QuickBooks® Online Complete
2025

QuickBooks Online Complete 2025

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PREFACE

People are made of passion, skills, and brilliant ideas. Every time a person gets inspired to bring their ideas to life, a new opportunity is born. For that opportunity to grow into a business and succeed, it must operate at a profit and pay taxes. And to do THAT, it is crucial to track all its activity accurately. Every business needs a bookkeeper (or at least an employee who understands how to keep books!).

This guide introduces you to QuickBooks Online® Plus – Intuit's easy-to-use, powerful accounting system for small businesses.

This guide does not cover how to use the features in QuickBooks® Desktop or QuickBooks® for Mac.

While this textbook does not specifically address the additional features in QuickBooks Online Advanced or QBO® for Accountants, all of the techniques in this course will work with those editions as well.

ACKNOWLEDGMENTS

Standing on the shoulders of giants…while the last thing I want to do is start a book with a cliché, it's important for me to acknowledge Douglas Sleeter, Deborah Pembrook, Ellen Orr, and the additional authors and editors who created the bones of this book.

I also want to give a shoutout to the Intuit ProAdvisor Community and the dozens of other QuickBooks Online ProAdvisors who taught me (almost) everything I know. Instead of fighting over slices of the pie, we are baking a bigger pie so there is enough for everyone.

I would also like to express my heartfelt gratitude and adoration to Jamie Pollock, my husband and business partner, for his unconditional love and support, and my kids for understanding that mom is always going to work too hard. Please turn out like me in only the best ways.

USING THIS BOOK

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

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

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

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

The end-of-chapter assessments include comprehension questions, multiple choice questions, and completion sentences. These quizzes reinforce your retention of key concepts. There is an answer key on page 485.

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

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

From using this book, you will gain confidence in every aspect of QuickBooks Online by trying out each feature in the context of a "real" business. You will want to keep this book as a reference that you can turn to every time you encounter a new business situation.

ABOUT THE EXERCISES

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

Chapter Lessons: Craig's Design and Landscaping Services

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

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

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

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

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

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

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

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

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

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

Case Study Scenario: YinYang Graphic Design

There are two Case Studies in the book, one halfway through the content, and another at the end. Your instructor will send you an invitation to a fresh Student Trial Account to use for these projects, or you can use a copy of QuickBooks Online for Accountants (see page xvii).

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

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

ACADEMIC STUDENT TRIAL ACCOUNTS

This textbook was designed for instructor-led academic courses, guiding you through learning QuickBooks Online using free Student Trial accounts, full-featured subscriptions to QuickBooks Online Plus provided by Intuit Education to academic programs. Your instructor will create two company files for you, one for Imagine Photography and one for YinYang Graphic Design.

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

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

IF YOU AREN'T IN A CLASSROOM SETTING

Independent learners will be able to perform the steps in the chapters using Intuit's free Craig's Design and Landscaping practice account (see page xv), but will not have access to the two Student Trial accounts needed for the end-of-chapter exercises and case studies.

Instead, we suggest two options. Use either or both to create two subscriptions for the Imagine Photography Apply Your Knowledge exercises and the YinYang Graphic Design case study.

Option 1: A 30-day QBO Plus Trial

We can help you create two **free 30-day QuickBooks Online Plus trial accounts**. If you need more than 30 days to complete the material, enter your credit card number before the trial expires and receive a 50% discount on your QBO Plus subscriptions for up to three months. Be sure to cancel the billing when you are done!

To create QBO Plus subscriptions for Imagine Photography and YinYang Graphic Design, please fill in the form at http://royl.ws/questiva-get-qbo.

Option 2: A Practice QBOA Profile

To avoid any unexpected subscription fees, we recommend creating a free QuickBooks Online for Accountants (QBOA) profile by visiting https://quickbooks.intuit.com/accountants. It includes a free QuickBooks Online Advanced account including Payroll. The interface will have additional options not covered in this book – enjoy exploring the enhanced features!

> Because these are temporary accounts only for use with this curriculum, do not use an email address associated with your bookkeeping business. In the future you will want to create a real QBOA subscription for professional use under your company's username. Instead, register with a personal email address or create a gmail account specifically for this purpose.

If neither of these solutions are satisfactory for your Apply Your Knowledge exercises and Case Study, you can adapt the steps using the data in the Craig's Landscaping sample company. The steps and answers will not match the book, but you can at least practice the concepts.

SUPPLEMENTAL FILES

In addition to the QuickBooks Online accounts, there are also additional files that go along with the lessons, including logos and import files.

To install the files on your hard drive, follow these steps:

Step 1.   Go to **https://www.questivaconsultants.com/downloads/**.

Step 2.   Find **this book's title** and click the link. You will be taken to the support page for this book.

Step 3.   Click the **Product Support Download** tab and click the link to download **QuickBooks_Online_Classroom_Files.zip**. Save the files to the desired location on your local system. If you are using a computer in a classroom or lab environment, ask your instructor for the proper location to store your exercise files.

Step 4.   Once you have saved the file to the proper location, you will need to "unzip" it. Select the zip file in *Windows Explorer*. You should see an option at the top of the window to Extract. Click the **Extract** option and choose **Extract All**.

Step 5.   If you're on a Mac, simply double-click the zip folder to view and use the contents.

INSTRUCTOR RESOURCES

Instructor resources, including the Instructor's Manual, test banks, solution files, and PowerPoints are available at www.questivaconsultants.com/downloads. You must be a verified instructor with an accredited school to access these files. If you do not already have an instructor login, please contact info@questivaconsultants.com.

CERTIFICATION

This book is excellent preparation for the Certiport QuickBooks Online User Certification Exam. This certification validates your QuickBooks Online knowledge. After successfully completing the exam, you will become an **Intuit QuickBooks Online Certified User**.

Turn to the Appendix on page 517 for a mapping of the Certiport exam objectives to the topics in this book.

For more information, visit https://certiport.pearsonvue.com/Certifications/Intuit/Certifications/Certify/QuickBooks-Certified-User.

Note that there is a separate Intuit QuickBooks Online certification available through the **QuickBooks ProAdvisor Program**. This book will also prepare you for that exam as well (see page 26).

WHY DOESN'T THIS BOOK EXACTLY MATCH MY FILE?

As you use this book, you will notice that some of the instructions or figures don't exactly match what you see on your screen. Think of QBO as a "live" environment. Expect the unexpected, look around, don't panic. Enjoy the opportunity to grow your expertise by becoming comfortable with change!

New Features and Improvements

It's important to understand that QuickBooks Online is an ever-evolving software platform.

Intuit is always listening to customer feedback, so the interface is constantly shifting. Button names and locations occasionally change as they improve the user experience. Terminology is updated as they test names to see what makes the most sense to beginners.

They are also always innovating, and rolling out new features. You'll see alerts pointing you to what's new. Don't be afraid to explore!

Because Intuit does real-time beta testing, what you see in the sample file may not be the same as what you see in your student file...or in real company files. In fact, if you switch between several companies, they all may look just a little different!

When you see something change, be sure to use the **Feedback** links to let Intuit know if a new feature doesn't work for you. Be specific about why, so that they can improve your experience.

Differences Between Files

The Craig's Design and Landscaping account used in the book's lessons is a stable environment where features are added permanently.

New files, such as the student files you will build from scratch at the end of each chapter, will have the latest-and-greatest features, including some that are still in beta testing. When you are doing your homework and referring back to the step-by-step instructions, some of them will not exactly match. Most of the time, your new interface will be easier to use...you just have to pause for moment and look around at the differences.

The New Invoice Experience

QuickBooks Online is rolling out a new Invoice form. It is formatted with the same layout used for printing, so you can "see" what your customer will see. It also offers enhanced payment options for clients. Because this new invoice experience is in active development, some of the book's instructions will not exactly match what is on your screen. You will also notice additional features we don't address.

This new invoice may not appear as the default in the sample file, but because it is the default in all new QBO files, we will turn it on during the lessons by clicking the link shown below.
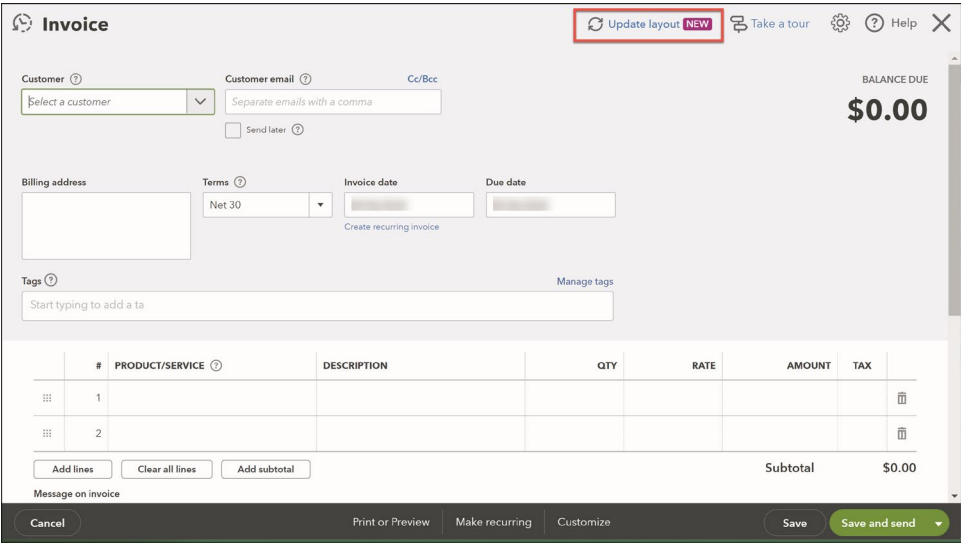
Modern Reports

Many reports now display in a "New Enhanced Experience." This modernized set of report tools features greater flexibility when customizing layouts. We will "Switch to Modern View" wherever possible.

Note that when using QBO Advanced, you can even create your own custom reports, pulling in fields from several different areas, including pivot tables. Some companies require these robust reporting tools.
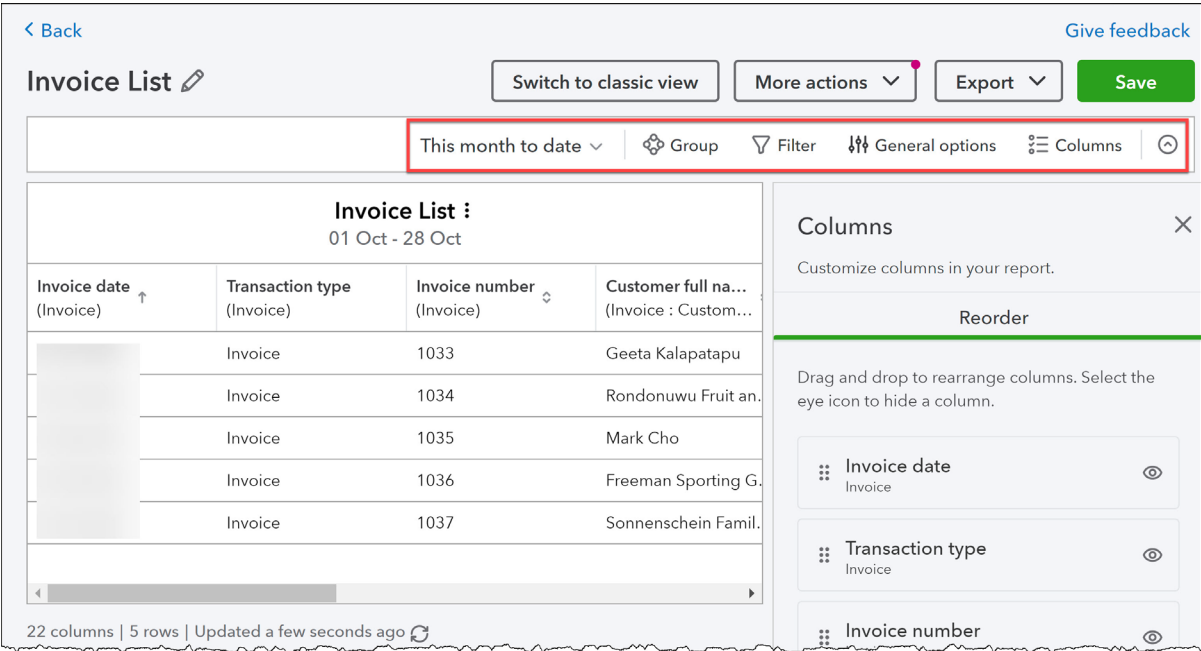
Other Features in Testing

As of this publication date, the Products & Services, AI assistants, and Bank Transactions are also undergoing beta testing of new features.

Your screen may not exactly match, but you will be able to find the associated buttons and links.

1:   Introducing QuickBooks Online

CHAPTER 1

TOPICS:	LEARNING OBJECTIVES:
• The QuickBooks Online Ecosystem (page 1) • Accounting 101 (page 3) • Using a Browser to Access QBO (page 6) • Working with QuickBooks Online Files (page 8) • QuickBooks Online's Interface (page 10) • Lists (page 18) • Entering Transactions in QuickBooks Online (page 21) • QuickBooks Online Help (page 25)	• Compare versions of QuickBooks Online. • Summarize the general principles of accounting. • Identify parts of QuickBooks Online's interface. • Recall basic transaction tasks.

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

QuickBooks Online helps small business owners track their transactions efficiently without worrying about the debits and credits of accounting entries. However, to use QBO effectively, you still need to understand how the software is structured, how its files work, how to navigate in the system to do tasks, and how to retrieve information about your business. In this chapter you'll learn some of the basics of the QuickBooks Online ecosystem, as well as explore the world of accounting.

THE QUICKBOOKS ONLINE ECOSYSTEM

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

QuickBooks Online vs. QuickBooks Desktop

Intuit offers two distinctly different ways to use QuickBooks. The traditional version, *QuickBooks Desktop Enterprise (QBDT)*, is software that you download and install on your local computer, company server, or host with a 3rd party service.

The newer version, *QuickBooks Online (QBO),* isn't installed on your computer, but is instead accessed over the internet through a web browser, or using an app on your smartphone or tablet. This online subscription does bookkeeping similarly to QuickBooks Desktop, but the features and layout are entirely different. This textbook covers QuickBooks Online.

To keep your data safe, QBO uses the same security and encryption tools as online banking websites.

All editions of QuickBooks Online support multiple users. Since the software is web-based, anyone with a user account can log in from anywhere, even from a smartphone, and it doesn't matter whether they're on a Mac or a PC. There are no IT maintenance costs, nor cumbersome workarounds so that the bookkeeper and accountant can access the file.

QuickBooks Online is sold as a **subscription**. There are many benefits to subscribing:

- The software is always current, with new features and improvements appearing on a regular basis.
- You don't need to buy and install multiple copies to maintain a multi-user environment.
- You can upgrade or downgrade as your needs evolve.

While some people balk at the idea of recurring payments instead of one-time software purchases, the return on investment (ROI) of time and infrastructure costs saved while using QBO overcomes the expense.

Third-party Apps

Cloud computing also allows for automations that are not possible with QuickBooks Desktop. QuickBooks Online integrates with other cloud-based software you already use, including your bank, your customer management software (CRM), e-commerce webstore, gmail, and many others.

QBO is intentionally designed as a customizable experience. Instead of a complex computer program trying to be all things to all people, it integrates with hundreds of other web applications to synchronize information.

This makes it easy to customize a perfect workflow for each business, creating a streamlined experience that imports and exports data with the rest of the company's tech stack.

The benefits of this approach include best-fit software solutions, preventing employee access to confidential information, and eliminating redundant data entry.

To review third-party apps that will address your company's needs, look for *Apps* at the bottom of your *Left Navigation Bar*, or visit the website **apps.com**. There you will find hundreds of third-party apps that have been vetted by Intuit.

These additional utilities and subscriptions can solve the pain points for every unique business, saving time and money.

QuickBooks Online Versions

The QuickBooks Online product line includes several separate versions: **QuickBooks Online Ledger, Solopreneur**, **Simple Start**, **Essentials, Plus, Advanced, Intuit Enterprise Suite, and QuickBooks Online for Accountants**. Instead of being broken down into industry-specific versions as you see with the Desktop edition, the various subscriptions increase in additional features and user accounts.

