Chapter 2
Introducing QuickBooks

Topics

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

- The QuickBooks Product Line (page 7)
- Accounting 101 (page 8)
- QuickBooks Files (page 11)
- Opening Portable Company Files (page 16)
- Restoring Backup Files (page 21)
- QuickBooks User Interface Features (page 25)
- Entering Transactions in QuickBooks (page 28)
- QuickBooks *Help* (page 33)

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

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

The QuickBooks Product Line

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

QuickBooks Desktop vs. QuickBooks Online

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

QuickBooks Versions

The QuickBooks Desktop product line includes several separate product editions: **QuickBooks Pro, QuickBooks Premier, QuickBooks Accountant,** and **QuickBooks Enterprise.** The Premier and Enterprise versions are further broken down into six industry-specific versions for **General Business, General Contractor, Manufacturing & Wholesale, Nonprofit, Professional Services,** and **Retail.**

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

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

While QuickBooks Desktop used to have standalone software downloads, it is now only sold by annual subscription. The benefits to subscribing include enhanced customer support, an online backup service, automatic upgrades from version to version, and exclusive features such as Receipt Management, which allows users to photograph receipts with their mobile devices.

There is also a Mobile App that syncs with QuickBooks Desktop to help you take pictures of receipts and swipe credit cards in the field.

For a comparison of all products and options, visit https://quickbooks.intuit.com/desktop/.

Accounting 101

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

Accounting's Focus

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

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

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

> **Assets = Liabilities + Equity, or Equity = Assets - Liabilities.**

The General Ledger

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

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

Each account summarizes transactions that increase or decrease the equity in your organization. The figure below shows a general picture of the effect your accounts have on the equity of your

organization. Some accounts (those on the left) increase equity when they are increased, while others (those on the right) decrease equity when they are increased.
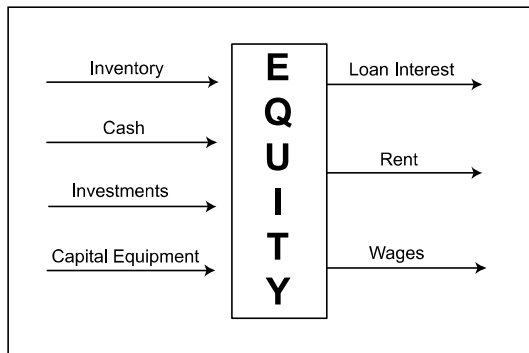
So, let's return to the accounting equation. To understand the accounting equation, consider the following statement: **Everything a company owns was purchased by funds from lenders, or the owner's stake in the company.**

Account Types and Financial Reports

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

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

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

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

Double-Entry Accounting

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

Accounting Behind the Scenes

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

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

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

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

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

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

Accounting Basis: Cash or Accrual?

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

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

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

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

In QuickBooks, you can record transactions such as invoices and bills to facilitate accrual basis reporting, and still create cash basis reports that remove the receivables and payables. This gives you the flexibility of selecting one basis for taxes and another for operational reporting, if you wish. For more information, see page 216.

Imagine Photography Business Scenario

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

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

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

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

QuickBooks Files

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

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

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

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

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

Updating Files

When you open a company file that was created in an older version of QuickBooks, you will be asked to update the file to match your more recent edition. Accept all defaults.

Files that have been updated can no longer be opened using the previous version of the software.

> **Important!**
> The files that accompany this book were all created using QuickBooks 2020 so that they would be compatible with the most readily available editions. As you open each file, you will be asked to update it to match the version installed on your computer.

Opening Recent Files

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

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

Double-click on a file to open it.
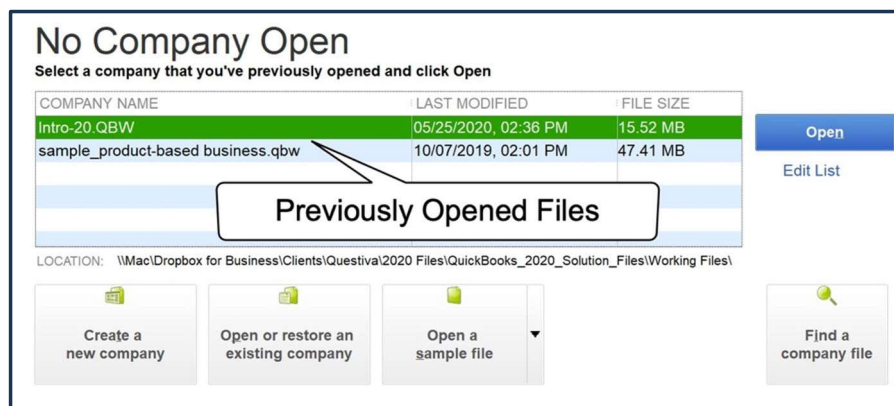
Figure 2-1 No Company Open window

Find a Company File

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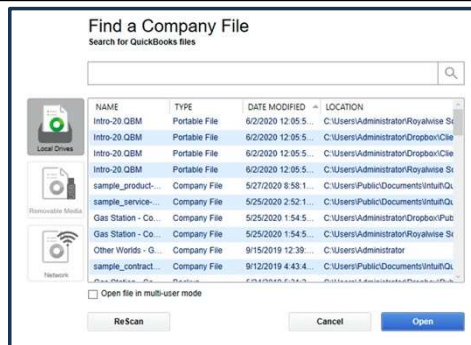
Figure 2-2 Find a Company File

Creating a New File

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

Opening a QuickBooks Sample File

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

HANDS-ON TRAINING

Step 1.   Launch the QuickBooks program by double-clicking the icon on your desktop or selecting it from the Windows Start menu.

Step 2.   If you don't see the *No Company Open* window, close the file that opens, or cancel the password login box.

Step 3.   Click **Open a Sample file** button and select *Sample product-based business* from the list. The selected sample file will open with the *QuickBooks Information* screen (see Figure 2-3).

Figure 2-3 Sample File Information Screen

Step 4.   Click **OK** to continue.

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

Opening Other QuickBooks Data Files

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

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

2. To open a different file, select the *File* menu and then choose **Open or Restore Company** (see Figure 2-4). You can also click the **Open or restore an existing company** button on the *No Company Open* window.

