
QuickBooks® Complete 2021

For QuickBooks Pro, Premier and Accountant 2021

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*Questiva Consultants is the publisher
and supplier of QuickBooks Accounting Textbooks
to students, community colleges and business/trade schools.
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Preface

This guide introduces you to QuickBooks – Intuit’s easy-to-use, powerful accounting system for small businesses.

This guide is designed to teach you how to use many of the features available in QuickBooks Software for Windows Desktop. The main focus of this guide is on how to use the features in QuickBooks Premier and Accountant, but most exercises can be completed using QuickBooks Pro. This guide does not cover how to use the features in QuickBooks Online or QuickBooks Pro for Mac.

While this guide does not specifically address how to use QuickBooks Enterprise Solutions, many of the procedures described in the guide will work with Enterprise Solutions editions. If you restore the exercise file using a QuickBooks Enterprise Solutions product, QuickBooks walks you through the file update process that is necessary for Enterprise Solutions to be able to read the file.

QuickBooks 2021 Version

This textbook will guide you through learning QuickBooks 2021 and comes with a Student Trial.

Using the QuickBooks 2021 Student Trial

QuickBooks Accountant 2021 Student Trial is a full-featured version of QuickBooks that is included with this guide. You can install it on your computer and use it to complete the exercises in this guide and to practice using QuickBooks.

QuickBooks Accountant can “toggle” to other versions of QuickBooks, including QuickBooks Premier, Pro, and Industry editions. The trial software can be used to explore any of these versions of QuickBooks.

To install QuickBooks Accountant 2021, follow the directions on the card at the back of this book.

You can use this product for 5 months after installation.

Using This Book

Throughout this book, you will find tips on how to set up and use QuickBooks so that you and your company have the information you need to make business decisions.

Each chapter covers how to manage a general part of your business. To allow you to learn the chapters in any order, each chapter uses a separate QuickBooks data file that you can use with QuickBooks to complete the practice lessons.

Imagine Photography, Inc. is the model company used throughout the chapters. By performing the in-chapter practices, students gain hands-on experience with the topics discussed in the chapter, which are based on the day-to-day operations of this small corporation.

Each chapter is designed to aid understanding by providing an overview of topics, numerous hands-on tutorial practices, key terms, the “accounting behind the scenes,” and many extra notes. The illustrated text includes step-by-step instructions with hands-on computer exercises to provide you with practical experience.

The end-of-chapter assessments include comprehension questions, multiple choice questions, completion sentences, and real-world problems that require the student to perform tasks with the software.

The final two chapters of this book are case studies. They consist of summary problems covering topics culled from all the chapters in this book.

From using this book, you will gain confidence in every aspect of QuickBooks by trying out each feature as you complete problems and case studies of a “real” business. You will want to keep this book for reference for years to come.

Integrating QuickBooks with other products

If you plan to use the Microsoft Office integration features available in QuickBooks, such as exporting to Excel, you will need to have Microsoft® Office installed on your system.

About the exercise files

Exercise files are used with the chapters and problems throughout this book. For each chapter and problem in this guide, you’ll restore a copy of the exercise file named in the beginning of the section and use that file to complete the chapter and chapter problem. This means that at the start of each lesson, you will be restoring a new file. It is very important to be in the correct file to ensure that your screen will match the book’s screenshots.

Installing the exercise files

The exercise files for the chapters and problems are available at the following address:

www.questivaconsultants.com/downloads/

To install the files on your hard drive, follow these steps:

- Step 1. Go to www.questivaconsultants.com/downloads/
- Step 2. Find this book’s title and click the link. You will be taken to the support page for this book.
- Step 3. Click the *Product Support Download* tab and click the link to download *QuickBooks_2021_Classroom_Files.zip*. Save the files to the desired location on your local system. If you are using a computer in a classroom or lab environment, ask your instructor for the proper location to store your exercise files.
- Step 4. Once you have saved the file to the proper location, you will need to “unzip” it. Select the zip file in Windows Explorer. You should see an option at the top of the window to *Extract*. Click the **Extract** option and choose **Extract All**.

Important:

The Classroom Files are in QuickBooks Portable File Format. You cannot open these files by double-clicking them. For more on how to begin using these files, see page 10.

Instructor Resources

Instructor resources, including the Instructor’s Manual, test banks, solution files, and PowerPoints are available at www.questivaconsultants.com/downloads. You must be a verified instructor with an accredited school to access these files. If you do not already have an instructor login, please contact info@questivaconsultants.com.

Restoring exercise files

Each chapter uses a separate practice file (e.g., Intro-21.QBW) for performing the in-chapter practices. In order to open this file, you must “restore” it as described in the first chapter (see page 10).

In the beginning of each chapter, the *Restore This File* instruction (see example below) instructs you to restore the practice file for that chapter to use with the computer practice lessons.

Example *Restore this file* instruction:

Restore this File:

This chapter uses **XXXXX-21.QBW**. See page 10 for more information.

The exercises are identified throughout the book with the words **COMPUTER PRACTICE**.

Certification

This book is excellent preparation for the Certiport QuickBooks User Certification Exam. This certification validates your QuickBooks knowledge. After successfully completing the exam, you will become an ***Intuit QuickBooks Certified User***. For more information and for locations of testing centers, visit <http://www.certiport.com/quickbooks>.

Acknowledgements

Standing on the shoulders of giants...while the last thing I want to do is start with a cliché, I wouldn't be where I am today, re-writing a famous textbook, if it weren't for Doug Sleeter and the dozens of other QuickBooks ProAdvisors who taught me so much. This book has been a labor of love, not just as I pored over every word, but through all the iterations from all the authors and editors who came before.

I'd like to express my appreciation to Dinesh Barman for his trust, my clients for their enthusiasm, Jamie Pollock for his love, and my kids for understanding that it's my job to work too hard.

Chapter 1

Introducing QuickBooks

Topics

In this chapter, you will learn about the following topics:

- The QuickBooks Product Line (page 1)
- Accounting 101 (page 2)
- QuickBooks Files (page 5)
- Opening Portable Company Files (page 10)
- Restoring Backup Files (page 14)
- QuickBooks User Interface Features (page 19)
- Entering Transactions in QuickBooks (page 22)
- QuickBooks Help (page 27)

QuickBooks is one of the most powerful tools you will use in managing your business. QuickBooks isn't just a robust bookkeeping program; QuickBooks is a management tool. When set up and used properly, QuickBooks allows you to track and manage income, expenses, bank accounts, receivables, inventory, job costs, fixed assets, payables, loans, payroll, billable time, and equity in your company. It also provides you with detailed reports that are essential to making good business decisions.

QuickBooks helps small business owners run their businesses efficiently without worrying about the debits and credits of accounting entries. However, to use QuickBooks effectively, you still need to understand how QuickBooks is structured, how its files work, how to navigate in the system to do tasks, and how to retrieve information about your business. In this chapter you'll learn some of the basics of the QuickBooks program and then you will explore the world of accounting.

The QuickBooks Product Line

The QuickBooks family of products is designed to be easy to use, while providing a comprehensive set of accounting tools including: general ledger, inventory, accounts receivable, accounts payable, sales tax, and financial reporting. In addition, a variety of optional, fee-based payroll services, merchant account services, and other add-on products integrate with the QuickBooks software.

QuickBooks Desktop vs. QuickBooks Online

Intuit offers two distinctly different ways to use QuickBooks. One version is installed on your local computer and is referred to as **QuickBooks Desktop**. The other is **QuickBooks Online**, a cloud-based application that isn't installed on your computer, but is accessed online through a web browser or app on a smartphone or tablet. The online edition has different, yet similar, features to QuickBooks Desktop. This textbook covers QuickBooks Desktop.

QuickBooks Versions

The QuickBooks Desktop product line includes several separate product editions: **QuickBooks Pro**, **QuickBooks Premier**, **QuickBooks Accountant**, and **QuickBooks Enterprise**. The Premier and Enterprise

versions are further broken down into six industry-specific versions for **General Business**, **General Contractor**, **Manufacturing & Wholesale**, **Nonprofit**, **Professional Services**, and **Retail**.

This book covers the features and usage of QuickBooks Pro, Premier (non-industry specific), since most small businesses will use one of these editions. We will also occasionally refer to the Accountant edition, which has additional tools for bookkeepers. Once you learn how to use one of these versions, you'll be prepared to use *any* of the others.

All editions of QuickBooks support multiple users; however, each user must have the same version of QuickBooks to access the file. Multi-user files must be shared on a dedicated server or be hosted by a remote service.

QuickBooks Pro and Premier are sold as either as a one-time purchase, or through a **PLUS subscription**. The benefits to subscribing include enhanced customer support, an online backup service, automatic upgrades from version to version, and exclusive features such as Receipt Management, which allows users to photograph receipts with their mobile devices.

For a comparison of all products and options, visit www.quickbooks.com.

Accounting 101

Having a basic background in the accounting process will help you learn QuickBooks and run your business. In this section, we look at some basic accounting concepts and how they relate to QuickBooks.

Accounting's Focus

Accounting's primary concern is the accurate recording and categorizing of transactions so that you can produce reports that accurately portray the financial health of your organization. Put another way, accounting's focus is on whether your organization is succeeding and how well it is succeeding.

The purpose of accounting is to serve management, investors, creditors, and government agencies. Accounting reports allow any of these groups to assess the financial position of the organization relative to its debts (liabilities), its capabilities to satisfy those debts and continue operations (assets), and the difference between them (net worth or equity).

The fundamental equation (called the **Accounting Equation**) that governs all accounting is:

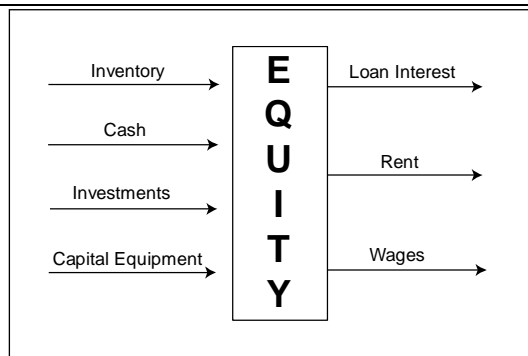
$$\text{Assets} = \text{Liabilities} + \text{Equity, or Equity} = \text{Assets} - \text{Liabilities.}$$

The General Ledger

Many factors go into making an organization work. Money and value are attached to everything that is associated with operating a company — cash, equipment, rent, utilities, wages, raw materials, merchandise, and so on. For an organization to understand its financial position, business transactions need to be recorded, summarized, balanced, and presented in reports according to the rules of accounting.

Business transactions (e.g., sales, purchases, operating expense payments) are recorded in several types of **ledgers**, called accounts. The summary of all transactions in all ledgers for a company is called the **General Ledger**. A listing of every account in the General Ledger is called the **Chart of Accounts**.

Each account summarizes transactions that increase or decrease the equity in your organization. The figure below shows a general picture of the effect your accounts have on the equity of your organization. Some accounts (those on the left) increase equity when they are increased, while others (those on the right) decrease equity when they are increased.



So, let's return to the accounting equation. To understand the accounting equation, consider the following statement: **Everything a company owns was purchased by funds from lenders, or the owner's stake in the company.**

Account Types and Financial Reports

Each account in the general ledger has a type, which describes what kind of business transaction is stored in that account. There are primarily five types of accounts: asset, liability, equity, income, and expense. Assets, liabilities, and equity accounts are associated with the **Balance Sheet** report, which is used to analyze the net worth of a business. The income and expense accounts are associated with the **Profit & Loss** report (also called an **Income Statement**), which is used to analyze the operating profit or loss for a business over a specific time range (month, quarter, year, etc.).

The Balance Sheet report preserves the fundamental accounting equation - **Total assets always equal the total liabilities plus equity**, between the accounts. This means that the total of the assets (which represent what the company "owns") is always equal to the sum of the liabilities (representing what the company owes) plus the equity (representing the owner's interest in the company). Although income and expense accounts are not directly shown in the accounting equation, they do affect this equation via the equity account as shown below.

The income and expenses are tracked throughout the year, as business transactions occur, and are totaled at the end of the year to calculate Net Income (or Loss). **Net income (total revenues minus total expenses) increases the owner's equity in the business, and net loss (when expenses exceed revenues) decreases the owner's equity in the business.** Thus, the Income and Expense accounts indirectly affect the Equity component of the accounting equation of $\text{Assets} = \text{Liabilities} + \text{Equity}$, where **Equity increases or decreases each year depending on whether the year's income exceeds expenses or not.**

At the end of the year, the balance of each income and expense account is reset to zero so these accounts can track the next year's transactions.

Double-Entry Accounting

Double-entry accounting is the technique that makes the accounting equation work. It divides each account into two sides. One side is a record of transactions that increase the account, and the other side is a record of all transactions that decrease the account. One side (the left side) is for debits, and the other (the right side) is for credits. Depending on the type of account, a debit might increase the account or decrease it. The same is true of credits. Therefore, debits are not always bad, and credits are not always good. They are just part of the system of accounting. However, the rule of double-entry accounting is that **total debits must always equal total credits**. Every transaction creates a debit in one or more accounts and a credit in one or more accounts. If the debits and credits for any transaction are not equal, the transaction has an error or is incomplete.

Accounting Behind the Scenes

Recording and categorizing all of your business transactions into the proper accounts, summarizing and adjusting them, and then preparing financial statements *can be an enormous, labor-intensive task* without the help of a computer and software. This is where QuickBooks comes in. **QuickBooks focuses on ease of use and hiding accounting details.** To make all this possible, QuickBooks uses components like accounts, items, forms, registers, and lists, which are discussed later in the chapter. Familiar-looking forms such as invoices, checks, and bills are used for data entry. As you enter data in forms, QuickBooks handles the accounting entries for you. Thus, business owners can use QuickBooks to efficiently run a business without getting bogged down with the debits and credits of accounting entries.

QuickBooks also handles double entry for you. Every transaction you enter in the program automatically becomes a debit to one or more accounts and a credit to one or more other accounts. QuickBooks won't let you record the transaction until the total of the debits equals the total of the credits. This means you can create reports that show the transactions in the full double-entry accounting format whenever you need them, allowing you to focus on the business transaction rather than the debits and credits in the General Ledger.

Cash or accrual method, as discussed in the next section, is handled in QuickBooks as a simple reporting option. You can create reports for either cash or accrual basis regardless of the method you use for taxes.

As the book introduces new transaction types (e.g., Invoices, Bills, or Checks), the text will include a section called **"The Accounting Behind the Scenes."** For example, when you first learn about invoices you will see the following message:

The Accounting Behind the Scenes:

When you create an *Invoice*, QuickBooks increases (with a debit) **Accounts Receivable** and increases (with a credit) the appropriate **Income** account. If applicable, *Invoices* and *Sales Receipts* also increase (with a credit) the sales tax liability account.

Letting QuickBooks handle the accounting behind the scenes means you can focus on your organization and identify the important factors that will help you succeed. Once you identify these factors, you can use QuickBooks to monitor them and provide information that will guide you in managing your operations.

Accounting Basis: Cash or Accrual?

Another critical aspect of accounting is managing for the future. Many times, your organization will have assets and liabilities that represent money owed to the company, or owed to others by the company, but are not yet due. For example, you may have sold something to a customer and sent an invoice, but the payment has not been received. In this case, you have an outstanding *receivable*. Similarly, you may have a bill for insurance that is not yet due. In this case, you have an outstanding *payable*.

An accounting system that uses the **Accrual Basis** method of accounting tracks these receivables and payables and uses them to evaluate a company's financial position. The accrual basis method specifies that revenues and expenses are *recognized* in the period in which the transactions occur, rather than in the period in which cash changes hands. This helps you more accurately understand the true profitability of the business in each period. Assets, liabilities, income, and expenses are entered when you know about them, and they are used to identify what you need on hand to meet both current and known future obligations.

In the **Cash Basis** method, revenues and expenses are not *recognized* until cash changes hands. So, revenue is recognized when the customer pays, and an expense is recognized when you pay the bill for the expense.

Although certain types of companies can use the cash basis method of accounting, the accrual method provides the most accurate picture for managing your business. Some organizations are not allowed to operate as cash basis under IRS regulations. You should check with your tax accountant to determine which accounting method — cash or accrual — is best for you.

In QuickBooks, you can record transactions such as invoices and bills to facilitate accrual basis reporting, and still create cash basis reports that remove the receivables and payables. This gives you the flexibility of selecting one basis for taxes and another for operational reporting, if you wish. For more information, see page 214.

Imagine Photography Business Scenario

Throughout this book, you will see references to a fictitious company called *Imagine Photography*. Imagine Photography is a photography studio that also sells camera equipment. This company uses QuickBooks for its accounting and business management. Imagine Photography may not be exactly like your business; however, the examples in this text that focus on Imagine Photography are generic enough to guide you on your own use of QuickBooks.

Imagine Photography has two locations, one in San Jose and another in Walnut Creek. In order for management to separately track revenue and expenses for each store, Imagine Photography uses **Classes** in QuickBooks. As you proceed through the book, you'll see how each transaction (bill, check, invoice, etc.) is tagged with what class it belongs to, so that later you can create reports like the *Profit & Loss by Class*. Classes can be used to separately track departments, profit centers, store locations, or funds in any business.

Imagine Photography also needs to separately track revenue and expenses for each job it performs. When a customer orders a photo shoot, Imagine Photography needs to track all of the revenue and expenses specifically related to that job so it can look back and see how profitable the job was. This concept is called **Job Costing**, and many different businesses need to track jobs in similar ways.

As you think through the examples with Imagine Photography, ask yourself what parallels you see to your own organization. Certainly, areas such as salaries, supplies, equipment, and others will be appropriate for your setup, but the names and specifics of the accounts, items, lists, and forms will probably be different.

QuickBooks Files

Before using QuickBooks, it is important for you to understand how QuickBooks files are structured and used. QuickBooks has three primary types of files described below. All file types can be opened using the **Open or Restore Company** option from the *File* menu.

1. **Working Data Files** – These files are used to enter transactions and create reports. These are also called the **Company Files**. (*File Extension .QBW*)
2. **Portable Company Files** – These files are a compact version of the company data files and are used to transport the file between computers. These files should never be used to back up your QuickBooks data because they omit non-financial content such as logos and templates. Portable files must be “Restored” to a working data file to be used. (*File Extension .QBM*)
3. **Backup Files** – These files are a compressed version of the company data files and are used as backup to safeguard the information. These files cannot be used directly within QuickBooks and must be “Restored” to working data file format. (*File Extension .QBB*)

If you name your company file ABC, QuickBooks will store the working data file as “ABC.QBW.” When you back up your company file using the QuickBooks Backup function, QuickBooks will store your backup file with the name “ABC.QBB.” If you create a portable data file using the QuickBooks Portable file creation function, the portable file “ABC.QBM” will be created.

In addition to the Backup and Restore process, which moves the complete QuickBooks file between computers, QuickBooks also has a feature called the Accountant's Copy. This feature enables an accounting professional to review and make corrections to a special copy of the client's company file while the client continues to work. Then the client can merge the accountant's changes back into the original file. See the QuickBooks Help Index for information on this feature.

Important:

Each file type has a specific purpose and should be used accordingly. Working data files are used to enter data and run reports, backup files are used to safeguard the data, and portable files are compressed files used to transport data between computers because smaller files transfer faster.

Opening Recent Files

When QuickBooks opens, you will either see the *No Company Open* window (see Figure 1-1) or you will be prompted to enter the password for the last working data file used.

The *No Company Open* window displays when you are opening QuickBooks for the first time, or if you closed the working data file *before* exiting in your last session. By default, the last working data file used reopens automatically if you closed the QuickBooks *program* without closing the *file*.

Double-click on a file to open it.

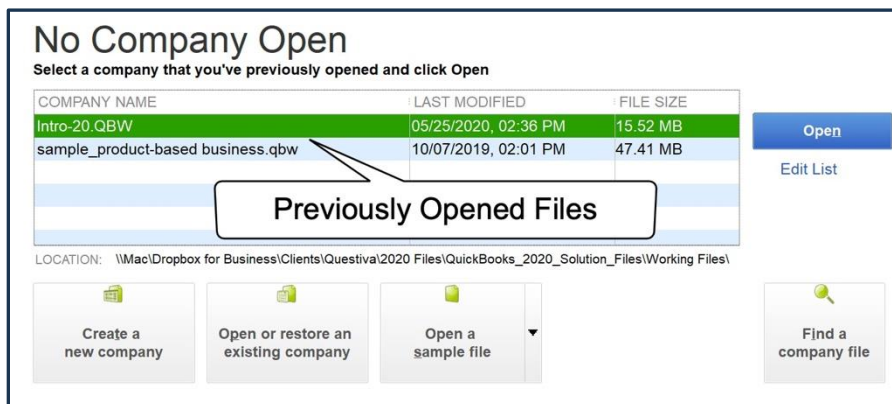


Figure 1-1 No Company Open window

Find a Company File

Click the *Find a Company File* box to scan your computer for all QuickBooks files (see Figure 1-2).

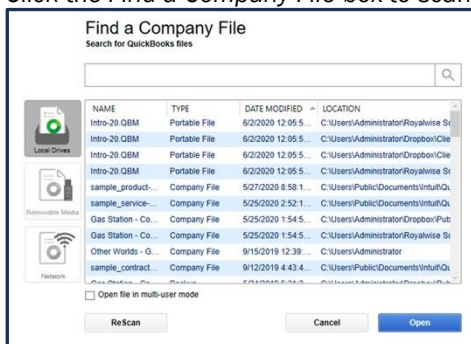


Figure 1-2 Find a Company File

Creating a New File

There are four ways to create a new QuickBooks file: **Express Start**, **Detailed Start**, **Company Based on an Existing Company**, and **Conversion from Other Accounting Software**. Although it is possible to create a QuickBooks file relatively quickly using Express Start, we recommend utilizing a 12-Step process for creating a file to properly set up accounts and account balances. We have placed the chapter that explains file setup later in the book so you will be able to utilize knowledge gained in earlier chapters. You can learn more about file setup in our File Setup chapter starting on page 445.

Opening a QuickBooks Sample File

For learning purposes, QuickBooks provides sample data files that allow you to explore the program. To open a sample data file, follow these steps:

COMPUTER PRACTICE

- Step 1. Launch the QuickBooks program by double-clicking the icon on your desktop or selecting it from the *Windows Start* menu.
- Step 2. If you don't see the *No Company Open* window, close the file that opens, or cancel the password login box.
- Step 3. Click **Open a Sample file** button and select *Sample product-based business* from the list. The selected sample file will open with the *QuickBooks Information* screen (see Figure 1-3).



Figure 1-3 Sample File Information Screen

- Step 4. Click **OK** to continue.
- Step 5. The sample file you selected will open. If you see the *Accountant Center* or the *External Accountant* message, close the window by clicking the X in the top right corner. You can uncheck the box that says **Show window when opening a company file** and close the window of the *Accountant Center*, or check **Don't show this again** in the *External Accountant* window.

Opening Other QuickBooks Data Files

If you want to open a QuickBooks company file other than the sample data files, follow the steps below. We will not complete these steps now, but will use a restored portable file in the next section.

1. Launch the QuickBooks program by double-clicking the icon on your desktop or selecting it from the *Windows Start* menu. When QuickBooks opens, it launches the data file you most recently had open when you last exited the program, unless you specifically closed the data file before exiting.

- To open a different file, select the *File* menu and then choose **Open or Restore Company** (see Figure 1-4). You can also click the **Open or restore an existing company** button on the *No Company Open* window.

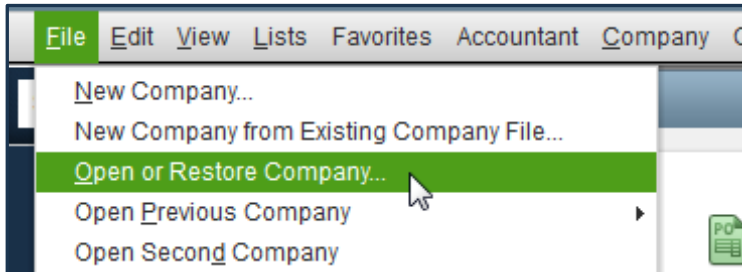


Figure 1-4 File menu

- In the *Open or Restore Company* window, select **Open a company file** and click **Next**.

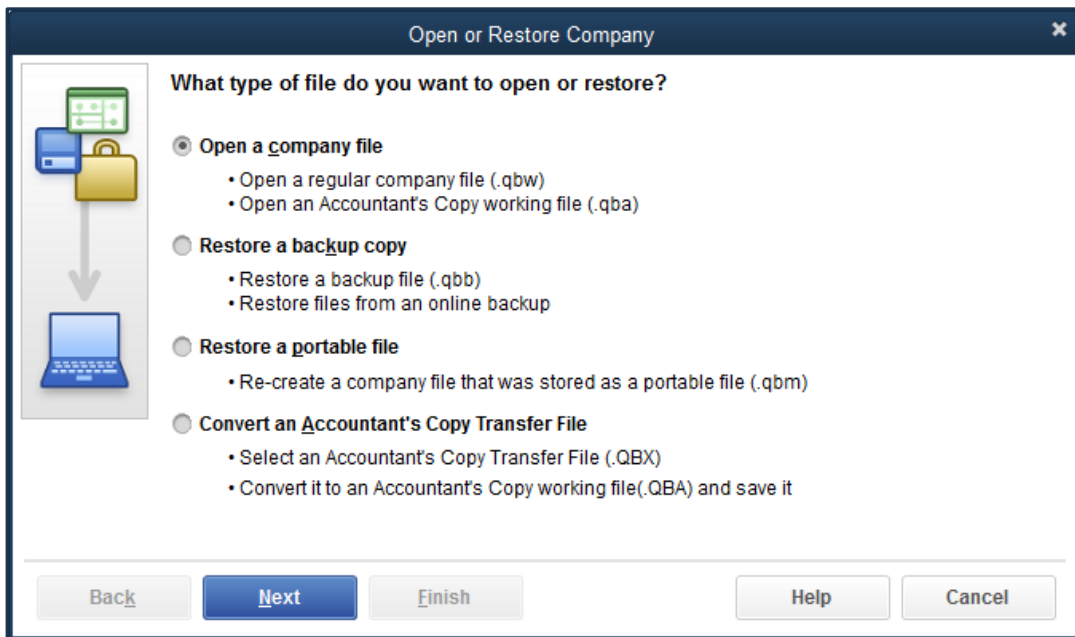


Figure 1-5 Open or Restore Company

- Use the *Look in:* field to navigate to the folder on your hard disk where you store your QuickBooks file (see Figure 1-6).

