QUICKBOOKS® DESKTOP

HANDS-ON TRAINING

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Top 10 ProAdvisor

ANSWER KEY

QuickBooks® Desktop Hands-On Training (2020+)

Answer Key

For QuickBooks Pro, Premier and Accountant

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Product Name

QuickBooks Desktop Hands-On Training Answer Key

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DID YOU KNOW?

This book has a companion course

Do you have questions? Do you want help? Would you like to earn CPE and Continuing Education credits?

I created a digital course to go along with this book! Hosted on my Royalwise OWLS platform, it's a place you can go to watch me demonstrate the steps (coming soon), get extra practice bonus exercises for each chapter, take quizzes to earn a certificate & reinforce your knowledge, and even participate in the class discussions forum.

If you'd like to take part in the course to help you work through this book, go to the link below and enroll in "Questiva's QuickBooks® Desktop Hands-On Training."

http://royl.ws/Questiva-QBDT

Chapter 1
Getting Started

On behalf of our whole team, we would like to thank you for purchasing this book. Our goal is to prepare you to know how to use QuickBooks as a bookkeeper or as the owner of a small business.

We've tried to include as many real-world transactions and situations as possible, so you can work through the issues before you face them in the real life.

We hope to save you valuable time by giving you the advantage of our many years of experience with QuickBooks.

We hope you enjoy!

About this Answer Key

This document contains the answers to the end-of-chapter Review Questions and exercises.

We have documented as many screenshots and printouts as possible so that you can compare your forms and validate your progress.

Passwords

All of the exercise files in this book use the password ***Questiva20***. The challenge question to access the file is "Name of oldest nephew" and the answer is ***Bill***.

Additional Resources

This Hands-On Training is based off our textbook used in college classes around the country. We are now making it available to business owners and bookkeepers who are training themselves independently.

If you would like additional help from an instructor, or to receive CPE (continuing education) credit for reading and working through this book, please register for Royalwise.com's self-paced companion course at http://royl.ws/Questiva-QBDT.

Our course includes:

- Videos of Alicia working through the steps[1]
- A bonus exercise for additional practice (the ones marked "Problem2" in this answer key)
- A Class Discussion board where you can ask questions
- Continuing Professional Education (CPE) credit for demonstrating that you successfully completed this book[2]
    - Turn in your exercises for grading
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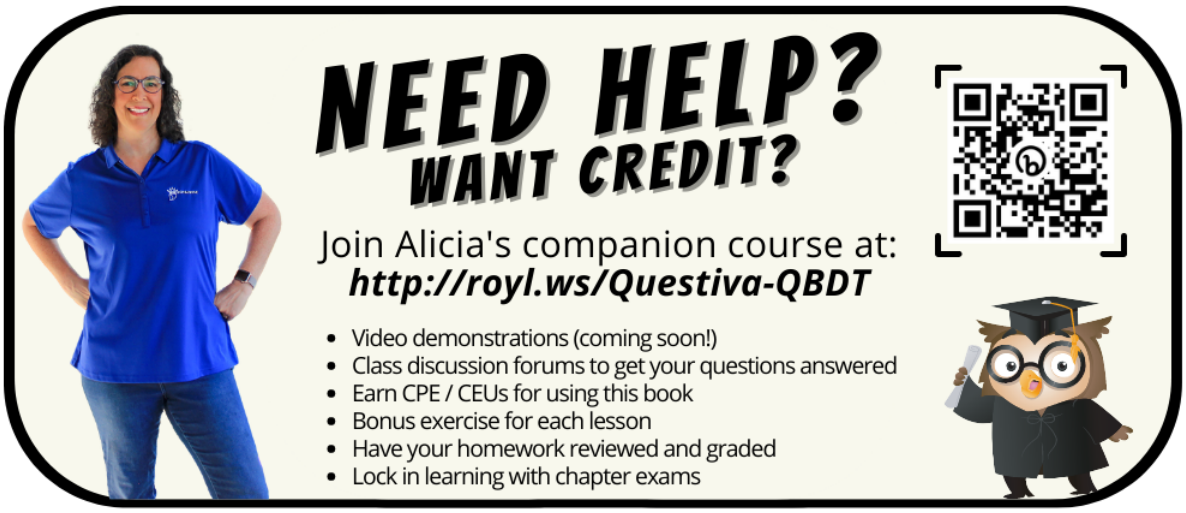


[1] Coming soon.
[2] NASBA accreditation is pending.

Chapter 2
Introducing QuickBooks

Objectives

In this chapter, you will learn about the following:

- The QuickBooks Product Line
- Accounting 101
- QuickBooks Files
- Opening Portable Company Files
- Restoring Backup Files
- Entering Transactions in QuickBooks
- QuickBooks User Interface Features
- QuickBooks Help

Learning Tips

This chapter introduces businesses to the basics of accounting and QuickBooks.

It contains an overview of QuickBooks features and how each feature relates to accounting and bookkeeping principles.

There are several ways to perform bookkeeping tasks such as recording sales, expenses, payroll, and accounting adjustments. This is a good chapter to learn what navigation methods will work best for you. For example, many of the examples in the text use the Home page to perform QuickBooks functions, but you may prefer to use the QuickBooks menus.

Answers to Review Questions

Answers to 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?
   Answer: QuickBooks has three primary files: Working Data files, Backup files, and Portable Company files. Working Data files (with the extension .QBW) are used when QuickBooks is open and transactions are being recorded. Portable files (with the extension .QBM) are compressed and

are useful for moving data from one computer to another. Backup files (with the extension .QBB) are used to safeguard the company data.

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

   Answer: QuickBooks Desktop files are saved on your computer. QuickBooks Online is cloud-based. The versions of Desktop include Pro, Premier, Enterprise, and Accountant. Premier has industry-specific versions including General Business, General Contractor, Manufacturing & Wholesale, Nonprofit, Professional Services, and Retail.

3. Explain the importance of the QuickBooks *Home* page.
   Answer: The *Home* page is an easily accessible window that displays the most common QuickBooks tasks. It is divided into regions with flowcharts that make the sequence of workflow easier to understand. The flow charts are comprised of icons for different tasks. The *Home* page is automatically displayed when a file is opened and can be accessed by clicking the **Home** button on the *Icon Bar*.

4. Explain why it is important to enter transactions in QuickBooks using Forms rather than accounting entries.
   Answer: Transactions are created by filling out familiar-looking forms such as invoices, bills, and checks. As you fill out forms, you choose from lists such as the customer center, the item list, and the account list. When you finish filling out a form, QuickBooks automatically records the accounting entries behind the scenes. For example, using the Write Checks window provides options not available in the checking account register like an items tab and access to customer/class columns without having to click **Split**. The check printing process (to be printed or individual check printing) is also much easier when working with the form. By using sales forms (e.g. Invoices, Sales Receipts and Credit Memos) QuickBooks populates sales reports and provides additional fields that are not available in the Accounts Receivable register

5. Describe the primary purpose of accounting in business.
   Answer: 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).

Answers to Multiple Choice Questions

Answers are in **bold** type.

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

Answers to Completion Statements

1. As you enter data in familiar-looking **forms**, QuickBooks handles the **accounting** entries for you.
2. You should **back up** 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 **Home page**. This page is broken into five sections – each dealing with a separate functional area of a business.
4. **Items** 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 **Chart of Accounts**.

Introduction Problem 1

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

This exercise is designed to give you practice navigating through several windows in QuickBooks. The answers are provided in bold, following each question that requires one.

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? **$1,177.86**
   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? **Two Invoices**
   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? **Sinclair Insurance**
   b) What is the *Bill Due* date on this bill? **2/16/2021**
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? **Bank**
   b) How many total accounts are there of this same type? **Four**
   c) What is the Balance Total for the **Money Market** account? **$12,100.00**

Introduction Problem 1 Answer Summary

Question	Answer
1 b)	$1,177.86
1 c)	Two Invoices
2 a)	Sinclair Insurance
2 b)	2/16/2021
3 a)	Bank
3 b)	Four
3 c)	$12,100.00

Chapter 3
The Sales Process

- Tracking Company Sales
- Setting Up Customers
- Job Costing
- Recording Sales
- Receiving Payments from Customers
- Making Bank Deposits
- Income Tracker

Learning Tips

In this chapter, you will learn several ways to record and track revenues in the company. An important concept is the process of 1) entering sales, 2) receiving money, and 3) making deposits. In particular, pay close attention to the instructions about the Undeposited Funds account so you understand its proper use. When using Invoices, be familiar with the three steps:

1. Invoicing
2. Receiving payments
3. Making deposits

The user must perform these steps consistently for the Accounts Receivable reports (Open Invoices, A/R Aging Summary or Detail, and Customer Balance Summary or Detail) to work correctly. Also, the bank reconciliation may be problematic if you post each individual payment directly to a bank account.

Using the Memo Field on Forms

When entering Invoices and Payments be sure to use the *Memo* field on each transaction. This Memo text prints on Statements and is very useful for reviewing or filtering transactions in Transaction Detail reports.

Answers to Review Questions

Comprehension Questions

1. When you make a sale to a customer who pays at the time of the sale, either by check or by credit card, which type of transaction should you use in QuickBooks to record the transaction?
   Answer: When customers pay at the time of the sale either by check or by credit card, create a Sales Receipt transaction.
2. Explain how the **Undeposited Funds** account works and why it is best to use the option **Use Undeposited Funds as a default deposit to account** as a *Payments* preference?
   Answer: Setting the *Payments* Company Preference option to "Use Undeposited Funds as a default

deposit to account" causes the funds from your sale to increase the balance in the *Undeposited Funds* account. Later, when you "Make Deposits," you'll group all of the funds from several sales into one deposit in the bank. This will decrease your *Undeposited Funds* account. It is best to use *Undeposited Funds* when recording receipts because you can then group the receipts together by payment method and date when you record the deposit, so that the register matches the bank statement. If you post each Sales Receipt and Payment directly to a bank account, QuickBooks will record a separate increase in cash for each customer receipt/payment. As a result, bank reconciliatons will be more difficult since QuickBooks deposits won't match the bank statement.

3. How does the *Automatically Apply Payments* feature work?
   Answer: When you enter a payment amount, QuickBooks looks at all of the open Invoices for that customer. If it finds an amount due on an open Invoice that is the exact amount of the payment, it matches the payment with that Invoice. If there is no such match, it applies the payment to the *oldest* Invoice first and continues applying to the next oldest until the payment is completely applied. This auto application of payments may result in incorrect partially paid Invoices.

4. QuickBooks allows you to attach documents to invoices and expenses. Why would you do this? What file types can you attach?
   Answer: It's important to keep a record of the business documents behind the income and expenses in your business. This "paper trail" is necessary to demonstrate IRS compliance. You can attach Word and Excel documents, PDFs, and images to almost all transactions.

Multiple Choice

Answers are in **bold** type.

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

2. You should record a Sales Receipt when the customer pays:
   a) By cash, check, or credit card at the time of sale.
   b) By cash, check, or credit card at the end of the month.
   c) Sales tax on the purchase.
   d) For the order upon receipt of Invoice.

3. Which statement is false?
   a) Invoices are very similar to the Sales Receipt form.
   b) Invoices decrease Accounts Receivable.
   c) Sales Receipts have no effect on Accounts Receivables.
   d) Invoices should be created when customers are going to pay after the date of the initial sale.

4. You may specify payment Terms on the *New Customer* window; however:
   a) The payment Terms will only show on Sales Receipt transactions.
   b) The Terms can only be changed once a year.
   c) The sales representative must be informed.
   d) You are also permitted to override the Terms on each sale.

5. Your company has just accepted a payment for an Invoice. What should you do in QuickBooks to record this payment?
   a) Open the Invoice by clicking the *Invoices* icon on the *Home* page.
   b) Create a Sales Receipt by clicking the *Sales Receipt* icon on the *Home* page.
   c) Make a deposit by clicking the *Record Deposits* icon on the *Home* page.
   d) Receive the payment by clicking the *Receive Payments* icon on the *Home* page.

6. Which statement is false?
   a) Many customers reject Invoices that do not reference a P.O. (purchase order) number.
   b) The P.O. number helps the customer identify your Invoice.
   c) The P.O. number is required on all Invoices.
   d) The P.O. number is generated by the customer's accounting system.

7. To record a deposit in QuickBooks:
   a) Make a separate deposit that includes both Checks and Cash receipts.
   b) Make a separate deposit that includes both VISA and MasterCard receipts.
   c) Make sure each deposit total matches the bank feed or bank statement.
   d) All of the above.

8. Your company has just received an order from a customer who will pay within 30 days. How should you record this transaction in QuickBooks?
   a) Create an invoice by clicking the *Create Invoices* button on the *Home* page.
   b) Create a sales receipt by clicking the *Sales Receipt* button on the *Home* page.
   c) Make a deposit by clicking the *Record Deposits* button on the *Home* page.
   d) Receive the payment by clicking the *Receive Payment* button on the *Home* page.

9. When you make a deposit, all of the following are true except:
   a) You must print a deposit slip in order to process a deposit.
   b) A "Make Deposit" transaction typically transfers money from **Undeposited Funds** into your bank account balance.
   c) You should separate your deposits by payment type.
   d) You should create deposits so that they match exactly with the deposits on your bank statement.

10. Which statement is true regarding *Calculating Items*?
    a) *Calculating Items* cannot be used on *Invoices* because the total is calculated automatically.
    b) A *Calculating Item* always calculates the amount of all the lines above it.
    c) It is best to avoid using *Calculating Items* to apply a discount.
    d) A *Calculating Item* uses the amount of the preceding line to calculate its amount.

11. When creating a customer record, which statement is false?
    a) After you enter a name in the *Customer Name* field of the *New Customer* window, you cannot use that name in any of the other name lists in QuickBooks.
    b) The credit limit can be added in the new customer window.
    c) A sales rep must be selected when creating a new customer.
    d) When you sell to and purchase from the same company, you should create two records, one in the Vendor List, and one in the Customer:Job List.

12. When receiving payments from customers to whom you have sent invoices, you must:
    a) Receive the payment in full. Partial payments cannot be accepted in QuickBooks.
    b) Enter them directly into the checking account register.
    c) Enter the payment into the receive payments window and check off the appropriate invoice(s) to which the payment applies.
    d) Delete the invoice so it does not show on the customer's open records.

13. You need to calculate the amount of a bankcard fee by multiplying the amount of the received payments by -1%. What useful QuickBooks feature could you use?
    a) Calculating Items
    b) QuickMath
    c) Quick Add
    d) The *Fees* button on the bottom of the *Make Deposit* window

14. The Undeposited Funds account tracks:
    a) Bad debts.
    b) Funds that have been received but not deposited.

c) Funds that have not been received or deposited.
d) All company sales from the point an invoice is created until it is deposited in the bank.

15. After entering an existing customer in the *Customer:Job* field of an invoice, a *Customer:Job Not Found* dialog box opens to say the customer is not on the *Customer List*. What should you do?
    a) Click the *Quick Add* button to add the customer to the *Customer List*.
    b) Click the *Set Up* button to enter the customer's information in a *New Customer* window.
    c) Click *Cancel* to check the name you entered in the *Customer:Job* field for typos or other errors.
    d) None of the above.

Completion Statements

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

Sales Problem 1

Restore the **SalesProblem1_Solution.QBM** file to view the solution to this problem in QuickBooks. Note that some of the reports below may not match the solution file since you will enter some data, then create reports, and then enter more data. The password to access this file is ***Questiva20***.

1. Enter your own name and address information into the *Customer Center*. Then print the Customer List by selecting the *Report*s menu, **List**, and then **Customer Contact List.**

Imagine Photography Sales Problem 1
Customer Contact List

Customer	Bill to	Primary Contact	Main Phone	Fax	Balance Total
Academy Training Institute	Academy Training Institute 600 West Crystal Court Wobu...	Julie Sung	781-555-1311		0.00
Anderson Wedding Planners	Anderson Wedding Planners 5647 Cirrus Rd San Jose, C...	Janet Anderson	408-555-1643		249.54
Anderson Wedding Planners:Kumar, Sati and ...	Anderson Wedding Planners 5647 Cirrus Rd San Jose, C...	Janet	408-555-1643		249.54
Anderson Wedding Planners:Wilson, Sarah an...	Anderson Wedding Planners 5647 Cirrus Rd San Jose, C...	Janet	408-555-1643		0.00
Berry, Ron	Ron Berry 345 Cherry Lane Walnut Creek, CA 94599	Ron Berry	925-555-5544		0.00
Cruz, Maria	Maria Cruz 123 First Street Walnut Creek, CA 94596	Maria Cruz	925-555-8344	925-555-2158	1,950.00
Cruz, Maria:Branch Opening	Maria Cruz 123 First Street Walnut Creek, CA 94596	Maria Cruz	925-555-8344	925-555-2158	1,950.00
Easley Business Services	Easley Business Servi 119 Greenbriar Drive Madison, AL ...	Donald Easley	256-555-1344		0.00
Garrison, John	John Garrison 958 Sanders St. Sunnyvale, CA 95111	John Garrison	408-555-4999		0.00
Garrison, John:Family Portrait	John Garrison 958 Sanders St. Sunnyvale, CA 95111		408-555-4999		0.00
Mason, Bob	Bob Mason 376 Pine St, #5E Morgan Hill, CA 95111	Bob	408-555-8225		1,177.86
McKowsky & Company	McKowsky & Company 5740 W 76th Street Oak Lawn, IL ...	Marlene McKowsky	708-555-6464		0.00
Miranda's Corner	Miranda's Corner 1020 Saint Agnes Blvd. Milpitas, CA 94...	Miranda York	650-555-3166		1,191.80
Morris Consulting	Morris Consulting 300 Old Railway Station Alpharetta, GA...	Daniel Morris	404-555-3311		0.00
Ortega Services	Ortega Services 142 Viranda Court Concord, CA 94947	Juan Ortega	415-555-1344		0.00
Pavlovich, Anna	512 SW Chestnut St Walnut Creek, CA 94599				0.00
Pelligrini, George	Pelligrini Builders 222 Santana Ave. Los Gatos, CA 94482	George	408-555-7619	408-555-7640	0.00
Pelligrini, George:1254 Wilkes Rd	Pelligrini Builders 222 Santana Ave. Los Gatos, CA 94482	George	408-555-7619	408-555-7640	0.00
Pelligrini, George:4266 Lake Drive	Pelligrini Builders 222 Santana Ave. Los Gatos, CA 94482	George	408-555-7619	408-555-7640	0.00
Stevens Pierce & Associates, CPAs	Stevens Pierce & Associates, CPAs 320 Second Ave. N T...	Jane Trower	208-555-4344		0.00
Tucker and Johnson, Inc.	Tucker and Johnson 521 N. Muir Street Seaford, DE 19973	Randall Tucker	302-555-4644		0.00

Figure 3-1 Customer Contact List –should include your name

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

Imagine Photography Sales Problem 1

123 Main Street
Pleasanton, CA 94566

Sales Receipt

Date	Sale No.
1/24/2021	2021-1

Sold To
512 SW Chestnut St Walnut Creek, CA 94599

Check No.	Payment Method	Project
211	Check	

Description	Qty	Rate	Amount
Supra Digital Camera SR32	4	695.99	2,783.96T

Subtotal	$2,783.96
Sales Tax (8.25%)	$229.68
Total	$3,013.64

Figure 3-2 Sales Receipt #2021-1

3. Enter an Invoice using the data in the table in the textbook. Print the Invoice on blank paper. *Note: This may or may not say PAID, depending on whether the you printed at the time or after completing the exercise.*

Imagine Photography Sales Problem 1
123 Main Street
Pleasanton, CA 94566

Invoice

Date	Invoice #
1/26/2021	2021-106

PAID 02/05/2021

Bill To
Ron Berry 345 Cherry Lane Walnut Creek, CA 94599

P.O. No.	Terms	Project
842-5028	Net 30	

Quantity	Description	Rate	Amount
3	Indoor Studio Session	95.00	285.00
4	Photo retouching services	95.00	380.00
	Contra Costa County Sales Tax	8.25%	0.00
		Total	$665.00

Figure 3-3 Invoice #2021-106

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

3,013.64
665.00

2/8/2021 3,678.64

02 $3,678.64

Deposit Summary 6/17/2020

Imagine Photography Sales Problem 1

Summary of Deposits to 10100 · Checking on 02/08/2021

Chk No.	PmtMethod	Rcd From	Memo	Amount
311	Check	Pavlovich, Anna	4 Cameras	3,013.64
9951123	Check	Berry, Ron		665.00
			Deposit Subtotal:	3,678.64
			Less Cash Back:	
			Deposit Total:	3,678.64

Figure 3-4 Deposit Slip and Deposit Summary

Chapter 4
Additional Customer Transactions

Objectives

- Recording Customer Returns and Credits
- Writing Off a Bad Debt
- Creating Customer Statements
- Collecting Sales Tax
- Creating Sales Reports

Answers to Review Questions

Comprehension Questions

1. When would you choose to give a refund after creating a Credit Memo?
   Answer: Refunds are money given back to customers who return merchandise or who have unused services after these items have been paid for. Refunds should be given in the same type as the payment. If a customer paid with a check, he or she should be issued a refund check. If a customer paid by credit card, the refund should be issued to the same credit card.
2. How can Credit Memos be used?
   Answer: Credit memos can be used in four different ways:
   a) To record an order cancellation when the order has already been invoiced.
   b) To record a bad debt in a current period.
   c) To initiate a refund for a customer.
   d) To record a credit-on-account for a customer.

Multiple Choice

Answers are in **bold** type.

1. Customer Statements:
   a) Provide a summary of all accounts receivable activity for a Customer during the period you specify.
   b) Are not available in QuickBooks.
   c) Automatically assess and calculate finance charges for overdue accounts without any user action.

d) Should only be created and mailed if the Customer's balance is over $500.

2. Which of the following options is not available on the *Available Credit* window?
   a) Give a refund.
   b) Retain as an available credit.
   c) Apply to an Invoice.
   d) Use with *Receive Payments*.

3. What is the best way to write off a bad debt?
   a) Delete the original *Invoice*.
   b) Create a *Credit Memo* using a *Bad Debt* Item and apply the credit to the past due *Invoice*.
   c) Create a *Credit Memo* for the amount of the past due *Invoice* and retain the available credit.
   d) Any of the above.

4. In which of the following situations would you create a *Credit Memo*?
   a) You need to record a cancelled order that has already been invoiced but not paid.
   b) A customer returns merchandise and wants the return credited to a future *Invoice*.
   c) A customer requests a refund.
   d) Any of the above.

5. The Credit Memo Number should be
   a) The next number after the *Credit Memo Number* on the last *Credit Memo*.
   b) The next number after the *Invoice Number* on the last *Invoice*, followed by a "C."
   c) Any unique number.
   d) The same number as the *Invoice* to which the *Credit Memo* is linked, followed by a "C."

6. You need to issue a refund to a customer. The customer originally paid with a Visa card. How do you issue the credit?
   a) Pay the refund with your company's credit card.
   b) Pay the refund using any method of payment.
   c) Pay the refund by issuing a refund check.
   d) Pay the refund through the customer's credit card.

7. Your company policy is that each Finance Charge should be at least $5. Where is the best place to set this value in QuickBooks?
   a) Enter a value of at least *$5* in the *Finance Charge* field in the *Assess Finance Charges* window.
   b) Enter *$5* in the Minimum Finance Charge field in the Finance Charge Company Preferences window.
   c) Enter *$5* on the last line of each statement.
   d) Enter *$5* in the Minimum Finance Charge field in the Create Statements window.

8. Which report would you run to see a summary of income by products and services?
   a) The Sales by Item Summary Report
   b) The Sale by Customer Summary Report
   c) The Customer Open Balance Report
   d) The Revenue by Item Summary Report

9. Which of the following is a way to issue a credit?
   a) Delete an open invoice.
   b) Deposit a check from a customer without receiving a payment.
   c) Create a *Credit Memo*.
   d) Apply for a credit card.

10. Which type of business would most likely use Batch Invoices?
   a) Gym Club which charges monthly dues
   b) Home Builder
   c) Accounting & Tax business
   d) Retail Store

11. A past due invoice contains items that were taxed and items that were not taxed. How would you write off this invoice as a bad debt?
    a) Delete the original invoice.
    b) Delete the taxed items from the original invoice and then delete the entire invoice.
    c) Create a *Credit Memo* with two *Bad Debt* items, the first set to non-taxable with the total of non-taxable items, the second set to taxable with the total of taxable items. Apply this *Credit Memo* to the original invoice.
    d) Create a *Credit Memo* for the taxable amount from the original invoice. Apply the *Credit Memo* to the invoice, and then delete the invoice.
12. Which statement is true?
    a) If you assess Finance Charges for one past due customer, you have to assess them for all past due customers.
    b) You must preview statements before printing them.
    c) Finance Charges are assessed automatically when you create a statement.
    d) You can create a statement for a single customer.
13. After issuing a refund check,
    a) The *Credit Memo* is marked *Refunded* and the *Remaining Credit* field is 0.00.
    b) The *Credit Memo* is removed.
    c) The original *Invoice* is marked *Refunded* and the *Remaining Credit* field is 0.00.
    d) The *Total* field on the original invoice is 0.00.
14. Which of the following is true?
    a) You can only apply a *Credit Memo* to an *Invoice* if the *Remaining Credit* amount is equal to the *Amount Due*.
    b) *Credit Memos* are automatically applied to open invoices.
    c) *Credit Memos* look similar to invoices but perform the opposite function, reducing (debiting) Sales accounts and reducing (crediting) Accounts Receivable.
    d) You should not use a *Credit Memo* to write off a bad debt.
15. In which of the following situations would you create a *Customer Group*?
    a) You want to send statements to customers with open invoices.
    b) You want to send notifications by email.
    c) You want to take actions for vendors based on whether they apply to specific criteria.
    d) Any of the above.

Completion Statements

1. Regarding Refunds: If the customer paid by **cash** or **check**, you will need to issue them a refund check. If the customer paid with a **credit card**, you will need to credit the customer's credit card account.
2. **Credit Memos** are used to issue refunds or apply credits to existing invoices.
3. You can **write off** an uncollectible invoice as a bad debt.
4. When a customer is late paying an invoice, you can assess **Finance Charges**.
5. A customer **Statement** is a summary of all activity on an account in a specified period.

Customers–Problem 1

Restore the **CustomersProblem1_Solution.QBM** file to view the solution to this problem in QuickBooks. Note that some of the reports below may not match the solution file since you are instructed to enter some data, then create reports, and then enter more data. The password to access this file is ***Questiva20***.

1. On Feb. 1, 2021, create Invoice #2021-108 to *Feng, Tim*. *Class* is *San Jose*. The customer purchased a 5 hour Indoor Photo Session. Use the *Santa Clara* Tax Item. Print the *Invoice.*

Imagine Photography Customers Problem 1
123 Main Street
Pleasanton, CA 94566

Invoice

Date	Invoice #
2/1/2021	2021-108

Bill To
Tim S Feng 300 Main St., Suite 3 San Jose, CA 95111

P.O. No.	Terms	Project
	Net 30	

Quantity	Description	Rate	Amount
5	Indoor Studio Session	95.00	475.00
	Santa Clara County Sales Tax	8.25%	0.00
		Total	$475.00

Figure 4-1 Invoice

2. Tim Feng only needed a two hour Indoor Photo Session. On Feb 5, 2021, create a Credit Memo #2021-108C to write off the 3 additional hours of Indoor Photo Session for Tim Feng. Apply the credit to the open invoice. Print the *Credit Memo*.

Imagine Photography Customers Problem 1

123 Main Street
Pleasanton, CA 94566

Credit Memo

Date	Credit No.
2/1/2021	2021-108C

Customer
Tim S Feng 300 Main St., Suite 3 San Jose, CA 95111

P.O. No.	Project

Description	Qty	Rate	Amount
Indoor Studio Session	-3	95.00	-285.00

Subtotal	-$285.00
Sales Tax (8.25%)	$0.00
Total	-$285.00
Invoices	$285.00
Balance Credit	$0.00

Figure 4-2 Credit Memo

3. Print a Sales by Customer Summary report for February 2021

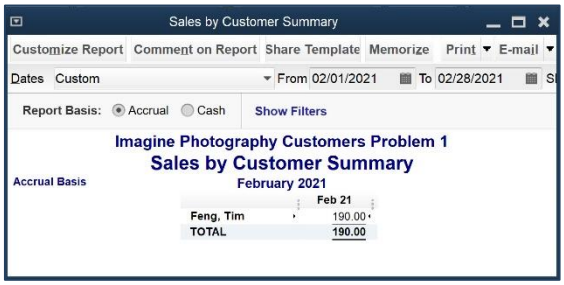


Figure 4-3 Sales by Customer Summary

4. Print a Sales by Item Summary report for February 2021.

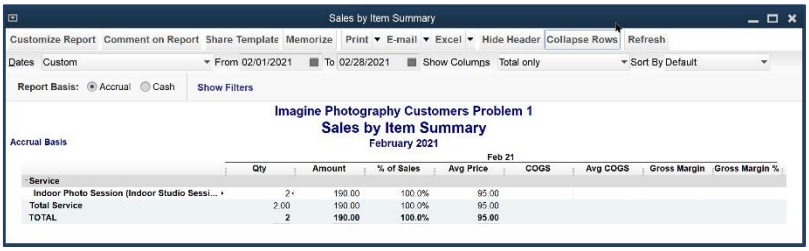
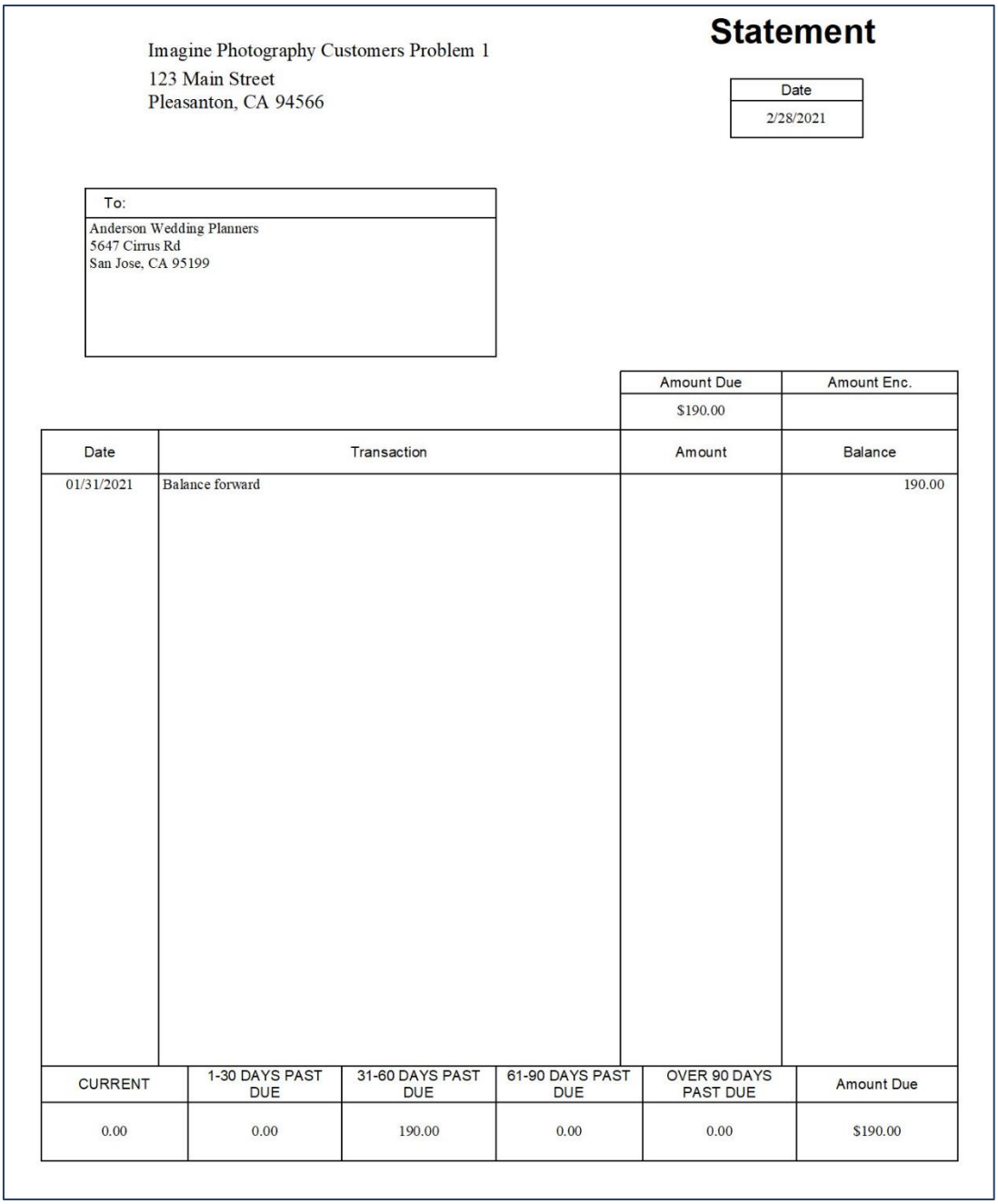


Figure 4-4 Sales by Item Summary

5. Create and print *Customer Statements* for the period of February 1, 2021 through February 28, 2021. Print *Statements* for all customers who have a balance due.



Statement

Imagine Photography Customers Problem 1
123 Main Street
Pleasanton, CA 94566

Date
2/28/2021

To:
Anderson Wedding Planners 5647 Cirrus Rd San Jose, CA 95199

Amount Due	Amount Enc.
$190.00	

Date	Transaction	Amount	Balance
01/31/2021	Balance forward		190.00

CURRENT	1-30 DAYS PAST DUE	31-60 DAYS PAST DUE	61-90 DAYS PAST DUE	OVER 90 DAYS PAST DUE	Amount Due
0.00	0.00	190.00	0.00	0.00	$190.00

Figure 4-5 Statement for Anderson Wedding Planners

Statement

Imagine Photography Customers Problem 1
123 Main Street
Pleasanton, CA 94566

Date
2/28/2021

To:
Tim S Feng 300 Main St., Suite 3 San Jose, CA 95111

Amount Due	Amount Enc.
$190.00	

Date	Transaction	Amount	Balance
01/31/2021	Balance forward		0.00
02/01/2021	INV #2021-108. Due 03/03/2021.	475.00	475.00
02/01/2021	CREDMEM #2021-108C.	-285.00	190.00

CURRENT	1-30 DAYS PAST DUE	31-60 DAYS PAST DUE	61-90 DAYS PAST DUE	OVER 90 DAYS PAST DUE	Amount Due
190.00	0.00	0.00	0.00	0.00	$190.00

Figure 4-6 Statement for Tim Feng

Imagine Photography Customers Problem 1
123 Main Street
Pleasanton, CA 94566

Statement

Date
2/28/2021

To:
Bob Mason 376 Pine St, #5E Morgan Hill, CA 95111

Amount Due	Amount Enc.
$776.47	

Date	Transaction	Amount	Balance
01/31/2021	Balance forward		776.47

CURRENT	1-30 DAYS PAST DUE	31-60 DAYS PAST DUE	61-90 DAYS PAST DUE	OVER 90 DAYS PAST DUE	Amount Due
0.00	776.47	0.00	0.00	0.00	$776.47

Figure 4-7 Statement for Bob Mason

Statement

Imagine Photography Customers Problem 1
123 Main Street
Pleasanton, CA 94566

Date
2/28/2021

To:
Miranda's Corner 1020 Saint Agnes Blvd. Milpitas, CA 94015

Amount Due	Amount Enc.
$1,191.80	

Date	Transaction	Amount	Balance
01/31/2021	Balance forward		1,191.80

CURRENT	1-30 DAYS PAST DUE	31-60 DAYS PAST DUE	61-90 DAYS PAST DUE	OVER 90 DAYS PAST DUE	Amount Due
0.00	1,191.80	0.00	0.00	0.00	$1,191.80

Figure 4-8 Statement for Miranda's Corner

Statement

Imagine Photography Customers Problem 1
123 Main Street
Pleasanton, CA 94566

Date
2/28/2021

To:
Ortega Services 142 Viranda Court Concord, CA 94947

Amount Due	Amount Enc.
$753.41	

Date	Transaction	Amount	Balance
01/31/2021	Balance forward		753.41

CURRENT	1-30 DAYS PAST DUE	31-60 DAYS PAST DUE	61-90 DAYS PAST DUE	OVER 90 DAYS PAST DUE	Amount Due
0.00	0.00	0.00	753.41	0.00	$753.41

Figure 4-9 Statement for Ortega Services

Chapter 5
Managing Expenses

Topics

- Entering Expenses in QuickBooks
- Setting Up Vendors
- Activating Class Tracking
- Tracking Job Costs
- Paying Vendors
- Printing Checks
- Voiding Checks
- Applying Vendor Credits
- Tracking Company Credit Cards
- Paying Sales Tax
- Accounts Payable Reports

Learning Tips

In this chapter, you will cover several ways of recording and tracking expenses in the company.

