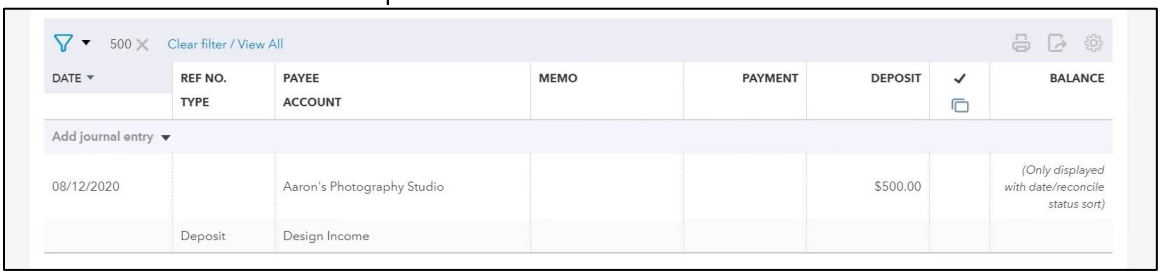
2. Enter the **Customer** that was used on the Deposit
3. Enter the **product or service**, and the **amount** from the sale.
4. Select **Save and Close.**

Review the Profit and Loss

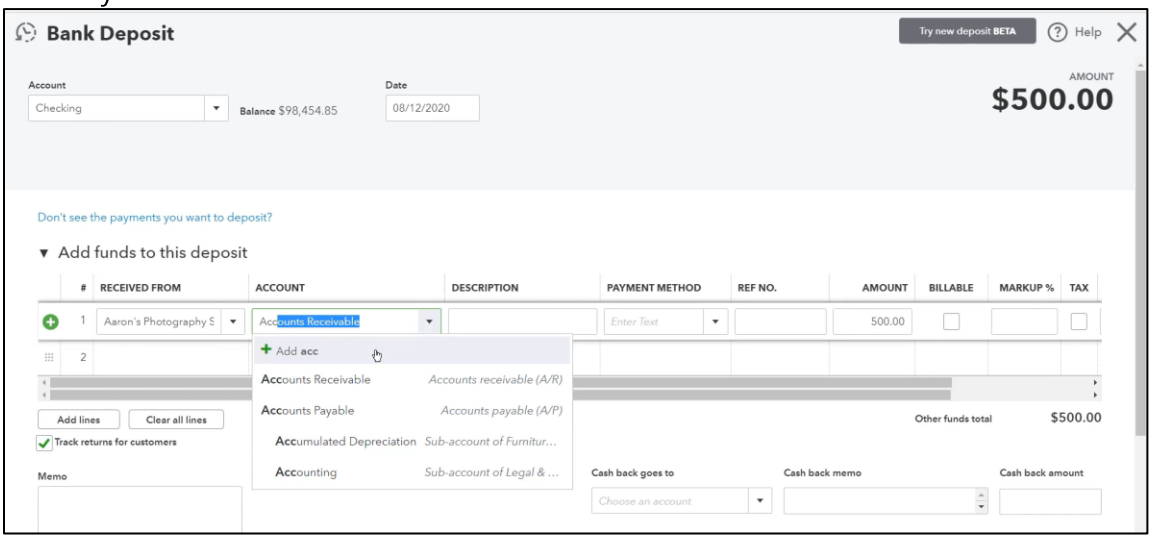
On your **Profit and Loss**, the income will be duplicated at this point. This is a common occurrence when deposits or sales are directly **Added** through online banking.

Update Deposit

1. Select **Accounting> View Register** beside the associated bank Account> **Search** for the amount of the deposit / sale amount.
2. Select the transaction to open it.



3. In the **Categories** field, select **Accounts Receivable**> Select **Save**.
   - This deposit no longer counts as additional income, but looks like a payment from your customer.



Sales by Customer Detail Report

4. Run your sales by customer detail report to be sure that your invoice now links to the sale, and tracks your products and services.
5. Select **Reports > Sales by Customer Detail.** There is one final step to complete the process.

6. Select **Sales > Customer Tab.** Notice the invoice and the deposit are both still open, because they are not yet connected, even though your Accounts Receivable might be showing a $0 balance for the customer.

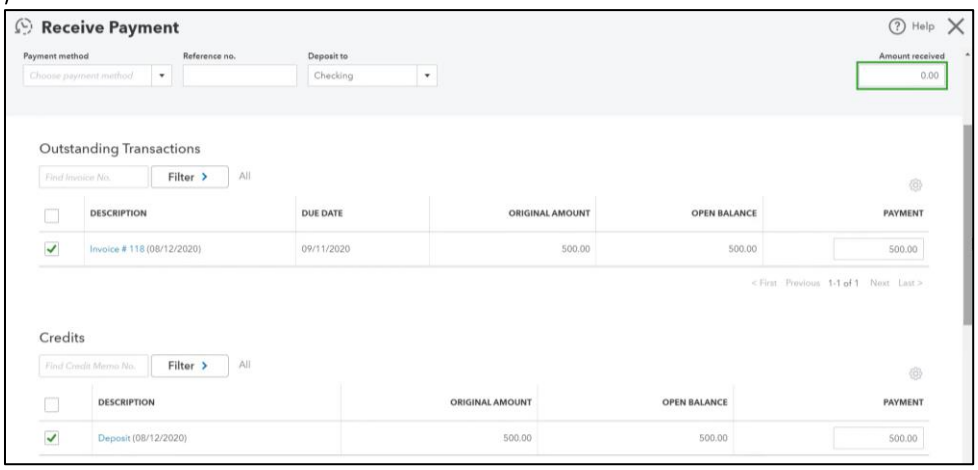
Apply Invoice Payment from Payment

Buildem, Inc.

A/R AGING DETAIL
As of August 12, 2020

DATE	TRANSACTION TYPE	NUM	CUSTOMER	DUE DATE	AMOUNT	OPEN BALANCE
▾ Current						
08/12/2020	Deposit		Aaron's Photography Studio	08/12/2020	-500.00	-500.00
08/12/2020	Invoice	118	Aaron's Photography Studio	09/11/2020	500.00	500.00
Total for Current					**$0.00**	**$0.00**
TOTAL					**$0.00**	**$0.00**

7. Select **New+ > Receive Payment**
8. Enter **Customer Name** and any open transactions will appear.
9. Select the **Invoice** that the payment is to be applied to. After doing so, QuickBooks will enter in a $0 balance in the **Amount Received** box. QuickBooks realizes that there is no new money going into your account.
10. Select **Save and Close**.
11. Return to the **Customer window** to see that the deposit and the invoice are now linked, and the invoice is closed out.



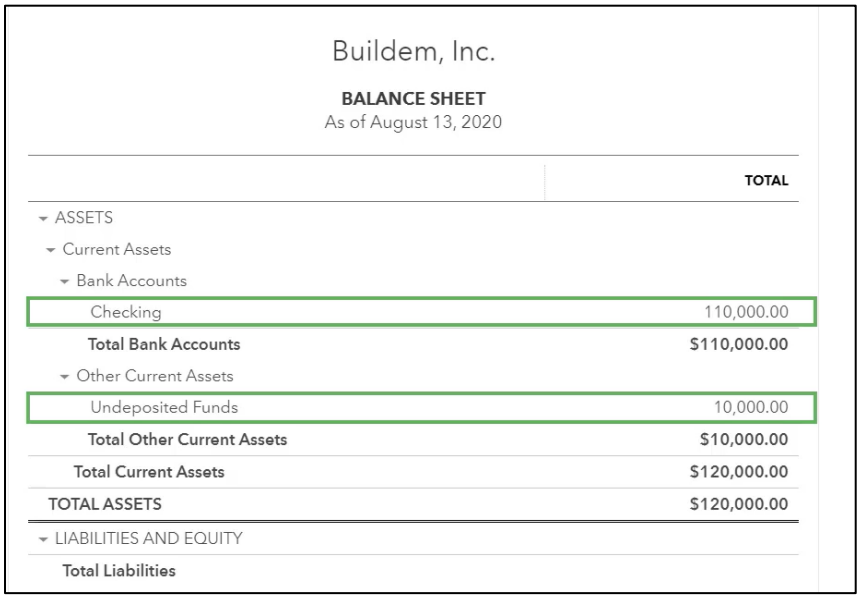
Undeposited Funds Problems

One of the most difficult processes to learn in QuickBooks is using Undeposited Funds. There are no instructions in QuickBooks, no flow charts, nothing that would indicate you need to use this process, but it's very important. Undeposited Funds lets you group together multiple payments into one Bank Deposit.

- If you did not know to use Undeposited funds when you started, there is no need to go back and fix it. You will learn how to create sales transactions now and go back and add them back into old Deposits.
- You'll also learn how to adjust old sales transactions to use Undeposited funds and then use them in your deposits correctly.

Apply Payments to Existing Deposit

If you have ever looked at your bank account balance in QuickBooks are noticed a significant discrepancy, or perhaps you've found that you have a large sum of money in your Undeposited Funds account and aren't sure how it got there… these are red flags that Undeposited Funds has not been used correctly in your account.



Buildem, Inc.

BALANCE SHEET
As of August 13, 2020

	TOTAL
ASSETS	
Current Assets	
Bank Accounts	
Checking	110,000.00
Total Bank Accounts	**$110,000.00**
Other Current Assets	
Undeposited Funds	10,000.00
Total Other Current Assets	**$10,000.00**
Total Current Assets	**$120,000.00**
TOTAL ASSETS	**$120,000.00**
LIABILITIES AND EQUITY	
Total Liabilities	

Scenario: There is a large sum of money in the bank (e.g. $110,000) and money in Undeposited Funds (e.g. $10,000).

To investigate …

1. Select **Reports > Balance Sheet**
2. Select the total of your bank account (e.g. Checking) that includes the discrepancy. This will open a transaction report for you to get more detail about what is making up that incorrect total.

Buildem, Inc.

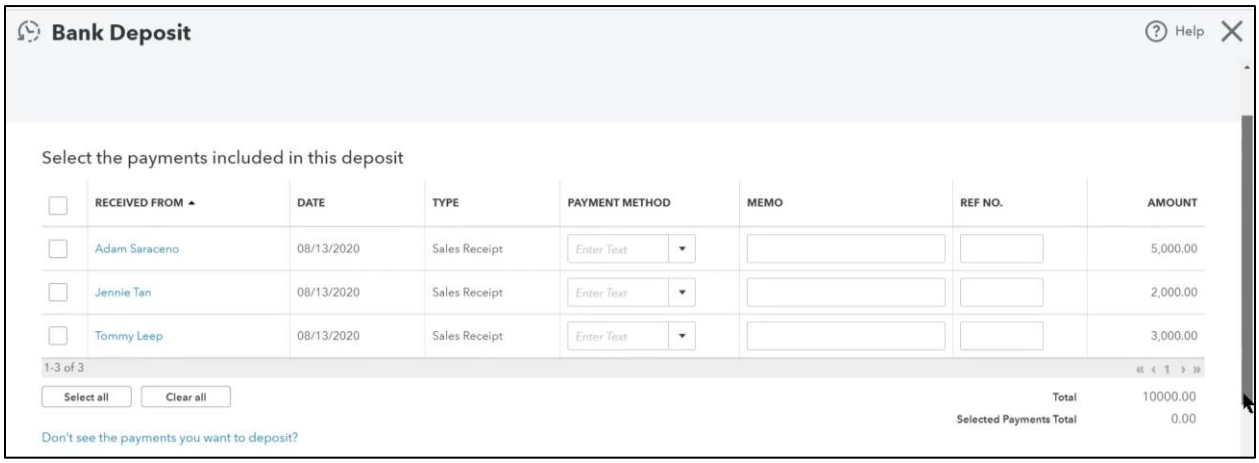
TRANSACTION REPORT

January 1 - August 13, 2020

DATE	TRANSACTION TYPE	NUM	NAME	MEMO/DESCRIPTION	ACCOUNT	SPLIT	AMOUNT	BALA
Undeposited Funds								
08/13/2020	Sales Receipt	1001	Adam Saraceno		Undeposited Funds	Sales	5,000.00	5,(
08/13/2020	Sales Receipt	1003	Tommy Leep		Undeposited Funds	Sales	3,000.00	8,(
08/13/2020	Sales Receipt	1002	Jennie Tan		Undeposited Funds	Sales	2,000.00	10,(
Total for Undeposited Funds							$10,000.00	
TOTAL							$10,000.00	

In this example, let's assume you have a large deposit transaction that was made in the bank account, perhaps through **Adding** the transaction in **Online Banking**.

3. Select the back button to return to the **Balance Sheet** > select **Undeposited Funds** to see payments from customers that are currently in this account.



Bank Deposit

Help

Select the payments included in this deposit

RECEIVED FROM	DATE	TYPE	PAYMENT METHOD	MEMO	REF NO.	AMOUNT
Adam Saraceno	08/13/2020	Sales Receipt	Enter Text			5,000.00
Jennie Tan	08/13/2020	Sales Receipt	Enter Text			2,000.00
Tommy Leep	08/13/2020	Sales Receipt	Enter Text			3,000.00

1-3 of 3

Select all | Clear all

Total 10000.00

Selected Payments Total 0.00

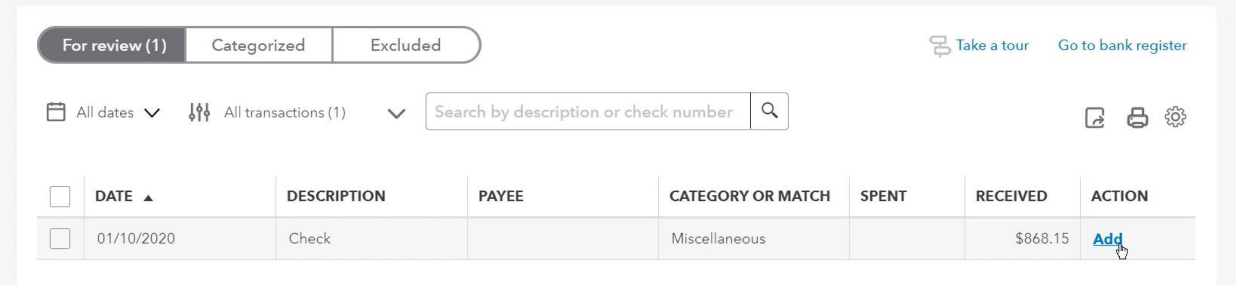
Don't see the payments you want to deposit?

Note: These funds can show up when you use Undeposited Funds, without finishing the process with a Bank Deposit transaction. When using the **Online Banking** center, there will be no matching **Bank Deposit** transaction, so the funds actually deposited, and recorded in the **Received Payments** window will be duplicated.

This problem can be fixed by reopening the deposit and using the Undeposited Funds instead of the information from your bank.

1. Select **Accounting > Chart of Accounts**
2. Locate your bank account > select **View Register**
3. Select the **Filter** button > enter the amount of the deposit in question.
4. Click on the deposit, then select **Edit**.
5. The proper way to make the deposit is to use funds from the **Undeposited Funds.**

Note: Never use the Add Funds section to record income. This area should only be used to record refunds, loans. Or adjustments to a deposit for accounts such as Merchant Service Fees.



The goal is to move the funds which we duplicate added in the banking center, and make this transaction reflect the real-world sales and bank records.
Select the transactions that represent the undeposited funds payments (that we duplicate added), then select the trash can icon to remove or delete them.
Select **Save and Close.**

Revisit your Balance Sheet

6. Select **Report > Balance Sheet**
7. Locate your **bank account** balance, to notice that the amount hasn't changed.
8. Locate your **Undeposited Funds** account to notice that it has lowered by the amount you've removed from that account (the duplicate funds).

Buildem, Inc.

BALANCE SHEET
As of August 13, 2020

	TOTAL
ASSETS	
Current Assets	
Bank Accounts	
Checking	110,000.00
Total Bank Accounts	**$110,000.00**
Other Current Assets	
Undeposited Funds	0.00
Total Other Current Assets	**$0.00**
Total Current Assets	**$110,000.00**
TOTAL ASSETS	**$110,000.00**
LIABILITIES AND EQUITY	
Total Liabilities	
Equity	
Opening Balance Equity	100,000.00
Retained Earnings	
Net Income	10,000.00
Total Equity	**$110,000.00**
TOTAL LIABILITIES AND EQUITY	**$110,000.00**

Group Multiple Payments into Deposit

It is not common knowledge that Undeposited Funds should be used in QuickBooks. Without this knowledge, when the bank account is chosen in your Deposit to field on a Received Payment transaction, deposits, depending on the real world situation, will never match your bank's bookkeeping.

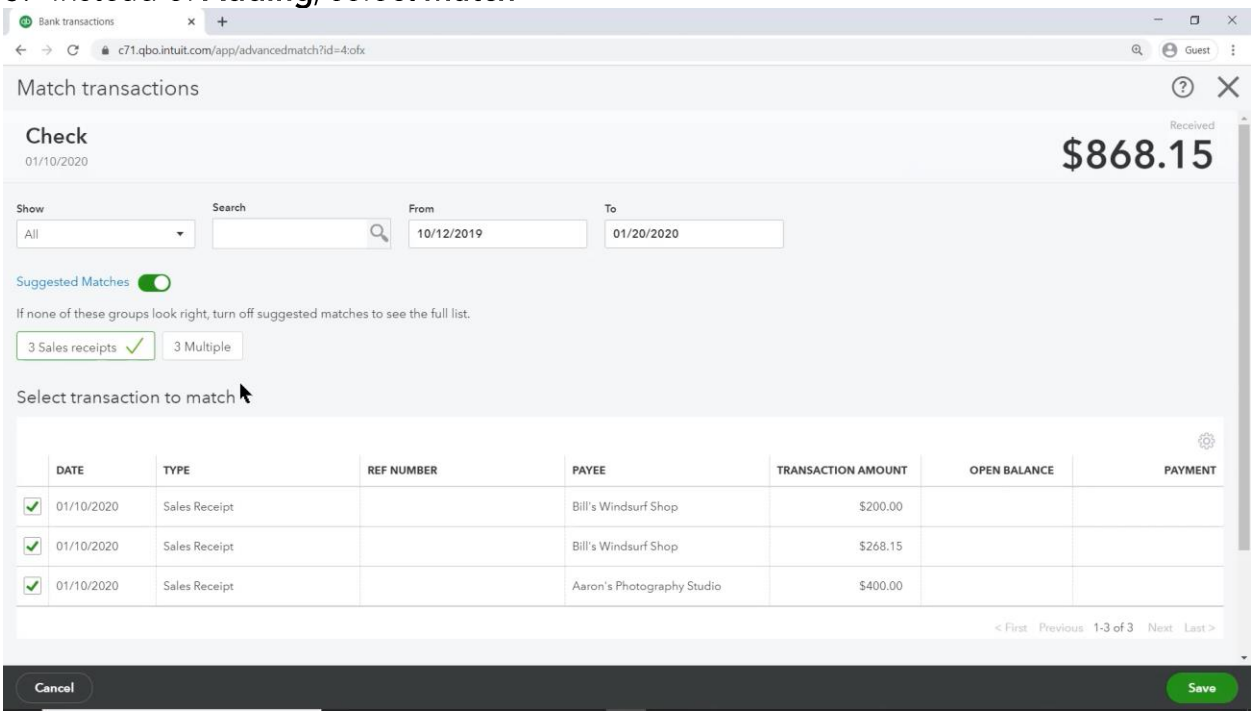
- If you group individual deposits together to make a lump sum deposit at the end of a time period (e.g. daily, weekly, monthly).

Scenario: You have recorded multiple payment transactions for two customers. On your Received Payment transactions, you've used Checking as the Deposit To account.

- If this has been added in your Online Banking center, the funds will be duplicated in your income account.

In order to get multiple payments to match to a single deposit …

1. Select **Banking** (or Transaction) > **Banking**
2. Select the **Transaction** in the **Review** tab
3. Instead of **Adding**, select **Match**



4. QuickBooks opens another window where the multiple transactions can be located and matched to the single deposit.
5. After all transactions included in this deposited have been selected, select **Save**.

Chapter 6

Sales Workarounds

Introduction

From time to time you will have to handle tricky or somewhat atypical sales transactions, this chapter will provide you steps on how to deal with some of those situations.

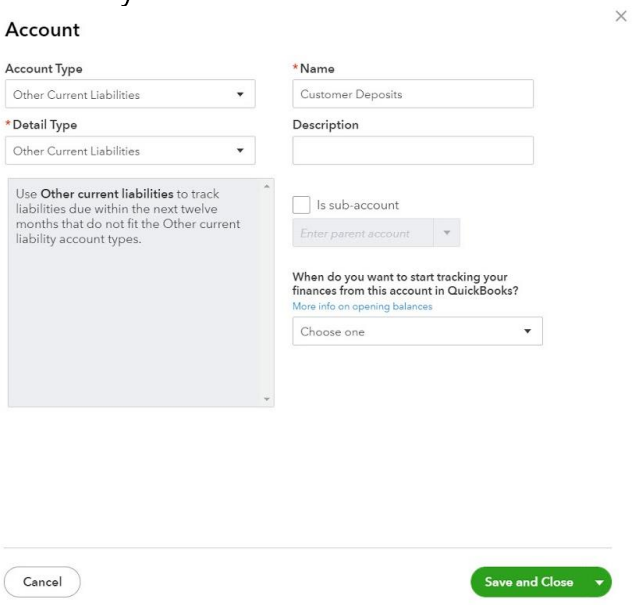
- How to handle customer prepayments, recording them as liabilities and applying them to a final invoice.
- Writing off customer missed payments as bad debt.
- Dealing with customer over and under payments.
- How to transfer credits from one customer to customer, or customer to vendor with journal entries.
- How to record a single sales transaction for an entire day's sales, this is beneficial for retail locations.
- Learn how to deal with bounced check from a customer.

Prepayments from Customers

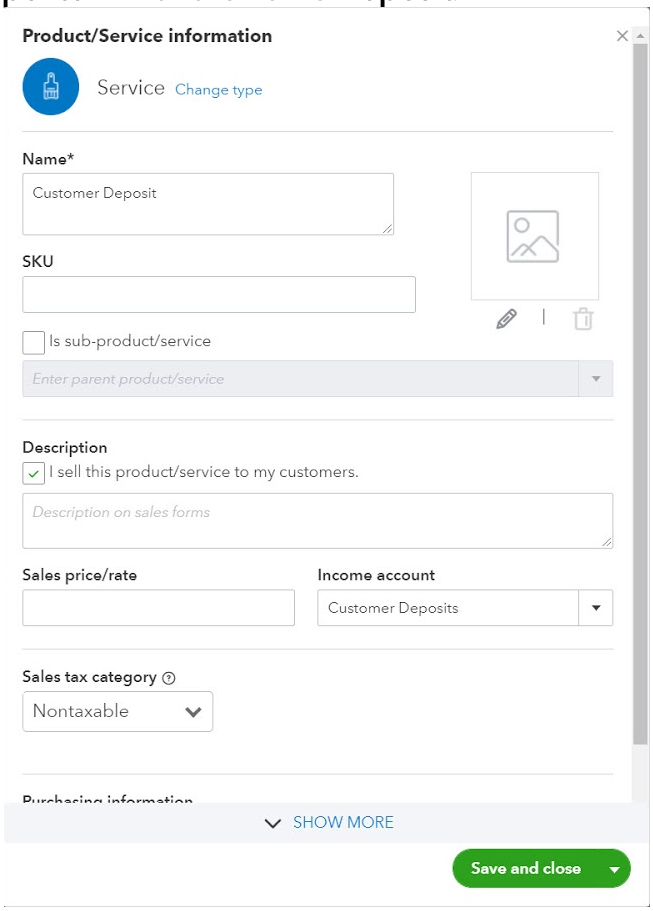
The first step is to be sure that you've set up all of the right accounts and items in your QuickBooks account. Next, you will need to create a liability account to track how much money customers have given you in deposits.

1. Select **Accounting > Chart of Accounts > New +**

Note: When you accept a Deposit from a customer you are holding that money for them until you invoice them. When they first give you the money it's considered a liability, and it doesn't actually become income until later. For that reason, you will need an Other Current Liability account.



2. For **Detail Type,** select **Other Current Liabilities**, and name the account **Customer Deposits.**
3. Create a service on your products and services list to charge for the Deposit
4. Select **Sales > Products and Services > New+**
5. Create a **Service type item** with the name **Deposit**.



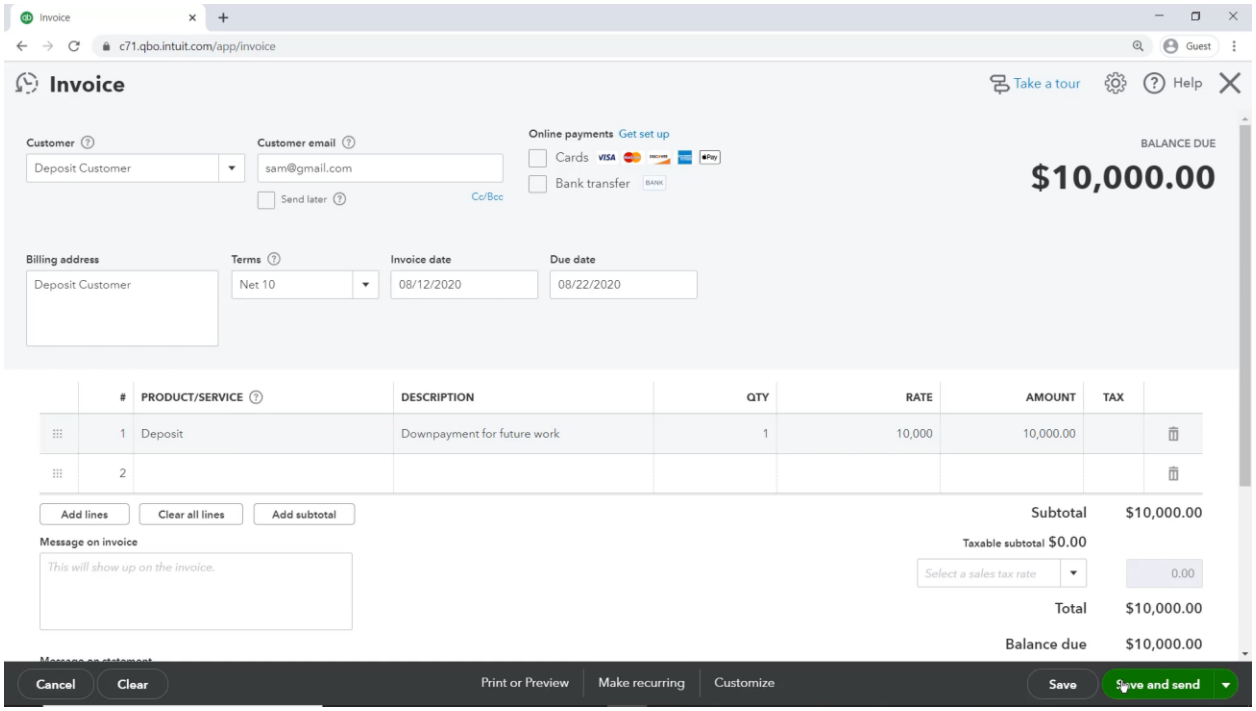
6. Leave the **rate** field blank
7. Assign the **Customer Deposits** liability account as the **Income Account**.
8. Leave the checkbox for **taxable** unchecked. Deposits you accept from customers themself are not taxable, only the products or services you invoice them for later are taxable.

Record a Customer Prepayment

The way you record your customer payment depends on whether or not an invoice is sent to the customer.

Option 1: Invoice is sent to customer for the deposit.

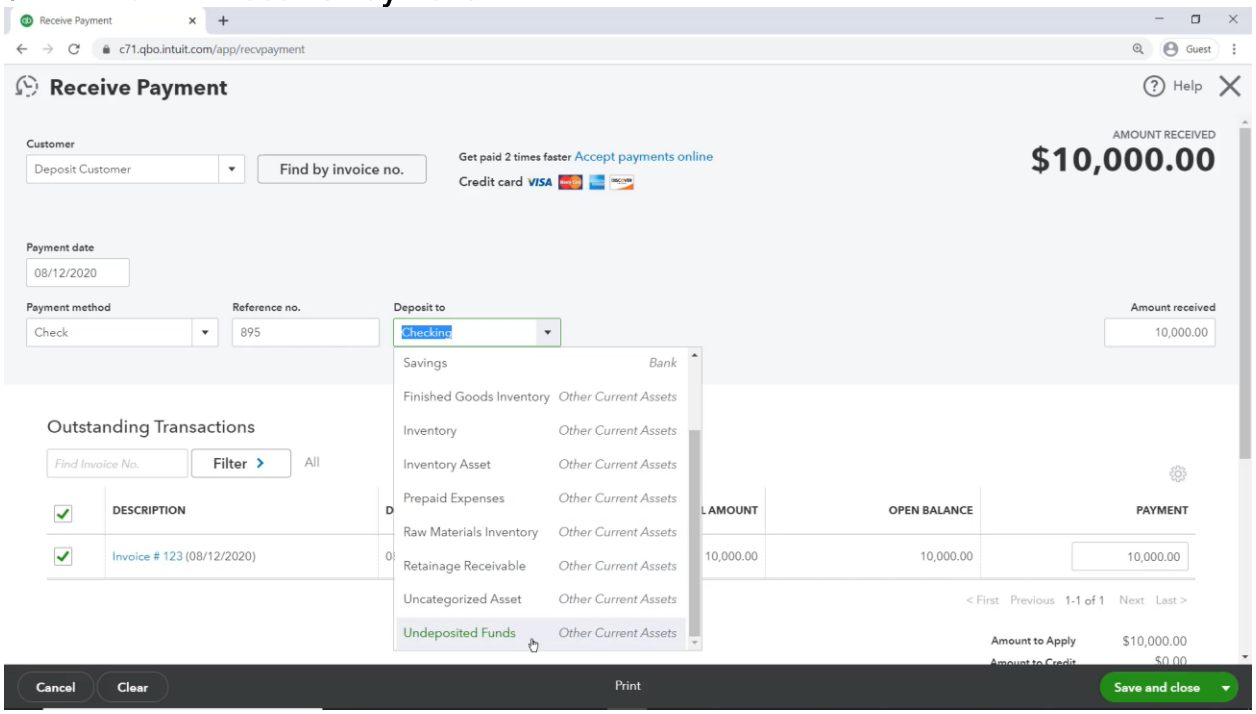
1. **New +> Invoice**
2. Enter **Customer**, payment **due date**, and the **net terms**.
3. Enter the **Deposit** service item created earlier, in the **Product/Service**
4. Enter the **amount** of the deposit and anything else you want to include on the invoice.



5. **Preview the email** and make any changes.
6. Select **Send and Close.**
7. To view the impact of the invoice on the customer window. Select **Sales > Select Customers.** Locate the customer to view the transaction list.

This invoice impacts a customer's balance just like any other invoice you can monitor that from the Customer's List as well as any Accounts Receivable reports.

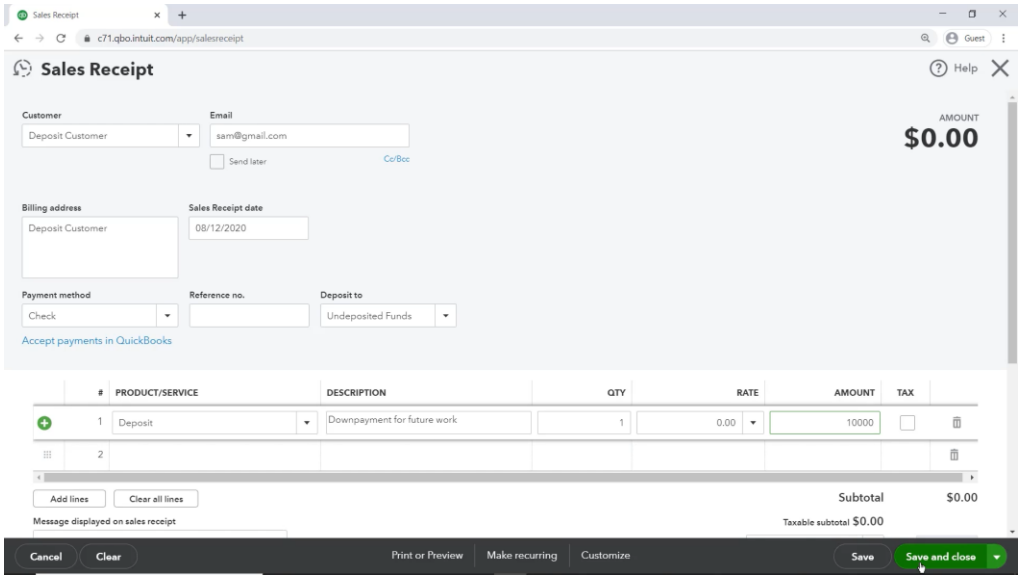
8. Select **New+> Receive Payment**



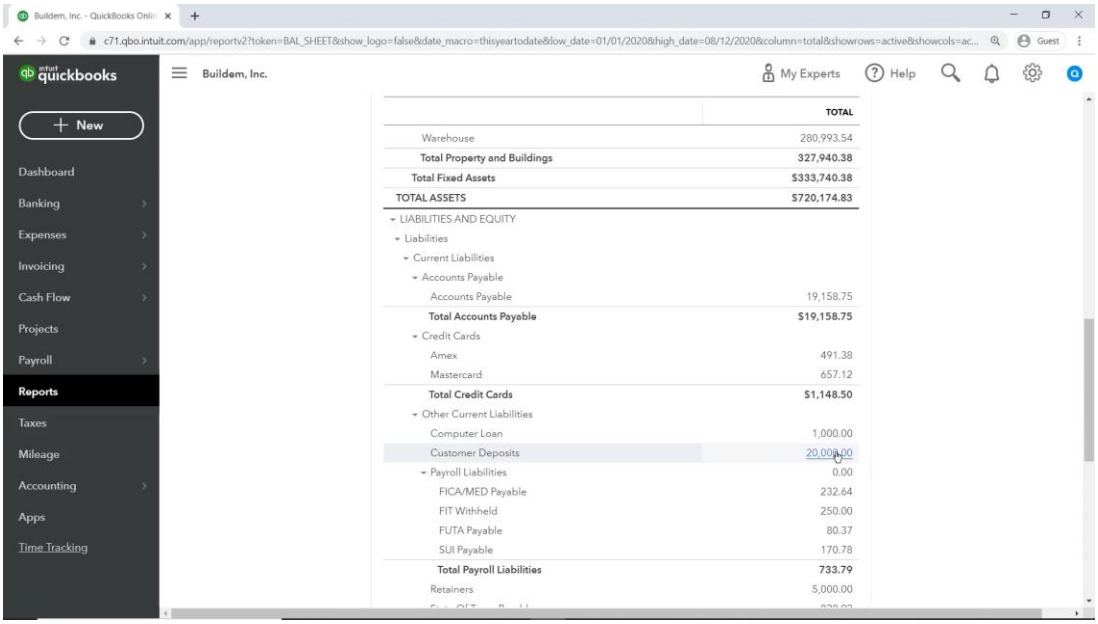
9. Enter the **Customer Name** and you'll see any outstanding invoices that are on the customer's account.
10. Enter **payment details**, where they paid you and where you deposited the payment. Use **Undeposited Funds** if necessary to group payments.
11. Select **Save and Close.**

Option 2: If there is no need for an invoice and the customer just knows how much to pay right away, the steps are much simpler.

1. Select **New+> Sales Receipt**
2. Enter the customer details so you're able to track the deposit and how it's used later.



3. Enter the date when the deposit was given, payment information and the location where the funds were deposited.
4. Choose the **Deposit service** in the **Product/Services** drop-down.
5. Enter the **amount** of the deposit, then select **Save and Close**.
6. Using the sales receipt method skips the Accounts Receivable account so the customer never carries a balance on the Customers List.
7. Select **Accounting> Chart of Accounts**
8. Notice the amount of current deposits being held in the **Customer Deposit** account balance.

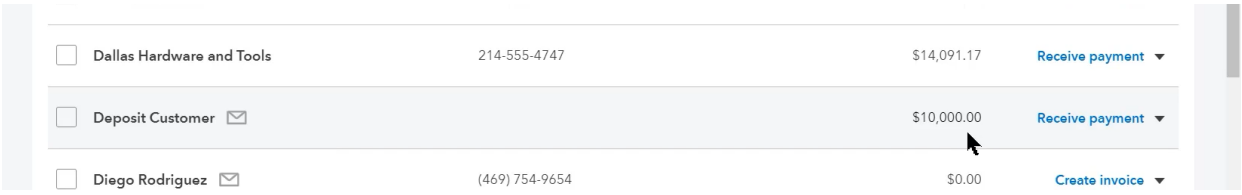


Apply a Customer Prepayment

Your customer has finally paid you, so it's time to send a final invoice and move the deposit from a liability to income.

One option is to create an invoice, if they pay you later, your second option, if they pay you right away, is to use a sales receipt. In this example we will use an invoice.

1. **New+> Invoice**
2. Enter **customer** details.
3. Enter the **date** the invoice was issued.
4. Line 1: In the **Product/ Service** enter the details.
5. In the **Amount** field, enter the **full amount** being charged.
6. Line 2: **Enter the Deposit Service** you created earlier.
7. In the **Amount** field, enter the amount of the deposit you have received as a **negative** amount.



Note: If using a **Sales Receipt**, you'll use the same process mentioned above.

Once you finish the transaction entry, select **Print and Preview**, to view the invoice / sales receipt details as the customer will see the transaction.

- Select **Save and Print** to print the transaction.
- Select **Save and Send** to send the transaction via email.
- Select **Send and Done** to send the transaction over.

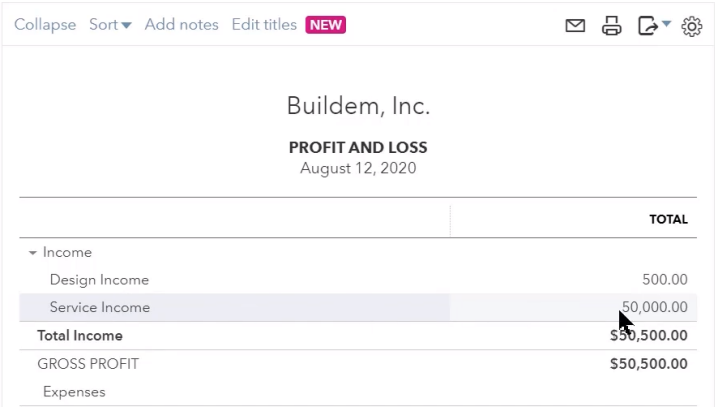
To view the impact of the transaction on the Customers account…

8. Select **Sales or Invoicing > Customer** and select the associated customer.

9. You'll see the customer only owe the remainder of the invoice because of that deposit already made on the account.

Tracking Income on Reports

1. Select **Report > Profit and Loss**
2. Locate the associated income account (e.g. Services income) to see the current balance.



3. Click on the balance in order to see the individual transactions making up the total balance. Notice that the full amount is added on the account, even though they're only being charged a portion of that total.

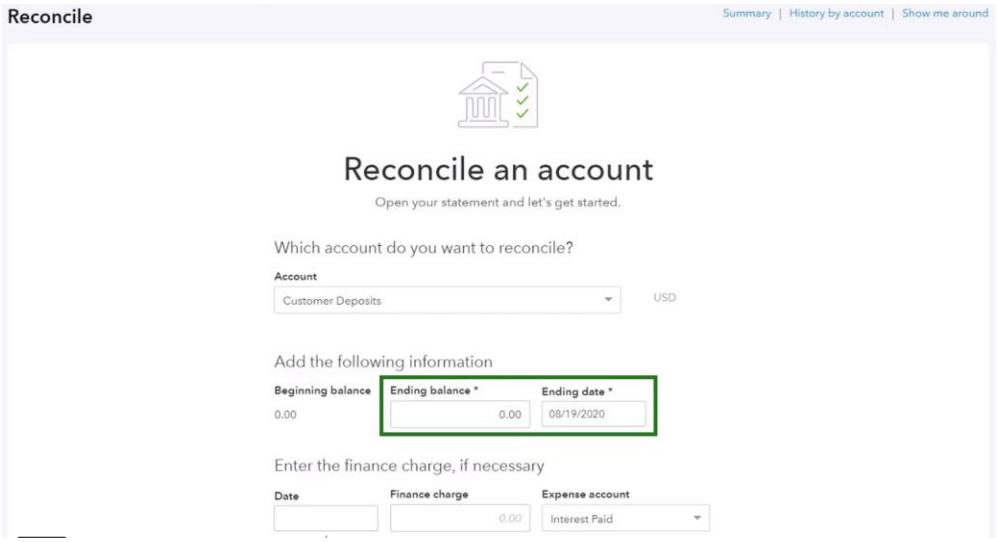
Check the **Liability Account** updates.

1. Select **Accounting> Chart of Accounts**
2. Locate the **Customer Deposit** account, the balance will either be zero (if you're lucky) or have a balance if you're using this with multiple customer who are carrying a deposit balance.

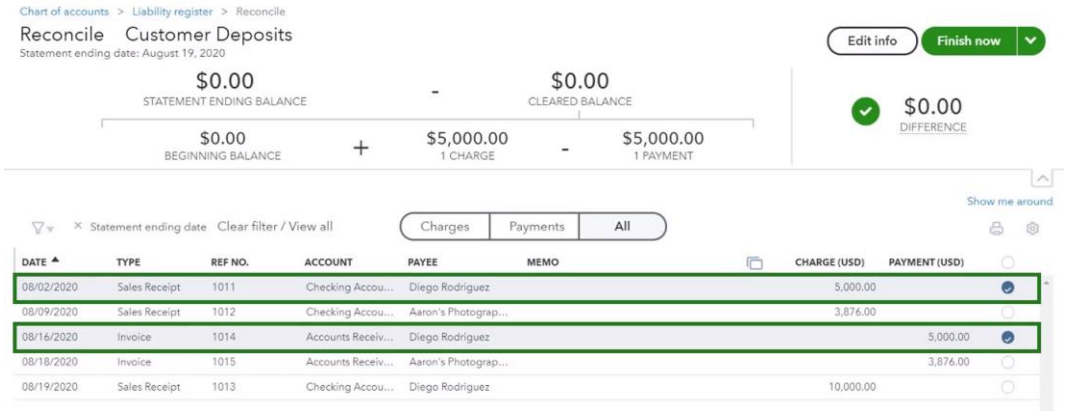
Reconcile Customer Prepayment

What if you have a lot of customers with deposits and they've all got different balances? The best way to track this is with a support schedule. The first step to build a support schedule is to reconcile the liabilities account you use to track customer Deposits.

1. Select **Gear icon** > Select **Reconcile**
2. Select the dropdown arrow and choose **Customer Deposits**
3. The **Ending balance** for the reconciliation is **zero**
4. Statement ending date is today's date.



5. The reconciliation lists each customer Deposit, and if the deposit has been used you'll also see the sales transaction that used it. To build a support schedule you **select the pairs** of customer Deposits and their associated invoices. Select both, since QuickBooks lists both the deposit and the invoice that used it.
6. If you see a Deposit by itself, without any associated invoice, do not select it.



7. This reconciliation should always have a zero ending balance and different. If you see anything other than a zero that means you have selected an extra invoice or deposit.

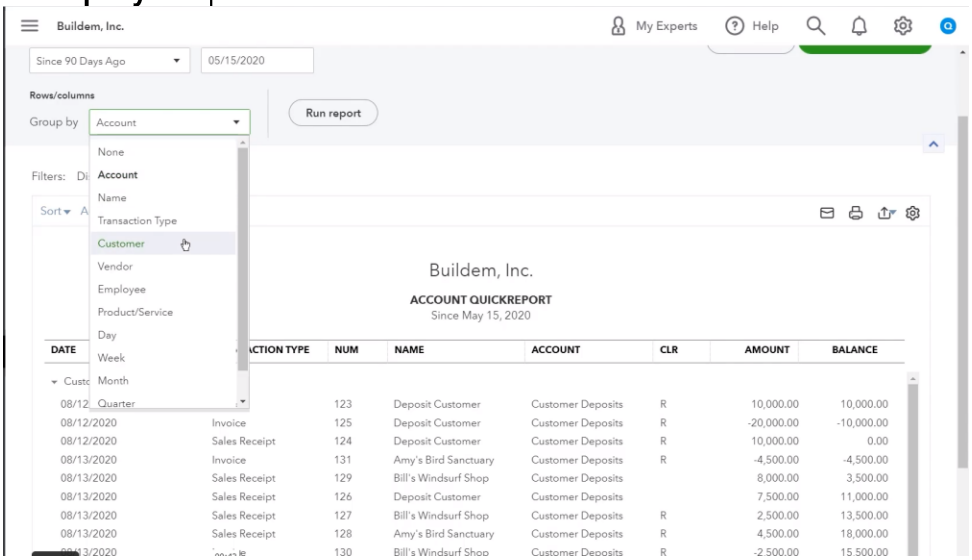
Track Customer Prepayments

Now that you've reconciled the liability account it's time to build the support schedule.

1. **Select Accounting > Chart of Accounts**
2. Locate the **Customer Deposits** liability account
3. In the **Actions** column on the right side of the screen, select the **dropdown arrow** > Select **Run Reports**

Note: Here you see all of the transactions that have affected this account, you can see all of the Deposits and the invoices that used those Deposits. Clean this report up by using the **Group By** feature.

4. Select **Group By** drop-down > Select **Customer**



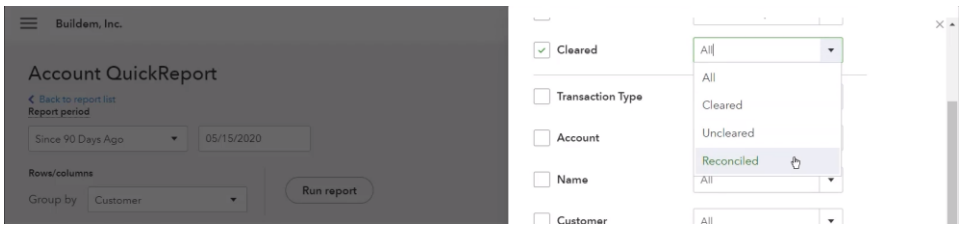
5. Select **Run Report**

Now the report groups all of the Deposits and their invoices, if there are any, together, and even gives you a balance for each customer.

Used Deposits Report

The downside is that over time this report will get very long. You may want to break it up so that you only see the open Deposits or the used Deposits.

1. Search for **Deposit Detail** report
2. Select **Customize** > **Filters**> Select the **Cleared Filte**r.

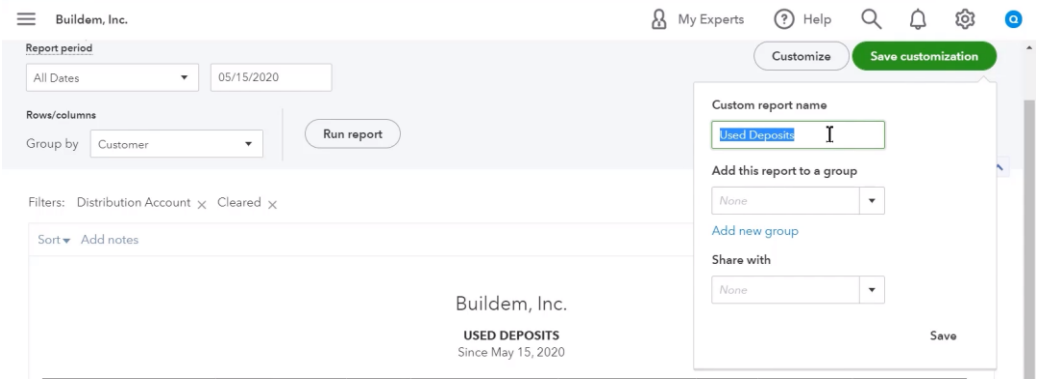


3. Select the dropdown and choose **Reconciled** > **Run Report.** This report now only shows the used Deposits and their associated invoices.

Note: This report only shows the Deposits and invoices since 90 days ago. To run a report that goes back further than that you can click the drop-down arrow here and change the date range.

Save this Report

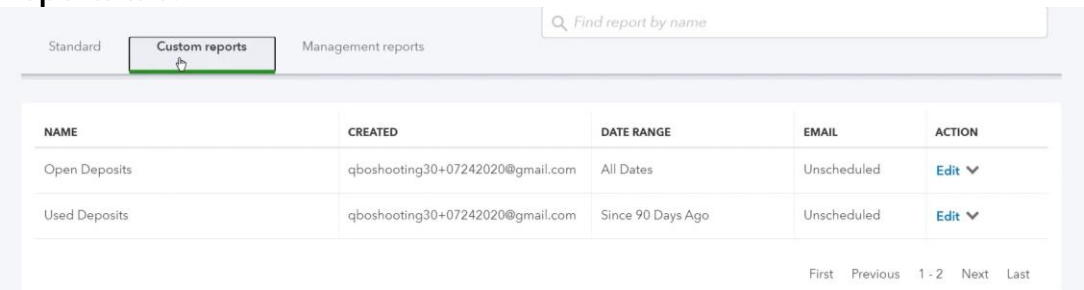
4. Click this reports name and rename it Used Deposits.
5. Select **Save customization**, enter an appropriate report name > Click **Save**.



Unused Deposits Report

1. Search for **Deposit Detail** report
2. Select **Customize** > **Filters**> Select the **Uncleared Filte**r> **Run Report.** This report now only shows the unused Deposits and their deposit balances.
3. When running this report it's usually a good idea to run it for All Dates. That way QuickBooks shows you all open Deposits regardless of when you received them.
4. Click this reports name and rename it Open Deposits.
5. Select **Save customization**, enter an appropriate report name > Click **Save**.

Note: You can run either of these reports from the **Reports** tab from the **My Custom Reports tab.**

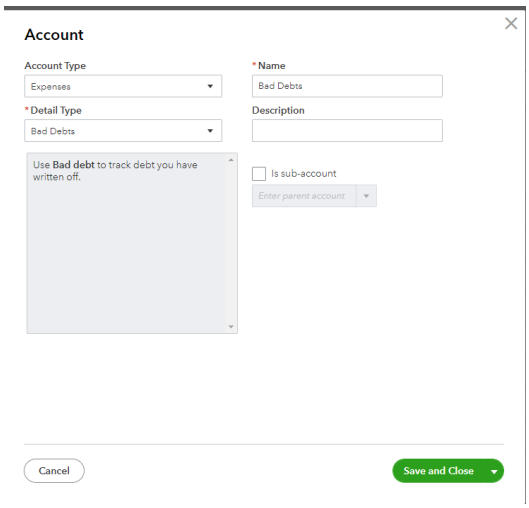


Bad Debt: Intro

- When customers don't pay what they owe, there is a method to move those balances due out of your Accounts Receivable balance.
- The customer's open invoices can also result in you over-reporting your net income to the government, which leads to taxes on money that you haven't even collected. To correct this you have to write off a customer's bad debts, but remember to always check with your accountant before writing off bad debts.

Create a Bad Debt Expense Account

1. Select **Accounting** > **Chart of Accounts**> **New**
2. For **Account Type**, select Expense. **Detail Type** is Bad Debts > QuickBooks will name the account appropriately.
3. Select **Save and Close**.



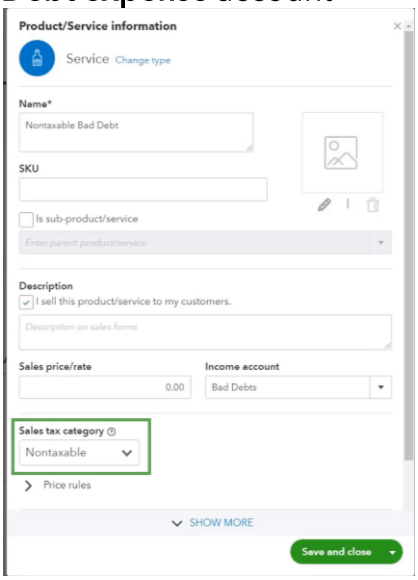
Note: You also need to set up one, and possibly two, services to use on credit memos.

4. **Select Sales**> **Products and Services** > **New** > **Service**
5. For the **name**, enter Service for Bad Debt.

Note: There are two types of Bad Debt services that can be set up. One writes off bad debts that do not include sales tax, and the other writes off bad debts that do include sales tax.

Nontaxable Bad Debt

1. Name the service item **nontaxable bad debts**.
2. Enter **zero dollars** for the **Rate** because the amount of money you'll right off from invoice to invoice.
3. Link the service to the **Bad Debt expense** account

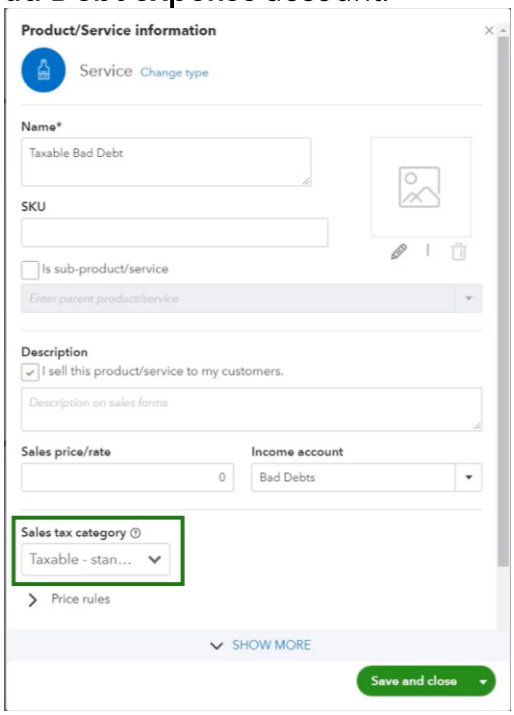


4. Make sure this is selected as **non-taxable**.

If you charge sales tax on your sales, you'll also need to set up a service for taxable bad debts.

Taxable Bad Debt

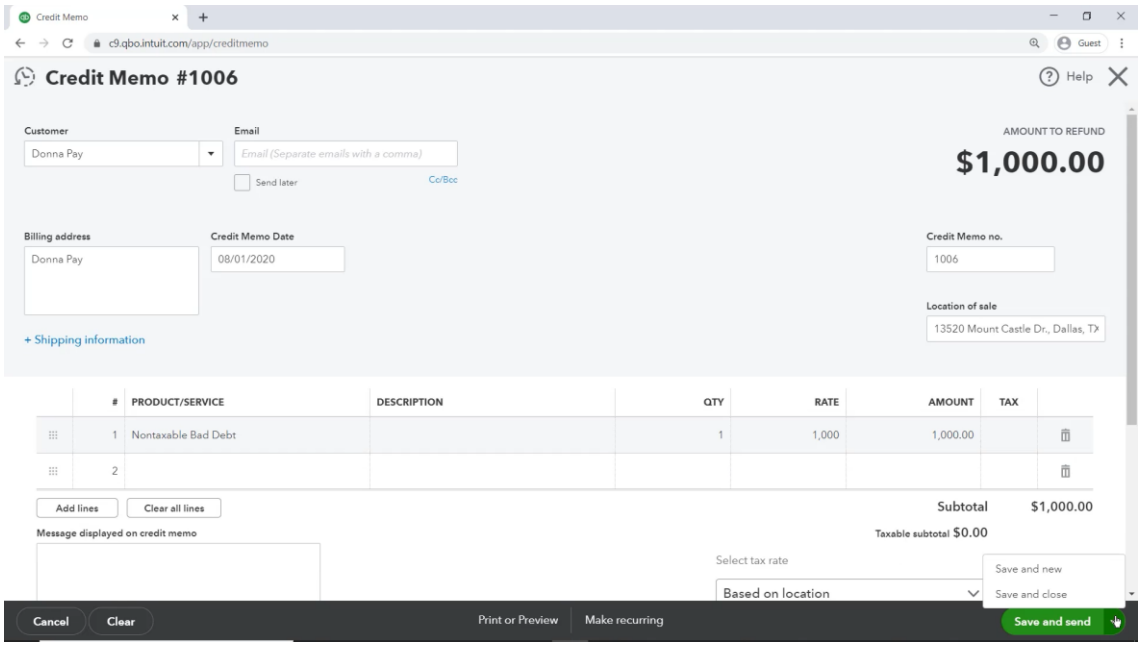
1. Name the service item **nontaxable bad debts**.
2. Enter **zero dollars** for the **Rate** because the amount of money you'll right off from invoice to invoice.
3. Link the service to the **Bad Debt expense** account.



4. Make sure this is checked as **taxable**.

Write off Bad Debt without Sales Tax

1. Select **Sales > Customers**
2. Locate the customer that is not going to pay you.
3. Select the **customer**, then select the **invoice** they will not be paying. If the invoice does not include taxable products you will need to use a non-taxable bad debt service. Return to the customer window to **create a new transaction**.
4. Select **Credit Memo** from the dropdown on the right-hand side of the Customer window.
5. Enter the **customer** name.
6. In the Product / Service area, select **Nontaxable Bad Debt**.
7. Enter the **Amount**> select **Save and Close**.



Notice the customer balance has now decreased by the amount entered on your invoice. Once the credit memo was created, QuickBooks applied it to the open invoice through a zero dollar **payment** transaction. **Note:** Your settings might be different so you might need to record this zero dollar payment yourself.

Run the Profit and Loss

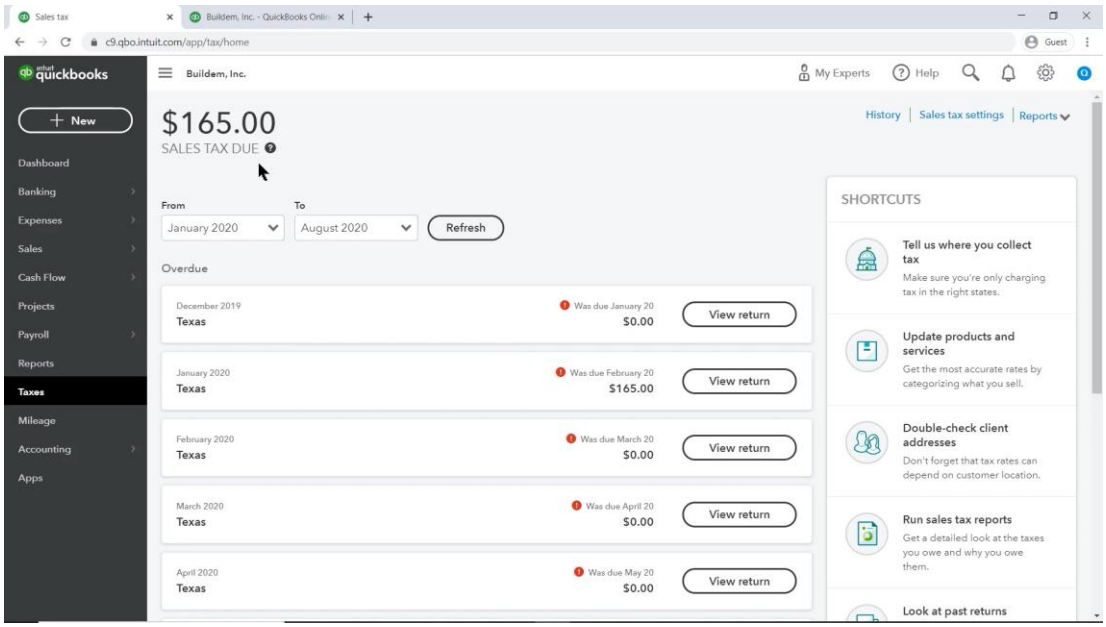
1. **Reports > Profit and Loss**
2. Notice that you can still see the original income, but the **Expenses** has changed
3. Notice the **Bad Debt** expense account, it will now contain the balance you wrote off. The income shows up in the income account, but the credit memo subtracts it and the uncollectible invoice is no longer counted towards your net income or profit.

