June 2022 Update

QuickBooks® Online Complete 2021-2022

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About This Document

QuickBooks Online is always changing. That is both a benefit and a drawback! Intuit is constantly tweaking QBO's interface to improve the user experience based on feedback received from business owners and bookkeepers. Because of this cutting edge innovation, this means that textbooks are always a half-step behind, because the printed page is static while the software is dynamic.

Most of the time, you will be able to just look around in the software and think about what steps to do differently to achieve the same result. This is a critical thinking skill that every bookkeeper or employee should have anyway, and it's good practical experience for the real world.

But we get it. Sometimes you might get stuck, and we don't want you to ever get frustrated! This document outlines some of the major updates to the software that have been made since our most recent publication.

Each section includes the page numbers where you will find the material so that you can use it as a reference. Substitute these steps to stay on track!

Where these changes affect the end-of-chapter exercises, we have only included the altered steps.

The Instructor's Manual has also been updated and can be downloaded from the Questiva website any time.

Alicia Katz Pollock, Questiva Consultants

What's new in June 2022?

Chart of Accounts

QuickBooks Online introduced an entirely new workflow for the Chart of Accounts to help users with limited accounting knowledge.

When you create a new account using the New button, a panel opens up on the right that now includes a circle to specify a major *Account Type*, then in the next field you'll specify the *subtype*. For example, instead of starting by selecting Fixed Asset, you now specify Asset as the type, then select Fixed Asset as the section of the COA where you want to see it on reports. At the bottom of the pane you'll find a new *Preview* so you can confirm the location before saving.

Detail Type has been renamed to *Tax Form Section* to help make the purpose and function more transparent.

When you create a **Fixed Asset**, you can no longer automatically create the *Original Cost* and *Depreciation* subcategories. Instead they must be created manually. Please submit *Feedback* and ask them to bring back this helpful feature!

When you create a new COA category on the fly from within a form, you will still see the original interface.

Customers and Vendors

The dialog box for viewing Customers and Vendors has also moved to a panel on the right side. The multiple tabs in the original experience are now displayed vertically so that nothing is hidden. The details have been reordered by popularity, with the most-used appearing at the top.

Sales Tax

This change is cosmetic. The Sales Tax Center now features large squares for each tax authority, with a filter underneath.

Revised: Using This Book

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

Each chapter covers how to manage a general workflow in your business. As you step through the lessons and exercises, you will build a complete company file from scratch. It will be important to do the lessons in order so that your file matches future exercises.

Each chapter is designed to aid understanding by providing an explanation of topics, key terms, the "accounting behind the scenes," and many extra notes.

The illustrated text includes step-by-step instructions with hands-on exercises to provide you with practical experience. These are identified throughout the book with the words **HANDS-ON PRACTICE**.

The end-of-chapter assessments include comprehension questions, multiple choice questions, and completion sentences. These quizzes reinforce your retention of key concepts.

At the end of each chapter is a self-paced practice exercise mirroring real-world situations. These **APPLY YOUR KNOWLEDGE** sections tell you *what* to do. If you are not sure *how* to do it, turn back to the lessons and follow the step-by-step instructions.

Two chapters of this book are case studies. They consist of summary problems covering topics from all the lessons in this book.

From using this book, you will gain confidence in every aspect of QuickBooks Online by trying out each feature in the context of a "real" business. You will want to keep this book as a reference for years to come.

About the Exercises

The chapter lessons, end-of-chapter exercises, and case studies all use separate QuickBooks Online accounts with real-world scenarios.

Chapter Lessons: Craig's Design and Landscaping Services

> Throughout the chapters of this book, the **HANDS-ON PRACTICE** lessons use a sample company provided by Intuit for free at **http://qbo.intuit.com/redir/testdrive**. This sandbox file will completely reset every time you use it, so be sure to capture any screenshots you need or print your reports at the time you create them.

This fictitious company, ***Craig's Design and Landscaping, Inc.***, provides routine landscaping maintenance, as well as garden design. Craig Carlson uses QuickBooks Online for his accounting and business management. Craig's Landscaping may not be exactly like your business; however, the examples in this text are representative enough to guide you on your own use of QBO.

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

Apply Your Knowledge end-of-chapter exercises: Imagine Photography

> Your homework assignments in **APPLY YOUR KNOWLEDGE** at the end of each chapter are based on a second company called *Imagine Photography, Inc.*. You will build an entire company file starting from scratch through an account provided by your instructor or using a free trial of QBO Plus.
>
> This file does not reset each time. In fact, the content in each chapter builds on the steps that came before, increasing in complexity as your skills develop. It is important to work through the end-of-chapter Apply Your Knowledge exercises sequentially to ensure that your screen will match the book's screenshots.
>
> Be sure to fix your mistakes as you go. For example, your reports in Chapter 7 won't be accurate if your transactions were created incorrectly in earlier lessons.

Imagine Photography is a photography studio that also sells camera equipment. Ernest Withers, the owner, uses QuickBooks Online for its accounting and business management, and has hired you as his bookkeeper. As with Craig's Landscaping, Imagine Photography's workflows are universal and will help you understand QBO.

Imagine Photography has two locations, one in San Jose and another in Walnut Creek, CA. They have two revenue streams, store sales and photography services. In order for management to separately track revenue and expenses for each income source, Imagine Photography uses *Classes* in QuickBooks Online.

As you proceed through the book, you'll see how each transaction (bill, check, invoice, etc.) is tagged with what class it belongs to, so that later you can create reports like the *Profit and Loss by Class,* or filter reports by store.

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

As you think through the examples with Imagine Photography, imagine how you would use these tools with a variety of companies in different industries.

Case Study Scenario: YinYang Graphic Design

> There are two Case Studies in the book, one halfway through the content, and another at the end. Your instructor will send you an invitation to a fresh Student Trial Account to use for these projects, or you can use a free trial of QBO Plus.

This real-life scenario allows you to work through setting up and using QuickBooks Online as if you were the bookkeeper responsible for the subscription. You will practice setting up a second company from scratch. This graphic design and marketing agency has an e-commerce webstore so that you can practice entering daily transactions, using the banking feed, reconciling, and running reports.

The case study continues at the end of the book, allowing you to manage inventory, create job costing reports, run payroll, and close out the year.

QuickBooks Online Student Trial Accounts

This textbook guides you through learning QuickBooks Online using Student Trial accounts.

These are full-featured subscriptions to QuickBooks Online Plus provided by Intuit Education to academic programs. Your instructor will create two company files for you, one for Imagine Photography and one for YinYang Graphic Design.

You will receive an invitation from your instructor via email. Click on the link in the email, log in, create a password, select the company, and use the two files to complete the Apply Your Knowledge exercises and the Case Study projects.

These practice companies are valid for one year and cannot be used for real-life businesses.

The steps to gain access to your QuickBooks Online Plus accounts are outlined at the end of Chapter 1 and on the inside back cover of this book.

If You Aren't In a Classroom Setting

This textbook was designed for instructor-led academic courses. Independent learners will be able to perform the steps in the chapters using Intuit's free Craig's Design and Landscaping practice account, but will not have access to the Student Trial accounts needed for the end-of-chapter exercises and case studies.

Instead, you can create a **free 30-day QuickBooks Online Plus trial account** at https://quickbooks.intuit.com/pricing/, then cancel the subscription when you are done. If you think you will need more than 30 days to complete the material, take advantage of Intuit's special offer, which will discount your QBO Plus subscription for three months (offer subject to change).

If you don't want to create a trial subscription for the Apply Your Knowledge exercises and Case Study, you can adapt the steps using the data in the Craig's Landscaping sample company. The steps and answers will not match the book, but you can at least practice the concepts.