> Note:
> If you restore this chapter's Solution File, the Signature graphic file will *not* be attached in the *Print Checks* window, as it needs to be done in the Printing Checks Computer Practice. The Signature graphic file cannot be attached to the Portable Company file, but it is included in the Classroom Files folder.

Additional Topics

Multiple Checking Accounts

Since our template files have only one checking account, it might be worth considering what happens when there are multiple checking accounts. A company that has multiple checking accounts should be careful not to accidentally record transactions (checks, bill payments, deposits, paychecks) in the wrong checking account. You may want to take a look at the *Checking User Preferences* window. This window allows each user of the data file to select the default bank account for checks, deposits, bill payments, and sales tax payments. The Checking Company Preferences allows the company to select a company-wide default bank account for paychecks and payroll liability checks. You may also wish to assign a color

to each bank account. Open the Check Register, select the *Edit* menu and choose Change Account Color. See the "Customizing" chapter for more information about Checking Preferences.

Answers to Review Questions

Comprehension Questions

1. Describe how classes are used in QuickBooks.
   Answer: In QuickBooks, classes give you a way to label your transactions. You can use QuickBooks classes to separate your income and expenses by line of business, department, location, profit centers, or any other meaningful breakdown of your business.
   For example, a dentist might classify all income and expenses as relating to either the dentistry or hygiene department. A law firm formed as a partnership might classify all income and expenses according to which partner generated the business. If you use classes, you'll be able to create separate reports for each class of the business. Therefore, the dentist could create separate Profit & Loss reports for the dentistry and hygiene departments, and the law firm could create separate reports for each partner.

2. Describe how to track expenses by job in QuickBooks.
   Answer: If you want to track the expenses for each customer or job (i.e., track job costs), you'll need to link each expense with the customer or job to which it applies. When you record an expense transaction, use the **Customer:Job** column to associate each expense account or Item with the customer or job for whom it applies.

3. Describe the different types of Accounts Payable transactions you can perform in QuickBooks, and how to use the Forms to perform them.
   Answer: The steps in tracking A/P in QuickBooks are:
   a) When you receive a bill from a vendor, enter it into QuickBooks using the *Enter Bills* window. Recording a bill allows QuickBooks to track the amount you owe to the vendor along with the detail of what you purchased.
   b) Pay the bill using the *Pay Bills* window.
   c) If you want to make a partial payment on a bill, enter only the amount you want to pay in the *Amt. To Pay* column. If you pay less than the full amount due, QuickBooks will track the remaining amount due for that bill in Accounts Payable. The next time you go to the *Pay Bills* window, the partially paid bills will show with the remaining amount due.
   d) When a vendor credits your account, record that transaction in the *Enter Bills* window as a Credit and apply it as a payment against one of your unpaid bills.
   e) When you select a Bill in the *Pay Bills* window from a vendor for whom one or more unapplied credits exist, QuickBooks displays the total amount of all credits for the vendor in the *Total Credits Available* field. Click **Set Credits** to apply the credit.
   f) To record a discount on a bill, select the bill and look for the discount terms in the *Discount & Credit Information for Highlighted Bill* section. If a discount is available on the bill, use the **Set Discount** button to record the discount.

4. Under what circumstances is it important to use Bill Credits to record discounts?
   Answer: In many cases, it's better to use a bill credit instead of recording a discount. For example, when you want to allocate the discount to a job, or if you want to track discount items, use Bill Credits instead of using discounts in the *Pay Bills* process.

5. Describe the steps you must use to record credit card charges and payments.
   Answer: To track your charges and payments on your company credit card, set up a separate credit card liability account in the Chart of Accounts for each card. Use the *Credit Card* type when creating each account. Then enter each charge individually using the *Enter Credit Card Charges* window. To pay the credit card bill, use *Write Checks* and code the check to the appropriate credit card liability account.

Multiple Choice Questions

Answers are in **bold** type.

1. You may record payments to your vendors by:
   a) Recording a manual entry directly into the check register.
   b) Using *Write Checks* to write and print a check without using Accounts Payable.
   c) Using *Enter Bills* to record Accounts Payable and then using *Pay Bills* to pay open Bills.
   d) All of the above.

2. To display the *Vendor Center*:
   a) Click *Vendors* on the QuickBooks *Home* page.
   b) Click the *Vendors* icon on the *Icon Bar*.
   c) Select the *Vendor* menu and then select *Vendor Center*.
   d) a, b, or c.

3. You can add a vendor:
   a) Only at the beginning of the fiscal year.
   b) Only if you will purchase over $600 from that particular vendor and a Form 1099 will be issued.
   c) Only at the beginning of the month.
   d) At any time by selecting *New Vendor* in the *Vendor Center*.

4. Which statement is true?
   a) QuickBooks records each *Bill Payment* in a bank account register (or credit card account register) and the Accounts Payable register.
   b) *Bill Payments* increase the balance in both the Checking account and the Accounts Payable account.
   c) You should assign *Jobs* to all discounts taken.
   d) You cannot make partial payments on a *Bill*.

5. Which QuickBooks feature allows you to separate your income and expenses by line of business, department, location, profit center, or any other meaningful breakdown of your business?
   a) Job costing.
   b) Class tracking.
   c) Customer types.
   d) Vendor types.

6. If you void a Bill Payment check, all of the following occur, except:
   a) QuickBooks retains a trail of the check number, but the amount becomes zero.
   b) The Bill becomes unpaid.
   c) The Checking account balance increases.
   d) The Accounts Payable account decreases.

7. If you want to track the expenses for each customer or job:
   a) Enter each expense in the job-cost section.
   b) Use the pay liabilities function.
   c) Link each expense with the customer or job to which it applies.
   d) Create a separate expense account for each job.

8. To make a loan payment, you can:
   a) Select the loan liability account in the Chart of Accounts and choose Make Deposit from the Activities Menu.
   b) Choose Pay Loan from the Banking Menu.
   c) Use the *Loan Manager* to calculate the interest and principal amounts. Select the *Loan Manager*, then select the Loan to pay, and then select *Set Up Payment*.
   d) All of the above.

9. When a vendor credits your account, you record it in:
   a) The *Write Checks* window.
   b) The *Enter Bills* window.
   c) The *Pay Bills* window.
   d) The *Accounts Payable* Register.

10. Which Account-type should you use to track Petty Cash:
   a) Credit Card.
   b) Equity.
   c) Bank.
   d) Checking.

11. The Vendor Balance Detail Report:
   a) Shows the detail of each *Bill, Bill Credit, Discount*, and *Bill Payment* to each vendor.
   b) Shows the detail of each payment created using the *Write Checks* window.
   c) Can be created by selecting Vendor Balance Detail report from the *Vendor Center*.
   d) None of the above.

12. What is the accounting behind the scenes for the *Pay Bills* window:
   a) Increase (debit) Accounts Payable, Decrease (credit) the Checking Account.
   b) Decrease (debit) Accounts Payable, Decrease (credit) the Checking Account.
   c) Decrease (debit) Accounts Payable, Increase (credit) the Checking Account.
   d) Decrease (debit) Accounts Payable, Decrease (debit) the Checking Account.

13. It's best not to use which field in the new vendor setup window:
   a) Opening Balance.
   b) Vendor Name.
   c) Address.
   d) Terms.

14. In the *Pay Bills* window, you can sort the Bills by:
   a) Due Date.
   b) Vendor.
   c) Discount Date.
   d) All of the above.

15. Which statement is true regarding bill payments:
   a) Bill Payments *increase* the balance in the Accounts Payable account.
   b) When you pay bills by issuing a check using the *Pay Bills* window**, QuickBooks records each Bill Payment in the Checking account register and in the Accounts Payable account register.**
   c) If you select more than one Bill for the same vendor, QuickBooks creates a separate Bill Payment for each Bill.
   d) Bill Credits that are created from a vendor are automatically applied to Bills that are due for that same vendor.

Completion Statements

1. The (**Vendor section of the**) ***Home* page** shows a graphical representation of the steps involved in recording your expenses.

2. Terms of 2% 10 Net 30 on a bill means that if you pay the bill within **10** days, you are eligible for a **2%** discount.

3. To separately track income and expenses for multiple departments, locations, or profit centers, use **Class** tracking.

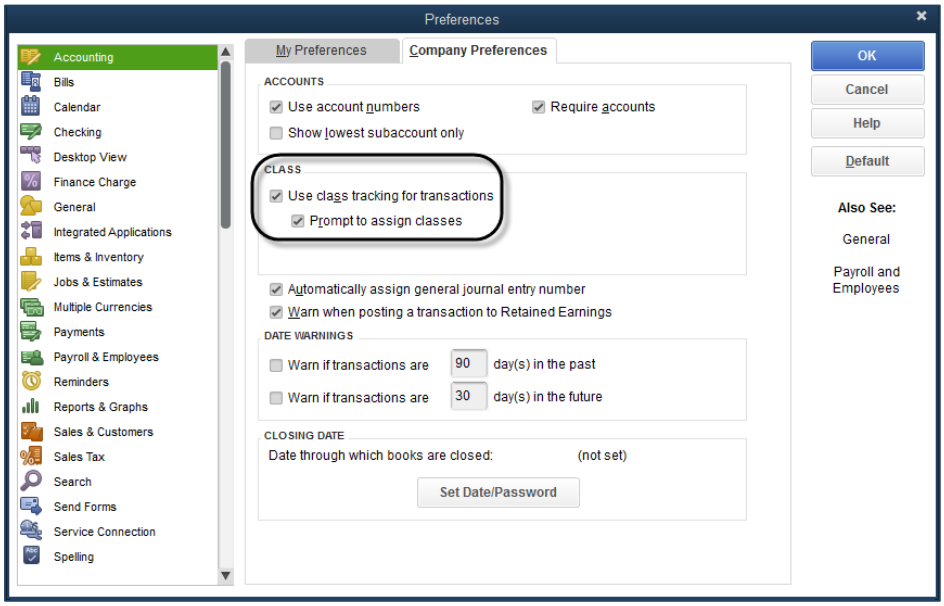
4. To track job costs in QuickBooks, link each expense with the **customer** or **job** to which it applies.

5. For a Bill to be considered paid by QuickBooks, you must pay the Bill using the **Pay Bills** window.

Expenses Problem 1

Restore the **ExpensesProblem1_Solution.QBM** file to view the solution to this problem in QuickBooks. Note that some of the reports below may not match the solution file since you will enter some data, then create reports, and then enter more data. The password to access this file is *Questiva20*.

1. Activate *Class* tracking in the data file.



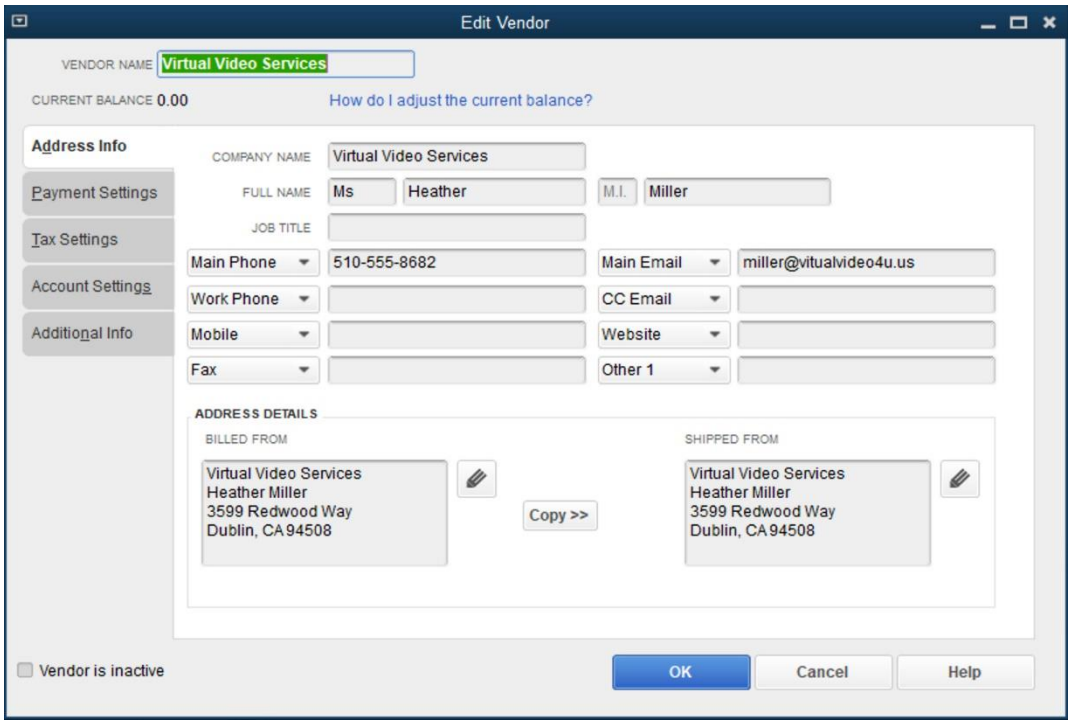
5-1 Activate Class Tracking

2. Add a new vendor to the Vendor list using the data in the table below. Fields that are not provided below can be left blank.

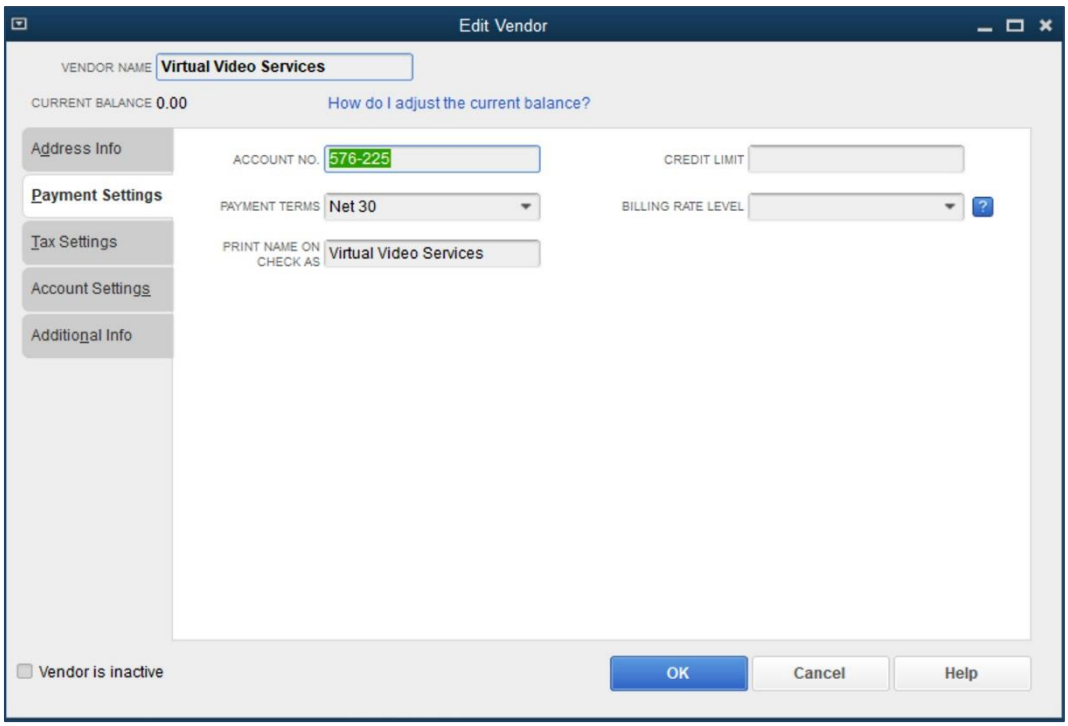
Field Name	Data
Vendor Name	Virtual Video Services
Company Name	Virtual Video Services
Mr./Ms./...	Ms.
First Name	Heather
Last Name	Miller
Main Phone	510-555-8682
Main Email	miller@virtualvideo4u.us
Name and Address	Virtual Video Services Heather Miller 3599 Redwood Way Dublin, CA 94508
Account #	576-225
Terms	Net 30
Print on Check as	Virtual Video Services
Tax ID	888-77-9999

Check Box	Vendor eligible for 1099
Account Prefill	Professional Fees
Vendor Type	Consultant
County	Alameda

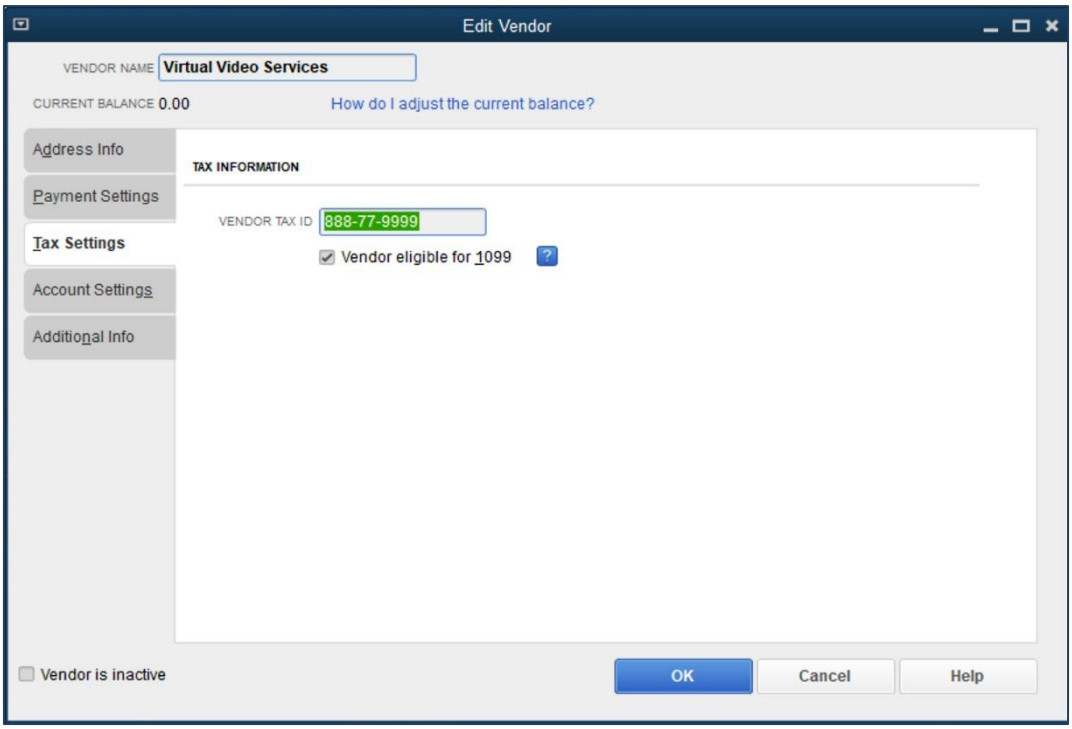
Table 5-1 Use this data to enter a new vendor



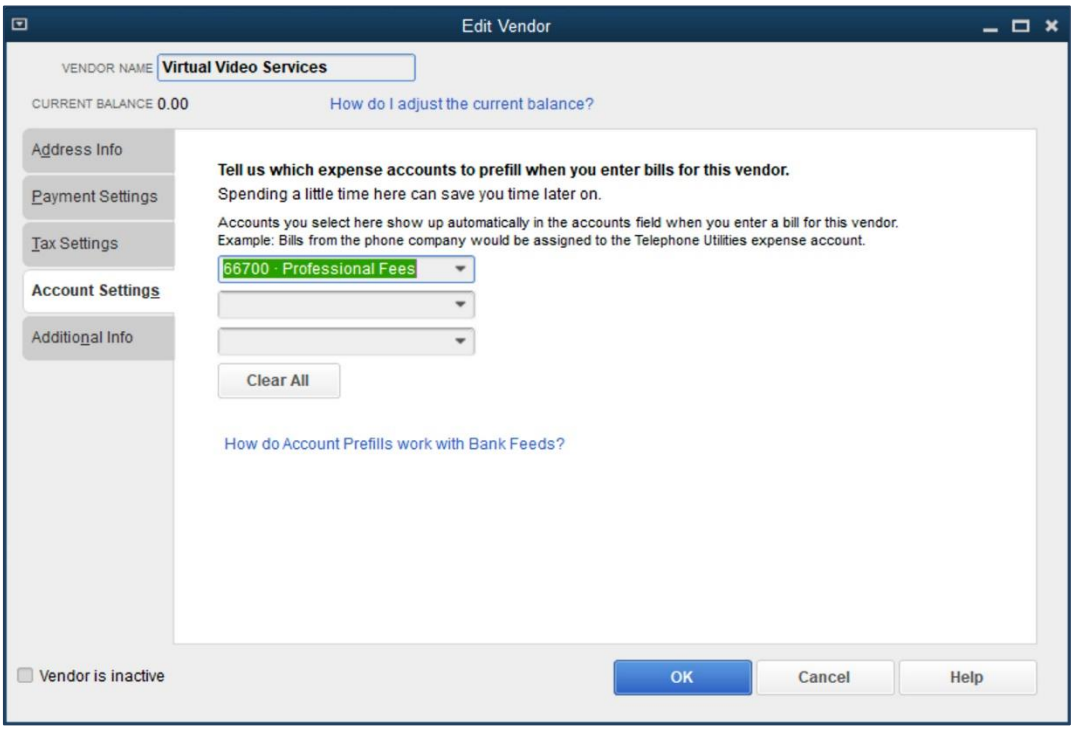
5-2 Add new vendor - Address Info tab



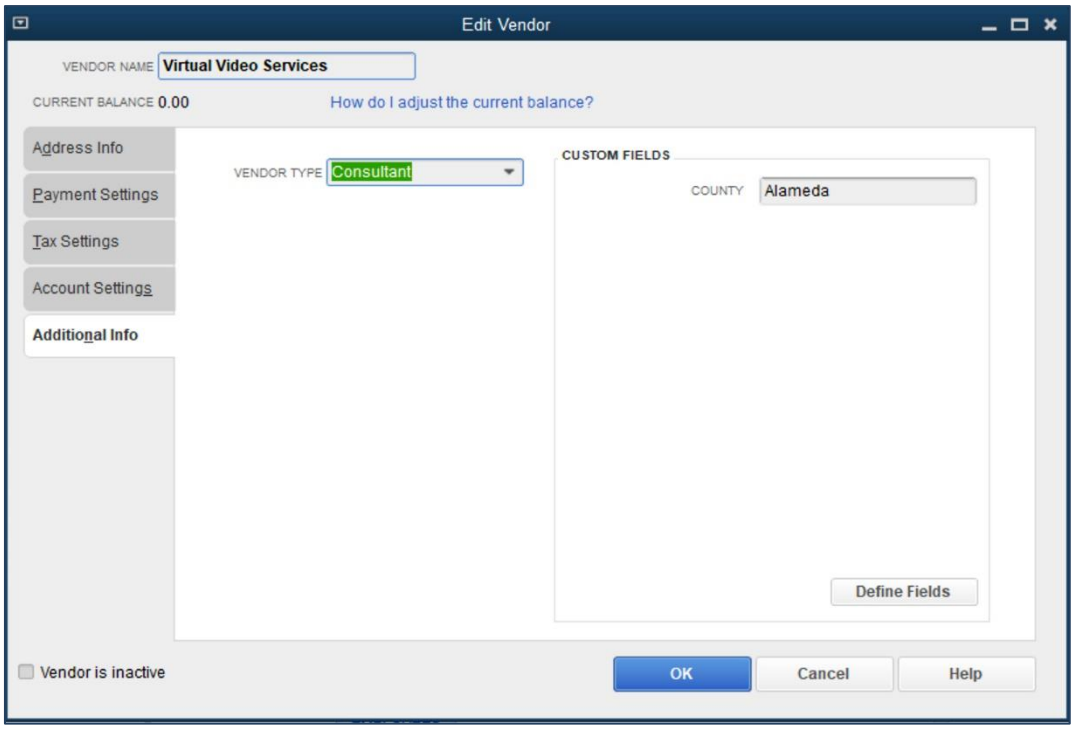
5-3 Add new vendor - Payment Settings tab



5-4 Add new vendor - Tax Settings tab



5-5 Add new vendor - Account Settings tab



5-6 Add new vendor - Additional Info tab

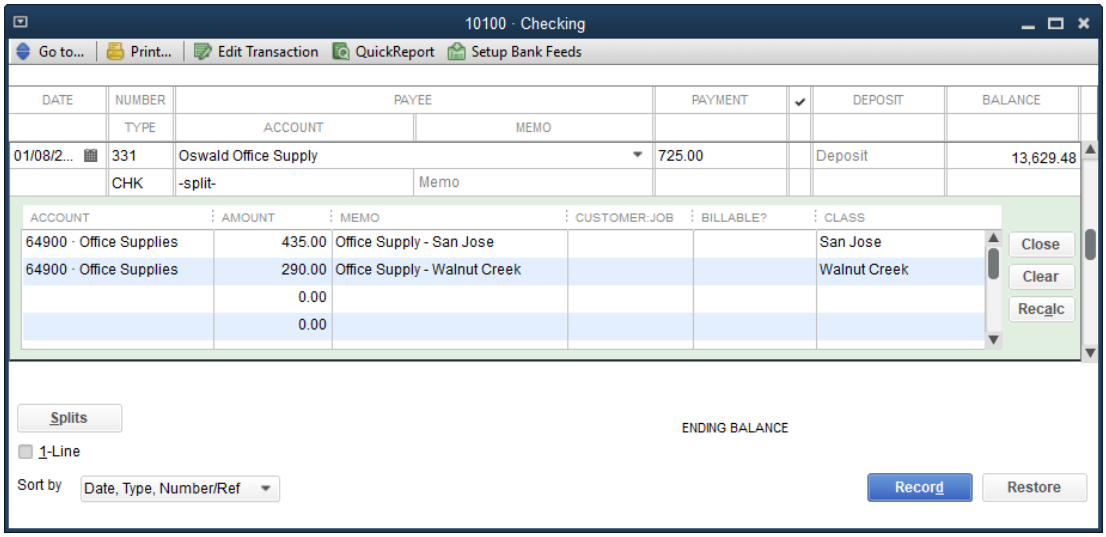
3. Print the **Vendor Contact List**. (From the Reports menu, select **Vendors & Payables** and then select **Vendor Contact List**.)

Academy Photography Expenses Problem 1
Vendor Contact List

Vendor	Account No.	Bill from	Primary Contact	Main Phone	Fax	Balance Total
Ace Supply	Acct# 43-234	Ace Supply 435 Race Street, Suite 1 Hayward, CA 94555	Arlene Stanley	510-555-4646		0.00
Cal Telephone	415-555-2962-8053	Cal Telephone P.O. Box 1100 San Francisco, CA 94482		415-555-4389		0.00
City of San Jose		City of San Jose 100 Main St San Jose, CA 94326		408-555-4343		0.00
City of Walnut Creek		City of Walnut Creek City Hall P.O. Box 1 Walnut Creek, CA 94482		925-555-8500		0.00
Employment Development Department		Employment Development Department P.O. Box 123456 Sacramento CA 94...		916-555-7663		0.00
Express Delivery Service		Express Delivery Service P.O. Box 15224 Sacramento, CA 94285		916-555-4444		0.00
Jones Office Supply		Jones Office Supply P.O.Box 93008 Sacramtento, CA 94290		916-555-7899		0.00
Merrill Lynch		Merrill Lynch P.O. Box 201240 Sacramento, CA 94295		916-555-7333		0.00
National Bank		National Bank P.O. Box 522 San Jose, CA 94326		408-555-1233		0.00
Nellis Distributing		Nellis Distributing P.O. Box 5033 Concord, CA 94511	Susan Nellis	925-555-3322		0.00
Optimal Office Supply		Optimal Office Supply				0.00
Orlando Properties		Orlando Properties P.O. Box 2836 San Jose, CA 95010	Leslie J Orlando	408-555-4441		0.00
Oswald Office Supply		Oswald Office Supply				0.00
Parker, William S., CPA		William S. Parker, CPA 200 Royal Rd Pleasanton, CA 94326	William S. Parker	925-555-6920	925-555-2382	0.00
Postmaster		Postmaster 1 Main St. Pleasanton, CA 94300		925-555-4333		0.00
Rodriguez Rentals		Rodriguez Rentals 33 Wheeler Rd Walnut Creek, CA 94326	Ron Rodriguez	925-555-3479	925-555-2367	0.00
Sinclair Insurance	786-35	Sinclair Insurance P.O. Box 6656 Santa Cruz, CA 95063	David	831-555-2900	831-555-2929	0.00
State Board of Equalization	ABCD 11-234567	State Board of Equalization P.O. Box 3456 Sacramento CA 94280		916-555-0540		238.99
Valley Gas & Electric	Acct# 123556	Valley Gas & Electric 123 A Street San Francisco, CA 90001		415-555-3433		0.00
Virtual Video Services	576-225	Virtual Video Services Heather Miller 3599 Redwood Way Dublin, CA 94508		510-555-8682		0.00
Wong & Son Video		Wong & Son Video P.O. Box 783 Milpitas, CA 94573	Mike Wong	408-555-4977	408-555-1883	0.00

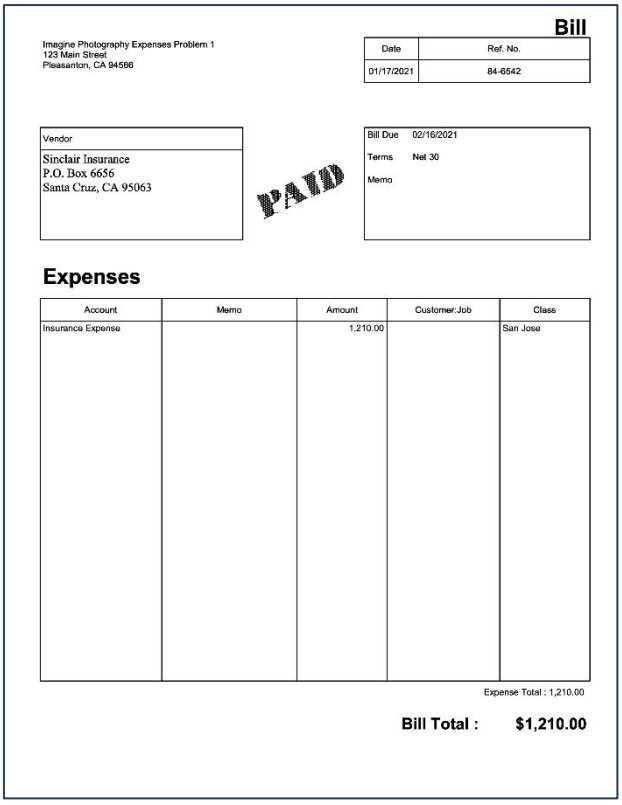
5-7 Vendor Contact List report

4. Enter *Check* number ***331*** directly in the *Checking* register on **1/08/2021** to **Oswald Office Supply** for **$725.00**. Use *Quick Add* to add the Vendor. Split the expense to **$435.00** for **Office Supplies** for the **San Jose** store and **$290.00** for **Office Supplies** for the **Walnut Creek** store.



5-8 Add Check in Checking Register

5. Enter *Bill* number ***84-6542*** from **Sinclair Insurance** on **1/17/2021** for **$1,210.00** with *Terms* of **Net 30**. Code the *Bill* to **Insurance Expense**. Allocate 100% of the cost to the **San Jose** store. *Note: This may or may not say PAID, depending on whether the you printed at the time or after completing the exercise.*



5-9 Enter Bill

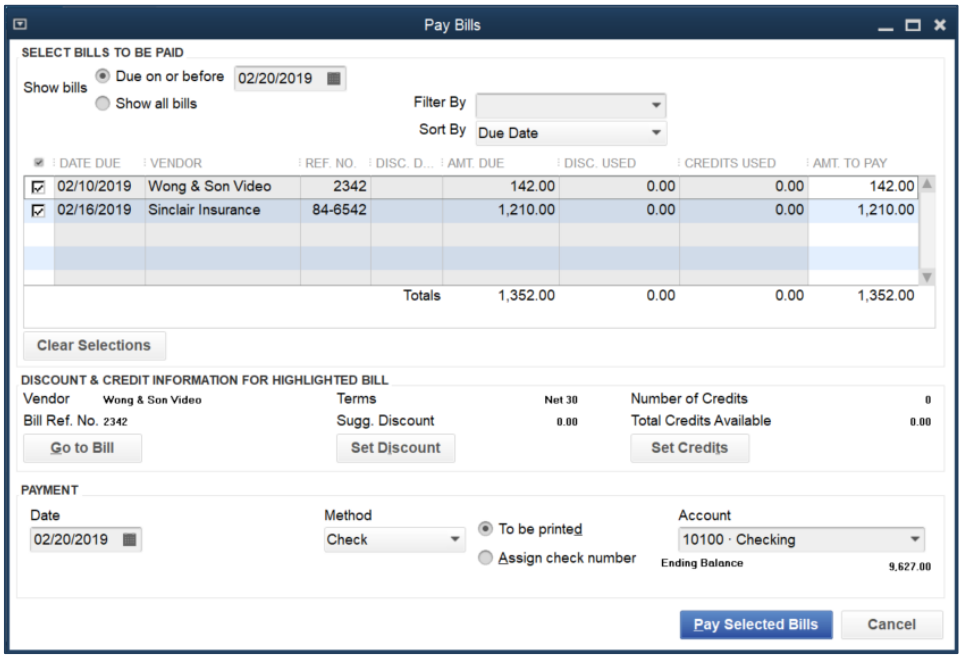
6. Create and print an **Unpaid Bills Detail** report dated **1/20/2021**.

Imagine Photography Expenses Problem 1
Unpaid Bills Detail
As of January 20, 2021

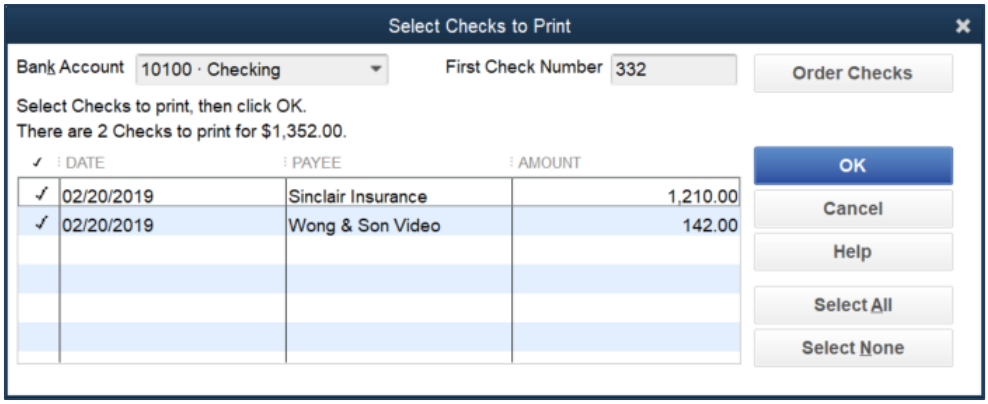
Type	Date	Num	Due Date	Aging	Open Balance
Sinclair Insurance					
Bill	01/17/2021	84-6542	02/16/2021		1,210.00
Total Sinclair Insurance					1,210.00
Wong & Son Video					
Bill	01/11/2021	2342	02/10/2021		142.00
Total Wong & Son Video					142.00
TOTAL					**1,352.00**

5-10 Unpaid Bills Detail report

7. Pay all of the *Bills* due on or before **2/20/2021**. Pay the *Bills* from the *Checking* account on **2/20/2021**. Starting check number is **332**.



5-11 Pay Bills window



5-12 Select Checks to Print Window

Chapter 6
Bank Transactions and Reconciliation

Objectives

- Transfers
- Handling Bounced Checks
- Bank Feeds
- Reconciling Bank Accounts
- Bank Reconciliation Reports
- Finding Errors During Bank Reconciliation
- Reconciling Credit Card Accounts and Paying the Bill

Learning Tips

In this chapter, you will learn how to perform common banking issues including transfers and bounced checks, and using the Bank Feeds for data entry.

The Bank Feeds section reflects the new interface released with QuickBooks 2021.

You will also reconcile your bank accounts and fix errors discovered during the bank reconciliation process. The two examples used in this chapter are for a checking account and a credit card account, but you can use the same process presented here to reconcile nearly all of your balance sheet accounts.

The following accounts cannot be reconciled:

- Accounts Receivable
- Undeposited Funds
- Accounts Payable
- Retained Earnings
- All Income, Cost of Goods Sold, and Expense Accounts

Reconciling bank accounts is one of the most important parts of a successful bookkeeping system. Only click the **Reconcile Now** button in the *Reconciliation* window when the *Difference* field is zero. In other words, never force an unbalanced reconciliation to falsely balance.

