



CHAPTER 2

CUSTOMIZING QUICKBOOKS ONLINE

TOPICS

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

- ▶ Starting a New QuickBooks Online Company ([page 35](#))
- ▶ Configuring Account and Settings ([page 38](#))
- ▶ Setting Up the Chart of Accounts ([page 45](#))
- ▶ Setting Up Products and Services ([page 56](#))
- ▶ Customizing Lists ([page 67](#))
- ▶ Implementing Custom Fields ([page 70](#))
- ▶ Activating Class Tracking ([page 71](#))
- ▶ Setting Up Sales Tax ([page 73](#))
- ▶ Customizing Sales Forms ([page 78](#))
- ▶ Adding Users and Passwords ([page 83](#))

QuickBooks Online has many customizable options that allow you to configure the program to meet your own needs and preferences. This chapter introduces you to many of the ways you can make these configurations in QuickBooks Online by **importing data**, using **Account and Settings**, setting up your **Products and Services**, and creating templates for forms. This chapter also introduces some new lists including **Terms**, **Classes**, and **Custom Fields**.

OPEN THIS FILE:

Open the *Craig's Landscaping sample company* using the bookmark you created on [page 8](#), or go to <http://qbo.intuit.com/redir/testdrive>.

STARTING A NEW QUICKBOOKS ONLINE COMPANY

Converting a QuickBooks Desktop File

If a company has been using QuickBooks Desktop and wants to convert to QuickBooks Online, they have the choice of starting over from scratch, or importing their existing file. There

is an option on the *Company menu* in QuickBooks Desktop to import the file into QuickBooks Online.

Importing data is a good option if a file's reports are accurate, the lists are current, and the file is not overly large. Create the QBO subscription first, and then do the import. Once the data has been transferred, you would review the steps in this chapter to confirm that the file imported correctly, and then do a little fine-tuning.

Starting From Scratch

On the other hand, if the QuickBooks Desktop file's reports are inaccurate, or the lists are full of customers, vendors, and products/services that are no longer needed, starting over again in QuickBooks Online is a welcome opportunity for a fresh start. Many of the lists in QuickBooks Desktop or in Point of Sale systems can be exported into Excel or .csv data files, and then imported into QuickBooks Online. When setting up a brand new QBO file, uploading lists of current customers, vendors, products, and even a Chart of Accounts saves a lot of time from having to build all the lists from scratch as you go.

Do not perform these steps now. They are for reference only.

STEP 1. Click on the *Gear* and choose **Import Data**, as shown in Figure 2-1.

STEP 2. The screen in Figure 2-2 gives you the opportunity to import Customers, Vendors, a Chart of Accounts, Products and Services, and historic Invoices. There is also a button for importing Banking Feeds, which we will discuss on [page 258](#).

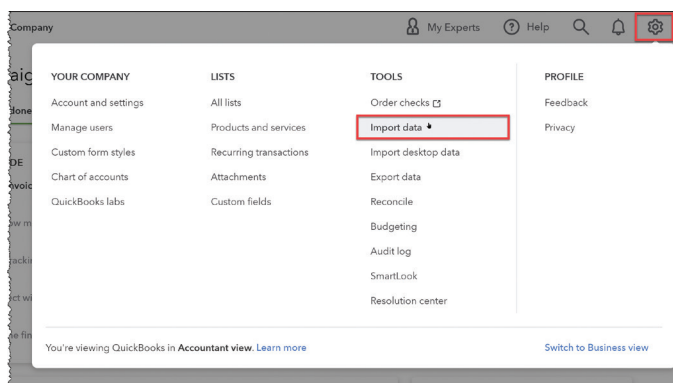


FIGURE 2-1: Import existing lists into your new QBO file

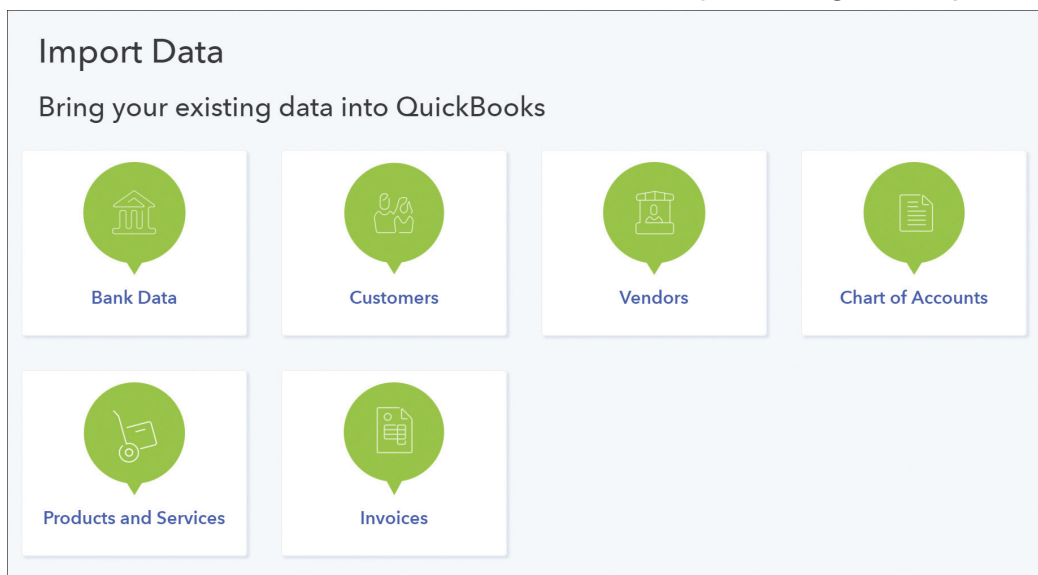


FIGURE 2-2: Import these lists so that you don't have to start from scratch

STEP 3. On the next screen shown in Figure 2-3, you'll choose the file you want to import. It's a good idea to **Download a Sample File** to see the fields QuickBooks Online needs, then use it as a template. Click **Browse** to locate the file on your computer, then click **Next**.

FIGURE 2-3: Download a template and upload your data

STEP 4. On the next screen shown in Figure 2-4, map the headings in your spreadsheet to the fields QuickBooks stores for customers. The only required field is *Name*. If you don't use one of the fields, leave **No Match** in the *Your Field* column.

If you don't like the results you see, click **Back** to return to the upload screen. Open your spreadsheet to fix any errors. Click **Browse** again to upload the corrected file.

| QUICKBOOKS ONLINE FIELD | YOUR FIELD |
|-------------------------|-------------------|
| Name | Customer ✓ |
| Company | No Match |
| Email | Email ✓ |
| Phone | Phone Numbers ✓ |
| Mobile | No Match |
| Fax | No Match |
| Website | No Match |
| Street | Billing Address ✓ |
| City | No Match |
| Province/Region/State | No Match |
| ZIP code | No Match |
| Country | No Match |
| Opening Balance | No Match |
| Opening Balance Date | No Match |
| Tax Resale No. | No Match |
| Customer Type | No Match |

FIGURE 2-4: Map the headings in the spreadsheet to the fields in QBO

STEP 5. Click **Next** when ready.

STEP 6. In the preview screen, verify your data is correct. In this example, none of the *Phone* numbers should say “**Phone:**” in front of the number. In the *Street* field, the city is also displayed. If you see errors, click the **Back** button, fix your original data file, and then start the import again from scratch.

STEP 7. Click the green **Import** button. QBO will tell you how many records were successfully imported.

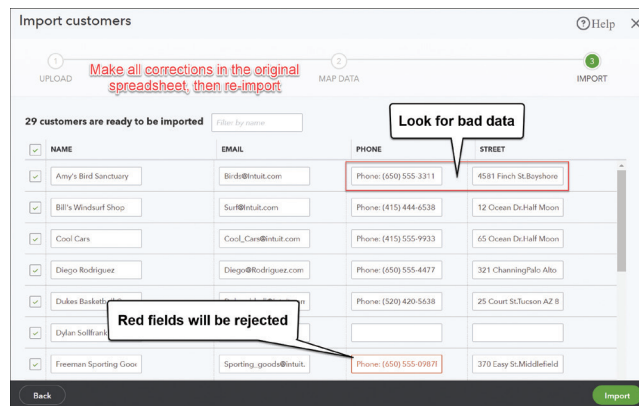


FIGURE 2-5: Preview your data and look for errors

DID YOU KNOW?

Sometimes QBO's import tools are not flexible enough for your needs. Third party apps such as **Transaction Pro Importer** and **Saasant** not only allow you to import additional data like bills and payments, but they even allow you undo an import if you don't like your results.

It may also be a good idea to use an app like **Rewind** to back up your QuickBooks Online file before you import, so that you can roll back the changes if the import does not go smoothly.

CONFIGURING ACCOUNT AND SETTINGS

At the end of Chapter 1, we created your company file for Imagine Photography. During the file setup process, the wizard walked you through questions about the company. In this chapter we will continue the setup process so that both *Craig's Landscaping* and *Imagine Photography* are ready to do business!

The first thing you need to do in a new QuickBooks Online company file is set up your preferences using **Account and Settings**.

It is important to go through your settings when you first set up your file in order to turn on and off the features needed for your company's workflow. In this chapter we will start with two of the company settings tabs and will later talk about the Sales and Expenses sections.

Company Settings

Open the *Craig's Landscaping* sample company using the bookmark you created on [page 8](#), then click on the **Gear** in the upper right corner. Choose the first option, **Account and Settings** (see Figure 2-6).

Account and Settings contains all the preferences for your QBO file. It is broken up into five or more tabs; we will customize all these settings later in this course.

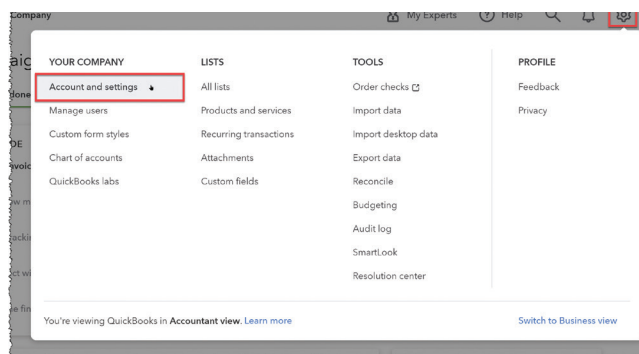


FIGURE 2-6: Open Account and Settings

When creating a new file, start with the **Company** settings (see Figure 2-7).

TIP:

Spelling and punctuation matter! The information you enter here will show up on all your customer forms and your tax reports, so be sure your entries are accurate.

FIGURE 2-7: Company Settings

HANDS-ON PRACTICE

STEP 1. Click on the **Pencil** on the right in the **Company Name** section (see Figure 2-8).

FIGURE 2-8: Enter in the Company Name and EIN

STEP 2. Click on the **Company Logo**. Import the **CraigsLogo.jpg**, included in the folder of files that came with your textbook (*Note: Your sample company may not permit you to upload the logo. If that's the case, skip this step*).

- STEP 3.** Enter the *Company Name*, **Craig's Design and Landscaping, Inc.**
- STEP 4.** If the company is a subsidiary of a parent company or you are a sole proprietor operating as a DBA ("Doing Business As," a fictitious name registered with your state), you would uncheck **Same as Company Name** and enter the **Legal Name**. We will not do this now.
- STEP 5.** Click the **dot** to the left of the *EIN (Employer Identification Number)* and enter **12-3456788**.
- STEP 6.** Click the **Save** button.
- STEP 7.** Click in the **Company Type** area (note that you don't actually need to click the *Pencil*). See Figure 2-9.

The screenshot shows the 'Company type' and 'Industry' sections of the QuickBooks setup form. The 'Company type' dropdown is set to 'Small business corporation, two or more owners (Form 1120S)'. The 'Industry' dropdown is open, showing a list of options with 'Landscaping Services' selected and highlighted in green. Other options in the list include 'Landscape Architectural Services', 'Packaging and Labeling Services', 'Drycleaning and Laundry Services', 'Land Subdivision', and 'Personal and Laundry Services'.

FIGURE 2-9: Enter the company's Tax Form and Industry

- STEP 8.** Choose the *Tax Form* **Small Business Corporation, Two Or More Owners (Form 1120S)**.
- STEP 9.** In the *Industry* box, start typing the word **Landscaping**. As you type, the list will filter to types of landscaping services. Choose **Landscaping Services**.
- STEP 10.** Click **Save**.
- STEP 11.** Click on the **Contact info** section (see Figure 2-10).

The screenshot shows the 'Contact info' section of the QuickBooks setup form. The 'Company email' field is filled with 'bookkeeping@craigslandscaping.com'. The 'Customer-facing email' field is filled with 'info@craigslandscaping.com'. The 'Company phone' field is filled with '+1 (123) 456-7890'. The 'Website' field is filled with 'craigslandscaping.com'. The 'Save' button is highlighted in green.

FIGURE 2-10: Enter the company's contact info

- STEP 12.** In the *Company email* field, enter the email address where QuickBooks Online can send you messages, **bookkeeping@craigslandscaping.com**.

STEP 13. Since we would like customers to contact the company at a different email address, uncheck **Same As Company Email**.

STEP 14. Enter the email address **info@craigslandscaping.com**.

STEP 15. Enter your company's customer service phone number, **123-456-7890**. Note that you don't need to type the () or hyphen. This is the phone number that will appear on sales forms.

STEP 16. Enter the company's website, **craigslandscaping.com**.

STEP 17. Click **Save**.

STEP 18. Note that there are three different address fields. The *Company Address* is the one Intuit will use for billing. The *Customer-facing Address* is the street address or mailing address that will be shown to customers. The *Legal Address* is the address used on tax forms. Because Craig uses just one address for all three, we don't need to change these fields.

STEP 19. In *Communications with Intuit*, you have the option to opt out of marketing email lists. We won't change these settings for now.

STEP 20. Double-check all the information for accuracy. Remember, typos here will cause your customers, vendors, and Intuit to be unable to reach you!

STEP 21. Leave this window open to get ready for the next step.

| Account and Settings | | | |
|----------------------|-------------------|---|---|
| Company | Accounting | First month of fiscal year | January |
| Usage | | First month of income tax year | Same as fiscal year |
| Sales | | Accounting method | Accrual |
| Expenses | | Close the books | Off |
| Advanced | Company type | Tax form | Small business corporation, two or more owners (Form 1120S) |
| | Chart of accounts | Enable account numbers | Off |
| | | Discount account | Discounts given |
| | | Tips account | |
| | | Billable expense income account | Billable Expense Income |
| | Categories | Track classes | On |
| | | Track locations | On |
| | Automation | Pre-fill forms with previously entered content | On |
| | | Automatically apply credits | Off |
| | | Automatically invoice unbilled activity | Off |
| | | Automatically apply bill payments | Off |
| | Projects | Organize all job-related activity in one place | On |
| | Time tracking | Add Service field to timesheets | On |
| | | Make Single-Time Activity Billable to Customer | On |
| | Currency | Home Currency | United States Dollar |
| | | Multicurrency | Off |
| | Other preferences | Date format | MM/dd/yyyy |
| | | Number format | 123,456.00 |
| | | Customer label | Customers |
| | | Warn if duplicate check number is used | On |
| | | Warn me when I enter a bill number that's already been used for that vendor | Off |
| | | Warn if duplicate journal number is used | Off |
| | | Sign me out if inactive for | 3 hours |

FIGURE 2-11: Advanced Settings

Advanced Settings

The next step in setting up a new company is to fine tune the **Advanced Settings**. These control the behavior and tools available in your file (see Figure 2-11).

Normally, you will set these preferences once for each company, and only change them as your needs evolve.

IMPORTANT!

Every time we use *Craig's Landscaping*, we may need to reset the settings required for the lesson. The settings in this section which we will frequently turn on include:

- ▶ Classes and Locations (page 71)
- ▶ Automations (page 44)
- ▶ Sign me out if inactive for 3 hours (page 45)

HANDS-ON PRACTICE

- STEP 1.** If you are not already in *Account and Settings*, click the **Gear** to open them.
- STEP 2.** Click the **Advanced** tab, the last on the list at left.
- STEP 3.** Click on the **Accounting** section (see Figure 2-12).
- STEP 4.** Leave your *First Month of Fiscal Year* on **January**. This field indicates the beginning of the year for year-to-date reports, such as the *Profit & Loss* report.

Some companies may have a July-June or October-Sept fiscal year. Most companies' *First Month of Income Tax Year* is the same as their fiscal year, but others will still file taxes for the calendar year.

NOTE FOR NEW BUSINESSES:

The **first month of your fiscal or income tax year** is NOT the month you started your business. It is the first month of your financial reporting period.

Setting the first month in your fiscal year correctly is important as it specifies the default date range for accounting reports such as the *Profit & Loss Statement* and *Balance Sheet*. The first month in your tax year specifies the default date range for *Income Tax Summary* and *Detail* reports.

- STEP 5.** Leave the *Accounting Method* on **Accrual**. Craig's customers pay on account, and he likes to track his revenue based on when services are provided, not just on the payments he has already received. His state also calculates **Sales Tax** based on open invoices, even if he has not received the money yet.
- STEP 6.** Also leave the *Close the Books* slider **Off**. Closing the books is a way to prevent changes in historic data, so you may want to update this setting at the end of a fiscal period.
- STEP 7.** Click **Save**.

The screenshot shows the QuickBooks 'Account and Settings' window with the 'Advanced' tab selected. The 'Accounting' section is expanded, displaying the following settings:

- First month of fiscal year**: January (dropdown menu)
- First month of income tax year**: Same as fiscal year (dropdown menu)
- Accounting method**: Accrual (dropdown menu)
- Close the books**: Off (toggle switch)

At the bottom of the settings panel are 'Cancel' and 'Save' buttons. The 'Save' button is highlighted in green.