- **Solopreneur** is a standalone edition designed for gig workers and sole proprietors who run their businesses like a hobby, without a dedicated bank account. It should only be used by individuals with a side hustle who don't intend to grow their company, or W-2 employees who need to track work-related expenses.
- **Ledger** is a bare-bones accountants-only edition that imports gross receipts and expenses for quick writeup for taxes.
- **Simple Start** is the version for small service-based businesses.
- **Essentials** is the version for growing companies who have simple reporting needs.
- **Plus** introduces inventory, class tracking, and job costing.
- **Advanced** is used by companies who need bulk data entry and have complex reporting needs.
- **Intuit Enterprise Suite** is the mid-market version for multi-company entities with multi-dimensional reports. It also has enhanced tools for the construction industry.

For a comparison of all the products versions, visit http://www.quickbooks.com.

This book covers the features and usage of **QuickBooks Online Plus**, the most popular subscription level. Once you learn how to use this version, you'll be prepared to use the others.

QuickBooks Online for Accountants

QBO for Accountants (QBOA®) is a portal for QuickBooks Online ProAdvisors that allows bookkeepers to switch between multiple client files, and leverage additional professional tools.

If you are responsible for doing the books for several clients, create a free QuickBooks Online for Accountants (QBOA) portal. QBOA makes it easy to toggle between multiple files from a drop-down menu. It also includes additional tools for client management, file maintenance, and advisory.

QBOA also comes with a free QuickBooks Online Advanced file for your own use, including payroll. The best way to learn QBO is to use it yourself for your own company!

Bookkeepers who use QBOA also gain access to training materials, Intuit's certification exams, and a listing on findaproadvisor.com, Intuit's website connecting business owners to bookkeepers in their local area and same niche.

Please visit https://quickbooks.intuit.com/accountants/ for more information.

ACCOUNTING 101

This course focuses on teaching software that does accounting, rather than teaching you accounting through software.

Even though you're going to learn QuickBooks Online to run your business, it is still important to understand the accounting process. In this section, we look at some basic accounting concepts and how they relate to QBO.

Accounting's Focus

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

Whether the company is a sole proprietorship, partnership, S-Corp, C-Corp, or Non-profit, the core accounting all works the same way.

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

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

$$\text{Assets} = \text{Liabilities} + \text{Equity}$$
$$\text{or}$$
$$\text{Equity} = \text{Assets} - \text{Liabilities}$$

The General Ledger

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

Business transactions (e.g., sales, purchases, operating expense payments) are recorded in several types of *ledgers*, called accounts or categories. The summary of all transactions in all ledgers for a company is called the *General Ledger*. This term goes back to the days before computers, when all accounting was done in ledger books…on paper…by hand.
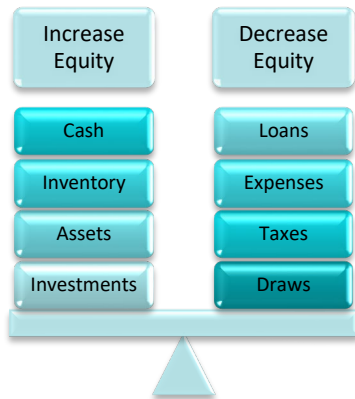
A listing of every account in the General Ledger is called the **Chart of Accounts**. Each account summarizes transactions that increase or decrease the equity in your organization. The figure shows a general picture of the effect accounts have on the equity of your organization. Some accounts (those on the left) increase equity when they are increased, while others (such as those on the right) decrease equity when they are increased.

So, let's return to the accounting equation, Assets = Liabilities + Equity. To understand the accounting equation, consider the following statement: *Everything a company owns was purchased with funds from lenders, or funded by the owner's stake in the company.*

This means that the total of the assets (which represent what the company "owns") is always equal to the sum of the liabilities (representing what the company "owes") plus the equity (representing the owner's interest in the company).

Account Types and Financial Reports

Each account in the general ledger has a **Type**, which describes what kind of business transaction is stored in that account. There are five primary types of accounts: A**sset, Liability, Equity, Income, and Expense**.

Assets, liabilities, and equity accounts are associated with the **Balance Sheet** report, which is used to analyze the net worth of a business. The Balance Sheet demonstrates the fundamental accounting equation: **Total assets always equal the total liabilities plus equity**.

Operating income and expense accounts are associated with the **Profit and Loss** report (also called an **Income Statement**), which is used to analyze the profit or loss for a business over a specific time range (month, quarter, year, etc.).

Although income and expense accounts are not directly shown in the accounting equation, they do affect this equation via an equity account called **Net Income**. Income and expenses are tracked throughout the year as business transactions occur, and are totaled at the end of the year to calculate Net Income (or Loss).

NET INCOME = TOTAL REVENUES MINUS TOTAL EXPENSES.

If the Net Income is positive at the end of the fiscal year, the company earned a profit for the year and **increased the owner's equity in the business**. If Net Income is negative because expenses exceeded revenues, the company took a loss for the year, **decreasing the owner's equity in the business.**

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

Double-Entry Accounting

Double-entry accounting is a technique that goes back to the days of paper calculations. It divides each transaction into two sides: the left side is for debits, and the right side is for credits.

Matching the accounting equation of Assets = Liabilities + Equity, Asset accounts naturally carry a debit balance. Liabilities and Equity accounts carry credit balances.

In every transaction, an amount always goes *to* somewhere, from somewhere. One account is debited and the other is credited.

Therefore, debits do not always make an account go down, and credits do not always make an account go up. Debits are not "bad" and credits are not "good." They are just part of the system of accounting, as shown in Table 1-1:

ACCOUNT	INCREASED BY:	DECREASED BY:
Assets	Debit	Credit
Expenses	Debit	Credit
Liabilities	Credit	Debit
Equity	Credit	Debit
Revenue	Credit	Debit

Table 1-1 The Debits and Credits behind every transaction

The rule of double-entry accounting is that ***total debits must always equal total credits.*** Every transaction creates a debit in one or more accounts and a credit in one or more accounts. If the debits and credits for any transaction are not equal, the transaction has an error or is incomplete.

Accounting Behind the Scenes

Recording and categorizing all of your business transactions into the proper accounts, summarizing and adjusting them, and then preparing financial statements can be an enormous, labor-intensive task without the help of a computer and software. This is where QuickBooks Online comes in. QBO handles this double-entry accounting so that you don't have to!

To make all this possible, QuickBooks Online uses familiar-looking forms for data entry such as checks, invoices, and bills. As you enter transactions using these forms, QBO handles the behind-the-scenes accounting for you. Every transaction you enter in the software automatically becomes a debit to one or more accounts and a credit to one or more other accounts. QBO won't even let you record the transaction until the total of the debits equals the total of the credits.

Letting QuickBooks Online create the accounting entries allows business owners to use QBO to efficiently run their company without getting bogged down with the debits and credits. You can always create reports that show the transactions in the General Ledger in the full double-entry accounting format whenever you need them.

As this book introduces new transaction types (e.g., Invoices, Bills, or Checks), the text will include a section called "**Accounting Behind the Scenes**," explaining the debits and credits.

While it's still important that you understand the bookkeeping terminology, letting QuickBooks Online handle the accounting behind the scenes means you can focus on the business transaction workflow rather than the debits and credits.

This allows you to spend your time managing your operations instead of your bookkeeping.

Accounting Basis: Cash or Accrual?

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

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

In the ***Cash Basis*** method, revenues and expenses are not recognized until cash changes hands. So, revenue is only recognized when the customer pays, and a cost isn't recognized until you pay for it. Cash-based accounting focuses on business activity that is complete.

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

In QuickBooks Online, you can record transactions such as invoices and bills to facilitate accrual basis reporting, and still create cash basis reports that remove the receivables and payables. This gives you the flexibility of selecting one basis for taxes and another for operational reporting, if you wish. For more information about cash vs. accrual reports, see page 234.

USING A BROWSER TO ACCESS QBO

QuickBooks Online works best using a Chrome browser, available for free at http://www.chrome.com.

It makes no difference whether you are on a PC or a Mac. The website will work the same way.

The web address (URL) for QuickBooks Online is **http://qbo.intuit.com**. When you log in using your email address and password, you'll see a list with one or more files that have a User Account associated with your email address, like the example shown in Figure 1-1. You will then click on the desired file to open it.
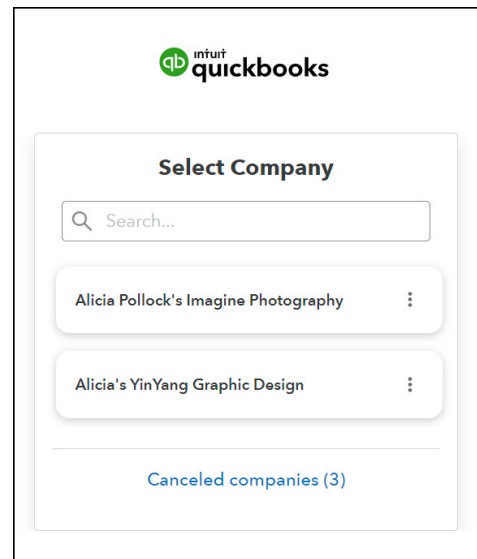
Figure 1-1 Logging in to QBO at qbo.intuit.com

Setting Up Your Chrome Browser

Chrome has features you can utilize to be efficient with your QuickBooks Online experience (see Figure 1-2).

Incognito Windows

One useful Chrome tool is an **Incognito window**. This special environment doesn't store cookies, a cache, or your browsing history. Open an Incognito window using the 3 dots in the upper right corner of your Chrome window, as shown in Figure 1-2.

If you're ever having trouble with your QBO, trying the same technique while logged in through Incognito tells you if the issue is with your computer or with Intuit's website.

If you can replicate the problem, the issue is with QBO – wait a few minutes and try again later…or contact Support.

If it works, then something on your computer is interfering with Chrome or the QuickBooks Online website.
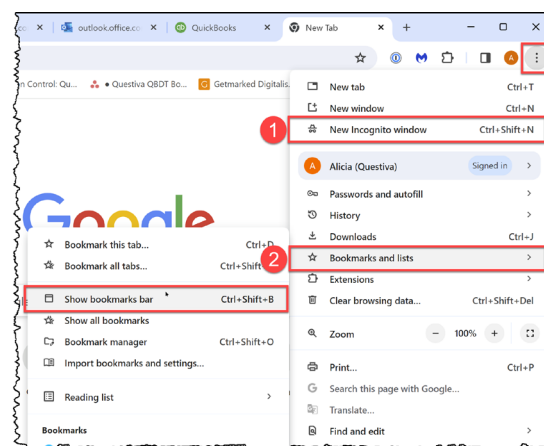
Figure 1-2 Setting Up Chrome Tools

Bookmarks

Be sure to turn on your *Bookmarks Bar*. That way you can create instant shortcuts to the sample company and your company file. Adding bookmarks for your favorite QBO tools like Banking, Search, and Reports makes navigation a snap.

HANDS-ON PRACTICE

For each tutorial, we will use Craig's Design and Landscaping, a sample QuickBooks Online company that allows you to explore the program. This way you can experiment without interfering with real data.

To set up Chrome so you can get to Craig's Landscaping easily throughout this course, follow this one-time setup:

Step 1. Open up your **Chrome** browser.

Step 2. Click the **three dots** in the upper right corner, as shown in Figure 1-2.

Step 3. Highlight **Bookmarks**, then choose **Show Bookmarks Bar** if it doesn't have a checkmark next to it already. A new bar will show up below your URL address bar.
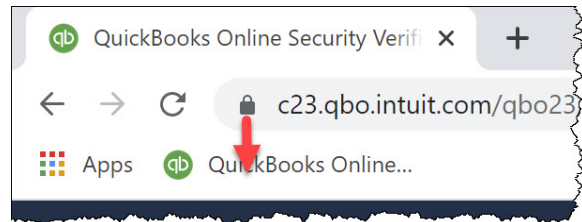
Figure 1-3 Add a Bookmark for the Sample File

Step 4. In the URL address bar at the top, type in **qbo.intuit.com/redir/testdrive**. Press **Enter** (or **Return** on a Mac).

Step 5. Drag the **lock** in the URL bar down to the *Bookmark Bar*. This will create a shortcut for future use (see Figure 1-3).

Step 6. Right-click the **bookmark** and choose **Edit….** In the *Name* field type **Craig's** (see Figure 1-4).

Step 7. Confirm that the URL still reads **qbo.intuit.com/redir/testdrive**. If it does not, triple-click in the box to highlight all the contents, delete the web address, and type it in manually.
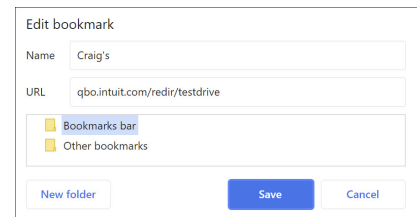
Figure 1-4 Rename the Bookmark

Step 8. Click **Save**.

> ### TIP
> You can add bookmarks to quickly jump to any center, report, or tool in QBO. When creating bookmarks, if the URL contains a prefix like "**c23.qbo**…", delete the "**c32.**" prefix so that the link begins with "**qbo**." This way all your bookmarks will be universal and work with every company file you have open.

Working in Multiple Tabs

You can open as many different windows in QuickBooks Online as you want by leveraging Chrome's ***Tabs***. For example, while you're working in the *Transactions Center*, you can open the *Customers Center* and the *Vendors Center* in additional tabs to reference all three at the same time.

> ### IMPORTANT!
> If you make a change in one window, be sure to *Refresh* the other tabs to retrieve the updated data from the server – the tabs don't update automatically. Refreshing a tab is also helpful if an action times out or a screen isn't behaving as expected. Chrome's *Refresh* button is the round arrow to the left of the lock in Figure 1-5, or you can use the keyboard shortcut **Ctrl-R** (**Cmd-R** on a Mac).

There are several ways to create multiple tabs. Suggestions 1 and 2 are shown in Figure 1-5.

1. Click the **+ sign** on the right of the last tab to open a new tab, then use a bookmark to open the screen you want.

2. **Right-click** on buttons or action links in QBO and choose **Open Link In New Tab**.

3. Drag a *Center* from the *Left Navigation Ba*r up to the tab bar to create a new tab.

4. **Right-click** on a tab and choose **Duplicate.**

HANDS-ON PRACTICE

Open more than one Center at the same time so that you can view both simultaneously.

Step 1.   Click on **Transactions** in the *Left Navigation Bar* to open the *Transactions Center*.

Figure 1-5 Open multiple browser tabs to see several screens at the same time

Step 2.   Right-click (Cmd-click on a Mac, two-finger press on a trackpad) on **Expenses** in the *Left Navigation Bar*, and choose **Open Link in New Tab** (if you're not in Chrome, your terminology may vary). A second browser tab opens. Click on it to view the *Expenses Center*.

Step 3.   Drag the **Sales** from the *Left Navigation Bar* up to the row of tabs at the top of the browser, to the right of the *Expenses* tab. Drop it. Click on the new tab to view it.

Step 4.   Toggle back and forth between the **first tab** with the *Transactions Center*, the **second tab** with the *Expenses Center*, and the **third tab** with the *Sales Center*.

Step 5.   **Close** Chrome.

Opening Multiple Files

It is possible to open two company files at the same time by opening one regular and one Incognito Chrome window. You can also leverage multiple browsers, like Firefox, Edge, or Safari.

A second approach is perfect for bookkeepers with multiple clients: utilize Chrome's ***Profiles*** to make dedicated environments for each of your clients, complete with their own sets of bookmarks.

To create multiple Profiles, click the circle just to the left of the 3 dots. Give each one a name and pick an image.

When you choose a Profile off this list, Chrome opens a new window with that client's settings and history. Each browser window is distinct, so you can open several company files at the same time.

WORKING WITH QUICKBOOKS ONLINE FILES

Before using QuickBooks Online, it is important for you to understand how to log in and access company files.

Opening the QuickBooks Online Sample File, Craig's Landscaping

Now that we have set up Chrome so you can get to the sample company easily, follow these steps to open it:

HANDS-ON PRACTICE

Step 1. Open **Chrome**.

