

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)
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- Restoring Backup Files (page 12)
- QuickBooks User Interface Features (page 16)
- Entering Transactions in QuickBooks (page 20)
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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 a cloud-based application that isn't installed on your individual computer but is available online through a web browser or app on a smartphone or tablet. This version is called *QuickBooks Online*. The online edition has different, yet similar, features to *QuickBooks Desktop*. This textbook covers *QuickBooks Desktop*.

QuickBooks Editions

The QuickBooks Desktop product line includes several separate product editions: *QuickBooks Pro*, *QuickBooks Premier*, *QuickBooks Accountant* and *QuickBooks Enterprise*. The *Premier* and *Enterprise* editions are further broken down into six industry-specific editions for *General Business*, *General*

Contractor, Manufacturing & Wholesale, Nonprofit, Professional Services, and Retail. All editions of QuickBooks support multiple users, however, each user must have the same version of QuickBooks to access the file.

This book covers the features and usage of *QuickBooks Pro, Premier (non-industry specific), and Accountant*, since most small businesses will use one of these editions. Also, once you learn how to use one of these editions, you'll be prepared to use any of the other editions. For a comparison of all editions and options, see www.quickbooks.com.

QuickBooks 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 1-1 Product information window showing version and release

This book is based on QuickBooks Accountant 2018 release R4P. If you have a different release, you may see some slight differences compared to the screens in this book, but most likely you won't see any differences.

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

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:

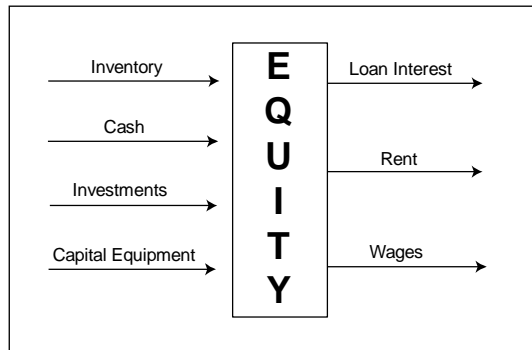
$$\text{Assets} = \text{Liabilities} + \text{Equity, or Equity} = \text{Assets} - \text{Liabilities.}$$

Accounts, Accounts, Everywhere Accounts

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 creditors or by 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 and Loss** report (also called 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, and 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 for the Future: 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. In most cash basis systems, you must use an outside system to track open invoices and unpaid bills, which means you cannot view both cash and accrual reports without going to several places to find information. However, in QuickBooks, you can record transactions such as invoices and bills to facilitate *accrual basis* reporting, and you can create *cash basis* reports that remove the receivables and payables with the same system.

Although certain types of organizations can use the cash basis method of accounting (many are not allowed to do so under IRS regulations), the accrual method provides the most accurate picture for managing your organization. You should check with your tax accountant to determine which accounting method — cash or accrual — is best for you.

Academy Photography

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

Academy 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, Academy 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 Profit & Loss by Class. Classes can be used to separately track departments, profit centers, store locations, or funds in any business.

Academy Photography also needs to separately track revenue and expenses for each job it performs. When a customer orders a photo shoot, Academy 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 Academy 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 can also be 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. These 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*)

This means, 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 via the Internet where smaller files transfer faster.

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 345.

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. When QuickBooks opens, you will either see the **No Company Open** window (Figure 1-2) or you will be prompted to enter the password for the last working data file used.

No Company Open window is displayed if 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 will open, if you closed the QuickBooks *program* before closing the *file*.

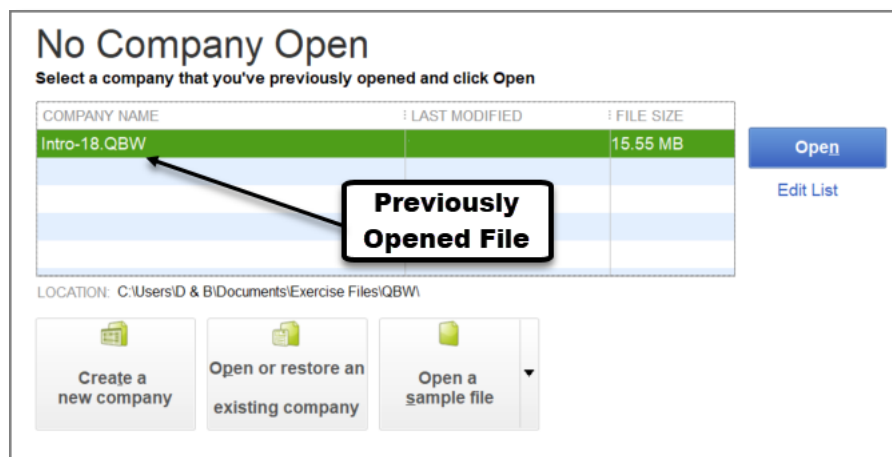


Figure 1-2 No Company Open window

- Step 3. If you don't see the **No Company Open** window (Figure 1-2), but instead see a prompt to enter a password to the last working data file used (Figure 1-3). Click **Cancel**.



Figure 1-3 QuickBooks Desktop Login window

- Step 4. 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 1-4).
- Step 5. Click **OK** to continue.



Figure 1-4 Sample File Information Screen

- Step 6. 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.

DO NOT PERFORM THESE STEPS. THEY ARE FOR REFERENCE ONLY.

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 previously had open when you last exited the program, unless you specifically closed the data file before exiting.
2. To open a different file, select the **File** menu and then select **Open or Restore Company** (see Figure 1-5).

