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## **DEPARTMENT OF INFORMATION TECHNOLOGY**

### **COURSE CODE: BIT 2101**

**COURSE TITLE: ACCOUNTING INFORMATION SYSTEMS**

*Instructional manual for BBIT – Distance Learning*

<b>COURSE OUTLINE .....</b>	<b>5</b>
<b>CHAPTER ONE .....</b>	<b>7</b>
OVERVIEW OF ACCOUNTING INFORMATION SYSTEMS .....	7
1.1 Accounting Methods and Objectives .....	8
1.2 The Accounting Process .....	9
Chapter Review Questions.....	12
<b>CHAPTER TWO .....</b>	<b>13</b>
ACCOUNTING TRANSACTION CYCLES .....	13
2.1 Introduction to accounting cycles.....	13
2.2 The cycles of Business Activities .....	14
2.3 Transaction Cycles.....	16
Chapter Review Questions.....	21
<b>CHAPTER THREE .....</b>	<b>22</b>
DEVELOPING ACCOUNTING SYSTEMS .....	22
3.1 The qualities of a successful system .....	22
3.2 Accounting Information systems development approaches .....	23
Chapter Review Questions.....	25
<b>CHAPTER FOUR.....</b>	<b>26</b>
SETTING UP A QUICKBOOKS BUSINESS.....	26
4.1 Getting started Checklist.....	26
4.2 Creating your company file .....	27
4.3 Creating your customer and vendor list .....	29
Chapter Review Questions.....	32
<b>CHAPTER FIVE .....</b>	<b>33</b>

MAIN QUICKBOOKS FEATURES .....	33
5.1 Getting Around QuickBooks.....	33
5.2 Finding your data in QuickBooks centers.....	34
5.3 Using in-product Help .....	36
Chapter Review Questions.....	38
<b>CHAPTER SIX .....</b>	<b>39</b>
QUICKBOOKS BASICS .....	39
6.1 Working with QuickBooks lists.....	39
6.2 Writing checks versus paying bills.....	40
6.3 QuickBooks Essential Tasks.....	42
6.4 Adding Customers Vendors and other accounts .....	46
6.5 Setting up sales tax .....	52
6.6 Setting up your Payroll.....	56
Chapter Review Questions.....	59
<b>CHAPTER SEVEN .....</b>	<b>60</b>
QUICKBOOKS OPERATING FEATURES .....	60
7.1 Creating an Estimate.....	60
7.2 Creating an Invoice.....	61
7.3 Entering sales receipts .....	63
7.4 Receiving a Payment .....	64
7.5 Making a Deposit .....	65
7.6 Paying Bills .....	67
7.7 Writing Checks .....	69
7.8 Issuing Credits or Refunds.....	70

7.9	Paying Employees .....	71
7.10	Using Reports.....	73
	Chapter Review Questions.....	76
	<b>SAMPLE EXAM QUESTIONS .....</b>	<b>77</b>

## COURSE OUTLINE

### BIT 2102: ACCOUNTING INFORMATION SYSTEMS

#### Purpose of the course

To overview the information systems that support the business financial accounting systems of an organization and to provide practical skills in accounting information systems development and use.

<b>ACCOUNTING INFORMATION SYSTEMS - TOPICS - DETAILS</b>
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#### **I. Overview of accounting information systems**

- A. Introduction to Accounting Information Systems
- B. Accounting Methods and Objectives
- C. The accounting process

#### **II. Accounting Transaction Cycles**

- A. Introduction to Accounting Cycles
- B. The cycles of business Activities
- C. Transaction Cycles; Financial, Expenditure, conversion and revenue cycles

#### **III. Developing Accounting Systems**

- A. Qualities of a successful system
- B. Accounting Information systems development approaches

#### **IV. Setting up A QuickBooks business/company**

- A. Creating a Company
- B. Creating customers vendors and items lists
- C. Numbering accounts in QuickBooks

#### **V. Main QuickBooks features.**

- A. QuickBooks working area
- B. QuickBooks customers, vendor and employee centers
- C. Using QuickBooks help

#### **VI. QuickBooks basics**

- A. Working with QuickBooks lists
- B. Paying bills
- C. Essential tasks such as Adding an Account
- D. Income and Expense accounts and Balance sheet accounts
- E. Setting up sales tax
- F. Setting up payroll

## **VII. QuickBooks Operating Features**

- A. Creating an Estimate
- B. Creating an Invoice
- C. Processing sales and receiving payments
- D. Writing checks and paying employees
- E. Preparing QuickBooks reports such as Trial balance, Trading profit and loss account and balance sheet

### **Main course text**

**Romney and Steinbart**, Accounting Information Systems, 2008, Prentice Hall Business Publishing

**Assessment:** Examination - 70%: Coursework - 30%

*Module compiler: John Kamau*

## CHAPTER ONE

### OVERVIEW OF ACCOUNTING INFORMATION SYSTEMS



#### Learning Objectives

By the end of this chapter the learner shall be able to;

- i. Define an Accounting Information system(AIS) and explain the functions of an AIS
- ii. Explain the accounting methods and objectives
- iii. Explain the accounting process

#### Introduction

An Accounting Information System (AIS) is a system that collects, records, stores, and processes data to produce information for decision makers. It can: Use advanced technology; or be a simple paper-and-pencil system; or, be something in between, technology is simply a tool to create, maintain, or improve a system.

The functions an of AIS are to:

- Collect and store data about events, resources, and agents.
- Transform that data into information that management can use to make decisions about events, resources, and agents.
- Provide adequate controls to ensure that the entity's resources (including data) are available when needed, Accurate and reliable

The study of accounting information systems analyzes how events affecting an organization are recorded, summarized, and reported. These events are recorded using that organization's system of human and computer resources, summarized using accounting methods and objectives, and reported as information to interested persons both within and outside of the organization. Accounting information systems exist in many forms of organizations, whether proprietorships, partnerships, corporations, nonprofit foundations, or households. While the complexity of each accounting information system differs, each is similar in three important ways: Each contains a

similar structure (of human and computer resources), similar processes (the use of accounting methods), and similar purposes (to provide information).

## **1.1 Accounting Methods and Objectives**

All accounting information systems record, process, and report events using accounting methods to achieve accounting objectives. These objectives determine the system's scope, which in turn determines the nature of the events and the method of accounting. However, all systems record events in money and use the same conceptual accounting process.

For the publicly held corporation, the accounting information system's scope must comply with generally accepted accounting principles (GAAP). GAAP is necessary to produce financial statements intended for parties external to the organization. With "GAAR any event that has a determinable monetary impact on the organization must be recognized as an accounting transaction. A system whose objective is to record, process, and report past transactions as financial statements in accordance with GAAP is a financial accounting information system. A Usually the scope of an organization's system for processing data is broader than & that required by GAAP. For example, when an accounting system includes budgetary forecasts, it recognizes future transactions and estimates their monetary impact. Whether short-term annual budgets or long-term ones, budgets provide vital financial information for managing the organization. Budgeting and other such accounting systems intended primarily for use within the organization constitute managerial accounting information systems. Both the financial and the managerial systems are components of the organization's management information system (MIS). The MIS is the combination of people, procedures, and machines intended to provide information for management decision making. It recognizes events beyond those of a purely financial nature.



## 1.2 The Accounting Process

The accounting process begins when an economic event is recognized by an accounting information system, which records the economic event as an accounting transaction. This module illustrates how the system's human and computer components process a transaction.

For financial accounting information systems, the activities that process a transaction constitute the accounting cycle. Conceptually, the accounting cycle consists of the following six steps.

**Journalize.** The first step in the accounting cycle, journalizing is recording the transaction. Someone analyzes the event, determines the accounts it affects, identifies whether each account is debited or credited, and enters the transaction chronologically in a journal processing.

Common special journals include the cash receipts journal, the cash disbursements journal, the payroll journal, and the sales journal. Each organization has a chart of accounts, which is a list of all account titles maintained in the accounting system. In journalizing an event, the accountant must choose accounts from this list. An analyst establishes this list at the time the accounting information systems are created.

GENERAL JOURNAL					Page 1
Date		Accounts and Explanation	Ref.	Debit	Credit
Sept.	1	Cash .....		100,000	
		Capital Stock .....			100,000
		Issued capital stock for cash.			
	2	Land .....		20,000	
		Building .....		60,000	
		Cash .....			15,000
		Notes Payable .....			65,000
		Purchased land and building financed in part by a long-term note.			
	3	Equipment .....		72,000	
		Cash .....			72,000

**Post.** In posting, the second step, an accounting information system transfers journal entries to ledgers. A ledger is a summary, by account, of all transactions affecting that account. Thus, after posting, transactions are recorded by account rather than in chronological sequence. This step makes it possible to summarize the effects of all the events affecting the organization. The Illustration below shows a page from a manual system's ledger. Most organizations also use subsidiary ledgers, which contain detailed

information explaining the general ledger's control account total. Common subsidiary ledgers include the accounts payable subsidiary ledger, the property ledger, among others.

**ILLUSTRATION 1-5**  
*Accounts after Posting*

<b>Cash</b> 110				<b>Equipment</b> 240			
Sept. 1 (1)	100,000	Sept. 2 (1)	15,000	Sept. 3 (1)	72,000		
5 (1)	60,000	3 (1)	72,000				
		8 (1)	6,000				
		10 (1)	300				
<b>Supplies Inventories</b> 160				<b>Accounts Payable</b> 310			
Sept. 4 (1)	6,000			Sept. 8 (1)	6,000	Sept. 4 (1)	6,000
<b>Prepaid Insurance</b> 180				<b>Services to Be Rendered</b> 380			
Sept. 10 (1)	300					Sept. 5 (1)	60,000
<b>Land</b> 210				<b>Notes Payable</b> 410			
Sept. 2 (1)	20,000					Sept. 1 (1)	65,000
<b>Building</b> 220				<b>Capital Stock</b> 510			
Sept. 2 (1)	60,000					Sept. 1 (1)	100,000

**Prepare a Trial Balance.** This is step three in the accounting cycle. During an accounting period, accounting information systems journalize and post a large number of transactions. Prior to producing accounting reports, the system summarizes the effect of all the events in a trial balance.

**Prepare Adjusting Entries.** The fourth step in the accounting cycle is the preparation of adjusting entries. Sometimes accountants make these journal entries at the end of a reporting period to match the expenses of the period with the revenues generated by them. Other adjusting entries correct previous errors in journalizing transactions. An accountant or bookkeeper prepares adjusting entries, records them in the journal, and posts them to the ledger. These alter the account balances shown in the trial balance.

**Prepare Adjusting Entries.** The fourth step in the accounting cycle is the preparation of adjusting entries. Sometimes accountants make these journal entries at the end of a reporting period to match the expenses of the period with the revenues generated by them. Other adjusting entries correct previous errors in journalizing transactions. An

accountant or bookkeeper prepares adjusting entries, records them in the journal, and posts them to the ledger. These alter the account balances shown in the trial balance.



### **Chapter Review Questions**

1. How does a transaction differ from an event??
2. Why is it important to understand both the process and the technology associated with accounting information systems?
3. Explain the six steps that constitute the accounting cycle

### **Further reading**

Romney and Steinbart, Accounting Information Systems, 2008, Prentice Hall Business Publishing

## CHAPTER TWO

### ACCOUNTING TRANSACTION CYCLES



#### Learning Objectives

By the end of this chapter the learner shall be able to;

- i. Explain the relevance of accounting cycles in business organizations today
- ii. Explain the economic activities engaged by organizations
- iii. Explain the concept of transaction cycles such as Financial, Expenditure, conversion and revenue cycles.

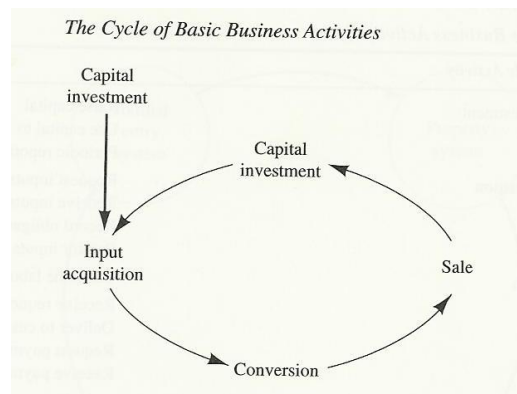
#### 2.1 Introduction to accounting cycles

This chapter will describe the technology that accounting information systems use and the information system controls that prevent and detect errors and threats to these systems. To make it easier to understand these procedures, they are structured by accounting transaction cycle. Different accountants describe transaction cycles in different ways. Transaction cycles emphasize the continuous nature of all business and accounting processes. Transaction cycles demonstrate how events early in a transaction cycle affect events and records later in the cycle. A weakness in internal control affecting a transaction may mean that records created later in that same cycle are misstated.

Accounting systems are designed to record summarize, and report the results of economic events for a wide range of organizations. Even though businesses differ in their operations, all of them engage in a cycle of business activities. Each activity has certain economic events common to most; these economic events produce accounting transactions that must be processed by the accounting system.

