

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 55)
- Making Bank Deposits (page 63)
- Income Tracker (page 72)

Restore this File:

This chapter uses **Sales-20.QBW**. See page 10 for more information. The password to access this file is **Questiva20**.

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.

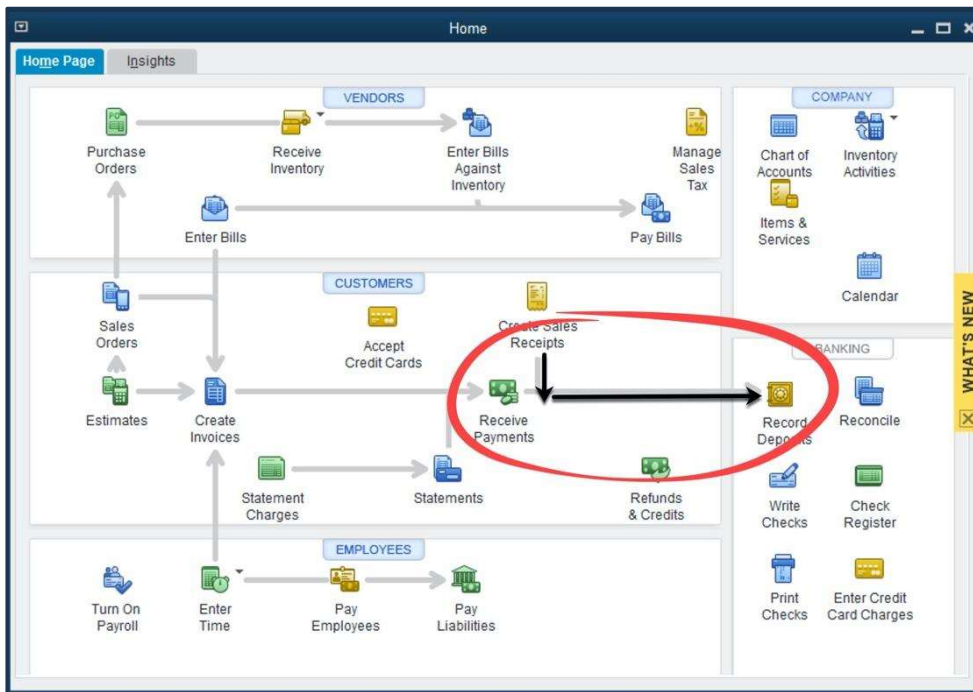


Figure 2-1 Cash Sale Workflow

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).

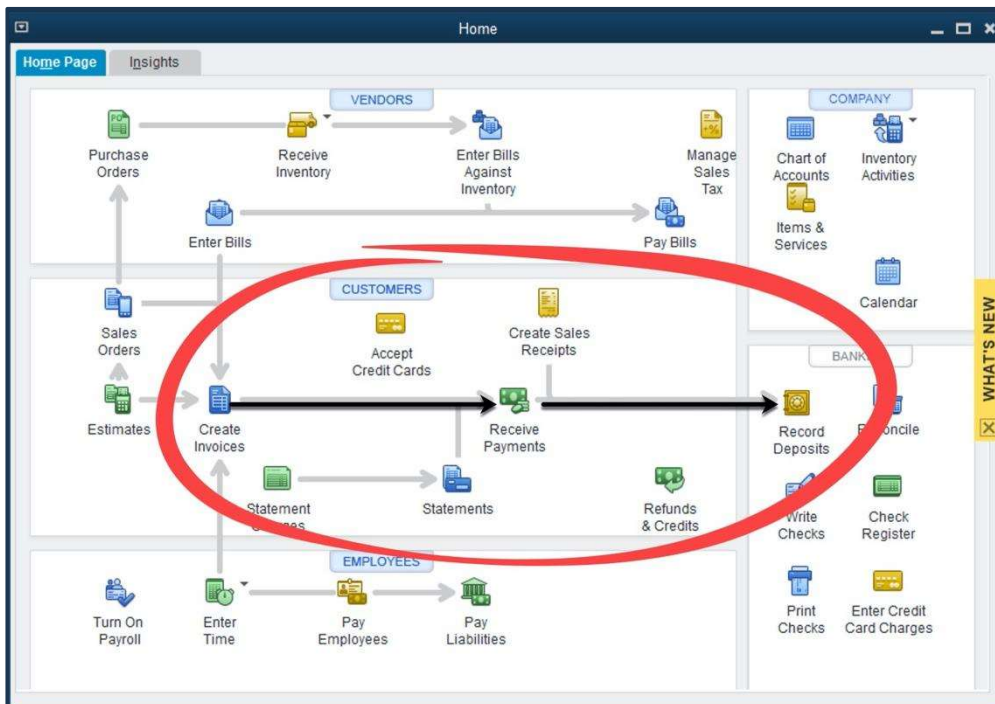


Figure 2-2 Invoicing Workflow

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 3, **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.

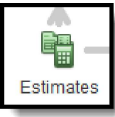
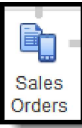

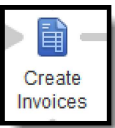
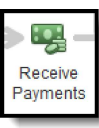


Business Transaction	Cash Customers (Pay at time of sale, Sales Receipt)		Credit Customers (Pay after the sale date, Invoice)	
	QuickBooks Transaction	Accounting Entry	QuickBooks Transaction	Accounting Entry
Estimate (Optional)	Not usually used			Non-posting entry used to record estimates (bids) for 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 63 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 and 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).