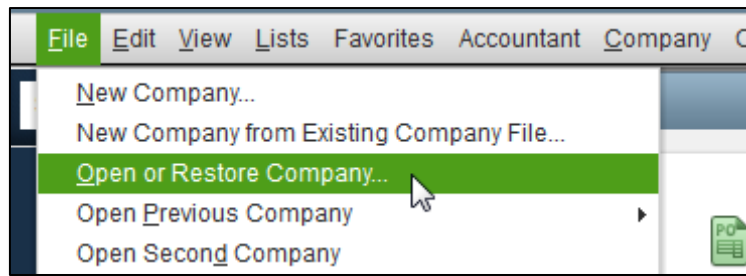


Figure 1-5 File menu

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

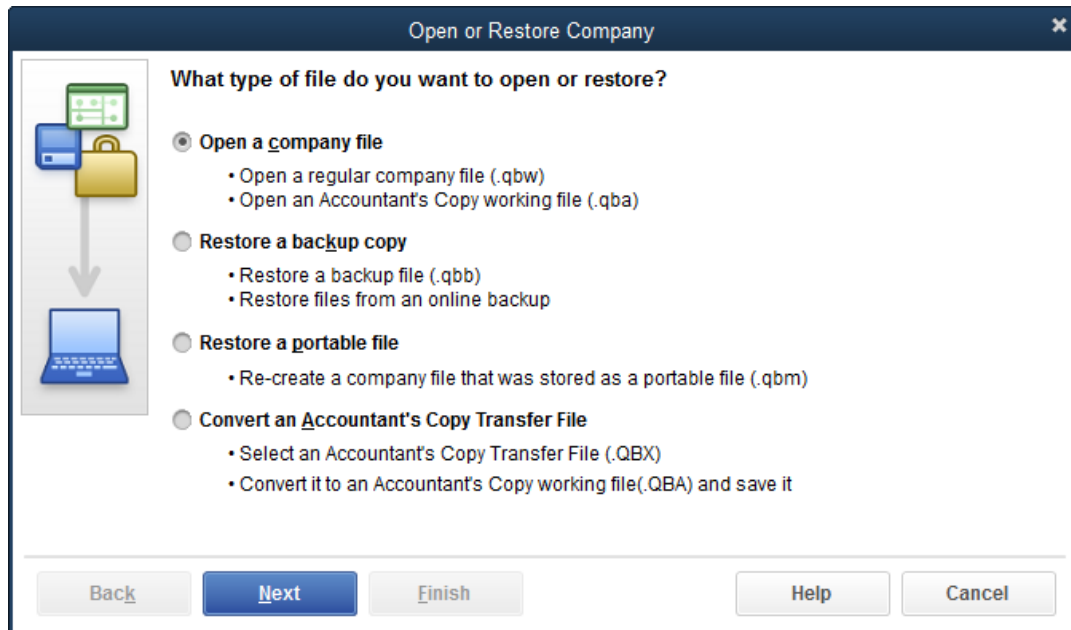


Figure 1-6 Open or Restore Company

4. Set the *Look in* field to the folder on your hard disk where you store your QuickBooks file (see Figure 1-7).



Figure 1-7 Selecting the folder where the QuickBooks files are stored

5. 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 will open, and you'll be ready to work with QuickBooks.

Closing QuickBooks Files

- Step 1. Close the company data file by selecting **Close Company** from the *File* menu (see Figure 1-8). If you skip this step, this data file will open automatically the next time you start the QuickBooks program.

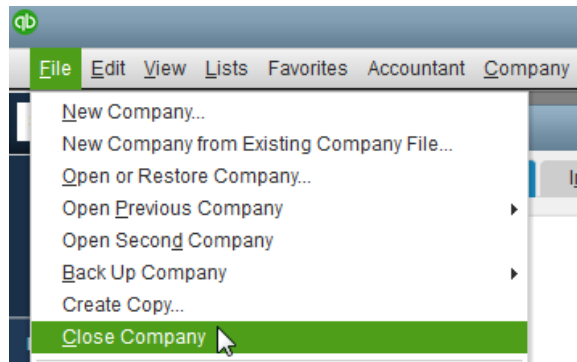


Figure 1-8 Close Company File option

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 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. The *Exiting QuickBooks* window will appear 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).

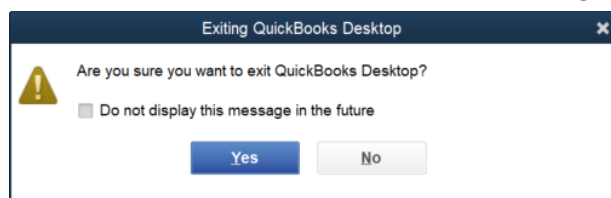


Figure 1-9 Exiting QuickBooks window

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.

Note:

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 true, active 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 1-10). Select **Restore a portable file (.QBM)** and click **Next**.

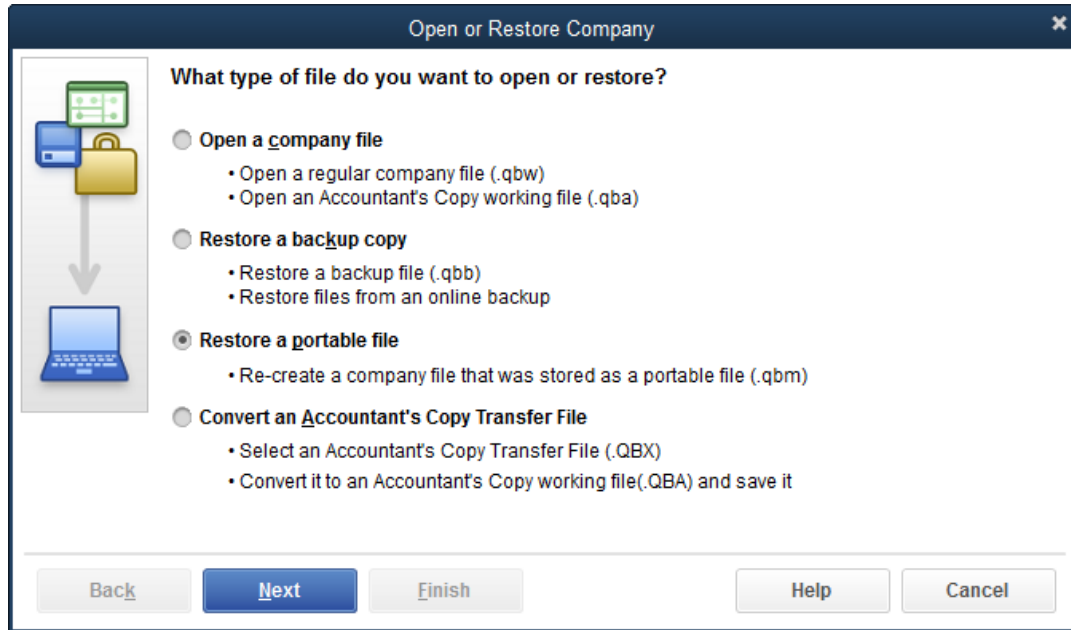


Figure 1-10 Open or Restore Company window

- Step 3. QuickBooks displays the *Open Portable Company File* window (see Figure 1-11). 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-18.QBM and click **Open**.