Answers to Review Questions

Comprehension Questions

1. Explain how QuickBooks calculates the *Beginning Balance* field in the *Begin Reconciliation* window. Why might the beginning balance calculated by QuickBooks differ from the beginning balance on your bank statement?
   Answer: QuickBooks calculates the *Beginning Balance* field by adding and subtracting all previously cleared transactions. The resulting calculation is shown on the *Begin Reconciliation* window. The amount in the *Beginning Balance* field will differ from your bank statement if a user deleted or changed one or more reconciled transactions. The balance will also differ if the user removes the checkmark from one or more reconciled transactions in the bank account register. Users can also adjust the *Beginning Balance* field by clicking **Undo Last Reconciliation** in the *Locate Discrepancies* window, and then re-doing the prior reconciliation, until the prior reconciliation's ending balance matches the current month's beginning balance.
2. Explain why it's important not to change transactions in closed accounting periods.
   Answer: You don't want to change transactions dated in a closed accounting period because doing so would change financial information after you have already issued financial statements and/or filed tax returns.
3. What are the benefits of using the Bank Feeds in Advanced Mode?
   Answer: When using the Bank Feeds in Advanced Mode, QuickBooks imports your transactions, matches and verifies existing transactions, and allows you to quickly categorize expenses that are not already in your file.

Multiple Choice

Answers are in **bold** type.

1. When the *Beginning Balance* field on the *Begin Reconciliation* window doesn't match the beginning balance on the bank statement, you should:
   a) Call the bank.
   b) Change the amount in QuickBooks to match the bank's amount.
   c) Click Locate Discrepancies in the *Begin Reconciliation* window. Click Discrepancy Report and/or Previous Reports to research what has been changed since the last reconciliation. Then fix the problem before reconciling.
   d) Select the **Banking** menu and then select *Enter Statement Charges*.
2. Which statement is false?
   a) You can enter bank service charges using *Enter Statement Charges*.
   b) You can enter bank service charges on the *Begin Reconciliation* window.
   c) You can enter bank service charges using a register transaction.
   d) You can enter bank service charges using *Write Checks* before you start your reconciliation.
3. When you find an erroneous amount on a transaction while reconciling, correct the amount by:
   a) Selecting the **Banking** menu and then selecting **Correct Error**.
   b) Double-clicking on the entry and changing the amount on the transaction.
   c) Selecting the entry in the **Reconcile** window, then clicking **Go To** and changing the amount on the transaction.
   d) Performing either b or c.

4. To properly record a voided check from a closed accounting period:
   a) Delete the check in the register.
   b) Make a deposit in the current period and code it to the same account as the original check you want to void. Then delete both transactions in the **Reconciliation** window.
   c) Find the check in the register, select the Edit Menu, and then select Void Check. Follow the prompts to create an adjusting entry.
   d) Change the amount of the check to zero.

5. Which of the following columns cannot be displayed in the *Checks and Payments* section of the *Reconcile* window?
   a) Check #
   b) Class
   c) Date
   d) Payee

6. You know you have reconciled your bank account correctly when:
   a) You make a *Balance Adjustment* entry.
   b) The *Difference* field shows 0.00.
   c) There are no more register entries to select in the *Reconcile* window.
   d) All of the above.

7. The Reconciliation Summary report shows:
   a) The Beginning Balance shown on the Bank Statement.
   b) Detail of all the entries for the month in the register.
   c) The Ending Balance shown in the register in QuickBooks.
   d) Both a and c.

8. What accounts should be reconciled?
   a) Any account that receives regular statements.
   b) Any bank, income or expense account.
   c) Only bank accounts can be reconciled.
   d) Reconciling is optional for all account types.

9. When you "undo" a bank reconciliation, which statement is true?
   a) Undoing a bank reconciliation does not affect the Beginning Balance.
   b) Balance Adjustments are deleted from the check register.
   c) Interest Income amounts that are entered during the prior bank reconciliation are deleted.
   d) Undoing a bank reconciliation does not delete the Bank Service Charges recorded on the "undone" bank reconciliation.

10. When a customer bounces a check, you should:
    a) Delete the *Deposit* that contained the bounced check.
    b) Mark the customer's invoice as *Unpaid*.
    c) Create an *Invoice* to the customer for NSF charges.
    d) Click the Record Bounced Check button in the *Receive Payments* window.

11. When you finish reconciling a credit card account, you:
    a) Can only create a check for the total amount due.
    b) Can create a check for an amount equal to or less than the total amount due.
    c) Cannot choose to bypass making a payment.
    d) Cannot choose to enter a bill for later payment.

12. What is the accounting behind the scenes for a Bill coded to a Credit Card liability account?
    a) Decrease (debit) Accounts Payable, Increase (credit) Credit Card liability.
    b) Decrease (debit) Accounts Payable, Decrease (credit) Credit Card liability.
    c) Increase (credit) Accounts Payable, Decrease (debit) Credit Card liability.
    d) Increase (credit) Accounts Payable, Increase (credit) Credit Card liability.

13. In what account is a transaction created if you complete a reconciliation and your difference is not 0.00?
    a) Opening Balance Equity.
    b) Uncategorized Income.
    c) Reconciliation Discrepancies.
    d) Other Expense.
14. When you void a check written in a closed accounting period, QuickBooks gives you an option to create:
    a) An adjustment in the *Reconciliation Discrepancies* account.
    b) A new check to be dated to the current date.
    c) Two journal entries in the closed accounting period.
    d) A journal entry in the closed accounting period and a journal entry during the open accounting period.
15. You are notified that you have bounced a check. What should you do?
    a) Contact the vendor to apologize and arrange payment, such as sending a new check or paying by credit card.
    b) Contact the bank to arrange payment.
    c) Wait for the physical check to be returned marked NSF (Not Sufficient Funds) before recording it in QuickBooks using the *NSF* feature.
    d) You do not need to make any changes in QuickBooks because the bounced check is automatically recorded.

Completion Statements

1. QuickBooks calculates the *Beginning Balance* field in the *Begin Reconciliation* window by adding and subtracting all previously **reconciled** transactions.
2. Voiding, deleting or changing the amount of a transaction you previously cleared in a bank reconciliation causes the ***Beginning Balance*** field on the *Begin Reconciliation* window to disagree with your bank statement.
3. The *Previous Reconciliation Discrepancy* report shows changes to cleared transactions since your most recent bank **reconciliation**.
4. You don't want to change transactions dated in a **closed** accounting period because doing so would change net income in a period for which you have already issued **audited** financial statements and/or filed the tax returns.
5. Banks and accountants often refer to bounced checks as **NSF (non-sufficient funds)** transactions.

Bank Reconciliation Problem 1

Restore the **BankRecProblem1_Solution.QBM** file to view the solution to this problem in QuickBooks. The password to access this file is Questiva20. Note that some of the reports below may not match the solution file since you will enter some data, then create reports, and then enter more data.

1. Using the sample bank statement shown on below, reconcile the checking account for 01/31/2021.

Business Checking Account

Statement Date: **January 31, 2021** Page 1 of 1

Summary:

Previous Balance as of 12/31/20:		$	12,572.80
Total Deposits and Credits	+	$	4,685.50
Total Checks and Debits	-	$	12,503.50
Statement Balance as of 1/31/21:	=	**$**	**4,754.80**

Deposits and Other Credits:

DEPOSITS

Date	Description		Amount
12-Jan	Customer Deposit	$	1709.53
30-Jan	Customer Deposit	$	2,848.27
31-Jan	Customer Deposit	$	119.08
	Deposits:	**$**	**4,676.88**

INTEREST

Date	Description		Amount
31-Jan	Interest Earned	$	8.62
	Interest:	**$**	**8.62**

Checks and Other Withdrawals:

CHECKS PAID:

Check No.	Date Paid		Amount
325	2-Jan	$	324.00
326	7-Jan	$	276.52
327	10-Jan	$	427.50
6001*	10-Jan	$	3,200.00
6003*	25-Jan	$	142.00
6004	26-Jan	$	123.48
	Checks Paid:	**$**	**4,493.50**

OTHER WITHDRAWALS/PAYMENTS

Date	Description		Amount
31-Jan	Transfer	$	8,000.00
	Other Withdrawals/Payments:	**$**	**8,000.00**

SERVICE CHARGES

Date	Description		Amount
31-Jan	Service Charge	$	$ 10.00
	Service Charge:	**$**	**$ 10.00**

Figure 6-1 Bank Statement for January 31, 2021

2. Print a Reconciliation Summary and Reconciliation Detail report dated 1/31/2021.

Imagine Photography Bank Rec Problem 1

Reconciliation Summary

10100 · Checking, Period Ending 01/31/2021

	Jan 31, 21	
Beginning Balance		12,572.80
Cleared Transactions		
Checks and Payments - 8 items	-12,503.50	
Deposits and Credits - 4 items	4,685.50	
Total Cleared Transactions	-7,818.00	
Cleared Balance		**4,754.80**
Uncleared Transactions		
Checks and Payments - 1 item	-2,152.00	
Total Uncleared Transactions	-2,152.00	
Register Balance as of 01/31/2021		**2,602.80**
New Transactions		
Checks and Payments - 3 items	-1,362.35	
Deposits and Credits - 4 items	4,798.55	
Total New Transactions	3,436.20	
Ending Balance		**6,039.00**

Figure 6-2 Reconciliation Summary Report for the period ending 1/31/2021

Imagine Photography Bank Rec Problem 1
Reconciliation Detail
10100 · Checking, Period Ending 01/31/2021

Type	Date	Num	Name	Clr	Amount	Balance
Beginning Balance						12,572.80
Cleared Transactions						
Checks and Payments - 8 items						
Check	12/31/2020	325	National Bank	X	-324.00	-324.00
Check	01/04/2021	326	Valley Gas & Electric	X	-276.52	-600.52
Check	01/05/2021	6001	Orlando Properties	X	-3,200.00	-3,800.52
Check	01/05/2021	327	Ace Supply	X	-427.50	-4,228.02
Bill Pmt -Check	01/20/2021	6003	Wong & Son Video	X	-142.00	-4,370.02
Bill Pmt -Check	01/20/2021	6004	Ace Supply	X	-123.48	-4,493.50
Transfer	01/31/2021			X	-8,000.00	-12,493.50
Check	01/31/2021			X	-10.00	-12,503.50
Total Checks and Payments					-12,503.50	-12,503.50
Deposits and Credits - 4 items						
Deposit	01/31/2019			X	8.62	8.62
Deposit	01/12/2021			X	1,709.53	1,718.15
Deposit	01/30/2021			X	2,848.27	4,566.42
Deposit	01/31/2021			X	119.08	4,685.50
Total Deposits and Credits					4,685.50	4,685.50
Total Cleared Transactions					-7,818.00	-7,818.00
Cleared Balance					-7,818.00	4,754.80
Uncleared Transactions						
Checks and Payments - 1 item						
Check	01/30/2021	329	National Bank		-2,152.00	-2,152.00
Total Checks and Payments					-2,152.00	-2,152.00
Total Uncleared Transactions					-2,152.00	-2,152.00
Register Balance as of 01/31/2021					-9,970.00	2,602.80
New Transactions						
Checks and Payments - 3 items						
Check	02/10/2021	330	Nellis Distributing	*	-342.35	-342.35
Bill Pmt -Check	02/20/2021	331	Nellis Distributing	*	-375.00	-717.35
Check	02/22/2021	332	Parker, William S., ...	*	-645.00	-1,362.35
Total Checks and Payments					-1,362.35	-1,362.35
Deposits and Credits - 4 items						
Deposit	02/03/2021			*	2,460.13	2,460.13
Deposit	02/10/2021			*	809.03	3,269.16
Deposit	02/11/2021			*	753.41	4,022.57
Deposit	02/11/2021			*	775.98	4,798.55

Figure 6-3 Reconciliation Detail Report for the period ending 1/31/2021

Chapter 7
Reports

Topics

- Types of Reports
- Cash Versus Accrual Reports
- Accounting Reports
- Business Management Reports
- QuickBooks Graphs
- Building Custom Reports
- Memorizing Reports
- Processing Multiple Reports
- Finding Transactions
- Exporting Reports to Spreadsheets

Learning Tips

QuickBooks Reports allow business owners to get the information needed to make critical business decisions. Every report in QuickBooks provides immediate, up-to-date information about company performance.

There are literally hundreds of reports available in QuickBooks that allow you to slice and dice the numbers and see the data in just about any form. In addition to the built-in Reports, it is also possible to modify and filter Reports to include or exclude data. To control the look of Reports, you can customize the formatting of headers, footers, fonts, or columns.

Finally, after you customize a Report, you can memorize it so that you can quickly create the Report again later.

Answers to Review Questions

Comprehension Questions

1. How can you hide the subaccounts on the *Profit & Loss* report?
   Answer: To hide subaccounts on the Profit & Loss report (or any summary report), click **Collapse** at the top of the report or the collapse arrow next to individual accounts.
2. Explain how using *Filters* helps you get the reports you want.
   Answer: Use the **Filters** tab on the *Modify Report* window to narrow the contents of reports so that you can analyze specific areas of your business. On the **Filters** tab, you can filter for (select) specific accounts, dates, names, or items to include in the report.

3. Explain how memorized reports help you save time.
   Answer: After modifying a report, you can *memorize* it so you won't have to go through all of the modification steps the next time you want to view the report.

Multiple Choice

Answers are in **bold** type.

1. What are the two major types of reports in QuickBooks?
   a) Register and List.
   b) Monthly and Annual.
   c) Accounting and Business Management.
   d) Balance Sheet and Profit & Loss.

2. Use the **Customize Report** button on any report to:
   a) Add or delete columns or change the accounting basis of the report.
   b) Change the width of columns on the report.
   c) Print the report on blank paper.
   d) Memorize the report for future use.

3. You cannot create a *QuickReport* for:
   a) Customers.
   b) Vendors.
   c) Items.
   d) Incorrectly posted entries.

4. To create a report that lists each of your vendors along with their address and telephone information:
   a) Display the *Vendor Contact List.*
   b) Open the *Search* window and do a search for Vendors and the corresponding Address and Phone Numbers.
   c) Customize the Vendor database.
   d) You must create a *Modified Report* to see this information.

5. In order to analyze the profitability of your company, you should:
   a) Only do an analysis if the company is profitable.
   b) Create a *Profit & Loss* report.
   c) Review all detailed transaction reports.
   d) Review the financial exceptions report.

6. Which statement is false? You may analyze your income and expenses for a given period:
   a) By class.
   b) By job.
   c) By vendor.
   d) For the whole business.

7. Which report shows monies owed to your company by customers?
   a) The Balance Sheet report.
   b) The Collections Report.
   c) The Accounts Payable Aging report.
   d) The Daily Charges report.

8. In order to modify the header and footer of your report:
   a) Click the Customize Report button and then click the Filters tab.
   b) Click the Titles button and then click the Customization tab.
   c) Click the Header/Footer button.
   d) Click the Customize Report button and then click the Header/Footer tab.
9. Processing Multiple Reports allow you to:
   a) Rearrange the report center.
   b) Organize the memorized report list into groups of related reports.
   c) Create groups of filters for your reports.
   d) Group reports by date.
10. The Profit & Loss report shows which of the following:
   a) Assets, Liabilities, and Equity accounts.
   b) Checks written for the period.
   c) Income, Cost of Goods Sold, Expenses, Other Income, and Other Expenses.
   d) Accounts Receivable increases for the period.
11. If the Profit & Loss by Class report has an *Unclassified* column:
   a) There is an error in the filters on the report.
   b) You must refresh the report.
   c) You should eliminate the column using the *Modify Report* window.
   d) Some of the transactions for the period were not assigned to a class.
12. You can export *Reports* to:
   a) Microsoft Excel.
   b) Microsoft Word.
   c) Other Accounting Software.
   d) You cannot export reports.
13. Which is a feature of the **Filters** tab on the *Modify Report* window?
   a) Filters allow you to select the columns on a report so that you can analyze specific areas of your business.
   b) Filters allow you to change how reports total and subtotal.
   c) Filters allow you to choose specific accounts, dates, names, or items to include on a report.
   d) Filters allow you to modify the date range on most reports.
14. To modify which columns are displayed on a report, click **Customize Report** and then check the names of columns to be displayed on the:
   a) Header/Footer tab.
   b) Display tab.
   c) Filters tab.
   d) Fonts & Numbers tab.
15. The Fit report to 1 page(s) wide feature does which one of the following:
   a) Fits the report into a single page for each column.
   b) Eliminates columns from the report until it fits on a single page.
   c) Reduces the font size of the report so the width of all columns does not exceed 8½" (in portrait mode) or 11" (in landscape mode).
   d) Increases the margins on reports to make sure everything fits on one page.

Completion Statements

1. The **Vendor Contact List** is a listing of your vendors along with each vendor's address and telephone information.
2. To modify the contents of a report, you can **filter** it to include certain accounts, names, columns, or transaction types.

3. QuickBooks provides a convenient feature called ***QuickZoom***, which allows you to see the detail behind numbers on reports.
4. If you're looking for a transaction and you don't know which register to look in, or if you want to find more than just a single transaction, you can use the ***Search*** command.
5. The **Balance Sheet** is a report that shows your financial position, as defined by the balances in each of your asset, liabilities, and equity accounts on a given date.

Reports Problem 1

Restore the **ReportsProblem1_Solution.QBM** file to view the solution to this problem in QuickBooks. The password to access this file is ***Questiva20***.

1. Print the Profit & Loss Standard Report for January 2025.

Imagine Photography Reports Problem 1
Profit & Loss
January 2025

		Jan 25
Ordinary Income/Expense		
Income		
40000 · Services		
40200 · Photography Services	3,145.00	
40500 · Development Services	1,520.00	
Total 40000 · Services		4,665.00
45000 · Sales		4,235.79
Total Income		8,900.79
Cost of Goods Sold		
50000 · Cost of Goods Sold		2,397.92
53000 · Purchase Discounts		-2.52
Total COGS		2,395.40
Gross Profit		6,505.39
Expense		
64900 · Office Supplies		254.60
67100 · Rent Expense		3,200.00
68600 · Utilities		276.52
Total Expense		3,731.12
Net Ordinary Income		2,774.27
Net Income		**2,774.27**

Figure 7-1 Profit & Loss Standard, January 2025

2. Print the Balance Sheet Standard Report as of 1/31/2025.

8:58 PM
06/18/20
Accrual Basis

Imagine Photography Reports Problem 1
Balance Sheet
As of January 1, 2025

	Jan 1, 25
ASSETS	
Current Assets	
Checking/Savings	
10100 · Checking	17,959.60
10200 · Money Market	12,100.00
10300 · Savings	500.00
Total Checking/Savings	30,559.60
Accounts Receivable	
11000 · Accounts Receivable	650.93
Total Accounts Receivable	650.93
Other Current Assets	
12100 · Inventory Asset	7,158.67
Total Other Current Assets	7,158.67
Total Current Assets	38,369.20
Fixed Assets	
15000 · Furniture and Equipment	13,250.00
17000 · Accumulated Depreciation	-1,325.00
Total Fixed Assets	11,925.00
TOTAL ASSETS	**50,294.20**
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
20000 · Accounts Payable	142.00
Total Accounts Payable	142.00
Credit Cards	
22000 · National Bank VISA Gold	2,152.00
Total Credit Cards	2,152.00
Other Current Liabilities	
24000 · Payroll Liabilities	
24010 · Company Payroll Taxes Payable	368.00
Total 24000 · Payroll Liabilities	368.00
24200 · Line of Credit	6,700.00
25500 · Sales Tax Payable	139.66

Page 1

Figure 7-2 Balance Sheet Standard, January 2025 (first page)

3. Print the Statement of Cash Flows Report for January 2025.

Imagine Photography Reports Problem 1
Statement of Cash Flows
January 2025

	Jan 25
OPERATING ACTIVITIES	
Net Income	2,774.27
Adjustments to reconcile Net Income to net cash provided by operations:	
11000 · Accounts Receivable	-3,760.54
12100 · Inventory Asset	2,022.92
20000 · Accounts Payable	233.00
22000 · National Bank VISA Gold	-2,152.00
25500 · Sales Tax Payable	349.46
Net cash provided by Operating Activities	-532.89
Net cash increase for period	-532.89
Cash at beginning of period	30,559.60
Cash at end of period	**30,026.71**

Figure 7-3 Statement of Cash Flows, January 2025

4. Print the Customer QuickReport for Bob Mason for January 2025.

Imagine Photography Reports Problem 1
Customer QuickReport
January 2025

Type	Date	Num	Memo	Account	Clr	Split	Debit	Credit
Mason, Bob								
Invoice	01/09/2025	2025-...	3 Hr. Indoor S...	11000 · Accounts R...		-SPLIT-	776.47	
Payment	01/10/2025	9876		12000 · Undeposite...	X	11000 · Accou...	1,177.86	
Invoice	01/20/2025	2025-...	10 hours Reto...	11000 · Accounts R...		-SPLIT-	950.00	
Invoice	01/20/2025	2025-...	10 Premium ...	11000 · Accounts R...		-SPLIT-	2,020.13	

Figure 7-4 Customer QuickReport for Bob Mason, January 2025

5. Print the Vendor Contact List Report.

Imagine Photography Reports Problem 1
Vendor Contact List

Vendor	Account No.	Bill from	Primary Contact	Main Phone	Fax	Balance Total
Ace Supply	Acct# 43-234	Ace Supply 435 Race Street, Suite 1 Hayward, ...	Arlene Stanley	510-555-6646		0.00
Boswell Consulting		Boswell Consulting P.O. Box 620 Oakland, CA ...	Steven Boswell	510-555-7976		0.00
Cal Telephone	415-556-2962-8053	Cal Telephone P.O. Box 1100 San Francisco, C...		415-555-4389		0.00
City of San Jose		City of San Jose 100 Main St San Jose, CA 943...		408-555-4343		0.00
City of Walnut Creek		City of Walnut Creek City Hall P.O. Box 1 Waln...		925-555-8500		0.00
Employment Development Department		Employment Development Department P.O. Bo...		916-555-7663		0.00
Express Delivery Service		Express Delivery Service P.O. Box 15224 Sacr...		916-555-4444		0.00
Jones Office Supply		Jones Office Supply P.O.Box 93008 Sacramten...		916-555-7899		0.00
Merrill Lynch		Merrill Lynch P.O. Box 201240 Sacramento, CA...		916-555-7333		0.00
National Bank		National Bank P.O. Box 522 San Jose, CA 94326		408-555-1233		0.00
Nellis Distributing		Nellis Distributing P.O. Box 5033 Concord, CA 9...	Susan Nellis	925-555-3322		0.00
Orlando Properties		Orlando Properties P.O. Box 2836 San Jose, C...	Leslie J Orlando	408-555-4441		0.00
Parker, William S., CPA		William S. Parker, CPA 200 Royal Rd Pleasant...	William S. Parker	925-555-6920	925-555-2382	0.00
Postmaster		Postmaster 1 Main St. Pleasanton, CA 94300		925-555-4333		0.00
Rodriguez Rentals		Rodriguez Rentals 33 Wheeler Rd Walnut Cree...	Ron Rodriguez	925-555-3479	925-555-2367	0.00
Sinclair Insurance	786-35	Sinclair Insurance P.O. Box 6656 Santa Cruz, C...	David	831-555-2900	831-555-2929	0.00
State Board of Equalization	ABCD 11-234567	State Board of Equalization P.O. Box 3456 Sacr...		916-555-0540		489.12
Valley Gas & Electric	Acct# 123556	Valley Gas & Electric 123 A Street San Francisc...		415-555-3433		0.00
Wong & Son Video		Wong & Son Video P.O. Box 783 Milpitas, CA 9...	Mike Wong	408-555-4977	408-555-1883	0.00

Figure 7-5 Vendor Contact List report

6. Print the Sales by Customer Detail Report for January 2025.

Imagine Photography Reports Problem 1
Sales by Customer Detail
Accrual Basis — January 2025

Type	Date	Num	Memo	Name	Item	Qty	Sales Price	Amount	Balance
Cruz, Maria									
Branch Opening									
Invoice	01/05/2025	2025-...	Outdoor Phot...	Cruz, Maria:Branch ...	Outdoor ...	4	95.00	380.00	380.00
Invoice	01/05/2025	2025-...	Photo retouch...	Cruz, Maria:Branch ...	Retouchi...	2	95.00	190.00	570.00
Invoice	01/06/2025	2025-...	Photographer	Cruz, Maria:Branch ...	Photogra...	4	125.00	500.00	1,070.00
Invoice	01/08/2025	2025-...	Supra Digital ...	Cruz, Maria:Branch ...	Camera ...	1	695.99	695.99	1,765.99
Invoice	01/08/2025	2025-...	Supra Zoom L...	Cruz, Maria:Branch ...	Lens (Su...	1	324.99	324.99	2,090.98
Invoice	01/08/2025	2025-...	Camera and L...	Cruz, Maria:Branch ...	Case (Ca...	1	79.99	79.99	2,170.97
Invoice	01/13/2025	2025-...	Indoor Studio ...	Cruz, Maria:Branch ...	Indoor Ph...	4	95.00	380.00	2,550.97
Invoice	01/13/2025	2025-...	Photographer	Cruz, Maria:Branch ...	Photogra...	4	125.00	500.00	3,050.97
Invoice	01/20/2025	2025-...	Supra Digital ...	Cruz, Maria:Branch ...	Camera ...	1	695.99	695.99	3,746.96
Invoice	01/20/2025	2025-...	Picture Frame...	Cruz, Maria:Branch ...	Frame 5x...	10	5.99	59.90	3,806.86
Invoice	01/20/2025	2025-...	Supra Zoom L...	Cruz, Maria:Branch ...	Lens (Su...	1	324.99	324.99	4,131.85
Invoice	01/20/2025	2025-...	Supra Digital ...	Cruz, Maria:Branch ...	Camera ...	1	695.99	695.99	4,827.84
Invoice	01/20/2025	2025-...	Camera and L...	Cruz, Maria:Branch ...	Case (Ca...	1	79.99	79.99	4,907.83
Invoice	01/20/2025	2025-...	Supra Zoom L...	Cruz, Maria:Branch ...	Lens (Su...	1	324.99	324.99	5,232.82
Total Branch Opening						36		5,232.82	5,232.82
Total Cruz, Maria						36		5,232.82	5,232.82
Mason, Bob									
Invoice	01/09/2025	2025-...	Indoor Studio ...	Mason, Bob	Indoor Ph...	3	95.00	285.00	285.00
Invoice	01/09/2025	2025-...	Photo retouch...	Mason, Bob	Retouchi...	4	95.00	380.00	665.00
Invoice	01/09/2025	2025-...	Premium Pac...	Mason, Bob	Premium ...	1	85.00	85.00	750.00
Invoice	01/09/2025	2025-...	Picture Frame...	Mason, Bob	Frame 5x...	3	5.99	17.97	767.97
Invoice	01/20/2025	2025-...	Photo retouch...	Mason, Bob	Retouchi...	10	95.00	950.00	1,717.97
Invoice	01/20/2025	2025-...	Photographer	Mason, Bob	Photogra...	5	125.00	625.00	2,342.97
Invoice	01/20/2025	2025-...	Indoor Studio ...	Mason, Bob	Indoor Ph...	5	95.00	475.00	2,817.97
Invoice	01/20/2025	2025-...	Premium Pac...	Mason, Bob	Premium ...	10	85.00	850.00	3,667.97
Total Mason, Bob						41		3,667.97	3,667.97
TOTAL						77		8,900.79	8,900.79

Figure 7-6 Sales by Customer Detail Report for January 2025

7. Filter the Sales by Customer Detail Report to only display Sales amounts between $100.00 and $500.00. Print the report.

Academy Photography Reports Problem 1
Sales by Customer Detail
Accrual Basis — January 2019

Type	Date	Num	Memo	Name	Item	Qty	Sales Price	Amount	Balance
Cruz, Maria									
Branch Opening									
Invoice	01/05/2019	2019-101	Outdoor Photo Session	Cruz, Maria:Branch Open...	Outdoor Photo Session (Outdoor Photo S...	4	95.00	380.00	380.00
Invoice	01/05/2019	2019-101	Photo retouching servi...	Cruz, Maria:Branch Open...	Retouching (Photo retouching services)	2	95.00	190.00	570.00
Invoice	01/06/2019	2019-102	Photographer	Cruz, Maria:Branch Open...	Photographer (Photographer)	4	125.00	500.00	1,070.00
Invoice	01/08/2019	2019-103	Supra Zoom Lens	Cruz, Maria:Branch Open...	Lens (Supra Zoom Lens)	1	324.99	324.99	1,394.99
Invoice	01/13/2019	2019-105	Indoor Studio Session	Cruz, Maria:Branch Open...	Indoor Photo Session (Indoor Studio Sess...	4	95.00	380.00	1,774.99
Invoice	01/13/2019	2019-105	Photographer	Cruz, Maria:Branch Open...	Photographer (Photographer)	4	125.00	500.00	2,274.99
Invoice	01/20/2019	2019-106	Supra Zoom Lens	Cruz, Maria:Branch Open...	Lens (Supra Zoom Lens)	1	324.99	324.99	2,599.98
Invoice	01/20/2019	2019-108	Supra Zoom Lens	Cruz, Maria:Branch Open...	Lens (Supra Zoom Lens)	1	324.99	324.99	2,924.97
Total Branch Opening						21		2,924.97	2,924.97
Total Cruz, Maria						21		2,924.97	2,924.97
Mason, Bob									
Invoice	01/09/2019	2019-104	Indoor Studio Session	Mason, Bob	Indoor Photo Session (Indoor Studio Sess...	3	95.00	285.00	285.00
Invoice	01/09/2019	2019-104	Photo retouching servi...	Mason, Bob	Retouching (Photo retouching services)	4	95.00	380.00	665.00
Invoice	01/20/2019	2019-109	Indoor Studio Session	Mason, Bob	Indoor Photo Session (Indoor Studio Sess...	5	95.00	475.00	1,140.00
Total Mason, Bob						12		1,140.00	1,140.00
TOTAL						33		4,064.97	4,064.97

Figure 7-7 Sales by Customer Detail Report filtered for Amounts between $100 and $500, January 2025

Chapter 8
Customizing QuickBooks

Objectives

- QuickBooks Preferences
- Customizing QuickBooks Menus and Windows
- QuickBooks Items and Other Lists
- Custom Fields
- Modifying Sales Form Templates

Learning Tips

In this chapter, you will cover several ways of customizing QuickBooks. This chapter focuses on the customization of the interface features of QuickBooks such as *Preferences*, the *Icon Bar*, and several lists and forms.

Additional Topics

QuickBooks Preferences

The *User Preferences* (i.e., My Preferences) are specific to each user's log-in. *Company Preferences* affect all users.

Customizing Templates

In this chapter, you will customize an *Invoice* form. QuickBooks includes several templates when you install the program. If you attempt to customize one of Intuit's standard *Invoices*, the program will give you a much more limited set of options. To fully customize the Intuit standard forms, you should first duplicate the form template before making changes.

Also, it's possible to duplicate an *Invoice* as an *Estimate*, *Sales Order*, or *Purchase Order*. This allows you to transfer many of the customizations (e.g., columns, fields, colors, fonts, etc.) between different types of forms. Though you can customize *Statements*, you cannot duplicate other forms as *Statements* (i.e., transfer customizations to *Statements*) and there are not as many options when creating a customized *Statement* template.

Answers to Review Questions

Comprehension Questions

1. Describe the difference between User Preferences (i.e., My Preferences) and Company Preferences.
   Answer: *Company Preferences* are used to make global changes to the features and functionality of the data file. Only the Administrator of the data file can make changes to *Company Preferences*. *User Preferences* will not affect other users of the data file. Each user can make changes to his or her own *My Preferences*.

2. What commands should you put in the Favorites menu?
   Answer: Any command that you use frequently can be put in the Favorites menu. You can also put items that are usually only found on submenus so that the options are more easily accessible.

3. Describe the purpose of the Open Windows List.
   Answer: The *Open Windows List* shows a brief description of each open window. You can click on the description to move between windows. The *Open Windows List* is most helpful when you have a large number of open windows, or when you select the *One Window Desktop View* User Preference. With this preference selected, the *Open Windows List* is the most convenient way to move between open windows.

4. How would setting a customer's default price level affect their future invoices?
   Answer: Price levels allow you to customize different pricing for your customers. For example, some high volume customers may have negotiated discount pricing for all of their purchases. By setting the customer's default pricing level to a *Fixed Percentage Price Level*, every invoice and sales receipt will automatically use this discount pricing. A different type of price level is *Per Item.* With this type of *Price Level,* adjusted default prices can be set on some items and not others. Setting this type of level on a customer means that customer will by default receive the adjusted rate on the items specified in the *Price Level*.

   To add *Price Level* defaults to customer records, create the **Price Level** in the *Price Level List*. Then, in the *Edit Customer* window, choose the **Additional Info** tab and set the **Price Level** field to the appropriate price level for the customer.

5. Describe the process of adding a Custom Field to a customer record.
   Answer: To add a **Custom Field** to a customer's record, open the customer's record, click the **Additional Information** tab and then click **Define Fields.** QuickBooks displays the *Define Fields* window where you can create a Custom Field. After you create the Custom Field, click the corresponding checkbox in the *Customers:Jobs* column.

Multiple Choice Questions

Answers are in **bold** type.

1. You can create Custom Fields for:
   a) Customers.
   b) Templates.
   c) Vendors.
   d) Both a and c.

2. The two types of Preferences are:
   a) **User and Company Preferences.**
   b) User and Accountant Preferences.
   c) Favorite and General Preferences.
   d) Income and Expense Preferences.
3. If you don't see the Favorites menu in your menu bar, you can turn it on in the:
   a) Customize Templates window.
   b) Customize Icon Bar window.
   c) **View menu.**
   d) Windows menu.
4. Which of the following is not an available Template type in QuickBooks?
   a) Credit Memo.
   b) Statement.
   c) **Check.**
   d) Sales Receipt.
5. Which of the following can be displayed vertically on the far left side of the screen or horizontally along the top of the screen?
   a) The Home Page
   b) **The Icon Bar**
   c) The Open Windows List
   d) None of the above
6. You cannot customize which of the following?
   a) The layout of Statements
   b) The Icon Bar
   c) The layout of the Estimate forms
   d) **The Open Windows list**
7. To add an Icon to the Icon Bar, you can use:
   a) The Add "window-name" to Icon Bar option.
   b) The Customize Icon Bar window.
   c) The User Preferences for Desktop View.
   d) **Either a or b.**
8. Use which of the following to manually design the layout of an Invoice?
   a) The Company tab of the Customize Invoice window
   b) The Format tab of the Customize Invoice window
   c) QuickBooks Company Preferences
   d) **The Layout Designer**
9. The two types of Price Levels are:
   a) **Fixed percentage and per item.**
   b) Fixed percentage and per customer.
   c) Per item and per customer.
   d) Per customer and per vendor.
10. You would like to offer a discount when some customers pay their invoice early. What List would you open to start creating this discount?
    a) **Terms**
    b) Item
    c) Price Levels
    d) None of the above. You can't create this type of discount in QuickBooks.

11. The simplest way to offer a regular discount to a customer is to:
    a) Set the price level on the customer's invoice.
    b) Add a Discount Item to each of the customer's invoices.
    c) Enter the discount in the Customer Discount field in the Edit Customer window.
    d) Set the default price level for that customer.
12. Where do you control the default settings for your Home page?
    a) View menu: Desktop View.
    b) Preferences: Desktop View.
    c) Company: Desktop View.
    d) Icon Bar: Desktop View.
13. You can rearrange the order of columns in a template using the:
    a) Managing Templates window.
    b) Template List.
    c) Additional Customization window.
    d) Basic Customization window.
14. To switch between multiple open windows, use the:
    a) Windows menu.
    b) Alt-Tab.
    c) Open Windows on the icon bar.
    d) Either a or c.
15. The icons on the Home Page:
    a) Always show
    b) Can be hidden.
    c) Don't show if the feature is inactive.
    d) Both b and c.

Completion Statements

1. Use the **Desktop View** User Preferences to set default windows that show when you open QuickBooks and to change the color and graphics of QuickBooks toolbars and windows.
2. The **Icon Bar** displays common commands along with an icon representing that command along the side edge or the top of the QuickBooks window.
3. Use the **Favorites** menu to collect your most-used commands.
4. **Date driven** terms calculate based on the day of the month that an Invoice or Bill is due or a discount is earned.
5. To implement different pricing for different Customer Types, use **Price Rules**.

Customizing Problem 1

Restore the **CustomizingProblem1_Solution.QBM** file to view the solution to this problem in QuickBooks. The password to access this file is ***Questiva20***.

1. Add **Create Invoices** and **Chart of Accounts** to your Favorites Menu.

2. Create a new payment term called *Net 28*. Customers who have these terms should pay within 4 weeks (28 days) and are not offered a discount for early payment.