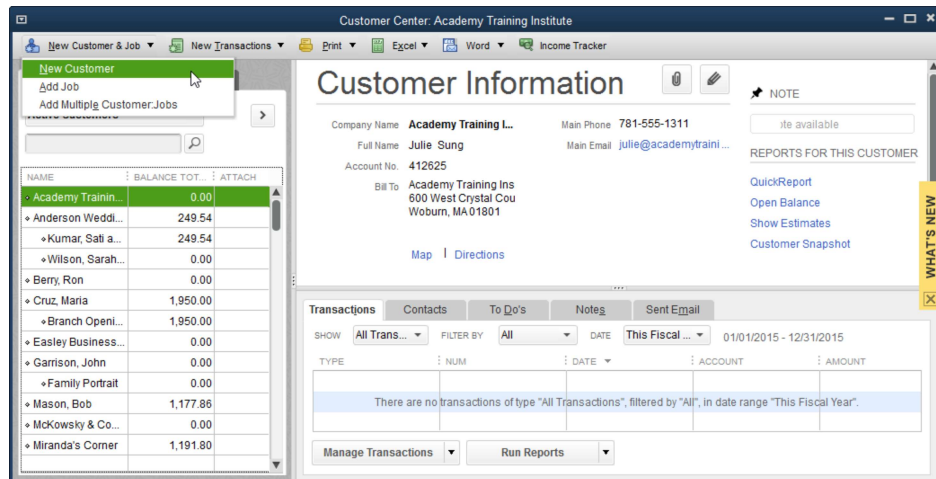


Figure 2-3 Adding a new customer record

- 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 historical open invoices for each customer when you set up your company file. 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 Hint: Press Enter to move to a new line in this field.	Tim S. Feng 300 N. First St. San Jose, CA 95136
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 a dialog box titled "Add Shipping Address Information". It has a close button (X) in the top right corner. The fields are as follows:

- Name:** Feng, Tim
- Address Name:** Office
- Address:** Tim S. Feng, 300 N. First St.
- City:** San Jose
- State / Province:** CA
- Zip / Postal Code:** 95136
- Country / Region:** (empty field)
- Note:** (empty field)

There are "OK" and "Cancel" buttons on the right side. At the bottom, there are two checked checkboxes:

- ☒ Show this window again when address is incomplete or unclear
- ☒ 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.

The screenshot shows the 'New Customer' window in QuickBooks. The 'Address Info' tab is selected. The 'CUSTOMER NAME' is 'Feng, Tim'. The 'OPENING BALANCE' is set to '06/06/2020'. The 'Address Info' section includes fields for 'COMPANY NAME', 'FULL NAME' (Dr. Tim S Feng), 'JOB TITLE' (Owner), 'Main Phone' (408-555-9268), 'Main Email' (drf@df.biz), 'Work Phone', 'CC Email', 'Mobile', 'Website', and 'Fax'. The 'ADDRESS DETAILS' section shows 'INVOICE/BILL TO' and 'SHIP TO' addresses, both set to 'Tim S Feng, 300 N First St, San Jose, CA 95136'. The 'SHIP TO' address is marked as the 'Default shipping address'. The window has 'OK', 'Cancel', and 'Help' buttons at the bottom.

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 252.
- Step 11. Select **Commercial** from the *Price Level* drop-down list. See page 254 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 won't have to enter the credit card information each time you receive money from the customer.

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 472 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.

If you use the QuickBooks merchant account services, enter the default credit card number in the *Preferred Payment Method* area. This sets the default payment on sales transactions for this customer.

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

Step 16. 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 96.

Step 17. 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 18. 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

TAX CODE: **Tax**

TAX ITEM: **Santa Clara**

RESALE NO.:

Additional Info

Job Info

Figure 2-8 Completed Sales Tax Settings tab

Step 19. Select the **Additional Info** tab in the *New Customer* window (see Figure 2-9).

Step 20. 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 21. 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 22. 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 256.

Figure 2-9 Completed *Additional Info* tab

Step 23. 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 24. 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-20.QBW**. For instructions on restoring portable files, please see page 10.



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

Step 25. 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.

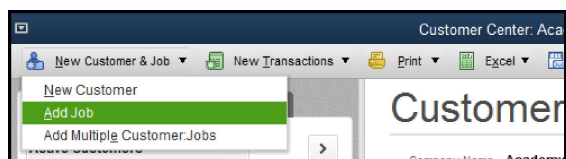


Figure 2-11 Adding a Job to an existing customer record

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.

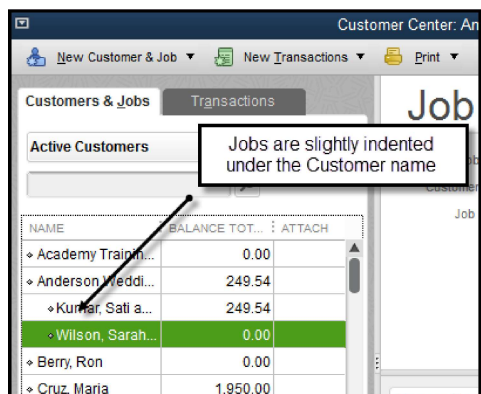


Figure 2-12 Customers & Jobs list

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).

