

# Tame The Accounting Beast With QuickBooks

## An all-day Quickbooks class

Congratulations on taking the class. The fact that you voluntarily seek to improve your business skills through education says a lot about your dedication to your business.

Some miscellaneous items:

- If you want a certificate of completion for attending today's class, send me an email at [lwilkins@mgreencpas.com](mailto:lwilkins@mgreencpas.com). Include the name as you want it to appear and I will send you a certificate in PDF format.
- Looking for more? Visit [www.qbassist.com](http://www.qbassist.com) for a few tips and tricks plus announcements of upcoming classes, webinars and other events.
- Be sure to sign up for our newsletter/blog announcements.
- Visit <https://www.youtube.com/lancebwilkins> for several You Tube videos about various QuickBooks uses.

Lance B Wilkins, Advanced QuickBooks Certified ProAdvisor



Class instructional notes follow this page

## Section 1

Many people dislike accounting. Some people hate accounting. Why do it?

We do accounting to facilitate government compliance and to have information for making better business decisions.

We get information out of QuickBooks mostly through reports. The information on our reports is only accurate if we've put the information into QuickBooks correctly in the first place.

When monitoring business results from QuickBooks, it's watching the trends, how the same number changes over time that will often tell us most about our business.

## Section 2

Can you identify what version of QuickBooks you need?

QuickBooks Pro

QuickBooks Online

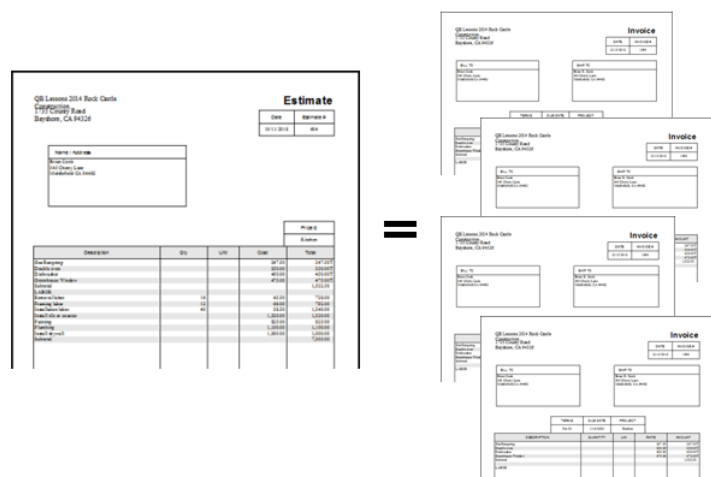
QuickBooks Premier (Industry specific versions)

QuickBooks Enterprise

Set **passwords**. The audit trail tracks all transaction entries, edits, and deletions.

QuickBooks allows **progress invoicing**. That is, from one estimate for one job or project, multiple invoices can be created, allowing the customer to be billed at various stages as work is completed.

QuickBooks keeps track of what parts of the original estimate have been invoiced and which have not.




**Cash accounting**, in simple terms, means the accounting transaction (a sale or expense) is recorded when the cash is received or spent.

**Accrual accounting**, in simple terms, means the accounting transaction is recorded when it happens, regardless of when the cash is received or spent.

QuickBooks will track **inventory**, both quantity and value on hand. If you set up to use inventory, it's imperative that you tell QuickBooks each time you buy an inventory item and each time you sell one. You do this by always creating the QuickBooks transactions using the items with correct quantities.

Some important facts about inventory:


Purchasing **inventory** is not an expense. Don't look for your inventory purchases there.



Acme Sporting Goods  
Buys 1 baseball bat at \$5.00

Accounting entry		
Inventory Asset (an asset)	Goes up	5.00
Checking (another asset)	Goes down	5.00

Purchasing **inventory** merely exchanges one asset, cash, for another asset, inventory on hand.



Acme Sporting Goods  
Buys 1 baseball bat at \$10.00

Accounting entry		
Inventory Asset (an asset)	Goes up	10.00
Checking (another asset)	Goes down	10.00

QuickBooks tracks the value of the **inventory** we have on hand on an average cost basis.



Acme Sporting Goods  
owns two baseball bats  
with a cost of \$7.50 each.