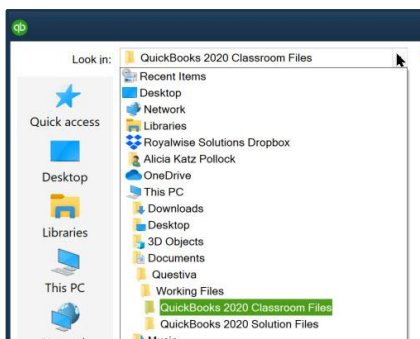


Figure 1-6 Selecting the folder where the QuickBooks files are stored

- Select the file from the list of QuickBooks files, then click **Open**.

Note:

When you open a data file, depending on today's date, you may see one or more "Alerts" for learning to process credit cards, pay taxes, or similar activities. Click *Mark as Done* when you see these alerts.

Your company file opens, and you are ready to work with QuickBooks.

Opening Multiple Files

It is possible to open two company files at the same time if you are using QuickBooks Accountant or Enterprise. However, the activities that can be performed in the second file are very limited. We recommend that you use one file at a time by closing a file before opening or restoring a different file.

Closing QuickBooks Files

Close the company data file by selecting **Close Company** from the *File* menu (see Figure 1-7). Skip this step to open this data file automatically the next time you start the QuickBooks program.

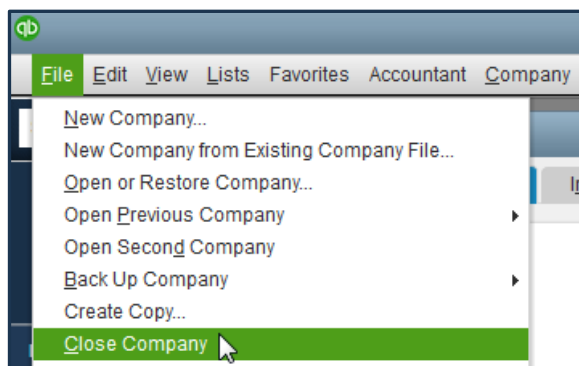


Figure 1-7 Close Company File option

Closing the QuickBooks Program

Just as with any other Windows program, you can close the QuickBooks program by clicking the Close button, which looks like an X, at the upper right hand corner of the QuickBooks window, or by selecting **Exit** from the *File* menu.

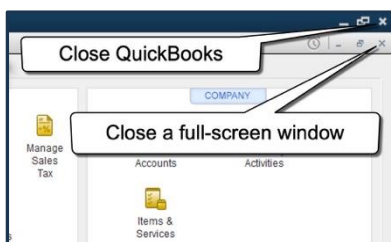


Figure 1-8 Closing QuickBooks and windows

The *Exiting QuickBooks* window appears to confirm that you want to exit the QuickBooks program, as opposed to closing a window in QuickBooks. You can disable this message by checking the box next to *Do not display this message in the future* (see Figure 1-9).

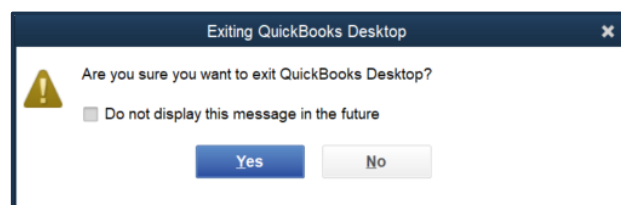


Figure 1-9 Exiting QuickBooks window

QuickBooks Updates and Releases

Occasionally, errors are found in the QuickBooks software after the product is released for sale. As errors are discovered, Intuit fixes the problem and provides program “patches” via the Internet. Each patch increases the **Release Level** of the QuickBooks application. To see what release level of the software you have, press **Ctrl+1** (or **F2**) while QuickBooks is running. At the top of the window, you will see the QuickBooks product information including the release level.



Figure 1-10 Product information window showing version and release

This book is based on QuickBooks Accountant 2021 Release R4P. If you have a different release, you may see some slight differences compared to the screenshots in this book.

To patch your software with the latest maintenance update, download it by selecting the **Help** menu and then choosing **Update QuickBooks**. Follow the instructions on these screens to download and install maintenance releases in QuickBooks via the Internet.

Opening Portable Company Files

Portable Company Files are compact company data files that can be easily transported. The exercise files that accompany this book are Portable Company Files. You will need to open these exercise files at the start of each chapter and each problem.

Important:

When you move a data file from one computer (computer A) to another (computer B), any data you enter on computer B will cause the file on the computer A to become obsolete. Take care to make sure you are always working in the most recent data file.

COMPUTER PRACTICE

To open portable files follow the steps below.

- Step 1. Select the **Open or Restore Company** option from the *File* menu.
- Step 2. QuickBooks displays the *Open or Restore Company* window (see Figure 1-11). Select **Restore a portable file (.QBM)** and click **Next**.

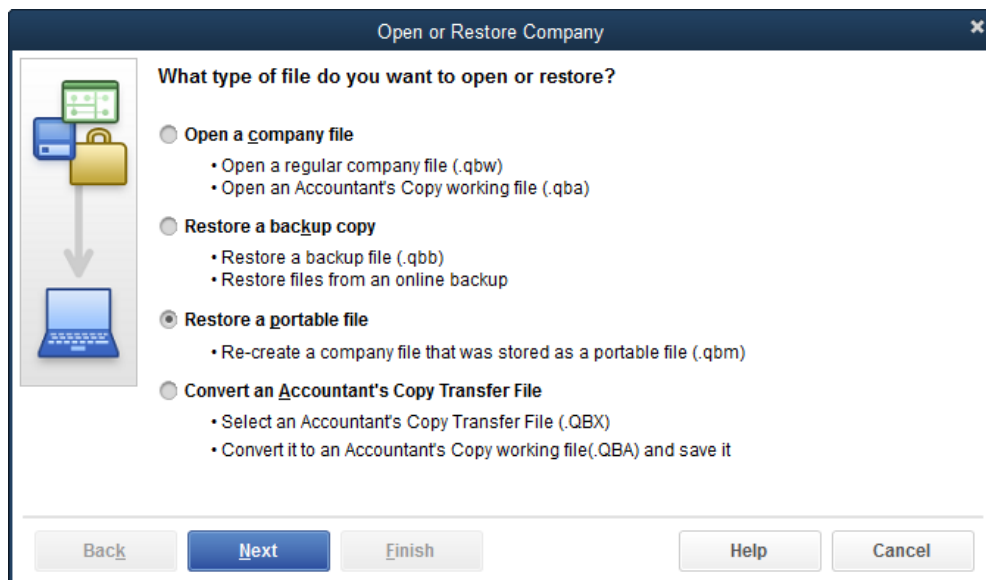


Figure 1-11 Open or Restore Company window

- Step 3. QuickBooks displays the *Open Portable Company File* window (see Figure 1-12). Navigate to the location of your exercise files. You may need to ask your instructor if you do not know this location. Once you are viewing the contents of the correct folder, select **Intro-21.QBM** and click **Open**.



Figure 1-12 Open Portable Company File window

- Step 4. Next you will need to tell QuickBooks where to save the working file that will be created from the portable file (see Figure 1-13). Click **Next** in the *Open or Restore Company* window to continue.

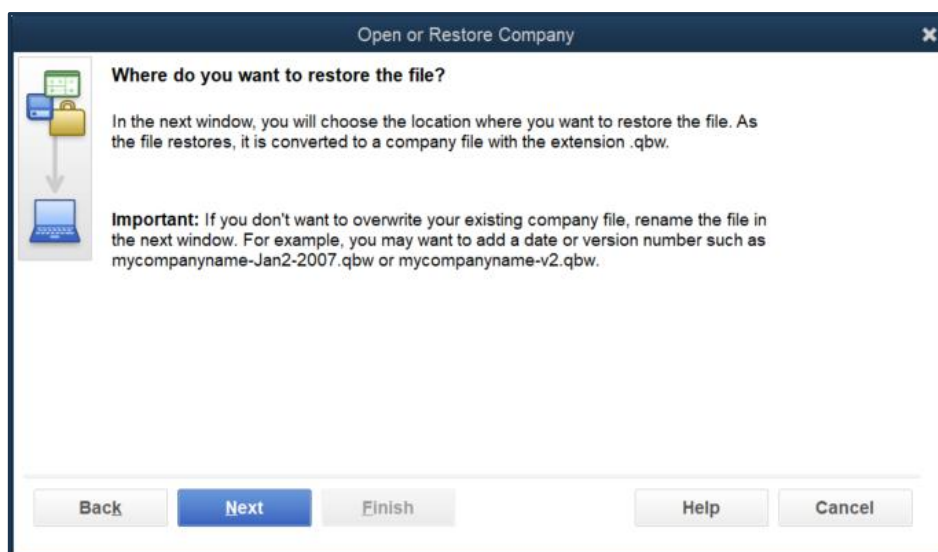


Figure 1-13 Open or Restore Company Location

- Step 5. The *Save Company File as* window displays (see Figure 1-14). Ask your instructor or choose a location to save the file. When you have navigated to the appropriate folder, click **Save**.

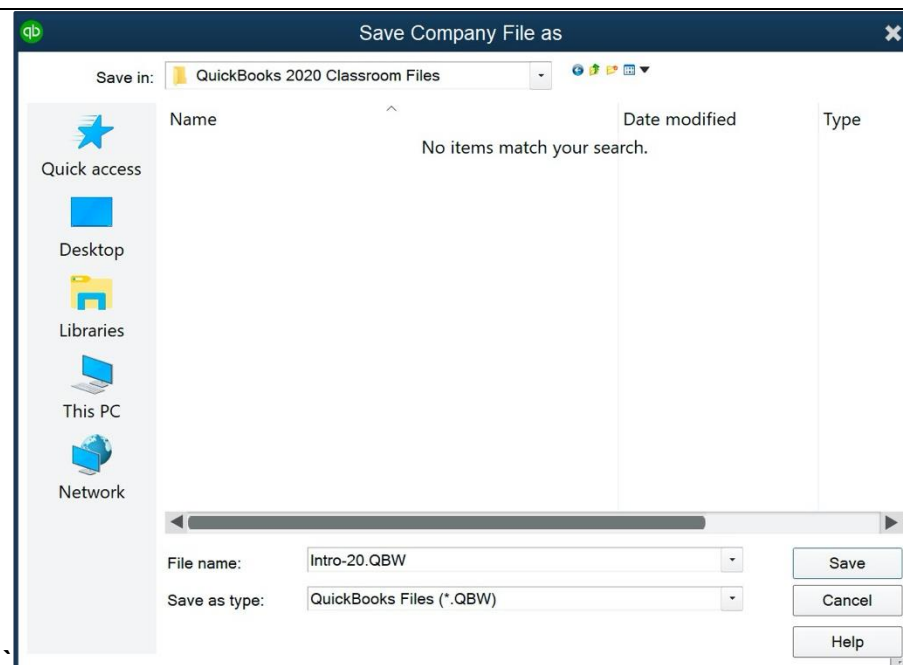


Figure 1-14 Save Company File as window

- Step 6. The *QuickBooks Desktop Login* window opens (see Figure 1-15). The password to this and every exercise file in this book is **Questiva21**. The password is case sensitive, so make sure you capitalize the first letter Q in *Questiva21*. Enter **Questiva21** in the *Password* field and click **OK**.

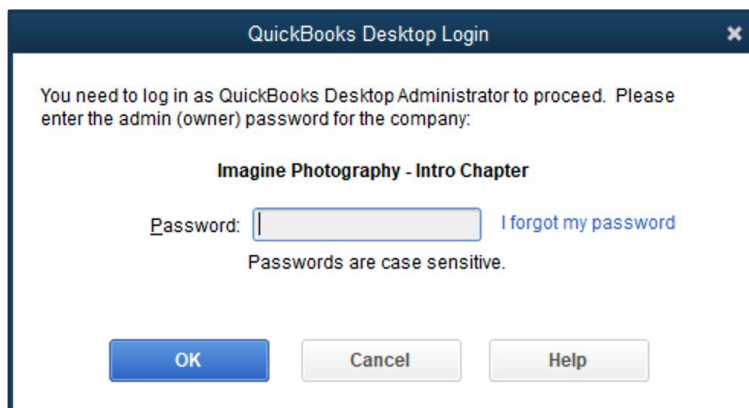


Figure 1-15 QuickBooks Desktop Login window

Note:

Every QuickBooks file is required to have a complex password. It must be at least 7 characters long and contain at least one uppercase letter and one number. Although we use the same password for all the exercise files in this textbook, we recommend that you use a different password for your own or your employer's QuickBooks file. For more on passwords see page 482.

- Step 7. If asked to update your company file, click **Yes**.
- Step 8. If you see the *QuickBooks Desktop Information* window saying that the Portable company file has been successfully opened, click **OK** to continue.
- Step 9. Once the Intro-21.QBW company file finishes opening, you will see the *Home* page.

Creating Portable Company Files

You can also create a Portable file using the following steps:

COMPUTER PRACTICE

Step 1. Select the **Create Copy** option from the *File* menu (see Figure 1-16).

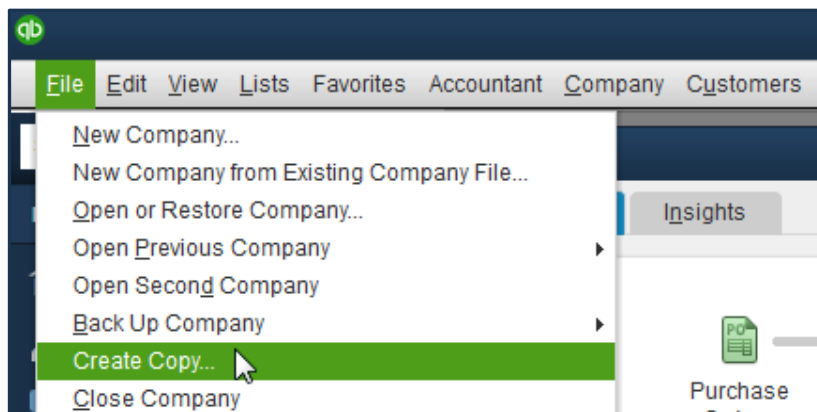


Figure 1-16 Create Copy

Step 2. The *Save Copy or Backup* window displays. Select the **Portable company file** option and click **Next**.

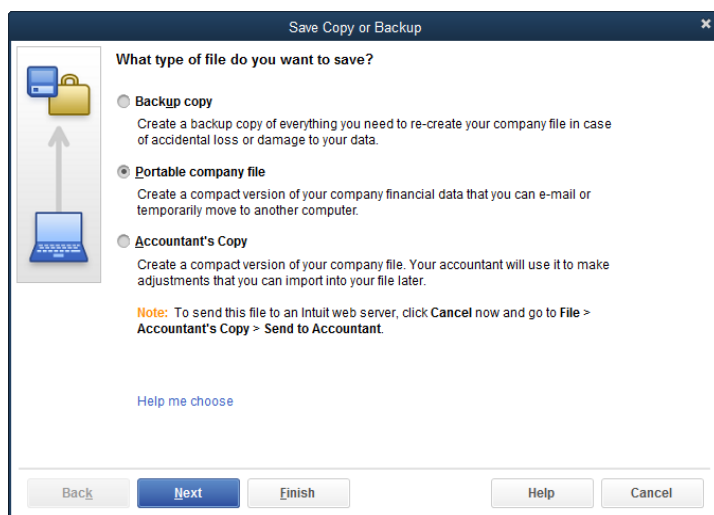


Figure 1-17 Save Copy or Backup window

Step 3. The *Save Portable Company File* window appears. The default file name in the *File name* field is the same as the working file name with “(Portable)” added to the end. Navigate to the student file location and click **Save**.

Step 4. The message shown in Figure 1-18 will appear before the portable file is created. Click **OK** to continue.

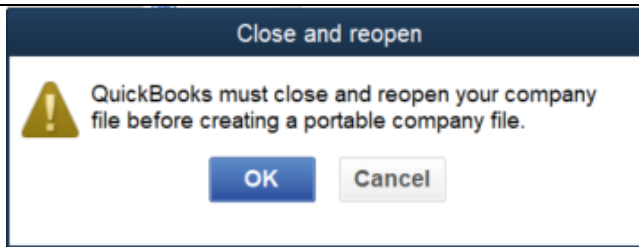


Figure 1-18 Message for creating portable company file

- Step 5. QuickBooks displays the *QuickBooks Desktop Information* dialog box (see Figure 1-19). Click **OK** to return to the working data file.



Figure 1-19 Message that the Portable File has been successfully created

Restoring Backup Files

When working with important financial information, creating **backup files** is a crucial safeguard against data loss. Every business should conduct regular backups of company information. QuickBooks has useful tools to automate this process.

In the event of an emergency, you may need to restore lost or damaged data. For example, if your computer's hard drive fails, you can restore your backup onto another computer and continue to work.

Note:

Portable files should never be used as a substitute for backup files. Backup files are larger than portable files and hold more information about the company.

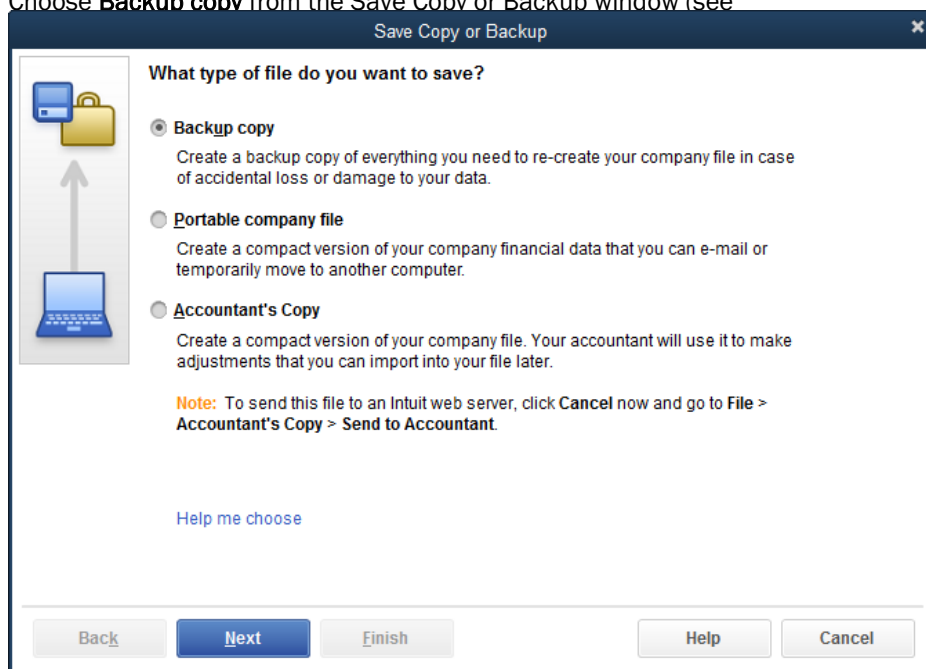
Backing Up Your Data File

Backing up your data is one of the most important safeguards you have to ensure the safety of your data, and should be done daily.

COMPUTER PRACTICE

- Step 1. To back up your company file, select **Create Copy** from the File menu.

Step 2. Choose **Backup copy** from the **Save Copy or Backup** window (see



Step 3. Figure 1-20). Click **Next**.

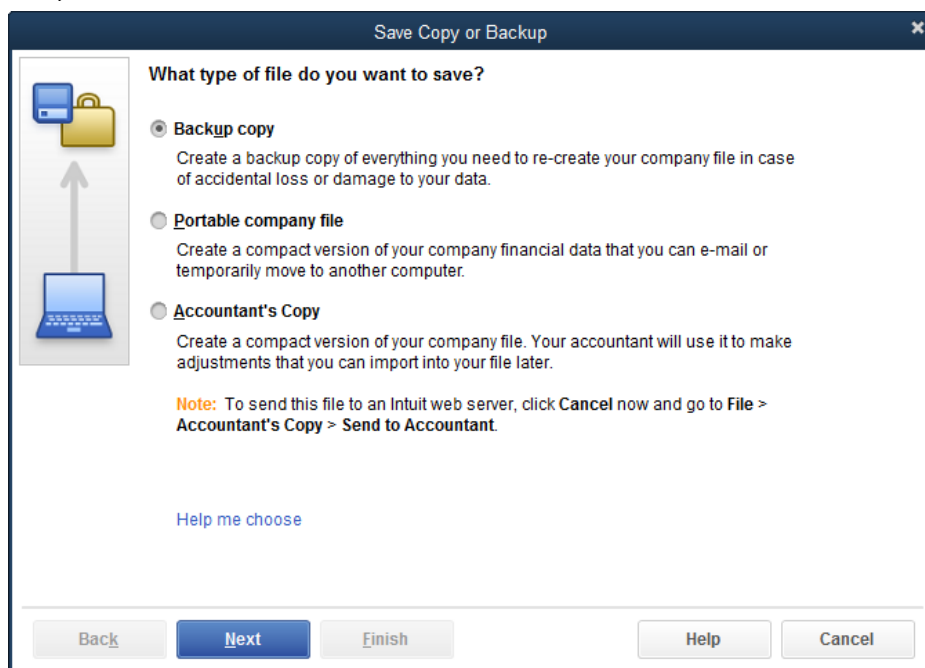


Figure 1-20 Save Copy or Backup window

Step 4. You are given the option to save the backup to a local storage device, such as a removable hard disk or a network folder. There is also an option for online backup using a fee-based service available from Intuit. Online backup is a good option for many companies who require offsite backups.

Choose **Local backup** and click **Next**.

Step 5. The *Backup Options* window is displayed (see Figure 1-21). Under the *Local backup only* section, click the **Browse** button.

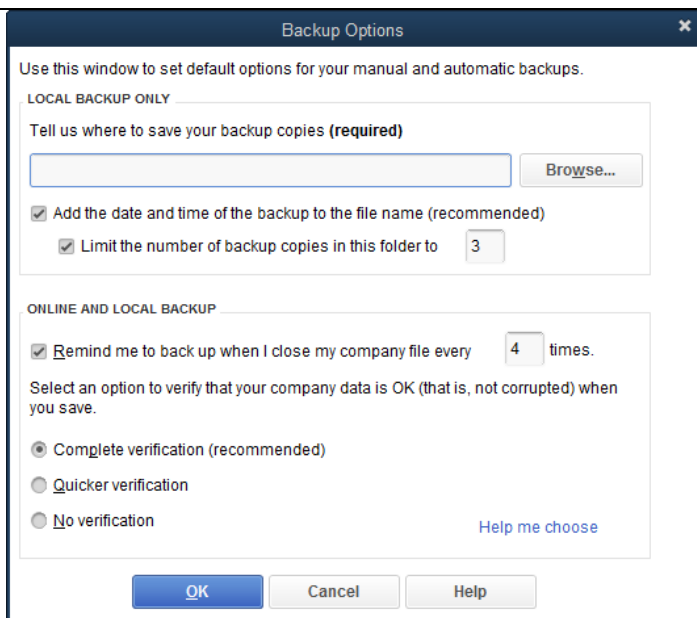


Figure 1-21 Backup Options window

- Step 6. Select the folder where you want to store your backup file (see Figure 1-22). You should store the backup files in a safe location, preferably on a different drive than your working data file. That way, if the drive with the working file is damaged, the backup will still be available.

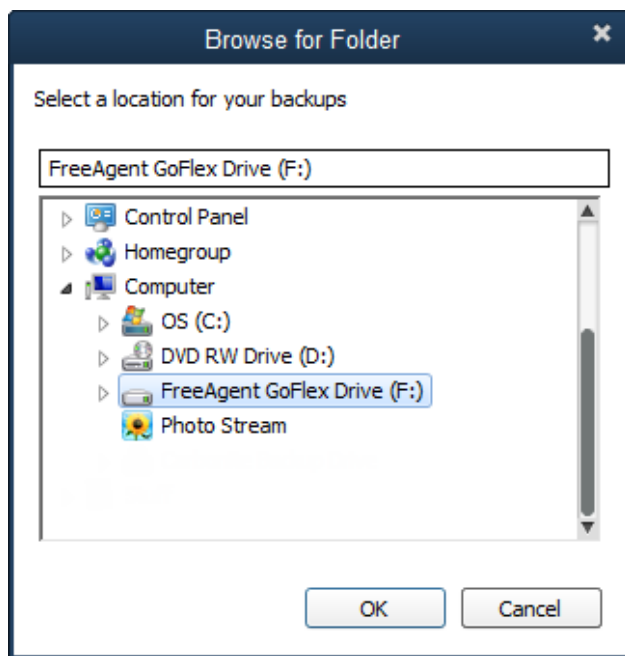


Figure 1-22 Backup options Browse for Folder window

- Step 7. When finished, click **OK**.
- Step 8. The *Save Copy or Backup* window is displayed (see Figure 1-23). You can save a backup now, schedule future backups, or both. Select **Only schedule future backups** and click **Next**.

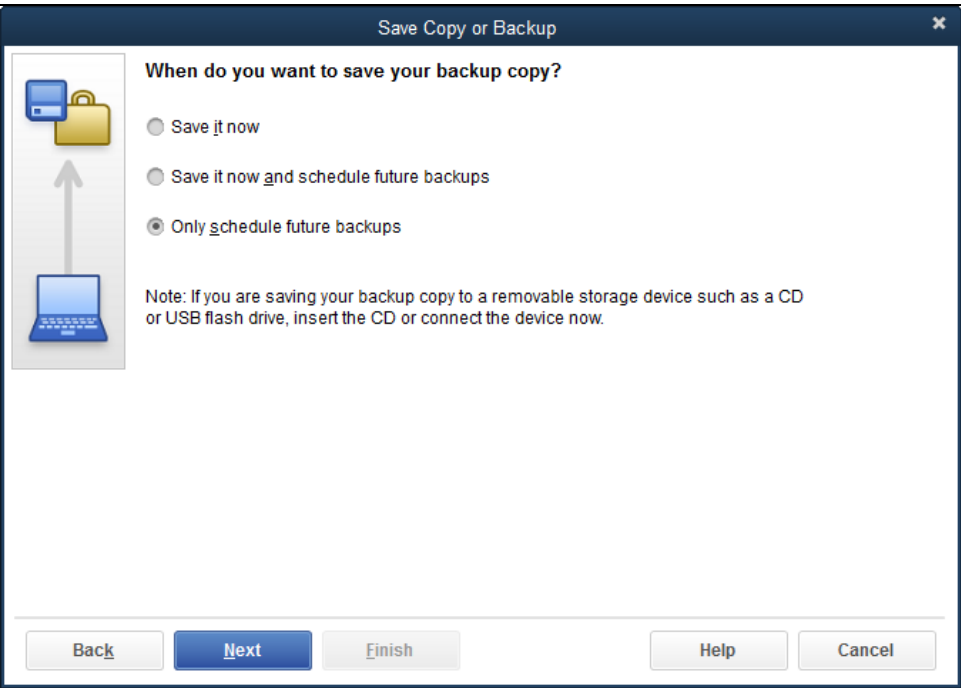


Figure 1-23 Save Copy or Backup window

Step 9. In the Save Copy or Backup window, select **New** under the Back up on a schedule area.