Figure 2-4 *File* menu

3. In the *Open or Restore Company* window, select **Open a company file** and click **Next**.
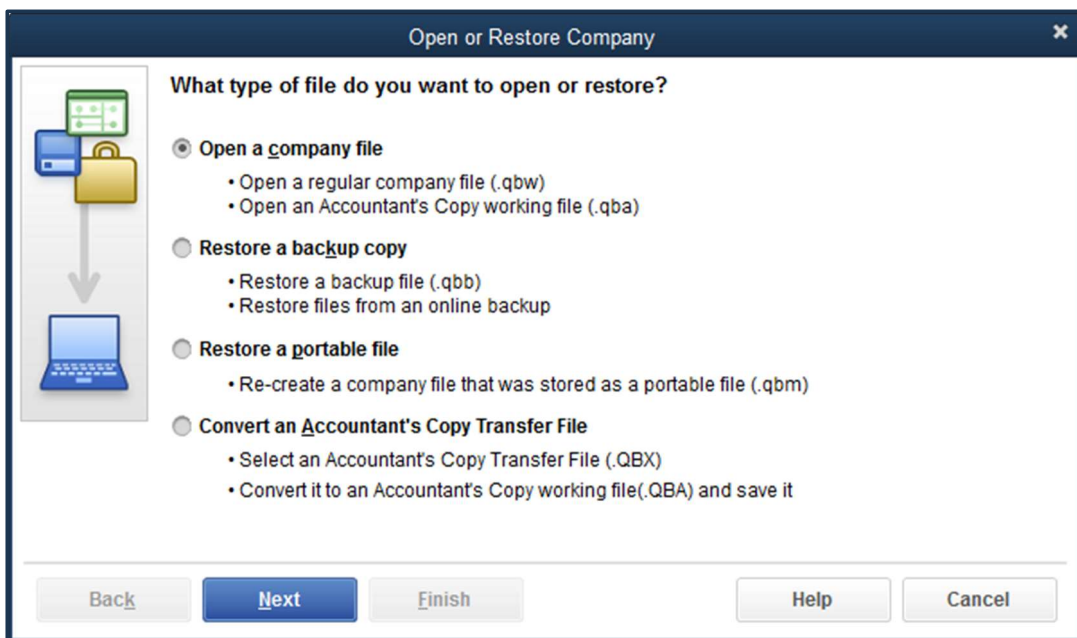
Figure 2-5 *Open or Restore Company*

4. Use the *Look in:* field to navigate to the folder on your hard disk where you store your QuickBooks file (see Figure 2-6).
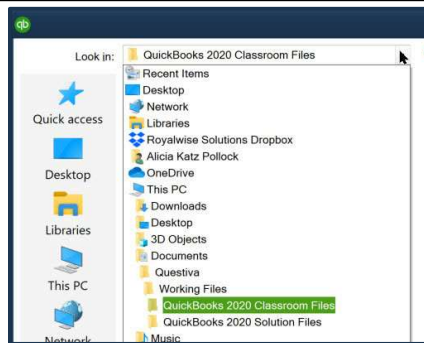
Figure 2-6 Selecting the folder where the QuickBooks files are stored

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

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

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

Opening Multiple Files

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

Closing QuickBooks Files

Close the company data file by selecting **Close Company** from the *File* menu (see Figure 2-7). Skip this
step to open this data file automatically the next time you start the QuickBooks program.

Figure 2-7 Close Company File option

Closing the QuickBooks Program

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

The *Exiting QuickBooks* window appears to confirm that you want
to exit the QuickBooks program, as opposed to closing a window

Figure 2-8 Closing QuickBooks and window *s*

in QuickBooks. You can disable this message by checking the box next to **Do not display this message in the future** (see Figure 2-9).
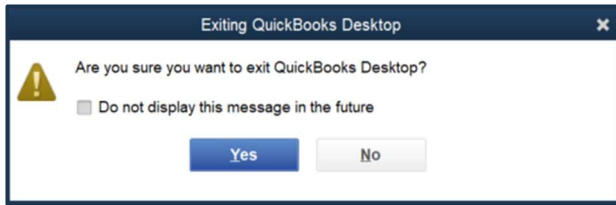
Figure 2-9 Exiting QuickBooks window

QuickBooks Updates and Releases

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

Figure 2-10 Product information window showing version and release

This book is based on QuickBooks Accountant 2021 Release R4P. You are likely to have a different release and may see some slight differences compared to the screenshots in this book.

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

Opening Portable Company Files

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

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

HANDS-ON TRAINING

To open portable files follow the steps below.

Step 1.   Select the **Open or Restore Company** option from the *File* menu.

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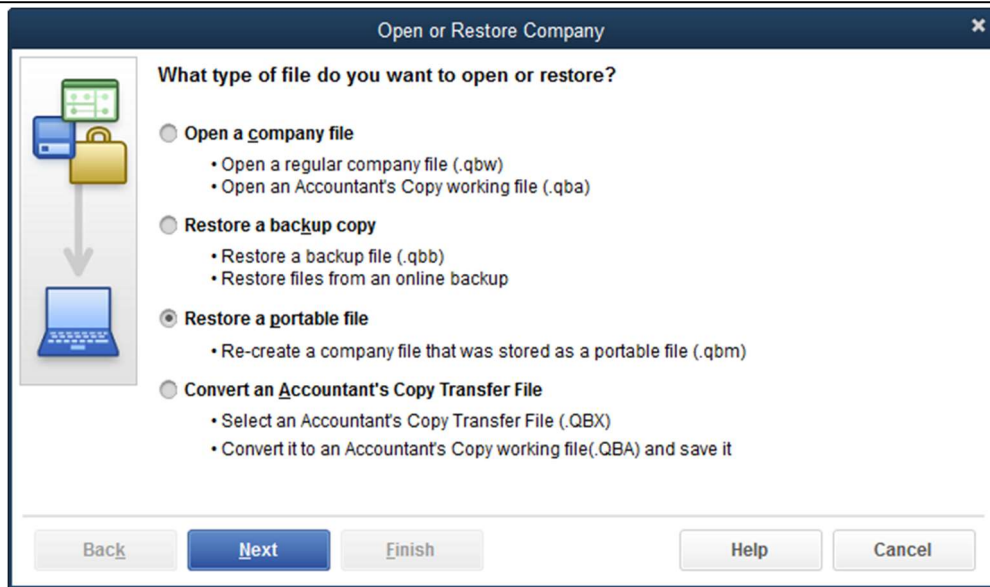
Figure 2-11 *Open or Restore Company* window

Step 3.   QuickBooks displays the *Open Portable Company File* window (see Figure 2-12). Navigate to the location where you have saved your exercise files. Once you are viewing the contents of the correct folder, select **Intro.QBM** and click **Open.**
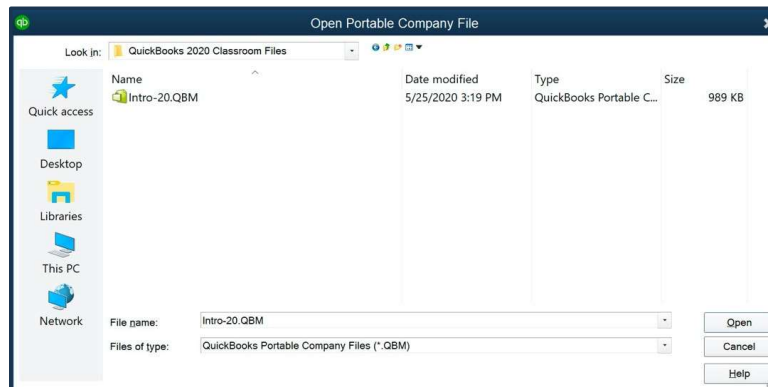
Figure 2-12 Open Portable Company File window