On the Balance Sheet, the balance in the account Inventory Asset is \$15.00

QuickBooks is able to track income and expense by job. The terminology is for contractors in the construction industries. But the feature is used to track projects for engineers, architects, and others. It is used to track fields and crops in agriculture. It is used to track rental units for property management companies.

There are probably many other uses as well. It's a very versatile feature.

### **Section 3 – Using Lists in QuickBooks**

Most lists, like chart of accounts, item list, and many others can be accessed from the **Lists** menu, one of the dropdowns from the menus along the top edge of the QuickBooks window.

List elements, like accounts in the chart of accounts, can be edited, even changing the name, without affecting any of the history that applies to that list element.

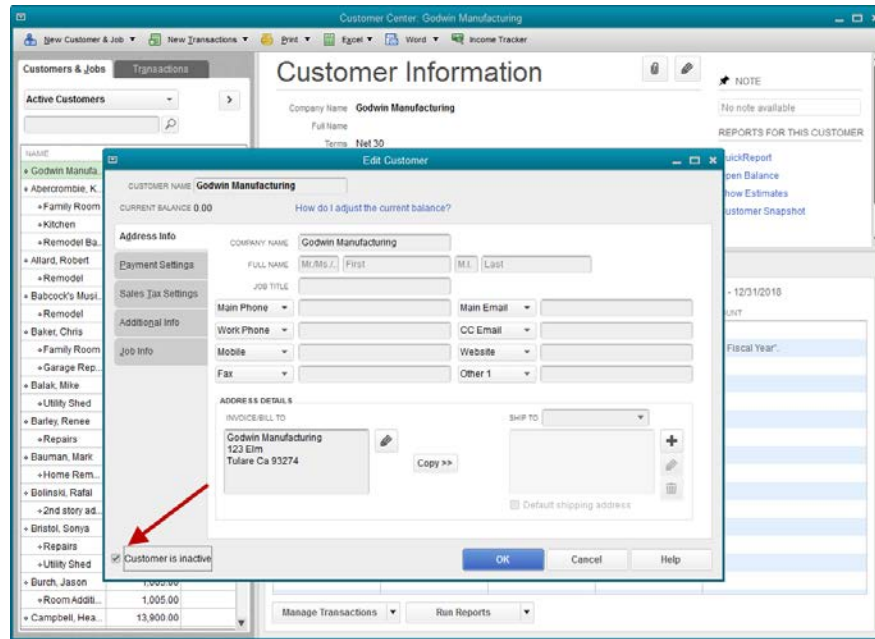
Indented entries in the chart of accounts are subaccounts. Subaccounts allow the grouping of similar accounts (or items, etc) into groups, rather than those account names being scattered throughout the list in alphabetical order like main accounts.

Customers, Vendors, and Employees are all major lists not on the Lists menu. They each have a Center. Customer Center, Vendor Center, etc. All activities with these lists, like editing, happen in the respective center.

There is another names list called Other Names. A best practice is to not use the Other Names list. Ordinarily, if you receive money from someone, they should be a customer, if you pay them, they are a vendor. The exception would be if you pay an employee (someone who will receive a W2), these of course are in the Employee Center.