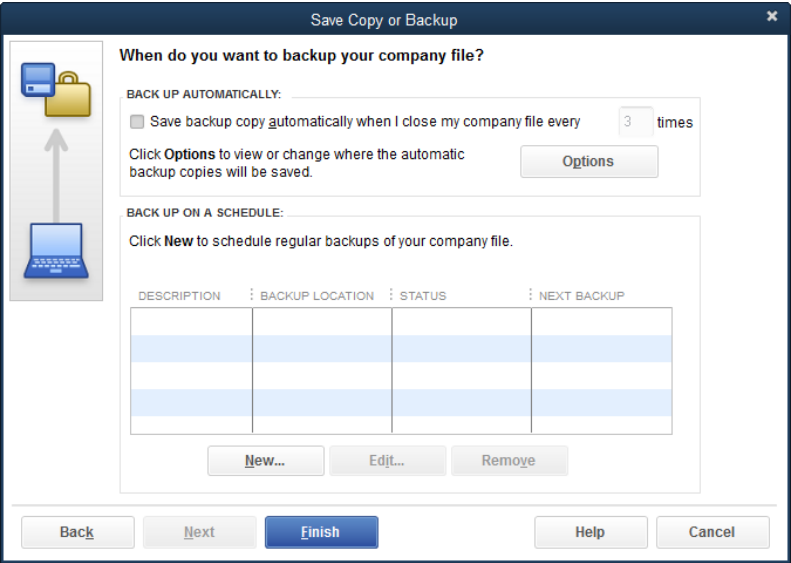


Figure 1-24 Save Copy or Backup window

Step 10. The *Schedule Backup* window appears (see Figure 1-25). Enter a descriptive name for the backup, the location of the folder to contain the backups, and the time when the backup file will be created.

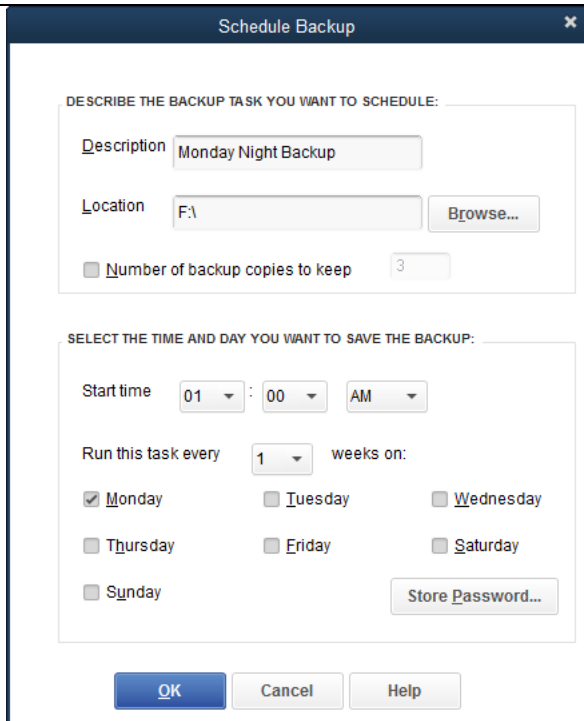


Figure 1-25 Schedule Backup window

- Step 11. When finished, click **OK** to close the *Schedule Backup* window.
- Step 12. The *Store Windows Password* window opens. Enter your Windows username and password and click **OK**.
- Step 13. Click **Finish** to close the *Schedule Backup* window.
- Step 14. If necessary, click **OK** to close the *QuickBooks: Backups have been scheduled as specified*. Window.
- Step 15. If necessary, click **No, Thanks** for the offer to try Online Backup.

Restoring a Backup File

COMPUTER PRACTICE

Follow these steps to restore the QuickBooks backup file you just created:

- Step 1. Select the *File* menu and then choose **Open or Restore Company**.
- Step 2. Choose **Restore a backup copy** from the *Open or Restore Company* window and click **Next**.
- Step 3. In the *Open or Restore Company* window you can specify whether the file is stored locally or through Intuit's fee-based *Online Backup* service. Choose **Local backup** and click **Next**.
- Step 4. The *Open Backup Copy* window allows you to specify where your backup file is located. Navigate to the folder that contains the file, select it and click **Open**.
- Step 5. The *Open or Restore Company* window displays. Click **Next**.
- Step 6. The *Save Company File as* window allows you to specify where to restore the working files. Navigate to the appropriate folder and click **Save**. QuickBooks will then restore your backup file in the folder you specified. You may be prompted to enter a password. When QuickBooks restores the file, it creates a **.QBW** file.

- Step 7. After completion, a window displays that the new file has been successfully restored (see Figure 1-26).

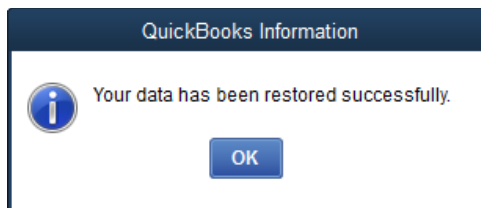


Figure 1-26 After restoring backup file

Note:

When you restore a data file, depending on today's date, you may see one or more alerts for learning to process credit cards, pay taxes, or similar activities. Click **Mark as Done** when you see these alerts.

QuickBooks User Interface Features

QuickBooks provides a number of shortcuts and tools that assist the user in entering information and transactions. You should become familiar with these features so you can get to a task quickly. There are various methods of accessing the data entry windows: the **Home** page, **Snapshots**, **Menus**, **QuickBooks Centers**, **Icon Bar**, and **Shortcut Keys**.

Home Page

As soon as you open a company file, QuickBooks displays the **Home** page (Figure 1-27). The **Home** page is broken into five sections, each dealing with a separate functional area of a business: Vendors, Customers, Employees, Company, and Banking. Each area has icons to facilitate easy access to QuickBooks tasks. The **Home** page also displays a workflow diagram showing the interdependency between tasks.

Tip:

Click on each of the area's header buttons to open the corresponding Center.

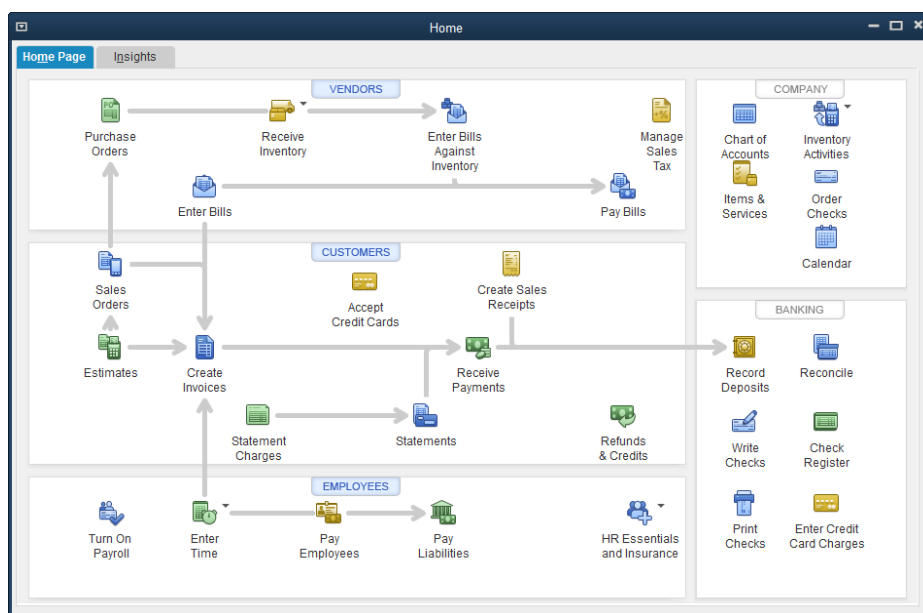


Figure 1-27 QuickBooks Accountant 2021 Home page—your screen may vary

To start a task, just click on its icon on the *Home* page. If you close the Home page, it can be opened by clicking on the **Home icon** on the *Icon bar*, or by selecting **Home Page** from the *Company* menu.

Icon Bar

The QuickBooks **Icon Bar** allows you to select centers, activities and available services by clicking icons on the bar (see Figure 1-28). For example, you can open the Home page by clicking **Home** on the Icon Bar.

Click the **Collapse Arrow** at the top of the blue Icon Bar to shrink it, giving you more workspace area.

The Icon Bar can also be moved to the top of the screen by clicking the View menu.

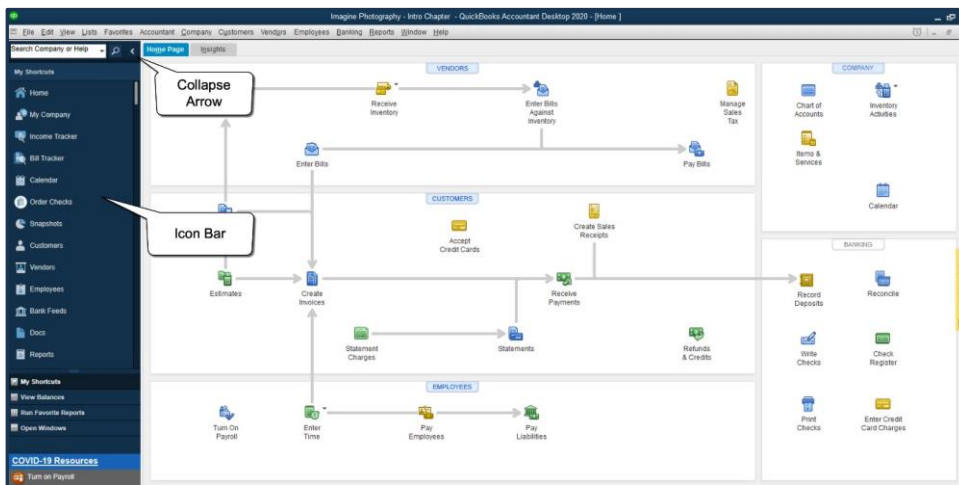


Figure 1-28 The Icon Bar

Centers

QuickBooks Centers summarize pertinent information and transactions in one place. There are several Centers for specific tasks. Centers can be opened from the *Menus*, *Home page buttons*, and the *Icon Bar*.

Customer, Vendor, and Employee Centers are very important since they provide the only way to access a list of your customers, vendors, and employees. These three lists are referred to as the **Center-based Lists**. For example, when you click on the **Customers** section label in the *Home* page, the Customer Center opens to show each customer's balance, their general information, and all their transactions (see Figure 1-29).

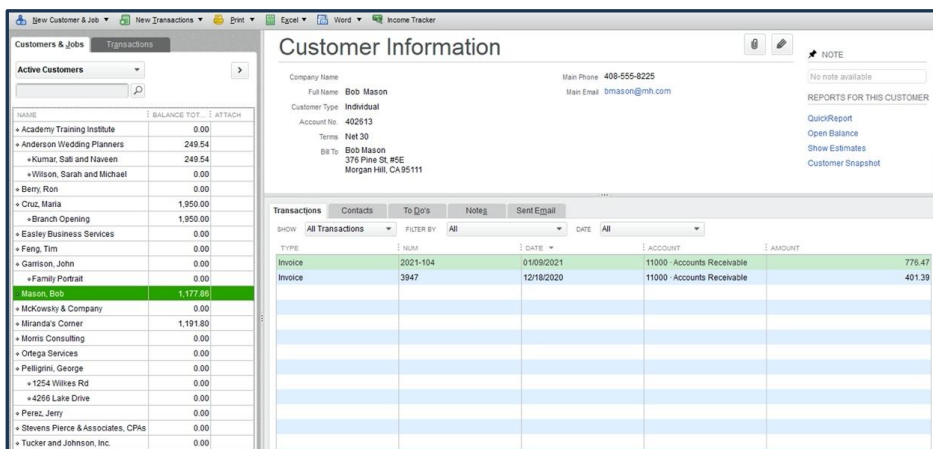


Figure 1-29 Customer Center

Other Centers include the **Bank Feeds Center**, the **Report Center**, and the **Doc Center**. These Centers will be addressed later in this book.

Calendar

You can view transactions on a *Calendar*. The calendar displays transactions on the *Entered* date and the *Due* date.

Note:
The *Entered* date is not the date the transaction is entered into QuickBooks. It is the date on each transaction form. If you create an invoice on January 5, 2021 and enter the date 1/6/2021 in the date field, the invoice will show on January 6, 2021 on the Calendar.

COMPUTER PRACTICE

- Step 1. Click the *Calendar* icon on the Company section of the Home page.
- Step 2. The Calendar window opens (see Figure 1-30). When finished, close the Calendar window.

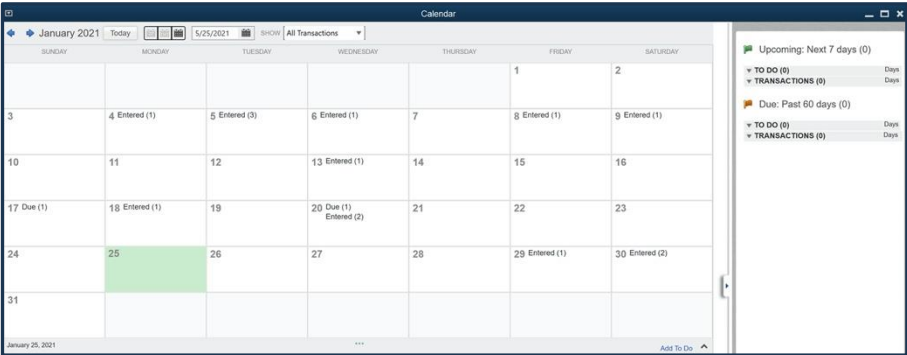


Figure 1-30 QuickBooks Calendar - your screen may vary

Income Tracker

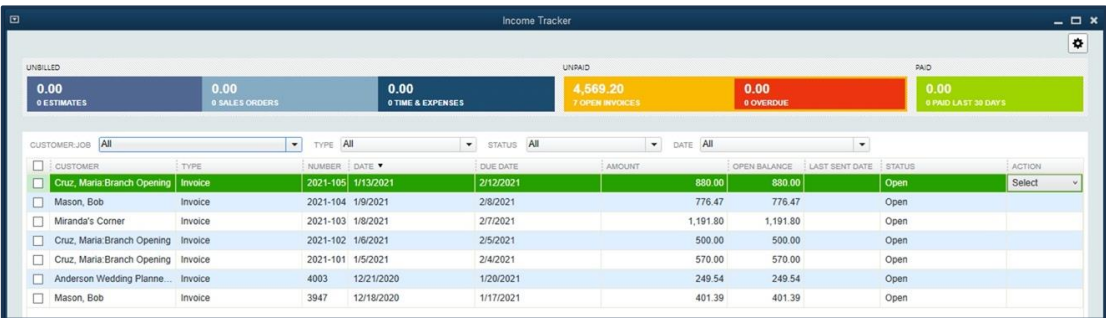


Figure 1-31 Income Tracker – your screen may vary

The **Income Tracker** provides a fast way to see the status of your revenue-based transactions. Click on the colored boxes in the Money Bar to filter the list for Estimates, Sales Orders, Unbilled Time & Expenses, open and overdue Invoices, and recent Payments.

Snapshots

The **Snapshots Center** is a single-screen summary of different aspects of a company. Charts such as *Income and Expense Trends*, *Previous Year Income Comparison*, and *Expense Breakdown* are displayed along with important lists such as *Account Balances* and *Customers Who Owe Money*. The

Snapshots can be easily customized to show the information that is of most interest to you and your company.

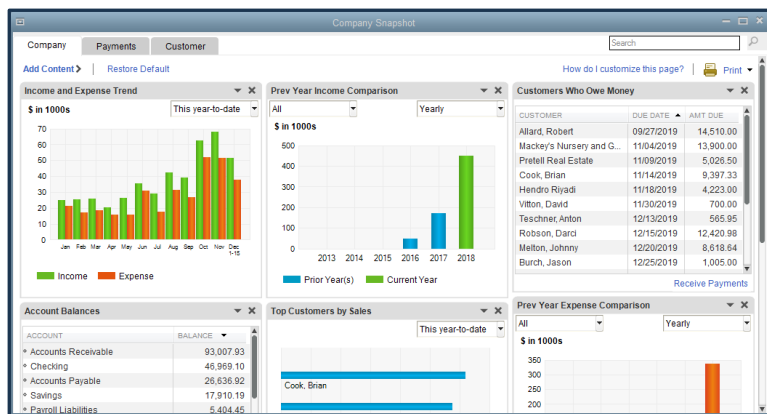


Figure 1-32 Snapshots - your screen may vary

Entering Transactions in QuickBooks

Each time you buy or sell products or services, pay a bill, make a deposit at the bank, or transfer money, you enter a corresponding transaction into QuickBooks.

Each activity should have one action. For example, a customer paying off several invoices will still have ONE Receive Payment form for the ONE check they handed you (more about that on page 59).

Forms

In QuickBooks, transactions are created by filling out familiar-looking **Forms** such as invoices, bills, and checks. When you finish filling out a form, QuickBooks automatically records the accounting entries behind the scenes. Most forms in QuickBooks have drop-down lists to allow you to pick from a list instead of spelling out the name of a customer, vendor, item, or account.

By using forms to enter transactions, you provide QuickBooks with all of the details of each transaction. For example, by using the *Enter Bills* form, QuickBooks tracks the vendor balance, the due date of the bill, the discount terms, and the debits and credits in the General Ledger. This is a good example of how QuickBooks handles the accounting behind the scenes.

Before QuickBooks, many bookkeepers used **Journal Entries** to manually enter accounting transactions. Journal entries limit QuickBooks from providing management information beyond just the debits and credits. If a form is available that achieves your goal, use it!

COMPUTER PRACTICE

Step 1. Click the **Enter Bills** icon in *Vendors* section of the *Home* page (see Figure 1-33).

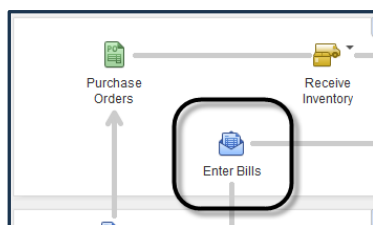


Figure 1-33 Enter Bills on the Home page

Step 2. Click the **Previous** button in the upper left corner of the *Enter Bills* window until you see the previously entered bill (see Figure 1-34).

Step 3. Click the **down arrow** next to the vendor field to see the drop-down list for vendors.

- Step 4. Click the **Calendar icon** next to the date to see the **Date Picker**.
- Step 5. When finished exploring, click the **Revert** button in the bottom right, which will return the transaction to the last saved state.
- Step 6. Close the *Enter Bills* window.

The screenshot shows the 'Enter Bills' window in QuickBooks. Callouts point to the following elements:

- Previous**: Points to the 'Previous' button in the top toolbar.
- Dropdown Arrow**: Points to the dropdown arrow next to the 'VENDOR' field.
- Date Picker**: Points to the calendar icon next to the 'DATE' field.
- History Pane**: Points to the 'RECENT TRANSACTION' section on the right sidebar.
- Tabs**: Points to the 'Expenses' and 'Items' tabs at the bottom of the main form.
- Action Buttons**: Points to the 'Save & Close', 'Save & New', and 'Revert' buttons at the bottom.

The main form contains fields for VENDOR (Rodriguez Rentals), ADDRESS (33 Wheeler Rd, Walnut Creek, CA 94326), DATE (01/30/2021), REF. NO. (98527), AMOUNT DUE (750.00), BILL DUE (02/14/2021), TERMS (Net 15), and MEMO (Lighting Rental). The right sidebar shows a SUMMARY with Phone (925-555-3479), Open balance (750.00), and POs to be received (0). The RECENT TRANSACTION section shows a Bill for 750.00 on 01/30/21.

Figure 1-34 Anatomy of a Form

Lists

Lists are one of the most important building blocks of QuickBooks. Lists store information that is used again and again to fill out forms. For example, when you set up a customer, including their name, address and other details, QuickBooks can use the information to automatically fill out an invoice. Similarly, after an **Item** is set up, QuickBooks automatically fills in its description, price, and associated account information. This helps speed up data entry and reduce errors.

Note:

There are two kinds of lists — **menu-based** and **center-based**. Menu-based lists are accessible through the *Lists* menu and populate the fields on forms. Center-based lists include the **Customer Center** and **Vendor Center**, discussed on page 20.

Lists can be viewed by selecting an icon from the *Home* page (for example, the **Items & Services** button), choosing an option from the *Lists* menu, or viewing a list through one of the various QuickBooks Centers.

Accounts

QuickBooks efficiently tracks all of your business transactions by categorizing them into **Accounts** in your **General Ledger**. The **Chart of Accounts** is the list of these accounts.

COMPUTER PRACTICE

- Step 1. To display the Chart of Accounts, click the **Chart of Accounts** icon on the *Home* page. Alternatively, you could select **Chart of Accounts** from the *List* menu, or press **Ctrl+A**.
- Step 2. Scroll through the list. Leave the *Chart of Accounts* open for the next exercise.

By default, the Chart of Accounts is sorted alphabetically within each account type (see Figure 1-35). If you are using **Account Numbers**, the categories are sorted by account number.

Use the **Search Box** at the top to quickly find the account you need.

The *Name* column shows the account names that you assign. The **Lightning Bolt** indicates **Bank Feed** connectivity. The *Type* column shows their account type. The *Balance Total* column shows the balances for asset, liability, and equity accounts (except Retained Earnings). The *Attach* column shows if there are attached documents.

NAME	TYPE	BALANCE TOTAL	ATTACH
10100 - Checking	Bank	11,562.00	
10200 - Money Market	Bank	12,100.00	
10300 - Savings	Bank	500.00	
10900 - Journal Entries	Bank	0.00	
11000 - Accounts Receivable	Accounts Receivable	4,569.20	
12000 - Undeposited Funds	Other Current Asset	0.00	
12100 - Inventory Asset	Other Current Asset	6,472.23	
12800 - Employee Advances	Other Current Asset	0.00	
13100 - Prepaid Insurance	Other Current Asset	0.00	
15000 - Furniture and Equipment	Fixed Asset	13,250.00	
15200 - Buildings and Improvements	Fixed Asset	0.00	
15600 - Land	Fixed Asset	0.00	
15900 - Leasehold Improvements	Fixed Asset	0.00	
16400 - Vehicles	Fixed Asset	0.00	
17000 - Accumulated Depreciation	Fixed Asset	-1,325.00	
18700 - Security Deposits Asset	Other Asset	0.00	
20000 - Accounts Payable	Accounts Payable	750.00	
22000 - National Bank VISA Gold	Credit Card	0.00	
24000 - Payroll Liabilities	Other Current Liability	368.00	
24010 - Company Payroll Taxes Payable	Other Current Liability	368.00	
24020 - Employee Payroll Taxes Payable	Other Current Liability	0.00	
24030 - Other Payroll Liabilities	Other Current Liability	0.00	
24200 - Line of Credit	Other Current Liability	6,700.00	

Figure 1-35 Chart of Accounts List

Registers

Each asset, liability, and equity account (except Retained Earnings) has a **Register**. Registers allow you to view and edit transactions in a single window. Income and expense accounts do not have registers; rather, their transactions must be viewed in a report.

COMPUTER PRACTICE

- Step 1. To open the **Checking** account register, double-click on **10100 Checking** in the *Chart of Accounts* list.
- Step 2. The **Checking** register opens (see Figure 1-36). Scroll through the register.

DATE	NUMBER	TYPE	ACCOUNT	PAYEE	MEMO	PAYMENT	DEPOSIT	BALANCE
01/20/2021	6003		Wong & Son Video			142.00		14,212.48
		BILLPMT	20000 - Accounts Payable	Video Production Costs				
01/20/2021	6004		Ace Supply			123.48		14,089.00
		BILLPMT	-split-	Acct# 43-234				
01/30/2021	329		National Bank			2,152.00		11,937.00
		CHK	22000 - National Bank VISA Gold	1234-1234-1234-1234				
02/07/2021	330		Nellis Distributing			375.00		11,562.00
		BILLPMT	20000 - Accounts Payable					
30/2020								

ENDING BALANCE 11,562.00

Figure 1-36 Checking account register

- Step 3. Close the Checking account register by clicking the **Close** button in the upper right corner.
- Step 4. Double-click the **40000 Services** account. You may need to scroll down. This is an Income account.
- Step 5. Instead of opening a register, QuickBooks opens a *QuickReport* (see Figure 1-37).
- Step 6. If necessary, change the *Dates* field to **All** and click **Refresh**.
- Step 7. Close the report.
- Step 8. Close the Chart of Accounts.

Type	Date	Num	Name	Memo	Split	Amount
40000 - Services						
Invoice	01/05/2021	2021-101	Cruz, Maria Branc...	Outdoor Pho...	11000 - Acco...	380.00
Invoice	01/05/2021	2021-101	Cruz, Maria Branc...	Photo retouc...	11000 - Acco...	190.00
Invoice	01/06/2021	2021-102	Cruz, Maria Branc...	Photographer	11000 - Acco...	500.00
Invoice	01/09/2021	2021-104	Mason, Bob	Indoor Studi...	11000 - Acco...	285.00
Invoice	01/09/2021	2021-104	Mason, Bob	Photo retouc...	11000 - Acco...	380.00
Invoice	01/13/2021	2021-105	Cruz, Maria Branc...	Indoor Studi...	11000 - Acco...	380.00
Invoice	01/13/2021	2021-105	Cruz, Maria Branc...	Photographer	11000 - Acco...	500.00
Total 40000 - Services						2,615.00
TOTAL						2,615.00

Figure 1-37 A QuickReport

Items

Items are used to track a company’s services and products. Since every business has its own unique set of products and services, QuickBooks needs to be customized by creating items for everything you buy and sell. For more detail on items and the different item types, see page 281.