Step 4.   Next you will need to tell QuickBooks where to save the working file that will be created from the portable file (see Figure 2-13). Click **Next** in the *Open or Restore Company* window to continue.
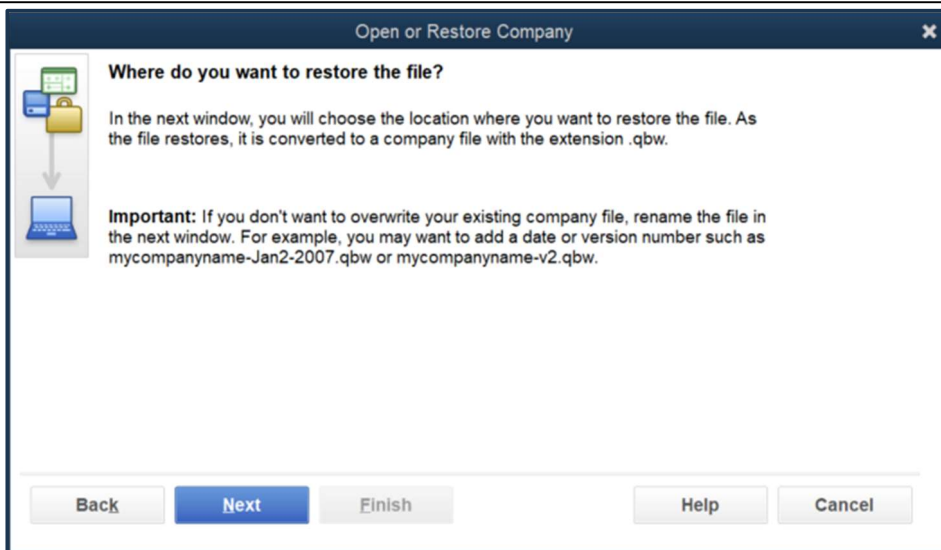
Figure 2-13 *Open or Restore Company* Location

Step 5.   The *Save Company File A*s window displays (see Figure 2-14). Decide where you will save this file and the other files you'll create while using this book. When you have navigated to the appropriate folder, click **Save.**
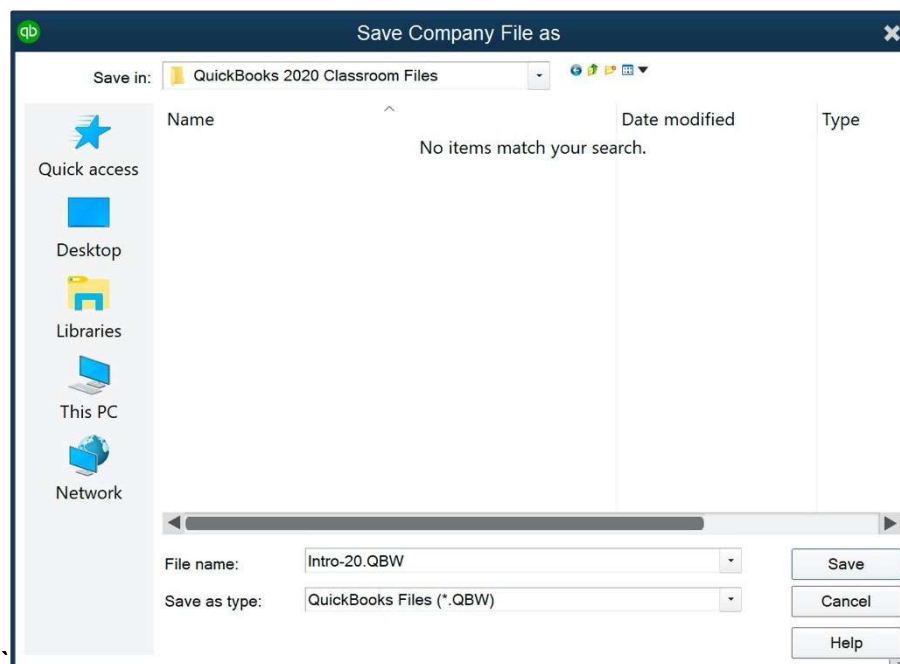
Figure 2-14 *Save Company File As* window

Step 5.   The *QuickBooks Desktop Login* window opens (see Figure 2-15). The password to this and every exercise file in this book is **Questiva20.** The password is case sensitive, so make sure you capitalize the first letter Q in Questiva20. Enter **Questiva20** in the Password field and click **OK.**
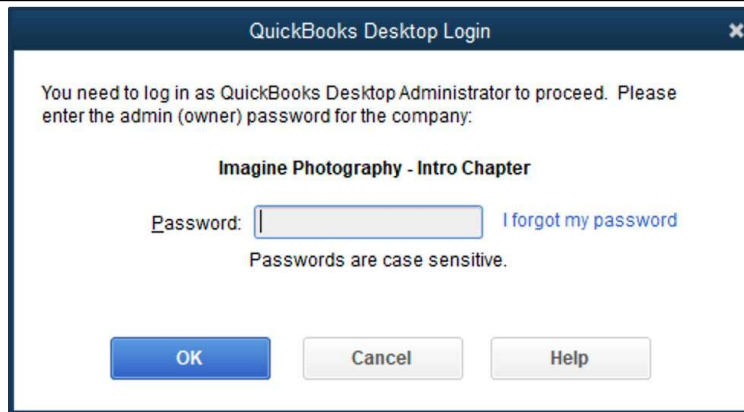
Figure 2-15 QuickBooks Desktop Login window

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

Step 6.   When you open each file for the first time, you will receive a message to update the file, as shown in Figure 2-16. Click **Update Now.**
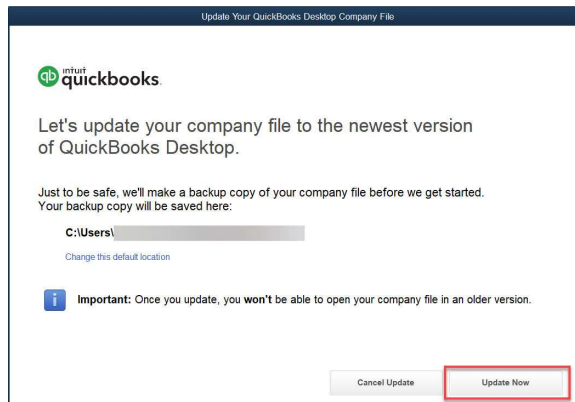
Figure 2-16 Update your file to the latest version

Step 7.   Once you see the *QuickBooks Desktop Information* window saying that the Portable company file has been successfully opened, click **OK** to continue.

Step 8.   Once the Intro.QBW company file finishes opening, you will see the *Home* page.

Creating Portable Company Files

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

HANDS-ON TRAINING

Step 1.   Select the **Create Copy** option from the *File* menu (see Figure 2-17).