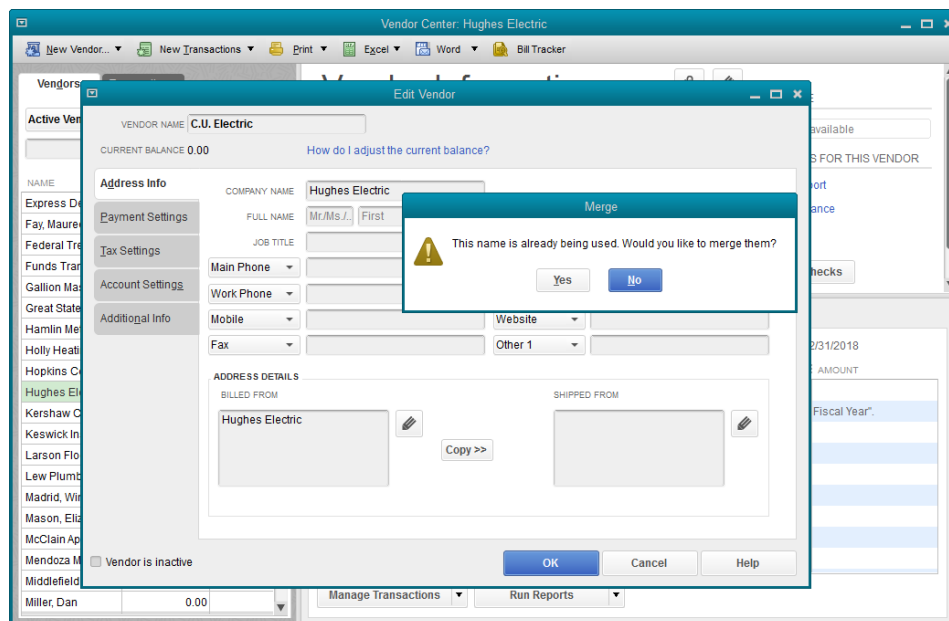
It is normal for two things to happen to names lists over time. One, they become populated with names we may never use again. Two, they become riddled with duplicates.

For names we think we will no longer use (an old customer, etc.), we can make the name inactive.



This causes the name not to appear on our lists by default. But, it is still there, hidden in the background, and can be re-activated at some future date if necessary.

With duplicates, we use a feature call Merge. Edit the duplicate name you **no** longer want to show on the list and change the name to the name you **do** want to remain on the list. If you copy the wanted name exactly, you'll get this message:



QuickBooks gives you a chance to re-think your decision, because there's no going back. It's a permanent change. In the case of the screen shot above, all the history that applies to Hughes Electric in the QuickBooks file, will now show C.U. Electric as the vendor.

## Chapter 4 – Banking

Using the Write Checks icon on the Home Page, checks are easy to create in QuickBooks. It looks just like a paper check form. The example has been set to be printed later. With that selection made, we cannot enter a check number. That will happen at the time of printing.

Write Checks - Cash in Tri Counties Bank

Main Reports

Find New Save Delete Create a Copy Memorize Print ☒ Print Later Pay Online Attach File Select PO Enter Time Clear Splits Recalculate

BANK ACCOUNT: Cash in Tri Counties Bank ENDING BALANCE: 58,624.21

NO. TO PRINT: ☒ DATE: 12/15/2018

PAY TO THE ORDER OF: Cal Telephone \$ 156.91

One hundred fifty-six and 91/100\* DOLLARS

ADDRESS: Cal Telephone, P.O. Box 1100, Middlefield CA 94482

MEMO:

Expenses: \$156.91 Items: \$0.00

ACCOUNT	AMOUNT	MEMO	CUSTOMER JOB
Utilities:Telephone	156.91		

If you don't mark the box to Print Later, QuickBooks allows you to enter a check number. The check will not show on the list to be printed. If you enter a check number, QuickBooks assumes it is a handwritten check you are entering into the software for accounting purposes.

Cash in Tri Counties Bank

Go to... Print... Edit Transaction QuickReport Download Transactions

DATE	NUMBER	PAYEE	PAYMENT	DEPOSIT	BALANCE
	TYPE	ACCOUNT	MEMO		
12/12/2018	500	Express Delivery Service	70.00		54,060.45
	BILLPMT	Accounts Payable			
12/14/2018				4,700.00	58,760.45
	DEP	-split- Deposit			
12/14/2018	491	Cal Telephone	156.91		58,603.54
	CHK	Utilities:Telephone			
12/14/2018	To Print	Cal Telephone	156.91		58,446.63
	CHK	Utilities:Telephone			
12/15/2018		Abercrombie, Kristy:Remodel Bathroom		7,633.28	66,079.91
	PMT	Accounts Receivable			
12/15/2018				22,026.92	88,106.83
	DEP	-split- Deposit			
12/15/2018		Natiello, Ernesto:Kitchen		12,560.39	101,667.22

When entering simple, handwritten checks into QuickBooks, it's possible to do so from the register rather than the Write Checks window. Both forms create the same transaction. It's just two different ways of viewing the same check.