Step 2. Click on the **Craig's** bookmark. If the window shown in Figure 1-6 does not open, delete the bookmark and repeat the steps above .

Step 3. Check **I'm Not a Robot**, then click **Continue**.

Step 4. You may see a *ReCAPTCHA security window*, to confirm you're a real human being. Click the images it requests (you may see traffic lights, mountains, crosswalks, or vehicles), then click the *Verify* button (see Figure 1-7).

Step 5. The *Craig's Design and Landscaping Services* sample company opens, as shown in Figure 1-8.
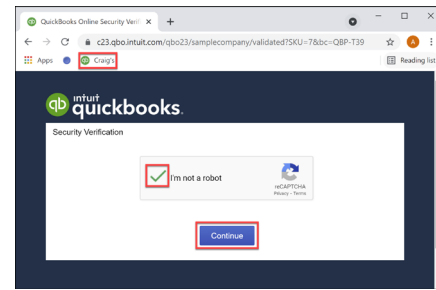
Figure 1-6 Log in to the Sample File

Switching Between Other QuickBooks Online Data Files
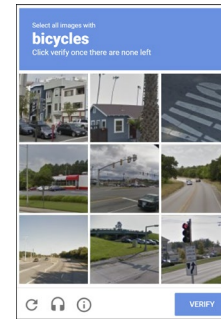
Figure 1-7 ReCAPTCHA security verification

If you have access to multiple companies, switch between account "realms" by clicking on the *Gear* in the upper right corner and choosing **Switch Company** (see Figure 1-9). This takes you back to the list you see when you log in, and you would be able to click on any account to open it.

If you were a bookkeeper using QuickBooks Online for Accountants (QBOA) to manage QBO clients, you would be able to toggle between their QBO files from the *Go To QuickBooks* drop-down menu at the top left.

Creating New Company Files

Unlike QuickBooks Desktop, where you can create as many files as you want, each company in QuickBooks Online is a distinct subscription with its own cost. If a business owner has several companies that all file separate tax forms, you will need a separate subscription for each. Use the same email address when creating each file so that you can access them all under the same login.

Figure 1-8 The Sample Company used in lessons

Figure 1-9 Switching between company files as an Accountant User

Visit http://www.quickbooks.com to create new QuickBooks Online files.

Logging Out of QuickBooks Online Files

Close your company data file by clicking the **blue circle** in the upper right corner, then click the **Sign Out** button (see Figure 1-10).

If you just close your Chrome window, other people can gain unauthorized access to your data.

> ### IMPORTANT!
> When working through the exercises in this book, be sure to sign out every time you end a QBO session. This will make sure your bookmarks work as expected.
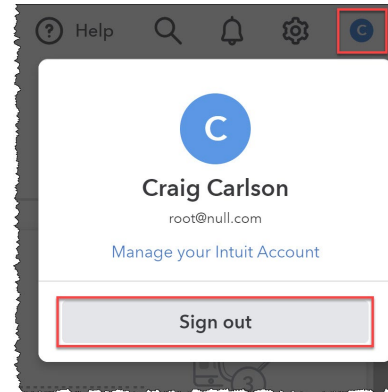
Figure 1-10 Log out when done

QuickBooks Online Updates and New Features

Because QBO is subscription-based, there are never any new annual versions to buy or maintenance releases to install, as there are with QuickBooks Desktop. Instead, Intuit constantly updates the software, bringing you bug fixes and new features. This means QBO may have changed when you sit down to work that morning!

If you're someone who loves cutting-edge technology, you'll appreciate the innovations as they appear. If you're someone who doesn't like change, take it to heart that every update Intuit makes is due to customer feedback, and the improvements will save you time and money.

Intuit releases new features to a few companies at a time to make sure that they don't introduce any bugs. New features are commonly rolled out in waves, so sometimes two company files may not see the same options.

> ### IMPORTANT!
> Since QBO is ever-evolving, you will see some differences compared to the screenshots and instructions in this book.

Backing Up QBO Files

Because QuickBooks Online is server-based, there is no need to make **backups** to prevent data loss. Traditional backups are a safety net in case of hard drive failure or data corruption. Intuit's servers have redundant infrastructure to make sure they never lose company files.

That being said, there are times when you will want to make a backup:

1. Before you make big changes to your data, like a Chart of Accounts consolidation or a big data import, make a backup so that if it doesn't go as expected, you can roll back your file and try again.
2. At year end to create an archival copy of your data that matches your taxes. These can be exported and opened in a copy of QuickBooks Online for Desktop.

Only QBO Advanced has built-in tools for backups, but if you use other versions, there are 3rd party apps that can perform these functions for you. We talk about apps on page 2.

QUICKBOOKS ONLINE'S INTERFACE

The QuickBooks Online interface makes it easy to enter and locate transactions. There are four main areas to look for what you need: The **Left Navigation Bar**, the **+New button**, the **Top Bar**, and the **Gear** (see Figure 1-11).

1. The *Left Navigation Bar* contains all the screens and **Centers** that organize your data. Note that each Center also has **Tabs** grouping the information (see page 13).
2. The *+New button* is where you add new transactions (see page 21).
3. The *Top Bar* contains tools like **Help** and **Search** (see page 15).
4. The *Gear* holds all the settings and back-end tools to administer your QBO file (see page 16).
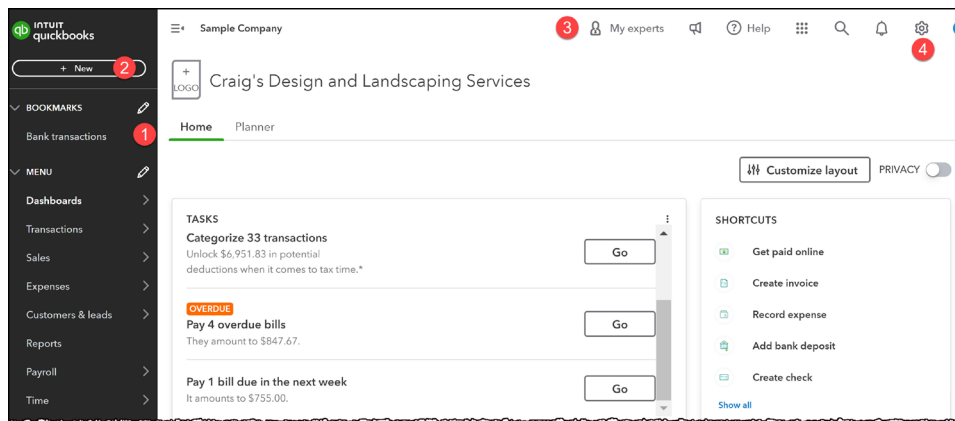
Figure 1-11 The QuickBooks Online interface

Dashboards

As soon as you open a company, QuickBooks Online displays the *Dashboard.* The Dashboard is broken up into two tabs, **Home** and a **Planner.**

Home

The *Home* tab (Figure 1-11 and Figure 1-12) contains a *Tasks* list, *Shortcuts* to your frequent activities, a list of *Bank Accounts,* and charts with your current activity status*.*

To start a **Task**, click on the *Go* button. To perform a **Shortcut**, click on it.

Figure 1-12 Edit the Shortcuts list to display your favorites.

When you scroll down, the *Home screen* contains charts so you can monitor your company's health at a glance, as shown in Figure 1-13.

Each chart is interactive – click on any colored segment to open an instant report.

The *Privacy* slider in the upper right is perfect when you're working in the coffee shop. It blanks out your sensitive information to prevent it from being seen by anyone looking over your shoulder.

Figure 1-13 The charts on the Dashboard's Home tab

HANDS-ON PRACTICE

Try out the *Dashboard's* interactive features:

Step 1. In the *Profit and Loss* box, click on the **solid green bar**. These are income transactions already in QBO. A **Profit and Loss report** opens.

Step 2. Go back to *Home* by clicking your browser's **Back button,** or on **Dashboards** in the *Left Navigation Bar*.

Step 3. In the *Profit and Loss* box, click on the **16 to Review** link above the *striped blue bar*. These are expense transactions waiting in the **Bank Transactions Center** to be entered. Go back to *Home*.

Step 4. In the *Expenses* box, click on the **Last 30 Days arrow**. Choose **This Year**. You'll notice the segments and labels shift to reflect the new date range.

Step 5. Click on the **Miscellaneous** circle segment. A **Transaction Detail by Account Report** opens, showing what all those "miscellaneous" expenses really were.

Step 6. Click on **Hicks Hardware** to open and view the bill.

Step 7. To close the bill, either click the **Cancel button** in the lower left, or the **X** in the upper right.

Figure 1-14 Rearrange the Bank Accounts

Step 8. Go back to the *Home Dashboard* by **holding down** your browser's **Back button** and choosing **QuickBooks**. Because we have opened a report and drilled in to a bill, this is faster than clicking the Back button several times (see Figure 1-15).

Step 9. In the *Invoices* box, click the orange **Overdue** box. This takes you to the *Invoices* tab in the *Sales Center*. Scroll down to see all your customers' overdue unpaid invoices.

Step 10. Click on the invoice for **Weiskopf Consulting** to see its details in a sidebar. Review the information shown.

Step 11. Click the **X** in the upper right corner to close the *Invoice Details*.

Step 12. Return to the *Home Dashboard* either using the **Back button** or clicking **Dashboards** in the *Left Navigation Bar*.

Figure 1-15 Hold down the Back button to skip pages

Step 13. In the *Bank Accounts* box, click on the **3 Dots**, then select **Customize Widget**. Drag the 6-dot grid (we like to call it a "waffle") next to **Mastercard** and drop it above **Savings** (see Figure 1-14). We'll use the credit card more often than the savings account.

Step 14. Click the blue **Save** in the upper right of the box.

Step 15. Click **Mastercard** to jump to the *Bank Transactions Center*. Note that the accounts are now in the same order. Go back *Home*.

Step 16. At the very bottom of the *Bank Accounts* box, click **Go To Registers** and choose **Checking**. If the *Register Basics* box opens, you can take the tour, or close it.

Step 17. Go back to the *Dashboards*.

Planner

The *Planner* tab (not shown) contains an interactive **Cash Flow Planner** tool allowing you to monitor upcoming income and expenses, and add "what if" scenarios to see how future activity will impact your bottom line.

The Left Navigation Bar

QuickBooks Online's **Left Navigation Bar** allows you to visit Centers and available services (see Figure 1-16). You can open any Center by clicking its name in the black bar.

Click the **three lines** (the "*Hamburger*") at the top right of the black bar to collapse it, giving you more workspace area.

For easy access to your most frequently-used tools, click the **Bookmark icons** on the right of each name to create a list of shortcuts in the *Bookmarks* section at the top of the *Left Navigation Bar*. Once you've created a Bookmark, an option will appear to edit the name if you'd like to customize it further.

You can also use the **Menu Settings** at the bottom to reorder the options, turn on additional Centers, and hide ones you never use.

Centers

QuickBooks Online's **Centers** summarize pertinent information and transactions in one place. Many Centers are organized into **Tabs.** Your most-used Centers and tabs can be bookmarked in Chrome for easy access using the instructions on page 7.
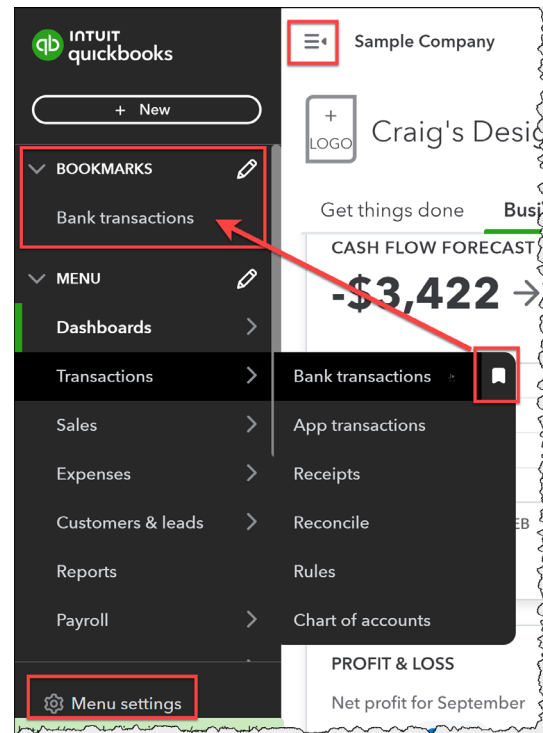
Figure 1-16 The Left Navigation Bar

Some Centers, like the Projects Center, only appear when the features are turned on.

The Sales, Expenses, and Payroll Centers are very important since they provide the only way to access a list of your customers, vendors, and employees. These three lists are referred to as the **Center-based Lists**. For example, when you click on **Sales** in the *Left Navigation Bar* and then on **Customers**, the **Customers Center** opens to show each customer's balance, their contact information, and actions you can take (see Figure 1-17).
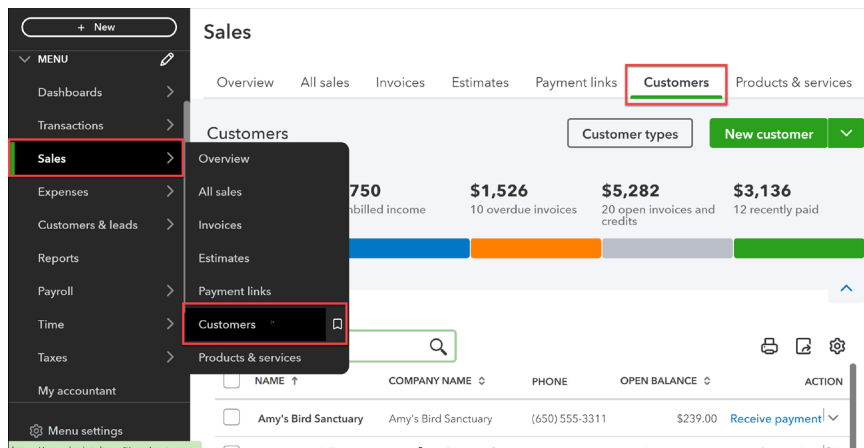
Figure 1-17 Customers Center

You can then click on any customer to drill into see their contact information, notes, and a list of their transactions (see Figure 1-18). From here you can **Edit** their information and create **New Transactions**. Note that almost everything is clickable!

Notice the collapsible **Customer List** to the left of *Amy's Bird Sanctuary*. This panel allows you to easily switch between customers without having to navigate in and out of the customer list. The **Clock** and **Name** buttons at the top allow you to view *Recent* customers and *All* customers. Additional buttons allow you to add a new customer, search the list, and sort alphabetically. You can also collapse the panel completely when you need to see more columns on your screen.
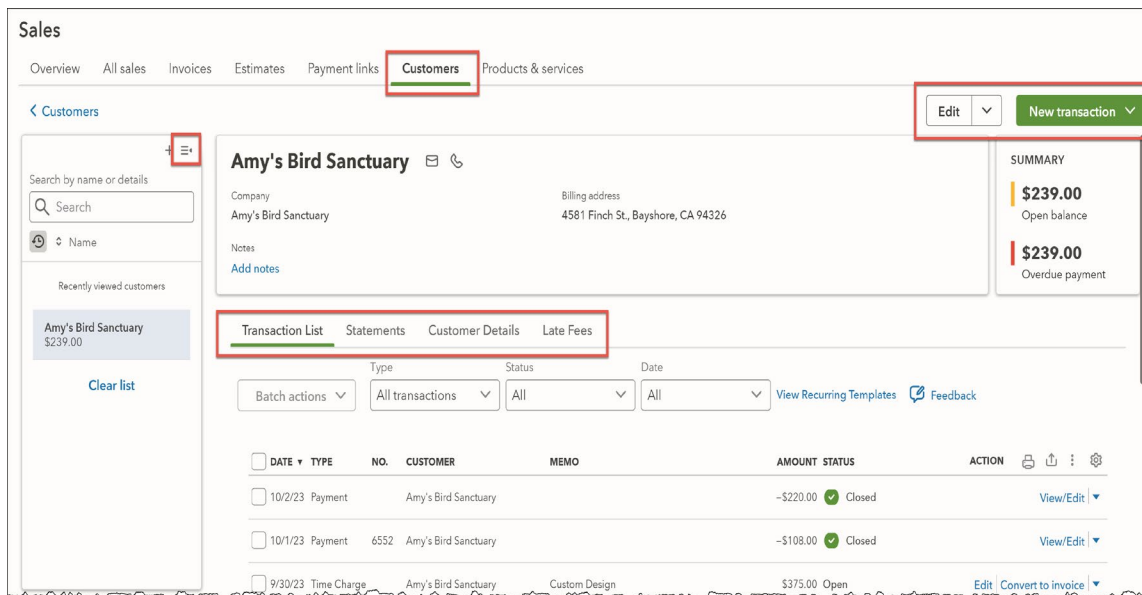
Figure 1-18 Viewing a Customer's transaction list and details

The Money Bar

The **Money Bars** at the top of many of the Centers provide a fast way to see the status of your sales and expense transactions. Click on the colored boxes to filter the lists (see Figure 1-19).