## 2.2 The cycles of Business Activities

As mentioned earlier all businesses engage in a cycle of business activities that are common to most businesses. These activities are; Capital investment, input acquisition, conversion and sales.



**Capital Investment.** The cycle of business activities begins when capital is invested in a business. Generally accepted accounting principles (GAAP) require recognizing the business as an entity separate from the sources of this capital. These sources may be the owners of the business, or they may be creditors. If the source is the owners, the investment is owners' equity. If the source is creditors, the investment is either long-term debt or current liabilities. In many businesses, most of the capital is used to purchase long-term productive assets. The business uses the productive assets to increase its capital. Periodically, the business reports the results of its operations to the sources of its capital.

Capital investment comprises two significant economic events: raising capital and using capital to acquire productive assets. Another event that occurs during this activity is not economic in the sense of the other two: Periodically the business reports to its sources of capital. This is necessary to maintain those sources when additional capital is needed later.

**Input Acquisition.** The second component of the cycle of business activities is the acquisition of materials and overhead items such as supplies. These inputs are used to

increase the capital of the business. The exact way in which they are used is not important at this point; they are used differently for different businesses. Most organizations operate on credit—that is, when a business purchases inputs, it receives the inputs in return for a promise to pay for them. The business records an obligation to pay and pays for them at a later date. So, the activity of input acquisition has these four economic events: ordering of inputs, receiving them, recording an obligation to pay for them, and paying for them.

**Conversion.** The next step in the cycle of activities is the conversion of inputs into goods or services. The business sells these to increase its capital. The conversion process is different for different businesses. Manufacturing companies buy raw material inventories, apply labor and overhead to them, and produce an output different from the material purchased. Service companies convert inputs that are predominantly labor into outputs in the form of services.

In contrast, the conversion process of merchandising companies (retailers and wholesalers) uses relatively little labor. These organizations purchase inventories of goods, repackage them, and then market them. All three businesses use inventories of supplies in their conversion processes. One economic event taking place during conversion is the consumption of labor materials, and overhead to produce a salable product or service.

**Sales.** The final component in the cycle of basic business activities is the sale of the goods or services that were outputs of the conversion process. When these are sold at profit, the capital investment of the business increases. Additional cash is available for reinvestment, or for making payments to the sources of capital in the form of dividends and interest. By providing a source of additional capital, the sales component completes the cycle of business activities. The sale of goods or services consists of four economic events: receiving a customer order, delivering goods to the customer, requesting payment for the goods, and receiving payment.

## Summary

<i>Business Cycle Activity</i>	<i>Events</i>
Capital investment	Raise capital Use capital to acquire property Periodic reporting
Input acquisition	Request inputs to the conversion process Receive inputs Record obligation to pay Pay for inputs
Conversion	Consume labor, material, and overhead
Sales	Receive request for goods or services Deliver to customer Request payment Receive payment

Normal business operation consists of a series of economic events. This series results from the cycle of business activities that describes how all accounting entities operate. An accounting system records economic events in the form of accounting transactions, summarizes those transactions, and reports them in some useful way. Thus, you can consider business activities as cycles of accounting transactions. In fact, the study of transaction cycles is a convenient way to understand how most accounting systems work.

### **2.3 Transaction Cycles**

A transaction cycle is a set of accounting transactions that occur in a normal sequence. They record the economic events of a component in the cycle of business activities. For example, a sales transaction is normally followed by a shipping transaction, a billing transaction, and a cash receipts transaction. These constitute a cycle.

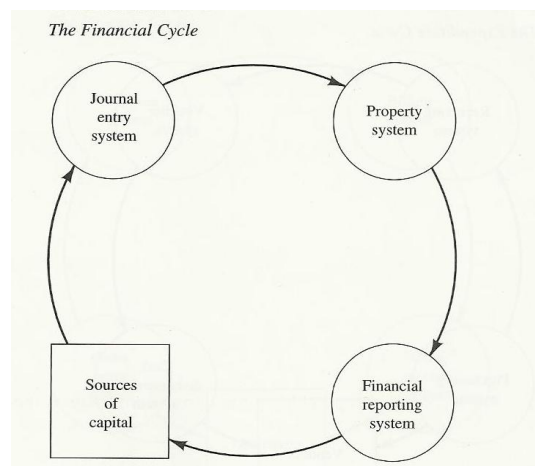
The four accounting transaction cycles are; the financial cycle, the expenditure cycle, the conversion cycle, and the revenue cycle.



**Financial Cycle.** The financial cycle consists of those accounting transactions that record the acquisition of capital from owners and creditors, the use of that capital to acquire productive assets, and the reporting to owners and creditors on how it is used.

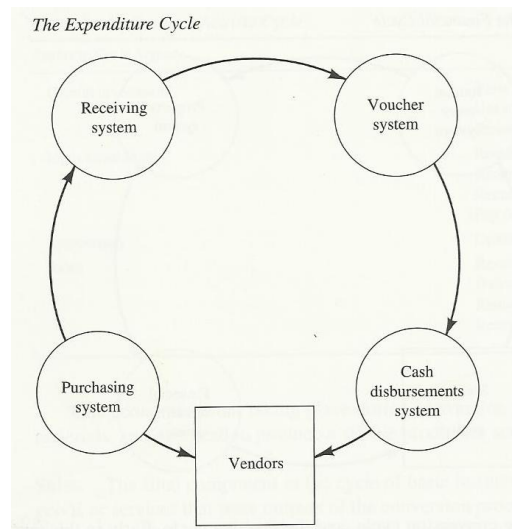
The two significant economic events in the financial cycle are raising capital and using that capital to acquire property, plant, and equipment. A third event—not really an economic one—is periodic reporting to the sources of capital. The basic financial statements provide periodic reporting. These statements include the balance sheet, the income statement, and the statement of cash flows. The summaries in these statements come from the general ledger. Periodic reporting to the sources of capital enables a business to raise additional capital. For this reason, you can view the series of transactions as a cycle.

The three accounting application systems that record the events in the financial cycle are the property the journal entry, and the financial reporting systems.

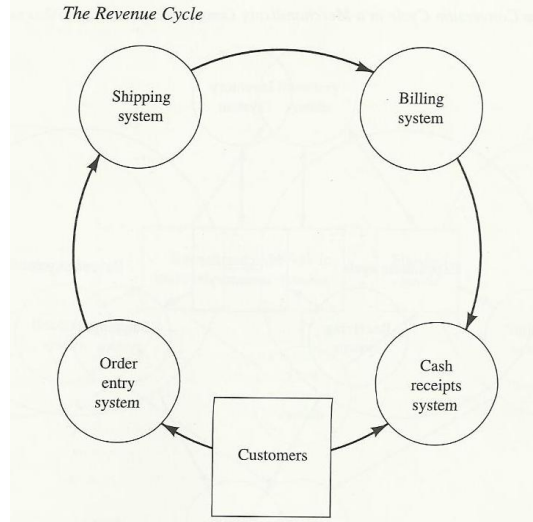


**Expenditure Cycle.** The expenditure cycle consists of those transactions incurred to acquire material and overhead items for the conversion process of the business. This processes transactions representing the following economic events: requesting the items, receiving the items, recording the obligation to pay for the items, and paying for them.

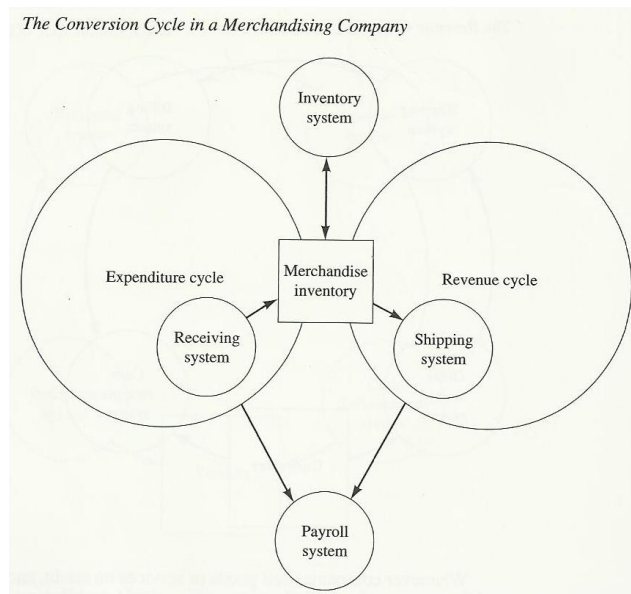
Most businesses use a purchasing department to acquire materials and supplies. A purchasing agent orders material from a vendor, who ships the material and mails an invoice. The business uses the invoice to record the payable and later pays the vendor. When the vendor is paid according to the terms of the sale, the vendor again sells items to the business. This causes the sequence of transactions to form a cycle.



**Revenue Cycle.** The revenue cycle includes the accounting transactions that record the generation of revenue from the outputs of the conversion process. As mentioned earlier, these four economic events generate revenue: receiving an order from a customer, delivering goods or services to the customer, requesting payment from the customer, and receiving the payment. Whenever companies sell goods or services on credit, each of these events produces a transaction. Each transaction may occur at separate times. If the sale is a cash sale, then ordering, delivery, request, and payment occur at the same time. In this case, accounting systems ordinarily record these four events with one transaction. When a customer pays and the accounting system records the cash receipt, the business is willing to sell again to the customer. This causes the cycle of transactions to repeat.



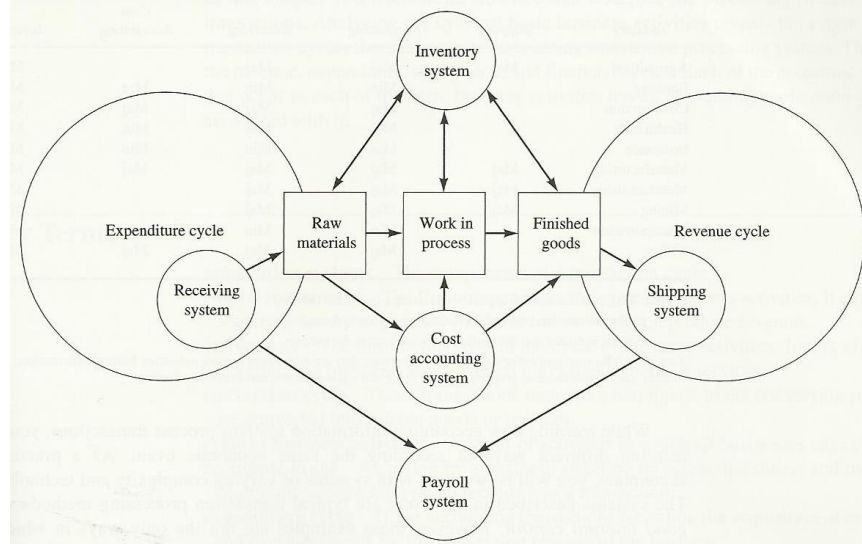
**Conversion Cycle.** The conversion cycle contains those transactions incurred when inputs are converted into salable goods or services. One economic event exists in the conversion cycle. Materials, labor, and overhead are consumed in the conversion process. In manufacturing and service companies, either actual or standard material and labor costs are recorded in a cost ledger as conversion occurs. Overhead costs are allocated in the cost ledger, usually based on the amount of labor used. These costs become associated with the products and are matched with revenue when the products are sold.



In merchandising companies, costs of conversion are recorded when incurred and matched against revenue in the same period. Depending on the type of organization, the conversion cycle contains either two or three application systems. Manufacturing and service companies use the cost accounting system to record material, labor, and overhead costs. All types of organizations use the payroll system. It ensures that employees are paid for their labor. Manufacturing and merchandising companies use the inventory system to maintain records of inventory on hand.

In merchandising and manufacturing companies, the systems of the conversion cycle provide interfaces between the expenditure and revenue cycles. Because it contains only one event, the conversion cycle cannot be represented as a circle as can the other cycles.

*Conversion Cycle in a Manufacturing Company*





### Chapter Review Questions

1. What are the components of the cycle of the business activities?
2. What is a transaction cycle?
3. How can the transaction cycle differ significantly between different businesses, even if they are in the same business?

**Romney and Steinbart**, Accounting Information Systems, 2008, Prentice Hall Business Publishing

## CHAPTER THREE

### DEVELOPING ACCOUNTING SYSTEMS



#### Learning Objectives

By the end of this chapter the learner shall be able to;

- i. Explain the alternative methods for creating accounting information systems
- ii. Explain the qualities of a successful information system.
- iii. Explain the phases that make up the system development life cycle.
- iv. Explain the alternative methods for developing information systems.

#### Introduction

Accountants commonly apply the systems approach in the development of new information systems. Many organizations implement the systems approach in a formal process called the system development life cycle. Accountants have been creating accounting systems for hundreds of years; the double entry system originated in Italy before Columbus discovered America. But the relatively recent adoption of computer technology in accounting has forced accountants to be more attentive to the methods used in developing accounting systems.

The issues addressed in this chapter are; how can one avoid participating in a failure? Which steps are necessary to successfully implement an accounting system?