Reconcile - Cash in Tri Counties Bank

For period: 11/30/2018

☒ Hide transactions after the statement's end date

Checks and Payments					Deposits and Other Credits				
DATE	CHK #	PAYEE	AMOUNT		DATE	CHK #	PAYEE	TYPE	AMOUNT
✓ 10/31/2018	433	Sergeant Insurance	712.56		✓ 11/30/2018	41077	Melton, Johnny...	PMT	4,135.50
✓ 10/31/2018	436	Bayshore Water	24.00						
✓ 11/14/2018	451	Larson Flooring	3,200.00						
✓ 11/19/2018	460	City of Bayshore	225.00						
✓ 11/28/2018	464	Hopkins Constructio...	300.00						
✓ 11/28/2018	465	Keswick Insulation	500.00						
✓ 11/28/2018	466	McClain Appliances	600.00						
11/28/2018	467	Lew Plumbing	800.00						
11/28/2018	468	Timberloft Lumber	6,790.00						
11/28/2018	469	Sloan Roofing	2,000.00						
✓ 11/28/2018	470	Washuta & Son Pain...	500.00						
✓ 11/30/2018			12.50						
11/30/2018	471	Bayshore Water	24.00						
11/30/2018	472	Patton Hardware S...	656.23						
11/30/2018	473	Wheeler's Tile Etc.	686.00						

☒ Highlight Marked

Mark All Unmark All Go To Matched Columns to Display...

Beginning Balance	71,452.58	
Items you have marked cleared		
1 Deposits and Other Credits	4,135.50	
9 Checks and Payments	6,074.06	

Modify	Service Charge	0.00
	Interest Earned	0.00
	Ending Balance	69,514.02
	Cleared Balance	69,514.02
	Difference	0.00

Reconcile Now Leave

When reconciling in QuickBooks, you can click the checkbox in the upper right to “Hide transactions after the statement’s end date.” This eliminates a lot of clutter in the reconciliation window that you don’t need.

The transactions (checks on the left, deposits on the right) can be sorted by any of the column headers. The gray triangles in the screenshot above indicate that both checks and deposits are in date order.

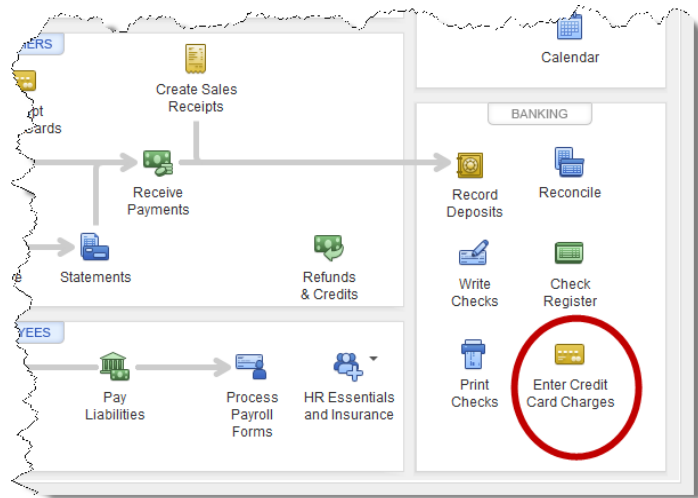
Re-sorting the checks into check number order can be useful, even sorting by the amount can help determine if a particular item that shows on the bank statement is actually in QuickBooks.

Always try to get to the point where **Difference** equals zero.

## Chapter 5 – Credit cards

QuickBooks will track your credit card purchases and keep credit card account balances accurate. On the chart of accounts, you must have created at least one account of the type, **Credit Card**.

Once you have created that account, an icon labeled **Credit Card Charge** appears on the Home Page.



When the statement from the credit card company arrives, reconcile using the same procedures you would reconciling a bank account. Your credit card balances will be accurate in QuickBooks. Your purchases on credit cards will be entered in QuickBooks and show on your financial reports in a timely manner.

## Chapter 6 – Selling to Customers

Record sales to customers using either an **invoice** or **sales receipt**. An invoice tells QuickBooks the customer is being billed and will be expected to pay for the sale at some future point. A sales receipt tells QuickBooks payment was received at the time of sale and should be deposited to the bank.