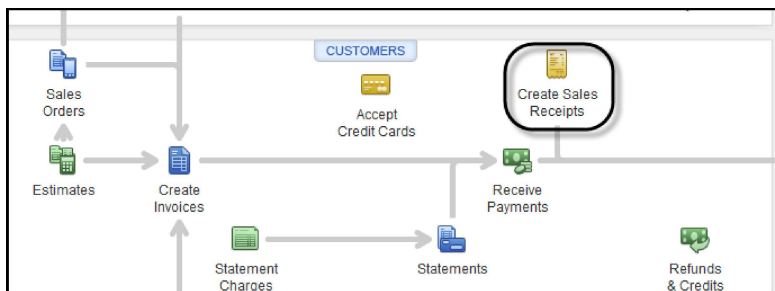


Figure 2-13 Selecting Create Sales Receipts icon on the Home page

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

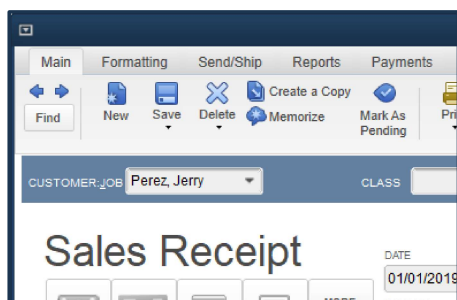


Figure 2-14 Sales Receipt form

- 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.

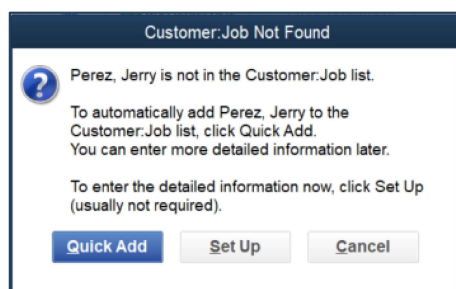


Figure 2-15 Use Quick Add to add new customers

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 118. 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 258.

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 571.

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 in QuickBooks. The customer is 'Perez, Jerry', the class is 'San Jose', and the template is 'Custom Sales ...'. The date is '01/27/2021' and the sale number is '2021-1'. The 'SOLD TO' field is 'Perez, Jerry'. The 'CHECK NO.' is '3459'. The receipt table has two items:

ITEM	DESCRIPTION	TAX	QTY	RATE	AMOUNT
Outdoor Photo Session	Outdoor Photo Session	SRV	3	95.00	285.00
Premium Photo Package	Premium Package of Photography from Session	Tax	2	85.00	170.00

The tax is 'Santa Clara' at a rate of 8.25%, resulting in a tax amount of 14.03. The total amount is 469.03. The customer message is 'Thank you for your business.' The memo is 'Outdoor Session, 2 Pem...'. The customer tax code is 'Tax'. The buttons 'Save & Close', 'Save & New', and 'Clear' are visible at the bottom.

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.

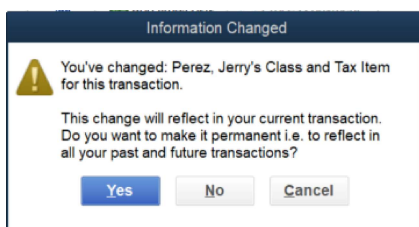


Figure 2-17 Information Changed dialog box

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.

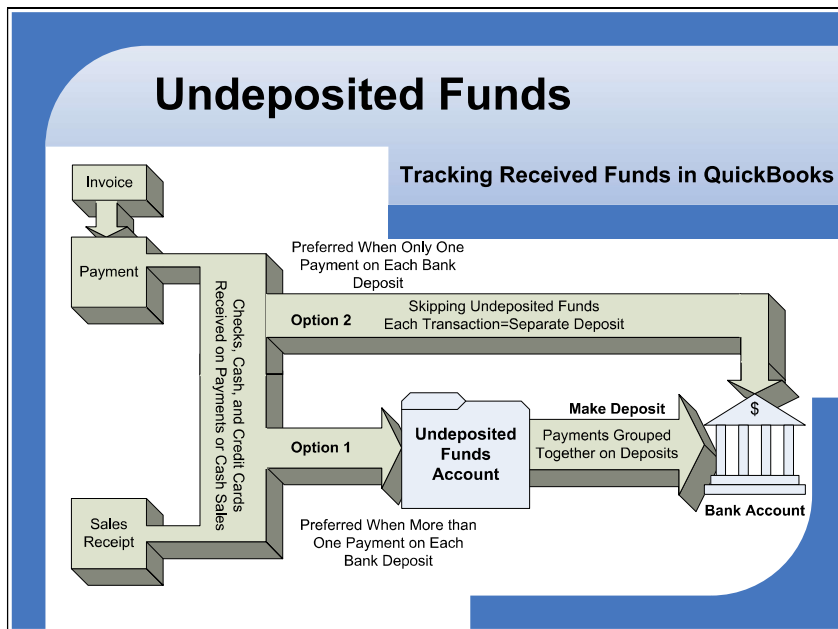


Figure 2-18 All funds from sales transactions go through Undeposited Funds or directly to a bank account.

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.