#### 3.1 The qualities of a successful system

No accounting information system is completely successful or totally unsuccessful. In this context, success is a relative quality: A system is successful if it achieves most of the goals set out for it. In general, an accounting information system is successful if it achieves four objectives. First, it should produce correct and timely information. Second, it should be developed within a reasonable amount of time. Third, the system should meet the organization's needs for information. And finally, users should be

satisfied with it. These qualities, and some methods of achieving them, are summarized below.

<i>Quality</i>	<i>Achieved by</i>
1. Correct information	Have adequate internal control
2. Timely information	Choose a processing method suited to the user's needs
3. Reasonable time for development	a. Properly define the scope of the system b. Use project management techniques
4. Satisfy the organization's needs a. Current b. Future	Get steering committee approval for new systems projects Have a long-range systems master plan
5. User satisfaction	a. User input in setting policies b. User support for projects c. Active user participation in projects d. User responsibility for the system

### 3.2 Accounting Information systems development approaches

A number of approaches could be used in developing accounting information systems as discussed below;

#### Systems Development Life Cycle

The **Systems Life Cycle (SLC)** is a type of methodology used to describe the process for building information systems, intended to develop information systems in a very deliberate, structured and methodical way, reiterating each stage of the life cycle.

The stages of SDLC are;

- **Project planning, feasibility study:** Establishes a high-level view of the intended project and determines its goals.
- **Systems analysis, requirements definition:** Defines project goals into defined functions and operation of the intended application. Analyzes end-user information needs.
- **Systems design:** Describes desired features and operations in detail, including screen layouts, business rules, process diagrams, pseudocode and other documentation.
- **Implementation:** The real code is written here.
- **Integration and testing:** Brings all the pieces together into a special testing environment, then checks for errors, bugs and interoperability.

- **Acceptance, installation, deployment:** The final stage of initial development, where the software is put into production and runs actual business.
- **Maintenance:** What happens during the rest of the software's life: changes, correction, additions, moves to a different computing platform and more. This, the least glamorous and perhaps most important step of all, goes on seemingly forever.

## **Rapid application development**

Rapid application development (RAD) is a software development methodology that uses minimal planning in favor of rapid prototyping.

In rapid application development, structured techniques and prototyping are especially used to define users' requirements and to design the final system. The development process starts with the development of preliminary data models and business process models using structured techniques. In the next stage, requirements are verified using prototyping, eventually to refine the data and process models. These stages are repeated iteratively; further development results in "a combined business requirements and technical design statement to be used for constructing new systems".

## **Object-oriented Approach**

Object-oriented programming (OOP) is a programming paradigm using "objects" – data structures consisting of data fields and methods together with their interactions – to design applications and computer programs. Programming techniques may include features such as data abstraction, encapsulation, messaging, modularity, polymorphism, and inheritance. Many modern programming languages now support OOP.





### • Chapter Review Questions

1. Explain what is meant by a successful information system.
2. What can be done to gain user acceptance of a new system?
3. Explain the different approaches that could be used in developing accounting information systems.
4. What are the reasons for initiating systems analysis within an organization?

**Romney and Steinbart**, Accounting Information Systems, 2008, Prentice Hall Business Publishing

## CHAPTER FOUR

### SETTING UP A QUICKBOOKS BUSINESS



#### Learning Objectives

By the end of this chapter the learner shall be able to;

- i. Create a company in QuickBooks
- ii. Review chart of Accounts
- iii. Create customers vendors and items lists
- iv. Number accounts in QuickBooks

#### 4.1 Getting started Checklist

<b>Company name and address</b>	You'll need both the legal and casual name for your company. The legal company name is the name you use when filing taxes for your business. The casual company name is the name that you want to appear on Invoices, statements, reports, etc. (This is your "Doing Business As" name.)
<b>Federal Tax ID Number</b>	The nine-digit number issued to you by the IRS. The Federal Tax ID number is also called a EIN (Employer Identification Number). If you don't have a Federal Tax ID number, you can either obtain one by submitting Form SS-4 (call 1-800-TAX-FORM to get this form), or you can use your Social Security number (if you are a sole proprietorship and you do not pay wages to employees or file pension and excise tax returns).
<b>Sales tax information</b>	If you charge sales tax, you will eventually need to know the sales tax rate you charge, how much sales tax you owe as of your start date, and the name and address of the agency (for example, California Franchise Tax Board) to which you pay your sales tax.
<b>Start date</b>	<p>QuickBooks uses a start date as the point at which you begin entering your business transactions. You must enter all historical transactions between your start date and today to ensure complete accounting records for your business.</p> <p>Many business owners base their accounting records on their fiscal year, so that they can see transactions for the entire year. If this is not important to you, you can choose a different starting point, such as today or the first of the month, quarter, or year.</p>

Bank statements, credit card accounts, and outstanding checks	You'll need the bank statement for each of your bank accounts with a closing date that's before your start date. The closing balance on this statement will be your opening balance for the bank account you create in QuickBooks, and then you'll enter all the open transactions, and all the new transactions from the start date forward. Eventually, you will need to have your latest bank statement balances and any outstanding checks, deposits, withdrawals, or charges for all of the accounts you want to set up and manage in QuickBooks, including credit cards, bank accounts, lines of credit, and loans.
Optional Information	Eventually, you will need to enter detailed information about your customers, vendors, and employees, as well as the products and services you sell, the products that you hold in inventory, and any additional <b>assets</b> .
Payroll	If you are using Payroll, you should gather the following information about your employees: company information; rate of pay, benefits, and miscellaneous additions and deductions; withholdings; tax information; employee information; year-to-date history; liability payment information; and direct deposit information.

## 4.2 Creating your company file

### To create your company file:

- 1 Start QuickBooks by double-clicking the QuickBooks icon on the desktop or clicking the Windows Start button and then clicking QuickBooks from the Programs group.
- 2 Click Create a new company file, or go to the File menu and click New Company.
- 3 The Welcome screen for the EasyStep Interview opens. Click Start Interview.

**Note:** *We recommend that you do not skip the interview process. The more information you enter with the EasyStep Interview, the more accurate your company file will be when you begin to use QuickBooks for your business. However, if you are an experienced QuickBooks user and prefer to create your company file manually, you can skip the EasyStep Interview by clicking Skip Interview on the EasyStep Interview Welcome screen. You will be prompted to enter some basic company information and to save the company file.*

- 4 Follow the onscreen instructions and complete the interview.

## **Completing your company setup**

After you've created your company file, you can begin using QuickBooks to run your business. But before you do, we recommend that you review the information in this section to make sure your company file is properly set up and that your data is complete.

This section describes some additional tasks you might need to do as you begin using QuickBooks. Depending on how much information you entered during the EasyStep Interview, some of these tasks might not apply to you.

## **Enter your company information**

*Do this task if you did not enter this information in the EasyStep Interview.*

To enter the contact and legal information for your company, go to the Company menu and click Company Information. To learn more about each of the fields and where the information you enter will be used in QuickBooks, click the Help button.

## **Review your Chart of Accounts**

If you used the EasyStep Interview, a chart of accounts based on your type of business was set up for you. Review the chart of accounts to be sure it accurately reflects the accounts you need to run your business. You can change account names and edit, delete, or add accounts as necessary. For example, you will need to add any business-related bank, credit card, or loan accounts. To view your Chart of Accounts, go to the Lists menu and click Chart of Accounts.

## **Numbering your accounts**

Some businesses prefer to organize their accounts by number. Adding numbers can help you identify the type of accounts, thereby speeding up your account selection on various forms. You might want to develop and follow a consistent account naming and numbering convention. For example:

10000-19999 - Assets

20000-29999 - Liabilities

30000-39999 - Equity

40000-49999 - Income

50000-59999 - Cost of Goods Sold

60000-69999 - Expenses (or Operating Expenses)

70000-79999 - Other Income (not related to daily activity)

80000-89999 - Other Expenses (not related to daily activity)

If you want to use numbers to identify your accounts, you need to turn on this preference in QuickBooks, as follows.

- ❶ Go to the Edit menu and click Preferences.
- ❷ In the Preferences window, click Accounting in the list on the left.
- ❸ Click Company Preferences.
- ❹ Select the Use account numbers checkbox.
- ❺ Click OK.

### **4.3 Creating your customer and vendor list**

#### **Create your customer, vendor, and items lists**

To bill customers and pay your bills with QuickBooks, you must update your customer, vendor, and item lists so that they accurately reflect your business. Instructions for setting up these lists are provided in the adding vendors and customers section: You can choose to enter this information all at once, or you can enter it as you work, using the Quick Add feature.

#### **Enter historical transactions**

If your start date is before today's date, you'll need to enter past transactions from the start date to today. This ensures that your QuickBooks records are completely up-to-date and your reports will be accurate. Enter historical transactions in chronological order. For example, QuickBooks won't know how to credit a customer payment unless you've previously recorded the invoice to that customer. The most efficient way to enter historical transactions is in the account register.

**Note:** *Entering historical transactions is especially important if customers don't pay you at the time they receive goods or services. If you don't enter historical transactions early on, it's hard to track and collect late customer payments.* Intuit recommends that you enter your transactions in this order (verify with accountant):

- Invoices you've sent out since your start date
- Purchase orders you've issued since your start date that you haven't received in full
- Cash or checks you've received since your start date
- Bills you've received since your start date
- Bills you've paid since your start date
- Deposits you've made to any of your accounts since your start date
- Any other checks you've written (for things other than bills) since your start date
- Employee year-to-date information paid from January 1 through your start date
- Payroll liabilities owed at the time of your start date (for manual payroll and tracking payroll transactions only)

**Note:** *If you don't have time to enter all your historical transactions right away, don't worry. You don't need to enter all your past transactions before you start using QuickBooks for new transactions. Enter new transactions as they occur. Then catch up with historical transactions when you can. Remember, though, that your account balances will be incorrect (and your reports may be wrong) until you enter all the past transactions.*

### **Complete your bank account information**

After you've entered your historical transactions, your account registers will contain entries reflecting bills you've paid, checks and paychecks you've written, and deposits you've received. To make your account registers complete, you must also enter these transactions:

- Checks or other charges that happened before your start date but didn't appear on statements before your start date (i.e., didn't clear)

- Other checks you wrote after your start date that were not for bills or accounts payable (for example, credit card payments) 24
- Deposits you made after your start date that were not customer deposits
- Deposits you made before your start date but that didn't appear on statements before your start date
- Bank charges and fees
- Interest paid on your account

Refer to the in-product Help for step-by-step instructions on how to enter these transactions to make your account registers accurate.

### **Backing up your company file**

The QuickBooks backup file is a compressed version of your QuickBooks company file that contains all transactions through the date the company backup was made. A backup file provides insurance against accidental data loss and can be used to restore your data. QuickBooks backups have a **.qbb** extension and cannot be opened directly. QuickBooks provides several backup options for securing your data:

- Standard backup
- Portable Company File

To use one of the backup options, go to the File menu and click Save Copy or Backup.

To restore your backup, go to the File menu and click Open or Restore Company. To learn more about backing up your company file, refer to the in-product Help.



## **Chapter Review Questions**


1. Explain how you could create a new company file in QuickBooks?
2. Explain how you could create new customers and vendors

Quick books learning centre.



# CHAPTER FIVE

## MAIN QUICKBOOKS FEATURES

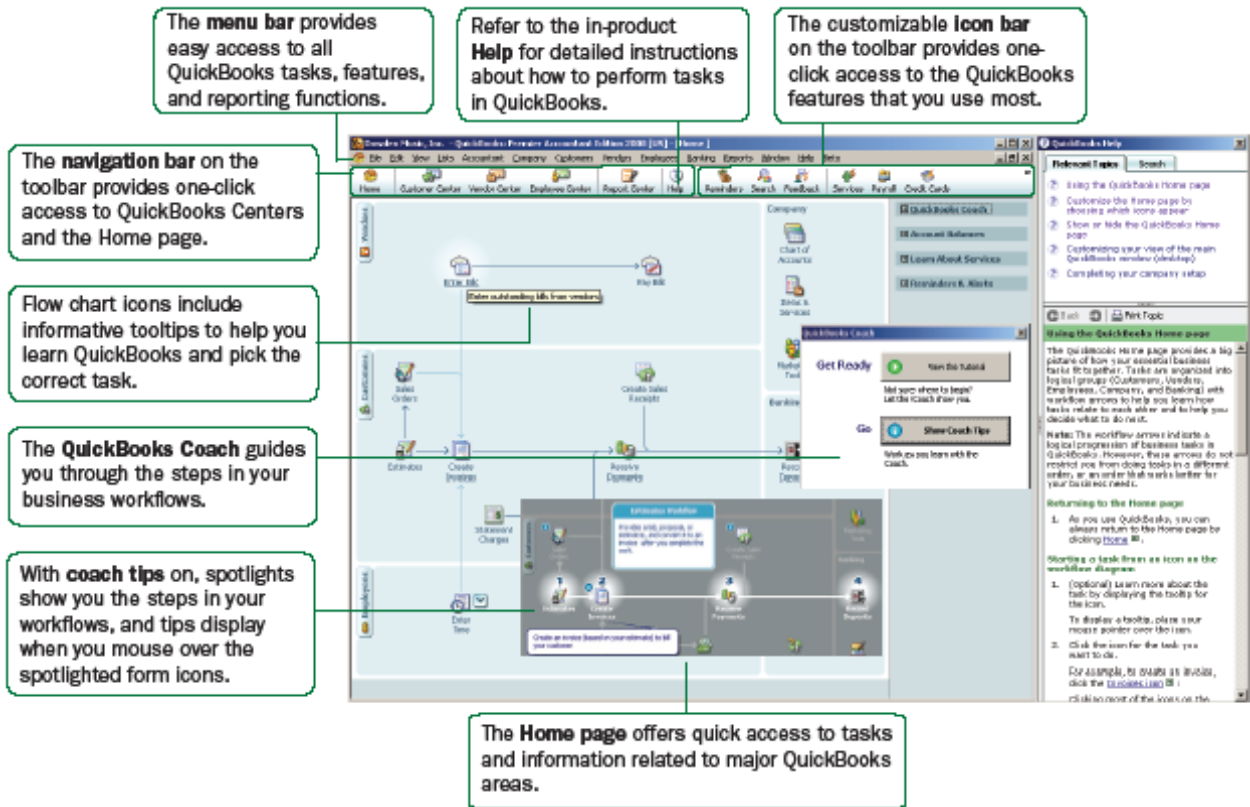
 **Learning Objectives**

By the end of this chapter the learner shall be able to;

- i. The use the QuickBooks work area
- ii. Find data in QuickBooks centers
- iii. Use customer centre, vendor centre and employee centre

### 5.1 Getting Around QuickBooks

The QuickBooks work area, shown in Figure 2, is designed to enable you to complete tasks quickly. QuickBooks provides several ways for you to work; choose the method that works best for you



The **menu bar** provides easy access to all QuickBooks tasks, features, and reporting functions.