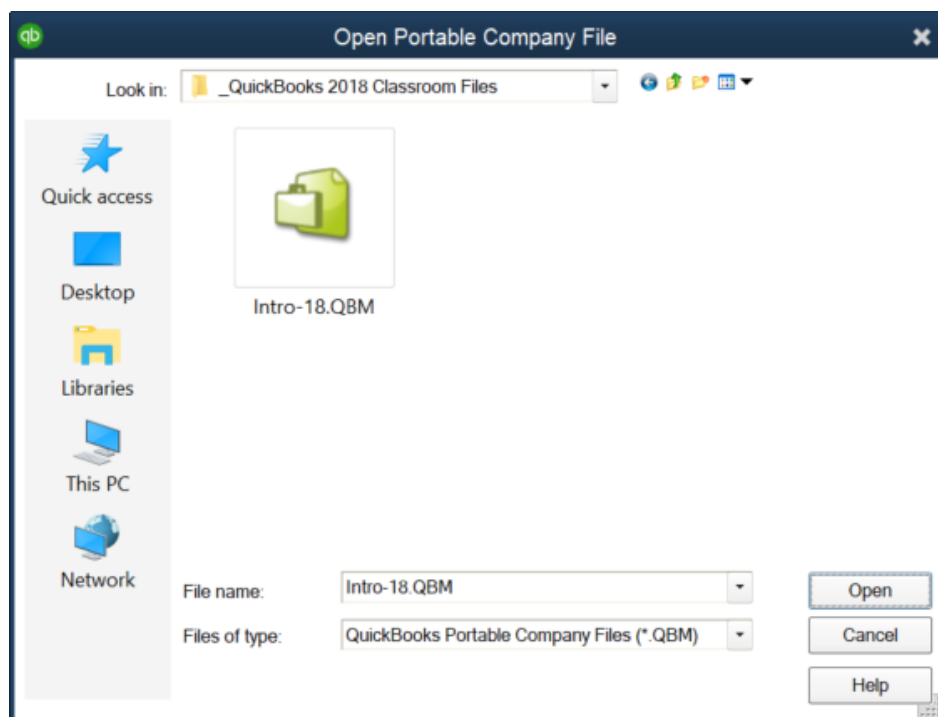


Figure 1-11 Open Portable Company File window

- 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 1-12). Click **Next** in the *Open or Restore Company* window to continue.

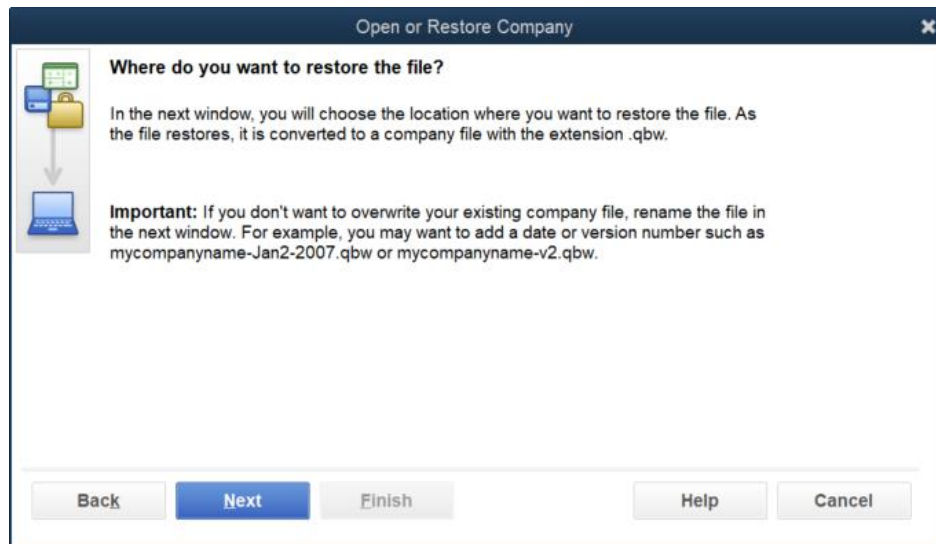


Figure 1-12 Open or Restore Company Location

- Step 5. The *Save Company File as* window displays (see Figure 1-13). Ask your instructor or choose a location to save the file. When you have navigated to the appropriate folder, click **Save**.

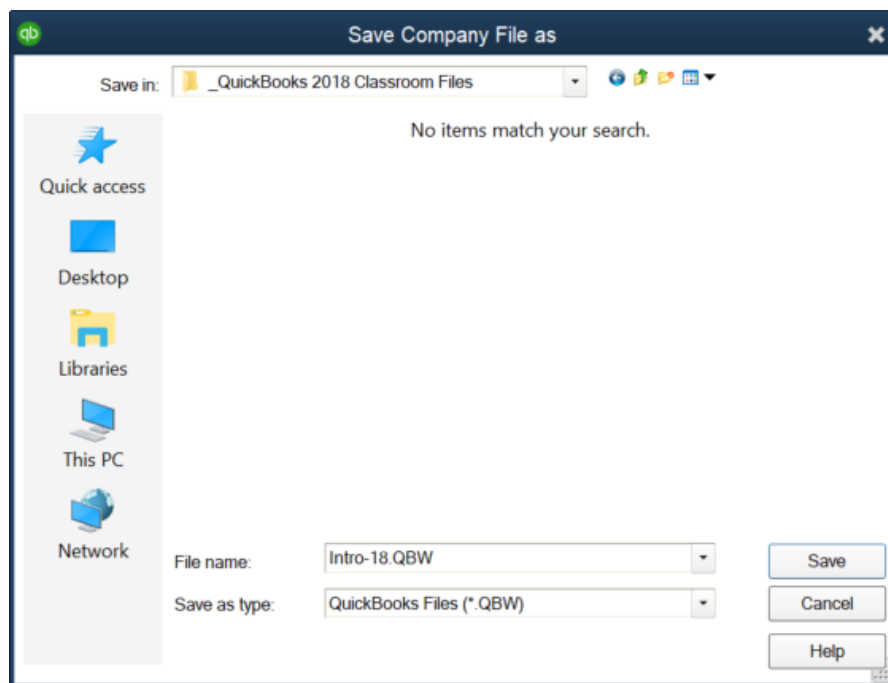


Figure 1-13 Save Company File as window

- Step 6. The QuickBooks Desktop Login window opens (see Figure 1-3). The password to this and every exercise file in this book is *Sleeter18*. The password is case sensitive so make sure you capitalize the first letter S in *Sleeter18*. Enter **Sleeter18** in the *Password* field and click **OK**.

Note:

Every QuickBooks file that uses the QuickBooks 2018 edition is required to have a complex password. The complex password is required to be 7 characters long and contain at least one uppercase letter and at least one numerical digit. 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 file passwords see page 382.