For example, in the Customers Center, you can filter the list to just see Customers with open Estimates, Unbilled Activity, Open and Overdue Invoices, and recent Payments.

To view the full list of customers again, click the blue **Clear Filter / View All** link.
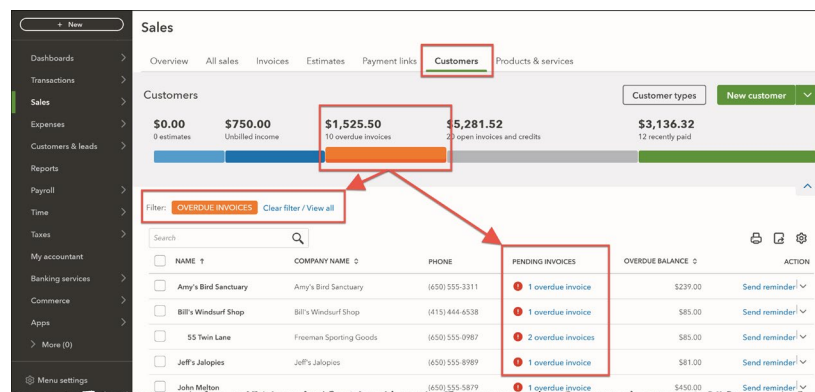
Figure 1-19 The Money Bar filters your list-based Centers

The Bottom Bar

At the bottom of many transaction windows is a bar with several actions (see Figure 1-20). The color of the bar may be white or black, and the options you see will change according to the type of transaction you are in.

Print or Preview shows you what the transaction will look like when you send it to the customer or vendor.

Make Recurring allows you to memorize a transaction to duplicate it later (see page 268).

Customize allows you to choose between your Custom Form Styles (see page 71).

Save maintains your progress while keeping the window open.

You may also see a **Revert** button used when you start making edits but need to discard the changes.
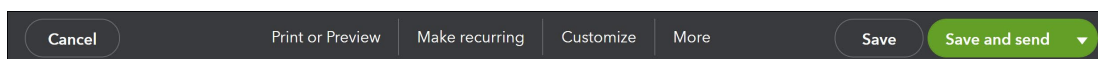
Figure 1-20 The bottom bar in transactions

The **More button** is where you go to **Delete** or **Void** a transaction, **Audit** its history, view its **Transaction Journal**, or **Copy** it to make a new one (see Figure 1-21).

Dynamic Save Buttons

The action buttons at the bottom right corner of each window are dynamic (see Figure 1-22).

When you click on the drop-down arrow in an invoice, for example, you will see several saving options:

- **Save and New** opens up a blank form so that you can process several similar transactions quickly.
- **Save and Close** closes a transaction and returns you to the screen you were on.
- **Save and Share Link** creates a URL web address that you can email or text to customers.
- **Save and Send** or **Review and Send** will email a copy directly to the customer or vendor.

This button is sticky. Once you change the action, it will stay that way until you change it again.
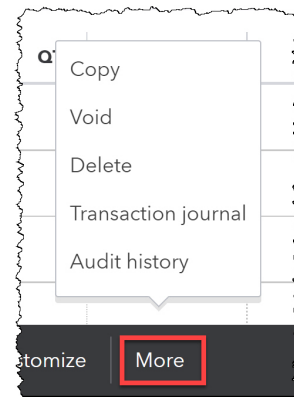
Figure 1-21 The More button
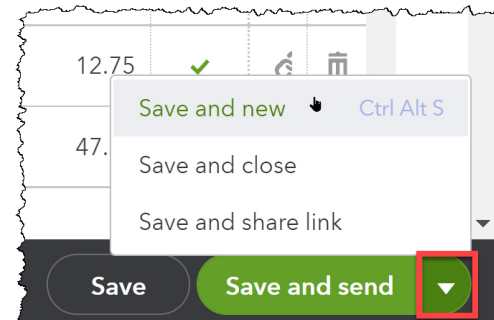
Figure 1-22 Dynamic Save buttons

Using the Search

To look for a transaction that you just entered recently, a transaction for a specific dollar amount, an invoice by number, or all transactions that meet a specific criteria, use the **Search** magnifying glass (see Figure 1-23).

We will learn more about using the **Advanced Search** tool on page 232.

HANDS-ON PRACTICE

You want to review a payment that your co-worker recorded a few minutes ago.

Step 1. Click on the **Magnifying Glass** in the upper right corner, as shown in Figure 1-23.

Figure 1-23 Search for a recent transaction

Step 2. Click on **Payment | Amy's Bird Sanctuary | $220.00**.

Step 3. The transaction opens. Review it, then **Cancel** the window so you don't save any changes.

> **TIP**
> You can even use the *Search* field to run a report or jump to a customer! Be sure to read the *Search Tips* at the top of the box. Experiment!

The Gear

The big *Gear* in the upper right corner is the control center for all the back-end administrative tasks to manage your company file and QuickBooks Online experience (see Figure 1-24).

This is where you control your settings, billing, lists, data, and support tools including feedback. We will talk about many of the features on the Gear throughout this course.
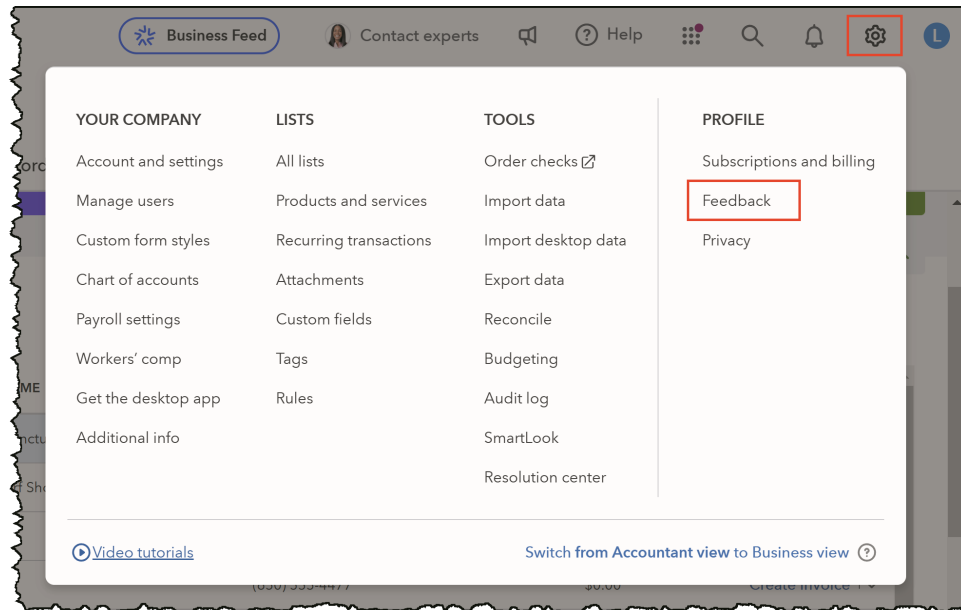
Figure 1-24 The Gear is where you'll find administrative tools

Feedback

Intuit, the company that makes QuickBooks Online, strives to "design for delight." If you find bugs in the software, or a feature doesn't work the way you need it to, be sure to click on *Feedback*. Tell the developers what isn't working, or what ideas you have.

The more people who let Intuit know about an issue, the higher a priority it will become on their feature roadmap. Many of the innovations in QBO were suggested by people like you!

Shortcuts

Autofill

When you're entering data in forms, Autofill saves you time from having to scroll up and down a long list scanning for the item you need, or from having to type the entire entry.

QuickBooks Online saves you time by filtering available options as you type. For example, instead of scrolling down through customer names looking for someone whose name starts with W, just type any of the letters from their name into the box. It doesn't even have to be the first word – any unique string of characters will do. QBO limits the list of options to only those that match. If a list contains headers and sub-accounts, some of the options on the list will appear indented but may not be related to the category directly above them.

If you type faster than QBO searches its list, you may override the match and trigger the software to **Add New**. If you suddenly find yourself creating a new entry that you know already exists, immediately stop, cancel the window, and try again a bit more slowly.

> ### TIP
> When selecting a name or account in any drop-down field, remember that you're not restricted to starting with the first letters. You can go straight to a sub-account or a sub-customer, especially by typing any distinctive letter combinations that aren't present in other entries. This method allows you to locate items efficiently, which will be particularly useful during homework exercises to ensure you accurately select of the appropriate Customer or Account.

Keyboard Shortcuts

If you're a fan of **keyboard shortcuts**, you're in luck! Even though QBO is browser-based, you can still get around without taking your fingers off the keyboard. To see the list of shortcuts shown in Figure 1-25, click on **Additional Info** under the *Gear*, or press **Ctrl-Alt-?** (**Cmd-Option-?** on a Mac).

This is also one of the places to go to find your **Company ID** if you need to contact Support.

Figure 1-25 Keyboard Shortcuts

Date Shortcuts

When entering dates, you don't need to type in the leading 0s or the current year. For example, typing **2/1** then pressing the **Tab** key on your keyboard (to the left of the Q) will resolve the date to 02/01/2023 (using your current year). If you want to get to a date this month, you only have to type the number – the month and year will autofill (for example, to enter the 20th of the current month, just type **20**).

The **Date fields** also have their own set of shortcuts, as shown in Table 1-2. Click in any *Date* field and tap these letters to jump to a date immediately.

You can press them in any combination to reach any date. For example, to jump to Dec 31 of last year, type **Y-**.

Today	T	Any day this month	#
Tomorrow, next day	+ (plus)	First day of the Month (1st)	M
Yesterday, previous day	- (minus)	Last day of the Month (28th, 30th, 31st)	H
First day of the Year (1/1)	Y	First day of the Week (last Sun)	W
Last day of the Year (12/31)	R	Last day of the Week (next Sat)	K

Table 1-2 These date shortcuts move you quickly through time

Built-in Calculators

There is no need to pull out your calculator to do your math! In every **Quantity, Rate,** and **Amount** field, you can use +, -, *, /, and () to do instant math. Press **Tab** to calculate the result.

Currency

When entering dollar amounts, skip the dollar sign (**$**), the commas (**,**), and the ending decimals on whole dollar amounts. QuickBooks Online will autofill these when you press **Tab** on your keyboard. For example, if you type in **1000** then press **Tab**, it will resolve to **$1,000.00** automatically.

Search for text on a page

This trick uses a feature of your browser, not QuickBooks Online. The browser's Search, **Ctrl-F** (**Cmd-F** on a Mac), searches all the content of the screen you're looking at. Use it to find anything on a page instantly, without wasting time scrolling around scanning for it. Use the *Find* field's **< >** arrows to jump from instance to instance of matching text.
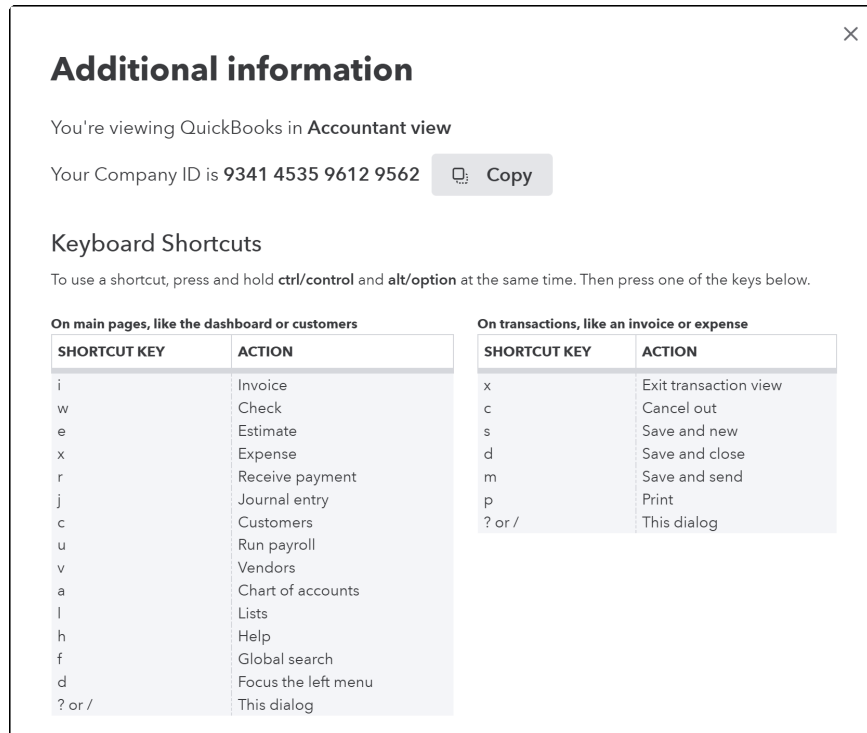
LISTS

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

To see all the menu-based lists you can customize, click on the **Gear** in the upper right corner, then **All Lists** (see Figure 1-26). As you turn and off different features, this screen will change. For example, later in this course, Classes and Price Rules will be found here.
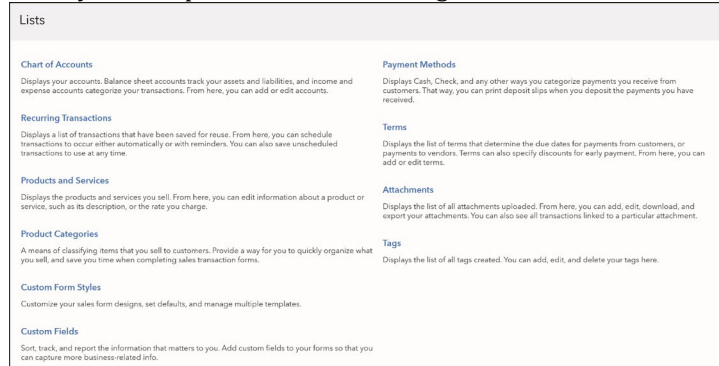
Figure 1-26 The list of Lists

> **NOTE**
>
> There are two kinds of lists — *menu-based* and *center-based*. Menu-based lists are accessed through *All Lists* under the *Gear,* and they populate the fields on forms. Center-based lists include the *Customers Center* and *Vendors Center*, discussed on page 13.

Chart of Accounts

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

HANDS-ON PRACTICE

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

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

By default, the Chart of Accounts is sorted alphabetically within each account type (see Figure 1-27). If you are using **Account Numbers**, the categories are sorted by account number.

Figure 1-27 Chart of Accounts List

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

The **Name** column shows the account names that you will use in transactions and reports. The **Type** column shows their account type. The **yellow arrows** indicate **Bank Transactions feed** connectivity. The **Detail Type**

indicates the Detail Type mapping. The **QuickBooks Balance** column shows the balances for asset, liability, and equity accounts (except Retained Earnings). The **Bank Balance** column shows the balance according to the bank, for accounts that are connected. The **Action** column offers common activities you might need.

Registers

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

Registers allow you to view transactions in a single window. While you can enter new transactions into QuickBooks Online from the register, this is not a good idea because of the limited information available. Instead use **Forms**, as we will discuss on page 21.

Figure 1-28 Checking account register

HANDS-ON PRACTICE

Step 1. To open the **Checking** account register, click on **View Register** on the right of the *Checking account* in the *Chart of Accounts* list.

Step 2. The **Checking** register opens (see Figure 1-28). Scroll through the register.