Refer to the in-product **Help** for detailed instructions about how to perform tasks in QuickBooks.

The customizable **Icon bar** on the toolbar provides one-click access to the QuickBooks features that you use most.

The **navigation bar** on the toolbar provides one-click access to QuickBooks Centers and the Home page.

Flow chart icons include informative tooltips to help you learn QuickBooks and pick the correct task.

The **QuickBooks Coach** guides you through the steps in your business workflows.

With **coach tips** on, spotlights show you the steps in your workflows, and tips display when you mouse over the spotlighted form icons.

The **Home page** offers quick access to tasks and information related to major QuickBooks areas.

Figure 2. The QuickBooks work area

## **Using the Home page to move around in QuickBooks**

When you open a company file in QuickBooks, the Home page is displayed automatically. The QuickBooks Home page provides a big picture of how all your essential business tasks fit together. Tasks are organized into logical categories (Customers, Vendors, Employees, Company, and Banking) with workflow arrows to help you learn how tasks relate to each other and to help you decide what to do next.

**Note:** *The workflow arrows indicate a logical progression of business tasks in QuickBooks. However, these arrows do not restrict you from doing tasks in a different order, or an order that works better for your business needs.* To start a task, simply click the icon for the task you want to do. For example, to create an invoice, click the Invoices icon. To return to the Home page, click the Home button on the navigation bar. The Home page also provides a quick glance about the state of your business. You can see your current account balances, updated automatically as you do work in QuickBooks, in the Account Balances list. The Home page you see has been customized to display only those tasks and features that you use, based on the questions you answer in the EasyStep Interview. Functions you don't need won't clutter your workspace. However, to add these functions later, you can turn them on in preferences. Go to the Edit menu and click Preferences. Click the Desktop View option and then click the Company Preferences tab. If you're a new business owner or new to QuickBooks, the QuickBooks Coach will walk you through the business flows you see on your Home page. The QuickBooks Coach uses spotlights and tips to explain each step in your workflow. Turn coach tips on and then mouse over and click the Coach icons ( ) to see tips and spotlights.

## **5.2 Finding your data in QuickBooks centers**

QuickBooks includes Customer, Vendor, and Employee Centers where you can view and manage all of your customer, vendor, and employee information and transactions. You can go to one of the QuickBooks Centers by clicking the appropriate button in the navigation bar (on the left side of the toolbar).



## Customer Center

The Customer Center, shown in Figure 3, is a lens into all your customer information. Without having to sift through multiple screens, you can view a list of all your customers and see pertinent information for each of them. Click on a customer's name and you'll immediately see all the activity you've had with them as well as their pertinent contact information (phone number, fax number, and payment terms). You can use the Customer Center to find out how much money a specific customer owes you or to view a list of all your customers with open balances. You can also look at all your customer transactions (estimates, sales orders, invoices, credit memos, refunds, etc.) across all of your customer in the Transactions list rather than having to run separate reports.

**Easily access your customer's contact information and any notes on that customer.**

**Run quick reports that pertain to this customer.**

**Easily add customers and jobs. Create new transactions (estimates, invoices, sales orders).**

**Click a customer in the Customers & Jobs list to view useful data.**

**Use the Transactions tab to find, sort, and filter all your transactions across all of your customers.**

**View all of your past transactions with this customer, or filter this list to display only one type of transaction, like overdue invoices.**

Name	Balance Total
+Barny, Jason	1,085.99
+Home Address	1,085.99
+Barny, Folly	0.00
+Repairs	0.00
+Cook, Brian	7,682.41
+2nd story addition	6,083.30
+Kitchen	2,099.33
+Change Order #1	0.00
+Covers, Fan	0.00
+Dust Mark	0.00
+Caddby, Matthew	129.30
+Utility Room	0.00
+Denson, Dave	0.00
+Utility Shed	0.00
+Denn, Eric C.W.	0.00
+Utility Shed	0.00
+Easley, Phile	0.00
+Garage	0.00
+Edgar Design	7,684.41
+Office Repairs	7,684.41
+Hisher, Jennifer	880.65
+Garage Roof	0.00
+Utility Shed	0.00
+Horn, Steve	0.00

Type	Item	Date	Account	Amount
Invoice	78	12/15/2007	Accounts Receivable	1,636.09
Invoice	PC 6	12/11/2007	Accounts Receivable	6.96
Invoice	79	12/10/2007	Accounts Receivable	4,226.41
Invoice	57	11/05/2007	Accounts Receivable	1,636.69
Payment		11/05/2007	Undeposited Funds	3,750.00
Invoice	58	11/05/2007	Accounts Receivable	6,418.00
Payment		11/05/2007	Undeposited Funds	4,500.00
Payment		11/05/2007	Checking	4,226.41
Estimate	31	11/17/2007	Estimates	4,226.41
Payment	5965	11/15/2007	Undeposited Funds	30,000.00
Invoice	49	10/30/2007	Accounts Receivable	14,586.30
Invoice	50	10/30/2007	Accounts Receivable	2,590.00
Payment	540	10/31/2007	Checking	2,400.00
Invoice	42	10/18/2007	Accounts Receivable	3,000.00
Estimate	26	10/11/2007	Estimates	8,941.69

Figure 3. View and manage customers, vendors, and employees with the QuickBooks Centers

## **Vendor Center**

The Vendor Center gives you a complete picture of where your money is going. From one screen, you can see all your vendors and exactly what you owe them. Simply click a vendor's name to view your entire history with that vendor. You no longer need to run separate reports to see exactly how much business you're doing with each individual vendor. And, you can sort your bills by due date so you can stay on top of your finances. If you need to talk to a vendor, click their name and you'll see all their contact information. If a vendor calls you to follow up on a late payment, you can quickly look up the bill and see when you paid it and what the check number was.

## **Employee Center**

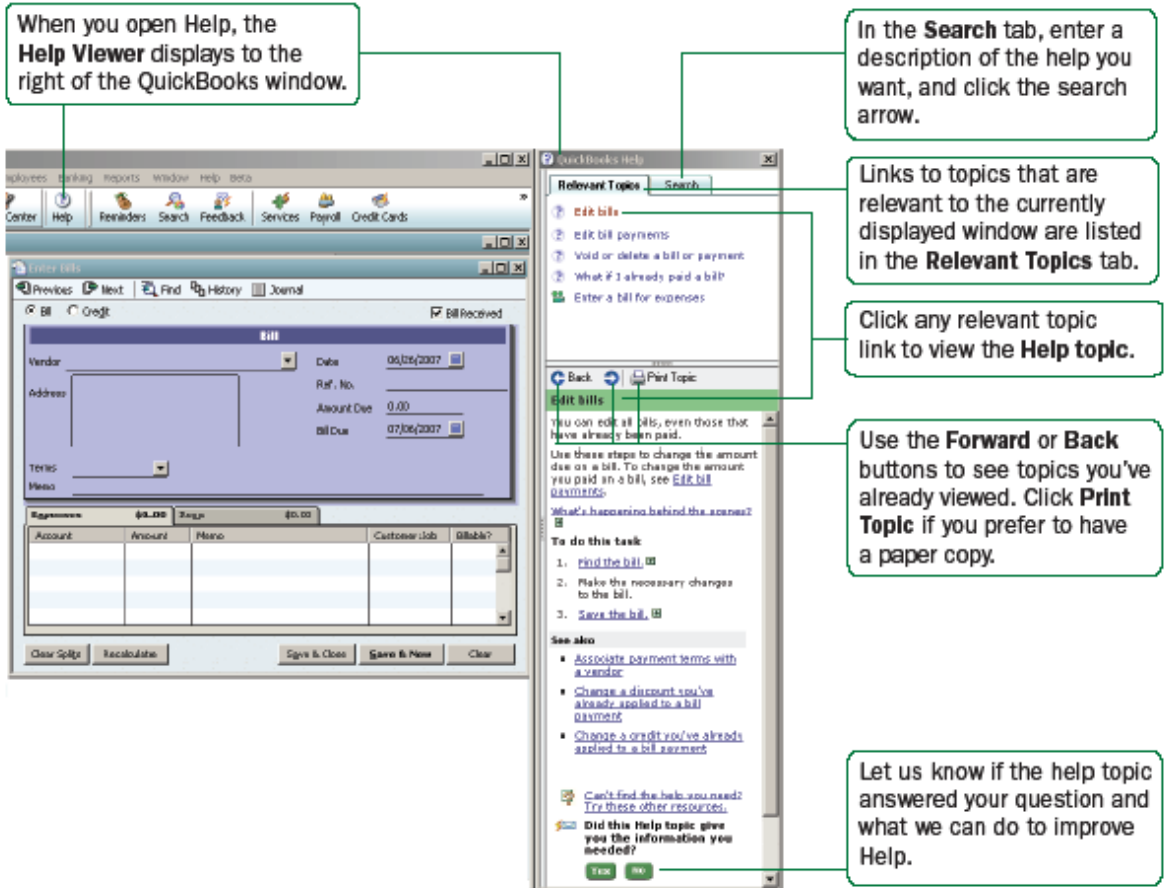
From the Employee Center, you can see exactly what you're paying each employee. Simply click an employee's name to view that person's payroll history. And if you need to get in touch with an employee, their contact information is right in front of you.

## **Payroll Center**

If you subscribe to one of the QuickBooks Payroll services (additional fees apply), the Employee Center includes a Payroll Center. Use the Payroll Center to manage your payroll and payroll compliance.<sup>1</sup> The Payroll Center is the hub for managing all payroll activities. The Payroll Center reminds you of important payroll dates so you pay your employees, pay your payroll liabilities, and file forms on time. To check out the Payroll Center, click the Employee Center icon on the navigation bar and then click the Payroll tab.

## **5.3 Using in-product Help**

QuickBooks in-product Help provides background information and instructions for doing QuickBooks tasks. You can access the Help content and features in several ways. To use in-product Help, go to the Help menu and click QuickBooks Help.



## Viewing Help for a window you have open

If you are unsure how to use a particular QuickBooks window, press the F1 key on your keyboard. To get help. (You can also click the Help button in the window, if one is present.)

These Help topics provide answers to questions such as:

- What can I use this form for?
- What does this button do?
- What kind of information is displayed in this column?
- What happens when I select this option?
- How do I complete the task?



### **Chapter Review Questions**

1. Explain how you could find data in the QuickBooks centers.
2. What is the importance of the vendor centre?

Quick books learning centre in the QuickBooks software.

## CHAPTER SIX

### QUICKBOOKS BASICS



#### Learning Objectives

By the end of this chapter the learner shall be able to;

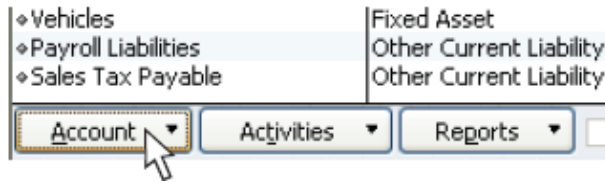
- i. Work with QuickBooks lists
- ii. Write checks and pay bills
- iii. Add different types of accounts in QuickBooks such as the income and the expense

To take full advantage of QuickBooks, there are some important concepts you need to understand.