FIGURE 2-12: Leave the Accounting section on the default settings

TIP:

If you are unsure how to answer the options in the *Account and Settings*, consider contacting a QuickBooks Online expert. **QuickBooks Online ProAdvisors** are bookkeepers, accountants, software consultants, and CPAs who offer QuickBooks Online-related consulting services. In addition, **QuickBooks Online Certified ProAdvisors** are those ProAdvisors who have completed a comprehensive training and testing program. For more information on QuickBooks Online ProAdvisors and Certified ProAdvisors, see [page 29](#).

- STEP 8.** The *Company Type* section contains the same **S Corporation** form we selected on the previous screen. There is nothing to change here.
- STEP 9.** Click on the **Chart of Accounts** section to open it (see Figure 2-13).
- STEP 10.** If you wanted to turn on **Account Numbers**, you would turn on the **slider** next to *Enable account numbers*, and then put a **checkmark** in front of *Show Account Numbers*. See [page 46](#) for more information. Do not do this now.
- STEP 11.** Leave all the defaults, including *Discount Account*, *Tips Account*, and *Billable Expense Income Account*.
- STEP 12.** Click **Save**.

FIGURE 2-13: This is where you would *Enable Account Numbers*

- STEP 13.** The *Categories* section is where you'll turn on **Classes** and **Locations** (see Figure 2-14). We will discuss class tracking on [page 71](#).
- STEP 14.** Turn on the **slider** for *Track Classes*. Place a **checkmark** in front of *Warn Me When A Transaction Isn't Assigned a Class*. When you use classes, you need to use them consistently.
- STEP 15.** Leave the default on *Assign Classes*: **One to each row in transaction**.
- STEP 16.** Turn on the **slider** for *Track Locations*. Note that you can change the label to use this feature for Departments, Divisions, Properties, Stores, and Territories. Only one location can be assigned per transaction.
- STEP 17.** Click **Save**.

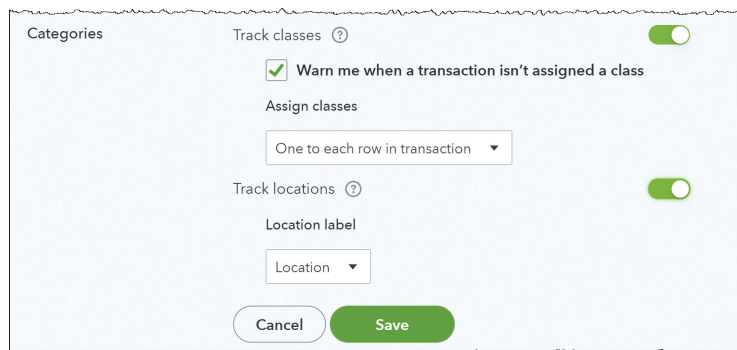


FIGURE 2-14: Turn on Classes and Locations

STEP 18. The *Automation* section controls whether QuickBooks Online will help you out with Accounts Receivable and Accounts Payable transactions (see Figure 2-15).

STEP 19. *Pre-Fill Forms With Previously Entered Content* is useful when you create a new invoice or bill. When you add a customer or vendor name, QBO will fill in the form using the same line items as the most recent transaction for that payee. This may help you save time, but if you find you constantly have to delete the products and services to start fresh, turn this slider off. We will leave it **On**.

STEP 20. *Automatically Apply Credits* will apply credit memos to the oldest invoices without alerting you. For small businesses with forgetful owners this can be helpful, but in large companies it's important that you monitor Accounts Receivable. Click the **slider** to turn this **Off**. We will learn about credit memos on [page 208](#), and see a demonstration of this automation on [page 223](#).

STEP 21. Leave the default **Off** for *Automatically Invoice Unbilled Activity*.

STEP 22. *Automatically Apply Bill Payments* will apply your payments and vendor credits to your oldest bills without alerting you. In large companies it's important that you track Accounts Payable carefully. Click the **slider** to turn this **Off**.

STEP 23. Click **Save**.

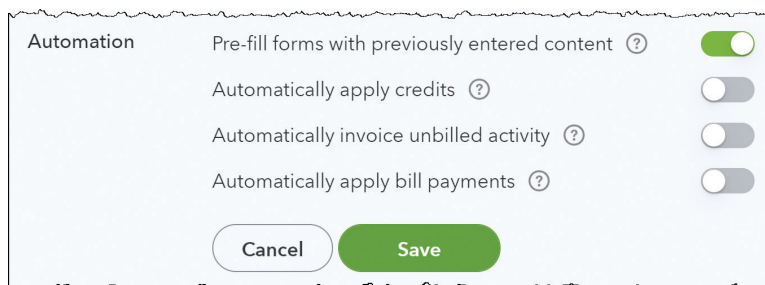


FIGURE 2-15: Automation settings for Accounts Receivable and Accounts Payable

STEP 24. The next two sections in the Advanced settings turn on and off the features for *Projects* and *Currency*. We will leave these defaults.

STEP 25. The *Other Preferences* section (see Figure 2-16) is where you can change your date formats and *Customer Label*. Do you call your customers **Clients**, **Donors**, **Members**, **Patients**, or **Tenants**? Renaming them here will change the terminology across your entire QuickBooks Online file. Do not change this now.

STEP 26. Don't miss the option to lengthen the time you can stay signed in to QBO! By changing *Sign Me Out If Inactive For* to **3 Hours**, QBO's security is less likely to time out your file while you are working in it. Select **3 Hours** from the dropdown menu now.

STEP 27. Click **Save**.

STEP 28. Click the green **Done** button at the bottom right to return to the Dashboard.

TIP:

If you are working in multiple tabs and haven't touched one of them for more than three hours, that tab may time out even though you're still active in another one. When that happens, you don't need to sign again—just refresh your browser window and it should return to its previous state.

Other preferences

Date format: MM/dd/yyyy

Number format: 123,456.00

Customer label: Customers

Warn if duplicate check number is used: ☒

Warn me when I enter a bill number that's already been used for that vendor: ☐

Warn if duplicate journal number is used: ☐

Sign me out if inactive for: 1 hour

1 hour

2 hours

3 hours

Cancel Save

FIGURE 2-16: *Other Preferences*, where you can change the sign out time and *Customer Label*

SETTING UP THE CHART OF ACCOUNTS

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

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

Account Types

There are five basic account types in accounting: *assets*, *liabilities*, *equity*, *income*, and *expenses*. QuickBooks Online breaks these basic account types into subtypes:

- ▶ Accounting uses five types of asset accounts: **Bank**, **Accounts Receivable**, **Other Current Assets**, **Fixed Assets**, and **Other Assets**.
- ▶ There are four types of liability accounts: **Accounts Payable**, **Credit Card**, **Other Current Liabilities**, and **Long Term Liabilities**.
- ▶ Income accounts can be divided into **Income** or **Other Income** types.
- ▶ Expenses can be classified as **Cost of Goods Sold**, **Expenses**, or **Other Expenses**.
- ▶ Equity doesn't have subtypes, but it does have specific required accounts including **Opening Balance Equity** and **Retained Earnings**.

Activating Account Numbers

QuickBooks Online does not require *account numbers*. If you prefer, you can use just the account *name* to differentiate between accounts.

In traditional accounting, the Chart of Accounts uses account numbers to identify the categories. The numbering system allows accounting professionals to instantly distinguish between different types of accounts by ID number across different company files. For example, 1000-1999 accounts are always asset accounts, and 4000–4999 accounts are always revenue.

Account numbers allow you to rearrange the categories in any order instead of the default, alphabetically by type. For example, if you want the **Savings** account to be above the **Money Market** account, assign account numbers accordingly.

Be sure to leave gaps between the numbers so there is room to add new accounts in the future.

Using account numbers also encourages consistency if you are working in multiple company files. For example, numbering the main operating checking account as 1000 means you don't have to remember the exact bank name in each QBO file.

If you prefer to use account numbers, you can activate them in the **Advanced** section of **Account and Settings**, following the instructions on [page 43](#).

Adding Accounts

While QBO comes with a default Chart of Accounts, you will inevitably want to add categories of your own to represent your company's unique needs. On [page 36](#) we saw that you can import your own Chart of Accounts.

HANDS-ON PRACTICE

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

- STEP 1.** Select the **Chart of Accounts** under the *Accounting* section of the *Left Navigation Bar*. If you get a *Take A Peek Under The Hood* screen, click **See your Chart of Accounts** (see Figure 2-17).
- STEP 2.** Click on the **New** button at the top right of the *Chart of Accounts* window (be sure to click on the main button itself and not the drop-down arrow on its right side).

| NAME | TYPE | DETAIL TYPE | QUICKBOOKS BALANCE | BANK BALANCE | ACTION |
|---------------------------|---------------------------|---------------------------|--------------------|--------------|-------------------------------|
| Checking | Bank | Checking | 1,201.00 | -3,621.93 | View register |
| Savings | Bank | Savings | 800.00 | 200.00 | View register |
| Accounts Receivable (A/R) | Accounts receivable (A/R) | Accounts Receivable (A/R) | 5,281.52 | | View register |
| | | Inventory | \$96.25 | | View register |
| | | Other Current Assets | | | View register |
| | | Prepaid Expenses | 0.00 | | View register |
| Uncategorized Asset | Other Current Assets | Other Current Assets | 0.00 | | View register |
| Undeposited Funds | Other Current Assets | Undeposited Funds | 2,062.52 | | View register |
| Truck | Fixed Assets | Vehicles | 13,495.00 | | View register |
| | | Fixed Assets | | | View register |

FIGURE 2-17: The Chart of Accounts

New account

Income **Expenses** Banks Assets Credit cards Liabilities Equity

Save account under *
Expenses

Tax form section *
Office/General Administrative Expenses

Account name *
Software

Description
Computer software and subscriptions

Profit & Loss NEW ACCOUNT PREVIEW
Balance as of 06/10/2022

- PROMOTIONAL
- Purchases
- Rent or Lease
- Software**
- Stationery & Printing
- Supplies
- Taxes & Licenses

Cancel Save

FIGURE 2-18: Add a new Expense account

ANOTHER WAY:

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

- STEP 3.** At the top of the pane that opens up on the right, select the **Expenses** circle (see Figure 2-18).
- STEP 4.** In the *Save Account Under** field, choose **Expenses**.
- STEP 5.** In the *Tax Form Section** field, choose **Office/General Administrative Expenses**.

DID YOU KNOW?

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

- STEP 6.** Enter **Software** in the *Account Name* field and press **Tab**. This is the name that will appear on your reports. Choose names that will help you or the business owner understand what type of transactions belong in this category.
- STEP 7.** Enter **Computer Software and Subscriptions** in the *Description* field. The *Description* field is not required, but it helps users understand the purpose of each category.
- STEP 8.** Scroll down to the *New Account Preview* to see how your new account will look in the Chart of Accounts and on your Profit and Loss Statement. Your screen should look like Figure 2-18 above. Click **Save** at the bottom of the window to save the account.

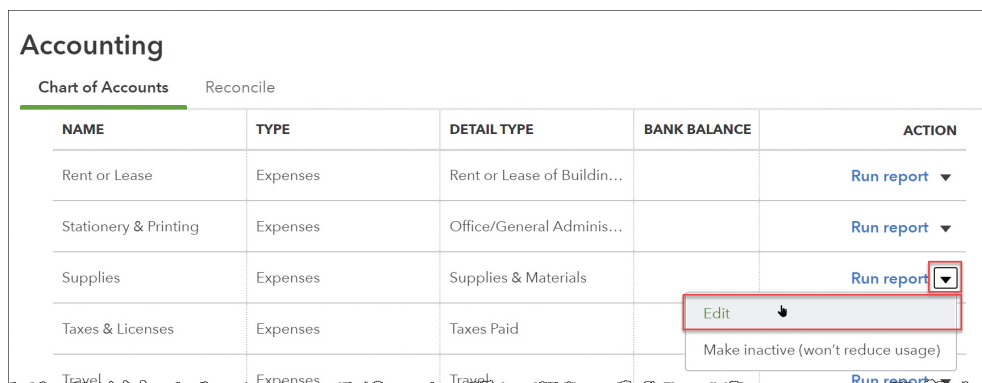
Modifying Accounts

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

HANDS-ON PRACTICE

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

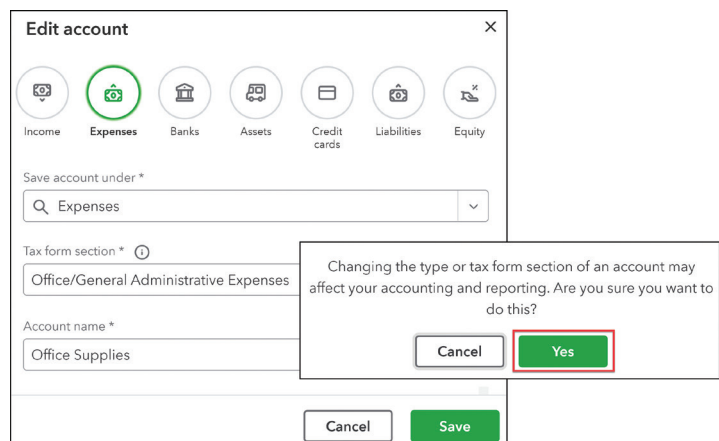
- STEP 9.** Click the drop-down arrow to the right of the *Supplies* row and choose **Edit** (see Figure 2-19).



| Accounting | | | | |
|-----------------------|----------|-----------------------------|--------------|--------------|
| Chart of Accounts | | Reconcile | | |
| NAME | TYPE | DETAIL TYPE | BANK BALANCE | ACTION |
| Rent or Lease | Expenses | Rent or Lease of Buildin... | | Run report ▼ |
| Stationery & Printing | Expenses | Office/General Adminis... | | Run report ▼ |
| Supplies | Expenses | Supplies & Materials | | Run report ▼ |
| Taxes & Licenses | Expenses | Taxes Paid | | Run report ▼ |
| Travel | Expenses | Travel | | Run report ▼ |

FIGURE 2-19: Edit the Supplies category

- STEP 10.** Change the *Tax Form Section* to **Office/General Administrative Expenses** and the *Account Name* to **Office Supplies** as shown in Figure 2-20, then click **Save**.
- STEP 11.** When you get the confirmation alert, click **Yes**.



Income

Expenses

Banks

Assets

Credit cards

Liabilities

Equity

Save account under *

Expenses

Tax form section *

Office/General Administrative Expenses

Account name *

Office Supplies

Cancel

Save

Changing the type or tax form section of an account may affect your accounting and reporting. Are you sure you want to do this?

Cancel

Yes

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

Adding Sub-accounts

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

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

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

DID YOU KNOW?

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

HANDS-ON PRACTICE

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

- STEP 12. Display the **Chart of Accounts** using any method shown previously, if it is not already displayed.
- STEP 13. Select the **New** button at the top right of the *Chart of Accounts* window.
- STEP 14. Select the **Expenses** circle at the top (see Figure 2-21).
- STEP 15. Choose **Utilities** for the *Save Account Under* field. Confirm the *Tax Form Section* also reads **Utilities**.
- STEP 16. Type **Garbage** in the *Account Name* field, and enter **Trash and recycling** in the *Description* field.
- STEP 17. Scroll down and confirm that **Garbage** appears indented under **Utilities** in the *New Account Preview*.

New account

Income Expenses Banks Assets Credit cards Liabilities Equity

Save account under *
Utilities

Tax form section * ⓘ
Utilities

Account name *
Garbage

Description
Trash and recycling

Profit & Loss NEW ACCOUNT PREVIEW
Balance as of 06/10/2022

- Unapplied Cash bill payment expense
- Uncategorized Expense
- Utilities
 - Garbage
 - Gas and Electric
 - Telephone
 - Other Expenses

Cancel Save

FIGURE 2-21: Creating a sub-account

STEP 18. Click the **Save** button.

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

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

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

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

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

| | | |
|-------------------------------------|--------------|-------------------------------------|
| Unapplied Cash Bill Payment Expense | Expenses | Unapplied Cash Bill Payment Expense |
| Uncategorized Expense | Expenses | Other Miscellaneous Service Cost |
| Utilities | Expenses | Utilities |
| Garbage | Expenses | Utilities |
| Gas and Electric | Expenses | Utilities |
| Other Utilities | Expenses | Utilities |
| Telephone | Expenses | Utilities |
| Interest Earned | Other Income | Interest Earned |
| Other Portfolio Income | Other Income | Other Miscellaneous Income |

FIGURE 2-22: Sub-accounts in the Chart of Accounts

While sub-accounts provide granular detail, it is a best practice to keep your Chart of Accounts (COA) as tight as possible, while still providing sufficient operational data.

Notice that in the Income section of the Craig's Landscaping file COA in Figure 2-23, *Landscaping Services* are broken down into *Job Materials* and *Labor*, and then further into types of materials. This is usually too much detail for a Chart of Accounts.

Separating *Job Materials* and *Labor Income* is a useful distinction on a P&L report. The *Decks and Patios*, *Fountains*, *Plants*, *Sprinklers*, *Installation*, and *Maintenance* categories should all be tracked with **Products and Services** instead.

That way, you'll also be able to run a variety of Products and Services reports to see a detailed analysis of what the company buys and sells.