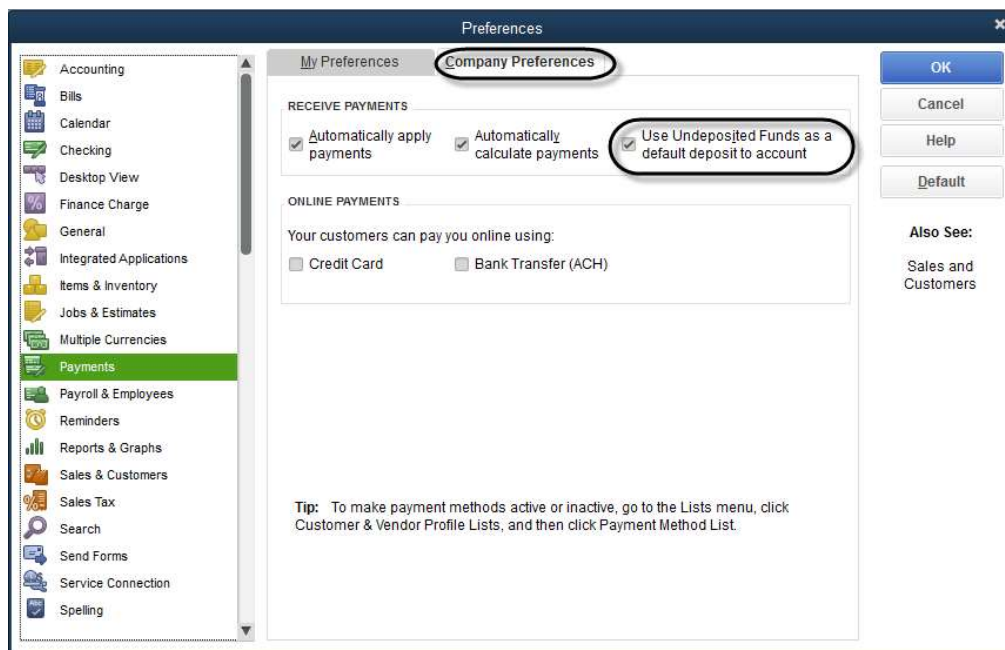


Figure 2-19 Preference for Payments to go to Undeposited Funds or another account

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.

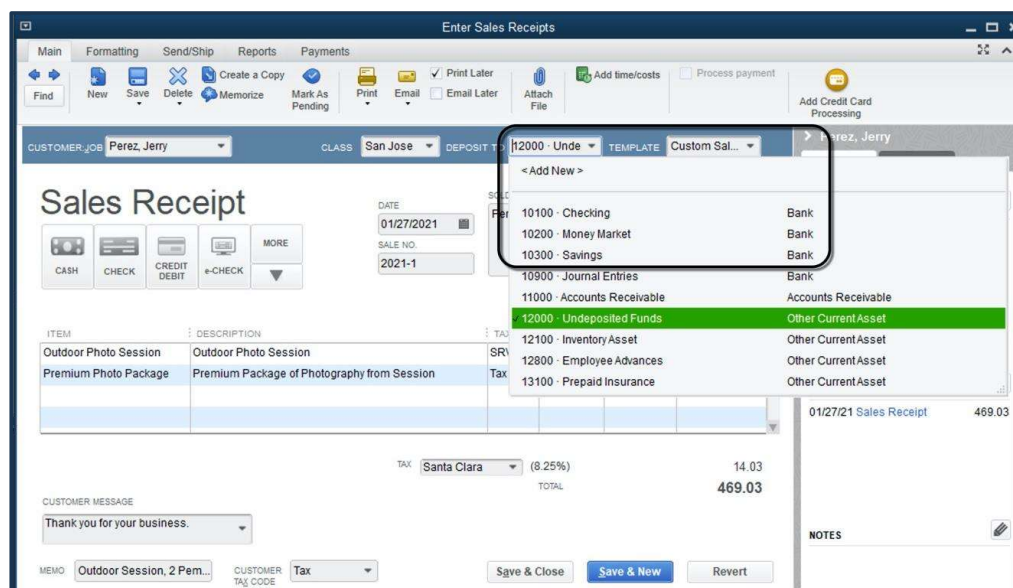


Figure 2-20 The *Deposit To* field shows on Sales Receipts when the Undeposited Funds preference is off.

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.