#### 6.1 Working with QuickBooks lists

Lists are one of the important building blocks that make QuickBooks so powerful and efficient. QuickBooks uses list information to fill out most QuickBooks forms. For example, to create an invoice, you choose the customer name from your Customers & Jobs list. QuickBooks automatically enters the customer information on the form for you. This saves you time and prevents typing errors. You can also change the information directly on the form as needed. Lists are easy to set up in QuickBooks, but do require careful planning. Depending on the type of list you want to use, you can get to the list in one of two ways:

- QuickBooks Centers: Your Customers & Jobs, Vendors, and Employees lists are available in the Customer, Vendor, and Employee Center, respectively. Click the appropriate QuickBooks Center button on the navigation bar to go to a QuickBooks Center.
- List windows: Other lists, such as the Chart of Accounts and Item List, appear in separate windows. To view one of these lists, click the Lists menu and then click the list you want. To enter information in these lists, use the menu button at the bottom of the list to add, edit, or delete list items. The menu also provides access to common features associated with the list.



The more detail you enter for each list item, the more information QuickBooks can use to pre-populate forms, track financial data, and display useful reports about your business. Another advantage of lists is that common tasks like adding list entries, editing list information, and deleting list entries are performed the same way.

Figure 4 illustrates how QuickBooks uses list information across multiple windows and tasks to simplify data entry and to give you a complete picture of how your business is doing.

## 6.2 Writing checks versus paying bills

In QuickBooks, you can manage your bills and payments in two ways:

**Write checks to pay bills now.** Use the Write Checks window and assign the amounts to appropriate expense accounts. This method is recommended when you don't receive a bill, such as when you go to the store and write a check and then you need to record that expense in QuickBooks. You can also use Write Checks to pay a bill as soon as you receive it, as long as you don't need to track the bill.

### **Enter bills when you receive them and pay them later.**

Use the Enter Bills window to enter bills when you receive them. Then use the Pay Bills window to pay bills when they are due. You can set up QuickBooks to remind you to pay bills when they are due. Using this method, you keep your money in your business for as long as possible. You might still use a check to pay the bill, but this method enables you to track how much money you owe. And at any time, you can run reports to analyze unpaid bills for information such as which vendors you owe money.

**Note:** *Do not simply write a check in the Write Checks window to pay bills that you entered in the Enter Bills window or the accounts payable registers.*



## Receive bill from vendor

BILL		Payment Due to Golden Honey
Customer of our Company	Date: 07/14/2004	
Address: 1234 Garcia Ave. Mountain View, CA 94040	Bill Due: 08/15/2004	
		Amount Due: 1,000.00

Write checks now

Enter bills now,  
pay when due

Write Checks

Enter Bills



Pay Vendor

Pay Bills

Print checks or make  
an online payment



Figure 5. Writing checks versus entering and paying bills

## 6.3 QuickBooks Essential Tasks

### Adding an Account

When you set up your company file, QuickBooks sets up certain *accounts* for you automatically. However, as your business grows or changes, you might need to add new accounts to your *chart of accounts* to better organize your finances. Or, you might need an account that was not provided during setup. For example, you might want to create expense accounts to track office supply purchases separately from advertising costs. To add an account:

- 1 Go to the Lists menu and click Chart of Accounts.
- 2 Click the Account button and then click New.
- 3 In the Add New Account: Select Account Type window, select the type of account you want to create and then click Continue.
- 4 Enter the account's name in the Account Name field. This name will appear on your company financial statements.
- 5 If you want to make this account a subaccount of another account, select the Subaccount of checkbox. From the drop-down list, click the account that will be the higher-level account for this subaccount.
- 6 (Optional) Enter a short description, note, bank account number, or credit card number, depending on the type of account you are adding.
- 7 For income and expense accounts. From the Tax-Line Mapping drop-down list, click the appropriate tax line or <Not tax-related>.
- 8 For balance sheet accounts. Enter an opening balance based on the account's balance as of your QuickBooks start date. Generally, you should enter any balance sheet balances as of the day before your start date. That way it's all exactly correct at the opening of your start date. If you're putting money into the account with a transaction, do not use the opening balance field, since this will create an additional transaction. If you're not sure of the balance, you can leave the field blank and enter the information later. Click OK when finished.

9 Click Save & Close or Save & New to add another account.

### Chart of Accounts

1 The Chart of Accounts list shows the balance of each balance sheet account for your business.

2 Rearrange your accounts by clicking and dragging the diamond, located to the left of an account, to a new position.

3 Click the **Account** button to create new accounts or perform tasks with existing accounts.

### Add New Account

3 QuickBooks supports 16 different types of accounts.

5 Click here to make the account a subaccount of another account.

6 Click here to view and select additional accounts you can create (when available).

8 Click here to enter an opening balance for the account (for balance sheet accounts).

9 Set up QuickBooks to automatically remind you when to enter checks for an account.

## Why Use Subaccounts?

When you need more detail about what's going on in an account, you can divide the account into one or more subaccounts. Subaccounts let you track several related types of income or expenses independently yet keep them all under the "umbrella" of a single parent account. Subaccounts appear indented immediately below their parent account in your chart of accounts. If you create subaccounts, it's best not to post anything to the "parent" account. For example, if your business has substantial advertising

expenses, you might decide to divide your Advertising expense account into several subaccounts, such as Newspaper Ads, Signs, Yellow Pages Listing, and Direct Mailings.

### **What type of account should I use?**

There are two main types of accounts in the QuickBooks chart of accounts:

- Income and expense accounts
- Balance sheet accounts

### **Income and Expense Accounts**

Income and expense accounts track the sources of your income and the purpose of each expense. When you record transactions in one of your balance sheet accounts, you usually assign the amount of the transaction to one or more income or expense accounts. For example, not only do you record that you took money out of your checking account, but you keep track of what you spent the money on (utilities or office supplies).

Account type	Purpose
Income	Categorizes money earned from normal business operations, such as product sales, service sales, and discounts to customers.
Other income	Categorizes money your business earns that is unrelated to normal business operations, such as dividend income, interest income, and insurance reimbursements.
Expense	Categorizes money spent in the course of normal business operations, such as advertising and promotion, office supplies, insurance, legal fees, charitable contributions, and rent.
Other expense	Categorizes money your business spends that is unrelated to normal business operations, such as corporation taxes and penalties, interest, and legal settlements
Cost of goods sold	Tracks the direct costs to purchase or produce the items that your business sells, such as cost of materials, cost of labor, subcontractors, and shipping.

**Note:** *QuickBooks does not display balances for income and expense accounts in the Chart of Accounts. To see these balances, go to the Reports menu, click Report Center, and then click the Company & Financial category. You can also select the income or expense account in the chart of accounts and click QuickReport.*

## Balance Sheet Accounts

QuickBooks provides 10 types of balance sheet accounts to choose from as you create and add to your Chart of Accounts. Use the type of account that best describes the type of data you are tracking.

Account type	Purpose
Bank	Tracks money you have in your cash accounts. Create one for each cash account, such as petty cash, checking, savings, and money market. (When you create a new bank account, leave the opening balance at zero. Its opening balance will be created automatically when you transfer funds from another account.)
Accounts receivable (A/R)	Tracks money your customers owe you on unpaid invoices. Most businesses require only the A/R account that QuickBooks automatically creates after you create your first invoice.
Other current asset	Tracks the value of things that you can convert to cash or use up within one year, such as prepaid expenses, employee cash advances, inventory, and loans from your business.
Fixed asset	Tracks the value of significant items (consult your tax professional for a minimum dollar amount) that have a useful life of more than one year, such as buildings, land, machinery and equipment, and vehicles.
Other asset	Tracks the value of things that are neither Fixed Assets nor Other Current Assets, such as Goodwill, long-term notes receivable, security deposits paid, and land.
Accounts payable (AP)	Tracks money you owe to vendors for purchases made on credit. Most businesses require only the A/P account that QuickBooks automatically creates after you create your first invoice.
Credit card	Tracks credit card purchases, bills, and payments. Create one for each credit card your business uses.
Other current liability	Tracks money your business owes and expects to pay within one year, such as sales tax, security deposits/retainers from customers, and payroll taxes.
Long-term liability	Tracks money your business owes and expects to pay back over more than one year, such as mortgages, long-term loans, and notes payable.
Equity	Tracks money invested in, or money taken out of, the business by owners or shareholders. Payroll and reimbursable expenses should not be included.

## 6.4 Adding Customers Vendors and other accounts

### Adding Customers

*Customers* are the lifeline of your business. By entering detailed information in QuickBooks about the people and companies to whom you sell your products and services, you can personalize their bills, send invoices easily, and quickly view the status of their accounts. You can add new customers at any time.

### Customer Center

Click **New Customer & Job** to add new customers to the list.

View the amount of money each customer owes you in the **Balance Total** column.

Click a customer's name in the list to view the contact information and notes for that customer.

See all transactions for this customer in the transaction list, which can be sorted and filtered.

Click to view useful reports about each customer.

The screenshot shows the 'Customer Center: Cook, Brian (All Transactions)' window. The left pane displays a list of customers with columns for Name and Balance Total. The right pane shows detailed information for 'Cook, Brian', including contact details, company name, and a notes section. The bottom pane shows a list of transactions with columns for Type, Num, Date, Amount, and Account.

Name	Balance Total
+Burch, Jason	1,005.00
+Room Addition	1,005.00
+Barnes, Tom	0.00
+Repairs	0.00
+Cook, Brian	7,012.03
+2nd story addition	5,003.30
+Kitchen	2,009.33
+Change Order #1	0.00
+Craven, Pam	0.00
+Duct Work	0.00
+Cuddihy, Matthew	129.30
+Duct Room	0.00
+Duncan, Dave	0.00
+Utility Shed	0.00
+Duns, Eric C.W.	0.00
+Utility Shed	0.00
+Easley, Paula	0.00
+Garage	0.00
+Echer Designs	7,694.41
+Office Repairs	7,694.41
+Fishay, Jennifer	-850.63
+Garage Roof	0.00
+Utility Shed	0.00
+Forn, Steve	0.00

Type	Num	Date	Amount	Account
Invoice	76	12/18/2007	1,636.69	Accounts Receivable
Invoice	76	12/18/2007	5.95	Accounts Receivable
Invoice	79	12/10/2007	4,225.41	Accounts Receivable
Invoice	57	11/25/2007	1,636.69	Accounts Receivable
Payment		11/25/2007	3,750.00	Undeposited Funds
Invoice	58	11/25/2007	5,418.00	Accounts Receivable
Payment		11/25/2007	4,500.00	Undeposited Funds
Payment		11/25/2007	4,225.41	Checking
Estimate	31	11/17/2007	4,225.41	Estimates
Payment	9865	11/15/2007	10,000.00	Undeposited Funds
Invoice	49	10/30/2007	14,065.30	Accounts Receivable
Invoice	50	10/30/2007	2,580.00	Accounts Receivable
Payment	548	10/21/2007	2,400.00	Checking
Invoice	42	10/15/2007	3,100.00	Accounts Receivable

## New Customer

Enter the customer's name, address, and contact information on the Address Info tab.

Use the Additional Info and Payment Info tabs to set up customer payment terms and sales tax information.

Click Define Fields to create any custom fields that you need for your customers.

To add a customer:

- 1 Click the Customer Center icon at the top of the QuickBooks window.
- 2 Click New Customer & Job and then click New Customer.
- 3 On the Address Info tab, enter all the data that you have about the customer, including their name, Bill to and Ship to addresses, and additional contact information.
- 4 Complete the Additional Info and Payment Info tabs, as appropriate.
- 5 If you want to add additional fields to the form, click Define Fields to customize the form.
- 6 Click OK or Next (if you want to enter another customer).

## Adding Vendors

QuickBooks uses the *vendor* list to hold information about the people and companies you buy goods and services from to run your business; for example, this list could include the phone company, your office supplies vendor, and your tax board. You can add new vendors at any time.

## Vendor Center

2 Click New Vendor to add new vendors to the list.

Click a vendor's name in the list to view the contact information and notes for that vendor.

View the amount of money you owe each vendor in the **Balance Total** column.

See all transactions for this vendor in the transaction list, which can be sorted and filtered.

Click to view useful reports about each vendor.

## New Vendor: Additional Info

3 Enter the vendor's name, address, and contact information on the Address Info tab.

5 Use the Additional Info tab to enter vendor-specific information, including the vendor type.

6 Click Define Fields to create any custom fields that you need for your vendors.

To add a vendor:

- 1 Click the Vendor Center icon at the top of the QuickBooks window.
- 2 Click New Vendor.
- 3 On the Address Info tab, enter all the data that you have about the vendor, including their name, address, and additional contact information.
- 4 If you owe this vendor money as of your company's start date, enter the amount in the Opening Balance field.
- 5 Click the Additional Info tab and complete the form.



6 If you want to add additional fields to the form, click Define Fields to customize the form.

7 Click OK or Next (if you want to enter another vendor).

## Adding Items

In QuickBooks, an *item* is anything that your company buys, sells, or resells to run your business. Items are your products, services, and things such as shipping and handling charges, discounts, and sales tax. When you choose an item from the Item list, QuickBooks fills in a description of the line item and calculates its amount for you.