Write off Bad Debt with Sales Tax

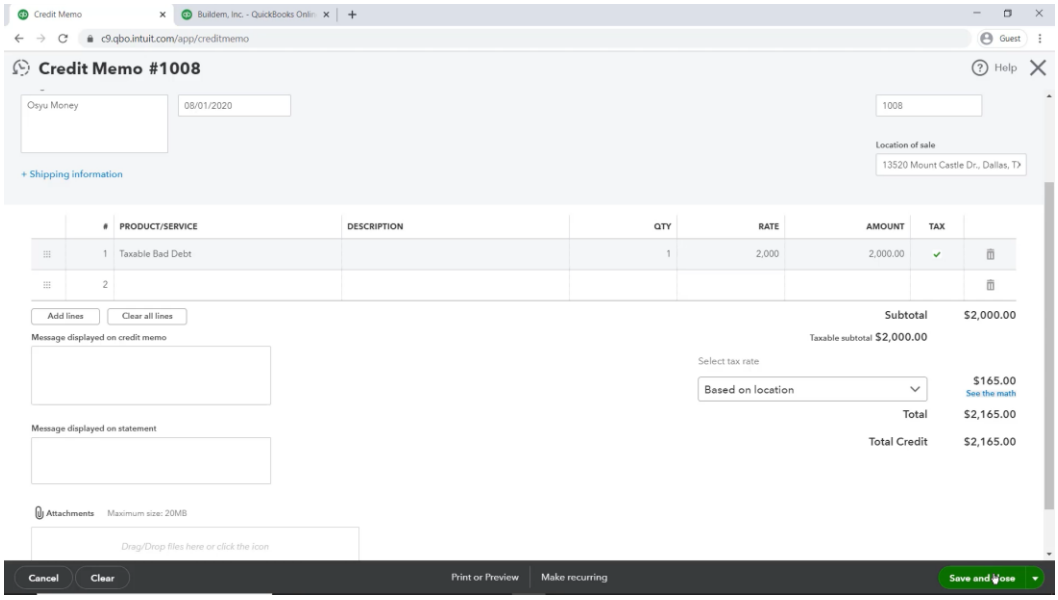
With regards to invoices that include sales tax, QuickBooks online considers to original amount, minus the sales tax as income. The remaining amount on the invoice is considered a liability that is owed to the state. The key to writing off this invoice is a decrease to your net income by the amount of the sale, and a decrease to the amount of sales tax payable that you owe to the state.

1. Select **Taxes** from the navigation bar.

- Here you see the Amount owed for sales tax right now. If everything is performed properly, this amount will decrease because the sale that includes the sales tax is undone.



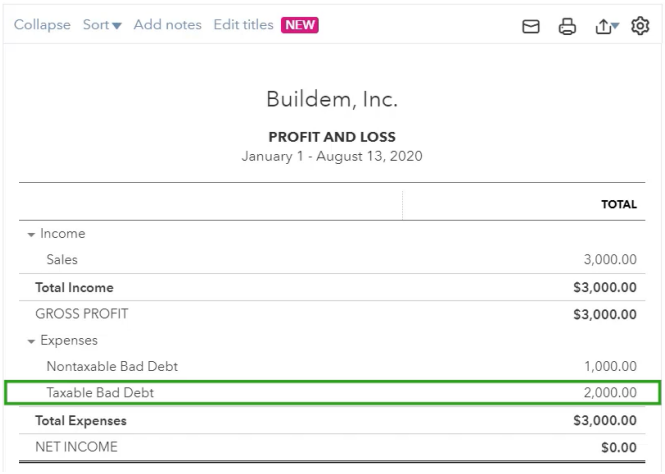
2. **New+> Credit Memo**
3. Enter the customer details.
4. In the **Product/Services** area, enter **Taxable Bad Debt**.
   - Be sure the sales tax used on the credit memo is the same sales tax that was used on the original invoice. QuickBooks calculates the exact same total amount of the credit memo as it did for the invoice.
5. Select **Save and Close**.



6. Return to the Customers tab to notice the customer balance has lowered by the about you have written off.

Run the Profit and Loss

1. **Reports > Profit and Loss**
2. Notice that you can still see the original income, but the **Expense** has changed. The **Bad Debt** expense account now contains the balance you wrote off. The income shows up in the income account, but the credit memo subtracts it and the uncollectible invoice is no longer counted towards your net income or profit.



Customer Prepayments

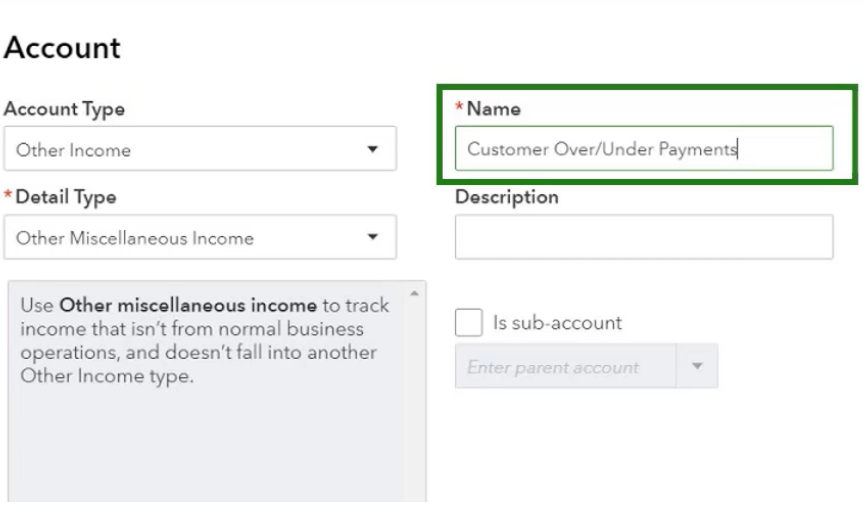
It is possible for a customer to pay too much or too little. Either of these can cause problems with their balance. In the next few topics you'll learn how to deal with slight differences in customer balances.

Scenario: You have two customers that pay you amounts other than what they owe you.

- One pays you more that they owe.
- The other pays you less than they owe.

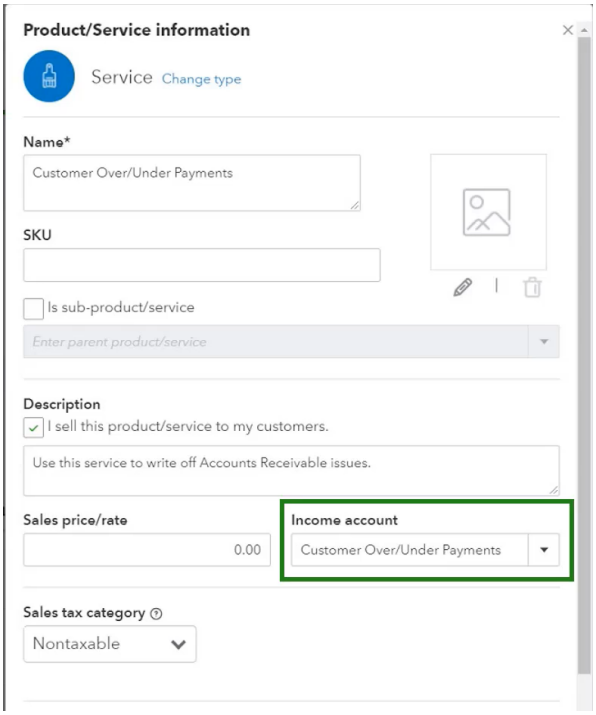
Before you can handle these situations, you need to set up an account to track these small issues.

1. Select **Chart of Accounts> New**. You should use the same account for both customer over and under payments.
2. Create an **Other Income type** account > **Detail Type** should be **Other Miscellaneous Income**.



- It's also important to set up a product or service that uses this miscellaneous income account.

3. Select **Sales > Product and Services**.
4. Select **New> Service**> name the service **Customer Over/Under Payments**.

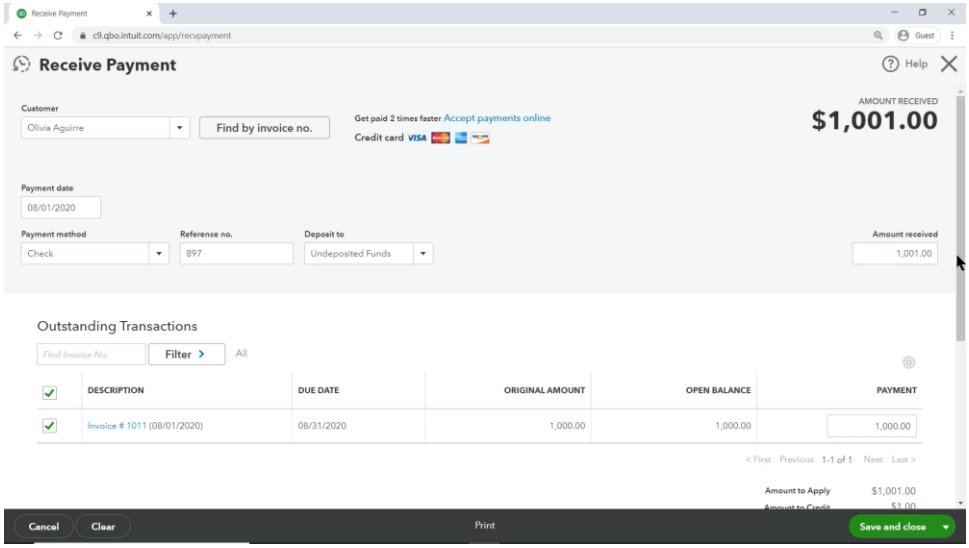


5. In the **Sales Description** field, enter, "Use this service to write off small customer balances."
6. The amount you write off from one instance to another varies, so enter a **rate** of zero dollars.
7. The **Income Account** should be the same miscellaneous income account you created earlier. Also, be sure to mark the service as non-taxable.

Now that you've put together the tools for solving small problems in Accounts Receivable, you're ready to learn how to use them.

Customer Underpayment

8. Select **Received Payment**
9. Enter **Customer** details
10. Select the **invoice** related to the payment by selecting the checkbox to the left.
11. QuickBooks assumes the customer is paying the full amount, so enter the amount the **customer actually paid**.



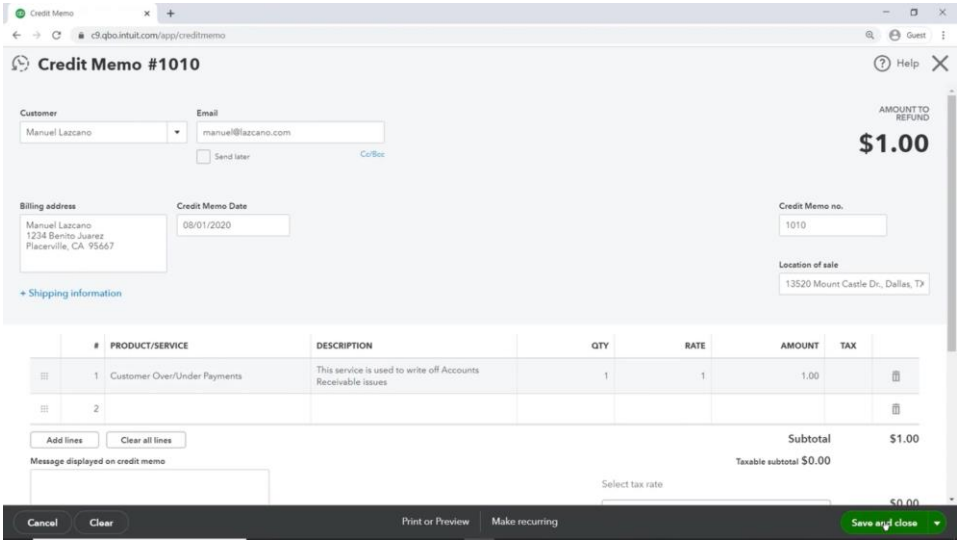
1. Enter the payment method and the account where the funds will be deposited.
2. Select **Save and Close.**
3. From the navigation bar, select **Sales > Customer**

When reviewing the customer balance lowered by that partial payment, but they still owe on that invoice.

- If you expect the customer to pay you the remaining amount you do not need to do anything else at this time. Later, once you receive the payment, create a receive payment transaction and enter the remainder of their payment.

If your customer does not pay you the remainder, you'll need to use a credit memo to write off the balance.

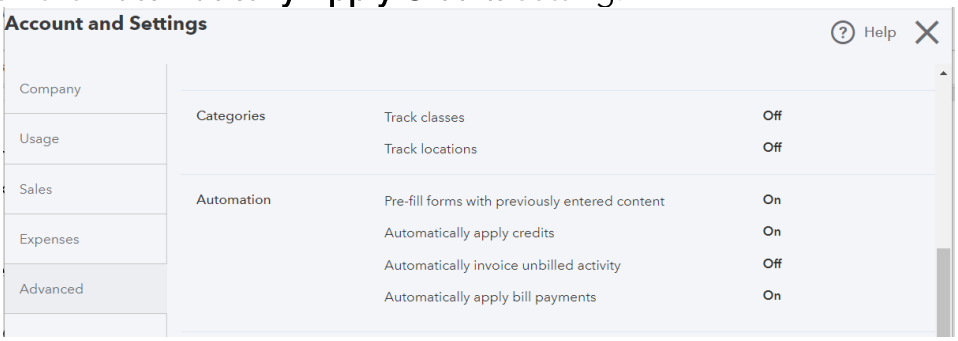
1. Select **New+ > Credit Memo**
2. Enter the **Customer** details
3. In the **Product/Service** field, enter the **Customer Over/Under Payments** item
4. In the **Amount** field, enter the dollar amount you're writing off.
5. Select **Save and Close**



- The credit memo and the received invoice zero out the balance for the invoice in the customer transaction list.
- QuickBooks automatically applied the credit memo to the open invoice. This will happen as long as you have the setting turned on to automatically apply credits.

Auto Apply Credits Setting

1. Select **Gear > Account and Settings**
2. **Advanced Settings**
3. Toggle on the **Automatically Apply Credits** setting.



Note: If you company is not set to automatically apply credits, you'll need to apply the credit with another payment.

Run the Profit and Loss

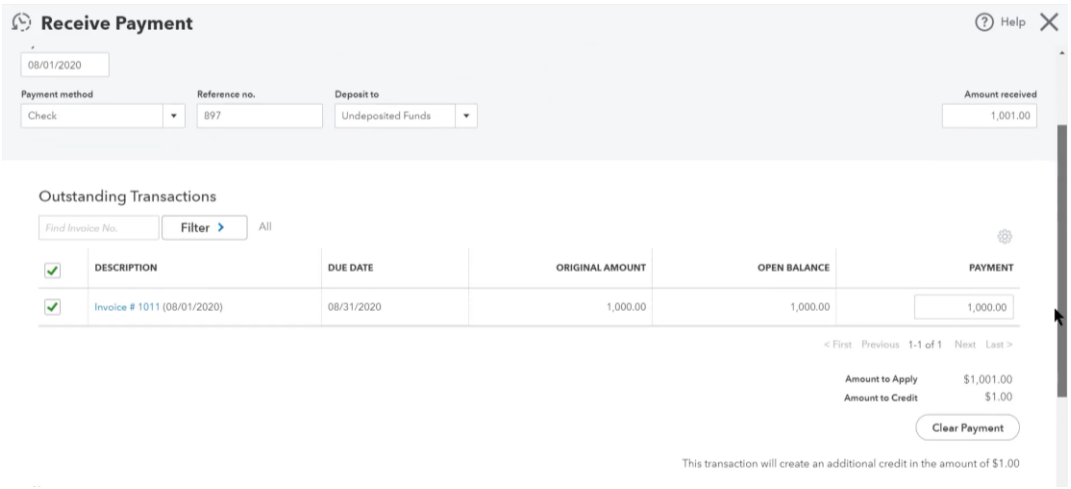
1. **Reports > Profit and Loss**

Select income, to see the transactions that make up the income total. On the transaction list, notice that you can still see the original income, while the amount you wrote off is listed as a negative amount of income.

Customer Overpayment

If a customer overpays an invoice, this can create trouble for the Accounts Receivable balance.

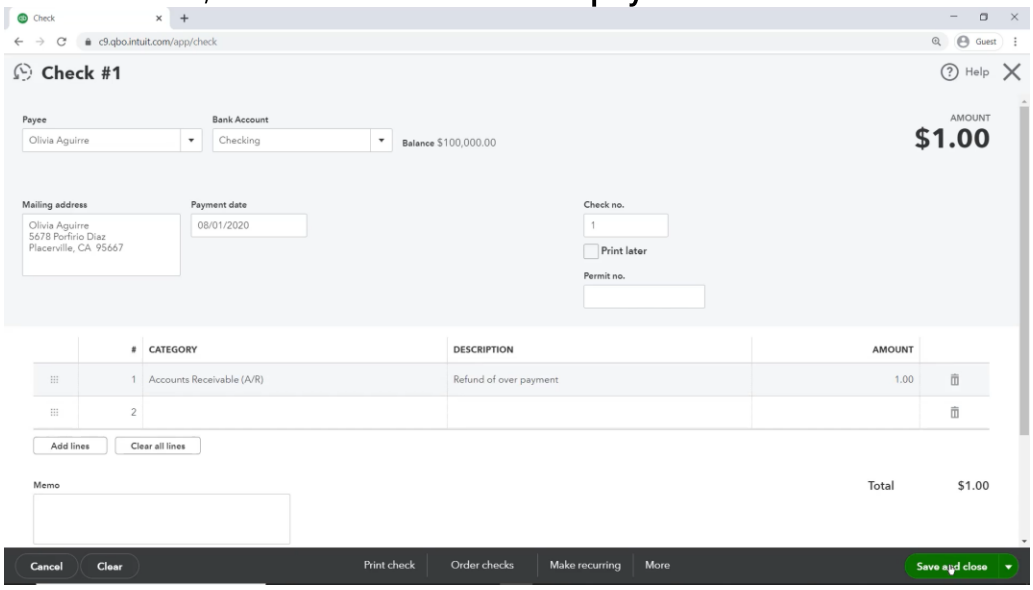
1. Select **New+> Receive Payment.**
2. Enter **Customer details** from the dropdown.
3. Enter **Customer payment** type.
4. Enter the account where the funds are being **deposited**.
5. Select the checkbox next to the invoice associated with this overpayment.
6. In the **amount field**, enter the full amount of the payment received from the customer.



7. QuickBooks tells you that this customer has a credit on the account. This is accurate, so select **Save and Close**.
   - If this customer purchases something from you in the future, the credit can be applied to a future sales transaction.
   - If you want to refund the money to your customer, you'll need to create a Refund transaction.

Creating Customer Refund

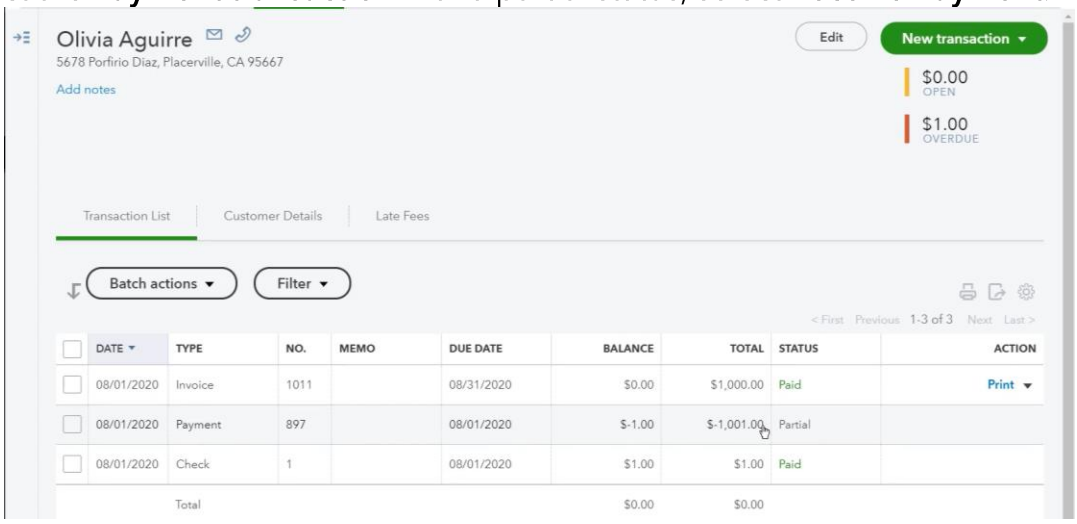
1. Select **New+ > Expense or Check** (depend on how you want to refund the money).
   - If a physical check is used to refund the money, use the check transaction. If the funds were returned in any other way, provide an expense transaction.
2. In this example, we're going to write a check. Enter **Customer details**.
3. Enter the **check number**, and **transaction date**.
4. In the **Category Details** section, enter **Accounts Receivable**.
5. In the description field, enter "**Refund of overpayment**."
6. In the amount field, enter the amount of **Overpayment**.



7. Select **Save and Close**.

Note: This transaction brings the balance up, but the refund still needs to be applied to the payment.

8. Select the **Customers** name from the customer list.
9. Select the **Payment transaction** with a partial status, select **Receive Payment**.



10. Select the box next to the check/expense created in the last step.
11. Select **Save and Close**.
12. This will close out the transaction.

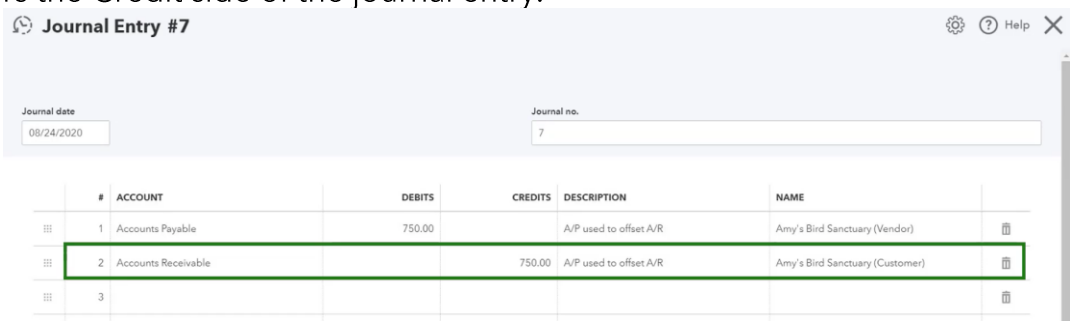
Run the Profit and Loss

13. Select **Reports > Profit and Loss.**
14. The income account now includes the income from the invoice, minus the overpayment.

Transfer Customer Credit to Vendor

If you have customers who are also vendors you may run into a situation where the customer slash vendor wants their balances to cancel each other out. This is not something QuickBooks is set up to do directly but it can be done with a Journal Entry.

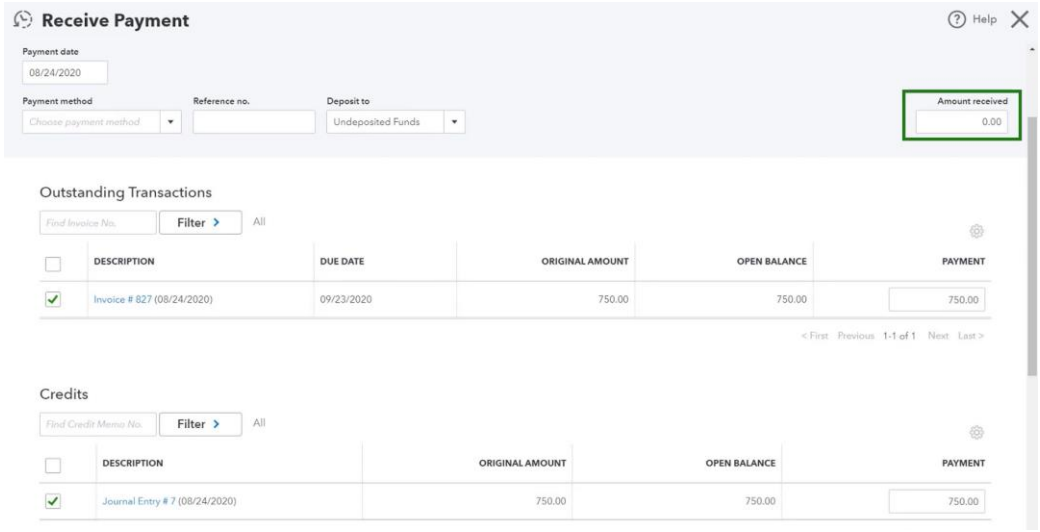
1. Select **New+ > Journal Entry**
2. Line 1 of the Journal Entry is **Accounts Payable.** Enter the vendors balance that is being written off, in the **Debit field.**
3. In the **description** field, enter "A/P used to offset A/R."
4. Line 2 of the Journal Entry is **Accounts Receivable**. QuickBooks automatically enters the Credit side of the journal entry.



5. Be sure to enter their name as it appears on the Customers List.
6. Then, **Save and Close**.

Note: This updates both the vendor and customers records, but you still need to clean up the transactions.

7. Select **New+ > Receive Payment**
8. Enter the Customer details. QuickBooks shows the open invoice and the journal entry that you just entered. Be sure both transactions are selected and also make sure that the Amount Received is zero dollars.



9. Then **Save and Close**. This step ensures that your Accounts Receivable reports won't show that invoice or journal entry anymore. The credit towards the bill is assigned later when you pay the bill.

Daily Sales: Intro

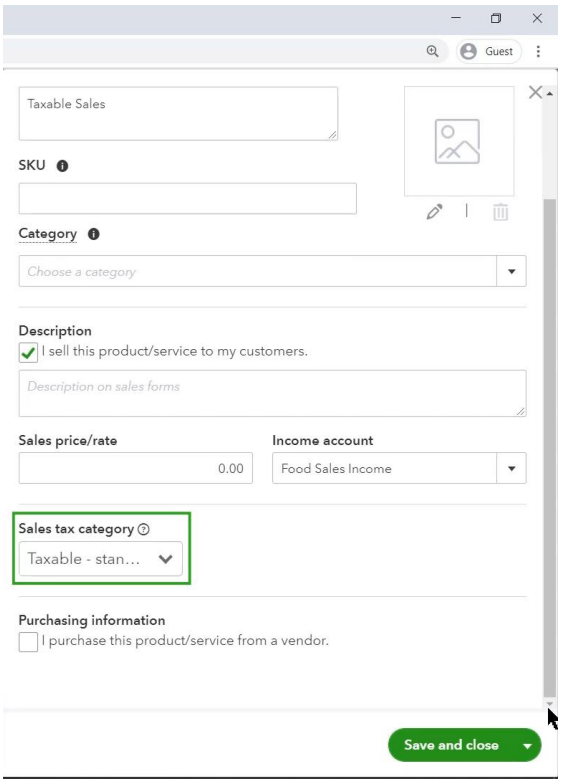
Many retailers have difficulty seeing how QuickBooks works with their industry.
If you run a retail store, or a restaurant (for example) and want to enter in your daily sales summary created by your point of sale, or POS system, here is a workaround to record those transactions. We suggest that once you get a good idea of how your daily Sales Receipt will look, you should make a Recurring Transaction for it to save time and data entry.

- You learn about the individual items that you need to enter sales.
- How to enter a sales receipt that matches your bank deposit for the day.
- and how to deal with merchant service systems that make multiple deposits per day, or separates deposits by the type of payments a customer used.
- In some cases, you can avoid most of these steps if you have a POS system that links directly to QuickBooks.

Products and Services

The first steps is to create a **Product / Service** named **Taxable Sales**.

6. Select **Sales > Products and Services**
7. The sales vary each day so the **amount** is zero.
8. The item is **taxable**. QuickBooks calculates sales tax on the item when you use it on the daily sales summary.



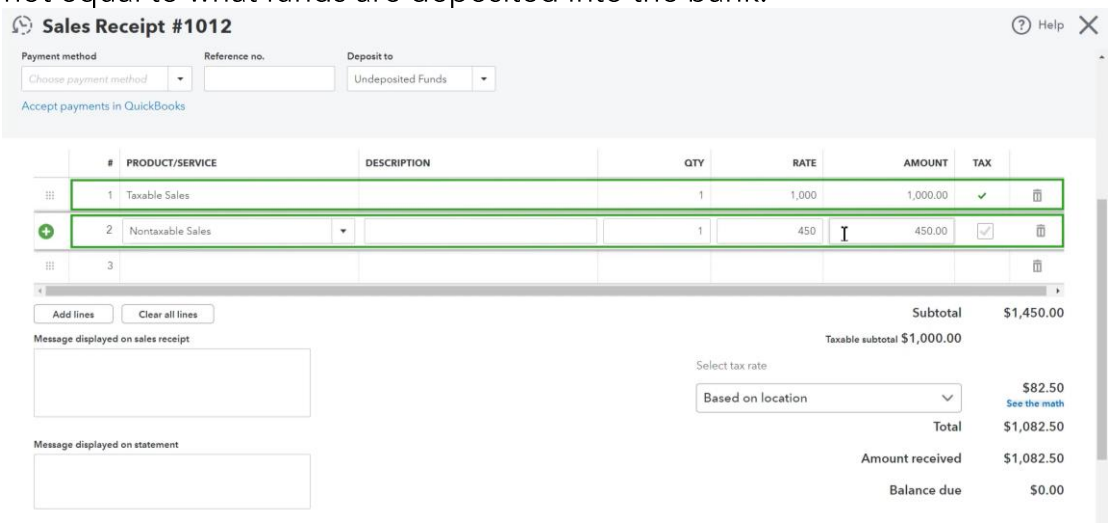
9. The **income account** is associated with your daily sales.
10. Close the window.

Create The Sales Receipt

1. Select **New+ > Sales Receipt.**
2. Enter the line item for your daily taxable sales.
3. Select the **Taxable Sales** account in the **Product / Service** field.
4. Enter the amount for the taxable sales for the day.
5. QuickBooks calculates the sales tax for you.
6. **Nontaxable sales** is the next item to enter.
7. Select the **Nontaxable Sales** account in the **Product / Service** field.
8. Enter the amount for the nontaxable sales for the day.

Note: Two points before continuing.

- Be sure that your taxable sales and nontaxable sales match the information or department codes reported on your "Z tape."
- There will be differences from time to time when your daily sales listed here are not equal to what funds are deposited into the bank.



The total sales usually don't match the amount of the bank deposit. There are a few reasons that could cause a discrepancy.

- Paid Outs
- Credit Card Payments Received
- Over/Short payments

Paid Outs

The first item to consider is Paid Outs. That's when you pay for goods or services with cash from the register.

1. If there is not one already, be sure that you have set up a product on your named **Paid Outs.**
2. Enter Paid Outs as the **name**, and the **description** is Paid out of the register for the day.
3. The **amount is Zero** because it changes each day.
4. The **account** is Miscellaneous. When used on a sales form, the dollars flow to the Miscellaneous Expense account.

Note: It's not always appropriate to use the Miscellaneous expense account. If necessary, create individual items that point to different expense accounts.

Return to the Sales Receipt

Scenario: A receipt in the cash register shows you paid $37.50 to have the windows cleaned today. You consider this a miscellaneous expense.

1. On the line of the Sales Receipt, select the dropdown arrow and select **Paid Outs**.
2. Paid Outs reduce the bank deposit, so enter the **amount as a negative**.

Credit Card Payments Received

Credit card payments are not included with your daily bank deposit. Create a Product/Service with the name of your Credit Card(s) to use on your sales transactions.

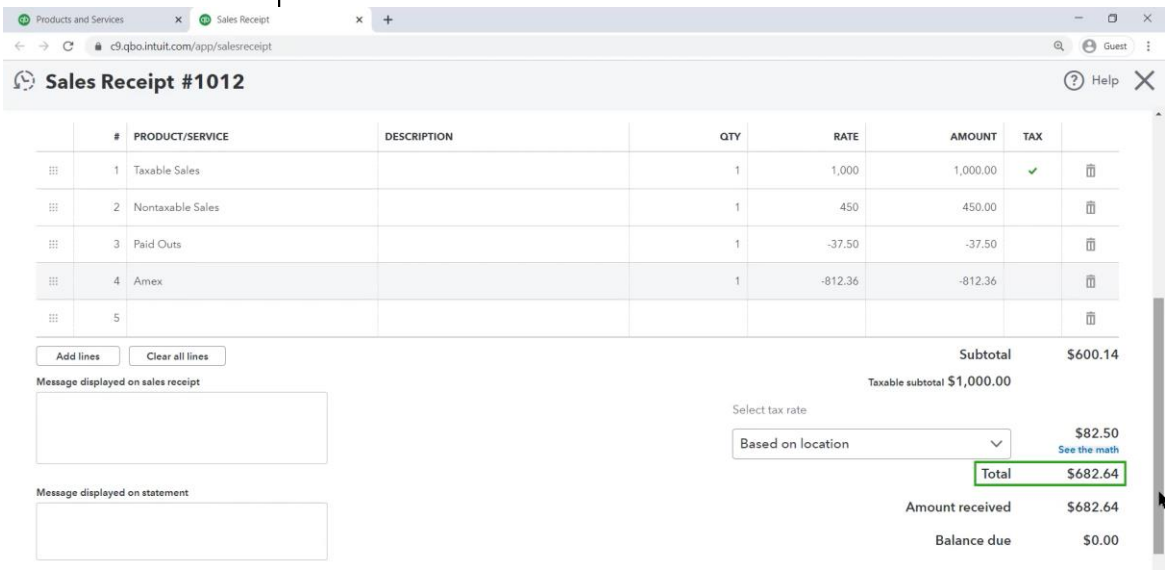
1. Select **Sales > Product / Service**
2. Create a **new Service item** with the name of your Credit Card.
3. The **description** is "Paid by (credit card name) credit cards."

- If you're paid a few days after the sale takes place, keep the funds in Undeposited Funds until you receive them in your bank.
- Create individual payment items for every merchant services processor that deposits money into your bank separately.

4. **Close** the window.

Recording Credit Cards on your Sales Receipt

1. On the third line of your **Sales Receipt**, enter the **Credit Card product/service** account from the drop-down.
2. Enter the amount of these credit card funds as a **negative number**, because you have not received the funds yet. Press tab and QuickBooks will subtract the amount from the deposit.

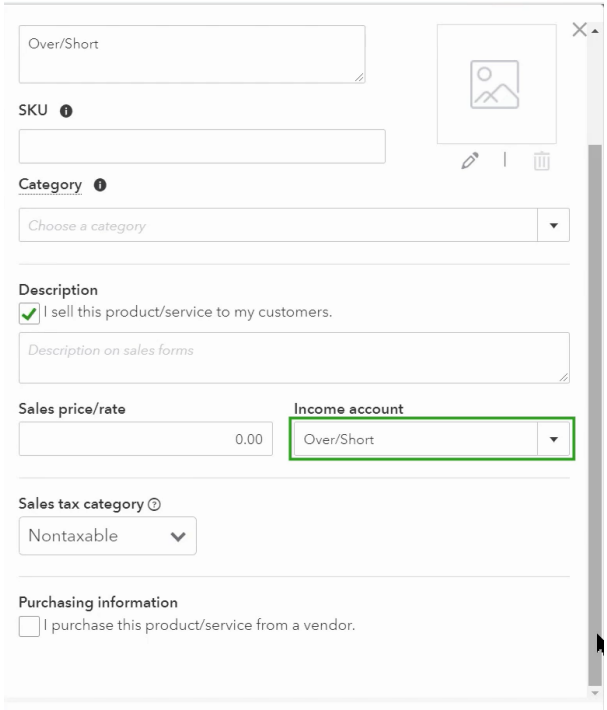


Over/Short

The daily sales have been entered, and you are ready to record your bank deposit, but there is a problem, you're short funds.

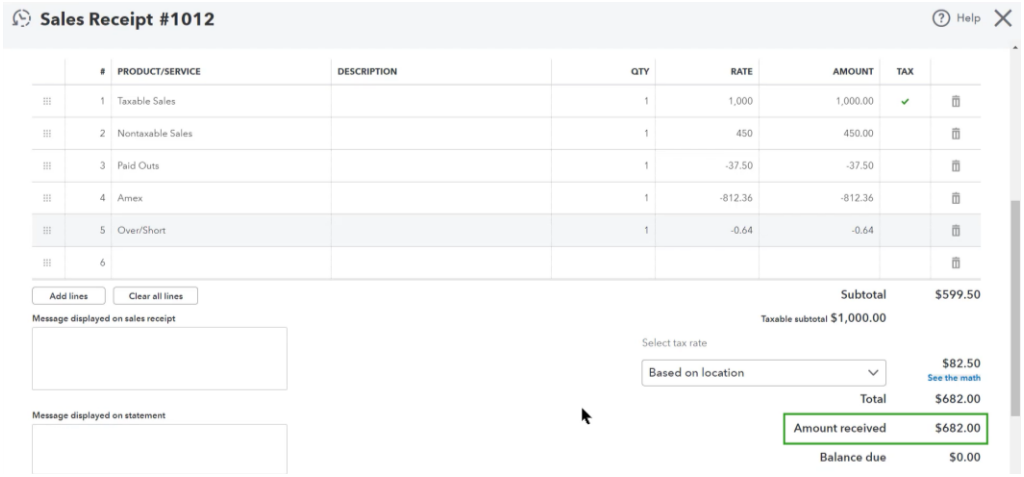
Over/Short Product / Service

1. Select **Sales > Product / Service**
2. Select **New**
3. Enter the **Name** as Over/Short
4. The **description** is Over/Short in register for the day.
5. The **amount** is zero, because it changes each day.



- The account is Over/Short. For retail businesses, we recommend you create a separate expense account to track Overages and Shortages.

6. On your daily sales receipt, enter the **Over/Short** on the next line of your Product/Service section. Enter the amount of funds you're either over/under. If a negative number is entered, that amount represents the funds you're under for the day.

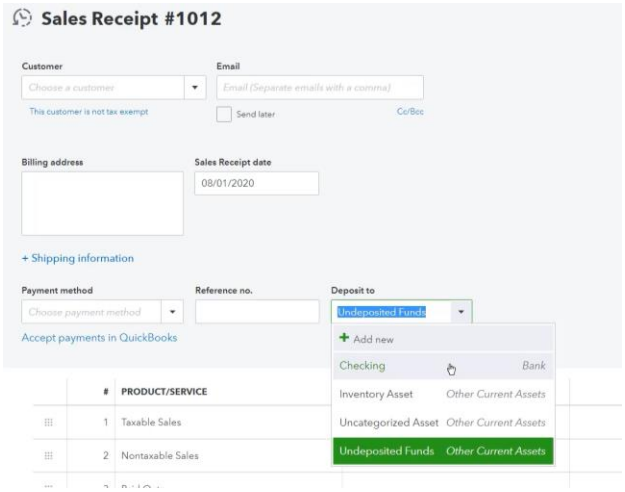


- Remember…your QuickBooks records should match the records at the real bank…EXACTLY.
- If you enter Daily Sales Summaries, this form could be especially long, depending upon the number of items used. This for can be memorized into a Recurring Template. Doing so would allow you to open the template, then change the amounts.
- In the meantime, you still have to tell QuickBooks what to do with the money.

Deposits

Scenario: You make a single bank deposit on a daily basis.

1. To finish up your Sales Receipt select the appropriate bank account in the **Deposit to** field.
2. Select **Save and Close**. Now you've saved your daily sales summary.

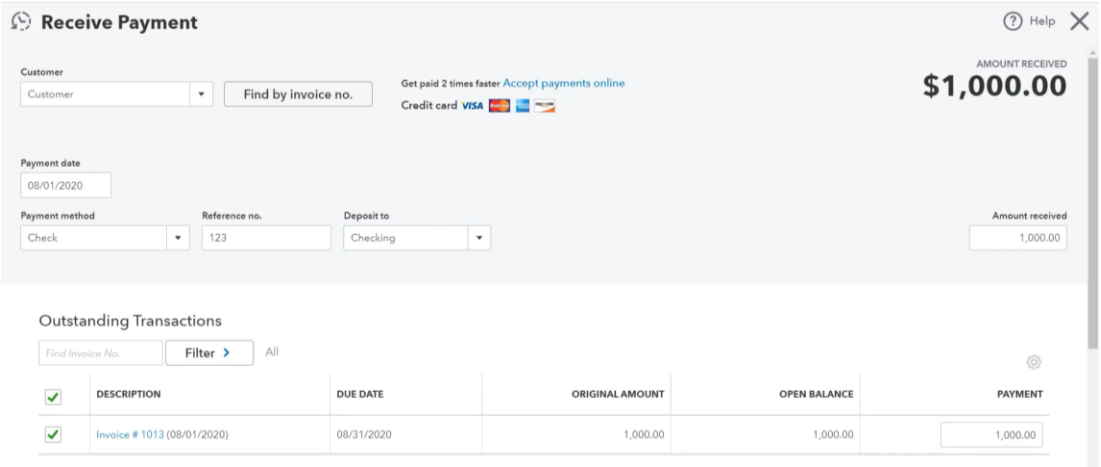


- When this deposit makes it into your bank account you'll see it's information in the Banking Center.
- There you will be able to Match the Banks Deposit information to the information you just created.
- If you accept credit cards, deposit those separately with a bank deposit transaction.

NSF/ Bounced Customer Payments

Record Payment Received for an Invoice

1. **New+ > Received Payment**
2. Enter **Customer** details
3. Select the **invoice** the customer is paying you for.
4. Enter the **Check number** and the deposit to **account**.
5. Select **Save**.

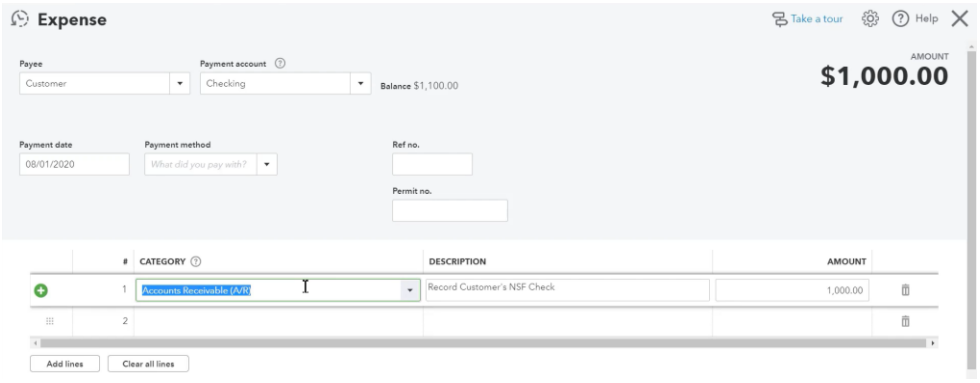


A few days later, the check your customer gave you bounced.

- The bank removed the money from your Checking account.
- They've also assessed a fee to your account.
- To straighten this mess out you need to get the funds out of checking and then enter any fees the bank charged you and decide if you want to pass those along to your customer.

Create an Expense Transaction

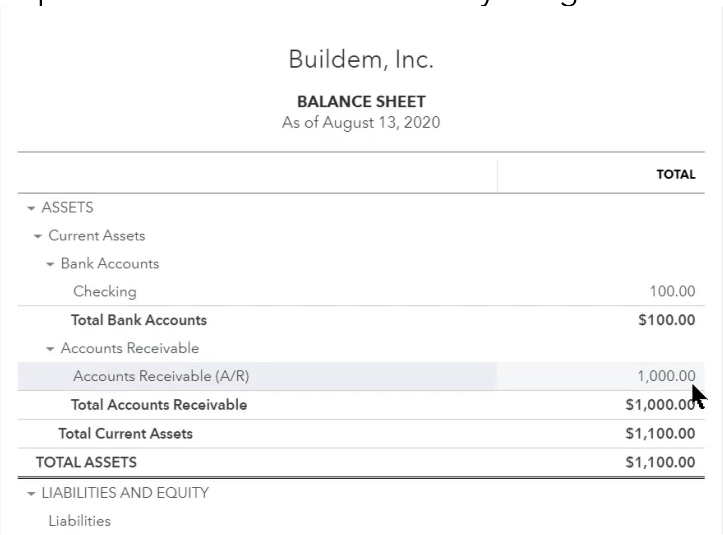
1. Select **New+> Expense**
2. Enter the **customer** in the Payee dropdown.
3. Enter the **bank account** where the funds will come from.
4. In the **date** field, enter the date that the check bounced and you were made aware of the problem by the bank.
5. Enter **Accounts Receivable** in the Account Details area.



6. In the description field, enter a note similar to "Record customer's NSF check."
7. In the amount field, enter the total that the bank removed from your account.

See the Results

1. Look at the **Customer list**, to see the update on the customers balance.
2. You'll see the customer owes you the funds once again.
3. Look at the **Balance Sheet**. The bank account lowers by the amount taken out of your account because of the check, and **Accounts Receivable** increases by that amount. The bank account lowers because the check bounced, and Accounts Receivable went up because the customer owes you again.



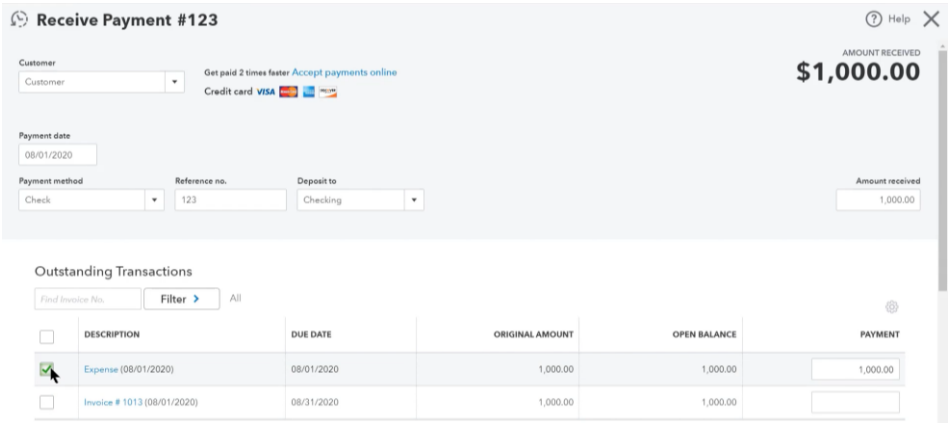
Buildem, Inc.

BALANCE SHEET
As of August 13, 2020

	TOTAL
ASSETS	
Current Assets	
Bank Accounts	
Checking	100.00
Total Bank Accounts	**$100.00**
Accounts Receivable	
Accounts Receivable (A/R)	1,000.00
Total Accounts Receivable	**$1,000.00**
Total Current Assets	**$1,100.00**
TOTAL ASSETS	**$1,100.00**
LIABILITIES AND EQUITY	
Liabilities	

One Last Step: Re-Open the Original Invoice

1. Select **Sales > Customers**
   - The original invoice is closed, and the original payment that bounced is closed. The expense is open which was just entered. It is best to fix this expense and open the invoice once again.
2. Select the **Payment** transaction.
3. Currently, the payment closes the original invoice. **Uncheck the box** for the original **invoice**, and **check the box** for the **expense** instead.

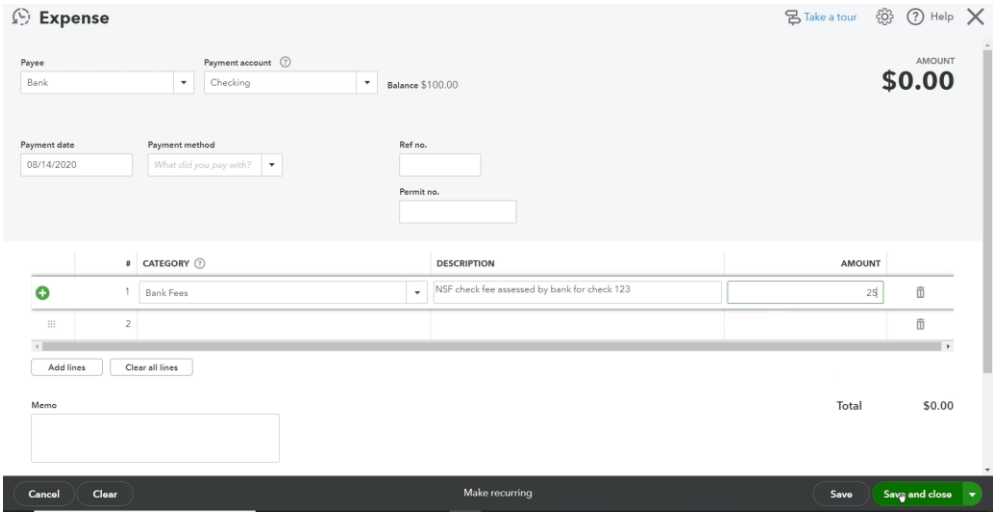


4. Select **Save and Close** > **Yes** on the pop-up box.
5. The original invoice is now open, and the expense is closed out.

Reinvoice Customer for Bounced Check

The sale, the payment, and then the money coming out of the bank account from a customer's bounced check have all been accounted for. However, any fees that the bank charges for the bounced check and any fees being pass along to the customer are yet to be accounted for.

1. Select **Banking/Transaction > Banking** or use an **expense** type transaction to record the bank charges fee.
2. The **Payee** is the bank, because they are charging the fees for the NSF check fee.
3. The bank account is the **Payment Account**.
4. Enter the date the check bounced in the **Date field.**
5. For the **Account Details**, enter the a **Bank Fees** type expense account.
6. Enter a **description** for these fees: "*NSF check fee assessed by bank for check number ___.*"
7. In the **Amount field**, enter the amount of the NSF check fee from the bank.
8. Select **Save and Close**.



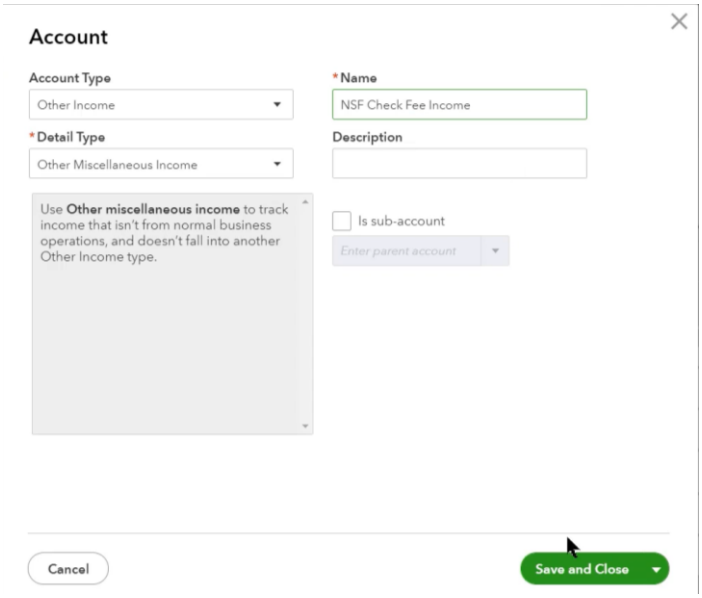
See the Results

9. Select **Reports > Balance Sheet**
10. On the Balance Sheet you see the bank account balance is down due to the fees assessed.

Charging Customer for the Bank Fees

1. Select **Chart of Accounts**
2. Select **New** > Set up a new account for the money you receive from the customers NSF check fees.
3. The **account type** is Other Income.
4. The **detail type** is Other Miscellaneous Income.

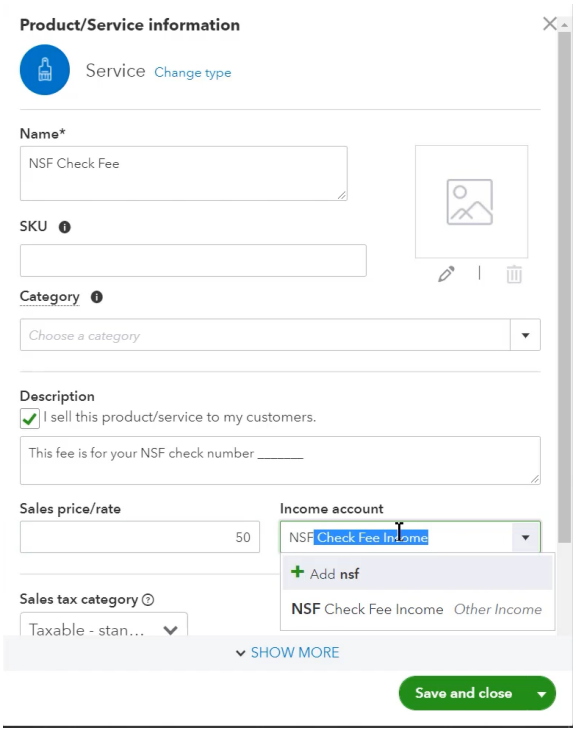
5. **Name the account** NSF Check Fee Income.
6. Select **Save and Close**.



NSF Check Fee Product / Service

To use the NSF Check Fee Income account, it is necessary to set up a product or service as well.

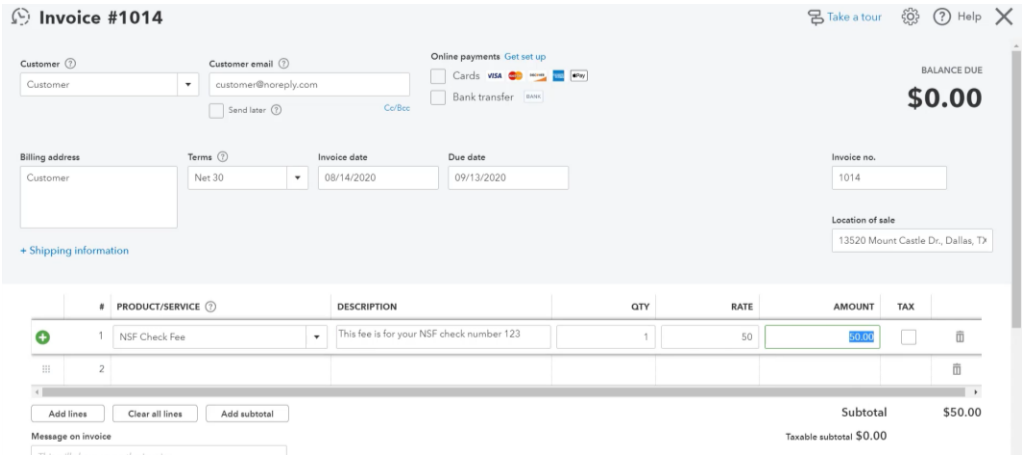
1. Select **Sales > Product / Service**
2. Select **Service** as the type.
3. For the **Name** enter **NSF Check Fee**.
4. In the **Sales Information** field, enter a description the customer will see later... *"This fee is for your NSF check number ____."*
5. In the price field, enter the amount that customers will be charged for the NSF Checks.
6. In the **income account dropdown**, enter the **NSF Check Fee Income** account.



7. Make sure the **taxable** checkbox is unchecked.
8. Select **Save and Close.**

Passing the Fees on to your Customer

1. Select **New+> Invoice**
2. Enter the name of the **customer that bounced the check**.
3. Issue the invoice on the same day the NSF check fee was paid.
4. The Product or Service is the **NSF Check Fee Service**. The description will be entered automatically. Be sure to include the check number in the description.
5. The **fee** will be entered automatically as well.



6. The invoice can be **Saved then Sent**, or **Saved and Closed**, then a statement can be sent that provides details about everything on their account.

View the Results

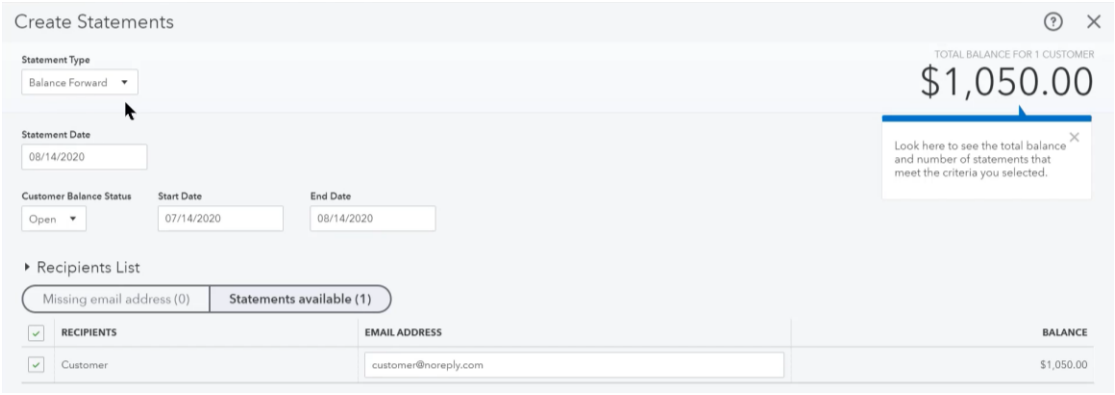
Select **Reports > Profit and Loss**

- You'll see the initial income from the sale.
- The fees that the bank charged for the NSF check.
- The amount the customer was charged for the NSF check.

(Optional) Send the Customer a Statement of Activity

If the customer wants a statement detailing everything that has happened, send them a **Balance Forward Statement**

1. Select **New+ > Create Statement**



2. A **Balance Forward** shows the customer
   - the invoice
   - the NSF check
   - the additional fee they have assessed for the NSF check fee and their total outstanding balance
3. Check off their name, then select **Save and Send** to email the statement or select **Print or Preview** to print the statement.
4. Review the preview of the statement and notice that it details all of the transactions entered and shows their balance and aging information at the bottom.

Chapter 7

Purchasing

Introduction

In this chapter you will learn how to handle advanced issues with regards to purchasing and accounts payable transactions including

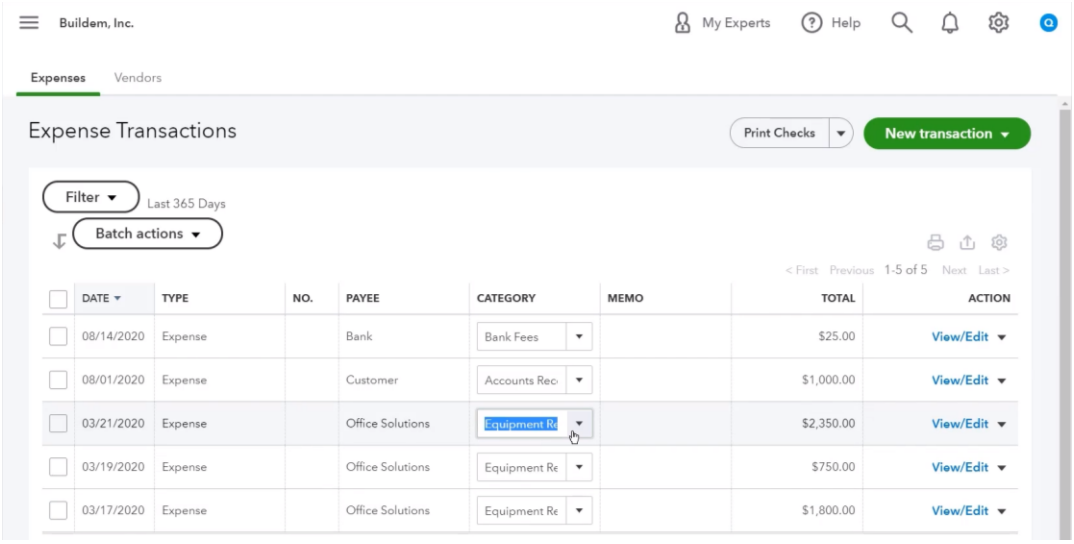
- How to recategorize multiple expenses, checks, and bills at the same time. This is a great trick to use if a lot of transactions were recorded using the wrong expense or cost of goods sold account.
- Set up and purchasing of a fixed asset. In the Real World, you'll probably finance part of the purchase, so you track the financed portion with a loan account.
- How to set up and track payments on a loan.
- How to set up a line of credit by recording the money coming into your checking account, and entering payments to reduce the balance.
- Correct a very common mistake–using a check or expense to pay a bill.
- Handle situations in which "petty cash" is used to pay for items, you'll learn a workaround to handle these transactions.