Chapter 1
Introducing QuickBooks
Online

Accounts, p. 25

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

HANDS-ON PRACTICE

Step 1.   To display the Chart of Accounts, hold your cursor over *Accounting* in the *Left Navigation Bar*, then click on **Chart of Accounts**. Alternatively, you could select **Chart of Accounts** from the *Gear*, or press **Ctrl-Alt-A** (**Cmd-Option-A** on a Mac).

Step 2.   If you see the message *"Take a Peek Under the Hood,"* click **See Your Chart of Accounts**.

Step 3.   Scroll through the list. Leave the *Chart of Accounts* open for the next exercise.

By default, the Chart of Accounts is sorted alphabetically within each account type (see Figure 1-32). If you are using *Account Numbers*, the categories are sorted by account number.

Use the *Filter by Name box* at the top to quickly find the account you need.

The *Name* column shows the account names that you will use in transactions and reports. The *yellow arrows* indicate *Banking Feed* connectivity. The *Type* column shows their account type. The *Detail Type* indicates the tax form section mapping. The *QuickBooks Balance* column shows the balances for asset, liability, and equity accounts (except Retained Earnings). The *Bank Balance* column shows the balance according to the bank, for accounts that are connected. The *Action* column offers common activities you might need.

Figure 1-32 Chart of Accounts List

Chapter 2 Customizing QuickBooks Online

Setting Up the Chart of Accounts, page 45

The *Chart of Accounts* (COA) is one of the most important lists in QuickBooks Online. It is a list of all the accounts in the General Ledger, and it populates the categories in many of your reports including the Profit and Loss Statement and the Balance Sheet. If you are not sure how to design your Chart of Accounts, ask your accountant or QuickBooks ProAdvisor for help.

In QBO Simple Start through Plus, you can have a maximum of 250 categories on your COA. This is enough for most businesses. If you need more than that because your company is complex, upgrade to QuickBooks Online Advanced, which has unlimited accounts. You'll notice alerts in the system about actions that add to or reduce your count (such as the message in Figure 2-25 that says "won't reduce usage") to help you keep an eye out when you get close to the limit.

Adding Accounts, p. 46

While QBO comes with a default Chart of Accounts, you will inevitably want to add categories of your own to represent your company's unique needs. On page **Error! Bookmark not defined.** we saw that you can import your own Chart of Accounts.

HANDS-ON PRACTICE

Craig's Landscaping needs to track **Software** separately in its Profit and Loss report.

Step 1.   Select the **Chart of Accounts** under the *Accounting* section of the *Left Navigation Bar*. If you get a *Take A Peek Under The Hood* screen, click **See your Chart of Accounts** (see Figure 2-17).

Figure 2-17 The Chart of Accounts

> **Another way:**
> To open the *Chart of Accounts*, you may also select **Chart of Accounts** from the *Gear*,
> or press **Ctrl-Alt-A** (**Cmd-Option-A** on a Mac).

Step 2.   Click on the **New** button at the top right of the *Chart of Accounts* window (be sure to click on the main button itself and not the drop down arrow on its right side).

Step 3.   At the top of the pane that opens up on the right, select the **Expenses** circle (see Figure 2-18).

Step 4.   In the *Save Account Under** field, choose **Expenses**.

Step 5.   In the *Tax Form Section** field, choose **Office/General Administrative Expenses**.

> **Did You Know?**
> If you or your accountant uses TurboTax, ProSeries, Lacerte, ProConnect Tax, or other QuickBooks Online-compatible tax software to prepare your tax return, the *Tax Form Section* may help the software map your QBO accounts to the correct lines on your tax return. This allows the tax software to fill out your tax return automatically, based on the data in QuickBooks Online.

Step 6.   Enter **Software** in the *Account Name* field and press **Tab**. This is the name that will appear on your reports. Choose names that will help you

2-18 New Software category

or the business owner understand what type of transactions belong in this category.

Step 7. Enter **Computer Software and Subscriptions** in the *Description* field. The *Description* field is not required, but it helps users understand the purpose of each category.

Step 8. Scroll down to the *New Account Preview* to see how your new account will look in the Chart of Accounts and on your Profit and Loss Report. Your screen should look like Figure 2-18 above. Click **Save** at the bottom of the window to save the account.

Modifying Accounts

Many business owners find it helpful when category names reflect the terminology used in their company or industry. You are welcome to rename categories, as long as you don't alter the original purpose of the account.

HANDS-ON PRACTICE

Craig finds the category **Supplies** too vague, so he asks you to edit the existing account name and function.

Step 9. Click the drop-down arrow to the right of the *Supplies* row and choose **Edit** (see Figure 2-19).

Figure 2-19 Edit the Supplies category

Step 10. Change the *Tax Form Section* to **Office/General Administrative Expenses**, and the *Account Name* field to **Office Supplies** as shown in Figure 2-20, then click **Save and Close**.

Step 11. When you get the confirmation alert, click **Yes**.

Figure 2-20 Change the Tax Form Section and Account Name to Office Supplies

Adding Sub-accounts

If you want additional detail in your Chart of Accounts, you can add **sub-accounts**. Account types for the main account and its sub-accounts must be same. You can add up to five levels of sub-accounts.

The main header account now totals the sub-accounts, so you will only use sub-accounts in transactions. In reports, whenever you see a total on the main account as well as under the sub-accounts, it means someone categorized a transaction into a main account instead of a sub-account. To avoid this error, be sure to create all the sub-accounts you'll need for each contingency, or add an extra called *Other*.

When using a sub-account on a check, bill or other transaction, the account will appear with the main account followed by a colon and then the sub-account, in the format *Utilities:Garbage*.

> **Did You Know?**
> In *Reports* that include sub-accounts (e.g., *Balance Sheet* and *Profit and Loss Reports*), clicking the **Collapse** button removes the sub-account detail from the report. The balance of each primary account on the collapsed report is the total of its sub-account balances.

HANDS-ON PRACTICE

Craig's Landscaping determines that it would be useful to break out utility expenses on the *Profit and Loss Statement*. Their file already has utilities for **Gas & Electric** and **Telephone**, but also needs sub-accounts for **Garbage** and an **Other** category for any miscellaneous utility costs.

Step 12.   Display the **Chart of Accounts** using any method shown previously, if it is not already displayed.

Step 13.   Select the **New** button at the top right of the *Chart of Accounts* window.

Step 14.   Select the **Expenses** circle at the top (see Figure 2-21).

Step 15.   Choose **Utilities** for the *Save Account Under* field. Confirm the *Tax Form Section* also reads **Utilities**.

Step 16.   Type **Garbage** in the *Account Name* field, and enter **Trash and recycling** in the *Description* field.

Step 17.   Scroll down and confirm that **Garbage** appears indented under **Utilities** in the *New Account Preview*.

Step 18. Click the **Save** button.

Step 19. Click the **New** button again.

Step 20. Repeat the steps above to create a new **Other Utilities** sub-account under Utilities.

Step 21. Enter **Other Utilities** in the *Description* field.

Step 22. Click the green **Save** button.

Step 23. Scroll down to the bottom of the list. Now the *Chart of Accounts* shows your new Utilities sub-accounts slightly indented under their main account, in alphabetical order (see Figure 2-22).

Figure 2-22 Sub-accounts in the Chart of Accounts

While sub-accounts provide granular detail, it is a best practice to keep your Chart of Accounts (COA) as tight as possible, while still providing sufficient operational data. Notice that in the Income section of the Craig's Landscaping file COA in Figure 2-23, *Landscaping Services* are broken down into *Job Materials* and *Labor*, and then further into types of materials.

This is usually too much detail for a Chart of Accounts. Separating *Job Materials* and *Labor Income* is a useful distinction on a P&L report. The *Decks and Patios*, *Fountains*, *Plants*, *Sprinklers*, *Installation*, and *Maintenance* categories could all be tracked with **Products and Services** instead.