Figure 2-17 Create Copy

Step 2.   The *Save Copy or Backup* window displays. Select the **Portable company file** option and click **Next**.
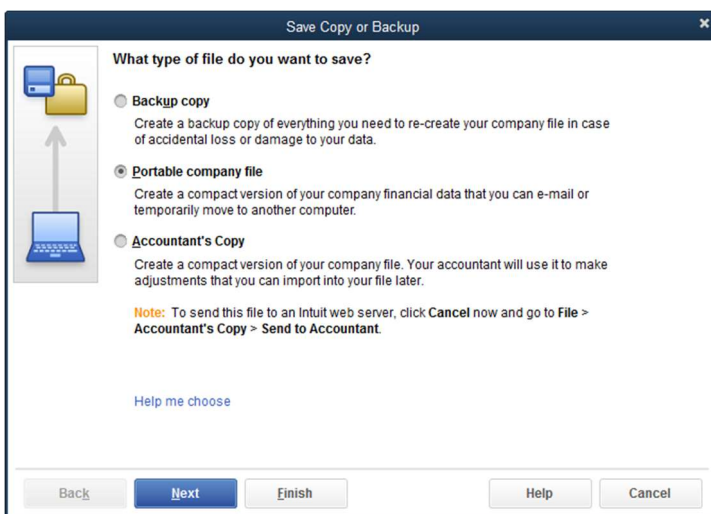
Figure 2-18 Save Copy or Backup window

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

Step 4.   The message shown in Figure 2-19 will appear before the portable file is created. Click **OK** to continue.
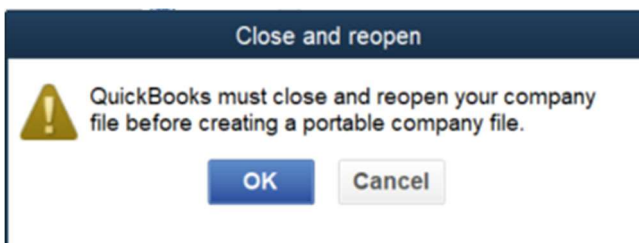
Figure 2-19 Message for creating portable company file

Step 5.   QuickBooks displays the *QuickBooks Desktop Information* dialog box (see Figure 2-20). Click **OK** to return to the working data file.
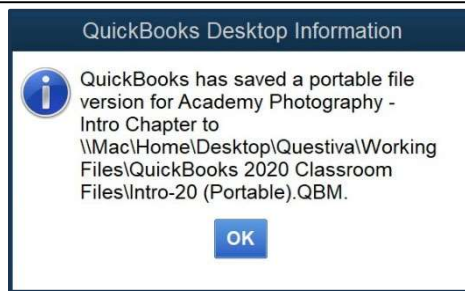
Figure 2-20 Message that the Portable File has been successfully created

Restoring Backup Files

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

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

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

Backing Up Your Data File

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

HANDS-ON TRAINING

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

Step 2.   Choose **Backup copy** from the *Save Copy or Backup* window (see Figure 2-21). Click **Next**.
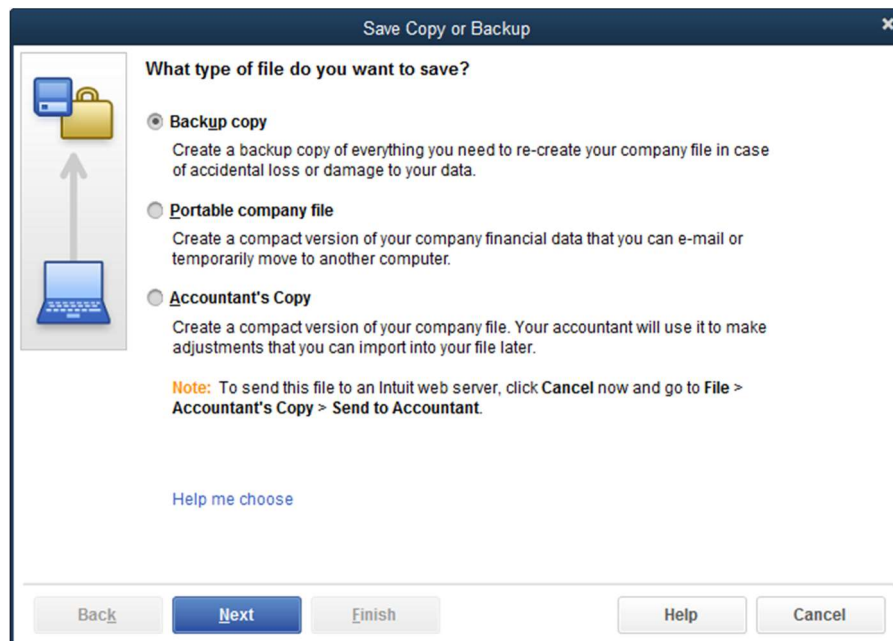
Figure 2-21 Save Copy or Backup window

Step 3.   You are given the option to save the backup to a local storage device, such as a removable hard disk or a network folder. There is also an option for online backup using a fee-based service available from Intuit. Online backup is a good option for many companies who require offsite backups.

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

Step 4.   The *Backup Options* window is displayed (see Figure 2-22). Under the Local backup only section, click the **Browse** button.
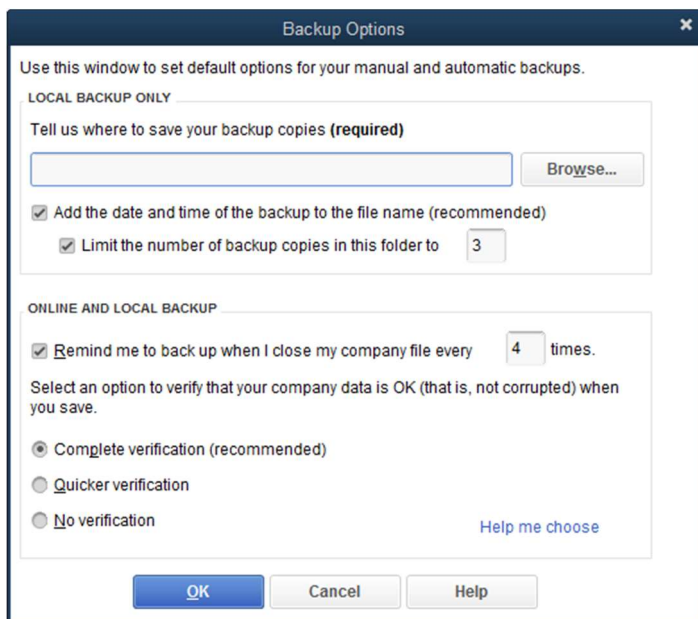
Figure 2-22 Backup Options window

Step 5.   Select the folder where you want to store your backup file (see Figure 2-23). You should store the backup files in a safe location, preferably on a different drive than your working data file. That way, if the drive with the working file is damaged, the backup will still be available.
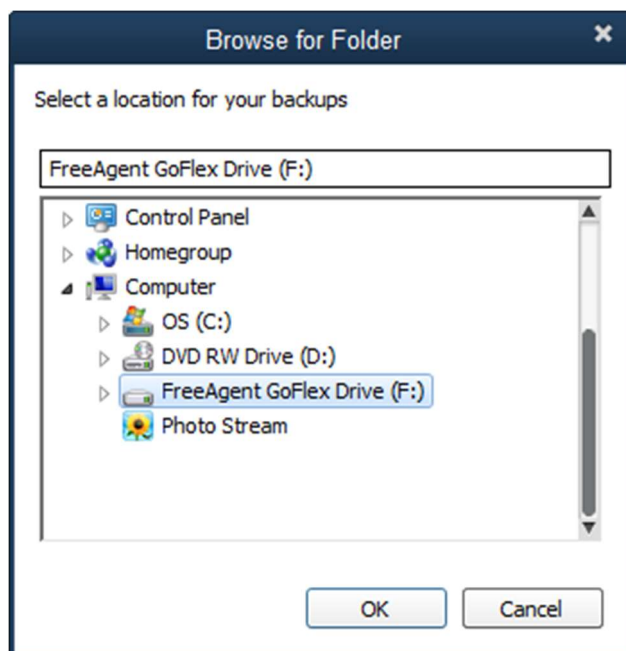
Figure 2-23 Backup options Browse for Folder window