We create **items** for the things we sell, whether they be merchandise or services. As we create items, they populate a list. Lists->Item List.

The most common item types are:

Service – for selling services like repairs.

Inventory Part – for tracking inventory. QuickBooks will account for cost, quantity on hand, etc.

Non-Inventory Part – Merchandise, but we don't want QuickBooks to track cost or quantities.



Above is the screenshot of the setup window for a simple Service type item. The account field is filled in with an account from your chart of accounts. You'll be able to select one from the list when you click into this part of the setup. It will almost always be an Income type of account.

## Chapter 7 – Payments & Deposits

A sale to a customer using an invoice creates an **Accounts Receivable**, a debt that particular customer owes your business. That debt, represented by the invoice, is paid by creating a **Customer Payment** transaction in QuickBooks.

In the top third of the window, marked as 1, fill out the customer name, date and amount of the payment and so on.

In the middle third, marked as 2, QuickBooks will display all open invoices for this customer. Be sure the correct invoice is selected. QuickBooks will, by default, select the oldest invoice, assuming there are several, as the one being paid. If all the payment amount is not used up paying the oldest invoice, it will apply to the second oldest invoice and so on until the payment has been fully applied.

Change the checkmarks in the left-hand column if necessary to apply the payment to the correct invoice.

The bottom third of the window, on the left side, will be blank if the payment amount and the invoice amount are exactly the same. It is this area that QuickBooks uses to ask what should be done with overpayments or underpayments.

In the screenshot, the payment is short of the full invoice amount. We'll leave the remaining balance in QuickBooks as still due from the customer. If the underpayment were only a few cents, we would choose the Write off option to avoid carrying a tiny balance due from this customer indefinitely.

Deposits are separate transactions than payments. By default, QuickBooks posts all customer payments to a temporary account named Undeposited Funds. Then, when the Make Deposits command is accessed, QuickBooks presents the user with a list of payments in this temporary account so they can be selected and deposited to the bank account.

**Payments to Deposit**

SELECT VIEW  
View payment method type: All types  
Sort payments by: Payment Method

SELECT PAYMENTS TO DEPOSIT

DATE	TIME	TYPE	NO.	PAYMENT METHOD	NAME	AMOUNT
12/15/2018		PMT		Cash	Roche, Diarmuid Garage repairs	440.00
12/14/2018		PMT	986	Check	Jacobsen, Doug Kitchen	2,000.00
12/15/2018		PMT		Check	Violette, Mike Workshop	4,732.23
12/15/2018		PMT		Check	Ecker Designs Office Repairs	1,000.00
12/15/2018		PMT		Check	Cook, Brian	7,754.69
12/15/2018		PMT	78657	Check	Pretell Real Estate 155 Wilks Blvd.	5,100.00
12/15/2018		PMT	989	Check	Abercrombie, Kristy Kitchen	1,000.00

Once the payments to be deposited are selected, usually that would be all payments in this window, the actual deposit window displays.

This allows you to record individual payments from customers, yet create a bank deposit from several of those payments so that the deposit amount in QuickBooks matches what will show on the bank statement.

**Make Deposits**

Deposit To: Cash in Tri C... Date: 12/15/2018 Memo: Deposit

Click Payments to select customer payments that you have received. List any other amounts to deposit below.

RECEIVED FROM	FROM ACCOUNT	MEMO	CHK NO.	PMT METH.	AMOUNT
Roche, Diarmuid Garage repairs	Undeposited Funds			Cash	440.00
Jacobsen, Doug Kitchen	Undeposited Funds		986	Check	2,000.00
Violette, Mike Workshop	Undeposited Funds			Check	4,732.23
Ecker Designs Office Repairs	Undeposited Funds			Check	1,000.00
Cook, Brian	Undeposited Funds			Check	7,754.69
Pretell Real Estate 155 Wilks Blvd.	Undeposited Funds		78657	Check	5,100.00
Abercrombie, Kristy Kitchen	Undeposited Funds		989	Check	1,000.00
Deposit Subtotal					22,026.92

To get cash back from this deposit, enter the amount below. If 0, the account

## Chapter 8 – Entering and Paying Bills

For the most part, **bills** create expenses in QuickBooks just like checks do. The difference is that creating a check transaction is a one-step process that adds to expense and subtracts from the bank account.