Recategorize Multiple Expenses / Checks

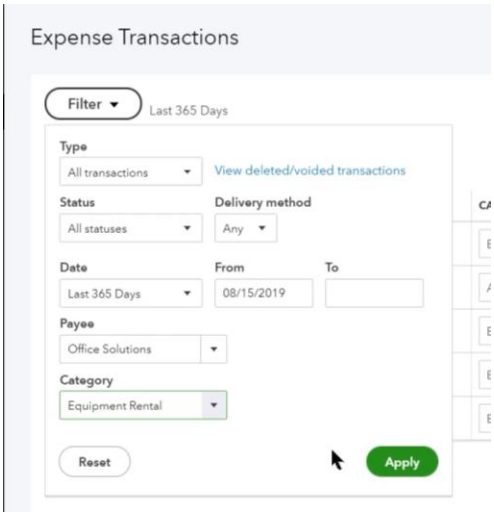
Everyone makes mistakes, but fortunately, QuickBooks makes them easy to fix. Let's look at a common mistake in QuickBooks and how to fix it.

Recategorize a Single Expense

1. Select **Expenses > Expenses**
2. If you want to edit a few expenses that were miscategorized, you can select the transaction, then enter the correct account in the **dropdown** of the **Category field**.



3. Then select **Save and Close** and the updates will be made.
   - This is an easy fix for a few transactions, but if there are, for example, hundreds of transactions throughout an entire year, you'll want to use a workaround.
4. In the **Expense transactions** window, select the **Filter** button.
5. Enter in the **name of the account** that was misapplied to the expense transactions.
6. Select the checkbox to the left of all the misapplied expense transactions that you wish to change, then select **Categorize Selected**.



7. In the dropdown box, select the correct account to categorize these transactions, then select **Apply**.

- Back on the list of expenses, all of the mistakes should be corrected.

Fixed Asset

Fixed Assets are the "things" that help you run your business. In general, Fixed Assets represent equipment, furniture, computers, and vehicles that last longer than one year. It is best to consult your accountant if you're not sure whether a purchase is considered a fixed asset.

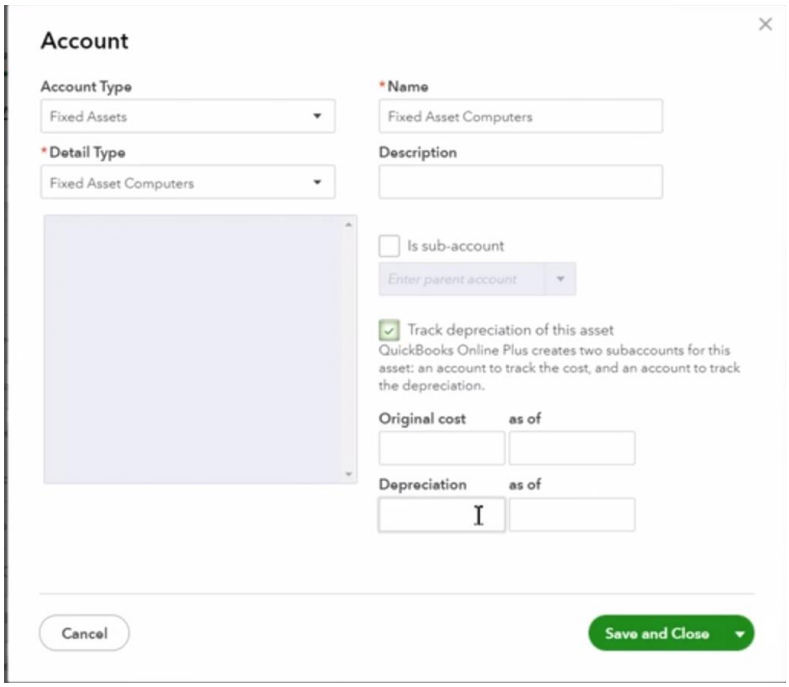
- Learn how to enter fixed assets that you already owned before the start date of your QBO company.
- Learn how to enter the purchase of a new fixed asset.
- Learn how to properly record financing for the asset(s) you own / purchase in your QuickBooks account, using a liability account to track the balance.

Enter a Fixed Asset your Already Own

Create one account to track the asset, regardless of whether you have one or multiple of this particular asset type (e.g. computers).

1. Select **Accounting > Chart of Accounts**
2. Select New> Fixed Asset as the account type.
3. Select an **appropriate fixed asset type** account from the dropdown.
4. As necessary, **edit the name** of the account.
5. For some fixed assets it might be necessary to track depreciation. Checking the track depreciation option will create two subaccounts.

- One for the **original purchase price** of the asset which shows up as a positive amount on your Balance Sheet...
- To second to **track the depreciation**, which shows up as a negative amount on your Balance Sheet.



6. If this is **a fixed asset you already own**, enter the asset value starting at the **beginning of this fiscal year**. To do that, enter the end of last year in the **As Of field.**
7. Enter the **total for this asset** (add up the total if you're counting multiple items in this asset group) in the **Original Cost** field.
8. If you chose to track **depreciation**, you would also enter how much you had depreciated from the original purchase price up until the chosen date. Also, if you don't know the value of your assets or what's been depreciated over its usable life, be sure to consult with your accountant before completing this step.
9. Select **Save and Close.**

Return to the Chart of Accounts

- Now the Chart of Accounts has the previously purchased fixed asset and the total value of that asset.

Record the Purchase of a New Fixed Asset

Scenario: A purchase of a new fixed asset is made with no financing.

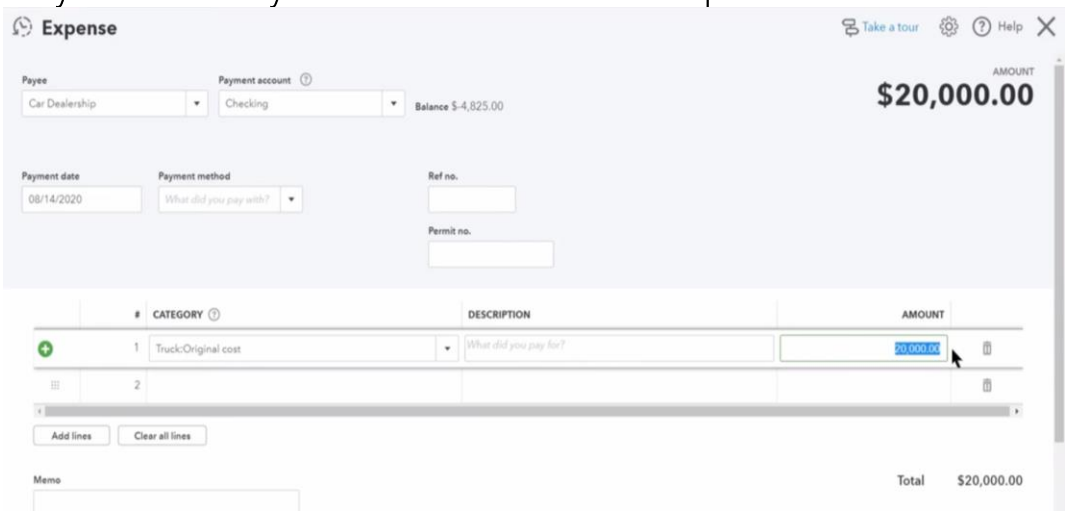
1. Select **Accounting > Chart of Accounts > New+**
2. Click the Account Type drop-down and select **Fixed Assets**.
3. Select the appropriate **detail type**.
4. Enter the **name** for the account.
5. If depreciation needs to be tracked for the asset, select the checkbox **for Track depreciation** and enter in the necessary information.
6. Select **Save and Close**

Record the Purchase of the Fixed Asset

- If you use online banking, you might download the transaction that represents the purchase. If so, you can record it in the banking center using the asset account as the category.

To record the purchase manually…

1. Select **New +** > then choose the **expense transaction** (Bill, Check or Expense)
   - Choose Bill if you received a bill for the asset that you'll pay later
   - Choose Check if you paid everything right away with a check
   - Choose Expense if it's any other payment method that you used to pay everything right away.
2. Record **who you purchased** the fixed asset from. If it's a new name make sure to add them as a vendor.
3. Then enter the **bank or credit card account** you used to make the purchase.
4. Be sure to record the date of purchase.
5. In the **Category Details** section, type in the name of the fixed asset account you created earlier.
   - There are two subaccounts (depending on how you created the account(s)) one for the original cost of the asset, and another for depreciation. This is because you chose to set up the option to track depreciation when you set up the account. If you opted out of that option, choose the fixed asset account you created.
6. If you chose to track depreciation, select the **Original Cost** subaccount.
7. Enter the purchase price of the fixed asset.
8. Enter any other details you want to track in the description field.



Note: When this transaction is recorded, QuickBooks will think that this entire purchase price came out of our bank account. But in many cases businesses receive financing for the purchase of fixed assets. Remember, we're recording this purchase as if we paid for everything up front.

9. If you choose to attach, the receipts can be attached like any normal transaction
10. Select **Save and Close.**

Return to the Chart of Accounts
The value of the purchase of the Original Cost subaccount will show up here. Over time, as the asset depreciates, Journal Entries can be created that make this balance negative so that you'll see the net value on the Balance Sheet.

Loans

Scenario: Your company wants to buy a very expensive piece of equipment. You analyzed price and calculated that the equipment will pay for itself several times over. But you have a problem. The seller wants more for the equipment than you have access to in your bank account. This is a good time to consider borrowing the money from a third party such as a bank or a financing company.

This means you will have to pay back the full amount, plus interest, which can make accounting for these loans challenging. When you make the monthly loan payment, part of the payment in principal and the remainder is interest. You must allocate the payment between the interest and principal in the accounting world. Without this step, the loan balance and the interest will not be correct. This means your financial statement will be incorrect.

In this chapter you will learn

- How to set up a loan that was taken out in a previous fiscal year.
- How to record a deposit into your bank account that came from a loan.
- How to record the purchase of an asset that involves a loan, such as a mortgage or a car note.
- How to record a loan payment.

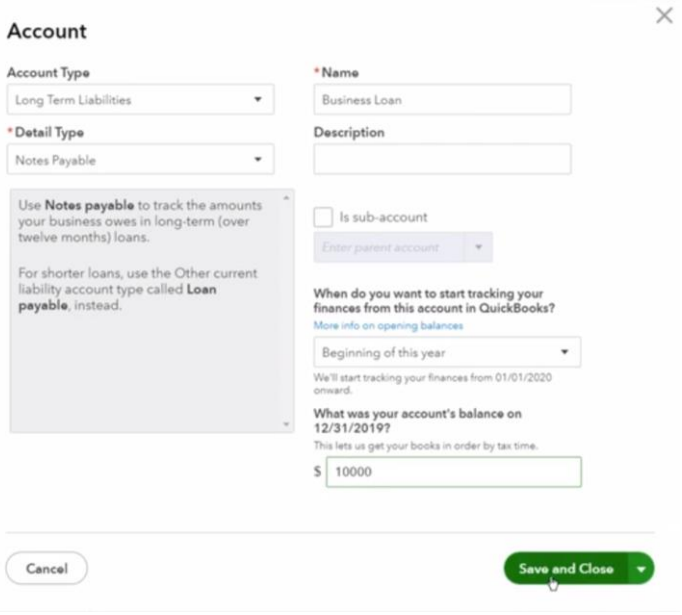
Enter a Loan from a Previous Year

If you business has an old loan before starting to use QuickBooks, prior to this fiscal year, it is still important to set it up in order to track it's balance and payments made during the current year.

Creating the Liability Account

1. Select **Accounting > Chart of Accounts**
2. Select **New** to set up a liability account.
3. Select the appropriate option from the **Account Type** drop down.
   - Use an Other Current Liability type account if the transaction will be paid off within twelve months.
   - If the transaction will take longer than a year to pay off, select Long Term Liabilities.
4. In the **Detail type**, choose the option that best describes why the loan was issued.
5. Enter a name for the account that is meaningful to you.
6. The Description field is optional.
7. Since this is a loan that was taken out the previous year, it is necessary to track what was owed at the beginning of the fiscal year.

8. Enter the amount that owed as of that date.



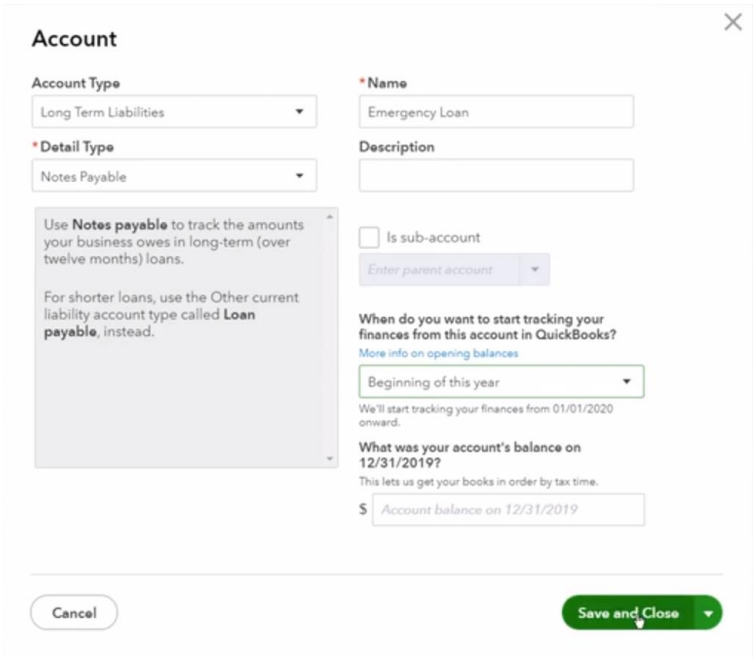
9. Select **Save and Close.**

The Chart of Accounts now has an account to record the loan from the previous year.

Record a Loan to your Bank Account

The first step is to set up a liability account to track the principal of the loan.

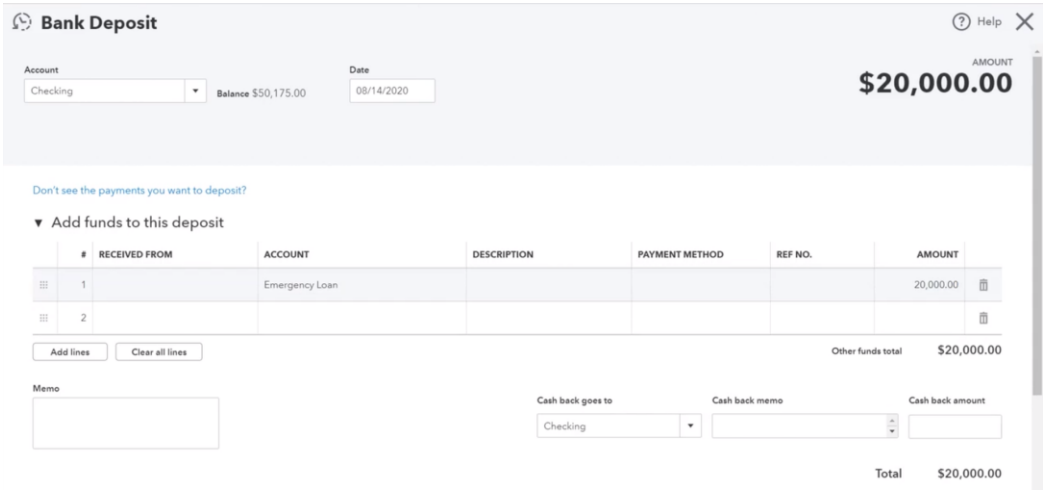
1. Select **Accounting > Chart of Accounts> New**.
2. Select the appropriate option from the **Account Type** drop down.
   - Use an Other Current Liability type account if the transaction will be paid off within twelve months.
   - If the transaction will take longer than a year to pay off, select Long Term Liabilities.
3. Choose an appropriate **Detail Type** and enter the **name** of the Account (e.g. Emergency Loan).
4. Select the **Opening Balance** dropdown and select
   - Beginning of the Year if this is a new account
   - If this is a loan you received from a previous year, enter in the balance and the appropriate date.



5. Select **Save and Close.**
   - When the deposit is received from the loan, if online banking is used in the QuickBooks account to download transactions from the connected bank, the deposit will appear in the Banking Center.
   - Bank deposit transactions can also be manually entered into the QuickBooks account.

Manually Create a Bank Deposit

1. Select **New+ > Bank Deposit**
2. Select the **Bank Account** where the funds are being deposited
3. Enter the **date** the money is deposited.
4. In the **Add Funds to this Deposit** area of the deposit form, select the loan account created previously, in the Account field.
5. Record the **amount** of the deposit.



6. Select **Save and Close**.

Return to the Balance Sheet

- The balance of the loan goes up by the amount that is recorded in the transaction as being deposited into the bank.
- Since the funds are in the bank account, it can be spend as necessary. Nothing special has to be entered for those expense transaction, just record them as regular bill payments, expenses and checks out of the bank account.

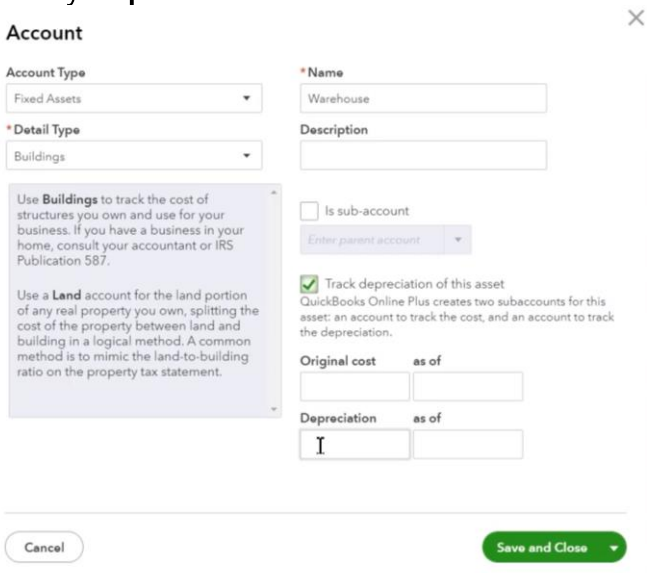
Record a Mortgage, Note or Loan for Purchase

To track a mortgage, not or loan for purchase in your QuickBooks account, two accounts much be created

- One account will track the asset.
- The second will track the loan balance.

Creating the Asset Account

1. Select **Accounting > Chart of Accounts > New**
2. For the **Account Type** drop-down, select Fixed Assets.
3. For the **Detail Type,** select the appropriate type of asset that is being purchased.
4. Enter a **name** that will describe the asset.
5. If depreciation is being tracked, select the checkbox next to **Track depreciation**.
6. If there is an **original cost**, if the asset has already been purchased, enter it in here.
7. If applicable, enter in any **depreciation** information.

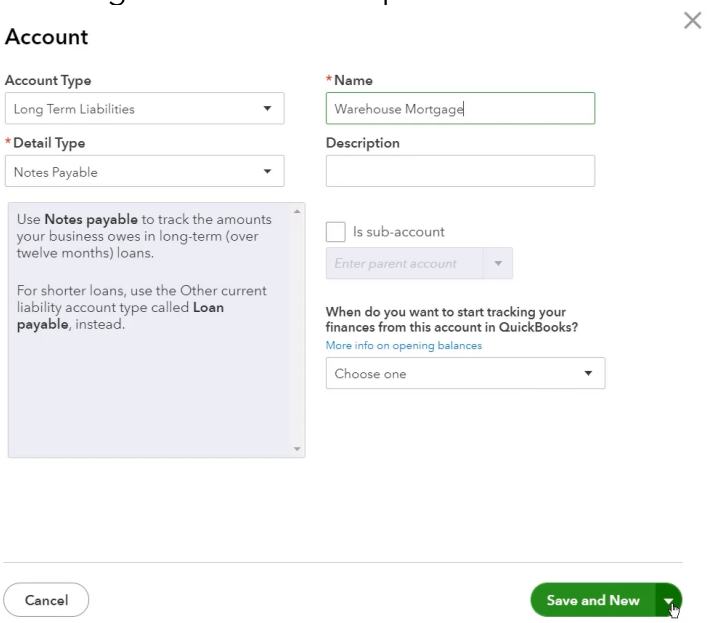


8. Select **Save and New**.

Creating the Liability Account

The value of the asset and the amount owed on the loan are two separate things, so a liability account is needed as well to track the loan.

1. Select the **Account Type** dropdown.
   - Use an Other Current Liability type account if the transaction will be paid off within twelve months.
   - If the transaction will take longer than a year to pay off, select Long Term Liabilities.
2. Enter Notes Payable as **Detail type**
3. Enter an appropriate **name** to describe the loan.
4. If this is a new loan, enter the balance on the purchase of the asset. If this is the case, there will be nothing to enter for the open balance.



Now the accounts are set up, it's time to record the purchase.

Recording the Purchase of the Mortgage, Note Payable or Loan

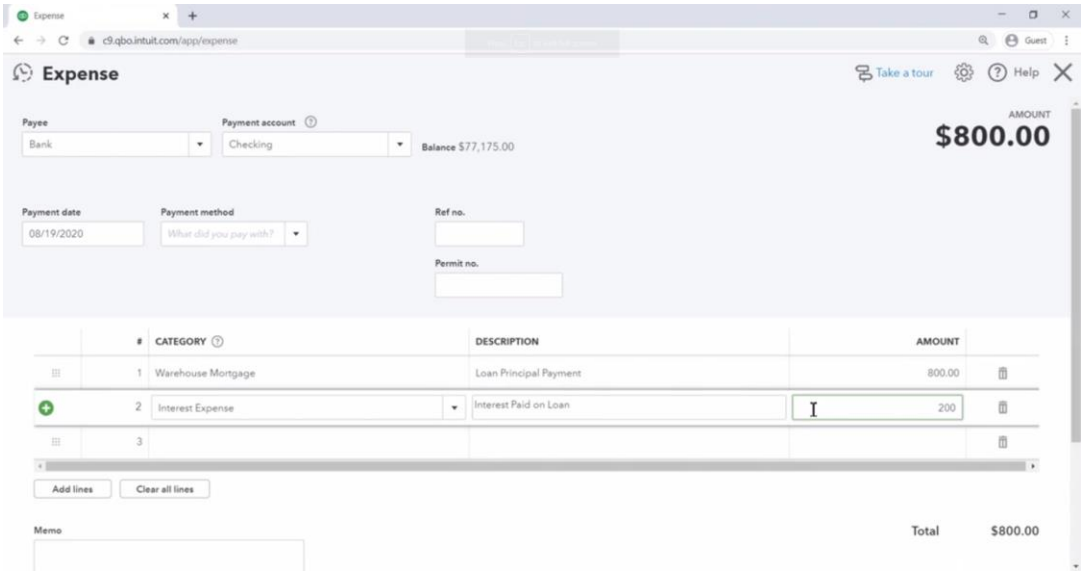
- If you use online banking, this purchase can be downloaded, and recorded into the online banking center. If this is the chosen route to download and add it in the Banking Center, the proper accounts will be available to categorize the transaction.
- To enter the purchase manually create a new expense type transaction to record the details.

Recording the Purchase

1. Select **New+**> then choose from **Expense or Check**, depending on how the payment was made.
   - If the payment was made with a hand-written check, use the Check form.
   - If the payment was made with any other type of payment, including a cashiers check, record the transaction as an Expense form.
2. Enter the **Payee** to track who the fixed asset was purchased from.
3. Enter the **bank or credit card account** used to make the down payment.
4. Record the **date** of the purchase.
5. In the **Category Details** section, type in the name of the fixed asset account created earlier.
6. When entering the category, notice there are two accounts one for the original cost, and a second for depreciation (if you're account is set up to track the depreciation.) If depreciation is an option, select the **Original Cost account**.
7. Enter the full purchase price of the fixed asset, do not include any other fees or taxes.

Note: If there are any additional taxes, fees or closing costs, enter them as expenses on other lines. You can even set up a new account to track these if you don't already have one follow steps 1-5 below.

8. If additional fees or expenses need to be recorded, on a second line, enter the amount of the fees or taxes. Categorize them with an account appropriate to track those expenses.
9. Once you've entered all of the assets and fees, the liability account must be entered. Enter the **amount of financing you received**, as a **negative amount**.
10. Select the **Mortgage / Loan or Notes Payable liability type account** from the Category dropdown.
    - With this transaction, the amounts associated with the fixed asset and the liability accounts appear Balance Sheet, and the expense amount(s) will show up on the Profit and Loss Statements. Because the mortgage / loan / notes payable amount is listed as a negative amount, it reduces the net amount so that the transaction's total reflects what was paid out of the bank account for the down payment on the fixed asset.



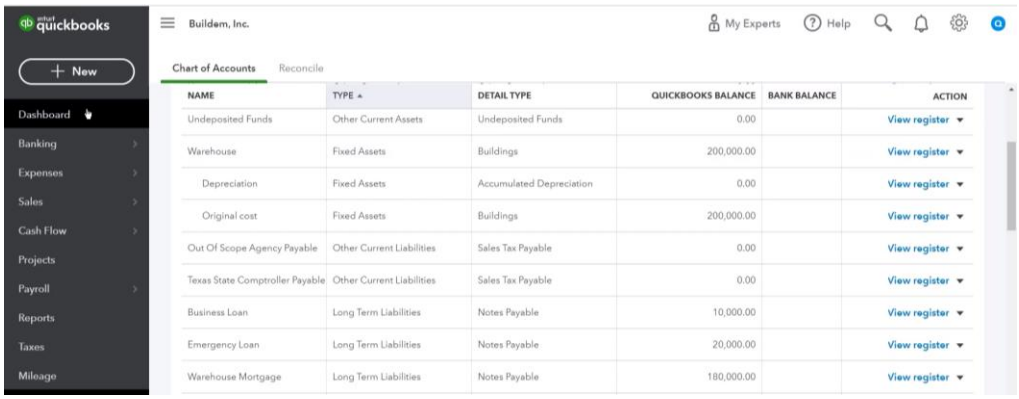
11. You can also enter any additional details in the **Description** and attach any documents or receipts in the **Attachments** field.
12. Select **Save and Close**.

Creating an Account to track Additional Expenses (optional)

1. Select **Accounting > Chart of Accounts > New**
2. Select the **Account Type** drop-down and select **Expense**
3. Choose an appropriate **detail type**
4. **Name the account** so that it's easily recognizable when entering in expenses.
5. Select **Save and Close.**

View the Results

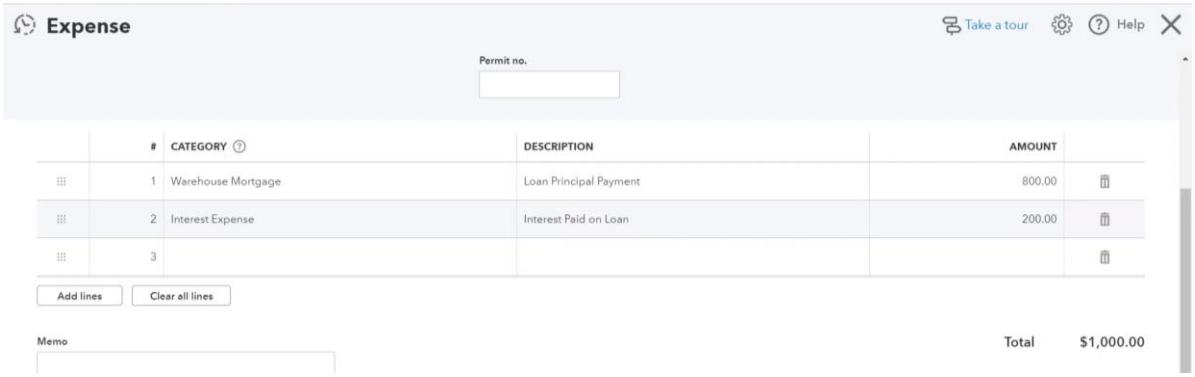
1. Select **Accounting > Chart of Accounts**
2. Locate the **Original Cost** account to view the value of the purchase in the Original Cost subaccount.
3. Further down the Chart of Accounts you'll find the **balance of the loan** as well.



Pay Off a Loan

Eventually it will be necessary to pay off the loan. If you use online banking, the transactions can be downloaded. Or they can be entered through a Check, if you paid with a physical check, or an expense if it was paid any other way.

1. Select **New+>** then select the **expense type transaction** (either check or expense)
2. Select the **Payee** dropdown arrow and select the vendor that was paid.
   - If this vendor has not been set up yet, be sure to enter them now.
3. Record the **date** that the payment was made.
4. For the first line, enter the **liability account**.
5. In the **Description type** something like "Loan principal payment."
6. Enter The **amount** of the payment that went against the principal of the loan. On the next line, enter an **expense account** to categorize the **paid interest**.
   - If this account has not yet been set up, just select Add New and set up a new account named Interest Expense.
7. In the **Description type** something like "Loan interest payment."
8. Enter the Amount of interest paid, in the Amount field.
   - **Online Banking Process-** If this transaction is being recorded in the online banking center from a downloaded transaction, click "**Split**" to separate the interest and the principal into two separate lines on the transaction.
9. Attachments can be added to this expense / check transaction if desired.



10. Once everything has been recorded, select **Save and Close**.

View the Results

1. Select **Accounting > Chart of Accounts**
2. Locate the **liabilities** and notice that the loan's balance went down by the amount entered on the first line of the expense.
3. Select Reports > Profit and Loss.
4. Locate the **Interest Expense** account and select Amount.

In the transaction statement report, notice the expense that was just recorded. Over time, the interest expense will go up and the principal loan will go down until it's paid off and hits zero.

Lines of Credit

Instead of taking a loan from a bank, many companies use a Line of Credit. Money is transferred from the a line of credit into the bank account only when it's needed. Later, the money is paid back to the bank, plus interest.

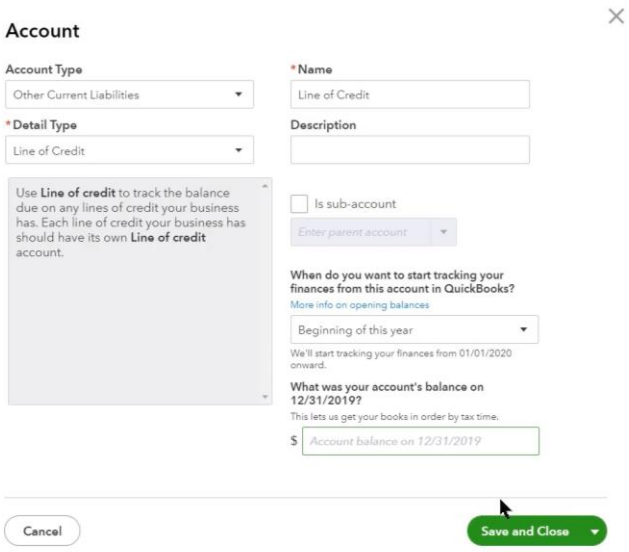
Receive Money from a Line of Credit

The first step to using a line of credit is to set up a new liability account.

1. Select **Accounting > Chart of Accounts > New**
2. Select the Account Type drop-down and select **Other Current Liabilities**
3. Choose Line of Credit as the **detail type**

- If anything is owed on the line of credit at the beginning of the year, be sure to select Beginning of the Year for the opening balance and then enter the amount owed at that time.
- If this is a new line of credit, leave those fields blank.

4. **Name the account** so that it's easily recognizable when entering in expenses.
5. Select **Save and Close**.



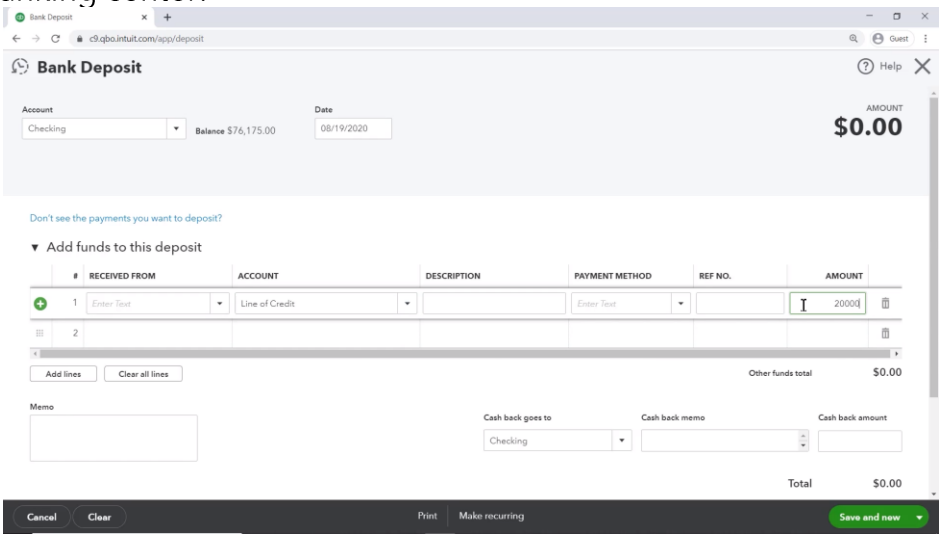
Tracking Payments in Online Banking

- When money is borrowed against the line of credit, the deposit will appear in the Online Banking center, if in your QuickBooks account the online banking center is used to download transactions from your banking institution.
- These transactions can also be entered manually if desired, from the New + menu.

1. Select **New+> Bank Deposit**
2. Select the **bank account** where the funds were deposited.

3. Enter the **date** the funds were deposited into the bank account.
4. In the **Account field**, enter the **Line of Credit** account.

- These same accounts will be used if the transaction is being created in the Online Banking center.

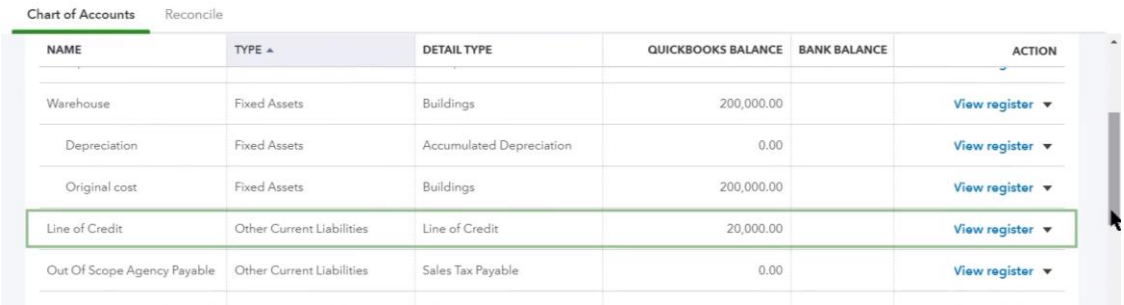


5. Record the **Amount** of the deposit
6. Select **Save and Close**

View the Results

1. Select **Accounting > Chart of Accounts**
2. Look at the **Line of Credit's** balance
3. Notice the **balance** of the **line of credit** increased by the amount deposited into the bank.

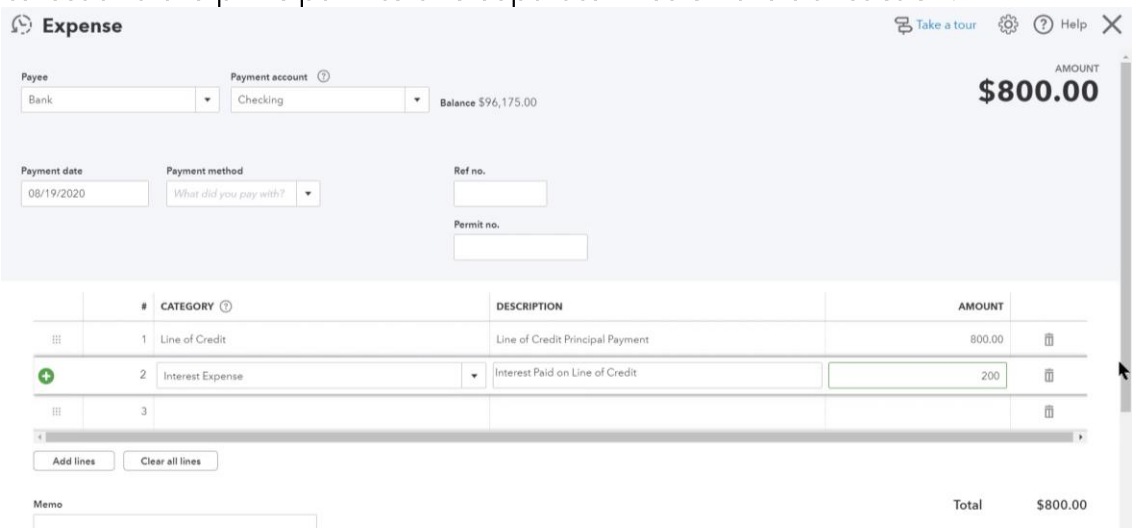
- Since the funds are in the bank account, it can be spend as necessary. Nothing special has to be entered for those expense transaction, just record them as regular bill payments, expenses and checks out of the bank account.



Pay Off a Line of Credit

Eventually it will be necessary to pay off the loan. If you use online banking, the transactions can be downloaded. Or they can be entered through a Check, if you paid with a physical check, or an expense if it was paid any other way.

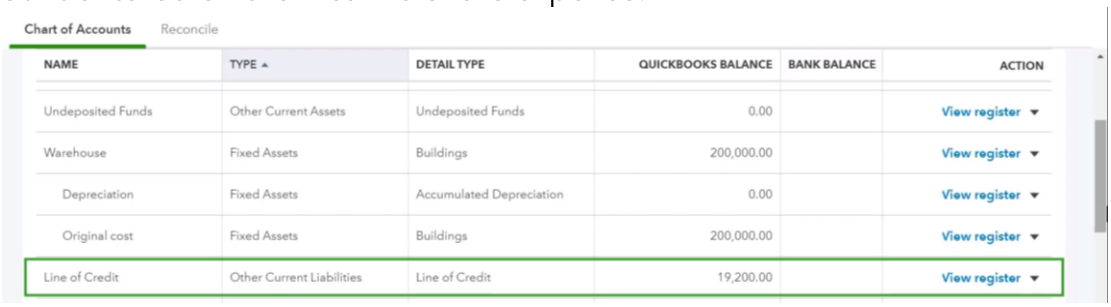
1. Select **New+>** then select the **Expense type transaction** (either check or expense)
2. Select the **Payee** dropdown arrow and select the vendor that was paid.
   - If this vendor has not been set up yet, be sure to enter them now.
3. Record the **date** that the payment was made.
4. For the first line, enter the **Line of Credit account**.
5. In the **Description type** something like "Line of credit principal payment."
6. Enter the **amount** of the payment that went against the principal of what you owe on the line of credit.
7. On the next line, enter an **expense account** to categorize the **paid interest**.
   - If this account has not yet been set up, just select Add New and set up a new account named Interest Expense.
8. In the **Description type** something like "Line of Credit interest payment."
9. Enter the Amount of interest paid, in the **Amount** field.
   - **Online Banking Process-** If this transaction is being recorded in the online banking center from a downloaded transaction, click "**Split**" to separate the interest and the principal into two separate lines on the transaction.



10. Attachments can be added to this expense / check transaction if desired.
11. Once everything has been recorded, select **Save and Close**.

View the Results

12. Select **Accounting > Chart of Accounts**
13. Locate the **liabilities** and notice that the line of credit balance went down by the amount entered on the first line of the expense.



NAME	TYPE	DETAIL TYPE	QUICKBOOKS BALANCE	BANK BALANCE	ACTION
Undeposited Funds	Other Current Assets	Undeposited Funds	0.00		View register
Warehouse	Fixed Assets	Buildings	200,000.00		View register
Depreciation	Fixed Assets	Accumulated Depreciation	0.00		View register
Original cost	Fixed Assets	Buildings	200,000.00		View register
Line of Credit	Other Current Liabilities	Line of Credit	19,200.00		View register

14. Select **Reports > Profit and Loss**.
15. Locate the **Interest Expense account** and select **Amount**.

In the transaction statement report, notice the expense that was just recorded. Over time, the interest expense will go up and the principal line of credit will go down until it's paid off and hits zero.

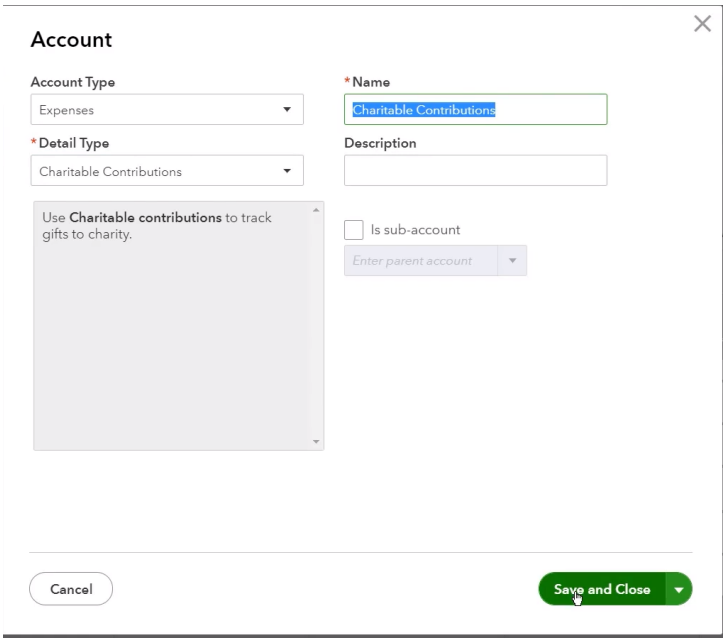
Charitable Donations

Charitable donations are often tax deductible so it's important to track them separately from your other expenses. That way when you file your taxes you'll know exactly how much to report.

Monetary Charitable Donations

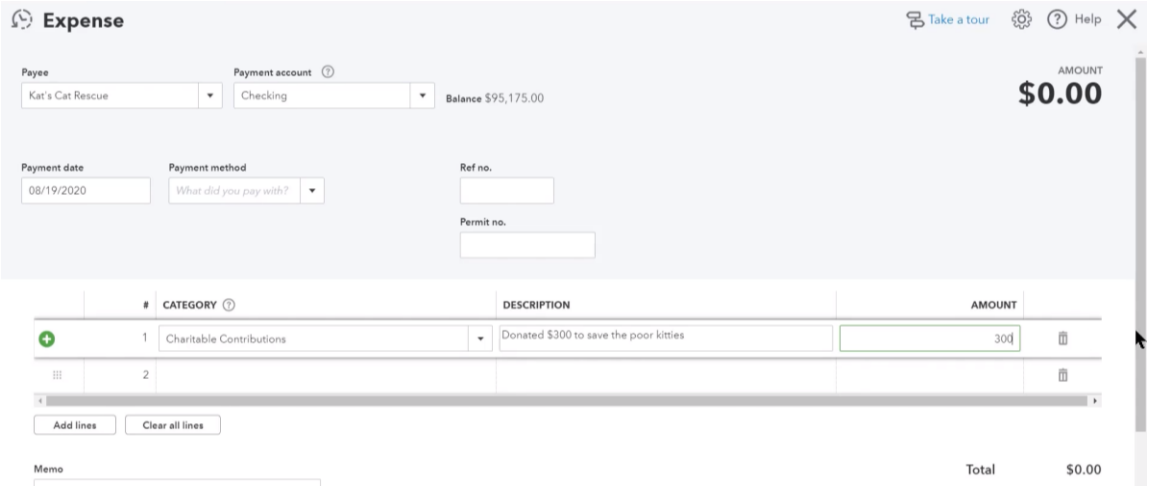
The first thing to do when recording a charitable donation is to make sure you have a charitable donation expense account set up.

1. **Accounting > Chart of Accounts**
2. Scroll down to the Expenses section and look for an account named Charitable Donations or Charity.
3. If you do not have one, select New to create one.
   - For **Account Type**, select **Expenses**
   - For Detail Type, select Charitable Contributions.
   - QuickBooks fills in the name for you, so click **Save and Close.**
   - Now you are ready to record your donation.



Note: If the Online Banking center is used to download transaction, the transaction can be categorized there. Or you can create a new transaction to record the donation.

1. Select **New +> Select a Check or Expense** based on how the charity was paid.
2. Enter in the organizations name as **Payee**.
3. Enter the **bank account** used to provide the funds.
4. Enter the **date** of the donation.
5. In the **Category Details**, select **Charitable Donations** from the dropdown.
6. Enter the **amount** that was paid.
7. If a receipt was provided, or any other official document, that can be added in the **Attachment** field.
8. Select **Save and Close**.



Now you'll see a single account on your Profit & Loss statement that calculates how much you've given to charity. This makes filing your taxes and claiming charitable donation deductions much easier.

Bill Payment Errors

Tracking Accounts Payable, or what is owed on open bills, is important for many reasons. This process involves more steps than other method to record what has been spend, so it is more prone to data entry errors.

It is important to first understand how bills and bill payments work.

When a bill is recorded,

- the Accounts Payable account balance increases by the amount of the bill.
- Because QuickBooks is what's called a double-entry accounting system, it also has to affect another account, or even multiple accounts, by the exact same amount.
- The other accounts the bill affects, are whichever accounts are recorded in the Category Details section...or if you're purchasing inventory...in the Item Details section.

Accounts Payable tracks HOW MUCH you owe and the category or item tracks WHY you owe it.
When you PAY a bill,

- there are *also* two accounts at play,
- The bank or credit card account you used to pay the bill…
- and Accounts Payable again.

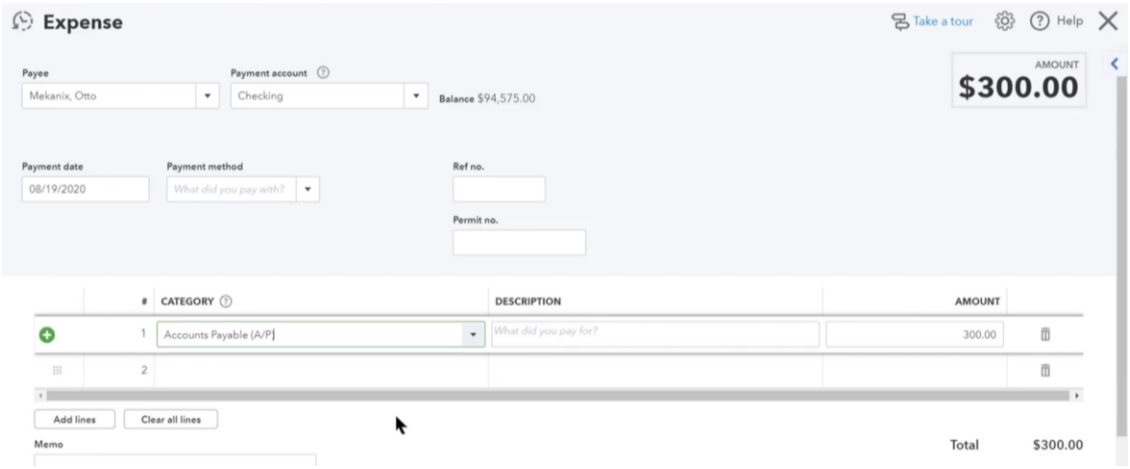
Remember, a Bill increases Accounts Payable...how much you owe. So, a Bill payment decreases Accounts Payable...because now that you've paid the bill you no longer owe that money.
This process works great as long as the bill payment affects Accounts Payable...but what if you recorded the payment of a bill some other way?

- A common problem pops up when people try to record the payment of a bill with a check or expense form.
- On the Check or Expense form they'll enter the bank or credit card account used to pay the bill...which is right...and then they'll record an expense account in the Category Details.
- Spot a problem with this method?
    - It doesn't affect Accounts Payable, so that balance never goes down.
    - It uses an expense or cost of goods sold account for a second time...doubling it, since it was already on the original bill.

Apply Existing Check / Expense to Bill

If you see a charge duplicated on a vendors account on your Profit and Loss, the problem could stem from an unapplied bill payment.
This happens when the bill is listed on the account, as well as the payment of the bill, but the two are not connected to one another.
To fix that simply connect the two to close both the payment and the bill out on the vendors account.

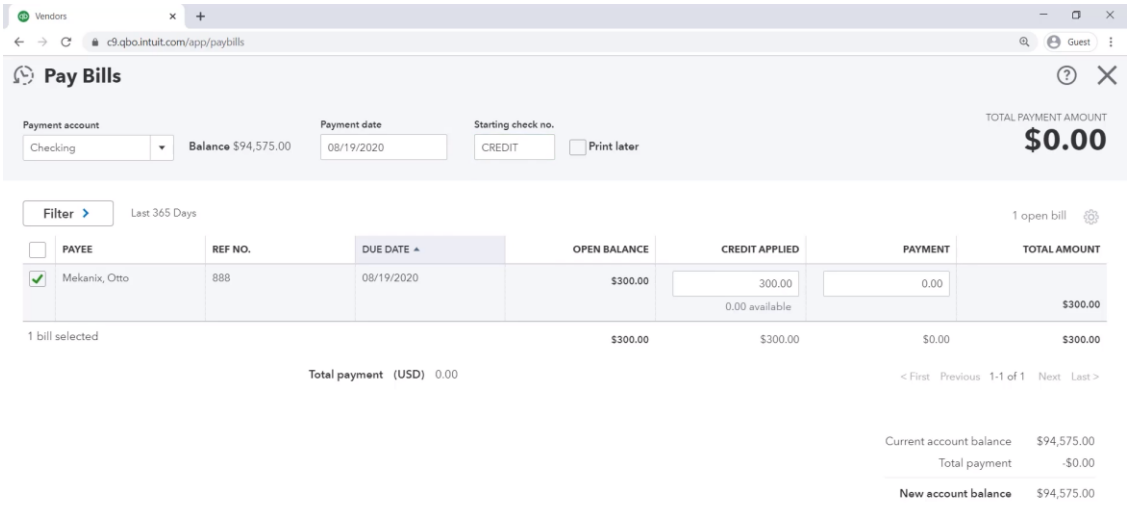
1. Select **Expenses > Vendors**
2. Locate and click on the **Vendor** account. On the Vendor transaction list, select the **Expense or Check** that was used to pay off the bill.
3. In the **Category Details**, change the account to **Accounts Payable**.



Note: If there are multiple accounts or items listed, they will all need to be replaced with **Accounts Payable.** Make sure that when the transaction is updated, its total remains the same, this is necessary for reconciliation purposes.

4. Select Save and Close.
5. There is one last step to take to pay the bill off. Select **New+ > Pay Bills**
6. Locate the open bill.

   Note: The bill has already been paid, which is why the payment amount is zero.
7. Be sure that the bill payment isn't marked to be printed, and for the bill number, enter the word **CREDIT.**
8. Now select **Save and Close**.



View the Results

Refresh the **Vendors** page to see the new transaction. QuickBooks creates a bill payment that links the payment with the bill so now the bill's balance is zero.
Run the **Profit and Loss** and you'll see the funds come in only once.

- This mistake usually occurs because the bill payment was recorded manually with an expense or check. But it can also happen if a bill payment is downloaded in the banking center and is not matched against a bill. But sometimes even a properly entered bill payment can become unattached from a bill.

Close Paid Bill in QuickBooks

It's possible for bill payments to become disconnected from a bill, or not applied properly, even if it was recorded the right way.

Run the Accounts Payable Aging Summary Report

1. Select Reports > Accounts Payable Aging Summary Report
2. This report will display vendors that owe you money.

Scenario: There is a vendor listed on the report that has a zero dollar balance on their account. If they have a zero dollar balance, they shouldn't be on this report. The reason they appear on the report is because they have a bill and a payment that are both open. To fix this error the bill and bill payment need to be connected.

1. Select **Expenses > Vendor**
2. On the specific vendors transaction list, select the **bill payment transaction**.
3. On the right hand side of the screen, a drawer pops out showing the bill that has an open balance.
4. Select the **Add** button on the drawer, and you can see where the bill is now applied on the payment.
5. Select **Save and Close.** Now that vendor and bill have been removed from the report!

Petty Cash

If you keep petty cash in a box or a drawer, that box or drawer behaves very much like a bank account, and that's exactly how it should be treated in QuickBooks.
With a regular bank account, deposits are made electronically or at the bank. When money is spent from a bank account, checks, debit card or bank drafts can be used.
With petty cash, deposits and payments can also be used, but it is with physical currency and the balance is kept in a box or a drawer rather than at the bank.
Because petty cash works like a bank, that's the kind of account that will be set up in QuickBooks to track it.
You will learn

- How to set up and track deposits in your petty cash account.
- How to record expenses that were paid with petty cash.
- How to reconcile petty cash, so it is always obvious what is going into and coming out of the account.

Set up a Petty Cash Account (optional)

Note: If there is already a petty cash account in the QuickBooks Chart of Accounts, skip this step.

1. Select Accounting > Chart of Accounts > New+
2. For **Account Type** select Bank.
3. **Detail Type** is Cash on Hand
4. Keep the **name** as Cash on Hand, or name the account Petty Cash.

   Option 1: If you have some money in petty cash, record the opening balance in this section or choose to track Cash on hand from the beginning of the year.

   - This is the most accurate choice to make, but if you track it from the beginning of the year, you will have to enter each individual cash purchase from the beginning of the year to today.

   Option 2: Start tracking the account balance from today. If this is your choice, record how much you have in petty cash right now. The downside is there will never be an accurate accounting of what you spent from the beginning of the year to today, but it is much faster.
5. Select Save and Close.

Deposit Money to Petty Cash

Scenario: Funds were withdrawn from the ATM and put into the petty cash drawer. This needs to be recorded into your QuickBooks account.
If you use online banking, the transaction can be added in the Online Banking center. If you choose not to record the transaction in Online Banking, it can be manually entered in through the New menu.

1. Select **New+ > Transfer**
2. On the **Transfer transaction**, enter the **bank account** to track where the funds were withdrawn from.
3. On the second account, enter the account being used to **track Petty Cash**.

4. Enter the **amount** transferred out of the bank account.
5. In the **Memo field**, enter the reason why the funds came into the account.
6. Select **Save and Close.**

Spend Money From Petty Cash

Scenario: An employee of the business used petty cash to buy office supplies.

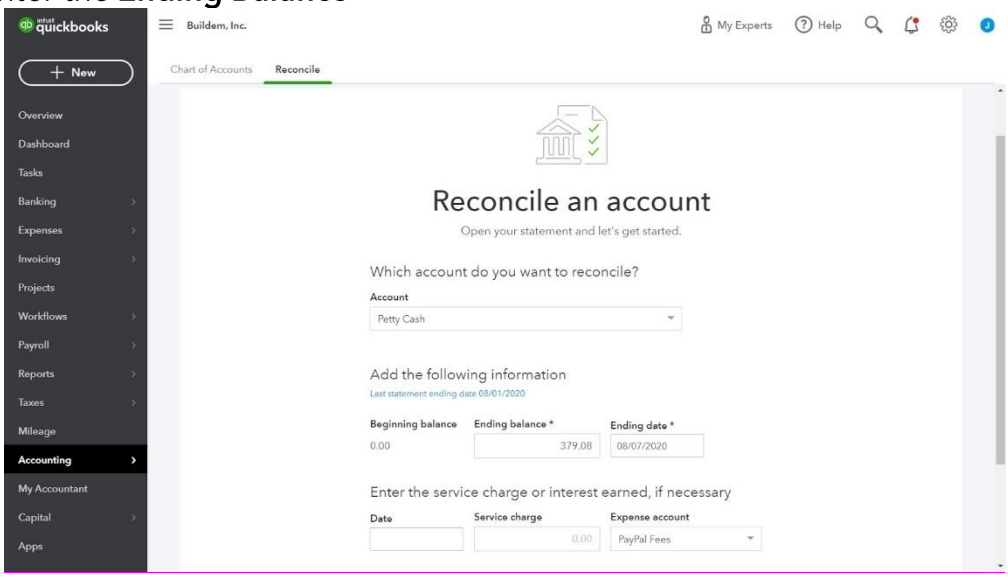
- In this situation, the funds used to make this purchase was made with cash, so it will not show up in the Online Banking Center. The transaction will need to be manually entered into the QuickBooks account.

1. Select **New+> Expense**
2. Select the **Vendor** who was paid with the cash.
3. For the **Payment Account** select the Petty Cash account.
4. Select the **date** when the purchase was made.
5. Select the **Payment Type**, which is Cash.
6. Enter the category to best describe why the funds were spent.
7. Enter the **Amount** that was spent.
8. If a receipt provided it can be added on the transaction as an attachment.
9. Select **Save and Close.**

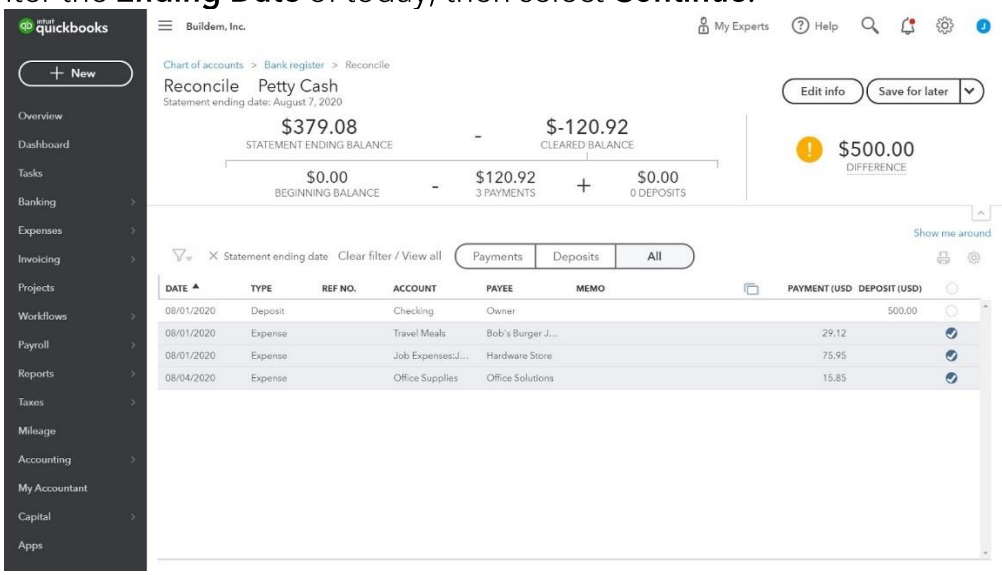
Reconcile Petty Cash

It is important to keep an eye on your cash on hand, so you know exactly how much money is going into petty cash, and how much is going into and coming out of your petty cash account. In order to track the balance of this account accurately, we recommend that you keep all of the receipts so that you can accurately reconcile the account.

1. The first step is to count the funds in the petty cash account. Once you have done so, it is time to start reconciling. Select the **Gear icon > Reconcile.**
2. Select your **Petty Cash** account from the drop-down.
3. Enter the **Ending Balance**

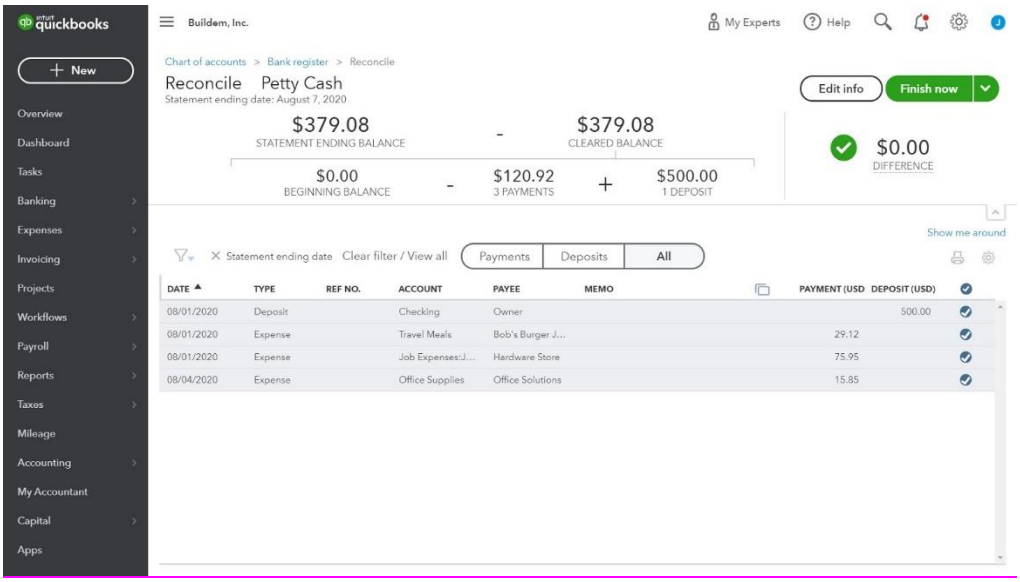


4. Enter the **Ending Date** of today, then select **Continue**.



5. **Check off** every transaction in the list which has a receipt to support it.
6. If you have some receipts, but do not see them represented as a line on the screen, enter then through the **New+ button.**

- ATM Receipts count here because they could represent deposits into the Petty Cash account.