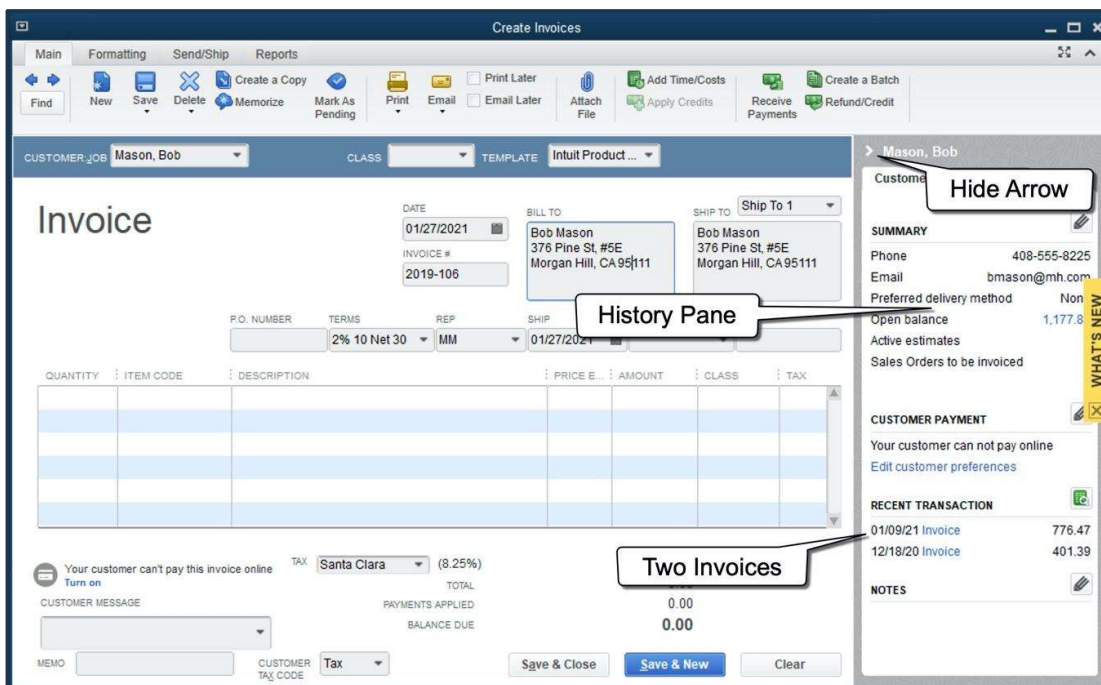


Figure 2-21 Invoice after *Customer:Job* field selected, before remaining data entered.

- 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 252.

- 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 is 'Mason, Bob', the class is 'San Jose', and the template is 'Imagine Photo...'. The invoice date is 01/27/2021, and the invoice number is 2021-106. The bill-to address is 376 Pine St, #5E, Morgan Hill, CA 95111. The terms are '2% 10 Net 30'. The invoice table lists two items: 'Indoor Photo Ses...' for 95.00 and 'Standard Photo P...' for 55.00. The total is 154.54, and the balance due is 154.54. The tax is 'Santa Clara' at 8.25%.

ITEM	QUANTITY	DESCRIPTION	RATE	AMOUNT	CLASS	TAX
Indoor Photo Ses...	1	Indoor Studio Session	95.00	95.00	San Jose	SRV
Standard Photo P...	1	Standard Package of Photography from Session	55.00	55.00	San Jose	Tax

TOTAL: 154.54
PAYMENTS APPLIED: 0.00
BALANCE DUE: 154.54

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 contextually-related 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

Main Formatting Send/Ship Reports

Find New Save Delete Create a Copy Memorize Mark As Pending Print Email Print Later Email Later Attach File Add Time/Costs Apply Credits Receive Payments Refund/Credit

CUSTOMER JOB: 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

Subtotal: 2,412.96
Disc 10%: -241.30
TOTAL: 2,350.82
PAYMENTS APPLIED: 0.00
BALANCE DUE: 2,350.82

TAX: Santa Clara (8.25%) 179.16

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**.

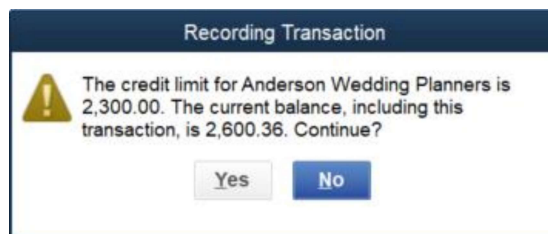


Figure 2-24 Recording Transaction window warns you about the customer's credit limit

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 2-26.

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 2-25. Or, alternatively, select the *Reports* menu, select *Customers & Receivables*, and then choose **Open Invoices**.

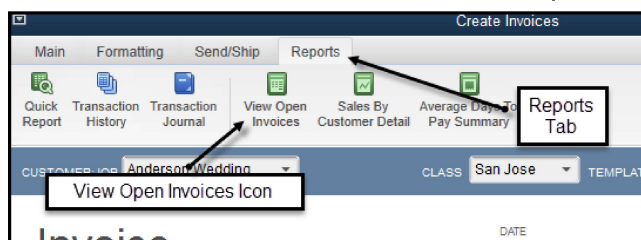


Figure 2-25 View Reports Tab

- 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 2-26.

Type	Date	Num	P.O. #	Terms	Due Date	Class	Aging	Open Balance
Anderson Wedding Planners								
Kumar, Sati and Naveen								
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 2-26 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 2-27).



Figure 2-27 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 2-28). 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 2-28 Receive Payments window

- Step 3. Enter **401.39** in the *Payment Amount* field and then press **Tab** (see Figure 2-29).
- 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 59).

- 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 2-29. 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 2-29 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 2-30).

UNDERPAYMENT \$376.47

WHEN FINISHED:

☒ LEAVE THIS AS AN UNDERPAYMENT

☐ WRITE OFF THE EXTRA AMOUNT

VIEW CUSTOMER CONTACT INFORMATION

Figure 2-30 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 2-32.
- Step 3. Select the **Credit Debit** button as payment method. The *Enter Card Information* window opens (see Figure 2-31).
- 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 2-31). Click **Done** when finished.

Figure 2-31 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 2-32 and click **Save & Close**.

Figure 2-32 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 63.

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 2-33).

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

Figure 2-33 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 2-34).
- 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**.