Entering a bill also creates an expense, but it does not affect the bank account. Instead, in an account named Accounts Payable, QuickBooks tracks the money that we owe that particular vendor for the expense.

**Enter Bills**

Main Reports

Find New Save Delete Create a Copy Memorize Print Attach File Select PO Enter Time Clear Splits Recalculate Pay Bill

**Bill**

VENDOR: Willis Advertising DATE: 12/15/2018 REF. NO.: 465476 AMOUNT DUE: 1,500.00 BILL DUE: 12/25/2018

ADDRESS: Willis Advertising

TERMS: MEMO:

Expenses \$1,500.00 Items \$0.00

ACCOUNT	AMOUNT	MEMO	CUSTOMER JOB	BILLA...
Printing and Reproduction	1,450.00			
Freight Expense	50.00			

Save & Close Save & New Revert

When it comes time to pay the vendor, we don't re-create the expense; that would double the amount claimed for that particular expense on financial reports. Instead we **Pay Bills**.

**Pay Bills**

SELECT BILLS TO BE PAID

Show bills: Due on or before 12/25/2018

Filter By: Sort By: Vendor

DATE DUE	VENDOR	REF. NO.	DISC. DATE	AMT. DUE	DISC. USED	CREDITS USED	AMT. TO PAY
12/30/2019	Vu Contracting			1,250.00	0.00	0.00	0.00
01/11/2020	Washuta & Son ...			600.00	0.00	0.00	0.00
12/29/2019	Wheeler's Tile	7382		1,250.00	0.00	0.00	0.00
12/25/2018	Willis Advertising	465476		1,500.00	0.00	0.00	1,500.00
Totals				25,000.00	0.00	0.00	1,500.00

Clear Selections

DISCOUNT & CREDIT INFORMATION FOR HIGHLIGHTED BILL

Vendor: Willis Advertising Terms: Number of Credits: 0

Bill Ref. No.: 465476 Sugg. Discount: 0.00 Total Credits Available: 0.00

Go to Bill Set Discount Set Credits

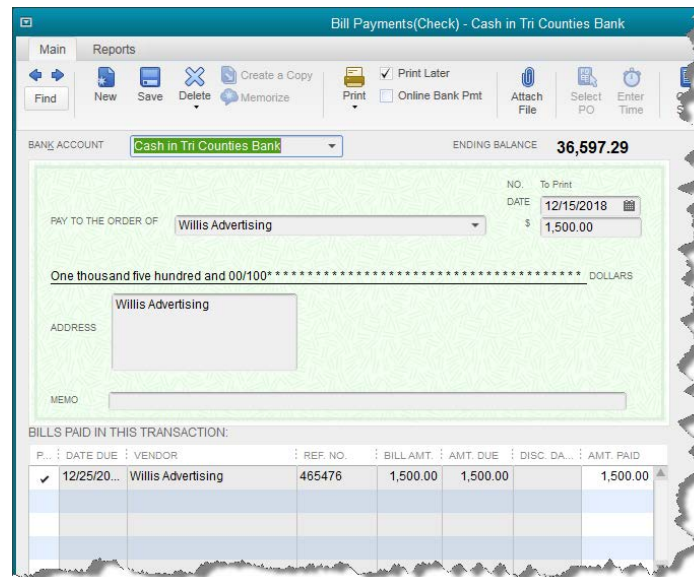
PAYMENT

Date: 12/15/2018 Method: Check To be printed Assign check number

Account: Cash in Tri Counties Bank Ending Balance: 36,597.29

Pay Selected Bills Cancel

Then, QuickBooks creates the check to pay the vendor without duplicating the expense we created when we entered the bill in the first place.



One would choose to enter bills rather than checks when:

- It was important the expense show in the month it was incurred, even if it is paid in a later month.
- An accurate record of all vendor invoices is wanted. A manager can get a list of all outstanding vendor obligations at any time by simply selecting the right report in QuickBooks.