Step 6.   When finished, click **OK.**

Step 7.   The *Save Copy or Backup* window is displayed (see Figure 2-24). You can save a backup now, schedule future backups, or both. Select **Only schedule future backups** and click **Next.**
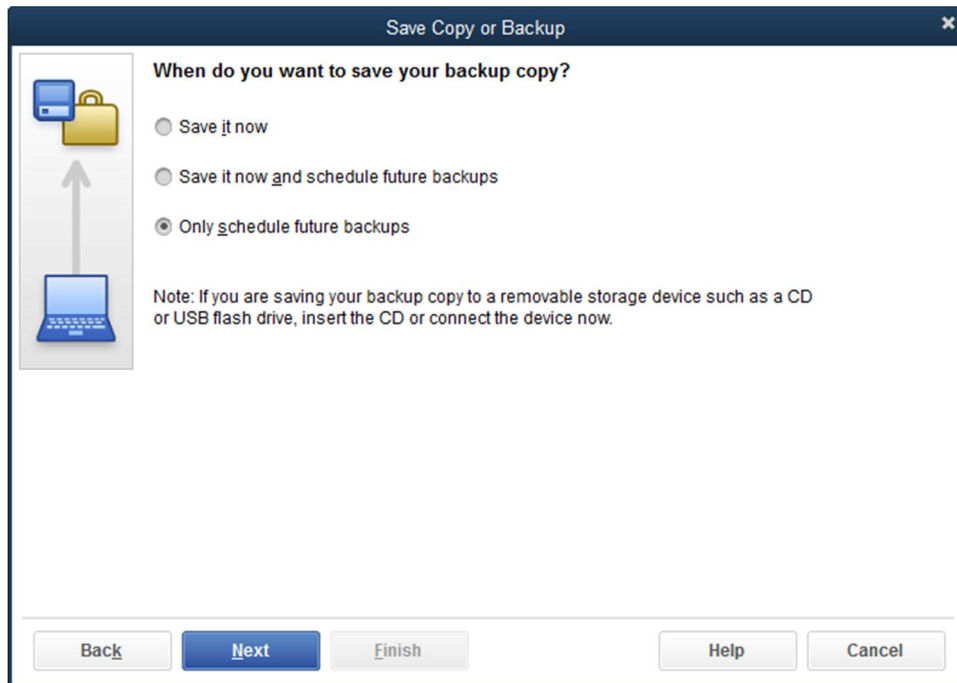
Figure 2-24 Save Copy or Backup window

Step 8.   Select **New** under the *Back up on a schedule* area.
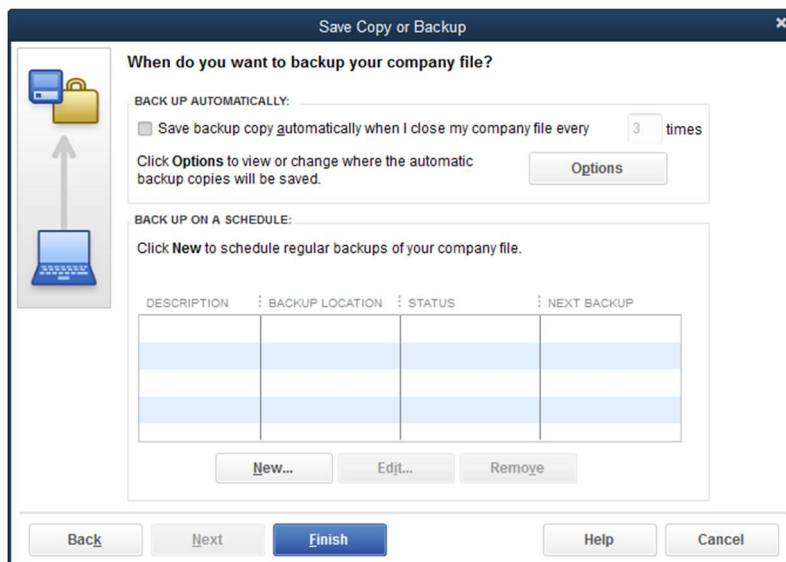
Figure 2-25 Save Copy or Backup window

Step 9.   The *Schedule Backup* window appears (see Figure 2-26). Enter a descriptive name for the backup, the location of the folder to contain the backups, and the time when the backup file will be created.
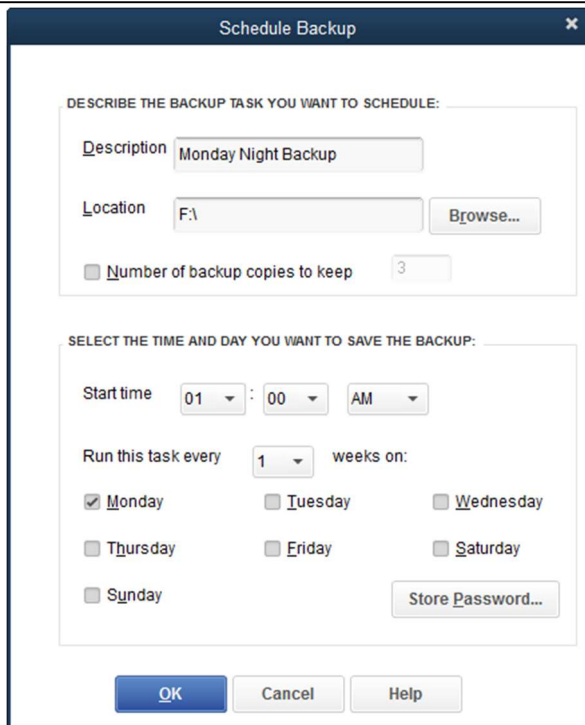
Figure 2-26 *Schedule Backup* window

Step 10.   When finished, click **OK** to close the *Schedule Backup* window.

Step 11.   The *Store* Window *s Password* window opens. Enter your **Windows username and password** and click **OK**.

Step 12.   Click **Finish** to close the *Schedule Backup* window.

Step 13.   If necessary, click **OK** to close the *QuickBooks: Backups have been scheduled as specified* window.

Step 14.   If necessary, click **No, Thanks** for the offer to try *Online Backup*.

Restoring a Backup File

HANDS-ON TRAINING

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

Step 1.   Select the *File* menu and then choose **Open or Restore Company.**

Step 2.   Choose **Restore a backup copy** from the *Open or Restore Company* window and click **Next.**

Step 3.   In the *Open or Restore Company* window you can specify whether the file is stored locally or through Intuit's fee-based Online Backup service. Choose **Local backup** and click **Next.**

Step 4.   The *Open Backup Copy* window allows you to specify where your backup file is located. Navigate to the folder that contains the file, select it and click **Open.**

Step 5.   The *Open or Restore Company* window displays. Click **Next.**

Step 6.   The *Save Company File As* window allows you to specify where to restore the working files. Navigate to the appropriate folder and click **Save.** QuickBooks will then restore your backup file in the folder you specified. You may be prompted to enter a password. When QuickBooks restores the file, it creates a **.QBW** file.