- If you see a "difference" it could come from a few different things.
  - You might not have all of the receipts for purchases and deposits made to and from petty cash.
  - It could also be that one of your old petty cash transactions were changed.
  - It could mean that some money was spent or deposited, and you don't have a receipt for it.

1099's

The Internal Revenue Service requires that you send a tax form called a 1099 to certain individuals and companies paid more than a specific amount of money during the tax year.

- The rules can be complicated and we recommend that you consult with your accountant and the IRS.
- As a GENERAL guideline, most small businesses send 1099s to companies and individuals that ARE NOT employees BUT ARE paid more than the threshold that is set and updated year to year for "non-employee compensation."
- Usually, the term "non-employee compensation" means labor. Also, you do not send 1099s to corporations.

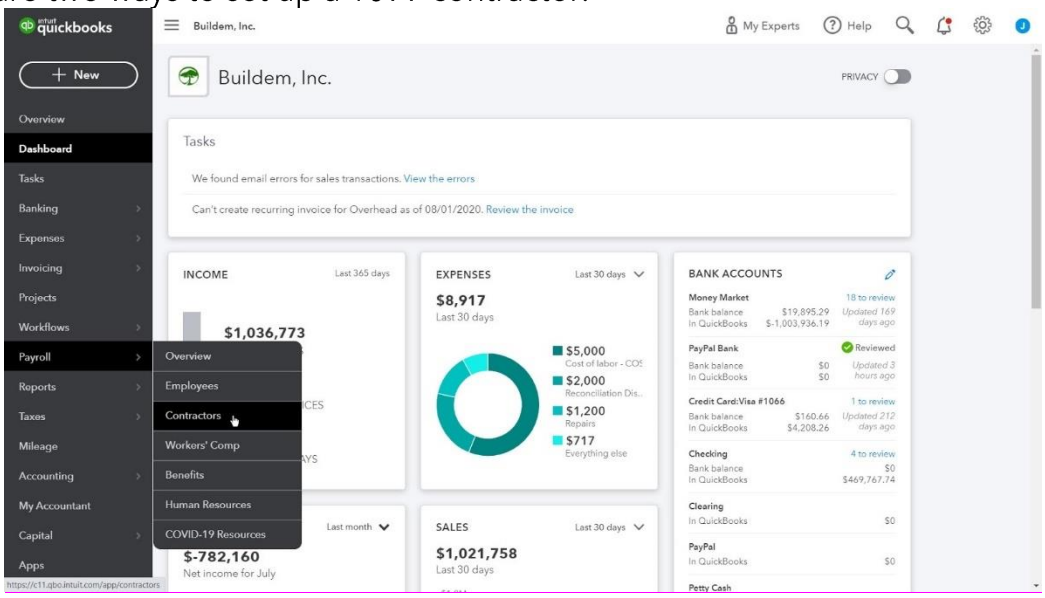
QuickBooks tracks 1099 transactions, calculates how much you paid each 1099 vendor, and lets you print 1099s and the summary 1096 form.

Next, you complete the 1099 and the 1096 wizard which walks you through the setup of 1099s all the way to printing your 1099s and 1096 tax form.

Note: You do not have to report payments you made with Debit cards, gift cards, PayPal accounts, credit cards, and other third party processing cards. Why is this? Because the companies that process these payments, like the credit card company, are responsible for reporting any payments you made to a 1099 contractor with a credit card. So you need to tell QuickBooks when you make a payment using one of these methods.

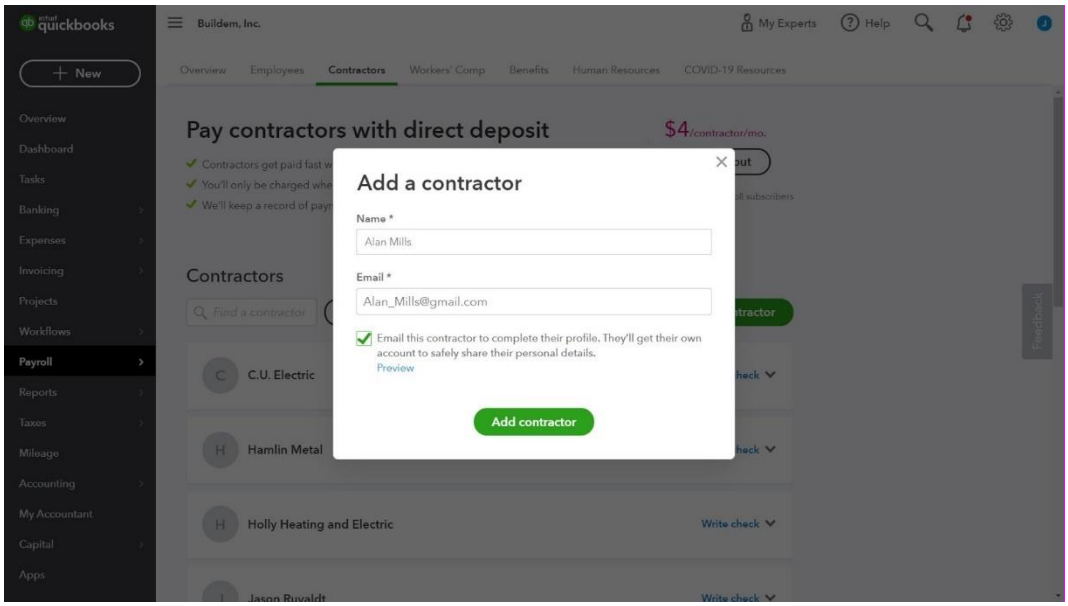
Set Up 1099 Contractors / Vendors

There are two ways to set up a 1099 contractor.



Option 1: Through the Payroll tab.

1. On the contractor's page, select the **Add a Contractor** button.

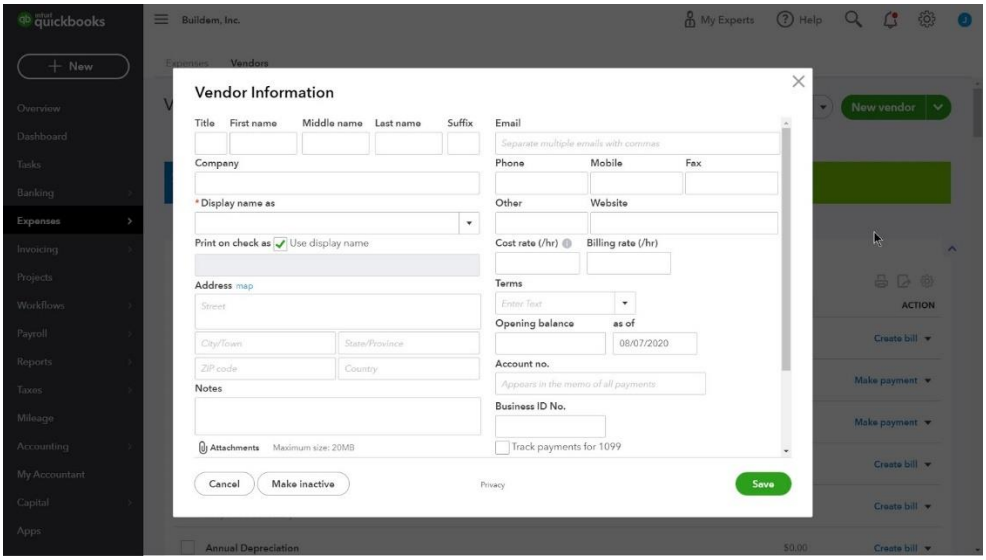


2. QuickBooks will ask for the contractors **name and address**. This process sends the contractor an email. In that email is a link they can use to enter their own information.

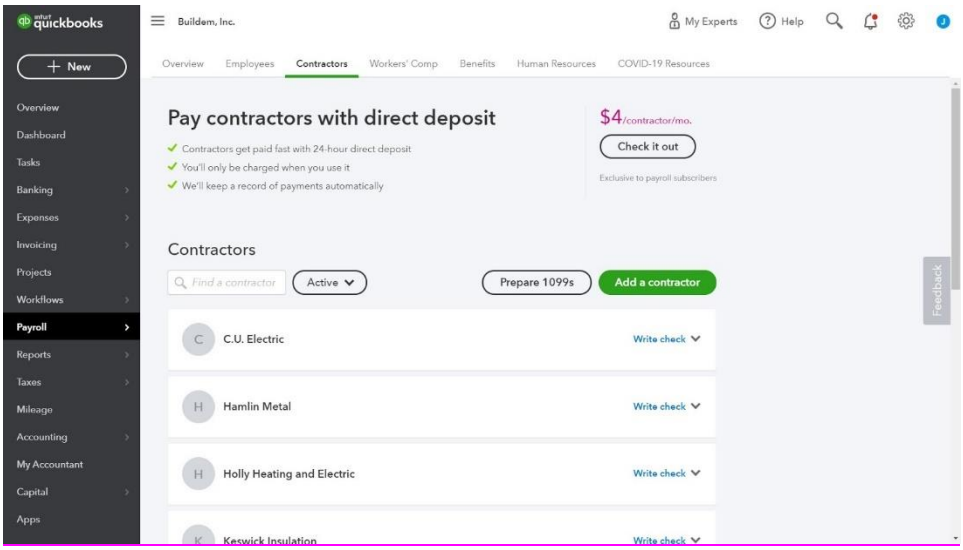
Once the contractor is set up, they will appear on the **contractor page** and the **Vendor list**.

If the contractor you're working with does not want to set up their information, you can also do so through the Vendors List.

3. Select **Expenses> Vendor > New Vendor** and enter their information.



4. Make sure to select the checkbox next to **Track payments for 1099s**.
5. Enter their **Business ID** or **Social Security** number to also save yourself time.
6. Select **Save**.



If any edits need to be made to the account once it's created, select **Edit**, to edit the vendor and be sure to check the **Track Payments for 1099's** box.

- They will show up along with all of the other contractors on the Contractor page, and QuickBooks will also know what to do when 1099's are processed and sent.

Contractor payments will be recorded like an other expense.

- **Bill and Pay Bills**, if a bill is received for their work.
- If there is no bill use an **expense** transaction and include their name and the details of the payment.
- If they were paid with a hand written check, use a **check transaction** and include their name and the details of the payment.
- If you paid with a credit card, paypal account, debit card or any third party processor, continue reading to learn how to handle those transactions.

Map 1099 Accounts

1. Select **Expenses > Vendors**
2. Select **Prepare 1099s**.
3. This screen shows you the basic workflow of filing 1099s and also contains helpful hints and links, such as the 1099 filing deadline and pricing information.
4. Select **Get Started / Continue your 1099's**.
5. Enter the **company's address and Tax ID**.
   - If this has already been entered a summary will appear that allows editing if necessary.
6. Select **Next**.
   - On the next screen, QuickBooks displays accounts that have been used while categorizing transactions with the people and businesses that 1099s need to be filed for, and on which part of the 1099 the transaction totals need to appear.

- Each box represents a box on the 1099-MISC but most businesses only need to worry about Box 7, which is for reporting nonemployee compensation. Select all of the boxes that QuickBooks needs to consider for generating 1099s.
- Below each selected box is a drop-down menu which is used to select all the accounts used for that type of expense.

7. Select the drop down and choose as many accounts as needed by selecting the checkboxes.
   - Only include the accounts used to pay for labor in the list. If you have contractors that divided up their bills showing labor and materials as separate lines, only include the account used to categorize the labor.
   - Once you've selected all the accounts to consider for the box, click in any of the white space on the screen.
8. Select **Next**. QuickBooks now displays all the vendors that were marked to track 1099s for.
9. If a vendor is missing from the list that was expected to be there, or if the box was left unchecked, select **Add from Vendor list.**
10. Select any vendors on this window by selecting the checkbox beside their name.
11. Select Save. The Vendor(s) will now appear on the list.

Review and Errors

It's important to review the list of 1099 eligible vendors to see if there is any missing information. If there is any data that QuickBooks needs, but it hasn't been entered a warning will appear in red.

6. To correct these problems

   - click **Edit and enter the missing information.**
   - A second option is to exit out of the 1099 screen and go back to the vendors page and enter the correct information there.

7. Click **Next**.

   - Now QuickBooks looks through the transaction from the previous year and calculates the total amount of money spent using the accounts that were chosen earlier.

The payment amount will show up based on the account(s) / subaccount(s) chosen (e.g. Cost of Goods Sold).

This is not necessarily the actual amount that will eventually appear on the 1099, because some of this total might come from transactions that are excluded from 1099s, such as debit cards, credit cards and PayPal.
Excluded totals show the amount that will appear on the 1099s in the Excluded column.

- If any of these appear to be incorrect, select the **total> select Continue**.
- Review the list of excluded transaction. If anything seems incorrect, select the individual transaction to correct the problem.
- Select the **back** button to return to the totals.
- The total column displays the total amount that will eventually appear on the 1099s you issue to your vendors.

You will also see a breakdown by 1099 box, in Box 7.
To review either of the numbers, select them to get a report that shows all of the transactions QuickBooks used to calculate the totals.

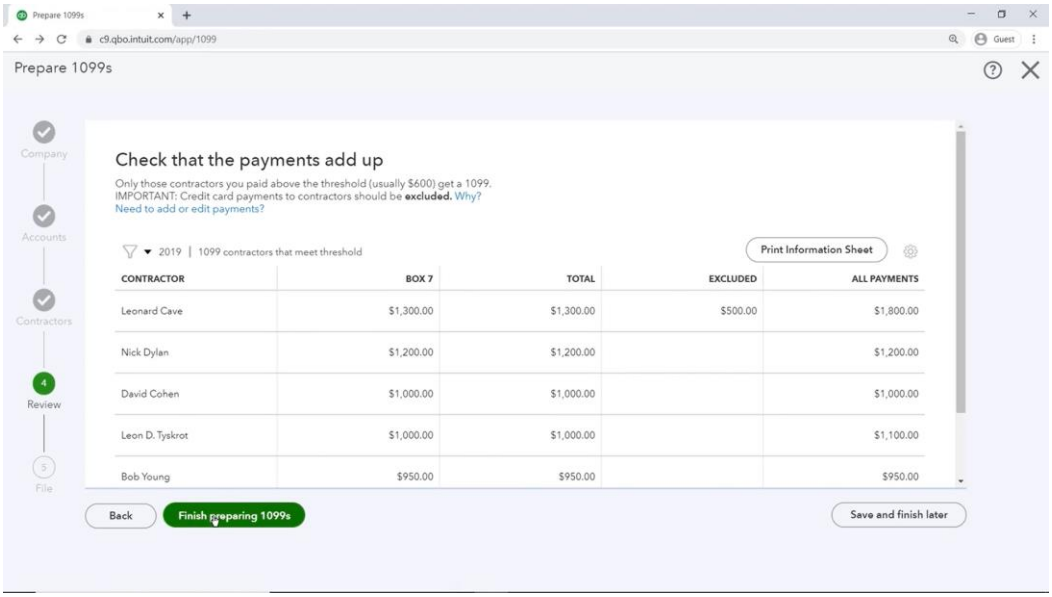
Note: All vendors will not appear on this screen, only the vendors that pass the threshold for filing a 1099 are listed here. If someone wasn't paid enough to warrant a 1099, they will be unlisted.

Confirm and Send

Once everything looks good, click Finish preparing 1099s. There are **two options** for filing 1099s.

- Utilize the **E-File** services that files 1099's electronically
- **Print and mail 1099's**.

QuickBooks displays the fees associated with either service on this screen as well.



Chapter 8

Advanced Purchases

Introduction

Business can get complicated quickly, and that's especially true when it comes to Purchases. You will learn purchasing tricks to help you simplify difficult transaction including

- Different situations that involve non-business funds, or non-business purchases.
- How employees can be reimbursed for expenses, and how to handle personal purchases made with business funds.
- How to handle Prepaid Expenses, or expenses where the cost is spread out over the course of the year.
- A workaround for how to record deposits you give to vendors. You also see how to track those balances, especially if you have deposits with multiple vendors.
- How to tell QuickBooks that you received inventory that you will pay for later, also known as an Installment Purchase.
- The best ways to handle Refunds and Credits from Vendors.
- How to properly handle uncashed prior period checks and how to close out unpaid Bills.

Employee and Owner Purchased

There are many ways that owners or employees spend money on the business besides swiping the company credit card or writing a check from the business checking account. You will learn steps for recording these types of transactions in your QuickBooks account.

1. Learn which accounts need to be on the Chart of Accounts so that these transactions can be recorded that involve the owner, personal funds and any contributions they make or reimbursements they receive.
2. There are two scenarios covered when it is time to record the transactions.
    - If an owner makes a purchase but expects to be paid back.
    - If funds are deposited by the owner into the company bank account without the expectation of payback.
3. Employees sometimes purchase company related expenses with personal funds, for example, fuel. Learn how to record the reimbursement of those funds to employees when necessary.

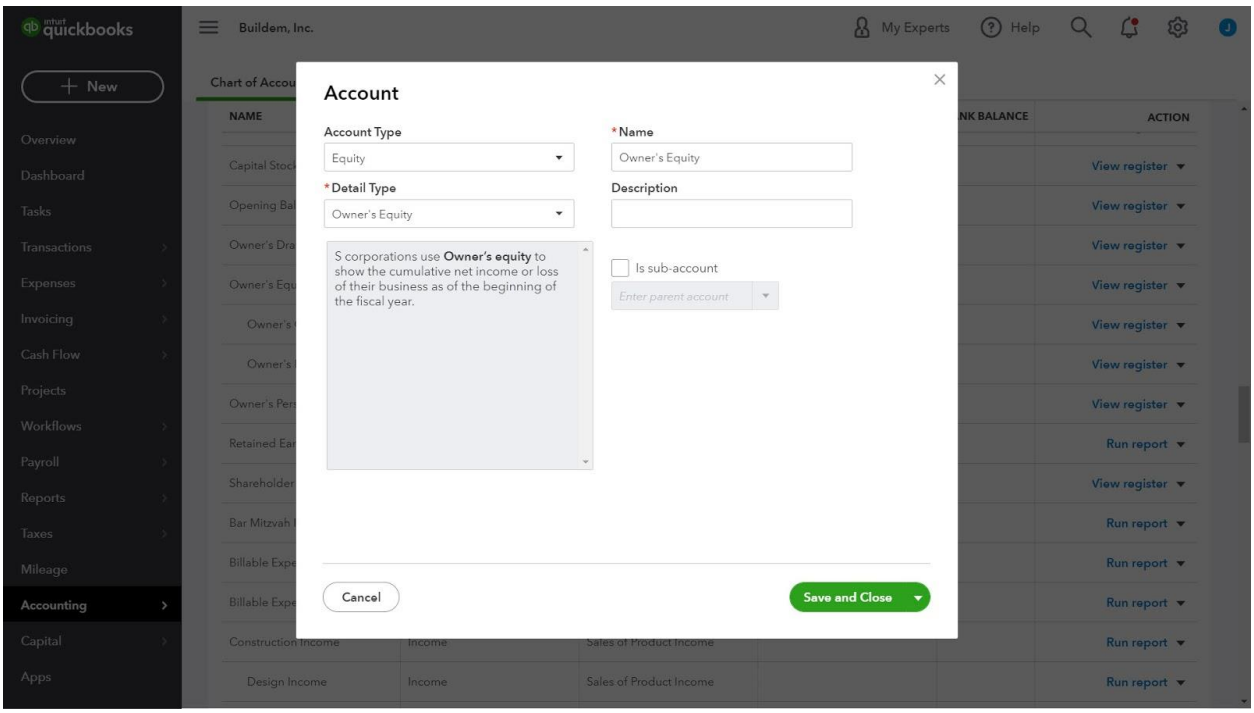
Set Up Owner Equity Accounts

To record transaction involving the owner, one side of the transaction should be an Equity account. These accounts represent the value of the business to the owner. In this section, learn how to set up four different equity accounts,

- Parent Owners Equity Account
- Owners Draw
- Owners Contribution
- Owner Payable

Set up a New Account

1. Select **Accounting> Chart of Accounts**
2. Select **New> Equity from the Account Type** dropdown.
3. Select **Owner's Equity as the Detail Type**.



4. To set up an Owner's Equity Parent Account, enter **Owner's Equity** as the **Name**.
5. Select **Save and Close**.

- Repeat steps 2-5 above, adding in different names for each account

Note: When creating the following accounts, select the checkbox next to **Is Sub-Account**, and select **Owners Equity** from the dropdown before saving.

Name the new accounts as follows …

- **Owners Contribution's**- Use this account to record any money that the owner gives to the company that they don't expect to be paid back.
- **Owners Draw**- Use any time the owner withdraws money from the company. This account will always show a negative balance
- **Owner Payable**- This account should be used when the owner loans the company money

Note: If the company has multiple owners or shareholders, account names can reflect this if necessary. Instead of using Owner's Equity the name could be changed to Partner's or Shareholders Equity, Shareholders Draw, ect. To be even more specific for reporting purposes or tracking, accounts can be created for each person in the partnership.

Owner Purchases

If the owner of the business purchases materials for the company with personal funds, but does not expect a refund, this still as to be recorded in the account to track the expense of the materials. Recording the transaction will also track how much the business owes the owner which is important.

1. Select **New+> Expense**
2. It is optional to enter a **Payee**, but we recommend entering a Payee when possible for reporting purposes.
3. The payment **account** does not matter, this account will not be altered by the transaction.
4. Enter the **Date** when the owner made the purchase.
5. Enter the **Category** or **Item detail** to describe what the owner bought.
6. Enter the **description**, and finally the **Amount** the owner paid for the supplies.

Note: The trick here is to reduce the net total to zero, so that it won't affect the Checking account.

7. On a second line, enter the **Owner Payable** account. This is used to track any funds the owners loans the business.
8. Enter the **description**, and finally the **Amount** the owner paid for the supplies, but this time, as a negative amount. Now the net of the transaction is $0 which will not have any affect on the bank account balance.

    - The expense will show on the Profit and Loss under the expense account, and Equity will increase by the same amount reflecting the owner's loan to the company, like a temporary investment.

9. Select Save and Close.

Owner Reimbursement

Eventually the business will pay back the owner for what they spent with their personal funds. This same process works whether the business is paying off a portion of the owner's personal credit card, or gives the payment directly to the owner. Remember to use the Owner's Payable Equity account to track what the business owes the owner. There are two ways this transaction could be recorded.

Option 1: Online Banking

1. In the Online Banking center, select the payment transaction that was downloaded from the banking institution.
2. In the **Payee** field enter the **Name of the Owner**.
3. In the **Category**, enter **Owner Payable**

Option 2: Manual Recording

Here is an example of how to record the payment made through a Check.

1. Select **New+ > Check**
2. In the **Payee** field enter the **Name of the Owner**.
3. In the **Account Details** enter **Owner Payable** from the dropdown.
4. Enter the **date** the check was written > Enter the **Check Number** if it was a handwritten check.
   - If the check needs to be printed, select the **Print Later** checkbox.
5. Enter a brief **description** about the transaction, and the **Amount** that the business is paying back to the owner.
6. Select **Save**.

Owner Deposits to Company Bank Accounts

If the owner is depositing money to the business from a personal bank account, there are two ways it can be recorded.

Option 1: Online Banking

1. In the Online Banking center, select the received payment transaction that was downloaded from the banking institution.
2. In the **Customer field,** field enter the **Name of the Owner**.
3. In the **Account field,** enter **Owner's Contribution**

Option 2: Manual Recording

Here is an example of how to record the received funds through a Bank Deposit transaction.

4. Select **New+ > Bank Deposit**
5. Be sure to select the account
6. In the **Received From** field enter the **Name of the Owner**.
7. In the **Account Details** enter **Owner Contribution** from the dropdown.
8. Enter the **date** the check was written > Enter the **Check Number** if it was a handwritten check.

- If the check needs to be printed, select the **Print Later** checkbox.

9. Enter a brief **description** about the transaction, and the **Amount** that the owner contributed to the business.
10. Select **Save**.

Note: On the Chart of Accounts, the Owners Contribution account will increase, as well as the Owners Equity. Remember that Owners Equity is the sum of the Owners Contributions and Owners Draw.

Owner Withdrawl from Company Bank Account

When the owner wants to make a withdraw from the company bank accounts, this will need to be recorded to track the funds leaving the QuickBooks account.

Note: This is how to record a payment to the owner when they do not receive a paycheck.

There are two options for recording this type of transaction in the account.

Option 1: Online Banking

1. In the Online Banking center, select the payment transaction that was downloaded from the banking institution.
2. In the **Payee field,** field enter the **Name of the Owner**.
3. In the **Account field**, enter **Owner's Draw.**

Option 2: Manual Recording

Here is an example of how to record the payment made through a Check.

1. Select **New+ > Check**
2. Be sure to select the account where the money is being withdrawn.
3. In the **Payee** field enter the **Name of the Owner**.
4. In the **Category Details** enter **Owner Draw** from the dropdown.
5. Enter the **date** the check was written > Enter the **Check Number** if it was a handwritten check.
6. If the check needs to be printed, select the **Print Later** checkbox.
7. Enter a brief **description** about the transaction, and the **Amount** that the owner is receiving.
8. Select **Save**.

Note: On the Chart of Accounts the bank account will decrease by the amount of the payment. The Owners Draw account will decrease by the amount of the payment. Because the Owners Draw account is a subaccount of the Owners Equity, Owners Equity show a decrease as the sum of the Contribution and Owners Draw accounts.

Employee Reimbursement

There are two methods for recording employee reimbursements.

Method 1: With or without QuickBooks Payroll

1. Select **Payroll > Employees**
2. Create a new **Expense**, or **Check** (if using a physical handwritten check).
   - If creating a check, enter all check detail such as date, check number or select Print Later so QuickBooks can print the check if needed.
3. Enter the **Employees** name in the **Payee field**.
4. Select the correct **bank account** and enter the **balance**.
5. Enter **Category Details** > enter a **description**.
6. Enter the **amount**.
7. Add **attachments** if desired such as receipts> Select **Save and Close**.

Method 2: Requires QuickBooks Payroll

If you need the reimbursement to appear on the employee's actual paycheck, however, this process is a bit more complex, and that process can be found in the Payroll Chapter of Mastering QuickBooks Level 2.

Employee Use of Business Funds

What if your employee accidentally uses business funds to pay for personal expenses? These funds will need to be paid back to the company, but how do you track what they owe you?

Start by setting up an Asset account that tracks what employees owe to the company.

1. Select **Accounting > Chart of Accounts > New**
2. Select **Other Current Assets** as the account type
3. Select a **detail type** that best describes the account.
4. Provide a **name** for the account to identify what it tracks.
5. Select **Save and Close**.

Method 1: Online Banking

If online banking is used in the account, the transaction can be downloaded which represents the purchase. If this is the case, it can be recorded in the banking center.

Method 2: Manual Entry

1. **Select New+> Expense or Check** (use only if a physical check was written)
2. Enter **Vendor** details > Enter the **Other Current Asset** account that will track what employees owe to the company.
3. If desired, add a memo to note this is an employee purchase, not a company expense.
4. Enter the **Amount** > Click **Save and Close**.

This will record the money coming out of the bank account. It will also increase the amount of the Other Current Asset account and show that the employee now owes the company for this purchase.

View what the Employee Owes

1. Open the **Chart of Accounts**.
2. Select the **Drop Down** beside the **Other Current Asset account**, in the **Action** column, then select **Run Report**.
3. This report tracks each transaction that you record to show how much money your employee's may owe you. If recorded in the memo field, the report shows who owes the money, as well as who has paid you back.

When an Employee Pays You Back

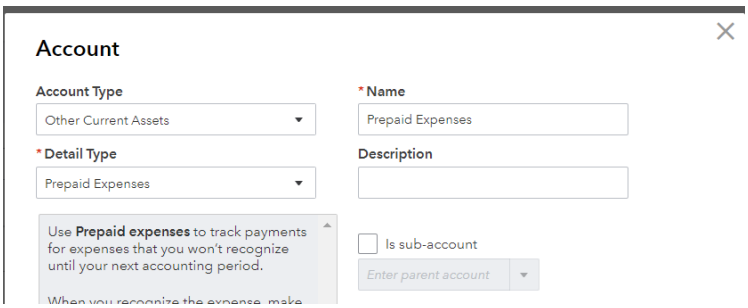
1. Select **New+> Bank Deposit form**
2. In the **Add Funds to this Deposit** section, enter the **Employees Name**
3. Select the **Other Current Asset** account in the **Account field**.
4. In the **Memo** field, enter a memo to explain the deposit.
5. Enter the **Amount > Save and Close.**

View what the Employee Owes

1. Open the **Chart of Accounts**.
2. Select the **Drop Down** beside the **Other Current Asset account**, in the **Action** column, then select **Run Report**.
3. This report will show the updated total based on the funds paid back by the employee.

Prepaid Expenses

Prepaid expenses are costs you pay in one accounting period that affect future accounting periods.
The challenge with prepaid expenses is …
If that transaction is entered as one expense, your Profit & Loss will show a large expense for insurance in the month the payment was made, and then no expenses for insurance for the rest of the months.
This can especially be a problem if the expense covers part of two different fiscal years. The solution is to enter the payment into an asset account, and then have QuickBooks spread out the expense equally for each month.



Create an Asset Account to Track the Original Payment

1. Select **Accounting > Chart of Accounts > New**
2. Select Other Current Assets as the Account Type
3. Select Prepaid Expenses as the Detail Type
4. Enter the desired name (e.g. Prepaid Expenses)

Record Prepaid Expense

1. Select **New+ > Select a Check** (if a handwritten physical check was created), or an **Expense**, or **Bill**.
2. Enter **Payee** details, and select the account where the funds were paid from, from the dropdown menu.
3. Enter the **date** that the initial payment was made.
4. Enter the **Payment Method, Category** and a **Description** and finally the **Amount**.
5. Select **Save and Close**.

Note: The transaction will not affect the Profit and Loss report, because only asset accounts were used.

Distribute a Prepaid Expense

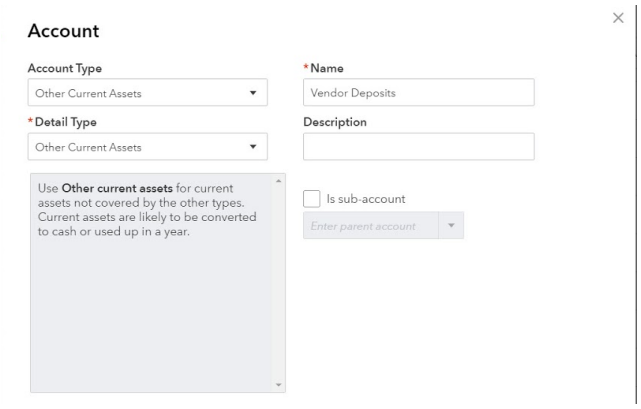
1. Select **New+> Journal Entry.**
2. On the first line, select the **expense** account use to categorize a prepaid expense.
3. In the **debit** field, enter the amount to be distributed to each month.
4. Enter the amount paid for the **initial payment**, in the Amount field. In the same box, enter a **forward slash** and the **number of months** to divide the initial payment into. Press tab and the math is done by QuickBooks.
5. On the second line, enter the **expenses asset account**.
6. In the **credit field**, enter the amount going into the expense account which will decrease the **expense asset account**.
7. Select **Recurring** to create a template that QuickBooks will create for you each month.
8. Enter the name of the template, then choose if it will be **Scheduled, Reminder or Unscheduled.** Enter the desired interval at which the transaction will be created.
9. Select a **start date** > choose the desired number of **occurrences**.
10. Select **Save**.

QuickBooks will now distribute those prepaid expenses throughout the year-long policy, and you don't need to do anything else with it.

Vendor Deposits

Deposits with vendors represent an asset to the company...because goods or services that the vendor has not delivered are paid for. Step 1 is to create an asset account used to track these deposits.

1. Select **Accounting> Chart of Accounts> New**
2. In the account type dropdown, select **Other Current Assets**.
3. In the Name field, enter **Vendor Deposits**.



Record a Deposit with a Vendor

If online banking is used, the transaction representing the deposit can be downloaded from the banking center.
To record the purchase manually…

1. If the vendor was paid using a debit or credit card or ACH, it can be entered with an Expense transaction. A Check can also be used if a handwritten check was provided for payment.
2. Select the **Payee** > choose the other **current asset account**, **Vendor deposits**, in the **Category Details** area.
3. Enter the **description** and the **Amount**.
4. Select **Save and Close**.

Use a Deposit with a Vendor

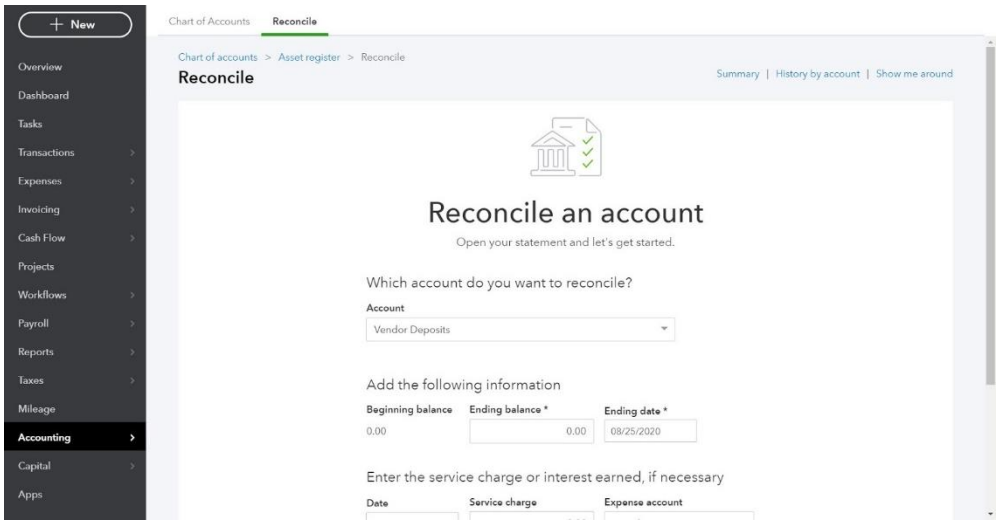
1. Select **New+**> Choose a Check, Bill or Expense depending on what happened in the real world.

In this example, we will enter a Bill.

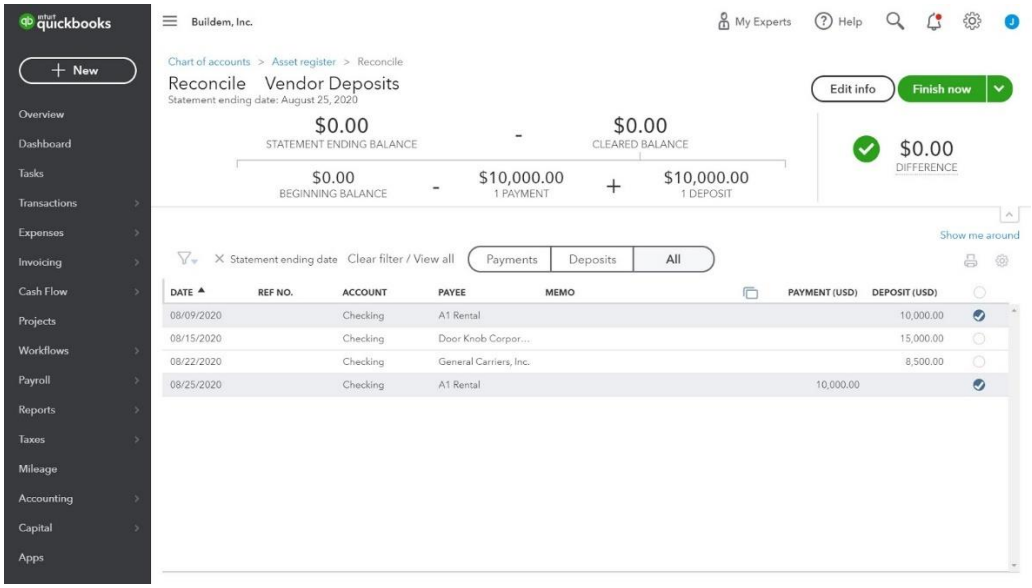
2. Enter the **date** the bill was received.
3. Enter **terms** > enter the **Bill #**.
4. Enter **Vendor Deposits**, the Other Current Asset account, in the **Category Details**.
5. Enter a **description** to remind you later of the reason for the deposit (e.g. "our deposit".)
6. Enter the **Amount** of the deposit made previously, as a negative number.
7. On the next line, enter the **fixed asset account** for the purchase made (e.g. an expense account).
   - If a fixed asset wasn't purchased, enter the amount in the **Item Details** section.
8. Enter the full cost of the purchase in the **Amount** field.
9. Select **Save and Close.**

Match Vendor Deposits to Payments

It is possible to create a support schedule in QuickBooks to track vendor deposits that have been used, and those that have not.



1. Select the Vendor, from the **Account field** drop-down.
2. Enter zero for **Ending Balance** > Enter today's date for **Ending Date.**
3. QuickBooks lists all deposits made, deposits that have been applied, and the ones that aren't yet reconciled.



4. For applied deposits, select both the original deposit and it's use. This clears transactions that reports can show deposits applied versus unapplied.

Note: Never select a transaction unless both a deposit and a payment with the same amount are listed.

Once all applicable payments and deposits are selected, there should be a difference of zero. If this doesn't happen, double check to be sure nothing was selected that shouldn't have been.

5. Then click **Finish Now**.

Note: To maintain the most accurate reports, perform this step every time a deposit is used on a purchase from a vendor.

Track Vendor Deposit Balance

It is now time to build a support schedule to track the balance of vendor deposits, now that the Vendor Deposits, Other Current Assets account has been reconciled.

1. Select **Accounting > Chart of Accounts**
2. Locate the **Vendor Deposits** account> Select the dropdown in the **Action** column> Choose **Run Report.**

Note: This report lists every transaction affecting the accounts over the selected date range. To see all transactions, change the date range to "All."

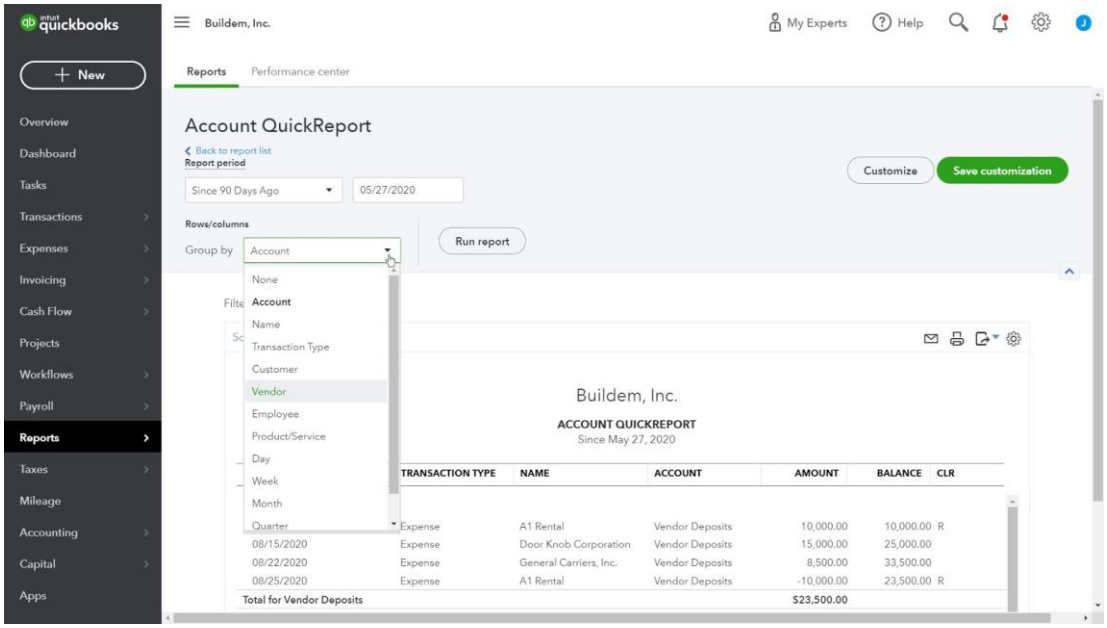
Group Report by Vendors

3. Select the **Group By** drop-down> select **Vendor**.

Notes: QuickBooks shows the same transactions in the account, each deposit and payment, grouped by vendor the transaction is associated with.

The report is accurate, but difficult to quickly find the difference between vendors with a balance and vendors without. Split this data into two reports

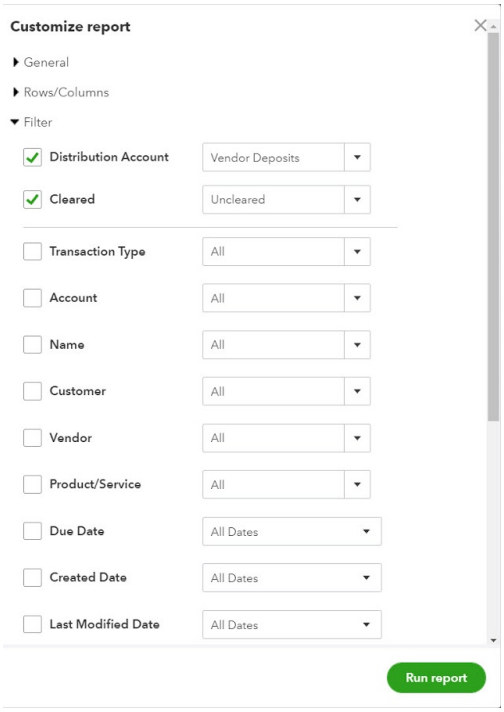
- One that shows deposits already applied.
- One that shows deposits that have not been applied.



4. Select **Customize** > select the **Filter** dropdown.
5. Select either Applied or Unapplied, next to the Cleared drop-down.
   - Select **Reconciled**, to see the Reconciled transaction only.
6. Select **Save Customizations**, to change the name of the report, and save it as a **Custom Report**.

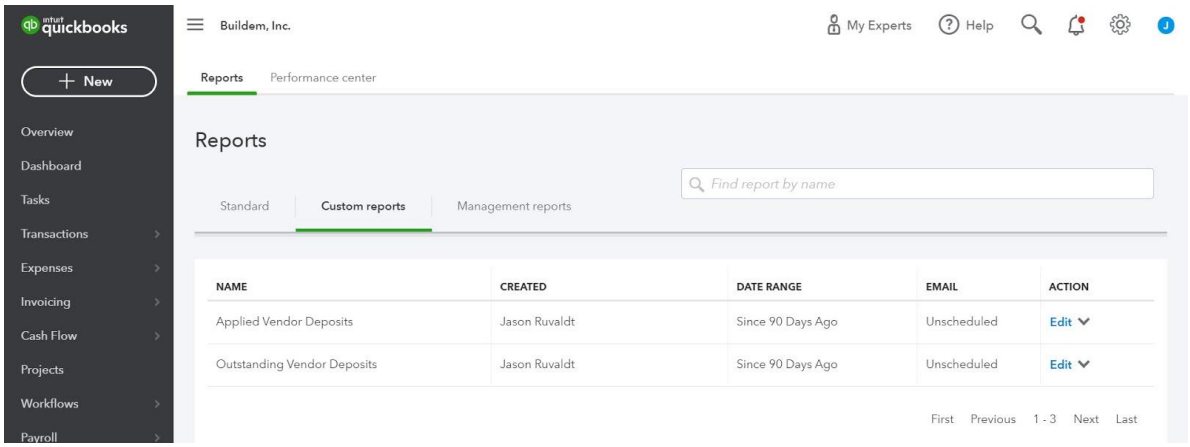
Unused Deposit Report

1. From the Account Quick Report, select **Customize**.
2. Select **Filters**.
3. Change the Cleared selection to **Uncleared**, and now this report shows open balances by vendor.



Shown on the report are all the vendors which still have unused deposits in the QuickBooks account.

4. The name of the report can be changed (e.g. Outstanding Vendor deposits), and saved as a new report.



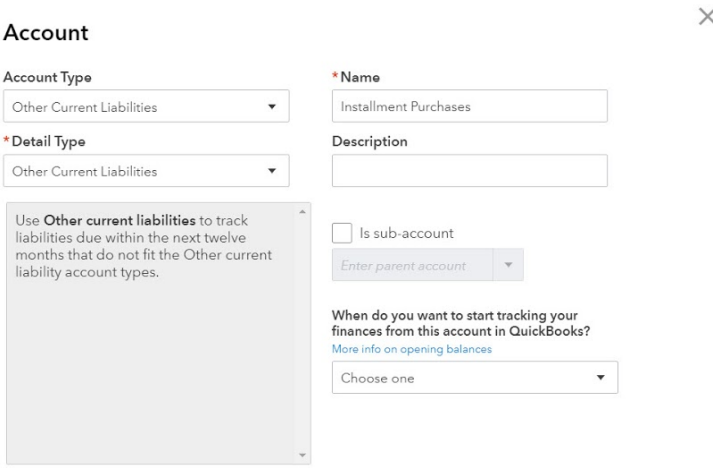
5. This report can be run from the **Custom Reports menu**, on the Reports page.

Record Installment Purchases

Scenario: Inventory is purchased, and the vendor allows payout to be done through multiple payments. If this happens, the vendor might send the Inventory before it is paid off, however in QuickBooks Inventory can only be added when it is paid for in full.

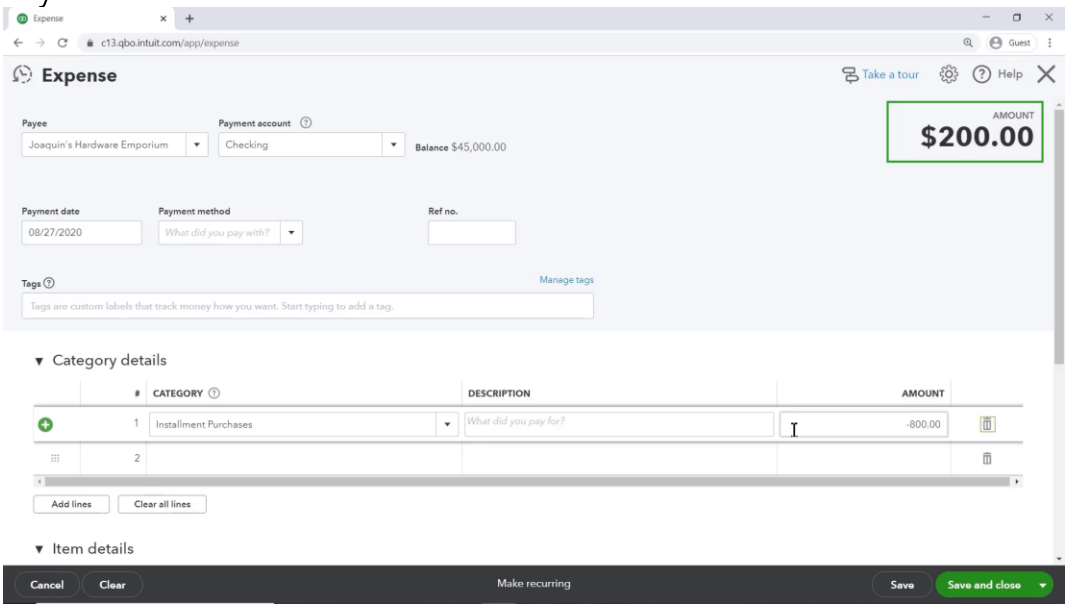
Set up Other Current Liabilities Account

1. Select **Accounting > Chart of Accounts > New**
2. In the **Account Type** dropdown, select **Other Current Liabilities**
3. In the **Detail Type** dropdown, select **Other Current Liabilities**
4. Enter the name **Installment Purchases**

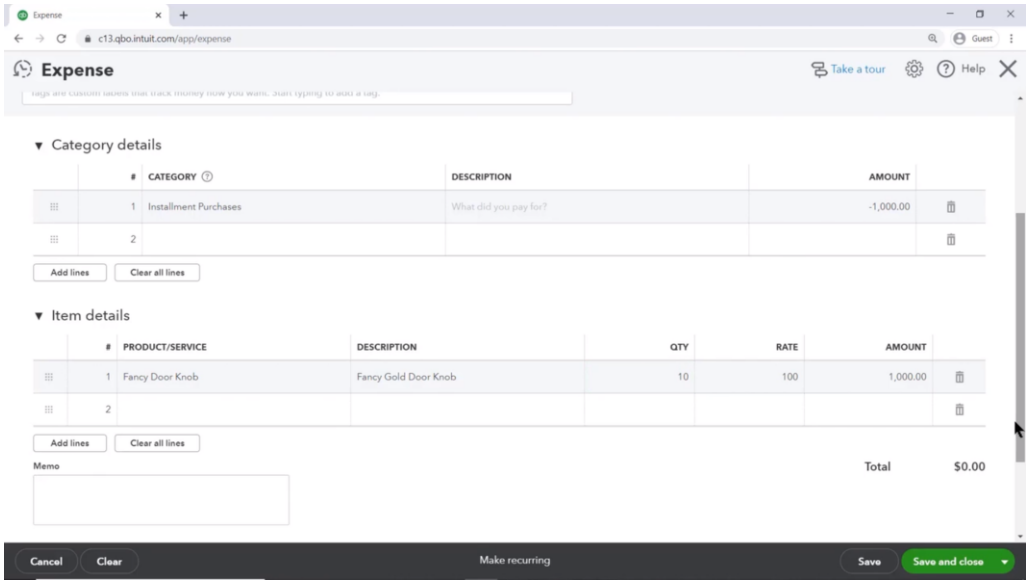


Record Installment Purchases

1. Select **New+> Expense**
2. Enter **Vendors Name** and **Date**.
3. Open the **Item Details** section to enter the purchase details
4. Enter the **inventory item**(s) that are purchased, the **quantity** amount and the **amount** that is paid.
5. The remainder of the information will be entered in the **Category Details** section of the Expense transaction.
6. For **Category**, enter the **Installment Purchases Liability Account**.
7. For the **Amount**, enter a negative amount to offset the payment amount.
   - The negative amount offsets most of the purchase minus what payment has already been made in the real world.



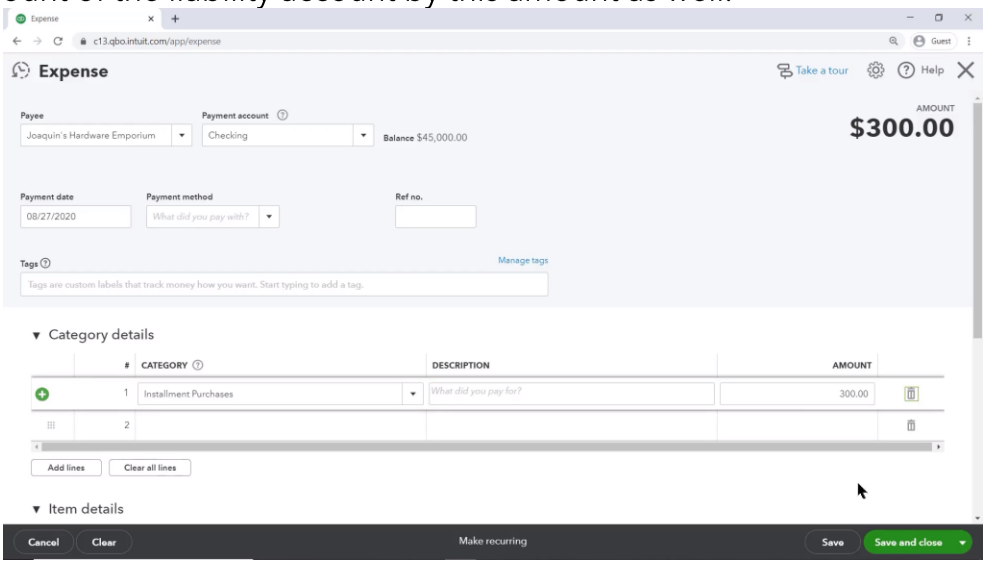
   - If no payment has been made yet, enter the negative amount in the Category Details field equal to the amount in the Item Details section, leaving the balance paid as $0.00.



8. Select **Save and Close.**

Record Vendor Payments for the Inventory

9. Select **New+>** Choose Expense, Check or a Bill transaction depending on the process that reflects the vendor payment in the real world.
   - In this example, an Expense will be used.
10. Enter **Vendors Name and Date**.
11. For **Category**, enter the **Installment Purchases Liability Account**.
12. Enter the **amount that is being paid** as a **positive number**.
13. QuickBooks will see this as the amount being paid to the vendor, and will reduce the amount of the liability account by this amount as well.



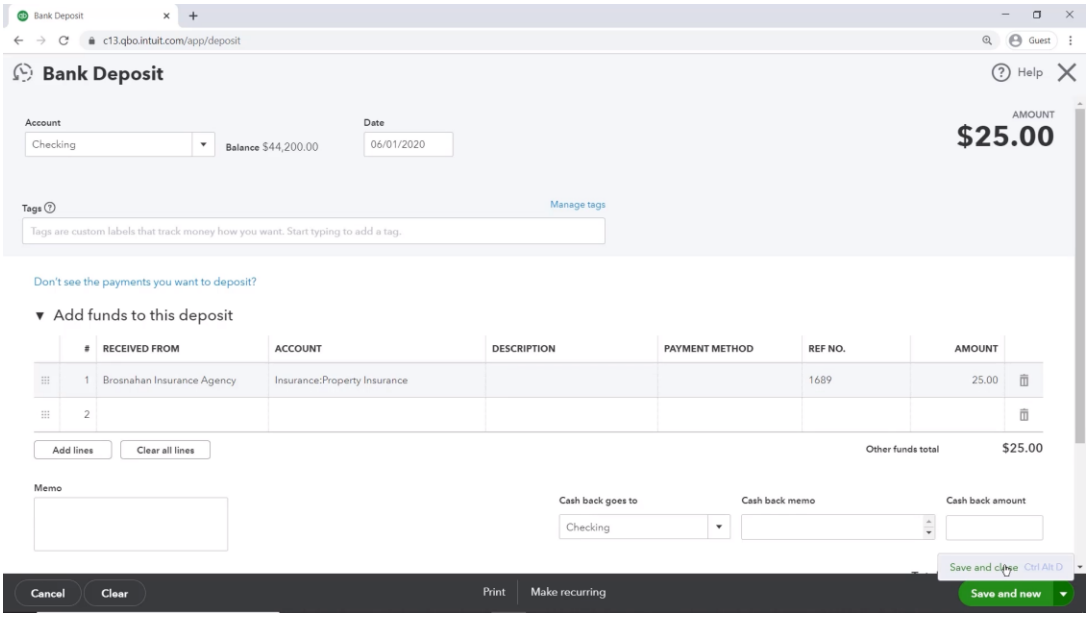
14. Select **Save and Close.**
15. Continue to make these payments until you have fully paid the vendor, and the Liability account should balance to $0 to show that you no longer owe on that inventory shipment.

Record Vendor Refunds

Recording a direct refund can be done by creating a Bank Deposit. But what if something more complex happens? If a vendor is overpaid, for example, and they held the overage as a credit, it can be turned into a cash refund.

Scenario: The vendor sends a refund check, which is deposited into the checking account directly.

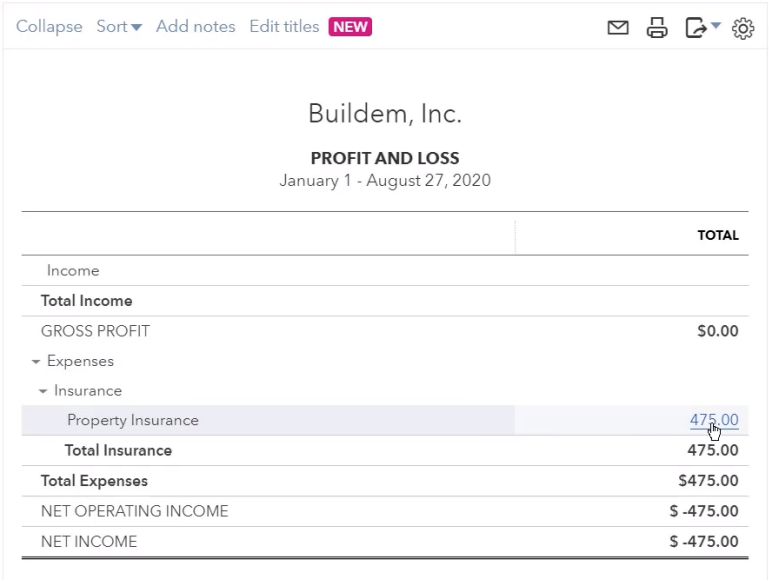
1. Select **New+> Bank Deposit**
   - The funds received in this deposit are not reported as income, it is money that was overpaid on Expenses.
2. For that reason, use the **Add Funds** section to record the refund.
3. Enter the **Vendor's name**, in the **account field**, enter the same expense account from the original overpayment that was made.
4. In the **Amount column**, enter the amount received from the vendor.
5. If a check was received for the refund, enter the check number in the Reference Number field.



6. Select **Save and Close**.

View the Results

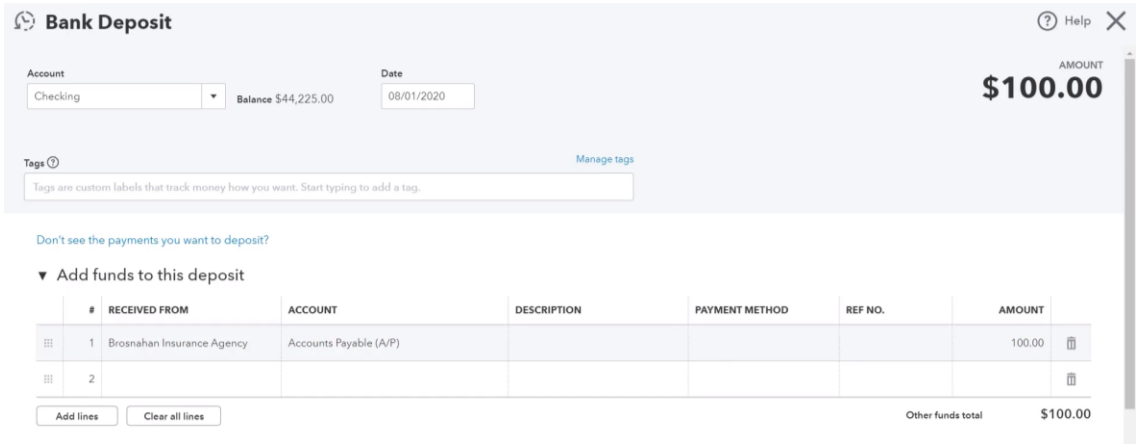
7. Select **Reports > Profit and Loss**
8. Locate the **Expense account** used > select the balance.
   - The expense transactions will appear to show your payments.
   - The refund will appear as well, lowering the total Expense account by the amount refunded.