- 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-18.QBW company file finishes opening, you will see the Home page.

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.

DO NOT PERFORM THESE STEPS. THEY ARE FOR REFERENCE ONLY.

1. To back up your company file, select **Create Copy** from the *File* menu.
2. Choose **Backup copy** from the *Save Copy or Backup* window (see Figure 1-14). Click **Next**.
3. You are given the option to save the backup to a local area, such as a removable hard disk, or an online backup using a fee-based service available from Intuit. Online backup is a good option for many companies.

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

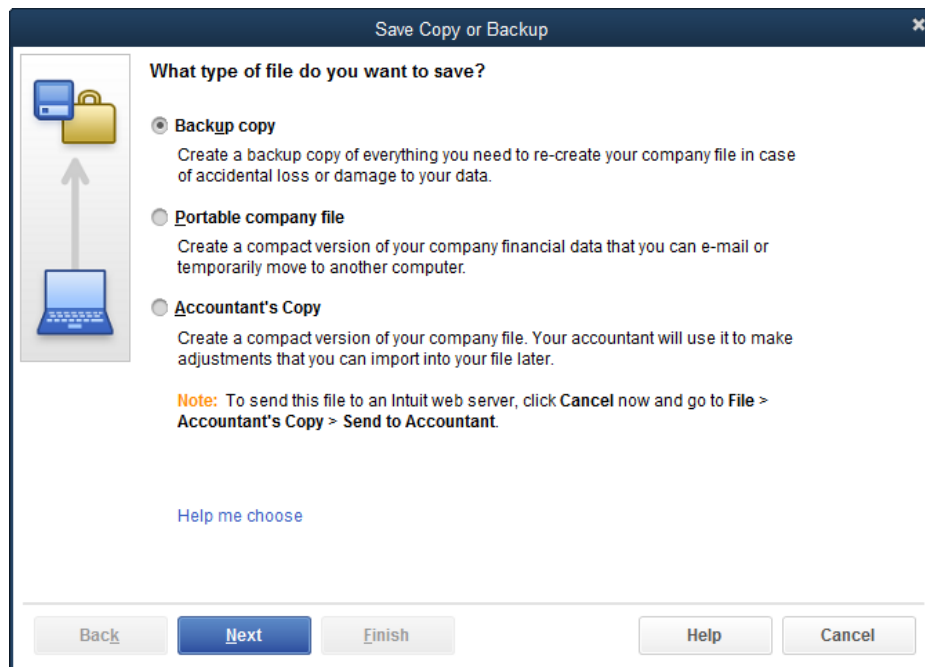


Figure 1-14 Save Copy or Backup window

4. The *Backup Options* window is displayed (see Figure 1-15). Under the *Local backup only* section, click the Browse button.

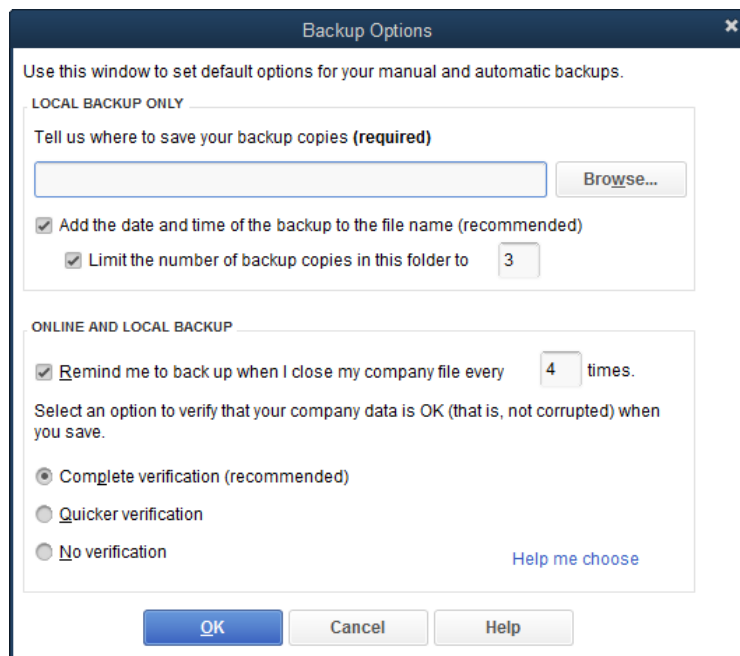


Figure 1-15 Backup Options window

5. Select the folder where you want to store your backup file (see Figure 1-16). 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.

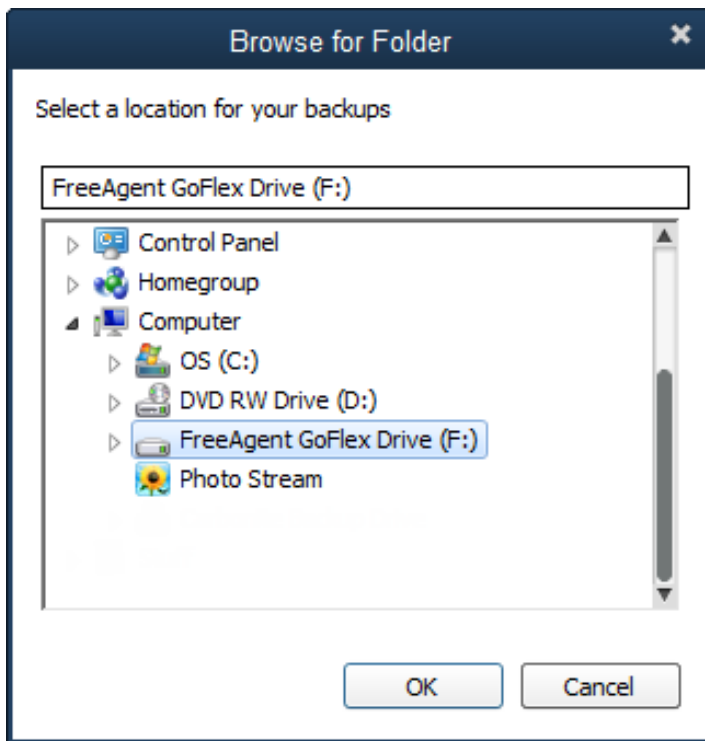


Figure 1-16 Backup options Browse for Folder window

6. When finished, click OK.
7. The *Save Copy or Backup* window is displayed (see Figure 1-17). You can save a backup now, schedule future backups, or both. Select **Only schedule future backups** and click **Next**.