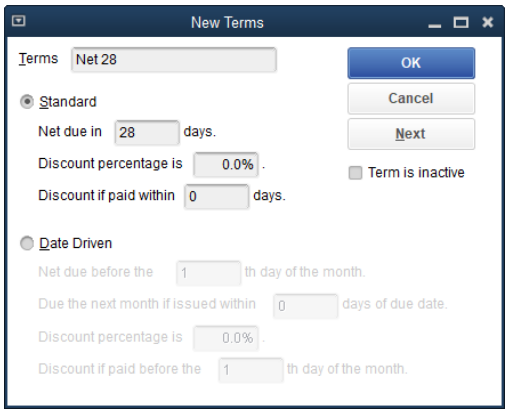


Figure 8-1 New Terms

3. Enter the following *Invoice*:

Field Name	Data
Customer	Feng, Tim
Class	San Jose
Date	02/24/2025
Invoice #	2025-106
Terms	Net 28
Tax	Santa Clara
Quantity	4
Item Code	Specialist

Table 8-1 Use this data for the Invoice

4. Print the Invoice. When prompted, save changes to Customer.

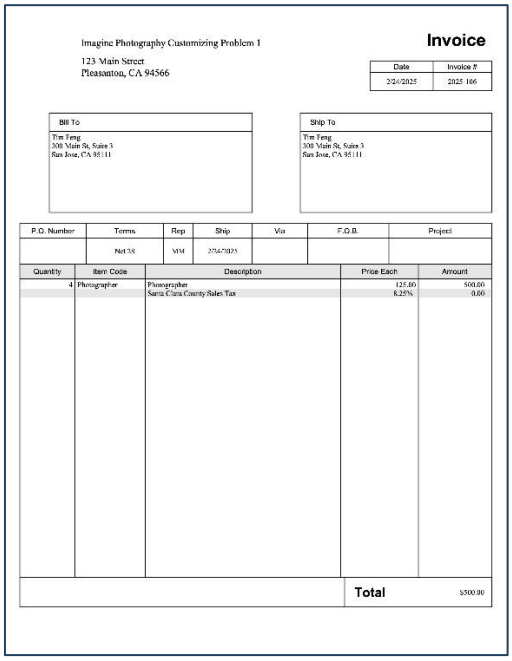


Figure 8-2 Print Invoice

5. Print the *Item List*.

Imagine Photography Customizing Problem 1
Item Listing
July 25, 2020

Item	Description	Type	Cost	Price	Sales Tax Code	Quantity On Hand	Quantity On Sales Order	Reorder Pt (Min)	Quantity On Purchase Order	Preferred Vendor
Indoor Photo Session	Indoor Studio Session	Service	0.00	95.00	SRV			0		
Outdoor Photo Session	Outdoor Photo Session	Service	0.00	95.00	SRV			0		
Photographer	Photographer	Service	75.00	125.00	SRV			0		
Retouching	Photo retouching services	Service	0.00	95.00	SRV			0		
Camera SR32	Supra Digital Camera SR32	Inventory Part	450.00	695.99	Tax	9	0		0	
Case	Camera and Lens High Impact Case	Inventory Part	45.00	79.99	Tax	24	0		0	
Frame 5x7	Picture Frame - 5" x 7" Metal Frame	Inventory Part	2.15	5.99	Tax	22	0		0	
Lens	Supra Zoom Lens	Inventory Part	184.99	324.99	Tax	7	0		0	
Photo Paper	Standard Photo Paper, Glossy, 8.5"x11", 7 Mil, ...	Non-inventory P...	0.00	12.36	Tax					
Premium Photo Package	Premium Package of Photography from Session	Non-inventory P...	0.00	85.00	Tax			0		
Standard Photo Package	Standard Package of Photography from Session	Non-inventory P...	0.00	55.00	Tax					
Bad Debt	Bad Debt - Write off	Other Charge	0.00	0.00	SRV			0		
Bounce Chg	Return Check Fee	Other Charge	0.00	0.00	SRV			0		
Contra Costa	Contra Costa County Sales Tax	Sales Tax Item	0.00	8.25%						
Out of State	Out-of-state sale, exempt from sales tax	Sales Tax Item	0.00	0%				0		
Santa Clara	Santa Clara County Sales Tax	Sales Tax Item	0.00	8.25%						

Figure 8-3 Items List

Chapter 9
Case Study: Walker Graphic Design

Walker Graphic Design Case Study

This comprehensive problem is designed to give you practice entering all the transactions for a company in a typical monthly period. Several real-life transactions require you to make decisions about how to record the transactions in QuickBooks.

Restore the sample QuickBooks data file called **Walker.QBM**. This data file includes all of the list information you will need to work through the exercises. You will enter all of the transactions for May 2025.

Instructions

1. Enter the transactions for May 2025.
2. Reconcile the bank account for May from the statement.
3. Prepare the following reports and graphs:
   a) Reconciliation Summary Report for 05/31/25

Walker Graphic Design
Reconciliation Summary
10000 · America's Bank Checking, Period Ending 05/31/2025

	May 31, 25
Beginning Balance	0.00
Cleared Transactions	
Checks and Payments - 10 ite...	-12,160.00
Deposits and Credits - 5 items	96,180.60
Total Cleared Transactions	84,020.60
Cleared Balance	**84,020.60**
Register Balance as of 05/31/2025	84,020.60
Ending Balance	84,020.60

Figure 9-1 Bank Reconciliation - May 31, 2025

   b)Reconciliation Detail Report as of 5/31/25

Walker Graphic Design
Reconciliation Detail
10000 · America's Bank Checking, Period Ending 05/31/2025

Type	Date	Num	Name	Clr	Amount	Balance
Beginning Balance						**0.00**
Cleared Transactions						
Checks and Payments - 10 items						
Check	05/01/2025	1001	Commerce Realty	✓	-2,500.00	-2,500.00
Check	05/04/2025	1002	Delmore Insurance	✓	-729.00	-3,229.00
Bill Pmt -Check	05/31/2025	1007	Staples	✓	-2,825.00	-6,054.00
Bill Pmt -Check	05/31/2025	1009	Zenith Productions	✓	-2,430.00	-8,484.00
Bill Pmt -Check	05/31/2025	1005	Image Contacts, ...	✓	-1,320.00	-9,804.00
Bill Pmt -Check	05/31/2025	1003	Apex Online - V	✓	-925.00	-10,729.00
Bill Pmt -Check	05/31/2025	1006	Legacy Office Su...	✓	-632.00	-11,361.00
Bill Pmt -Check	05/31/2025	1004	Cal Light & Power	✓	-501.00	-11,862.00
Bill Pmt -Check	05/31/2025	1008	Western Bell	✓	-288.00	-12,150.00
Check	05/31/2025			✓	-10.00	-12,160.00
Total Checks and Payments					-12,160.00	-12,160.00
Deposits and Credits - 5 items						
Deposit	05/01/2025			✓	85,000.00	85,000.00
Deposit	05/16/2025			✓	336.00	85,336.00
Deposit	05/28/2025			✓	466.80	85,802.80
Deposit	05/30/2025			✓	900.00	86,702.80
Deposit	05/31/2025			✓	9,477.80	96,180.60
Total Deposits and Credits					96,180.60	96,180.60
Total Cleared Transactions					84,020.60	84,020.60
Cleared Balance					84,020.60	84,020.60
Register Balance as of 05/31/2025					84,020.60	84,020.60
Ending Balance					**84,020.60**	**84,020.60**

c) Balance Sheet Standard as of 05/31/2025

Balance Sheet

Customize Report | Comment on Report | Share Template | Memorize

Dates Custom As of 05/31/2025 Sho

Report Basis: Accrual Cash Show Filters

Walker Graphic Design
Balance Sheet
As of May 31, 2025

Accrual Basis

	May 31, 25
ASSETS	
Current Assets	
Checking/Savings	
10000 · America's Bank Checking	84,020.60
Total Checking/Savings	84,020.60
Accounts Receivable	
11000 · Accounts Receivable	1,875.00
Total Accounts Receivable	1,875.00
Other Current Assets	
12100 · Refundable Deposit	1,250.00
Total Other Current Assets	1,250.00
Total Current Assets	87,145.60
Fixed Assets	
15000 · Furniture and Equipment	2,825.00
Total Fixed Assets	2,825.00
TOTAL ASSETS	**89,970.60**
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Credit Cards	
22000 · America's Bank Visa (12...	1,046.00
Total Credit Cards	1,046.00
Total Current Liabilities	1,046.00
Total Liabilities	1,046.00
Equity	
30700 · Owners Investment	85,000.00
Net Income	3,924.60
Total Equity	88,924.60
TOTAL LIABILITIES & EQUITY	**89,970.60**

Figure 9-2 Balance Sheet for 5/31/2025

d)Profit and Loss Standard for May 2025

Profit & Loss

Customize Report | Comment on Report | Share Template | Memorize | Print | E-mail

Dates Custom From 05/01/2025 To 05/31/2025

Report Basis: Accrual Cash Show Filters

Walker Graphic Design
Profit & Loss
May 2025

Accrual Basis

	May 25
Ordinary Income/Expense	
Income	
42700 · Consulting Income	11,840.00
46000 · Sales Discounts	-7.20
47100 · Product Sales	1,236.00
Total Income	13,068.80
Cost of Goods Sold	
50000 · Cost of Goods Sold	925.00
Total COGS	925.00
Gross Profit	12,143.80
Expense	
60000 · Advertising and Promot...	1,320.00
60400 · Bank Service Charges	10.00
63300 · Insurance Expense	729.00
64500 · Merchant Service Fees	13.20
64900 · Office Supplies	632.00
65000 · Office Expenses	899.00
66700 · Professional Fees	2,430.00
67100 · Rent Expense	1,250.00
67200 · Repairs and Maintenance	147.00
68100 · Telephone Expense	288.00
68600 · Utilities	501.00
Total Expense	8,219.20
Net Ordinary Income	3,924.60
Net Income	3,924.60

Figure 9-3 Profit & Loss for May

e)Profit and Loss by Class for May 2025

Profit & Loss by Class

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Dates Custom From 05/01/2025 To 05/31/2025 Show Columns Class

Report Basis: Accrual Cash Show Filters

Walker Graphic Design
Profit & Loss by Class
May 2025

Accrual Basis

	Design/Consulting	Online Sales	Overhead	TOTAL
Ordinary Income/Expense				
Income				
42700 · Consulting Income	11,840.00	0.00	0.00	11,840.00
46000 · Sales Discounts	-7.20	0.00	0.00	-7.20
47100 · Product Sales	0.00	1,236.00	0.00	1,236.00
Total Income	11,832.80	1,236.00	0.00	13,068.80
Cost of Goods Sold				
50000 · Cost of Goods Sold	0.00	925.00	0.00	925.00
Total COGS	0.00	925.00	0.00	925.00
Gross Profit	11,832.80	311.00	0.00	12,143.80
Expense				
60000 · Advertising and Promot...	1,320.00	0.00	0.00	1,320.00
60400 · Bank Service Charges	0.00	0.00	10.00	10.00
63300 · Insurance Expense	0.00	0.00	729.00	729.00
64500 · Merchant Service Fees	13.20	0.00	0.00	13.20
64900 · Office Supplies	0.00	0.00	632.00	632.00
65000 · Office Expenses	0.00	0.00	899.00	899.00
66700 · Professional Fees	0.00	2,430.00	0.00	2,430.00
67100 · Rent Expense	0.00	0.00	1,250.00	1,250.00
67200 · Repairs and Maintenance	0.00	0.00	147.00	147.00
68100 · Telephone Expense	0.00	0.00	288.00	288.00
68600 · Utilities	0.00	0.00	501.00	501.00
Total Expense	1,333.20	2,430.00	4,456.00	8,219.20
Net Ordinary Income	10,499.60	-2,119.00	-4,456.00	3,924.60
Net Income	10,499.60	-2,119.00	-4,456.00	3,924.60

Figure 9-4 Profit & Loss by Class for May

f) Statement of Cash Flows for May 2025

Statement of Cash Flows

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Dates Custom From 05/01/2025 To 05/31/2025

Show Filters

Walker Graphic Design
Statement of Cash Flows
May 2025

	May 25
OPERATING ACTIVITIES	
Net Income	3,924.60
Adjustments to reconcile Net Income to net cash provided by operations:	
11000 · Accounts Receivable	-1,875.00
12100 · Refundable Deposit	-1,250.00
22000 · America's Bank Visa (1234)	1,046.00
Net cash provided by Operating Activities	1,845.60
INVESTING ACTIVITIES	
15000 · Furniture and Equipment	-2,825.00
Net cash provided by Investing Activities	-2,825.00
FINANCING ACTIVITIES	
30700 · Owners Investment	85,000.00
Net cash provided by Financing Activities	85,000.00
Net cash increase for period	84,020.60
Cash at end of period	84,020.60

Figure 9-5 Statement of Cash Flows for May

g)Sales by Item Summary for May 2025

Sales by Item Summary

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Dates Custom From 05/01/2025 To 05/31/2025

Report Basis: Accrual Cash | Show Filters

Walker Graphic Design
Sales by Item Summary
May 2025

Accrual Basis

	May 25			
	Qty	Amount	% of Sales	Avg Price
Parts				
Caps (Caps)	45	360.00	2.8%	8.00
Clocks (Clocks)	10	100.00	0.8%	10.00
Mugs (Mugs or other cups)	40	240.00	1.8%	6.00
T-Shirts (Sales of T-Shirts)	50	500.00	3.8%	10.00
Tote Bags (Tote Bags)	3	36.00	0.3%	12.00
Total Parts	148	1,236.00	9.5%	8.35
Service				
Consultation (Consultation Service)	9	540.00	4.1%	60.00
Design (Design Services)	226	11,300.00	86.4%	50.00
Total Service	235	11,840.00	90.5%	50.38
TOTAL	383	13,076.00	100.0%	34.14

Figure 9-6 Sales by Item Summary for May

h)Graph – Sales by Month by Customer for May 2025

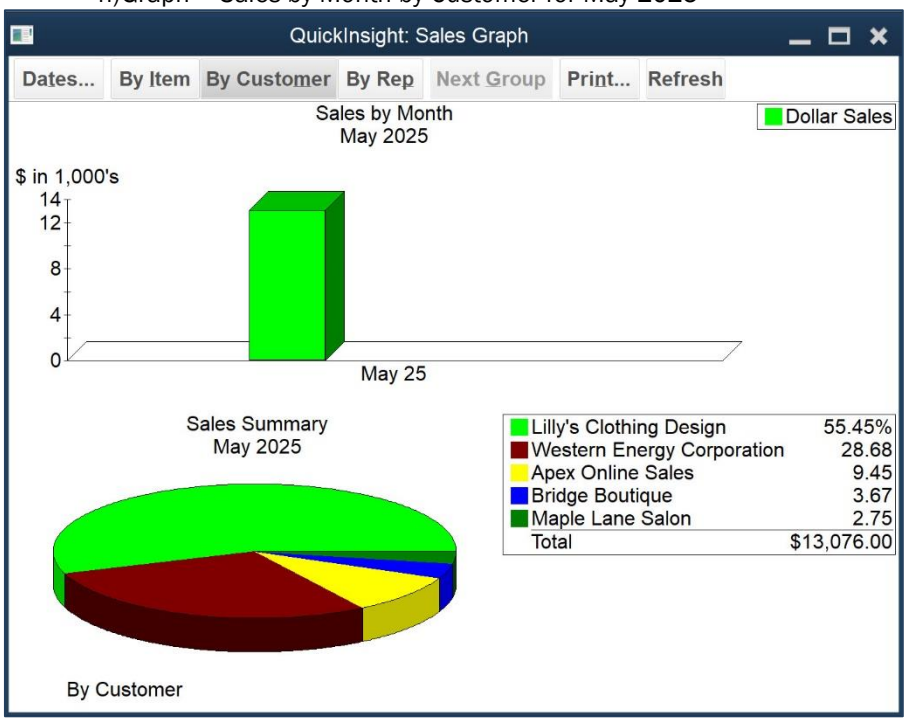


Figure 9-7 Sales by Month by Customer for May

Complete the analysis questions.

Analysis Questions

1. $3,924.60 What is the net income or net loss for May?
2. $8,219.20 What is the total Expenses for May?
3. $1,236.00 What is the amount of Total Product Sales for May?
4. $1,250.00 What is the amount of rent paid for May?
5. $84,020.60 What is the net cash increase for May?
6. 3.8% What percentage of total sales were T-Shirts in May?
7. 3.67% What percentage of total sales was to Bridge Boutique?
8. $89,970.60 How much does Walker Graphic Design have in total assets on May 31?
9. $311.00 What was the gross profit for the Online Sales Class?
10. $12,160.00 What was the amount of cleared Checks and Payments from the May bank reconciliation?

Chapter 10
Items and Inventory

Objectives

- Setting up Items
- QuickBooks Tools for Tracking Inventory
- Setting up Inventory Parts Items
- Calculating Average Cost of Inventory
- Invoicing for Inventory Items
- Purchase Orders
- Entering Bills for Received Inventory
- Adjusting Inventory
- Setting up Group Items
- Inventory Assemblies
- Inventory Reports

Learning Tips

Before beginning this chapter, you may consider whether QuickBooks is appropriate to track inventory in your businesses.

The main disadvantage to using Inventory is letting QuickBooks know about every sale and every purchase of every product. At first, this might not sound too tedious, but depending on the number of products you sell and your daily sales voume, it might be an overwhelming task for the data entry person.

The advantage of using *Inventory* items rather than *Non-Inventory* items is that you can monitor the quantity of inventory you have on a real-time basis. Therefore, you can track inventory shrinkage, as well as monitor ordering status, to properly manage cash flow in your business. This helps build proper controls and accounting procedures in your business.

If you sell the same SKU over and over again, QuickBooks Inventory will help you track the quantity on hand and the value of your inventory. However, if each product you sell is unique (different part number, customized, etc.), you probably don't want to use Inventory.

If you tend to sell the same products *over time* – for example, if you sell the same 12-pack of 100-watt light bulbs year after year – Inventory works fine. However, if products become obsolete very quickly in your business, you probably want to avoid Inventory since your Item List will grow out of control.

If there is no waste (or loss) of inventory between the purchase and the sale, you can use Inventory. If you purchase material that doesn't get sold (i.e., material is wasted or lost during production), then you would always have to deal with discrepancies in the on-hand quantities.

Since the main benefit of using Inventory is to have an accurate *Balance Sheet* and Inventory status *every day*, you should only use Inventory if you *need* this functionality. If, for example, you can get by with

periodic adjustments to your *Inventory* account, thereby leaving the Inventory balance *incorrect* in the interim, then it might be best to avoid Inventory.

A manufacturing company needs to track raw materials separately from goods in process and finished goods. QuickBooks cannot distinguish between different *types* of inventory (i.e., finished goods, work in process, and percentage of completion) in the manufacturing process, so you should *definitely avoid* using the QuickBooks Inventory feature in a manufacturing company.

If each product you sell is unique (for example, an antique store sells each product only once), you don't want to use Inventory. The reason is that each time you purchase and then sell an item, you will need a new item in the Item List to identify it. This will cause your Item List to grow out of control very quickly. Remember, you can never delete an Inventory item after you use it in a transaction.

If products rapidly become obsolete in your business, you probably want to avoid Inventory. For example, a computer store that sells computer parts finds that all parts become obsolete quite quickly. This means that your Item List will grow out of control very quickly. (Not quite as quickly as in the antique store, but still too quickly to be a viable solution.)

If you purchase material that doesn't get sold (i.e., material is wasted or lost during production), then you will always be dealing with discrepancies in the on-hand quantities. This causes too much overhead in the bookkeeping process, so avoid using QuickBooks Inventory.

Although it is relatively easy to maintain, Inventory adds overhead to your bookkeeping process. So if you don't really benefit from perpetual updating of your *Balance Sheet* and Inventory counts, don't bother with Inventory.

Answers to Review Questions

Comprehension Questions

1. Why does an item receipt add to the balance in Accounts Payable but not show up in the *Pay Bills* window?
   Answer: When you record an Item Receipt, QuickBooks increases (credits) **Accounts Payable** for the total amount of the **Item Receipt**. It also increases (debits) **Inventory** for the same amount. However, since you haven't received the bill, your *Pay Bills* window will not yet show the bill, even though the balance in Accounts Payable increases as a result of the **Item Receipt**. This may seem strange at first because you normally expect the total in **Pay Bills** to match the balance in **Accounts Payable**. However, Item Receipts never show in the *Pay Bills* window. It turns out that **Item Receipts** and **Bills** are exactly the *same transaction*. The only difference is that the *Bill Received* field is not checked on **Item Receipts**, and it is checked on **Bills**.

2. What accounts will QuickBooks automatically create when you first create an Inventory Part Item in the Item List?
   Answer: The first time you create an Inventory Part Item in the Item list, QuickBooks automatically creates two accounts in your **Chart of Accounts**: An *Other Current Asset* account called **Inventory Asset** and a *Cost of Goods Sold* account called **Cost of Goods Sold**.

3. Describe the purpose of the Inventory Asset and Cost of Goods Sold account in QuickBooks.
   Answer: QuickBooks uses these two important accounts to track inventory. The **Inventory Asset** account holds the value of your inventory until you sell it. The **Cost of Goods Sold** account records the cost of the inventory *when* you sell it.

4. Describe the purpose of using Purchase Orders in QuickBooks.
   Answer: If you use Purchase Orders, you'll be able to create reports that show what is on order and when it is due to arrive from your supplier. In addition, you can create a list of open purchase orders. Purchase Orders do not post to the **Chart of Accounts**. However, QuickBooks tracks

Purchase Orders in a non-posting account called ***Purchase Orders***. You can see this account at the bottom of your **Chart of Accounts**.

Multiple Choice

Answers are in **bold** type.

1. Which Item Type should be selected when adding a new Item that you buy and/or sell but don't keep track of in Inventory?
   a) Service.
   b) Inventory Part.
   c) Non-inventory Part.
   d) Other Charge.

2. If you pay sales tax to more than one agency, you should use which of the following Item Types?
   a) Sales Tax Group.
   b) Group.
   c) Inventory Assembly.
   d) Subtotal.

3. If your Vendor ships more than you ordered on a *Purchase Order* (an overshipment), which of the following actions would not be appropriate?
   a) You could refuse the extra shipment and send it back to the Vendor without recording anything in QuickBooks.
   b) You could receive the extra shipment using an *Inventory Adjustment* transaction.
   c) You could receive the extra shipment into Inventory and keep it (and pay for it).
   d) You could receive the extra shipment into Inventory, and then send it back and record a Bill Credit in QuickBooks.

4. When setting up a *Group* Item, where do you enter the sales price?
   a) Enter the price in the *Sales Price* field.
   b) Enter the price in the *Item Pricing* list.
   c) The *Group* Item does not include a *Sales Price* field.
   d) Enter the price in the Set Price window.

5. To activate QuickBooks Inventory:
   a) Select the File menu and then select Preferences.
   b) Select Purchases - Vendors.
   c) Consult your accountant to determine the proper Inventory valuation method.
   d) Select the Edit menu, then select Preferences, then click on the Items & Inventory Preference and then click the Company Preferences tab.

6. The Inventory asset account:
   a) Tracks open *Purchase Orders* of Inventory items.
   b) Decreases when Inventory is purchased.
   c) Increases when Inventory is sold.
   d) Increases when Inventory is purchased.

7. In QuickBooks Pro, Premier, and Accountant, Inventory can do all of the following except:
   a) Provide reports on the status of each item in Inventory including how many are on hand and how many are on order.
   b) Use the LIFO or FIFO method of determining Inventory cost.
   c) Calculate gross profit on Inventory sold.
   d) Track the open Purchase Orders for every Inventory item.

8. Which of the following statements is false regarding Purchase Orders (POs)?
   a) POs are held in a special non-posting account until you receive the item(s) ordered.
   b) POs with inventory items are posted to the inventory account at the end of each month.
   c) You can list your open purchase orders at any time.
   d) You may close a purchase order in part or in full at any time.

9. To display the window used to record inventory adjustments in QuickBooks:
   a) Select the Company menu and then select Adjust Inventory for actual counts.
   b) No adjustments should be made. QuickBooks automatically adjusts inventory each time you purchase or sell inventory items.
   c) Select the Vendors menu, select Inventory Activities, and then select Adjust Quantity/Value on Hand.
   d) Perform a physical inventory count.

10. Which of the following is NOT a report available through QuickBooks?
   a) Goods-In-Process Inventory by Item.
   b) Inventory Stock Status by Item.
   c) Inventory Valuation Summary.
   d) Item QuickReport.

11. Which of the following statements is true regarding the recording of receipts of inventory items?
   a) How you record inventory received does not depend on how you pay for the items.
   b) Directly writing checks for inventory purchases is generally advised as a best practice.
   c) You can record a receipt against a purchase order even before you receive *all* the items ordered.
   d) You cannot enter the receipt of inventory items before entering the bill from the vendor.

12. When entering a bill for the purchase of inventory part items, what tab of the Enter Bills window should you use?
   a) Items
   b) Expenses
   c) Accounts
   d) Any of the above

13. Before setting up your inventory, it is a good idea to think about what products you will track as Inventory Parts because:
   a) It is necessary to separately track *every* product you sell as an Inventory Part.
   b) You could use Non-inventory Part items if you do not need detailed reports and inventory status information about certain products you sell.
   c) It is better to use Inventory Part items rather than Non-inventory Part items when you really need to track the cost of a product.
   d) Your accountant needs the detail information on Inventory Part numbers to be able to close your books for the year.

14. You can adjust the inventory by:
   a) Adjusting the Accounts.
   b) Adjusting the Item Quantity.
   c) Adjusting the Inventory Valuation.
   d) Both (b) and (c).

15. When processing a Vendor overcharge, what do you NOT want to do?
   a) Wait for a new bill from the vendor before recording the bill in QuickBooks, if the vendor agrees to revise the bill and send you a new one.
   b) Use the *Expenses* tab on the Bill to track the error, if you decide to pay the overcharge and have the vendor adjust the next bill.
   c) Use two separate accounts when recording the overcharge and the refund or credit to keep the transactions from becoming confusing.
   d) Contact the vendor to discuss the overage on the bill.

Completion Statements

1. The Stock Status by Item report is useful for getting a quick snapshot of each inventory part and the number of units on-hand and on-order. Also, this report gives you information about your inventory turnover, showing a *sales per week* column.
2. In order to track inventory purchases by item and to easily determine which items you have on order, use purchase orders when you purchase inventory.
3. QuickBooks keeps a perpetual inventory, meaning that every purchase and every sale of inventory immediately updates all of your reports.
4. For detailed research about transactions involving inventory, use the Item QuickReport or the Inventory Valuation Detail report.
5. The Inventory Valuation Summary report gives you information about the value of your inventory items on a certain date. This report shows all values and average cost of items as of the date of the report.

Inventory Problem 1

Restore the **Inventory-15Problem1_Solution.QBM** file to view this problem in QuickBooks. The password to access this file is ***Questiva20***.

1. Create a new *Inventory Item* in the Item List with the following data.

Item Type	Inventory Part
Item Name	Frame 8x11 Bronze
Purchase Description	Picture Frame - 8x11 Bronze
Cost	$8.95
COGS Account	Cost of Goods Sold
Preferred Vendor	Leave blank
Sales Description	Picture Frame - 8x11 Bronze
Price	$15.99
Tax Code	Tax
Income Account	Sales
Asset Account	Inventory Asset
Reorder Point	25
Qty on Hand	Leave zero
Total Value	Leave zero
As of	Leave current date

Table 10-1 Use this data to create a new item

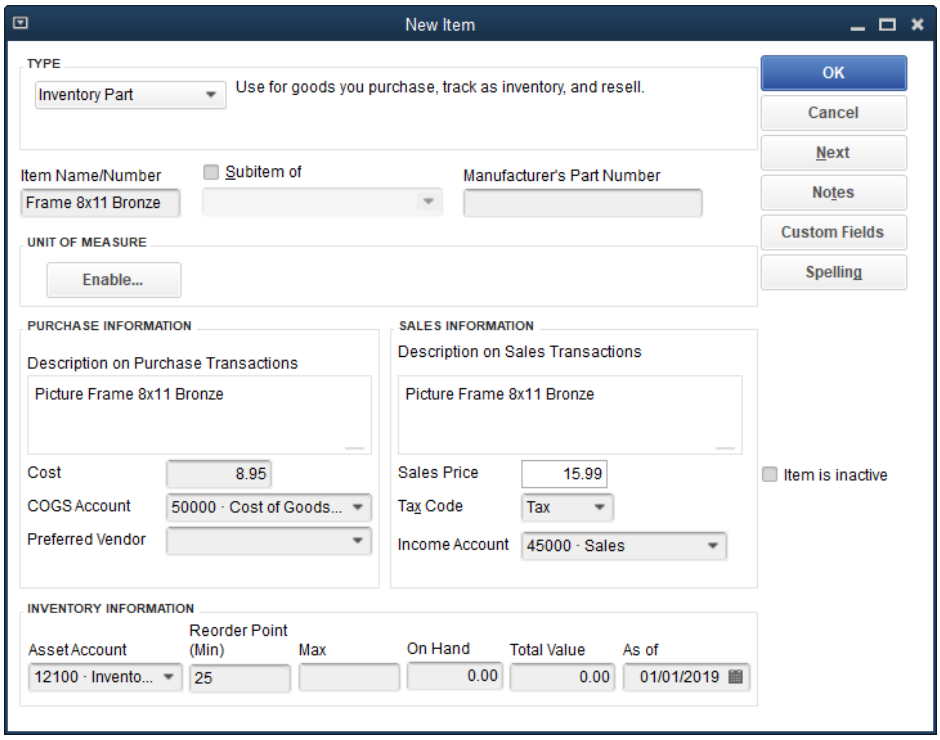
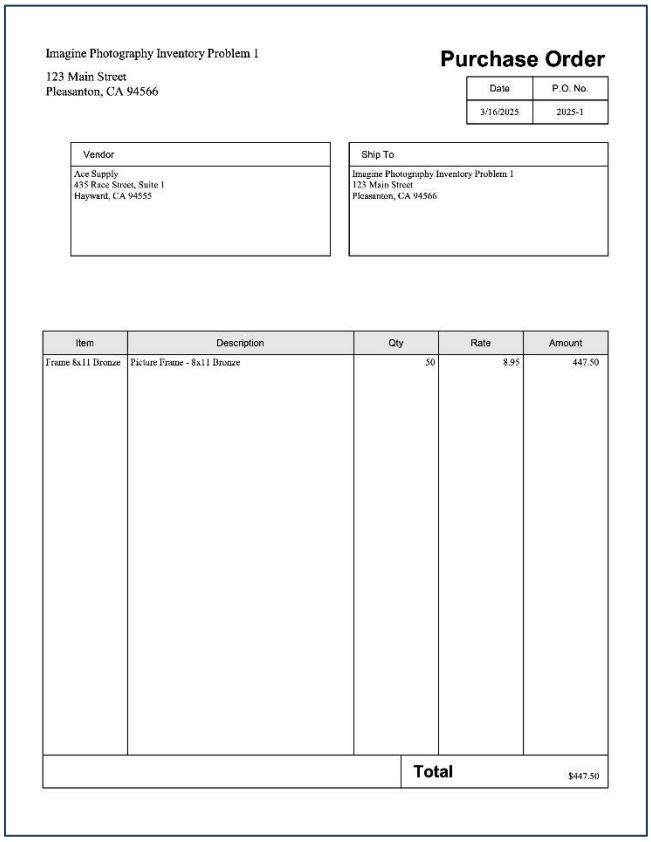


Table 10-2 Enter new Inventory Item Frame 8x11 Bronze

2. Create *Purchase Order* 2025-1 dated 03/16/2025 to Ace Supply using the *Walnut Creek Class* for 50 Frame 8x11 Bronze. Leave the *Ship To* drop-down field at the top blank. Print the *Purchase Order* on blank paper.



Imagine Photography Inventory Problem 1
123 Main Street
Pleasanton, CA 94566

Purchase Order

Date	P.O. No.
3/16/2025	2025-1

Vendor	Ship To
Ace Supply 435 Race Street, Suite 1 Hayward, CA 94555	Imagine Photography Inventory Problem 1 123 Main Street Pleasanton, CA 94566

Item	Description	Qty	Rate	Amount
Frame 8x11 Bronze	Picture Frame - 8x11 Bronze	50	8.95	447.50
			Total	$447.50

Figure 10-1 Enter Purchase Order 2025-1

3. On April 2, 2025, create an *Item Receipt* for 50-Frame 8x11 Bronze from Ace Supply against PO 2025-1. The product came without a bill, but the packing slip number was 698542. The total *Item Receipt* amount is $447.50.

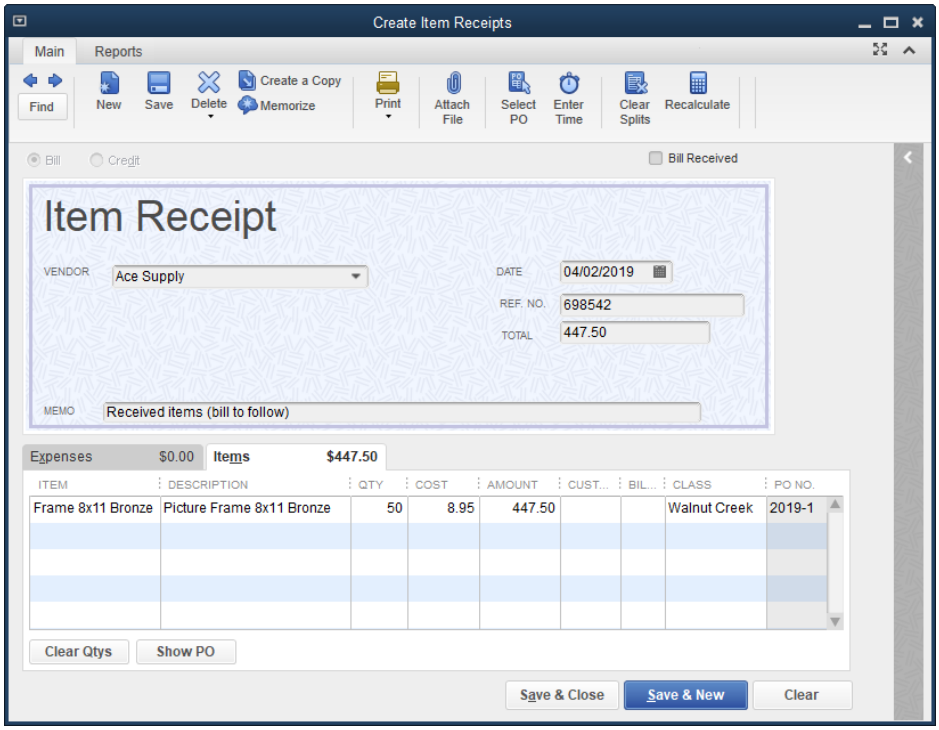


Figure 10-2 Enter Item Receipt 698542

4. On April 5, 2025, create *Invoice* 2025-106 to Jerry Perez for 10-Frame 8x11 Bronze (use list price). Use the *Walnut Creek* Class.