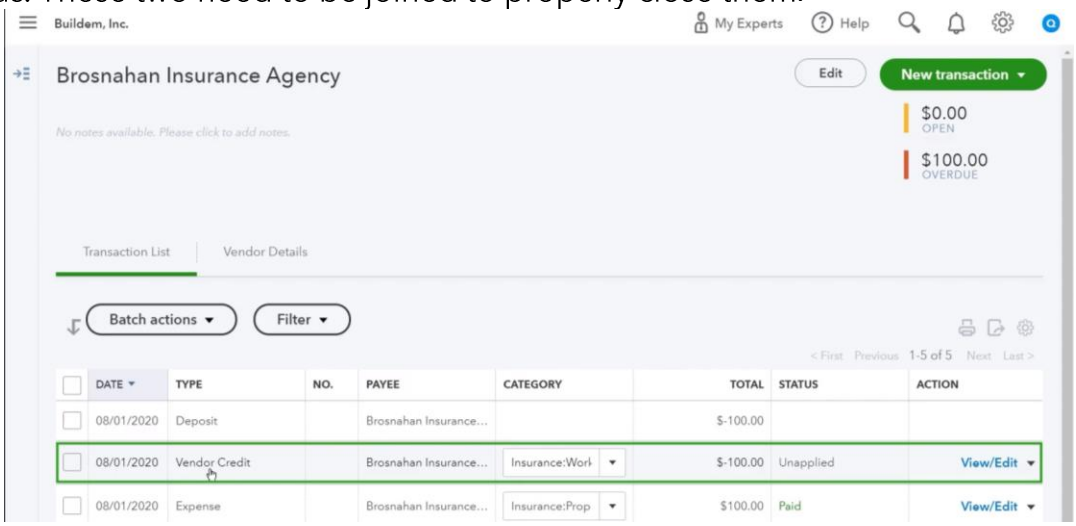
Record the Refund of a Vendor Credit

Scenario: A vendor is holding a credit on the your account towards future purchases. This is often the situation when a vendor is overpaid. Remember, this refund is not income. Use a Bank Deposit to record the funds.

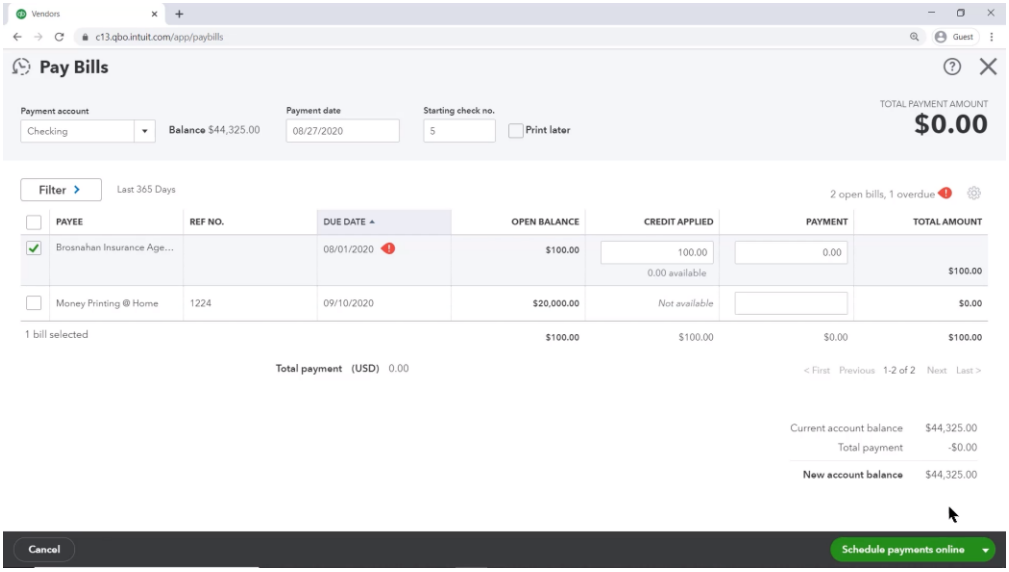
1. **New+ > Bank Deposit**
2. The funds will be added in the **Add Funds** section.
3. Enter the **Vendor** name > in the Account field, select **Accounts Payable**, which is where the credit is currently sitting.
4. Enter the **refund amount** > **Save and Close**.



5. Select **Expenses** > **Vendors** > Locate and select the **Vendor name**
6. On the Transaction List, the credit shows as Unapplied and the Deposit shows no status. These two need to be joined to properly close them.



7. Select **New+> Pay Bills**
8. Enter the **Vendor name** in the drop-down. The refund is not a bill, but does affect the vendor balance.
9. Select the box to choose the **Refund Deposit**.
10. The Credit is automatically applied to the Deposit.
11. There is no payment to the Vendor in this case...so this is a $0 transaction. It's purpose is to link the Credit from the vendor with the Deposited Refund.
12. Select **Save and Close.**



Return to the Vendor Window

The Vendor Credit is now closed and the balance is settled for the deposit and credit at $0.00.

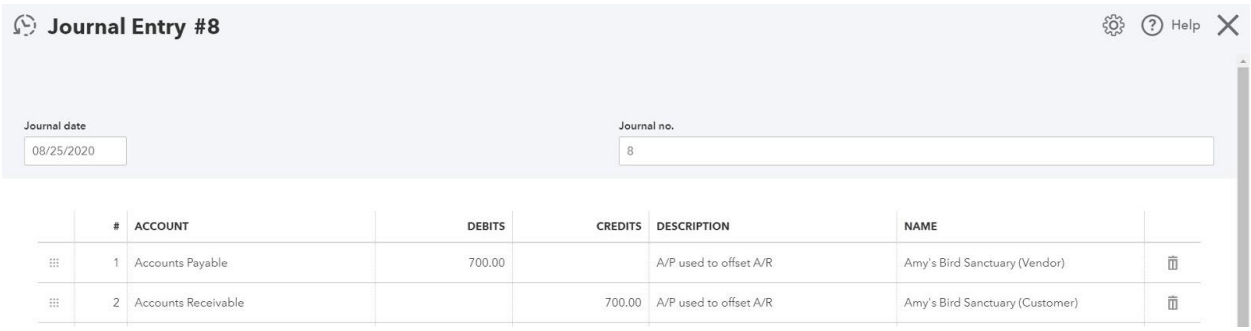
Transfer Vendor Balance to a Customer

If vendors are also customers, interesting situations can sometimes arise.

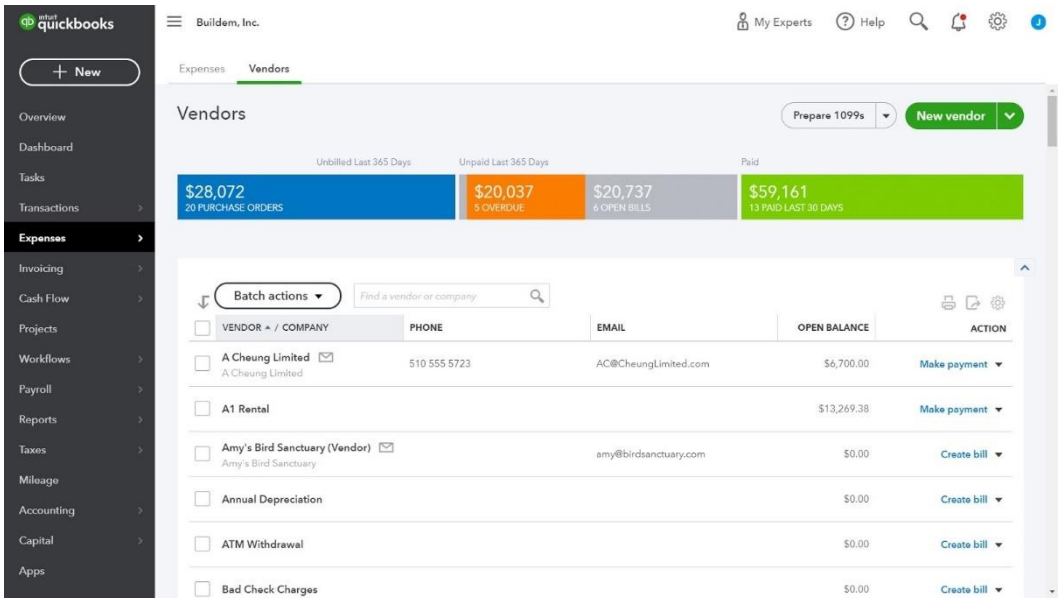
- When the customer / vendor owes more money that they are owed, they might want to use the amount they are owed to write off the amount they owe your company.

Scenario: A vendor has agreed to lower the amount owed to them once their balance is lowered by the amount on their open invoices.

There is no direct way to do this in QuickBooks, so a journal entry will need to be used, to affect the open balance in Accounts Payable and their open balance in Accounts Receivable.



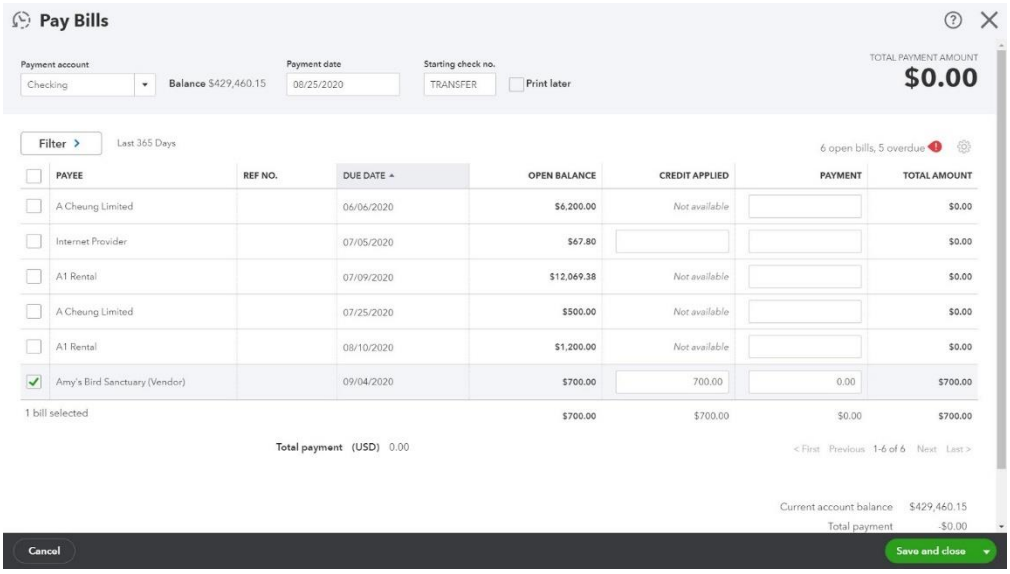
1. In the first line, enter **Accounts Payable** in the **Account** field.
2. Enter the amount **owed to the vendor** that is being written off, in the **Debit** field.
3. Enter the Description **"A/**P used to offset A/R."
4. In the **Name** field, enter the Vendors name from the **Vendor List**.
5. In the second line, enter **Accounts Receivable** in the **Account** field.
6. Enter the amount will be entered for you by QuickBooks, in the Credit field.
7. QuickBooks will enter a description for you to match the first description.
8. In the **Name** field, enter the name of the Vendor as it appears on the **Customers List.**
9. Select **Save and Close.**



- The Vendors List shows that there is no longer a balance with the vendor.
- The Customer list shows the customers balance reduced by the amount that was written off.

There is one more step to close the bill that was issued by the Vendor.

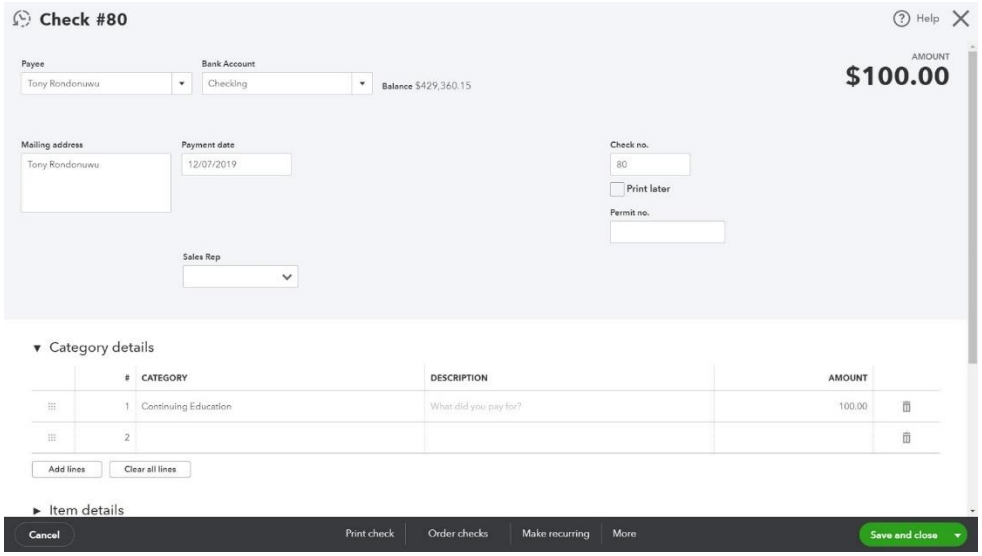
10. Select **Pay Bills**



11. **Locate the bill** from the vendor / customer.
12. Select the checkmark next to the bill and QBO shows a credit.
13. Because of the balance swap, this bill payment will be for $0.00
14. This **closes the bill** by attaching the journal entry credit to it.
15. Because no money is exchanging hands, enter **TRANSFER in the check number** field.
16. Select **Save and Close**.

Void Prior Year Checks

Voiding a check from a prior fiscal year takes some extra steps to ensure that the Balance Sheet and Profit and Loss are not affected.



Scenario: A check was written last year to a Vendor, but it was lost, therefore never cashed. To properly account for this, the check needs to be voided. If this check is in the QuickBooks account, the bank account will be off by the amount the check was presumably written for.
Here is the problem. The check was written last year, if it is voided, the balance sheet will be altered, as well as last years profit and loss statements.

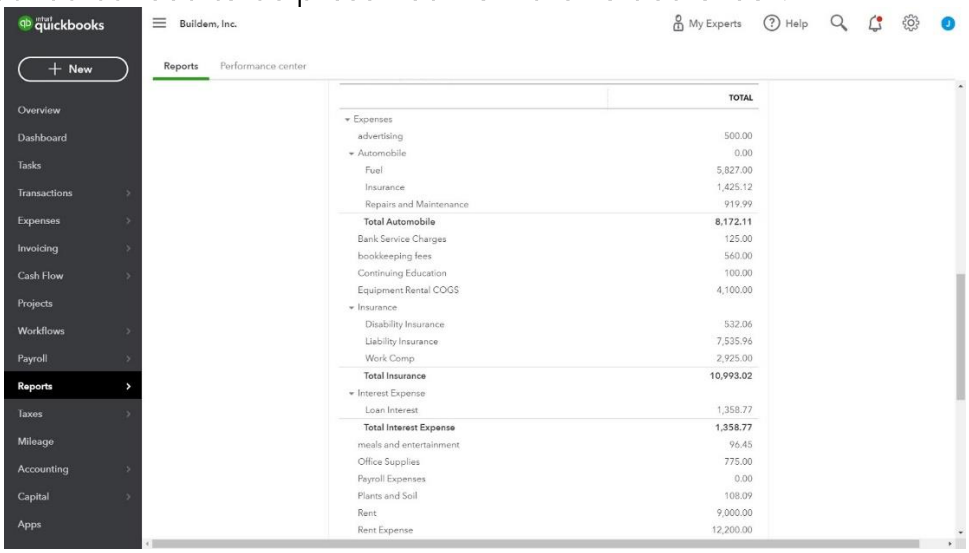
Create Journal Entries

Two Journal Entries must be created which recreate the check in last years financial statements, then remove it from this years records. This will allow the statements for both periods to be correct.

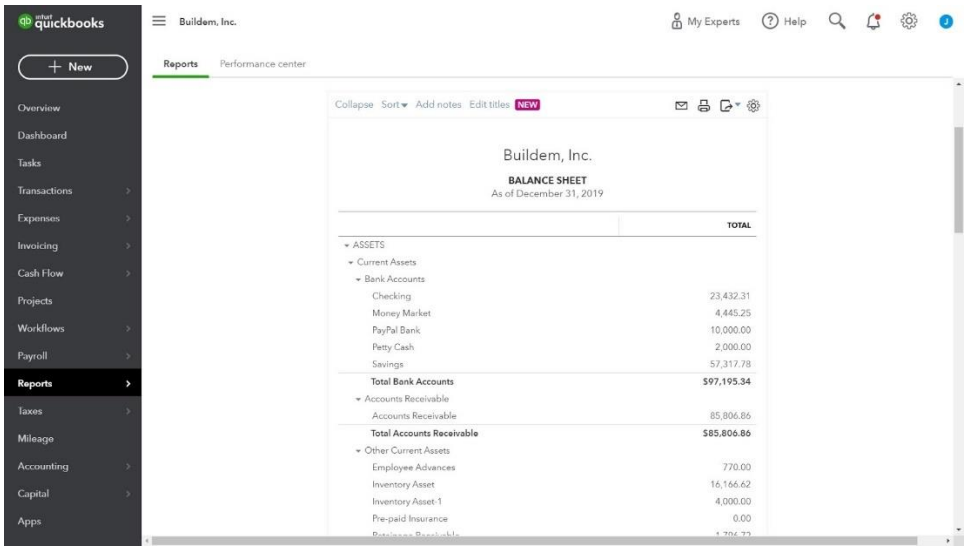
1. **Locate the check** in the QuickBooks account.
2. Note the date, accounts and the category, as well as the check number used on the original check.

Locate the Amount on Reports

1. Looking at the Profit and Loss, locate the **Expense account.** The fees will a part of the account that need to be preserved from the voided check.



2. Looking at the Balance Sheet, shows the **bank account** ending balance from the previous year.
   - If the following steps are followed properly, the Profit and Loss as well as the Balance sheet from last year will not change.

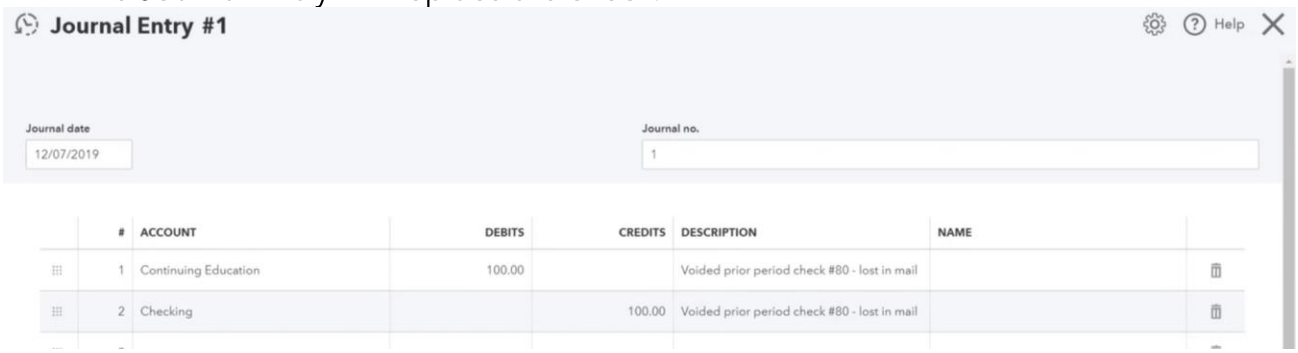


Journal Entries

The first step to voiding prior year checks is to create the journal entries that will maintain the reports. To do this, it is necessary to know accounts and balances the check currently affects, by a check through the Transaction Journal.

1. Open the Check
2. Select **More** (along the bottom of the screen) > **Transaction Journal**.
3. The report will show the **Debits and Credits** used in the check. Either print this report out or write down the **accounts and amounts** of Debits and credits shown.
4. Select **New+> Journal Entry**
5. Enter the **date** as the date when the check was originally written.
6. In the first line, enter the **Expense Account** from the check.
7. Enter the **amount** of the check in the Debits column.
8. For the **description** on line one, enter a description to let you know why the journal entry is being created. (e.g. "Voided prior period check #__ - lost in mail.)
9. In the second line the **Account** is the bank account used when writing the check.
10. The **credit** and **description** will be filled in automatically.
11. Select **Save**.

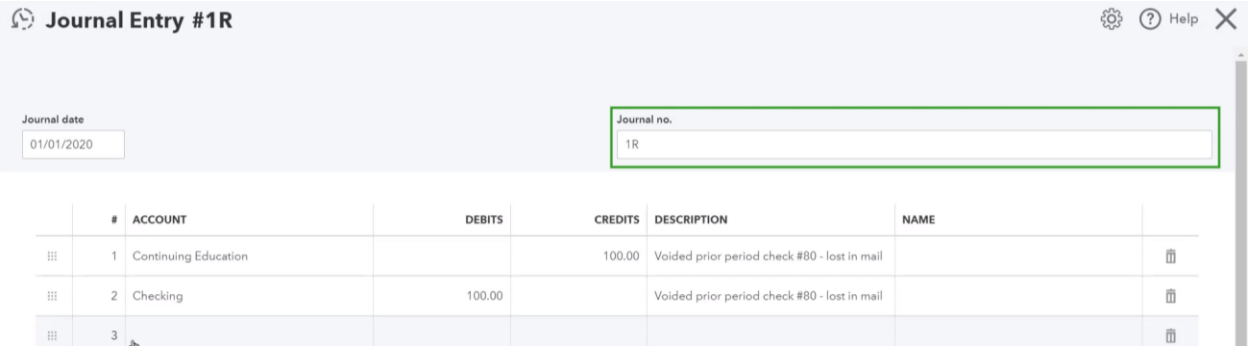
- The Journal Entry will replace the check.



Reversing the Journal Entry

To adjust this year's books to account for the voided check, it is required to reverse the journal entry which will switch the debits and credits just entered.

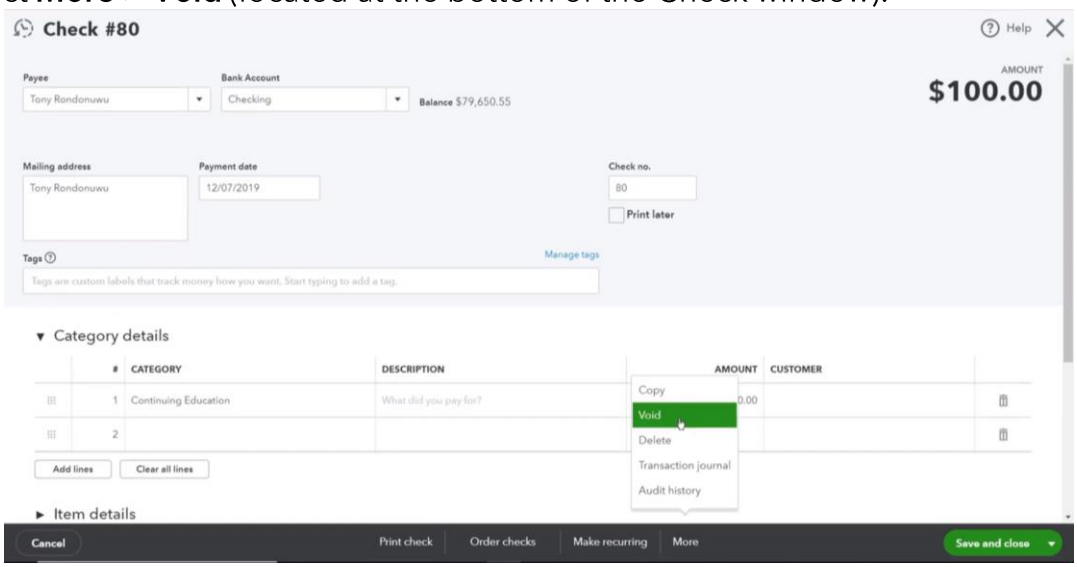
12. At the bottom of the Journal Entry, select **Reverse**.
13. The Journal Entry is the same as the entry previously created, with an additional R. This is QuickBooks' way of marking that this entry is just the opposite of the entry it was made from.
14. **Change the date** on the Reversed entry to **January 1st** of the current year. QuickBooks does the rest by switching the debits and credits.
15. **Accounts** will also stay the same.
16. Select **Save and Close.**



Void Check

It is now time to void the check.

1. Locate the check to void.
2. Select **More > Void** (located at the bottom of the Check window).

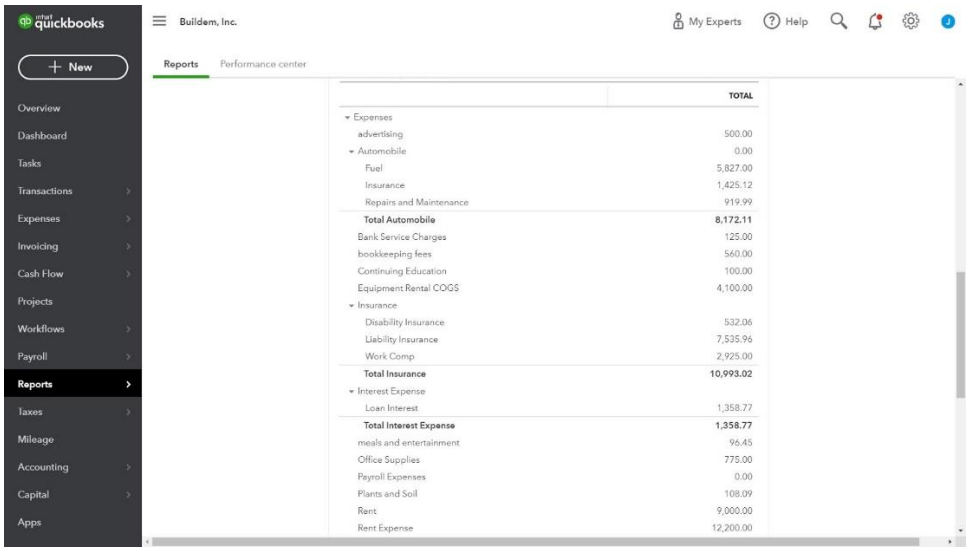


3. **Confirm** the selection > select **Ok**
4. The check balance is now zero, and no longer affects the bank balance. The data is retained including Vendor, Date, Check number and Accounts involved. The check has a $) balance.

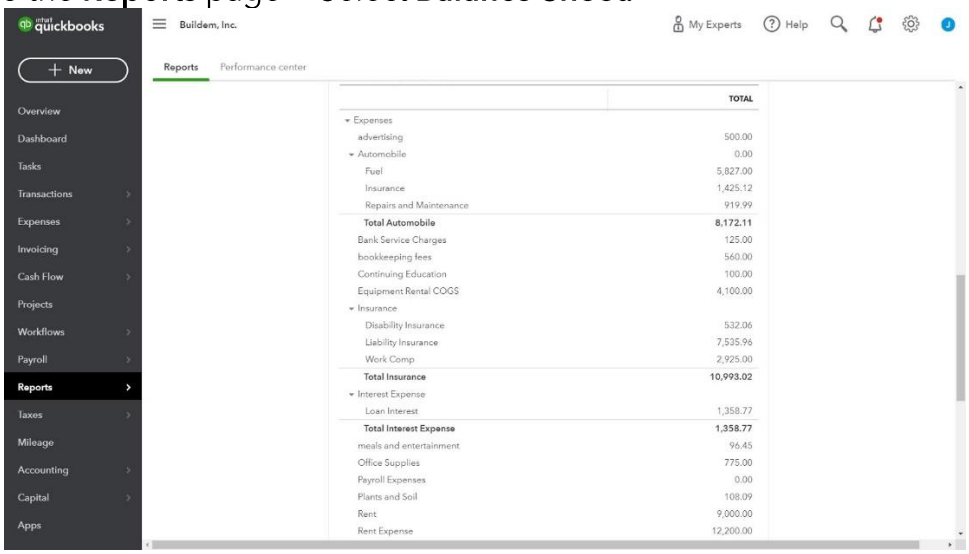
View Results: Check Reports

Now that the books have been adjusted with Journal Entries and Voided the toxic check, check the Profit and Loss and Balance Sheet statements for changes also made.

1. Select **Reports > Profit and Loss**
2. Nothing has changed on last years P + L, the used Expense account is the same as well.



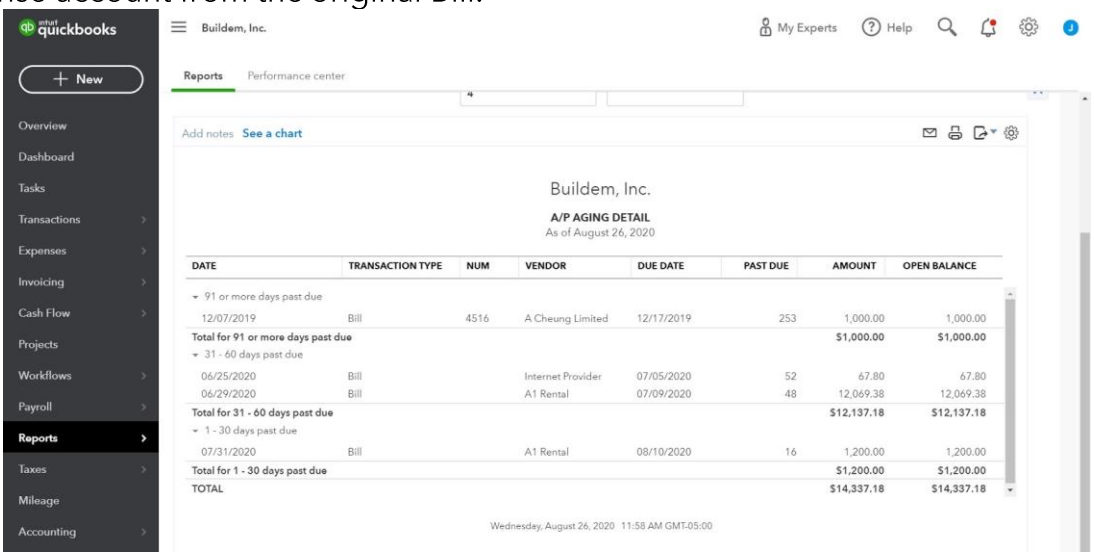
3. Return to the **Reports** page > Select **Balance Sheet.**



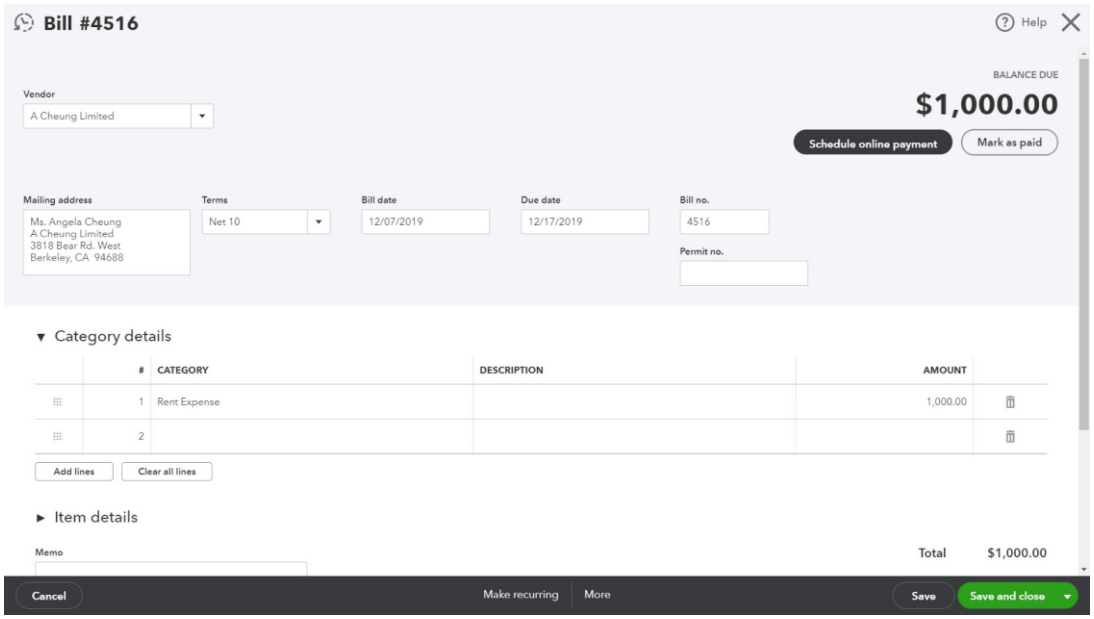
4. Locate the bank account and notice no change as well.

Close Unpaid Bill

If there are unpaid bills that will never be paid, for one reason or another, they need to be closed out. To do so, it is necessary to close out the bills and remove associated Expense and Accounts Payable balances. Record a Vendor Credit that uses the same Expense account from the original Bill.



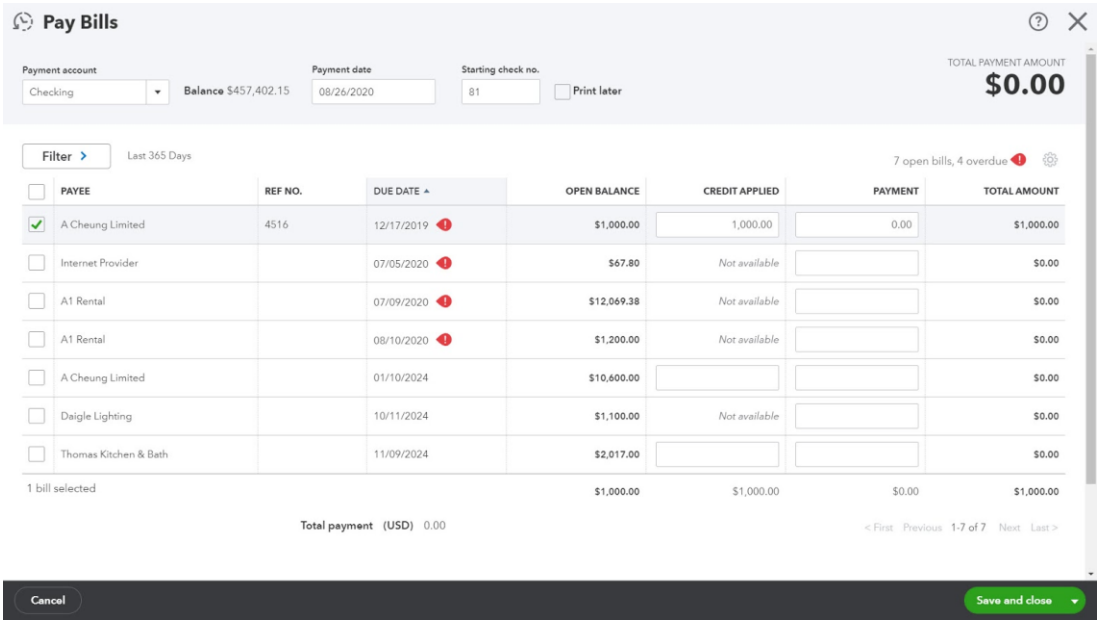
1. Select **Reports> Accounts Payable Aging Detail**.
2. Select to open the **Bill**.
3. Note the **Expense** account which was used and for how much.



4. Select **New+> Vendor Credit**
5. Enter the same vendor **name**, the same **account** and the same **amount** > Click **Save and close.**
   - This Vendor Credit decreases the expense account and what is owed in Accounts Payable. That is a good first step because it makes account balances correct, but the credit and bill will still show as open on AP reports.

Pay Bills

6. To close the credit and bill, select **New+ > Pay Bills.**



7. Locate the bill > Select the check box beside it.
   - QuickBooks will attach the credit to this Bill. This records the $0 bill payment but closes the bill by applying the credit.

Chapter 9

Projects and Job Costing

Introduction

Learn about the Projects tab on the navigation bar and how it can be used to track income and expenses. First a little **background** on projects…

- Set up a project anytime work is done for a customer and the amount of time and money spent to complete the work needs to be tracked.
- After setup of the project is complete, anytime enter expenses or hours worked are entered into QuickBooks, assign those expenses and hours to that project.
- When estimates are sent out, use the project, instead of the customer so that it's possible to see all expenses and time, minus the income from invoices to see the total job profitability.

When thinking about **how to set up projects** there are two scenarios to consider…

- If a job is "one and done" for a customer, set up a project to reflect that single project. Assign all expenses, time and income to that project to measure it's profitability.
- If a job has multiple locations / rooms / etc., set up each of the locations (for example) as a different project.

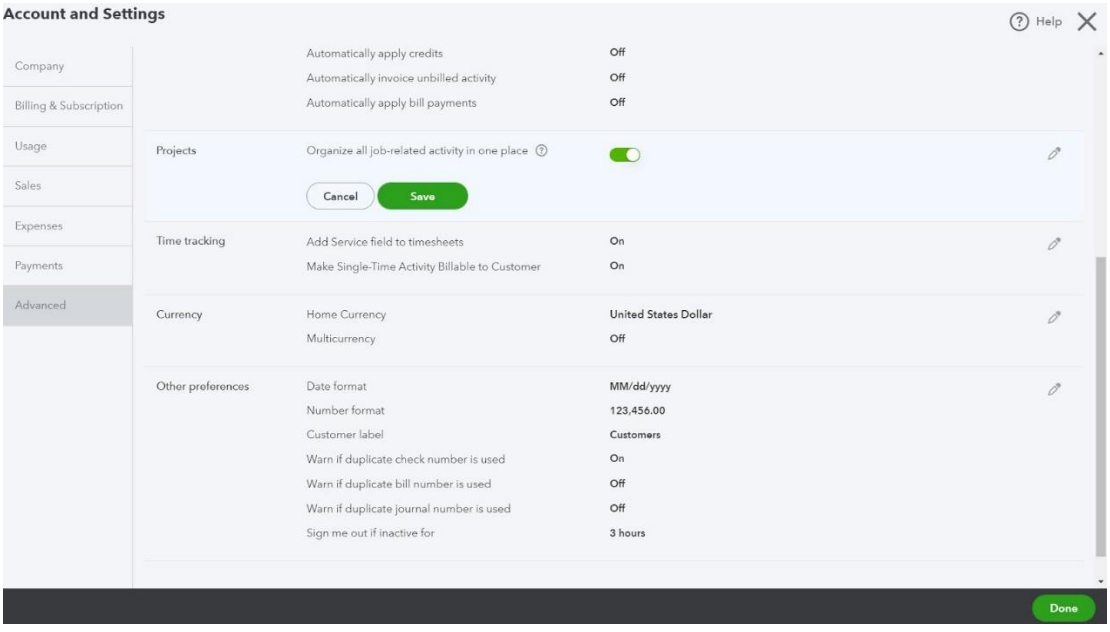
Note: Starting with the end in mind is the most important part. Consider what reports need to look like to provide the best data reporting for the project, and set things up accordingly.

- To use projects, QuickBooks Plus or Advanced subscription types are required. Lower subscription levels do not include the Projects feature.

Projects

Projects allow the tracking of income, material costs and labor expenses for the work that is done. To use this feature, it must first be turned on.

1. Select the **Gear Icon > Account and Settings > Advanced.**



Select the **toggle** beside Projects to turn them on> **Select Save**.
To track profitability of a customer job, the next step is to **set up a project** of the customer.

- If multiple jobs are done for one customer and it is necessary to track each job separately, create separate projects for each job. Each project behaves as a separate customer on transactions in QuickBooks. Both Sales and Purchase transactions can be linked to Projects. This makes it possible to track the Income, Cost and total Profit of each Project with reports.

Set up and Use Projects with Payroll

The projects center and payroll can be utilized together through QuickBooks to accurately track costs for projects.

1. Select **Projects** > Select **New**
2. Enter the **Project Name** > Select **Customers**
3. Select the **Customer** associated with the project from your customer list.
4. If you do not see the customer available in your Customer list, select **Add New.**
5. Record any details about the job in the **Notes** field, if desired.
6. Select **Save.**
7. At this time no transactions have been recorded related to this project but this information will update as time, expenses and income are recorded.
8. If there are additional projects that need to be set up for this same customer, select New Project.
9. QuickBooks will start tracking income and expenses for each project separately.

The projects page lists all current projects and provides a profitability snapshot. Projects can also be viewed by customer name. To view this information

1. Select the **Customer's name**
2. Select the **Projects tab** to see projects associated with that Customer.

It is important to set up the people who will be doing the work, before entering in any time or expenses for a project. There are two groups of people that might work for a business

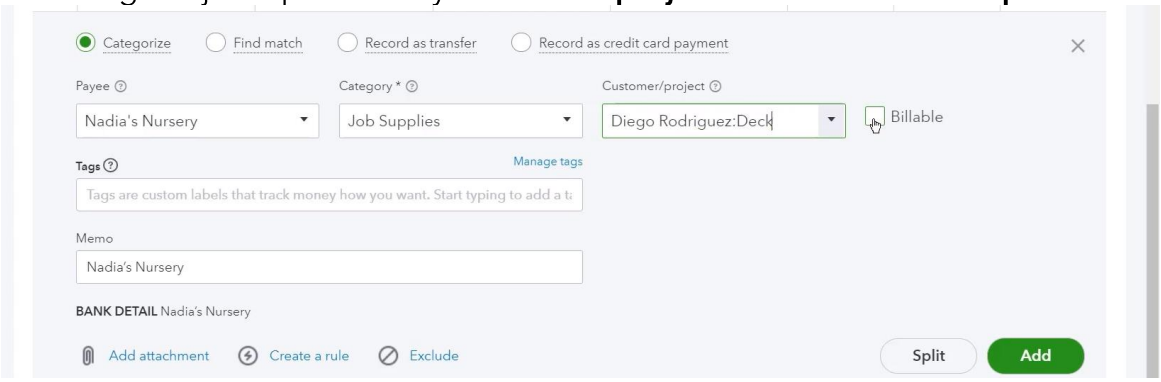
- Employees that receive W2s
  - When you enter an employees time in QuickBooks, or import time from TSheets, it is possible to include projects that were worked on, as well as what pay type was related to that work (regular pay, overtime, etc.). QuickBooks doesn't include this time on project profitability reports right away.
  - Later, when payroll is run and employees are paid, QuickBooks uses payroll info to calculate their paychecks and automatically updates project profitability reports with their labor costs.
- Contractors that receive 1099s
  - Expenses, checks and bills are used to track the labor costs of contractors. If you are only entering payments made to contractors, these will be included on project profitability reports.

Projects Center with Payroll

There are two ways to record project related purchases and contractor payments the QuickBooks Online payroll and the projects center are being utilized.

Option 1: Online Banking

1. Select **Banking / Transactions**
2. Locate the transaction in the **Review** tab> Select it on screen to fill out additional details.
3. Enter the **Payee** details.
4. Enter an account in the **Category** field that best describes what you paid for.
5. If this purchase was directly related to a project, it should be included when calculating the job's profitability. Select the **project** name from the **dropdown**.



6. Check this **billable** box if the expense will be applied to a customer through a future invoice. This is useful if the customer is expected to provide reimbursement for specific costs. This also depends on how customers are billed, either by fixed fee or by time and materials.
7. Select **Add**.

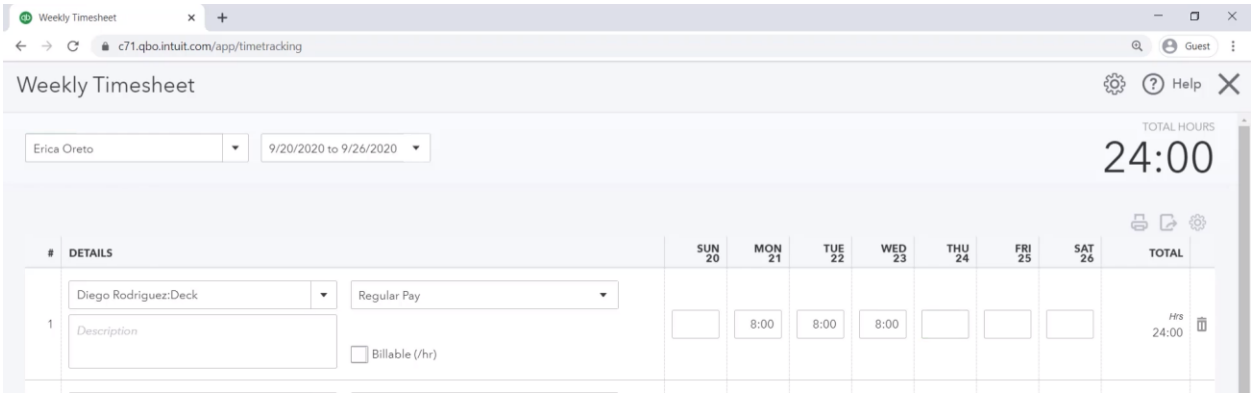
Option 2: Manual Entry

1. Select **New+**
2. Choose either **Bill, Check or Expense**
3. Follow the usual steps to fill out the transaction.
4. In the **Customer/Project dropdown**, enter the Projects name.
5. Enter the **amount** > Select **Save and Close**.

Tracking payments for a W2 employee is a little different. The time employees worked needs to be entered either on a single time activity, or their timesheet which will allow cost of labor tracking.

1. Select **New+** > **Timesheet or Single Time Activity**
2. Select the **Employee**
3. Enter the **week** when the work was completed. Timesheets are automatically set to the current week until you select a different date range.
4. Enter the **project** the employee worked in the **Project dropdown**. Leave it blank if there was no associated project.

5. Choose the **payroll item** that represents the time the employee worked. These items are created when Employees are set up and QuickBooks calculate the cost for the employee's work. If there is no detail available that matches what they should be paid, edit their Pay information. Most of the time this will be Regular Pay.
6. Check the box to mark this time as **billable**, to charge a customer for the time on a future invoice.
7. Enter the **hours** worked each day.
8. If other projects were worked on during the week, add those details to another line.
9. Select **Save and Close.**



Note: Timesheets are non-posting transactions, which means they will not update project profitability reports. QuickBooks uses the time entered to calculate the employee's next paycheck. Once the employees are paid for the time by running payroll, project profitability reports include the payroll costs.

The time activity tab on the Project page, tracks how much time employees have worked on a project.

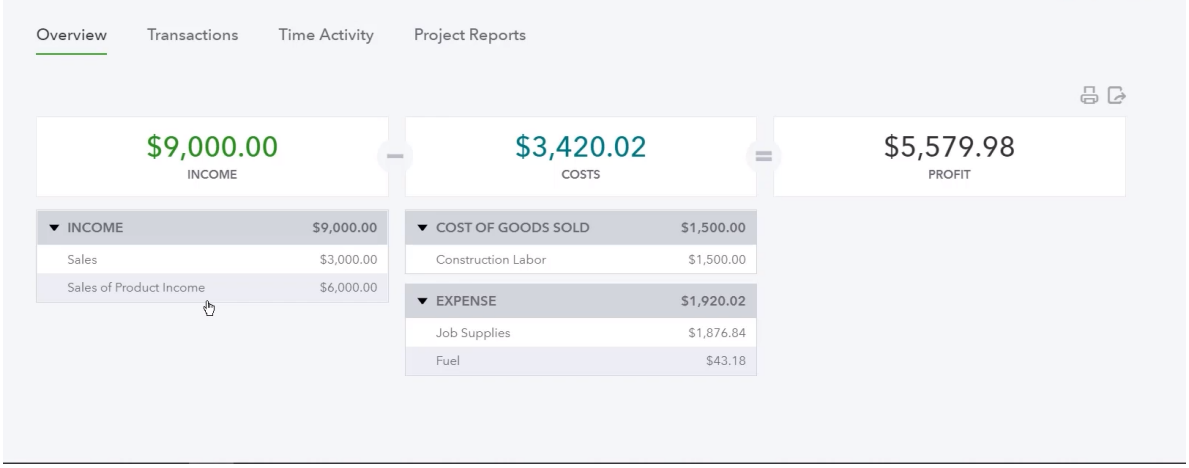
Collecting Income from Billable Time and Expenses

Now that expenses and time have been entered for a project, it is time to collect income for it from a customer. Invoicing for a project is no different than invoicing for a project name.

1. Select **New+> Invoice**
2. Enter the **Projects** name in the **Customer** dropdown.
3. Enter the rest of the invoice details. QuickBooks uses everything entered to update the project profitability report's income section.
4. If a previously entered invoice is now being updated to include the project, any **connected transactions** need to be **updated** as well, such as invoice payments.
5. Select **Save and Close**.

Review the Updates

1. Select **Projects**. This page lists all current projects and provides a snapshot of each job's profitability.
2. Select a project to view more details.
   - The project profit margin and income versus costs graphs are available at the top of the page.
   - Income comes from sales, like invoices and sales receipts. When starting a new project, before entering sales, the income will be zero. Costs come from expenses, checks, bills and time entered for a job.
3. Select the **Overview** section to view a summary of income and costs.



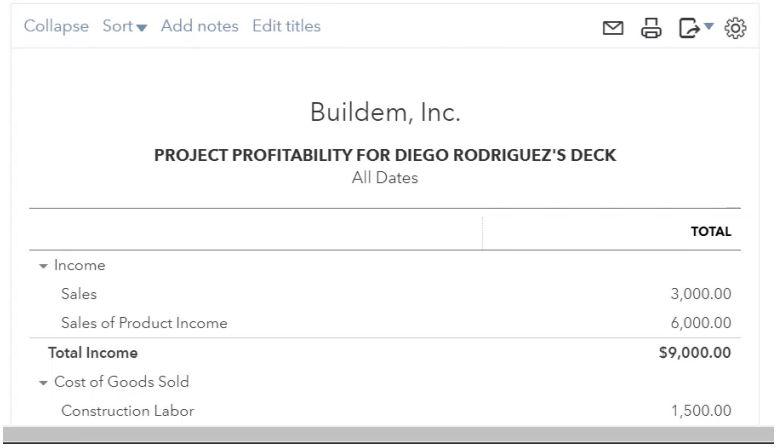
4. View how much the customer was charged for the project in the **income** section. QuickBooks breaks up the income account, which comes from the products and services sold. To see data that makes up these amounts, simply click on the amount to see the individual transactions.
5. In the **Cost** section, view all costs for the project.

Note: Payroll expenses only appear after employees who worked on the project have been paid. Entering type alone, will not make it appear as a Cost here.

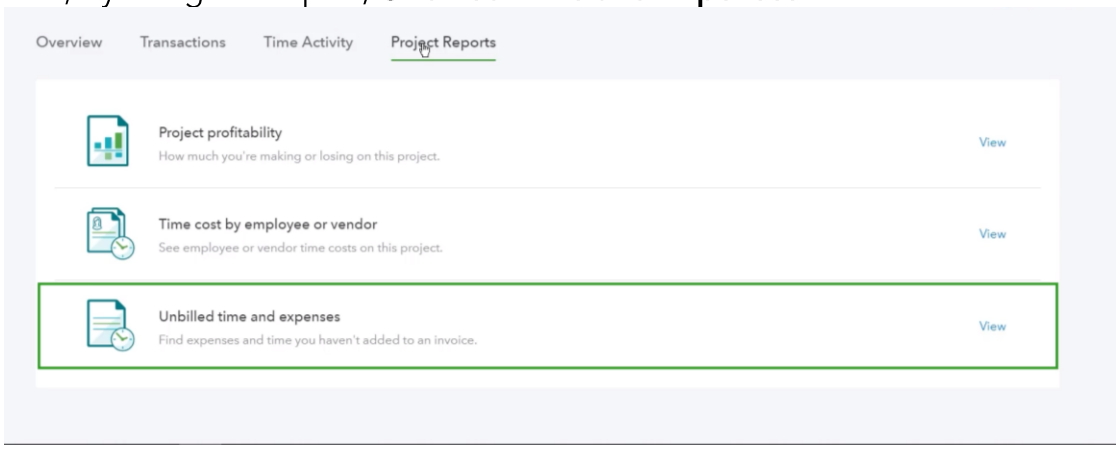
6. Select any of the numbers to see details about which transactions make them up.
7. Finally, view the profit for the project, which is the income from a project minus the costs.
8. Select **Add** to project, if you notice something is missing, or if you need to record additional transactions for this project.

Review the Changes

9. Select **Reports** > **Project Profitability Report**

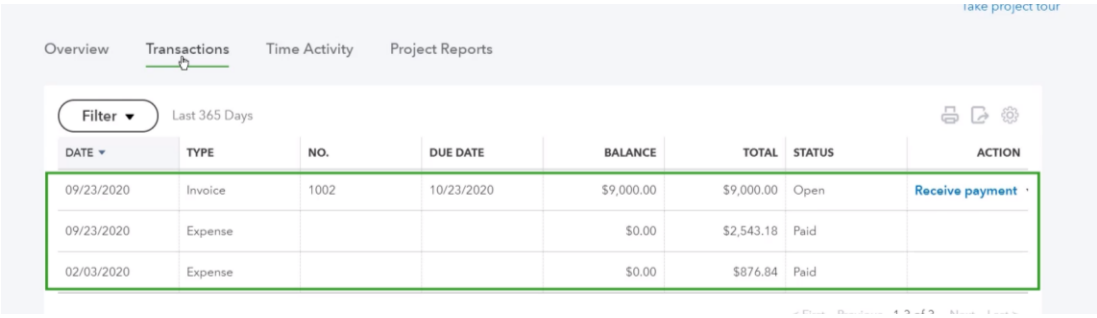


10. Another report that can be run is the **Time Cost by Employee** or **Time Cost by Vendor** report which shows all the time the team has spent working on a project.
11. If time or expenses were marked as billable, keep track of what still needs an invoice, by using this report, **Unbilled Time and Expenses**.



Transaction Tab

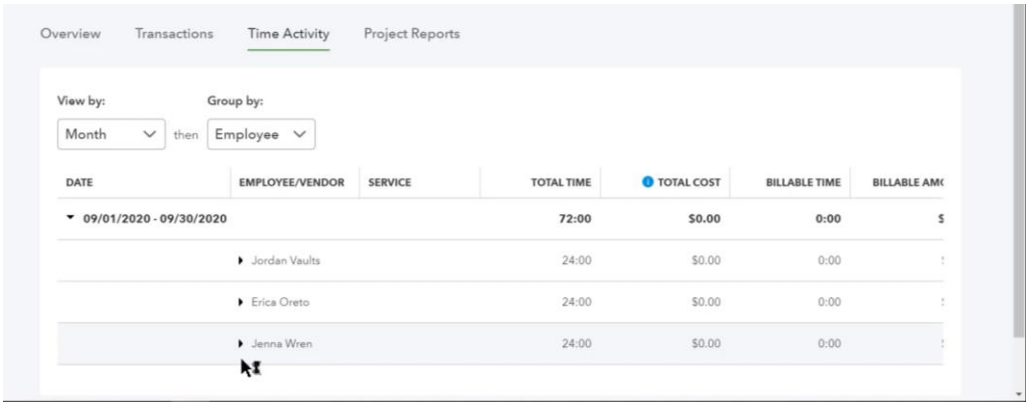
QuickBooks shows every transaction which has been entered for this project except for non-billable time.



Time Activity tab

By default, time is listed by **Month and Employee**.

1. Select the date range arrow, select show all time, to see details of each employee's time for the project.
2. You can change how QuickBooks organizes time using the **Month and Employee** menus.



Cost Tab

3. In the **Cost** column, QuickBooks show the cost of time.
4. The **Cost** of an employees time per hour comes from a special list on the Projects page. Select **Hourly Rates** at the top of the Project page. Then you can assign the costs of employee's hourly rates.

Note: Rates listed here are not used on project profitability reports and only appear on special time reports, or in the Time Activity tab for a project.

Finishing a Project

Once a project has finished, it is a good idea to **mark it as completed**. When the Project page is open in the future, all completed project data will no longer be in progress. It is possible to review old projects by changing from **In Progress** to **All Projects**, then selecting **Completed**, in the status menu.

Set Up and Use Projects without Payroll

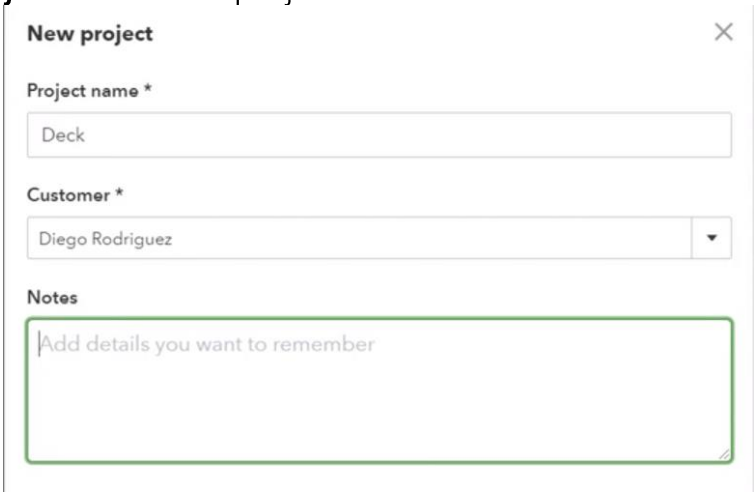
Even if payroll isn't used through QuickBooks, the projects center allows accurate tracking of project costs.

1. Select **Projects** > Select **New**
2. Enter the **Project Name** > Select **Customers**
3. Select the **Customer** associated with the project from your customer list.
4. If you do not see the customer available in your Customer list, select **Add New.**
5. Record any details about the job in the **Notes** field, if desired.
6. Select **Save.**

Information will update as time, expenses and income are recorded.
If there are additional projects that need to be set up for this same customer, select **New Project**.
QuickBooks will start tracking income and expenses for each project separately.

The projects page lists all current projects and provides a profitability snapshot. Projects can also be viewed by customer name. To view this information

1. Select the Customer's name
2. Select the **Projects** tab to see projects associated with that **Customer**.



It is important to set up the people who will be doing the work, before entering in any time or expenses for a project. There are two groups of people that might work for a business

- **Employees that receive W2s**
  - When you enter an employees time in QuickBooks, or import time from TSheets, it is possible to include projects that were worked on, as well as what pay type was related to that work (regular pay, overtime, etc.). QuickBooks doesn't include this time on project profitability reports right away. These are found on a special list on the Projects page.
- **Contractors that receive 1099s**
  - Expenses, checks and bills are used to track the labor costs of contractors. If you are only entering payments made to contractors, these will be included on project profitability reports.

If an employee is not listed, select **Add Employee** to set them up. Owners can also be set up as an employee to track the cost of time.
Even if Payroll is not being used in the account, Employees can still be added to the **Employee list** to track the cost of time.

1. Locate the **Employees** name, and select **Add**.
2. To add in the employees time cost for the company, if that is known, enter the rate in the **Rate** field. Otherwise, use the **calculator** to break down the details.

QuickBooks calculates the employer portion of the taxes automatically.

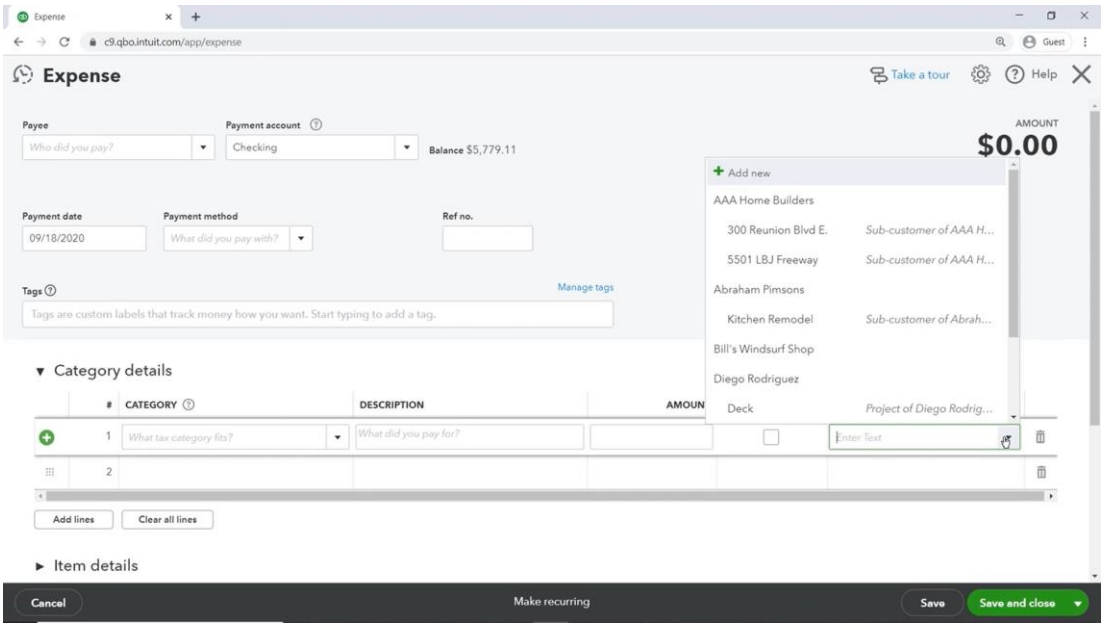
3. Enter any additional details for taxes, workers comp, etc.
4. QuickBooks adds up all of the costs and shows the hourly total in the bottom right.
5. Select **Add**, and **Save**.
6. To make edits, you can select the pencil icon to change data at any time.