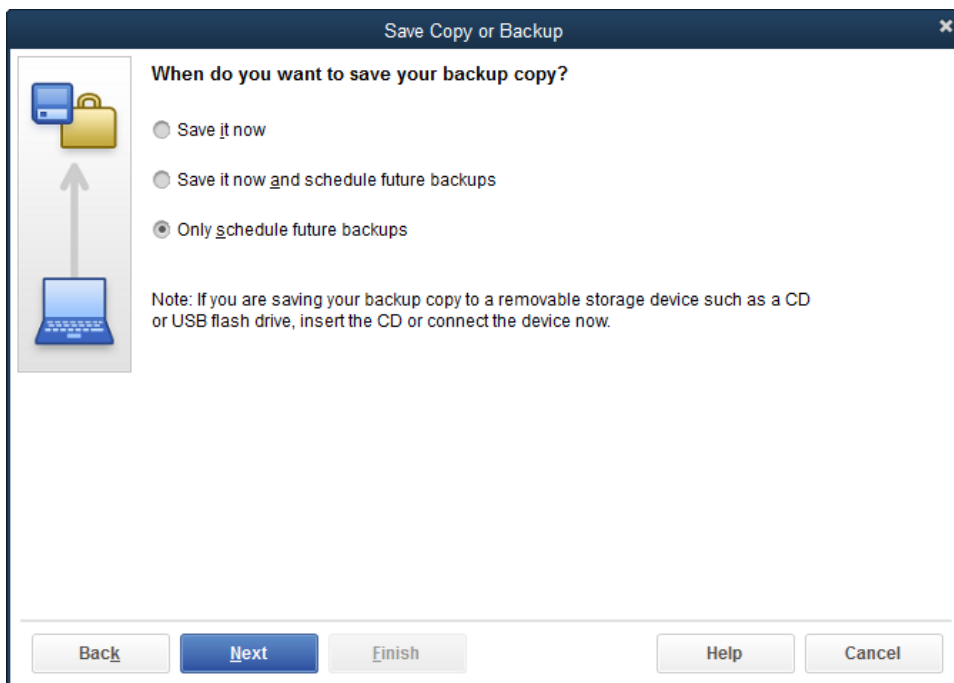


Figure 1-17 Save Copy or Backup window

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

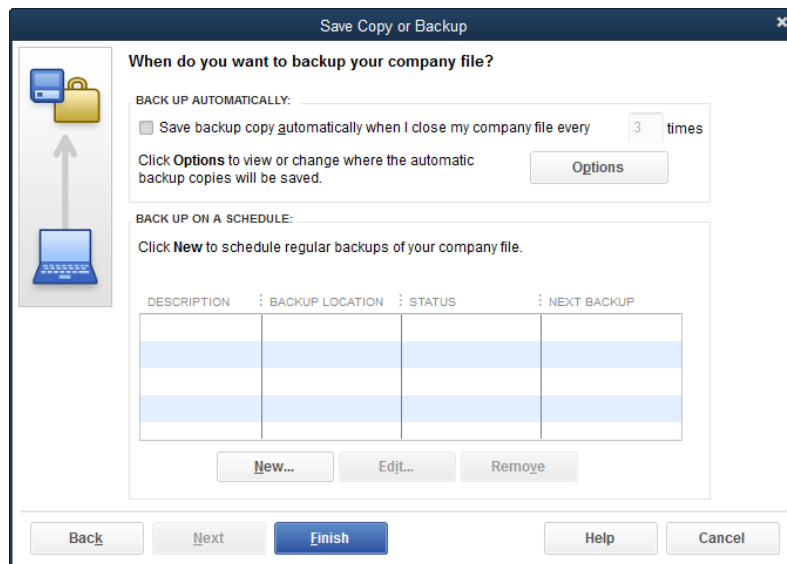


Figure 1-18 Save Copy or Backup window

9. The *Schedule Backup* window appears (see Figure 1-19). 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.

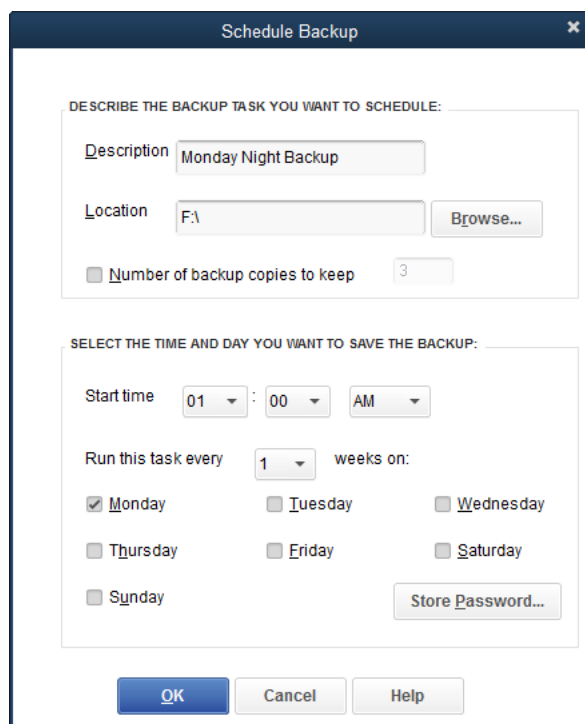


Figure 1-19 Schedule Backup window

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

Restoring a Backup File

To restore a QuickBooks backup file, follow these steps.

DO NOT PERFORM THESE STEPS. THEY ARE FOR REFERENCE ONLY.

1. Select the **File** menu and then select **Open or Restore Company**.
2. Choose **Restore a backup copy** from the *Open or Restore Company* window and click **Next**.
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**.
4. The *Open Backup Copy* window allows you to specify where the backup file is located. Navigate to the folder that contains the file, select it and click **Open**.
5. The *Open or Restore Company* window displays. Click **Next**.
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.
7. After completion, a window displays that the new file has been successfully restored (see Figure 1-20).

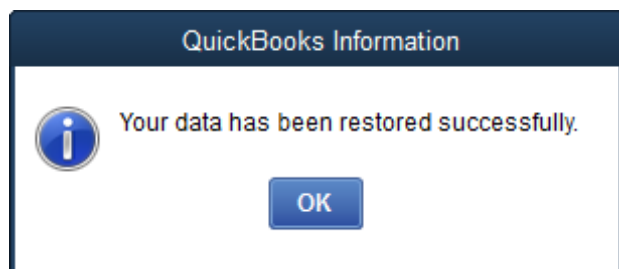


Figure 1-20 After restoring backup file

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 aids 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 1-21). The **Home** page is broken into five sections – each dealing with a separate functional area of a business. These areas are: **Vendors**, **Customers**, **Employees**, **Company**, and **Banking**. Each area has icons to facilitate easy access to QuickBooks tasks. The **Home** page also displays a flow diagram showing the interdependency between tasks.