Items are necessary in order to use sales forms in QuickBooks (e.g., *Invoices* and *Sales Receipts*). On an invoice, for example, each line has an item representing a product, service, discount, or sales tax.

When you define items, you associate them with accounts in the Chart of Accounts. This connection between item names and accounts is the “magic” that allows QuickBooks to automatically create the accounting entries behind each transaction.

For example, Figure 1-39 displays the **Item List**. Take a look at Camera SR32, for example. It is associated with a **Sales Income** account, **Inventory Asset**, and **Cost of Goods Sold** in the Chart of Accounts. Every time the Camera SR32 item is added to an invoice, the dollar amount increases the **Sales** account in the *Chart of Accounts*, and moves its original cost from **Inventory** to **Cost of Goods**.

COMPUTER PRACTICE

- Step 1. To see what items are available in the file, click the **Items & Services** icon on the *Home* page in the *Company* section (see Figure 1-38). Alternatively, you could select **Item List** from the *Lists* menu.

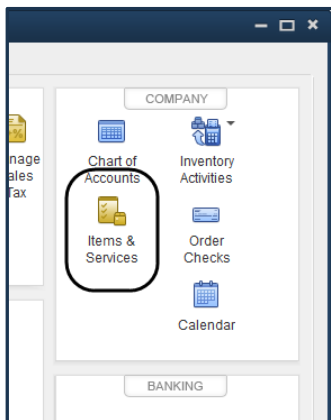


Figure 1-38 Items & Services button on Home page

- Step 2. Figure 1-39 shows the **Item List**. Double-click the **Camera SR32** item.

NAME	DESCRIPTION	TYPE	ACCOUNT	TOTAL QUANTITY	ON SALE	PRICE	A...
Indoor Photo Session	Indoor Studio Session	Service	40000 - Services			95.00	
Outdoor Photo Session	Outdoor Photo Session	Service	40000 - Services			95.00	
Photographer	Photographer	Service	40000 - Services			125.00	
Retouching	Photo retouching services	Service	40000 - Services			95.00	
Camera SR32	Supra Digital Camera SR32	Inventory Part	45000 - Sales	9	0	695.99	
Case	Camera and Lens High Impact Case	Inventory Part	45000 - Sales	24	0	79.99	
Frame 5x7	Picture Frame - 5' x 7' Metal Frame	Inventory Part	45000 - Sales	22	0	5.99	
Lens	Supra Zoom Lens	Inventory Part	45000 - Sales	7	0	324.99	
Photo Paper	Standard Photo Paper, Glossy, 8.5"x11", 7 Mil, Pack...	Non-inventory Part	45000 - Sales			12.36	
Premium Photo Package	Premium Package of Photography from Session	Non-inventory Part	45000 - Sales			85.00	
Standard Photo Package	Standard Package of Photography from Session	Non-inventory Part	45000 - Sales			55.00	
Bad Debt	Bad Debt - Write off	Other Charge	60300 - Bad Debts			0.00	
Bounce Chg	Return Check Fee	Other Charge	45000 - Sales			0.00	
Contra Costa	Contra Costa County Sales Tax	Sales Tax Item	25500 - Sales Tax Payable			8.25%	
Out of State	Out-of-state sale, exempt from sales tax	Sales Tax Item	25500 - Sales Tax Payable			0.0%	
Santa Clara	Santa Clara County Sales Tax	Sales Tax Item	25500 - Sales Tax Payable			8.25%	

Figure 1-39 Item List

- Step 3. If the **New Feature** window opens, click **OK**.
- Step 4. The **Edit Item** window opens (see Figure 1-40). Notice this item is linked to the **Sales** account. Every time this item is entered on an invoice, it adds the purchase price to **Sales Income**.
- Step 5. Close the **Edit Item** and **Item List** windows.

TYPE
Inventory Part Use for goods you purchase, track as inventory, and resell.

Item Name/Number: Camera SR32 Subitem of: Manufacturer's Part Number:

UNIT OF MEASURE
Enable...

PURCHASE INFORMATION
Description on Purchase Transactions: Supra Digital Camera SR32
Cost: 450.00
COGS Account: 50000 - Cost of Goods...
Preferred Vendor:

SALES INFORMATION
Description on Sales Transactions: Supra Digital Camera SR32
Sales Price: 695.99
Tax Code: Tax
Income Account: 45000 - Sales
☐ Item is inactive

Asset Account
12100 - Invento...

Reorder Point (Min)
Max

On Hand
9

Average Cost
450.00

On P.O.
0

On Sales Order
0

Callouts:
Cost Account
Inventory Account
Income Account

Figure 1-40 Camera SR32 Edit Item window

QuickBooks Help

Support Resources

QuickBooks provides a variety of support resources that assist in using the program. Some of these resources are on the Internet and others are stored in **Help** files locally along with the QuickBooks software on your computer. To access the support resources, select the **Help** menu and then choose **QuickBooks Desktop Help**, or press **F1** on your keyboard. QuickBooks will display context-sensitive answers to problems you might be having, based on the window you have open. You can also enter a question and QuickBooks will search its Help Content and the **Online Community** for related answers. You can also access **Support** through messaging and call back options.

Certified QuickBooks ProAdvisors

Certified QuickBooks ProAdvisors are independent consultants, accountants, bookkeepers, and educators who are proficient in QuickBooks, who can offer guidance to small businesses in various areas of business accounting. To find a Certified ProAdvisor, select **Find a Local QuickBooks Desktop Expert** from the **Help** menu.

Review Questions

Comprehension Questions

1. Explain the difference between a QuickBooks working data file, a QuickBooks backup file and a QuickBooks portable file. How can you differentiate between the three types of files on your hard disk?
2. Explain the difference between QuickBooks Desktop and QuickBooks Online. What are the different versions of QuickBooks Desktop?
3. Explain the importance of the QuickBooks Home page.
4. Explain why it is important to enter transactions in QuickBooks using Forms rather than accounting entries.
5. Describe the primary purpose of accounting in business.

Multiple Choice

Select the best answer(s) for each of the following:

1. The fundamental accounting equation that governs all accounting is:
 - a) Net income = Revenue - expenses.
 - b) Assets + Liabilities = Equity.
 - c) Assets = Liabilities + Equity.
 - d) Assets = Liabilities - Equity.
2. Which of the following statements is true?
 - a) Debits are bad because they reduce income.
 - b) Equity is increased by a net loss.
 - c) Debits = credits.
 - d) Assets are increased with a credit entry.
3. Under accrual accounting:
 - a) A sale is not recorded until the customer pays the bill.
 - b) Income and expenses are recognized when transactions occur.
 - c) An expense is not recorded until you write the check.
 - d) You must maintain two separate accounting systems.
4. QuickBooks is:
 - a) A job costing system.
 - b) A payroll system.
 - c) A double-entry accounting system.
 - d) All of the above.
5. Which is not a method of accessing the data entry screens?
 - a) Menus
 - b) Home page
 - c) Icon bar
 - d) Data entry button

Completion Statements

1. As you enter data in familiar-looking _____, QuickBooks handles the _____ entries for you.
2. You should _____ your data file regularly because it is one of the most important safeguards you can do to ensure the safety of your data.
3. When you open your working data file, QuickBooks displays the _____. This screen is broken into five sections – each dealing with a separate functional area of a business.
4. _____ are used in QuickBooks Sales forms to represent what the company buys and sells.
5. A list which shows all the accounts in your working data file is called the _____.

Introduction Problem 1

Restore the **Intro-21Problem1.QBM** file. The password to access this file is **Questiva21**.

1. Select **Customers** from the QuickBooks Icon Bar. This will display the Customer Center.
 - a) What is the first customer listed on the left of the Customer Center?

Note:

The answer to this first question is **AAA Services**. If you don't see AAA Services in the *Customer Center*, make sure to restore **Intro-21Problem1.QBM** as directed in the box above. This book uses specific files for each chapter and each problem. If you don't restore the correct file, you will have trouble completing the exercises.

- b) In the *Customers & Jobs Center*, single click on **Mason, Bob**. What is Bob Mason's balance?
 - c) Click the *Date* drop down list above Bob's transaction listing and make sure it says **All**. How many transactions do you see, and of what type?
 - d) Close the Customer Center.
2. From the Home Page, click the **Enter Bills** icon. The *Enter Bills* window opens.
 - a) Click the **Previous** button in the upper left corner. What is the name of the vendor displayed on this bill?
 - b) What is the *Bill Due* date on this bill?
3. From the Home page, click the **Chart of Accounts** icon to display the *Chart of Accounts*.
 - a) What type of account is the **Checking** Account?
 - b) How many total accounts are there of this same type?
 - c) What is the Balance Total for the **Money Market** account?

Introduction Problem 2 (Advanced)

Restore the **Intro-21Problem2.QBM** file. The password to access this file is **Questiva21**.

1. Select **Customers** from the QuickBooks Icon Bar. This will display the Customer Center.
 - a) What is the first customer listed on the left of the Customer Center?

Note:

The answer to this first question is **ABC International**. If you don't see ABC International in the Customer Center, make sure to restore **Intro-21Problem2.QBM** as directed in the box above. This book uses specific files for each chapter and each problem. If you don't restore the correct file, you will have trouble completing the exercises.

- b) In the Customers & Jobs Center, single click on **Cruz, Maria**. What is Maria Cruz's balance?
 - c) Click the *Date* drop down list above Bob's transaction listing and make sure it says **All**. How many transactions do you see, and of what type?
 - d) Close the Customer Center.
2. Select **Vendors** from the QuickBooks Icon Bar. This displays the Vendor Center.
 - a) Double-click **Boswell Consulting**. This opens the *Edit Vendor* window. What is their address? Close the *Edit Vendor* window.
 - b) Single click on **Sinclair Insurance**. What is the amount of Bill number 5055 to Sinclair Insurance (you may need to set the *Date* to **All** as in Step 1)?
 - c) Close the Vendor Center.
3. From the Home page, click the **Chart of Accounts** icon to display the Chart of Accounts.
 - a) What type of account is **Payroll Liabilities**?
 - b) How many accounts of the type **Fixed Asset** are in the Chart of Accounts?
 - c) How many accounts of the type **Other Current Asset** are in the Chart of Accounts?
4. While still in the **Chart of Accounts**, double-click the **Checking** account on the Chart of Accounts list. This will open the register for the Checking account.
 - a) Who was the payee for the check on 2/10/2021?
 - b) What was the amount of the check?
 - c) Close the **Checking** register and close the Chart of Accounts list.
5. Click the **Create Invoices** icon on the Home page, and then click on the **Previous** arrow (top left).
 - a) What is the Invoice Number?
 - b) Who is the customer listed on this invoice?
 - c) What is the first item listed on this invoice?
 - d) Close the invoice.
6. Select the **Chart of Accounts** option from the Lists menu. Double-click on the **Checking** account.
 - a) Which vendor was paid by the last bill payment (BILLPMT) in the register?
 - b) What is the Bill Payment Number?
 - c) What is the amount of the last bill payment in the register?
 - d) Close the **Checking** register and close the Chart of Accounts list.

-
7. Click the **Write Checks** icon on the Home page and follow these steps:
 - a) Click on the **Calendar** icon immediately to the right of the *Date* field. Select **tomorrow's date** in the *Date* field and press **Tab**.
 - b) In the *Pay to the Order of* field, enter **Ace Supply**. Press **Tab**.
 - c) Enter **80.00** in the *Amount* field and press **Tab**.
 - d) Check the **Print Later** check box at the top of the window.
 - e) What is the city displayed in the *Address* field on the check for Ace Supply?
 - f) Click **Clear** and then close the check window.
 8. Select the **Chart of Accounts** option from the Lists menu and double-click on **Accounts Receivable**.
 - a) What is the ending balance in the account?
 - b) Who was the customer on the last transaction in the register?
 - c) Close the register and close the *Chart of Accounts* list.
 9. Click the **Check Register** icon on the Home page.
 - a) Select **10100 – Checking** from the *Use Register* dialog box.
 - b) What is the ending balance in the checking register?
 - c) Close the checking register.
 10. Close the working data file **Intro-21Problem2.QBW**.

Chapter 2

The Sales Process

Topics

In this chapter, you will learn about the following topics:

- Tracking Company Sales (page 33)
- Setting Up Customers (page 37)
- Job Costing (page 43)
- Recording Sales (page 44)
- Receiving Payments from Customers (page 56)
- Making Bank Deposits (page 64)
- Income Tracker (page 73)

Restore this File:

This chapter uses **Sales-21.QBW**. See page 10 for more information. The password to access this file is **Questiva21**.

In this chapter, you will learn how QuickBooks can help you record and track revenue in your business. Each time you sell products or services, you will record the transaction using one of QuickBooks' forms. When you fill out a QuickBooks **Invoice** or **Sales Receipt**, QuickBooks tracks the detail of each sale, allowing you to create reports about your income.

Tracking Company Sales

Sales are recorded two different ways. When the customer pays at the time of sale or service (called a **cash customer**) use a **Sales Receipt**. When the customer pays after the sale or service (a **credit customer**) use an **Invoice**.

In this case, the terms "cash" and "credit" aren't referring to the payment methods used; they're referring to the specific workflow needed to track the sale.

Sales Receipts

At the time of sale, a **Sales Receipt** is issued, and then a **Deposit** is recorded. This process is displayed graphically on the *Home* page (see Figure 2-1). A sales receipt records both the items sold and the amount received. Then the funds are deposited into the bank along with the rest of that day's sales.

Note:

Payment with a credit card is received immediately; therefore, a customer who pays at the time of sale with a credit card is still a "cash" customer.

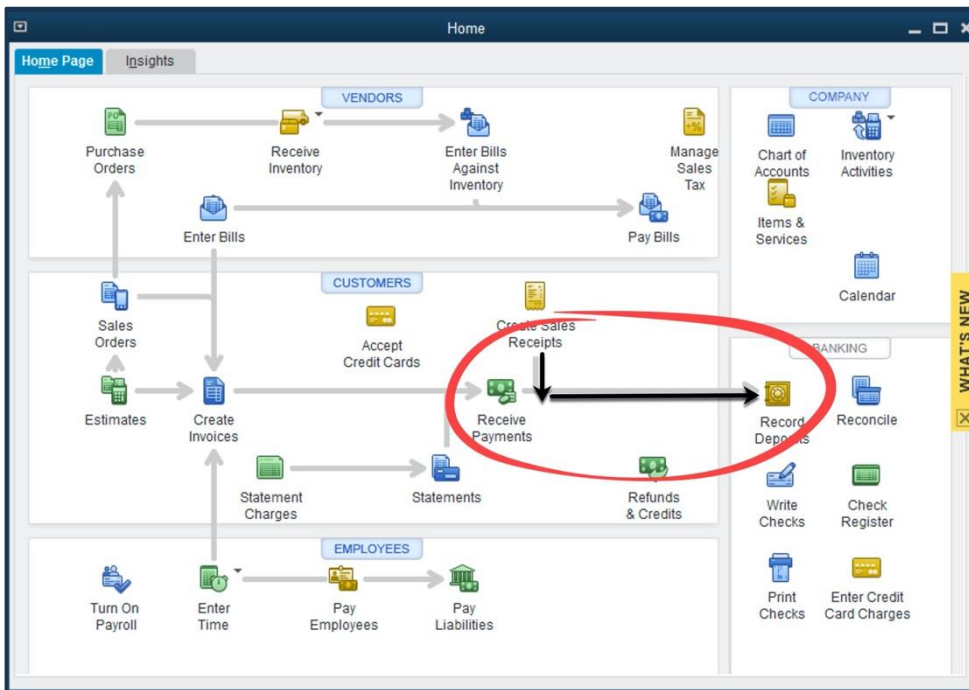


Figure 2-1 Cash Sale Workflow

When working with a credit customer, the sales process has a different workflow. Often, the first step is to create an **Invoice**. The **Payment** is later received and applied to the invoice. Then a **Deposit** is recorded to put the money in the bank (see Figure 2-2).

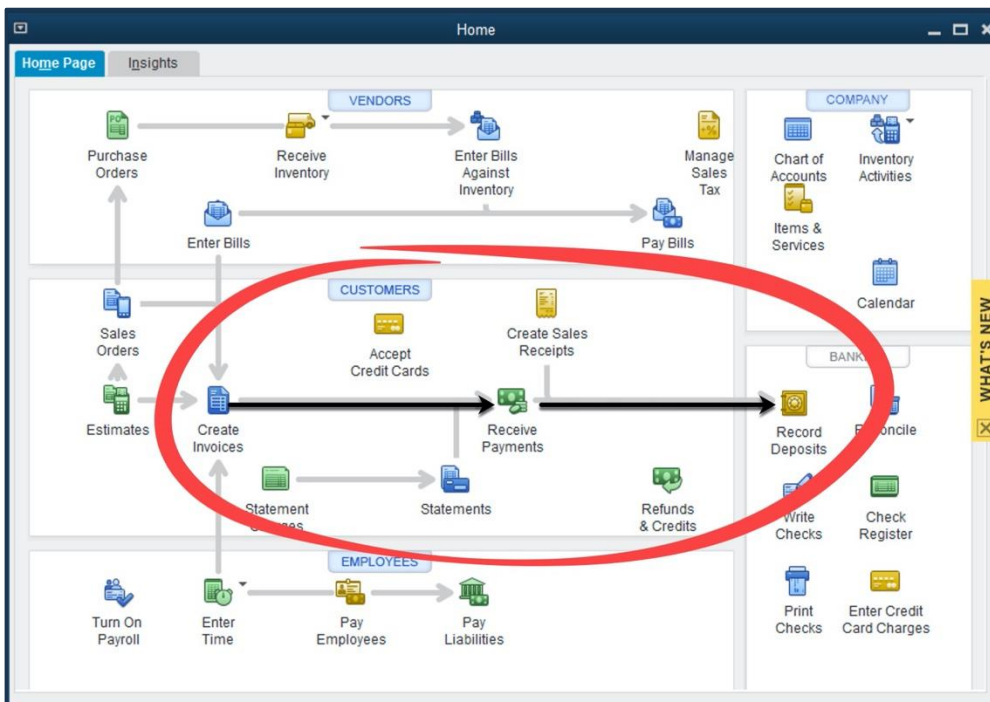


Figure 2-2 Invoicing Workflow

Table 2-1 provides more details about the cash and credit customer sales processes. In this table, you can see how to record business transactions for cash and credit customers, including the accounting behind the scenes of each transaction. As discussed on page 4, **the accounting behind the scenes** is critical to your understanding of how QuickBooks converts the information on forms (invoices, sales receipts, etc.) into double-sided accounting entries.

Each row in the table represents a business transaction you might enter as you proceed through the sales process.

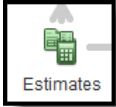
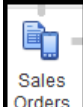
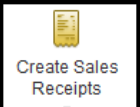
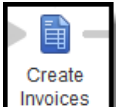
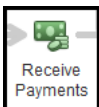
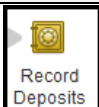
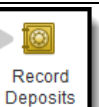
Business Transaction	Cash Customers (Pay at time of sale, Sales Receipt)		Credit Customers (Pay after the sale date, Invoice)	
	QuickBooks Transaction	Accounting Entry	QuickBooks Transaction	Accounting Entry
Estimate (Optional)	Not usually used			Non-posting entry used to record estimates (bids) for customers or Jobs
Sales Order (Optional)	Not usually used			Non-posting entry used to record customer orders
Recording a Sale		Increase (debit) Undeposited Funds , increase (credit) Income account		Increase (debit) Accounts Receivable , increase (credit) Income account
Receiving Money in Payment of an Invoice	No additional action is required			Increase (debit) Undeposited Funds , decrease (credit) Accounts Receivable
Depositing Money in the Bank		Decrease (credit) Undeposited Funds , increase (debit) Bank account		Decrease (credit) Undeposited Funds , increase (debit) Bank account

Table 2-1 Steps in the sales process

The **Sales Receipt form** records the details of what you sold to whom, and then holds the pending deposit in, by default, a special account called **Undeposited Funds**. This account is an **Other Current Asset** account. Think of it as the drawer where you keep your checks and cash before depositing them in the bank. See page 48 for more information on Undeposited Funds.

The Accounting Behind the Scenes:

When you create a **Sales Receipt**, QuickBooks increases (with a debit) a **bank account or Undeposited Funds**, and increases (with a credit) the appropriate **Income** account. If applicable, **Sales Receipts** also increase (with a credit) the **Sales Tax Liability** account. If the sale includes an Inventory item, it also decreases (credits) the **Inventory Asset** and increases (debits) the **Cost of Goods Sold** account.

Invoices

For credit customers, the sales process usually starts with creating an **Invoice**. The invoice form records the details of who you sold to and what you sold.

The Accounting Behind the Scenes:

When you create an **Invoice**, QuickBooks increases (with a debit) **Accounts Receivable** and increases (with a credit) the appropriate **Income** account. If applicable, invoices also increase (with a credit) the **Sales Tax Liability** account. If the sale includes an Inventory item, it also decreases (credits) the **Inventory Asset** and increases (debits) the **Cost of Goods Sold** account.

When you receive money from your credit customers, use the **Receive Payments** form to record the receipt. If you have created an invoice for the sale, you must accept payment through this process to close the invoice.

The Accounting Behind the Scenes:

When you record a received **Payment**, QuickBooks increases (with a debit) **Undeposited Funds** or a **Bank** account, and decreases (with a credit) **Accounts Receivable**.

Deposits

Whether you posted to **Undeposited Funds** through a sales receipt or a payment, the last step in the process is always to make a **Deposit** to your bank account by using the **Make Deposits** function. This step is the same for both cash and credit customers. See page 64 for more information on making bank deposits.

Estimates

If you prepare **Estimates** (sometimes called bids) for customers or jobs, you can track the details of what the future sale will include. Estimates are provided to customers to help them decide to move forward with their purchase of a product or service. Estimates do not post to the General Ledger, but they help you track a job from bid to completion. QuickBooks also provides reports that help you compare estimated vs. actual revenues and costs.

The Accounting Behind the Scenes:

When you create an **Estimate**, QuickBooks records the estimate, but there is no accounting entry made. Estimates are “non-posting” entries, which means they don’t show up on your Profit & Loss Statement or Balance Sheet. They are only used to track business activity.

Sales Orders

Sales Orders are available in QuickBooks Premier, Accountant and Enterprise Solutions. Sales orders are similar to estimates because they both help you track future sales, and also do not post to the General Ledger.

Sales orders allow you to track inventory on hold for pending orders by including the product details. For example, if you are out of stock on goods needed for a specific customer, you could create a sales order to track the customer’s order until it is fulfilled.

The Accounting Behind the Scenes:

When you create a **Sales Order**, QuickBooks records the sales order, but there is no accounting entry made. Sales orders are “non-posting” entries.

In the following sections, you will learn about each step of the workflow at the time of sale for cash and credit customers.

Setting Up Customers

For each of your customers, create a record in the **Customers & Jobs** list of the *Customer Center*. Imagine Photography has a new credit customer – Dr. Tim Feng. To add this new customer, follow these steps:

COMPUTER PRACTICE

- Step 1. Select the **Customers** button from the *Icon bar* or the *Home* screen.
- Step 2. To add a new customer, select **New Customer** from the *New Customer & Job* drop-down menu (see Figure 2-3).

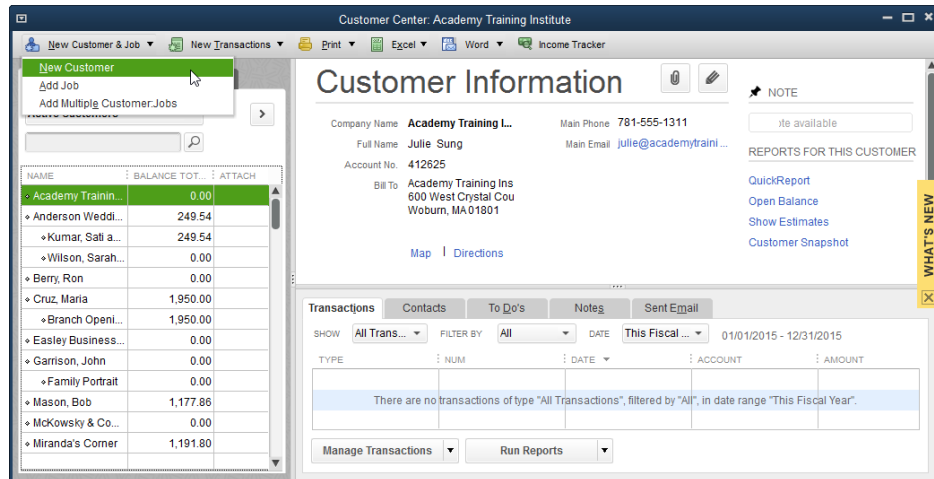


Figure 2-3 Adding a new customer record

- Step 3. Enter **Feng, Tim** in the *Customer Name* field (see Figure 2-4) and then press **Tab**.
- Step 4. Press **Tab** twice to skip the *Opening Balance* and *As of* fields. Since you will not enter an amount in the *Opening Balance* field, there is no need to change the *As of* date.

Figure 2-4 New Customer window

Important Tip:

It is best NOT to use the *Opening Balance* field in the customer record. When you enter an opening balance for a customer in the *Opening Balance* field, QuickBooks creates a new account in your Chart of Accounts called **Uncategorized Income**. Then, it creates an **Invoice** that increases (debits) **Accounts Receivable** and increases (credits) **Uncategorized Income**.

It is better to enter the actual open invoices for each customer when you set up your company file, using their actual date and line items. That way, you will have all of the details of which invoices are open, when they occurred, and what items were sold. When you use invoices, the proper income accounts will be used instead of Uncategorized Income.

- Step 5. Because this customer is an individual (i.e., not a company), press **Tab** to skip the *Company Name* field.
- Step 6. Continue entering information in the rest of the fields using the data in Table 2-2. You do not need to enter anything in the fields not included below.