By using products and services whose *Sales* accounts credit *Job Materials Income* or *Labor Income*, you'll also be able to run a variety of Products and Services reports to see a detailed analysis of what the company buys and sells.

If you find yourself in this situation, you can simplify your Chart of Accounts either by *inactivating* or *merging* the accounts, as discussed in the next section.

Figure 2-23 A Chart of Accounts with too much detail

Merging Accounts

If you find that two categories both contain similar transactions and you no longer need that level of detail, you can combine them. When you *merge* two accounts, QuickBooks Online updates each transaction from the merging account so that it posts to the remaining (combined) account instead. Then QuickBooks Online removes the account from the *Chart of Accounts* list.

You can only merge accounts of the same Account Type and Detail Type. In this example, both accounts are Legal and Professional Fees accounts.

> **Important:**
> Merging cannot be undone. Once you merge accounts together, there is no way to find out which transactions were in the old account, except by reviewing a backup file. If you are about to do a Chart of Accounts cleanup, consider a third-party app like *Rewind* to backup and restore the file in case you have unexpected results.

HANDS-ON PRACTICE

Craig's Landscaping originally separated the **Accounting** and **Bookkeeper** categories, but now Craig has decided that the two accounts can be combined.

Step 1.   Display the **Chart of Accounts** list and scroll down to *Legal & Professional Fees*.

Step 2.   Click **Run Report** on the right of *Legal & Professional Fees*. In the *Report period* box in the top left, change the date range to **All Dates**, then click on **Run Report**.

Notice that the top transaction to *Pam Seitz* was accidentally coded to the main account instead of the sub-account (you would need to fix this later!), and that the two transactions to *Books by Bessie* are split between *Accounting* and *Bookkeeping*.

Report with all Legal & Professional Fees

Step 3.   Click the blue **Back to Chart of Accounts** link in the upper left corner.

Step 4.   Note the *Name, Type, and Detail Type* of the account you want to keep, **Accounting**. One way of ensuring that the name is exactly the same is to copy the name from the account you want to keep, and paste it into the name field of the one you want to inactivate.

Step 5.   Select the account whose name you *do not* want to keep. Click on the **drop-down arrow** to the right of **Bookkeeper,** then choose **Edit**.

Step 6.   Enter or paste *Accounting* in the *Account Name* field (see Figure 2-27). If there is an *Account Number*, delete it. Confirm the **Expenses** *Type*, *Save Account Under*, and *Tax Form Section* are correct. You must enter all this information EXACTLY as it appears in the category you will keep.

Step 7.   Scroll down to the *Account Preview*, shown below. Note that **Accounting** is displayed twice, highlighted in red. QuickBooks Online has noticed that you are creating a duplicate account.

Step 8.   Click **Save**.

Step 9.   Now that this account has the same name as the other account, QuickBooks Online asks if you want to merge the two accounts (see Figure 2-28). Click **Yes, merge accounts**.

Step 10.   Click **Save**.
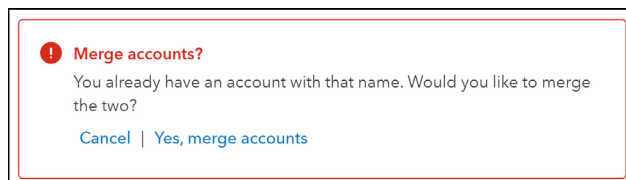
Figure 2-28 Click Yes to merge the accounts

Now that the **Bookkeeper** category has been merged into the **Accounting** category, QuickBooks Online has updated all the transactions coded to **Bookkeeper** and moved them to **Accounting** instead.

The Merged report shows the two Books By Bessie transactions together

Did You Know?
Inactivating and merging is not limited to just the Chart of Accounts list. You can clean up most lists within QuickBooks Online, including Customers, Vendors, and Products and Services.

Customizing QuickBooks Online – Apply Your Knowledge, p. 90

7. Set up your **Chart of Accounts.** Add the categories shown in Table 2-4. You do not need to enter *Descriptions*.

Accounts to Add to the Chart of Accounts				
Action	Account Type	Save Account Under	Tax Form Section	Account Name
Add	Banks	Bank Accounts	Checking	Business Checking (1025)
Add	Banks	Bank Accounts	Money Market	Money Market (7809)
Add	Credit Cards	Credit Cards	Credit Card	Business Visa (5678)
Add	Income	Income	Service/Fee Income	Photography Income
Add	Expenses	Office Expenses	Office/General Administrative Expenses	Computer Expense
Add	Expenses	Advertising & Marketing	Advertising/Promotional	Marketing

Table 2-1 Add these accounts

8. Continue to modify your **Chart of Accounts** using Table 2-5. Merge, edit, or inactivate these accounts:

Changes to Make to the Chart of Accounts			
Action	Account Name	Account Type	Edit this field
Merge	Sales	Income	*Account Name*: **Sales of Product Income**
Edit	Website ads	Advertising/Promotional	*Account Name:* **Website**
Inactivate	Land	Fixed Assets	Not needed

Table 2-2 Edit or inactivate these accounts

Chapter 3
The Sales Process

Setting Up Customers, p. 102

The **Customers Center** is your central location to view contact information and transaction lists for each customer. Create a record in the Customers Center for each person or business who receives your services or buys your products. This makes it easy to view and manage the history of their activity with your company.

HANDS-ON PRACTICE

Craig's Landscaping has a new credit customer – Dr. Tim Feng. To add this new customer, follow these steps:

Step 1.   Hold your cursor over **Sales** in the *Left Navigation Bar*. Click **Customers** to go to the *Customers Center*.

Step 2.   To add a new customer, click the green **New Customer** button in the upper right (see Figure 3-5).
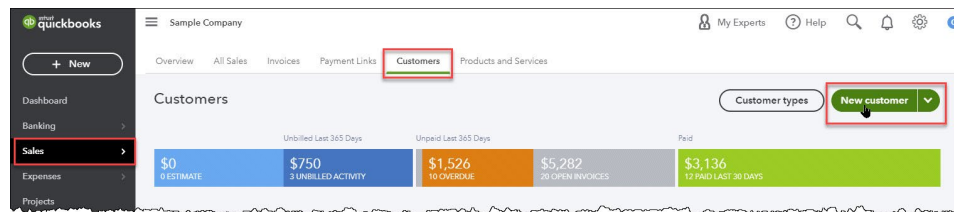
Figure 3-5 Adding a new Customer record

Step 3.   Fill in *Customer Information* window using the data in Table 3-2. You do not need to make changes to any fields not included below.

Field	Data
Title	Dr.
First Name	Tim
Middle Name	S.
Last Name	Feng
Company Name	Because this customer is an individual, skip the Company field.
Customer Display Name*	You can choose to alphabetize the customer by first name, last name, or company name. We will leave this on the default.
Email	drf@df.biz
Phone Number	408-555-8298
Street Address 1	300 N. First St.
City	San Jose
State	CA
ZIP Code	95136

Table 3-3 Data to complete the Address tab

> **Note:**
> In QuickBooks Online, you can turn on the settings to include a *Shipping Address*. This is useful when one customer requests that products be sent to, or work be performed at, a different address.

Step 4.   Figure 3-6 shows the finished *Name and Contact Info* and *Addresses* sections at the top of the customer record. Verify that your screen matches.

Figure 3-6 Completed Customer Name and Address Information

> **Tip:**
> There are three name lists in QuickBooks Online: *Vendor*, *Customer*, and *Employee*. After you enter a name in the *Customer Display Name* field of the *Customer Information* window, you cannot use that same exact *Display Name* on either of the other two lists in QuickBooks Online.
>
> **When Customers are also Vendors:** When you sell to and make purchases from the same company, you'll need to create two records, one in the Vendor list and one in the Customer 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 **Tim Feng-c** in the *Customer Information* window and **Tim Feng-v** in the *Vendor Information* window.
>
> The vendor and customer records for Tim Feng can contain the same contact information; it is just the name that needs to be different on each list.