Step 7.   After completion, a window displays that the new file has been successfully restored (see Figure 2-27).
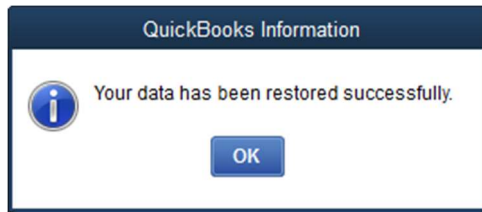
Figure 2-27 After restoring backup file

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

QuickBooks User Interface Features

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

Home Page

As soon as you open a company file, QuickBooks displays the **Home** page (Figure 2-28). The *Home* page is broken into five sections, each dealing with a separate functional area of a business: *Vendors*, *Customers*, *Employees*, *Company*, and *Banking*. Each area has icons to facilitate easy access to QuickBooks tasks. The *Home* page also displays a workflow diagram showing the interdependency between tasks.

> **Tip:**
> Click on each of the area's header buttons to open the corresponding Center.
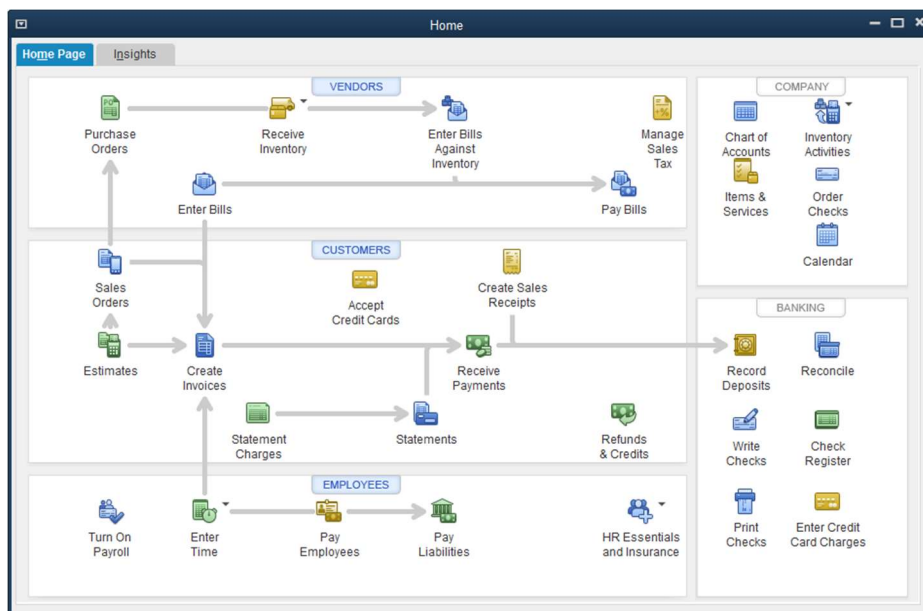
Figure 2-28 QuickBooks Accountant 2021 Home page—your screen may vary

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

Icon Bar

The QuickBooks **Icon Bar** allows you to select centers, activities and available services by clicking icons on the bar (see Figure 2-29). For example, you can open the *Home* page by clicking **Home** on the *Icon Bar*.

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

The *Icon Bar* can also be moved to the top of the screen by clicking the *View* menu.
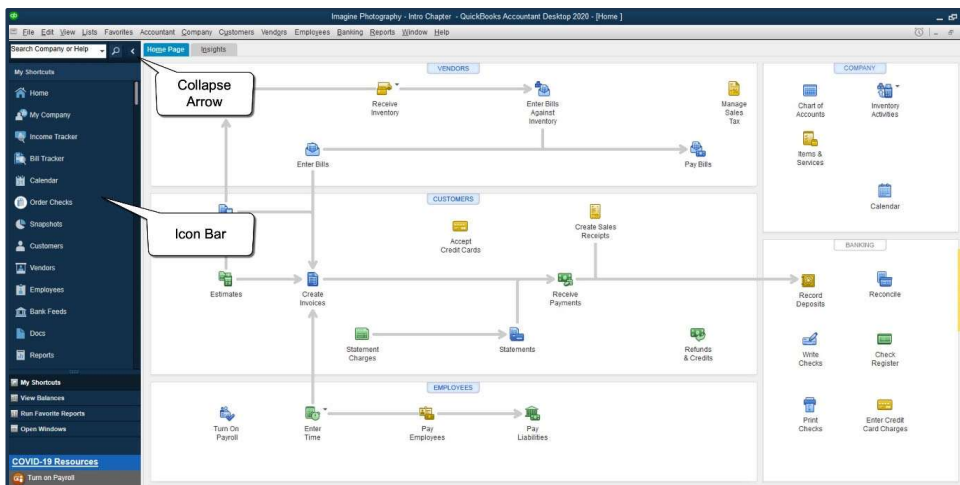
Figure 2-29 The *Icon Bar*

Centers

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

Customer, *Vendor*, and *Employee Centers* are very important since they provide the only way to access a list of your customers, vendors, and employees. These three lists are referred to as the **Center-based Lists**. For example, when you click on the **Customers section** label in the *Home* page, the *Customer Center* opens to show each customer's balance, their general information, and all their transactions (see Figure 2-30).
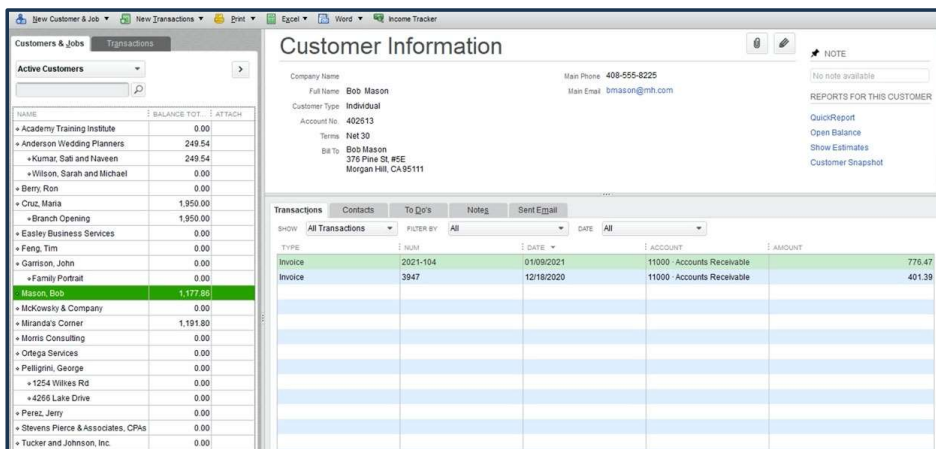
Figure 2-30 *Customer Center*

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

Calendar

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

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

HANDS-ON TRAINING

Step 1.   Click the *Calendar* icon on the *Company* section of the *Home* page.