Step 3. Return to the *Chart of Accounts* by clicking the **Back to Chart of Accounts** link in the upper left corner.

Step 4. Scroll down to the **Sales of Product Income** account and click **Run Report**.

Step 5. Instead of opening a register, QuickBooks Online opens an *Account QuickReport* (see Figure 1-29).

Step 6. Change the date range from **Since 90 Days Ago** to **This Year to Date** (scroll up).

Figure 1-29 An Account Drilldown QuickReport

Step 7. Go back to the *Chart of Accounts* again using the blue **Back to Chart of Accounts** link. **Exit** the report without saving.

Products & Services

Products & Services are used to track a company's sales items. Since every business has its own unique set of products and services, QuickBooks Online needs to be customized by creating items for everything you buy and sell.

Products & Services are necessary in order to use sales forms in QBO (e.g., *Invoices* and *Sales Receipts*). On an invoice, for example, each line has an item representing what people are paying for.

Figure 1-30 The Products & Services List

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

QuickBooks Online uses the Products & Services items to manage all the debits and credits so that you don't have to. By setting up the item and then using it in forms, all the proper accounting happens behind the scenes, populating the reports so that you see the results without having to micromanage the activity.

Figure 1-31 Products & Services

Figure 1-32 Rock Fountain product setup

HANDS-ON PRACTICE

Step 1. To see what items the company buys and sells, hold your cursor over **Sales** in the *Left Navigation Bar*, then click **Products & Services** (see Figure 1-31*)*.

Alternatively, you could select **Products & Services** from the *Gear*, or click the **Products & Services tab** from anywhere in the *Sales Center*.

Step 2. Click on the blue **Edit** button on the right of the **Rock Fountain** row.

Step 3. The Rock Fountain's *Product/Service Information* window opens (see Figure 1-32). Rock Fountains are an **Inventory Item**, meaning that QuickBooks Online tracks the quantity and value in stock. Inventory-type items are associated with an **Inventory Asset Account**, an **Income Account**, and an **Expense Account** in the Chart of Accounts.

Step 4. Click the green **Save and Close** button to close the *Product/Service information* pane.

ACCOUNTING BEHIND THE SCENES

This is why using products and forms is so important! Bookkeepers used to have to track all this manually...QuickBooks Online does the work for you.

QBO uses the Inventory Asset, Income, and Cost accounts from the product to track the revenue and expense associated with all inventory activity.

Every time a Rock Fountain product is purchased on an expense or bill, its cost is added to (debits) **Inventory Asset** on the Balance Sheet. Every time a Rock Fountain is sold by adding it to an invoice or sales receipt, the **Sales Price/Rate** increases (credits) the **Sales of Product Income** account, and QBO automatically moves its original cost out of (credits) *Inventory Asset* and into (debits) *Cost of Goods Sold*.

DATE	TRANSACTION TYPE	NUM	NAME	MEMO/DESCRIPTION	ACCOUNT	DEBIT	CREDIT
	Invoice	1035	Mark Cho		Accounts Receivable (A/R)	$314.28	
				Rock Fountain	Sales of Product Income		$275.00
				Rock Fountain	Inventory Asset		$125.00
				Rock Fountain	Cost of Goods Sold	$125.00	
				Sprinkler Pipes	Sales of Product Income		$16.00
				Sprinkler Pipes	Inventory Asset		$10.00
				Sprinkler Pipes	Cost of Goods Sold	$10.00	
					Board of Equalization Payable		$23.28
						$449.28	$449.28
TOTAL						$449.28	$449.28

The Accounting Behind the Scenes when Mark buys a Rock Fountain! Products and Invoices do all this work for you.

ENTERING TRANSACTIONS IN QUICKBOOKS ONLINE

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

Each real-world activity will have one corresponding action in QBO. For example, a customer paying off several invoices with ONE check will have ONE Receive Payment form (more about that on page 107).

The +New Button for Forms

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

The **+New button** at the top of the *Left Navigation Bar* opens new blank forms for customers, vendors, employees, and general business transactions (see Figure 1-33). By using these forms to enter business activity, you provide QBO with all of the details of each transaction.
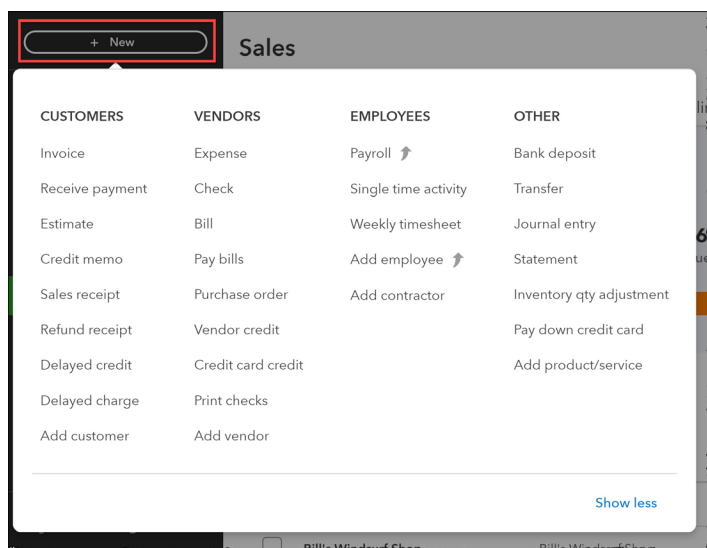
Figure 1-33 The +New button to add new transactions through forms

For example, by using the *Bills* form, QuickBooks Online tracks the vendor balance, the due date of the bill, the payment terms, and the debits and credits in the General Ledger. This is a good example of how QBO handles the accounting behind the scenes.

Before QuickBooks Online, many bookkeepers used *Journal Entries* to manually enter accounting transactions. Relying on journal entries limits QuickBooks Online from providing management information and analysis beyond just the debits and credits on simple reports. If a form is available that achieves your goal, use it so that you can capture business intelligence!

HANDS-ON PRACTICE

Step 1. Click **Bill** in the *Vendors* column of the *+New Button* (see Figure 1-34).

Step 2. Click the **Recent** button in the upper left corner of the *Bill* window, and choose the **most recent bill** at the top of the list (see Figure 1-35).

Step 3. Look around the *Norton Lumber bill* shown in Figure 1-36. Click the **down arrow** next to the *Vendor* field to see the drop-down list of vendors.

Figure 1-34 Bills on the +New button
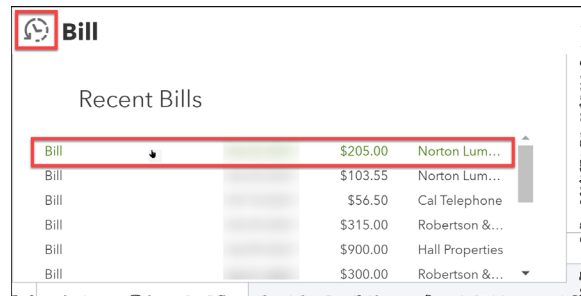
Figure 1-35 Open a recent bill

Step 4. Click the **Calendar icon** next to the date to see the **Date Picker**. Try out the date shortcuts you learned on page 17.

Step 5. Click in the **Amount** field. Try a math calculation using +, -, *, or /. Press **Tab** to calculate the answer.

Step 6. When finished exploring, click the **Cancel** button on the bottom left, then select **Yes** to close the bill without saving any changes you made.

Figure 1-36 Anatomy of a Form

> ### TIP
> You don't have to scroll up and down to choose items on lists. You can type in any letters from its name to limit the list of choices. They don't even have to be the first letters of the name! Try unique character strings that won't match any other names.

QuickBooks Online allows you to change any transaction at any time. However, you should almost never change transactions dated in closed accounting periods, or transactions that have been reconciled with a bank statement.

KEY TERM

For the purposes of this discussion, a *Closed Accounting Period* is a period for which you've already issued financial statements and/or filed tax returns.

Depending on the business, a closed period may be the previous year, or it may be the previous month. Make sure you know how often your company closes periods before you make changes to transactions that might affect past history.

When you edit or delete a transaction, QuickBooks Online updates the General Ledger with your change. Therefore, if you edit transactions in a closed accounting period, you will cause discrepancies between your QuickBooks Online file, published financial statements, and your tax return.

TIP

To prevent this from happening, use a **Closing Date** to "lock" your data file to prevent users from making changes on or before a specified date. You can set the closing date in *Account and Settings* under the **Advanced** tab. If you choose to require a password, be sure not to lose it!

Editing Transactions

From time to time, you may need to modify transactions to correct errors. To edit a transaction in QuickBooks Online, change the data directly on the form. For example, if you forgot to add a line item and *you have not already sent the invoice to your customer or vendor*, you can simply **Edit** the transaction and update the existing information.

NOTE

Some companies cannot change transactions if they have already been sent to the vendor or customer. In that case, you would need to create a new invoice or bill with an adjusting charge.

Copying Transactions

If you would like to duplicate an existing transaction because it already has the information you need, you can *Copy* or *Duplicate* it.

The **Duplicate** option can be found on the *Action* drop-down on many transaction lists.

In Invoices, **Make a Copy** is found under the **More Actions** button, as discussed on page 104 and shown in Figure 1-37.

When you copy a transaction, look for the alert reminding you that this is not the original, as shown in Figure 1-38. Update the date, amount, and other details in the transaction, and then save the duplicate.
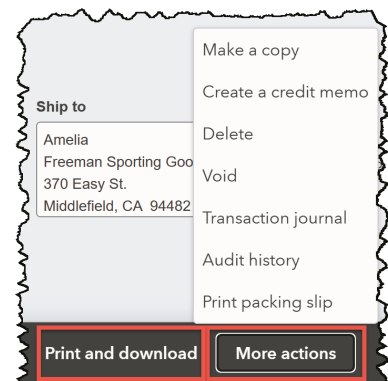
Figure 1-37 Use the More Actions button to Copy a transaction
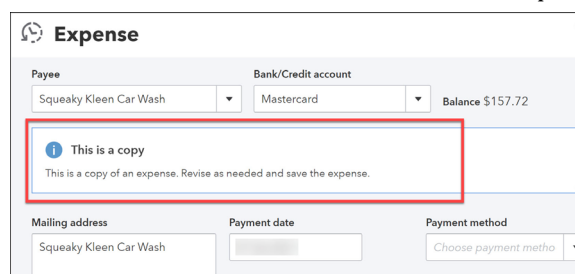
Figure 1-38 Create a copy of any transaction and then modify it

Voiding and Deleting Transactions

Voiding and ***deleting*** transactions both have the same effect on the General Ledger – the effect is to remove the debits and the credits specified by the transaction.

There is one significant difference between voiding and deleting. When you **void** a transaction, QuickBooks Online keeps a record of the date, number, and detail of the transaction, but zeros out the dollar amount. When you **delete** a transaction, QuickBooks Online eliminates it completely from your records.

To maintain a history of business activity, it is preferable to void transactions that are no longer relevant, instead of deleting them, so that you can still see them in your Audit Log.

> **IMPORTANT!**
>
> Deleting or voiding a transaction may affect past reports and taxes. If an error is discovered in a past period after reports or taxes have been filed, you would have to make a compensating adjustment in the current period – see *Writing Off Bad Debts* on page 175, and *Vendor Credits* on page 181.

Deleting a Transaction

If you make a mistake while creating a transaction, an error that is not supposed to be in QuickBooks at all, you can simply delete the transaction right after you make it, and it will go away completely.

Deleting a transaction is permanent, and cannot be undone. You can view the original transaction in the *Audit Log* (see page 267) if you need to recreate it.

To **delete** a transaction:

1. Open the transaction you wish to delete.

2. Click the **More** button in the *bar* at the bottom, then choose **Delete** (see Figure 1-39).

3. In the *Are You Sure You Want To Delete This?* window, click **Yes.**
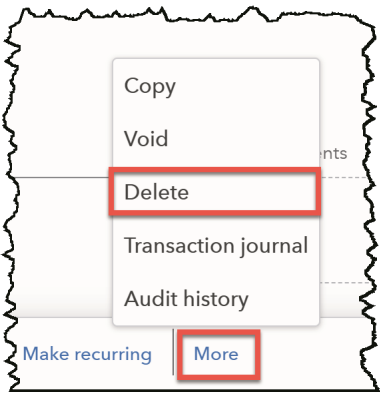
Figure 1-39 Deleting a transaction

Voiding a Transaction

Proper accounting procedures do not allow you to simply delete transactions at will. In some cases it is perfectly fine to use the **Delete** command, when the transactions are internal, in the current period, and true errors. However, if the transaction has business activity of any type associated with it, you can't just delete it. Because you need a continuous transaction history, you would instead *Void* the transaction.

For example, it is acceptable to delete a check that you have not printed. On the other hand, if you have already printed the check, you should **Void** it instead of deleting it so that you will have a record of the voided check and the numbering sequence remains intact in the register.

HANDS-ON PRACTICE

Craig's Landscaping printed a check to pay Tim Phillip Masonry, but at the last minute decided to pay by credit card instead. They need to remove the check from QuickBooks Online.

Step 1. To open the **Checking register**, go to the **Chart of Accounts** from *Transactions* in the *Left Navigation Bar*. Click on the *Checking* account's **View Register** link on the right.

Step 2. Scroll down and find **Bill Payment 45** to **Tim Philip Masonry**. Click once on the transaction to activate it.
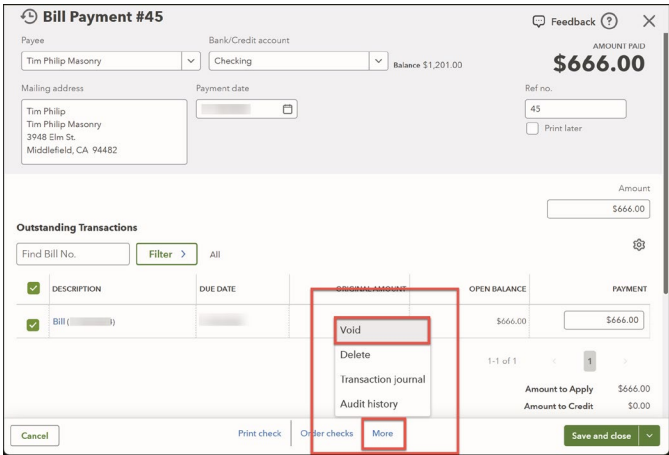
Figure 1-40 Voiding a check

Step 3. Click the **Edit** button to open the payment.

Step 4. Select **Void** from the **More** button in the *bar* at the bottom of the window (see Figure 1-40).

Since you are voiding a check that pays a bill, QuickBooks Online warns you that this change will affect the application of this check to the bills (see Figure 1-41). In other words, voiding a bill payment will make the bill open and payable again.

Step 5. Click **Void Transaction.** The transaction closes.

Step 6. Click the browser's **Refresh** button to update the register. You'll notice the *Memo* now says **Voided**.
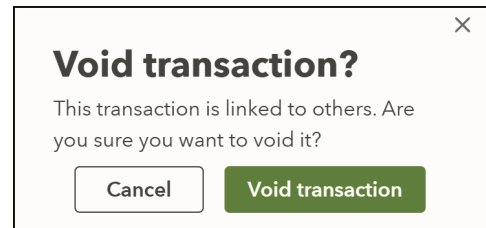
Figure 1-41 Warning about voiding the check

DID YOU KNOW?

Because QuickBooks Online is web-based, you may have to refresh your window after making changes, to pull the updated information from the server. If you make a change but don't see it immediately reflected on the screen, use your browser's **Refresh** or **Reload** button. **Ctrl-R** is a handy keyboard shortcut to refresh the screen without having to stop what you're doing (**Cmd-R** on a Mac).

Step 7. **Edit** the voided payment from the *Register* to open it again. If you don't see it in the register, open it from the *Search Magnifying Glass*.