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

| Chart of Accounts Reconcile | |
|------------------------------|--------|
| NAME | TYPE ▲ |
| Landscaping Services | Income |
| Job Materials | Income |
| Decks and Patios | Income |
| Fountains and Garden Lightin | Income |
| Plants and Soil | Income |
| Sprinklers and Drip Systems | Income |
| Labor | Income |
| Installation | Income |
| Maintenance and Repair | Income |

FIGURE 2-23: A Chart of Accounts with too much detail

Removing Accounts from the Chart of Accounts

When you no longer need an account, it is best to remove it from the Chart of Accounts list. Removing unnecessary accounts helps avoid data entry errors by ensuring that no transactions are accidentally posted to these accounts. There are two ways to remove an account from the Chart of Accounts: **inactivating** the account or **merging** the account with another account.

Note that some accounts are generated automatically for use by QuickBooks Online and cannot be edited or inactivated.

Inactivating Accounts

Most list items in QuickBooks Online cannot be completely deleted, only **inactivated**. Inactivating an account category causes it to be hidden in the Chart of Accounts.

This is also true for lists, products and services, customers, and vendors. Inactivating unused items reduces the clutter in your lists while preserving your ability to see its history. Even after an account, product, customer, or vendor is made inactive, all transactions using that entry will still show on reports with **(deleted)** after the name.

IMPORTANT!

Asset, liability, and equity accounts cannot be inactivated if their balances are not zero. If you inactivate a Balance Sheet account, its balance will be automatically transferred to **Opening Balance Equity**, causing an error in the company's equity.

Before inactivating one of these categories, find out what happened to the remaining balance, and create the transfer or other transaction to move it to the correct account.

HANDS-ON PRACTICE

Craig notices that there's a **Purchases expense** account, but he doesn't use it. He would like to make it inactive. Before you inactivate it, do your due diligence to make sure that it's not important. Follow these steps to verify that it is not needed, then inactivate it:

STEP 1. Locate the **Purchases expense** in the *Chart of Accounts* list.

STEP 2. Click the blue **Run Report** action link on the far right to open a QuickReport.

STEP 3. In the *Report period* box in the top left, change the date range to **All Dates**.

STEP 4. Click the **Run Report** button.

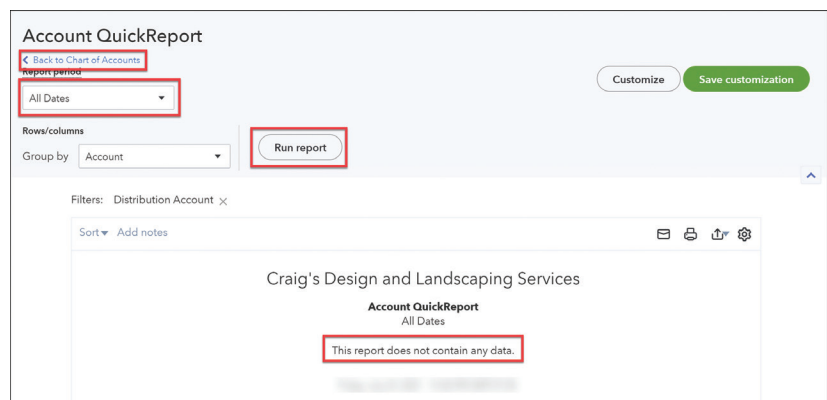
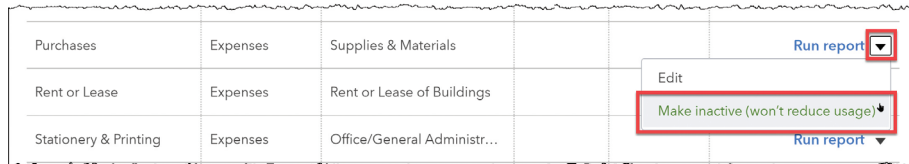


FIGURE 2-24: A QuickReport to confirm this account isn't important

- STEP 5.** Notice that there are no transactions on the list. This account has never been used, so there's no reason to keep it.
- STEP 6.** Click the tiny blue **Back to Chart of Accounts** link in the upper left.
- STEP 7.** Click the **drop-down arrow** on the right of *Purchases*, and then choose **Make Inactive** from the menu (see Figure 2-25). Note the **(won't reduce usage)** message letting you know that inactivating this account won't affect your 250 category limit discussed on [page 45](#).



| | | | | |
|-----------------------|----------|-----------------------------|--|--------------------------------------|
| Purchases | Expenses | Supplies & Materials | | Run report ▼ |
| Rent or Lease | Expenses | Rent or Lease of Buildings | | Edit |
| Stationery & Printing | Expenses | Office/General Administr... | | Make inactive (won't reduce usage) ▼ |
| | | | | Run report ▼ |

FIGURE 2-25: Making an account inactive in the Chart of Accounts

Merging Accounts

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

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

IMPORTANT:

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

HANDS-ON PRACTICE

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

- STEP 1.** Display the **Chart of Accounts** list and scroll down to *Legal & Professional Fees*.
- STEP 2.** Click **Run Report** on the right of *Legal & Professional Fees*. In the *Report period* box in the top left, change the date range to **All Dates**, then click on **Run Report**.

In Figure 2-26, notice that the top transaction to *Pam Seitz* was accidentally coded to the main account instead of the subaccount (you would need to fix this later!), and that the two transactions to *Books by Bessie* are split between *Accounting* and *Bookkeeping*.

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

| Craig's Design and Landscaping Services | | | | | | | | |
|---|------------------|-----|------------------------|------------------|------------------------------------|-----|----------|---------|
| Account QuickReport | | | | | | | | |
| DATE | TRANSACTION TYPE | NUM | NAME | MEMO/DESCRIPTION | ACCOUNT | CLR | AMOUNT | BALANCE |
| ▼ Legal & Professional Fees | | | | | | | | |
| | Expense | 76 | Pam Seitz | Counsel | Legal & Professional Fees | | 75.00 | 75.00 |
| Total for Legal & Professional Fees | | | | | | | \$75.00 | |
| ▼ Accounting | | | | | | | | |
| | Bill | | Books by Bessie | | Legal & Professional Fees:Accou... | | 75.00 | 75.00 |
| | Bill | | Robertson & Associates | | Legal & Professional Fees:Accou... | | 315.00 | 390.00 |
| Total for Accounting | | | | | | | \$390.00 | |
| ▼ Bookkeeper | | | | | | | | |
| | Check | 12 | Books by Bessie | | Legal & Professional Fees:Bookk... | | 55.00 | 55.00 |
| Total for Bookkeeper | | | | | | | \$55.00 | |
| ▼ Lawyer | | | | | | | | |
| | Check | | Tony Rondonuwu | Consulting | Legal & Professional Fees:Lawyer | | 100.00 | 100.00 |
| Total for Lawyer | | | | | | | \$100.00 | |
| Total for Legal & Professional Fees with sub-accounts | | | | | | | \$620.00 | |
| TOTAL | | | | | | | \$620.00 | |

FIGURE 2-26: Report with all Legal & Professional Fees

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

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

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

STEP 7. Scroll down to the *Account Preview*, shown in Figure 2-27. Note that **Accounting** is displayed twice, highlighted in red. QuickBooks Online has noticed that you are creating a duplicate account.

STEP 8. Click **Save**.

Edit account

Income

Expenses

Banks

Assets

Credit cards

Liabilities

Equity

Save account under *

Q Legal & Professional Fees

Tax form section * ⓘ

Legal & Professional Fees

Account name *

Accounting

Description

Profit & Loss

Balance as of

sprinklers and drip systems

Permits

Legal & Professional Fees

Accounting

Accounting

Lawyer

Maintenance and Repair

EDIT ACCOUNT PREVIEW

Cancel

Save

FIGURE 2-27: Modify the account to exactly match the account you will keep

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

STEP 10. Click **Save**.

Now that the **Bookkeeper** account has been merged into the **Accounting** account, running the QuickReport again shows that QBO has updated all the transactions that were categorized to **Bookkeeper** and moved them to **Accounting** instead, as shown in Figure 2-29.

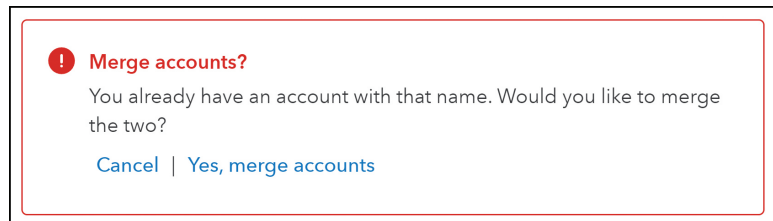


FIGURE 2-28: Click **Yes** to merge the accounts

| Craig's Design and Landscaping Services | | | | | | | | |
|---|------------------|-----|------------------------|------------------|------------------------------------|-----|----------|---------|
| Account QuickReport | | | | | | | | |
| Since [blurred] | | | | | | | | |
| DATE | TRANSACTION TYPE | NUM | NAME | MEMO/DESCRIPTION | ACCOUNT | CLR | AMOUNT | BALANCE |
| ▼ Legal & Professional Fees | | | | | | | | |
| [blurred] | Expense | 76 | Pam Seitz | Counsel | Legal & Professional Fees | | 75.00 | 75.00 |
| Total for Legal & Professional Fees | | | | | | | \$75.00 | |
| ▼ Accounting | | | | | | | | |
| [blurred] | Check | 12 | Books by Bessie | | Legal & Professional Fees:Accou... | | 55.00 | 55.00 |
| [blurred] | Bill | | Books by Bessie | | Legal & Professional Fees:Accou... | | 75.00 | 130.00 |
| [blurred] | Bill | | Robertson & Associates | | Legal & Professional Fees:Accou... | | 315.00 | 445.00 |
| Total for Accounting | | | | | | | \$445.00 | |
| ▼ Lawyer | | | | | | | | |
| [blurred] | Check | | Tony Rondonuwu | Consulting | Legal & Professional Fees:Lawyer | | 100.00 | 100.00 |
| Total for Lawyer | | | | | | | \$100.00 | |
| Total for Legal & Professional Fees with sub-accounts | | | | | | | \$620.00 | |
| TOTAL | | | | | | | \$620.00 | |

FIGURE 2-29: The Merged report shows the two Books By Bessie transactions together

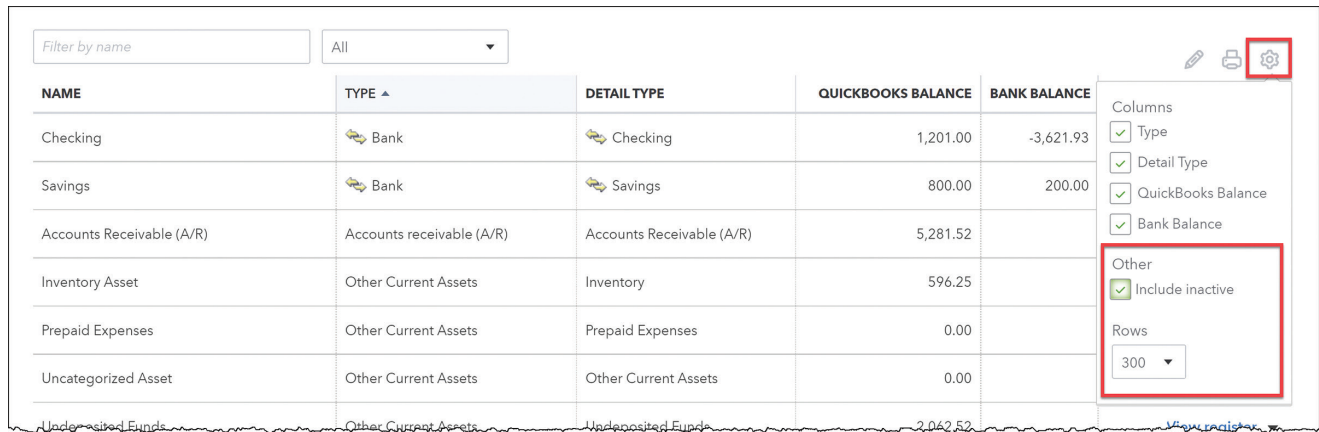
DID YOU KNOW?

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

Seeing All Accounts

To view all accounts in the Chart of Accounts, including the inactive accounts, click the **Grid Gear** to drop down additional settings for the list. Select **Include Inactive**, and change the number of Rows to 300 (see Figure 2-30).

From this Grid Gear you can also show and hide columns.



| NAME | TYPE ▲ | DETAIL TYPE | QUICKBOOKS BALANCE | BANK BALANCE |
|---------------------------|---------------------------|---------------------------|--------------------|--------------|
| Checking | Bank | Checking | 1,201.00 | -3,621.93 |
| Savings | Bank | Savings | 800.00 | 200.00 |
| Accounts Receivable (A/R) | Accounts receivable (A/R) | Accounts Receivable (A/R) | 5,281.52 | |
| Inventory Asset | Other Current Assets | Inventory | 596.25 | |
| Prepaid Expenses | Other Current Assets | Prepaid Expenses | 0.00 | |
| Uncategorized Asset | Other Current Assets | Other Current Assets | 0.00 | |

Columns

☒ Type

☒ Detail Type

☒ QuickBooks Balance

☒ Bank Balance

Other

☒ Include inactive

Rows

300 ▼

FIGURE 2-30: When *Include Inactive* is checked, all accounts appear in the list

The word **(deleted)** next to an account name indicates that it has been inactivated or merged. To reactivate the account, click on the blue **Make Active** link on the right. The account name will be restored to the Active list. Note that if two categories were merged, the action was permanent and you will not see the original transactions in the reactivated account.



| | | | | | |
|---------------------|----------|----------------------|--|--|---------------|
| Purchases (deleted) | Expenses | Supplies & Materials | | | Make active ▼ |
|---------------------|----------|----------------------|--|--|---------------|

FIGURE 2-31: Click *Make Active* to bring back an inactivated account

Sorting the Account List

The account types in the Chart of Accounts are arranged in the order in which they appear on financial statements. For example, all of the Bank accounts come first, followed by Accounts Receivable, Other Current Assets, and so on.

There are several ways to reorder the Chart of Accounts. Lists can be sorted by any column header. By default, the Chart of Accounts list sorts first by account type, and then alphabetically by account name within the account type.

If account numbers are in use, the Chart of Accounts will sort numerically by account number, instead of alphabetically.

NOTE:

When account numbers are active and you click the **Number** header, QuickBooks Online sorts the list only by account number and not by account name or type. Therefore, if you assign an account number of 7000 to a Bank account, QuickBooks Online will place that account near the bottom of the Chart of Accounts, instead of the top.

Sorting by Header

When account numbers are inactive and you click the **Name** header, QuickBooks Online sorts the account list alphabetically by account name. Click the **Name** header again to sort it from Z to A.

You may also sort the table by **QuickBooks Balance** or **Bank Balance**. Click the **Type** header to return the list to its original order.

Printing the Chart of Accounts

To print the Chart of Accounts, click the **Printer** on the top right of the list, next to the *Grid Gear*. A new tab opens with a printable list, ready to be saved to a PDF or printed (see Figure 2-32). Close the tab when you're done.

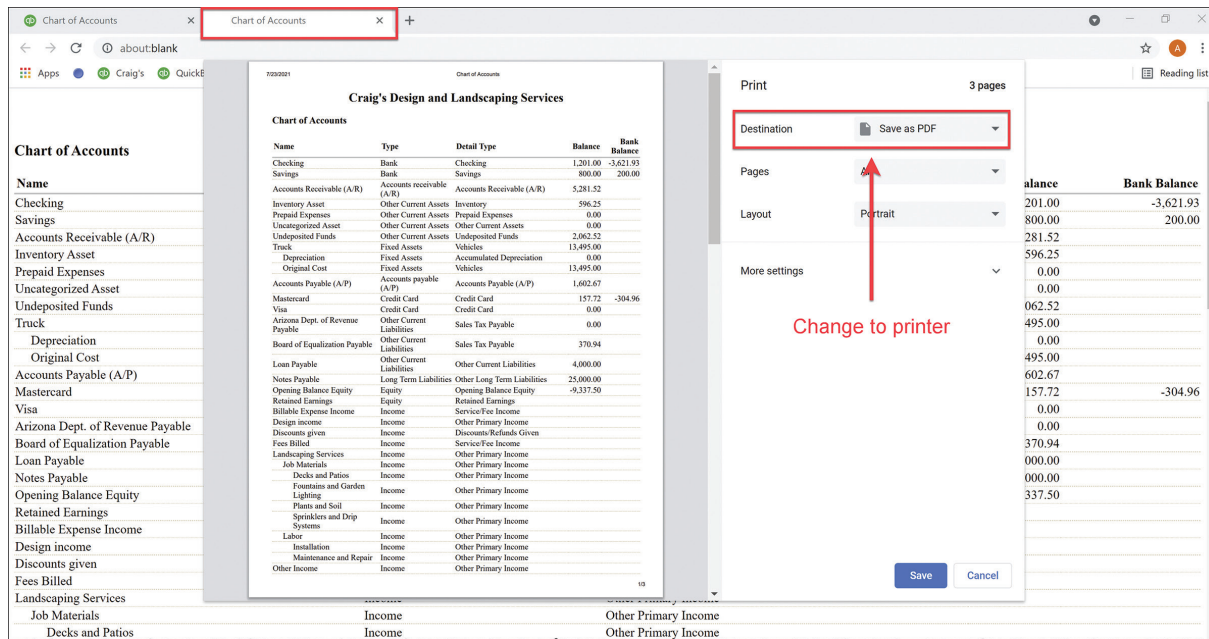


FIGURE 2-32: The Chart of Accounts, ready to print

SETTING UP PRODUCTS AND SERVICES

The **Products and Services List** is used to identify the goods and services your business sells and/or purchases.