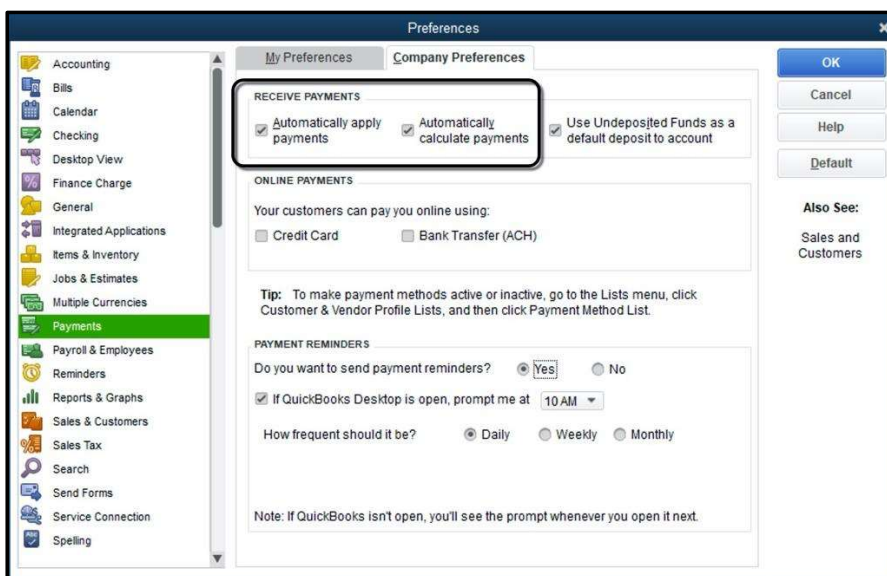


Figure 2-34 Payments Company Preferences

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 2-35. The customer is paying for Invoice #2021-106 after taking the discount allowed by the terms.

Figure 2-35 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 2-36). 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.

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

UNDERPAYMENT
\$ 625.02.

WHEN FINISHED:
☒ LEAVE THIS AS AN UNDERPAYMENT
☐ WRITE OFF THE EXTRA AMOUNT

VIEW CUSTOMER CONTACT INFORMATION

Save & Close Save & New Clear

Figure 2-36 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 2-37). 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.

Figure 2-37 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 2-38. You can override this amount if necessary. Press **Tab**.

Figure 2-38 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.

Tip:

If the payment amount doesn't add up exactly to the discounted amount, you'll need to make a choice. If the payment is too high, you could reduce the amount of the discount by lowering the amount in the *Discounts and Credits* window. If the payment is too low, you could raise the amount. If the payment amount is significantly different, you can apply the amount of the payment and then send a **Statement** to the customer showing the balance due (if the payment is too low) or send a **Refund** to the customer (if the payment is too high).

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.

DATE	NUMBER	ORIG. AMT.	DISC. DATE	AMT. DUE	DISCOUNT	PAYMENT
01/09/2021	2021-104	776.47		776.47	0.00	0.00
01/28/2021	2021-106	154.54	01/31/2021	154.54	3.09	151.45
Totals		931.01		931.01	3.09	151.45

Figure 2-39 Receive Payments window after (recording the discount)

Step 9. Verify that your screen matches Figure 2-39.

Step 10. Click **Save & Close** to record the transaction.

Step 11. Close the Customer Center.

Making Bank Deposits

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

Since you will probably receive payments from your customers in several different ways (checks, cash, and credit cards), record deposits of each type separately. This way, your deposits in QuickBooks will match how your bank posts these transactions. This will make bank reconciliations much easier. Start with the checks and cash, followed by the VISA and MasterCard receipts, and then the American Express receipts.

Deposits into multiple bank accounts should be created separately.

Different merchant service companies will batch their transactions in a variety of ways. 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 2-40). From the *Home* page select **Record Deposits**.



Figure 2-40 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 2-41).

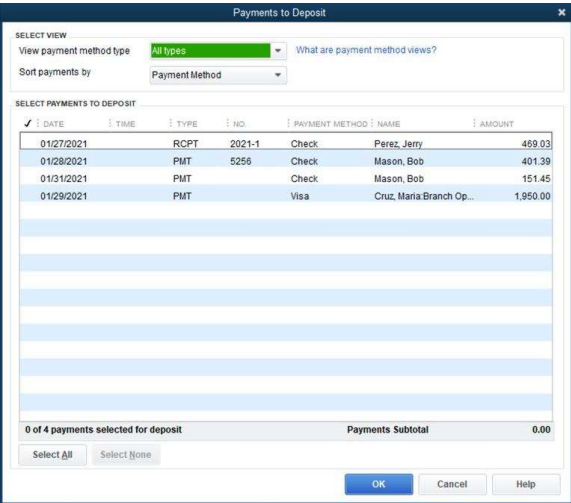


Figure 2-41 Select the payments to deposit

- Step 3. Select **Cash and Check** from the *View payment method type* drop-down list (see Figure 2-42).
- 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.

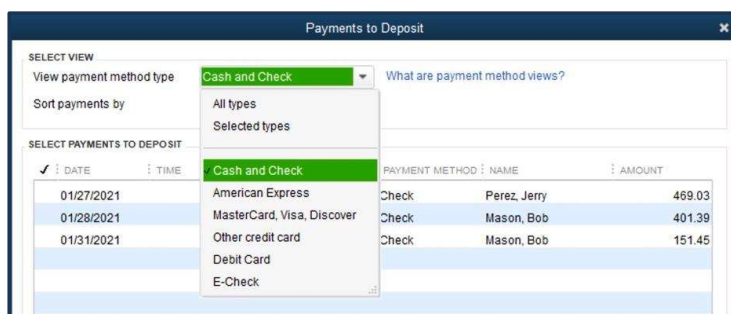


Figure 2-42 Cash and Check payments

Step 4. The Payments to Deposit window now only shows payments received through Cash and Check (see Figure 2-43). 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.