Projects Center without Payroll

There are two ways to record project related purchases and contractor payments:

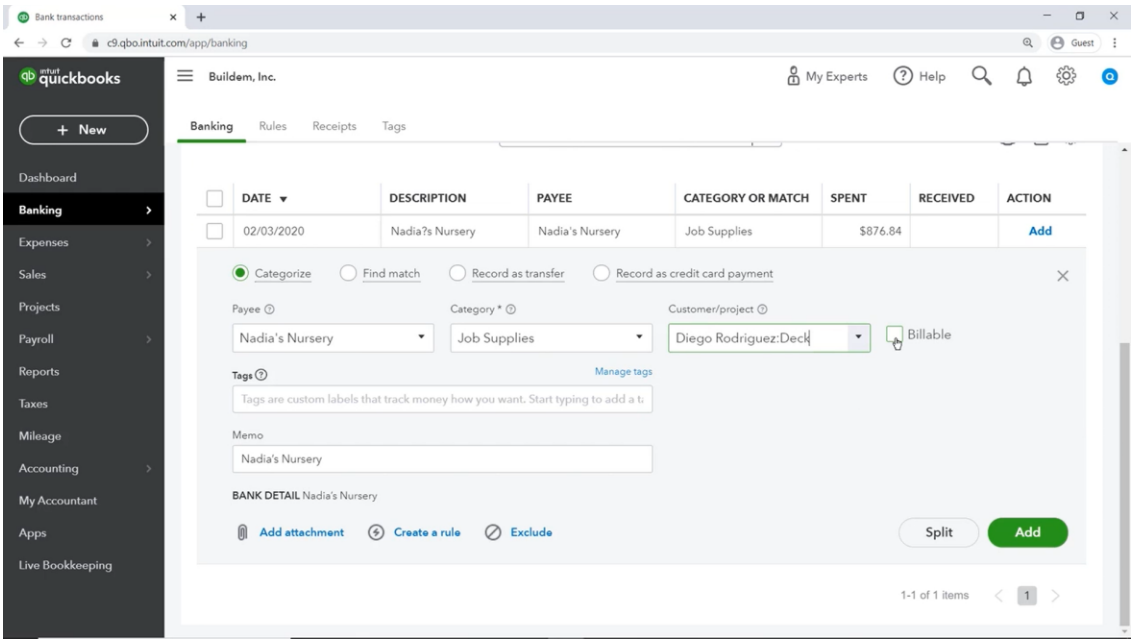
Option 1: Manual Entry

1. Select **New+**
2. Choose either Bill, Check or Expense
3. Follow the usual steps to fill out the transaction.
4. In the **Customer/Project dropdown**, enter the Projects name.
5. Enter the **amount** > Select **Save and Close**.



Option 2: Online Banking

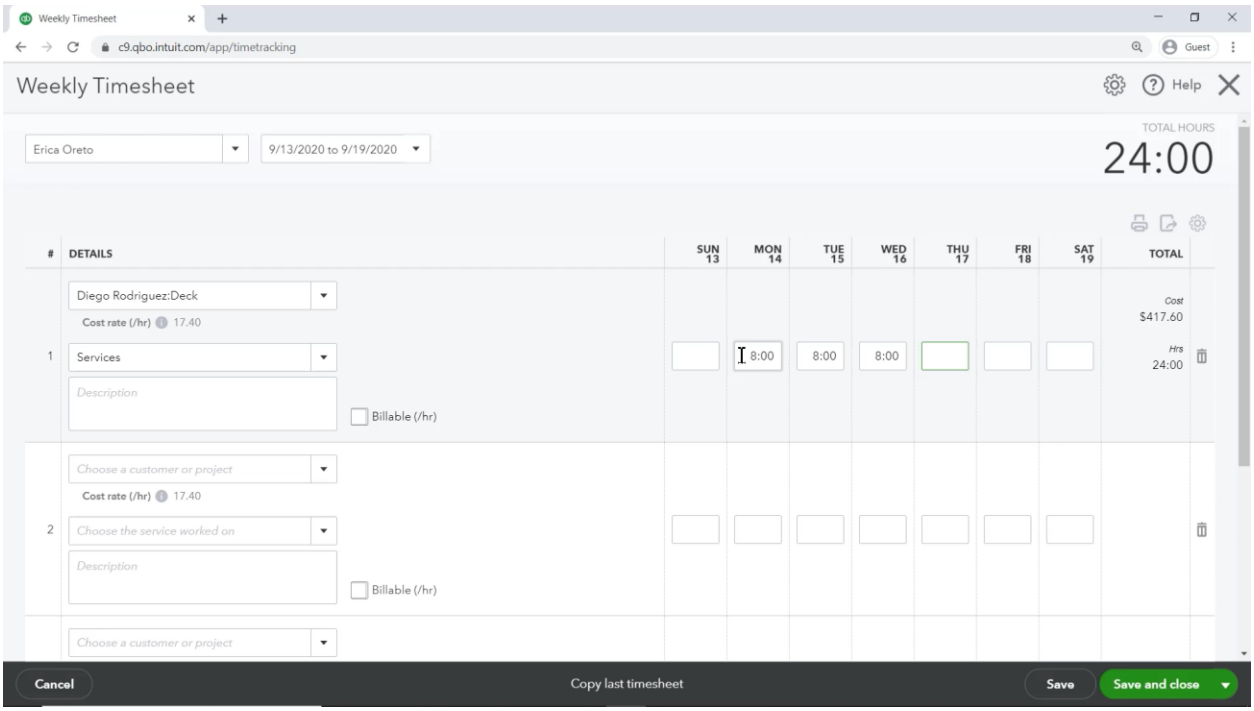
1. Select **Banking or Transactions** > Locate the transaction
2. The **Payee** is who was paid.
3. Enter the **Category** to describe what was paid for.
4. If the purchase was directly related to a project, include it in the **Customer** field. Choose a related customer or project from the dropdown list.



5. Select the **billable** box to include the expense on a future invoice to the customer. Follow these steps any time to be reimbursed for specific costs.
6. Select **Add** when all information has been entered about the transaction

Note: Accounting for contractor labor is as easy as recording an expense, check or bill using the methods mentioned above It is a little different however for W2 employees. Enter the time employees worked with a single-time activity or a timesheet to track the cost of their labor.

7. Select **New+ > Timesheet or Single Time Activity**
8. Select the **Employee**
9. Enter the week when the work was completed. Timesheets are automatically set to the current week until you select a different date range.
10. Enter the **project** the employee worked in the **Project** dropdown. Leave it blank if there was no associated project.
11. Choose the **payroll item** that represents the time the employee worked. These items are created when Employees are set up and QuickBooks calculate the cost for the employee's work. If there is no detail available that matches what they should be paid, edit their Pay information. Most of the time this will be Regular Pay.



12. Check the box to mark this time as **billable**, to charge a customer for the time on a future invoice.
13. Enter the **hours** worked each day.
14. If other projects were worked on during the week, add those details to another line.

Select **Save and Close**.

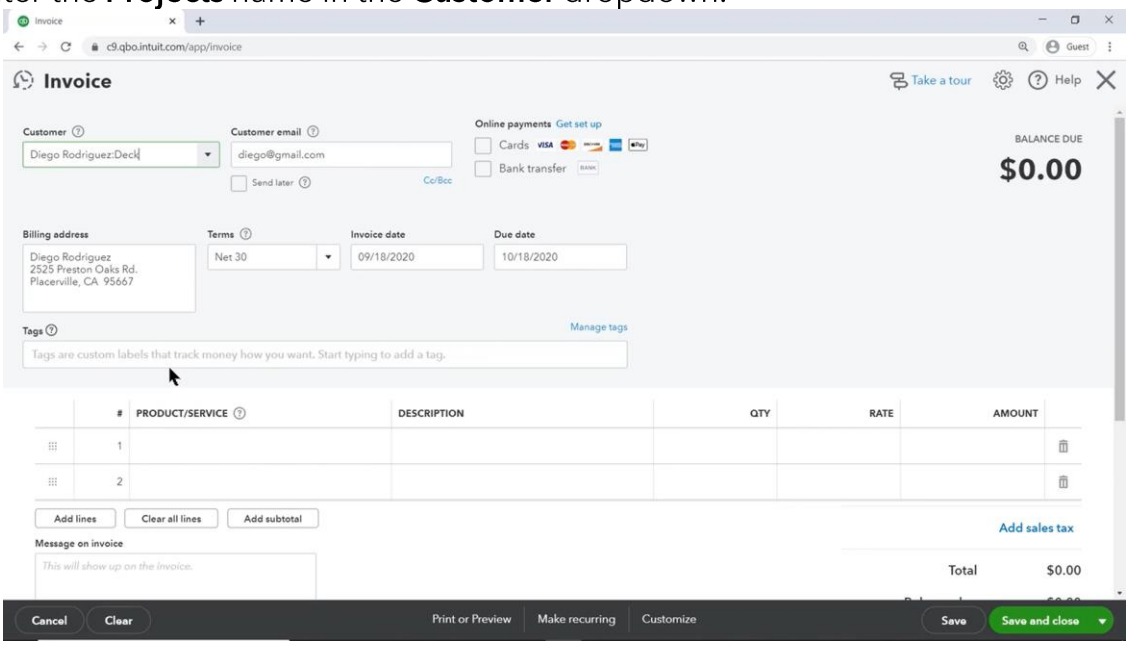
Note: Timesheets are non-posting transactions, which means they will not update project profitability reports. QuickBooks uses the time entered to calculate the employee's next paycheck. Once the employees are paid for the time by running payroll, project profitability reports include the payroll costs.

The time activity tab on the Project page, tracks how much time employees have worked on a project.

Collecting Income from Billable Time and Expenses

Now that expenses and time have been entered for a project, it is time to collect income for it from a customer. Invoicing for a project is no different than invoicing for a project name.

1. Select **New+> Invoice**
2. Enter the **Projects** name in the **Customer** dropdown.



3. Enter the rest of the invoice details. QuickBooks uses everything entered to update the project profitability report's income section.
4. If a previously entered invoice is now being updated to include the project, any **connected transactions** need to be **updated** as well, such as invoice payments.
6. Select **Save and Close**.

Review the Updates

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2. Select a project to view more details.
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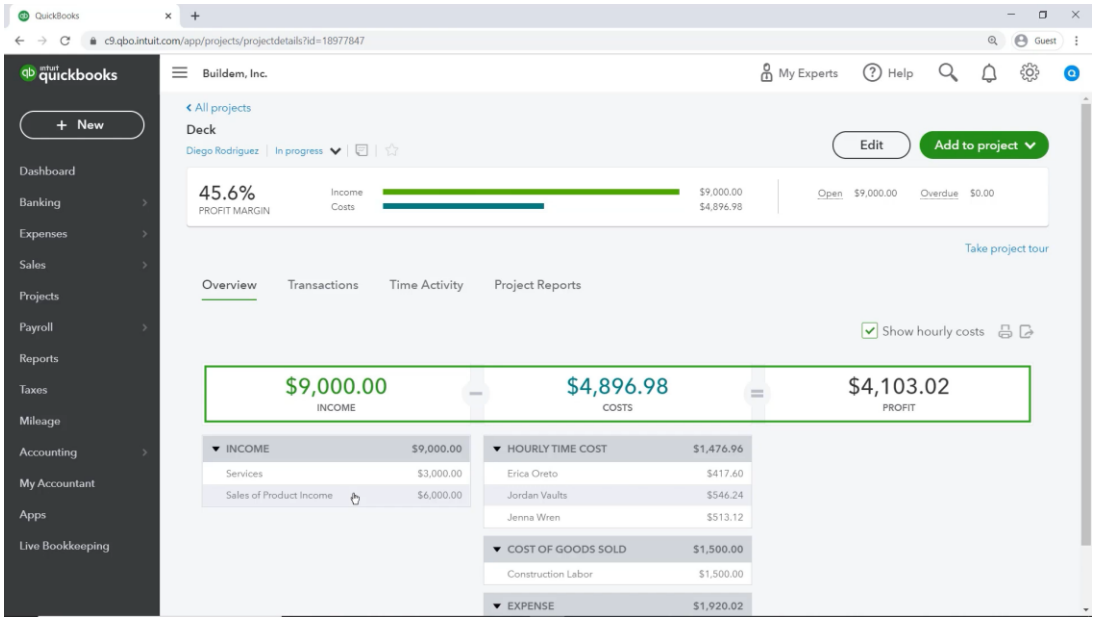
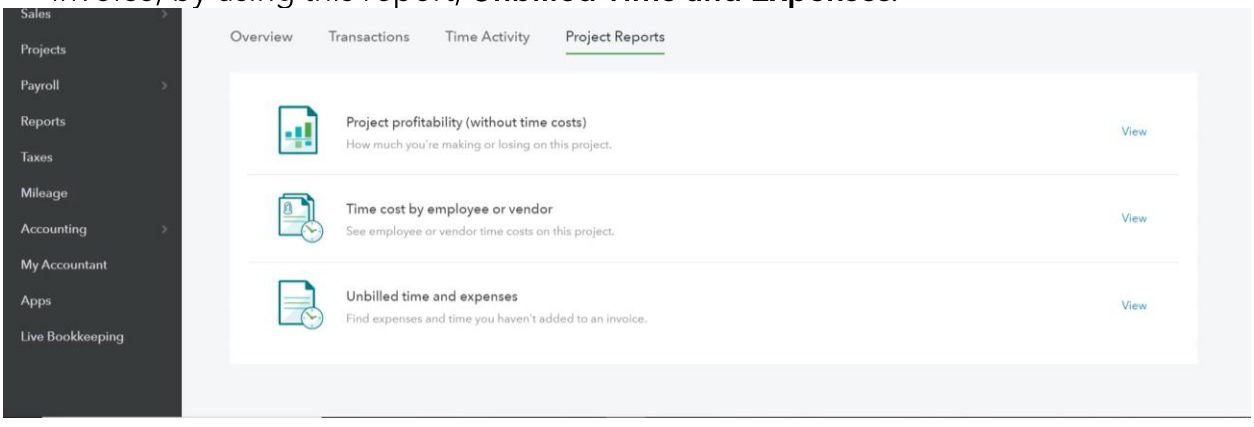


3. Select the **Overview** section to view a summary of income and costs.
4. View how much the customer was charged for the project in the **income** section. QuickBooks breaks up the income account, which comes from the products and services sold. To see data that makes up these amounts, simply click on the amount to see the individual transactions.
7. In the **Cost** section, view all costs for the project.
8. Select any of the numbers to see details about which transactions make them up.
9. Finally, view the profit for the project, which is the income from a project minus the costs.
10. Select **Add** to project, if you notice something is missing, or if you need to record additional transactions for this project.

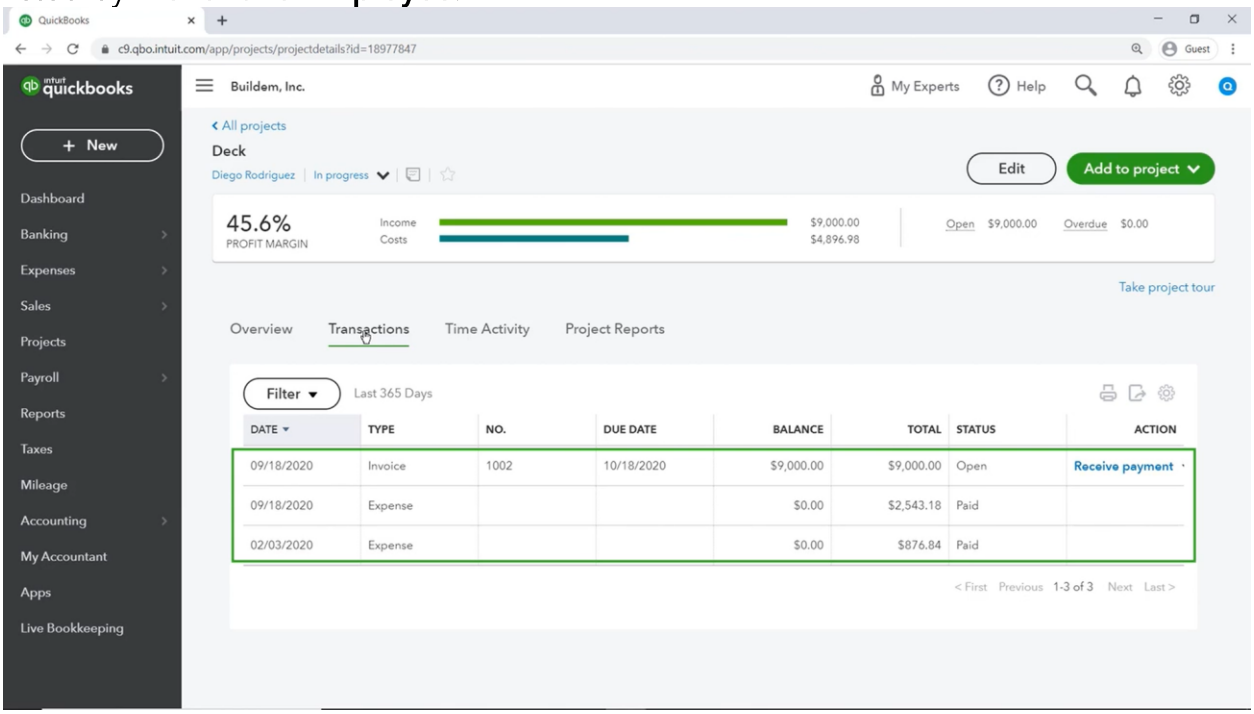
Review the Changes

11. Select **Reports** > **Project Profitability Report**
12. Another report that can be run is the **Time Cost by Employee** or **Time Cost by Vendor** report which shows all the time the team has spent working on a project.
13. If time or expenses were marked as billable, keep track of what still needs an invoice, by using this report, **Unbilled Time and Expenses**.



Transaction Tab

QuickBooks shows every transaction which has been entered for this project except for non-billable time. That will be listed under the **Time Activity tab**. By default, time is listed by **Month and Employee**.



14. Select the date range arrow, select show all time, to see details of each employee's time for the project.
15. You can change how QuickBooks organizes time using the **Month and Employee** menus.
16. In the **Cost** column, QuickBooks show the cost of time.
17. The **Cost** of an employees time per hour comes from a special list on the Projects page. Select **Hourly Rates** at the top of the Project page. Then you can assign the costs of employee's hourly rates.

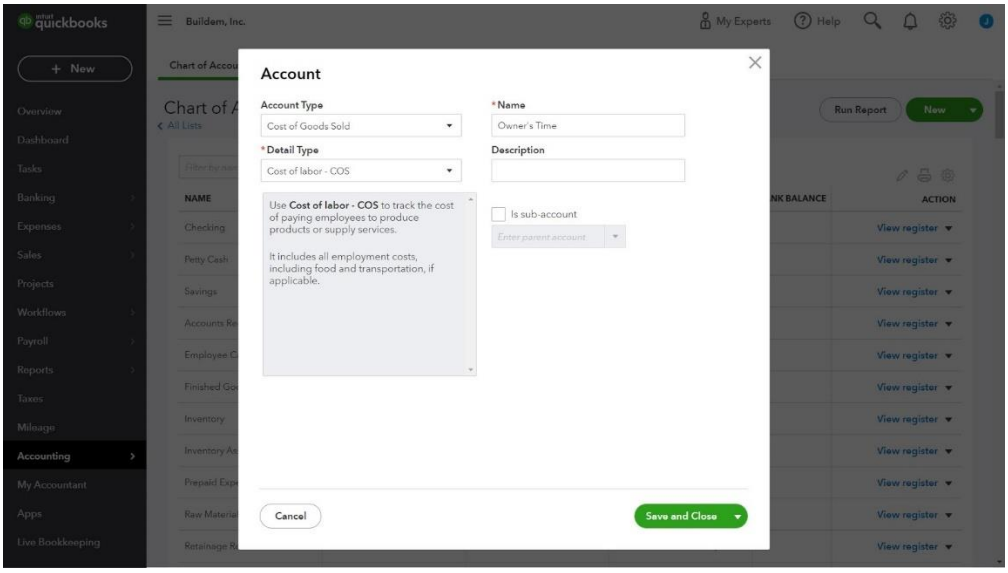
Note: Rates listed here are not used on project profitability reports and only appear on special time reports, or in the Time Activity tab for a project.

Account for Owner's Time

Often, owners or partners are not paid directly for their time. They might receive a share of the company's income instead of a standard paycheck. This presents a reporting project if they spend lots of time working on a job. Their time will not appear on Job Costs reports.

Scenario: The owner of the company worked several hours last month on a job that the company completed last month. The job looks very profitable for that reason. A second job has no owner time, only work from the employees. The employees get their paychecks, which applied their cost to the job cost report for that second job. On paper, the second job was much less profitable. This may or may not be accurate, because there was a great deal of unreported time on the first job.

It is necessary to get the owners cost on the report, even if they do not receive a paycheck.



- Be sure to have a Cost of Goods Sold account in the Chart of Accounts, name this account Owner Time.

Owners Time Account

1. Select **Accounting> Chart of Accounts**
2. In the **Account Type** dropdown, select **Cost of Goods Sold**.
3. In the **Detail Type**, select **Cost of Labor**.
4. The name will be **Owner's Time**. This account shows the time an owner worked on a project.

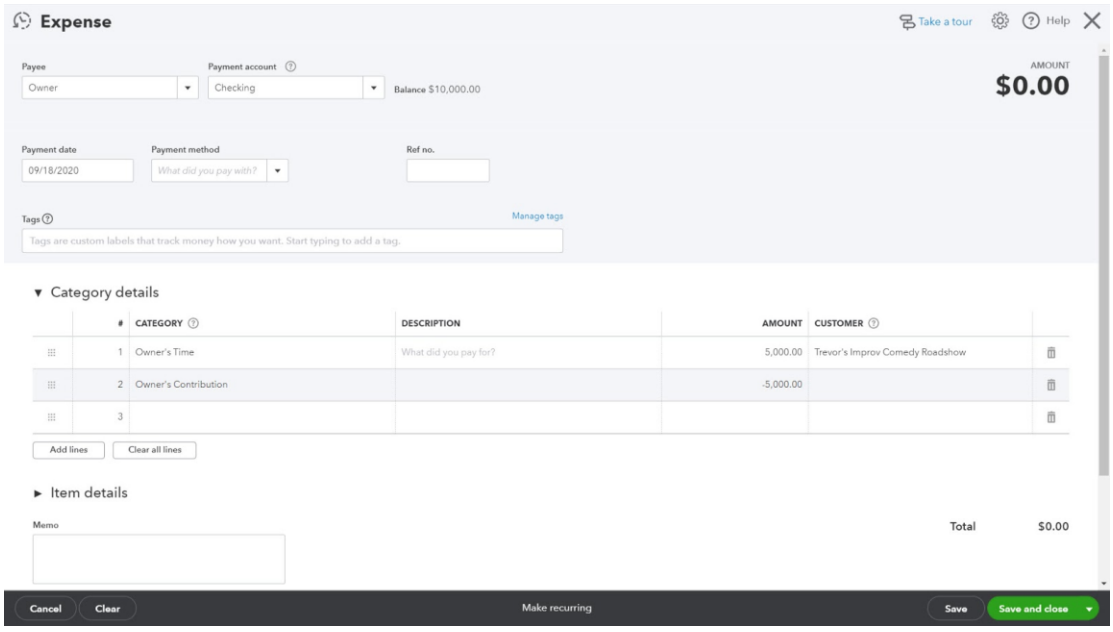
Owners Contribution Account

5. Select **Accounting> Chart of Accounts**
6. In the **Account Type** dropdown, select **Equity**.
7. In the Detail Type, select Owners Equity.
8. The name will be **Owner's Contribution.** There might already be an account set up like this on the Chart of Accounts.

New Expense Transaction

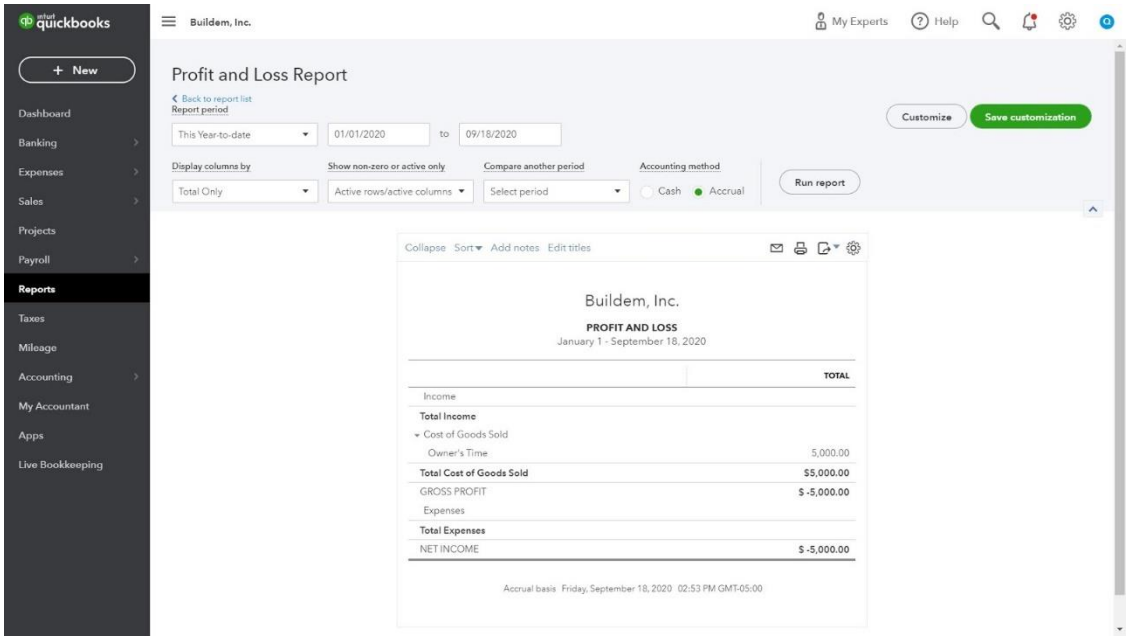
1. Select **New+> Expense**

Note: The transaction will not affect the checking or bank type account associated, but will increase Cost of Goods sold to show the cost of time on the project, and increase the Owner's Equity to show investment of the owner's time into the company.



2. Enter the **Owner's Name** at the top, along with the **date**.
3. Enter the Cost of Goods Sold account **Owner's Time** in the **Category** section.
4. Enter the **number of hours** worked times the **amount charged per hour**, and QuickBooks will figure out the cost of the owner's time.
5. On the next line, enter the **Equity account** for that owner.
6. In the **amount field** enter a **negative** amount equal to the cost of time they worked. Now the two lines balance each other out to create a $0 Expense.

7. Select **Save and Close** to finish.



Review the Changes

8. Select **Reports** > **Profit and Loss by Customer**
9. **Filter** the report for the **Project** the owner worked on.
10. Cost of Owner's Time appears in the Cost

Estimate Cost vs. Actual Cost

Knowing the profit for each of your jobs or projects is useful, but QuickBooks can be used to track estimated costs and income versus what really happened. Most project-based companies already use Estimates. Estimates can be beneficial for

- Helping to communicate expectations with customers or perform progress invoicing.
- Determining if you reach expected profit levels for a job.

While there is no report in QuickBooks to quickly compare estimated profit to the actual profit, there is a report that compares actual income and expenses to Budgeted amounts. You learn how to make a budget specifically for a project, and then use that information to generate the Budget vs Actual report.

This may not be as automated as some other features of QBO, but it is still a great tool for tracking data on specific jobs.

Create a Budget for a Customer or Project

1. Select the **Gear Icon> Budgeting**.
2. Select **Add Budget**

Budgets are typically used for your entire company's yearly budget, but that's not the only thing they can do.

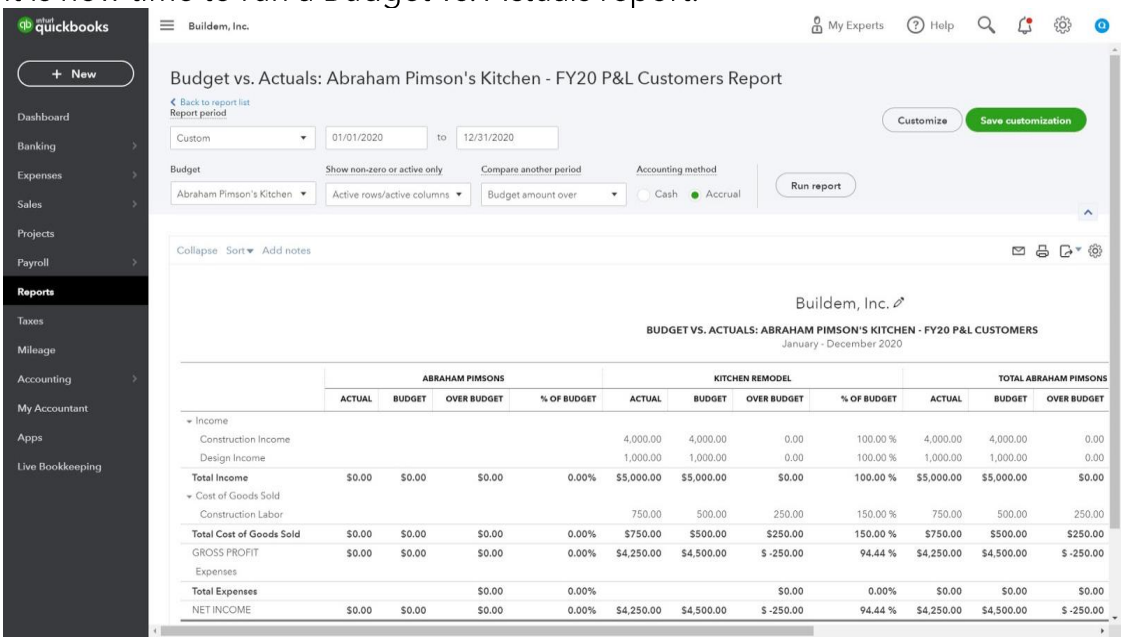
3. Select the **Name**
4. Use the **Subdivide by** Drop down menu to set this budget to only track one customer.
5. Select **Next** to begin filling in your new Budget.
6. Select the correct month when entering in your data which allows for the best reporting later.
7. Select the **Income account**.

Note: Budget information will not import from an Estimate, so it might be helpful to have the Estimate open on another tab.

8. Enter the details for each desired category on the budget line.
9. In the Cost of Goods sold area, enter amounts that are expected to be spend on the project. Typically, these budgets are created right after estimates are accepted and finalized.
10. This is a simple budget for a simple job, but if there are multiple expense or Income accounts involved, enter all of their values into the budget as well.
11. Select Save and Close to finish the Budget.

Budget vs. Actual Report

It is now time to run a Budget vs. Actuals report.



- If there is more than one budget, select the Budget dropdown menu and choose the budget to measure.
- The column titled Actual shows amounts directly from transactions. This is the amount actually made or spent for the project.
- The next column shows data from Budgeted amounts, and the third column shows how much over budget the actual expense or income was.
- The % of Budget column shows how much of the budget has been used so far. This can be helpful for monitoring the progress of spending throughout the project.
- The Over Budget column can be used to find how well a Project performs against the Budget.
- The Net Income line provides totals for each column.

Chapter 10

Payroll

Introduction

QuickBooks Online Payroll does most things for you. Federal and state taxes are automatically calculated. Those same Federal and State taxes paid automatically. QuickBooks even files the paperwork for your taxes. Because QuickBooks automates so much, there's not much need for workarounds.

There are some things that are payroll related though...like employee pay advances and reimbursements to pay those advances back...that can be a little tricky, and that's what we'll focus on in this chapter.

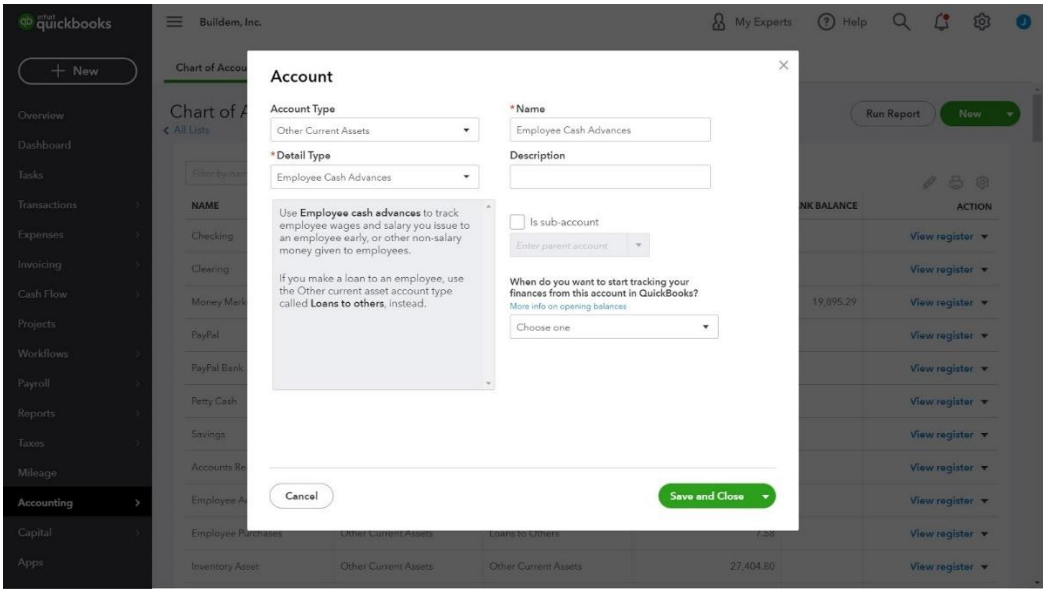
Employee Loans and Advanced

If an employee needs an advance of their regular pay, it's important to know all the steps needed from the very beginning.

Create an Asset Account

The first thing needed is an Asset account to track the balance of employees cash advances.

1. Select **Accounting > Chart of Accounts > New**

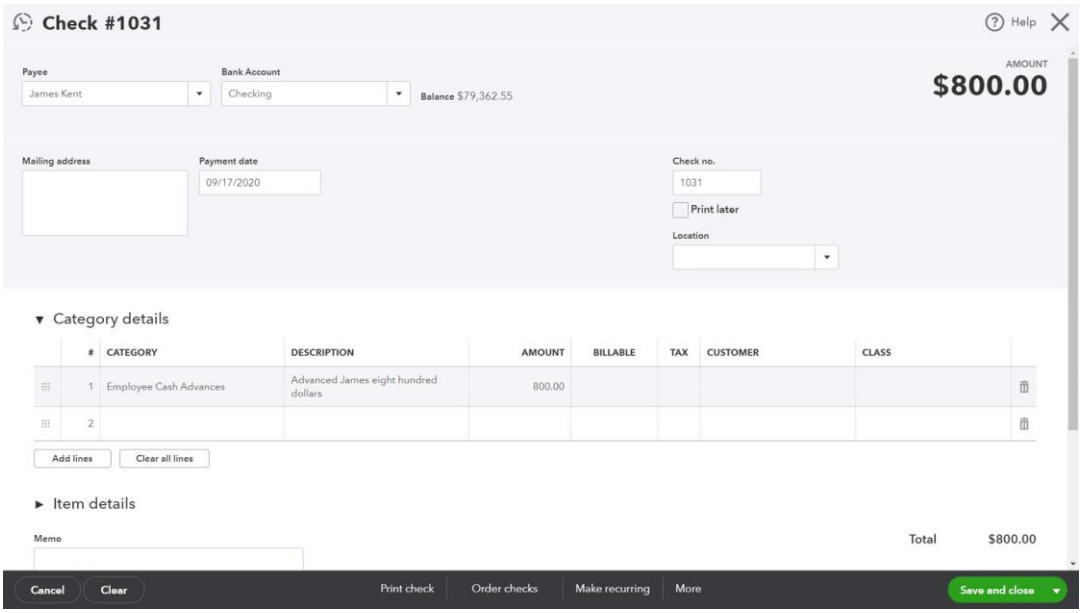


Select **Other Current Asset** as the **Account** type
Enter **Employee Cash Advance** from the dropdown as the **Detail Type**.
Either enter in a new name or use the one QuickBooks provides.

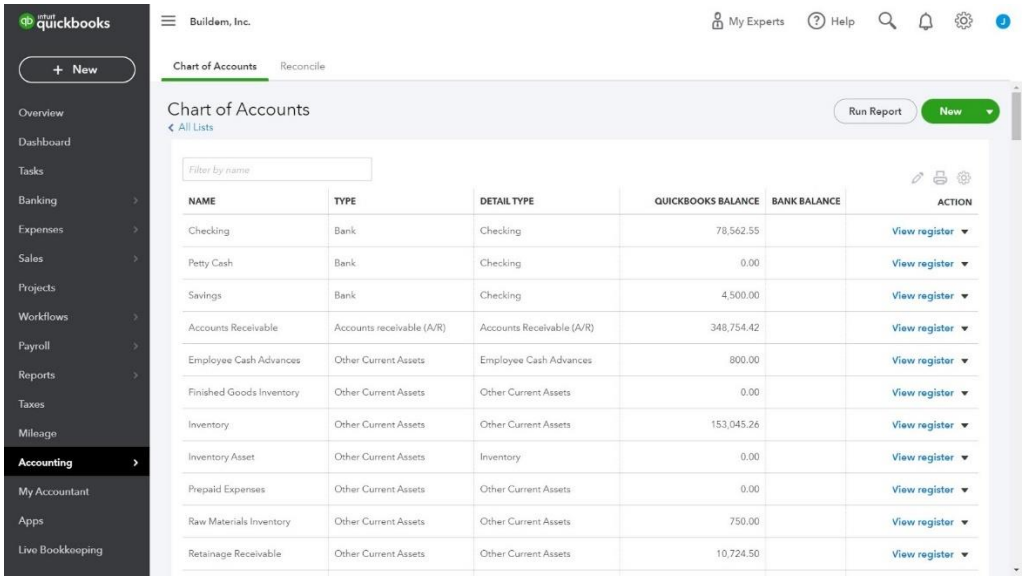
- Anytime an advance is issued, this account's balance goes up. When money is deducted from an employees pay, the balance goes back down.

Record the Loan to an Employee

1. Select **New**
2. If the employee is paid with a physical check, select **Check**. Choose an **expense** if they are paid in any other way.



3. Enter the employees name, the correct date and if you are writing the check by hand enter the check number too.
4. In the Category Details section, use the Employee Cash Advance account you created earlier.
5. Enter a description to explain the situation. Enter the amount of the advance.
6. Save and Close.



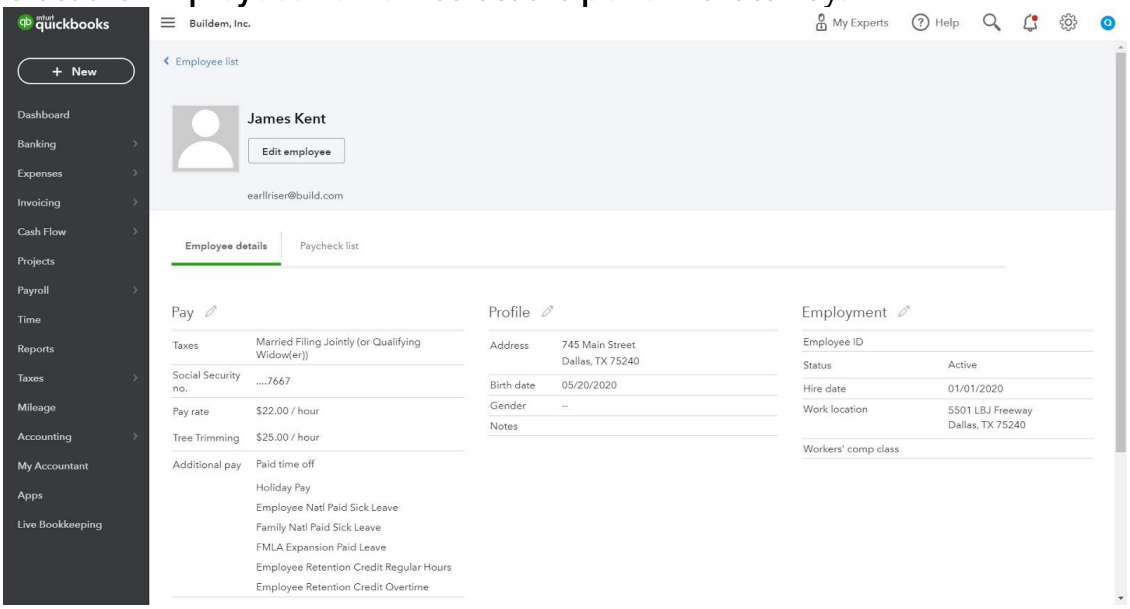
Review the Changes

7. Select **Accounting> Chart of Accounts**
8. To see the effect of the check, locate the **Employee Cash Advance** account balance.

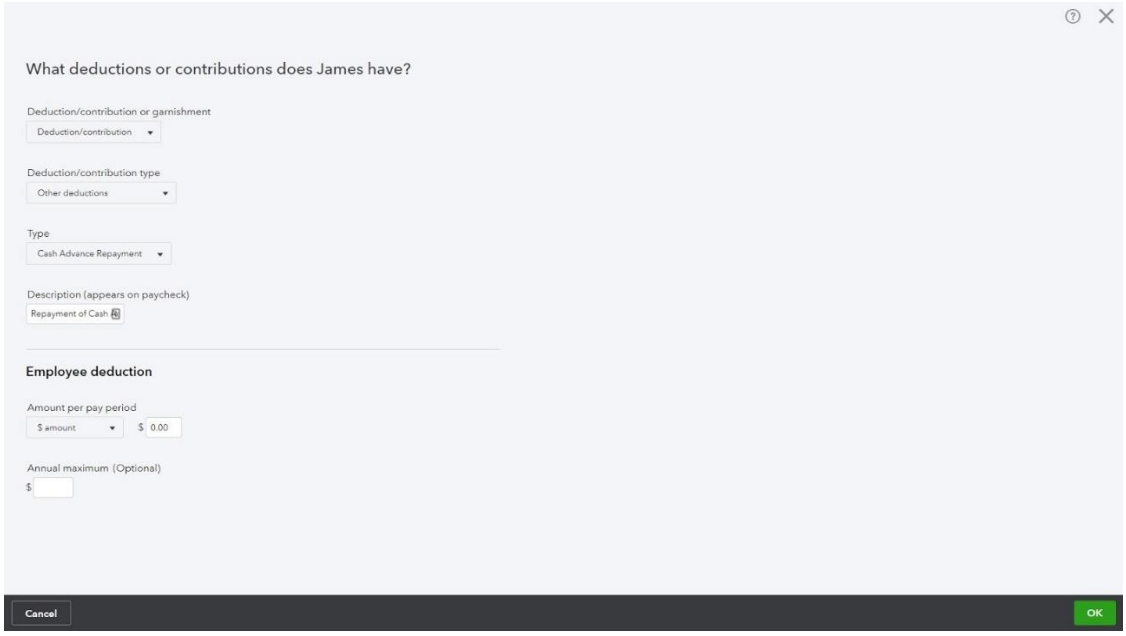
Set Up a Loan Deduction

Eventually the employee pays back the advance you gave them, and the best way to do this is to set up a payroll deduction.

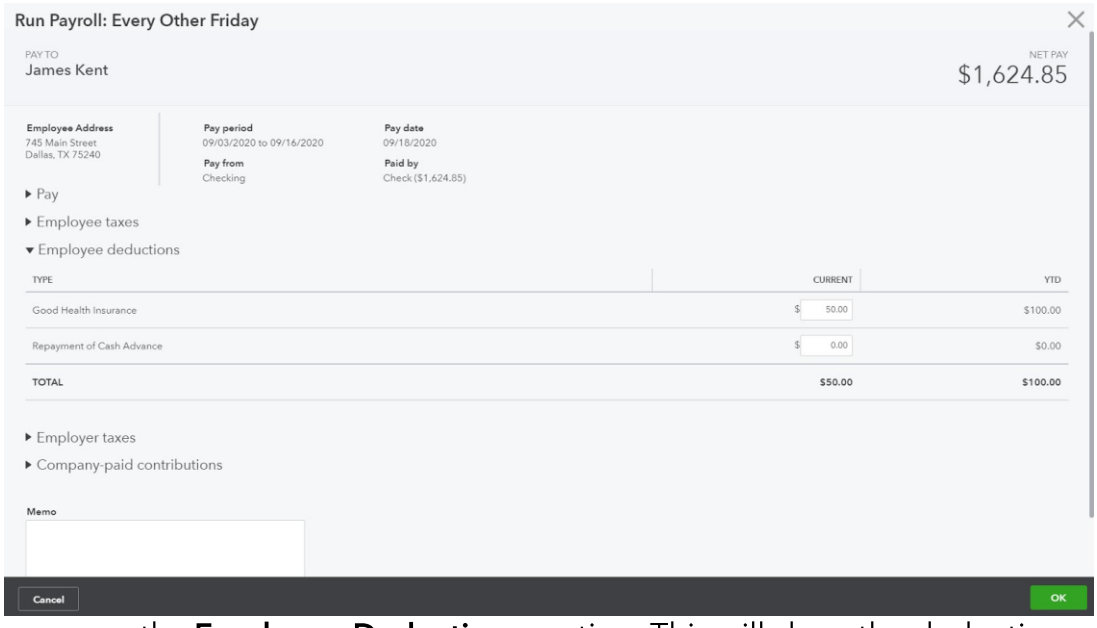
1. Select **Payroll > Employees**
2. Select the **Employees name** > select the **pencil** next to Pay.



3. Select **Add** to set up a new deduction.
4. Select **Deduction/Contribution> Other Deduction> Cash Advance Repayment**

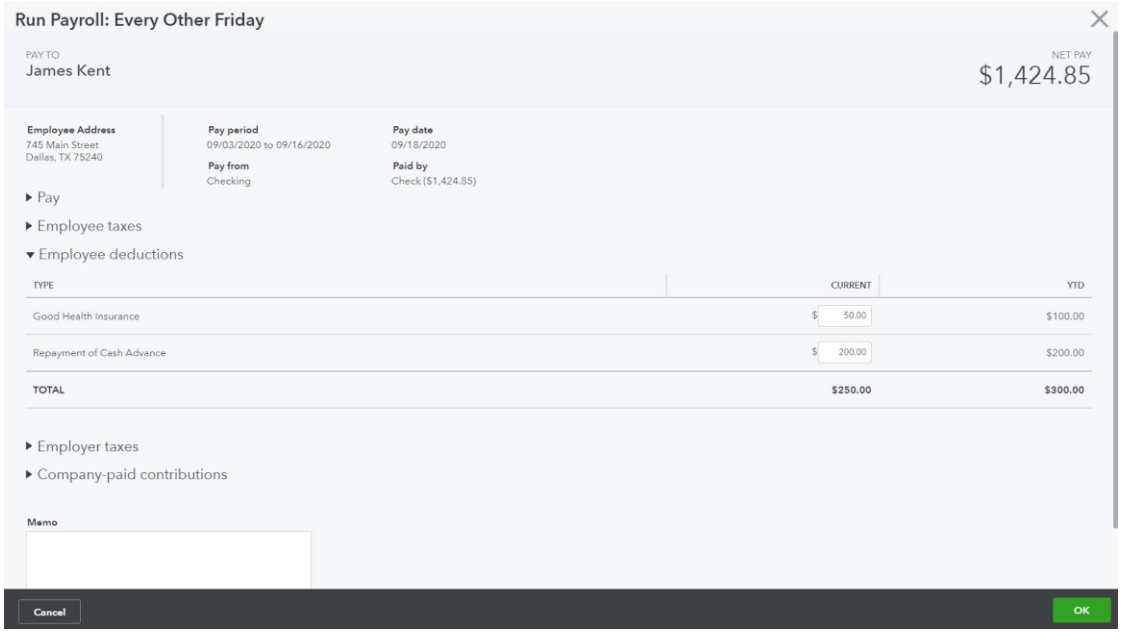


5. The **Description** is important, because this is what the employee sees on their paycheck or pay stub. Enter, "Repayment of cash advance." If the employee agreed to a set amount to be deducted during each payroll enter that amount. If the amount varies, or it will be set for each payroll, enter zero.
6. **Deduct Loan Repayment** from an Employee
7. First, look at the employee cash advance balance. The employee owes funds due to cash advances, and because it's payday, some of their funds will be used to pay back the advance and reduce the paycheck balance.
8. When Payroll is run, there is no payroll deduction field. To tell QuickBooks about money coming out of the employees pay, click the pencil button.



9. Then open the **Employee Deductions** section. This will show the deductions set up earlier. Before entering in anything, notice the Net Pay up at the top right.

6. Enter the amount being repaid by the employee to reduce their net pay by that amount.



7. Select **submit payroll**, to see what the employee will see on their paystub. You will be able to also see what amount is taken out of the total pay, so there is no question about why the pay for the employee is lower.

Linking the Deduction to the Asset Account

Now that you have created the deduction, you need to link the deduction you just set up to the asset account you set up earlier so that QuickBooks reduces the Employee Cash Advance balance with each deduction.

8. Click the **Gear Icon> Payroll Settings**
9. Scroll down to the **pencil** in **Accounting** section.
10. Select the **pencil** beside **Other liabilities and assets**.
11. Select **Employee Cash Advances** asset account from the drop-down menu.
12. Select **continue** > click **Done**.

Chapter 11

Reports

Introduction

QuickBooks Online has a lot of reports! In this chapter learn about specialty reports and advanced options to create endless reports from your data.
You will learn

- How to use QuickBooks to create Budgets that will help track your financial goals for the year.
- Budgets also let allow comparison of current income or expenses to year-to-date budget. This feature allows active monitoring of all accounts.
- For QuickBooks Advanced users, Budgets can be directly important from Excel spreadsheets.
- QuickBooks also reports to be exported to Excel or Google Sheets for further data management.

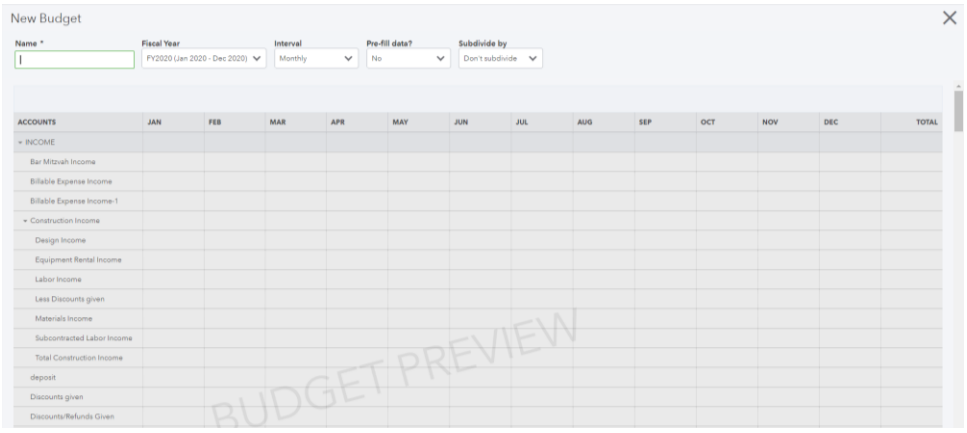
Budgets

Through budgets, keep an eye on various business aspects by comparing projected income, cost of goods sold and expenses to actual income, cost of goods sold, and expenses. QuickBooks provides multiple ways to build and split Budgets for your company. Learn how to

- Make Budgets for the whole company, specific customers, or even split your budget into classes or locations.
- Run reports like the Budget Overview and the Budget vs Actual report to track how much is spent against the set budget.

Create a Budget for the Company

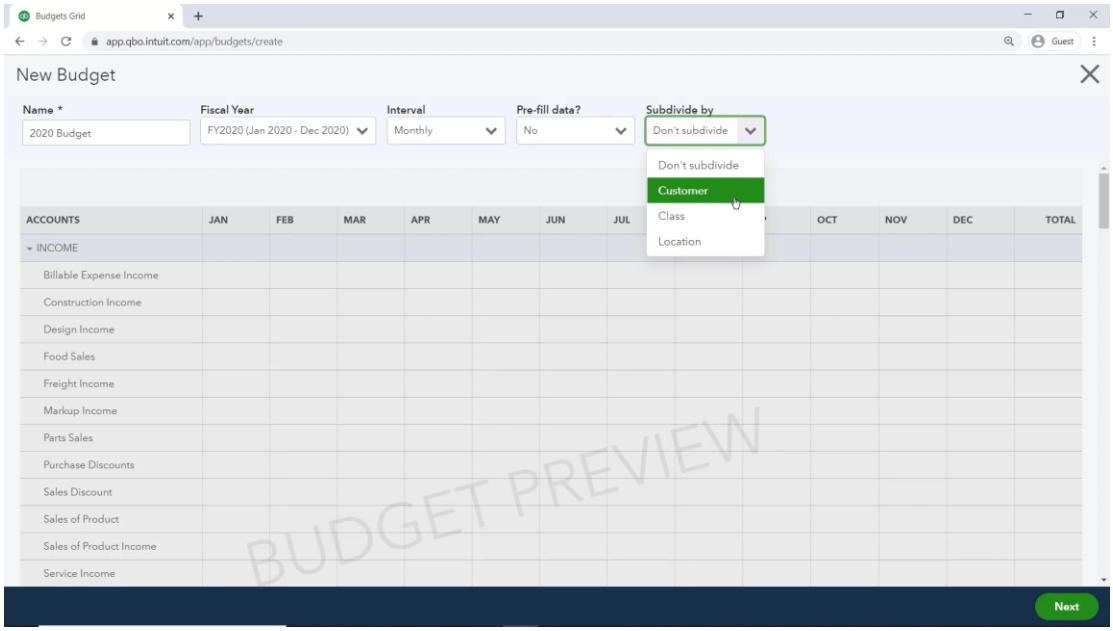
1. To start entering a budget, click on the **Gear icon**...and select **Budgeting**.
2. **Add Budget**



3. QuickBooks assumes the budget being created is for the current fiscal year. To create a budget for future or previous years, select the dropdown arrow and select the proper date range.
4. Enter the desired **name** for the budget.

Note: It's worth mentioning that you can enter as many budgets as desired, even multiple budgets for the same year. Unique names are a recommendation for keeping them separate and easy to find.

5. When entering a budget, QuickBooks assumes the projected values for the month will be entered. That's why QuickBooks displays each month on the top column.
6. Enter in **budgeted amount** for each income, cost of goods sold and expense accounts for an individual month.
7. When you eventually run a budget versus actual report, which compares actual income and expenses to the budgeted amounts, monthly data will be available as on the report as well as budget vs. actuals for the entire year.
8. Budgets do not have to be broken down by month, select the **Interval dropdown** to select either quarterly or yearly if desired. The choice is entirely yours. If you've been using QuickBooks Online for a long time, you can also have QuickBooks pre-fill the budget for you based upon previous years' data.
9. Select the **Pre-Fill data** dropdown arrow and select the year that includes budget data for QuickBooks to use when filling in the budgeted income, cost of goods sold and expenses.
10. Select **Sub-Divide** to divide the budget by additional criteria, such as customers, classes and locations.

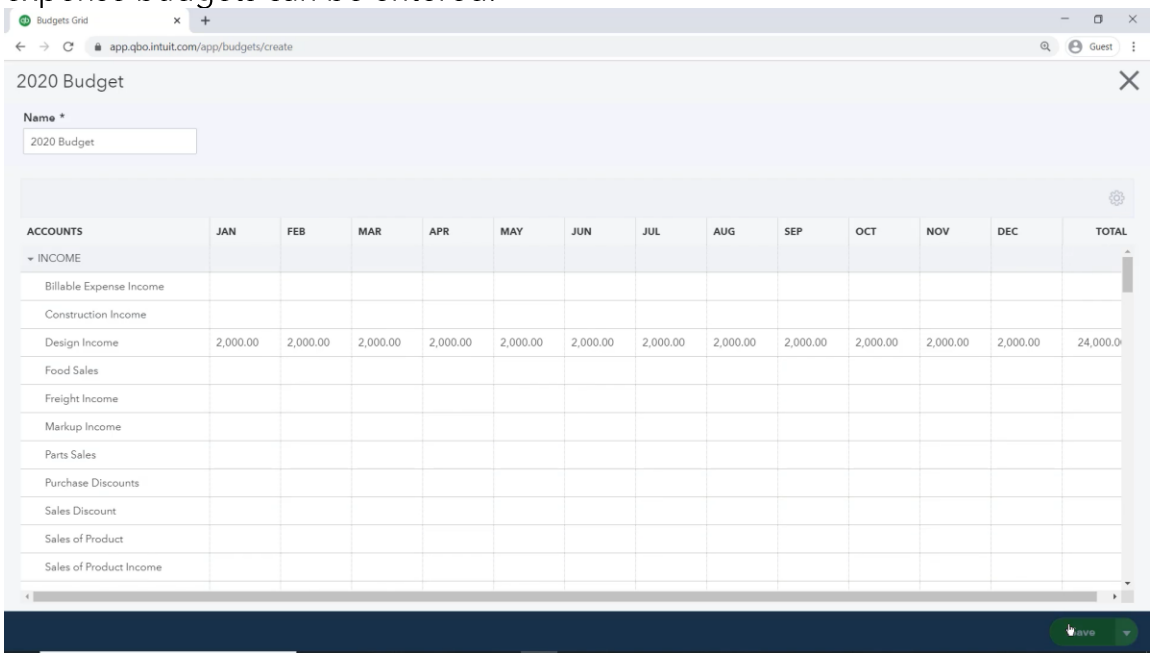


Note: If desired class or location options aren't available here, turn those options on in Account and Settings.

- Selecting **Customer** allows you to create a budget for specific customers and sub customers, and then compare the actual income, costs of goods sold, and expenses.
- **Classes or Locations** allow the same thing. Selecting one of these options creates a budget for just specific classes or locations.

- In fact, you could even create individual budgets for each customer or job through this budget window.

1. Select the **Customer** option.
2. Then click the **Add subdivided budget for** drop down arrow…
3. Choose all of the **customers** or **sub-customers** you want to include on a budget you're creating, or you could choose one name.
4. Fill in all of the **budgeted income, costs of goods sold and expenses**, then the actual financial transactions with this customer can be compared against the budgeted amounts at a later date. This is tremendously useful if you work in the construction trade and need to build separate budgets for each project.
5. Once all of your options are selected, click **Next**.
6. QuickBooks displays fields where income forecasts and cost of good sold or expense budgets can be entered.

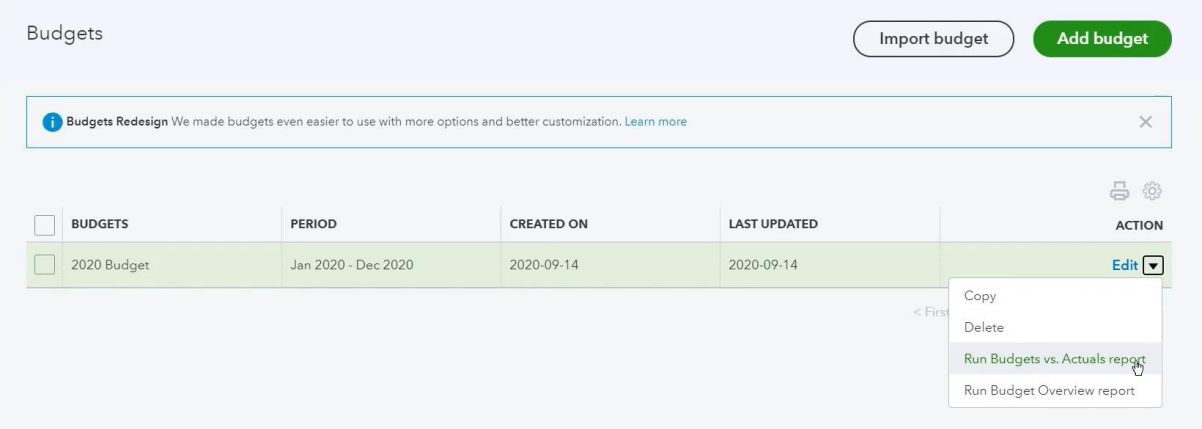


7. To **forecast income**, enter the numbers here and then run a **Budget vs. Actual report** that shows if those forecasts were met or not. To enter an amount, click in the field and enter the budget or forecast amount.
8. Continue to enter amounts in each field as necessary.
9. If all amounts are budgeted or projected to be the same, click the **blue arrow button**. QuickBooks copies the same number across all of the interval fields.
10. The column furthest to the right also displays a **Total** for the entire period.