In this section, you will learn more about QuickBooks Online's **Products and Services** items and how they affect the "accounting behind the scenes" as you create transactions. Every time you use a product or service in your transactions, its value flows into the linked accounts. In this way, Products and Services affect the financial statements for a company.

Products and Services in the *Products and Services List* are also used as part of the sales tax tracking process, as a means of generating subtotals, and as a method of calculating discounts.

Open the *Products and Services List* in one of four ways:

- ▶ Hover over **Sales** (or **Invoicing**) in the *Left Navigation Bar*, then click **Products and Services**.
- ▶ From anywhere in the *Sales Center*, click the **Products and Services** tab at the top.
- ▶ Click **Products and Services** from the *Gear* in the upper right corner.
- ▶ Click **All Lists** from the *Gear* in the upper right corner and then click **Products and Services**.

The first time you view the Products and Services list, you will see default items suggested by QuickBooks Online based on the business entity type and industry you selected during the setup process (see [page 40](#)). Before you start using the file, be sure to update this list to reflect your company's offerings.

If you have a list of Products and Services from another system, you can import it using the instructions on [page 36](#). Be sure to download the sample template because items and inventory have specific requirements.

In the Craig's Landscaping sample company, the list has already been created for you (see Figure 2-33).

Products and Services

Find products and services

| NAME | SKU | TYPE | SALES DESCRIPT | SALES PRICE | COST | TAXABLE | QTY ON HAND | REORDER POINT | ACTION |
|------------------|---------|-----------|------------------|-------------|------|---------|-------------|---------------|--------|
| Design | | | | | | | | | |
| Design | | Service | Custom Desl... | 75 | | | | | Edit |
| Fountains | | | | | | | | | |
| Concrete | | Service | Concrete for ... | 0 | | ✓ | | | Edit |
| Pump | P461-17 | Inventory | Fountain Pump | 15 | 10 | ✓ | 25 | | Edit |
| Rock Fountain | R154-88 | Inventory | Rock Fountain | 275 | 125 | ✓ | 2 | | Edit |
| Lighting | | Service | Garden Light... | 0 | | ✓ | | | Edit |
| Rocks | | Service | Garden Rocks | | | ✓ | | | Edit |
| Services | | Service | | | | | | | Edit |

FIGURE 2-33: The Products and Services List

Product and Service Categories

Categories allow you to create groups of items. This is helpful when you have long lists of products, and for stores using a point-of-sale system that tracks departments.

When you use item categories, the *Sales by Product* reports will show totals for all inventory items by group. Categories are also handy when using Price Rules.

It is common to create a *Category* called **Admin** to contain fees and other non-commerce related items needed on sales forms.

The category list can be created by clicking on the **More** button in the upper right of the *Product and Services Center*, as seen in Figure 2-33. We will create our item categories on the fly as needed during these exercises.

Products and Services Types

There are four different types of Products and Services items in QuickBooks Online as shown in Figure 2-34. When you create a new product or service, you indicate the **Type** along with the **Name** of the item and the **Account** with which the item is associated.

- ▶ **Inventory items** track the quantity and value of your stock on hand.
- ▶ **Non-inventory items** are products you buy and/or sell but don't track quantity.
- ▶ **Service items** track services you provide to customers. They can also be used for administrative charges such as shipping and finance charges.
- ▶ **Bundle items** allow you to group several separate products and services together as a package and easily enter them on sales forms. Sales information for each item in the bundle is still tracked individually.

Service Items

Service items are used for all items on invoices and sales receipts that are not tangible goods.

HANDS-ON PRACTICE

Craig's Landscaping sells mowing services by the hour. To track the sales of this **Service**, create a new service called **Mowing**, and associate the item with the **Services Income** account

- STEP 1.** Go to the **Products and Services List** if you are not already there.
- STEP 2.** Click the green **New** button in the upper right.
- STEP 3.** Choose **Service** from the *Product/Service Information* pane shown in Figure 2-34.
- STEP 4.** Fill in the detail of the **Mowing** service as shown in Figure 2-35.

> Miscellaneous
 > Personal goods & services
 > Personal services

Other options

☐ Taxable—based on location only
 Choose a category to get a more accurate sales tax rate.

☒ **Nontaxable**
 This may impact the accounting on your books.

ⓘ You're changing the default sales tax. The tax rules you set here will apply every time you add this product or service.

Done

FIGURE 2-36: Specify the service as Nontaxable

Product/Service information

☒ **Inventory**
 Products you buy and/or sell and that you track quantities of.

☐ **Non-inventory**
 Products you buy and/or sell but don't need to (or can't) track quantities of, for example, nuts and bolts used in an installation.

☒ **Service**
 Services that you provide to customers, for example, landscaping or tax preparation services.

☐ **Bundle**
 A collection of products and/or services that you sell together, for example, a gift basket of fruit, cheese, and wine.

FIGURE 2-34: The New Product/Service Information window

Product/Service information

Service [Change type](#)

Name*
Mowing

SKU

Category
Landscaping

Description
☒ I sell this product/service to my customers.
 Mowing

Sales price/rate: 25 Income account: Services

Sales tax ⓘ
 ⓘ This item might have special tax considerations. Select Confirm to apply our suggestion, or Skip to remove it.
 Doesn't improve real property, like lawn mo...
 Our recommended sales tax item category

☐ Purchasing information
 I purchase this product/service from a vendor.

Save and close

FIGURE 2-35: New Service Item

STEP 5. If you see a suggestion for the *Sales Tax*, click **Confirm**. Even though this service is now marked as taxable, QBO will only charge sales tax if required by your state.

If you don't see a suggested tax as shown in Figure 2-35, click **Edit Sales Tax** and select **Nontaxable**, as shown in Figure 2-36, then click **Done** to return to the *Product/Service Information* pane. Services are usually not taxable.

STEP 6. When your Service looks like Figure 2-35, click **Save and Close**.

TIP:

You will be able to edit the *Description* each time you use the **Mowing** service on an invoice or sales receipt. When setting up the item, you can enter a default description as placeholder text, or leave it blank.

If the price for this service varies, you can override this amount when you use it on a sales form. Therefore, when you set up the item, enter the rate you most frequently charge. Leave it blank if the price is always different.

Subcontracted Services

To track your **subcontracted services** in QuickBooks Online Plus and Advanced, you can set up a special **Two-sided Service item** to track both the sale to the customer and the cost of the subcontractor. By using a single item to track both the income and expense for the subcontracted service, you can track the profitability of your subcontractors.

HANDS-ON PRACTICE

Craig subcontracts a tree trimming service instead of providing the service through his employees. Match these steps to Figure 2-37.

STEP 1. With the *Products and Services* list displayed, click the **New** button.

STEP 2. Select **Service** from the *Product/Service Information* pane.

STEP 3. Enter **Tree Trimming** in the *Name** field. The asterisk indicates that this name will be used as the identifier for this item in QuickBooks Online, and must be unique.

STEP 4. Drop down the *Category* field, and then choose **Landscaping** from the list.

KEY TERM:

Categories help to organize the *Products and Services List*. Use categories to group and subtotal information about similar products or service categories in sales reports.

STEP 5. Enter the *Description* **Tree Trimming**. You may choose to copy the service *Name* and paste it here.

STEP 6. Enter **120** in the *Sales Price/Rate* field.

STEP 7. Choose **Landscaping Services:Labor:Maintenance and Repair** for the *Income Account*. Note that the colon separates indented sub-accounts.

STEP 8. This service is not taxable in CA, so update the *Sales Tax* by clicking **Edit Sales Tax**. Change it to **Nontaxable**. If the suggestion appears, click **Skip**.

STEP 9. Check the box **I purchase this product/service from a vendor** in the *Purchasing information* area at the bottom.

Selecting this box allows you to use the same item on sales transactions to “sell” the service to a customer, and on purchase transactions to “buy” the service from a vendor. Both types of transactions will flow through to the correct accounts on financial statements, and allow you to run item profitability reports.

STEP 10. The *Description on Purchase Forms* is the same, **Tree Trimming**.

STEP 11. The *Cost* that Craig pays the vendor for each tree is \$75.

STEP 12. The *Expense Account* is **Cost of Goods Sold**, since this is a direct expense that Craig must incur in order to resell the service.

STEP 13. In the *Preferred Vendor* box, type in **Tony** to quickly filter the list, then choose **Tony Rondonuwu**.

STEP 14. Use the *drop-down arrow* next to the **Save** button, and then click **Save and New** to save this service and open another *New Item* window.

Product/Service information

Service Change type

Name*
Tree Trimming

SKU

Category
Landscaping

Description
☒ I sell this product/service to my customers.
Tree Trimming

Sales price/rate
120

Income account
Landscaping Services:Labor:Mainte

Sales tax
☒ This item might have special tax considerations. Select Edit sales tax to view our recommendation and we'll make sure it's taxed correctly.
Nontaxable
We won't apply sales tax for this product or service. Edit sales tax

Purchasing information
☒ I purchase this product/service from a vendor.
Tree Trimming

Cost
75

Expense account
Cost of Goods Sold

Preferred Vendor
Tony Rondonuwu

Save and close

FIGURE 2-37: Subcontracted Service Item

Non-Inventory Products

To track physical products that you buy and/or sell but don't monitor as inventory, set up **Non-Inventory Products**.

HANDS-ON PRACTICE

Craig's Landscaping doesn't track grass seed in inventory, so they use a **Non-inventory** item to calculate how many cubic feet they sell.

Grass seed is a special tax category in the State of California, so you will need to specify its tax code.

If you were starting from scratch, you would select **Non-inventory** from the *Product/Service Information* pane. This time, because we are creating several products and services in a row, our sequence starts a little differently. Fill in the detail of the item as shown in Figure 2-38:

STEP 1. Click the blue **Change type** link next to *Service* at the top of the pane. Choose **Non-inventory**.

STEP 2. Enter **Grass Seed** in the *Name* field.

STEP 3. Choose **Landscaping** in the *Category* field.

STEP 4. In the *Description*, enter **Grass Seed**.

STEP 5. The *Sales Price/Rate* is 3 dollars.

STEP 6. Enter **Sales of Product Income** in the *Income Account*. Sales of Product Income is typically used for tangible goods.

STEP 7. Click the blue **Edit Sales Tax** link. Because Grass Seed has a special tax rate in this state, select it from the *Suggested* list, as shown in Figure 2-39.

You could also use the *Search* to quickly find the tax category by typing in **Grass Seed**, or **Browse All** to find it under *Professional Goods & Services*, then *Landscaping*, then *Grass Seed*.

STEP 8. Click the **Done** button to return to the product.

STEP 9. When your *Grass Seed* looks like Figure 2-38, click **Save and New** to save the item and start the next one.

The screenshot shows the 'Product/Service information' form in QuickBooks. At the top, it says 'Non-inventory' with a 'Change type' link. The 'Name*' field contains 'Grass Seed'. There is an 'SKU' field and an image icon. The 'Category' dropdown is set to 'Landscaping'. The 'Description' section has a checked box 'I sell this product/service to my customers.' and the text 'Grass Seed'. The 'Sales price/rate' is '3' and the 'Income account' is 'Sales of Product Income'. The 'Sales tax' section has a checked box 'This item might have special tax considerations...' and a link 'Edit sales tax'. Below this, it says 'Grass seed' and 'We'll apply sales tax based on product or service and location.' The 'Purchasing information' section has an unchecked box 'I purchase this product/service from a vendor.' At the bottom right is a green 'Save and new' button.

FIGURE 2-38: A Non-inventory product item

Non-inventory Products—Passed Through

You can also track the profitability for each Non-inventory product. In this case, you should create a **Two-sided Non-inventory item** to track the purchase costs in a Cost of Goods Sold account, and the sales amounts in an Income account.

Two-sided non-inventory products are particularly useful for special orders. For example, Craig's Landscaping tracks all sculpture orders with one Non-inventory product, since each piece is unique. It doesn't make sense to create a new product for a one-time use.

HANDS-ON PRACTICE

STEP 1. If you are continuing from the previous step, you are ready to create a new Non-inventory product. If not, start a new **Non-inventory product**.

STEP 2. Fill in the detail of the item as shown in Figure 2-40.

The screenshot shows the 'What kind of product or service is this?' screen. It has a search bar and a 'SUGGESTED' section with three radio button options: 'Live plants or trees that don't produce food', 'Grass seed' (which is selected), and 'In-person training (educational materials provided)'. Each option has a breadcrumb trail. At the bottom is a 'Browse all' link.

FIGURE 2-39: Select the special sales tax category

- STEP 3.** This time we will leave the *Sales Price/Rate* and *Cost* fields empty, since the price changes with every order.
- STEP 4.** Click **Edit Sales Tax**. Search for **Retail**, then select **General taxable retail products (use this if nothing else fits)**. Click **Done**.
- STEP 5.** When your Non-inventory product matches the Custom Statue in Figure 2-40, drop down the arrow next to the **Save** button and choose **Save and Close** to save the item and go back to the *Products and Services list*.

Inventory Products

Sometimes a company not only purchases merchandise for resale, but also tracks the quantity and value of the stock on hand. **Inventory products** are common in retail businesses, and are two-sided by nature.

Inventory items are only available in QBO Plus and Advanced.

TIP:

Before setting up inventory, think about what products should be tracked as **Inventory products**. It may not be necessary to separately track every product you sell as inventory. If you do not buy items for resale, run detailed valuation reports, or require at-a-glance stock status information about the products, instead use **Non-Inventory Products** to track them.

Also, if you are syncing your QuickBooks Online to an ecommerce website, point of sale system, or other third-party app that tracks your wares, you may not need to set up inventory in QBO. Some apps sync to QBO. Even if yours does not, there is no need to maintain inventory in two independent systems. Instead, use the other software for stock management and limit your accounting in QuickBooks Online to the daily sales totals.

FIGURE 2-40: A Two-Sided Non-inventory product

HANDS-ON PRACTICE

Craig's Landscaping sells and installs birdbaths when they do landscape design, as backyard sanctuaries have become popular! Craig would like to be able to look up how many he has in stock instead of having to go out to the warehouse to look, and he wants to make sure he never runs out so that he doesn't have to delay any installations.

- STEP 1.** Go to the *Products and Services List* if you are not already there.
- STEP 2.** Click the green **New** button in the upper right.

STEP 3. Choose **Inventory** from the *Product/Service Information* pane (see Figure 2-41).

STEP 4. Enter **Bird Bath** in the *Name* field and press **Tab**.

STEP 5. You may optionally assign each item in your inventory a SKU number, a code used in inventory management for internal barcoding or for manufacturer's part numbers. This enables you to reference the same number on purchase orders and bills to eliminate confusion.

We will skip this field for now. Press **Tab** to move to the next field.

STEP 6. Enter **Fountains** in the *Category* field.

IMPORTANT!

The next three fields, **Initial quantity on hand***, **As of Date***, and **Reorder point** are used to set the starting points for your inventory tracking. It's crucial that you NOT use today's date and quantity in these fields! If you do, you will be unable to enter any transactions involving the inventory product if they occurred before this date.

Instead, use a **0** quantity and a date long before your first transaction involving the product (for example, **January 1**).

After you're done setting up the products, create the actual expenses or bills to buy the product and record sales.

Alternatively, use a single **Inventory Qty Adjustment** transaction to set up the quantity and value on hand for *all* the inventory items. This feature is found on the **+New** button.

The screenshot shows the 'Product/Service information' window for an inventory item. The 'Name' field contains 'Bird Bath'. The 'SKU' field is empty. The 'Category' dropdown is set to 'Design:Fountains'. The 'Initial quantity on hand*' is set to 0, and the 'As of date*' is set to 01/01/. The 'Reorder point' is set to 3. The 'Inventory asset account' dropdown is set to 'Inventory Asset'. The 'Description' field contains 'Marble bird bath'. The 'Sales price/rate' is set to 350, and the 'Income account' dropdown is set to 'Sales of Product Income'. The 'Sales tax' section shows 'Taxable - standard rate' with a link to 'Edit sales tax'. The 'Purchasing information' section contains '2 foot gray and white marble bird bath'. The 'Cost' field is set to 200, and the 'Expense account' dropdown is set to 'Cost of Goods Sold'. The 'Preferred Vendor' dropdown is set to 'Tim Philip Masonry'. A 'Save and close' button is at the bottom right.

FIGURE 2-41: An Inventory Item

STEP 7. In the *Initial Quantity on Hand** box, enter **0**.

STEP 8. In the *As of Date** field, use the calendar to select **January 1**.

STEP 9. Enter **3** in the *Reorder Point*. When you dip below this threshold, QuickBooks Online will show a **Low Stock Indicator** at the top of the *Products and Services list*, alerting you that it is time to place an order.

STEP 10. The *Inventory Asset Account* should default to **Inventory Asset** from your Chart of Accounts. This holds your purchase costs as an asset on your Balance Sheet until the products are sold.

STEP 11. Enter **Marble bird bath** in the *Description* field and press **Tab**.

The description you enter here appears as the default description when you use this item on purchase orders and bills.

STEP 12. Enter **350** in the *Sales Price/Rate* field. The sales price is the rate normally charged to customers for the item. You can enter a default here and later override it on sales forms if you need to.

STEP 13. Select **Sales of Product Income** from the *Income Account* drop-down list. This is the income account to which you want to post sales of this item.

STEP 14. Click *Edit Sales Tax*. Search for **Retail**, then select **General taxable retail products (use this if nothing else fits)**. Click **Done**.