Field	Data
Mr./Mrs.	Dr.
First Name	Tim
M.I.	S.
Last Name	Feng
Job Title	Owner
Main Phone	408-555-8298
Main Email	drf@df.biz
Invoice/Bill To Address	Tim S. Feng 300 N. First St. San Jose, CA 95136
Hint: Press Enter to move to a new line in this field.	
Ship To	Click Copy>> . This displays the <i>Add Shipping Address Information</i> window (see Figure 2-5). Type Office in the <i>Address Name</i> field and click OK .

Table 2-2 Data to complete the Address Info tab

The screenshot shows the 'Add Shipping Address Information' dialog box. The 'Name' field is populated with 'Feng, Tim'. The 'Address Name' field contains 'Office'. The 'Address' field contains 'Tim S. Feng' and '300 N. First St.' on separate lines. The 'City' field is 'San Jose', 'State / Province' is 'CA', and 'Zip / Postal Code' is '95136'. The 'Country / Region' and 'Note' fields are empty. On the right side, there are 'OK' and 'Cancel' buttons. At the bottom, there are two checked checkboxes: 'Show this window again when address is incomplete or unclear' and 'Default shipping address'.

Figure 2-5 Add Ship To Address Information window

Figure 2-6 shows the finished *Address Info* tab of the customer record. Verify that your screen matches.

Note:

In QuickBooks, you can use multiple *Ship-To Addresses*. This is useful when one customer requests that products be sent to more than one address.

Figure 2-6 Completed *Address Info* tab

Tip:

There are four name lists in QuickBooks: **Vendor**, **Customer:Job**, **Employee**, and **Other Names**. After you enter a name in the *Customer Name* field of the *New Customer* window, you cannot use that name in any of the other three lists in QuickBooks.

When Customers are also Vendors:

When you sell to and purchase from the same company, you'll need to create two records, one in the *Vendor* list and one in the *Customer:Job* list. Make the two names slightly different. For example, you could include a middle initial or "Inc." after the company name in the *Vendor* list. Another strategy is to enter Feng, Tim-c in the *New Customer* window and Feng, Tim-v in the *New Vendor* window.

The vendor and customer records for Tim Feng can contain the same contact information; it's just the name that needs to be different.

- Step 7. Click the *Payment Settings* tab on the left of the *New Customer* window to continue entering information about this customer as shown in Figure 2-7.
- Step 8. Enter **3546** in the *Account No.* field to assign a customer number by which you can sort or filter reports. Press **Tab**.
- Step 9. Enter **8,000.00** in the *Credit Limit* field and press **Tab**.

Credit Limits provide an accounts receivable ceiling for the customer to reduce risk. QuickBooks will warn you if you record an invoice to this customer when the balance due (plus the current sale) exceeds the credit limit. Even though QuickBooks warns you, you'll still be able to record the invoice.

- Step 10. Select **Net 30** from the *Payment Terms* drop-down list as the terms for this customer and then press **Tab**.
- QuickBooks is *terms smart*. For example, if you enter terms of 2% 10 Net 30 and a customer pays within 10 days, QuickBooks will automatically calculate a 2% discount. For more information about setting up your Terms list, see page 264.
- Step 11. Select **Commercial** from the *Price Level* drop-down list. See page 266 for information on setting up and using price levels. Press **Tab** twice.
- Step 12. Leave the default setting of **Email** in the *Preferred Delivery Method* field.

You can use Preferred Delivery Method if you plan to email invoices to a customer on a regular basis or if you plan to use QuickBooks Payments Merchant Services.

Note:

QuickBooks Payments Merchant Services allows customers to pay you with credit cards and ACH bank transfer, right inside QuickBooks. For more information, select the Help menu and then choose **Add QuickBooks Services**. You will then be directed online to the Intuit website. Click on the **Learn More** button under the *Get Paid Faster* section. Transaction fees apply.

- Step 13. Select **Visa** from the *Preferred Payment Method* drop-down list and then press **Tab**. When you set the fields on this window, you are storing the credit card number securely for future use. You won't have to re-enter the credit card information each time you receive money from the customer.
- If you are using **QuickBooks Payments Merchant Services**, you will be able to charge the card directly inside QuickBooks.

Tip:

If more than one person accesses your QuickBooks file, set up a separate username and password for each additional user. When you set up a user, you can restrict him or her from accessing **Sensitive Accounting Activities** like customer credit card numbers. See page 482 for more information about setting up usernames and passwords.

- Step 14. Enter the remaining data as shown in Figure 2-7 in the *Credit Card Information* section. Some of the fields will auto-populate as you tab into those fields. You may overwrite the auto-populated values if needed.
- Step 15. If you use **QuickBooks Payments**, use the *Online Payments* box to specify whether they will be able to pay you by **Credit Card**, **Bank Transfer (ACH)**, or both when you send them an invoice by email

New Customer

CUSTOMER NAME: **Feng, Tim**

OPENING BALANCE: AS OF: **06/06/2020** [How do I determine the opening balance?](#)

Address Info

ACCOUNT NO.: **3546** CREDIT LIMIT: **8,000.00**

Payment Settings

PAYMENT TERMS: **Net 30** PRICE LEVEL: **Commercial** [?](#)

Sales Tax Settings

PREFERRED DELIVERY METHOD: **E-mail**

PREFERRED PAYMENT METHOD: **Visa**

Additional Info

Job Info

CREDIT CARD INFORMATION [?](#)

CREDIT CARD NO.: **123456789101234**

EXP. DATE: **12** / **2025**

NAME ON CARD: **Tim S Feng**

ADDRESS: **300 N First St.**

ZIP / POSTAL CODE: **95136**

ONLINE PAYMENTS

Let this customer pay you by:

☐ Credit Card

☐ Bank Transfer (ACH)

☐ Customer is inactive

OK **Cancel** **Help**

Figure 2-7 The Customer Payment Settings window

Step 16. Click the **Sales Tax Settings** tab in the *New Customer* window (see Figure 2-8).

Step 17. Press **Tab** twice to accept the default **Sales Tax Code** in the *Tax Code* field.

Sales Tax Codes serve two purposes. First, they determine the default taxable status of a customer, item, or sale. Second, they are used to identify the type of tax exemption. For complete information on sales tax codes, see page 98.

Step 18. Set the *Tax Item* field to **Santa Clara**. This indicates which sales tax rate to charge and which agency collects the tax. Press **Tab** when finished.

Tip:

In most states, you charge sales tax based on the delivery point of the shipment. Therefore, the **Sales Tax Item** should be chosen to match the tax charged in the county (or tax location) of the *Ship To* address on the *Address Info* tab.

Step 19. Leave the *Resale No.* field blank.

If the customer is a reseller, you would enter his or her tax-exempt Resale Number.

New Customer

CUSTOMER NAME: **Feng, Tim**

OPENING BALANCE: AS OF: **06/06/2020** [How do I determine the opening balance?](#)

Address Info

Payment Settings

Sales Tax Settings

Additional Info

Job Info

TAX CODE: **Tax** [?](#)

TAX ITEM: **Santa Clara**

RESALE NO.:

Figure 2-8 Completed Sales Tax Settings tab

Step 20. Select the **Additional Info** tab in the *New Customer* window (see Figure 2-9).

Step 21. Select **Business** from the *Customer Type* drop-down list and then press **Tab**.

QuickBooks allows you to group your customers into common types. By grouping your customers into types, you'll be able to create reports that focus on one or more types. For example, if you create two types of customers, Residential and Business, you are able to tag each customer with a type. Then you can create reports, statements, or mailing labels for all customers of a certain type.

Step 22. Select **MM** for Mike Mazuki in the *Rep* drop-down list and then press **Tab**.

Use this field to assign a **Sales Rep** (one of your employees or vendors) to this customer. If you use the *Rep* field, you can create reports (e.g., *Sales by Rep* report) that provide the sales information you need to pay commissions or track productivity. Even if you assign a default sales rep to a customer, each sales form (invoice or sales receipt) can still have a different name or initials in the *Rep* field.

Step 23. Enter **Santa Clara** in the *County* field.

The **Define Fields** button on the *Additional Info* tab allows you to define **Custom Fields** to track more information about your customers. For more information on setting up and using custom fields, see page 268.

Figure 2-9 Completed *Additional Info* tab

Step 24. Select the *Job Info* tab. You can use this tab to track the status of your engagement with the customer.

Note:

If you track multiple jobs for each customer, it is best NOT to enter job information on the *Job Info* tab of the main customer record. If you want to track jobs for this customer, you can create separate job records in the *Customers & Jobs* list.

Step 25. Click **OK** to save and close the *New Customer* window.

Note:

If you see an error message when saving the Feng, Tim customer (see Figure 2-10), you may not be in the correct exercise file. Make sure you restore the correct file at the start of each chapter and problem, otherwise your exercises may not match the activities in this book. For this chapter, you should be using **Sales-21.QBW**. For instructions on restoring portable files, please see page 10.

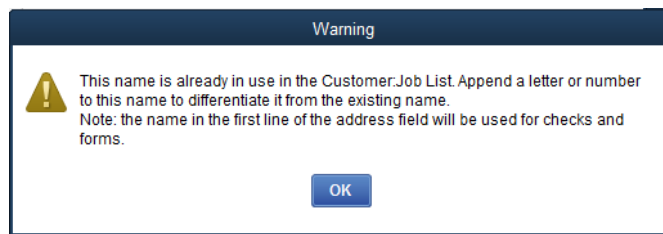


Figure 2-10 Error Message when saving a Name that already exists

Step 26. Close the *Customer Center* by clicking the close button or by pressing the **Esc** key.

Job Costing

Each customer listed in the *Customer Center* can have one or more jobs. A **Job** is a project you do for the customer. Setting up jobs underneath the customers helps group income and expenses by project, and therefore create reports showing detailed or summarized information about each one. This is particularly important for some industries, such as construction.

To create a job for an existing customer record, open the *Customer Center*, select the **Customer**, and then choose **Add Job** from the *New Customer & Job* drop down menu. You don't need to do this now, because the sample data file already has jobs set up.

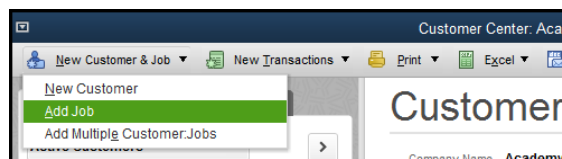


Figure 2-11 Adding a Job to an existing customer record

Key Term:

Tracking income and expenses separately for each job is known as **Job Costing**. If your company needs to track job costs, make sure you include the job name on each income and expense transaction as these transactions are created. Job costing reports such as a *Profit & Loss by Job* provide useful insights into your business.

In the *Name* column of the *Customers & Jobs* list, jobs are slightly indented under the customer name.

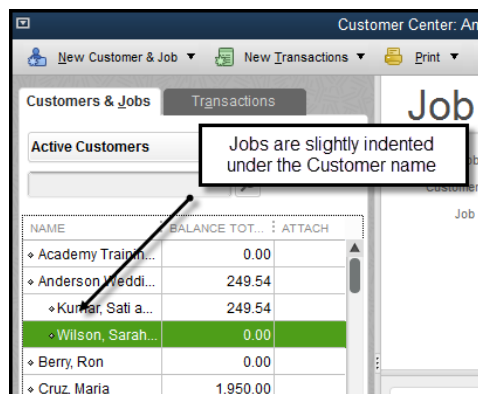


Figure 2-12 Customers & Jobs list

Did You Know?

To *Quick Add* a job for a customer on an invoice or sales receipt, enter the customer's name followed by a colon (the customer name must already exist in the Customer List first). After the colon, enter the name of the job. QuickBooks will then prompt you to either *Quick Add* or *Set Up* the job.

If the customer record already includes job information on its *Job Info* tab, you won't be able to use *Quick Add* to create a job for the customer. In this case, you will need to create the job in the *Customers & Jobs* list before you begin entering sales.

Recording Sales

Now that you've set up your customers, you're ready to begin entering sales. We will look at the **Sales Receipts** form first. Use this form when you receive a cash, check, or credit card payment at the time of the sale or service. We will also look at the **Invoice**, the other way to enter sales when you record credit sales to customers.

Entering Sales Receipts

When customers pay at the time of the sale by cash, check, or credit card, create a **Sales Receipt** transaction.

COMPUTER PRACTICE

- Step 1. Click the **Create Sales Receipts** icon in the *Customers* section on the *Home* page (see Figure 2-13). This opens the *Enter Sales Receipts* window (see Figure 2-14).

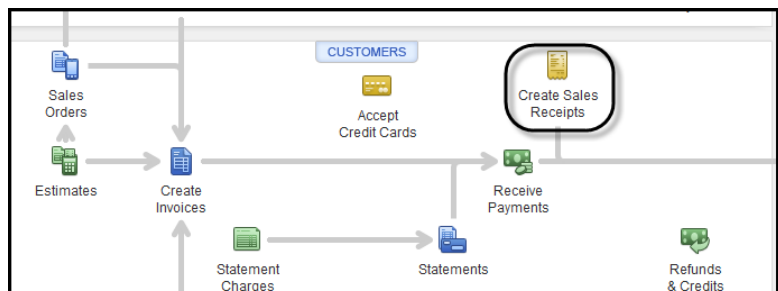


Figure 2-13 Selecting Create Sales Receipts icon on the Home page

- Step 2. Enter **Perez, Jerry** in the *Customer:Job* field and press **Tab**.

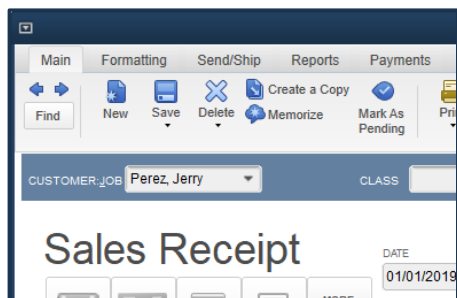


Figure 2-14 Sales Receipt form

- Step 3. When the *Customer:Job Not Found* warning window appears (see Figure 2-15), click **Quick Add** to add this new customer to the *Customer:Job* list. If you choose this option, you can edit the customer record later to add more details.

Quick Add works on all your lists. Whenever you type a new name into any field on any form, QuickBooks prompts you to **Quick Add**, **Set Up**, or **Cancel** the name.

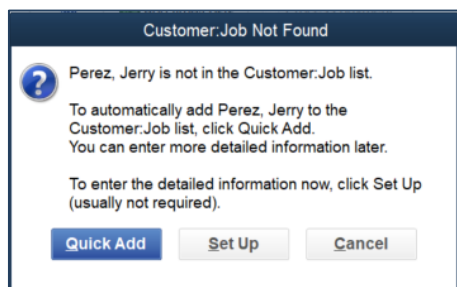


Figure 2-15 Use Quick Add to add new customers

Tip:

If your customer is an individual (i.e., not a business), it's a good idea to enter the customer's last name first. This way, your **Customer:Job** list sorts by last name so it will be easier to find names in the list.

Note:

Many forms display Customer Summary information in the History Pane on the right side of the form, which includes two tabs – one for *Customer* (also called *Name*) information and the other for *Transaction* information. Jerry Perez is a new customer and therefore does not have any information or history to display.

Step 4. Enter **San Jose** in the *Class* field and then press **Tab**.

QuickBooks uses **Classes** to separately track income and expenses for departments, functions, activities, locations, or profit centers. For more information on classes, see page 124. Note that if the class has already been set up, it will appear in that field as you type it or in the drop-down menu.

Step 5. In the *Template* field, **Custom Sales Receipt** is already selected. Press **Tab**.

You can create your own custom form layouts, as you'll learn in the section beginning on page 270.

Step 6. Click on **Check** for payment method, then press **Tab**.

If you wanted to add a new payment method, you would click on the *More* button.

Step 7. Enter **1/27/2021** in the *Date* field and then press **Tab** (see Figure 2-16).

Did You Know?

Whenever you enter a date in QuickBooks, you can use any of several shortcut keys to quickly change the date. For example, if you want to change the date to the first day of the year, press **y**. "Y" is the first letter of the word "year," so it's easy to remember this shortcut. The same works for the end of the year. Press **r** since that's the last letter of the word "year."

The same works for "month" (**m** and **h**) and "week" (**w** and **k**). You can also use the **+** and **-** keys to move the date one day forward or back. All of these shortcuts are relative to the date already entered in the date field. Finally, press **t** for "today" or the system date. See the Keyboard Shortcut list in the Appendix on page 585.

Step 8. Enter **2021-1** in the *Sale No.* field.

The first time you enter a sales receipt, enter any number you want in the *Sale No.* field. QuickBooks will automatically number future sales receipts incrementally. You can change or reset the numbering at any time by overriding the *Sale No.*.

Step 9. Press **Tab** to skip the *Sold To* field.

QuickBooks automatically fills in this field, using the address information in the *Invoice/Bill To* field of the customer record. Since you used Quick Add to add this customer, there is no address information. You could enter an address in the *Sold To* field by entering it directly on the sales form. When you record the sales receipt, QuickBooks will give you the option of adding the address in the *Invoice/Bill To* field of the customer record.

Step 10. Enter **3459** in the *Check No.* field and then press **Tab**.

The number you enter here shows up on your printed deposit slips. If you were receiving a cash or credit card payment, you would leave this field blank.

Step 11. Select **Outdoor Photo Session** from the *Item* drop-down list and then press **Tab**.

Step 12. Press **Tab** to accept the default description **Outdoor Photo Session** in the *Description* column.

As soon as you enter an item, QuickBooks enters the description, rate, and sales tax code using data from the item that has already been set up.

Step 13. In the *Tax* column, the **SRV** sales tax code is already selected. Press **Tab**.

Step 14. Enter **3** in the *Qty.* (quantity) column and then press **Tab**.

Step 15. Leave the default rate at **95.00** in the *Rate* column and then press **Tab**.

Step 16. Press **Tab** to accept the calculated amount in the *Amount* column.

After you enter the rate and press **Tab**, QuickBooks calculates the amount by multiplying the quantity by the rate. If you override the *Amount* field, QuickBooks calculates a new rate by dividing the amount by the quantity.

Step 17. Select **Premium Photo Package** from the *Item* drop-down list and then press **Tab**.

Step 18. Enter **2** in the *Qty.* column and press **Tab**.

Step 19. Press **Tab** to accept the default rate of **85.00**.

You can override this amount directly on the sales receipt if necessary. As with the line above, QuickBooks calculates the total in the *Amount* column and QuickBooks uses the default sales tax code **Tax**, which is set up for the **Premium Photo Package** item.

Step 20. Select **Thank you for your business.** from the *Customer Message* drop-down list.

You can enter a message in the **Customer Message** field that will show on the printed sales receipt. This is typically a thank you message, but it can be whatever you want. If you type in a new message, Quick Add will prompt you to add your new message to the *Customer Message* list to use again in the future. If you want to edit an existing customer message, or to remove one from the list, click the *Lists* menu, select *Customer & Vendor Profile Lists*, and then choose **Customer Message List**.

- Step 21. Press **Tab** and enter **Santa Clara** in the *Tax* field, then **Tab** again to advance to the *Memo* field.

The Sales Tax item shown in the *Tax* field determines the rate of tax to be charged on all taxable items shown on the form. Each line in the body of the invoice is marked with a Sales Tax Code that determines the taxability or non-taxability of the item on that line (see Figure 2-16).

- Step 22. Enter **Outdoor Session, 2 Premium Packages** in the *Memo* field.

- Step 23. Click **Save & Close** to record the sale.

QuickBooks does not record any of the information on any form until you save the transaction by clicking **Save**, **Save & Close**, **Save & New**, **Previous**, or **Next**.

The screenshot shows the 'Enter Sales Receipts' window. At the top, there's a menu bar with options like Main, Formatting, Send/Ship, Reports, and Payments. Below that is a toolbar with various icons for actions like Find, New, Save, Delete, Memorize, Mark As Pending, Print, Email, Print Later, Email Later, Attach File, Add time/costs, Process payment, and Add Credit Card Processing. The main area is titled 'Sales Receipt' and contains fields for CUSTOMER-JOB (Perez, Jerry), CLASS (San Jose), and TEMPLATE (Custom Sales ...). It also has fields for DATE (01/27/2021), SALE NO. (2021-1), and SOLD TO (Perez, Jerry). A table lists the items: 'Outdoor Photo Session' with a rate of 95.00 and quantity of 3, and 'Premium Photo Package' with a rate of 85.00 and quantity of 2. The total amount is 469.03. At the bottom, there are buttons for 'Save & Close', 'Save & New', and 'Clear'.

Figure 2-16 Completed Sales Receipt

Note:

If you prefer to use your keyboard over a mouse, you can use the **Alt** key in combination with other keys to execute commands. QuickBooks will tell you which key can be used in connection with the **Alt** key by underlining the letter in the command. For example, in the *Sales Receipt* window, the **S** is underlined on the **Save & New** button. You can save the receipt and move to a new *Sales Receipt* window by pressing the **Alt** key with the **S**.

- Step 24. QuickBooks displays the *Information Changed* dialog box (see Figure 2-17). This dialog box appears because you added the *Class* and *Tax Item* fields after creating the Customer using Quick Add. Click the **Yes** button.

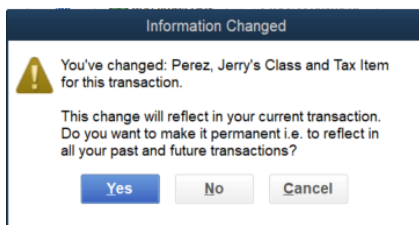


Figure 2-17 Information Changed dialog box

Undeposited Funds

The **Undeposited Funds** account is a special account that is automatically created by QuickBooks. The account works as a temporary holding account where QuickBooks tracks monies received from customers before the money is deposited into a bank account. It's the equivalent of the blue envelope businesses traditionally used back in the day, to hold cash and checks while driving them to the bank.

As illustrated in Figure 2-18, when you record payments and sales receipts, QuickBooks gives you a choice between (Option 1) grouping all receipts into the **Undeposited Funds** account, or (Option 2) immediately depositing the funds to one of your **Bank** accounts.

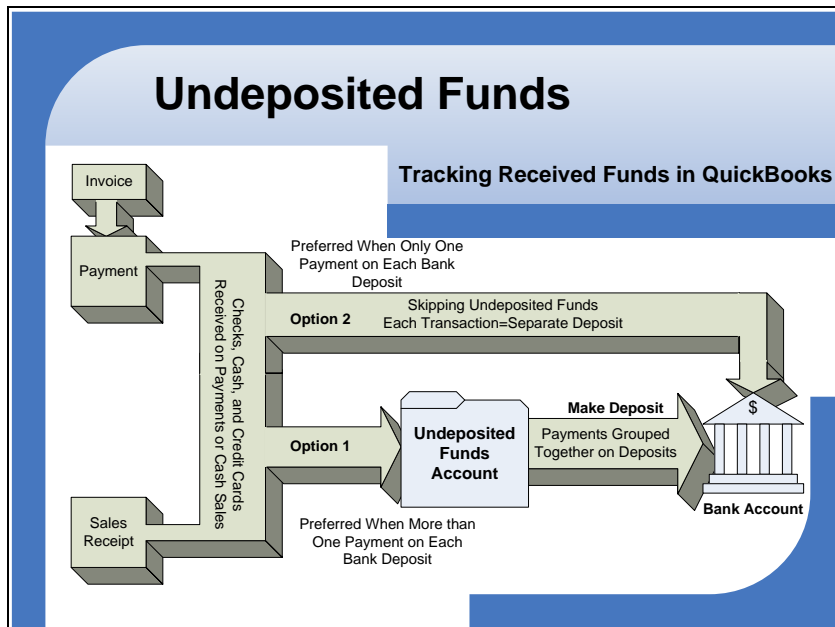


Figure 2-18 All funds from sales transactions go through Undeposited Funds or directly to a bank account.

There is a tradeoff here. When you use the Undeposited Funds account, you have to create a separate transaction (an additional step) to actually deposit money into a bank account. At first that might seem like extra work. However, when you skip the Undeposited Funds account, each sales transaction creates a separate deposit in your bank account.

Since it is most common to have multiple sales transactions deposited together, using Undeposited Funds gives you an opportunity to batch credit cards, or collect cash and checks together, so that the deposit total in the bank register matches the bank's activity.

QuickBooks has a default preference setting that makes all payments and sales receipts increase the balance in the Undeposited Funds account. Then when you actually make a deposit at the bank, you record a single deposit transaction in QuickBooks that empties the Undeposited Funds account into the bank account. This method makes it much easier to reconcile the bank account at the end of each month because the deposits on the bank statement will match the deposits in your QuickBooks bank account. Unless you only make one sale each day and your deposits include only the funds from that single sale, you will want to keep this default preference.

COMPUTER PRACTICE

You can modify the Undeposited Funds preference by following these steps:

- Step 1. Select the *Edit* menu and then choose **Preferences**.
- Step 2. Select **Payments** on the left side of the *Preferences* window.
- Step 3. In the **Company Preferences** tab, the box next to **Use Undeposited Funds as a default deposit to account** is checked (see Figure 2-19).

Did You Know?

Entering the **spacebar** on the keyboard when a checkbox is selected will either check or uncheck that checkbox.

Step 4. If you prefer to deposit payments individually, uncheck the box next to **Use Undeposited Funds as a default deposit to account**. You will then have the option to select an account to deposit to in each sales receipt and payment window.

Step 5. Click **Cancel** to leave default setting for the use of Undeposited Funds.