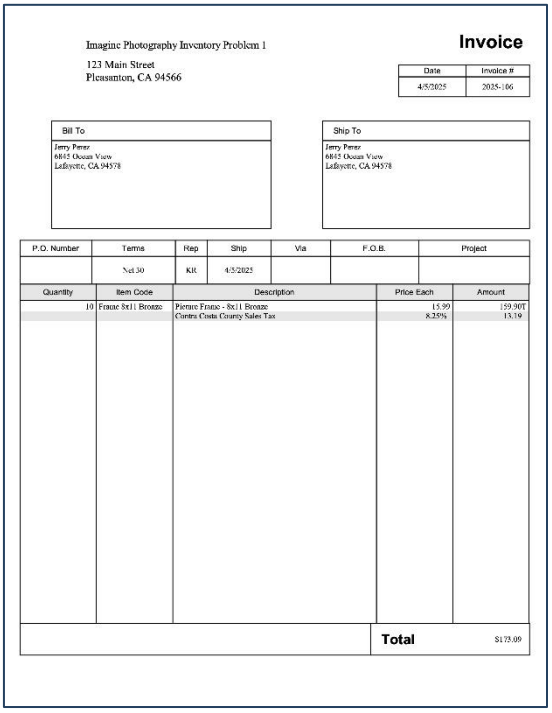


Figure 10-3 Enter Invoice 2025-106

5. Create and print the following reports:

a) *Frame 8x11* Bronze *Item QuickReport* with the *Dates* field set to *All*

Imagine Photography Inventory Problem 1
Inventory Item QuickReport
All Transactions

Type	Date	Num	Name	Memo	Qty
Inventory					0
Frame 8x11 Bronze (Picture Frame - 8x11 Bronze)					
Item Receipt	04/02/2025	698542	Ace Supply	Picture Frame...	50
Invoice	04/05/2025	2025-...	Perez, Jerry	Picture Frame...	-10
Tot On Hand As Of 04/05/2025					40
Purchase Order	03/16/2025	2025-1	Ace Supply	Picture Frame...	0
Tot On Purchase Order As Of 04/05/2025					0
Total Inventory					40
TOTAL As Of 04/05/2025					**40**

Figure 10-4 Inventory Item QuickReport for Frame 8x11 Bronze

b) *Inventory Stock Status by Item* for 3/01/2025 to 4/30/2025

Imagine Photography Inventory Problem 1
Inventory Stock Status by Item
March through April 2025

	Pref Vendor	Reorder Pt (Min)	Max	On Hand	On Sales Order	For Assemblies	Available	Order	On PO	Reorder Qty	Next Deliv	Sales/Week
Inventory												
Camera SR32 (Supra Digital Camera SR32)				9	0	0	9		0	0		0
Case (Camera and Lens High Impact Case)				24	0	0	24		0	0		0
Frame 5x7 (Picture Frame - 5x7 in. Metal Frame)		25		22	0	0	22	X	0	4		0
Frame 8x11 Bronze (Picture Frame - 8x11 Bronze)		25		40	0	0	40		0	0		1.1
Lens (Supra Zoom Lens)				7	0	0	7		0	0		0

Figure 10-5 Inventory Stock Status by Item report

c) *Inventory Valuation Summary* as of 04/30/2021

Imagine Photography Inventory Problem 1
Inventory Valuation Summary
As of April 30, 2025

	On Hand	Avg Cost	Asset Value	% of Tot Asset	Sales Price	Retail Value	% of Tot Retail
Inventory							
Camera SR32 (Supra Digital Camera SR32)	9	450.00	4,050.00	59.3%	695.99	6,263.91	55.8%
Case (Camera and Lens High Impact Case)	24	45.00	1,080.00	15.8%	79.99	1,919.76	17.1%
Frame 5x7 (Picture Frame - 5x7 in. Metal Frame)	22	2.15	47.30	0.7%	5.99	131.78	1.2%
Frame 8x11 Bronze (Picture Frame - 8x11 Bronze)	40	8.95	358.00	5.2%	15.99	639.60	5.7%
Lens (Supra Zoom Lens)	7	184.99	1,294.93	19%	324.99	2,274.93	20.3%
Total Inventory	102		6,830.23	100.00%		11,229.98	100.00%
TOTAL	**102**		**6,830.23**	**100.00%**		**11,229.98**	**100.00%**

Figure 10-6 Inventory Valuation Summary report

Chapter 11
Time and Billing

Objectives

- Reimbursable (Billable) Expenses
- Using Two-Sided Items
- Billable Time
- Tracking an Owner's or Partner's Time
- Time Reports

Learning Tips

This chapter discusses the various types of Billable Expenses (pass-throughs) including expenses, Items, and time. Demonstrate how to handle reimbursable expenses with a single expense account as well as using multiple accounts.

Sometimes it is more appropriate to track reimbursable expenses in one account and the reimbursement income in another. For example, you could record all reimbursable expenses as "Cost of Goods Sold" and then track the reimbursements in an income account called "Reimbursed Expense Income." For QuickBooks to handle reimbursements in this way, you will need to make changes to your *Time & Expense Company Preferences*.

If you used an existing expense account in a closed accounting period (a period for which you have filed tax returns or prepared financial statements), do not select the *Track Reimbursed Expenses In* option on that account. Doing so will cause discrepancies between your QuickBooks reports and the company's tax returns and/or financial statements. Instead, create a new account for tracking reimbursable expenses and make the change to that account.

Using Service Items to Track Subcontracted Labor

If you hire subcontractors, you may want to create a two-sided *Service Item* for each subcontracted service. This will allow you to pass through subcontractor costs to *Invoices* and it will allow you to create reports showing the profitability of your subcontracted services.

> Another Way:
> If you want to track subcontractors' time, you can record timesheets for each subcontractor (being sure to mark the transaction(s) as *Billable*) just as you do with your employees. You can then pass through the time information to the *Invoice* instead of passing the expense from the *Bill*. In this case, when you later enter the Vendor name in the *Bill* or *Check* window, QuickBooks will prompt you to use the time you entered in the timesheet. If you choose to do so, the *Item* field will populate with the *Item* you entered from the timesheets. This time will come through with a non-billable status, which is correct.

Time Tracking

By using the time tracking feature, you can track how much time each employee, owner, partner, or subcontractor spends working on each *Job*, and even which service the person performs on that *Job*.

Employers can import timesheet information into their employees' paychecks and into *Invoices* for their customers. When they do, QuickBooks provides detailed job cost reports that include payroll expenses. QuickBooks also provides several time reports that help employers track the hours their employees worked.

Before you can use the Time Tracking feature, you must turn on Track Time in *Time & Expenses* in the *Company Preferences* tab of the *Preferences* window.

Answers to Review Questions

Comprehension Questions

1. Explain how to track reimbursable expenses.
   Answer: To track a reimbursable cost, you'll first need to record the expense. Enter a transaction such as a *Bill*, *Check*, or *Credit Card Charge* to record the original expense, and then assign the customer or job to which the expense applies. Confirm that *Billable?* is checked. Then create an invoice or sales receipt for that customer or job and select the expense from the *Expense* tab in the *Choose Billable Time and Costs* window.

2. How do you pass through billable expenses to customers?
   Answer: When you create an invoice for the customer, you can pass through the billable cost to the invoice in the *Choose Billable Time and Costs* window. The top section of the *Choose Billable Time and Costs* window shows four tabs (Items, Expenses, Time and Mileage) where you can view pass-through expenses. Select the appropriate charges to be included in the invoice. Select the **Print selected costs as one invoice item** option to print all reimbursable expenses on a single line in the body of the Invoice rather than listing each expense separately. You'll always see the details of the reimbursable expenses, including the markup, on the screen, even if you chose **Print selected costs as one invoice item**.

3. What is a *two-sided Item* and under what circumstances should you use one?
   Answer: QuickBooks allows you to use the same Item on expense forms (e.g., checks and bills) and sales forms (e.g., invoices and sales receipts). When you use Items to track both expenses and revenue, you can generate reports showing the profitability of each Item. An Item used on both types of forms (expenses and sales) is commonly called a "two-sided Item" because the Item setup screen includes purchase information on the left side (*Expense Account* field) and sales information on the right (*Income Account* field). Possible uses of two-sided Items include: Reimbursable Expenses, Custom Ordered Parts, Subcontracted Labor, and Cost of Goods Sold.

4. What is the purpose of Vehicle Mileage Tracker?
   Answer: QuickBooks has a Vehicle Mileage Tracker that allows you to track vehicle mileage, post mileage to invoices, and run reports to assist with tax preparation. Although you cannot use vehicle mileage tracking to reimburse your employees on their paycheck, nor on a bill or check, you can pass through the mileage costs to your customers for reimbursement.

5. Explain how the *Use time data to create paychecks* option can be used to streamline your payroll system.
   Answer: If you use QuickBooks to run your payroll, you can use Timesheets to calculate paychecks. This not only saves you the time of manually entering the hours, it will also allocate the payroll expenses (e.g., wages and payroll taxes) to each Job on which the employee worked.

Multiple Choice

Answers are in **bold** type.

1. In QuickBooks you are allowed to pass through billable expenses to Customers:
   a) Only if you paid by credit card.
   b) If you paid by check or credit card, but you don't assign the Customer or Job to the expense.
   c) If you used a *Bill*, *Check,* or *Credit Card Charge* and assign the *Customer* or *Job* to which the expense applies.
   d) None of the above.

2. Which account types can be used in the expense tab of a purchase transaction to make the expense *Billable?*
   a) Cost of Goods Sold.
   b) Expense.
   c) Other Expense.
   d) All of the above.

3. If you want to assign expenses to a *Customer:Job*, but do not want to pass them through for reimbursement, do the following in a purchase transaction:
   a) Do not assign the *Customer:Job*; just enter the information in the *Memo* field.
   b) Assign the *Customer:Job*, and then click the checkbox in the *Billable* column to remove the checkmark.
   c) Delete the *Invoice* icon.
   d) a or b.

4. Which of the following tabs appear in the *Choose Billable Time and Costs* window:
   a) Items.
   b) Expenses.
   c) Time.
   d) **All of the above**.

5. In an *Invoice*, you can automatically markup the pass-through expenses using the *Markup Account* option. It is available in the *Choose Billable Time and Costs* window on the:
   a) Items tab.
   b) Expenses tab.
   c) Time tab.
   d) All of the above.

6. To track reimbursable expenses in one expense account and the reimbursements in another income account:
   a) Select the **Track reimbursed expenses as income** option in the *Time & Expenses Company Preference*.
   b) Associate each reimbursable expense account with an appropriate income account.
   c) Both a and b.
   d) None of the above.

7. If you select ***Print selected time and costs as one invoice item***, which of the following will be true?
   a) All reimbursable expenses will be printed on a single line in the body of the printed invoice.
   b) A group called Reimb Group will be created on the invoice displayed.
   c) Reimb Group will include the details of all the expenses you selected on the invoice displayed.
   d) All of the above.

8. Two-sided Items can be used for:
   a) Reimbursable expenses.
   b) Custom order parts.
   c) Subcontracted labor.
   d) All of the above.

9. For a two-sided non-inventory Item set-up without a specific cost/sales price, how will you record the markup in the sales price?
   a) Set the markup in the *Time and Expenses Company Preference*.
   b) Set the markup in the Items tab of the *Choose Billable Time and Costs* window.
   c) Manually adjust the price on the sales forms for markup.
   d) All of the above.

10. To see a detailed listing of all the billable expenses and items that you have not passed through to invoices:
   a) Create an *Unbilled Expenses* report.
   b) Create an *Unbilled Items* report.
   c) Create an *Unbilled Costs by Job* report.
   d) None of the above.

11. Vehicle Mileage Tracker allows you to:
   a) Track vehicle mileage, post mileage to invoices and run reports to assist with tax preparation.
   b) Reimburse your employees for mileage on their paycheck, a bill or a check.
   c) Track scheduled maintenance of a vehicle.
   d) All of the above.

12. Before you can use the Time Tracking feature, you must:
   a) Enter in time activity for each employee.
   b) Go through the Payroll Setup Wizard to set up each employee.
   c) Turn on Time Tracking in Time & Expenses *Preferences*.
   d) Update your payroll tax tables using the *Get Payroll Updates* command.

13. If you plan to use timesheets to create paychecks, you should:
   a) Make sure that you know which employees are hourly and which are salaried.
   b) Record all of the time for each employee, including non-billable time (e.g., sick, vacation, and administrative time), on the timesheet.
   c) Create a Customer:Job assignment for each employee so that their time can be allocated correctly.
   d) Purchase a time-clock in order to have a backup record of your employees' time.

14. Timesheets provide the basic information for job costing, but they do not actually record job costs. To use the timesheet information to record job costs you have to pass the timesheet information onto a:
   a) Paycheck, check, bill or credit card charge.
   b) Invoice.
   c) Sales receipt.
   d) Any of the above.

15. After you post timesheet information to Paychecks and Invoices, the timesheet will affect:
   a) Income.
   b) Job Cost Reports.
   c) Expenses.
   d) All the above.

Completion Statements

1. The Choose Billable Time and Costs window allows you to setup Markup Amount or % and Markup Account in the Expenses tab.
2. An Item used on both expenses and sales forms is commonly called a two-sided Item.
3. An ***activity*** is the time spent by a single person performing a single service on a single date.
4. A ***weekly timesheet*** is a record of several activities performed during a one-week period by a single employee, owner or subcontractor.
5. The ***Time by Name*** report shows the total number of hours each employee worked for each Customer or Job.

Time and Billing Problem 1

Restore the **TimeBillingProblem1_Solution.QBM** file to view the solution to this problem in QuickBooks. Note that some of the reports early in the exercise may not match the solution file. The password to access this file is ***Questiva20***.

1. Create the following two-sided *Non-inventory Part Item*:

Field	Data
Item Type	Non-inventory Part
Item Name	Custom Lens
Select Option	This item is used in assemblies or is purchased for a specific Customer:Job
Description on Purchase	Custom Lens Order #
Description on Sales	Custom Lens Order #
Cost	$0
Sale Price	$0
Expense Account	Cost of Goods Sold
Tax Code	Tax
Income Account	Sales

Table 11-1 Details of the Non-inventory Part Item

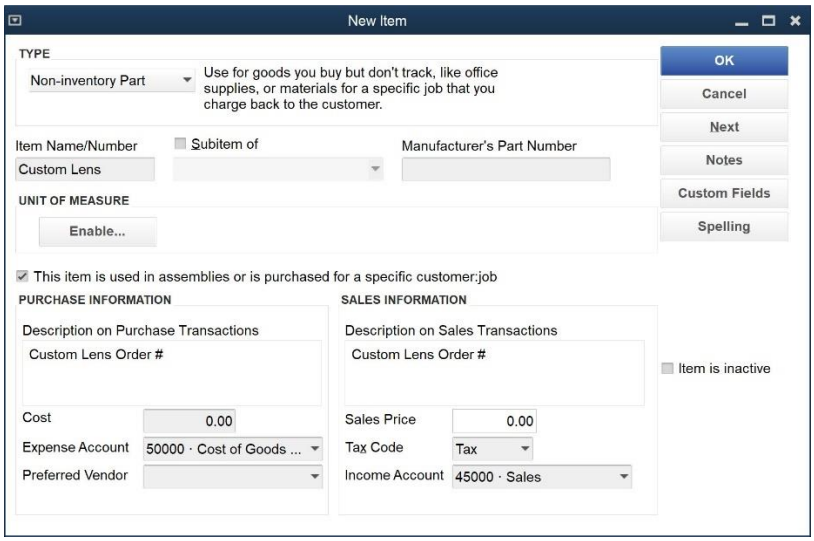


Figure 11-1 Custom Lens Item

2. Create a *Purchase Order* by entering the following:

Field	Data
Vendor	Ace Supply
Class	Walnut Creek
Date	3/22/25
P.O. No.	2025-101
Item	Custom Lens
Description	Custom Lens Order #2025-101
Qty	4
Rate	$235 (Do not update the item with the new cost.)
Customer	Mason, Bob
Memo	Custom Lens Order #2025-101

Table 11-2 Details of the Purchase Order

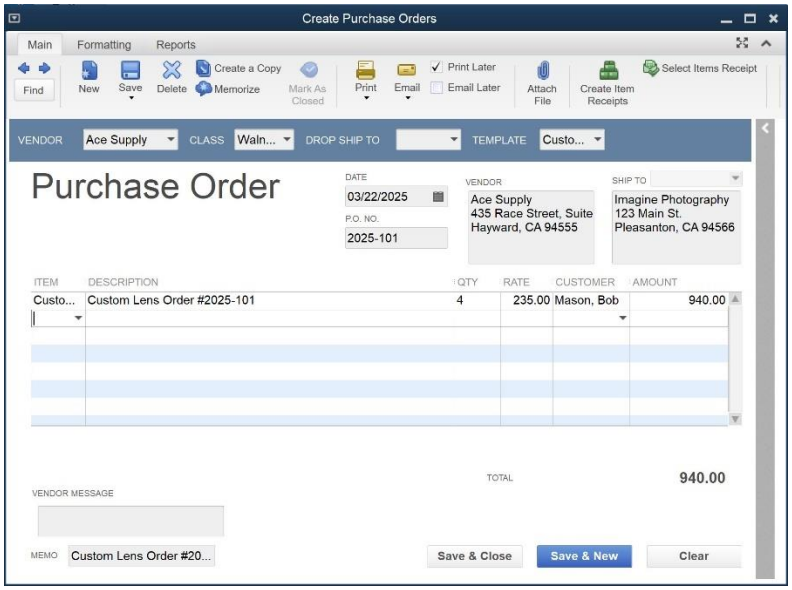


Figure 11-2 Purchase Order

3. Enter a *Bill* (**Ref No. 99821**) on **4/1/2025** from **Ace Supply** after receiving the custom lens order. Use the *P.O. No.* **2025-101**, *Customer:Job:* **Mason, Bob**, *Class:* **Walnut Creek**, *Memo:* **Custom Lens Order #2025-101**. This *Item* is billable.

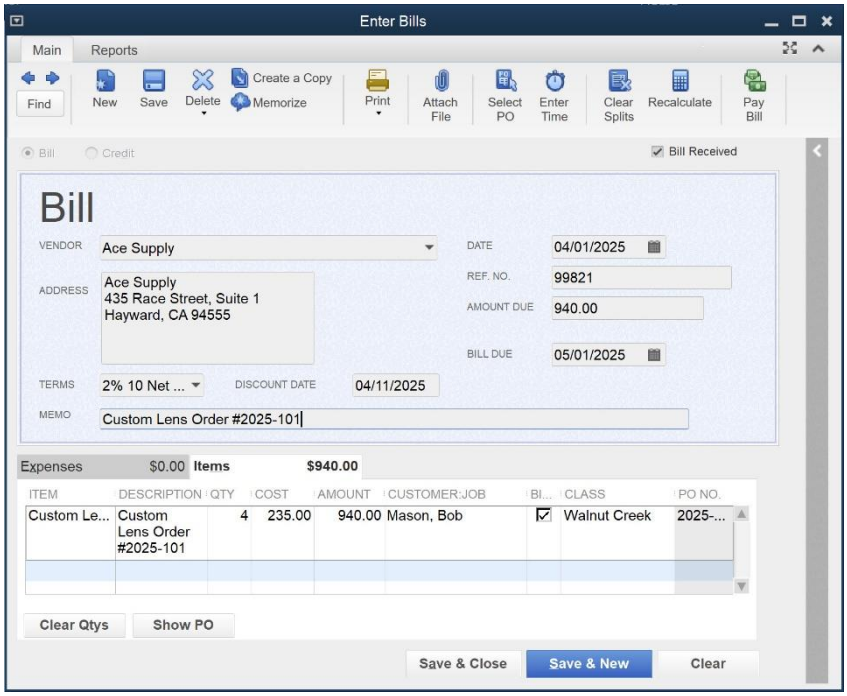


Figure 11-3 Bill

4. Create a *Sales Receipt* for **Mason, Bob** for the Custom Lens order. Use **QuickMath** to markup the *Custom Lens* Item by **20%**. Total is **$1,221.06**. *Class* is **Walnut Creek**. *Date* is **4/1/2025**. *Sale No.* is **2025-101**. *Check No.* is **11482**. *Payment Method* is **Check**.

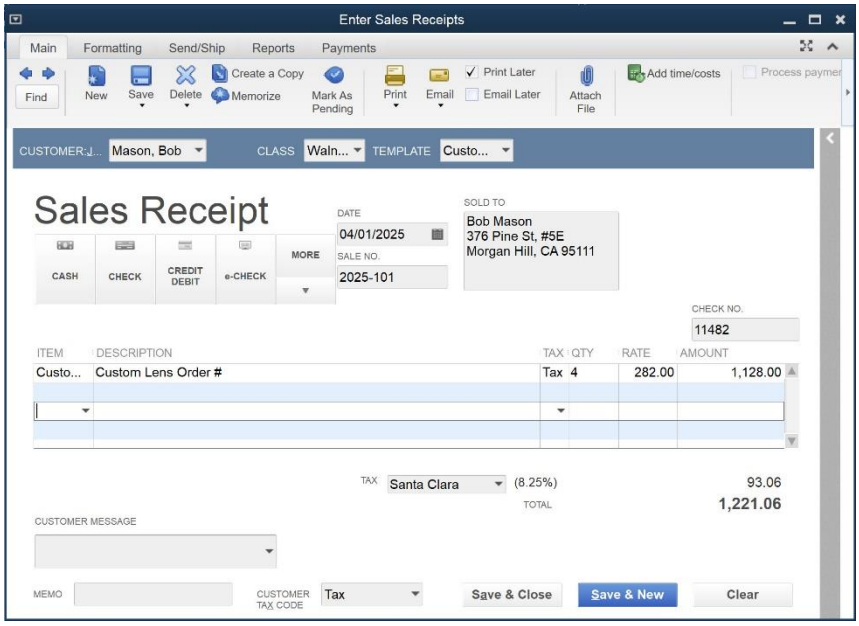


Figure 11-4 Sales Receipt

Chapter 12
Payroll Setup

Objectives

- Checklist for Setting Up Payroll
- Payroll Accounts
- Payroll Items
- The Payroll Setup Interview
- Setting Up Employee Defaults
- Employee Reports

Learning Tips

In this chapter, you learn how to set up QuickBooks to track Payroll.

Considerations for this Chapter

In setting up this course, we assumed you wouldn't want to have to pay for a subscription to one of the Intuit Payroll Services. For these reasons, we've elected to present this chapter using a sample file with the "manual calculation method." For this Payroll Setup chapter, there are only very minor differences between using a Payroll service (any of them), and the manual method. Taxes would automatically calculate when you subscribe to one of the Payroll services in a real company file.

The material in this chapter uses the *Payroll Setup* wizard extensively to set up and edit several Payroll Items.

Be aware that some tax items may change with time. In particular, the SDI (State Disability Insurance) and Social Security are likely to change between when this chapter was written and when you will complete these exercises.

Answers to Review Questions

Comprehension Questions

1. What type of payroll item should you set up to track additional money contributed by the company as a result of a paycheck?
   Answer: Company Contribution Item.
2. Why do you need to edit several of your payroll items (e.g., Payroll Tax Items) after you complete the *Payroll Setup Interview*?
   Answer: You will need to edit several of the items created by the *Payroll Setup Interview* so that they will affect the proper accounts in the Chart of Accounts. For example, the wage items are set

up by QuickBooks to use the Payroll Expenses account. But if you use a subaccount of Payroll Expenses called Gross Wages (as we recommend), you'll need to edit the Wage Items to use this expense account.

3. Name an example of a payroll item that should be "Based on Quantity"?
   Answer: Any addition, deduction or company contribution item that QuickBooks calculates based on a number other than gross or net pay, like hours worked.

Multiple Choice

Answers are in **bold** type.

1. An easy and convenient way to process Payroll in QuickBooks for Employees on different Payroll schedules would be to:
   a) Move all Employees onto a single schedule.
   b) Use the *Payroll Schedule* function in QuickBooks.
   c) Outsource Payroll.
   d) Make all Employees independent contractors.
2. Which of the following Payroll periods is not an option in QuickBooks?
   a) Quarterly
   b) Biweekly
   c) Daily
   d) Semiannually
3. Which Payroll Item cannot be created in the *Payroll Setup Interview*?
   a) Commissions
   b) Bonus
   c) Medical Insurance Deduction
   d) You can create all Items above during the *Payroll Setup Interview*
4. Which is *not* an option when setting the accrual period for sick and vacation time?
   a) Beginning of year
   b) Every month
   c) Every paycheck
   d) Every hour on paycheck
5. The *Payroll Setup Interview* will not allow you to:
   a) Edit the default name for Payroll Items.
   b) Associate deduction and withholding Items with Vendors.
   c) Set the pay rate for an Employee.
   d) Add two Employees with exactly the same name.
6. You enter the Federal ID for your company:
   a) In Payroll Preferences on the *Company Preference*s tab.
   b) On Step 3 of the *Payroll Setup Interview* – "Set up Company Information."
   c) In the *Company Information* window.
   d) In General Preferences on the Company Preferences tab.
7. Use a Payroll Deduction Item to track medical insurance costs when:
   a) The employees pay part (or all) of the cost.
   b) Costs exceed $100 per month for the employee.
   c) The employer pays the total cost.
   d) You do not track medical insurance costs as a Payroll Deduction Item.

8. Which of the following would QuickBooks exclude from taxable earnings when calculating federal withholding?
   a) Vacation salary
   b) Sick leave salary
   c) Overtime earnings
   d) Employee contributions to a 401(k)

9. Why are there two Medicare and two Social Security items in the Payroll Items list?
   a) Different tax rates apply to employee and employer portions.
   b) You use separate accounts because you must write separate checks for employee and employer portions.
   c) QuickBooks tracks the employee and employer portions separately.
   d) You maintain separate ledger accounts for the two portions of each tax.

10. Which of the following is *not* a feature of QuickBooks Standard Payroll Service?
    a) Tracks individual employees for hours worked and gross pay.
    b) Writes and prints paychecks on standard checks.
    c) Calculates and electronically remits federal payroll tax liabilities using EFTPS.
    d) Automatically calculates Federal, State and some local taxes using tax tables supplied through the QuickBooks Standard Payroll Service.

11. QuickBooks uses Payroll Items to:
    a) Accumulate payroll liabilities.
    b) Track each different kind of compensation.
    c) Define the relationship between items you put on paychecks and the chart of accounts.
    d) All of the above.

12. If you no longer want an employee to show in the *Select Employees to Pay* list:
    a) Stop paying the employee.
    b) Deselect the employee for payments.
    c) Enter a Release Date in the employee's record.
    d) Remove all wage items from the employee's record.

13. Which of the following payroll options does not require you to sign up for an Intuit Payroll Service?
    a) Manual
    b) Standard
    c) Assisted
    d) Complete

14. To set up local taxes for employees that are not supported by QuickBooks:
    a) Choose the *Other* tab under Tax Defaults.
    b) Set up New Payroll Item , and select *Other Tax*
    c) You cannot set up taxes not supported by QuickBooks tax tables.
    d) A or B.

Completion Statements

1. The **Employee Defaults** feature allows you to define defaults for your employee records so that you do not have to enter the same information each time you add a new employee.

2. To set up custom fields for adding more detailed information about your employees, click the **Define Fields** button on the *Additional Info* tab of the *New Employee* or *Edit Employee* window.

3. QuickBooks uses **deduction** items to track amounts withheld from gross or net pay of employees. Since these payroll items represent amounts withheld, these items usually credit a **liability** account.

4. When you release an employee, edit the employee record and fill in the **Release Date** field with the date on which the employee separated from the company. QuickBooks will no longer show the employee in the *Select Employees to Pay* list.

5. When you pay semi-monthly wages, you can assign employees to a **Payroll** *Schedule.* This allows you to group together all employees with semi-monthly wages.

Payroll Setup Problem 1

Restore the **PRSetupProblem1_Solution.QBM** file to view the solution to this problem in QuickBooks. The password to access this file is ***Questiva20***.

1. Using the *Payroll Setup Interview*, add the Payroll Items shown in Table 12-1. For this setup, there are no other employee compensation items or insurance and retirement benefits.

Item Name	Setup Notes
Hourly Regular	This Item should point to Gross Wages, a subaccount of the Payroll Expenses account.
Salary Regular	This Item should point to Gross Wages, a subaccount of the Payroll Expenses account.

Table 12-1 Payroll Items

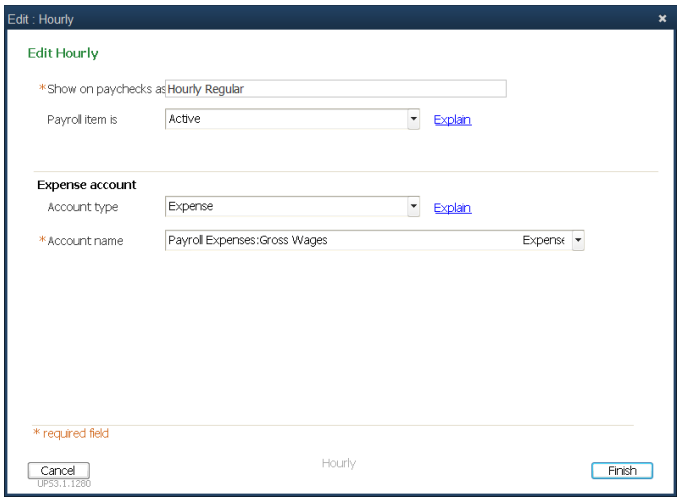


Figure 12-1 Hourly Regular in Payroll Setup

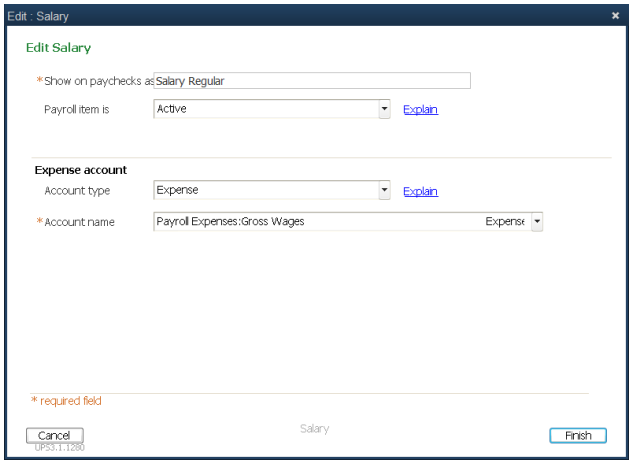


Figure 12-2 Salary Regular in Payroll Setup

1. Using the Payroll Setup Interview, edit the Payroll Items shown in Table 12-2.

Item Name	Setup Notes

Hourly Vacation	This Item should point to Gross Wages, a subaccount of the Payroll Expenses account.
Salary Vacation	This Item should point to Gross Wages, a subaccount of the Payroll Expenses account.

Table 12-2 Payroll Items

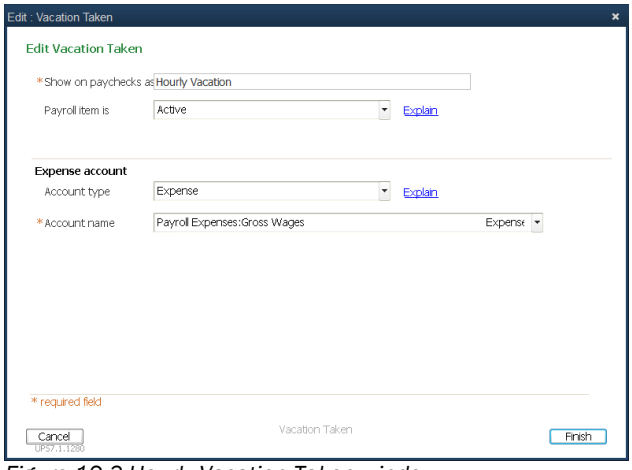


Figure 12-3 Hourly Vacation Taken window

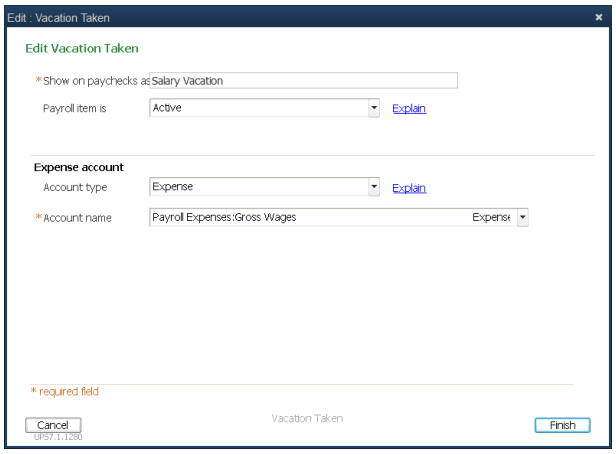


Figure 12-4 Salary Vacation Taken window

2. Set up a new Employee with the following information:

Field	Data
First Name	Tanya
M.I.	
Last Name	Jackson
Print on check as	Tanya Jackson
Employee Status	Active
Address	2271 South Canyon Blvd. Hayward, CA 95555
Employee Tax Type	Regular
SS No.	123-45-9876
Hire Date	7/1/2023

Release Date	
Date of Birth	12/07/1980
Gender	Female
Pay Period	Weekly
Earnings	Hourly Regular – Rate $20 per hour (leave all other fields blank)
Vacation Settings	3 hours vacation time per paycheck, maximum 200 hours
Direct Deposit	No direct Deposit
Employee Works and lives	Works - CA; Lives - CA; Did not live or work in another state
Federal Filing Status	Single, 0 Allowances; Nonresident Alien Withholding: Does not apply; HIRE Act Exemption: Not a qualified employee; Subject to Medicare, Social Security, Federal Unemployment
State Filing Status	CA – Filing Status Single, 0 regular withholding allowances; subject to Unemployment, Employment Training tax, and Disability; not subject to any special local taxes
Wage Plan Code	S (State Plan For Both UI and DI)