Sales Tax Codes determine the default taxable status of the item. QuickBooks Online will calculate sales tax on this item when it appears on sales forms. If the item is sometimes taxable and other times nontaxable, create two separate items and use the appropriate item as needed. For more information on Sales Tax see [page 73](#).

STEP 15. In the *Purchasing Information* box, enter **2 foot gray and white marble bird bath**.

QuickBooks Online allows you to have two descriptions for this item: one for purchase forms and one for sales forms. If you'd like, you can use your vendor's description when purchasing the item and a more customer-oriented description on your sales forms.

STEP 16. Enter **200** in the *Cost* field.

Use this field to track the amount you pay to your vendor (supplier) for the item. QuickBooks Online uses this amount as the default when you enter this item on *Purchase Orders*, *Bills*, *Checks*, and *Credit Card Charges*. You can override the amount on any current transaction, but if the price changes, you should come back and edit the default amount here.

STEP 17. In the *Expense Account* field, select **Cost of Goods Sold** if it is not already there.

QuickBooks Online uses the Cost of Goods Sold account to record the FIFO ("First In, First Out") cost of this item when you sell it.

KEY TERM:

FIFO stands for "First In, First Out." It is a method for calculating inventory costs, meaning that when a product sells, you sell the oldest one on hand and its COGS is its actual original purchase price. QuickBooks Desktop uses *Average Cost*, meaning that when a product sells, its cost is calculated using the average purchase price of all items on hand. For this reason, QuickBooks Online's inventory calculation is technically more accurate than QuickBooks Desktop.

STEP 18. Select **Tim Philip Masonry** from the *Preferred Vendor* drop-down list.

The *Preferred Vendor* field is used to associate an item with the vendor from whom you normally purchase this part. It allows you to create a Purchase Order from an Estimate. It is an optional field that you can leave blank without compromising the integrity of the system.

STEP 19. Compare your inventory product to Figure 2-41. Click **Save and Close** to save the new item.

THE ACCOUNTING BEHIND THE SCENES:

When you purchase inventory, QuickBooks Online increases (debits) the **Inventory Asset** account by the amount of the purchase price, and credits the **payment method** used.

| TRANSACTION TYPE | NUM | NAME | MEMO/DESCRIPTION | ACCOUNT | DEBIT | CREDIT |
|------------------|-----|--------------------|------------------|-----------------|----------|----------|
| Expense | | Tim Philip Masonry | | Checking | | \$125.00 |
| | | | Rock Fountain | Inventory Asset | \$125.00 | |
| | | | | | \$125.00 | \$125.00 |

When you sell inventory, QuickBooks Online decreases (credits) the **Inventory Asset** account and increases (debits) the **Cost of Goods Sold** account for the FIFO cost of that item at the time it is sold. We saw an example of this on [page 29](#).

Bundles

Bundles allow you to use one item to group several separate products and services together as a package on sales forms. Instead of having to add individual line items every time, a bundle adds multiple lines all at once. You have the option of displaying the full list, or just the summary bundle. Quantities are tracked behind the scenes for each product or service within the bundle.

HANDS-ON PRACTICE

Every time Craig's Landscaping sells a rock fountain, it comes with a pump, requires concrete, and takes two hours to install. Instead of repeating these entries for every sale, Craig would like to be able to sell the products, materials, and service as one unit.

- STEP 1. Open the *Products and Services list* if it is not already open.
- STEP 2. Click the green **New button** in the upper right corner.
- STEP 3. Select **Bundle** (see Figure 2-42).
- STEP 4. Enter **Rock Fountain Installation** in the *Name** field. Press **Ctrl-A** to highlight all the text, then **Ctrl-C** to copy it (on a Mac, hold down **Cmd** instead).
- STEP 5. Press **Tab** three times to move to the *Description* field, then press **Ctrl-V** (**Cmd-V**) to paste **Rock Fountain Installation** in the box.
- STEP 6. Place a **checkmark** in front of *Display Bundle Components When Printing or Sending Transactions*. Craig wants to save time in typing, but he still wants his customers to see everything that goes into installing a fountain.
- STEP 7. In the *Product/Service* grid, click in the first row and type **Rock**. Choose **Rock Fountain** from the list.
- STEP 8. In the second row, add a **Pump**.

TIP:

If you type too quickly and you override the autofill, QBO may pop up a window asking you to create a new product. If this ever happens, just click **Cancel** and try again, a little more slowly.

STEP 9. On line three, enter **Concrete**.

STEP 10. On the fourth line, add **Installation**. In the *Qty* box, enter **2**. It takes two billable hours to install a fountain.

STEP 11. When your Bundle matches Figure 2-42, click **Save and Close** to save the item and return to the *Products and Services* list.

STEP 12. Try out the bundle! Click the **+New button** at the top of the black *Left Navigation Bar*. Choose **Invoice**.

STEP 13. Enter **Weiskopf Consulting** in the *Customer* field.

STEP 14. In line 1 of the *Product/Service grid*, enter **Rock Fountain Installation** and press **Tab** or click away. The bundle will burst into five lines, a header and four line items.

STEP 15. Change the *Qty* of the *Rock Fountain Installation* on the first row to **2**. Press **Tab** or click away.

All quantities and prices will recalculate according to the number of bundles sold. The prices and descriptions for each of the four line items may

Product/Service information

Bundle [Change type](#)

Name*
Rock Fountain Installation

SKU

Description
Rock Fountain Installation

Products/services included in the bundle
☒ Display bundle components when printing or sending transactions

| PRODUCT/SERVICE | QTY |
|--|-----|
| Rock Fountain Rock Fountain | 1 |
| Pump Fountain Pump | 1 |
| Concrete Concrete for fountain installation | 2 |
| Installation Installation of landscape design | 2 |

[Add lines](#)

FIGURE 2-42: Create a Bundle to turn multiple items into one

Invoice #1038

Customer: Weiskopf Consulting
Customer email: Consulting@intuit.com

BALANCE DUE
\$780.00

[Receive payment](#)

| # | PRODUCT/SERVICE | DESCRIPTION | QTY | RATE | AMOUNT | TAX |
|---|--------------------------------|---|-----|------|--------|-----|
| 1 | Rock Fountain Installation | Rock Fountain Installation <small>Your customer will see all items in this bundle.</small> | 2 | 390 | 780.00 | |
| | Design:Fountains:Rock Fountain | Rock Fountain | 2 | 275 | | ✓ |
| | Design:Fountains:Pump | Fountain Pump | 2 | 15 | | ✓ |
| | Design:Fountains:Concrete | Concrete for fountain installation | 4 | 0 | | ✓ |
| | Landscaping:Installation | Installation of landscape design | 4 | 50 | | |
| 2 | | | | | | |

Subtotal \$780.00

FIGURE 2-43: Invoice with Bundle

be customized. Behind the scenes, the inventory accounting will update automatically (see [page 65](#)).

STEP 16. Change the green button in the lower left corner to **Save and Close** the invoice. If you are prompted about missing *Class* fields, click **Yes**.

Collecting Sales Tax on Products and Services

It's important to understand how QuickBooks Online calculates sales tax. Every product and service is assigned to be **Taxable** or **Non-taxable** when created. As you add these items to invoices and sales receipts, a checkmark allows you to toggle whether or not sales tax will be calculated for that particular transaction.

But don't get fooled! If a product is sometimes taxable and other time non-taxable, create **two products**, one with each tax status. On your forms, be careful to choose the correct taxable or nontaxable item.

While checking or unchecking the taxable status on a sales form will change whether or not you collect tax in that single transaction, the Sales Liability Report calculates based on *the product sold, regardless of whether or not you actually collected the tax*.

IMPORTANT!

Using the checkmark to toggle sales tax on and off will create a discrepancy between the tax you collect and the tax you remit to your state agencies. Avoid overpaying sales tax by creating separate items for taxable and non-taxable sales.

CUSTOMIZING LISTS

QuickBooks Online provides many **Lists** that allow you to add information to each transaction and help you track more details. If you go to the *Gear* and click on **All Lists**, you'll see a list of lists. Some of these lists are fundamental building blocks of your company file, like the *Chart of Accounts* and *Products and Services*. Some of these populate the drop-down menus on the forms, like *Payment Methods* and *Terms*. And some are collections of items you create, like *Recurring Transactions*, *Attachments*, and *Custom Form Styles*.

In this section, you will learn how to modify the **Terms List** and **Payment Methods List**.

The Terms List

The **Terms List** is the place where you define the payment terms for invoices and bills. QuickBooks Online uses terms to calculate when an invoice or bill is due.

QuickBooks Online allows you to define two types of terms:

- ▶ **Standard Terms** calculate based on how many days from the invoice or bill date the payment is due.
- ▶ **Date-Driven Terms** calculate based on the day of the month that an invoice or bill is due. Date-driven terms are not applicable in all businesses. They are typically used when invoices are generated at the same time each month, such as invoicing for monthly dues or services. Businesses will often prorate the first month's charges in order to get the customer into the regular billing cycle.

Customers and vendors can be assigned default terms. You can override the default terms on each sale or purchase as necessary. When you create reports for Accounts Receivable or Accounts Payable, QuickBooks Online takes into account the due date calculated by the terms on each invoice or bill.

Due on Receipt means that the payment is due immediately. Unpaid invoices and bills are marked **Overdue** the very next day.

Net 30 means that payments must be received within 30 days before being considered late. It's a common practice to add **late fees** to overdue invoices and bills, as discussed on [page 231](#).

HANDS-ON PRACTICE

STEP 1. Select the *Gear* menu, and then choose **All Lists**. From there, click on **Terms** (see Figure 2-44).

STEP 2. If there are terms on this list you will never use, you can remove them. Craig's Landscaping never uses *Net 10* (meaning that the invoice or bill is due 10 days after its date). Click the **drop-down arrow** on its right and choose **Make Inactive**. Click **Yes** to confirm.

STEP 3. To set up additional terms, select the **New** button in the upper right.

STEP 4. Craig prefers to have all his clients pay him by the first day of the month, unless he does the work in the last week (in that case, they can pay the following month). Fill in the fields as shown in Figure 2-45, then click **OK**.

STEP 5. **Save** the *New Terms* window.

STEP 6. Take a look at how these date-driven terms play out on an invoice. Click the **+New** button, then on **Invoice** (see Figure 2-46).

STEP 7. Click on the **drop-down arrow** to the right of the *Terms* field. Choose the new **First of the month** option you just created. Change the *Invoice Date* to a day in the last week of the month. You'll see that the *Due Date* updates to the first of the following month.

STEP 8. Click the **X** in the upper right corner, and click **Yes** to leave without saving the invoice.

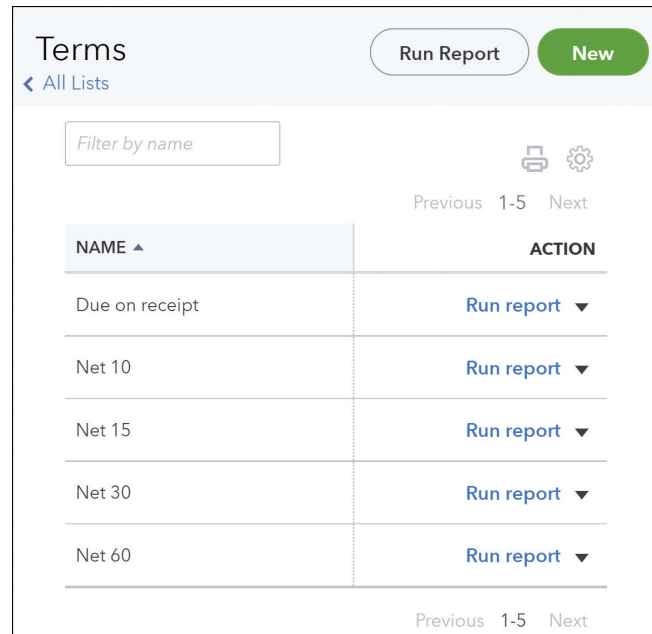


FIGURE 2-44: *Terms List window*

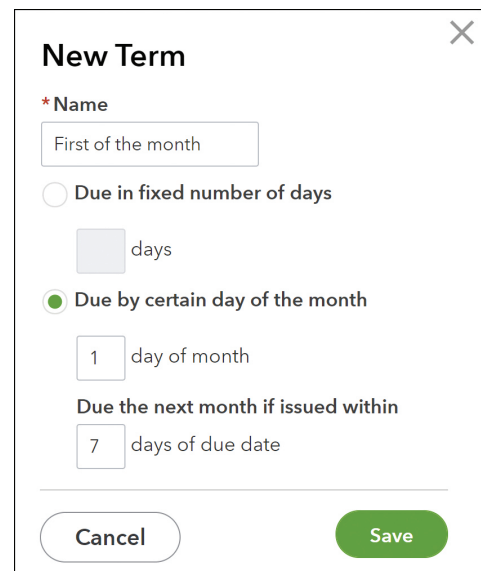


FIGURE 2-45: *The New Terms window with date-driven terms*

FIGURE 2-46: Change the Terms on an invoice, and the Due Date will update accordingly

Payment Methods

QuickBooks Online creates common **Payment Methods** by default, but you will want to customize this list to the ones you accept. Payment methods refer to both how you receive payments and how you make payments.

This list integrates with **QuickBooks Payments**, QBO's built-in merchant services. When you have QB Payments turned on, any of the payment methods marked **Credit Card** will allow you to run a credit card right inside the interface. The payment method **Check** is used not just for paper checks, but for ACH (e-checks) as well.

We will see these payment methods in use when we receive invoice payments on [page 122](#).

| NAME | CREDIT CARD | ACTION |
|------------------|-------------|------------|
| American Express | ✓ | Run report |
| Cash | | Run report |
| Check | | Run report |
| Discover | ✓ | Run report |
| MasterCard | ✓ | Run report |
| PayPal | | Run report |
| Visa | ✓ | Run report |

FIGURE 2-47: The list of Payment Methods

HANDS-ON PRACTICE

Craig's Landscaping doesn't take Diner's Club, but they do take PayPal, so you decide to edit the list.

- STEP 1.** Select the *Gear* menu, and then choose **All Lists**. From there, click on **Payment Methods** (see Figure 2-47).
- STEP 2.** If there are terms on this list you will never use, you can remove them. Craig's Landscaping does not accept *Diner's Club*, so there's no reason to keep it as an option. Click the **drop-down arrow** on its right and choose **Make Inactive**. Click **Yes** to confirm.

- STEP 3.** To create a new payment method, select the **New** button in the upper right.
- STEP 4.** Enter **PayPal** in the *Name* field.
- STEP 5.** Leave *This Is a Credit Card* unchecked. Only select that option when you will use the payment method to run credit cards inside QBO.
- STEP 6.** Save the *New Payment Method* window.

FIGURE 2-48: Add a Payment Method

IMPLEMENTING CUSTOM FIELDS

When you create transactions, you can define **Custom Fields** for tracking additional information. Custom fields are available as columns or filters on most reports.

Some common uses for Custom Fields include tracking Sales Reps, PO Numbers, and crews or vehicles assigned to a job. In some cases, your vendors or clients may require you to include specific information on your forms, like PO Numbers.

QuickBooks Online has three basic built-in fields. Upgrading to QuickBooks Online Advanced extends this limit:

- ▶ Up to 12 custom fields for each type of form.
- ▶ Attach custom fields to vendors, customers, and employees.
- ▶ Implement data types including drop-down lists, text, number, and date formats.

HANDS-ON PRACTICE

Craig's Landscaping tracks each customer and vendor transaction by **Sales Rep**. This information allows the company to track employee productivity and customer satisfaction.

- STEP 1.** Access **Custom Fields** from the *All Lists* window under the *Gear*.
- STEP 2.** The first time you go to *Custom Fields*, click the green **Add Custom Field** button.

FIGURE 2-49: Add Custom Fields

STEP 3. Enter **Sales Rep** in the *Name box* (see Figure 2-49).

STEP 4. Click the **checkmark** next to *All Sales Forms*. Turn the *slider* to **On** so that the Sales Rep field appears when you print and email forms.

STEP 5. Click **Save**.

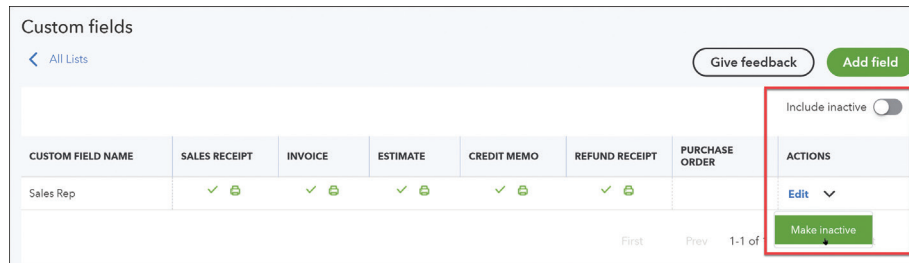


FIGURE 2-50: *The Custom Fields list*

In the *Custom Fields* list shown in Figure 2-50, you can edit existing custom fields, inactivate those you no longer need, view inactive fields, and add up to three in total. If you need more than three fields or would like enhanced features, upgrade to QuickBooks Online Advanced.

ACTIVATING CLASS TRACKING

In QuickBooks Online Plus and Advanced, the **Class** and **Location** fields give you additional ways to segregate your transactions. You can use classes to separate your income and expenses by revenue stream, profit center, or any other meaningful breakdown of your business activity. You can use locations to track income and spending by department or branch. Alternatively, if your business is a not-for-profit organization, you could use classes to separately track transactions for each program or activity within the organization.