## Section 9 - 1099s

QuickBooks will only create the 1099MISC form. If another type of 1099 is needed, which is rare, it will have to be created outside QuickBooks.

A wizard has taken much of the setup work out of preparing 1099s. Simply access the wizard by navigating to Vendors->Print/E-File 1099s->1099 Wizard.

If you don't see the 1099 section on your Vendor dropdown menu, the preference is probably turned off. In this case, navigate to Edit->Preferences->Tax:1099->Company Preferences.

At the question "Do you file 1099MISC forms?", be sure Yes is selected.

## Section 10 - Sales Tax

Two lists create the information QuickBooks needs to handle sales tax. On the item list, we create **Sales Tax Items**.

The 'Edit Item' window shows the configuration for a 'Sales Tax Item'. The 'TYPE' dropdown is set to 'Sales Tax Item', with a description: 'Use to calculate a single sales tax at a specific rate that you pay to a single tax agency.' The 'Sales Tax Name' field contains 'Tulare City Sales Tax'. The 'Description' field also contains 'Tulare City Sales Tax'. The 'Tax Rate (%)' is set to '8.5%', and the 'Tax Agency (vendor that you collect for)' dropdown is set to 'State Board of Equalization'. On the right, there are buttons for 'OK', 'Cancel', 'Notes', and 'Spelling', and a checkbox for 'Item is inactive' which is currently unchecked.

The sales tax item tells QuickBooks what rate to charge.

There is also a list for **Sales Tax Codes**.

CODE	DESCRIPTION	TAXABLE
Tax	Taxable Sales	✓
GOV	Government	
LBR	Labor	
Non	Non-Taxable Sales	
OUT	Out of state	
RES	Resale	

At the bottom, there are tabs for 'Sales Tax Code', 'Activities', and 'Reports', and a checkbox for 'Include inactive' which is currently unchecked.

The sales tax code tells QuickBooks whether or not an item is taxable. You can set up additional codes to categorize nontaxable sales into groups based on *why* they are not taxable. You can see those additional codes in the screenshot above.

Customers can be assigned sales tax items if you have customers that fall into different sales tax jurisdictions. They can also be assigned a sales tax code. This would allow you to mark certain customers as wholesale or resale, not subject to sales tax.

Items can be assigned a sales tax code. For instance, service items would be assigned a nontaxable code. Most inventory or non-inventory items would be taxable if you are selling to the end user.

## Section 11 - Payroll

When we begin using payroll in QuickBooks, **Payroll Setup** will walk us through the initial steps to start using this function. A small book could be written just about the different things that can be done with the payroll function.

Some things to keep in mind:

**Payroll Items.** There are several steps to creating new payroll items. Be conscious what type of item you are creating. Is it a deduction from pay? An addition? Does it affect the payroll taxes subtracted from an employee's wages?

The screenshot shows a 'Payroll Item List' window with a modal dialog titled 'Edit payroll item (Deduction: Simple IRA Deduction)'. The dialog has a 'Tax tracking type' section with a dropdown menu set to 'SIMPLE IRA'. Below the dropdown, there is explanatory text: 'The tax tracking type determines how the payroll item appears on tax forms. Be sure to choose the correct tax tracking type to ensure that your forms are correct.' and 'Used for employee contributions to Simple IRA plans. This tax tracking type is associated with employee deductions. You maintain annual limits. Effect on Federal forms listed: 940: Included in wages (line 3) 941 or 944: Reduces wages (line 2) or (line 1)'. At the bottom of the dialog are 'Back', 'Next', 'Finish', and 'Cancel' buttons. In the background, a table of payroll items is visible, including 'Federal Tax' with a rate of '1.45%' and 'Comp. Medicare'.