Table 12-3 New Employee setup information

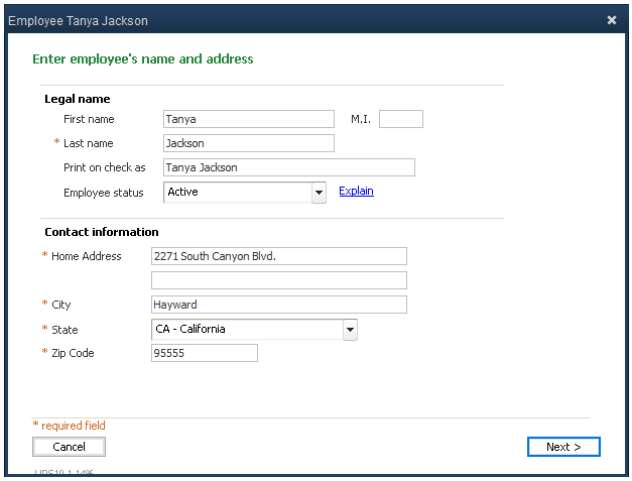


Figure 12-5 Employee Payroll Setup

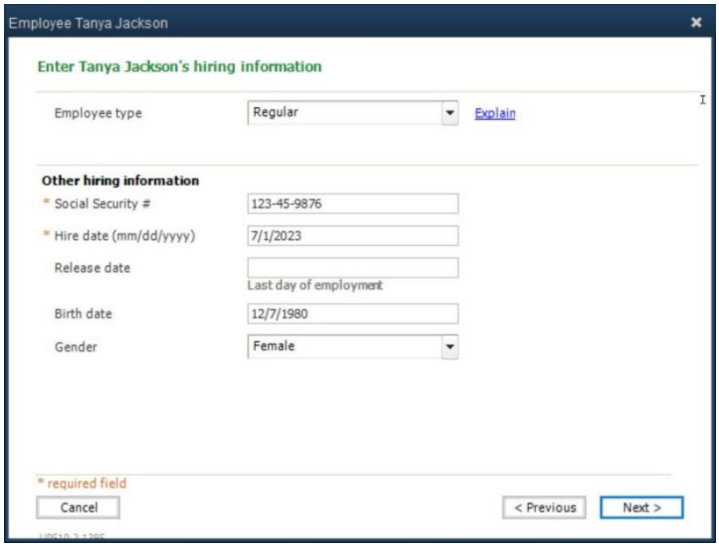


Figure 12-6 Employee Payroll Setup

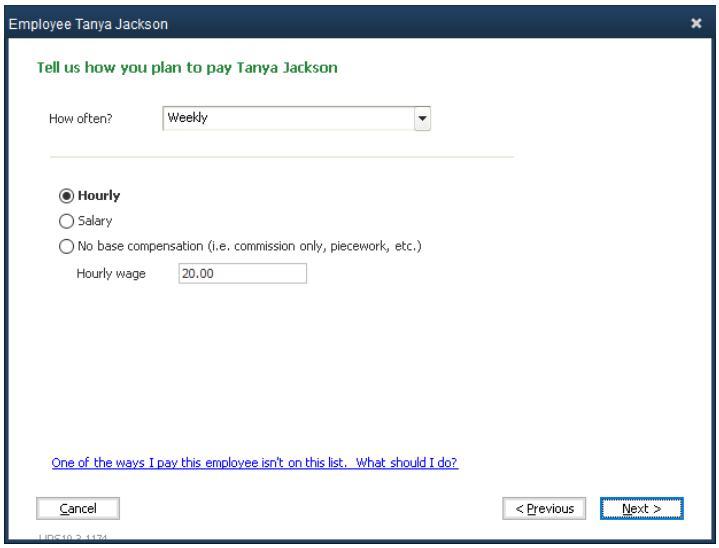


Figure 12-7 Employee Payroll Setup

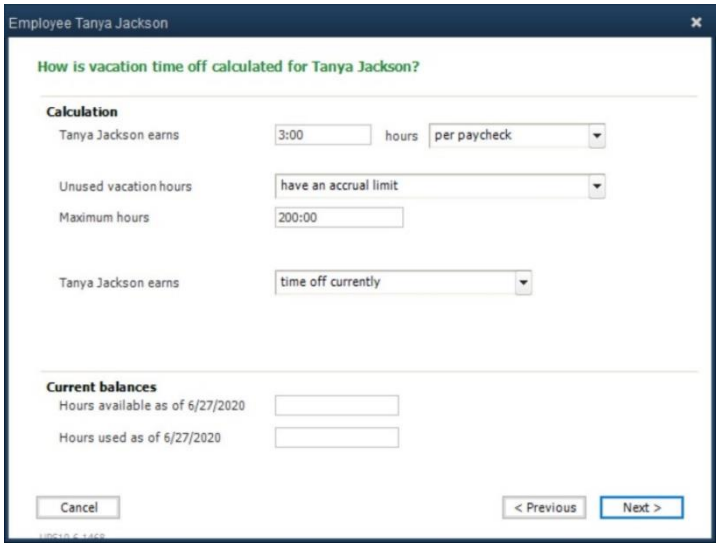


Figure 12-8 Employee Payroll Setup

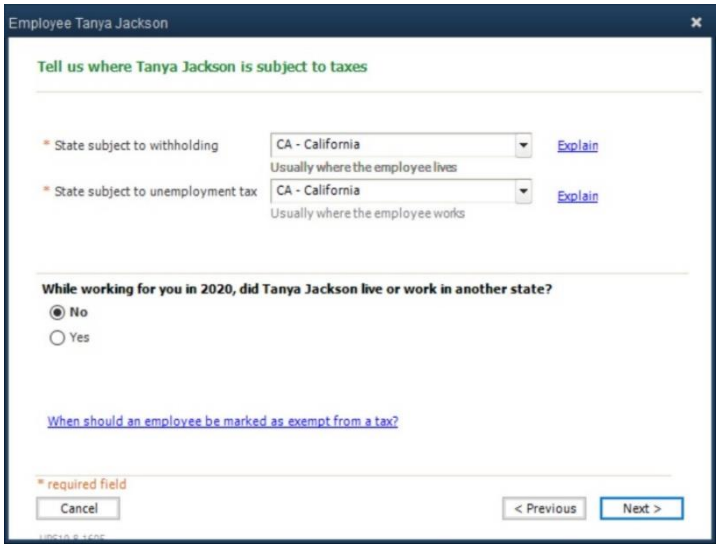


Figure 12-9 Employee Payroll Setup

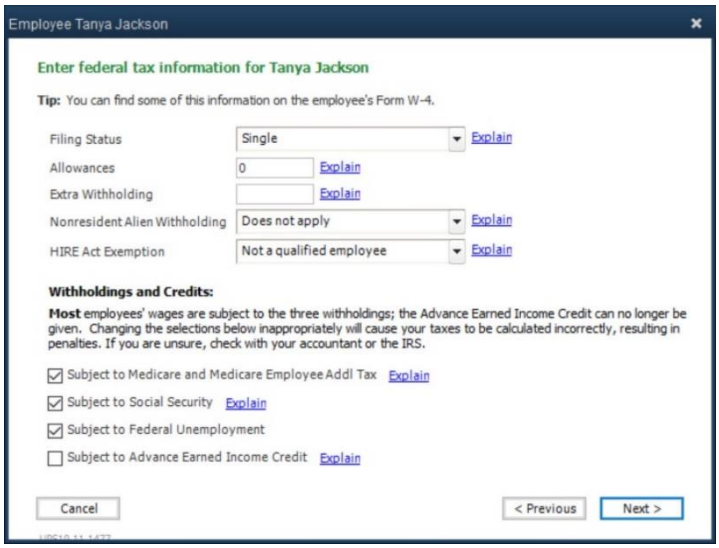


Figure 12-10 Employee Payroll Setup

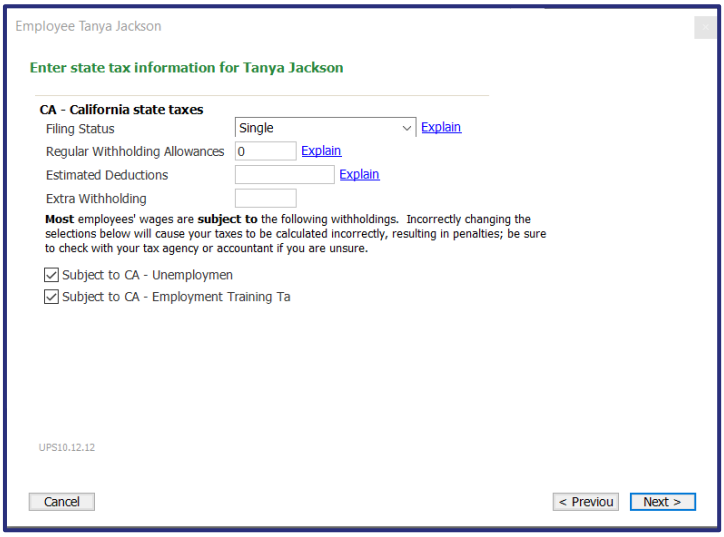


Figure 12-11 Employee Payroll Setup, screen 1

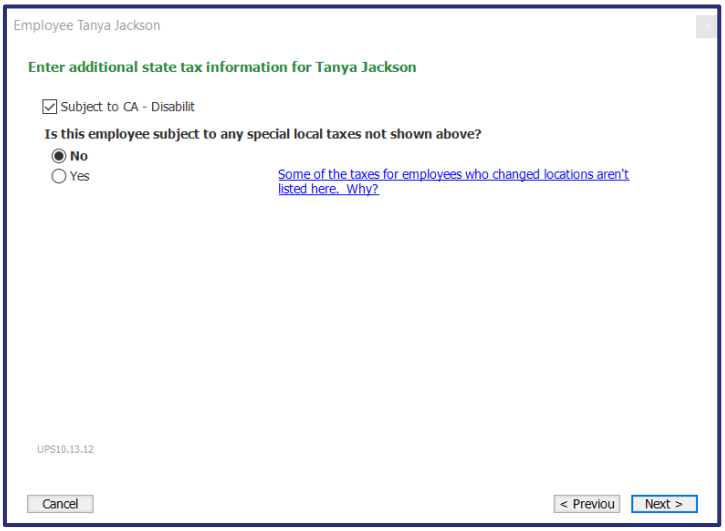


Figure 12-12 Employee Payroll Setup, screen 2

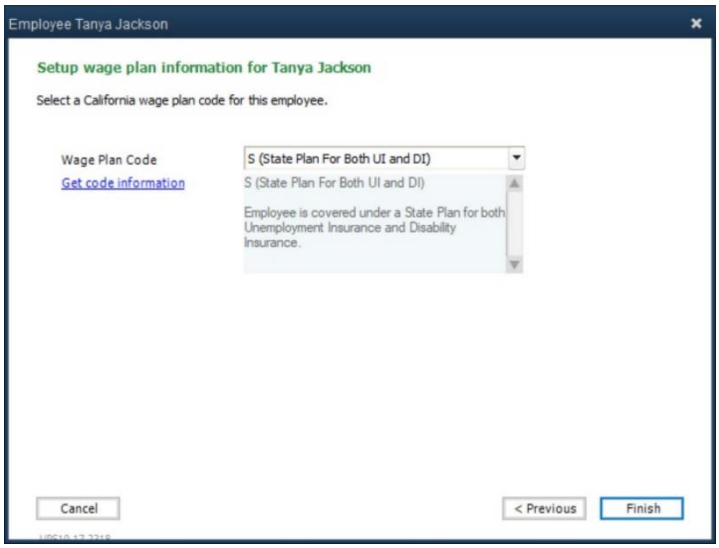


Figure 12-13 Employee Payroll Setup

3. Other information for Payroll Setup is below.

Field	Data
State Unemployment Rate	3.4%
Federal Tax Payee	EFTPS
Payment fequencey (all payroll taxes)	Quarterly
State Tax Payee	EDD
CA EDD Employer Acct No.	123-4567-8
Year-To-Date-Payroll	None. (No paychecks issued this year.)

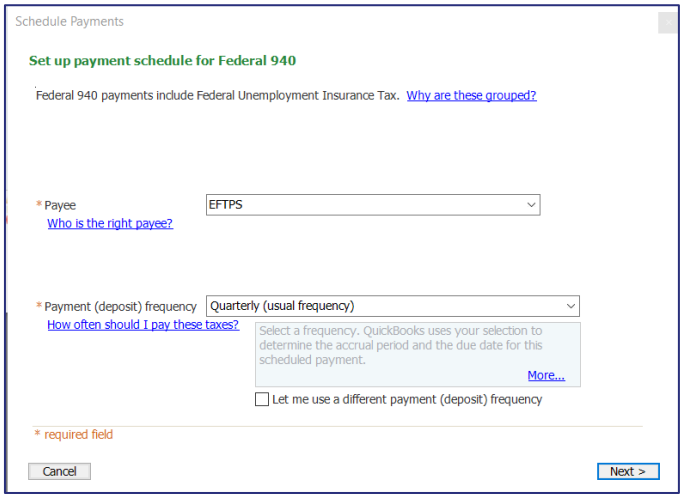


Figure 12-14 Federal 940 Payment Schedule

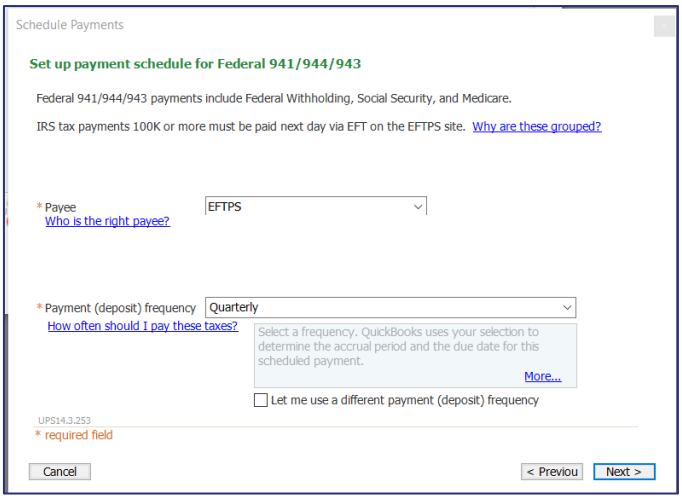


Figure 12-15 Federal 941 Payment Schedule

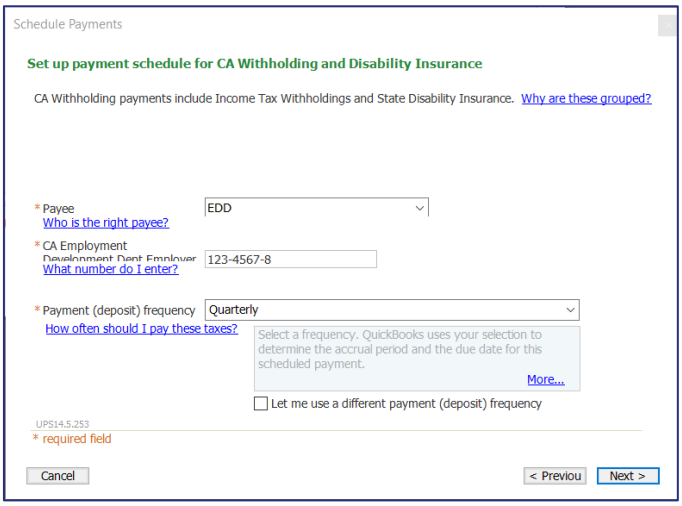


Figure 12-16 CA Withholding Payment Schedule

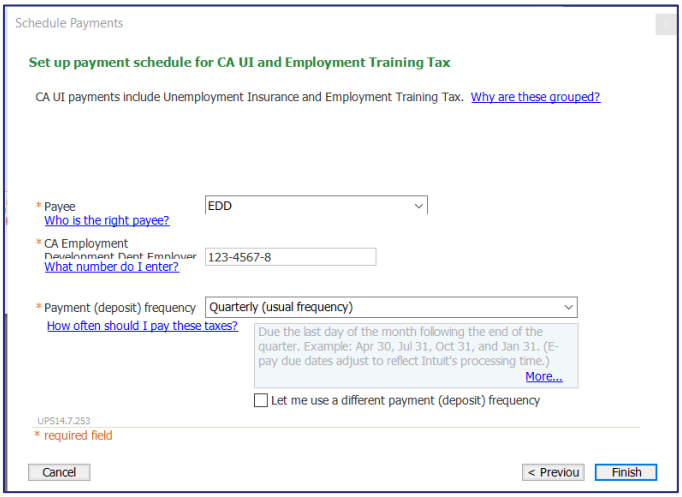


Figure 12-17CA UI and Employment Training Schedule

4. Create a *Payroll Item Listing Report*. Select the **Reports** menu, then choose **List** and then choose **Payroll Item Listing**. Print the report.

Imagine Photography Payroll Setup Problem 1
Payroll Item Listing

Payroll Item	Type	Amount	Limit	Expense Account	Liability Account	Tax Tracking
Salary Regular	Yearly Salary			65000 · Payroll Expenses:65010 · Gross Wages		Compensation
Salary Vacation	Yearly Salary			65000 · Payroll Expenses:65010 · Gross Wages		Compensation
Hourly Regular	Hourly Wage			65000 · Payroll Expenses:65010 · Gross Wages		Compensation
Hourly Vacation	Hourly Wage			65000 · Payroll Expenses:65010 · Gross Wages		Compensation
Advance Earned Income Credit	Federal Tax				24000 · Payroll Liabilities	Advance EIC Paym...
Federal Unemployment	Federal Tax	0.6%	7,000.00	65000 · Payroll Expenses	24000 · Payroll Liabilities	FUTA
Federal Withholding	Federal Tax				24000 · Payroll Liabilities	Federal
Medicare Company	Federal Tax	1.45%		65000 · Payroll Expenses	24000 · Payroll Liabilities	Comp. Medicare
Medicare Employee	Federal Tax	1.45%			24000 · Payroll Liabilities	Medicare
Social Security Company	Federal Tax	6.2%	132,900.00	65000 · Payroll Expenses	24000 · Payroll Liabilities	Comp. SS Tax
Social Security Employee	Federal Tax	6.2%	132,900.00		24000 · Payroll Liabilities	SS Tax
CA - Withholding	State Withholding Tax				24000 · Payroll Liabilities	SWH
CA - Disability	State Disability Tax	1.0%	118,371.00		24000 · Payroll Liabilities	SDI
CA - Unemployment	State Unemploymen...	3.4%	7,000.00	65000 · Payroll Expenses	24000 · Payroll Liabilities	Comp. SUI
CA - Employment Training Tax	Other Tax	0.1%	7,000.00	65000 · Payroll Expenses	24000 · Payroll Liabilities	Co. Paid Other Tax
Medicare Employee Addl Tax	Other Tax	0.9%			24000 · Payroll Liabilities	Medicare Addl Tax

Figure 12-18 Payroll Item Listing Report

5. Create an **Employee Contact List Report**. Print the report.

Imagine Photography Payroll Setup Problem 1
Employee Contact List

Employee	SS No.	Main Phone	Address	Gender
Tanya Jackson	123-45-9876		2271 South Canyon Blvd Hayward, CA 95555	Female

Figure 12-19 Employee Contact List

Chapter 13
Payroll Processing

Objectives

- Payroll Processing Checklists
- Using the Employee Center
- Payroll Tax Tables
- Paying Employees
- Editing Paychecks
- Paying Payroll Liabilities
- Creating Payroll Reports
- Preparing Payroll Taxes

Learning Tips

This chapter assumes that you have already set up their Payroll Items, accounts, and Employees as shown in the "Payroll Setup" chapter. The data file for this chapter is completely set up with all the Items and accounts from that chapter.

The PRProcessing.QBM practice files have been configured as a sample file. This means that the date is set to 12/15/2019 and you will be not able to download tax table updates. However, the Payroll taxes will be calculated automatically and your screens should match the screenshots in the book, even if there are changes to the tax table. No Internet connection or current Payroll tax tables are necessary to complete the exercises in the chapter.

Answers to Review Questions

Comprehension Questions

1. When should you update your payroll tax tables?
   Answer: You should verify that your payroll tax tables are current before each time you process payroll or pay payroll liabilities. You should update you payroll tax tables whenever they are out of date.
2. How can you override the Federal income tax withholding on a paycheck?
   Answer: Change the amount in the *Employee Summary* section of the *Preview Paycheck* window.
3. What type of check (standard, voucher, or wallet) is the best choice for printing paychecks? Why?
   Answer: *Voucher* checks are the best choice because QuickBooks prints the payroll summary information on the voucher portion of the checks. The check voucher will include the current period

information as well as year-to-date information for the employee. Other types can be used, but Paystubs would need to be printed separately.

4. Should you ever delete a paycheck that was printed and given to the employee? Why?
Answer: No. The only time you should delete a paycheck is when you created it in error, and you haven't printed the check. Otherwise, you should void the paycheck so you can keep a record of it.

Multiple Choice

Answers are in **bold** type.

1. To properly affect the Payroll Items, which function (from the *Employee* section of the *Home* page) should you use to pay the Payroll taxes?
   a) *Write Checks*
   b) *Pay Bills*
   c) *Pay Employees*
   d) *Pay Liabilities*
2. Voucher style checks, when used for processing Payroll, may contain:
   a) Earnings and tax withholdings.
   b) Company Taxes
   c) Federal filing status.
   d) All of the above.
3. The Payroll Liability Balances report identifies:
   a) Liability payments made during the payment period.
   b) Liability amounts by Payroll Item.
   c) Liabilities for Employee deductions only.
   d) Liabilities for employer taxes only.
4. Which statement is true?
   a) You can print pay stubs at any time.
   b) Pay stubs print two per page.
   c) If you find an error in a past paycheck, you should delete and recreate the paycheck to ensure accuracy.
   d) You cannot void a paycheck.
5. To begin processing your Payroll:
   a) Select **Write Checks** from the *Home* page.
   b) Select the *Employees* menu and then select **Pay Scheduled Liabilities.**
   c) Select the *Payroll* menu and then select **Process Payroll.**
   d) Choose Pay Employees from the *Employees* section of the *Home* page.
6. QuickBooks automatically calculates paychecks using information from all of the following sources except:
   a) Amounts on all previous paychecks.
   b) The employee's current earnings shown in the earnings section of the paycheck.
   c) The employee's tax settings in the employee record.
   d) The employee's expense report.
7. With a Standard QuickBooks payroll subscription, which forms *cannot* be printed directly from QuickBooks?
   a) State Payroll Tax forms from most states.
   b) 940.
   c) W3.
   d) All of the above can be printed if you have a Standard QuickBooks payroll subscription.

8. To correctly pay your payroll liabilities, choose one of the following options:
   a) Write a check for the taxes and code it to payroll liabilities.
   b) Use the Pay Scheduled Liabilities section of the Payroll Center.
   c) Enter the tax authorities as payroll agencies.
   d) Enter a Bill for all taxes due. Then use Pay Bills.
9. The payroll summary report shows:
   a) The detail of each employee's earnings only.
   b) The YTD employee's earnings by job.
   c) The detail of each employee's biographical information.
   d) The detail of each employee's hours, earnings, taxes, and net pay.
10. If the *Pay Liabilities* window shows incorrect tax amounts due, the problem could be caused by:
    a) Incorrect user entry of payroll item rates.
    b) Using Write checks to pay taxes.
    c) Users overriding calculated taxes.
    d) Any of the above.
11. To have data from the weekly timesheet affect an employee's paychecks:
    a) The timer must be used for all employees.
    b) Select *Use Time Data to create Paychecks* on the employee record.
    c) Employees must enter their own time into QuickBooks.
    d) Use job costing.
12. What is shown in the Company Summary section of the *Preview Paycheck* window?
    a) Earnings and deductions.
    b) Insurance withheld from employee checks.
    c) Employer paid taxes and contributions.
    d) All tax and liability payments due.
13. How do you pay a salaried employee for vacation time?
    a) Vacation time is not available for salaried employees.
    b) Use a salary vacation payroll item and enter the vacation hours in the *Hours* column.
    c) Enter vacation time in the employee's record.
    d) Enter vacation hours on the paystub.
14. Every payday, you should
    a) Create liability payments.
    b) Process employees' W-2 forms.
    c) Create payroll tax returns.
    d) Verify your tax tables are current and update them if necessary.

Completion Statements

1. To manually job-cost or classify wages, enter a separate line in the earnings section of the paycheck for each combination of Earnings Item, Rate, Hours and **Customer:Job**.
2. The Payroll Tab in the Employee Center is also known as the **Payroll Center**.
3. In order to edit the items on a paycheck, display the paycheck and click the **Paycheck Detail** button in the Paycheck window.
4. QuickBooks prints state payroll tax forms only if you subscribe to its Enhanced Payroll service. However, if you do not subscribe to QuickBooks Enhanced payroll service, you can create reports, such as the **Employee State Taxes Detail** report that help you prepare your state payroll tax returns.

Payroll Processing Problem 1

> Restore the **PRProcessingProblem1_Solution.QBM** file to view the solution to this problem in QuickBooks. You will not need to enter a password because this is a sample file.

1. Process paychecks for both Kati Reynolds and Mike Mazuki with the information shown below. Create printable paychecks, dated 01/01/2025 drawn on the Checking bank account for the Payroll period ending on 12/31/2024.

Kati Reynolds' paycheck

Field	Data
Check Date	01/01/2025
Pay Period	12/16/2024 through 12/31/2024
Earnings	Salary Regular
Other Payroll Items (Deductions)	401k Employee, -4% Match 401k, 2% Medical Insurance,-$100

Table 13-1 Kati Reynolds' paycheck

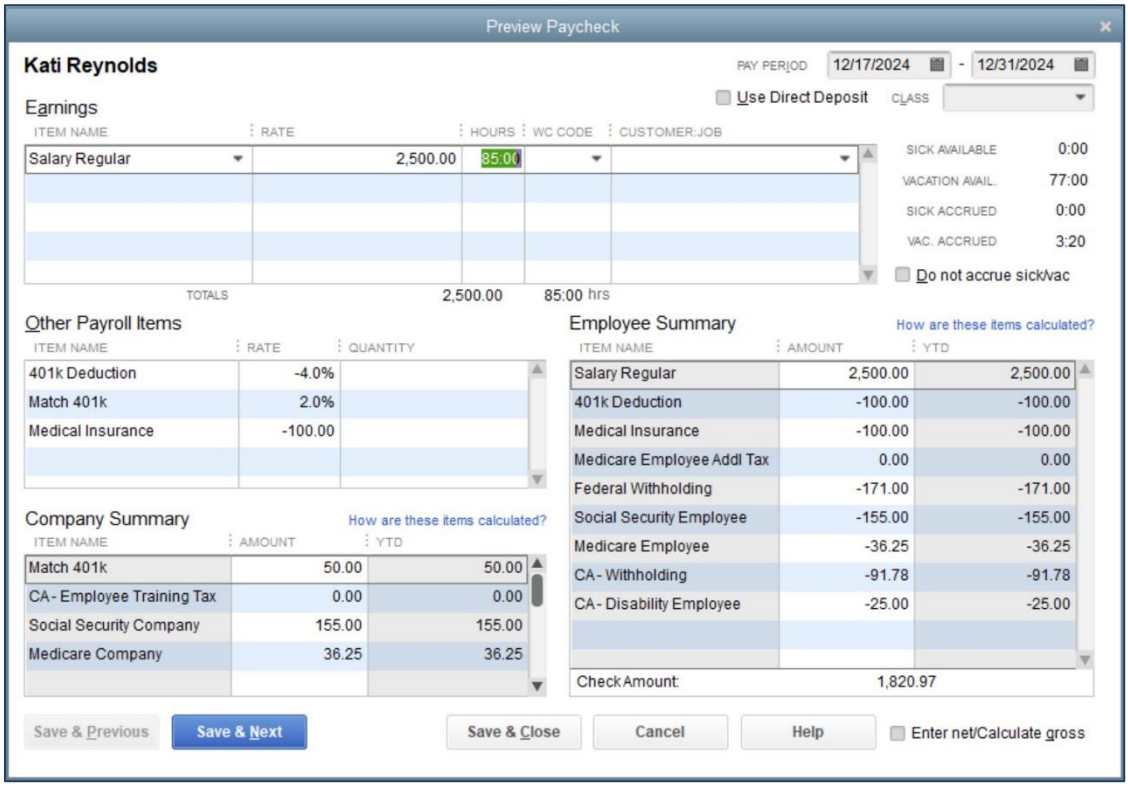


Figure 13-1 Create Kati Reynolds' Paycheck – tax items may vary

Mike Mazuki's paycheck

Field	Data
Check Date	01/01/2025
Pay Period	12/16/2024 through 12/31/2024
Earnings	80 hours – Hourly Regular
Other Payroll Items (Deductions)	401k Employee, -4% Match 401k, 2% Medical Insurance,-$100

Table 13-2 Mike Mazuki's paycheck

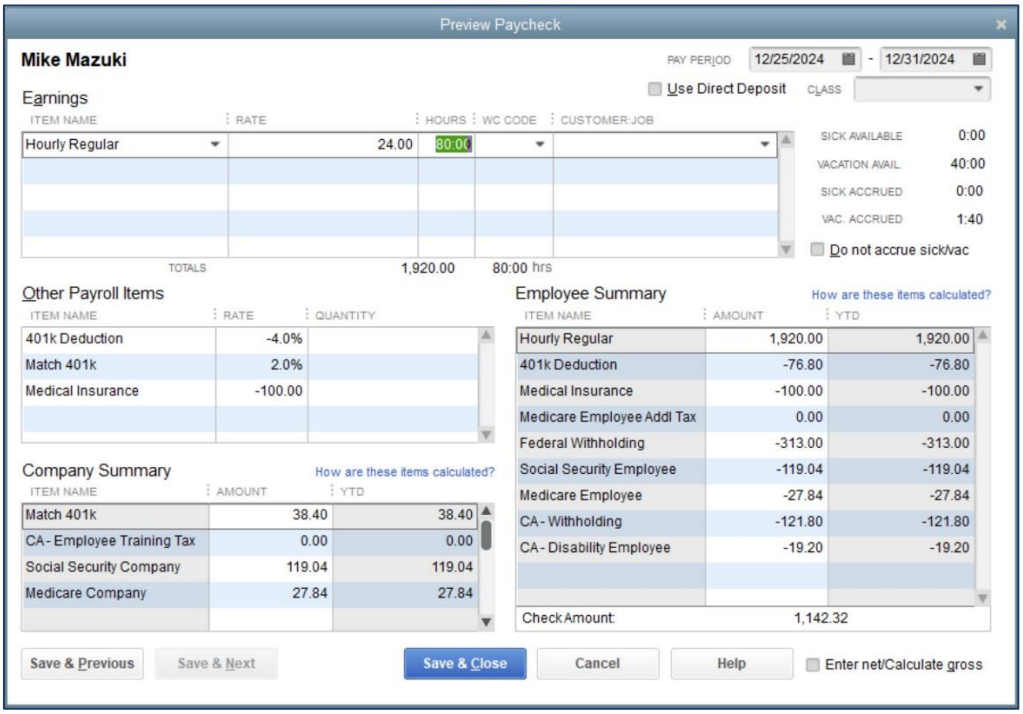


Figure 13-2 Create Mike Mazuki's Paycheck – tax items may vary

2. Print both paychecks on blank paper. Use voucher checks for the format of the printed checks.

1/1/2025

Kati Reynolds **1,820.97

One Thousand Eight Hundred Twenty and 97/100**********

Kati Reynolds
432 Enos Ave.
Danville, CA 94501

Pay Period: 12/17/2024 - 12/31/2024

Employee
Kati Reynolds, 432 Enos Ave., Danville, CA 94501

SSN
***-**-4321
Pay Period: 12/17/2024 - 12/31/2024
Pay Date: 01/01/2025

Earnings and Hours	Qty	Rate	Current	YTD Amount
Salary Regular	85.00		2,500.00	2,500.00

YTD

Deductions From Gross	Current	YTD Amount
401k Deduction	-100.00	-100.00

Non-taxable Company Items	Current	YTD Amount
Match 401k	50.00	50.00

Taxes	Current	YTD Amount
Medicare Employee Addl Tax	0.00	
Federal Withholding	-171.00	-171.00
Social Security Employee	-155.00	-155.00
Medicare Employee	-36.25	-36.25
CA - Withholding	-91.78	-91.78
CA - Disability Employee	-25.00	-25.00
	-479.03	-479.03

Adjustments to Net Pay	Current	YTD Amount
Medical Insurance	-100.00	-100.00

Net Pay	1,820.97	1,820.97

Vacation	Accrued	Used	Available
Current	3:20		77:00

Imagine Photography Payroll Processing Problem 1, 123 Main Street, Pleasanton, CA 94566, Imagine Photography

Powered by Intuit Payroll

Employee
Kati Reynolds, 432 Enos Ave., Danville, CA 94501

SSN
***-**-4321
Pay Period: 12/17/2024 - 12/31/2024
Pay Date: 01/01/2025

Earnings and Hours	Qty	Rate	Current	YTD Amount
Salary Regular	85.00		2,500.00	2,500.00

YTD

Deductions From Gross	Current	YTD Amount
401k Deduction	-100.00	-100.00

Non-taxable Company Items	Current	YTD Amount
Match 401k	50.00	50.00

Taxes	Current	YTD Amount
Medicare Employee Addl Tax	0.00	
Federal Withholding	-171.00	-171.00
Social Security Employee	-155.00	-155.00
Medicare Employee	-36.25	-36.25
CA - Withholding	-91.78	-91.78
CA - Disability Employee	-25.00	-25.00
	-479.03	-479.03

Adjustments to Net Pay	Current	YTD Amount
Medical Insurance	-100.00	-100.00

Net Pay	1,820.97	1,820.97

Vacation	Accrued	Used	Available
Current	3:20		77:00

Imagine Photography Payroll Processing Problem 1, 123 Main Street, Pleasanton, CA 94566, Imagine Photography

Powered by Intuit Payroll

Figure 13-3 Kati Reynolds' paycheck – tax items may vary

1/1/2025

Mike Mazuki **1,142.32

One Thousand One Hundred Forty-Two and 32/100**********

Mike Mazuki
123 Hillsboro Lane
Walnut Creek, CA 94569

Pay Period: 12/25/2024 - 12/31/2024

Employee
Mike Mazuki, 123 Hillsboro Lane, Walnut Creek, CA 94569

SSN
***-**-3333
Pay Period: 12/25/2024 - 12/31/2024 Pay Date: 01/01/2025

Earnings and Hours	Hours	Rate	Current	YTD Amount
Hourly Regular	80:00	24.00	1,920.00	1,920.00

YTD

Deductions From Gross	Current	YTD Amount
401k Deduction	-76.80	-76.80

Non-taxable Company Items	Current	YTD Amount
Match 401k	38.40	38.40

Taxes	Current	YTD Amount
Medicare Employee Addl Tax	0.00	
Federal Withholding	-313.00	-313.00
Social Security Employee	-119.04	-119.04
Medicare Employee	-27.84	-27.84
CA - Withholding	-121.80	-121.80
CA - Disability Employee	-19.20	-19.20
	-600.88	-600.88

Adjustments to Net Pay	Current	YTD Amount
Medical Insurance	-100.00	-100.00
Net Pay	1,142.32	1,142.32

Vacation	Accrued	Used	Available
Current	1:40		40:00

Imagine Photography Payroll Processing Problem 1, 123 Main Street, Pleasanton, CA 94566, Imagine Photography Powered by Intuit Payroll

Employee
Mike Mazuki, 123 Hillsboro Lane, Walnut Creek, CA 94569

SSN
***-**-3333
Pay Period: 12/25/2024 - 12/31/2024 Pay Date: 01/01/2025

Earnings and Hours	Hours	Rate	Current	YTD Amount
Hourly Regular	80:00	24.00	1,920.00	1,920.00

YTD

Deductions From Gross	Current	YTD Amount
401k Deduction	-76.80	-76.80

Non-taxable Company Items	Current	YTD Amount
Match 401k	38.40	38.40

Taxes	Current	YTD Amount
Medicare Employee Addl Tax	0.00	
Federal Withholding	-313.00	-313.00
Social Security Employee	-119.04	-119.04
Medicare Employee	-27.84	-27.84
CA - Withholding	-121.80	-121.80
CA - Disability Employee	-19.20	-19.20
	-600.88	-600.88

Adjustments to Net Pay	Current	YTD Amount
Medical Insurance	-100.00	-100.00
Net Pay	1,142.32	1,142.32

Vacation	Accrued	Used	Available
Current	1:40		40:00

Imagine Photography Payroll Processing Problem 1, 123 Main Street, Pleasanton, CA 94566, Imagine Photography Powered by Intuit Payroll

Figure 13-4 Mike Mazuki's paycheck – tax items may vary

3. Print a *Payroll Liability Balances* report for 9/1/2024 through 01/01/2025.

Imagine Photography Payroll Processing Problem 1
Payroll Liability Balances
September 1, 2024 through January 1, 2025

	Sep 24	Oct 24	Nov 24	Dec 24	Jan 1, 25	BALANCE
Payroll Liabilities						
Federal Withholding	0.00	0.00	0.00	0.00	484.00	484.00
Medicare Employee	0.00	0.00	0.00	0.00	64.09	64.09
Social Security Employee	0.00	0.00	0.00	0.00	274.04	274.04
Federal Unemployment	0.00	0.00	0.00	0.00	26.52	26.52
Medicare Company	0.00	0.00	0.00	0.00	64.09	64.09
Social Security Company	0.00	0.00	0.00	0.00	274.04	274.04
CA - Withholding	0.00	0.00	0.00	0.00	213.58	213.58
CA - Disability Employee	0.00	0.00	0.00	0.00	44.20	44.20
CA - Unemployment Company	0.00	0.00	0.00	0.00	232.05	232.05
Medicare Employee Addl Tax	0.00	0.00	0.00	0.00	0.00	0.00
CA - Employee Training Tax	0.00	0.00	0.00	0.00	0.00	0.00
401k Deduction	0.00	0.00	0.00	0.00	176.80	176.80
Match 401k	0.00	0.00	0.00	0.00	88.40	88.40
Total Payroll Liabilities	**0.00**	**0.00**	**0.00**	**0.00**	**1,941.81**	**1,941.81**

Figure 13-5 Payroll Liability Balances report– tax items may vary

Chapter 14
Company File Setup

Objectives

- Choosing a Start Date – Step 1
- Creating the Company File – Step 2
- Setting Up the Chart of Accounts and Other Lists – Step 3
- Setting Up Opening Balances – Step 4
- Entering Open Items – Step 5
- Entering Year-to-Date Income and Expenses – Step 6
- Adjusting Opening Balance for Sales Tax Payable – Step 7
- Adjusting Inventory and Setting up Fixed Assets – Step 8
- Setup Payroll and YTD Payroll Information – Step 9
- Verifying your Trial Balance – Step 10
- Closing Opening Bal Equity – Step 11
- Setting the Closing Date - Backing up the File – Step 12
- Users and Passwords

For the solution file called Setup_Solution.QBM, the user name is Admin and the password is Abc1234$.

The original Classroom file password is Questiva20, but will be changed during the exercise.

Learning Tips

The Company File Setup chapter begins with an explanation of the 12-Step Setup Checklist. Follow these steps when completing Problem 1 and Problem 2.

Answers to Review Questions

Comprehension Questions

1. Explain how the Opening Balance Equity account is used when you set up a new bank account in the Chart of Accounts.
   Answer: As you enter opening balances in your QuickBooks accounts, an offsetting transaction is entered into an automatically created account calling *Opening Balance Equity*.

This transaction is recorded differently depending on which method you use for the opening balance. If you enter the opening balance by writing a value in the *Opening Balance* field in the *New Account* (or *Edit Account*) window, a general journal entry is created to add the amount to *Opening Bal Equity* as well as the new account. If you enter the opening balance in the new account's register, the transaction should be coded to *Opening Bal Equity*.

Opening Bal Equity is closed into *Retained Earnings* or *Owners Equity* at the end of setting up the company file.

2. Explain how you would adjust your sales tax to agree with the Trial Balance from the accountant.
   Answer: To adjust Sales Tax to agree with the Trial Balance from the accountant, you would first view the *Sales Tax Payable* register to view and activity in the account, then subtract the current balance in the account from the amount shown on the trial balance from your accountant and create a *Sales Tax Adjustment.*

3. If you have been separately tracking your entertainment and meal expenses, what action would you take if you wanted to track them as one account?
   Answer: Rename the Entertainment account to "Meals." Doing so will prompt QuickBooks to merge the Entertainment and Meals accounts. When you merge accounts these two accounts in this way, QuickBooks updates each transaction that posts to Entertainment, making it post to Meals instead. Then QuickBooks will remove the Entertainment account from the Chart of Accounts list.

4. Explain the importance of entering your outstanding checks as of the Start Date into the *Checking* account.
   Answer: It is important to enter all outstanding checks and deposits as of your start date so that your first bank reconciliation goes smoothly. You need all of the checks and deposits to show in QuickBooks so that you can match them with your first bank statement after the start date. If you don't enter the individual transactions, you won't see them in the QuickBooks reconciliation window. Also, if a transaction never clears the bank, you won't know which transaction it was without going to your old records.