QuickBooks provides 12 different types of items, described in the table on page 58. Some items, such as service or inventory part items, help you record the services and products your business sells. Other items, such as the subtotal or discount item, are used to perform calculations on the amounts in a sale.

### Item List

Subitems are indented under the parent item.

For inventory parts, the On Hand column shows how many of each item you have in stock.

Click the **Item** button to add new items or perform activities on existing items.

Name	Description	Type	Account	On Hand	On Sales Order	Price
▶ Blueprint changes		Service	Constru...			0.00
▶ Concrete Slab	Foundation slab - prep and pouring	Service	Constru...			0.00
▶ Floor Plans	Floor Plans	Service	Constru...			0.00
▶ Framing	Framing labor	Service	Constru...			5900
▶ Installation	Installation labor	Service	Constru...			3900
▶ Labor		Service	Constru...			0.00
▶ Mileage		Service	Mileage...	0	0	0.35
▶ Removal	Removal labor	Service	Constru...			3900
▶ Repairs	Repair work	Service	Constru...			3900
▶ Subs	Subcontracted services	Service	Constru...			0.00
◀ Carpet	Install carpeting	Service	Constru...			0.00
◀ Drywall	Install drywall	Service	Constru...			0.00
◀ Duct Work	Heating & Air Conditioning Duct Work	Service	Constru...			0.00
New	Ctrl+N	Service	Constru...			0.00
Edit	Ctrl+E	Service	Constru...			0.00
Delete	Ctrl+D	Service	Constru...			0.00
Make Item Inactive		Service	Constru...			0.00
Show Inactive Items		Service	Constru...			0.00
✓ Hierarchical View		Inventory Part	Constru...	0	0	0.00
Flat View		Inventory Part	Constru...	8	0	100
Customize Columns...	cabinet wall unit	Inventory Part	Constru...	2	0	0.00
	door frame	Inventory Part	Constru...	0	0	0.00
Import from Excel...	brass hinge	Inventory Part	Constru...	46	0	0.00
Ctrl+I	bs	Inventory Part	Constru...	03	0	30.00
Find in Transactions...	orknobs	Inventory Part	Constru...	0	0	3800
		Inventory Part	Constru...	0	0	0.00
Print List...	r	Inventory Part	Constru...	3	0	20.00
Ctrl+P	r	Inventory Part	Constru...	32	0	72.00
Re-sort List	door	Inventory A...	Constru...	4	0	0.00

2

## New Item

The screenshot shows the 'New Item' dialog box with the following fields and callouts:

- 3** points to the 'Type' dropdown menu, which is set to 'Service'. A tooltip explains: 'Use for services - you charge for or purchase, like specialized labor, consulting hours, or professional fees.'
- 4** points to the 'Item Name' field, which contains 'Paving'.
- 5** points to the 'Description' text area.
- 6** points to the 'Rate' field.
- 7** points to the 'Account' dropdown menu.
- 8** points to the 'Tax Code' dropdown menu.

Other fields and options include: 'Subitem of' (checked), 'This service is performed by a subcontractor, owner or partner' (unchecked), 'Item is inactive' (unchecked), and buttons for 'OK', 'Cancel', 'Next', 'Custom Fields', and 'Spelling'. A link at the bottom reads: 'How can I set rates by customers or employees?'.

To add an item:

- 1 Go to the Lists menu and click Item List.
- 2 Click Item at the bottom of the list and then click New.
- 3 Click the Type drop-down arrow and choose the type of item you want to create (see table on page 58).
- 4 Enter an item name as you want it to appear on purchase and sales forms.
- 5 Enter the description that you want to appear on sales forms when you use the payment item.
- 6 In the Rate field, enter the amount you want to charge for the item or leave as zero, if the rate varies.
- 7 In the Account field, choose the account that is associated with this item. (In most cases, you will assign the item to an income account.)
- 8 In the Tax Code list, select the appropriate sales tax code or create a new one. If you do not see the Tax Code list, you must turn the tax preference on in the Sales Tax area under Edit | Preferences.
- 9 Click OK or Next (if you want to enter another item). QuickBooks provides 12 different types of items to help you fill out sales and purchase forms quickly.

## Which Item Type Should I Choose?

QuickBooks provides 12 different types of items to help you fill out sales and purchase forms quickly.

Item Type	Purpose
Service	Use for services you either charge for or purchase, like specialized labor, consulting hours, and professional fees.
Inventory part	Use for goods you purchase, track as inventory, and resell.
Inventory assembly (Premier only)	Use for assembled goods you build or purchase, track as inventory, and resell.
Non-inventory part	Use for goods you buy but don't track, like office supplies or materials you buy for a specific job that you charge back to your customer.
Fixed asset	Use for an asset you do not expect to convert to cash during one year of normal operations. A fixed asset is usually something that is necessary for the operation of your business—like a truck, cash register, or computer.
Other charge	Use for miscellaneous labor, material, or part charges, such as delivery charges, setup fees, and service charges.
Subtotal	Use to total all items above it on a form, up to the last subtotal. Useful for applying a percentage discount or surcharge to several items.
Group	Use to quickly enter a group of individual items on an invoice.
Discount	Use to subtract a percentage or fixed amount from a total or subtotal. Do not use this item type for an early payment discount; for an early payment discount, use the <b>Set Discount</b> feature in the <b>Receive Payments</b> window.
Payment	Use to record a partial payment you received at the time of the sale. It reduces the amount owed on an invoice.
Sales tax item	Use to calculate a single sales tax at a specific rate that you pay to a single tax agency.
Sales tax group	Use to calculate and individually track two or more sales tax items that apply to the same sale. The customer sees only the total sales tax.

## Why item types are important

Although you can use items as a quick means of entering data, items fulfill a much more important QuickBooks role: to handle the behind-the-scenes accounting. When you create an item, you link it to an account; when the item is used on a form, it posts an entry to that account and another entry to the appropriate accounts receivable, accounts payable, checking, fixed asset, or other account. While items are easy to set

up, you should spend some time deciding how they can best work for you before you start setting them up and using them. Use your current list of services and products as a starting point. Consider how much detail you want on your invoices or statements and set up your items with that level of detail in mind. For example, if you are a seamstress who creates and sells home accessories, you can set up a single item and charge a flat rate for a certain size of couch pillow, or you can break that pillow down further into labor and materials. Furthermore, QuickBooks provides many useful reports that break information down by the goods or services you purchase and sell. That way, you can quickly find out:

- How much income your items bring in
- What you are spending to purchase items
- How well you estimate the cost of items
- How much time you spent on each type of job or item

## **6.5 Setting up sales tax**

### **Setting Up Your Business | Setting up Sales Tax**

Depending on where you do business, you might be required to collect sales tax for the products or services you sell. If you collect sales tax, you must pay it to a tax agency on a regular schedule. QuickBooks helps automate your sales tax tracking so you can keep accurate records about the sales tax you collect and pay.

*Important: You must follow the rules and regulations for collecting and paying sales tax in your tax district (city, county, state).*

#### **Understanding how sales tax works**

QuickBooks uses sales tax codes to track the taxable or non-taxable status of both the items you sell (products and services) and your customers. If your tax agency requires you to report the reasons why particular sales are taxable or non-taxable, the sales tax codes that you assign to your items and customers enable you to run reports that provide this information for your sales tax return. QuickBooks uses sales tax items to calculate and add sales tax charges when you make a taxable sale. When you set up a

sales tax item, you assign a sales tax rate to it and associate it with the tax agency to which you pay the sales tax. All of the sales tax items you set up are in your Item list. Once you've set up sales tax, QuickBooks automatically applies the appropriate sales tax rate to the sale of your taxable items.

### **Before you start setting up sales tax**

To set up sales tax in QuickBooks, you need to know the following sales tax requirements for the locations where you sell your products and services:

- Sales tax rates for each tax district (a city, county, or state that has a sales tax) in which you sell. You may have multiple sales tax rates that you need to charge, for example, sales tax for both a county and a state.
- Tax agencies to which you pay the collected sales tax for each of those district taxes.

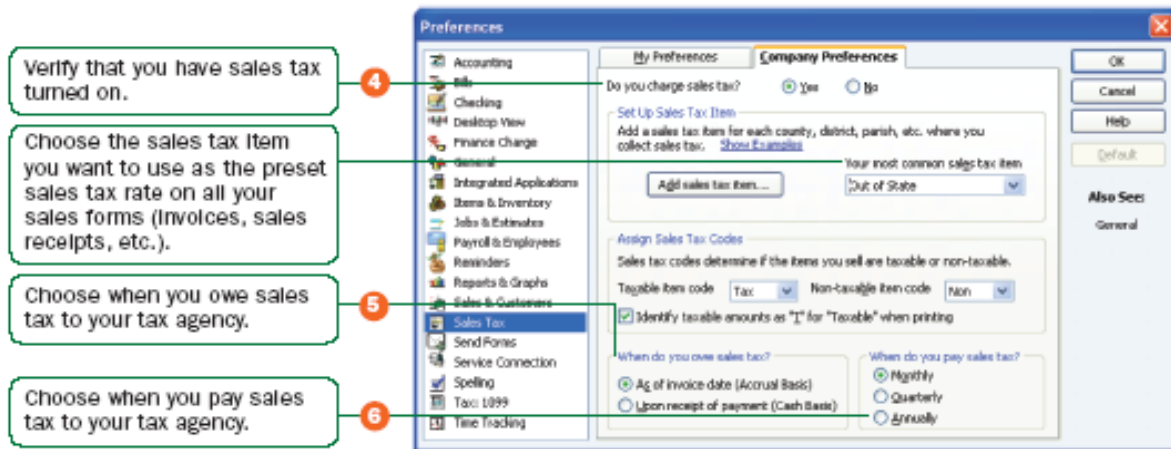
Term	How It relates to sales tax setup
Sales tax rate	The percentage charged for sales tax by the tax district. For each different district/rate combination, you need to set up a new sales tax item. For example, you might sell in three counties that all charge the same sales tax rate, but you need a separate sales tax item for each county, even though the sales tax rate is the same. This enables you to track the amounts of sales tax you collect for each tax district.
Sales tax item	A QuickBooks item that is used to calculate the appropriate sales tax for a sale. A sales tax item includes a sales tax rate and a tax agency. When you sell taxable items, you charge the appropriate sales tax rate by assigning a sales tax item to each sale.
Sales tax group item	A QuickBooks item that groups multiple sales tax items so you can charge only one rate on your sales. For example, the location where you sell might require you to charge both a county and a state sales tax. However, customers are used to seeing one sales tax rate on sales. You would set up a sales tax group item that combines those two sales tax rates, say 1% for the county and 7% for the state, to create a single, sales tax group item with a rate of 8%. You would apply this sales tax group item to your taxable sales for that county.
Sales tax code	The identifier that QuickBooks uses to track the taxable and non-taxable status of both the products and services you sell, and the customers to whom you sell these items. For example, a customer that is a non-profit organization might have a non-taxable status. You would not charge sales tax for anything you sell to this particular customer.
Tax district	A town, city, county, or state that charges sales tax. A tax district might also include a municipal or special jurisdiction, such as a Mass Transit tax or a parish in Louisiana.
Tax agency	The government office that determines the requirements for sales tax collection or payment. You might need to pay your collected sales tax to one or more tax agencies, depending on the requirements for the locations (tax districts) where you do business. Tax agencies are set up as vendors, because you make payments to them. A tax agency is sometimes called a tax authority.

## Setting up sales tax

Setting up sales tax is a multi-step process, divided into three main parts:

- Part 1: Sales tax payment schedule
- Part 2: Sales tax codes to track taxable status of items and customers
- Part 3: Sales tax items, rates, and tax agencies

## Preferences: Set sales tax preferences



### Part 1: Sales tax payment schedule

In this procedure, you'll turn on sales tax and then set up information about when you need to pay your tax agency. To set up your sales tax payment schedule:

- 1 Go to the Edit menu and click Preferences.
- 2 Click Sales Tax in the list on the left.
- 3 Click the Company Preferences tab.
- 4 For the question Do You Charge Sales Tax?, click Yes.
- 5 Select when you owe sales tax to the tax agency, as specified by your tax agency.
  - Select As of invoice date if your tax agency stipulates that you owe sales tax from the moment you write an invoice or make a sale.
  - Select Upon receipt of payment if your tax agency stipulates that you owe sales tax when you receive the payment from a customer.

**Note:** *This preference overrides the accounting basis you've set for your company and for your report preferences (i.e., if your report preference is set to "cash" but you select "accrual" here, your sales tax reports will be accrual-based).*

- 6 Select how often you pay sales tax to the tax agency, as specified by your tax agency. If you don't know which time period to choose, check your sales tax license. It should indicate the payment schedule that you need to use.





## Setting up payroll

QuickBooks Payroll includes an easy-to-use Payroll Setup wizard that guides you through setting up payroll for your business. Payroll Setup helps you set up your employees, set up compensation and benefit information, as well as enter any year-to-date payroll data. You will also be assisted in setting up scheduled payroll groups and your payroll liability payment schedule to make managing your payroll easier.