When you use classes and/or locations on each transaction (checks, bills, invoices, etc.), you'll be able to create separate reports for each class or location of the business, either by filtering reports for a specific class, or breaking up the report into multiple columns for each class. An example of a Profit and Loss by Class report can be found on [page 306](#).

For example, a landlord might classify all income and expenses by property and be able to create separate Profit & Loss reports for each building or unit. A law firm might wish to view income and expenses by partner.

Classes can be nested seven levels deep.

Since you will have income or expenses that apply to all or none of your classes and locations, always include an additional entry called **Overhead** and assign such transactions there.

IMPORTANT!

Because the *Craig's Landscaping sample company* resets itself each time you use it, we will only turn on classes in some of the lessons. In your *Imagine Photography company file*, we will use classes to track each store branch throughout the exercises.

HANDS-ON PRACTICE

Craig's Landscaping provides services for both residential and commercial customers. Craig would like to be able to view his reports separated by these income and expense streams.

Follow these steps to create the **Classes List**:

- STEP 1. Click on the **Gear**, and then choose **All Lists**.
- STEP 2. Click on **Classes** (if you don't see an option for **Classes**, turn to [page 44](#) to them on again).
- STEP 3. Click the green **New** button.
- STEP 4. Enter **Residential** in the *Name* box (see Figure 2-51).
- STEP 5. Click **Save**.
- STEP 6. Repeat steps 3–5 to add **Commercial** to the *Class List*.
- STEP 7. Add a third class for **Overhead**.
- STEP 8. The *Classes* list now looks like Figure 2 52.

FIGURE 2-51: Creating a Class

| NAME | ACTION |
|-------------|------------|
| Commercial | Run report |
| Overhead | Run report |
| Residential | Run report |

FIGURE 2-52: Craig's Landscaping's Classes list

Tagging

If you are not using QuickBooks Online Plus or Advanced and do not have access to classes, the **Tags** feature under the Gear is a great replacement. In fact, in some ways it is more flexible.

Tags are similar to classes in that they label income and expense transactions, and can be used as filters and columns in reports.

The difference is that tags can be color-coded into groups, and you can apply as many tags as you want to any transaction (although you can only apply one tag from each group).

Tags are a creative way to track events, employee activity, marketing sources, and other dimensions that don't fit into other QuickBooks Online fields.

HANDS-ON PRACTICE

Craig decides that he would like an easy way to analyze his jobs according to whether they are maintenance or new installations.

- STEP 1.** Click on the **Gear**, and then choose **Tags**.
- STEP 2.** From the green **New** button, select **Tag Group**
- STEP 3.** In the *Group Name* box, enter **Job Type**.
- STEP 4.** Change the *color* to **Green** (top row, third circle). Click **Save**.
- STEP 5.** In the *Tag Name* box, type **Maintenance**. Click **Add**.
- STEP 6.** In the *Tag Name* box, type **New Install**. Click **Add**.
- STEP 7.** Click **Done**.

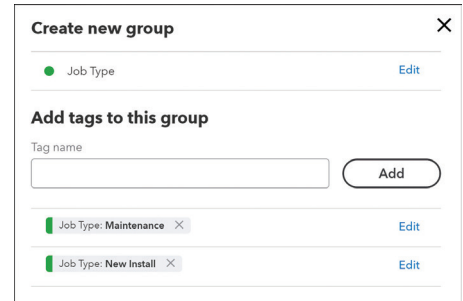


FIGURE 2-53: Creating Tag Groups and Tags

SETTING UP SALES TAX

If you sell products and certain types of services, chances are you will need to collect and remit **Sales Tax** to your state. In many states, each county or city may impose additional local taxes that businesses are also required to collect and report.

If you sell non-taxable goods and services, or if you sell to customers that are exempt from paying sales tax, your state will probably require a breakdown of non-taxable sales and the reason sales tax was not assessed.

These differing conditions may not apply in all jurisdictions, but QuickBooks Online allows you to track sales tax for all of these different situations.

DID YOU KNOW?

Sales tax is complicated! Some states are **home rule** states, meaning that your company address matters more than the location of your customers. Other states are **location-based**, and your taxes are calculated according to your customers' addresses.

Also consider **nexus**. If you only have a few transactions or low total sales in particular jurisdictions, you may not owe any sales tax there.

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

Collecting Sales Tax

You must set up your **Sales Tax Agencies** before using the Sales Tax feature in QuickBooks Online.

HANDS-ON PRACTICE

- STEP 1.** Click **Taxes** on the *Left Navigation Bar*.
- STEP 2.** The *Let's Set Up Your Sales Tax Center* dialog box appears. Click **Get Started**.

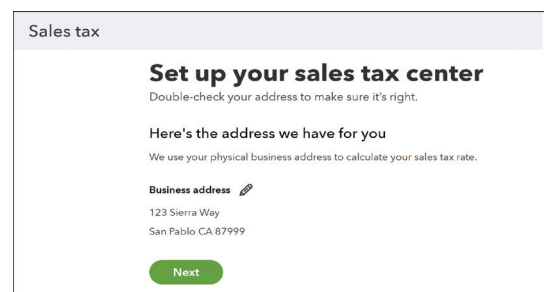


FIGURE 2-54: Verify your business address

STEP 3. Verify that your *Business Address* is correct. If you need to make changes, click the **Pencil**. Otherwise, click **Next** (see Figure 2-54).

STEP 4. The next step is to set up the states where you do business. If you have already been using your QBO file, QuickBooks Online may suggest some tax rates for you (see Figure 2-55).

In the *Official Agency Name* column, assign the tax agencies. Some states just have one flat rate for all cities and counties. For other states, you may need to set up individual rates for every county where your customers reside.

If you have a lot of local taxes, use the **Bulk Matching** tool at the top.

STEP 5. On the *California* row, select **California Department of Tax and Fee Administration**.

STEP 6. On both the *AZ State Tax* and *Tucson City* rows, choose **Arizona Department of Revenue**.

Sales tax

Bulk matching
To apply multiple rates to an agency, select your rates, then select your agency.

Official agency
Select an agency Apply (0 selected) Clear selection

| <input type="checkbox"/> | TAX RATE NAME | TAX RATE | YOUR AGENCY NAME | OFFICIAL AGENCY NAME |
|--------------------------|------------------------|----------|--------------------------|---|
| <input type="checkbox"/> | California | 8% | Board of Equalization | California Department of Tax and Fee Administration |
| <input type="checkbox"/> | Tucson (combined rate) | 9.10% | | |
| <input type="checkbox"/> | AZ State tax | 7.1% | Arizona Dept. of Revenue | Arizona Department of Revenue |
| <input type="checkbox"/> | Tucson City | 2% | Arizona Dept. of Revenue | Arizona Department of Revenue |

Previous Next

FIGURE 2-55: Assign Sales Tax agencies

Sales tax

Review your rates
Here's what we'll bring over to your new sales tax center.

Active Rates

| | | |
|---|------|------------------------|
| California California Department of Tax and Fee Administration | 8% | Change |
| AZ State tax Arizona Department of Revenue | 7.1% | Change |
| Tucson City Arizona Department of Revenue | 2% | Change |

Previous Save

FIGURE 2-56: Sales Tax agency rates

STEP 7. Click **Next**.

STEP 8. QBO asks you to review your states, agencies, and tax rates. If you need to make any changes, click the blue **Change** link (see Figure 2-56). These are correct for Craig's Landscaping, so click **Save**.

How often do you file sales tax?

You can find this info on your sales tax business registration. If you can't find it or it changed, check out the table to see where your business fits.

Agency
California Department of Tax and Fee Administration 2 of 2

Filing frequency
Monthly

Starting in
January

California filing frequency requirements

| Average monthly liability | Filing frequency |
|---------------------------|-------------------|
| \$0 to \$100 | Annual |
| not permitted | Semi-Annual |
| \$100.01 to \$1,200 | Quarterly |
| \$1,200.01 and up | Quarterly Prepaid |

Source:
<https://www.cdtfa.ca.gov/taxes-and-fees/cpm-02.pdf>, page 57 (February 20, 2018)

Previous Save

FIGURE 2-57: Assign each agency's filing frequency

STEP 9. Click **Continue**, then click through any additional informational screens.

STEP 10. Next QuickBooks Online will ask you *How Often Do You File Sales Tax?* Choose your *Filing Frequency* for each agency (see Figure 2-57). Be sure to get this information directly from your state's Department of Revenue.

For *Arizona*, select **Yearly**, then click **Next Agency**.

STEP 11. For *California*, choose **Monthly**, then click **Save**.

THE ACCOUNTING BEHIND THE SCENES:

Sales Tax automatically calculates on each sales form by applying the sales tax rate to all taxable items on that sale. QuickBooks Online increases (credits) the **Sales Tax Payable** for the amount of sales tax on the sale.

| TRANSACTION TYPE | NUM | NAME | MEMO/DESCRIPTION | ACCOUNT | DEBIT | CREDIT |
|------------------|------|---------------------------------|------------------|-----------------------------------|----------|----------|
| Invoice | 1031 | Freeman Sporting Goods:0969 ... | | Accounts Receivable (A/R) | \$387.00 | |
| | | Weekly Gardening Service | | Landscaping Services | | \$90.00 |
| | | Rock Fountain | | Landscaping Services:Job Mater... | | \$275.00 |
| | | | | Board of Equalization Payable | | \$22.00 |
| | | | | | \$387.00 | \$387.00 |

Also, QuickBooks Online tracks the amount due (debits) by *Tax Agency* in the *Sales Tax Liability* report on [page 245](#) and in the *Pay Sales Tax* window shown below.

Craig's Landscaping is now set up to track sales tax for Arizona and California. Your *Sales Tax Center* will look similar to Figure 2-58. Dates and amounts will vary. Click on each state. Expand the *Tax Period Date* field as far back as you can to see past taxes.

Taxes

Sales tax 1099 filings

Sales Tax

Select an agency
Arizona Department... ▼

ARIZONA DEPARTMENT OF REVENUE
\$0.00
January 01 - December 31,
Accrual basis
[More details](#)

CALIFORNIA DEPARTMENT OF TAX AND FEE ADMINISTRATION
\$0.00
June 01 - June 30,
Accrual basis
[More details](#)

[Sales Tax Settings](#) [Economic Nexus](#)

[Reports](#) ▼

Status: All ▼ Tax Period Date: Last Month ▼

| AGENCY | PERIOD | DUE DATE | AMOUNT | STATUS | ACTION |
|------------------------------|-----------------|----------|--------|--------|---------------------------------|
| Arizona Department of Rev... | Jan 01 - Dec 31 | 01/20/ | 0.00 | Open | View Tax Return |

FIGURE 2-58: The *Sales Tax Center* tracks your liability (your screen may vary)

IMPORTANT!

When you pay your sales taxes every month, be sure to use this *Sales Tax Center* to determine how much you owe. **More importantly, be sure to use this center to mark your sales taxes as paid!** The Sales Tax Center will apply the payment to decrease (debit) your **Sales Tax Payable liability account** to clear the balance owed. If you simply write a check or create a credit card payment without using the Sales Tax Center, you will overstate your expenses and the liability will remain on your Balance Sheet.

For more on paying the collected sales tax, see [page 243](#).

If you look in your *Chart of Accounts*, you'll see new **Other Current Liabilities** collecting your unpaid sales tax until you remit it to your state agencies (see Figure 2-59).



The screenshot shows the 'Chart of Accounts' window with a red box around the 'Chart of Accounts' tab. The 'Reconcile' tab is also visible. The table below lists two accounts under 'Other Current Liabilities'.

| NAME | TYPE | DETAIL TYPE | QUICKBOOKS BALANCE | BANK BALANCE | ACTION |
|----------------------------------|---------------------------|-------------------|--------------------|--------------|---------------------------------|
| Arizona Dept. of Revenue Payable | Other Current Liabilities | Sales Tax Payable | 0.00 | | View register ▼ |
| Board of Equalization Payable | Other Current Liabilities | Sales Tax Payable | 370.94 | | View register ▼ |

FIGURE 2-59: Sales Tax Liability categories in the Chart of Accounts

Setting up Sales Tax Defaults

After setting up your sales tax agencies, the next step is to assign a default **sales tax status** to each product or service item, as well as to each customer. The Sales Tax defaults indicate whether a specific product or service, and this particular customer, are taxable or non-taxable.

For example, if you sell products to a reseller, they are typically exempt from paying sales tax, since their customers will pay the sales tax when they purchase the items.

IMPORTANT!

If you have products and services that are sometimes taxable and other times non-taxable, create two products, one with each tax status. While checking or unchecking the taxable status on a sales form will change whether you collect tax or not, the Sales Liability Report calculates based on the product sold, regardless of whether or not you actually collected the tax.

We will set up these defaults in your Imagine Photography exercises when we create new Products in Chapter 2 and Customers in Chapter 3.

Applying Sales Tax on Forms

After you properly set up your QuickBooks Online **Sales Tax Agencies, Products and Services, and Customers**, QuickBooks Online automatically calculates and tracks sales tax on each invoice or sales receipt (see Figure 2-60).

Each line on a sale is taxed according to the combination of how the item and customer are set up. Only taxable customers will be charged sales tax, and only on taxable products. If the customer is taxable, then the **sum of the taxable items is multiplied by the sales tax rate**.

- ▶ Either the *Billing Address* or the *Shipping From* fields will be used to identify the appropriate tax agency, based whether your state calculates sales tax based on your company's location or the client's billing and shipping address. Sometimes the *Shipping From* field may be labeled *Location of Sale*.
- ▶ The *Tax* column shows if each line item is taxable.
- ▶ *Select Tax Rate* at the bottom allows you to change the tax agency.

In the example below, the customer is taxable. All three products on the invoice are taxable, so the total on each line (\$335.25) is multiplied by the rate for California (8%) for a resulting sales tax of \$26.82, which is then added to the balance due.

The tiny blue *See the Math* link allows you to see how the tax was calculated, and override the amount if necessary.

Invoice #1037

1 linked Estimate

Customer: Sonnenschein Family Store

Customer email: Familiystore@intuit.com

Send later: ☐ Send from my Gmail: ☐

BALANCE DUE
\$362.07
Receive payment

Billing address
Russ Sonnenschein
Sonnenschein Family Store
5647 Cypress Hill Ave.
Middlefield, CA 94303

Terms: Net 30

Invoice date:

Due date:

Create recurring invoice

Shipping from

+ Shipping information

| # | PRODUCT/SERVICE | DESCRIPTION | QTY | RATE | AMOUNT | TAX |
|---|--------------------------------|------------------------------------|-----|-------|--------|-----|
| 1 | Design:Fountains:Rock Fountain | Rock Fountain | 1 | 275 | 275.00 | ✓ |
| 2 | Design:Fountains:Pump | Fountain Pump | 1 | 12.75 | 12.75 | ✓ |
| 3 | Design:Fountains:Concrete | Concrete for fountain installation | 5 | 9.50 | 47.50 | ✓ |
| 4 | | | | | | |

Add lines Clear all lines Add subtotal

Subtotal \$335.25

Message on invoice
Thank you for your business and have a great day!

Discount percent \$0.00

Taxable subtotal

Select tax rate
California (8%) 26.82
[See the math](#)

Total \$362.07

Balance due \$362.07

FIGURE 2-60: Invoice with taxable items

CUSTOMIZING SALES FORMS

QuickBooks Online provides **Custom Form Styles** so that you can personalize your sales forms and payment receipts. Customizing your invoices, sales receipts, estimates, and payment receipts with your logo and branding projects a professional image.

You can modify the standard form that QuickBooks Online provides, and you can create your own variations so that you can control the way your forms appear on both the screen and the printed page.

The *Custom Sales Forms list* can be found under the *Gear*, at the bottom of most forms in the black bar, or under *Account and Settings* on the *Sales tab*.

HANDS-ON PRACTICE

Craig would like his invoices and sales receipts to display his logo and company colors. He would like a layout that looks stylish, and is easy for customers to read.

- STEP 1.** Click the *Gear*, and then choose **Custom Form Styles** in the first column. This list shows the standard template that comes with QuickBooks Online, as well as any forms the user may have created. In this sample company, the list may appear empty.
- STEP 2.** Click the **New Style button**, then choose **Invoice** (see Figure 2-61).
- STEP 3.** Change the *Name* at the top to **Service Invoice**. Give your templates unique, descriptive names so that you will easily recognize them when selecting them on forms.
- STEP 4.** Note that there are three tabs up at the top. We will start with the **Design** options (see Figure 2-61).

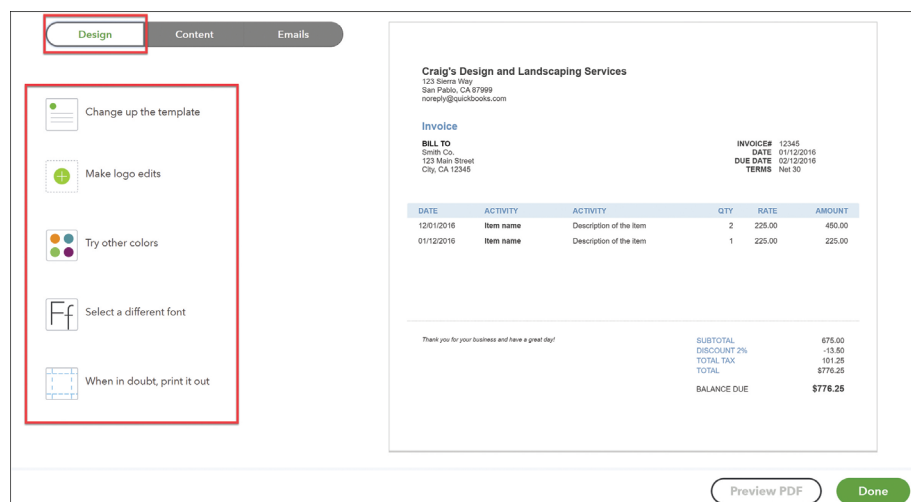


FIGURE 2-61: The Custom Form Styles window

TIP:

If you are using Locations in QuickBooks Online, you can create separate form styles with the contact information for office or store.