Notice that the *Payment Status* says **VOID**, the *Memo* includes **Voided**, QuickBooks Online changed the amount of the check to zero, and the original bill is back in the drawer waiting for a new payment (see Figure 1-42).
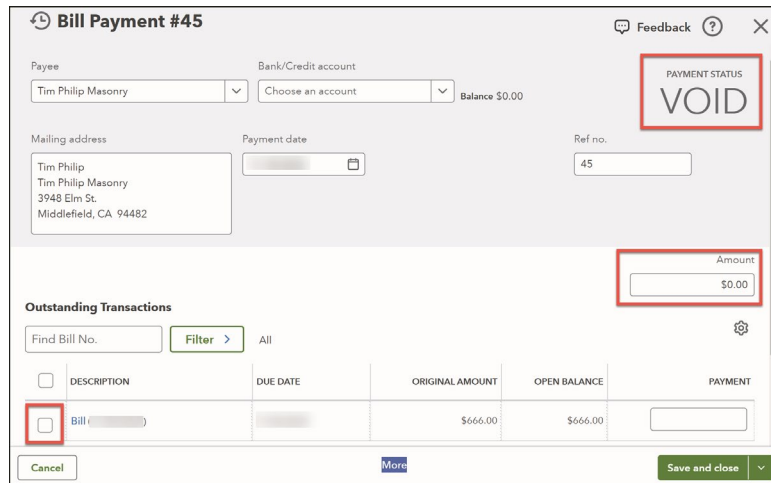
Figure 1-42 Bill payment check after voiding the transaction

Step 8. **Cancel** the voided bill payment to close the window.

QUICKBOOKS ONLINE HELP

Support Resources

QuickBooks Online provides a variety of support resources to assist in using the program.

Help

To access the free support, click the **Help** button in the top bar, and the **Assistant** will open. QBO displays context-sensitive answers to problems you might be having, based on the window you have open. You can also search for keywords or ask a question, and QuickBooks Online will search its Help content and the **Online Community** for related answers.

Click **Contact Us** in the Help's *Search tab* to access live Support representatives through chat and callback options. There is no need to call in and wait on hold! Note that the support specialists are intended for product software help, and cannot answer bookkeeping questions.

Contact Experts

This service is powered by Intuit's QuickBooks Live Expert Assisted support line. For a monthly fee, QBO users can get help with bookkeeping workflows and tasks.

Certified QuickBooks Online ProAdvisors

Certified QuickBooks Online ProAdvisors are independent consultants, accountants, bookkeepers, and educators with demonstrated proficiency in QuickBooks Online, who can offer guidance to small businesses in various areas of business accounting and bookkeeping. To find a Certified ProAdvisor, visit **www.findaproadvisor.com**.

If you will be developing a career using QuickBooks Online, consider signing up for the ProAdvisor Program at **quickbooks.intuit.com/accountants/proadvisor**. Passing Intuit's Certification exams does more than just prove your expertise. It also gives you access to a higher level of support, discounted pricing on products, free training and software, practice management, accountant-only tools, and a listing on www.findaproadvisor.com.

REVIEW QUESTIONS

Comprehension Questions

1. Explain the difference between the QuickBooks Online sample company in the tutorials, and this book's practice file at the end of the chapters.

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

3. Explain the importance of QuickBooks Online's Dashboards.

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

5. Describe the primary purpose of accounting in business.

Multiple Choice

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

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

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

3. Under accrual accounting:

    a) A sale is not recorded until the customer pays the invoice.

    b) Income and expenses are recognized when transactions occur.

    c) An expense is not recorded until you write the check.

    d) You must maintain two separate accounting systems.

4. QuickBooks Online is:

    a) A job costing system.

    b) A payroll system.

    c) A double-entry accounting system.

    d) All of the above.

5. Which is not a method of accessing the data entry screens?

    a) +New button

    b) Dashboards

    c) Keyboard shortcuts

    d) The Gear

Completion Statements

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

2. You do not need to _____ your data file regularly because it is stored on Intuit's servers.

3. When you open your working data file, QuickBooks Online displays a _____.

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

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

APPLY YOUR KNOWLEDGE: INTRODUCTION

1. Open the *Craig's Landscaping sample company* file.

2. Select **Sales** and then **Customers** from the *Left Navigation Bar* to display the Customers Center.

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

    b) In the *Customers Center*, single click on **Bill's Windsurf Shop**. What is Bill's balance?

    c) How many transactions do you see, and of what type?

3. Select **Expenses** and then **Vendors** from the *Left Navigation Bar* to display the Vendors Center.

    a) Click the orange **Overdue** button in the *Money Bar*. What is the name of the first vendor displayed on this list?

    b) What is the *overdue balance* on this bill?

4. From the *Left Navigation Bar*, select **Transactions** and then the **Chart of Accounts**.

    a) What type of account is the **Checking** account?

    b) How many total accounts are there of this same type?

    c) What is the *QuickBooks Online Balance* for the **Savings** account? What does the *Bank* say it should be?

5. **Sign out** of Craig's Landscaping.

2: Setting Up QBO

CHAPTER 2

TOPICS:	LEARNING OBJECTIVES:
• Starting a New QuickBooks Online Company (page 29) • Configuring Account and Settings (page 30) • Setting Up the Chart of Accounts (page 35) • Setting Up Products & Services (page 45) • Importing Lists (page 54)	• Identify the steps in setting up a new QuickBooks Online company file. • Recall the steps to customize lists. • Create the company account students will use to build their own practice file.

Setting up QuickBooks Online properly is crucial not just to the accuracy of your reports, but to your ability to understand your company's day-to-day activity. This chapter shows you how to get started with QuickBooks Online by setting up your **Chart of Accounts,** configuring **Account and Settings**, and creating your **Products & Services**.

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.

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.

Starting from Scratch

If you've never used accounting software before, or the system you've been using has old data or inaccurate reports, building a new fresh QuickBooks Online file is a great opportunity to design a system that reflects your current needs.

In this chapter we will review the steps to setting up a QBO file from the beginning.

In the Appendix there is a full set of additional instructions for setting up a QBO file for a company that is already in business.

CONFIGURING ACCOUNT AND SETTINGS

The first thing you need to do once you have created a new QuickBooks Online subscription is set up your preferences using *Account and Settings.*

It is important to go through your settings when you first create 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 7, then click on the **Gear** in the upper right corner. Choose the first option, **Account and Settings** (see Figure 2-1).

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.

When creating a new file, start with the *Company* settings (see Figure 2-2).
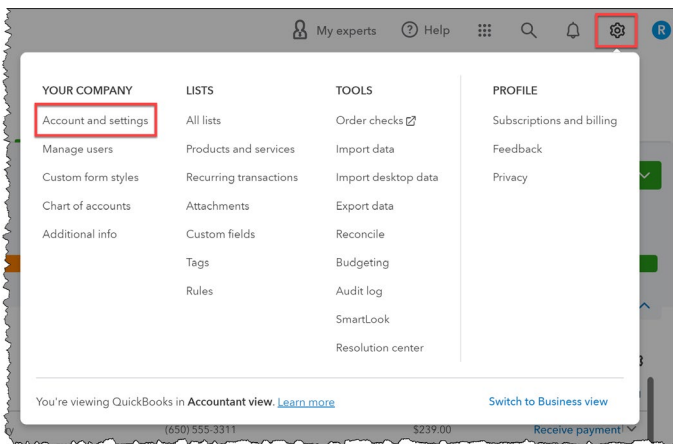
Figure 2-1 Open Account and Settings

> ### 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.

HANDS-ON PRACTICE

Step 1. Click on the **Pencil** on the right in the *Company Name* section (see Figure 2-3).

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*).
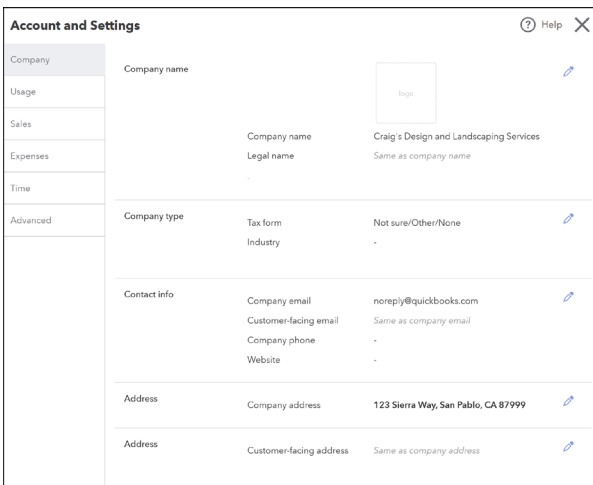
Figure 2-2 Company Settings

Step 3. Enter the *Company Name*, **Craig's Design and Landscaping, Inc.**.

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.

Figure 2-3 Enter in the Company Name and EIN

Step 4. Click the **dot** to the left of the *EIN (Employer Identification Number)* and enter **12-3456788**.

Step 5. Click the **Save** button.

Step 6. Click in the **Company Type** area (note that you don't actually need to click the *Pencil*). See Figure 2-4.

Step 7. Choose the *Tax Form* **Small Business Corporation, Two Or More Owners (Form 1120S)**.

Step 8. In the *Industry* box, start typing the word **Landscaping**. As you type, the list will filter to types of landscaping services. Choose **Landscaping Services**.

Figure 2-4 Enter the company's Tax Form and Industry

Step 9. Click **Save**.

Step 10. Click on the **Contact info** section (see Figure 2-5).

Step 11. In the *Company email* field, enter the email address where QuickBooks Online can send you messages, **bookkeeping@craigslandscaping.com.**

Figure 2-5 Enter the company's contact info

Step 12. Since we would like customers to contact the company at a different email address, uncheck **Same As Company Email**.

Step 13. Enter the email address **info@craigslandscaping.com**.

Step 14. Enter your company's customer service phone number, **123-456-7890**. Note that you don't need to type the () or hyphens. This is the phone number that will appear on sales forms.

Step 15. Enter the company's website, **craigslandscaping.com**.

Step 16. Click **Save**.

Step 17. Leave this window open to get ready for the next step.

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.

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

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

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 2-6).

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 67)
Automations (page 35)
Sign me out if inactive for 3 hours (page 35)
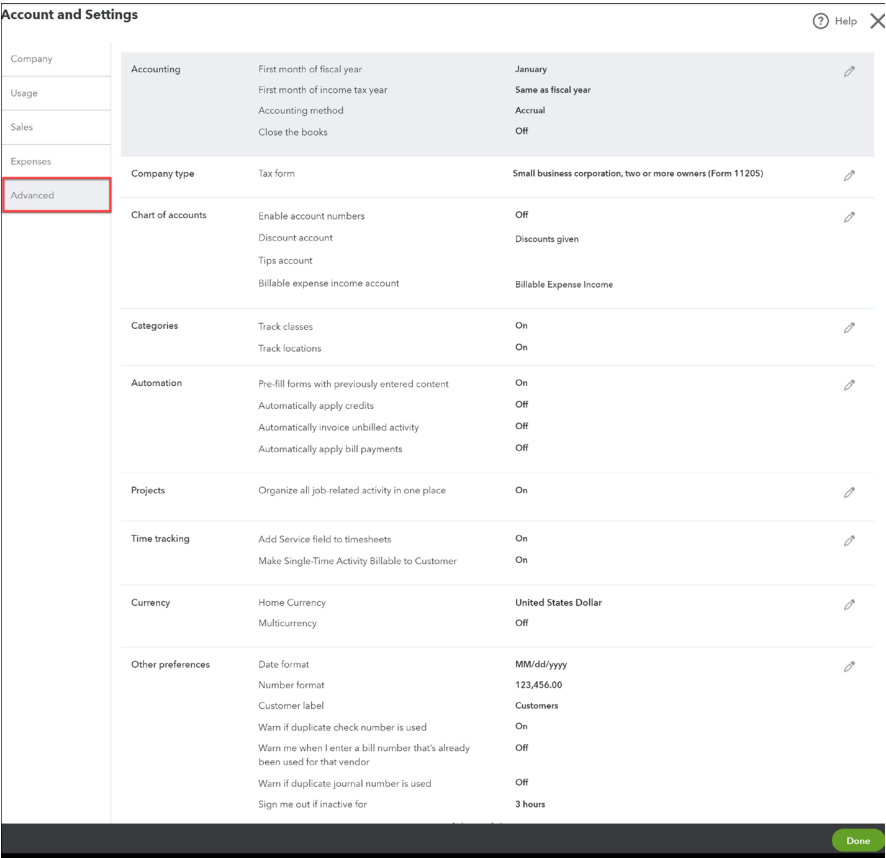
Figure 2-6 Advanced Settings

HANDS-ON PRACTICE

Step 1. If you are not already in *Account and Settings*, click the **Gear** to open it.

Step 2. Click the **Advanced** tab, the last tab on the left pane.

Step 3. Click on the **Accounting** section (see Figure 2-7).

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 and 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 and 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**.

Figure 2-7 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 26.

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 2-8).

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 36 for more information. Do not do this now.

Step 10. Leave all the defaults, including *Discount Account*, *Tips Account*, and *Billable Expense Income Account*.

Step 11. Click **Save**.

Figure 2-8 This is where you would Enable Account Numbers

Step 12. The *Categories* section is where you'll turn on **Classes** and **Locations** (see Figure 2-9). We will discuss class tracking on page 67.

Step 13. 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 14. Leave the default on *Assign Classes:* **One to each row in transaction**.

Step 15. 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 16. Click **Save**.

Figure 2-9 Turn on Classes and Locations

Step 17. The *Automation* section controls whether QuickBooks Online will help you out with Accounts Receivable and Accounts Payable transactions (see Figure 2-10).

Step 18. *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 19. *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 164, and see a demonstration of this automation on page 181.

Step 20. Leave the default **Off** for Automatically Invoice Unbilled Activity.

Step 21. *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 22. Click **Save**.
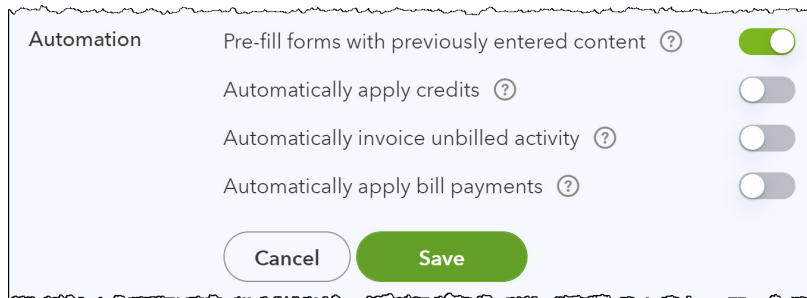
Figure 2-10 Automation settings for Accounts Receivable and Accounts Payable

Step 23. The next two sections in the Advanced settings turn on and off the features for ***Projects*** and ***Currency***. We will leave these defaults.

Step 24. The *Other Preferences* section (see Figure 2-11) 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 25. 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 26. Click **Save**.

Step 27. Click the green **Done** button at the bottom right to return to the Dashboards.

> ### 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.
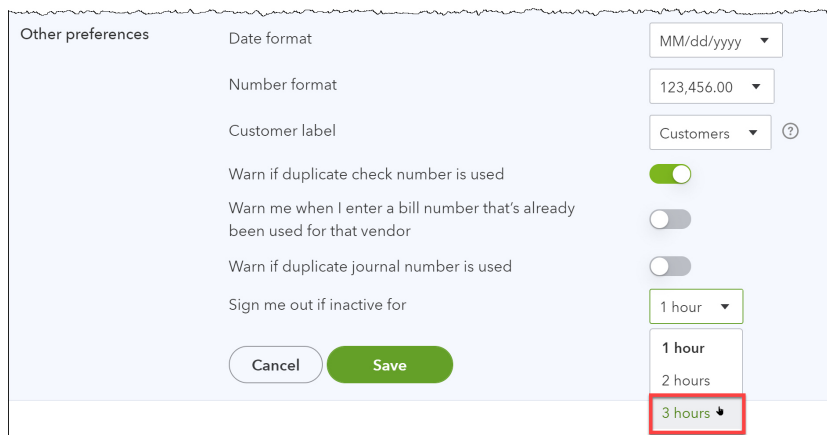
Figure 2-11 Other Preferences, where you can change the sign out time and Customer Label

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 2-20 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 traditional numbering system allows accounting professionals to instantly distinguish between different types of accounts by ID number across different company files.

Using account numbers 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 subscription.