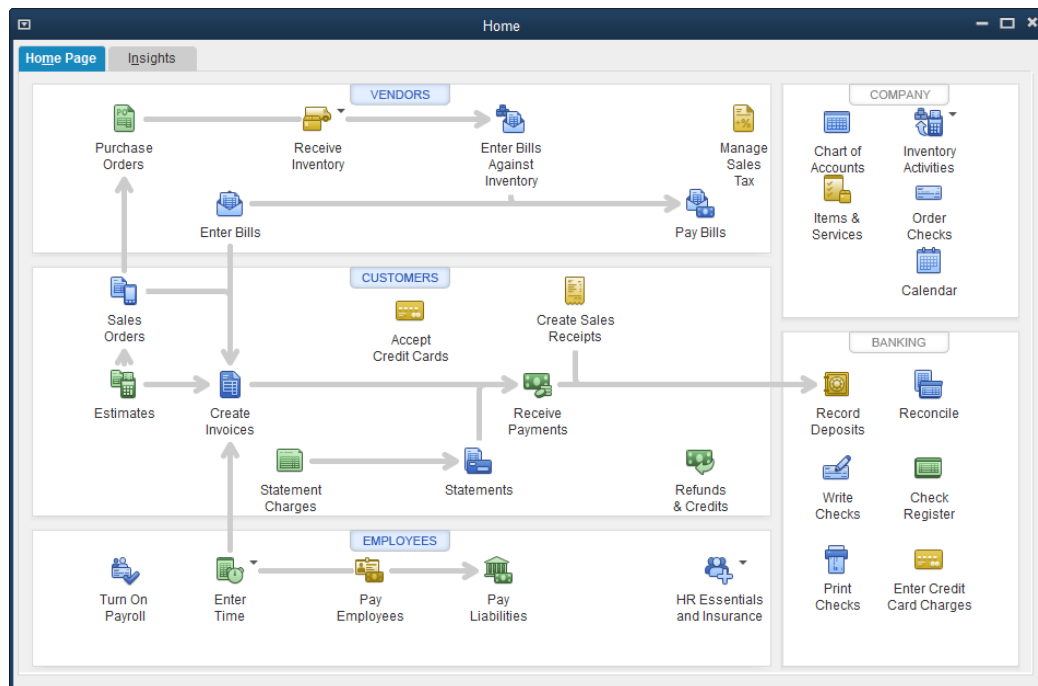


Figure 1-21 QuickBooks Accountant 2018 Home page

To start a task, just click on its related 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.

Centers

QuickBooks *Centers* are organized to give pertinent information in one place. There are several Centers for specific relationships and tasks.

Customer, Vendor, and Employee Centers are very important since they provide the only way to access a list of all your customers, vendors, and employees. These three lists are referred to as the *Center-based Lists*. These Centers summarize general information and transactions in the same area. For example, the Customer Center shows the customer balance, their general information, and all transactions for each customer (see Figure 1-22).

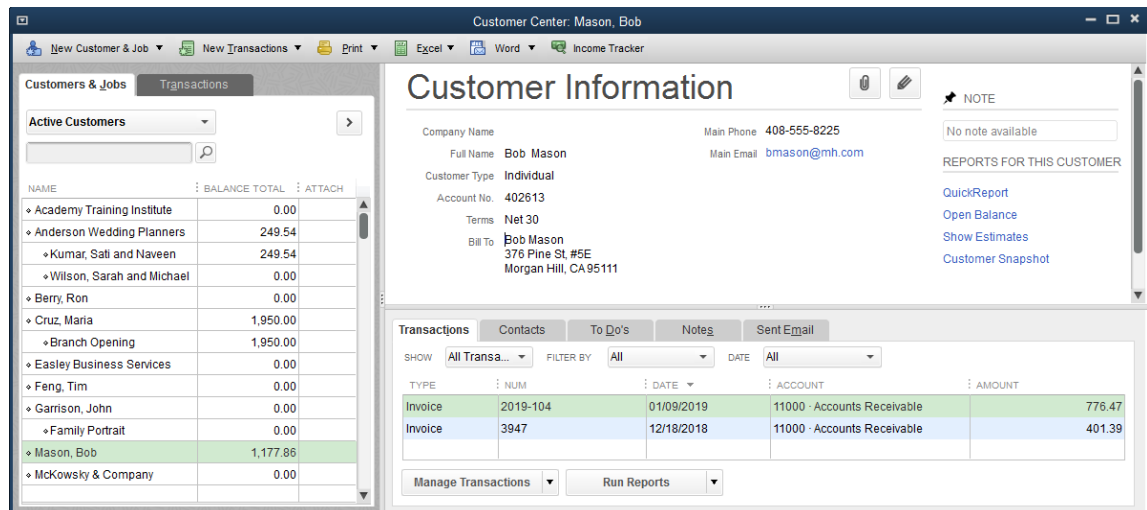


Figure 1-22 Customer Center

Other Centers include the *App Center*, *Bank Feeds Center*, *Report Center*, and *Doc Center*. These Centers will be addressed later in this book. Centers can be opened from the *Menus*, *Home Page* and *Iconbar*.

Snapshots

The *Snapshots* 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.