We will complete the *Customer* window by scrolling down the rest of the panel. If you accidentally closed the customer record for Tim Feng, click on his name in the *Customer List* and then select **Edit** to continue.

Step 5.   The *Notes and Attachments* tab contains a freeform field where you can save details including the customer's **Account Number**, **Credit Limit**, and any other information you'd like to capture about the customer. These notes will show under the name in their customer record.

Enter **Account #3546, Credit Limit $8000**.

Step 6.   In the *Attachments* box, you can upload contracts and other documentation to store it with the customer's record. This does not apply to Tim, so we will leave it blank.

Step 7.   Scroll down to the *Payments* section. Select **Visa** from the *Primary Payment Method* drop-down list. When you run your first sales receipt or invoice payment using QuickBooks Payments Merchant Services, you will be prompted to add and save a credit card number.

Step 8.   Select **Net 30** from the *Terms* drop-down list. For more information about setting up your Terms list, see page **Error! Bookmark not defined.**.

Step 9.   Make sure the *Sales Form Delivery Options* field is set to **Use Company Default**.

You can edit your preferred delivery options if you plan to email or print invoices to customers all at once in a batch at the end of the day.

Step 10.   Click the *Language to Use When You Send Invoices* drop-down arrow. If your client base is multi-lingual, this option will print and email their forms in the customer's native language. Tim speaks English, so we will not change this default.

Step 11.   Scroll down to the next section, *Additional Info*. The *Customer Type* comes into play when you are using *Price Rules*. Leave this blank.

Step 12.   Customers are considered taxable by default, but you must confirm their tax code. Since Tim is a regular retail customer, he is taxable and his default tax code is **Based on Location**.

If a customer is tax exempt for any reason (reseller, non-profit, church, etc.), check the *This Customer Is Tax Exempt* box, specify their *Reason for Exemption*, and use the *Exemption Details* box to enter their Resale Certificate ID or other applicable notes.

Step 13.   Always leave the *Opening Balance* field blank. If this were a new company file and the customer had open invoices, you would instead enter those invoices as of their original dates, rather than filling in this field.

Step 14.   **Save** the *Customer* window.

Step 15.   Click on Tim's **Customer Details** tab to view the information you just entered. Compare your results to Figure 3-7. If you have any changes to make, click the **Edit** button either next to the *Customer Details* or at the top right near the green *New Transaction* button.

Figure 3-7 The Customer Details window

> **Note:**
>
> *QuickBooks Online Payments Merchant Services* allows customers to pay you with credit cards and ACH bank transfer, right inside QuickBooks Online. For more information, visit https://quickbooks.intuit.com/payments/.

Sub-customers

Each customer listed in the *Customers Center* can have one or more **Sub-customers** representing *jobs* you do for a customer. Setting up sub-customers underneath the customers helps group income and expenses by project, and helps to create separate reports showing detailed information about each one. This is particularly important for some industries such as construction.

> **Did You Know?**
> As an alternative to the traditional workflow of adding sub-customers under a customer record in QuickBooks Online, QBO also has a dedicated *Projects Center* with innovative tools to manage multiple projects including job costing and labor reports.

HANDS-ON PRACTICE

Craig's Landscaping's customer **Freeman Sporting Goods** has two locations on Ocean View Road and Twin Lane (see Figure 3-8). Let's take a look at how this is set up.
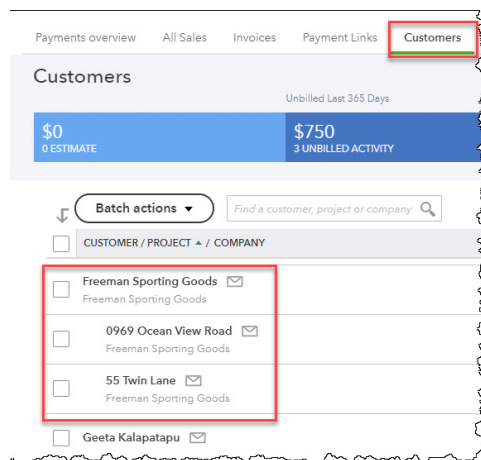
Figure 3-8 Sub-customers on the Customers list

Step 1.   Click on **0969 Ocean View Road,** and then click **Edit** to open the *Customer Information*
                 window (see Figure 3-9).

Step 2.   At the bottom of the *Name and Contact* section, look for the **Is a Sub-customer**
                 checkbox. Pick the main customer from the drop-down list, then decide whether to **Bill
                 Parent Customer**.

                 If each sub-customer will receive and pay their own invoices independently, leave this
                 box unchecked. If the parent account will pay all the bills for all of its jobs, perhaps even
                 in the same payment, turn on **Bill Parent Customer**.

                 The *Bill Parent Customer* setting is common for subcontractors who do several jobs for a
                 general contractor, and for food manufacturers who sell their products to a chain with
                 multiple locations.

Step 3.   Sasha will pay invoices for both Freeman Sporting Goods locations with one payment, so
                 add a checkmark to **Bill Parent Customer**. Click **Save**.
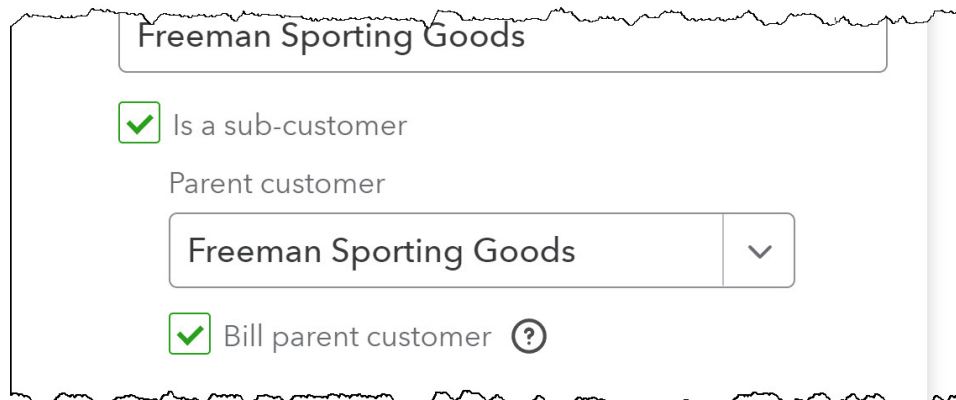
Figure 3-9 Adding a subcustomer to a customer record

> **Key Term:**
> Tracking income and expenses separately for each sub-customer is known as *Job
> Costing*. If your company needs to track job costs, make sure you include the sub-
> customer name on each income and expense transaction using the *Customer* field.
> Job costing reports such as a *Profit and Loss by Job* provide useful insights into your
> business.

Inactivating Customers

When you will no longer be doing business with a customer, you can inactive them. QuickBooks Online maintains the customer history, but it hides the customer record so it no longer appears on your active list.

HANDS-ON PRACTICE

Craig's Landscaping has never done any business with Wedding Planning by Whitney, so there is no reason to keep them on the list.

Step 1. From the *Customers Center*, click on **Wedding Planning by Whitney**.

Step 2. Drop down the arrow on the **Edit** button on the upper right.

Step 3. Choose **Make Inactive**, as shown in Figure 3-10.