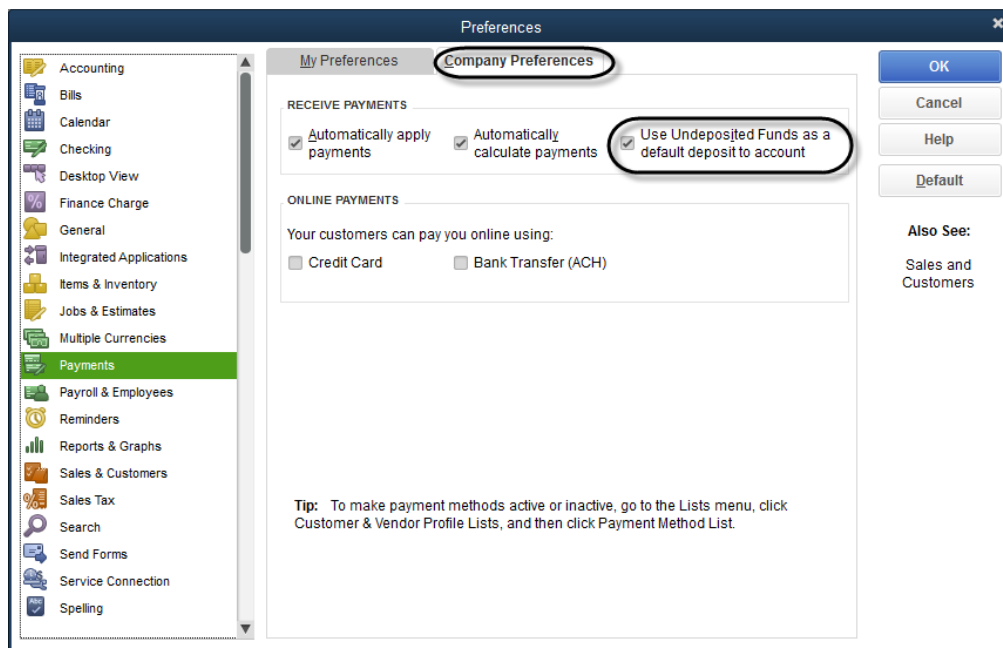


Figure 2-19 Preference for Payments to go to Undeposited Funds or another account

When this preference is off, QuickBooks displays the *Deposit To* field on the *Receive Payments* and *Enter Sales Receipt* windows (see Figure 2-20).

You must choose a destination account for the transaction from the *Deposit to* drop-down list.

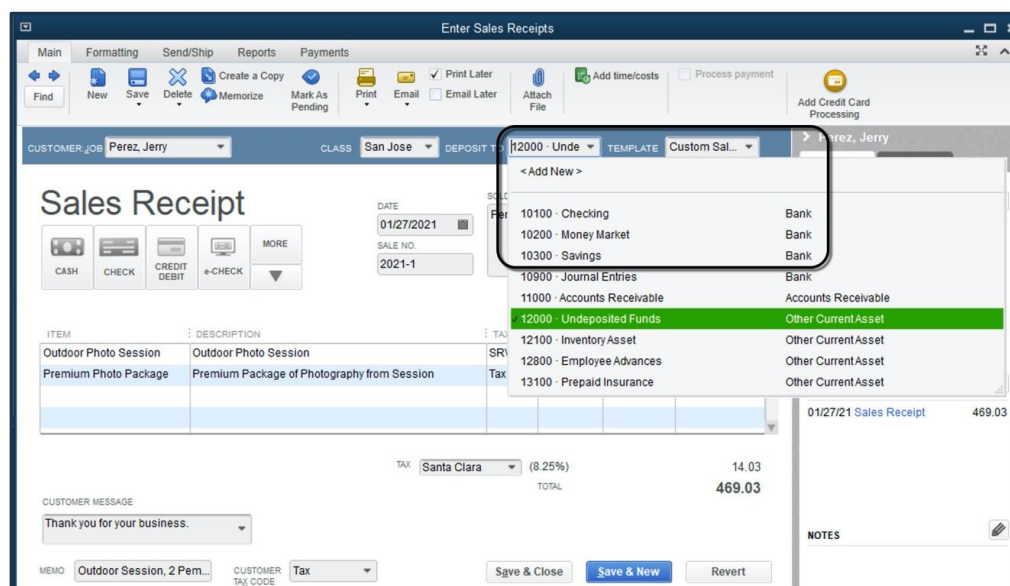


Figure 2-20 The *Deposit To* field shows on Sales Receipts when the Undeposited Funds preference is off.

Creating Invoices

Invoices are very similar to **Sales Receipts**. The only difference is that invoices increase **Accounts Receivable** while sales receipts increase Undeposited Funds (or the specified bank account). Use invoices to record sales to your customers who are not paying in full immediately, instead buying on credit.

COMPUTER PRACTICE

To create an **Invoice**, follow these steps:

- Step 1. From the *Customer Center* select **Mason, Bob** from the *Customers & Jobs* list. Then select **Invoices** from the *New Transactions* drop-down list.

Alternatively, click the **Create Invoices** icon on the *Home* page and select **Mason, Bob** from the *Customer:Job* drop-down list. Press **Tab** (see Figure 2-21).

Did You Know?

When you type characters into a field populated by a list, QuickBooks completes the field using a feature called **QuickFill**. QuickFill searches the list for the characters you type to find the names that contain those letters. You don't have to start with the first letters in the name; choosing unique letter combinations will suggest the shortest list of choices.

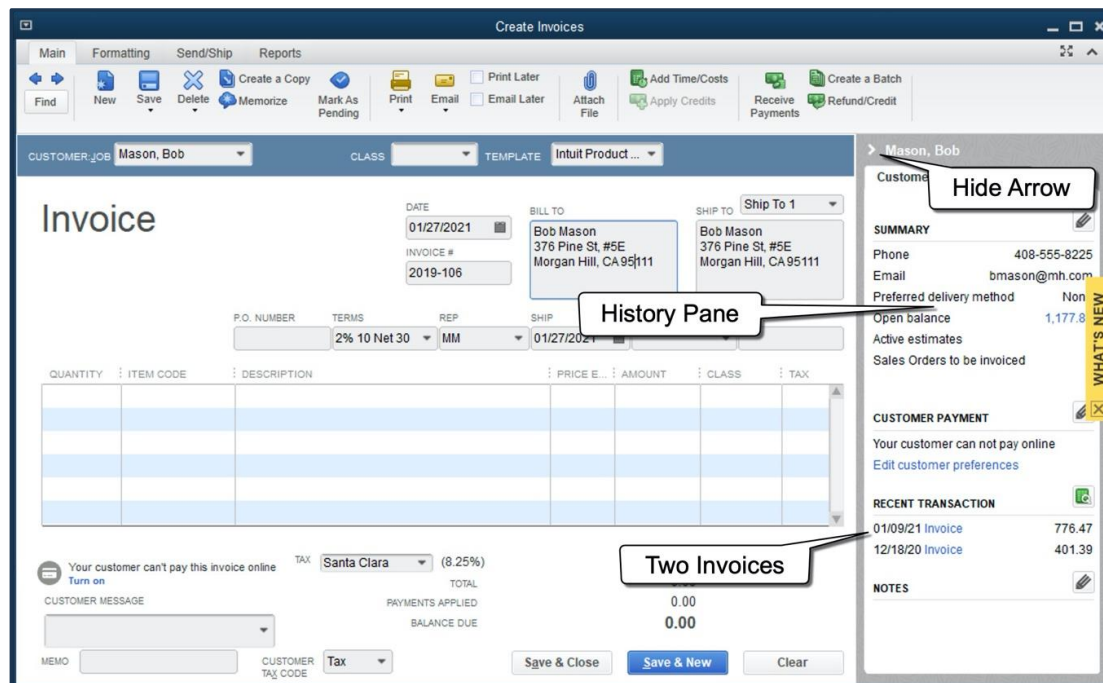


Figure 2-21 Invoice after *Customer:Job* field selected, before remaining data entered.

- Step 2. Notice that Bob Mason has two open invoices listed in the *History Pane*.

The **History Pane** displays recent transactions and notes about a customer or a transaction on invoices and sales receipts.

- Step 3. Click the **Hide** button to hide the *History Pane*. The Hide button is a right-facing triangle on the top left edge of the *History Pane* (see Figure 2-21).

- Step 4. Click in the *Class* field. Enter an **s**. QuickBooks will QuickFill the field with the full name *San Jose*. Then press **Tab**.
- Step 5. In the *Template* field, select **Imagine Photo Service Invoice**. Press **Tab**.
- Step 6. Enter **1/27/2021** in the *Date* field and then press **Tab**.
- Step 7. Enter **2021-106** in the *Invoice #* field and then press **Tab**.

The first time you enter an invoice, enter any number you want in the *Invoice #* field. QuickBooks will automatically number future invoices incrementally. You can change or reset the numbering at any time by overriding the number on a future invoice.

- Step 8. Press **Tab** to accept the default information in the *Bill To* field.

QuickBooks automatically enters the address in this field, using the information in the *Invoice/Bill To* field from the customer record. If necessary, change the *Bill To* address by typing over the existing data.

- Step 9. Leave the *P.O. Number* field blank and then press **Tab**.

The P.O. (purchase order) number helps the customer identify your invoice. When your customers use **Purchase Orders**, make sure you enter their P.O. numbers on invoices you create for them.

Warning:

Make sure you enter the P.O. number if your customer uses purchase orders. Some customers may reject invoices that do not reference a P.O. number.

- Step 10. In the *Terms* field, **2% 10 Net 30** is already selected. Press **Tab** to proceed to the next field.

The *Terms* field on the invoice indicates the due date for the invoice and how long your customer can take to pay you. The entry in this field determines how this invoice is reported on Customers & Receivables reports such as the *A/R Aging Summary* and the *Collections Report*. To learn more about the Terms list, see page 264.

- Step 11. Enter the sale of **1 Indoor Photo Session** and **1 Standard Photo Package** into the body of the invoice as shown in Figure 2-22.

- Step 12. Select **Thank you for your business** from the *Customer Message* drop-down list and then press **Tab**.

- Step 13. **Santa Clara** in the *Tax* field is already selected. Press **Tab**.

As with sales receipts, QuickBooks selects the **Sales Tax Item** based on the defaults in **Sales Tax Preferences** or in the customer's record.

- Step 14. Enter **1 Hr Indoor Session, 1 Standard Package** in the *Memo* field at the bottom of the form.

Tip:

When you intend to send statements to your customers, the **Memo** field is important. While QuickBooks does show line item detail on your customer's invoices, if you want them to be more concise, you can choose not to show the line item detail and to show the text from the *Memo* field instead. Therefore, it may be useful to include information about the products or services you sold to the customer in the *Memo* field.

- Step 15. Compare your screen with the invoice shown in Figure 2-22. If you see any errors, correct them. Otherwise, click **Save & Close** to record the invoice.

The screenshot shows the 'Create Invoices' window in QuickBooks. The 'CUSTOMER JOB' is 'Mason, Bob', the 'CLASS' is 'San Jose', and the 'TEMPLATE' is 'Imagine Photo ...'. The 'DATE' is '01/27/2021' and the 'INVOICE #' is '2021-106'. The 'BILL TO' address is 'Bob Mason, 376 Pine St, #5E, Morgan Hill, CA 95111'. The 'TERMS' are '2% 10 Net 30'. The invoice table has two items: 'Indoor Photo Ses...' with a quantity of 1, rate of 95.00, and amount of 95.00; and 'Standard Photo P...' with a quantity of 1, rate of 55.00, and amount of 55.00. The 'TAX' is 'Santa Clara' at 8.25%, resulting in a total of 154.54. The 'BALANCE DUE' is 154.54. The 'CUSTOMER MESSAGE' is 'Thank you for your business.' The 'MEMO' is '1 Hr Indoor Session, 1 St...'. The 'CUSTOMER TAX CODE' is 'Tax'. The 'Save & Close' button is highlighted.

Figure 2-22 Completed Invoice

QuickBooks automatically tracks all of the accounting details behind this transaction so that your reports will immediately reflect the sale. For example, the *Open Invoices* report, the *Profit & Loss Standard* report, and the *Balance Sheet Standard* report will all change when you record this invoice.

Adding Calculating Items to an Invoice

On the next invoice, you'll learn how to include **Discounts** and **Subtotals** on an invoice. Discounts and subtotals are called *Calculating Items*.

Key Term:

Calculating Items use the amount of the preceding line to calculate their amount. For example, if you enter **10%** in the *Discount item* setup window and then enter the **Discount item** on an invoice, QuickBooks will multiply the line just above the Discount item by **10%** and enter that number, as a negative, in the **Amount** column.

COMPUTER PRACTICE

To create an invoice with a calculating item, follow these steps:

- Step 1. From the *Customer Center's Customers & Jobs* list, select the Anderson Wedding Planners job for **Wilson, Sarah and Michael**.
- Step 2. Select **Invoices** from the *New Transactions* drop-down list or, press **Ctrl+ I**.
- Step 3. The **Wilson, Sarah and Michael** job for **Anderson Wedding Planners** is already selected. Press **Tab**.
- Step 4. Enter **San Jose** in the *Class* field and then press **Tab**.
- Step 5. The Imagine Photo Service Invoice template in the *Template* drop-down list is already selected. Press **Tab**.
- Step 6. **1/27/2021** is already entered in the *Date* field. Press **Tab**.

- Step 7. Notice the **Invoice #** is automatically entered for you with the next invoice number (i.e., **2021-107**). Press **Tab** to skip to the next field.
- Step 8. Press **Tab** to skip the *Bill To* field.
- Step 9. Press **Tab** twice to skip the *P.O. No.* and the *Terms* fields.
- Step 10. Enter the two items shown in Table 2-3 in the body of the invoice.

Item	Qty	Description	Rate	Amount
Camera SR32	3	Supra Digital Camera SR32	695.99	2,087.97
Lens	1	Supra Zoom Lens	324.99	324.99

Table 2-3 Data for use in the Invoice

- Step 11. On the third line of the body of the invoice, in the *Item* column, enter **Subtotal** to sum the previous two item lines, and press **Tab** twice.

Notice that QuickBooks automatically calculates the sum of the first two lines on the invoice.

- Step 12. Enter **Disc 10%** in the *Item* column and press **Tab**.

The **Disc 10%** item is a special calculating item that calculates a percentage of the preceding line on sales forms. Since it is a **Discount Item**, QuickBooks performs the calculation and enters a negative amount for your discount. This subtracts the discount from the total of the invoice and adjusts sales tax accordingly.

Did You Know?

Shortcuts can help you save time when entering items on forms. Right-click on almost anything in a form for contextual commands. You can also use keyboard commands to copy, paste, insert or delete lines on an invoice (or any other form). To copy a line, put your cursor in the line you wish to copy and press **Ctrl+Alt+Y** (or select the **Edit** menu, and then choose **Copy Line**). To Paste, put your cursor in the line you wish to paste and press **Ctrl+Alt+V** (or select the **Edit** menu, and then choose **Paste Line**). To insert a line between two existing lines, click on the line that you want to move down and press **Ctrl+Insert** (or select the **Edit** menu, and then choose **Insert Line**). To delete a line, click on the line you want to delete and press **Ctrl+Delete** (or select the **Edit** menu, and then choose **Delete Line**).

- Step 13. Leave the *Customer Message* field blank.
- Step 14. Leave **Santa Clara** in the *Tax* field. Also leave **Tax** in the *Customer Tax Code* field.
- Step 15. Enter **3 Cameras, Lens** in the *Memo* field.
- Step 16. Verify that your screen matches **Figure 2-23**.
- Step 17. To save the invoice, click **Save** in the *Main* tab at the top of the invoice. We will leave this invoice open for the next exercise.

Create Invoices

CUSTOMER: Anderson Wedding P... CLASS: San Jose TEMPLATE: Imagine Photo ...

Invoice

DATE: 01/27/2021 INVOICE #: 2021-107

BILL TO: Anderson Wedding Plann
5647 Cirrus Rd
San Jose, CA 95199

P.O. NO. TERMS: Net 30

ITEM	QUANTITY	DESCRIPTION	RATE	AMOUNT	CLASS	TAX
Camera SR32	3	Supra Digital Camera SR32	695.99	2,087.97	San Jose	Tax
Lens	1	Supra Zoom Lens	324.99	324.99	San Jose	Tax
Subtotal		Subtotal		2,412.96		
Disc 10%		10 % Discount	-10.0%	-241.30	San Jose	Tax

TAX: Santa Clara (8.25%) 179.16

TOTAL: 2,350.82

PAYMENTS APPLIED: 0.00

BALANCE DUE: 2,350.82

MEMO: 3 Cameras, Lens CUSTOMER TAX CODE: Tax

Buttons: Save & Close, Save & New, Clear

Figure 2-23 Completed Invoice with discount

Step 18. If you see the *Recording Transaction* warning about Anderson Wedding Planners exceeding their credit limit (see Figure 2-24), click **Yes**.

Recording Transaction

⚠ The credit limit for Anderson Wedding Planners is 2,300.00. The current balance, including this transaction, is 2,600.36. Continue?

Yes No

Figure 2-24 Recording Transaction window warns you about the customer's credit limit

DON'T PERFORM THESE STEPS RIGHT NOW. THEY ARE FOR REFERENCE ONLY.

Adding Attachments to Invoices

It's important to maintain a paper trail, the documentation behind your transactions. You can add attachments to invoices, as well as expenses and most transaction types throughout QuickBooks. When you have Word documents, Excel spreadsheet, pdfs, or images that you would like to associate with an invoice, click the **Attach File** paperclip in the center of the toolbar. An *Attachments* window opens (see Figure 2-25).

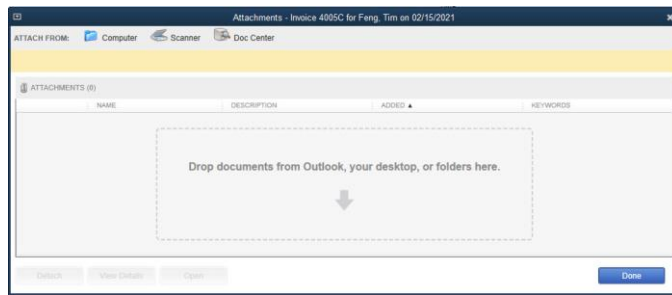


Figure 2-25 Add Attachments to any QuickBooks Form

Drag-and-drop any file saved on your computer into the box. Alternatively, click the **Computer** button to find a file by browsing, or the **Scanner** button to use a scanner. The **Doc Center** button accesses QuickBooks's Doc Center if you are using that feature.

When you email an invoice and want to include the attachment, choose **Invoice and Attached Files** from the dropdown arrow under the **Email** button (see Figure 2-26). The preview of the email will show the attachment so you can confirm that you have the correct documentation.

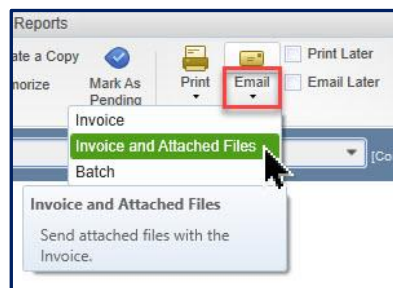


Figure 2-26 Email an Invoice with Attachments

Open Invoices Report

Now that you've entered invoices for your customers, QuickBooks' reports include the invoices and their status. The *Open Invoices* report is shown in Figure 2-28.

COMPUTER PRACTICE

- Step 1. Select the **Reports** tab at the top of the invoice, and click on **View Open Invoices** icon, as shown in Figure 2-27. Or, alternatively, select the *Reports* menu, select *Customers & Receivables*, and then choose **Open Invoices**.

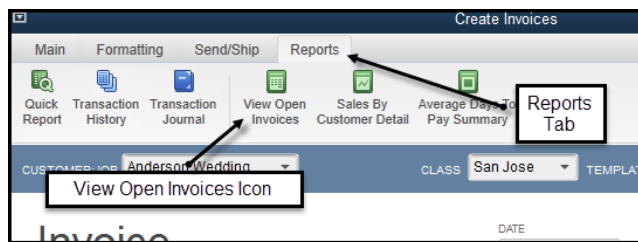


Figure 2-27 View Reports Tab

- Step 2. Set the *Dates* field at the top of the report to **1/31/2021** and then press **Tab**.
- Step 3. Verify that your *Open Invoices* report matches Figure 2-28.

Type	Date	Num	P.O. #	Terms	Due Date	Class	Aging	Open Balance
Anderson Wedding Planners								
Invoice	12/21/2020	4003		Net 30	01/20/2021	San Jose	11	249.54
Total Kumar, Sati and Naveen								249.54
Wilson, Sarah and Michael								
Invoice	01/27/2021	2021...		Net 30	02/26/2021	San Jose		2,350.82
Total Wilson, Sarah and Michael								2,350.82
Total Anderson Wedding Planners								2,600.36
Cruz, Maria								
Branch Opening								
Invoice	01/05/2021	2021...		2% 10 N...	02/04/2021	Walnut C...		570.00
Invoice	01/06/2021	2021...		2% 10 N...	02/05/2021	Walnut C...		500.00
Invoice	01/13/2021	2021...		2% 10 N...	02/12/2021	Walnut C...		880.00
Total Branch Opening								1,950.00
Total Cruz, Maria								1,950.00
Mason, Bob								
Invoice	12/18/2020	3947		Net 30	01/17/2021	San Jose	14	401.39
Invoice	01/09/2021	2021...		Net 30	02/08/2021	San Jose		776.47
Invoice	01/27/2021	2021...		2% 10 N...	02/26/2021	San Jose		154.54
Total Mason, Bob								1,332.40
Miranda's Corner								
Invoice	01/08/2021	2021...		Net 30	02/07/2021	Walnut C...		1,191.80
Total Miranda's Corner								1,191.80
TOTAL								7,074.56

Figure 2-28 Open Invoices report

- Step 4. Close the report by clicking the **X** in the upper right corner of the window.
- Step 5. If you see a *Memorize Report* dialog box, click the **No** button (see Figure 2-29). We'll look at Memorized Reports later on page 242.

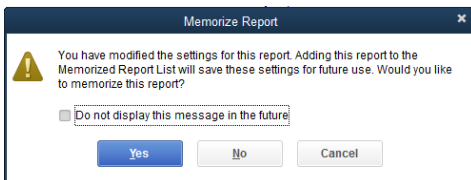


Figure 2-29 Memorize Reports window

- Step 6. Click **Save & Close** to close the invoice.
- Step 7. Close the *Customer Center*.

Did You Know?

You can **adjust any column** on the report to make it wider or narrower. Click on the three small dots between the column headers, and drag to the left or to the right.

Receiving Payments from Customers

Receiving Payments by Check

To record payments received from your customers and apply the payments to specific invoices, follow these steps:

COMPUTER PRACTICE

- Step 1. Click **Receive Payments** on the *Home* page.

- Step 2. Select **Mason, Bob** in the *Received From* field of the *Receive Payments* window (see Figure 2-30). Once a customer is selected, the *Customer Payment* window shows the open invoices for that specific customer. This section shows the dates of the invoices, along with the invoice number, original amount, the last date for the prompt payment discount, and the amount due.

DATE	NUMBER	ORIG. AMT.	DISC. DATE	AMT. DUE	PAYMENT
12/18/20...	3947	401.39		401.39	0.00
01/09/20...	2021-104	776.47		776.47	0.00
01/27/20...	2021-106	154.54	02/06/2021	154.54	0.00
Totals		1,332.40		1,332.40	0.00

Figure 2-30 Receive Payments window

- Step 3. Enter **401.39** in the *Payment Amount* field and then press **Tab** (see Figure 2-31).
- Step 4. Enter **1/28/2021** in the *Date* field and then press **Tab**.
- Step 5. Select **Check** as *Pmt. Method* and then press **Tab**.
- Step 6. Enter **5256** in the *Check #* field and then press **Tab**.
- Step 7. Confirm that **Invoice #3947** is already checked.
- Step 8. Verify that the *Amount Due* and *Payment* columns for the selected invoice both show **\$401.39**.

The checkmark to the left of the **Date** column indicates the invoice to which QuickBooks will apply the payment. QuickBooks automatically selected this invoice because the amount of the customer's check is the same as the unpaid amount of the invoice. If applicable, you can deselect the invoice by clicking on the checkmark and instead select another invoice from the list (see page 60).

- Step 9. Enter **Payment Received - Invoice #3947** in the *Memo* field and then press **Tab**.

When entering a memo, type **Payment Received** followed by the invoice number. Memos do not affect the application of payments to specific invoices, but they are helpful in two very important ways. First, if you send your customers statements, only the information in the *Check #*, *Date*, and *Memo* fields will show on statements, along with a three-letter code (**PMT**), representing the payment transaction. Also, if you ever have to go back to the transaction and verify that you've applied the payment to the correct invoice(s), you'll be able to look at the *Memo* field to see the invoice(s) to which you should have applied the payments.

- Step 10. Verify that your screen matches Figure 2-31. If you see errors, correct them.

Step 11. Click **Save & Close** to record the payment.

Customer Payment CUSTOMER BALANCE 1,332.40

RECEIVED FROM: Mason, Bob

PAYMENT AMOUNT: 401.39

DATE: 01/28/2021

CHECK #: 5256

DEPOSIT TO: Deposited Funds

DATE	NUMBER	ORIG. AMT.	DISC. DATE	AMT. DUE	PAYMENT
12/18/2020	3947	401.39		401.39	401.39
01/09/2021	2021-104	776.47		776.47	0.00
01/27/2021	2021-106	154.54	02/06/2021	154.54	0.00
Totals		1,332.40		1,332.40	401.39

AMOUNTS FOR SELECTED INVOICES

AMOUNT DUE: 401.39

APPLIED: 401.39

DISCOUNT AND CREDITS APPLIED: 0.00

MEMO: Payment Received - Invoice #3947

Buttons: Save & Close, Save & New, Clear

Figure 2-31 Completed Receive Payments window

Handling Partial Payments

In the last example, Bob Mason paid Invoice #3947 in full. However, if a customer pays only a portion of an invoice, you should record the payment just as you did in the last example, except that the amount would be less than the full amount due on any of the open invoices.

Apply the partial payment to the appropriate invoice. QuickBooks shows the option to either leave the invoice open or write off the unpaid amount. If you need to contact the customer to ask a question about the partial payment, click the *View Customer Contact Information* button. QuickBooks will display the *Edit Customer* window with the customer's contact information (see Figure 2-32).

UNDERPAYMENT \$ 276.47

WHEN FINISHED:

☒ LEAVE THIS AS AN UNDERPAYMENT

☐ WRITE OFF THE EXTRA AMOUNT

VIEW CUSTOMER CONTACT INFORMATION

Figure 2-32 Partial Payment of Invoice

If you chose to leave the underpayment, the next time you use the **Receive Payments** function for that customer, the invoice will indicate the remaining amount due. You can record additional payments to the invoice in the same way as before.

Handling Payments Against Multiple Invoices

You can apply one payment from a customer to multiple invoices. When a customer pays more than one invoice by check or credit card, check off the appropriate invoices in the *Receive Payments* window so that the total adds up to the payment amount.

You can also override the amounts in the *Payment* column to apply the total to invoices in whatever combination is necessary.

If you do not allocate the entire payment, QuickBooks will give you a choice to either hold the remaining balance as a **Credit** for the customer or **Refund** the balance to the customer.