- The currently selected account stays in place even when scrolling further down the budget. This makes that line available for reference while looking at other parts of the budget. When a new account is selected, the previously selected account disappears from view and goes back to its original location.

Entering **budgeted expenses** is the same as entering a projected income amount.

1. Select the expense or cost of goods sold that you want to budget and then enter the budgeted amount for the interval.
2. Subtotals are displayed and totals just like it would on a Profit and Loss, for example a projected Total Income, and a projected Net Income, which is all of the projected income, minus the budgeted Costs of Goods Sold and Expenses.
   - To change the interval period, select the Gear Icon, and choose a different interval.
   - Blank rows can be hidden by selecting "Hide Blank Rows," but doing so also makes it impossible for to alter the budgeted and forecasted amounts of accounts that don't have any information entered yet.
3. At any time, save progress by clicking **Save**. It's good to do this regularly because filling out an entire budget can take some time, and if QBO is inactive for too long it can log out; potentially losing unsaved progress.
4. Once the budget has been fully entered, select **Save and Close**.
5. The new budget will be available in the budget list.
6. To edit existing budgets, select the dropdown and select **Edit**.
7. To delete the existing budgets, select the dropdown and select **Delete**.
8. To run related reports for these budgets, select **Reports**.



Budget Vs. Actual Report

The benefit of creating a budget is twofold.

- Use a budget to help you make better decisions and plan for purchases or sales in the future.
- Use the budget to run budget versus actuals reports to compare what you want to happen to what really happens. QuickBooks offers reports to fulfill both of these benefits.

Buildem, Inc.

BUDGET OVERVIEW: FY2020 - FY20 P&L

January - December 2020

	IAN 2020	FEB 2020	MAR 2020	APR 2020	MAY 2020	JUN 2020	JUL 2020	AUG 2020	SEP 2020	OCT 2020	NOV 2020	DEC 2020	TOTAL
Income													
Total Income													**$0.00**
▾ Cost of Goods Sold													
Construction Labor	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	$3,600.00
Total Cost of Goods Sold	$300.00	$300.00	$300.00	$300.00	$300.00	$300.00	$300.00	$300.00	$300.00	$300.00	$300.00	$300.00	$3,600.00
GROSS PROFIT	-300.00	$ -300.00	$ -300.00	$ -300.00	$ -300.00	$ -300.00	$ -300.00	$ -300.00	$ -300.00	$ -300.00	$ -300.00	$ -300.00	$ -3,600.00
▾ Expenses													
Advertising	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	$3,600.00
Automobile	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	$2,400.00
Insurance	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	$6,000.00
▾ Job Expenses													$0.00
Job Materials	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	$12,000.00
Total Job Expenses	,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	$12,000.00
Rent or Lease	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	$12,000.00
Supplies	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	$3,600.00
Taxes & Licenses	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	$3,600.00
Travel	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	$6,000.00
▾ Utilities													$0.00
Gas and Electric	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	$3,600.00
Telephone	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	$2,400.00
Total Utilities	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	$6,000.00
Total Expenses	,600.00	$4,600.00	$4,600.00	$4,600.00	$4,600.00	$4,600.00	$4,600.00	$4,600.00	$4,600.00	$4,600.00	$4,600.00	$4,600.00	$55,200.00
NET OPERATING INCOME	,900.00	$ -4,900.00	$ -4,900.00	$ -4,900.00	$ -4,900.00	$ -4,900.00	$ -4,900.00	$ -4,900.00	$ -4,900.00	$ -4,900.00	$ -4,900.00	$ -4,900.00	$ -58,800.00

The first report is the Budget Overview report that details one of your existing budgets, displaying all of the projected and budgeted amounts by account and by the chosen interval when the budget was created. To see other budgets on the account, click the Budget drop down arrow to see other options.

The other benefit to budgets is the ability to compare projection to the business' actual performance with a Budget versus Actuals report.

Craig's Design and Landscaping Services

BUDGET VS. ACTUALS: FY2020 - FY20 P&L

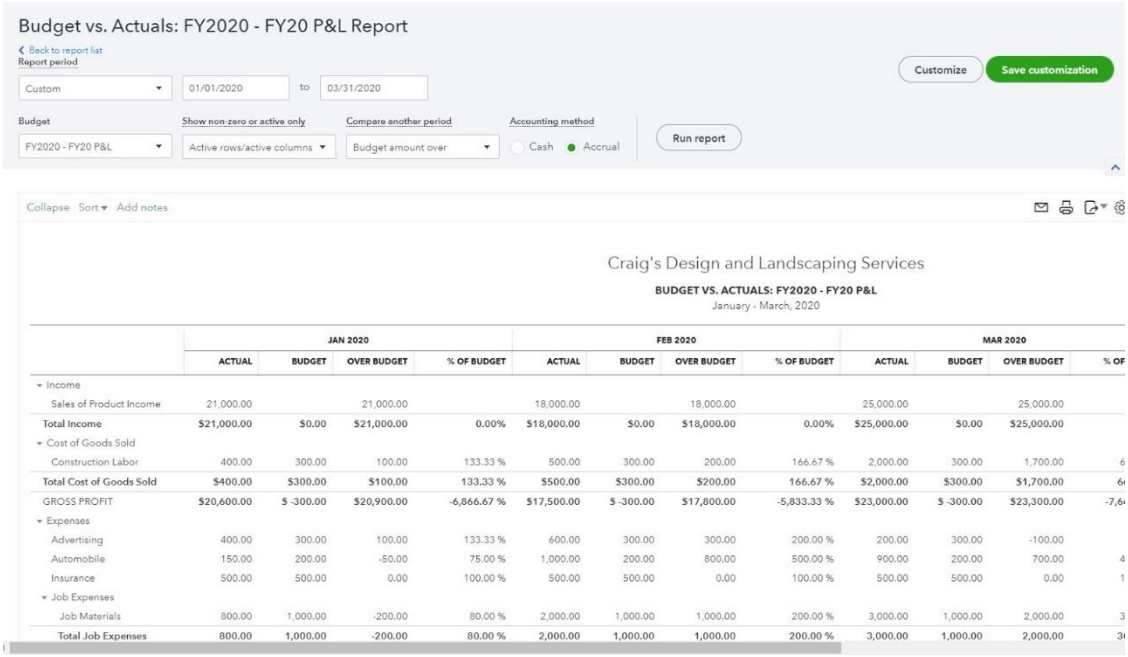
January - March, 2020

	JAN 2020				FEB 2020				MAR 2020		
	ACTUAL	BUDGET	OVER BUDGET	% OF BUDGET	ACTUAL	BUDGET	OVER BUDGET	% OF BUDGET	ACTUAL	BUDGET	OVER BUDGET
▾ Income											
Sales of Product Income	21,000.00		21,000.00		18,000.00		18,000.00		25,000.00		25,000.00
Total Income	**$21,000.00**	**$0.00**	**$21,000.00**	**0.00%**	**$18,000.00**	**$0.00**	**$18,000.00**	**0.00%**	**$25,000.00**	**$0.00**	**$25,000.00**
▾ Cost of Goods Sold											
Construction Labor	400.00	300.00	100.00	133.33 %	500.00	300.00	200.00	166.67 %	2,000.00	300.00	1,700.00
Total Cost of Goods Sold	**$400.00**	**$300.00**	**$100.00**	**133.33 %**	**$500.00**	**$300.00**	**$200.00**	**166.67 %**	**$2,000.00**	**$300.00**	**$1,700.00**
GROSS PROFIT	**$20,600.00**	**$ -300.00**	**$20,900.00**	**-6,866.67 %**	**$17,500.00**	**$ -300.00**	**$17,800.00**	**-5,833.33 %**	**$23,000.00**	**$ -300.00**	**$23,300.00**
▾ Expenses											
Advertising	400.00	300.00	100.00	133.33 %	600.00	300.00	300.00	200.00 %	200.00	300.00	-100.00
Automobile	150.00	200.00	-50.00	75.00 %	1,000.00	200.00	800.00	500.00 %	900.00	200.00	700.00
Insurance	500.00	500.00	0.00	100.00 %	500.00	500.00	0.00	100.00 %	500.00	500.00	0.00
▾ Job Expenses											
Job Materials	800.00	1,000.00	-200.00	80.00 %	2,000.00	1,000.00	1,000.00	200.00 %	3,000.00	1,000.00	2,000.00
Total Job Expenses	**800.00**	**1,000.00**	**-200.00**	**80.00 %**	**2,000.00**	**1,000.00**	**1,000.00**	**200.00 %**	**3,000.00**	**1,000.00**	**2,000.00**
Legal & Professional Fees	400.00		400.00		400.00		400.00		400.00		400.00
Rent or Lease	1,000.00	1,000.00	0.00	100.00 %	1,000.00	1,000.00	0.00	100.00 %	1,000.00	1,000.00	0.00
Supplies	0.00	300.00	-300.00	0.00 %	100.00	300.00	-200.00	33.33 %	200.00	300.00	-100.00
Taxes & Licenses	300.00	300.00	0.00	100.00 %	300.00	300.00	0.00	100.00 %	300.00	300.00	0.00
Travel	600.00	500.00	100.00	120.00 %	500.00	500.00	0.00	100.00 %	600.00	500.00	100.00
▾ Utilities	400.00		400.00		400.00		400.00		400.00		400.00
Gas and Electric		300.00	-300.00			300.00	-300.00			300.00	-300.00
Telephone		200.00	-200.00			200.00	-200.00			200.00	-200.00
Total Utilities	**400.00**	**500.00**	**-100.00**	**80.00 %**	**400.00**	**500.00**	**-100.00**	**80.00 %**	**400.00**	**500.00**	**-100.00**
Total Expenses	**$4,550.00**	**$4,600.00**	**$ -50.00**	**98.91 %**	**$6,800.00**	**$4,600.00**	**$2,200.00**	**147.83 %**	**$7,500.00**	**$4,600.00**	**$2,900.00**
NET OPERATING INCOME	**$16,050.00**	**$ -4,900.00**	**$20,950.00**	**-327.55 %**	**$10,700.00**	**$ -4,900.00**	**$15,600.00**	**-218.37 %**	**$15,500.00**	**$ -4,900.00**	**$20,400.00**
NET INCOME	**$16,050.00**	**$ -4,900.00**	**$20,950.00**	**-327.55 %**	**$10,700.00**	**$ -4,900.00**	**$15,600.00**	**-218.37 %**	**$15,500.00**	**$ -4,900.00**	**$20,400.00**

This report lists each account included in the budget.

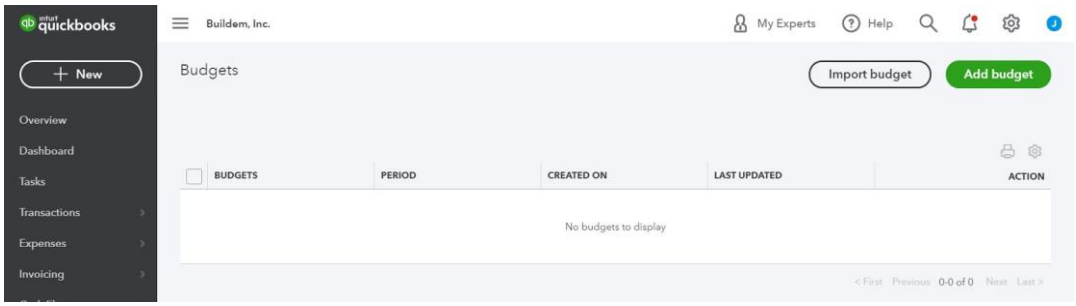
- For each account, QuickBooks displays the actual income and expenses recorded for each interval, the budgeted amount, and the over budget amount.
- If the over budget amount is a positive, that means more money was made than projected for an income account you made more money than projected for an income account or spent more money than projected for an expense account. And finally, there is a bottom line, which is your projected net income versus the actual amount.

- If there are multiple budgets, choose between the various budgets by selecting the Budget dropdown list. Change the report's date range if desired to alter the transactions that the report includes.

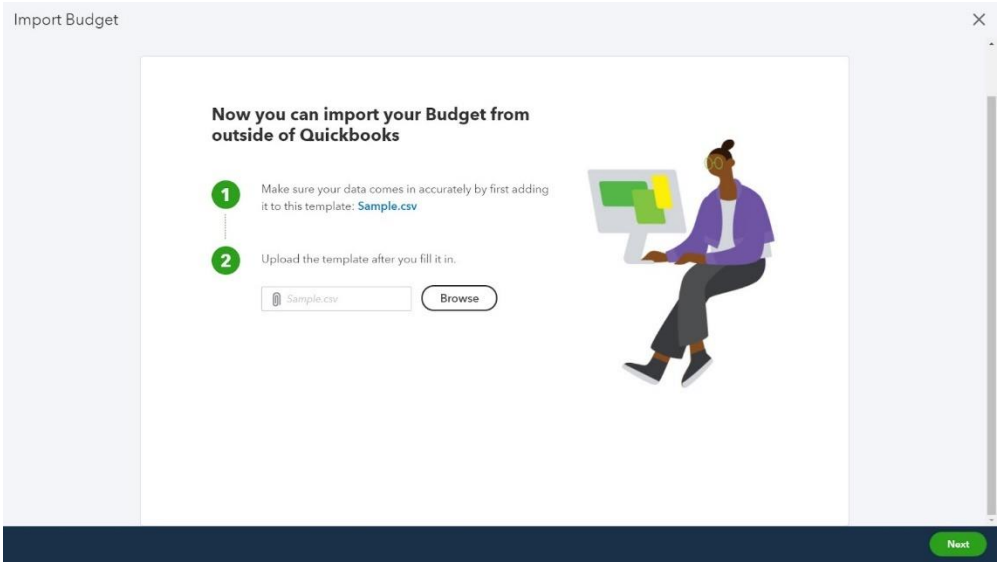


QBO Advanced: Import Budgets from Excel

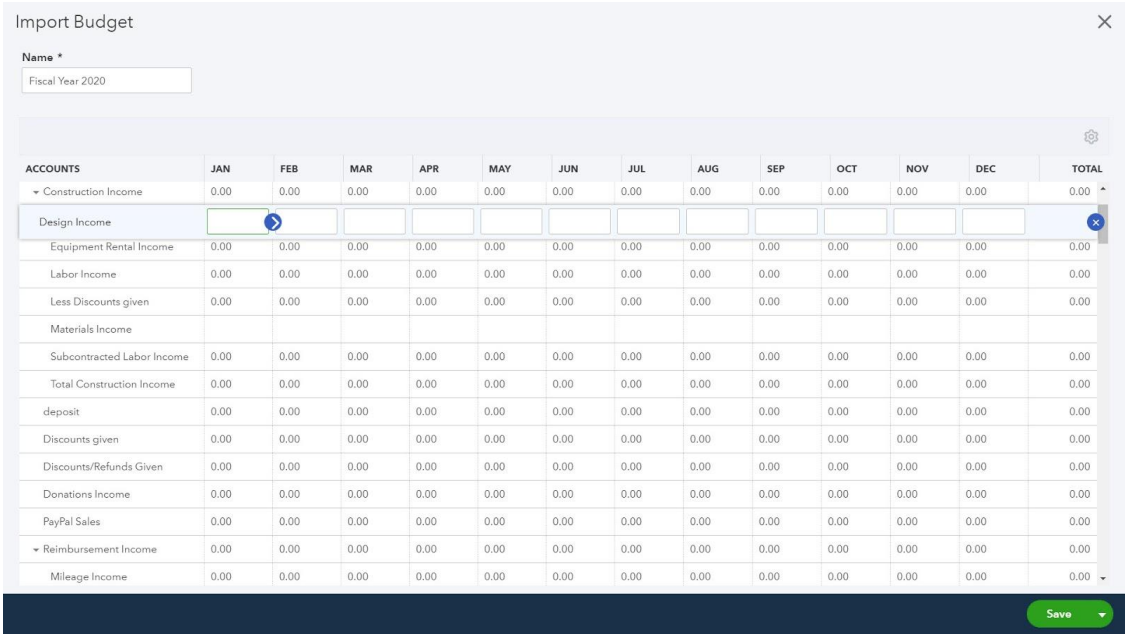
Many businesses that start using QuickBooks have already developed a budget in Excel. It makes sense that they want to use that data to quickly build out their budget in QuickBooks. If you have QuickBooks Online Advanced you can do just that.



1. Save the Excel document to your computer, and then use the **Import Budget button** on the Budgeting screen to directly import the Excel file into QuickBooks.



2. QuickBooks then provides a **customized Excel template** to build your Budget Import. If necessary, download the sample to see the layout and paste in your existing data.
3. When the information has been entered in the template, **save the document**, and **select that file** in the **Import** window.



4. The next window shows your information imported into the normal Budget setup window. Give the budget a **name**, then **Save**.

Note: When the import feature is used, it is not possible to subdivide the Imported budget for classes, locations or sub-customers.

Intro to Excel and Sheets

QuickBooks Online is ready-built with great reporting features. For more detail about the standard reporting options, check out our Mastering QuickBooks Online Level 1 chapter on Reporting.
However, while QuickBooks can meet many of your reporting needs, there are still a few extra things beyond those features that might be useful, such as how Excel or Google Sheets can expand reporting options.

- Every report in QuickBooks can be emailed, printed, or exported to allow for greater access to your data.
- Once you export your data to Microsoft Excel or Google Sheets, you can do anything with it!

You'll learn how to track commissions for your team by exporting data to Excel, through the use of Custom

Track Commissions on Excel Spreadsheet

Turn on Custom Fields

1. Select **Gear icon> Select Custom Fields**

Using the **Custom Field creator**, enter the field details, (e.g. Sales Rep) and enter in details pertaining to where this will appear on various forms (e.g. invoices, sales receipts, etc.)

View Custom Fields on Reports

After using the custom field on transactions, it will be available for viewing on reports.
Scenario: **Track Sales Reps** on Sales Forms to track their commissions.

1. Select **Reports> Sales by Customer Detail**
2. Select **Group By > Sales Rep> Refresh** / rerun the report.
3. Now detailed information is available for the sales that each Rep makes. This is valuable information, but there is no way to view commissions on this report. This is not something that QuickBooks can do, but Excel has the ability.
4. Click the export icon and select **Export to Excel**.
5. Locate and open the downloaded file. The report should be similar to the one in QuickBooks. Excel is a vast and powerful program that is part database and part calculator.
   - Each Excel cell can be used to track specific numbers, words or mathematical formulas.
   - In this case you want to use the information from QuickBooks to help you figure out how much to pay your sales reps.

Calculating Sales Rep Commission

Locate the total sales amount for your rep.

6. Choose a cell near the Total and enter the **equals sign**, to start the formula. This lets Excel know you are not just entering numbers, but you are crafting a mathematical formula.
7. While the cursor is still blinking in the formula cell, **click another cell** to use its amount as part of your formula. Choose the **total amount of sales**.

- Scenario: You want to provide 15% of the total for commission.

8. Enter the **asterisk sign** to represent a **multiplication** operation, and enter .15 for 15 percent. Then select **Enter**.

If the column shows up as a series of number signs, the column is too narrow. Just expand it at the top of the column by double clicking the right border and the column will resize to fit the full amount.
The **result** of the formula shows in the **cell**, but the **math** is still in the **formula bar**.
Now that you have a correct formula, you can copy it and paste it for the other reps.

- Select the cell, **right click**, and choose **copy**.

Then choose the cell where this column meets the row with the next Sales Rep's total and right click, then select paste.

- The formula pastes into this cell. Excel is smart enough to know that we wanted to use the total for the new Sales Rep.
- Since the original formula is still selected you can repeat this on the next Sales Rep.
- Right click the cell in this column that lines up with the total for the final rep.
- Now you have your commissions for each rep.

Management Reports

QuickBooks can run a vast assortment of reports. When you need information like

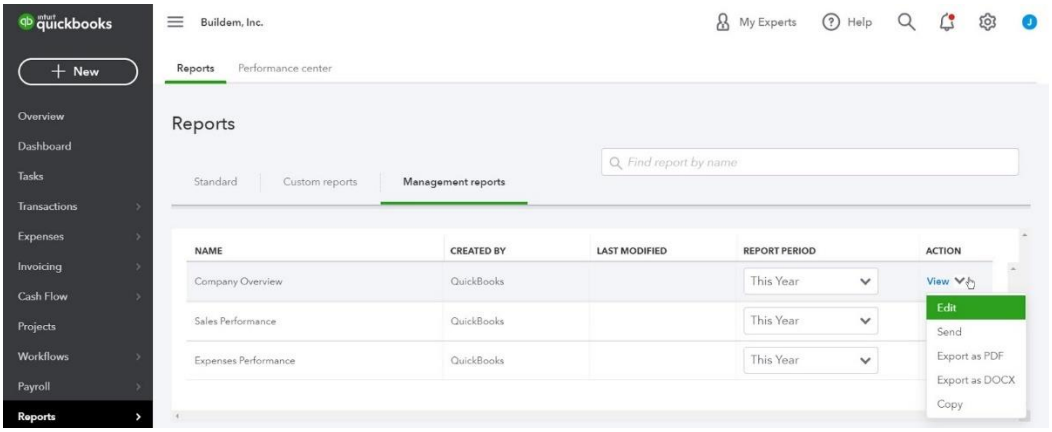
- Sales details
- Payroll updates
- Sales tax information

You can run a report in QuickBooks. These reports are easy to find and run, but they can lack details you might want to share with, for example your bank or an investor. When you share data outside of your company, you want to provide good detailed data that looks its best. This is where Management Reports come into play.
Management reports allow

- The look and feel of financial data to be adjusted.
- The additional of cover pages and/or letters.
- Combining of multiple reports into a single document with an integrated table of contents.

Run and Edit a Management Report

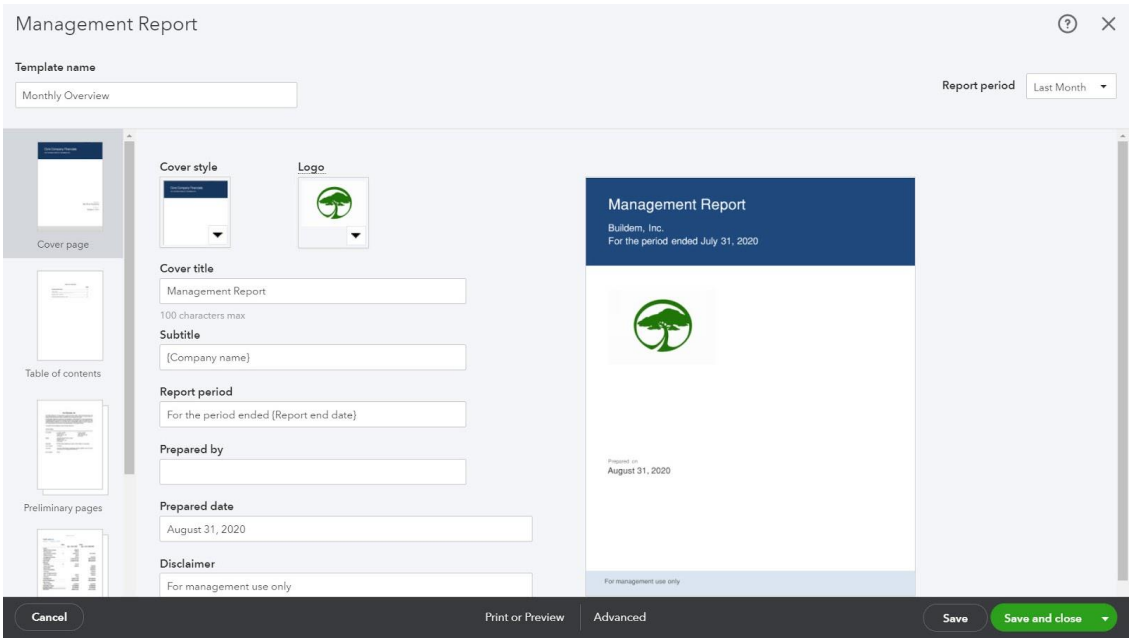
1. On the **Reports page** choose the **Management Reports tab** to see the default report choices.



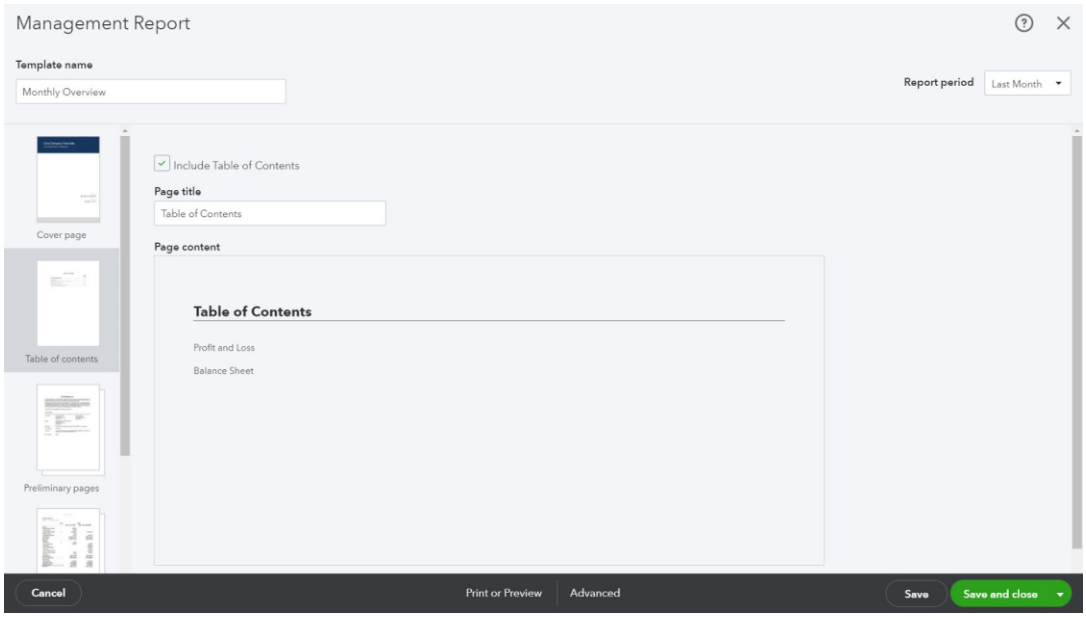
2. Use these as they are, or select **edit** from the **Action column**, to create exactly what you need.

Editing a Report

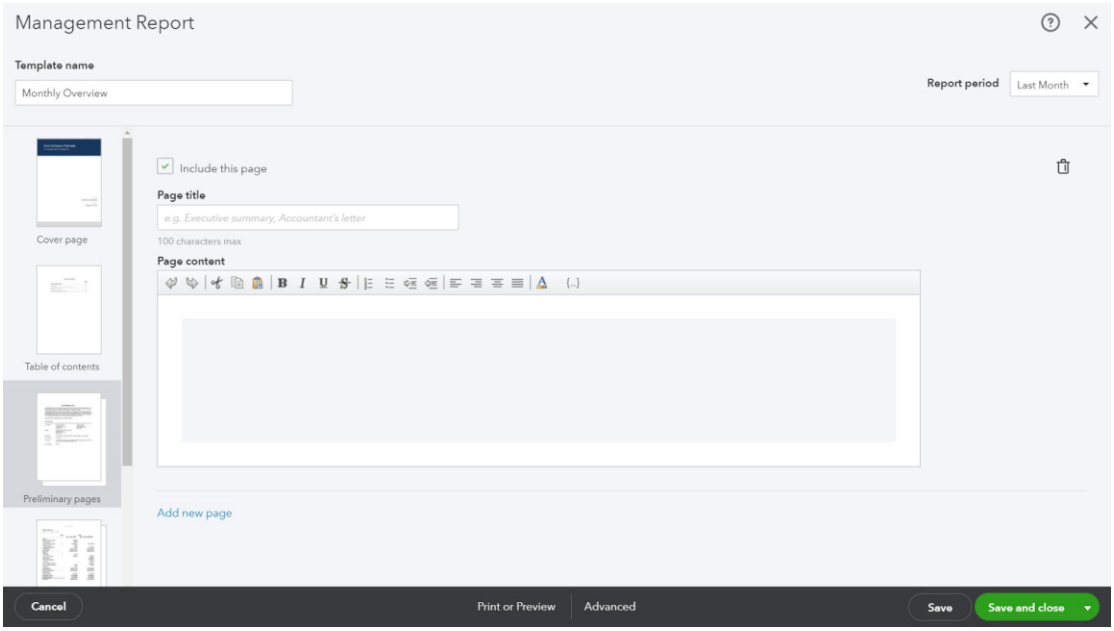
1. Select a report, then select the **appropriate report period**.



2. All management reports are made up of different **sections**. Select any of these sections on the left to make adjustments in the main screen.
3. A **Cover Page** allows you to start a report with basic information about what the reports contain such as the business name and the report period. Change the look and feel of the cover page by choosing one of the cover style templates.

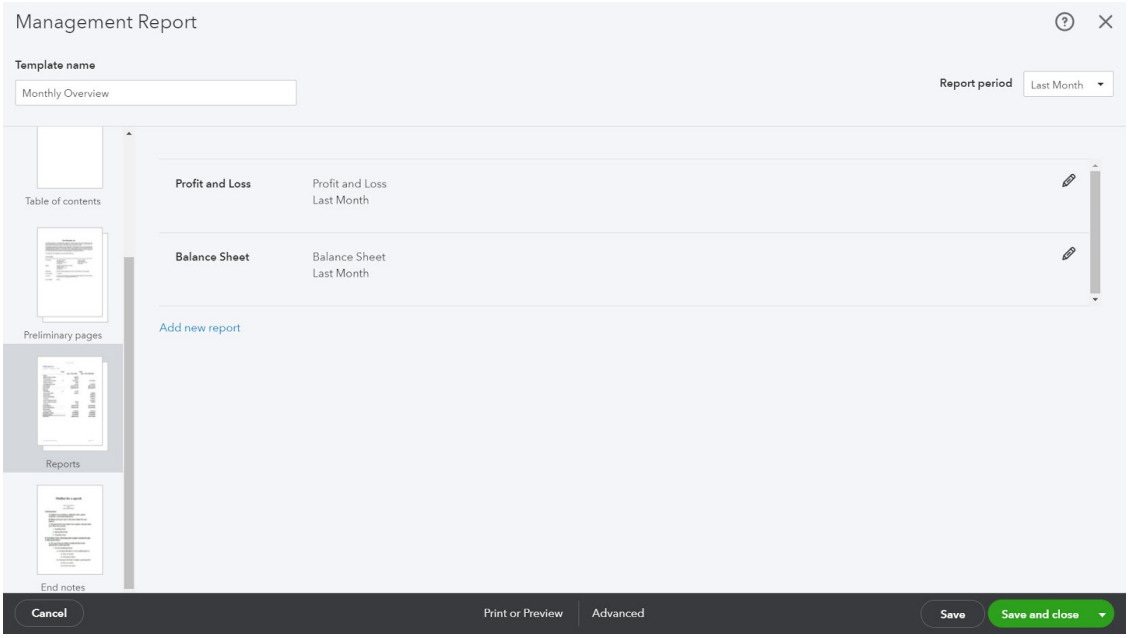


4. QuickBooks also creates a **table of contents** for Management Report. The table of contents will automatically update depending on the pages or reports that are added.



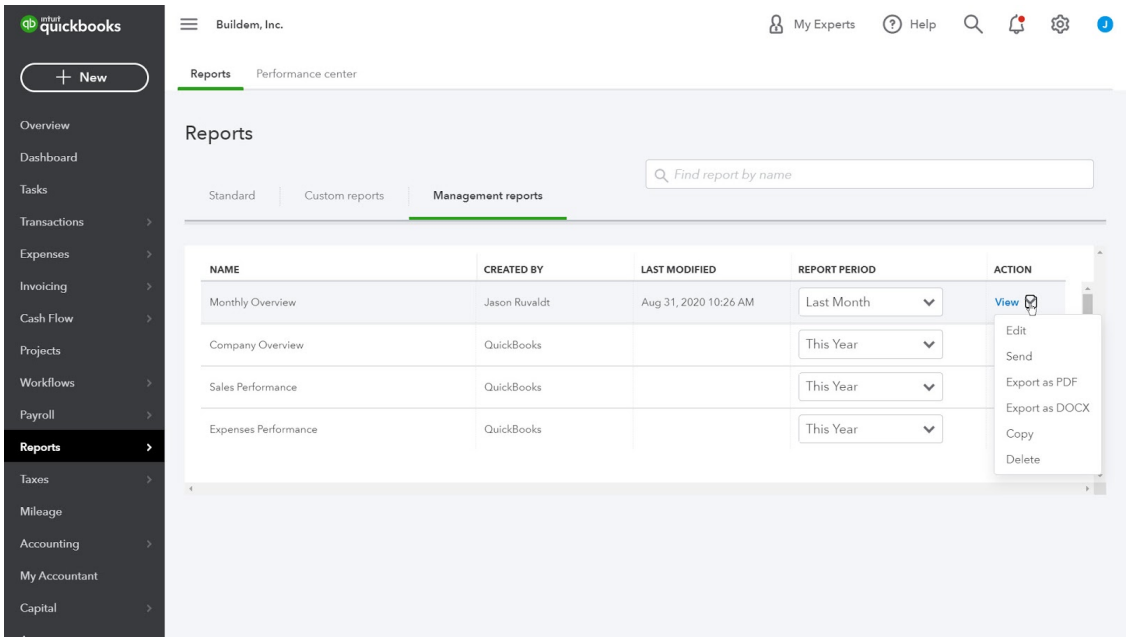
5. Use the **Preliminary pages** to pique the interest of investors or plead your case to the bank. Create a page from **scratch** with basic tools found in most word processors or paste a document from another program.

Note: There is not a one page limit, add additional pages by selecting the **Add New Page** link.



- Next, the Reports tab allows any report to be added from QuickBooks, including Custom Reports to be added. Remember, whichever reports are added here will show up in the **Table of Contents** automatically.

6. Every good presentation needs a strong finish. Use the **End Notes** to emphasize your point and establish a lasting impression!
7. Once you finish setting up your Management Report use the **Print or Preview button** to view the finished product.



- After you save the report you can use the drop down arrow to continue editing, or to send or export your report.

Chapter 12

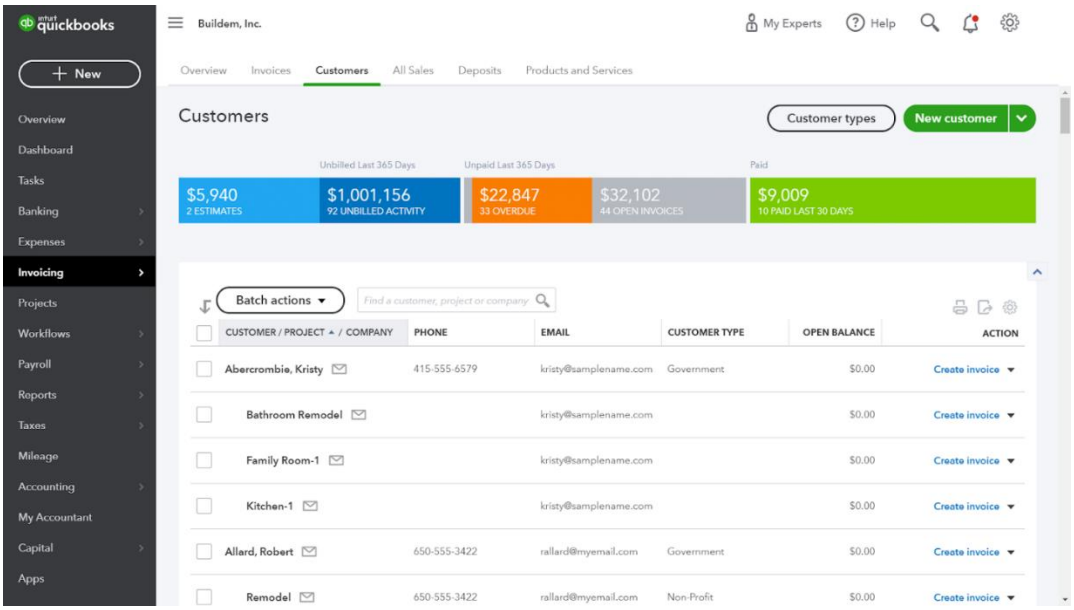
Utilities

Introduction

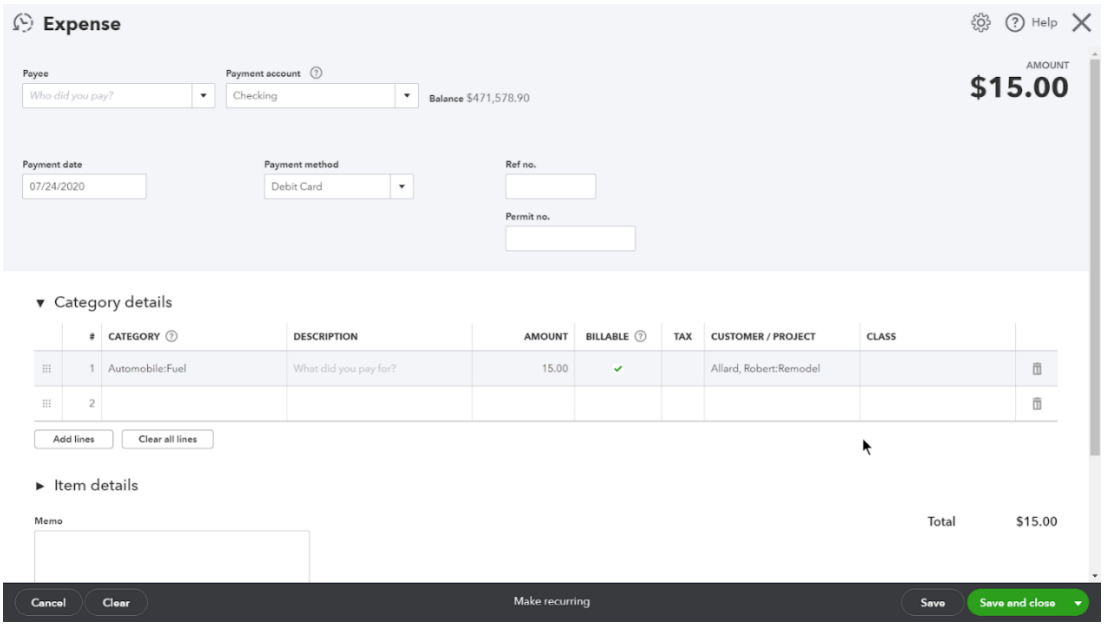
In this chapter you will learn some of the rarely used utilities that are helpful to know about if you ever encounter the problems they solve. Learn how to

- Get rid of unbilled time and costs that doesn't need to be passed along to customers.
- Utilize options and limitations of importing and exporting company data.
- Learn how to purge data in QuickBooks online.
    - Note: There is no way to recover data once it is purged.

Remove All Billable Time and Costs



At the top of the Customer list is a list for viewing Unbilled Activity. If there is a balance there, it means that at some point an expense, check or bill was marked as being billable to a customer… or maybe some time was marked as billable.
That means the customer will be invoiced for that expense or time on a future invoice. Unbilled Activity can be very helpful if used correctly, but if the feature was used by accident, or are unsure of how to use it, that list of unbilled transactions can be frustrating.



If billable checkboxes on transactions and time have been used to increase the balance it is ok. But if these have been entered accidentally or incorrectly, it is necessary to remove these charges. It would be possible, but not efficient to open each transaction and uncheck the box.. OR use this little trick.

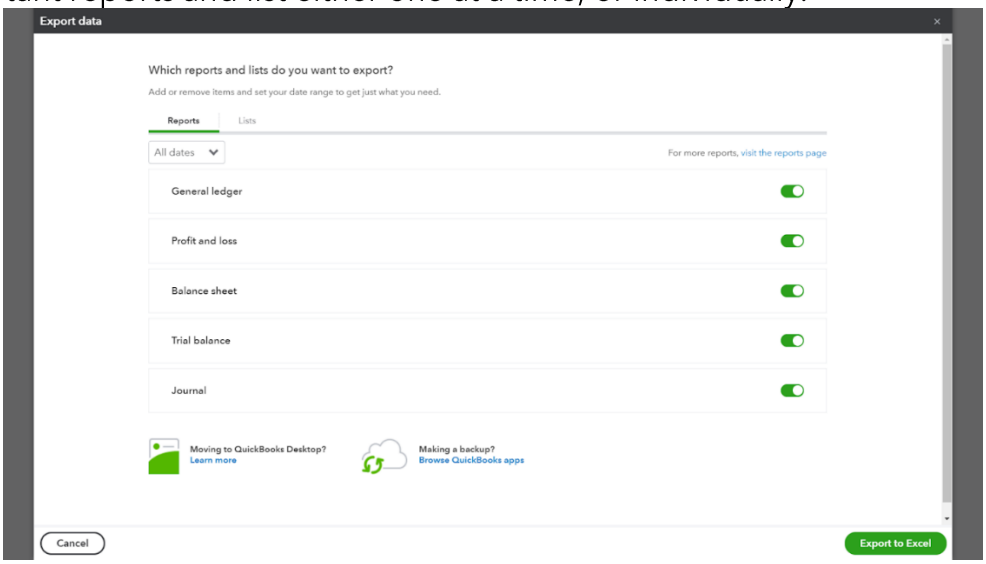
1. Log into QuickBooks Online company just like normal.
2. Then, click in the **URL** bar at the top of the browser. Highlight the portion that reads **homepage**...and enter **managebillableexpense** instead.
3. Then press **Enter**.
4. This page helps to remove that billable tag from multiple transactions at the same time. Enter a **date** in the Date field and click **Save**.

Note: Every transaction that happened before the date entered will have its billable status unchecked and that unsightly unbilled activity balance will no longer exist.

Export Company

There is no one button that Exports all QuickBooks Online Data, but it's possible to get really close.

1. Select the **Gear icon> Export Data**. This allows data to be quickly exported. Export important reports and list either one at a time, or individually.



2. This screen provides the option to export important reports such as the general ledger and your financial statements for specific date ranges.
3. The **Lists** tab allows you to export your customer, vendor and employee list. Choose to export all of it or only select the desired lists or reports. This feature is useful to move information to another QBO company file, or if moving to QuickBooks desktop.

Exporting data is an option, but it doesn't work as a backup. Exporting these lists and reports does not export individual transactions or a copy of the file but having these reports and lists saved can be a big help to start a new company tile with the same bas information as the current file.

Import Information from Other QBO Company

There is an option to move all data when switching from QuickBooks Desktop to QuickBooks Online, but there is no such option to move data from one QBO file into another. There is another way that things will have to be handled to copy information from between two QBO accounts.

1. Select the **Gear Icon > Export Data**. Export each of important list from one company.
2. Once the lists are exported from one account, switch to the other company, and select the **Gear Icon > Import Data.** This allows customer, vendor, product and service lists as well as the chart of accounts to be moved into the new account. However, transactions will not be moved over.

Note: Chapter 2 of this class has highly details instructions on importing these lists. Watch those before importing these lists into the new account. It may not be a one-click trick, but the import feature can be used to successfully move the most important information from one company to another.

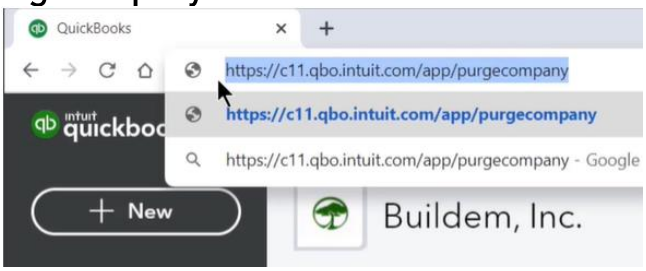
Purge Company

If your QuickBooks Online account is 60 days or newer you can choose to purge all of the data you've entered and start over.

1. **Login** to your QuickBooks account

In the URL bar click, and remove "**homepage**"

2. Replace it with "**purgecompany**"



3. Press Enter
4. **Complete the steps** as QuickBooks instructs you on the process of cleaning out your data.

Chapter 13

Accountants

Introduction

In this chapter you'll learn accounting tasks like

- Closing the books.
- You'll also learn about journal entries, including special considerations for entering them into QuickBooks, as well as how to reverse a journal entry.
- This chapter is also very helpful for accounting professionals!
- How QuickBooks accounts for Retained Earnings…or enters the "Closing Entry".
- How to work with your accountant in QuickBooks.
  - How to give your accountant access. How to exchange messages and information with your accountant through QuickBooks online.
  - How to see the types of activities accountants can do with accounting records.

Journal Entry Rules

There are three reasons why general journal entries are entered into QuickBooks.

1. Entering transactions that can't be entered using a built-in form like an invoice or check.
2. To correct errors.
3. To make year-end adjustments.

- Journal entries can be a challenge, especially for those without an accounting background. To fully understand journal entries, it is necessary to understand debits, credits…and how each affects different types of accounts.

Note: If you do not fully understand journal entries, do not create them without first consulting with your accountant to provide you the right information.
If you happen to be an accountant, or someone who does understands journal entries, it is important to know the following journal entry "rules".

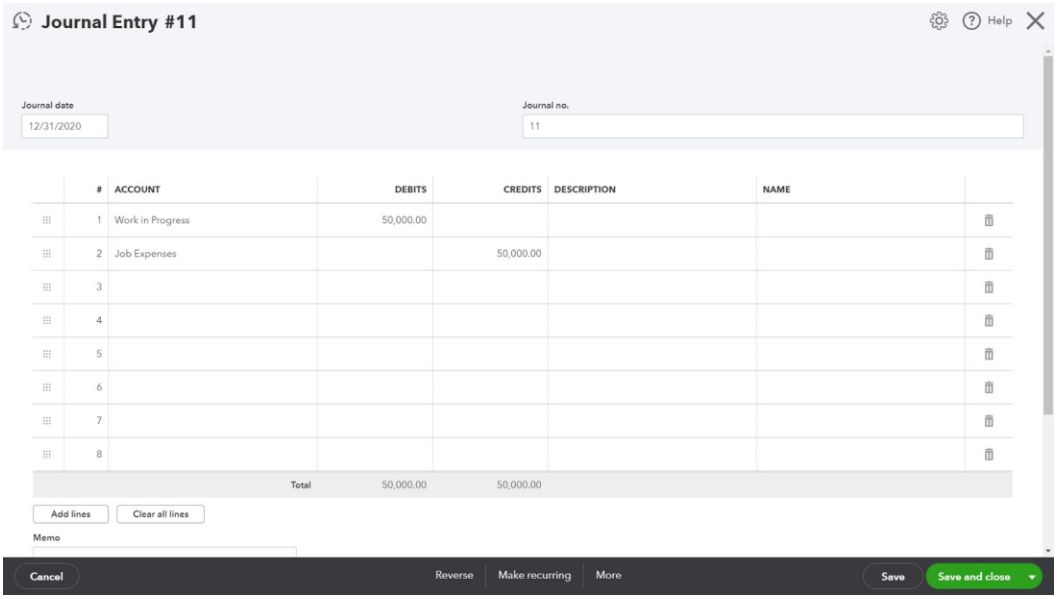
- A name must be specified for entries to accounts receivable, accounts payable, and sales tax payable. This lets QuickBooks assign the entry to the correct name in the subledger.

Journal entries to accounts payable or accounts receivable DO affect the sub-ledgers balance…but they still need to be applied to individual transactions. If they are not, they will just remain open and can cause problems on your aging reports.
Journal entries to accounts payable do not affect 1099 tax forms. To correct any amount being reported for a vendor on a 1099, make sure to use an Expense or Cost of Goods Sold account, which will appear properly.
Journal entries to accounts receivable do appear on customer statements.
Journal entries made to payroll liability accounts do not affect the built-in payroll system and payroll reports

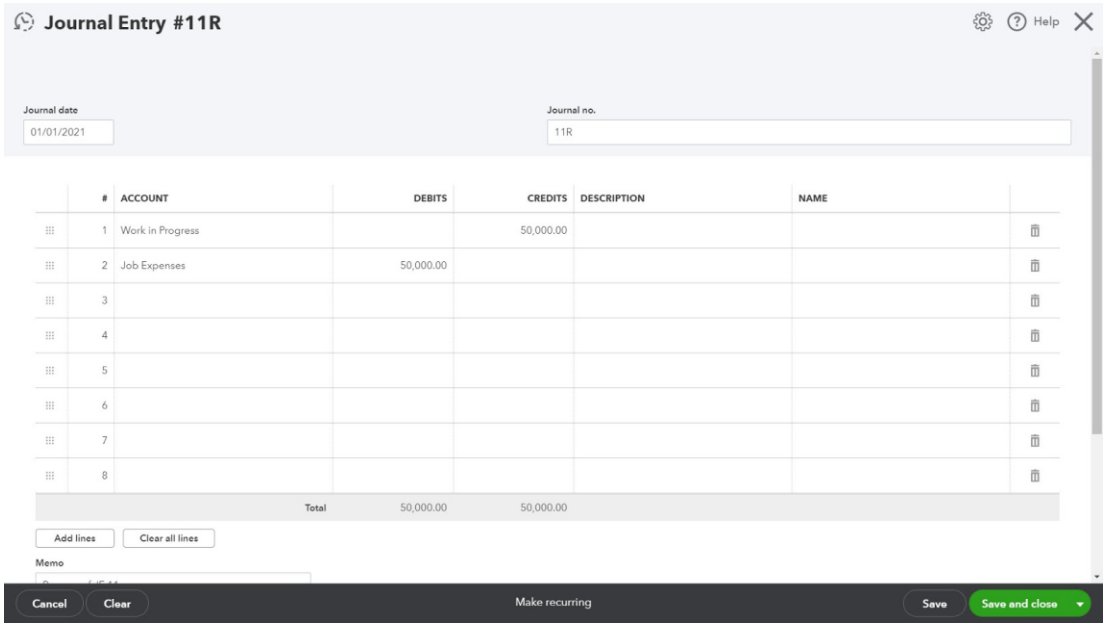
Note: Be careful with journal entries, because even though they work pretty well when you're trying to update a Profit & Loss or Balance Sheet statement, they won't alter your sales or purchases reports. So they're good for fixing errors, but in terms of everyday use, try to minimize your use of journal entries as much as you can and use the built-in forms like an invoice, credit memo, bill or check.

Reversing a Journal Entry

Accountants occasionally enter a General Journal Entry in one accounting period and then reverse the journal entry in the following period. Whatever the reason, reversing a journal entry keeps the original journal entry and simply adds another exact opposite to your books, that way they both offset or zero each other out.



1. To create a reverse journal entry, just **open the entry** that needs to be reversed.
2. Select the **Reverse** button at the bottom.



QuickBooks enters the reversal as a new journal entry. It takes the amounts from the original journal entry and moves them to the other column, making the original Debits…Credits, and making the original Credits…Debits.

The date of the reverse journal entry is always the first of the next month, and QuickBooks numbers the new journal entry as the same on, but adds an R.

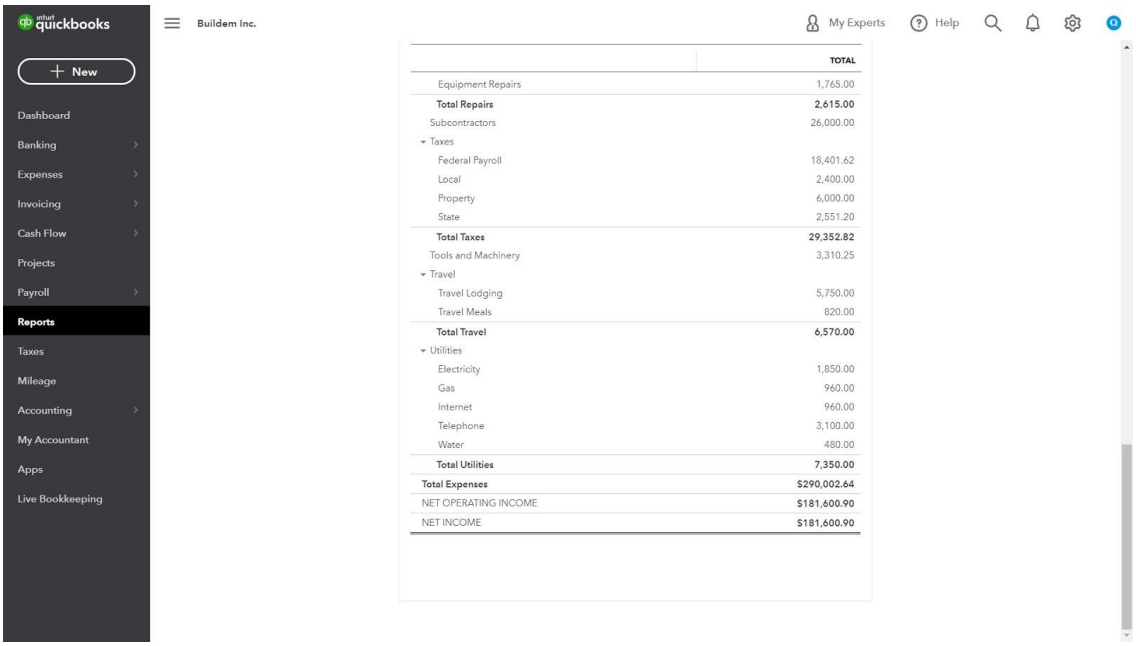
Year-End Procedures

As an advanced user, you might take an active role working with your accountant throughout the year but especially at year-end. You'll learn

- How QuickBooks calculates your Net Income and Retained Earnings based on the date of your reports. A lot of people think there is a specific year-end journal entry you have to perform to move those two numbers around, but in QuickBooks, you don't have to do anything special at all.
- About a journal entry that can zero out equity balances at the beginning of the new fiscal year. This is not a requirement, but a lot of businesses like to see these numbers folded into retained earnings each year.
- How easy it is to invite your accountant to your QuickBooks file. This means they can see your numbers to do the work they need to do.

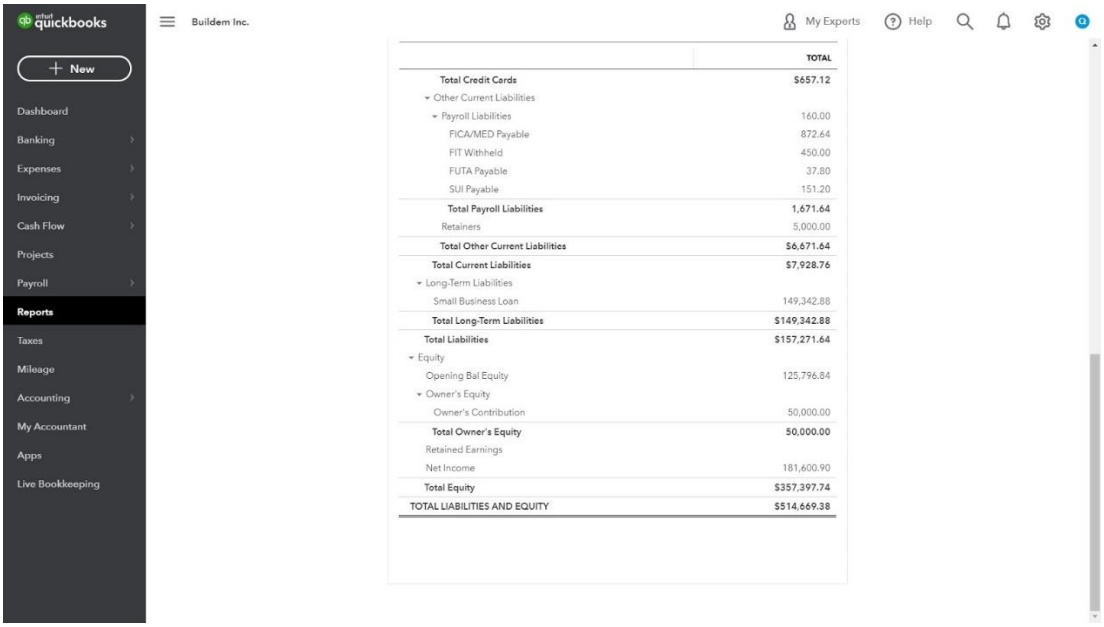
Closing Entries

It's a common belief among new QuickBooks users that there's something special they need to do at the beginning or end of the year to move one year's profit into retained earnings, or to close things out so that they can start the next year fresh. There is nothing special that has to be done between one year and another.



On a **Profit and Loss statement** for a fiscal year, QuickBooks shows the Net Income for the entire year. **Net Income** is the total income minus cost of goods sold and expenses for your business, so it's the profit the business took in over that

period. When the date is changed to the beginning of the next year it goes to zero automatically. Nothing special needs to be done to make this happen, it's all about the dates on the reports.



On the bottom of the Balance sheet, QuickBooks keeps track of the profit from previous years in the balance called Retained Earnings. This balance comes from all of the previous year's net incomes added up together. This happens automatically without any journal entries. QuickBooks just gives one number or the other based entirely on the date range you enter for the report.

This method works great in nearly every situation. But there are some other balances that businesses sometimes like to "reset" when a new year starts. In particular, Owner Draws and Contributions. The reason some businesses like to reset these to zero at the start of each year is that these balances tend to increase or decrease forever and business owners often like to just see how much they've taken as draws over the course of a single year, and also have those draws factored into retained earnings.

Reset Equity at the Beginning of the Year

1. Select New+> Journal Entry
2. Select **Jan. 1st** as the date range.
3. On the **first line**, enter the **Equity** account to zero out.
   - If it is necessary to increase the balance of the account to have it zero out, enter the amount to increase it by as a Credit. This is usually the case with equity Draw accounts.
   - If there is a need to decrease the balance down to zero, enter the amount to decrease by as a Debit.
4. On the **second line**, enter the **Retained Earnings** account. QuickBooks fills in the appropriate amount in the Credit or Debit.

5. Select Save and Close.

Revisit the Balance Sheet

6. Select **Reports** > Search for the **Balance Sheet**
7. The **Owners Draw** balance is zero.
8. The **Retained Earnings** will lower by the amount of the Owners Draw.

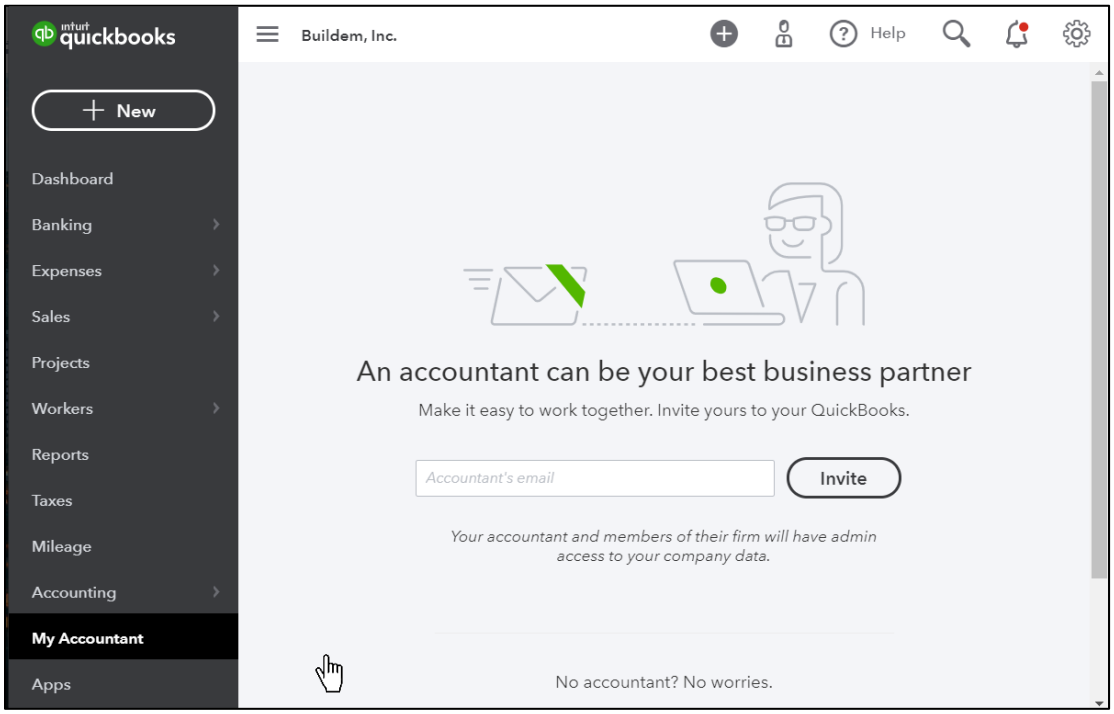
Review the Effects on Last Year

1. **Change the date** on the Balance sheet to the last day of the previous year (e.g. 12/31/2019)
2. The **Owners Draw** is still here, now you can see exactly how much was draw each year without it affecting the next year.