Step 4. When you see a confirmation window that says *Are You Sure You Want To Make Wedding Planning by Whitney Inactive?*, click **Yes, Make Inactive.**
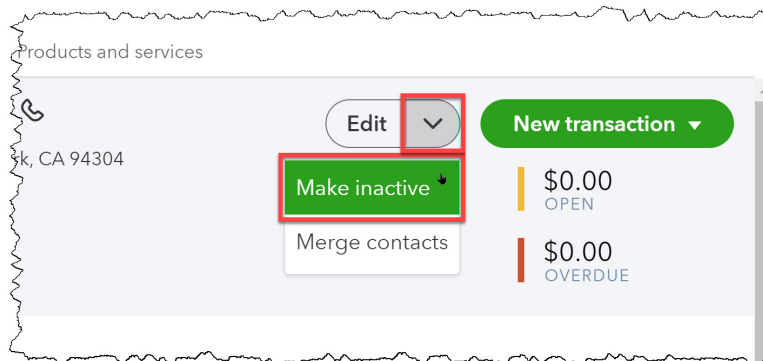
Figure 3-1 Make a customer inactive

Step 5. The Customer Record now includes **(deleted)** after the name. Return to the Customers Center. Wedding Planning by Whitney no longer shows on the list.

Step 6. If the customer comes back in the future, use the *Grid Gear* at the top right of the *Customer List* to **Include Inactive**.
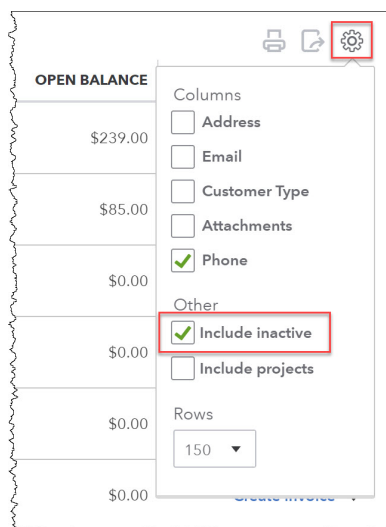
Figure 3-11 Show inactive customers

Step 7.   Scroll down to the bottom of the Customers Center. You can now see Wedding Planning by Whitney (deleted) on the list. You could click the blue **Make Active** action on the right to reactivate her account.

> **Tip:**
> You can also inactivate a customer right from the Customers Center by dropping down the arrow in the *Action* column and selecting **Make Inactive**.

Merging Customers

If you find you have two customer records for the same company or individual, you can merge them. All the transactions from both accounts will be automatically combined into one. Note that this action cannot be undone.

To merge two accounts,

1) Decide which one you would like to keep.

2) Click the **Edit** button on the customer you want to keep, and **copy** the *Customer Display Name** field. Click the **X** in the upper right corner to cancel the window.

3) **Edit** the customer you want to inactivate. **Paste** the copied name into the *Customer Display Name** field. Click **Save.**

4) When you get the *Please Confirm. That Name Is Already Being Used. Would You Like To Merge the Two?* warning as shown in Figure 3-12, click **Yes.**

5) The merged account will now show as *(deleted)*, and all the transactions will display on the list of the customer being saved.
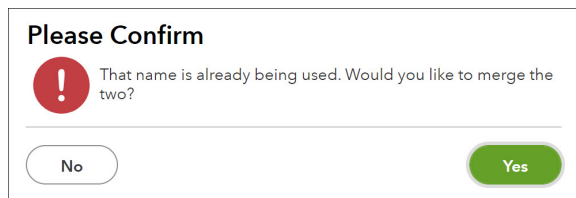
Figure 3-12 Confirmation to merge two customers

Chapter 4
Managing Expenses

Setting up Vendors, p. 155

Adding New Vendors

Vendors include every person or supplier you pay, including product manufacturers, service providers, and 1099 contract workers. Before you record any transactions to a vendor in QuickBooks Online, you must set them up in the *Vendors Center*.

> **Tip:**
> When a vendor is also a customer, you will need to set up two separate records: a vendor record in the *Vendors Center* and a customer record in the *Customers Center.* The customer name must be slightly different from the vendor name, although the contact information for both can be identical.
>
> For example, you could enter **Boswell Consulting, Inc.** for the vendor name in the *Vendor Information* window, and **Boswell Consulting** for the customer name in the *Customer Information* window. Alternatively, some bookkeepers append -V and -C to the names.

HANDS-ON PRACTICE

To set up a **Vendor**, follow these steps:

Step 1.   To display the *Vendors Center*, click on **Expenses** in the *Left Navigation Bar*, and then choose **Vendors** (see Figure 4-6).
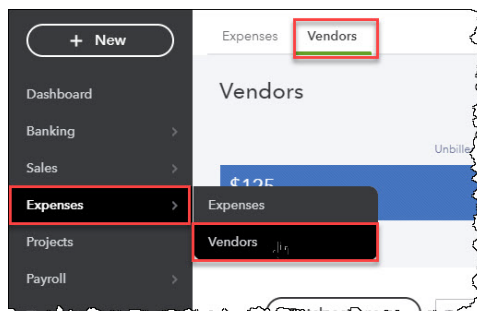
Figure 4-6 Opening the Vendors Center

Step 2.   Click the **New Vendor** button in the *Vendors Center* (see Figure 4-7).
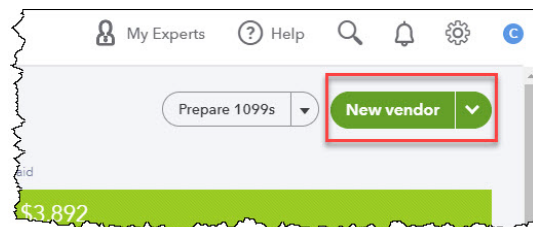
Figure 4-7 Add a New Vendor to the Vendor list

Step 3.   The *Vendor* window displays (see Figure 4-8).

Step 4.   Enter **Bernard & Stretch Law** in the *Company Name* field.

Step 5.   Enter **Ms. Janice Brechner** in the *Title*, *First Name*, and *Last Name* fields.

Step 6.   Choose **Janice Brechner** in the *Vendor Display Name** field.

> **Tip:**
> The *Display Name* must be unique. The *Vendor List* sorts alphabetically by **Display Name**, just like the *Customer List*. Therefore, if your vendor is an individual person, you can choose to alphabetize by first name, last name, or company name.

Step 7.   Continue entering the rest of the *Email*, *Phone*, *Mobile*, *Website*, and *Address* fields in the vendor record, as shown in Figure 4-8. Press **Tab** after each entry to move to the next one.

Step 8.   The *Notes* field can be used to store any information not otherwise included on this card, such as credit limit.

The *Attachments* box can hold contracts, photos, scans of business cards, or any other documentation associated with this supplier.

Step 9.   Enter *12-1234567* in the *Business ID No./Social Security No.* field.

The *Taxes* field is where you enter the social security or taxpayer identification number for your Contractors who receive Forms 1099-MISC and 1099-NEC.

1099s are issued to Sole Proprietors, LLCs, and LLPs who you pay over $600 a year for services via cash, check, ACH, or direct deposit. QuickBooks Online prints this number on the 1099 Forms at the end of the year.

Step 10.   Check the box next to **Track payments for 1099**.

Select this box for all contractors for whom you may expect to file a 1099 Form.

Step 11.   Enter **250** in the *Billing Rate (/hr)* field.

Step 12.   Select **Net 30** from the *Terms* drop-down list.

This field sets the default for this vendor's new bills, although you can override the payment terms on each bill as necessary. When you create reports for Accounts Payable (A/P), QuickBooks Online takes into account the terms on each bill. To learn more about the *Terms List*, and how to set up terms, see page **Error! Bookmark not defined.**.

Step 13.   Enter *66-112* in the *Account No.* field.

In this field, enter the account number that your vendor uses to track you as a customer. If your vendor requires you to enter your account number on the checks you send, this is where you store it, although you will need to paste it into the *Memo* field if you want it to print on the check.

Step 14.   Select **Legal & Professional Fees:Lawyer** from the *Default Expense Category* field. This sets a default expense account for future transactions with this vendor. This account may be updated if needed when you create bills and expenses.

Step 15.   Leave the *Opening Balance* and *As Of* fields blank.

The *Opening Balance* field shows only when you create a new vendor record. You will not see this field when you edit an existing vendor. The date in the *As of field* defaults to the current date. Since you will not enter an amount in the *Opening Balance* field, there is no need to change this date.