- STEP 5.** In the *Dive in with a Template* or *Change Up the Template* section (the name changes), choose **Fresh**.
- STEP 6.** Click on **Make Logo Edits**, then click the **Add a Logo** box. A window will open (see Figure 2-62). Adding a business logo to your invoice helps customers identify your invoice, and familiarize themselves with your brand.

NOTE:

This step may not work in the Craig's Landscaping sample company unless you are in an Incognito window (see [page 7](#)). You can also add the logo in the **Company** tab in *Account and Settings*.

- STEP 7.** Click the blue + **box**. Navigate on your computer to find the **CraigsLogo.jpg** in your student files, or substitute a logo of your choice. Click **Save**.
- STEP 8.** Next to the logo are three circles for the logo *Size*. Choose **L** for Large.
- STEP 9.** The next three circles align the logo on the left, center, or right of the header. Try all three to see the layouts, then select **right**.
- STEP 10.** If you add the logo through this window, QuickBooks Online will look at your logo and find a coordinating color. If you don't like the color chosen, or you have company-branded colors, click **Try Other Colors** (your window may say **Splash On Some Color**).

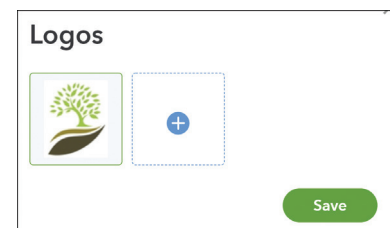


FIGURE 2-62: Upload the company logo

Craig wants the accent color to be green instead of brown. Click the **bright green** in the top row. The boxes and border lines on the invoice change to the selected color.

If the business had its own *Hex code* for the company colors, you could enter that in the box.

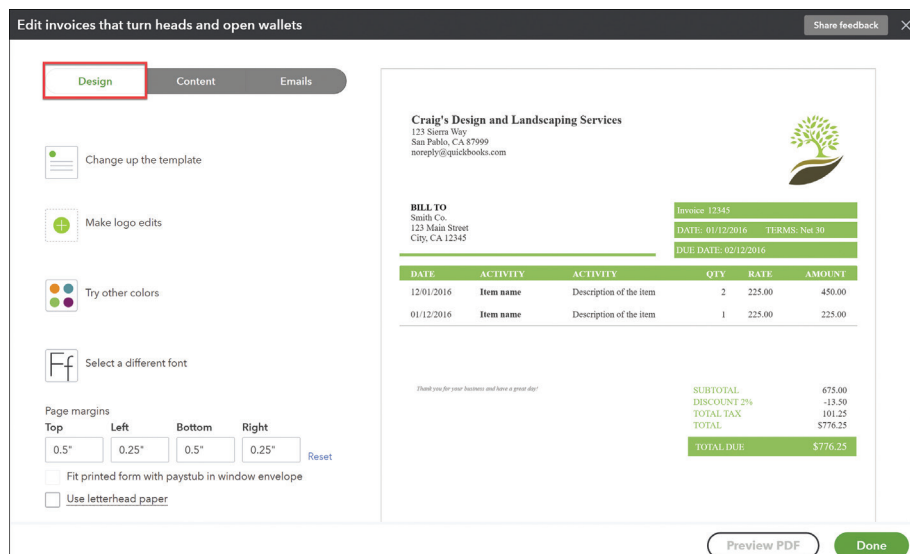


FIGURE 2-63: Design options

STEP 11. Click on **Get Choosy with Your Font** or **Select a Different Font** (the name changes), then choose **Arial Unicode MS**, and 12pt.

STEP 12. If you see *Edit Print Settings*, you can adjust page margins, align the form with envelope windows, and print on letterhead.

STEP 13. Click the **Content tab** at the top, then click on the **top section** in the preview on the right.

STEP 14. Note that your **Header fields** may not match the default data in Figure 2-64.

TIP:

Each of the fields you see in the *Preview* are demonstration placeholders. If you don't use a field in your transaction, the box will be empty when you print or email the form.

Edit invoices that turn heads and open wallets Share feedback

Design **Content** **Emails**

Header

- ☒ **Business name**
Craig's Design and Landscaping Services
- ☒ **Phone**
(123) 555-1212
- ☒ **Email**
noreply@quickbooks.com
- ☒ **Street address**
123 Sierra Way
- City** **State** **ZIP code**
San Pablo CA 87999
- ☒ **Website**
www.craigslandscaping.com

Form

- ☒ **Form names**
Invoice
Estimate
Sales receipt
Credit Memo
- ☒ **Form numbers**
☐ Use custom transaction numbers

Display

- ☒ Billing address
- ☒ Shipping
- ☒ Terms
- ☒ Due date or expiration date

Custom fields [Manage custom fields](#)

Preview

Craig's Design and Landscaping Services
123 Sierra Way
San Pablo, CA 87999
(123) 555-1212
noreply@quickbooks.com
www.craigslandscaping.com

BILL TO
Smith Co.
123 Main Street
City, CA 12345

SHIP TO
John Smith
20637 Palm Drive
City, CA 12345

Invoice 12345
DATE: 01/12/2016 **TERMS:** Net 30
DUE DATE: 02/12/2016

SHIP DATE: 01/03/2015 **SHIP VIA:** FedEx **TRACKING NO.:** 12345678

| DATE | ACTIVITY | DESCRIPTION | QTY | RATE | AMOUNT |
|------------|-----------|-------------------------|-----|--------|--------|
| 12/01/2016 | Item name | Description of the item | 2 | 225.00 | 450.00 |
| 01/12/2016 | Item name | Description of the item | 1 | 225.00 | 225.00 |

SUBTOTAL 675
DISCOUNT 25% -15.50
TOTAL TAX 101.25
SHIPPING 2.50
TOTAL \$762.25
TOTAL DUE \$776.25

[Preview PDF](#) [Done](#)

FIGURE 2-64: Add your contact information, form numbers, and additional header fields to match this image

STEP 15. Click the **middle section** of the *Preview* to modify how the columns display on the invoice (see Figure 2-65).

STEP 16. In *Account Summary*, place a checkmark in front of **Show on Invoice**. This adds an *Account Summary* with *Balance Forward* and *Total Amount Due* for customers on account.

- STEP 17.** Notice the **Date** column. While every transaction will always have a date in the header, this option also adds an extra date field to every row. This is useful for businesses that want to show the specific date each line item was performed. We will leave this option **On**.
- STEP 18.** If you want to change the width of the columns to make them wider or narrower, click the blue **Edit Labels and Widths** link. We will leave these on the defaults.
- STEP 19.** At the bottom, view the **Show More Activity Options** by clicking the blue link. Turn these options on or off to add additional rows to each sales form for progress invoicing, displaying all markup, and showing billable time. We will leave all of these on the defaults.
- STEP 20.** Compare your screen to Figure 2-65 and make sure it matches.

The screenshot shows the 'Edit Invoices that turn heads and open wallets' window. The 'Content' tab is selected. In the sidebar, the 'Show on invoice' checkbox is checked, and the 'EDIT LABELS AND WIDTHS' link is highlighted. At the bottom of the sidebar, the 'Show more activity options' link is highlighted. The main preview area shows an invoice for 'Craig's Design and Landscaping Services'. The invoice includes a header with company information, a table for line items, and a summary section at the bottom. The line items table is highlighted with a red box.

| DATE | ACCOUNT SUMMARY | AMOUNT |
|------------|-----------------------------|--------|
| 01/12/2016 | Balance Forward | 100.00 |
| | New charges (details below) | 665.00 |
| | Total Amount Due | 715.00 |

| DATE | ACTIVITY | ACTIVITY | QTY | RATE | AMOUNT |
|------------|-----------|-------------------------|-----|--------|--------|
| 12/01/2016 | Item name | Description of the item | 2 | 225.00 | 450.00 |
| 01/12/2016 | Item name | Description of the item | 1 | 225.00 | 225.00 |

| | |
|-------------|----------|
| SUBTOTAL | 675.00 |
| DISCOUNT 7% | -13.50 |
| TOTAL TAX | 10.25 |
| SHIPPING | 3.50 |
| TOTAL | \$776.25 |
| TOTAL DUE | \$776.25 |

FIGURE 2-65: Customize the appearance of the line items on the Content tab

- STEP 21.** Click the **bottom section** of the *Preview* to modify the messages on the invoice (see Figure 2-66).
- STEP 22.** Display the **Discount** and **Estimate Summary**. These add a dedicated Discount field and a Progress Invoicing summary below the invoice total.
- STEP 23.** The *middle box* that says “Thank you for your business . . .” is typically used for terms and conditions, or a thank you message. We will leave the default. Change the font size to **12pt**.
- STEP 24.** The *Footer text* is commonly used for mottos, slogans, and licensing numbers (such as a contractor’s CCB number). Enter **Mowing your lawn so that you don’t have to, since 1991**. Change the font size to **12pt Centered**.
- STEP 25.** Click the **Emails** tab at the top to set the defaults for your *Email messages* (see Figure 2-67).

FIGURE 2-66: Add a message and footer text

STEP 26. In the *How Your Invoice Appears in Emails* section, **Full Details** will include all your form's line items right in the email message. **Summarized Details** only include the due date and balance. The customer can click **Print** or **Save** to view the sales form online. If you have **QuickBooks Payments merchant services** turned on, the button becomes **Preview and Pay**, and the customer can pay the invoice immediately with a credit card or ACH payment.

If you leave **PDF Attached** on, the email message will include a PDF of the form for easy download. If you turn it off, the customer can still click the **Print** button and download it that way. Intuit's research demonstrates that if you prefer customers to pay electronically, turn **off** the *PDF Attached* option, or they might not notice the streamlined payment option.

STEP 27. In the *Standard Email* section, use the *drop-down box* to create default email messages for invoices, sales receipts, and estimates. Edit the **Subject line**, **Greeting**, and **Message to Customer** to reflect your company's terminology and communication style.

We will not change the default email messages at this time.

STEP 28. Click **Preview PDF** at the bottom right to view a sample of your finished form in a separate tab. Close the window when done.

STEP 29. If you have changes to make, go back and edit any of the segments. When you are satisfied with the appearance, click the green **Done** button.

STEP 30. The **Standard** form is the default form used on all transactions. If you have more than one custom form style, you'll be able to choose which one is the default.

FIGURE 2-67: Edit the default email messages so they reflect your communication style

In every invoice or sales receipt, you'll be able to click **Customize** in the *black bar* at the bottom of the window to choose which form to use. Click **Print** or **Preview** to see what the customer's copy will look like, and to print out your own copy if necessary.

FIGURE 2-68: Switch form styles, and preview before sending

ADDING USERS AND PASSWORDS

QuickBooks Online is multi-user by nature. The number of user accounts available depends on your subscription:

- ▶ *Simple Start* gets only **1** user login.
- ▶ *Essentials* subscriptions include **3** users.
- ▶ *Plus* subscriptions can have **5** users, and unlimited **Reports Only** users.
- ▶ *Advanced* files can have up to **25** users.

Every account has one **Primary Admin** who is the owner of the file with full access. This Primary Admin can add additional users and set privileges for each.

Optional modules like Payroll and QuickBooks Payments also allow for unlimited **Time Tracking** and **Payments Only** users so that employees can use the features without having any access to QBO itself.

Setting Up Users in the Company File

Each user should have a separate **username** and **password** to log into the file. That way you can see who made what changes when you look at the *Audit Log* (see [page 202](#)). The privileges granted to each user by the administrator determine what functions of QuickBooks Online they can access. For example, a user might have access to Accounts Receivable or Accounts Payable, but not payroll.

QuickBooks Online Advanced has additional granular control for user permissions.

NOTE:

To protect and secure your QuickBooks Online data file, always use a complex password. Complex passwords use at least eight characters, including a capital and lowercase letter, a number, and a special character. It is a good practice to use passwords that cannot be easily guessed.

HANDS-ON PRACTICE

Craig's Landscaping needs a user account for employee John Johnson to be able to make sales receipts when he is out on a job. By logging in to the mobile app, John can create sales forms when he is onsite, instead of waiting until he's back in the office. He will also be able to swipe credit cards to take payments in the field. Craig does not want John to be able to create expense transactions, or view payroll.

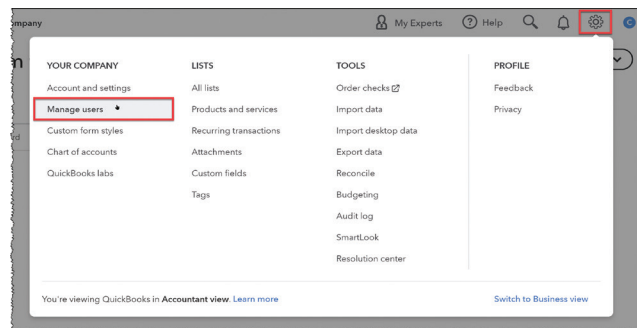


FIGURE 2-69: Select *Manage Users* from the Gear

STEP 1. On the *Gear* in the upper right corner, select **Manage Users** (see Figure 2-69).

Note that there are two tabs, one for *Users* and a second for *Accounting Firms*, as shown in Figure 2-70.

NOTE:

Because Craig's Landscaping is a sample company, it will have no users and we will not be able to send invitations.

STEP 2. To create an additional user, click **Add User**.

STEP 3. QuickBooks Online walks you through a setup wizard where you specify user types (see Figure 2-71). Choose **Standard User**, then click **Next**.

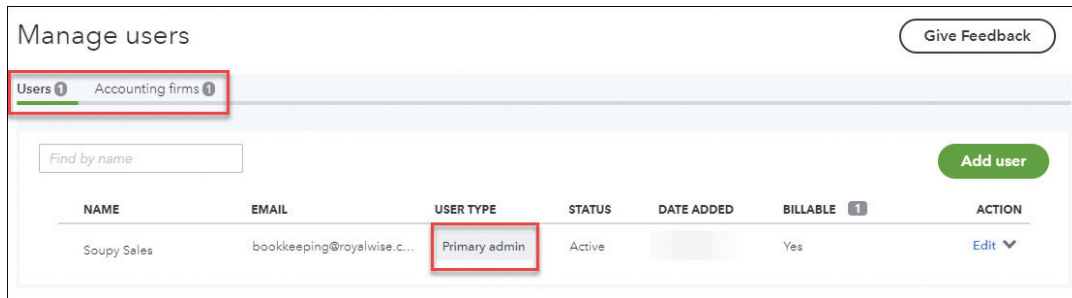


FIGURE 2-70: The Manage Users list for a company file

- ▶ A *Standard User* has customizable options.
- ▶ A *Company Admin* has full access.
- ▶ *Reports Only* users appear in QuickBooks Online Plus and Advanced. Users with this permission level can view all reports but not make any changes to the data.
- ▶ *Time Tracking Only* are unlimited accounts for employees to log in and use QuickBooks Online's time sheets to populate payroll as well as job costing reports in the Projects Center.
- ▶ *Payments Only Users* appear when you are connected to QuickBooks Payments Merchant Services, to allow staff to log in through the mobile app to swipe credit card payments.

Add a new user

Select user type

These count toward your user limit.

- ☒ Standard user
You can give them full or limited access, without admin privileges.
- ☐ Company admin
They can see and do everything. This includes sending money, changing passwords, and adding users. Not everyone should be an admin.

These don't count toward your user limit.

- ☐ Reports only
They can see all reports, except ones that show payroll or contact info.
- ☐ Time tracking only
They can add their own time sheets.

Next

FIGURE 2-71: The Add a New User window

STEP 4. In the *Select Access Rights* window, choose **Limited**, and check off **Customers** (see Figure 2-72). The list on the right shows what John will and won't be able to do when he logs in. Click **Next**.

Add a new user

Select access rights

How much access do you want this user to have?

☐ All
☐ None
☒ Limited

☒ Customers
☐ Vendors

Customers and sales

This user can:

- ✓ Enter estimates, invoices, sales receipts, credit memos, and refunds
- ✓ Enter charges and credits
- ✓ Create and delete statements
- ✓ Receive payments from customers
- ✓ Fill out timesheets for anyone
- ✓ Add, edit, and delete customers, products, and services

FIGURE 2-72: You can restrict a user's access

IMPORTANT!

If the QuickBooks Online file has an active payroll subscription, you will also see an option to prevent users from viewing confidential payroll data.

STEP 5. On the *Select User Settings* window, leave all the defaults. We don't want the employee to be able to manage users, edit company info, or see the billing. Click **Next** (see Figure 2-73).

STEP 6. Enter the user's **First Name**, **Last Name**, and **Email** address as shown in Figure 2-74. This will be their username when they log in.

By clicking **Save**, QuickBooks Online would send an invitation to the user to create a new account and password.

Because this is a sample company, we will not do this right now. Instead of clicking **Save**, click the **X** in the upper right to cancel the process.

Add a new user

Select user settings

Do you want this user to add, edit, and remove users?