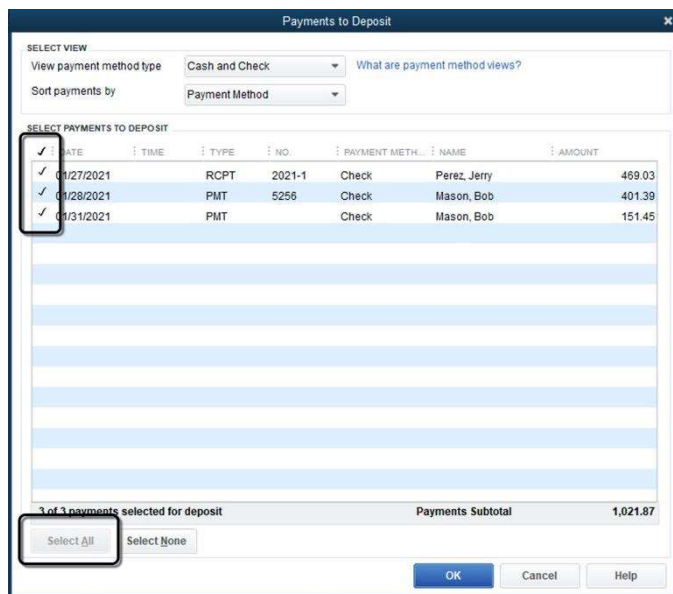


Figure 2-43 Select the payments to deposit

Step 5. In the *Make Deposits* window, the **Checking** account is already selected in the *Deposit To* field (see Figure 2-44). Confirm that this is the correct bank account for these payments. Press **Tab**.

Make Deposits

Previous Next Save Print Payments History Journal Attach

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

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

RECEIVED FROM	FROM ACCOUNT	MEMO	CHK NO.	PMT METH.	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

To get cash back from this deposit, enter the amount below. Indicate the account where you want this money to go, such as your Petty Cash account.

Cash back goes to: Cash back memo: Cash back amount:

Deposit Total: 16,021.87

Save & Close Save & New Clear

Figure 2-44 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 2-44), 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 2-45).

Figure 2-45 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 140).
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 532.

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 2-46).
- Step 3. Select **Deposit slip and deposit summary** in the window shown in Figure 2-47 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 Premium 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 Printing a deposit

Figure 2-47 Print Deposit window for deposit slips

Step 4. Check the settings on the *Print Deposit Slips* window shown in Figure 2-48.

Figure 2-48 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 2-49).
- 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
<p style="text-align: center;">Deposit Summary Imagine Photography Sales Chapter Summary of Deposits to 10100 - Checking on 01/31/2021</p>				
				6/8/2020
Chk No.	PmtMethod	Rcd From	Memo	Amount
3459	Check	Perez, Jerry	Outdoor Session, 2 Premium 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 2-49 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.

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 2-50).
- 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 2-50 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 2-51). 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.

Figure 2-51 QuickMath makes an adding machine tape appear

- Step 14. Verify that your screen matches Figure 2-52. Click **Save & Close**.

Make Deposits

Previous • Next • Save • Print • Payments • History • Journal • Attach

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

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

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
Deposit Subtotal						1,911.00

To get cash back from this deposit, enter the amount below. Indicate the account where you want this money to go, such as your Petty Cash account.

Cash back goes to: Cash back memo: Cash back amount:

Deposit Total: 1,911.00

Save & Close Save & New Revert

Figure 2-52 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 2-53.
- Step 4. Close the *Checking* register and the *Chart of Accounts*.

DATE	NUMBER	PAYEE	PAYMENT	DEPOSIT	BALANCE
01/30/2021	329	National Bank	2,152.00		11,937.00
	CHK	22000 - National Bank VISA Gold	1234-1234-1234-1234		
01/31/2021		-split-	Deposit Checks	16,021.87	27,958.87
01/31/2021		-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

Splits 1-Line Sort by: Date, Type, Number/Ref

Record Restore

Figure 2-53 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 unbilled and 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 2-54), or from the *Customers Menu*.

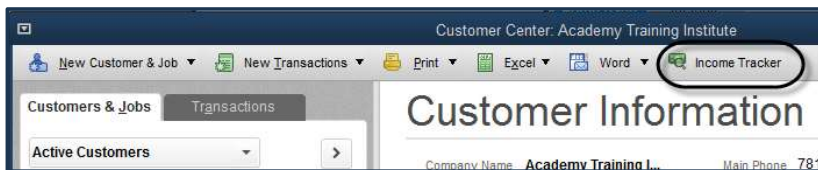


Figure 2-54 Income Tracker icon in Customer Center

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

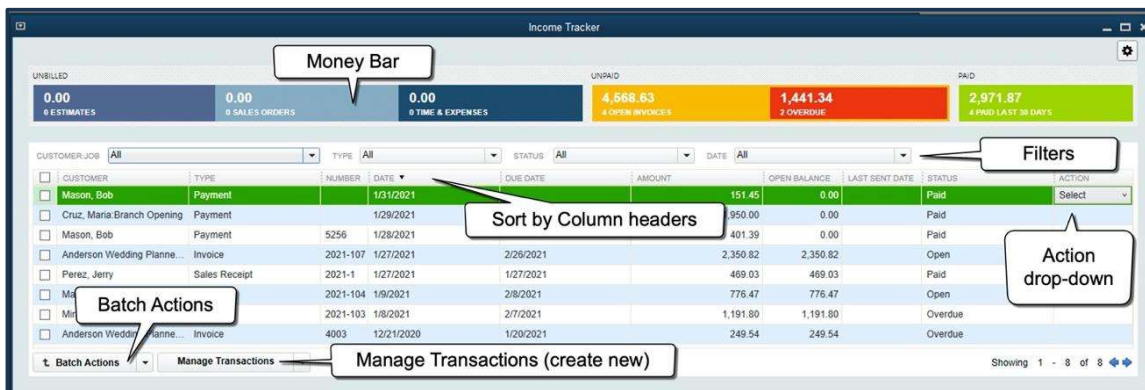


Figure 2-55 Income Tracker. Your screen may vary.