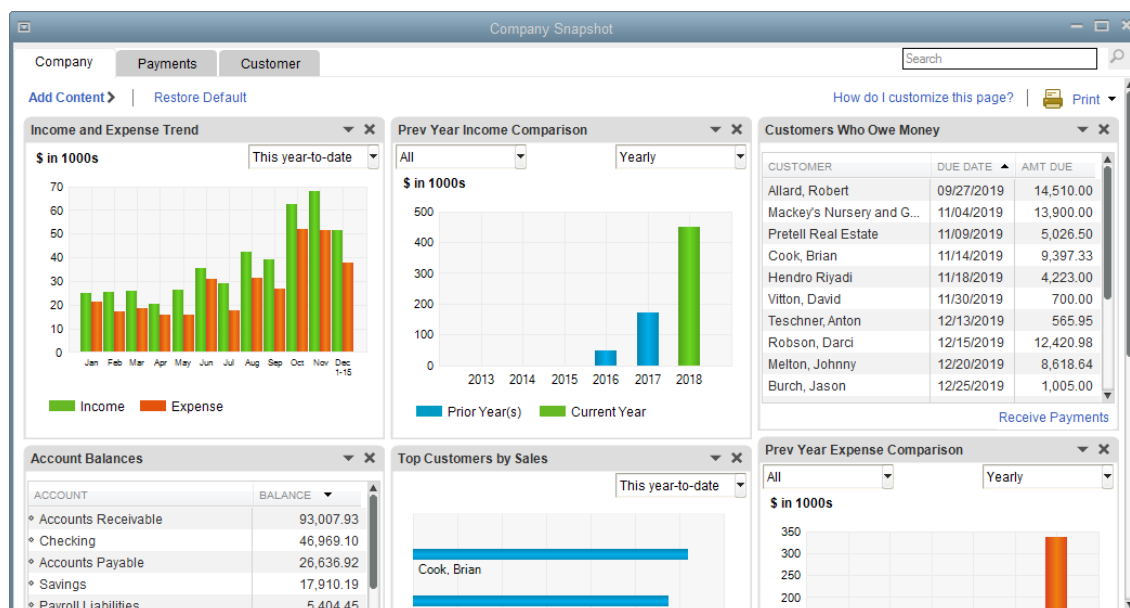


Figure 1-23 Snapshots - your screen may vary

Income Tracker

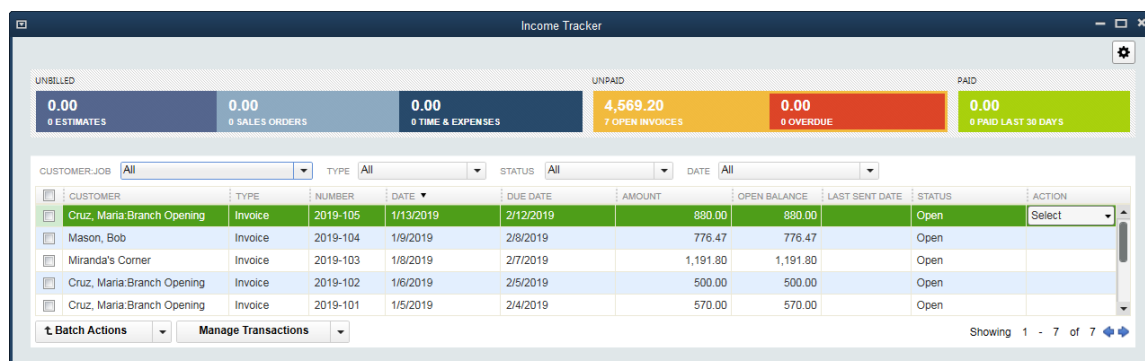


Figure 1-24 Income Tracker – your screen may vary

The Income Tracker provides a fast way to see the status of your unbilled and unpaid transactions as well as features for billing and collections.

Icon Bar



Figure 1-25 Icon Bar

The QuickBooks *Icon Bar* allows you to select activities and available services by clicking icons on the bar (see Figure 1-25). For example, you can open the Home page by clicking **Home** on the Icon Bar.

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 literally the date when the transaction is entered into QuickBooks. It is the transaction date that is input on the transaction form. If you create an invoice on January 5th, 2019 and enter the date 1/6/2019 in the date field, the invoice will show on January 6th, 2019 on the Calendar.

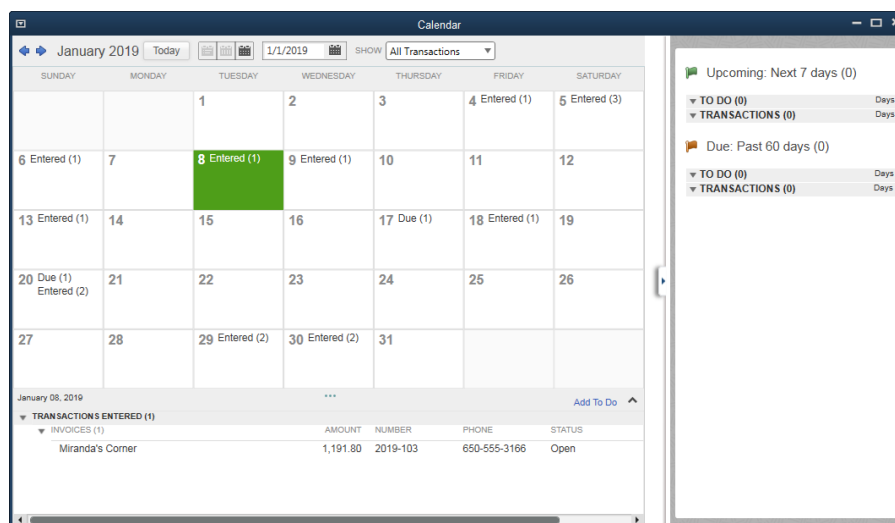


Figure 1-26 QuickBooks Calendar- your screen may vary

COMPUTER PRACTICE

- Step 1. Click the Calendar icon on the Company section of the Home page.
- Step 2. The Calendar window opens (see Figure 1-26). When finished, close the Calendar window.

Entering Transactions in QuickBooks

Whenever you buy or sell products or services, pay a bill, make a deposit at the bank, or transfer money, you need to enter a transaction into QuickBooks.

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 the name of a customer, vendor, item, or account.

COMPUTER PRACTICE

- Step 1. Click the **Enter Bills** icon on the *Home* page Vendors section (see Figure 1-27).

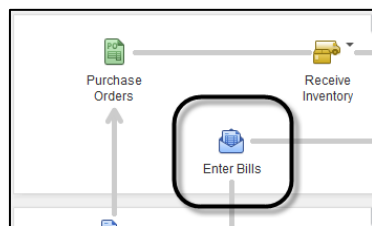


Figure 1-27 Enter Bills on the Home page

- Step 2. Click the **Previous** button in the upper left corner of the *Enter Bills* window until you see the previously entered bill in Figure 1-28.
- Step 3. Click the down arrow next to the vendor field to see the drop-down list for vendors.

Figure 1-28 Bill form

- Step 4. Click the calendar icon next to the date to see the calendar drop-down menu.
- Step 5. When finished exploring, click the **Revert** button which will return the transaction to the last saved state.
- Step 6. Close the Enter Bills window.

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 in Figure 1-28, QuickBooks will track 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, and also provides management information beyond just the accounting entries.

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, when an Item is set up, QuickBooks can automatically fill in the Item's 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 include the *Item* list and *Terms* list. Center-based lists include the *Customer Center* and *Vendor Center*, discussed on page 17.