A common mistake is to break a single payment into multiple payments to apply to multiple invoices. Each real-life action should have one corresponding QuickBooks transaction.

Receiving Payments by Credit Card

The next example shows that Maria Cruz paid off the invoices owed on the Branch Opening job using a credit card. You can receive credit card payments right in QuickBooks using **QuickBooks Payments**, or record payments received through other merchant services.

COMPUTER PRACTICE

- Step 1. From the *Customer Center* select the **Cruz, Maria:Branch Opening** job from the *Customers & Jobs* list. Select **Receive Payments** from the *New Transactions* drop-down list.
- Step 2. Enter data into the *Amount*, and *Date* fields as shown in Figure 2-34.
- Step 3. Select the **Credit Debit** button as payment method. The *Enter Card Information* window opens (see Figure 2-33).
- Step 4. Enter **Visa** in the *Payment* field.
- Step 5. Enter **1234-1234-1234-1234** in the *Card Number* field. QuickBooks masks all but the last 4 digits of the credit card number with x's for security purposes.
- Step 6. Enter **10/2021** as *Exp Date* as shown in (see Figure 2-33). Click **Done** when finished.

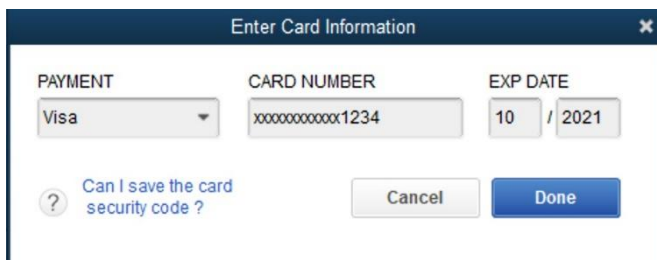


Figure 2-33 Credit Card Information

- Step 7. Leave the *Reference#* field blank. Press **Tab**.
- Step 8. Enter **Payment Received - 3 Invoices** in the *Memo* field.
- Step 9. Verify that your screen matches Figure 2-34 and click **Save & Close**.

Figure 2-34 Customer Payment by Credit Card

Note:

If you want to save a customer's credit card information for future payments, enter the credit card information into the *Payment Settings* tab of the customer or job record before you process the payment through the *Receive Payments* window. When you enter the customer or job name, QuickBooks will enter the credit card information automatically.

Where Do the Payments Go?

Recall the earlier discussion about Undeposited Funds beginning on page 48. Unless you turned off the *Undeposited Funds as a default deposit to account* preference, QuickBooks does not increase your bank balance when you receive payments. Instead, when you record a payment transaction as shown above, QuickBooks reduces the balance in **Accounts Receivable** and increases the balance in **Undeposited Funds**. In order to have your payments show up in your bank account (and reduce Undeposited Funds), you must **Make Deposits**. See the section called *Making Bank Deposits* beginning on page 64.

The Accounting Behind the Scenes:

Payments increase (debit) **Undeposited Funds** (or a bank/other current asset account) and decrease (credit) **Accounts Receivable**.

Preferences for Applying Payments

As soon as you enter the customer name at the top of the *Receive Payments* window and press **Tab**, QuickBooks displays all of the open invoices for that customer in the lower section of the window (see Figure 2-35).

✓	DATE	NUMBER	ORIG. AMT.	AMT. DUE	PAYMENT
✓	01/05/2019	2019-101	570.00	570.00	570.00
	01/06/2019	2019-102	500.00	500.00	0.00
	01/13/2019	2019-105	880.00	880.00	0.00
Totals			1,950.00	1,950.00	570.00

Figure 2-35 Payment automatically applied to the oldest Invoice

Then, when you enter the payment amount, QuickBooks looks at all of the open invoices for that customer. If it finds an amount due on an open invoice that is the exact amount of the payment, it matches the payment with that invoice. If there is no such match, it applies the payment to the *oldest* invoice first and continues applying to the next oldest until the payment is completely applied. If this auto application of payments results in a partially paid invoice, QuickBooks holds the balance on that invoice open for the unpaid amount. This is a feature called **Automatically Apply Payments**.

If you select an invoice in the *Receive Payments* form before entering an amount, QuickBooks calculates the sum of the selected invoice(s) and enters that sum into the *Payment Amount* field. This feature is called **Automatically Calculate Payments**.

COMPUTER PRACTICE

To modify the **Automatically Apply Payments** and **Automatically Calculate Payments** settings, change the *Company Preferences for Payments*.

- Step 1. Select the *Edit* menu and then choose **Preferences**.
- Step 2. Select the **Payments** icon from the preference category in the list on the left. Then click the *Company Preferences* tab (see Figure 2-36).
- Step 3. Check or uncheck the **Automatically apply payments** box to change it. For now, leave it checked.

With this feature disabled, in the *Receive Payments* window you will have to click **Auto Apply Payment** for each payment you process, or you will have to manually apply payments to invoices by clicking in the column to the left of the invoice and modifying the amount in the *Payment* column as necessary.

- Step 4. You can change the **Automatically calculate payments** box by checking or unchecking it. For now, leave it checked.

When this preference is on, QuickBooks will automatically calculate the payment received from the customer in the *Amount* field of the *Receive Payments* window as you select the invoices. When this preference is off, QuickBooks does not automatically calculate payments.

- Step 5. Click **OK**.

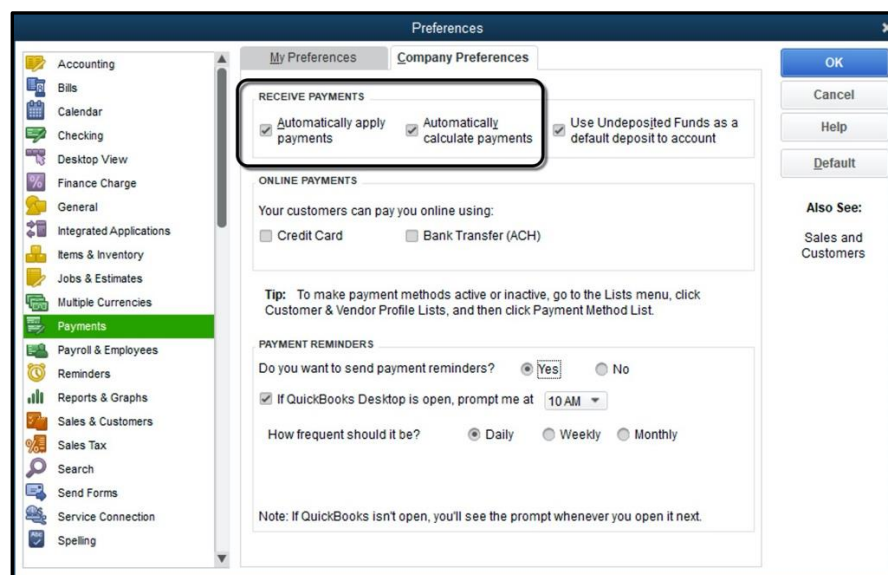


Figure 2-36 Payments Company Preferences

Recording Customer Discounts

What if your customer takes advantage of the discount you offer on your invoice? In the next example, the payment you receive is less than the face amount of the invoice because the customer took advantage of the 2% 10 Net 30 discount terms that Imagine Photography offers.

COMPUTER PRACTICE

Follow these steps to record a payment on which the customer took a discount:

- Step 1. From the *Customer Center* select **Mason, Bob** from the *Customers & Jobs* list. Then select **Receive Payments** from the *New Transactions* drop-down list.
- Step 2. Enter all the customer payment information as shown in Figure 2-37. The customer is paying for Invoice #2021-106 after taking the discount allowed by the terms.

Figure 2-37 Top portion of the Receive Payments window

- Step 3. The bottom portion of the *Receive Payments* window displays the open invoices for this customer (see Figure 2-38). The *Disc. Date* column shows the date through which the customer is eligible to take a discount. If the customer is eligible for discounts, a message may appear just below the open invoices.

If the amount paid is not an exact match with any invoice balance, QuickBooks automatically applies the payment to the oldest invoices. Here, Invoice #2021-104 is automatically selected since the amount \$151.45 does not match any open invoices. The underpayment is also displayed. We'll fix this in the next step.

Figure 2-38 Bottom portion shows discount and credit information box, Invoice selected and Underpayment

In the *Receive Payments* window the **Underpayment** amount is displayed with options to **Leave this as an underpayment** or **Write off the extra amount**. These options are displayed when the payment is less than the amount due on the selected invoices. Similarly, **Overpayment** amounts are displayed with options to **Leave the credit to be used later** or **Refund the amount to the customer** when the payment is more than the amount due on the selected invoices.

- Step 4. Click in the column to the left of **Invoice #2021-104** to uncheck it and then click to check **Invoice #2021-106** (see Figure 2-39). This moves the payment so that it now applies to Invoice #2021-106. Make sure to uncheck #2021-104 before checking #2021-106, or you will see a *Warning* message.

Customer Payment

RECEIVED FROM: **Mason, Bob**

PAYMENT AMOUNT: **151.45**

DATE: **01/31/2021**

CHECK #

Where does this payment go?

DATE	NUMBER	ORIG. AMT.	DISC. DATE	AMT. DUE	PAYMENT
01/09/2021	2021-104	776.47		776.47	0.00
01/28/2021	2021-106	154.54	02/07/2021	154.54	151.45
Totals		931.01		931.01	151.45

UNDERPAYMENT \$ 3.09.

WHEN FINISHED:

☒ LEAVE THIS AS AN UNDERPAYMENT

☐ WRITE OFF THE EXTRA AMOUNT

[VIEW CUSTOMER CONTACT INFORMATION](#)

AMOUNTS FOR SELECTED INVOICES

AMOUNT DUE **154.54**

APPLIED **151.45**

DISCOUNT AND CREDITS APPLIED **0.00**

MEMO

[Save & Close](#) [Save & New](#) [Clear](#)

Figure 2-39 Payment is now applied to the correct Invoice

- Step 5. Since the customer took advantage of the 2% 10 Net 30 terms that Imagine Photography offered him, you'll need to reduce the amount due by 2%. To apply the discount to this invoice, click the **Discounts and Credits** button at the top of the *Receive Payments* window.
- Step 6. QuickBooks calculates and enters a suggested discount based on the terms on the customer's invoice as shown in Figure 2-40. You can override this amount if necessary. Press **Tab**.

Discount and Credits

INVOICE

Customer Job: **Mason, Bob**

Number: **2021-106**

Date: **01/28/2021**

Original Amt.: **154.54**

Amount Due: **154.54**

Discount Used: **3.09**

Credits Used: **0.00**

Balance Due: **151.45**

Discount **Credits**

Discount Date: **02/07/2021**

Terms: **2% 10 Net 30**

Suggested Discount: **3.09**

Amount of Discount: **3.09**

Discount Account: **46000 Sales Discounts**

Discount Class: **San Jose**

[Done](#) [Cancel](#) [Help](#)

Figure 2-40 Discounts and Credits window

- Step 7. Select **46000 Sales Discounts** in the *Discount Account* field. Press **Tab**.
- The *Discount Account* field is where you assign an account that tracks the discounts you give to your customers.
- Step 8. Enter **San Jose** in the *Discount Class* field and then click **Done**.

Since Imagine Photography uses class tracking, you will need to enter the appropriate class in this field. If you do not classify this transaction, QuickBooks will display the

amount in an *Unclassified* column on the *Profit & Loss by Class* report. Refer to the invoice you are discounting to determine the class. Imagine Photography used the **San Jose** class when recording Invoice 2021-106.

After recording the discount, the *Receive Payments* window reflects *Total Discount and Credits Applied* at the bottom.

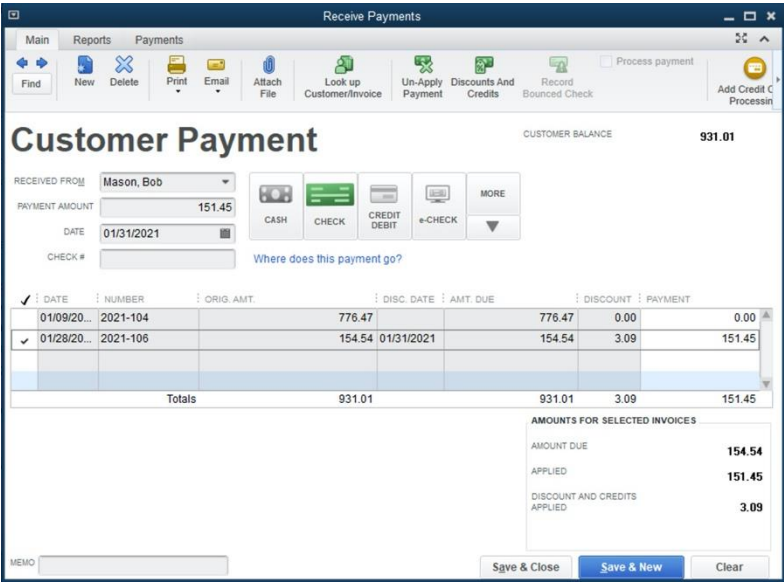


Figure 2-41 Receive Payments window after (recording the discount)

- Step 9. Verify that your screen matches Figure 2-41.
- Step 10. Click **Save & Close** to record the transaction.
- Step 11. Close the Customer Center.

What if the Payment Doesn't Match the Invoice?

If the customer's payment amount doesn't exactly equal the invoice, you'll need to make a choice. Do you want to leave a remaining balance or credit and follow up, or would you rather just close the invoice and finish the sale?

If the payment amount is significantly different, apply the amount of the payment and then send the invoice back to the customer showing the balance due (if the payment is too low), send a **Refund** to the customer (if the payment is too high), or leave the balance as a **Credit Memo** to apply to their next invoice. You may wish to send a **Statement** to the customer showing the history of the activity (see page 95).

If the amount isn't worth bringing to your customer's attention and you choose to just finish the transaction, you'll adjust the invoice so that the payment exactly matches the balance. If the payment is too high, enter the amount in the *Discounts and Credits* window. If the payment is too low, add a new line item to increase the total on the sale, and note in the *Description* that there was an overpayment.

Making Bank Deposits

You will receive payments from your customers in several different ways: cash, checks, and credit cards. Merchant service processors batch all the day's credit card payments together into one bank deposit. A business owner drives an envelope of cash and checks to the bank.

Because daily transactions of each payment type are grouped together by the bank, you will also record deposits of each type separately in QuickBooks. Creating deposits in QuickBooks mirrors traditional deposit slips, making bank reconciliations much easier.

As you record payments from customers using the *Enter Sales Receipts* and *Receive Payments* windows, they are posted by default to a special QuickBooks account called **Undeposited Funds**. To move these transactions into your bank account, you will record **Deposit** transactions. As you will see in this section, QuickBooks uses a *Payments to Deposit* window to help you identify which payments are included on each bank deposit.

You will make several deposits each day. Start with your checks and cash, followed by VISA and MasterCard receipts. Deposits into multiple bank accounts are created individually. Because different merchant service companies batch their transactions in a variety of ways, American Express receipts may require a separate deposit, or you may need to batch credit cards across dates.

If service fees are deducted from the deposit, like those charged by PayPal and Square, they are subtracted during this workflow.

As you become familiar with your banks' processes, you will learn the best practices for your scenario.

Depositing Checks and Cash

COMPUTER PRACTICE

When you take a trip to the bank, follow these steps:

- Step 1. A red number on the *Record Deposits Icon* on the *Home* page indicates that you have payments pending in Undeposited Funds (see Figure 2-42). From the *Home* page select **Record Deposits**.

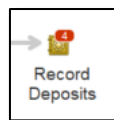


Figure 2-42 Record Deposits Icon on the Home page showing the number of pending deposits

- Step 2. Since you have payments waiting in Undeposited Funds, QuickBooks displays the *Payments to Deposit* window (see Figure 2-43).

DATE	TIME	TYPE	NO	PAYMENT METHOD	NAME	AMOUNT
01/27/2021		RCPT	2021-1	Check	Perez, Jerry	489.03
01/28/2021		PMT	5256	Check	Mason, Bob	401.39
01/31/2021		PMT		Check	Mason, Bob	151.45
01/29/2021		PMT		Visa	Cruz, Maria Branch Op...	1,950.00

0 of 4 payments selected for deposit Payments Subtotal: 0.00

Select All Select None OK Cancel Help

Figure 2-43 Select the payments to deposit

- Step 3. Select **Cash and Check** from the *View payment method type* drop-down list (see Figure 2-44).

Since the checks and cash you deposit in your bank account will post to your account separately from credit card receipts, it is best to filter the report by payment type and then create a separate deposit for each payment type. Most merchant services combine MasterCard and VISA receipts when they credit your bank account.

Tip:

Since you can filter the *Payments to Deposit* window by type, this allows you to filter for typically combined payment methods. You may want to create a single payment method for MasterCard, and VISA as well.

To edit *Payment Methods*, select the *Lists* menu, then *Customer & Vendor Profile Lists*, and choose **Payment Method List**. Select the payment method and select **Edit Payment Method** from the *Payment Method* menu. Payment methods of the same type will be grouped together in the *Payments to Deposit* window.

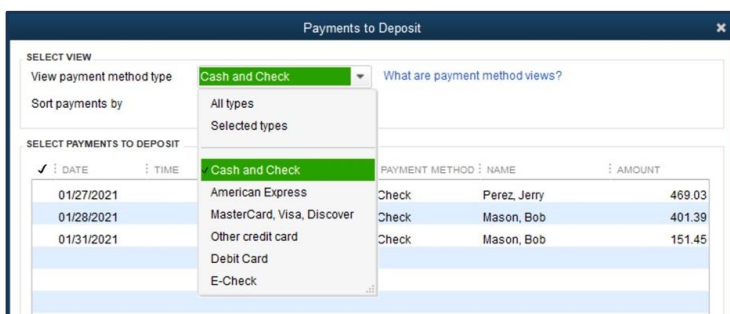


Figure 2-44 Cash and Check payments

Step 4. The Payments to Deposit window now only shows payments received through Cash and Check (see Figure 2-45). Click **Select All** to select all of the cash and check deposits. Click **OK**.

A checkmark in the column on the left indicates that QuickBooks will include the payment in the deposit.

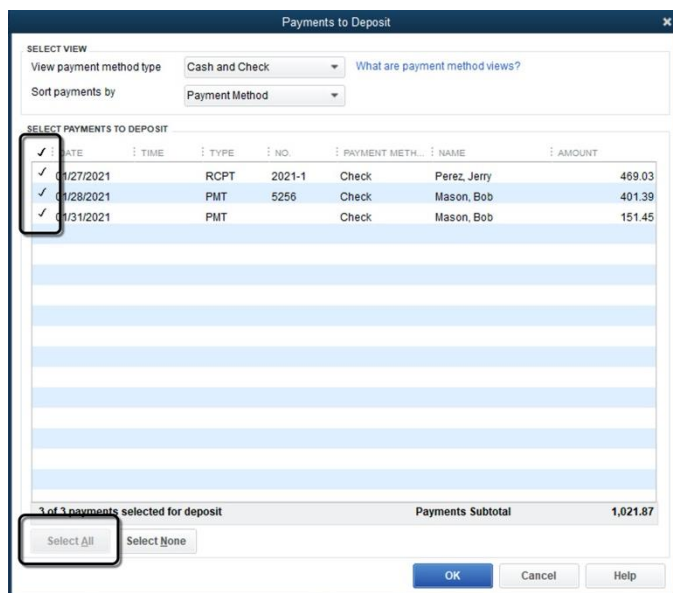


Figure 2-45 Select the payments to deposit

- Step 5. In the *Make Deposits* window, the **Checking** account is already selected in the *Deposit To* field (see Figure 2-46). Confirm that this is the correct bank account for these payments. Press **Tab**.

RECEIVED FROM	FROM ACCOUNT	MEMO	CHK NO.	PMT METH.	CLASS	AMOUNT
Perez, Jerry	12000 - Undeposited Funds	Outdoor Session, 2 Pemium Pac...	3459	Check	San Jose	469.03
Mason, Bob	12000 - Undeposited Funds	Payment Received - Invoice #3947	5256	Check		401.39
Mason, Bob	12000 - Undeposited Funds			Check		151.45
	30500 - Owner Contribution	Owner Contribution to Company	13451	Check		15,000.00
Deposit Subtotal						16,021.87
Deposit Total						16,021.87

Figure 2-46 Make Deposits window

- Step 6. Enter **1/31/2021** if it does not already display in the *Date* field and press **Tab**.
- Step 7. Enter **Deposit Checks** in the *Memo* field and press **Tab**.

Adding Additional Funds to the Deposit

- Step 8. On this deposit, we will also add a **non-sales-related item**. Occasionally, you will have deposits that are not from sales transactions in QuickBooks, and these can be entered directly in the *Make Deposits* window. Complete the following steps:
- On the first blank line, enter **Owner Contribution** in the *From Account* column and press **Tab**. The *From Account* column on the *Make Deposits* window shows the account that the deposit is coming "from".
 - Enter **Owner Contribution to Company** in the *Memo* column and press **Tab**.
 - Enter **13451** in the *Chk No.* column and press **Tab**.
 - Enter **Check** in the *Pmt Meth.* column and press **Tab**.
 - Press **Tab** to skip the *Class* column.
 - Enter **15,000.00** in the *Amount* column.
- Step 9. If you wish to print the deposit slip, click **Print** on the *Make Deposits* window.
- Step 10. Click **Save & Close** to record the deposit.

The Accounting Behind the Scenes:

In the deposit transaction (Figure 2-46), the **Checking** account will increase (with a debit) by the total **Deposit** (\$16,021.87). The customer checks will decrease (credit) the balance in **Undeposited Funds**, and the contribution from the owner will increase (credit) the balance in the **Owner Contributions** equity account.

Holding Cash Back from Deposits

If you **hold back cash** when you make your bank deposits, fill in the bottom part of the deposit slip indicating the account to which you want to post the cash (see Figure 2-47).

Figure 2-47 The bottom of the deposit slip deals with cash back

There are two ways you might use the cash back section of the deposit:

1. If you routinely hold back cash from your deposits and use it as cash on hand, set up a new QuickBooks bank account called **Petty Cash** and enter that account in the *Cash back goes to* field. While the petty cash account is not a true bank account, it should be associated with a cash box or envelope. Be sure to gather receipts for all cash expenditures and reconcile petty cash monthly (see page 146).
2. If the owner is keeping back cash for their own use, enter their **Owners Draw** account. In the *Cash back memo*, enter the owner's name. Enter the amount of the cash being withheld into *Cash back amount*. For more information about Owners Equity, see page 545.

When you're done, the total in the *Make Deposits* window should equal the amount of money being deposited in the bank.

Tip:

It's not a good idea to routinely hold cash back from deposits as "pocket money." If the business is a Sole Proprietorship or LLC, it's better to write a check to the owner (or make a bank transfer) and code it to **Owners Draw**. This is a much cleaner way to track the money taken out for personal use. Discuss this with your QuickBooks ProAdvisor, or with your accountant.

Printing Deposit Slips

QuickBooks can print **Deposit Slips** on preprinted deposit slips or blank paper. Follow these steps:

COMPUTER PRACTICE

- Step 1. Display the most recent deposit transaction by selecting the *Banking* menu and then choosing **Make Deposits**.

Click **Cancel** if you see the *Payments to Deposit* window. Then click the **Previous** button on the *Make Deposits* window. Alternatively, you could double-click the deposit transaction from the checking account register window.
- Step 2. Click **Print** on the *Make Deposits* window (see Figure 2-48).
- Step 3. Select **Deposit slip and deposit summary** in the window shown in Figure 2-49 and click **OK**.

Normally, you would load the preprinted deposit slips into the printer before printing. However, if you do not have a deposit slip, print the deposit on blank paper.

RECEIVED FROM	FROM ACCOUNT	MEMO	CHK NO.	PMT METH.	CLASS	AMOUNT
Perez, Jerry	12000 - Undeposited Funds	Outdoor Session, 2 Pemium Pac...	3459	Check	San Jose	469.03
Mason, Bob	12000 - Undeposited Funds	Payment Received - Invoice #3947	5256	Check		401.39
Mason, Bob	12000 - Undeposited Funds			Check		151.45
	30500 - Owner Contribution	Owner Contribution to Company	13451	Check		15,000.00

Deposit Subtotal 16,021.87

Deposit Total 16,021.87

Figure 2-48 Printing a deposit

Figure 2-49 Print Deposit window for deposit slips

Step 4. Check the settings on the *Print Deposit Slips* window shown in Figure 2-50.

Figure 2-50 Settings on the *Print Deposit Slips* window

- Step 5. Select your printer in the *Printer name* field.
- Step 6. Click **Print** to print the deposit slip (see Figure 2-51).
- Step 7. Click **Save & Close** to save the deposit.

		469.03		
		401.39		
		151.45		
1/31/2021		15,000.00		
				16,021.87
			04	\$16,021.87
Deposit Summary Imagine Photography Sales Chapter Summary of Deposits to 10100 - Checking on 01/31/2021				6/8/2020
Chk No.	PmtMethod	Rcd From	Memo	Amount
3459	Check	Perez, Jerry	Outdoor Session, 2 Pemium Packages	469.03
5256	Check	Mason, Bob	Payment Received - Invoice #3947	401.39
	Check	Mason, Bob		151.45
13451	Check		Owner Contribution to Company	15,000.00
			Deposit Subtotal:	16,021.87
			Less Cash Back:	
			Deposit Total:	16,021.87

Figure 2-51 Deposit slip and deposit summary

Depositing Credit Card Payments

As mentioned previously, to ensure that your bank reconciliations go smoothly, you should always deposit your checks and cash separately from your credit card payments.

Make sure you group transactions together in a way that matches the actual deposits made to your bank. Some merchant service companies batch payments during your business hours, so that nighttime sales get grouped with the following day. Confirming these totals is a critical step in making your bank reconciliation process go smoothly.

QuickBooks Payments

One of the benefits of using **QuickBooks Payments**, Intuit's built-in merchant services, is its automation when matching payments to deposits.

While we can't view this in our sample file, on the *Customers* menu there's an option for *Credit Card Processing Activities*. Its *Record Merchant Service Deposits* window shows the status of your merchant service payments, including when you can expect each deposit and which transactions make up each batch (see Figure 2-52).

Merchant service fees are deducted in a separate expense transaction, so your bank deposits work the same way as depositing cash and checks, as shown on page 65.