Step 2.   The *Calendar* window opens (see Figure 2-31). When finished, close the *Calendar* window.
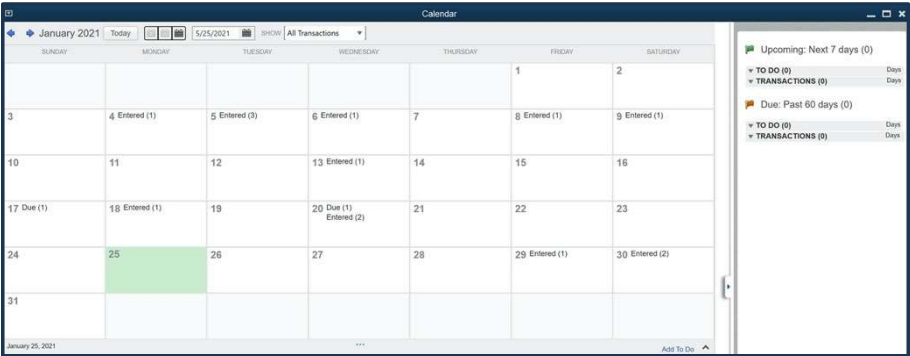
Figure 2-31 QuickBooks Calendar - your screen may vary

Income Tracker
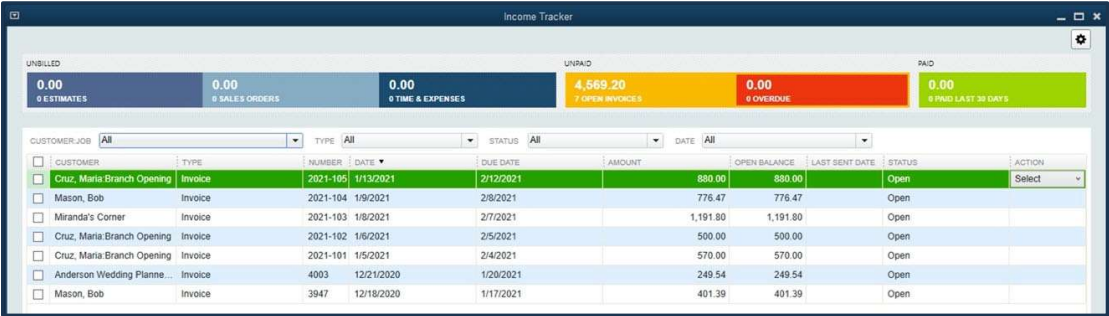
Figure 2-32 Income Tracker – your screen may vary

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

Snapshots

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

Snapshots can be easily customized to show the information that is of most interest to you and your company.
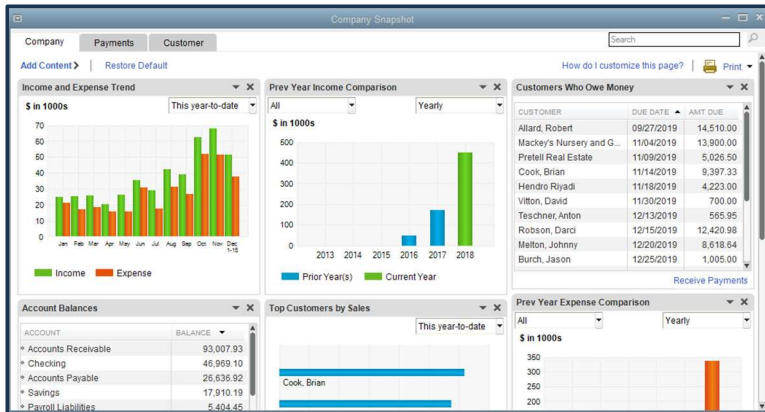
Figure 2-33 Snapshots - your screen may vary

Entering Transactions in QuickBooks

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

Each activity should have one action. For example, a customer paying off several invoices will still have ONE Receive Payment form for the ONE check they handed you (more about that on page 63).

Forms

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

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

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

HANDS-ON TRAINING

Step 1.   Click the *Enter Bills* icon in *Vendors* section of the *Home* page (see Figure 2-34).

Figure 2-34 *Enter Bills* on the *Home* page

Step 2.   Click the **Previous** button in the upper left corner of the *Enter Bills* window until you see the previously entered bill (see Figure 2-35).

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

Step 4.   Click the **Calendar icon** next to the date to see the **Date Picker.**

Step 5.   When finished exploring, click the **Revert** button in the bottom right, which will return
                 the transaction to the last saved state.

Step 6.   Close the *Enter Bills* window.

Figure 2-35 Anatomy of a Form

Lists

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

> **Note:**
> There are two kinds of lists — **menu-based** and **center-based.** Menu-based lists are
> accessible through the *Lists* menu and populate the fields on forms. Center-based lists
> include the *Customer Center* and *Vendor Center*, discussed on page 26.

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

Accounts

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

Step 1.   To display the Chart of Accounts, click the **Chart of Accounts** icon on the *Home* page. Alternatively, you could select **Chart of Accounts** from the *List* menu, or press **Ctrl+A**.

Step 2.   Scroll through the list. Leave the *Chart of Accounts* open for the next exercise.

By default, the *Chart of Accounts* is sorted alphabetically within each account type (see Figure 2-36). If you are using **Account Numbers**, the categories are sorted by account number.

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

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

Figure 2-36 Chart of Accounts List

Registers

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

Step 1.   To open the ***Checking account register***, double-click on **10100 Checking** in the *Chart of Accounts list*.

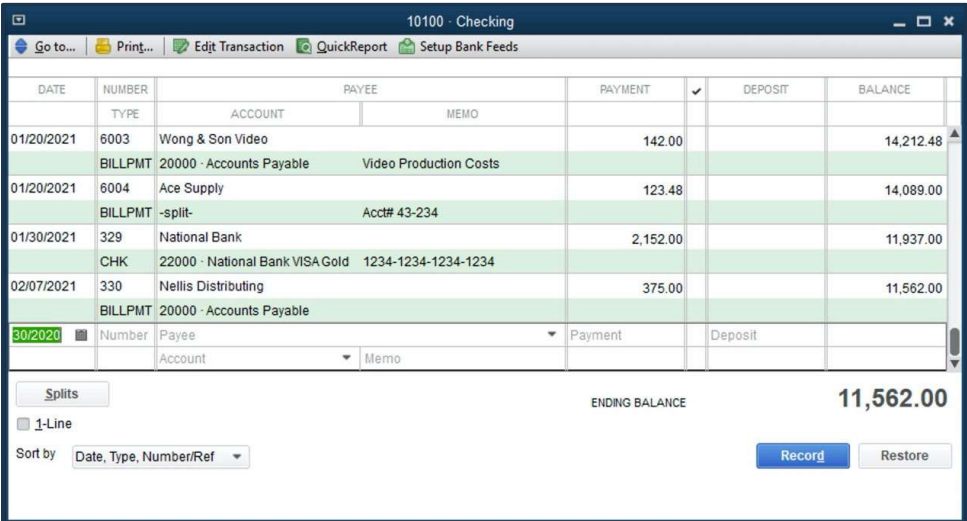Step 2.   The **Checking register** opens (see Figure 2-37). Scroll through the register.