Range	Account Type
1000-1999	Assets
2000-2999	Liabilities
3000-3999	Equity
4000-4999	Income/Revenue
5000-5999	Cost of Goods Sold
6000-6999	Operating Expenses
7000-7999	Other Income
8000-8999	Other Expenses
9000-9999	Non-Operational Accounts (e.g., Allocations, Internal Adjustments)

Another benefit of account numbers is that they 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.

If you prefer to use account numbers, you can activate them in the **Advanced section** of **Account and Settings**, following the instructions on page 34.

> **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).

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 54 we saw that you can import your own Chart of Accounts.
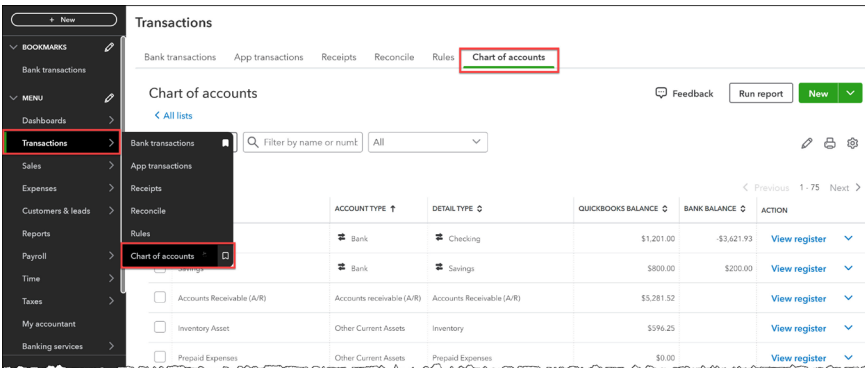
Figure 2-12 The Chart of Accounts

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 *Transactions* section of the *Left Navigation Bar* (see Figure 2-12).

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

Step 3.   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 4.   In the *Account Type** field, scroll down and choose **Expenses**.

Step 5.   In the *Detail Type** field, choose **Office/General Administrative Expenses**.

Step 6.   Enter **Computer Software and Subscriptions** in the *Description* field. The *Description* field is not required, but it helps other users understand the purpose of each category.

Figure 2-13 Add a new Expense Account

Step 7.   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 2-13.

Step 8.   Click **Save** at the bottom of the window to save the account.

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 *Detail Type* 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.

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.

Figure 2-14 Edit the Supplies category

Step 9. Click **Next>** to continue to the second screen of categories (see Figure 2-14).

Step 10. Click the drop-down arrow to the right of the *Supplies* row and choose **Edit.**

Step 11. Change the *Account Name* to **Office Supplies**, and the *Detail Type* to **Office/General Administrative Expenses**, as shown in Figure 2-15, then click **Save**.

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 be sure to 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**.

Figure 2-15 Change the Account Name and Detail Type to Office Supplies

DID YOU KNOW?

When using a sub-account on a check, bill or other transaction, **the account will appear with the main account followed by a colon and then the sub-account**, in the format *Utilities:Garbage*. You will notice this in your homework exercises. This is true for sub-customers and Projects, too!

Be sure to always search for the sub-account AFTER the colon so that you don't accidentally choose the header account in your transactions.

HANDS-ON PRACTICE

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

Step 12. Display the **Chart of Accounts** if it is not already displayed.

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

Step 14. Type **Garbage** in the *Account Name* field.

Step 15. Select **Expenses** in the *Detail Type* field.

Step 16. Click the Make This a Subaccount **checkbox.**

Step 17. In the *Parent Account, ch*oose **Utilities**.

Step 18. Type **Trash and recycling** in the *Description* field.

Scroll down and confirm that **Garbage** appears indented under **Utilities** in the *New Account Preview* (see Figure 2-16).

Step 19. Click the **Save** button**.**

Step 20. Click the **New** button again.

Step 21. Repeat the steps above to create a new **Other Utilities** expense sub-account under *Utilities*.

Step 22. Enter **Other Utilities** in the *Description* field.

Step 23. Click the green **Save** button.

Figure 2-16 Creating a sub-account

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 2-17).

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.

Figure 2-17 Sub-accounts in the Chart of Accounts

DID YOU KNOW?

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

Removing Accounts from the Chart of Accounts

Notice that in the Income section on the first page of the Craig's Landscaping COA in Figure 2-18, *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 & Services** instead. That way, you'll also be able to run a variety of Products & Services reports to see a detailed analysis of what the company buys and sells.

If you have too many accounts, or when you no longer need a category, 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.

NAME ⬍	ACCOUNT TYPE ⬍
Landscaping Services	Income
Job Materials	Income
Decks and Patios	Income
Fountains and Garden Lighting	Income
Plants and Soil	Income
Sprinklers and Drip Systems	Income
Labor	Income
Installation	Income
Maintenance and Repair	Income

Figure 2-18 A Chart of Accounts with too much detail

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. Change the date range to **All Dates.**

Since there are no transactions on the list, you know this account has never been used and there's no reason to keep it. If it had been used before this year but is not needed anymore, you can also inactivate it.
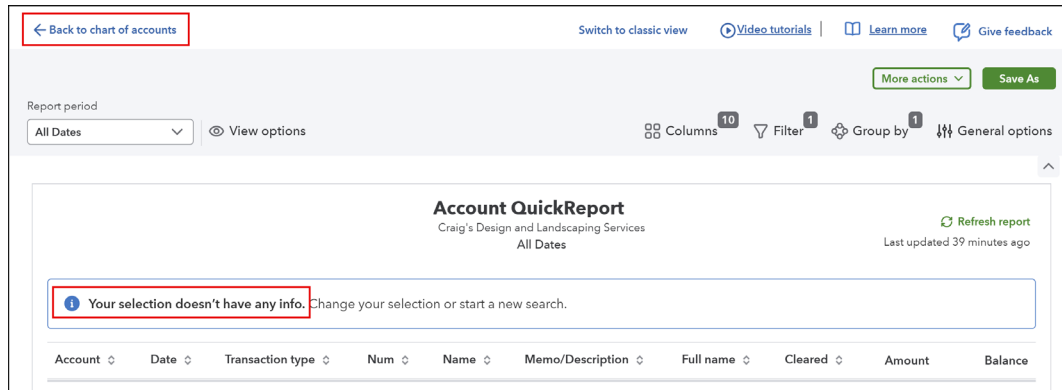
Figure 2-19 A QuickReport to confirm this account isn't important

Step 4. Click the blue **< Back to Chart of Accounts** link in the upper left.

Step 5. Click **Exit Without Saving** since you won't need this report again.

Step 6. Click the **drop-down arrow** on the right of *Purchases*, and then choose **Make Inactive** from the menu (see Figure 2-20). Note the **(reduces usage)** message letting you know that inactivating this account will help your 250 category limit discussed on page 35.

Step 7. In the confirmation alert, choose **Yes, Make Inactive**.
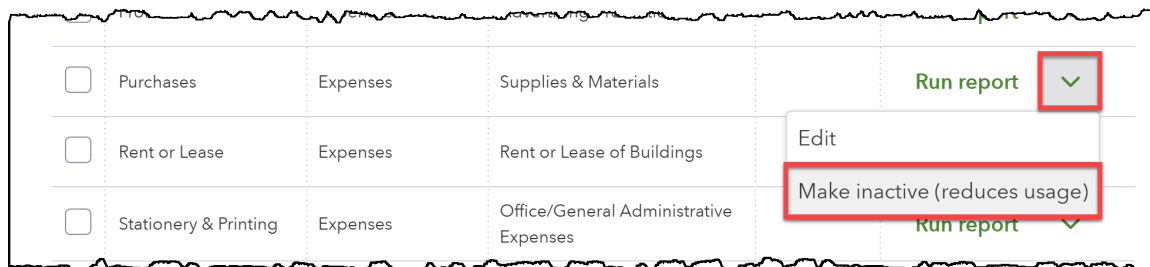
Figure 2-20 Making an account inactive in the Chart of Accounts

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*.

Step 3. If the *Name* column needs to be wider, carefully hover your cursor between the *Name* and *Description* column headers until you get a double-headed arrow, then drag it to the right.

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

Figure 2-23 Report with all Legal & Professional Fees

Step 4. Click the blue **<Back to Chart of Accounts** link in the upper left corner.

Note the *Name, Account Type,* and *Detail Type* of the category 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. Type or paste **Accounting** in the *Account Name** field (see Figure 2-21). If there is an *Account Number*, delete it. Confirm the **Expenses** *Account Type*, *Detail Type*, and *Parent Account* are correct. You must enter all this information EXACTLY as it appears in the category you will keep.

Step 7. Scroll down to the *Account Preview*, shown in Figure 2-21. Note that **Accounting** is displayed twice, highlighted in red. QuickBooks Online has noticed that you are creating a duplicate account.

Step 8. Click **Save**.

Step 9. Now that this account has the same name as the other account, QuickBooks Online asks if you want to merge the two accounts (see Figure 2-22). Click **Yes, merge accounts**.

Step 10. Click **Save** again.

Now that the **Bookkeeper** account has been merged into the **Accounting** account, running the QuickReport again

Figure 2-21 Modify the account to exactly match the account you will keep

Figure 2-22 Click Yes to merge the accounts

shows that QBO has updated all the transactions that were categorized to **Bookkeeper** and moved them to **Accounting** instead, as shown in Figure 2-24. Remember to resize your columns as needed.

Figure 2-24 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 & 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 scroll down to **Page Size** to change the number of rows to 300 (see Figure 2-25).

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

Figure 2-25 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.

Figure 2-26 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 reverse it from Z to A.

You may also sort the table by the **QuickBooks Balance** or **Bank Balance** columns.

Click the **Account 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 2-27). Close the tab when you're done.
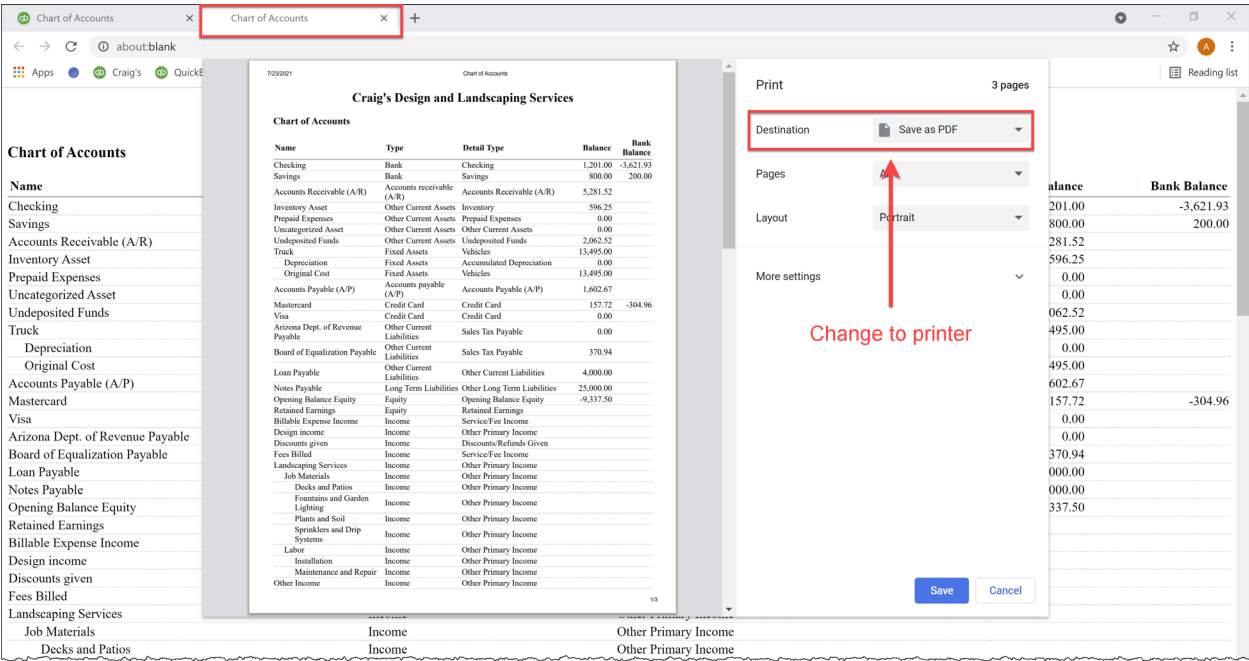
Figure 2-27 The Chart of Accounts, ready to print

SETTING UP PRODUCTS & SERVICES

The **Products & 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 & 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 & Services affect the financial statements for a company.

Products & Services in the *Products & 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 & Services List* in one of four ways:

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

The first time you view the Products & 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 31). Before you start using the file, be sure to update this list to reflect your company's offerings.
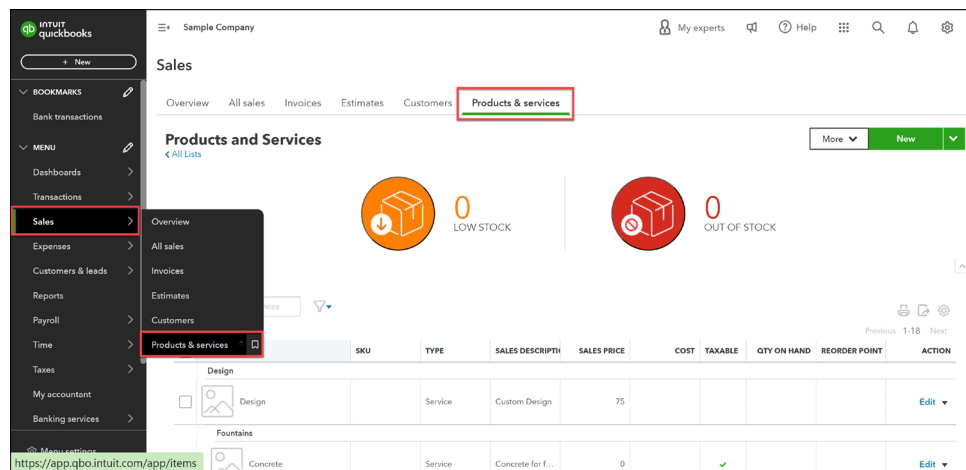
Figure 2-28 The Products & Services List

If you have a list of Products & Services from another system, you can import it using the instructions on page 54. 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 2-28).

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 managed by clicking on the **More** button in the upper right of the *Product and Services Center*, as seen in Figure 2-28. We will create our item categories on the fly as needed during these exercises.

Products & Services Types

There are four different types of Products & Services items in QuickBooks Online as shown in Figure 2-29. 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.

Figure 2-29 The New Product/Service Information window

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 & 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 2-29.

Step 4. Fill in the *Name* **Mowing** with the *Category* **Landscaping**.

Step 5. In the *Description* field, enter **Mowing**. The *Sales Price/Rate* is **25** and the *Income Account* is **Services**.

Step 6. 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. Services are usually not taxable.

Step 7. Click **Save and Close**.

Figure 2-30 New Service Item

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 **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 service, you can track the profitability of your subcontractors.

HANDS-ON PRACTICE

Craig contracts a tree trimming service instead of providing the service through his employees. Match these steps to Figure 2-31.

Step 1. 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.

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 **Skip**.

Step 9. Click **Edit Sales Tax**, scroll down to the bottom, and click the circle for **Nontaxable**. Click **Done** to finish the Sales Tax setup on this service, as shown in Figure 2-32.

Step 10. 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 purchases to "buy" the service from a vendor. Both types of transactions will flow through to the correct accounts on financial statements, allowing you to run item profitability reports.

Figure 2-31 Subcontracted Service Item

Figure 2-32 The service is non-taxable

Step 11. The *Description on Purchase Forms* is the same, **Tree Trimming**.

Step 12. The *Cost* that Craig pays the vendor for each tree is **$75**.

Step 13. 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 14. In the *Preferred Vendor* box, type in **Tony** to quickly filter the list, then choose **Tony Rondonuwu**.

Step 15. 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.

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

Step 1.   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.

Step 2.   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.

Step 3.   Click the blue **Change type** link next to *Service* at the top of the pane. Choose **Non-inventory**.

Step 4.   Enter **Grass Seed** in the *Name** field.

Step 5.   Choose **Landscaping** in the *Category* field.

Step 6.   In the *Description*, enter **Grass Seed**.