Note: This procedure doesn't need to happen for every company, but it does help to explain retained earnings a little and it makes the equity section much cleaner.

Invite Accountant

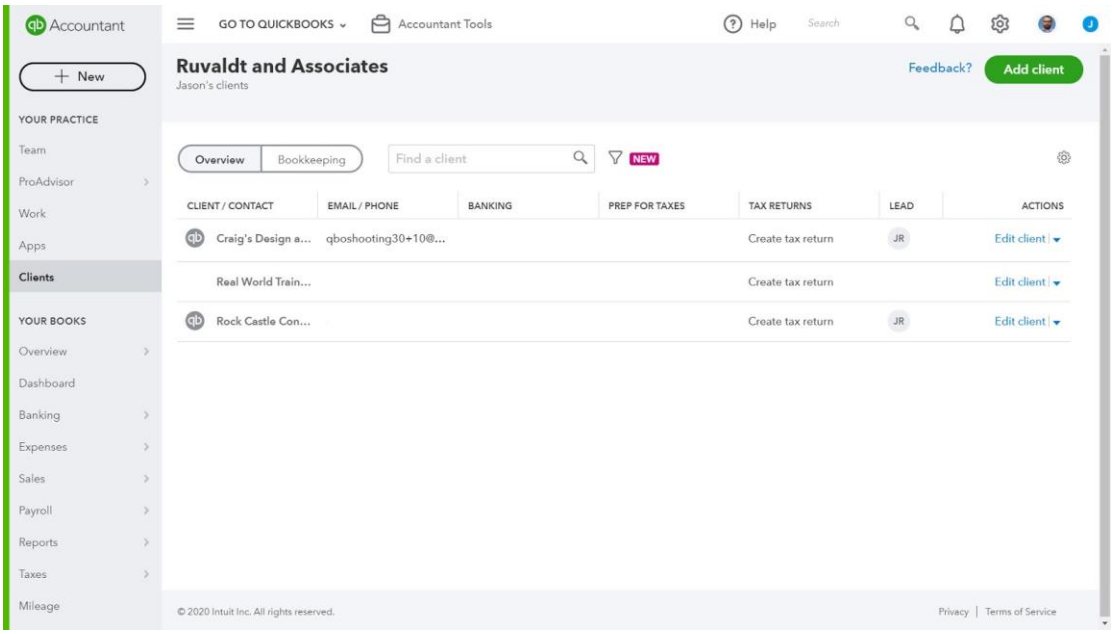
1. Click the **Gear** menu and select **Manage Users**.
2. Click the **Accountants tab.**
3. Enter your accountant's **email address**, and click **Invite**.



QBO Accountant

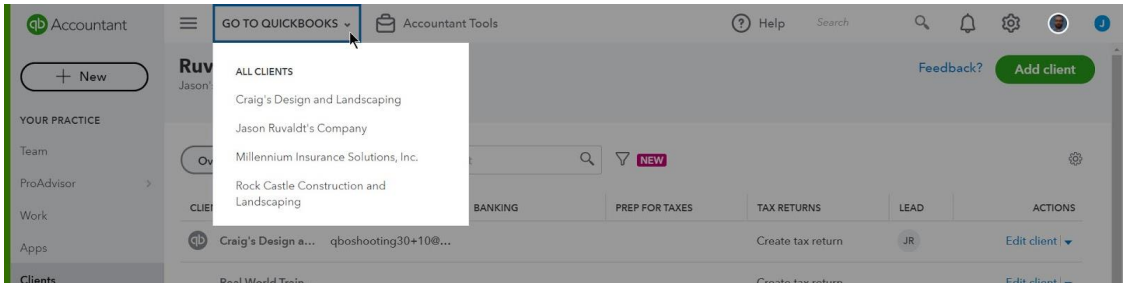
There's a special version of QuickBooks Online built specifically for accountants and bookkeepers who work with multiple clients. **QuickBooks Online Accountant** works as a hub for all clients by helping accountants keep track of the firm's bookkeeping and also connects them to all of their clients.

As soon as a client invites their accountant to be the accountant for the company, a free QuickBooks Accountant account is created. This can be accessed at https://quickbooks.intuit.com/accountants/products-solutions/accounting/online/ or just go to the website where you can sign up for a QuickBooks Online Accountant account.

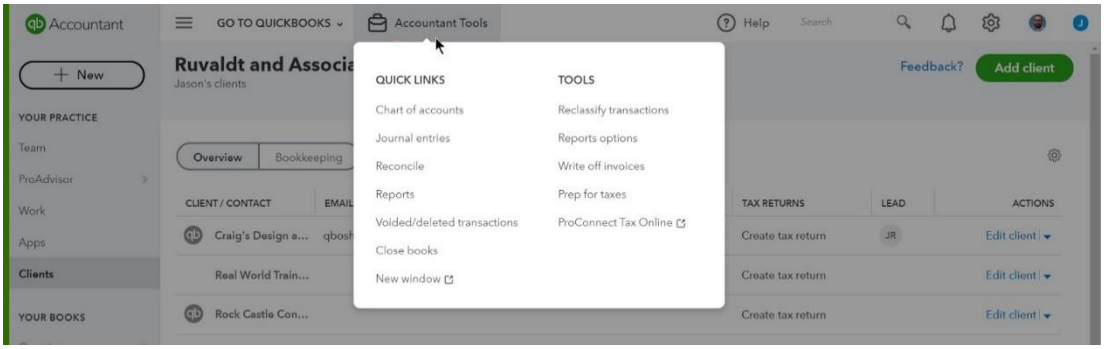


QBO Accountant looks and feels like QuickBooks Online but it has a few extra features. The Navbar on the left is divided into two sections:

- **Your Practice** helps keep track of clients and the work that needs to be completed for them. This section also provides some training and certification options. Some features can also be used communicate with clients and request documents.
- The **Your Books** section works just like any other version of QuickBooks. It's in this section, can track the firm's finances, invoice clients, record purchases, and the things taught in this manual and the accompanying video training.



- A few extra buttons in are available in QuickBooks Online Accountant.
- There is a button towards the top that acts as a drop-down menu to move back and forth between different clients' books. Select the button and choose which the company to view.
- Done working with that company? Select the button again and move over to another client. This eliminates the need to log in and out of a bunch of different companies with separate usernames and passwords, saving you time.

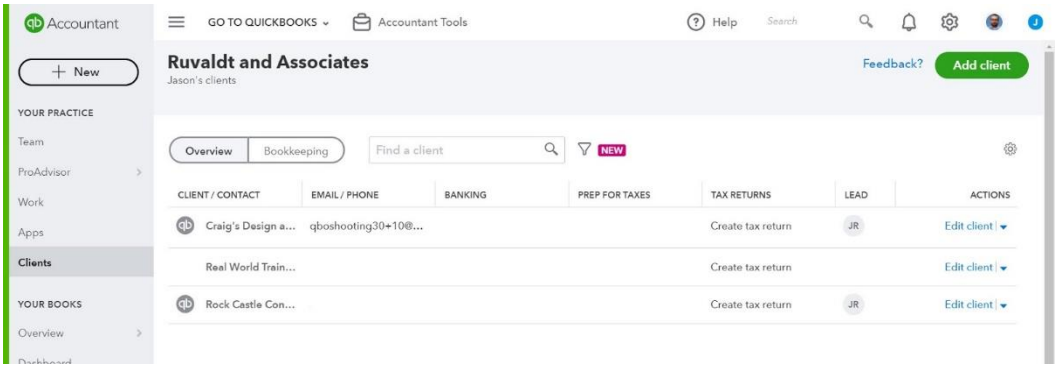


The Accountants Tools button provides access in clients files to frequently used tools, as features exclusive to QuickBooks Online Accountant.

- From this menu you can reclassify transactions in a batch if there are lots of things to fix and also write off batches of old invoices that will never be collected.

Accountant Client Dashboard

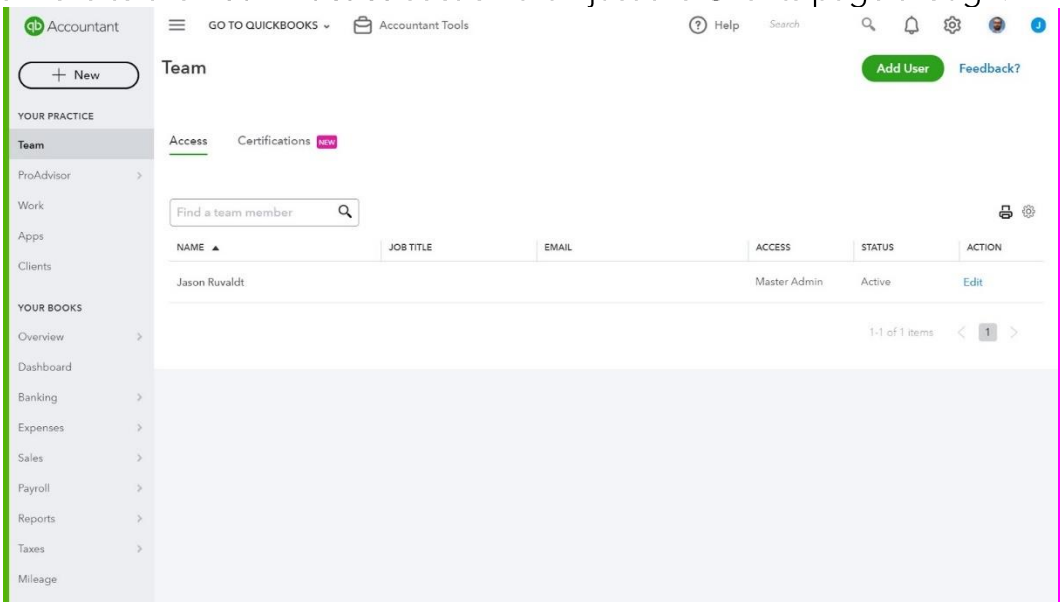
The Your Practice section of the Navbar helps organize the work related to clients.



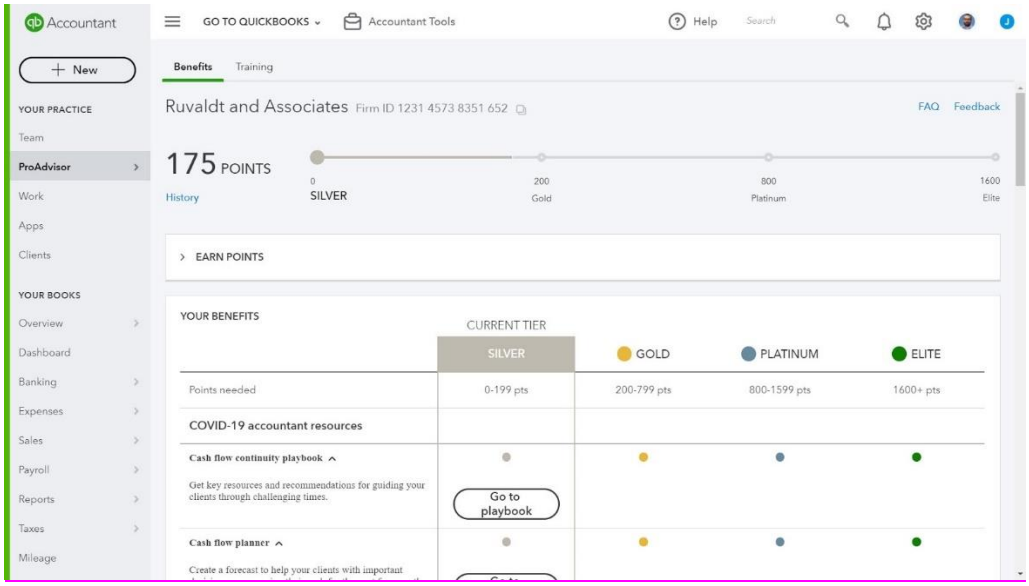
- The clients screen lists all of the businesses that have invited you to be their accountant from within their QBO accounts. Click **Add Client** at the top right to create a new QBO account for a client.
- This screen lists your client's contact information as well as how up to date they are on their downloaded transactions in the banking center.

Select **Create tax return** to export their information to Proconnect Tax. This makes tax filing much more efficient since you're just transferring the adjusted and confirmed financial information from your client's books right to Proconnect Tax. And since Intuit designs and updates both of these products, you can be sure that they know how to communicate with each other.

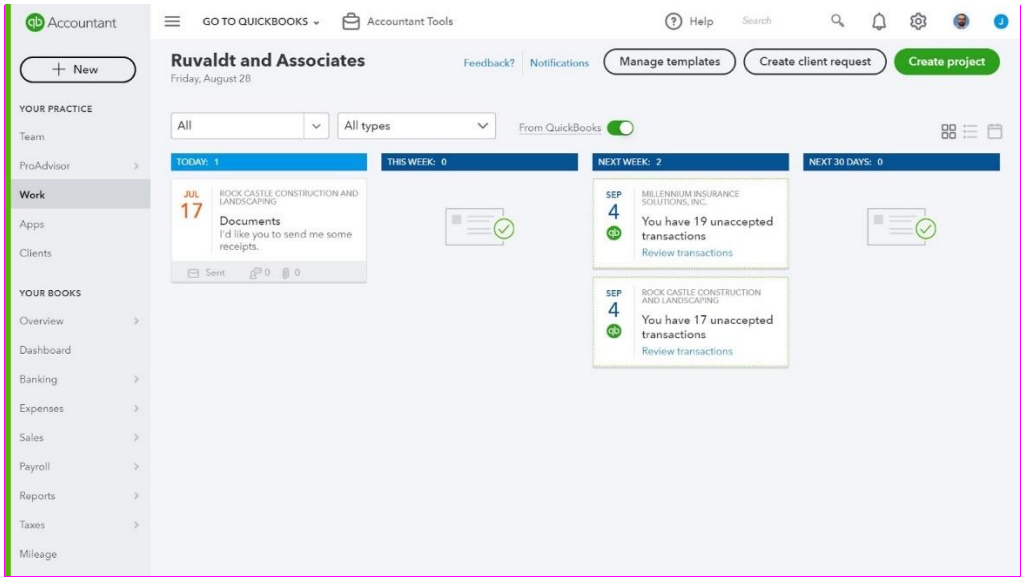
There's more to the **Your Practice** section than just the Clients page though.



1. Select the **Team tab**...to see a list of people that have been given access to the QBO Accountant account.
2. Select **Add Users**, which allows users to be added and certifications to be tracked.



3. The **ProAdvisor** section provides access to special marketing tools that help with growth and advertisement of services to other QuickBooks Online users. There is also some training available in this section.



4. The **Work** tab allows organization of the tasks that are left to perform for clients.
5. QuickBooks lists tasks to do today...this week...next week...or in the next thirty days.
6. The **Create** client request section automatically updates some tasks, but tasks can also be added with the **Create Client Request** button.

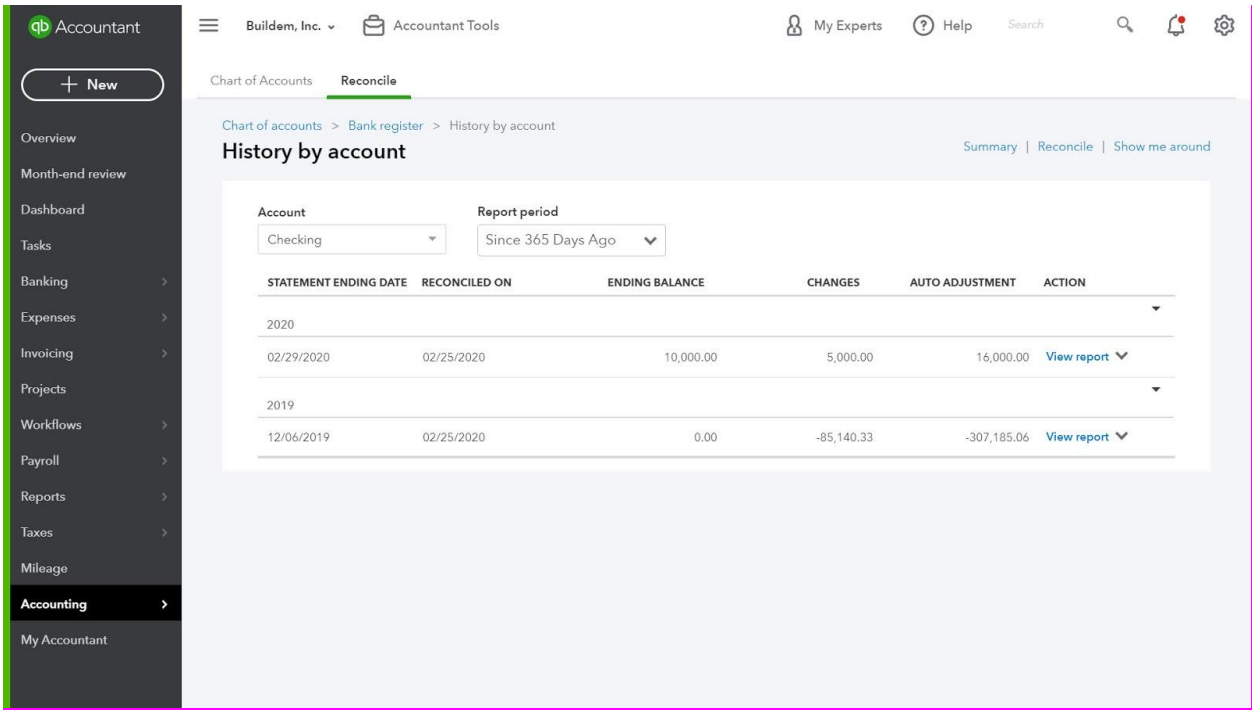
- Just enter a name for the request, the client you want to send it to, and some more details. The request will appear on the Work page, and it's also sent to the client.

Undo a Reconciliation

Normally once a reconciliation is complete, there is no way to undo it. It is possible to open the account's register and un-reconcile individual transactions, but this takes a lot of time and it's also prone to error. As the accountant for a company though, you can do something very special...undo an entire reconciliation.

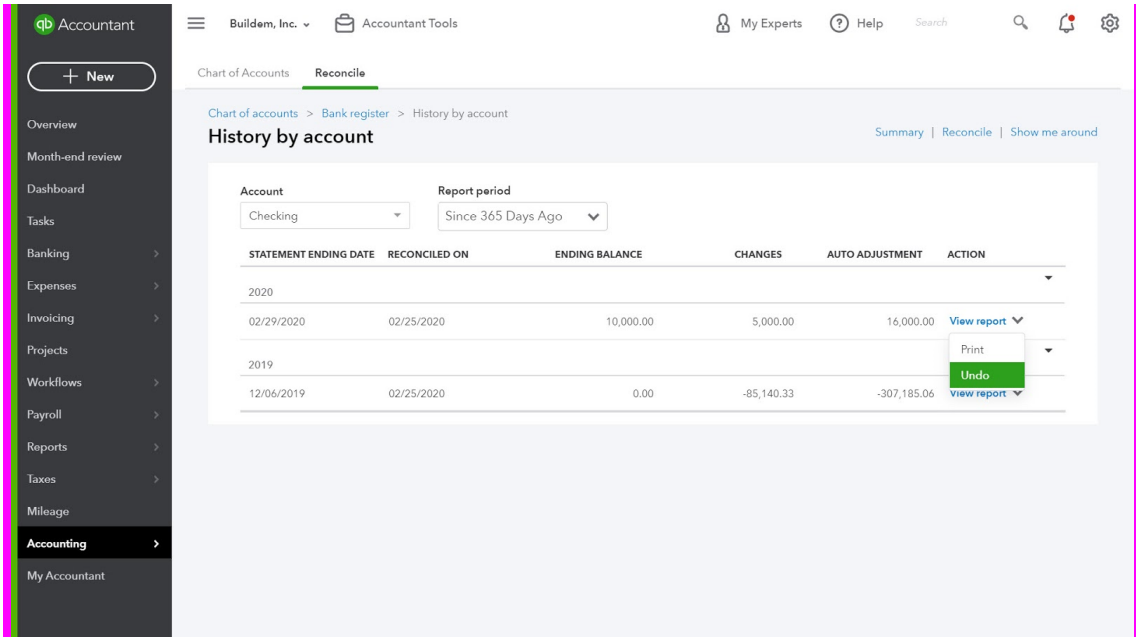
1. Select the **Gear menu** > select **Reconcile**
2. From the reconciliation window, select **History by account**.

- This window displays every reconciliation that meets parameters selected at the top of the screen.



3. In the **Changes** column, any time a cleared transaction has been changed or deleted, the changes appear in this column.
   - Seeing a number in this column is a bad thing because as long as the reconciliation was performed correctly, there should be no change in the amounts of cleared transaction or for the transaction to be deleted.

4. Select **Report** to view a reconciliation report and view the individual transactions involved in the reconciliation.



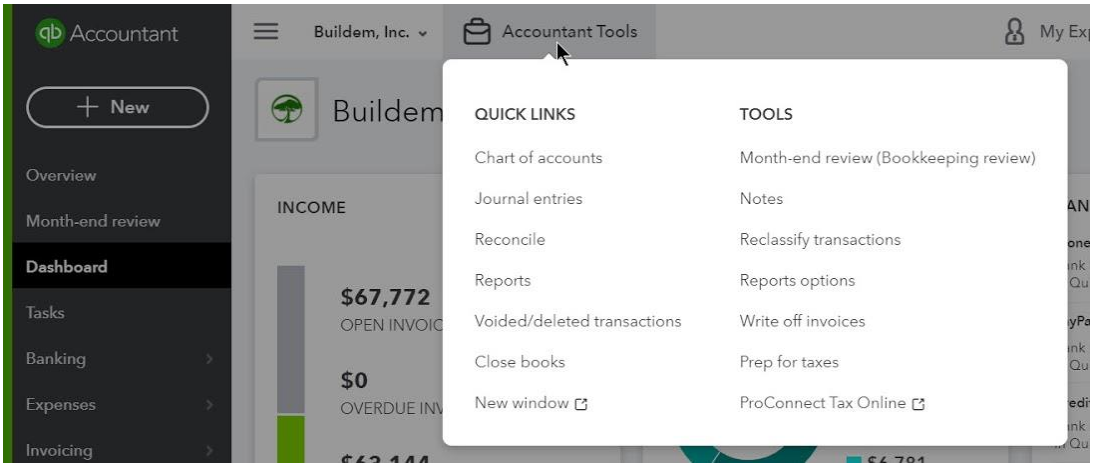
5. To use the special Accountant feature to undo the reconciliation entirely, select the Action drop-down arrow and choose **Undo**.

- Choosing this option deletes the reconciliation report, deletes any auto-adjustments that were made due to performing a reconciliation with a difference, and it also unclears all of the transactions that were cleared in that reconciliation. But, if a reconciliation was performed in error, or just want to start over again, it really is the best option.

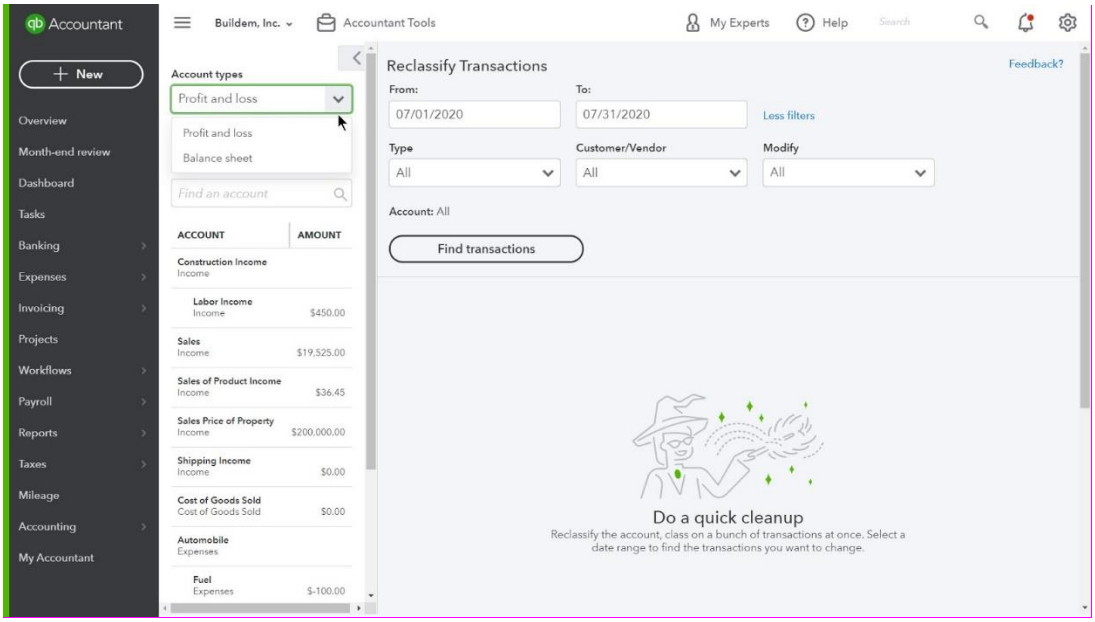
Reclassify Transactions

For accountants, there is a **Reclassify Transactions** feature available, which allows lots of changes to be made quickly.

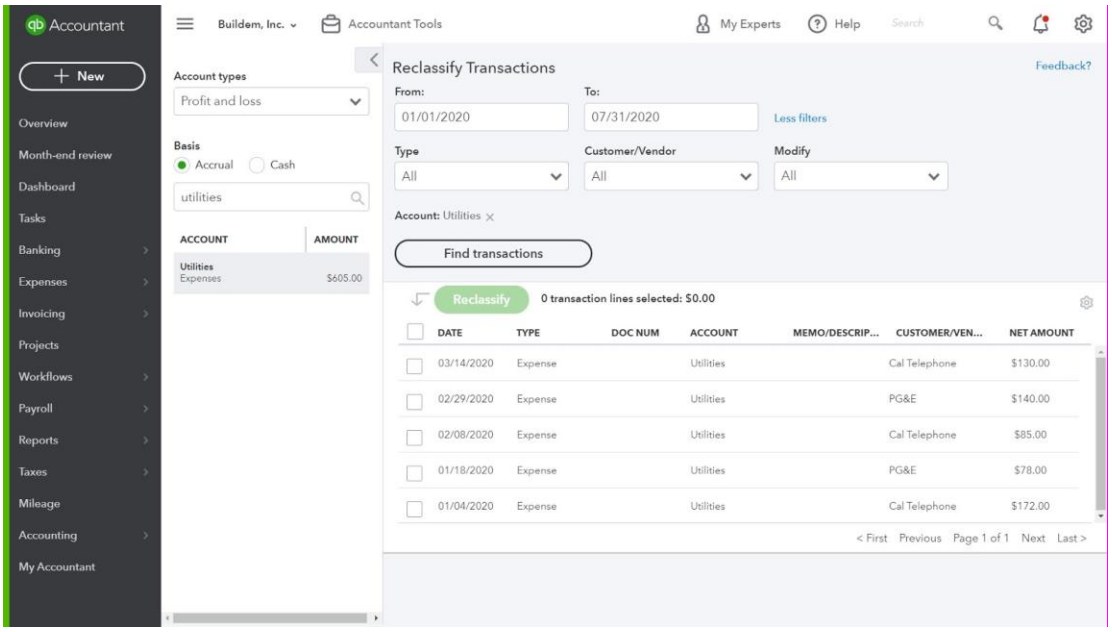
1. To access this feature, select **Accountant Tools** along.
2. In the tools column, select **Reclassify Transactions**.



3. In the **Reclassify Transactions** window, locate the transactions that need to be changed. Search for the desired criteria using the **filter** options available.



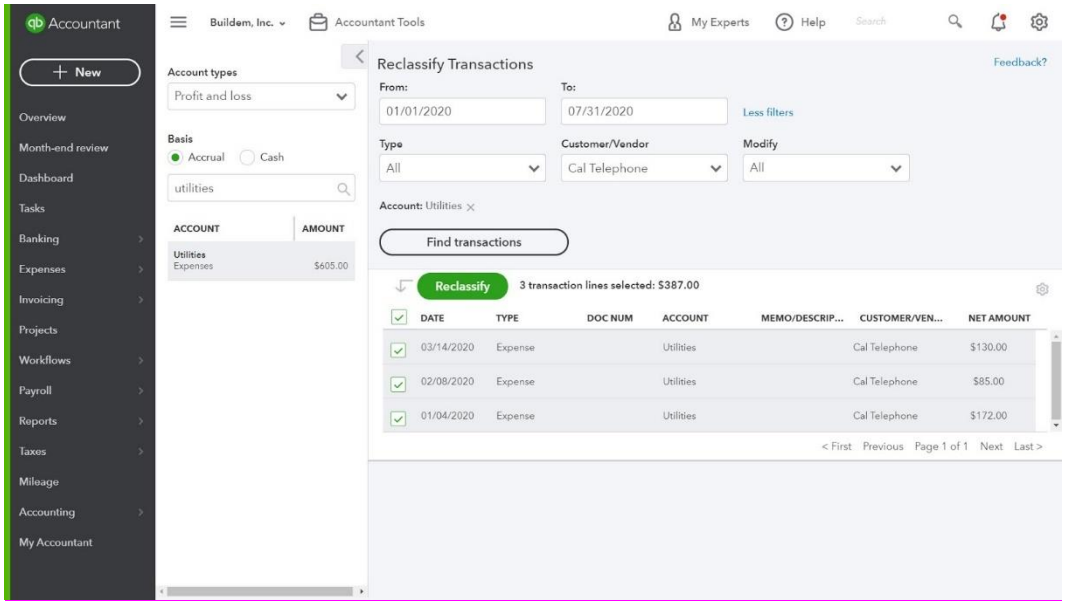
4. QuickBooks organizes this window so that you can search for transactions based on whether they affected a specific Profit and Loss account...or a Balance Sheet account. It divides it this way because usually when the feature is needed, it will be necessary to correct a lot of that have to do with a specific account and this is just the easiest way to find them.



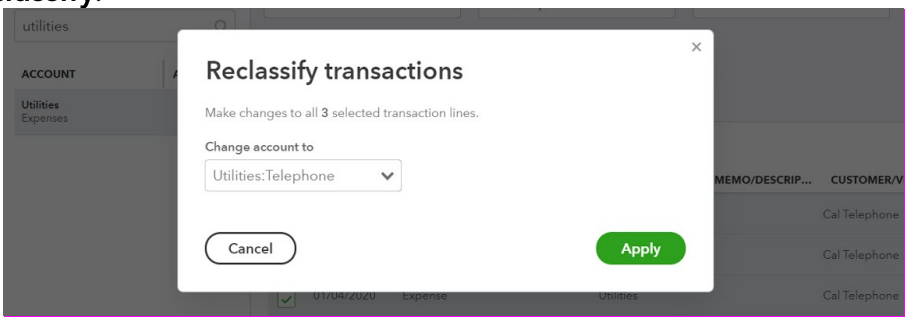
Scenario: A company uses a parent account such as utilities, when it should have been subaccount of that account to get more detail on their reports. To do so, it would be necessary to search for the parent account in order to see all of the transactions associated with it.

1. Locate the **filters** at the top right. These can be used to narrow down the search even further. Look for transactions within a selected range of dates.
2. Of a specific type you're searching for.
3. With a specific class currently assigned to it.
4. Based on what customer or vendor name currently appears on it.
5. Based on how you want to modify it.

QuickBooks, by default organizing the transaction by date with the earliest transaction appearing first, but the list can be **resorted** by clicking any of the column headers.



6. Select the boxes of the transaction that need to be changed, or select the top left checkbox to change them all.
7. Select **Reclassify**.



8. Select a **new account** for the selected transactions, or change the desired class, then select **Apply**.

Chapter 14

Multicurrency

Introduction

If you work with customers, vendors, employees or bank accounts in other countries it adds another layer of complexity to bookkeeping because you have to deal with exchange rates. In this chapter you'll learn how to turn on multicurrency, how multicurrency works with customers and vendors as well as how to deal with Realized and Unrealized gains and losses.

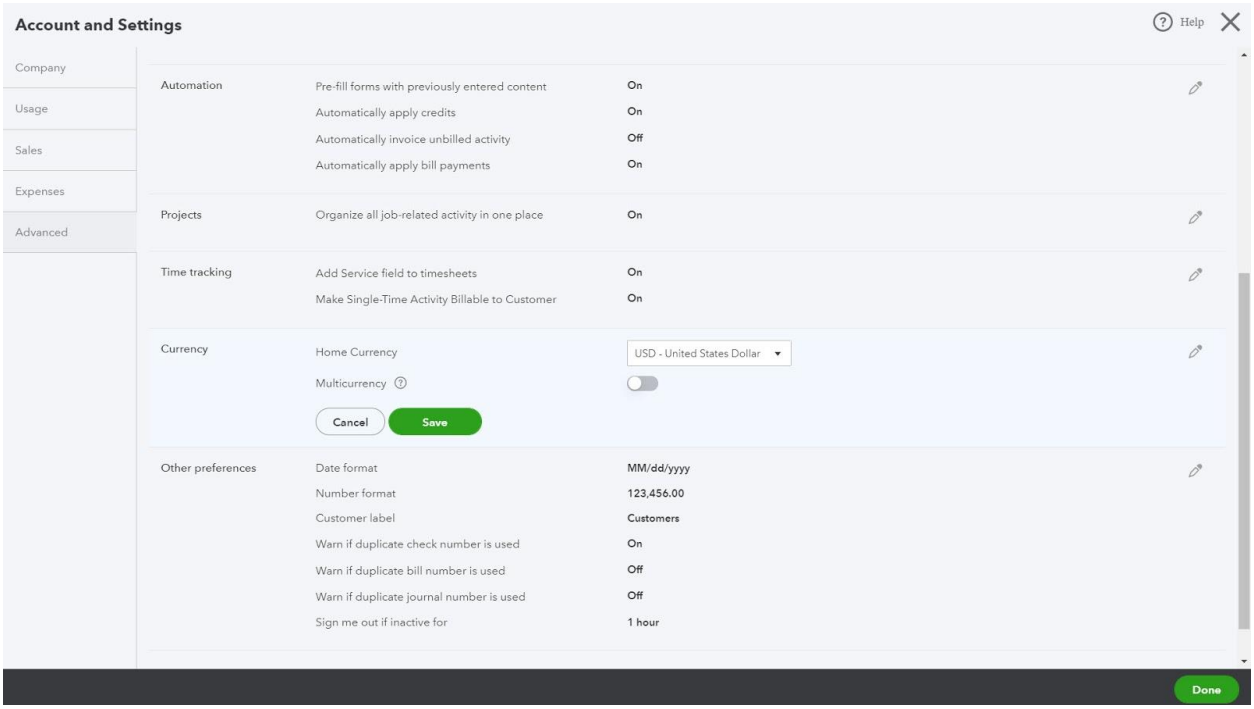
- It's important to note that once you turn on multicurrency there is no way to turn it off.

Test Drive – Try out Multicurrency

1. If interested in multicurrency, it is possible to turn it on in the QuickBooks Test Drive to see how it would look once turned on in your own QuickBooks Online file.
2. Search for the url **qbo.intuit.com/redir/testdrive**
3. In the test drive, follow steps 1 and 2 below to turn it on and try it out.

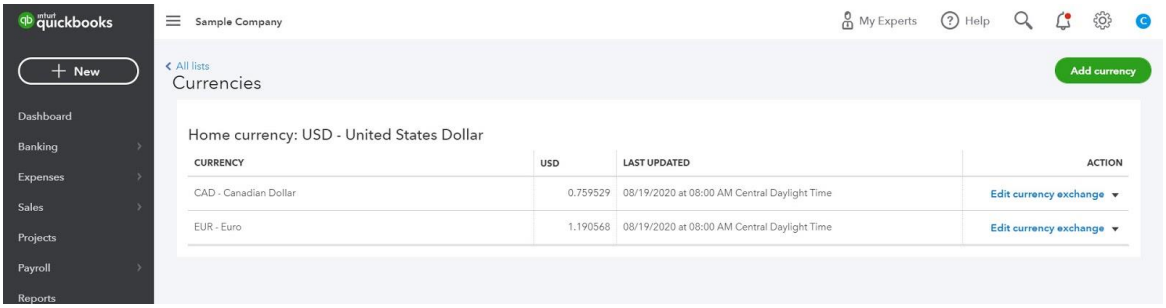
Multicurrency Introduction

1. The first step is to turn on the multicurrency setting.
2. Select the **Gear Icon > Account and Settings > Advanced Tab**



3. In the Advanced Tab, toggle on Multicurrency.
4. Once it is turned on, be sure to choose the currencies that are commonly dealt with in the QuickBooks file.

Note: Check up on the currencies by selecting **Gear > Currencies.**



5. Here you can view a list of currently active currencies. To add a New currency, select New to add additional currencies from the drop-down list.
6. Currency exchange rates change all the time, and QuickBooks updates them automatically. You can see the current rate here or you could choose to update the rate yourself with the **Edit Currency Exchange** option.

Set Up Foreign Currency Bank Account

If your company has bank accounts in multiple countries, you may need to track your cash in currencies other than your home currency. Fortunately, when you set up a bank account in QuickBooks you can choose the currency that you deposit and withdraw from it.

1. Select **Accounting > Chart of Accounts > New**
2. Choose **Bank** as the **type**
3. Select Checking as the detail type
4. Select the **Currency** for the **account**.

Note: Once you set the currency for the account, you are not able to change it later.

5. Select **Save and Close**.

Foreign Currency Vendor and Bills

Currencies must be applied to Vendors and Customers. A currency cannot be recorded when a transaction is created, QuickBooks will assign the currency based on the account used, vendor you're paying or customer you're charging. This is why it is important to assign a currency anytime a vendor or customer is added to your QuickBooks account.

One Vendor Paying with Multiple Currencies

If you have a vendor that you pay with multiple currencies then you need to set up separate vendors to represent the different currencies you use to pay them.

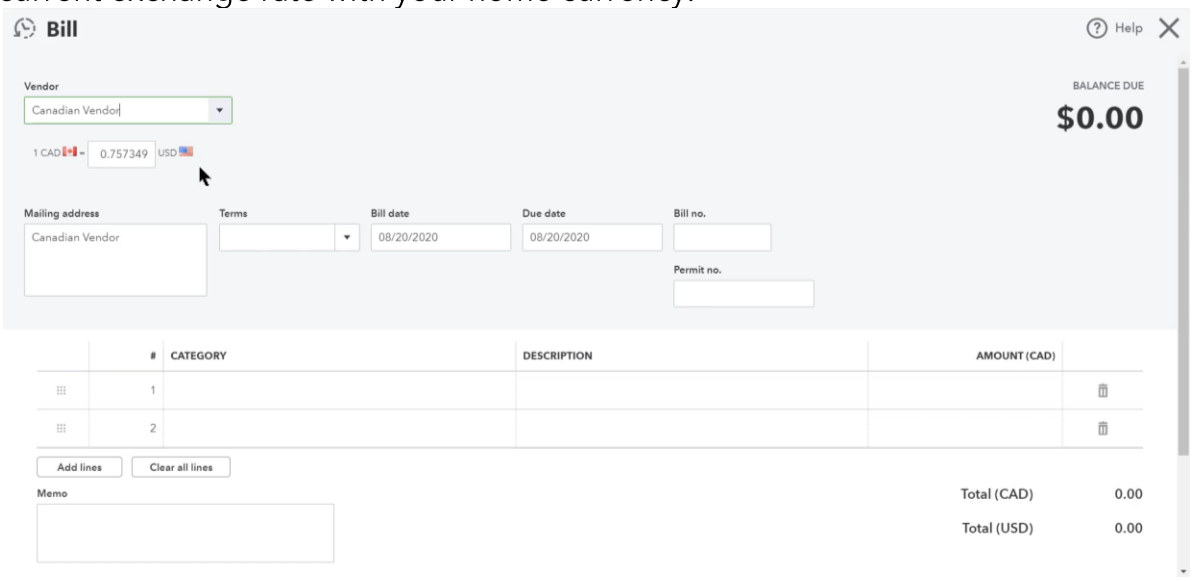
6. Select **Expenses> Vendors > New**
7. Enter the **Vendor** name
8. Enter the **Currency** they are paid with

Note: Just like bank accounts, it is not possible to change currency once this has been chosen.

9. Once **Multicurrency** is turned on, QuickBooks assigns home currency to all of your existing Vendors.

Review the Changes by Creating a Bill

3. Select **New+ > Bill**
4. Enter the **Vendor name**
5. QuickBooks shows the currency they charged by that vendor, as well as the current exchange rate with your home currency.



6. When you start using multicurrency with Bills QuickBooks sets up separate Accounts Payable accounts for each currency.
7. Enter the **Category** and **Amount** owed.
8. Select **Save and Close**.
9. You now owe money to the Vendor.

Pay Foreign Currency Vendor and Bills

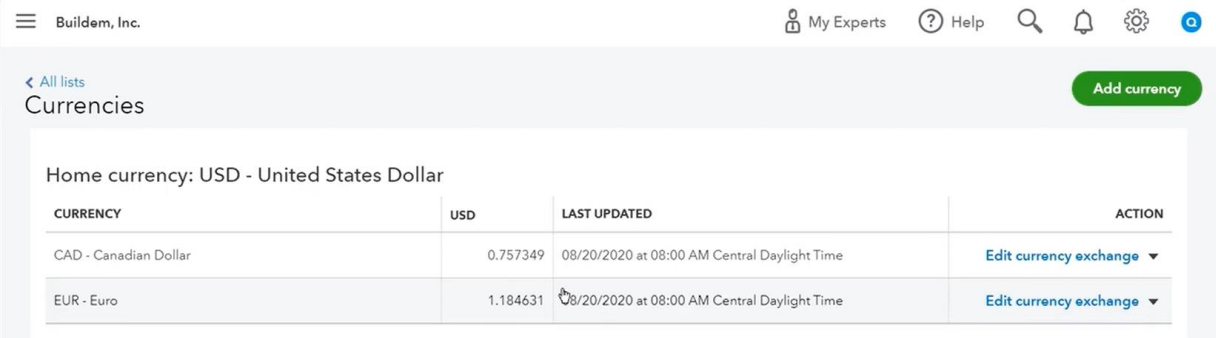
If a bill has been entered into the account for the Vendor, but a change has taken place since on the exchange rate, this will affect Accounts Payable.

Scenario: A bill is owed in Canadian funds, but the US dollar has since lost it's value against the Canadian dollar. This bill will still be for the same amount in Canadian dollars, but will cost you more US dollars to pay it off.

1. Select **Expenses > Vendor >** Select the Vendor name to view the transaction.
2. Select the **bill transaction** to open it.
3. Look at the amount for the **US dollar value**. At the time the bill was created, this line shows what the amount in US dollars would have been to pay off the bill. The difference between this number and what you eventually pay it for is what's called a realized gain or loss.
4. Close the transaction by selecting **Save**.

Currency Exchange Rates

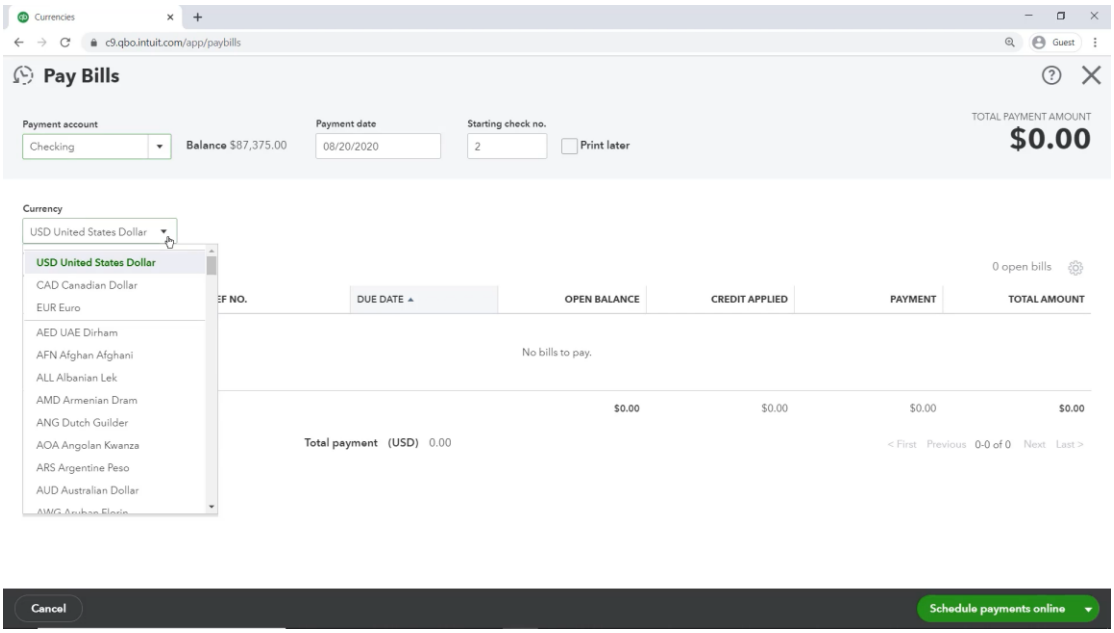
- Select the **Gear icon > Currencies**



Note: This is not something that will be done routinely on the account. Currency exchange rates update automatically. The rate of exchange can be updated manually, but QuickBooks by default takes care of this for you. If for any reason the rate needed to be manually updated, this is where you would do so. After selecting Save, the exchange rate would be updated.

Paying the Bill

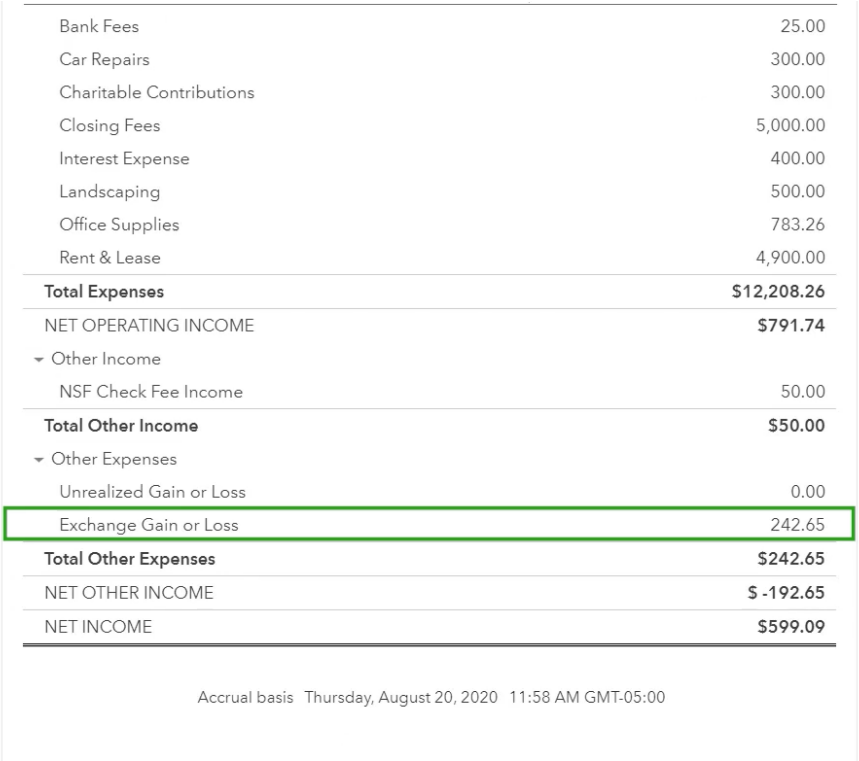
1. Select **New+> Pay Bills**
2. QuickBooks separates your bills between currencies. The First window shows your home currency bills.
3. Select the **drop-down menu**, and select the **currency** to pay the Vendor with.



4. Select the **Bill to Pay**.
5. Select the bank account where the funds are coming out of to be able to pay the bill, and the exchange rate will update.
6. Select **Save and Close**.

Review the Changes

1. Select **Expenses > Vendors**
2. Locate the **Vendor** that was just paid. The balance should lower based on the amount paid to the vendor for the original amount listed on the bill.
3. Select Reports > Profit and Loss.
4. The accounts affected by the bill on this report include the **Account category** chosen on the original bill, as well as the **bank account** where the funds were taken out of. A third account affected on this report is an **Exchange Gain or Loss** account. This account will show the difference between the original bill's cost to the actual cost when it is paid.



Bank Fees	25.00
Car Repairs	300.00
Charitable Contributions	300.00
Closing Fees	5,000.00
Interest Expense	400.00
Landscaping	500.00
Office Supplies	783.26
Rent & Lease	4,900.00
Total Expenses	**$12,208.26**
NET OPERATING INCOME	**$791.74**
▾ Other Income	
NSF Check Fee Income	50.00
Total Other Income	**$50.00**
▾ Other Expenses	
Unrealized Gain or Loss	0.00
Exchange Gain or Loss	242.65
Total Other Expenses	**$242.65**
NET OTHER INCOME	**$ -192.65**
NET INCOME	**$599.09**

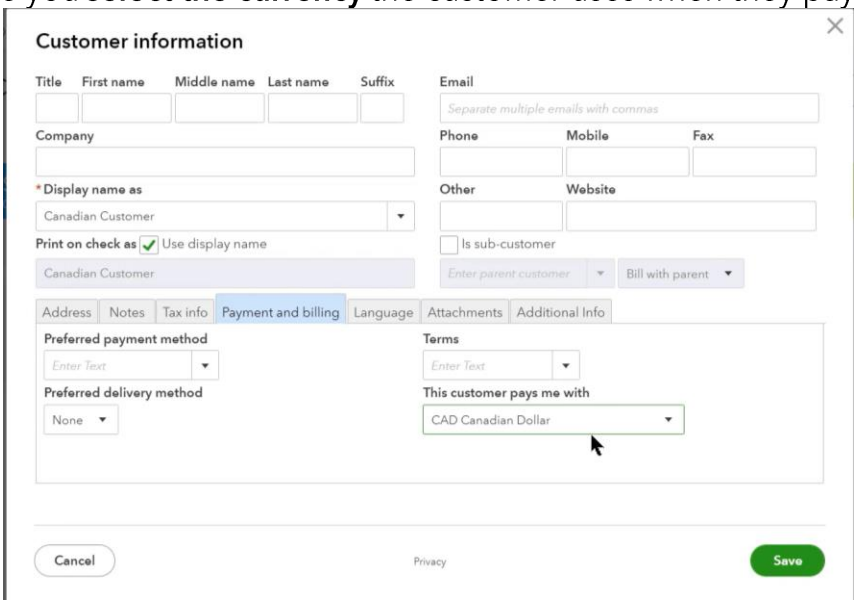
Accrual basis Thursday, August 20, 2020 11:58 AM GMT-05:00

Note: When rates change in favor of your home currency this account goes down, and when rates change unfavorably, this account goes up.

Foreign Currency Customer and Invoices

You also need to assign currencies to customers. QuickBooks uses the Customers List to keep track of which currency each customer pays you with.

1. Select **Sales > Customer > New**
2. Enter the **Customer Name** and desired **details**.
3. Select the **Payments and Billing** tab along the bottom of the screen.
4. This is where you **select the currency** the customer uses when they pay you.



Note: This is important because after you save the customer you can't go back and change it.

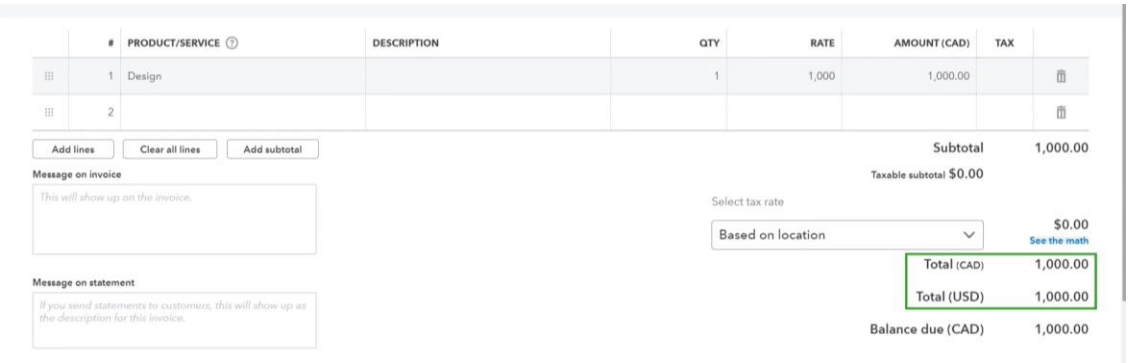
5. Once you have entered all details for the customer, select **Save and Close.**

Create a New Invoice

6. **Select New+ > Enter the Customer** from the drop-down.
7. The customer currency appears on the invoice along with the exchange rate.
8. Enter **sales**, with the product or service and amount as usual.

Note: QuickBooks show both the customer's currency and it's conversion into the home currency on the account.

9. Select **Save and Close**.
10. Visit the **Customer transaction** list to see that the customer owes you for the invoice, and the amount is in their desired currency.



Receive Payment for Foreign Currency Customer

If you or your customer's currency changes in value between when you sent them an invoice and when they pay you, QuickBooks reflects that change on your financial statements.

1. Select **Sales > Customer**
2. The **Customers list** shows what the customer are invoiced.
3. Select the **Customer**
4. From the **Customer Transaction** list, select the **invoice**.
5. Notice the amount listed in your currency at the bottom of the screen. At the time you sent the invoice, the total here is the amount you would have received. The difference between this number and the number you eventually receive is called a **realized gain or loss**.

Currency Exchange Rates

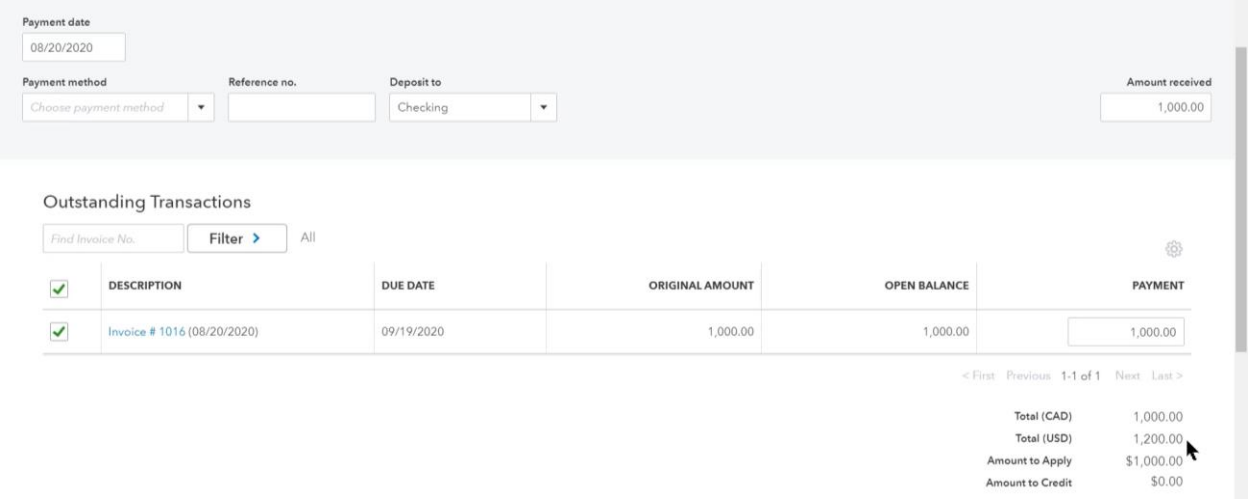
- Select the **Gear icon > Currencies**

Note: This is not something that will be done routinely on the account. Currency exchange rates update automatically. The rate of exchange can be updated manually, but QuickBooks by default takes care of this for you. If for any reason the rate needed to be manually updated, this is where you would do so. After selecting Save, the exchange rate would be updated.

Receiving the Payment

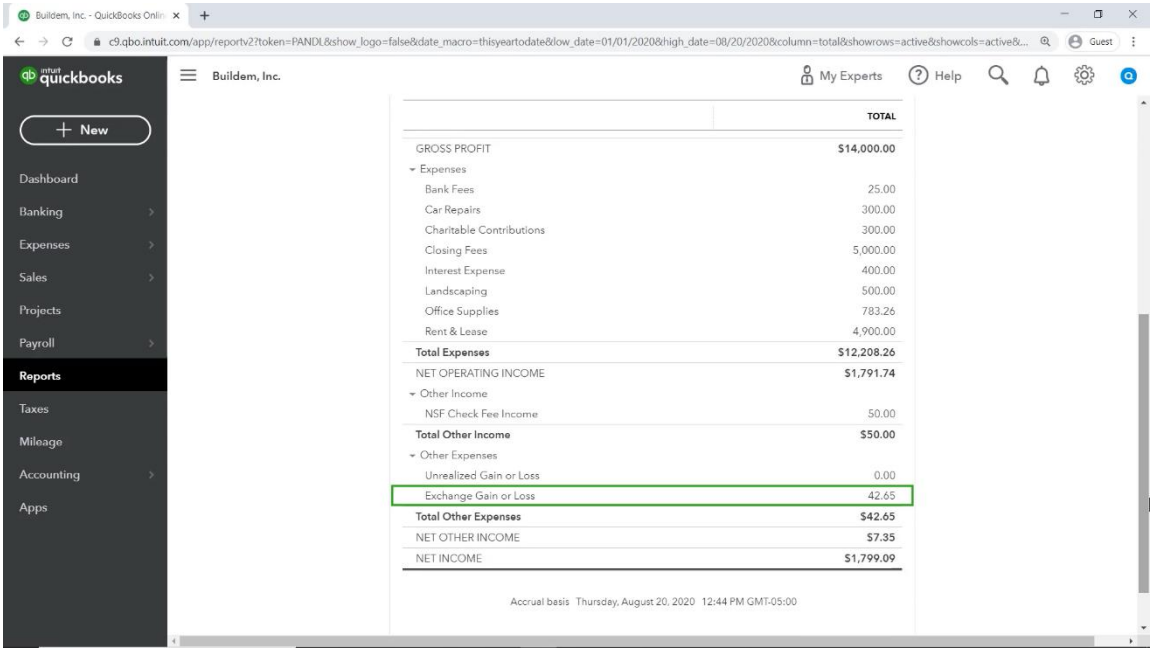
1. Select **New+> Receive Payment**
2. Select the drop-down menu, and select **Customer**. The currency the customer is paying you in, and the rate will appear.
3. Enter the **amount** being paid.

The amount will be available in both the customers currency and your currency on the payment transaction. Notice the difference based on the exchange rate.
Select **Save and Close.**



Review the Changes

4. Select **Sales > Customers**
5. Locate the **Customer** that just paid off their invoice. The balance should lower based on the amount paid from the customer for the amount listed on the invoice.
6. Select **Reports > Profit and Loss**.
7. The accounts affected by the bill on this report include the **Income account** associated with the product / service purchased, as well as the **bank account** where the funds were added through the deposit. A third account affected on this report is an **Exchange Gain or Loss** account. This account will show the difference between the original invoice amount to the actual funds that were received.



Note: When rates change in favor of your home currency this account goes down, and when rates change unfavorably, this account goes up.