Figure 2-37 *Checking account register*

Step 3.   Close the *Checking account register* by clicking the **Close** button in the upper right corner.

Step 4.   Double-click the **40000 Services** account. You may need to scroll down. This is an Income account.

Step 5.   Instead of opening a register, QuickBooks opens a *QuickReport* (see Figure 2-38).

Step 6.   If necessary, change the *Dates* field to **All** and click **Refresh**.

Step 7.   Close the report.

Step 8.   Close the *Chart of Accounts*.
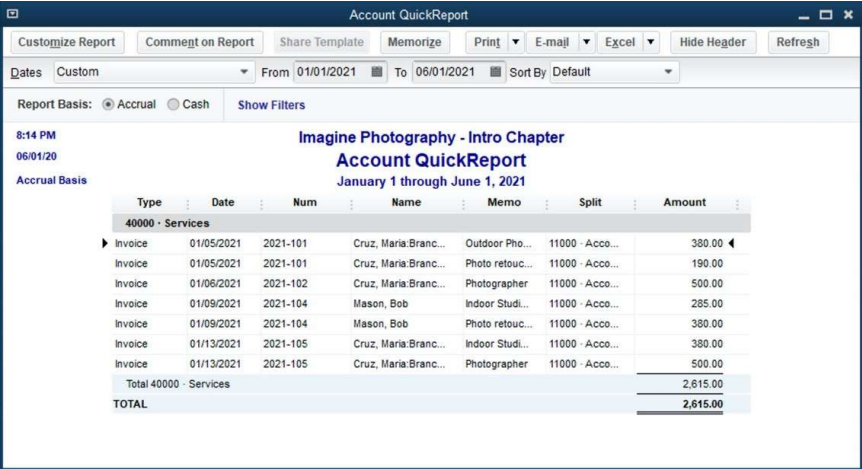
Figure 2-38 A QuickReport

Items

Items are used to track a company's services and products. Since every business has its own unique set of products and services, QuickBooks needs to be customized by creating items for everything you buy and sell. For more detail on items and the different item types, see page 289.

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

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

For example, Figure 2-40 displays the **Item List.** Take a look at Camera SR32, for example. It is associated with a **Sales Income** account, **Inventory Asset**, and **Cost of Goods Sold** in the Chart of Accounts. Every time the Camera SR32 item is added to an invoice, the dollar amount increases the **Sales** account in the Chart of Accounts, and moves its original cost from **Inventory** to **Cost of Goods.**

HANDS-ON TRAINING

Step 1.   To see what items are available in the file, click the **Items & Services** icon on the *Home* page in the *Company* section (see Figure 2-39). Alternatively, you could select **Item List** from the *Lists* menu.
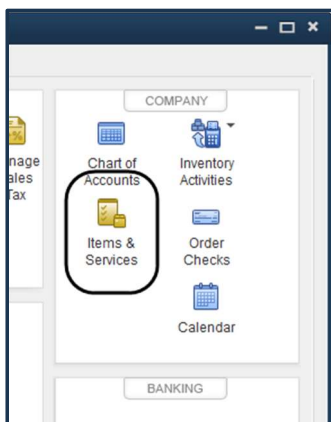
Figure 2-39 Items & Services button on *Home* page

Step 2.   Figure 2-40 shows the *Item List*. Double-click the **Camera SR32** item.

Figure 2-40 *Item List*

Step 3.   If the *New Feature* window opens, click **OK.**

Step 4.   The *Edit Item* window opens (see Figure 2-41). Notice this item is linked to the Sales account. Every time this item is entered on an invoice, it adds the purchase price to Sales Income.

Step 5.   Close the *Edit Item* and *Item List* windows.

Figure 2-41 Camera SR32 *Edit Item* window

QuickBooks *Help*

Support Resources

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

You can also access **Support** through messaging and call back options.

Certified QuickBooks ProAdvisors

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

Review Questions

Comprehension Questions

1. Explain the difference between a QuickBooks working data file, a QuickBooks backup file and a QuickBooks portable file. How can you differentiate between the three types of files on your hard disk?

2. Explain the difference between QuickBooks Desktop and QuickBooks Online. What are the different versions of QuickBooks Desktop?

3. Explain the importance of the QuickBooks *Home* page.

4. Explain why it is important to enter transactions in QuickBooks using Forms rather than accounting entries.

5. Describe the primary purpose of accounting in business.

Multiple Choice

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

1. The fundamental accounting equation that governs all accounting is:
   a) Net income = Revenue - expenses.
   b) Assets + Liabilities = Equity.
   c) Assets = Liabilities + Equity.
   d) Assets = Liabilities - Equity.

2. Which of the following statements is true?
   a) Debits are bad because they reduce income.
   b) Equity is increased by a net loss.
   c) Debits = credits.
   d) Assets are increased with a credit entry.

3. Under accrual accounting:
   a) A sale is not recorded until the customer pays the bill.
   b) Income and expenses are recognized when transactions occur.
   c) An expense is not recorded until you write the check.
   d) You must maintain two separate accounting systems.

4. QuickBooks is:
   a) A job costing system.
   b) A payroll system.
   c) A double-entry accounting system.
   d) All of the above.

5. Which is not a method of accessing the data entry screens?
   a) Menus
   b) *Home* page
   c) *Icon Bar*
   d) Data entry button

Completion Statements

1. As you enter data in familiar-looking _____, QuickBooks handles the _____ entries for you.

2. You should _____ your data file regularly because it is one of the most important safeguards you can do to ensure the safety of your data.

3. When you open your working data file, QuickBooks displays the _____ _____. This screen is broken into five sections – each dealing with a separate functional area of a business.

4. _____ are used in QuickBooks Sales forms to represent what the company buys and sells.

5. A list which shows all the accounts in your working data file is called the _____ ___ _____.

Introduction Problem 1

Restore the **IntroProblem1.QBM** file. The password to access this file is **Questiva20**.

1. Select **Customers** from the QuickBooks *Icon Bar*. This will display the *Customer Center*.

    a) What is the first customer listed on the left of the *Customer Center*?

    Note:
    The answer to this first question is **AAA Services**. If you don't see AAA Services in the *Customer Center*, make sure to restore **IntroProblem1.QBM** as directed in the box above. This book uses specific files for each chapter and each problem. If you don't restore the correct file, you will have trouble completing the exercises.

    b) In the *Customers & Jobs* Center, single click on **Mason, Bob.** What is Bob Mason's balance?
    c) Click the Date drop down list above Bob's transaction listing and make sure it says **All.** How many transactions do you see, and of what type?
    d) Close the *Customer Center*.

2. From the *Home* Page, click the **Enter Bills** icon. The *Enter Bills* window opens.

    a) Click the **Previous** button in the upper left corner. What is the name of the vendor displayed on this bill?
    b) What is the *Bill Due* date on this bill?

3. From the *Home* page, click the **Chart of Accounts** icon to display the Chart of Accounts.

    a) What type of account is the **Checking** Account?
    b) How many total accounts are there of this same type?
    c) What is the Balance Total for the **Money Market** account?