Step 7.   The *Sales Price/Rate* is **3** dollars.

Step 8.   Enter **Sales of Product Income** in the *Income Account*. Sales of Product Income is typically used for tangible goods.

Step 9.   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

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 10.   Click the **Done** button to return to the product.

Step 11.   When your *Grass* Seed looks like Figure 2-38, click **Save and New** to save the item and start the next one.

Figure 2-33 A Non-inventory Product Item

Figure 2-34 Select the special sales tax category

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 *Name* field with **Custom Statue**.

Step 3. The *Category* is **Design**.

Step 4. The *Description* is **Enter description of custom statue here**. This way it acts as an instruction for the user to follow when creating the sale.

Step 5. The *Income Account* is **Sales of Product Income**.

Step 6. This time we will leave the *Sales Price/Rate* and *Cost* fields empty, since the prices change with every order.

Step 7. Leave the *Sales Tax* on the default, **Taxable – Standard Rate**.

Step 8. Check the box **I purchase this product/service from a vendor** in the *Purchasing information* area at the bottom.

Figure 2-35 A Two-sided Non-inventory product

Step 9. The *Description on Purchase Forms* is the same, **Custom Statue**.

Step 10. Since the *Cost* changes for every custom order, we will leave this blank.

Step 11. The *Expense Account* is **Cost of Goods Sold**, since this is a direct expense that Craig must incur in order to resell the statue.

Step 12. In the *Preferred Vendor* box, type in **Tim** to filter the list, then choose **Tim Philip Masonry**.

Step 13. When your Non-inventory product matches Figure 2-35, drop down the arrow next to the **Save and New** button and choose **Save and Close** to save the item and go back to the *Products & 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.

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.

If you are integrating 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 at all. 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.

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 & 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.

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.

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**.

Figure 2-36 An Inventory Item

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 & Services list*, alerting you that it is time to place an order.

> ## IMPORTANT!
> These 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 *DO NOT* use today's date and quantity in these fields! If you do, you will create an unnecessary Opening Balance Equity entry, and 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 of the previous year**). 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.

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. Leave the *Sales Tax* on the default, **Taxable – based on location only**.

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 67.

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 sales forms and one for purchase 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 2-36. 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 20.

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 & 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 2-37).

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).

Figure 2-37 Create a Bundle to turn multiple items into one

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**. In the *Qty* box, enter **2**. It takes two bags of concrete for each fountain.

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 2-37, click **Save and Close** to save the item and return to the *Products & Services* list. *Note: if you are unable to save the Bundle, just cancel the window, review the steps below to make sure you understand them, and skip to the next section.*

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 be customized. Behind the scenes, the inventory accounting will update automatically (see page 52).

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**.

Figure 2-38 Invoice with Bundle

Collecting Sales Tax on Products & 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.

IMPORTING LISTS

Many of your existing lists in QuickBooks Desktop, your Point of Sale system, or other accounting 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 as you go.

> ### *DO NOT PERFORM THESE STEPS NOW.*
> ### *THEY ARE FOR DEMONSTRATION ONLY.*

Step 1. Click on the Gear and choose Import Data, as shown in Figure 2-39.
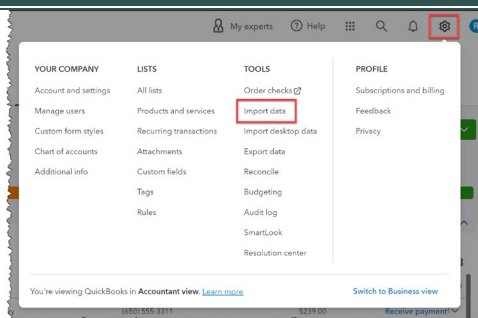
Figure 2-39 Import existing lists into your new QBO file

The screen in Figure 2-40 gives you the opportunity to import Customers, Vendors, a Chart of Accounts, Products & Services, and historic Invoices. There is also a button for importing Bank Transactions feed, which we will discuss on page 194.

Step 2. In this example, we might choose to import a list of Customers with their details that we already exported from other software. Click on **Customers**.
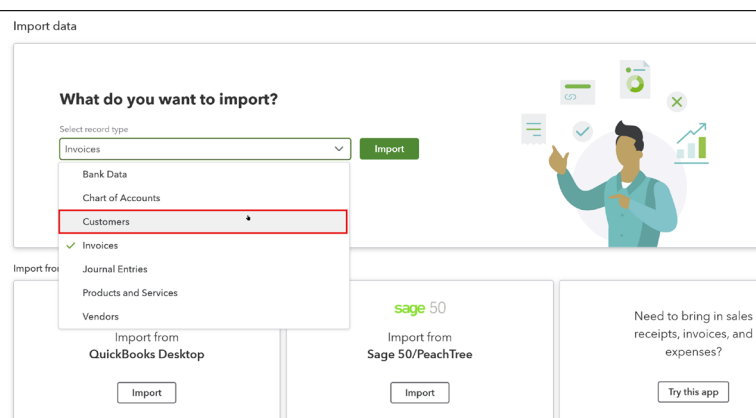
Figure 2-40 Import these lists so that you don't have to start from scratch

Step 3. On the next screen shown in Figure 2-41, 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 2-41 Download a template and upload your data

Step 4. On the next screen shown in Figure 2-42, 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.

Step 5. If you don't like the results you see, click **Back** to return to the upload screen. Open your original spreadsheet to fix any errors, then click **Browse** again to upload the corrected file.

Step 6. Click **Next** when ready.

Figure 2-42 Map the headings in the spreadsheet to the fields in QBO

Step 7. 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 8. Click the green **Import** button. QBO will tell you how many records were successfully imported.

Figure 2-43 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 Excel Importer** 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.

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 & Services List.

Multiple Choice

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

1. It's best to start a new QuickBooks Online file from scratch if:
   a) You know your reports are wrong.
   b) You have old customers and vendors.
   c) You sell different products and services than you used to.
   d) All of the above.

2. You can customize your QBO company settings under:
   a) Gear > Account and Settings.
   b) Left Navigation Bar > Transactions.
   c) Left Navigation Bar > Account and Settings.
   d) Gear > Preferences.

3. The Chart of Accounts contains categories for:
   a) Products & Services.
   b) Customer names.
   c) Assets, Liabilities, Equity, Income, and Expenses.
   d) Payment methods.

4. What is NOT true about account numbers?
   a) They can be used create consistent organization across different QBO files.
   b) They specify the order accounts display in.
   c) Once you turn them on, you can't turn them off.
   d) Most small businesses don't use them.

5. Which of the following is displayed vertically on the far left side of the screen?
   a) The Dashboards.
   b) The Left Navigation Bar.
   c) The Gear.
   d) None of the above.

6. The types of Products & 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. If you have list items you don't need anymore, you can:

    a) Inactivate them.
    b) Merge them.
    c) Completely delete them.
    d) Either a or b.

8. What are sub-accounts used for?

    a) Creating a detailed hierarchy.
    b) Providing more detailed data on reports.
    c) Analyzing business performance.
    d) All of the above.

9. Which account category is found on a P&L Report?

    a) Income.
    b) Bank accounts.
    c) Equity.
    d) Liabilities.

10. Which account category is found on a Balance Sheet?

    a) Income.
    b) Cost of Goods.
    c) Expenses.
    d) Assets.

11. What is the benefit of using Bundles on a sales form?

    a) Save time in data entry.
    b) Calculate quantities on several items at once.
    c) Combine several Products & Services into one.
    d) All of the above.

12. 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. Products & Services that you both buy and sell are called _____ _____.

APPLY YOUR KNOWLEDGE: SETTING UP YOUR PRACTICE COMPANY

It's time to get your own student company, Imagine Photography, from your instructor! This free student trial subscription is good for one year.

There are two steps: First, your instructor will invite you to create an account with Intuit. Immediately after you create your account and password, the wizard will start setting up your student file.

> ### IMPORTANT!
> Not in an instructor-led class? Visit page xvii for suggestions to obtain a free practice file.

Creating your Student User Account

Your instructor will create your account using your school email address. If you already have an Intuit ID that you would like to use, ask your instructor to send the invitation to that email address.

You will receive an email with a link to click to create your account.

HANDS-ON PRACTICE

Step 1. If you still have the **Craig's Design and Landscaping** file open, click the letter in the circle in the upper right corner and **Sign Out**.

Step 2. Find the email you received from your instructor with the subject line **Action required: [Your instructor] has invited you to create a QuickBooks Online Plus Company**. Click the **Accept Invitation** button as shown in Figure 2-44.

Your instructor has invited you to create your own QuickBooks company

Dear Alicia,

Your instructor has invited you to create a QuickBooks Online Plus company that you can use for the class for free. Click below to accept the invitation.

Accept invitation

Figure 2-44 Look for the email from your instructor

Step 3. On the Intuit account sign up screen shown in Figure 2-45, enter your **personal information** and choose a **password**.

Step 4. Intuit may send you a **verification code** in a separate email. Enter it to continue.

Step 5. **Save** your password in a safe place!

> ### IMPORTANT!
> If you have an already-existing Intuit account using this email address, *log in instead of creating a brand new account* by clicking the tiny **Sign in** link at the very top**.**
>
> Then when your list of existing files appears, scroll to the very bottom and click **Create a New Company**.

Figure 2-45 Create Your Student Account

Initiating Imagine Photography

After you create your user account, QuickBooks Online will continue right into setting up your classroom file. The first time you log in, QuickBooks Online will ask you a series of questions. Your answers determine how some of the features are implemented, and also which products Intuit will suggest, like QB Payments, QB Checking, and QBO Payroll. We don't want you to inadvertently sign up for paid services!

Be sure to use the answers below so that your screens will match the homework exercises.

> **IMPORTANT!**
> These questions will vary. If a question is out of order or missing, just keep moving forward. *Click SKIP wherever possible*. When in doubt, choose the least specific option.

HANDS-ON PRACTICE

Step 6. Walk through the onboarding screens. Use these questions as a guideline, but note that this process changes frequently and will probably not exactly match.

Screen Text	Type or Click	Button to Move Forward	Done?
Welcome message		Get Started	□
What's your business called?	[Your first and last name]'s Imagine Photography. Be sure to include your full name so that your instructor can easily identify you on their class list.	Next	□
What were you using before QuickBooks?	Nothing, I'm new to this	Next	□
Industry	All other miscellaneous store retailers (except tobacco stores)		□
Business Type - Select the most relevant option	S Corp	Next	□
What's your role?	Bookkeeper or Accountant		□
How many employees?	2-5	Next	□
You nailed the basics	Link a bank or credit card to start getting organized (3rd box)	Do this first	□
Now, let's get organized so you can get a clear picture of your business finances		Skip for now	□
Snap and save receipts from anywhere		Next	□
Get set up to get paid online		Skip for now	□
Take care of your team and their time	Not right now	Next	□
Anything here you'd like to do another time?		Skip for now	□
Getting everything ready for you		Let's Go	□

Step 7. **Sign out** when done by clicking on **your initial** in the circle in the upper right corner and selecting **Sign Out**.

Step 8. **Drag the URL** to your *Bookmarks Bar* for easy access.

Step 9. **Log in** again to make sure you know the password.

Confirm the Chart of Accounts

Step 10. Click on **Transactions** in the *Left Navigation Bar*, and view your *Chart of Accounts*.

Step 11. As of this writing, Intuit is experimenting with different Charts of Accounts in new QuickBooks Online subscriptions. This book was written using an accounts list that looks like Figure 2-46. If yours starts with **Cash**, you can move on to the next section.

	NAME ⇕	ACCOUNT TYPE ↑	DETAIL TYPE ⇕
☐	Cash	Bank	Cash on hand
☐	Accounts Receivable (A/R)	Accounts receivable (A/R)	Accounts Receivable (A/R)
☐	Allowance for bad debts	Other Current Assets	Allowance for Bad Debts
☐	Employee cash advances	Other Current Assets	Employee Cash Advances
☐	Inventory	Other Current Assets	Inventory
☐	Inventory Asset	Other Current Assets	Inventory
☐	Loans to officers	Other Current Assets	Loans To Officers

Figure 2-46 The Chart of Accounts used in this book

Step 12. If your *Chart of Accounts* looks like Figure 2-47 instead, with *Uncategorized Asset* at the top of your list instead of *Cash*, turn to **Purging QBO Data** on page 498 to start over and import the correct chart of accounts.

Step 13. When you're done, continue to the next steps.

	NAME	TYPE ▲
☐	Uncategorized Asset	Other Current Assets
☐	Undeposited Funds	Other Current Assets
☐	Owner's Investment	Equity
☐	Owner's Pay & Personal Expenses	Equity
☐	Retained Earnings	Equity
☐	Billable Expense Income	Income
☐	Sales	Income

Figure 2-47 If your Accounts look like this, follow the steps in the Appendix

IMPORTANT!

Only continue with these instructions if **Cash** is the first category in your Chart of Accounts! Otherwise **STOP!** You need to purge your file and import the correct chart of accounts before continuing.

Setting Up Account and Settings

4. 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	12-1234567
Tax form	Small Business Corporation, Two or More Owners (Form 1120S)
Industry	All Other Miscellaneous Store Retailers (except tobacco stores)
Company Email	[Your email address]
Customer-Facing E-Mail	info@imaginephoto.biz
Company Phone	+1 925-555-1111
Website	http://www.imaginephoto.biz
Company Address	123 Main St., Pleasanton, CA 94566
Customer-facing and Legal Addresses	Same as company address

Table 2-1 Company Settings

5. 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

Modify the Chart of Accounts

6. Set up your **Chart of Accounts.** Add the account categories shown in Table 2-3. You do not need to enter *Descriptions*.

ACCOUNTS TO ADD TO THE CHART OF ACCOUNTS					
Action	Account Name	Account Type	Detail Type	Make this a subaccount?	Parent Account
Add	Business Checking (1025)	Bank	Checking	No	
Add	Money Market (7809)	Bank	Money Market	No	
Add	Business Visa (5678)	Credit Card	Credit Card	No	
Add	Photography Income	Income	Service/Fee Income	No	
Add	Computer Expenses	Expenses	Office/General Administrative Expenses	Yes	Office Expenses
Add	Marketing	Expenses	Advertising/Promotional	Yes	Advertising & Marketing

Table 2-3 Add these accounts

7. Continue to modify your **Chart of Accounts** using Table 2-4. Merge, edit, or inactivate these accounts:

CHANGES TO MAKE TO THE CHART OF ACCOUNTS		
Action	**Account Name**	**Edits to make:**
Merge	Sales	*Account Name*: **Sales of Product Income**
Edit	Website ads	*Account Name*: **Website**
Make inactive	Land	Not needed
Make inactive	Supplies and Supplies:Supplies & materials	Inactivate both the **Expense** and its **Subcategory**. *DO NOT INACTIVATE Cost of Goods Sold:Supplies & Materials.*

Table 2-4 Edit or inactivate these accounts

8. Click the **Run Report** button in the upper right corner to create an **Account List** report. Note that it's sorted alphabetically. Compare your Chart of Accounts to the *Imagine Photography Account List PDF* in your student QuickBooks Online Classroom Files folder.

Import the Products and Services List

9. Set up your **Products & Services List** by importing the spreadsheet in your classroom files folder.

   a. Scroll down to the bottom of the *Products & Services* window. Click the **Got your products and services in a spreadsheet? Upload them using batch import** link.

   b. Click **Import CSV** in the upper right.

   c. Browse to the **ImaginePhotographyProductList.csv**

   d. The fields are already mapped, so you can just click **Next** to accept the defaults.

   e. In the confirmation window, update any fields the tool doesn't recognize. If the *Quantity As-Of Date* does not import, click in each field and enter January 1 of LAST year.

   f. **Uncheck** the *Buy* column to the left of **Standard Package** as we only sell this item and don't purchase it.

   g. When your screen matches Figure 2-48, click on the **Save** button in the lower right corner of the screen. If you don't see the button, adjust your browser settings.

   h. After the import, close the window. This will import eight products and services, for a total of 10 including QBO's default items.

   i. In the next chapter, you will add additional *Products and Services* to this table.

Figure 2-48 Fix any import errors