5. What information should you gather before setting up a QuickBooks file?
   Answer: You should have each of the following before setting up a QuickBooks file:
   a) Trial Balance
   b) Bank Statement for all bank accounts
   c) Outstanding Checks and Deposits
   d) Open Invoices
   e) Unpaid Bills
   f) Employee List and W-4 information for each employee
   g) Payroll Liabilities by Item
   h) Year-to-Date Payroll Detail for Employee
   i) Year-to-Date Payroll Tax Deposits
   j) Physical Inventory by Inventory Part

Multiple Choice Questions

Answers are in **bold** type.

1. Your company has decided to begin using QuickBooks at the beginning of the 2025 calendar year, which is also the fiscal year. The best start date for your company file setup is:
   a) January 1, 2025.
   b) The date when you first decide to use QuickBooks.
   c) December 31, 2024.
   d) There is no best start date, you can use whatever date is convenient.

2. This chapter suggests that the best way to set up A/R and A/P balances in QuickBooks is to:
   a) Enter the total amount of A/R and A/P on a *General Journal Entry* dated on your start date.
   b) Enter the balance of each account by editing the accounts in the *Chart of Accounts*.
   c) Use a special account called A/R Setup (or A/P Setup) to record the opening balances.
   d) Enter a separate *Invoice* for each open invoice and enter a separate *Bill* for each unpaid bill.
3. Setting up a company file does not include:
   a) Obtaining a business license.
   b) Selecting the appropriate chart of accounts for your type of business.
   c) Adding accounts to the chart of accounts.
   d) Entering *Invoices*.
4. A good example of a liability account is:
   a) Inventory.
   b) Accounts Receivable.
   c) Advertising.
   d) Accounts Payable.
5. To ensure the accuracy of the information entered during setup, it is important to:
   a) Know your Retained Earnings.
   b) Verify that your Trial Balance matches the one provided by your accountant.
   c) Start at the beginning of the fiscal period.
   d) Know everything there is to know about accounting.
6. Close Opening Bal Equity into Retained Earnings by:
   a) Starting to enter new daily transactions.
   b) Creating a General Journal Entry.
   c) Setting the Closing Date. QuickBooks will then make the entry for you.
   d) Selecting **Close Opening Balance** on the **Activities** menu.
7. If you no longer need an account in the Chart of Accounts, you can delete it. However, if it has transactions posted to it, you cannot delete it. Instead:
   a) You should ignore it.
   b) You should rename it.
   c) You can deactivate it, or merge it with another account.
   d) You can move it to the bottom of the chart of accounts, which will cause it to no longer appear on reports.
8. Which of the following is NOT a way to deactivate an account?
   a) Right-click on the account and select **Make Inactive**.
   b) Select **Make Account Inactive** from the **Account** menu at the bottom of the Chart of Accounts.
   c) Edit the account and click **Account is Inactive**.
   d) Select the account and check the Include Inactive checkbox at the bottom of the Chart of Accounts.
9. When account numbers are inactive and you click the *Name* header:
   a) QuickBooks sorts the account list alphabetically by account name.
   b) You can rename the selected account.
   c) You will see all account names.
   d) You can rename the Chart of Accounts list.
10. As the administrator, you can set up new users of the file and restrict access to several areas in the program. Which is something you CANNOT restrict?
    a) Access to all bank accounts.
    b) Access to A/P transactions.
    c) Access to Payroll.
    d) Access to one bank account, but no access to another bank account.

11. When verifying your setup, create a Balance Sheet and verify that Retained Earnings matches the Trial Balance from the accountant. If your start date is 12/31, what date should you use on this Balance Sheet?
    a) Always use the Start Date.
    b) December 31.
    c) January 1.
    d) December 30.
12. To set up the opening balance in your *Sales Tax Payable* account, wait until after you've entered your open invoices. Then adjust the *Sales Tax Payable* account for the additional sales tax due. Why is this adjustment necessary?
    a) Because Opening Bal Equity is not involved.
    b) Because the total amount in Sales Tax Payable is the sum of the *uncollected* sales tax (from the open invoices) plus the *collected* sales tax. Since you already entered the open invoices, the Sales Tax Payable account only has the *uncollected* sales tax and you have to add in the *collected* sales tax by adjusting the account balance.
    c) Because there is no other way to set up the opening balance in Sales Tax Payable.
    d) All of the above.
13. Where does QuickBooks place new accounts in the Chart of Accounts after it has been manually reordered?
    a) Alphabetically within its account type.
    b) Alphabetically in the list, regardless of account type.
    c) At the top of the list, within its account type.
    d) At the bottom of the Chart of Accounts.
14. If you have an open Invoice for an inventory item on your start date, to properly set up your Inventory balances (Quantity and Value):
    a) Use a Journal Entry to debit Inventory for the total value of the inventory and then select **Setup Inventory Quantities** from the **Inventory** menu.
    b) Use an Inventory Adjustment transaction *after* you enter in your opening Invoices and Bills.
    c) Use an Inventory Adjustment transaction *before* you enter in your opening Invoices and Bills.
    d) Use the *Opening Balance* field in the *Edit Account* window.
15. Which of the following do you set up using the *EasyStep Interview*?
    a) Default Accounts.
    b) Outstanding Checks and Deposits.
    c) Inventory.
    d) Sales Tax.

Completion Statements

1. There are five basic account types in accounting: **Assets**, **Liabilities**, **Equity**, **Income** and **Expense**.
2. It is impossible to **delete** a QuickBooks account if you have used it in transactions.
3. At the end of your setup, close the **Opening Balance Equity** account into Retained Earnings.
4. You can use a **General Journal Entry** to record multiple accounts' opening balances at one time.
5. The account balances on your **Trial Balance** from your previous books and your QuickBooks file should match at the end of your file setup.

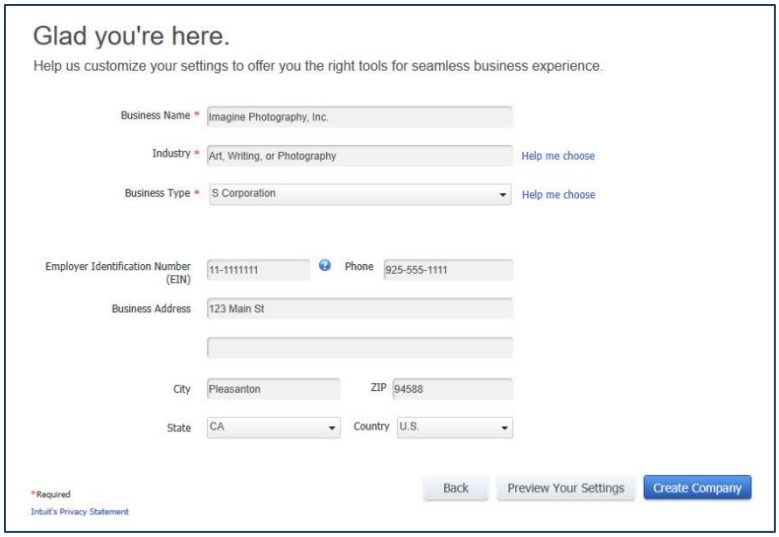
Setup Problem 1

Restore the **SetupProblem1_Solution.QBM** file to view the solution to this problem in QuickBooks. The password to access this file is ***Questiva20***.

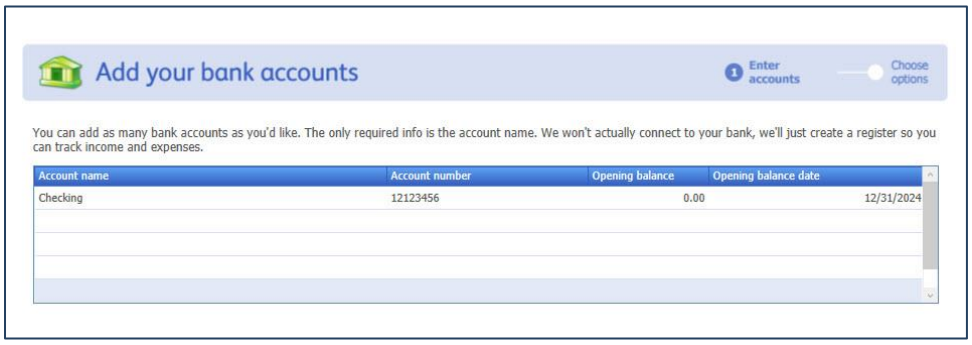
1. Create a *new* QuickBooks company file for Imagine Photography. Use Express Start and the information from the following tables and figures to completely set up the file using 12/31/2024 as your start date. Call your file **SetupProblem1.QBW**.

Company Info	
Company name	Imagine Photography, Inc.
Industry	Art, Writing or Photography
Company Type	S Corporation
Tax ID	11-1111111
Do you have Employees?	Yes
Legal name	Imagine Photography, Inc.
Address	123 Main Street Pleasanton, CA 94588
Country	U.S.
Phone	925-555-1111
E-mail Address	info@Imaginephoto.biz
Web site	http://www.Imaginephoto.biz
Company Filename	SetupProblem1.QBW Change the save location to your data files folder.

Table 14-1 Express Start Setup Information



2. Add a bank account called Checking. Opening Balance is $0.00. Account Number is 12123456. Opening Balance date is 12/31/2024.



3. When finished create an *Account Listing* report. (The *Account Listing* Report is in the *Reports* menu, under the *List* submenu).

Imagine Photography, Inc.
Account Listing
July 27, 2020

Account	Type	Balance Total	Description	Tax Line
Checking	Bank	0.00		<Unassigned>
Accumulated Depreciation	Fixed Asset	0.00	Accumulated depreciation on equipment, buildin...	B/S-Assets: Buildings/oth. depr. assets
Furniture and Equipment	Fixed Asset	0.00	Furniture and equipment with useful life exceedi...	B/S-Assets: Buildings/oth. depr. assets
Advance Customer Payments	Other Current Liability	0.00	Monies received from customers not yet earned ...	B/S-Liabs/Eq.: Other current liabilities
Payroll Liabilities	Other Current Liability	0.00	Unpaid payroll liabilities. Amounts withheld or ac...	B/S-Liabs/Eq.: Other current liabilities
Capital Stock	Equity	0.00	Value of corporate stock	<Unassigned>
Opening Balance Equity	Equity	0.00	Opening balances during setup post to this acco...	<Unassigned>
Retained Earnings	Equity		Undistributed earnings of the business	<Unassigned>
Shareholder Distributions	Equity	0.00	Distributions paid to shareholders	<Unassigned>
Sales	Income		Gross sales of products and services	Income: Gross receipts or sales not on line 1a
Subcontracted Services	Cost of Goods Sold		Subcontracted services for client projects	COGS-Form 1125-A: Cost of labor
Advertising and Promotion	Expense		Advertising, marketing, graphic design, and othe...	Deductions: Advertising
Automobile Expense	Expense		Fuel, oil, repairs, and other automobile maintena...	Other Deductions: Other deductions
Bank Service Charges	Expense		Bank account service fees, bad check charges a...	Other Deductions: Other deductions
Computer and Internet Expen...	Expense		Computer supplies, off-the-shelf software, online...	Other Deductions: Other deductions
Depreciation Expense	Expense		Depreciation on equipment, buildings and impro...	<Unassigned>
Dues and Subscriptions	Expense		Subscriptions and membership dues for civic, se...	Other Deductions: Other deductions
Equipment Rental	Expense		Rent paid for rented equipment used for business	Deductions: Rents
Insurance Expense	Expense		Insurance expenses	Other Deductions: Other deductions
Interest Expense	Expense		Interest payments on business loans, credit card...	Deductions: Interest expense
Meals and Entertainment	Expense		Business meals and entertainment expenses, in...	Deductions: Meals and entertainment (subj to 50% l
Office Supplies	Expense		Office supplies expense	Other Deductions: Other deductions
Payroll Expenses	Expense		Payroll expenses	Deductions: Salaries and wages
Postage and Delivery	Expense		Postage, courier, and pickup and delivery services	Other Deductions: Other deductions
Professional Fees	Expense		Payments to accounting professionals and attor...	Other Deductions: Other deductions
Rent Expense	Expense		Rent paid for company offices or other structure...	Deductions: Rents
Repairs and Maintenance	Expense		Incidental repairs and maintenance of business ...	Deductions: Repairs and maintenance
Telephone Expense	Expense		Telephone and long distance charges, faxing, an...	Other Deductions: Other deductions
Travel Expense	Expense		Business-related travel expenses including airlin...	Other Deductions: Other deductions
Utilities	Expense		Water, electricity, garbage, and other basic utiliti...	Other Deductions: Other deductions
Ask My Accountant	Other Expense		Transactions to be discussed with accountant, c...	<Unassigned>

Figure 14-1 Account Listing report

Chapter 15
Estimates and Invoicing

Objectives

After completing this chapter, you should be able to:

- Prepare Estimates
- Prepare Invoices from Estimates
- Use the Progress Invoicing feature
- Create Purchase Orders from Estimates
- Create reports about Estimates
- Take Deposits on work to be performed

Learning Tips

Estimates allow you to track "bids" for your sales or projects. *Estimates* do not post to the general ledger since the bid may not be accepted by the customer. They do record the bid information that has been given to the customer. In fact, you can prepare more than one Estimate for the same job if a customer is not sure exactly what they want to order. Then when a bid is accepted and you perform the work, you can transfer the information from the *Estimates* onto *Invoices*.

Sometimes you can invoice for an entire estimate all at one time, but QuickBooks also provides a *Progress Invoicing* feature that allows you to prepare several invoices for a job as each stage of the job is completed. To reduce errors and provide fast data entry, QuickBooks automates the process of copying portions of an *Estimate* onto each progress invoice.

When taking a *Customer Deposit* on work to be performed, there are specific setup steps and workflow to make sure the money is tracked as a Liability instead of income until it's time to perform the work.

In this chapter, you learn how these features help them track the various stages of sales transactions.

Creating Estimates and Progress Invoicing can be done using QuickBooks Pro or higher editions. However, Sales Orders require QuickBooks Premier or higher editions, and cannot be created using QuickBooks Pro.

Answers to Review Questions

Comprehension Questions

1. Explain the primary difference between an *Estimate* and an *Invoice* and describe what *Estimates* help you do.
   Answer: The big difference is that Estimates do not post to the general ledger, and therefore they do not affect any of your financial reports. They do help you track your future sales and they do help you track how your actual revenues and costs compare with what was estimated, but Estimates do

not record any financial information themselves because they represent quotes that may or may not be accepted by the customer.

2. Explain what *Progress Invoicing* allows you to do in QuickBooks.
   Answer: Progress Invoicing allows you to charge your Customers a portion of the total Estimate for each stage of the Job. QuickBooks can track how much of the Estimate has been invoiced, and how much remains to be invoiced.

3. Explain the similarities between *Sales Orders* and *Estimates* and describe what *Sales Orders* allow you to do.
   Answer: Sales Orders are very similar to Estimates, but unlike Estimates, Sales Orders will always be converted into Invoices You use them to track orders from Customers while you are processing their order or otherwise waiting to fulfill the order. You can print Sales Orders for use as pick lists from your inventory and you can customize them much the same as other sales forms. You can also use QuickBooks reports to keep track of open Sales Orders and back-ordered items.

4. Why is a Customer Deposit considered a Liability instead of Income?
   Answer: Customer Deposits are prepayments or retainers for work to be performed in the future. Since the service hasn't been provided yet, the money received is not income. It is held on the Balance Sheet as an Other Current Liability until the work is performed, or the Deposit is refunded. The funds become income when the Invoice is created.

Multiple Choice

Answers are in **bold** type.

1. Estimates help you to:
   a) Track your future sales.
   b) Track how your actual revenues and costs compare with what was estimated.
   c) Track and record financial information.
   d) Both a and b.

2. Creating an *Invoice* from an *Estimate*:
   a) Has little or no effect on the financial statements since *Estimates* do not post to the General Ledger.
   b) Eliminates the need to manually enter *Estimate* details on the *Invoice*.
   c) Can affect the P&L because creating an *Estimate* itself affects the P&L.
   d) Can take up to several hours because it may be difficult to locate the *Create Invoice* button on the *Estimate* form.

3. Which statement is false?
   a) Progress Invoicing allows you to charge your customers a portion of the total Estimate for each stage of the Job.
   b) QuickBooks can track how much of the *Estimate* has been invoiced, and how much remains to be invoiced.
   c) Progress Invoicing can create an *Invoice* for the entire *Estimate* (i.e., no Progress Invoicing) but only after the *Estimate* is closed.
   d) Progress Invoicing allows you to create an *Invoice* for some *Estimate* items.

4. After the customer approves the *Estimate* you can create the following form(s) using QuickBooks Premier, Accountant or Enterprise:
   a) *Purchase Order*.
   b) *Sales Order*.
   c) Both a and b.
   d) Neither a nor b.

5. You should usually use the *Create purchase order for selected items* button when creating *Purchase Orders* from *Estimates* because:
   a) Selecting this option bypasses the *Specify Purchase Order Quantities for Items on the Sales Transaction* window.
   b) Selecting this option records your *Items* and directly opens up the *Purchase Order* form.
   c) Inventory and non-inventory parts will display on the Purchase Order number.
   d) It is rare that you will include all *Service Items* on the *Purchase Order* or acquire all *Items* from the same vendor.
6. You can view *Estimates*:
   a) In the *Customer Center*.
   b) On the *Estimates by Job* report.
   c) On the *Job Estimates vs. Actuals Summary* report.
   d) All of the above.
7. If you want to see a list of *Estimates* for all your Jobs, create:
   a) The *Estimate* form.
   b) The *Estimates by Job* report.
   c) The *Job Progress Invoices vs. Estimates* reports.
   d) All of the above.
8. Which statement is true?
   a) To track open and closed estimates as they relate to billings, use the *Job Estimates vs. Actuals Summary* report.
   b) You have to manually "close" an Estimate in order for QuickBooks to display the estimate. on the *Job Progress Invoices vs. Estimates* report.
   c) The *Job Progress Invoices vs. Estimates* report shows all Estimates.
   d) None of the above.
9. For general ledger activity, Sales Orders closely resemble which other form in QuickBooks?
   a) Bills.
   b) Estimates.
   c) Invoices.
   d) Sales Receipts.
10. If you do not have enough stock on hand to fill orders, you can:
   a) Create a *Purchase Order* from a *Sales Order* using QuickBooks Premier, Accountant or Enterprise.
   b) Send the Customer an order delay receipt from QuickBooks.
   c) Replace the order with another item the customer did not ask for.
   d) Both b and c.
11. If you wish to create multiple Purchase Orders from a single Estimate:
   a) Select various Vendors from the *Purchase Order* form.
   b) Make copies of the *Purchase Order*.
   c) Select the *Create purchase order for all allowed items* button in the *Create Purchase Order Based on the Sales Transaction* window.
   d) Select the Create purchase order for selected items button in the *Create Purchase Order Based on the Sales Transaction* window.

Completion Statements

1. When you work with a prospective customer you may need to create several Estimates showing different alternatives for the job. If you do, QuickBooks will show each of the open, active Estimates in the ***Available Estimates*** window.

2. When creating Purchase Orders from an Estimate, if the Items on the Estimate are inventory parts, QuickBooks will show the stock status for the part in the **On Hand** column. If necessary, you can override the amount in the **Qty** column.
3. Sales Orders are not available in QuickBooks **Pro** Edition.
4. In QuickBooks Premier, you can create **Progress** Invoices from *Estimates*.
5. To view *Estimates* in the *Customer Center*, click the **Transactions** tab and select *Estimates*.

Estimates & Invoicing Problem 1

Restore the **EstimatesProblem1_Solution.QBM** file to view the solution to this problem in QuickBooks. The password to access this file is ***Questiva20***.

1. Anderson Wedding Planners are planning a wedding for Sati and Naveen Kumar. They have requested an Estimate for the event. Use the information in Table 15-1 to create an Estimate for Anderson Wedding Planners.

Information	Data
Customer	Anderson Wedding Planners: Kumar, Sati and Naveen
Class	San Jose
Date	5/1/2025
Estimate #	2025-1
Photographer	15 @ $90.00
Markup	0

Table 15-1 Anderson Wedding Planner's Estimate information

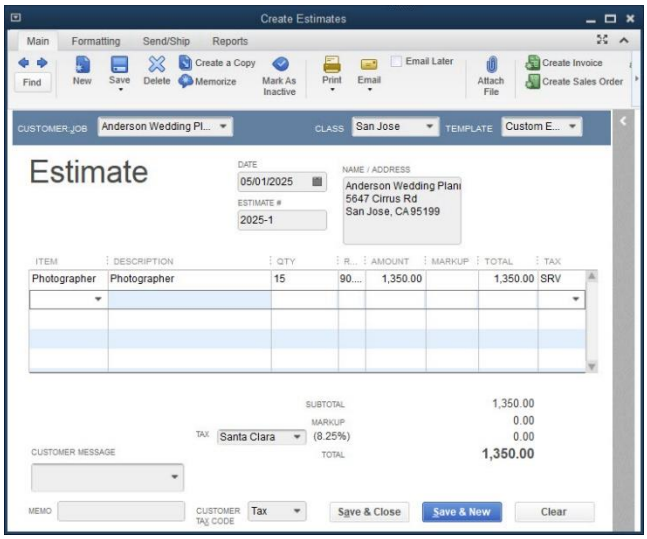


Figure 15-1 Estimate

2. Create an *Estimates by Job* report. Set the date range to *All.*

Imagine Photography Estimates Problem 1
Estimates by Job
All Transactions

Type	Date	Num	Memo	Estimate Active	Amount
Anderson Wedding Planners					
Kumar, Sati and Naveen					
Estimate	05/01/2025	2025-1		X	1,350.00
Total Kumar, Sati and Naveen					1,350.00
Total Anderson Wedding Planners					1,350.00
TOTAL					**1,350.00**

Figure 15-2 Estimates by Job report

3. 3.75 hours of the photographer's time were used creating wedding dress photos at a local garden. Use the *Estimate* to create a *Progress Invoice* for 25% of the total. If needed, turn on the Progress Invoicing Preference. Date the invoice 05/10/2025 and number it 2025-106.

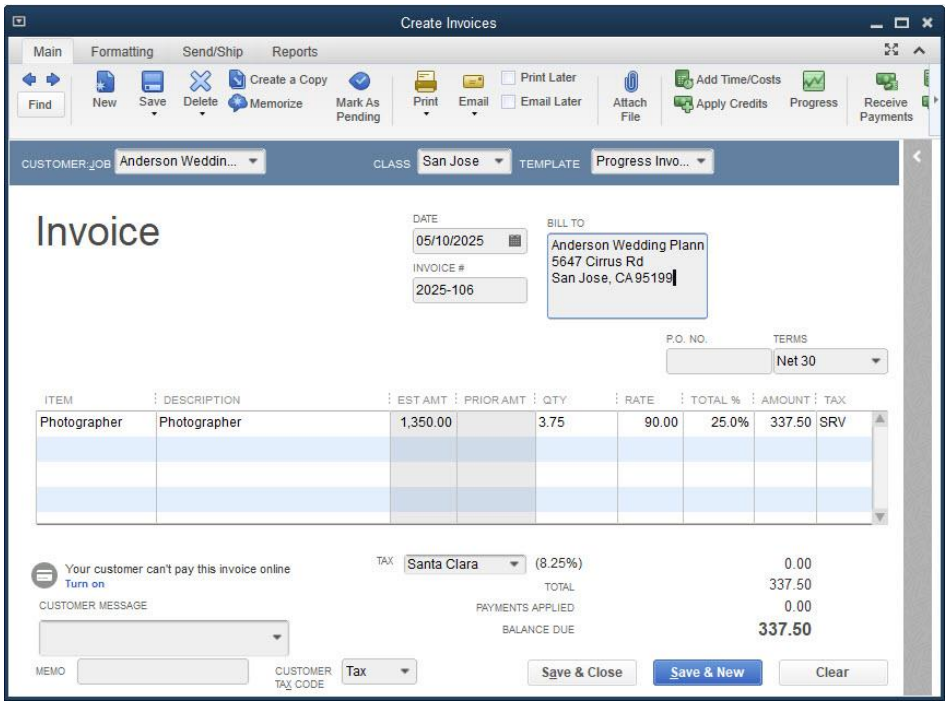


Figure 15-3 Progress Invoice for 25% of Estimate

4. Create a *Job Progress Invoices vs. Estimates* report from **01/01/2025** to **05/31/2025**.

Imagine Photography Estimates Problem 1
Job Progress Invoices vs. Estimates
January through May 2025

Type	Date	Num	Estimate Active	Estimate Total	Progress Invoice	% Progress
Anderson Wedding Planners						
Kumar, Sati and Naveen						
Estimate	05/01/2025	2025-1	X	1,350.00	337.50	25.00%

Figure 15-4 Job Progress Invoices vs. Estimates report

Chapter 16 Adjustments and Year-End Procedures

Objectives

- General Journal Entries
- Editing, Voiding, and Deleting Transactions
- Memorized Transactions
- Tracking Fixed Assets
- Processing 1099s
- Managing Equity
- Closing the Year
- Setting the Closing Date to "Lock" Transactions

Learning Tips

The "administrator" of the QuickBooks file is the only one with access to all areas of QuickBooks. For example, the administrator is the only one who can add new users, change the closing date, or modify the company *Preferences* (all *Preferences* in the *Company Info* tabs of the *Preferences* window). This provides additional security for the company file by preventing unauthorized employees from modifying settings or user privileges.

In 2020, the IRS released new 1099-NEC forms for Non-employee Compensation. Contractor payments that previously had been reported in Box 7 on the 1099-MISC forms now go in Box 1 of the 1099-NEC form.

Answers to Review Questions

Comprehension Questions

1. Discuss the difference between deleting and voiding a transaction in QuickBooks.
   Answer: There is one significant difference between voiding and deleting transactions. When you void a transaction, QuickBooks keeps a record of the date, number, and detail of the transaction. When you delete a transaction, QuickBooks removes it completely from your file.
2. Why would you not want to make changes to transactions in QuickBooks that are dated in a closed accounting period?

Answer: When you change or delete a transaction, QuickBooks immediately updates the General Ledger with your change, regardless of the date of the transaction. Therefore, if you make changes to transactions in a closed accounting period, your QuickBooks financial statements will change for that period, causing discrepancies between your QuickBooks reports and your tax return.

3. How would you set up QuickBooks to automatically enter a depreciation journal entry each month?
Answer: If you want QuickBooks to automatically enter the depreciation journal entry each month, create a journal entry to record one month of depreciation, and then memorize it and schedule it to automatically enter each month.

4. Explain how QuickBooks automatically closes the year. What effect does it have on your income and expense accounts?
Answer: At the end of each fiscal year, QuickBooks automatically "closes" the net income into Retained Earnings. QuickBooks does not show this entry, but when you run a Balance Sheet, QuickBooks calculates the balance in Retained Earnings by adding together the total net income for all prior years. For Sole Proprietorships, LLCs, Partnerships, or other business structures that don't use Retained Earnings, additional journal entries may be required.

Multiple Choice

Answers are in **bold** type.

1. Which of the following tasks does QuickBooks perform automatically at year-end?
   a) Creates adjusting journal entries to the income and expense accounts that can be viewed in the *General Ledger* report
   b) Identifies expenses that are too high in comparison with prior years
   c) Adjusts the balance in the Retained Earnings account to reflect the net income or loss for the year
   d) Automatically backs up the data file

2. Entering a date in the *Closing Date* field accomplishes which of the following:
   a) Determines which date QuickBooks will use to automatically close the year
   b) Determines which date QuickBooks closes your file
   c) Locks the data file so that no unauthorized users can add, change, or delete transactions dated on or before the *Closing Date*
   d) Prepares a closing entry on that date

3. Voiding and Deleting transactions both do the following:
   a) Keep a record of the date, number, and detail of the transaction
   b) Completely remove all details of the transaction
   c) Zero out the debits and credits specified by the transaction
   d) Both b and c

4. To make an adjustment to *Items* as well as their associated accounts, create a:
   a) General Journal Entry
   b) Fixed Asset
   c) Zero-Dollar Check
   d) Memorized Transaction

5. At the end of the year, you should perform the following:
   a) Enter depreciation entries
   b) Perform a physical inventory
   c) If your business is a partnership, enter a *General Journal Entry* to distribute net income for the year to each of the partner's capital accounts. If your business is a sole proprietorship, enter a *General Journal Entry* closing Owners Draw and Owner's Investments into Owners Equity
   d) All of the above

6. To track payments to a 1099 vendor and print Form 1099 accurately, you must complete all of the following, EXCEPT:
   a) Set your preferences to track accounts linked to 1099-related services.
   b) Enter the vendor's account number on the *Address Info* tab.
   c) Select that the *vendor is eligible for a 1099* on the *Additional Info* tab.
   d) Enter the 1099 vendor's name on the *Address Info* tab.
7. The IRS may reject the 1099s you submit if:
   a) The phone number for the 1099 vendor is incorrect.
   b) The email address for the 1099 vendor is incorrect.
   c) The taxpayer ID is incorrect.
   d) The vendor did not fill out a W-4 Form.
8. By creating a special bank account called Journal Entries:
   a) You can see all journal entries in an account register, provided you enter "Journal Entries" on the top line of each journal entry.
   b) You can create a Balance Sheet.
   c) Journal Entries are easier to read.
   d) Journal Entries automatically copy the memo field to each line.
9. When you purchase a Fixed Asset, you should code the purchase to:
   a) A Fixed Asset type account.
   b) An Other Expense type account.
   c) An Expense type account.
   d) A Liability type account.
10. Which of the following is not true about 1099s?
    a) You need to send a W-9 to any vendor in your *Vendor List* that provides professional services to your company.
    b) You only need to submit forms to vendors who received more than $600.
    c) The 1099 Wizard helps you prepare 1099-MISC, 1099-INT, and 1099-DIV forms.
    d) You will not include payments made to contractors by credit card.
11. Which of the following is an example of a fixed asset?
    a) A $5000 high-speed copier.
    b) A $2000 laptop computer.
    c) A box of paper.
    d) All of the above.
12. Which of the following is false?
    a) General Journal Entries do not allow you to reallocate transactions from one class to another.
    b) You can use General Journal Entries to recategorize transactions to a different account.
    c) General Journal Entries are used to reassociate funds from one item to another item.
    d) When creating a General Journal Entry, the debits and credits are required to balance.

Completion

1. If you use the <u>accrual</u> basis of accounting, the goal is to properly match income and expenses to the period in which the income and expenses occur.
2. Use Form 1099-NEC to report payments made to vendors who performed business-related <u>services</u> for your company.
3. At the end of the fiscal year, QuickBooks automatically calculates the balance of <u>Retained Earnings</u> by adding together the total net income for all prior years.
4. QuickBooks allows you to set a <u>closing date</u> that effectively locks the file so that no changes can be made to the file on or before a certain date.

5. If a bill payment has not yet been printed and you want to remove it, you can **delete** it. On the other hand, if you have already printed the bill payment, you should **void** it.

Adjustments Problem 1

Restore the **AdjustmentsProblem1_Solution.QBM** file to view the solution to this problem in QuickBooks. The password to access this file is ***Questiva20***.

1. Create *General Journal Entry* No. ***2025-1*** on ***01/31/2025*** to recategorize $***455.00*** from **Professional Fees** Expense to **Repairs and Maintenance** Expense (*Hint*: Debit **Repairs and Maintenance**, credit **Professional Fees**). Use the **Journal Entries** account on the top line as discussed in the chapter. Enter a descriptive memo ***Recategorize Professional Fees*** on each line of the entry. Use *Class:* **Walnut Creek**.

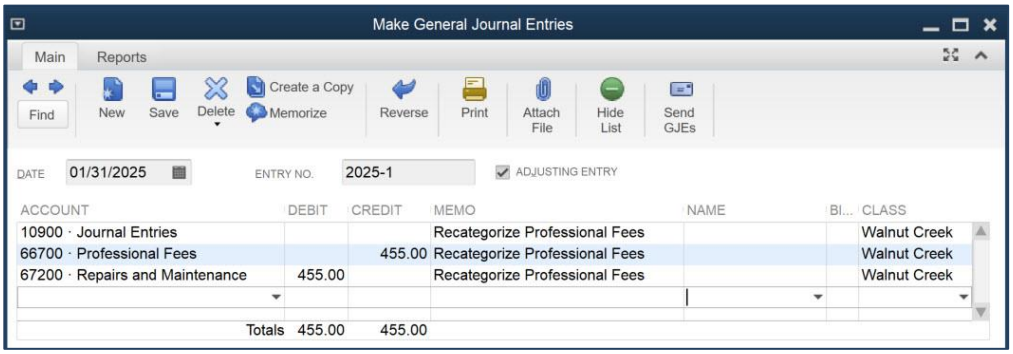


Figure 16-1 Journal Entry to Recategorize Expense

2. Void check number *328*. Create an adjusting journal entry.

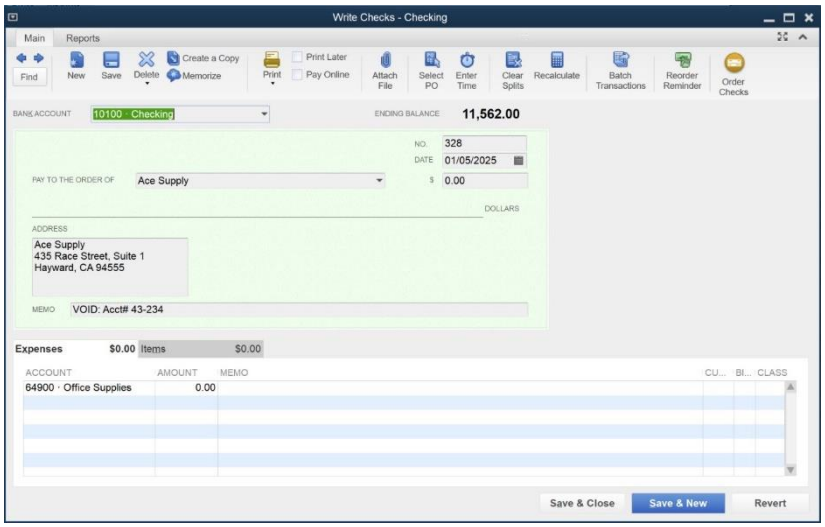


Figure 16-2 Voided Check

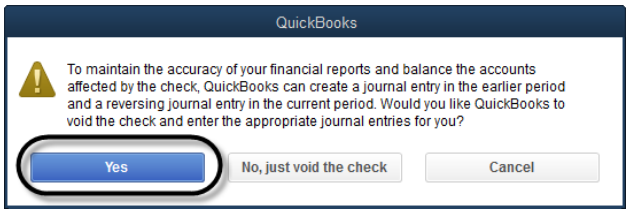


Figure 16-3 Say Yes to create adjusting journal entry

3. Create and print a **Journal Report.** (The *Journal Report* is in the *Accountant & Taxes* section of the *Reports* menu.) Set the *Date* field to **All**. Set a filter on the report to only show *Transaction Types* equal to **Journal**.

Imagine Photography Adjustments Problem 1
Journal
All Transactions

Trans #	Type	Date	Num	Adj	Name	Memo	Account	Debit	Credit
8	General Journal	12/31/2024	2018-1		State Boar...	Sales Tax Adjustment on Start ...	25500 · Sales Tax Payable		104.53
					State Boar...	Sales Tax Adjustment on Start ...	30000 · Opening Bal Equity	104.53	
								104.53	104.53
9	General Journal	12/31/2024	2018-2			Setup Opening Balance Equity	10900 · Journal Entries		
						Setup Opening Balance Equity	15000 · Furniture and Equipment	13,250.00	
						Setup Opening Balance Equity	17000 · Accumulated Depreciation		1,325.00
						Setup Opening Balance Equity	22000 · National Bank VISA Gold		2,152.00
						Setup Opening Balance Equity	24010 · Company Payroll Taxes Pay...		368.00
						Setup Opening Balance Equity	24200 · Line of Credit		6,700.00
						Setup Opening Balance Equity	27000 · Truck Loan		12,000.00
						Setup Opening Balance Equity	30100 · Capital Stock		10,000.00
						Setup Opening Balance Equity	30000 · Opening Bal Equity	19,295.00	
								32,545.00	32,545.00
11	General Journal	12/31/2024	2018-3			Closing Opening Balance Equity	10900 · Journal Entries		
						Closing Opening Balance Equity	30000 · Opening Bal Equity	18,318.74	
						Closing Opening Balance Equity	32000 · Retained Earnings		18,318.74
								18,318.74	18,318.74
54	General Journal	01/31/2025	2025-1	*		Recategorize Professional Fees	10900 · Journal Entries		
				*		Recategorize Professional Fees	66700 · Professional Fees		455.00
				*		Recategorize Professional Fees	67200 · Repairs and Maintenance	455.00	
								455.00	455.00
55	General Journal	01/05/2025	2025-2		Ace Supply	For CHK 328 voided on 07/09/...	10100 · Checking		128.60
					Ace Supply	For CHK 328 voided on 07/09/...	64900 · Office Supplies	128.60	
								128.60	128.60
56	General Journal	07/09/2020	2025-...		Ace Supply	Reverse of GJE 2025-2 – For ...	10100 · Checking	128.60	
					Ace Supply	Reverse of GJE 2025-2 – For ...	64900 · Office Supplies		128.60
								128.60	128.60
TOTAL								**51,680.47**	**51,680.47**

Figure 16-4 Journal Report

> **Note**:
> The final report will show the two journal entries created when check 328 was voided. One of the Journal Entries will have the current date, which may be prior to the date shown.