## Setting up Employees

To process paychecks and prepare tax documents for your *employees*, you need to enter specific information about each of your employees in QuickBooks.

**Note:** *If you are a QuickBooks Payroll subscriber, you will be prompted to add all of your employee information during payroll setup (described on page 69). Use the following procedure to edit employee information or to add additional employees at a later date.* Refer to the Payroll Setup Checklist on page 71 for a list of employee information to gather. To set up an employee's personal information:

- 1 Click the Employee Center icon at the top of the QuickBooks window.
- 2 Click New Employee.
- 3 On the Personal tab, fill in the form.
- 4 Click the Address and Contact tab, fill in the form, and then click OK.
- 5 When prompted to set up the employee's payroll information, click Leave As Is. To set up an employee's payroll information:

- 1 Click the Employee Center icon at the top of the QuickBooks window.
- 2 Click the Employees tab and then double-click the employee's name.
- 3 From the Change tabs drop-down list, click Payroll and Compensation Info.
- 4 Fill in the Payroll Info form.
- 5 Click the Taxes button.
- 6 Click the Federal tab and fill in the form, based on the employee's W-4 information.
- 7 Click the State tab and fill in the form.
- 8 Click OK.

Once you've set up your employees, refer to "Paying Employees" to learn about paying them.



### **Chapter Review Questions**

1. Explain how you would create income and expense accounts.
2. Explain the procedure of adding a customer in QuickBooks.
3. . Explain the procedure of adding items in QuickBooks.

#### **Further readings**

QuickBooks learning centre in the software.

## CHAPTER SEVEN

### QUICKBOOKS OPERATING FEATURES



#### Learning Objectives

By the end of this chapter the learner shall be able to;

- i. Create an Estimate in QuickBooks
- ii. Create an Invoice
- iii. Enter sales receipts and receive a payment in QuickBooks software and receive money from a customer by making a deposit
- iv. Pay a bill and write checks
- v. Prepare different reports such as trial balance, Trading profit and loss account and balance sheet

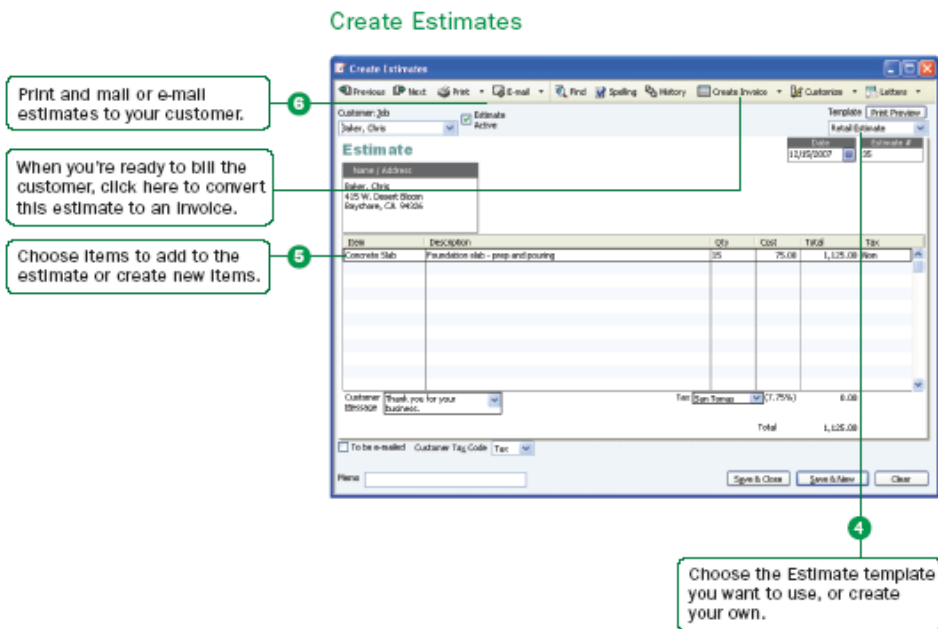
#### 7.1 Creating an Estimate

You can use the *estimate* form to prepare estimates, bids, quotes, or proposals for your customers. You can change the title "Estimate" to anything that suits your business. Filling in the estimate is similar to creating an invoice. And when it's time to bill your customer, you can create the invoice directly from the estimate by clicking Create Invoice on the estimate's toolbar. QuickBooks then creates the invoice, with all the information from the estimate filled in. Later, you can create reports that compare your estimated costs and revenue against your actual costs and revenue to see how accurate your estimates are. To create an estimate:

- 1 If necessary, turn on Estimates (described below), if you didn't do this during the EasyStep Interview.
- 2 Go to the Customers menu and click Create Estimates.
- 3 Enter the name of the customer or job.
- 4 Select an estimate template from the Template dropdown list.
- 5 Fill in the estimate form.
- 6 Click Print.
- 7 Save the estimate.

To turn on the estimates feature:

- 1 Go to the Edit menu and click Preferences.
- 2 Click Jobs & Estimates in the list on the left and then click the Company Preferences tab.
- 3 Click Yes to the question, "Do You Create Estimates?"
- 4 To have QuickBooks warn you when you try to record an estimate with the same number as the existing estimate, select the Warn about duplicate estimates numbers checkbox.
- 5 If you do progress invoicing:
  - Make sure Yes is selected in response to the question, "Do You Do Progress Invoicing?"
  - Specify whether you want line items that have zero amounts to print on your progress invoice
- 6 Click OK.



## 7.2 Creating an Invoice

When your customers don't pay you in full at the time you provide your service or product, or when they pay in advance, you need to track how much they owe you. You

can use an *invoice* to help you keep track of what your customers owe you (or your “accounts receivable”). Invoices list all the details about the sale, including the services you’re providing or the products you’re selling (your “items”). Invoices also show the quantity and price or rate of each item. If you need to make automatic adjustments to prices (for example, discounts or markups), invoices will work for you.

**Note:** *If your customers pay in full at the time of purchase, do not create an invoice. Instead, create a sales receipt, described on page 79.*

To create an invoice:

- ➊ Go to the Customers menu and click Create Invoices.
- ➋ In the Customer:Job drop-down list, enter a name or click the name of the customer or job.
- ➌ Click the Template drop-down arrow and then click the invoice template you want to use.
- ➍ Click the Terms drop-down arrow and then click the sales terms that apply to this customer.
- ➎ In the lower part of the form, enter each of the items (including the proper quantity) that the customer has purchased.
- ➏ Click Print on the toolbar to print the invoice now. Optionally, you can select the To be printed checkbox to print the form later or the To be e-mailed checkbox to e-mail the form later.
- ➐ Save the invoice.

## Create Invoices

The screenshot shows the 'Create Invoice' window with the following callouts:

- 6** Print and mail or e-mail invoices to your customer.
- 5** Choose items to add to the Invoice or create new items.
- 3** Choose the invoice template you want to use or create your own.

The window displays customer information for 'Baker, Chris', a table with one item: 'Concrete Slab' (Foundation slab - prep and pouring) with a quantity of 15, rate of 75.00, and amount of 1,125.00. The total amount is 1,125.00. The window also includes a 'Customer Message' field with 'Thank you for your business.' and a 'Tax' field set to 'San Diego' at 7.75%.

## Create Custom Invoices

The screenshot shows the 'Basic Customization' dialog box with the following callouts:

- Print your company logo on your invoice.
- Choose different fonts to use for different parts of the invoice.
- Control what type of information gets printed on your invoices.
- Click here to access more advanced customization options.

The dialog box includes sections for 'Logos & Fonts', 'Select Color Schemes', 'Change Font Font', 'Company & Transaction Information', and 'Print Status Stamp'. It also features a 'Preview' window showing a sample invoice layout.

## 7.3 Entering sales receipts

When your customers pay in full at the time they receive your service or product, you don't need to track how much they owe you. However, you might want to record the sale, calculate its sales tax, or print a receipt for the sale. In these cases, you can create a *sales receipt*. Examples of businesses that commonly use sales receipts include beauty salons, pet groomers, dry cleaners, and restaurants.

**Note:** *If you need to track how much a customer owes you or you do not receive full payment at the time of the transaction, do not use a sales receipt.*

To enter a sales receipt:

- 1 Go to the Customers menu and click Enter Sales Receipts.
- 2 Fill in the top part of the form, including the Customer:Job, Date, and Payment Method.
- 3 Click the Template drop-down arrow and then click the sales receipt template you want to use.
- 4 In the bottom part of the form, select or enter the items purchased.
- 5 Save the transaction.

### Sales Receipt

Choose the Sales Receipts template you want to use or create your own.

Choose Items to add to the Sales Receipt or create new items.

ITEM	DESCRIPTION	QTY	RATE	AMOUNT	Tax
Manuals		1	280.00	280.00	None

## 7.4 Receiving a Payment

When you receive money from a customer, you must receive the payment in QuickBooks so QuickBooks can record the transaction and mark the invoice as being paid. When you receive a payment, the accounts receivable records are updated, and the payment is ready to be deposited into an account. To receive a payment:

- 1 Go to the Customers menu and click Receive Payments.



② Fill in the top portion of the form, including the customer's name, the payment amount, payment method, and the date on which the payment was received.

③ Check the column to the left of the invoice to which you want to apply the payment. You might be asked to decide how to apply the payment for one of the following scenarios:

- Overpayment can become a credit or refund
- Underpayment can be left as is or written off
- Customer has unused credit to be applied
- Customer has available discounts

④ Choose the appropriate selection and you should see your choices reflected in total amounts for selected invoices. If the customer has a discount or available credits, you can choose how to apply them.

⑤ Save the payment.

### Receive Payments

Choose a customer from the drop-down list.

The checkmark next to the invoice tells QuickBooks to apply the payment to this invoice.

Date	Number	Orig. Amt.	Amt. Due	Payment
12/15/2007	74	1,040.00	1,040.00	1,040.00
12/30/2007	77	2,000.00	2,000.00	
Totals		3,040.00	3,040.00	1,040.00

Amounts for Selected Invoices:

Amount Due	3,040.00
Applied	1,040.00
Discount and Credits Applied	0.00

## 7.5 Making a Deposit

When you receive a payment from a customer, you can either deposit the payment into a bank account immediately, or you can wait until a later time to make the deposit.

To make a deposit:

- 1 Go to the Banking menu and click Make Deposits.
- 2 In the Payments to Deposit window, select the payments that you want to deposit and click OK.
- 3 In the Make Deposits window, click the Deposit To drop-down arrow and then click the account to which you want to deposit the funds.
- 4 Verify the date and the list of payments to deposit, making updates as necessary.
- 5 If you want to receive cash back from this deposit, fill in the Cash Back fields at the bottom of the form.
- 6 If you want to print a deposit slip or deposit summary, click Print.
- 7 Save the deposit.

**Note:** Just because you've recorded the deposit in QuickBooks doesn't mean that you've actually made the deposit and that the money is available. You still need to physically deposit the money at the bank or send an online transfer.

### Payments to Deposit

The checkmark indicates which payments to deposit.

QuickBooks sorts received payments by payment method type.

<input checked="" type="checkbox"/>	Date	Time	Type	No.	Payment Method	Name	Amount
<input checked="" type="checkbox"/>	07/14/2004		PMT	2112	Check	Baker, Chris	1,040.00
<input type="checkbox"/>	04/11/2007		PMT	3402	Check	Fisher, Jennifer	5,164.00
<input type="checkbox"/>	09/10/2007		PMT	5668	Check	Lukas, Rodolfs/Kitchen	2,481.80
<input type="checkbox"/>	09/23/2007		PMT	2957	Check	Duany, Eric C. W./Libby...	2,400.00
<input type="checkbox"/>	09/26/2007		PMT	1556	Check	Johnson, Gordon/Roby...	2,400.00
<input type="checkbox"/>	10/30/2007		PMT	41022	Check	Morano, Jeanette	16,537.54
<input type="checkbox"/>	11/25/2007		PMT	15785	Check	Pretell Real Estate 155...	5,435.00
<input type="checkbox"/>	12/14/2007		PMT	986	Check	Jacobsen, Doug/Kitchen	2,000.00
<input type="checkbox"/>	12/15/2007		LIAB ADJ			Great Statewide Bank	124.00
<input type="checkbox"/>	12/15/2007		PMT		Cash	Roche, Diamond/Garag...	440.00

0 of 10 payments selected for deposit      Payments Subtotal      0.00

Select All    Select None    Get Bundling Status      OK    Cancel    Help

## Make Deposits

The screenshot shows the 'Make Deposits' window with the following details:

- Deposit To:** Checking
- Date:** 07/14/2004
- Memo:** Deposit
- Table:**

Received From	From Account	Memo	Chk. No.	Print Meth.	Amount
Baker, Chris	Undeposited Funds		2112	Check	1,040.00
- Deposit Subtotal:** 1,040.00
- Deposit Total:** 1,040.00
- Cash back section:** Includes fields for 'Cash back goes to', 'Cash back memo', and 'Cash back amount'.