Important:

It is best *not* to use the *Opening Balance* field in the *Vendor Information* window. If you *do* enter an amount for a vendor in the *Opening Balance* field, QuickBooks Online creates a **Bill** that increases (credits) **Accounts Payable** and increases (debits) a **Miscellaneous Expense**. Instead, enter actual **unpaid bills** individually after you create the vendor record.

Step 16.   Click **Save** to save and close the *Vendor* window.

Inactivating Vendors

When you will no longer be doing business with a vendor, you can inactive them. QuickBooks Online maintains the history, but hides their record so it no longer appears on your list.

HANDS-ON PRACTICE

Craig's Landscaping has never done any business with Met Life Dental, so there is no reason to keep them on the Vendors list.

Step 1. From the *Vendors Center*, click on **Met Life Dental**.

Step 2. Click on the drop-down arrow on the **Edit** button on the upper right.

Step 3. Choose **Make Inactive**, as shown in Figure 4-9.
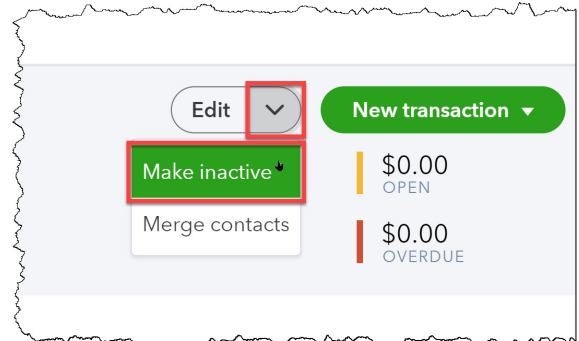
Figure 4-9 Make a vendor inactive

Step 4. When you see the confirmation window in Figure 4-10 that says *Are You Sure You Want To Make Met Life Dental Inactive?,* click **Yes, Make Inactive**.
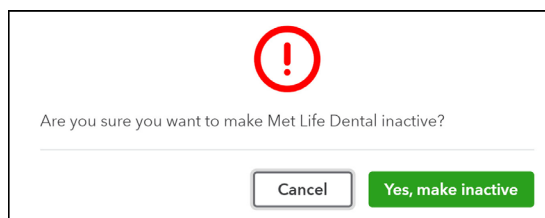
Figure 4-10 Confirm you want to inactivate the vendor

Step 5.   The Vendor Record now includes **(deleted)** after the name. Return to the Vendors Center. Met Life Dental no longer shows on the list.

Step 6.   If you use the vendor again in the future, use the *Grid Gear* at the top right of the *Vendor List* to **Include Inactive**, as shown in Figure 4-11.
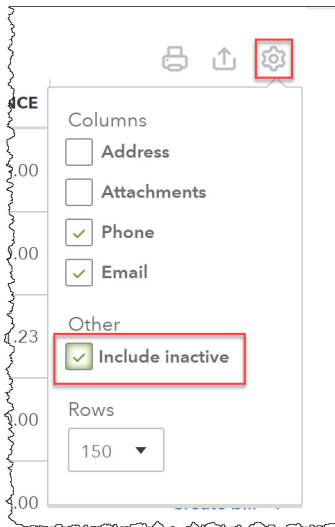
Figure 4-11 Show inactive vendors

Step 7.   When you scroll down to the Vendors list. You can now see **Met Life Dental (deleted)** on the list, as shown in Figure 4-12. You could click the blue **Make Active** action on the right to reactivate the account.
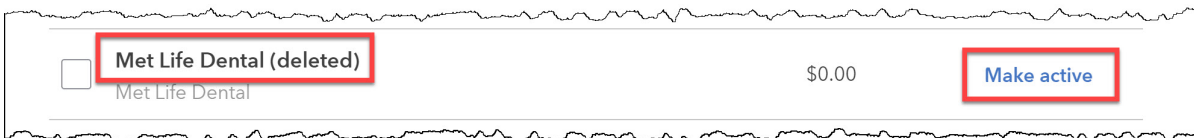
Figure 4-12 A deleted / inactivated Vendor

Did You Know?
You can also inactivate a vendor right from the *Vendors list* by dropping down the **arrow** in the *Action* column on the far right and choosing **Make Inactive**.

Merging Vendors

If you find you have two vendor records for the same company or individual, you can merge them. All the transactions from both accounts will be automatically combined into one. Note that this action cannot be undone.

To merge two accounts,

1) Decide which one you would like to keep.

2) Click the **Edit** button on the vendor you want to keep, and **copy** the *Vendor Display Name** field. Click the **X** in the upper right corner to cancel the window.

3) **Edit** the vendor you want to inactivate. **Paste** the copied name into the *Vendor Display Name** field. Click **Save.**

4) When you get the *That Name Is Already Being Used. Would You Like To Merge the Two?* warning as shown in Figure 4-13, click **Yes.**

5) The merged account will now show as *(deleted)*, and all the transactions will display under the vendor being saved.

Figure 4-2 Confirmation to merge two vendors

Managing Expenses – Apply Your Knowledge, p. 188

Log into your **Imagine Photography** class file at qbo.intuit.com.

3. Update the following Vendor information in your *Vendors List*:

Name	Vendor Display Name	Track Payments for 1099	Billing Rate (/hr)	Terms	Account No.	Default Expense Account
Esther Gandhi	Gandhi Video, LLC	Yes	95	Net 30		
Shannon Grosskurth	Donna Distributing			Net 30	3456	
Erin Long	Erin Long, CPA	Yes	250	Due on receipt		Accounting Fees
Kim Peterson	Peterson Office Supply			Due on receipt		Office Supplies
Vicki Barton	Barton Insurance, Inc.			Net 30		Business Insurance
Dan Kahn		Yes		1st of the Month		Building & Property Rent
Ogaga Photo Supply	Ogaga Photo Supply			Net 30	43-234	

Table 4-4 Vendor List

Chapter 5
Advanced Transactions

Managing Loans, p. 237

When you receive a loan from a financial institution, it is recorded as a liability on your Balance Sheet. Loans can be received in cash to increase your checking account, or they may be disbursed directly to purchase vehicles or equipment, increasing your Fixed Assets.

Every time you make a payment, the payment must be split into line items to pay off the loan principal, interest, and escrow as appropriate.

Setting up Loans

There are one-time steps to set up a loan in QuickBooks Online. You must add the **Loan Liability** account, the **Fixed Asset** account, and the **Interest Paid** accounts to the Chart of Accounts, then create a Journal Entry to set up the initial financial transaction.

For this example, Craig's Landscaping purchases a new trailer to haul their equipment for $20,000. They write a check for a $5,000 down payment, and take out a loan with National Bank for $15,000.00.

Step 1.	From the *Accounting* option in the *Left Navigation Bar*, open the **Chart of Accounts**.
Step 2.	Click the green **New** button in the upper right.
Step 3.	Click on **Liabilities**, then choose **Long Term Liabilities** in the *Save Account Under* field (see Figure 5-61).
Step 4.	The *Tax Form Selection* is **Notes Payable**.
Step 5.	In the *Account Name* field, enter **Trailer Loan**. In the *Description* field, type **Loan for trailer**.
Step 6.	Click **Save**.
Step 7.	Click the **New** button to add another account.
Step 8.	Change the *Account Type* to **Assets**. In the *Save Account Under* field, select **Fixed Assets**.
Step 9.	Update the *Tax Form Selection* to **Machinery & Equipment**.

Step 10. Change the *Account Name* field to **Trailer**. In the *Description* field, type **New equipment trailer**.

Step 11. When your *New Account* window looks like Figure 5-62, click **Save**.