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

Accounts

QuickBooks provides the means to efficiently track all of your business transactions by categorizing them into *accounts*. 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 *by account number* within each account type (see Figure 1-29). The *Name* column shows the account names that you assign; the *Type* column shows their account type; the *Balance Total* column shows the balance for asset, liability, and equity accounts (except Retained Earnings), and 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 1-29 Chart of Accounts List

Note:

New with QuickBooks 2018, you can now search for accounts in the *Chart of Accounts*.

Registers

Each asset, liability, and equity account (except Retained Earnings) has a *register* (see page 2 for more information on these account types). 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 1-30). Scroll through the register.

DATE	NUMBER	PAYEE	PAYMENT	DEPOSIT	BALANCE
	TYPE	ACCOUNT	MEMO		
01/05/2019	328	Ace Supply	128.60		14,354.48
	CHK	64900 - Office Sup Acct# 43-234			
01/20/2019	6003	Wong & Son Video	142.00		14,212.48
	BILLPMT	20000 - Accounts I Video Production C			
01/20/2019	6004	Ace Supply	123.48		14,089.00
	BILLPMT	-split- Acct# 43-234			
ENDING BALANCE					11,562.00

Buttons: Splits, 1-Line, Sort by (Date, Type, Number/Ref), Record, Restore

Figure 1-30 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 report (see Figure 1-31).
- Step 6. If necessary, change the *Dates* field to *All*.
- Step 7. Close the report.

Type	Date	Num	Name	Memo	Split	Amount
40000 - Services						
Invoice	12/21/2018	4003	Anderson Wedding Planners.Kuma...	Indoor Studio Session	11000 - Accounts Receivable	190.00
Invoice	01/05/2019	2019-101	Cruz, Maria:Branch Opening	Outdoor Photo Session	11000 - Accounts Receivable	380.00
Invoice	01/05/2019	2019-101	Cruz, Maria:Branch Opening	Photo retouching services	11000 - Accounts Receivable	190.00
Invoice	01/06/2019	2019-102	Cruz, Maria:Branch Opening	Photographer	11000 - Accounts Receivable	500.00
Invoice	01/09/2019	2019-104	Mason, Bob	Indoor Studio Session	11000 - Accounts Receivable	285.00
Invoice	01/09/2019	2019-104	Mason, Bob	Photo retouching services	11000 - Accounts Receivable	380.00
Invoice	01/13/2019	2019-105	Cruz, Maria:Branch Opening	Indoor Studio Session	11000 - Accounts Receivable	380.00
Invoice	01/13/2019	2019-105	Cruz, Maria:Branch Opening	Photographer	11000 - Accounts Receivable	500.00
Total 40000 - Services						2,805.00
TOTAL						2,805.00

Figure 1-31 Services Account QuickReport – your screen may vary

- Step 8. Close the Chart of Accounts.

Items

Items are used to track products and services. Since every business has its own unique set of products and services, QuickBooks can be customized by creating Items for each service or product your company buys or sells. For more detail on Items and the different Item Types, see page 211.

When you define Items, you associate Item names with Accounts in the Chart of Accounts. This association between Item names and Accounts is the “magic” that allows QuickBooks to automatically create the accounting entries behind each transaction.

For example, Figure 1-33 displays the *Item* list. The Item, **Camera SR32**, is associated, or linked, to the **Sales** account in the Chart of Accounts. Every time the **Camera SR32** Item is entered on an invoice, the dollar amount actually affects the **Sales** account in the Chart of Accounts.

Items are necessary because to use a sales form in QuickBooks (e.g., invoices and sales receipts), you must use Items. On an invoice, for example, every line item will have a QuickBooks Item which may represent products, services, discounts, or sales tax.

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 1-32). Alternatively, you could select **Item List** from the *Lists* menu.

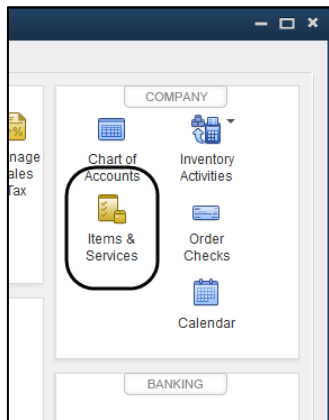


Figure 1-32 Items & Services button on Home page

- Step 2. Figure 1-33 shows the *Item* list. Double click the **Camera SR32** item.

Item List						
Look for		in	All fields	Search	Reset	<input type="checkbox"/> Search within results
NAME	DESCRIPTION	TYPE	ACCOUNT	TOTAL QUANTITY	ON SALE	PRICE
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 1-33 Item List

- Step 3. If the New Feature window opens, click **OK**.
- Step 4. The *Edit Item* window opens (see Figure 1-34). Notice this item is linked to the Sales account. Every time this item is entered on an invoice, it changes the **Sales** account.
- 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

PURCHASE INFORMATION
Description on Purchase Transactions
Supra Digital Camera SR32

SALES INFORMATION
Description on Sales Transactions
Supra Digital Camera SR32

Cost 450.00 **Sales Price** 695.99

COGS Account 50000 - Cost of Goods... **Tax Code** Tax

Preferred Vendor **Income Account** 45000 - Sales

INVENTORY INFORMATION

Asset Account	Reorder Point (Min)	Max	On Hand	Average Cost	On P.O.	On Sales Order
12100 - Invento...			9	450.00	0	0

☐ Item is inactive

Figure 1-34 Camera SR32 Edit Item window – your screen may vary

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 select **QuickBooks Desktop Help**. QuickBooks will display answers to problems you might be having based on your recent activity. You can also enter a question and QuickBooks will search its Help Content and the Online Community for related answers.

Certified QuickBooks ProAdvisors

Certified QuickBooks ProAdvisors are independent consultants, accountants, bookkeepers, and educators who are proficient in QuickBooks and 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

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 = 0.
 - 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

Introduction Problem 1

Restore the Intro-18Problem1.QBM file. The password to access this file is **Sleeter18**.

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-18Problem1.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 the transaction listing in the right-hand panel and scroll up to the top of the list to select **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-18Problem2.QBM file. The password to access this file is **Sleeter18**.

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-18Problem2.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 the transaction listing in the right-hand panel and scroll up to the top of the list to select **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 the 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 the **Payroll Liabilities** Account?
 - b) How many accounts of type **Fixed Asset** are in the Chart of Accounts?
 - c) How many accounts of 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 2/10/2019?
 - b) What was the amount of the check?
 - c) Close the checking account register and 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 the Chart of Accounts.
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-18Problem2.QBW.