Callouts in the image:

- 1:** Click Payments to see other payments you can deposit.
- 2:** Indicates the account to which you want to deposit the funds.
- 5:** Record cash back from a deposit by specifying the account and amount here.

## 7.6 Paying Bills

As you purchase equipment, supplies, products, or services to run your business, you will also receive bills that need to be paid. Entering these bills in QuickBooks enables you to not only track information about your purchases, but also to pay these bills. QuickBooks remembers all of your unpaid bills, enabling you to easily choose the bills you want to pay. QuickBooks then writes and saves the checks or credit card charges or sends the online banking payment instructions, depending on the payment method you choose.

**Note:** Before paying a bill, be sure you read the section "Writing checks versus paying bills" on [page 41](#) to make sure you are using the correct payment method.

To enter a bill:

- 1 Go to the Vendors menu and click Enter Bills.
- 2 In the Vendor field, choose or enter a new vendor.

**Note:** If an open purchase order exists for this vendor, you are prompted to receive against it. Click Yes to receive against one or more purchase orders; then, in the Open Purchase Orders window, click each purchase order that contains items you've received and are being billed for.

- 3 Specify the Payment Method, Payment Account, and Payment Date.
- 4 In the Amount Due field, enter the amount of the bill.

- 5 Fill in the Date, Ref. No., Terms, and Memo fields as necessary.
- 6 For expenses (money you spend to run your business, such as utilities), assign the bill to one or more expense accounts on the Expenses tab. For items (products or services your business buys), edit items that were entered from your purchase order or enter new items on the Items tab.
- 7 Click Save & Close or Save & New to enter the transaction. To pay a bill:
  - 1 Go to the Vendors menu and click Pay Bills.
  - 2 All outstanding bills are displayed. To limit the number of bills displayed, click Due on or before and then click the due date for the bills you want to display.
  - 3 Click Pay Selected Bills to complete the transaction.

### Enter Bills

Choose or enter the name of the vendor who sent you the bill.

Enter the amount due here.

Select the payment terms here and QuickBooks will autofill the Bill Due date for you.

Assign the bill to one or more expense accounts.

### Pay Bills

Click here to display all unpaid bills or all bills that are due before a specific date.

The checkmark indicates the bills you've chosen to pay.

Click **Go to Bill** to view the bill that corresponds to the selected bill.

## 7.7 Writing Checks

You can write a check for any kind of expense that you track with QuickBooks expense accounts and for noninventory part, service, and other charge items. If you are using inventory or purchase orders (Premier only), you can write checks for inventory part items too.

**Note:** *Before writing a check, be sure you read the section "Writing checks versus paying bills" on page 41 to make sure you are using the correct payment method.*

To write a check:

- 1 Go to the Banking menu and click Write Checks.
- 2 Click the Bank Account drop-down arrow and then click the account from which you want to write the check.
- 3 Fill in the onscreen check as you would a paper check.
- 4 Itemize your expenses (shipping charges, taxes, or other expenses not associated with any one item) on the Expenses tab.
- 5 If you are purchasing items for your inventory, enter the items on the Items tab.
- 6 Save the transaction.

To find and print a single check:

- 1 Load the blank check form into the printer.
- 2 Go to the Banking menu and click Write Checks.
- 3 Click the Find button and search for the check you want to print.
- 4 Double-click to view the check you want to print.
- 5 Click Print.
- 6 In the Print Checks window, choose the options you want and click Print.

**Note:** *To learn how to print multiple checks at the same time, refer to the in-product Help.*

## Write Checks

Indicates the account from which the funds will be taken for this check.

Fill out the check just like you would a paper check.

Use the Expenses tab to itemize purchases you make to run your business, such as job materials or utility costs.

Use the Items tab to itemize the products and services you've bought with or without a purchase order.

Amount	Memo	Customer: Job
1,550.00	Job Expenses: Job Materials	Baker, Chris

## Select Checks to Print

Make sure that the checks in your printer correspond to the check number entered here.

Click here to choose the checks you want to print.

Date	Set to	Payee	Amount
12/15/2007		Daigle Lighting	640.92
12/15/2007		Perry Windows & Doors	6,935.75
12/15/2007		Sergeant Insurance	675.00

## 7.8 Issuing Credits or Refunds

Use a *credit memo* to record a credit when a customer returns items and you've already recorded an invoice, customer payment, or sales receipt. You can also use a credit memo for an overpayment. To enter a credit memo or record a return:

- 1 Go to the Customers menu and click Create Credit Memos/Refunds.
- 2 In the Customer:Job field, click the customer and job for which you are creating the credit memo or refund check.

**Note:** *If you have created more than one job for the customer, be sure to assign the credit memo to the correct job. You can apply the credit memo only to the same job for which it was created.*

- 3 Click the Template drop-down arrow and then click a template.

- 4 Enter the items being returned in the line item area.
- 5 Describe the reason for the credit and enter the quantity and rate, if applicable.
- 6 (Optional) Enter a memo for this transaction.

*Note: The memo does not print on the credit memo, but it does appear in the Accounts Receivable register and in the customer register.*

7 Indicate whether you want to print or e-mail the credit memo to the customer. (You can choose to do both.)

8 Save the credit memo.

9 In the Available Credit window, choose how to use the credit. You can:

- Retain as an available credit
- Give a refund
- Apply it to an invoice

*Note: QuickBooks enters a negative amount in your Accounts Receivable register for the credit memo.*

Credit Memo

The screenshot shows the 'Create Credit Memos/Refunds' window in QuickBooks. It includes a header section for 'SOLD TO' with customer and date information. Below is a table with columns for 'ITEM', 'DESCRIPTION', 'QUANTITY', 'RATE', 'AMOUNT', and 'TAX'. A single line item is entered: 'Labor' with a description 'Job took 5 fewer hours than billed', a quantity of 5, a rate of 70.00, and an amount of 350.00. The tax is set to 'Non'. At the bottom, there are checkboxes for 'Print' and 'E-mail', and a 'Memo' field. Callouts with numbers 3, 2, 5, and 7 point to the template selection, item entry, description, and print/email options respectively.

3 Select the template you want to use, or create your own.

2 Enter the name of the returned item here.

5 Describe the reason for the return.

7 Select to print and/or e-mail a copy to the customer.

## 7.9 Paying Employees

Paying employees is a big responsibility. You have to keep track of hours, salaries and wages, Social Security numbers and dependents, tax rates and forms, vacation and sick time, bonuses and advances, as well as company payments to government and private

pension plans. QuickBooks provides several features and services to help you manage your own payroll quickly and easily.

*Note: For information about your payroll options in QuickBooks, go to the Employees menu, click Payroll Service Options, and then click Learn About Payroll Options.*

To print paychecks:

- 1 Go to the Employees menu, click Pay Employees, and then specify if you want to pay employees using Unscheduled Payroll (generally used to pay bonuses and off-cycle checks) or set up Payroll Schedules.
  - 2 Update the Pay Period Ends date and the Check Date values, as needed.
  - 3 Click the Bank Account drop-down arrow to choose the account that QuickBooks uses to record this transaction.
  - 4 Select the employees you want to pay by clicking in the column to the left of the employee's name.
  - 5 Review the paycheck information in the Enter Payroll information window.
  - 6 To preview or modify a paycheck, click the employee's name to open the Preview Paycheck window. Make any necessary changes and click Done.
  - 7 Click Continue.
  - 8 Review and verify the paycheck information in the Review and Create Paychecks window.
  - 9 In the Paycheck Options section, click whether the paychecks should be printed or handwritten.
  - 10 Click Create Paychecks.
- In the Confirmation and Next Steps window that appears, click Print Paychecks. Click Send Payroll to Intuit if you're sending your payroll to Intuit for processing.



## Enter Hours and Select Employees to Pay

QuickBooks records the checks in this bank account.

Specify a check, date, and pay period for the paychecks you create.

QuickBooks creates a paycheck for each employee marked with a checkmark.

Review paychecks and enter hours worked, sick or vacation time, commissions, or other variations from pay period to pay period by clicking the employee's name.

The screenshot shows the 'Enter Payroll Information' window. At the top, there are three steps: 'Enter Payroll Information', 'Review & Create Paychecks', and 'Print & Distribute Paychecks'. The 'Payroll Information' section includes:
 

- Payroll Scheduler: Biweekly
- Pay Period Ends: 12/29/2007
- Bank Account: Checking
- Employees Selected to Pay: 3
- Check Date: 12/29/2007
- Bank Account Balance: 79,428.39

 Below this is a table of employees with checkboxes and columns for Regular Pay, Overtime, Sick/Hourly, Vacation, Salary, and Total Hours. The employees listed are Dan T. Miller, Elizabeth N. Mason, and Greg G. Schneider.

## Review and Create Paychecks

If an employee is set up for direct deposit, select the **Direct Dep.** checkbox for that employee.

Choose whether paychecks should be printed from QuickBooks or written later by hand.

Review paychecks and enter hours worked, sick or vacation time, commissions, or other variations from pay period to pay period by clicking the employee's name.

The screenshot shows the 'Review and Create Paychecks' window. At the top, there are three steps: 'Enter Payroll Information', 'Review & Create Paychecks', and 'Print & Distribute Paychecks'. The 'Payroll Information' section includes:
 

- Payroll Scheduler: Biweekly
- Pay Period Ends: 12/29/2007
- Bank Account: Checking
- Number of Paychecks: 3
- Check Date: 12/29/2007
- Bank Account Balance: 79,428.39

 Below this is the 'Paycheck Options' section with:
 

- Print paychecks from QuickBooks
- Assign check numbers to handwritten checks
- First Check Number: 302

 At the bottom is a table of employees with columns for Employee, Gross Pay, Taxes, Deductions, Net Pay, Employee Tax Contributions, Total Hours, and Direct Dep. The employees listed are Dan T. Miller, Elizabeth N. Mason, and Greg G. Schneider.

## 7.10 Using Reports

One of QuickBooks' most robust features is its ability to generate data-rich reports about your business. Everything you enter in QuickBooks can be found and generated into a report.

QuickBooks comes with dozens of prepared reports that you can run. You can use the Report Center to learn about QuickBooks reports and locate the ones that contain the information you need. Once you've found a report, you can change its date range,

customize the way it looks, print a copy of it, export it to Microsoft Excel, or display it on your screen.

To find and display the right report:

- 1 Click the Report Center icon at the top of the QuickBooks window.
- 2 Click a report category from the list on the left. Reports for the selected category are displayed on the right.
- 3 From the report list, you can view a thumbnail picture of the report by moving your mouse over the thumbnail icon . To learn more about a specific report, click the More... link to learn about the data and specific ways to customize the report.
- 4 When you find the report you need, click its name to view the report.

### Report Center

Report choices displayed in the window are based on the category you choose.

Click the thumbnail report icon to view a sample of a report.

Click **More...** for details about content, dates, and customization.

View detailed Help topics to learn how to use and modify reports.

Type	Date	Name	Terms	Due Date	Balance
Current					
Invoice	12/25/2000	Cook, Brian	Net 30	12/25/2000	488.30
Total Current					488.30
1 - 30					
Invoice	11/01/2000	Pretel Estates, Net 30	Net 30	12/01/2000	5.65
Total 1 - 30					5.65
> 30					
Invoice	08/01/2000	Pretel Estates, Net 30	Net 30	08/31/2000	990.00
Total > 30					990.00
TOTAL					1,483.95

## How to Use Reports to Find the Information You Want

The QuickBooks Report Center describes all the available reports. Here are 10 common questions that people ask and the QuickBooks report you can use to find the answer.

To answer this question...	Use this report
How much money did my company make or lose over a specific period of time?	<b>Profit &amp; Loss Standard</b> (In Company & Financial)
Which invoices or statement charges haven't been paid and when are they due?	<b>A/R Aging Detail</b> (In Customers & Receivables)
How much does my company owe each vendor and are any payments overdue?	<b>A/P Aging Detail</b> (In Vendors & Payables)
What is the value of my company (its assets, liabilities, and equity), and where can I see the total balance for each type of account?	<b>Balance Sheet Summary</b> (In Company & Financial)
What is the recent activity in all my company's accounts, with beginning and ending balances for each account?	<b>General Ledger</b> (In Accountant & Taxes)
What are the total sales for each customer and job?	<b>Sales by Customer Summary</b> (In Sales)
Which items and/or services bring in the most/least income?	<b>Sales by Item Summary</b> (In Sales)
What are my company's total expenses for each vendor?	<b>Expenses by Vendor Summary</b> (In Company & Financial)
Where is the information I need for my federal income tax forms?	<b>Income Tax Summary</b> <b>Income Tax Detail</b> (In Accountant & Taxes)
For my company's total sales, how much is taxable, at what rate, and how much sales tax is currently due to be paid?	<b>Sales Tax Liability</b> (In Vendors & Payables)



### **Chapter Review Questions**

1. Explain the procedure of creating an estimate in QuickBooks software.
2. Explain the different way of paying for a payment in QuickBooks.
3. If a QuickBooks user makes a deposit in the software does the deposit appear in the bank account?

For further reading: QuickBooks learning centre in the QuickBooks software.

## **SAMPLE EXAM QUESTIONS**