Did You Know?
Many bookkeepers prefer to track the original cost and depreciation of each Fixed Asset separately using sub-accounts. For example, look at the Truck shown in Figure 5-62. The purchase transactions for the vehicle are categorized to *Original Cost*, and the accountant's year-end *Depreciation* entry has its own contra-account. This way, the Balance Sheet provides insight into the remaining *Net Book Value* (NBV) of your Fixed Asset at any point in time.

Step 12. Many times there is already a default Interest Expense account in your file. Use the *Filter by Name* box at the top of the list to check to see whether your QuickBooks Online file already has an *Expense* account that you can use, such as **Interest Paid**, **Interest Expense**, or **Business Loan Interest**. If yours does not, create a new Expense account as shown in Figure 5-63.

Figure 5-63 New Interest Expense account

Step 13. Your Chart of Accounts will now have new categories for the *Trailer* in Fixed Assets and the **Trailer Loan** in Long Term Liabilities (you will have to scroll to find them, or enter **Trailer** in the *Filter by Name* field at the top of the list). The new **Interest Expense** is further down.

Figure 5-64 The Chart of Accounts with new categories for the Trailer Fixed Asset and Loan Liability

Paying Sales Tax, p. 241

Many QuickBooks Online users need to collect sales tax each time they sell products and certain types of services. In Chapter 3, you learned how to collect sales tax as you make each sale. At the end of each month, quarter, or year (depending on your sales volume) *Sales Tax* needs to be paid to the appropriate state or local agencies.

To correctly pay your sales tax liability, be sure to use the *Sales Tax Center*. When you pay your sales tax, do not create a *Check* or *Expense*, or pull it in through the *Banking Feed*, because the payment may not affect the Sales Tax Liability or show properly on the *Sales Tax Liability* reports.

The Sales Tax Center also provides a place to make necessary adjustments for discounts, interest, penalties or rounding, to match QuickBooks Online's calculations to the amount your sales tax agency says you owe.

If you are not familiar with the sales tax rates or reporting requirements in your area, consult your state's Department of Revenue, your local QuickBooks Online ProAdvisor, or an accountant for guidance.

HANDS-ON PRACTICE

Craig's Landscaping files sales tax returns in two states, California and Arizona. In this example, we will view reports and process returns for the previous month.

Step 1.	Click on **Taxes** in the *Left Navigation Bar* to go to the *Sales Tax Center*. If it is not set up, turn back to *Setting Up Sales Tax* on page **Error! Bookmark not defined.** and repeat the steps there before moving on to Step 2.
Step 2.	The Sales Tax Center displays boxes for each state including taxes currently due.
Step 3.	Click on the box for **California**. Underneath you can see the sales taxes currently due, as shown in Figure 5-68 - your screen may vary.
Step 4.	To see past periods, expand the date range by changing *Tax Period Due* up to a year back.
Step 5.	Buttons in the Sales Tax Center allow you to update your *Sales Tax Settings*, explore *Economic Nexus*, and run sales tax reports.

Figure 5-68 The Sales Tax Center

Step 6.   At the bottom you can view taxes currently due (yours may display *Overdue* if today's date is after the 20th of the month). Click the **View Tax Return** link in the *Action* column.

Advanced Transactions – Apply Your Knowledge, p. 248

Log into your **Imagine Photography** class file at qbo.intuit.com.

13. The owner, Ernest Withers, buys a used cargo van for the business to carry gear for photo shoots. He takes out a loan for $25,000 from National Bank, and makes a $5,000 down payment using a cashier's check at the bank. He would like to track the original cost and the depreciation on the vehicle separately, similar to the way the Truck is set up in the Craig's Landscaping sample file.

   a) In the *Chart of Accounts*, add a new **Asset**, saved under **Fixed Assets:Vehicles.** The *Tax Form Section* is **Vehicles**. Name the new account **Cargo Van**.

   b) Create two additional Fixed Asset sub-accounts under the Cargo Van, one for **Original Cost** (*tax section* **Vehicles**) and one for **Depreciation** (*tax section* **Accumulated Depreciation**).

   c) In the *Chart of Accounts*, edit the *Long Term Liabilities category* called **Long-term Business Loans***.* Change its *Tax Form Section* to **Notes Payable**. Rename it **National Bank Cargo Van Loan**.

   d) Record a **Check** for the down payment on the van using the information in Table 5-4:

Check	Fields
Payee	Weathers Auto (add vendor on the fly)
Payment Account	Business Checking (1025)
Payment Date	The 21st of this month
Payment Method	Check
Ref No.	12340987
Category	Cargo Van:Original Cost
Description	2020 Ford Transit
Amount	5000
Class	Overhead

Table 5-5 The vehicle down payment

Case Study: YinYang Graphic Design

3. Chart of Accounts, p. 343

Set up your **Chart of Accounts** using Table 8-6. Add, edit, or inactivate these categories.

Changes to Make to the Chart of Accounts				
Action	Account Name	Account Type	Save Account Under	Tax Form Selection OR *Edit to make
Add	National Bank Checking (0042)	Banks	Bank Accounts	Checking
Add	National Bank Savings (4236)	Banks	Bank Accounts	Savings
Add	National Bank Visa (1818)	Credit Cards	Credit Cards	Credit Cards
Add	Security Deposits	Assets	Other Assets	Security Deposits
Add	Design Income	Income	Income	Service/Fee Income
Add	Marketing	Expenses	Advertising & Marketing	Advertising/Promotional
Edit	Sales *Rename to **Consulting Income**	Income	Income	*Change to **Service/Fee Income**
Inactivate	Heating & Cooling	Expenses		*Not needed
Inactivate	Water & Sewer	Expenses		*Not needed

Table 8-6 Additional customization for the Chart of Accounts

Chapter 9
Projects and Job Costing

Taking Customer Deposits on Work to Be Performed, p. 366

Many companies take *Customer Deposits* when a bid is accepted, both to confirm the customer's commitment, and so they have the resources they need to start the job.

When accepting this money as a retainer, it's not yet considered income. Instead, it's booked as Other Current Liabilities on your Balance Sheet because it's *unearned revenue*. If the job is cancelled, you must refund the money (unless you asked for a non-refundable deposit).

When the project's total invoice is reduced by the pre-payment, the **Customer Deposit** debits the liability account on your Balance Sheet, and the total revenue is recognized on your *Profit and Loss Statement* as **Income**.

Setting Up Prepayments and Deposits

There are two steps involved to set up *deposits on work to be performed*. These only need to be done once. The first is to set up the **Liability** account on the Balance Sheet for unearned revenue. The second is to create a **Service** that moves money in and out of the liability account using the sales forms.

> **Important!**
> In new QBO subscriptions, there may already be a customer deposits liability account called *Customer Prepayments*. If you have this category in your Chart of Accounts, you can skip the steps to create the Other Current Liabilities account in Figure 9-18 and use the existing **Customer Prepayments** category in the *Income Account* field when you create the *Service* in Figure 9-19.

HANDS-ON PRACTICE

Step 1.   From the *Left Navigation Bar*, click on **Accounting** to open the **Chart of Accounts**.

Step 2.   Click on the **New** button.

Step 3.   Click the **Liabilities** circle at the top, then in *Save Account Under* choose **Other Current Liabilities**. Enter the same option in *Tax Form Section* as well (see Figure 9-18).

Step 4.   In the *Account Name* field, enter **Customer Prepayments**. Type **Down payments from customers for future goods and services** in the *Description* field.

Step 5.   Click **Save**.

Step 6. Open the **Products and Services** list under *Sales* in the *Left Navigation Bar*.

Step 7. Click the **New** button.

Step 8. On the *Product/Service Information* screen, choose **Service**.

Step 9. Fill in the *Product/Service Information* window to match Figure 9-19 below. Enter **Customer Prepayment** in the *Name* field, and in the *Description* box type **Deposit for work to be performed**.

Step 10. Leave the *Sales Price/Rate* empty since the price will vary. Enter **Customer Prepayments** in the *Income Account* field.