☐ Yes
☒ No
☐ View only

Do you want this user to edit company info?

☐ Yes
☒ No

Do you want this user to manage subscriptions?

☐ Yes
☒ No
☐ View only

Previous Next

FIGURE 2-73: Can the user modify the QBO subscription?

Add a new user

What's their contact info?

We'll invite them to create a QuickBooks account and password for access to your company. This invite expires after 30 days.

First name

John

Last name

Johnson

Email

jj@craigslandscaping.com

This will be their user id.

Previous Save

FIGURE 2-74: Create the username and send the invitation

Accountant Users

QuickBooks Online also provides two *Accounting Firms* users (QBO Advanced has three). These logins are to be used by ProAdvisors, bookkeepers, and tax preparers.

Accountant logins allow financial professionals instant access to the company file. Not only can the accountant log in any time, but they also have additional tools not available to company users, including the ability to undo reconciliations, reclassify transactions, write off bad debts, and make books-to-tax adjustments.

To invite an accountant, simply enter their **email address**, and click **Invite**, as shown in Figure 2-75.

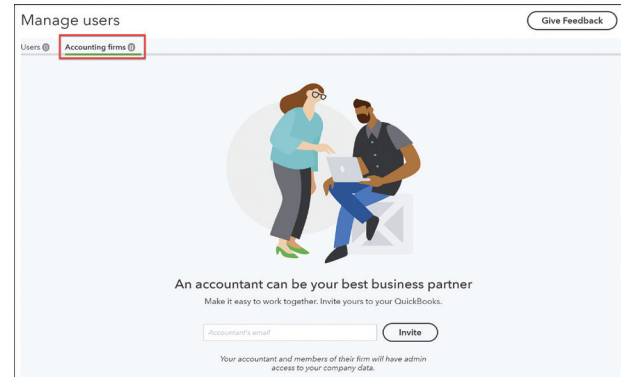


FIGURE 2-75: Invite your accountant or bookkeeper

REVIEW QUESTIONS

Comprehension Questions

1. Why is it important to go through Account and Settings when you first set up a new company file in QuickBooks Online?
2. What is the purpose of the Chart of Accounts?
3. Describe the purpose of the Products and Services List.
4. Describe how Classes are used in QuickBooks Online. Give an example of how a business could use classes.
5. How does QuickBooks Online calculate Sales Tax?
6. What are some of the reasons you might use Custom Fields?

Multiple Choice

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

1. You can create Custom Fields for:
 - a. Customers.
 - b. Templates.
 - c. Vendors.
 - d. Both a and c.
2. You can customize your QBO company settings under:
 - a. Gear > Account and Settings.
 - b. Left Navigation Bar > Accounting.

- c. Left Navigation Bar > Account and Settings.
 - d. Gear > Preferences.
- 3. The Chart of Accounts contains categories for:
 - a. Products and Services.
 - b. Customer names.
 - c. Assets, Liabilities, Equity, Income, and Expenses.
 - d. Payment methods.
- 4. Which of the following is not available as a Custom Sales Form?
 - a. Invoice.
 - b. Estimate.
 - c. Check.
 - d. Sales Receipt.
- 5. Which of the following is displayed vertically on the far left side of the screen?
 - a. The Dashboard.
 - b. The Left Navigation Bar.
 - c. The Gear.
 - d. None of the above
- 6. The types of Products and Services include:
 - a. Invoices, Sales Receipts, and Estimates.
 - b. Customers, Vendors, and Employees.
 - c. Inventory Asset, Cost of Goods, and Income.
 - d. Inventory, Non-inventory, Service, and Bundle
- 7. To add a new Sales Tax to the list:
 - a. See if QBO suggests any based on your company information.
 - b. Specify the states where you do business.
 - c. Add a new service item for each sales tax rate.
 - d. Either a or b.
- 8. Where can you find Custom Form Styles to manually design the layout of an Invoice?
 - a. The Gear.
 - b. Account and Settings > Sales.
 - c. Click Customize at the bottom of sales forms.
 - d. All of the above.
- 9. Which list creates the payment due dates for sales and expense forms?
 - a. Terms.
 - b. Payment Methods.
 - c. Classes.
 - d. Tags.

10. You would like your customers to pay you within 15 days. What List would you open to start creating this option?
 - a. Customers.
 - b. Products and Services
 - c. Payment Methods.
 - d. Terms.
11. What is the benefit to using Bundles on a sales form?
 - a. Save time in data entry.
 - b. Calculate quantities on several items at once.
 - c. Combine several Products and Services into one.
 - d. All of the above.
12. Where should you go to pay your Sales Taxes?
 - a. Write a check or enter a credit card expense.
 - b. The Sales Tax Center.
 - c. Pay a bill.
 - d. The Banking Feed.
13. You can rearrange the width of columns on a sales form using:
 - a. Columns.
 - b. Design.
 - c. Edit Labels And Widths.
 - d. Emails.
14. The Payment Methods list:
 - a. Contains the forms of payment you accept from customers.
 - b. Contains the forms of payments you use for vendors.
 - c. Should be customized to reflect your business's needs.
 - d. All of the above.
15. The setting to change the time limit for your browser before you get logged out is found:
 - a. You can't change this limit.
 - b. Account and Settings > Company.
 - c. Gear > Sign Out.
 - d. Account and Settings > Advanced.

Completion Statements

1. Use _____ to enter your company's contact information for use across all of QuickBooks Online.
2. The _____ list defines the items you buy from vendors and sell to customers.
3. Use _____ to create extra fields specific to your reporting needs.

4. _____ terms calculate based on the day of the month that an invoice or bill is due.
5. Products and Services that you both buy and sell are called _____.

CUSTOMIZING QUICKBOOKS ONLINE—APPLY YOUR KNOWLEDGE

It's time to set up Imagine Photography with the Account and Settings, Chart of Accounts, Products and Services, and Lists you will need throughout this course.

IMPORTANT!

As you enter set up information, proofread and review carefully to make sure you don't have any typos or spelling errors. Remember this information will be used for all transactions and reports going forward, so accuracy is important.

As you work through the setup, confirm that the information on the screen matches the book. If a setting is not mentioned in the instructions, you don't need to make any changes.

1. Sign in to **Imagine Photography**, your student company.
2. Set up the following **Account and Settings > Company** settings as shown in Table 2-1. Some options are already set up and will not need to be changed.

| COMPANY SETTINGS | |
|---------------------------|--|
| LOGO | ImagineLogo.png |
| COMPANY NAME | [Your Name]'s Imagine Photography |
| LEGAL NAME | Imagine Photography, Inc. |
| EIN | 11-1234567 |
| TAX FORM | Small Business Corporation, Two or More Owners (Form 1120S) |
| INDUSTRY | Miscellaneous Store Retailers |
| COMPANY EMAIL | [Your email address] |
| CUSTOMER-FACING E-MAIL | info@imaginephoto.biz |
| COMPANY PHONE | +1 925-555-1111 |
| WEBSITE | http://www.imaginephoto.biz |
| ADDRESS | 123 Main St. Pleasanton, CA 94566 (note: be sure QBO autofills the company address. After you type "St", start typing "Pleasanton" until the address shows up on the list, then click on it) |

TABLE 2-1: Company Settings

3. Update and confirm the following **Account and Settings > Advanced** settings as shown in Table 2-2. Click **Save** between sections.

| ADVANCED SETTINGS | |
|---|-----------------------------|
| FIRST MONTH OF THE FISCAL YEAR | January |
| FIRST MONTH OF INCOME TAX YEAR | Same as fiscal year |
| ACCOUNTING METHOD | Accrual |
| CLOSE THE BOOKS | Off |
| ENABLE ACCOUNT NUMBERS | Off |
| TRACK CLASSES | On |
| WARN ME WHEN A TRANSACTION ISN'T ASSIGNED A CLASS | Yes (check this box) |
| TRACK LOCATIONS | Off |
| PRE-FILL FORMS WITH PREVIOUSLY ENTERED CONTENT | On |
| AUTOMATICALLY APPLY CREDITS | Off |
| AUTOMATICALLY INVOICE UNBILLED ACTIVITY | Off |
| AUTOMATICALLY APPLY BILL PAYMENTS | Off |
| ORGANIZE ALL JOB-RELATED ACTIVITY IN ONE PLACE (PROJECTS) | On |
| SIGN ME OUT IF INACTIVE FOR | 3 Hours |

TABLE 2-2: *Advanced Settings*

4. Update and confirm the following **Account and Settings > Time** settings as shown in Table 2-3. Click **Save** between sections.

| TIME SETTINGS | |
|---------------------------|---------------|
| FIRST DAY OF WORK WEEK | Monday |
| SHOW SERVICE FIELD | On |
| ALLOW TIME TO BE BILLABLE | On |

TABLE 2-3: *Advanced Time Settings*

- Go to **Account and Settings > Sales** and turn on **Track Inventory Quantity on Hand** under the *Products and Services* section. Accept all dialog boxes. Click **Save**. Click **Done** to save the settings.
- Go to **Taxes** in the *Left Navigation Bar* and turn on **Use Automatic Sales Tax**. You only collect tax for California customers. File sales taxes **Monthly**.
- Set up your **Chart of Accounts**. Add the account categories shown in Table 2-4. You do not need to enter *Descriptions*.

| ACCOUNTS TO ADD TO THE CHART OF ACCOUNTS | | | | |
|--|--------------|-------------------------|--|--------------------------|
| ACTION | ACCOUNT TYPE | SAVE ACCOUNT UNDER | TAX FORM SECTION | ACCOUNT NAME |
| Add | Banks | Bank Accounts | Checking | Business Checking (1025) |
| Add | Banks | Bank Accounts | Money Market | Money Market (7809) |
| Add | Credit Cards | Credit Cards | Credit Card | Business Visa (5678) |
| Add | Income | Income | Service/Fee Income | Photography Income |
| Add | Expenses | Office Expenses | Office/General Administrative Expenses | Computer Expense |
| Add | Expenses | Advertising & Marketing | Advertising/Promotional | Marketing |

TABLE 2-4: Add these accounts

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

| CHANGES TO MAKE TO THE CHART OF ACCOUNTS | | | |
|--|-------------------------------|---|--|
| ACTION | ACCOUNT NAME | SAVE ACCOUNT UNDER | EDITS TO MAKE: |
| Merge | Sales | Income | <i>Tax Form Section:</i> Sales of Product Income <i>Account Name:</i> Sales of Product Income |
| Edit | Website ads | Advertising/Promotional | <i>Account Name:</i> Website |
| Inactivate | Land | Fixed Assets | Not needed |
| Inactivate | Supplies:Supplies & materials | <i>Note: Inactivate the Expense but keep the Cost of Goods subcategory.</i> | Not needed. Supplies & materials will be tracked under Cost of Goods Sold. |

TABLE 2-5: Edit or inactivate these accounts

9. Click the **Run Report** button. Compare your Chart of Accounts to the *Imagine Photography Account List* in your student QuickBooks Online Classroom Files folder.
10. Set up your **Classes List**. Imagine Photography uses classes to track income and expenses for each of its two stores—**San Jose** and **Walnut Creek**. Set up these two classes, along with a third class for **Overhead**.
11. Set up your **Products and Services List** by importing the **ImaginePhotographyProductList.xls** spreadsheet in your classroom files folder.
 - a. Use the **Import a File** link at the bottom of the *Products and Services* window. The fields are already mapped, so you can just click **Next** to accept the defaults.

- b. In the confirmation window, update any fields the tool doesn't recognize. In the confirmation window, update any fields the tool doesn't recognize. For example, you may have to manually choose the **Cost of Goods Sold:Supplies & Materials—Cost of Goods Sold** account for the five *Inventory Type* items. Click in the three *Qty* of zero that are shown in red, as shown in Figure 2-76.

| SELL | BUY | TRACK | NAME | SKU | TYPE | SALES DESC | SALES PRICE/RATE | INCOME ACCT | PURCHASE DESC | PURCHASE COST | EXPENSE ACCT | QTY | REORDER POINT | INVENTORY ASSET ACCT |
|-------------------------------------|-------------------------------------|-------------------------------------|--------------|-----|---------|---------------|------------------|-------------|-----------------|---------------|--|-----|---------------|----------------------|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Photography | | Service | Outdoor Phc | 195 | Photogi | | | Purchas | 0 | | Inventory Ass |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Photography | | Service | Photo retouc | 195 | Photogi | | | Purchas | 0 | | Inventory Ass |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Photography | | Noninve | Standard Pac | 155 | Sales of | | | Purchas | 0 | | Inventory Ass |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Products:Car | | Invento | Camera and | 79.99 | Sales of | Camera and Le | 45 | Cost of | 5 | 2 | Inventory Ass |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Products:Fra | | Invento | Picture Fram | 10 | Sales of | Picture Frame - | 2.15 | Cost of goods sold - Cost of Goods Sold | | | |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Products:Len | | Invento | Supra Zoom | 184.99 | Sales of | Supra Zoom Le | 100 | Cost of goods sold:Equipment rental - Cost of Goods Sold | | | |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Products:Car | | Invento | Supra Digital | 695 | Sales of | Supra Digital C | 450 | Cost of goods sold:Subcontractor expenses - Cost of Goods Sold | | | |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Products:Fra | | Invento | Picture Fram | 15 | Sales of | Picture Frame - | 5 | Cost of goods sold:Supplies & materials - Cost of Goods Sold | 5 | 2 | Inventory Ass |

FIGURE 2-76: Fix any import errors

- c. When your screen matches the figure, click on the green **Import** button in the lower right corner of the screen. If you don't see the button, adjust your browser settings.
- d. After the import, close the window. This will import eight products and services, for a total of 10 including QBO's default items.
12. Create the rest of your **Products and Services List** by adding the three items shown in Table 2-6. Leave any other fields blank or accept the defaults if not shown in the table.

| | SERVICE | SERVICE | NON-INVENTORY |
|--|-----------------------|---|---|
| NAME | Indoor Session | Videographer | Photo Paper |
| CATEGORY | Photography | Photography | Products |
| CLASS | San Jose | San Jose | Walnut Creek |
| DESCRIPTION | Indoor Studio Session | Videographer | Standard Photo Paper, Glossy, 8.5"x11", Pack of 100 |
| SALES PRICE/RATE | 225 | 125 | 25 |
| INCOME ACCOUNT | Photography Income | Photography Income | Sales of Product Income |
| SALES TAX | Nontaxable | Nontaxable | Taxable—based on location only |
| CHECK "I PURCHASE THIS PRODUCT/ SERVICE FROM A VENDOR" | | Subcontracted Videographer | Standard Photo Paper, Glossy, 8.5"x11", Pack of 100 |
| COST | | 75 | 15 |
| EXPENSE ACCOUNT | | Cost of Goods Sold:Subcontractor Expenses | Supplies & Materials |

TABLE 2-6: Cost of Goods Sold:Supplies & Materials

13. Create two **Bundles** as shown in Table 2-7 below. Check **Display Bundle Components When Printing or Sending Transactions**. The Qty is 1 for each line. When finished, compare your *Products and Services* list to the Answer Key on [page 588](#).

| NAME | DESCRIPTION | PRODUCT/SERVICE |
|---------------|----------------------|------------------|
| Deluxe Shoot | Deluxe Photo Shoot | Indoor Session |
| | | Outdoor Session |
| | | Retouching |
| | | Standard Package |
| Supra Package | Supra Camera Package | Camera SR32 |
| | | Lens |
| | | Case |

TABLE 2-7: Create two Bundles

14. Set up your **Terms List** according to Table 2-8.

| TERM NAME | OPTIONS | |
|------------------|--|---|
| 1st of the Month | Select <i>Due by certain day of the month</i> 1 day of month | <i>Due the next month if issued within 5 days of due date</i> |
| Due on Receipt | No change | |
| Net 30 | No change | |
| Net 15 | Inactivate | |
| Net 60 | Inactivate | |

TABLE 2-8: Terms List

15. Add two *Custom Fields* for **Sales Rep** and **PO Number**. Add both to **All Sales Forms** and set them to **Print on Forms**.
16. Edit the **Standard Custom Form Style**. Accept all defaults if not shown in the table. Click **Preview PDF**. Compare it to the Answer Key at the end of the book.

| ELEMENT | OPTION |
|--------------------------------|--|
| DESIGN TAB: | |
| <i>Change up the template</i> | Airy New |
| <i>Make logo edits</i> | Size = Medium , Placement = Right |
| <i>Try other colors</i> | Aqua , top row, second from right (#0e909a) |
| <i>Select a different font</i> | Arial Unicode MS, 10pt |
| CONTENT TAB: | |
| <i>Phone</i> | Check box to turn on, reformat to (925) 555-1111 |
| <i>Address</i> | Uncheck to turn off (note: we could make separate forms with each store location address if we were using QBO's Locations feature) |
| <i>Display</i> | Check to turn on Shipping |
| <i>Account Summary</i> | Click in the middle <i>Account Summary</i> section. Check Show on invoice |
| <i>Message to Customer</i> | Click in the bottom <i>Footer</i> section. Type Satisfaction guaranteed! Come back within 30 days for a store credit. Size = 12pt |
| <i>Footer text</i> | Give It Your Best Shot! Size = 12pt, Centered |
| EMAILS TAB: | |
| <i>Email Greeting</i> | Change [Fullname] to [First] |

TABLE 2-9: Use this data to edit the Standard form style.

17. Add a *Tag Group* named **Type**. Change the color to **Light Blue** (2nd row, 1st circle). Add *Tag Names* for **Weddings, Portraits, Real Estate, Corporate, and Retail**.