COMPUTER PRACTICE

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

- Step 1. Click the **Income Tracker** icon on the *Icon Bar* (Figure 2-56).

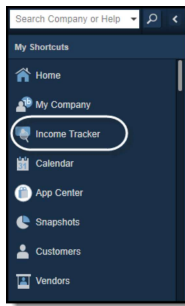


Figure 2-56 Income Tracker on Icon Bar

- 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**.

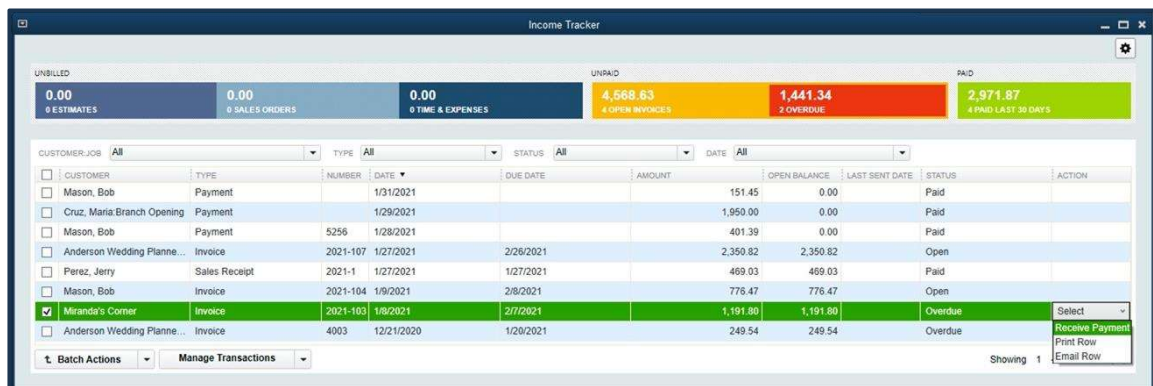


Figure 2-57 Receive Payment in Income Tracker. Your screen may vary.

- Step 4. **Receive Payment** for \$1,191.80. Verify that your screen matches Figure 2-58.

DATE	NUMBER	ORIG. AMT.	AMT. DUE	PAYMENT
01/08/2021	2021-103		1,191.80	1,191.80
Totals			1,191.80	1,191.80

AMOUNTS FOR SELECTED INVOICES

AMOUNT DUE: 1,191.80

APPLIED: 1,191.80

DISCOUNT AND CREDITS APPLIED: 0.00

Figure 2-58 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 2-59).

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

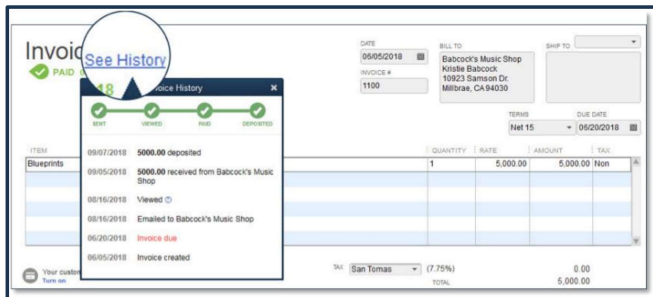


Figure 2-59 Invoice History

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 2-60).
- 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**.

A/R Aging Summary						
Customize Report Comment on Report Share Template Memorize Print E-mail Excel Hide Header Collapse Rows						
Dates	All	Interval (days)	30	Through (days past due)	90	Sort By Default
Show Filters						
Imagine Photography Sales Chapter						
A/R Aging Summary						
All Transactions						
	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 2-60 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. How does the Automatically Calculate Payments feature work?

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 a separate deposit that includes American Express receipts.
 - 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?
- Click the *Quick Add* button to add the customer to the *Customer List*.
 - Click the *Set Up* button to enter the customer's information in a *New Customer* window.
 - Click *Cancel* to check the name you entered in the *Customer:Job* field for typos or other errors.
 - None of the above.

Completion Statements

- 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.
- When you create a sales receipt, QuickBooks increases (with a debit) a(n) _____ account or the _____ account.
- Discounts and Subtotals are called _____ Items.
- Receiving payments reduces the balance in _____ and increases the balance in the *Undeposited Funds* or a bank account.
- _____ helps you add, subtract, multiply or divide numbers in an *Amount* field.

Sales Problem 1

Restore the **Sales-20Problem1.QBM** file. The password to access this file is **Questiva20**.

- 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**.
- 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

- 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

- Record a payment dated **2/5/2021** for the full amount from **Ron Berry** (check #9951123) and apply it to **Invoice 2021-106**.
- 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-20Problem2.QBM** file. The password to access this file is **Questiva20**.

- 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). 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 - **Bankcard Fee**, Payment Method - **Visa**, Memo-**2% Merchant Service Fee**. This amount should be a negative number. Print **Deposit Summary Only** onto blank paper.