By entering the liability account in the field that typically points to income, when you use this service the money will post to your *Balance Sheet* instead of your *Profit and Loss Statement*.

Step 11. Click **Edit Sales Tax**, click on **Still Don't See What You're Looking For?**, and select **Nontaxable**. Click the **Back** link at the top.

Step 12. Click **Save and Close**.

Figure 9-19 Creating a Service for Customer Prepayments

Chapter 10
Inventory

Adjusting Inventory, p. 425

QuickBooks Online automatically updates inventory each time you purchase or sell inventory items. However, it may be necessary to manually adjust inventory after a physical count, or in case of an increase or decrease in the value of your inventory on hand. For example, you might decrease the value of your inventory if it has lost value due to new trends.

Using QuickBooks Online's Inventory Quantity Adjustment form moves the FIFO value of the inventory between the Inventory Asset account and a Cost of Goods Sold account of your choice.

Adjusting the Quantity of Inventory on Hand

HANDS-ON PRACTICE

Craig did a manual inventory count in the stock room, and realized some of the Sprinkler Heads and Sprinkler Pipes were missing. He asks you to update the inventory counts in QuickBooks Online.

Step 1.   Go to the *Chart of Accounts*. Click the **New** button and create a new **Expenses** account saved under **Cost of Goods Sold** (see Figure 10-13). The *Tax Form Section* is **Supplies & Materials – COGS**, and the *Name* is **Inventory Shrinkage**. In the *Description* field type **Inventory damage, loss, theft**. Click **Save**.

Figure 10-13 Create a new Inventory Shrinkage COGS account

Step 2.   Click the **+New** button, then select **Inventory Qty Adjustment** in the right column. QuickBooks Online displays the window shown in Figure 10-14.

Step 3.   Use *today's date* in the *Adjustment Date* field.

Step 4.   Choose your new **Inventory Shrinkage** category for the *Inventory Adjustment Account*.

Did You Know?
Although these adjustment entries can be made to an expense account (decrease in inventory) or an income account (increase in inventory), offsetting inventory variances to a separate Cost of Goods Sold account (for either inventory increases or decreases) more accurately reflects the recording of shrinkage, damage, theft and loss.

Step 5.   Leave *1* in the *Reference No.* field. You can create your own numbering system if you wish.

Step 6.   Enter **Sprinkler Heads** in the *Product* field.

Step 7.   Enter **21** in the *New Qty* box and press **Tab**. The *Change in Qty* recalculates to **-4**.

Step 8.   On the second line, enter **Sprinkler Pipes** in the *Product* field, and update the *New Qty* to **32**. The *Change in Qty* field updates to **1**.

Step 9.   Enter **Adjust Inventory for physical counts** in the *Memo* field.

Step 10.   Compare your screen to Figure 10-14. To save the adjustment, click **Save and Close**.

Figure 10-14 The Inventory Quantity Adjustment window

The Accounting Behind the Scenes:
Inventory value adjustments always affect your *Inventory Asset* account. If the ***Total Value of Adjustment* is a positive number**, the **Inventory** account increases (debits) by that amount and the **Adjustment** account decreases (credits). If the **Total Value of Adjustment is a negative number**, the debits and the credits are reversed.

TRANSACTION TYPE	MEMO/DESCRIPTION	ACCOUNT	DEBIT	CREDIT	PRODUCT/SERVICE
Inventory Qty Adjust	Adjust Inventory for physical cou...	Inventory Shrinkage			
	Adjust Inventory for physical cou...	Inventory Asset			Landscaping:Sprinklers:Sprinkler He...
	Adjust Inventory for physical cou...	Inventory Asset		$3.00	Landscaping:Sprinklers:Sprinkler He...
	Adjust Inventory for physical cou...	Inventory Shrinkage	$3.00		Landscaping:Sprinklers:Sprinkler He...
	Adjust Inventory for physical cou...	Inventory Asset			Landscaping:Sprinklers:Sprinkler Pip...
	Adjust Inventory for physical cou...	Inventory Asset	$2.50		Landscaping:Sprinklers:Sprinkler Pip...
	Adjust Inventory for physical cou...	Inventory Shrinkage		$2.50	Landscaping:Sprinklers:Sprinkler Pip...
			$5.50	$5.50	

Chapter 11 Adjustments and Year-End Procedures

Calculating and Recording Depreciation, p. 447

Using Control Accounts and Net Book Value

An alternative method of managing Fixed Assets allows you to track the value and accumulated depreciation of each individual asset. To do this, you would set up each Fixed Asset using three accounts: a *Control* account with two *Sub-accounts* for the *Original Cost* and its *Accumulated Depreciation*.

The method tracks each individual asset separately, instead of grouping similar assets together.

Trailer	Fixed Assets	Machinery & Equipment
Depreciation	Fixed Assets	Accumulated Depreciation
Original cost	Fixed Assets	Machinery & Equipment

Figure 11-10 An alternative Fixed Asset setup with control accounts

Using control accounts allows you to see the **Net Book Value** of each Fixed Asset on the **Balance Sheet** in the *Total* for the asset (see Figure 11-13).

Key Term:

Net Book Value (NBV) is the book value of your Fixed Asset at any point in time. Calculate NBV by subtracting the amount of use of the asset (accumulated depreciation) from the original purchase price to determine the value of the remaining useful life. As you can see in Figure 11-13, the original cost of a Truck is $13,495. The accumulated depreciation to date is $224.92. Therefore, the Net Book Value of the Truck Fixed Asset is $13,495.00.

Chapter 12
Advanced Company Setup

Understanding Opening Balance Equity, p. 475

The *Opening Balance Equity account* is created automatically by QuickBooks Online as the "holding tank" for your starting balances as you set up your new file. As you enter the existing balances for your assets and liabilities as of the start date of your file, QuickBooks Online automatically adds offsetting amounts in the *Opening Balance Equity* account.

Then, after you have entered all of the opening balances, you'll "close" Opening Balance Equity into *Retained Earnings* (or *Owner's Equity*).

After the set up process is complete, the Opening Balance Equity account must always maintain a zero balance.

> **Tip:**
> By using the **Opening Balance Equity** account during setup, you will be able to quickly access the detail of your setup transactions by looking at the **Opening Balance Equity register**.

Opening Balances for Accounts

To enter opening balances, you can either edit the account category or create a *Journal Entry*.

A journal entry is the preferred method because it allows you to set up the Opening Balances for several accounts at once. With this method, the starting balance on your first reconciliation will be zero, with the *Opening Balance Journal Entry* waiting in the Reconciliation window to be checked off.

> **Important!**
> The opening balances for bank accounts and credit cards do not need to be entered manually. An Opening Balance Equity transaction will be created automatically when you connect to each financial institution and begin to download transactions. Note that these automatic entries are pre-reconciled, and may need to be edited to compensate for open checks and other outstanding transactions.

Directly Editing the Account

QuickBooks Online allows you to directly enter opening balances for some of your Balance Sheet accounts, as shown in Figure 12-2. When you use these fields, QBO will automatically create the correct type of transaction and offset the debits and credits for you.

Do not use this method to enter the opening balances for *Accounts Receivable*, *Undeposited Funds*, *Accounts Payable*, *Sales Tax Payable*, and *Opening Balance Equity*. Those will be created as a result of the other setup steps in this chapter.

Figure 12-2 Enter an opening balance in the Account details window

Accounting Behind the Scenes:

When you enter an opening balance from within an account info window, a transaction posts to **Opening Balance Equity.** The **Debit** or **Credit** will depend on the type of account.

TRANSACTION TYPE	MEMO/DESCRIPTION	ACCOUNT	DEBIT	CREDIT
Deposit	Opening Balance	Cash on hand	$1,000.00	
		Opening Balance Equity		$1,000.00
			$1,000.00	**$1,000.00**