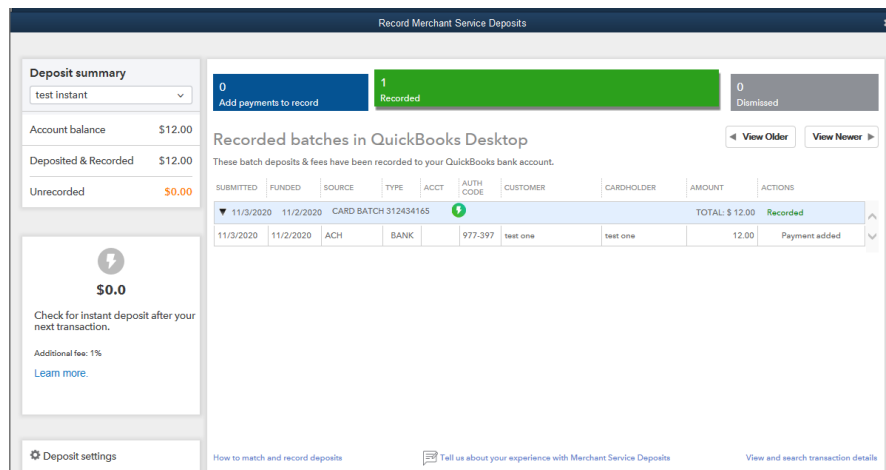


Figure 2-52 The QuickBooks Payment merchant services deposit status window

PayPal and Square

Some merchant services providers (like PayPal or Square) deduct their fees from each transaction. The steps to subtract merchant service fees from the deposit are included below. If your merchant services provider deducts fees in a separate daily or monthly transaction, skip these steps and add the fees as a separate expense as they occur.

COMPUTER PRACTICE

- Step 1. Select the **Banking** menu, and then choose **Make Deposits**. The *Payments to Deposit* window opens.
- Step 2. Select **MasterCard, Visa, Discover** from the *View payment method type* drop-down list (see Figure 2-53).
- Step 3. Click in the left column on the line to select the payment to deposit. Then click **OK**. The *Make Deposits* window opens.

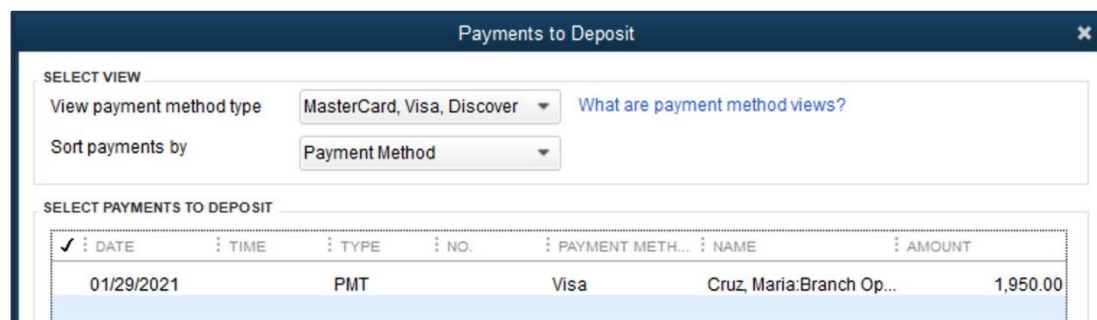


Figure 2-53 Payments to Deposit window

- Step 4. The **Checking** account is already selected in the *Deposit To* field. Press **Tab**.
- Step 5. Enter **1/31/2021** if it is not already entered in the *Date* field. Press **Tab**.
- Step 6. Enter **Deposit Visa** in the *Memo* field.

Note:

If your credit card processing company does not deduct their fees from each deposit, skip Steps 7-13.

- Step 7. On the first blank line of the deposit slip, enter **Merchant Service Fees** in the *From Account* column and then press **Tab**.

- Step 8. Enter **Merchant Service Fee** in the *Memo* column and then press **Tab**.
- Step 9. Press **Tab** to skip the *Chk No.* column.
- Step 10. Enter **Visa** in the *Pmt Meth.* column and then press **Tab**.
- Step 11. Enter **Walnut Creek** in the *Class* column and then press **Tab**.
- Step 12. You can use the QuickMath feature to calculate the merchant service fee directly in the *Make Deposits* window. Enter **1950.00 * -.02** in the *Amount* column and press **Enter**.

QuickMath is a built-in calculator to add, subtract, multiply, or divide in any QuickBooks *Amount* or *Quantity* field. When you enter the first number (**1950.00**), it shows normally in the *Amount* column. Then when you enter the ***** (asterisk key or **Shift+8**), QuickMath shows a small adding machine tape on your screen (see Figure 2-54). Continue typing your formula for recording the discount fee. Since the fee is 2%, enter **-.02** (minus point zero two) and press **Enter**. The result of the calculation shows in the *Amount* column (-39.00). The minus sign makes the result a negative number and reduces the amount of your deposit. This also increases (debits) your **Merchant Service Fees** expense account.

- Step 13. Press **Tab** to have the total of the deposit updated automatically.

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

- Deposit To:** 10100 - Checking
- Date:** 01/31/2021
- Memo:** Deposit Visa

Below the header, there is a table with columns: RECEIVED FROM, FROM ACCOUNT, MEMO, CH., PMT METH., CLASS, and AMOUNT.

RECEIVED FROM	FROM ACCOUNT	MEMO	CH.	PMT METH.	CLASS	AMOUNT
Cruz, Maria: Bran...	12000 - Undepo...	Payment Received - 3 Invoices		Visa		1,950.00
	60500 - Merch...	Merchant Service Fee		Visa	Walnut C...	-.02

Figure 2-54 QuickMath makes an adding machine tape appear

- Step 14. Verify that your screen matches Figure 2-55. Click **Save & Close**.

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

- Deposit To:** 10100 - Checking
- Date:** 01/31/2021
- Memo:** Deposit Visa

Below the header, there is a table with columns: RECEIVED FROM, FROM ACCOUNT, MEMO, CH., PMT METH., CLASS, and AMOUNT.

RECEIVED FROM	FROM ACCOUNT	MEMO	CH.	PMT METH.	CLASS	AMOUNT
Cruz, Maria: Branch O...	12000 - Undeposited Funds	Payment Received - 3 Invoices		Visa		1,950.00
	60500 - Merchant Service Fees	Merchant Service Fee		Visa	Walnut Creek	-39.00

Below the table, the **Deposit Subtotal** is 1,911.00. There is a section for cash back with fields for 'Cash back goes to', 'Cash back memo', and 'Cash back amount'. The **Deposit Total** is 1,911.00. At the bottom, there are buttons for 'Save & Close', 'Save & New', and 'Revert'.

Figure 2-55 Make Deposits window after a credit card deposit

Viewing Deposits in the Register

Now that you have entered your deposits, the checking account register shows each one and the updated balance in the account.

COMPUTER PRACTICE

To see the detail of a deposit, follow these steps:

- Step 1. Click the **Chart of Accounts** icon on the *Home* page.
- Step 2. Double-click on the **Checking** account in the *Chart of Accounts* window.
- Step 3. Scroll up until you see the two deposit transactions shown in Figure 2-56.
- Step 4. Close the *Checking* register and the *Chart of Accounts*.

DATE	NUMBER	TYPE	ACCOUNT	PAYEE	MEMO	PAYMENT	DEPOSIT	BALANCE
01/30/2021	329		National Bank			2,152.00		11,937.00
	CHK		22000 - National Bank VISA Gold	1234-1234-1234				
01/31/2021		DEP	-split-	Deposit Checks			16,021.87	27,958.87
01/31/2021		DEP	-split-	Deposit Visa			1,911.00	29,869.87
02/07/2021	330		Nellis Distributing			375.00		29,494.87
	BILLPMT		20000 - Accounts Payable					
ENDING BALANCE								29,494.87

Figure 2-56 Checking register after entering deposits

Running Accounts Receivable Reports

Using the Income Tracker

The **Income Tracker** provides you with a fast way to see the status of your unpaid sales transactions all from one location. It also provides features to improve invoicing and collections, as well as create new sales transactions. You can access the Income Tracker from the *Icon Bar*, the *Customer Center* (see Figure 2-57), or from the *Customers Menu*.

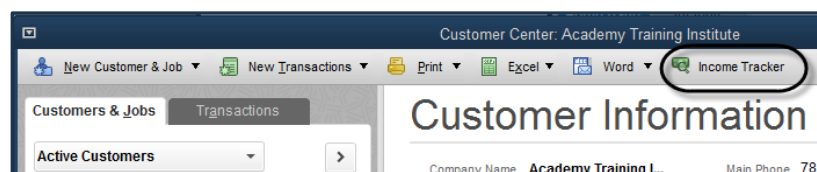


Figure 2-57 Income Tracker icon in Customer Center

The colored bar across the top is called the **Money Bar**.

From the Income Tracker you can:

- See all of your *Unbilled* (blue boxes) and *Unpaid* (yellow and red) sales transactions
- Filter for just one category by clicking on the **colored box**, or using the filter drop-downs
- Right-click on any sales transaction to view or edit that transaction
- Use the **Action** drop-down to print or send a sales transaction by email
- Use the **Action** drop-down to convert an estimate or sales order into an invoice
- Sort the list by clicking on any **column heading**
- Use the **Batch Action** button to print or email a group of sales transactions all at once
- Click **Manage Transactions** to create new customer transactions

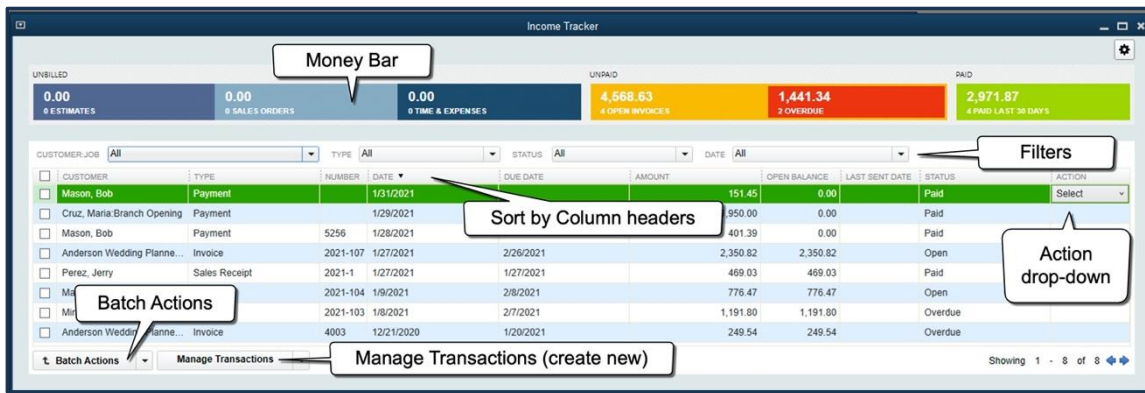


Figure 2-58 Income Tracker. Your screen may vary.

COMPUTER PRACTICE

To use the **Income Tracker** to process a transaction:

Step 1. Click the **Income Tracker** icon on the *Icon Bar* (Figure 2-59).

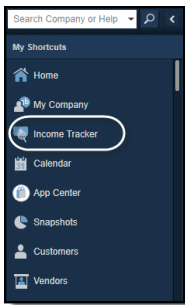


Figure 2-59 Income Tracker on Icon Bar

Step 2. Check **Miranda's Corner** on the left side of the *Income Tracker*.

Step 3. Click on the drop-down arrow in the *Action* column for **Miranda's Corner**, and choose **Receive Payment**.

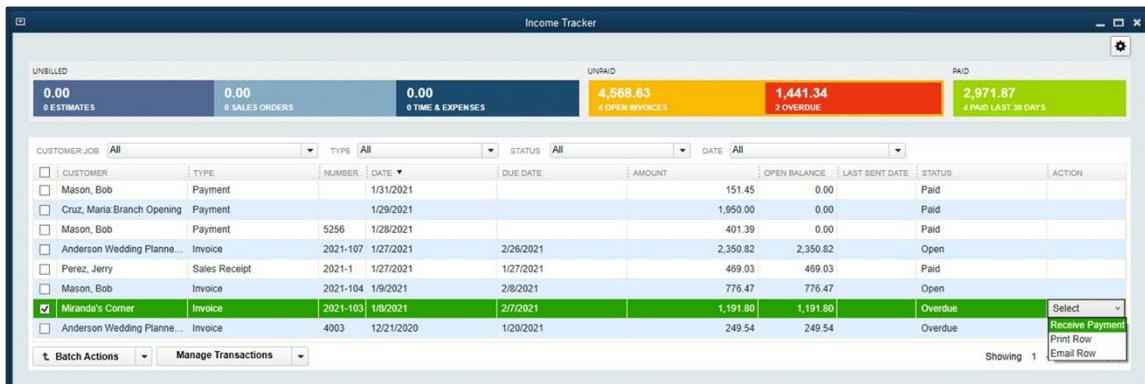


Figure 2-60 Receive Payment in Income Tracker. Your screen may vary.

Step 4. **Receive Payment** for \$1,191.80. Verify that your screen matches Figure 2-61.

Figure 2-61 Payment from Miranda's Corner

- Step 5. Click **Save & Close** to record the transaction.
- Step 6. **Close** the *Income Tracker*.

Viewing the Invoice History

To track activity on an invoice, open it up and click the **See History** link. The **Invoice History** window includes a **Status** workflow and a detailed **History**.

The **Status Bar** lets you know where the invoice is in its lifecycle. Green checkmarks appear when the invoice has been **Sent**, when it was **Viewed** by the customer in their email, if they paid it electronically or you marked it as **Paid**, and when the money has been **Deposited** from Undeposited Funds (see Figure 2-62).

The History provides the date of these activities and the specific actions taken.

Figure 2-62 Invoice History

The Accounts Receivable Aging Summary

It's essential to keep track of whether your customers are paying promptly, and if any accounts are delinquent. The **A/R Aging Summary** report lists each customer with a balance, and how long their account has been overdue.

COMPUTER PRACTICE

- Step 1. From the *Reports* menu, select *Customers & Receivables* and then choose **A/R Aging Summary** (see Figure 2-63).
- Step 2. Change the *Dates* range to **All**.

The *Current* column contains all the current month's invoices. The remaining columns refer to the number of days after the terms assigned to each invoice. A **Net 30** invoice will move to the 1-30 column on the 31st day. Invoices with the term **Due on Receipt** will immediately move into the second column if left unpaid.

The *Intervals* can be adjusted for longer time frames or shorter breakdowns.

Negative numbers represent customer **credits**.

	Current	1 - 30	31 - 60	61 - 90	> 90	TOTAL
Anderson Wedding Planners						
Kumar, Sati and Naveen	249.54	0.00	0.00	0.00	0.00	249.54
Wilson, Sarah and Michael	2,350.82	0.00	0.00	0.00	0.00	2,350.82
Total Anderson Wedding Plann...	2,600.36	0.00	0.00	0.00	0.00	2,600.36
Cruz, Maria						
Branch Opening	0.00	0.00	0.00	0.00	0.00	0.00
Total Cruz, Maria	0.00	0.00	0.00	0.00	0.00	0.00
Mason, Bob	776.47	0.00	0.00	0.00	0.00	776.47
Miranda's Corner	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	3,376.83	0.00	0.00	0.00	0.00	3,376.83

Figure 2-63 The A/R Aging Summary Report

Review Questions

Comprehension Questions

1. When you make a sale to a customer who pays at the time of the sale, either by check or by credit card, which type of form should you use in QuickBooks to record the transaction?
2. Explain how the Undeposited Funds account works and why it is best to use the option **Use Undeposited Funds as a default deposit to account** as a Payments preference?
3. How does the Automatically Apply Payments feature work?
4. QuickBooks allows you to attach documents to invoices and expenses. Why would you do this? What file types can you attach?

Multiple Choice

Select the best answer(s) for each of the following:

1. In the New Customer window, you find everything except:
 - a) Customer Name.
 - b) Customer Invoice/Bill To and Ship To address.
 - c) Customer active/inactive status.
 - d) Year-to-date sales information.

-
2. *You should record a Sales Receipt when the customer pays:*
 - a) By cash, check, or credit card at the time of sale.
 - b) By cash, check, or credit card at the end of the month.
 - c) Sales tax on the purchase.
 - d) For the order upon receipt of invoice.
 3. *Which statement is false?*
 - a) Invoices are very similar to the Sales Receipt form.
 - b) Invoices decrease Accounts Receivable.
 - c) Sales Receipts have no effect on Accounts Receivables.
 - d) Invoices should be created when customers are going to pay after the date of the initial sale.
 4. *You may specify payment Terms on the New Customer window; however:*
 - a) The payment Terms will only show on sales receipt transactions.
 - b) The Terms can only be changed once a year.
 - c) The sales representative must be informed.
 - d) You are also permitted to override the Terms on each sale.
 5. *Your company has just accepted a payment for an invoice. What should you do in QuickBooks to record this payment?*
 - a) Open the invoice by clicking the *Invoices* icon on the *Home* page.
 - b) Create a sales receipt by clicking the *Sales Receipt* icon on the *Home* page.
 - c) Make a deposit by clicking the *Record Deposits* icon on the *Home* page.
 - d) Receive the payment by clicking the *Receive Payments* icon on the *Home* page.
 6. *Which statement is false?*
 - a) Many customers reject invoices that do not reference a P.O. (purchase order) number.
 - b) The P.O. number helps the customer identify your invoice.
 - c) The P.O. number is required on all invoices.
 - d) The P.O. number is generated by the customer's accounting system.
 7. *To record a deposit in QuickBooks:*
 - a) Make a separate deposit that includes both Checks and Cash receipts.
 - b) Make a separate deposit that includes both VISA and MasterCard receipts.
 - c) Make sure each deposit total matches the bank feed or bank statement.
 - d) All of the above.
 8. *Your company has just received an order from a customer who will pay within 30 days. How should you record this transaction in QuickBooks?*
 - a) Create an invoice by clicking the *Create Invoices* button on the *Home* page.
 - b) Create a sales receipt by clicking the *Sales Receipt* button on the *Home* page.
 - c) Make a deposit by clicking the *Record Deposits* button on the *Home* page.
 - d) Receive the payment by clicking the *Receive Payment* button on the *Home* page.
 9. *When you make a deposit, all of the following are true except:*
 - a) You must print a deposit slip in order to process a deposit.
 - b) A "Make Deposit" transaction typically transfers money from Undeposited Funds into your bank account.
 - c) You should separate your deposits by payment type.
 - d) You should create deposits so that they match exactly with the deposits on your bank statement.
-

10. Which statement is true regarding Calculating Items?
- a) *Calculating Items* cannot be used on invoices because the total is calculated automatically.
 - b) A *Calculating Item* always calculates the amount of all the lines above it.
 - c) It is best to avoid using *Calculating Items* to apply a discount.
 - d) A *Calculating Item* uses the amount of the preceding line to calculate its amount.
11. When creating a customer record, which statement is false?
- a) After you enter a name in the *Customer Name* field of the *New Customer* window, you cannot use that name in any of the other name lists in QuickBooks.
 - b) The credit limit can be added in the new customer window.
 - c) A sales rep must be selected when creating a new customer.
 - d) When you sell to and purchase from the same company, you should create two records, one in the Vendor list, and one in the Customer:Job list.
12. When receiving payments from customers to whom you have sent invoices, you must:
- a) Receive the payment in full. Partial payments cannot be accepted in QuickBooks.
 - b) Enter them directly into the checking account register.
 - c) Enter the payment into the receive payments window and check off the appropriate invoice(s) to which the payment applies.
 - d) Delete the invoice so it does not show on the customer's open records.
13. You need to calculate the amount of a bankcard fee by multiplying the amount of the received payments by -1%. What useful QuickBooks feature could you use?
- a) Calculating Items.
 - b) QuickMath.
 - c) Quick Add.
 - d) The Fees button on the bottom of the *Make Deposit* window.
14. The Undeposited Funds account tracks:
- a) Bad debts.
 - b) Funds that have been received but not deposited.
 - c) Funds that have not been received or deposited.
 - d) All company sales from the point an invoice is created until it is deposited in the bank.
15. After entering an existing customer in the Customer:Job field of an invoice, a Customer:Job Not Found dialog box opens to say the customer is not on the Customer List. What should you do?
- a) Click the *Quick Add* button to add the customer to the *Customer List*.
 - b) Click the *Set Up* button to enter the customer's information in a *New Customer* window.
 - c) Click *Cancel* to check the name you entered in the Customer:Job field for typos or other errors.
 - d) None of the above.

Completion Statements

1. A new customer can be added to the customer list without opening the *New Customer* window by clicking _____ after entering a new customer name on a sales form.
2. When you create a sales receipt, QuickBooks increases (with a debit) a(n) _____ account or the _____ account.
3. Discounts and Subtotals are called _____ Items.
4. Receiving payments reduces the balance in _____ and increases the balance in the Undeposited Funds or a bank account.
5. _____ helps you add, subtract, multiply or divide numbers in an Amount field.

Sales Problem 1

Restore the **Sales-21Problem1.QBM** file. The password to access this file is **Questiva21**.

1. Enter your own name and address information into the Customer Center. Then print the Customer List by selecting the Reports menu, **List**, and then **Customer Contact List**.
2. Enter a **Sales Receipt** using the data in Table 2-4. The payment will be automatically grouped with other payments in Undeposited Funds account. You'll need to create the customer record using Quick Add, or by setting it up in the list before adding the sale. Print the sale on blank paper.

Field	Data
Customer Name	Pavlovich, Anna
Class	Walnut Creek
Date	1/24/2021
Sale No.	2021-1
Sold To	Anna Pavlovich 512 SW Chestnut St. Walnut Creek, CA 94599
Check No	211
Payment Method	Check
Item	Camera SR32, Qty 4
Sales Tax	Contra Costa (8.25%) – Auto Calculates
Customer Tax Code	Tax
Memo	4 Cameras

Table 2-4 Use this data for a Sales Receipt in Step 2

3. Enter an invoice using the data in Table 2-5. Print the invoice on blank paper.

Field	Data
Customer Name	Berry, Ron
Class	Walnut Creek
Custom Template	Imagine Photo Service Invoice
Date	1/26/2021
Invoice #	2021-106
Bill To	Ron Berry 345 Cherry Lane Walnut Creek, CA 94599
PO No.	842-5028
Terms	Net 30
Item	Indoor Photo Session, Qty 3, \$95/hour (SRV tax code)
Item	Retouching, Qty 4 (hrs), \$95/hour (SRV tax code)
Sales Tax	Contra Costa (8.25%) – Auto Calculates
Memo	3 Hour Session, 4 Hours Retouching

Table 2-5 Use this data for an Invoice in Step 3

4. Record a payment dated **2/5/2021** for the full amount from **Ron Berry** (check #9951123) and apply it to **Invoice 2021-106**.
5. Deposit everything from the Undeposited Funds account into the **Checking** account on **2/8/2021**. Print **Deposit Slip** and **Deposit Summary** onto blank paper.

Sales Problem 2 (Advanced)

APPLYING YOUR KNOWLEDGE

Restore the **Sales-21Problem2.QBM** file. The password to access this file is **Questiva21**.

1. Enter a **Sales Receipt** using the data in Table 2-6. The payment will be automatically grouped with other payments in Undeposited Funds account. You'll need to create the customer record using Quick Add or by setting it up in the Customer Center before adding the sale. Print the sale on blank paper.

Field	Data
Customer Name	Pinto, Felix
Class	Walnut Creek
Date	1/29/2021
Sale No.	2021-1
Sold To	Felix Pinto 877 N. Judge St. Walnut Creek, CA 94599
Check No	642
Payment Method	Check
Item	Camera SR32, Qty 3, \$695.99
Item	Lens, Qty 3, \$324.99
Sales Tax	Contra Costa (8.25%) – Auto Calculates
Customer Tax Code	Tax
Memo	Cameras, Lenses

Table 2-6 Use this data for a Sales Receipt in Step 1

2. Enter an invoice using the data in Table 2-7. Print the invoice on blank paper.

Field	Data
Customer Name	Pelligrini, George: 1254 Wilkes Rd.
Class	San Jose
Custom Template	Imagine Photo Service Invoice
Date	1/30/2021
Invoice #	2021-106
Bill To	Pelligrini Builders 222 Santana Ave. Los Gatos, CA 94482
PO No.	8324
Terms	Net 30
Item	Indoor Photo Session, Qty 4, \$95/hour (SRV tax code)
Item	Retouching, Qty 4(hrs), \$95/hour (SRV tax code)
Sales Tax	Santa Clara (8.25%) – Auto Calculates
Memo	4 Hour Session, 4 Hours Retouching

Table 2-7 Use this data for an Invoice in Step 2

3. Enter a second invoice using the data in Table 2-8. Print the invoice on blank paper. You will need to add this customer either through Quick Add or entering the customer information in the Customer Center.

Field	Data
Customer Name	Masood, Jameel
Class	San Jose
Custom Template	Imagine Photo Service Invoice
Date	1/31/2021
Invoice #	2021-107
Bill To	Jameel Masood 339 Walnut St. Santa Clara, CA 95111
PO Number	75224
Terms	2% 10 Net 30
Item	Indoor Photo Session, Qty 3, \$95/hour (SRV tax code)
Sales Tax	Santa Clara (8.25%) – Auto Calculates
Memo	3 Hour Session

Table 2-8 Use this data for an Invoice in Step 3

4. Record a payment dated **2/15/2021** for the full amount from Jameel Masood (check #5342) and apply it to Invoice **2021-107**.
5. On **2/15/2021**, you received a partial payment from **George Pelligrini** for the **1254 Wilkes Rd. job** for **\$350**. **Visa** payment on card #4321-4321-4321-4321, expires in **5/2024**.
6. On **2/15/2021**, deposit everything from the Undeposited Funds account using the following:

- a) Deposit Cash and Check payments together (Memo: Deposit Checks) to create a \$3600.63 deposit. Print the **Deposit Slip and Deposit Summary** onto blank paper.
- b) Deposit Visa payments separately (Memo: Visa Fees). Record a **2% merchant services fee** (use QuickMath to calculate) on the credit card deposit. Use the following data: Account - **Merchant Service Fees**, Payment Method - **Visa**, Memo-**2% Merchant Service Fee**. This amount should be a negative number. The deposit total should be \$343. Print **Deposit Summary Only** onto blank paper.