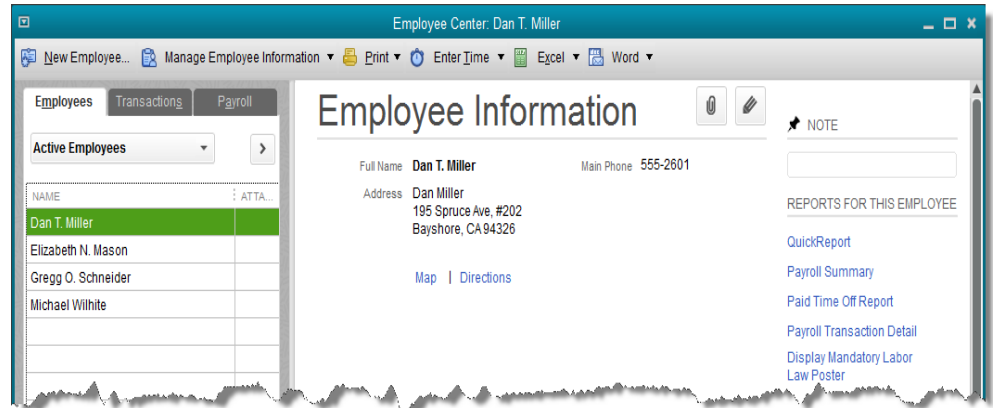
TYPE	ID
Yearly	
Yearly	
Yearly	
Hourly	
Hourly	
Hourly	
Hourly	
Bonus	
Additio	
Additio	
Deduc	
Deduc	4667
t Deduc	
Comp	
re...	53
Federal	53
Federal	
Federal Tax	Great Statewide Bank 00-7904153
Federal Tax	Comp. Medicare Great Statewide Bank 00-7904153

The **Tax Tracking** window may be the most important step in the process of setting up a new payroll item. Get help if you are unsure. The setting here will influence what taxes are affected, how wages show on payroll reports, what information will populate the W2, etc.

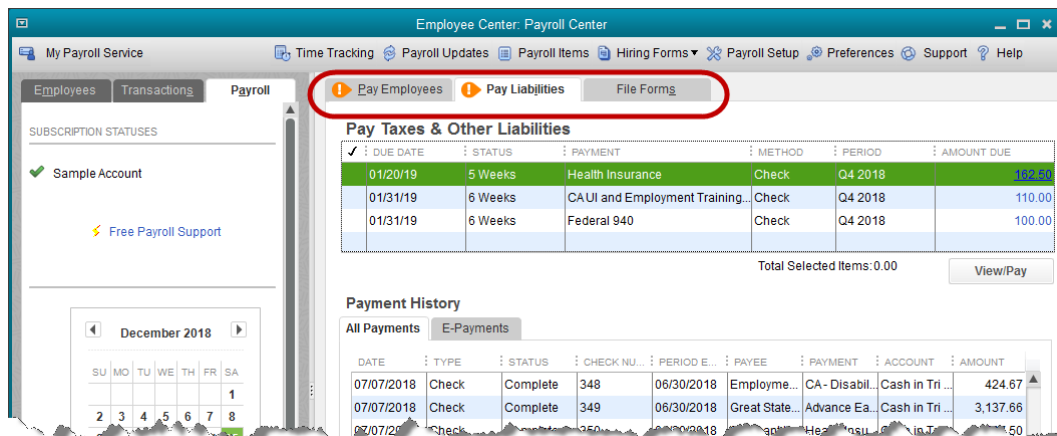
Fortunately, QuickBooks gives us a list of tax tracking types to choose from. Often we just need to know which selection to choose.

Following the tax tracking type screen is one allowing the user to decide on their own what taxes should be affected. If you choose the correct tax tracking type, you should not have to tell QuickBooks which taxes to affect.

New employees are setup in the Employee Center.



Over the list of employee names in the above screenshot, notice the three tabs, Employees, Transactions, and Payroll. Work on employee files is done on the Employees tab. On the Payroll tab, which opens the Payroll Center, is where most of the work of payroll is done.



Notice the three tabs, one for creating payroll checks, one for paying the liabilities that result from the paycheck deductions and other employer taxes, and the third tab for creating payroll tax forms.

If payroll setup is done completely and correctly, the liabilities due from the paychecks you create will be computed by QuickBooks. They are then shown here, on the Pay Liabilities tab. The due date is shown. All one needs to do is select which payroll tax liability they want to pay and click the View/Pay button. The check, all filled out, will then appear ready to save and either print or send electronically.