Chapter 17 Capstone Project: Horizon Financial Planning

Horizon Financial Planning Capstone Project

This comprehensive project is designed to give you practice entering all the transactions for a company in a set time period. Several real-life transactions require you to make decisions about how to record the transactions in QuickBooks. You should restore the sample QuickBooks data file called **Horizon.QBM**. This data file includes all of the list information you will need to work through the exercises. Because this is a sample file with Payroll, the file is dated 2019.

We have provided print outs of the reports and answers to the analysis questions in this manual, however, be aware that different tax tables may cause answers to vary. If you are using a computer that has a payroll subscription, such as a computer at your workplace, your tax tables will cause paychecks and payroll liabilities to differ from this answer key.

Instructions

1. Restore the **Horizon.QBM** file to Horizon.QBW file.
2. Enter the transactions for October 2019.
3. Reconcile the bank statement for October. Print a Reconciliation Detail Report.

Reconciliation Detail

Customize Report | Comment on Report | Share Template | Memorize | Print | E-mail | Excel | Hide Head

Show Filters

Horizon Financial Planning

Reconciliation Detail

Checking-Texas National Bank, Period Ending 09/30/2019

Type	Date	Num	Name	Clr	Amount	Balance
Beginning Balance						**0.00**
Cleared Transactions						
Checks and Payments - 7 items						
Check	10/01/2019	1001	Williams Investments	✓	-3,500.00	-3,500.00
Check	10/04/2019	1002	Office Furniture Rentals	✓	-445.00	-3,945.00
Paycheck	10/16/2019	1004	Shelly James	✓	-1,366.17	-5,311.17
Paycheck	10/16/2019	1003	Atasha Barrett	✓	-942.79	-6,253.96
Check	10/27/2019	1005	Education & Medical Fund	✓	-200.00	-6,453.96
Paycheck	10/31/2019	1006	Atasha Barrett	✓	-881.60	-7,335.56
Check	10/31/2019			✓	-10.00	-7,345.56
Total Checks and Payments					-7,345.56	-7,345.56
Deposits and Credits - 3 items						
Deposit	10/01/2019			✓	72,000.00	72,000.00
Deposit	10/31/2019			✓	3,000.00	75,000.00
Deposit	10/31/2019			✓	22,399.88	97,399.88
Total Deposits and Credits					97,399.88	97,399.88
Total Cleared Transactions					90,054.32	90,054.32
Cleared Balance					90,054.32	90,054.32
Register Balance as of 09/30/2019					90,054.32	90,054.32
New Transactions						
Checks and Payments - 7 items						
Bill Pmt -Check	10/31/2019	1010	Office Supply Depot		-2,500.00	-2,500.00
Bill Pmt -Check	10/31/2019	1011	Rash Productions, Inc.		-1,711.00	-4,211.00
Bill Pmt -Check	10/31/2019	1008	Image Contacts, Inc.		-1,690.00	-5,901.00
Paycheck	10/31/2019	1007	Shelly James		-1,366.17	-7,267.17
Bill Pmt -Check	10/31/2019	1009	Lone Star Office Supply		-750.00	-8,017.17
Bill Pmt -Check	10/31/2019	1013	Texas Light & Power		-169.00	-8,186.17
Bill Pmt -Check	10/31/2019	1012	South Texas Bell		-91.00	-8,277.17
Total Checks and Payments					-8,277.17	-8,277.17
Total New Transactions					-8,277.17	-8,277.17
Ending Balance					**81,777.15**	**81,777.15**

Figure 17-1 Bank Reconciliation - October 31, 2019

4. Reconcile the Credit Card statement for October. Print a Reconciliation Detail Report.

Horizon Financial Planning
Reconciliation Detail
Visa-Texas National Bank, Period Ending 10/31/2019

Type	Date	Num	Name	Clr	Amount	Balance
Beginning Balance						0.00
Cleared Transactions						
Charges and Cash Advances - 2 items						
Bill Pmt -CCard	10/31/2019		Northern Lights M...	X	-6,015.00	-6,015.00
Credit Card Cha...	10/31/2019	1015	Clover Computing	X	-658.00	-6,673.00
Total Charges and Cash Advances					-6,673.00	-6,673.00
Total Cleared Transactions					-6,673.00	-6,673.00
Cleared Balance					6,673.00	6,673.00
Register Balance as of 10/31/2019					6,673.00	6,673.00
New Transactions						
Payments and Credits - 1 item						
Check	11/04/2019	1015	Texas National Ba...		6,673.00	6,673.00
Total New Transactions					6,673.00	6,673.00
Ending Balance					**0.00**	**0.00**

5. Prepare the following reports and graphs:
   a) Standard Balance Sheet as of 10/31/2019

Balance Sheet

Customize Report | Comment on Report | Share Template | Memorize | Print | E-mail | Excel

Dates Custom As of 10/31/2019 Show Columns Total only

Report Basis: Accrual Cash Show Filters

Horizon Financial Planning
Balance Sheet
As of October 31, 2019

Accrual Basis

	Oct 31, 19
ASSETS	
Current Assets	
Checking/Savings	
Checking-Texas National Bank	81,777.15
Total Checking/Savings	81,777.15
Accounts Receivable	
Accounts Receivable	3,000.00
Total Accounts Receivable	3,000.00
Other Current Assets	
Inventory Asset	660.00
Total Other Current Assets	660.00
Total Current Assets	85,437.15
Fixed Assets	
Furniture and Equipment	2,500.00
Total Fixed Assets	2,500.00
Other Assets	
Security Deposits Asset	1,000.00
Total Other Assets	1,000.00
TOTAL ASSETS	88,937.15
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Credit Cards	
Visa-Texas National Bank	6,673.00
Total Credit Cards	6,673.00
Other Current Liabilities	
Payroll Liabilities	
Employee Payroll Taxes Payable	980.61
Company Payroll Taxes Payable	462.36
Total Payroll Liabilities	1,442.97
Sales Tax Payable	1,249.88
Total Other Current Liabilities	2,692.85
Total Current Liabilities	9,365.85
Total Liabilities	9,365.85
Equity	
Investments	72,000.00
Net Income	7,571.30
Total Equity	79,571.30
TOTAL LIABILITIES & EQUITY	88,937.15

Figure 17-2 Balance Sheet for 10/31/2019

b) Standard Profit and Loss for October 2019

Profit & Loss

Customize Report | Comment on Report | Share Template | Memorize | Print | E

Dates Custom From 10/01/2019 To 10/31/2019

Report Basis: Accrual Cash Show Filters

Horizon Financial Planning

Profit & Loss

October 2019

Accrual Basis

	Oct 19
Ordinary Income/Expense	
Income	
Seminar Income	12,000.00
Product Sales	
DVD Sales	3,200.00
Planning Kit Sales	6,600.00
Book Sales	5,350.00
Total Product Sales	15,150.00
Total Income	27,150.00
Cost of Goods Sold	
Cost of Goods Sold	5,355.00
Total COGS	5,355.00
Gross Profit	21,795.00
Expense	
Telephone Expense	
Office Phone	91.00
Total Telephone Expense	91.00
Rent Expense	2,500.00
Professional Fees	1,711.00
Office Supplies	750.00
Equipment Rental	445.00
Computer and Internet Expenses	658.00
Charitable Contributions	200.00
Advertising and Promotion	1,690.00
Bank Service Charges	10.00
Utilities	169.00
Payroll Expenses	
Payroll Tax Expense	462.36
Gross Wages	5,537.34
Total Payroll Expenses	5,999.70
Total Expense	14,223.70
Net Ordinary Income	7,571.30
Net Income	**7,571.30**

Figure 17-3 Profit & Loss for October

c) Profit and Loss by Class for October 2019

Profit & Loss

Customize Report | Comment on Report | Share Template | Memorize | Print | E-mail | Excel | Hide Header | Collapse Rows | Collap

Dates Custom From 10/01/2019 To 10/31/2019 Show Columns Class Sort

Report Basis: Accrual Cash Show Filters

Horizon Financial Planning
Profit & Loss
October 2019

Accrual Basis

	Admin/Other	Consulting/Seminars	Overhead	Product Sales	TOTAL
Ordinary Income/Expense					
Income					
Seminar Income	0.00	12,000.00	0.00	0.00	12,000.00
Product Sales					
DVD Sales	0.00	0.00	0.00	3,200.00	3,200.00
Planning Kit Sales	0.00	0.00	0.00	6,600.00	6,600.00
Book Sales	0.00	0.00	0.00	5,350.00	5,350.00
Total Product Sales	0.00	0.00	0.00	15,150.00	15,150.00
Total Income	0.00	12,000.00	0.00	15,150.00	27,150.00
Cost of Goods Sold					
Cost of Goods Sold	0.00	0.00	0.00	5,355.00	5,355.00
Total COGS	0.00	0.00	0.00	5,355.00	5,355.00
Gross Profit	0.00	12,000.00	0.00	9,795.00	21,795.00
Expense					
Telephone Expense					
Office Phone	0.00	0.00	91.00	0.00	91.00
Total Telephone Expense	0.00	0.00	91.00	0.00	91.00
Rent Expense	0.00	0.00	2,500.00	0.00	2,500.00
Professional Fees	0.00	1,711.00	0.00	0.00	1,711.00
Office Supplies	0.00	0.00	750.00	0.00	750.00
Equipment Rental	0.00	0.00	445.00	0.00	445.00
Computer and Internet Expenses	0.00	0.00	658.00	0.00	658.00
Charitable Contributions	0.00	200.00	0.00	0.00	200.00
Advertising and Promotion	0.00	1,690.00	0.00	0.00	1,690.00
Bank Service Charges	0.00	0.00	10.00	0.00	10.00
Utilities	0.00	0.00	169.00	0.00	169.00
Payroll Expenses					
Payroll Tax Expense	462.36	0.00	0.00	0.00	462.36
Gross Wages	5,537.34	0.00	0.00	0.00	5,537.34
Total Payroll Expenses	5,999.70	0.00	0.00	0.00	5,999.70
Total Expense	5,999.70	3,601.00	4,623.00	0.00	14,223.70
Net Ordinary Income	-5,999.70	8,399.00	-4,623.00	9,795.00	7,571.30
Net Income	**-5,999.70**	**8,399.00**	**-4,623.00**	**9,795.00**	**7,571.30**

Figure 17-4 Profit & Loss by Class for October

d) Statement of Cash Flows for October 2019

Statement of Cash Flows

Customize Report | Comment on Report | Share Template | Memorize | Print | E

Dates Custom From 10/01/2019 To 10/31/2019

Show Filters

Horizon Financial Planning
Statement of Cash Flows
October 2019

	Oct 19
OPERATING ACTIVITIES	
Net Income	7,571.30
Adjustments to reconcile Net Income	
to net cash provided by operations:	
Accounts Receivable	-3,000.00
Inventory Asset	-660.00
Visa-Texas National Bank	6,673.00
Payroll Liabilities:Employee Payroll Tax...	980.61
Payroll Liabilities:Company Payroll Tax...	462.36
Sales Tax Payable	1,249.88
Net cash provided by Operating Activities	13,277.15
INVESTING ACTIVITIES	
Furniture and Equipment	-2,500.00
Security Deposits Asset	-1,000.00
Net cash provided by Investing Activities	-3,500.00
FINANCING ACTIVITIES	
Investments	72,000.00
Net cash provided by Financing Activities	72,000.00
Net cash increase for period	81,777.15
Cash at end of period	**81,777.15**

Figure 17-5 Statement of Cash Flows for October

e) Sales by Item Summary for October 2019

Sales by Item Summary

Customize Report | Comment on Report | Share Template | Memorize | Print | E-mail | Excel | Hide Header | Collapse Rows | Refresh

Dates Custom | From 10/01/2019 | To 10/31/2019 | Show Columns Total only | Sort By Default

Report Basis: Accrual Cash | Show Filters

Horizon Financial Planning
Sales by Item Summary
October 2019

Accrual Basis

	Oct 19							
	Qty	Amount	% of Sales	Avg Price	COGS	Avg COGS	Gross Margin	Gross Margin %
Inventory								
Books (Financial Planning Books)	107	5,350.00	19.7%	50.00	2,675.00	25.00	2,675.00	50.0%
DVDs (Financial Strategy DVDs)	80	3,200.00	11.8%	40.00	1,360.00	17.00	1,840.00	57.5%
Total Inventory	187	8,550.00	31.5%	45.72	4,035.00	21.58	4,515.00	52.8%
Parts								
Planning Kits (Individual Financial Planning K...	66	6,600.00	24.3%	100.00				
Total Parts	66	6,600.00	24.3%	100.00				
Service								
Seminar (Conduct Onsite Brown Bag Seminar)	2	12,000.00	44.2%	6,000.00				
Total Service	2.00	12,000.00	44.2%	6,000.00				
TOTAL	255	27,150.00	100.0%	106.47		15.82		

f) A/R Aging Summary for 10/31/2019

A/R Aging Summary

Customize Report | Comment on Report | Share Template | Memorize | Print | E-mail | Excel

Dates Custom | 10/31/2019 | Interval (days) 30 | Through (days pa

Show Filters

Horizon Financial Planning
A/R Aging Summary
As of October 31, 2019

	Current	1 - 30	31 - 60	61 - 90	> 90	TOTAL
Energy Corporation of Texas	0.00	3,000.00	0.00	0.00	0.00	3,000.00
TOTAL	0.00	3,000.00	0.00	0.00	0.00	3,000.00

g) Job Profitability Summary for All Dates

Job Profitability Summary

Customize Report | Comment on Report | Share Template | Memorize | Print | E-m

Dates All | From | To

Show Filters

Horizon Financial Planning
Job Profitability Summary
All Transactions

	Act. Cost	Act. Revenue	($) Diff.
Designer Glass USA	0.00	6,000.00	6,000.00
Energy Corporation of Texas	0.00	6,000.00	6,000.00
Georgia Tech	152.00	0.00	-152.00
Seminar Sales Summary	4,035.00	15,150.00	11,115.00
TOTAL	4,187.00	27,150.00	22,963.00

h) Graph – Sales by Month by Item for October 2019

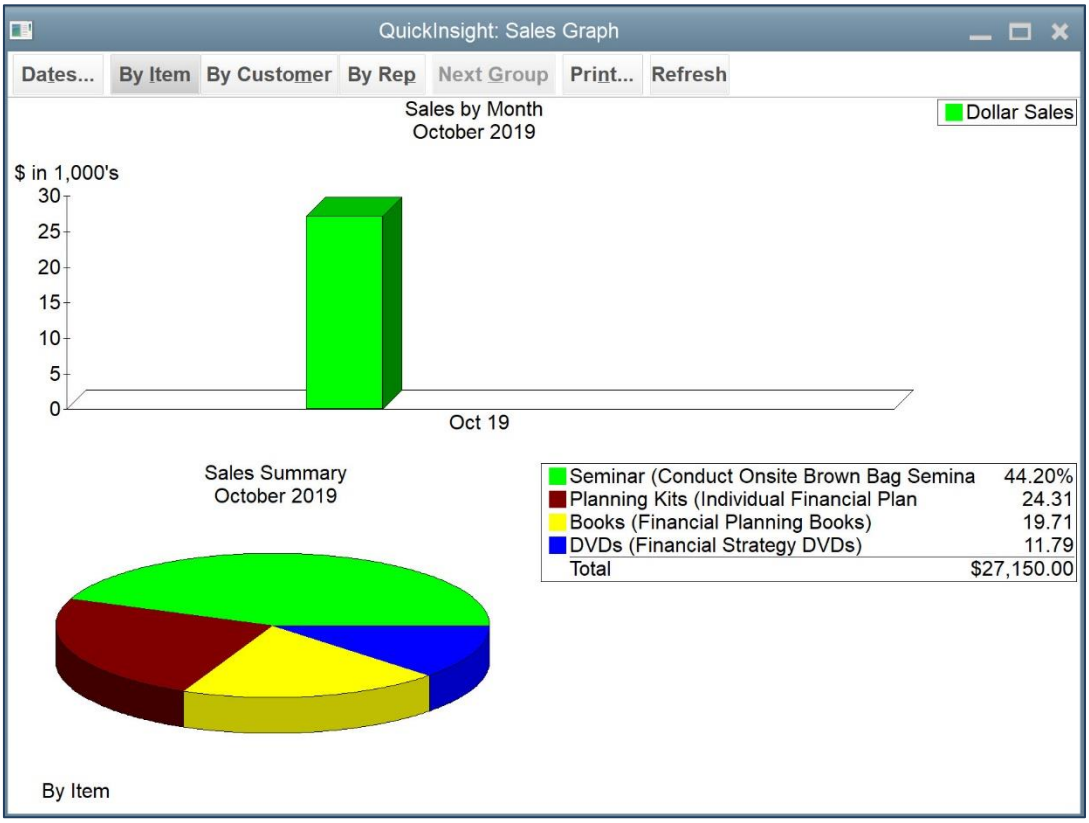
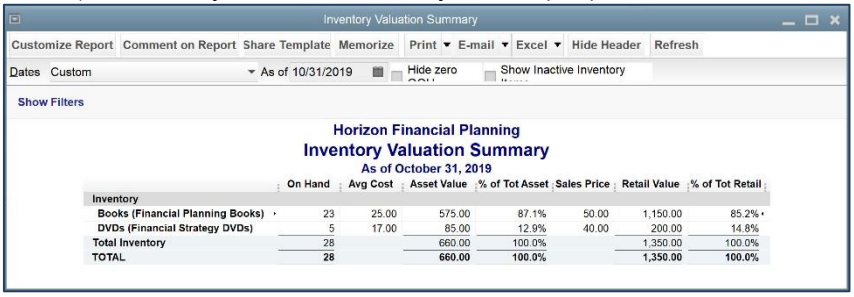


Figure 17-6 Sales by Month by Item for October

i) Inventory Valuation Summary as of 10/31/19



	On Hand	Avg Cost	Asset Value	% of Tot Asset	Sales Price	Retail Value	% of Tot Retail
Inventory							
Books (Financial Planning Books)	23	25.00	575.00	87.1%	50.00	1,150.00	85.2%
DVDs (Financial Strategy DVDs)	5	17.00	85.00	12.9%	40.00	200.00	14.8%
Total Inventory	28		660.00	100.0%		1,350.00	100.0%
TOTAL	28		660.00	100.0%		1,350.00	100.0%

Figure 17-7 Inventory Valuation Summary

6. Create a portable file from your data file with the filename HorizonOctober.QBM.

Enter in all the November Transactions.

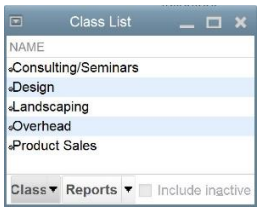
7. Reconcile the bank statement for November. Print a Reconciliation Detail Report.

Horizon Financial Planning
Reconciliation Detail
Checking-Texas National Bank, Period Ending 11/30/2019

Type	Date	Num	Name	Clr	Amount	Balance
Beginning Balance						90,054.32
Cleared Transactions						
Checks and Payments - 20 items						
Bill Pmt -Check	10/31/2019	1010	Office Supply Depot	X	-2,500.00	-2,500.00
Bill Pmt -Check	10/31/2019	1011	Rash Productions,...	X	-1,711.00	-4,211.00
Bill Pmt -Check	10/31/2019	1008	Image Contacts, I...	X	-1,690.00	-5,901.00
Paycheck	10/31/2019	1007	Shelly James	X	-1,366.17	-7,267.17
Bill Pmt -Check	10/31/2019	1009	Lone Star Office S...	X	-750.00	-8,017.17
Bill Pmt -Check	10/31/2019	1013	Texas Light & Pow...	X	-169.00	-8,186.17
Bill Pmt -Check	10/31/2019	1012	South Texas Bell	X	-91.00	-8,277.17
Check	11/01/2019	1014	Williams Investme...	X	-2,500.00	-10,777.17
Check	11/04/2019	1015	Texas National Ba...	X	-6,673.00	-17,450.17
Sales Tax Paym...	11/04/2019	1016	Texas State Comp...	X	-1,249.88	-18,700.05
Liability Check	11/15/2019	1017	EFTPS	X	-1,404.22	-20,104.27
Paycheck	11/16/2019	1019	Shelly James	X	-1,366.17	-21,470.44
Paycheck	11/16/2019	1018	Atasha Barrett	X	-760.24	-22,230.68
Check	11/27/2019	1020	John R. Clark	X	-54.13	-22,284.81
Bill Pmt -Check	11/29/2019	1022	Northern Lights M...	X	-13,132.00	-35,416.81
Bill Pmt -Check	11/29/2019	1021	Longhorn America...	X	-700.00	-36,116.81
Bill Pmt -Check	11/29/2019	1024	Texas Light & Pow...	X	-174.00	-36,290.81
Bill Pmt -Check	11/29/2019	1023	South Texas Bell	X	-163.00	-36,453.81
Paycheck	11/30/2019	1026	Shelly James	X	-1,366.17	-37,819.98
Check	11/30/2019			X	-10.00	-37,829.98
Total Checks and Payments					-37,829.98	-37,829.98
Deposits and Credits - 6 items						
Deposit	11/04/2019			X	3,000.00	3,000.00
Deposit	11/12/2019			X	6,224.38	9,224.38
Deposit	11/20/2019			X	19,134.13	28,358.51
Deposit	11/21/2019			X	9,201.25	37,559.76
Deposit	11/29/2019			X	6,000.00	43,559.76
Deposit	11/30/2019			X	450.27	44,010.03
Total Deposits and Credits					44,010.03	44,010.03
Total Cleared Transactions					6,180.05	6,180.05
Cleared Balance					6,180.05	96,234.37
Uncleared Transactions						
Checks and Payments - 1 item						
Paycheck	11/30/2019	1025	Atasha Barrett		-699.05	-699.05
Total Checks and Payments					-699.05	-699.05
Total Uncleared Transactions					-699.05	-699.05
Register Balance as of 11/30/2019					5,481.00	95,535.32
Ending Balance					**5,481.00**	**95,535.32**

Figure 17-8 Bank Reconciliation – November 30, 2019

8. Edit the Class List and rename **Admin/Other** to **Overhead**. **Merge** the classes.



9. Prepare the following reports and graphs:
   a) Standard Balance Sheet as of 11/30/2019

Balance Sheet

Customize Report | Comment on Report | Share Template | Memorize | Print | E-mail

Dates Custom As of 11/30/2019 Show Columns Total onl

Report Basis: Accrual Cash Show Filters

Horizon Financial Planning
Balance Sheet
As of November 30, 2019

Accrual Basis

	Nov 30, 19
ASSETS	
Current Assets	
Checking/Savings	
Checking-Texas National Bank	95,535.32
Total Checking/Savings	95,535.32
Other Current Assets	
Inventory Asset	6,593.00
Total Other Current Assets	6,593.00
Total Current Assets	102,128.32
Fixed Assets	
Furniture and Equipment	2,500.00
Total Fixed Assets	2,500.00
Other Assets	
Security Deposits Asset	1,000.00
Total Other Assets	1,000.00
TOTAL ASSETS	105,628.32
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
Payroll Liabilities	
Employee Payroll Taxes Paya...	889.71
Company Payroll Taxes Paya...	463.04
Total Payroll Liabilities	1,352.75
Sales Tax Payable	1,505.63
Total Other Current Liabilities	2,858.38
Total Current Liabilities	2,858.38
Total Liabilities	2,858.38
Equity	
Investments	72,000.00
Net Income	30,769.94
Total Equity	102,769.94
TOTAL LIABILITIES & EQUITY	105,628.32

Figure 17-9 Balance Sheet for 11/30/2019

b) Standard Profit and Loss for November 2019

Profit & Loss

Customize Report | Comment on Report | Share Template | Memorize | Print

Dates Custom From 11/01/2019 To 11/30/2019

Report Basis: Accrual Cash Show Filters

12/15/19

Horizon Financial Planning

Profit & Loss

November 2019

	Nov 19
Ordinary Income/Expense	
Income	
Consulting Income	8,750.00
Seminar Income	12,000.00
Product Sales	
DVD Sales	4,800.00
Planning Kit Sales	6,500.00
Book Sales	6,950.00
Total Product Sales	18,250.00
Total Income	39,000.00
Cost of Goods Sold	
Inventory Variance	34.00
Cost of Goods Sold	7,165.00
Total COGS	7,199.00
Gross Profit	31,801.00
Expense	
Telephone Expense	
Office Phone	163.00
Total Telephone Expen...	163.00
Rent Expense	2,500.00
Insurance Expense	700.00
Bank Service Charges	10.00
Utilities	174.00
Payroll Expenses	
Payroll Tax Expense	424.29
Gross Wages	5,081.34
Total Payroll Expenses	5,505.63
Total Expense	9,052.63
Net Ordinary Income	22,748.37
Other Income/Expense	
Other Income	
Interest Income	450.27
Total Other Income	450.27
Net Other Income	450.27
Net Income	**23,198.64**

Figure 17-10 Profit & Loss for November

c) Profit and Loss by Class for November 2019

Profit & Loss November

Customize Report | Comment on Report | Share Template | Memorize | Print | E-mail | Excel | Hide Header | Collapse Rows | Colla

Dates Custom From 11/01/2019 To 11/30/2019 Show Columns Class Sc

Report Basis: Accrual Cash | Show Filters

12/15/19

Horizon Financial Planning

Profit & Loss

November 2019

	Consulting/Seminars	Overhead	Product Sales	TOTAL
Income				
Consulting Income	8,750.00	0.00	0.00	8,750.00
Seminar Income	12,000.00	0.00	0.00	12,000.00
Product Sales				
DVD Sales	0.00	0.00	4,800.00	4,800.00
Planning Kit Sales	0.00	0.00	6,500.00	6,500.00
Book Sales	0.00	0.00	6,950.00	6,950.00
Total Product Sales	0.00	0.00	18,250.00	18,250.00
Total Income	20,750.00	0.00	18,250.00	39,000.00
Cost of Goods Sold				
Inventory Variance	0.00	0.00	34.00	34.00
Cost of Goods Sold	0.00	0.00	7,165.00	7,165.00
Total COGS	0.00	0.00	7,199.00	7,199.00
Gross Profit	20,750.00	0.00	11,051.00	31,801.00
Expense				
Telephone Expense				
Office Phone	0.00	163.00	0.00	163.00
Total Telephone Expen...	0.00	163.00	0.00	163.00
Rent Expense	0.00	2,500.00	0.00	2,500.00
Insurance Expense	0.00	700.00	0.00	700.00
Bank Service Charges	0.00	10.00	0.00	10.00
Utilities	0.00	174.00	0.00	174.00
Payroll Expenses				
Payroll Tax Expense	0.00	424.29	0.00	424.29
Gross Wages	0.00	5,081.34	0.00	5,081.34
Total Payroll Expenses	0.00	5,505.63	0.00	5,505.63
Total Expense	0.00	9,052.63	0.00	9,052.63
Net Ordinary Income	20,750.00	-9,052.63	11,051.00	22,748.37
Other Income/Expense				
Other Income				
Interest Income	0.00	450.27	0.00	450.27
Total Other Income	0.00	450.27	0.00	450.27
Net Other Income	0.00	450.27	0.00	450.27
Net Income	**20,750.00**	**-8,602.36**	**11,051.00**	**23,198.64**

Figure 17-11 Profit & Loss by Class for November

d) Statement of Cash Flows for November 2019

Statement of Cash Flows

Customize Report | Comment on Report | Share Template | Memorize | Print

Dates Custom From 11/01/2019 To 11/30/

Show Filters

Horizon Financial Planning
Statement of Cash Flows
November 2019

	Nov 19
OPERATING ACTIVITIES	
Net Income	23,198.64
Adjustments to reconcile Net Income to net cash provided by operations:	
Accounts Receivable	3,000.00
Inventory Asset	-5,933.00
Visa-Texas National Bank	-6,673.00
Payroll Liabilities:Employee Payroll T...	-90.90
Payroll Liabilities:Company Payroll T...	0.68
Sales Tax Payable	255.75
Net cash provided by Operating Activit...	13,758.17
Net cash increase for period	13,758.17
Cash at beginning of period	81,777.15
Cash at end of period	95,535.32

Figure 17-12 Statement of Cash Flows for November

e) Sales by Item Summary for November 2019

Sales by Item Summary

Customize Report | Comment on Report | Share Template | Memorize | Print | E-mail | Excel | Hide Header | Collapse Rows | Refresh

Dates Custom From 11/01/2019 To 11/30/2019 Show Columns Total only Sort By Default

Report Basis: Accrual Cash Show Filters

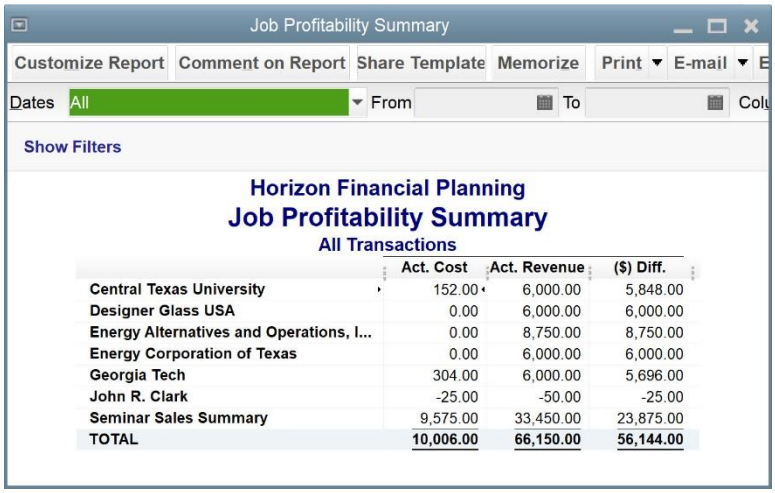
Horizon Financial Planning
Sales by Item Summary
November 2019

Accrual Basis

	Qty	Amount	% of Sales	Avg Price	COGS	Avg COGS	Gross Margin	Gross Margin %
	Nov 19							
Inventory								
Books (Financial Planning Books)	139	6,950.00	17.8%	50.00	3,475.00	25.00	3,475.00	50.0%
DVDs (Financial Strategy DVDs)	120	4,800.00	12.3%	40.00	2,040.00	17.00	2,760.00	57.5%
Total Inventory	259	11,750.00	30.1%	45.37	5,515.00	21.29	6,235.00	53.1%
Parts								
Planning Kits (Individual Financial Planning K...	65	6,500.00	16.7%	100.00				
Total Parts	65	6,500.00	16.7%	100.00				
Service								
Consultation (Private Consultation)	35	8,750.00	22.4%	250.00				
Seminar (Conduct Onsite Brown Bag Seminar)	2	12,000.00	30.8%	6,000.00				
Total Service	37	20,750.00	53.2%	560.81				
TOTAL	361	39,000.00	100.0%	108.03		15.28		

Figure 17-13 Sales by Item Summary for November

f) Job Profitability Summary for All Dates



	Act. Cost	Act. Revenue	($) Diff.
Central Texas University	152.00	6,000.00	5,848.00
Designer Glass USA	0.00	6,000.00	6,000.00
Energy Alternatives and Operations, I...	0.00	8,750.00	8,750.00
Energy Corporation of Texas	0.00	6,000.00	6,000.00
Georgia Tech	304.00	6,000.00	5,696.00
John R. Clark	-25.00	-50.00	-25.00
Seminar Sales Summary	9,575.00	33,450.00	23,875.00
TOTAL	10,006.00	66,150.00	56,144.00

Figure 17-14 Job Profitability Summary

g) Graph – Sales by Month by Customer for October and November 2019

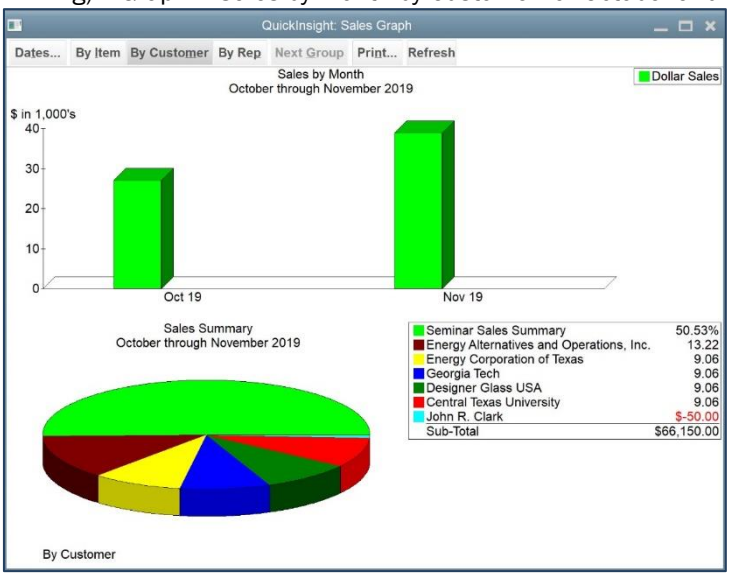
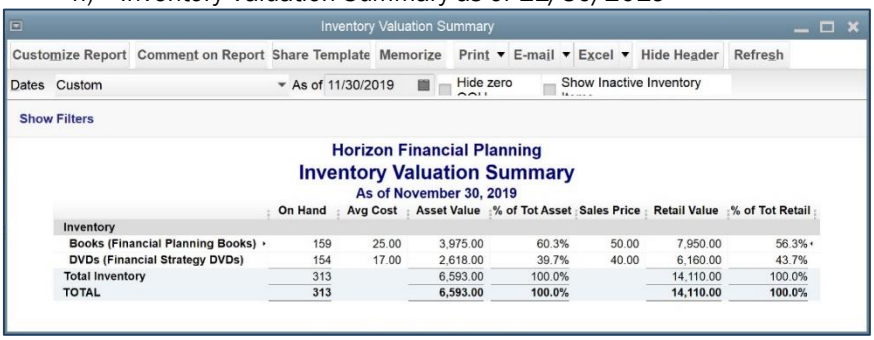


Figure 17-15 Sales by Month by Customer for October and November

h) Inventory Valuation Summary as of 11/30/2019



Inventory	On Hand	Avg Cost	Asset Value	% of Tot Asset	Sales Price	Retail Value	% of Tot Retail
Books (Financial Planning Books)	159	25.00	3,975.00	60.3%	50.00	7,950.00	56.3%
DVDs (Financial Strategy DVDs)	154	17.00	2,618.00	39.7%	40.00	6,160.00	43.7%
Total Inventory	313		6,593.00	100.0%		14,110.00	100.0%
TOTAL	313		6,593.00	100.0%		14,110.00	100.0%

Figure 17-16 Inventory Valuation Summary

10. Create a portable file from your data file with the filename HorizonFinal.QBM.

Analysis Questions

Note:
Answers may vary due to variation in payroll tax tables.

1. ***$7,571.30*** What is the net income or net loss for October?
2. ***$5,355.00*** What is the total Cost of Goods Sold for October?
3. ***$5,999.70*** What is the total amount of payroll expenses (gross wages and payroll taxes) for October?
4. ***$21,795.00*** What is the gross profit for October?
5. ***$15,150.00*** What is the total Product Revenue for October?
6. ***$2,500.00*** What is the amount of rent paid for October?
7. ***$8,399.00*** What is the Net Income for the Consulting/Seminars Class for October?
8. ***$2,500.00*** What is the amount of Fixed Assets on October 31?
9. ***$9,365.85*** What is the amount of Total Liabilities on October 31?
10. ***$81,777.15*** What is the net cash increase for October?
11. ***44.2%*** What percentage of October total sales was the Seminar Item?
12. ***9.06%*** What percentage of October and November total sales was sold to Energy Corporation of Texas?
13. ***$105,628.32*** How much does Horizon Financial Planning have in total assets on November 30?
14. ***159*** How many books does Horizon Financial Planning have on hand as of November 30?
15. ***$11,750.00*** What are the total sales for Inventory Items in November?
16. ***$9,052.63*** What are the total expenses for November?
17. ***$95,535.32*** What is the cash balance at the end of November?

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If you'd like to enroll in the course to help you work through this book, go to the link below and use coupon code QBDTBOOKOFFER. I'll apply the price of this book as a discount towards your purchase!
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